Commercial Insights into China's Two-Way Investment 2026

PwC November 2026



Foreword

Companies are changing how they think about cross-border investment in response to the pace of change and global uncertainty. The focus is expanding beyond capital flows, short-term returns and scale towards building the ability to innovate, adapt operations and grow across markets. These factors form the foundation of strategic resilience.

China's two-way investment landscape brings this shift into focus. Multinational companies are drawing on China's consumer markets, research and technology ecosystem, industrial supply chains and clean energy infrastructure to test demand, develop solutions and adapt their operations. At the same time, Chinese companies are taking expertise and operating models developed in China into international markets. Together, these flows show that China's role in global business extends beyond being a market or production base: it is also a place where new approaches are built, tested and scaled.

Drawing on the cross-border experience of PwC partners and specialists across industries and disciplines, this report brings together our perspectives on strategy, operations, innovation, governance and talent. It offers business leaders a practical framework for determining which capabilities matter most and how to build long-term strategic resilience – whether investing in China or expanding overseas.



Hemione Hudson
Chair and CEO, PwC China
November 2026

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01

Two-way investment: Investing to enhance strategic resilience

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Global cross-border investment has been fluctuating, with capital flows becoming increasingly concentrated. UNCTAD data shows that global foreign direct investment (FDI) rebounded to USD1.6 trillion in 2025, but this recovery remains fragile and uneven. On the one hand, inflows into developed economies grew far faster than those into developing nations, with new capital concentrating in a handful of markets. On the other hand, strategic sectors – such as AI infrastructure, semiconductors, critical minerals, and energy transition technologies – absorbed 44% of global greenfield investment[1].

While aggregate capital flows highlight macro trends, they reveal little about the concrete challenges companies face when making investment decisions. During expansion, allocating capital to computing clusters requires fundamentally different capabilities than investing in traditional capacity. During contractions, some enterprises continue to scale up, while others rationalise their geographic footprint. To move from trend tracking to decision-making, business leaders need to understand the core drivers behind enterprise investment choices to build strategic resilience.



1. Frontline perspective: Capital flows and capability investment

The principal insights in this report draw on frontline observations from 18 PwC partners and experts. Serving clients across healthcare, technology and innovation, automotive, consumer goods, and other sectors, these practitioners cover diverse disciplines including strategy, operations, organisational design, capital markets, and audit. Their observations converge on a key finding: **when enterprises adjust their global footprint, their objective is no longer simply to cut costs or capture larger markets, but to strengthen the strategic resilience of their global operations.** In an uncertain environment, companies are seeking a broader set of strategic options, shorter transformation cycles, and more sustainable, predictable revenue.

Observation one: Uncertainty is driving a shift in global investment decisions

PwC research reveals that, in response to geopolitical and technological challenges, enterprises' global investment footprints are evolving along three key trends. First, supply-chain logic is shifting from efficiency-first to resilience-first: companies are no longer focused solely on cost reduction, but are increasingly prioritising redundancy across the entire chain. Second, reliance on a single technology is giving way to diversified allocation, with enterprises establishing localised technology generation and engineering capabilities in different markets and incorporating these pathways into risk management frameworks. Third, investment places greater weight on the operational capabilities of underlying assets. In data centres, advanced manufacturing, and new-energy equipment, for example, electricity costs and carbon-emission intensity are now factored directly into investment-return calculations.

These trends indicate that the primary factors shaping enterprise investment decisions are changing. Whereas return on investment (ROI) was once the dominant consideration, a growing number of enterprises now assess whether the assets or capabilities acquired through investment can adapt to contemporary shifts and technological change.

Observation two: Investment targets matter more than investment scale

Traditionally, cross-border investment has been measured primarily by the volume and direction of capital flows. While this framework remains relevant, it leaves a key blind spot: it reveals little about the actual assets underlying the capital. This report therefore shifts the lens from capital flows to enterprise decision-making, examining three core arrangements that shape the investment process: first, the mode of entry (whether through wholly-owned entities, joint ventures, licensing, or co-development); second, organisational design (specifically the local team's position within the global decision-making hierarchy); and third, the nature of returns (whether the investment ultimately yields production capacity, methodologies, or product definition rights).

When these three arrangements are considered together, the true significance of a global investment footprint becomes clearer. For example, two enterprises may each build a new production base; however, one acquires only physical assets such as plant and equipment, whereas the other gains underlying capabilities – such as process documentation, supplier networks, and ramp-up methodologies – that enable continuous operations. The former depreciates; the latter can be redeployed at the next site or in the next market.

Capabilities that can be extracted, reused, and recombined are defined in this report as underlying capabilities: the observable, transferable, and reconfigurable methodologies that enterprises accumulate over time through specific operational environments and organisational practices.

Table 1: Comparison of different investment perspectives

Investment target	Investment returns (examples)	Value continuity
Production capacity and equipment	Plants, production lines, and physical depreciable assets	Gradually realised through depreciation across the asset lifecycle
Market and channels	Market share, brand equity, and customer relationships	Fluctuates alongside structural shifts in market dynamics
Underlying capabilities	Reusable engineering methodologies, supply chain networks, team collaboration, and R&D processes	Can be rebuilt and reused elsewhere

Source: PwC analysis

Observation three: Underlying capability reserves build strategic resilience

The deeper an enterprise's underlying capability reserves, the broader the range of options available when shocks occur, the shorter the transformation cycle, and the lower the transformation cost.

Underlying capabilities translate into strategic resilience through three key attributes. **First, observability:** they need to reside in concrete vehicles such as projects, production lines, systems, processes, contracts, or teams. If an enterprise cannot identify where a capability resides, it cannot determine whether that capability has truly been accumulated. **Second, transferability:** they should remain effective at the next site or in the next market. Capabilities that apply to only one location amount merely to local knowledge. Transferability determines whether experience gained in one place can be converted into reusable capabilities elsewhere. **Third, reconfigurability:** they must be capable of being recombined with other capabilities or replicated and migrated for reuse. A capability used only once has not yet been converted into an asset. Reconfigurability determines whether an enterprise can rapidly mobilise and reallocate existing capabilities when change occurs.

> In an environment where technological iteration is measured in months, geopolitical configurations are continuously shifting, and regulatory requirements are becoming increasingly granular, what enterprises can truly count on is the ability to rapidly reconfigure their capabilities amid uncertainty. Such capability cannot be acquired overnight; it needs to be built continuously through repeated validation in real operational settings and successive rounds of cross-market reuse. The deeper this accumulation, the greater the enterprise's confidence in navigating economic cycles. This is the very source of strategic resilience.

Kevin Wang
Vice Chair and Chief Markets Officer, PwC China



2. Strategic resilience: The primary objective of investment decisions

Underlying capabilities represent an enterprise's accumulated capability base; however, capabilities alone do not equate to resilience. Whether these capabilities can effectively function during periods of change depends on whether they can be organised into an adaptable, readily mobilised structure.

This report defines that structure as **strategic resilience: an enterprise's ability to rapidly reconfigure its operating model in response to future change.** Strategic resilience encompasses two dimensions. The first is **engineering resilience**, where an enterprise absorbs a shock and returns to its original operational trajectory. This tests buffering and recovery capacity, which is critical for maintaining existing scale and income stability. The second is **ecological resilience**, where an enterprise moves to a new equilibrium after a shock because its original trajectory has been permanently altered. This tests the capacity to adapt, reorganise, and transform. Most of the shifts enterprises currently face belong to the latter category: once market structures, technology pathways, or cost curves shift, there is no returning to the status quo. Resilience, therefore, **is not merely about endurance; it is the capacity to regain one's footing in a fundamentally changed environment.**

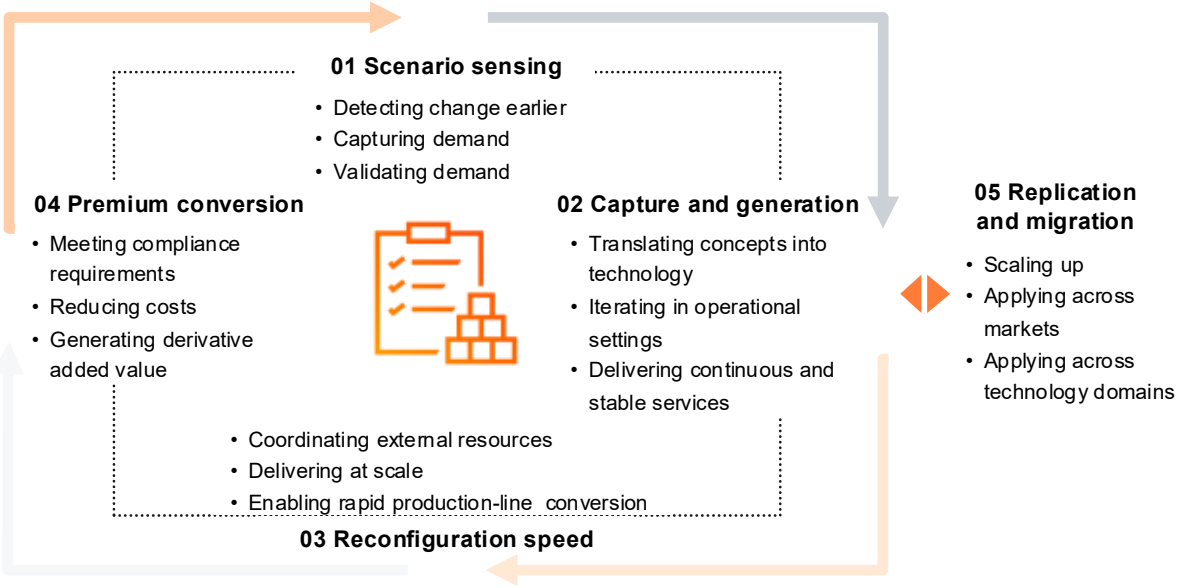
Underlying capabilities define what capabilities an enterprise possesses, which naturally vary by enterprise and industry. While different companies need to accumulate different underlying capabilities, the foundational framework supporting strategic resilience remains consistent. This report views **strategic resilience** as comprising five core elements. These five elements interact dynamically in a multiplicative manner rather than as a simple sum: a deficit in any single element will cause an enterprise's capability to respond to change to fail at its weakest link.

Table 2: Five elements of strategic resilience

	Meaning	Corresponding enterprise decision
Scenario sensing	Detecting market shifts early in real operational environments and completing initial validation at controllable cost. Performance is measured by the speed of signal detection and validation, rather than the accuracy of long-term forecasts	How quickly does an emerging signal reach the executive agenda, and how many validation scenarios can run in parallel?
Capture and generation	The technical and engineering capacity to translate concepts into practical prototypes and validate them, reflected in development velocity and first-pass success rates	What mechanisms are used to validate and translate ideas into practice, and what proportion achieve first-time success?
Reconfiguration speed	The agility with which production lines and service workflows can be restructured and deployed, applying directly to physical operations and operational processes rather than organisational decisions alone	How long does it take to retool a production line, and what is the lead time to restructure a service delivery system?
Premium conversion	The ability to translate regulatory compliance and low-carbon mandates into commercial premiums. Compliance provides revenue certainty, whilst operational cost reduction serves as a primary lever to secure margin premiums	Can a price premium be captured, and what green resources and baseline conditions are accessible upon entering the target market?
Replication and migration	Consolidating the capabilities developed across the preceding four elements, rapidly transferring them to adjacent markets or business lines, and re-adapting them to local operational conditions	Can this operating model be replicated elsewhere, what local adaptations are required, and what is the expected deployment timeline?

Source: PwC analysis

Figure 1: Five elements of strategic resilience



Source: PwC analysis



Each of the first four elements corresponds to a specific business field where enterprises can acquire, develop, and internalise relevant capability components. By contrast, "replication and migration" does not belong to any single field; rather, it serves as the common convergence point for the preceding four, determining whether an enterprise can successfully transfer a capability combination acquired in one location to the next market, thereby sustaining long-term value.

AI technologies and ecosystems are deepening the substance of these four elements. In sensing methods, for instance, models and data have emerged as new sources of perception. In demand validation, periodic surveys are giving way to real-time data feedback. In capturing new technologies, joint development and rapid prototyping are gaining strategic importance. Furthermore, digital production lines and service processes – rather than the physical product itself – have become the core of operational reconfiguration. On the sustainability front, beyond traditional energy costs, the supply of clean computing power has emerged as a primary area of focus.

> This report shifts the lens from capital flows to enterprise decision-making, aiming to help stakeholders understand the capability requirements underpinning two-way investment. Macroeconomic fluctuations are exogenous and lie beyond the control of enterprises; by contrast, strategic resilience is endogenous, capable of being actively cultivated and accumulated. As uncertainty becomes the new normal, corporate competition is no longer solely about who can forecast with greater precision, but about who can most rapidly reconfigure their capabilities amid change.

Josene, Xing Zhou
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3. Observing China: Building capabilities to adapt to change

Over the past four decades, multinational corporations (MNCs) investing in China have largely followed two primary trajectories. The first is **cost-driven**, prioritising low-cost manufacturing capabilities with investment focused primarily on plant, equipment, and production capacity. The second is **market-driven**, targeting domestic market scale and placing greater emphasis on the localisation and adaptation of brands and distribution channels.

These traditional paradigms are now shifting. PwC's survey of senior MNC executives in China indicates that only 33% of respondents view their China operations as being limited to serving the local market. Meanwhile, 26% report that their China operations have achieved Asia-Pacific leadership, and 6% report having attained global leadership[2]. Today, emerging investment orientations and novel forms of collaboration between MNCs and Chinese enterprises have transcended traditional investment modes, warranting close strategic attention.

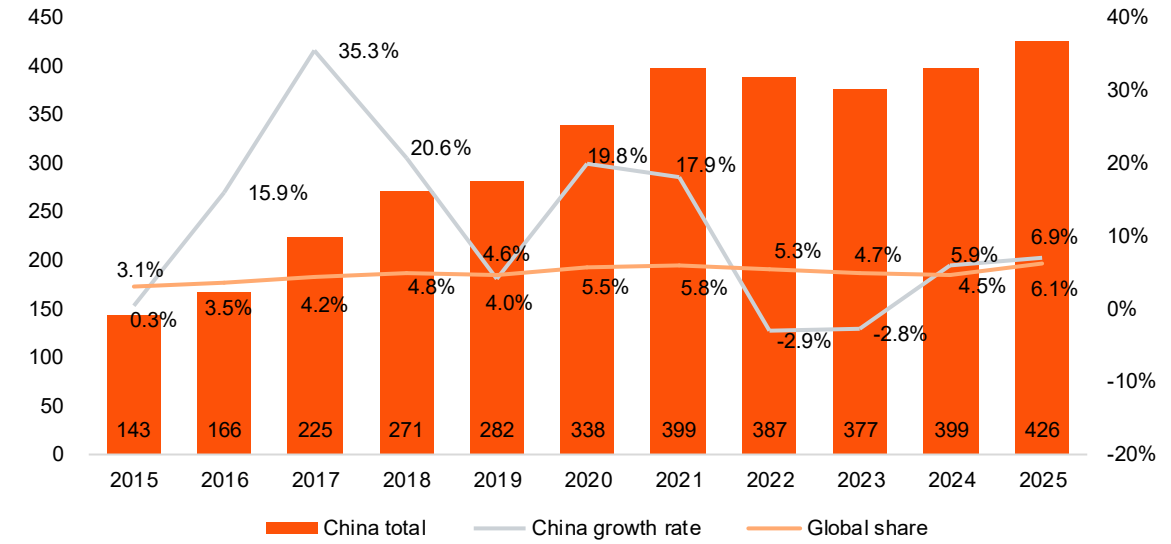
- **Global upgrading of R&D organisations in China.** An increasing number of MNCs are elevating their China R&D centres from local adaptation units to sources of global innovation. Chinese teams are no longer limited to localising global products for the domestic market; instead, they are integrating Chinese solutions into global product lines.

- **Joint advancement in the systematic reuse of manufacturing capabilities.** When MNCs establish new overseas plants, process documentation, equipment lists, supplier directories, and ramp-up manuals increasingly draw on Chinese systems, with the frontline experience of Chinese teams becoming the preferred master process template for new facilities. Concurrently, Chinese enterprises expanding globally have progressed from traditional product exports to the outbound deployment of advantageous production capacity, and further to the comprehensive establishment of overseas R&D centres, brands, and operational systems.

- **Global transactions involving Chinese innovation outcomes are becoming increasingly active**. In 2025, China's total imports and exports of intellectual property royalties exceeded RMB400 billion, representing a year-on-year increase of 7%, with exports surging by 26.3%[3]. Over the same period, China's exports of special-purpose equipment, high-end machine tools, and industrial robots grew by 20.6%, 21.5%, and 48.7% respectively, with industrial robots achieving net export status[4].



Figure 2: Total import and export value of China's intellectual property royalties (Unit: RMB billion)



Source: Chinese data from the State Administration of Foreign Exchange; global data from ITC (International Trade Centre)

- **Configuring global green computing power with China as the base.** Computing-related capital is increasingly flowing toward green-energy hubs in western China. Sovereign wealth and clean-tech funds are actively engaging with China's green computing infrastructure, while international technology companies are participating through diverse collaborative models. Furthermore, certain regions in China are converting their green-electricity advantages into the global deployment of digital assets and tokens, creating a systematic framework for the international expansion of clean energy, digital technologies, and industrial ecosystems.

The investment and transaction logic behind these four sets of phenomena is driven neither solely by cost reduction nor merely by market expansion. The adoption of Chinese architectural solutions in global product lines, the integration of Chinese operational systems into new overseas manufacturing plants, the surge in China's exports of high-tech products and services, and the rise of China-originated low-carbon computing and power solutions collectively point to a singular signal: **the primary variable in corporate investment decisions is shifting from cost reduction and market expansion to underlying capabilities. China's two-way investment brings this strategic shift into sharp focus.**

Bringing in: MNCs come to China to access capabilities. What attracts MNCs to China is no longer solely market scale or cost advantages; rather, it is the distinctive underlying capabilities that are difficult to replicate elsewhere. Here, market demand can be validated earlier, ideas can be translated more rapidly into verifiable products, production lines and service systems can be reconfigured with greater speed, and green inputs are more readily accessible. These operational advantages directly embody the four core elements of strategic resilience: scenario sensing, capture and generation, reconfiguration speed, and premium conversion.

Going global: Chinese enterprises go overseas to reuse capabilities. The overseas expansion of Chinese enterprises is driven not by the erosion of domestic cost advantages or market scale, but by the pursuit of new value through global deployment: **capturing incremental markets** where competitive advantages forged in China can command higher premiums and faster growth abroad; **staying close to customers and operational scenarios** by positioning R&D, manufacturing, and services as near to clients as possible to accelerate localisation; **mitigating single-market exposure** by leveraging diversified geographies to hedge against shifts in policy, exchange rates, and trade environments; and **strengthening global operational resilience** by transferring capabilities accumulated in one region across broader international markets.

Two directions, the same destination. Inward investment by MNCs represents **the convergence of capabilities into China**, whereas the outbound expansion of Chinese enterprises represents **the outward projection of capabilities.** Together, **two-way investment presents a complete framework for enhancing the strategic resilience of global operations: enterprises no longer depend on a single market or isolated factor endowments; instead, through the continuous generation, reuse, and migration of capabilities, they secure the structural confidence needed to navigate through economic cycles.**

"

Co-creation is increasingly emerging as a pivotal dynamic in two-way investment. MNCs contribute global vision and market channels, Chinese enterprises provide rich operational scenarios and rapid iteration capabilities. This powerful synergy effectively integrates China's scenario validation and engineering excellence with global operational networks and brand equity. The value of this collaboration extends far beyond cost efficiency and speed; crucially, it unlocks new growth amid the restructuring of global industrial chains: new products are validated more swiftly, production processes are proven out faster, and new standards are established more rapidly. Ultimately, these outcomes scale across global markets, delivering widespread benefits to a broader array of countries and industries.



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4. Business analysis: The four fields of capability development

The five elements of strategic resilience outlined above need to be rigorously forged through active commercial engagement. This report categorises the business environment in which enterprises cultivate capabilities in China into four core fields: the consumer market (detailed in Chapter 2), technological innovation (Chapter 3), manufacturing (Chapter 4), and green transformation (Chapter 5).

These four business domains nurture distinct underlying capabilities: the consumer market hones demand insight and brand reach; technological innovation shapes research and development alongside ecosystem iteration; manufacturing strengthens supply chain execution and cost control; and green transformation builds regulatory compliance and sustainable operations. Enterprises are not required to deploy uniform effort across all fields; rather, aligned with their overarching strategies, they select, allocate, and reconfigure highly compatible capability combinations across these domains.

Following a rigorous three-tier process of refinement, screening, and synthesis, this report identifies 16 capabilities across China's four business domains that warrant focused attention from enterprises. **First, empirical identification:** industry partners with extensive expertise in cross-border investment – spanning consumer goods, healthcare, technological innovation, and the automotive sector – have pinpointed capabilities that are highly transferable for both MNCs investing in China and Chinese enterprises expanding globally. **Second, strategic alignment:** these capabilities are cross-referenced against China's structural advantages, including a comprehensive suite of industrial categories, high supply chain density, rapid manufacturing and validation cycles, and the coordinated supply of green power and computing infrastructure – conditions that are exceptionally difficult to replicate simultaneously on a global scale. **Third, framework integration:** each capability maps directly onto the five-element resilience framework, possessing the requisite attributes of being replicable, reconfigurable, and seamlessly integrable into globalised operations.

Table 3: Manifestation of the five elements of strategic resilience across China's four business domains

Strategic element	Business domain	Scarcity advantages provided by China			
Scenario sensing	Consumer market	New product definition and development	Multi-tiered market demand validation	Digital and intelligent feedback system	Commercial conversion for global debut launches
Capture and generation	Technological innovation	Concept engineering and pilot-scale validation	Scenario-driven technology adaptation and iteration	Multi-party co-creation ecosystem	Complex system integration and architecture innovation
Reconfiguration speed	Manufacturing	Process engineering	Supply chain resilience orchestration	Flexible manufacturing	Operational know-how capitalisation
Premium conversion	Green transformation	Access to stable green electricity supply	Green computing power provision and scheduling	Product carbon footprint tracing and certification	Zero-carbon industrial park and factory solutions
Replication and migration	Does not correspond to a single domain; represents the systematic transfer and deployment of capabilities cultivated across all four domains.				

Source: PwC analysis

Chapters 2 to 5 of this report will elaborate on the 16 capabilities across the four business domains, covering shifts in global capital allocation against the backdrop of rapid AI development; the underlying capabilities that can be cultivated and their specific manifestations; the evolutionary stages of MNCs in China alongside potential avenues for collaboration with Chinese enterprises; and the mechanisms through which enterprises share underlying capabilities outward to create global value. Chapter 6 will focus on future investment decisions, assisting enterprises in evaluating their existing capability base, gauging their resilience levels, and determining the strategic actions required moving forward.



We observe that a growing number of global enterprises are deploying tailored underlying capabilities within China's diverse business landscape. However, the capabilities embedded across the Chinese market are dispersed across various regions, industrial clusters, and vertical segments. Identifying and unlocking these capabilities – and allocating them effectively to optimise investment portfolios – warrants careful consideration by business leaders. This is precisely where the value of professional services organisations lies: by delivering deep cross-industry insights and integrated solutions that bridge strategy, architecture, tax, legal, and operations, ensuring that capabilities deployed in China are seamlessly transformed into the global strategic resilience of the enterprise.



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02

Consumer market: From volume growth to debut ground

A new anchor for consumer market investment: first-launch validation

Four capabilities in China's consumer market

How MNCs participate in China's consumer market

Sharing China's consumer market capabilities with the world



The consumer market addresses the first element of strategic resilience: scenario sensing. China's consumer market is shifting from a place to sell products to a place to validate new products. This chapter outlines the structural changes behind this shift, then breaks down four types of capability in China's consumer market. It also examines how MNCs configure these capabilities through partnerships and how these capabilities are carried overseas as companies pursue global expansion, creating a capability cycle within two-way investment.



1. A new anchor for consumer market investment: First-launch validation

Over the past decade, investment by consumer-sector MNCs in China has centred on two dimensions: which products to bring into the market, and how to use channel strategies to reach different consumer groups. Today, companies increasingly use diverse consumer markets to spot emerging demand and develop new products for global markets. Three structural shifts are changing where companies choose to validate emerging consumer trends.

First, consumer product iteration cycles have been compressed to quarterly or even monthly. Social media and livestream e-commerce are accelerating change, while trends such as the beauty economy, emotional value and sustainable consumption keep redrawing the demand landscape. Traditionally, companies defined products in mature markets before distributing them globally. That approach is now under strain because products may need updating almost immediately after launch. A growing number of companies choose to complete first-round validation in markets with fast iteration, compressing the testing, feedback and optimisation cycle as far as possible.

Second, divergence across global consumer markets is intensifying. The same category shows significant differences in price sensitivity, channel structure and brand perception across North America, Europe, Southeast Asia and the Middle East. The past practice of validating in a single mature market and then pursuing standardised replication no longer works reliably in markets with diverse structures. Companies need to test simultaneously across sufficiently different markets and build up methods for replication and migration.

Third, decision-making now demands greater data density and real-time availability. Traditional quarterly sample surveys can no longer keep pace with operations that track SKU sales by the day and adjust campaigns by the hour. Validation capability also relies more heavily on digital infrastructure.

Global consumer companies are looking for a market where they can test the entire chain, validating demand, unit economics and supply chain faster and at lower cost. China's market is large enough to support robust sample sizes, its tiered structure makes it easy to set up control groups, and its digital infrastructure shortens feedback cycles. Together, these strengths make China well suited to full-chain testing.

2. Four capabilities in China's consumer market

In 2025, China's total retail sales of consumer goods surpassed RMB50 trillion[5], and the 15th Five-Year Plan for Expanding Consumption proposes reaching around RMB60 trillion by 2030[6]. For consumer companies, what matters most in China's consumer market is not just its scale, but the richness of its tiered structure and how that tiering can be used to speed up product validation. In China's consumer market, companies can focus on four capabilities: new product development and definition, multi-tiered demand validation, digital and intelligent feedback system, and global first-launch conversion.

(1) New product development and definition: Turning ambiguous signals into actionable solutions

This capability turns early market signals into clear, actionable and verifiable product proposals. It spans the full process **from demand insight and concept generation to commercial validation, technical feasibility and product finalisation.** China's advantage is that the links in this chain work relatively smoothly. Demand signals are clear and backed by data on consumers' willingness to switch brands, and there is a deep pool of local formulation and ingredient engineers. Digital research tools and user co-creation mechanisms connect the demand side with R&D, shortening the cycle from demand insight to product specification finalisation. PwC's Voice of the Consumer 2025 Global Survey shows that 23% of consumers in mainland China switched their usual food brands because of innovative products, compared with a global average of 14%[7].

For MNCs, this capability helps reduce the losses generated by the back-and-forth process of "definition at headquarters, adaptation in China and revision by headquarters". New products can be developed directly in China, product specifications can undergo multiple rounds of real-market testing before launch, and failure costs are front-loaded and relatively containable. Patents, formulations and processes developed during R&D can also feed into the company's global system.



(2) Multi-tiered demand validation: Simultaneous testing across multiple market tiers

China's consumer market spans a wide range of tiers and diverse types. Consumers in first-tier cities have mature brand awareness and a strong willingness to try new products; consumers in new first-tier cities prioritise quality and value for money; consumers in second- and third-tier cities are more influenced by word of mouth and social sharing; and county-level markets are primarily pragmatic and more price-sensitive, yet their consumption growth is above average. In 2025, retail sales of consumer goods in China's towns and rural areas reached RMB12.6 trillion and RMB6.8 trillion respectively, with average annual growth from 2021 to 2025 being 0.7 and 0.5 percentage points higher than that in urban areas[8].

Multi-tiered demand validation lets companies test the same product at several price points and across different market tiers at the same time. Premium versions test the scope for price premiums, affordable versions test volume potential and cost limits, and mid-range versions identify the best value-for-money positioning. New products are first piloted in three to five representative cities, with data fed back for rapid adjustment. The cost of trial and error remains relatively manageable given the size of the market. The conclusions drawn from multi-tiered validation can be reused when a business enters other tiered markets.

A Chinese coffee company operates more than 30,000 stores nationwide, offers a broad product range and pursues differentiated strategies for markets at different tiers. First-tier cities have strong purchasing power and are served mainly through self-operated stores, which are a key source of profit. Third- and fourth-tier cities are price-sensitive, but the cost of expanding stores there is relatively low, so the company adopts a partnership-store model to grow its store network and total sales rapidly. New products are first piloted in selected cities, and pricing in different regions is adjusted quickly once the data is returned.



(3) Digital and intelligent feedback system: Supporting rapid iteration from samples to new products

The digital and intelligent feedback system forms the digital support framework that connects every stage from product sample and launch through to data feedback and iterative improvement. China's mobile payment penetration exceeds 86%[9], the average end-to-end delivery time for express services is just 51 hours, and major social platforms have more than 1 billion monthly active users[10]. This digital foundation means that decisions at each stage can largely be informed by data feedback, with closed-loop cycles compressed to weeks or even days. Tools such as AI-driven multivariate testing, generative content and real-time pricing replace quarterly sample surveys with continuous data flows.

For companies, a shorter cycle means they can run proportionally more tests. With the same budget, they can complete more hypothesis tests. The cost and time required for each iteration become more predictable, and headquarters receives conclusions supported by a full evidence trail. Such validation results can support companies' global new product decisions more directly.



A Chinese cross-border fashion platform illustrates this in practice: its AI system analyses more than 1 billion pieces of user data every day, translating consumer insights into design decisions. Under the small-batch quick-response model, sales data flows back in real time and feeds into the next round of product selection and design. This forms a closed loop of consumer feedback, product innovation and market validation, testing emerging demand at relatively low cost.

(4) Global first-launch conversion: Bringing local experience into global processes

This capability brings products, business models and digital systems proven in China into the company's global system as knowledge assets. It covers integrating them into global product selection, connecting them to the global data platform and giving the China team certain decision rights over new products.

This capability upgrades local experience from China's consumer market into a global asset. For example, validation conclusions can support global new product launch decisions, reduce new product failure rates and shorten time to market. At the same time, consumer-side digital assets built up in China, such as mini programmes, membership systems and store systems, can also be replicated in other markets.



An international sportswear company has established a creative centre in China with around 200 designers and creative staff. The centre is responsible for the design of more than 65% of the products sold in China, and 25% of the products it designs are sold overseas. The New Chinese Style collection led by this team has performed strongly in North America, and the team is also developing products for markets such as South Korea and Japan.

Table 4: Four underlying capabilities in China's consumer market

Capability	Problem addressed	Business action
New product development and definition	How ambiguous signals become an actionable product plan	Identifying new product demand, building teams, connecting formulation and ingredient engineering resources
Multi-tiered demand validation	Whether the test can establish both the price curve and the cost boundary	Running pilots in 3–5 representative cities and building a tiered testing grid
Digital and intelligent feedback system	The time and cost of a single trial	Connecting to digital platforms, payment and logistics data interfaces, and deploying intelligent experimentation tools
Global first-launch conversion	Whether local conclusions remain local experience or become global assets	Extending methodologies, operational experience and data analysis capabilities from China to other markets worldwide

Source: PwC analysis

> What makes China's consumer market unique is that it offers scale, segmentation and speed at the same time. It has consumers who are willing to try new things and are sensitive to innovation, and a multi-tiered market stretching from first-tier cities to county level. It also has a digital foundation built on mobile payments, logistics and social platforms, which can support real-time feedback loops. For companies, what really matters is integrating new product definition, tiered testing and data-driven iteration into a single process, and gradually developing a new product launch system that suits them. New products come and go with each cycle; a system can be reused time and again.

Carrie Yu
Consumer Markets Industry Leader, PwC China



3. How MNCs participate in China's consumer market

The relationship between multinational consumer goods companies and China's consumer market has gone through several rounds of evolution. The thread running through this evolution is the role China's market plays in the global system. It began as a sales market, later became an operating base for deeper development, and served as a testing ground where data and methods could be accumulated. Today, it is seen as a source of innovation capable of producing new products or methodologies for the global market.

Table 5: Stage-specific characteristics of MNCs' investment in China's consumer market

Stage	Key capabilities	Characteristics	How it enters the global system
Product entry into China	Obtaining market access and sales market	Products enter through trade, with some localised production	Channel reach and localised production
Localised operations	Building demand insight and product adaptation capabilities	Wholly-owned or controlling shareholder; localisation of products, channels and brands	Local insights feed into category management, supporting scaled operations
Omnichannel and digitalisation	Building data feedback and rapid iteration capabilities	E-commerce operations, social marketing, membership systems, instant fulfilment	Sharing data-driven decision-making methods with other markets
Capability co-creation and migration	Turning local validation results into globally usable assets	Digital membership systems, local supply chains, expansion of franchising models	Validation conclusions from China feed into global product launch and product selection processes

Source: PwC analysis

The evolution of the investment relationship has reshaped how MNCs work with Chinese companies. As brands, capital, digital capabilities and supply chains are divided into ever more specialised roles, MNCs have changed how they configure the underlying capabilities of China's consumer market. This has given rise to four representative types of cooperation: equity cooperation, R&D cooperation, joint development of digital capabilities, and sharing the growth in services consumption.

(1) Equity cooperation

When an MNC values long-term access to a particular local capability more than one-off market entry, equity cooperation often becomes the preferred option. The MNC can first identify the local capabilities it urgently needs, such as local sales networks and channels, new product R&D capabilities, and digital operating systems, and then, through equity cooperation, enter into a long-term partnership with a partner that holds the target capability. This gives it continuous access to the local capability and enables both parties to complement each other's strengths.



In 2018, an international brewer acquired a 40% stake in a Chinese brewer, achieving deep integration of international brand operating experience with local channels. The international company gained access to a distribution network in China, while the Chinese company advanced upmarket through the partnership. In the first half of 2026, the international brewer's beer sales in China grew by more than 20%, and China has become one of the markets with a relatively high net profit contribution.

(2) Building a joint R&D ecosystem

When an MNC seeks to build original capability from demand insight to product definition, rather than merely adapt products for the Chinese market, building a joint R&D ecosystem is the more effective path. Under this model, MNCs can access China's rich consumer data and local R&D resources, forming a complete chain from demand insight to product specifications. Specific cooperation forms include joint R&D centres, joint laboratories and medical research co-creation platforms, covering formulation R&D, ingredient engineering and clinical validation. MNCs may consider delegating R&D decision-making authority to their China teams at an early stage, so that local teams can build operating systems faster and better through cooperation.



Take the case of a multinational cosmetics company. When it established its China R&D and Innovation Centre in Shanghai in 2005, the centre was responsible only for local adaptation of global formulations. It has since grown into an original research base with around 400 researchers. An exclusive patented technology used in one of its star products was developed by the China team and has been applied to global markets. The centre has also set up a skin science laboratory for medical research co-creation with local Chinese hospitals, opening up a translation channel between industry and clinical practice. In May 2026, the centre was recognised by the Shanghai municipal government as a Global R&D Centre.

(3) Integrating with digital platforms and supply chains

When MNCs need rapid iteration and efficient fulfilment, connecting digital platforms and supply chains is a major area of cooperation. Such cooperation gives MNCs direct access to China's proven digital platforms and supply chain systems. These cover e-commerce operations, social marketing, membership systems, instant fulfilment, logistics automation and supply chain localisation. On this basis, MNCs can leverage local partners' digital capabilities to shorten decision-making chains. They can also roll out the full-chain digital service system proven in China to other markets worldwide.



In 2017, an international fast-food company sold a majority stake in its China business to investors including a Chinese company. Its China R&D centre subsequently developed a full set of new digital solutions, including an official app, a restaurant management system, and advanced digital food safety systems and a smart supply chain. It now has more than 300 million registered members. This digital ecosystem has not only supported the expansion of its China store network from around 2,500 in 2017 to more than 8,000, but has also become a global benchmark for the company's digital innovation.

(4) Sharing the growth in services consumption

As MNCs look for growth beyond goods, the opening-up of China's services consumption is creating new opportunities. Demand for services consumption in China continues to be released in areas such as healthcare, education, culture and entertainment, and silver healthcare. The 15th Five-Year Plan explicitly proposes shortening the negative list for foreign investment access and steadily implementing opening-up pilots in value-added telecommunications, biotechnology and wholly foreign-owned hospitals. Wholly foreign-owned hospitals and educational institutions have already been among the first to be implemented. In 2025, key hospitals in China handling foreign-related services received 1.28 million international patient visits, up 73.6% compared with three years earlier[11]. Services consumption relies more heavily on local scenarios and talent, and first-round validation is difficult to complete remotely. MNCs need to seize the opening-up window, bring their mature service products and operational experience into China, and develop customised, diversified service offerings.

In December 2024, China approved its first licence for a wholly foreign-owned tertiary general hospital. The hospital officially opened in February 2025 with a total investment of around RMB1 billion. As of June 2026, the hospital had treated patients from 41 countries and regions.



Table 6: Main modes of cooperation between Chinese and foreign enterprises in the consumer market

Modes	Characteristics	Advantages of MNCs	Advantages of local companies
Equity cooperation	Selling a partial or majority stake and entering into a long-term partnership with a local partner	Brands, product standards, intellectual property	Capital, local networks, digital capabilities, speed of implementation
Building a joint R&D ecosystem	Establishing global R&D centres and jointly developing new products	Basic research, category management experience, global innovation systems	Consumer data, demand insight, responsive supply chain, tiered validation
Integrating with digital platforms and supply chains	Accessing digital platforms and supply chain systems, with intelligent tools driving full-chain collaboration	Brands, global operating systems	Digital platforms, logistics networks, local supply chains, instant fulfilment
Sharing the growth in services consumption	Establishing wholly owned or joint venture operations in pilot sectors	Service standards, professional capabilities, operating models	Local scenarios, talent, compliance experience

Source: PwC analysis



Cooperation in the consumer market is very different from that in manufacturing and innovation. It relies more heavily on real-time capture of consumer preferences, parallel validation across tiered markets, and rapid response from digital platforms and supply chains. These capabilities often lie outside the company itself and are dispersed among local brands, platforms, supply chain partners and R&D partners. We have worked with many multinational consumer goods companies, helping them find the right partners, design appropriate cooperation structures and assemble dispersed capabilities into a workable solution. Only by choosing the right approach to integration and cooperation can companies make the most of the advantages and capabilities of China's consumer market to support their global business and strategy.



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4. Sharing China's consumer market capabilities with the world

The capabilities built up in China's consumer market do not only serve MNCs entering China, but also empower the global market as companies expand overseas. On the one hand, Chinese companies take consumer products, brands and ecosystem networks refined in China to overseas markets. On the other hand, MNCs incorporate the validated conclusions, operating methods and digital capabilities they have gained in China into their global systems. These capabilities are becoming assets that the global consumer market can draw on directly.

(1) Products and brands going global

China's consumer goods exports cover a wide range of categories, with growth shifting from traditional everyday products to smart digital devices that deliver experiences and entertainment. Cross-border e-commerce offers a direct channel to overseas markets: in 2025, China's cross-border e-commerce exports reached RMB2.27 trillion, up 5.4%[12]. Chinese brands no longer rely solely on cost-effectiveness to enter overseas markets; they are earning premiums through original design, emotional value and cultural identity. Categories such as designer toys based on original IP, Chinese-style apparel and new-style tea drinks are proving popular with overseas consumers. For the global consumer market, Chinese companies going global offer a wider range of choices: value-for-money products continue to expand, emerging products are steadily enriching the supply available in overseas markets, and cultural expression travels with the products, making the consumer experience more diverse.

A Chinese designer toy company built its business around original IP characters. Through products such as blind boxes and figurines, it entered multiple country markets via offline stores, automated retail stores and overseas social platforms. By the end of 2025, its offline stores had reached 20 countries and regions worldwide, including 185 overseas stores, with overseas revenue accounting for 43.8% of the total. This shows that Chinese brands can enter overseas markets not only on the strength of cost-effectiveness, but also by earning premiums through emotional value and brand recognition.

(2) Reuse of validated conclusions and product solutions

Many MNCs incorporate products and methodologies validated in China's tiered markets into their global systems. How to set price bands, how to choose packaging specifications and how to segment target groups: these judgments have been repeatedly validated in China and have become important references for global product line decisions and overseas shelf adjustments. For global companies, this helps reduce the risk of new product launch failure and shorten the cycle from concept to mass production.

A US membership store's private-label product line developed in China is based on deep insight into Chinese household consumption habits. It precisely targets mid-to-high-end households' demand for cost-effective, large-pack, quality products. Through the accumulation of member data and rapid iterative validation in China's tier-one and tier-two cities, some product selection and pricing strategies have been fed back to its stores in the US, becoming one of the references for global product line decisions.

(3) Global reuse of operating methods

Consumer goods operating methodologies validated in China, including demand forecasting, product selection iteration, tiered pricing, channel coordination and supply chain responsiveness, can help companies understand global consumer demand more quickly. These methods have been repeatedly refined in China's diverse markets. They now serve more than the Chinese market alone, as companies have incorporated them into their global operating systems and turned them into general capabilities for their global consumer businesses.

A Chinese new retail group has taken its three flagship brands overseas, with more than 170 stores now operating in countries such as Singapore and Malaysia. What underpins this expansion is the global replication of a mature domestic new retail operating system. The first is a product library and iteration algorithms, which together enable rapid product iteration through a process of buyer screening, data validation and fast new product launches. The second is supply chain and cost control, built on outright purchase, direct sourcing and a large-scale supply chain to keep costs tightly under control without compromising on design quality.

(4) Global extension of the consumer ecosystem

China's consumer network is a highly integrated digital ecosystem in which platforms, fulfilment, content and payments work as one system, all accessible through a single entry point. Extending this ecosystem globally means migrating a full set of proven ways of working to overseas markets, including private domain operations, livestream e-commerce and instant retail, together with the operating methods and digital systems that support them. For overseas markets, there is no need to develop digital systems from scratch: companies can join this system and start operating straight away, which lowers the barrier to entry. Small and medium-sized brands, for example, can reach global consumers through the platform without building their own warehousing and logistics, while established companies can test new markets and refine new models at lower cost.

A Chinese e-commerce platform has taken overseas an ecosystem model it has already proven in China, built around direct supply chain links, data-driven operations and a fully managed service. Its overseas platform has grown in three years to a level that took its Chinese counterpart a decade to reach. Under the fully managed model, the platform handles listing, logistics and after-sales service, so small and medium-sized factories can reach global consumers simply by joining. Semi-managed arrangements, local warehousing and other options can be combined flexibly to suit each market. From 2023 to 2025, its overseas platform ranked first among global shopping apps for downloads for three consecutive years.

Table 7: Four forms of the global export of China's consumer market capabilities

Form	Core activity	Potential global value
Products and brands going global	Consumer goods trade, cross-border e-commerce channel expansion, categories such as smart digital devices, designer toy IP and new-style tea beverages going global	Provides diverse, value-for-money products, bringing emerging experiences and cultural expression into global markets at the same time
Reuse of validated conclusions and product solutions	MNCs incorporate pricing methodologies, consumer segmentation and other approaches validated in China into global product line decisions	Products have already undergone real-world testing before launch, reducing failure rates and shortening time to market
Global reuse of operating methods	Demand forecasting, product selection iteration, channel coordination and other methods from China are introduced to global markets	Validated methods can be reused directly, enabling overseas systems to become operational more quickly
Global extension of the consumer ecosystem	Private domain operations, livestream e-commerce, instant retail and other models, together with digital systems, are migrated overseas as a whole	Overseas companies can start operating simply by joining the consumer ecosystem, without building systems from scratch, which lowers the barrier to entry

Source: PwC analysis

> China's consumer market serves a dual strategic role. First, it drives global consumption inclusivity: price curves and supply chain solutions proven in China increasingly enable emerging-market consumers to access high-quality goods that were once the preserve of mature economies. Second, it acts as a global capability engine: digital infrastructure, operational methodologies, and product concepts cultivated in China accompany enterprises expanding abroad, providing transferable assets that other markets can leverage directly. As an accelerator of global consumer markets, China speeds up product dissemination; as a capability engine, it enables continuous operational reuse. China's consumer market has long evolved beyond sheer market scale into an enduring source of global innovation.



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03

Technological innovation: From technology adoption to collaborative co-creation

A new anchor for innovation investment: where technology is formed

Four capabilities in China's technological innovation field

Channels and approaches for MNCs to configure innovation capabilities

Sharing China's innovation capabilities with the world



Technological innovation addresses the second element of strategic resilience: capture and generation. In the AI era, models, agents and open-source co-creation are changing how technology is researched and developed, accelerating innovation while raising the bar for innovation ecosystems. Supported by strong digital infrastructure and an open-source innovation ecosystem, China's innovation advantages are growing stronger. The country has become a key consideration in many companies' innovation investment decisions.



1. A new anchor for innovation investment: Where technology is formed

Technological innovation is changing: demand now leads and applications set the pace. Technologies are used and refined repeatedly in real-world settings until they mature. As a result, companies are rethinking where they invest in technology. The question is no longer what to buy and where to apply it, but where technology is formed. Three forces are driving this shift.

First, technology acquisition has become more uncertain, making local cultivation more urgent. Export-control and similar measures adopted by some countries and regions on national-security grounds have made it harder to procure certain technologies globally. No choice of technology supplier can easily reconcile technological leadership with consistency across markets, so companies need to build local capabilities for technology generation, validation and engineering in different markets.

Second, market cycles are accelerating, significantly shortening R&D cycles. In markets where iteration cycles are measured in months, R&D conducted on an annual cycle risks delivering products for needs that have already changed. R&D decision-making needs to move down to regional teams, and R&D is shifting from headquarters-defined, regionally adapted models to region-defined, jointly created ones. This shift has moved beyond R&D efficiency to make local adaptation an operational imperative.

Third, technology flows are taking more diverse forms. Structures that combine technology licensing, milestone payments, revenue sharing and minority equity with commercial partnerships are replacing some traditional equity acquisitions. Companies have more routes to technology, but each requires the relevant local market partnership capabilities.

The World Intellectual Property Organization's 2026 ranking of the top 100 global innovation clusters includes 25 Chinese clusters, the largest number for many years running, with the Shenzhen-Hong Kong-Guangzhou cluster among the world's leaders[13]. PwC's survey of senior MNC executives in China found that 40% of respondents have already conducted local innovation in China and are rolling out the results globally[14].

"AI has changed the nature of R&D. The object of R&D has shifted from components and code to models and agents, proof of concept from periodic research to virtual simulation, and organisational forms from single-point breakthroughs to the joint design of algorithms, systems and hardware. These changes amplify China's existing advantages: models and agents need massive real-world scenarios for training, real-time data feedback needs dense industrial digitalisation, and joint design needs a complete hardware supply chain and a large engineering talent pool. In the AI era, technology generation is increasingly concentrating where scenarios, data and supply chains coexist, and China is one such place.

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2. Four capabilities in China's technological innovation field

In 2025, China's total R&D spending exceeded RMB3.92 trillion, with R&D intensity reaching 2.8%, surpassing the OECD average for the first time[15]. R&D personnel full-time equivalent reached 7.95 million person-years, ranking among the world's leaders for 13 consecutive years[16], and more than 5 million students graduate each year in science, technology, engineering and mathematics (STEM)[17]. These innovation inputs combine through infrastructure, application scenarios and collaboration mechanisms to form a range of capabilities that companies can draw on directly for innovation.

(1) Concept engineering and pilot-scale validation

There is a high-risk gap between successful laboratory R&D and large-scale commercial application, and many technologies fail somewhere between technical feasibility and commercial profitability. Closing this gap takes more than extra laboratory time. It requires turning a technical concept into an engineering solution that can be validated and mass-produced. This involves three critical steps: converting vague requirements into engineering language, organising multidisciplinary and multi-party validation resources, and deciding whether to proceed. China has a chain that translates technical concepts into validated, mass-producible engineering solutions. Proof of concept has been included in the Government Work Report, and more than 20 provinces have issued supporting policies. There are now more than 2,400 pilot-scale validation platforms[18], covering pharmaceuticals and health, integrated circuits, new materials, intelligent equipment, hydrogen and other fields.

For companies, the value of this capability lies in exposing failure risk earlier at the pilot stage, thereby shortening time to market and improving the efficiency of R&D spending.



A robot service centre in China links three platforms into a closed loop: a humanoid robot pilot-scale validation base, a testing and evaluation centre and a robot training ground. Companies can complete the entire process from proof of concept to scenario validation, including R&D, prototype tuning, whole-machine validation and CR certification (China Robot Certification), without building their own test environment, significantly shortening prototype iteration cycles. One humanoid robot company used the centre to move from R&D to national testing and certification and into real-world scenarios such as intelligent exhibitions and equipment inspection in about six months.

(2) Scenario-driven technology adaptation and iteration

A technology prototype needs multiple rounds of testing in real settings before it becomes a product that fits the market. China's market is highly tiered, spans a complete range of industries and features marked differences across regions and cities, providing diverse environments for innovation trials. The integration of AI and industry is amplifying this advantage. Demand for intelligent applications and technology iteration is surging in vertical sectors such as healthcare, manufacturing, transport and education, and AI penetration in key industries has exceeded 80%[19]. China is not only an application market for technology but also a training ground for global AI adaptation and iteration. Data from OpenRouter, a global AI model aggregation platform, show that, since February 2026, weekly token-based usage of Chinese large language models has risen sharply[20].

For companies, the value of this capability lies in matching products to the market more quickly and avoiding any drift from market demand; taking small, quick steps to lower the cost of trial and error; and exploring other application areas that complex scenarios may give rise to.

(3) A multi-organisation co-creation ecosystem

Breakthroughs in a new technology often require simultaneous progress in materials, processes, algorithms, equipment, clinical practice and standards, and a single company struggles to organise innovation resources across the entire process and all domains. China has favourable conditions for collaborative innovation: dense research institutes and universities provide basic research support, active open-source communities and start-ups supply technology, and rich application scenarios give joint development a clear direction. Innovation consortia, industry alliances, open-source communities and joint venture platforms offer diverse vehicles for collaboration, which can be long-term and stable or formed temporarily around a single project.

For companies, co-creation brings together dispersed technology, data, scenarios and capital into a collaborative innovation network, helping to lower barriers and spread risk. In addition, the more participants involved and the more complete the system, the stronger the network effects and the better placed companies are to shape new standards and rules.



A German pharmaceutical company was an early mover in implementing a China Key strategy in 2019, fully integrating China into global early-stage clinical development. It has established strategic clinical research partnerships with more than 40 leading Chinese hospitals. In July 2025 it launched a China Experts programme, bringing leading Chinese experts onto its global steering committee so that local clinical insights directly influence global R&D decisions. By April 2026, its China team had participated in 100% of its global key programmes and 75% of its global early-stage clinical development programmes.

(4) Complex system integration and architectural innovation

When individual technologies are constrained or less advanced, companies can redesign system architecture, recombine existing elements or switch implementation paths to push overall performance to a new level: no single element needs to be leading-edge, but together they can create system-level advantages. China's concentration of engineering talent, complete industrial chain and experience of large-scale systems engineering give innovative companies threefold support. They can quickly identify critical gaps and alternative paths; design asymmetric architectures using systems engineering, multidisciplinary knowledge and creative thinking; and turn architectural know-how into an asset that is hard to replicate. This capability not only helps companies bypass single-point bottlenecks but also enables them to help shape new standards and norms.

A Chinese technology company, whose single-chip performance still trails that of the global leader, has improved cluster computing efficiency through system architecture innovation. Simulations show that a 100,000-GPU cluster built from 4K supernodes achieves more than double the model FLOPs utilisation (MFU) of a cluster of the same scale built from 8-GPU servers. In addition, the company has helped drive the initiation of international standards in the field of intelligent computing optical interconnection, helping to strengthen the industrial ecosystem.

These four capabilities work at different points along the same innovation chain and connect with one another. Pilot-scale validation determines how quickly an idea becomes an engineering solution; scenario iteration determines how quickly that solution finds a market; ecosystem co-creation determines how investment and risk are shared; and system integration enables performance gains under constraints. What companies really gain in China is the speed at which technology is formed, made possible by this combination of capabilities.

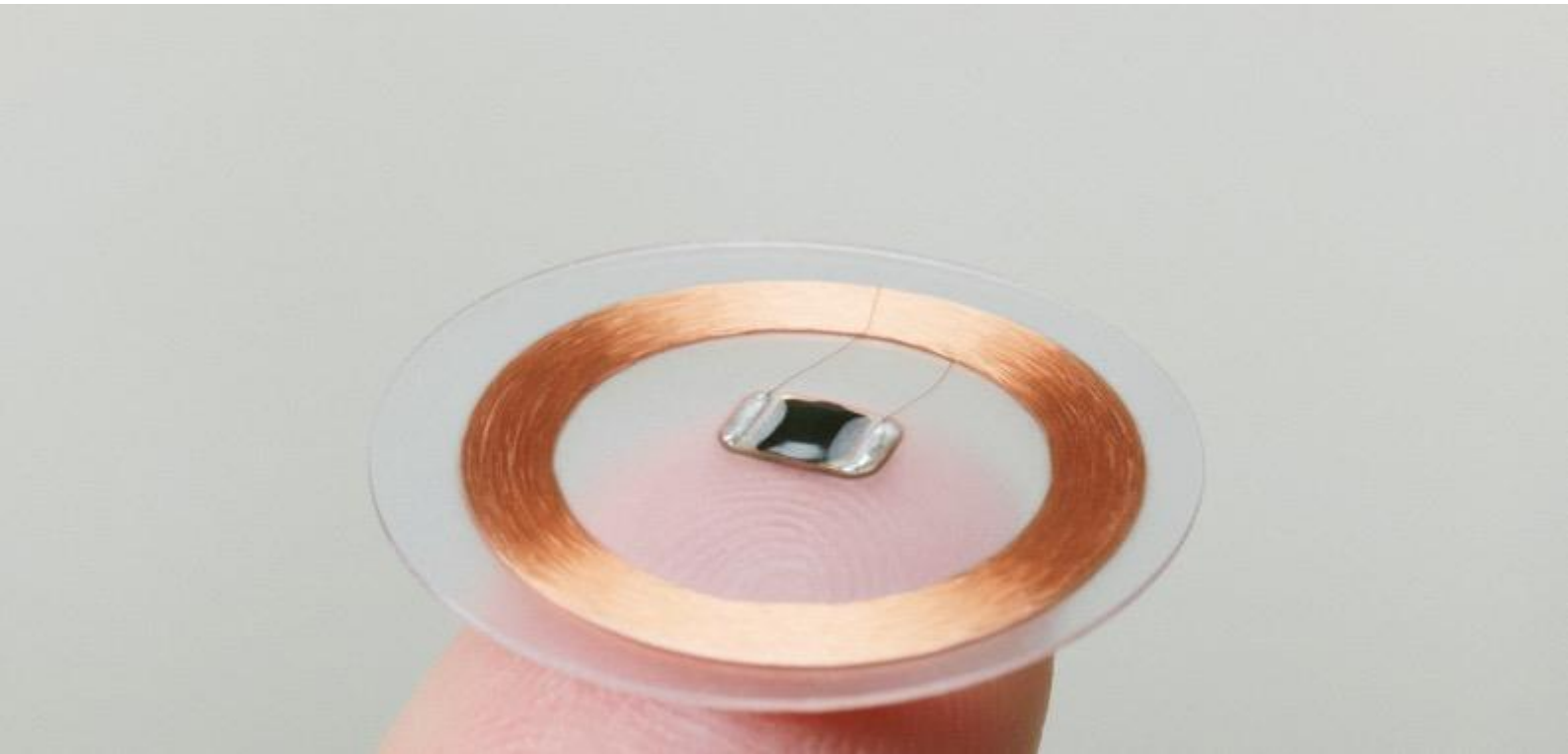


Table 8: Four underlying capabilities in China's technological innovation landscape

Capability	Problem addressed	Business action
Concept engineering and pilot-scale validation	How quickly an idea becomes a verifiable, mass-producible engineering solution	Engage pilot-scale validation platforms and proof-of-concept centres; organise multidisciplinary validation resources
Scenario-driven technology adaptation and iteration	How quickly technology and solutions match products and markets	Conduct scenario testing in vertical industries and tiered markets; adjust technology solutions quickly based on feedback
Multi-organisation co-creation ecosystem	How to quickly absorb dispersed technology R&D and application resources	Form innovation consortia, industry alliances or joint venture platforms; jointly develop, share risk and share results
Complex system integration and architectural innovation	How to prevent overall performance from being dragged down by a single point when individual technologies are constrained	Identify critical gaps and substitutable paths; design asymmetric architectures; combine existing elements to achieve system-level performance gains

Source: PwC analysis

> The distinctive value of China's technological innovation ecosystem lies not in leadership in any single technology but in the speed with which technology moves from concept to mass production. That speed is supported by the density of pilot-scale platforms, the pace of scenario iteration, the breadth of ecosystem collaboration and the depth of system integration. For MNCs, this means shorter R&D cycles, shared trial-and-error costs and ways around single-point bottlenecks. The question is no longer whether to innovate in China but how to use China as a node in the global technology network.

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3. Channels and approaches for MNCs to configure innovation capabilities

MNCs' channels and approaches for allocating innovation capabilities in China are shifting. In the past, China was mainly a place for technology deployment, adapting mature global solutions locally. Today, China is becoming a node where more technologies are created, with early-stage R&D, architecture definition and standard co-development taking place here.

In 2025, R&D spending within MNCs' greenfield investment in China accounted for 14.3% of their total global R&D spending[21]. In the first half of 2026, actual foreign investment utilised in China's high-tech industries grew by more than 33% year on year, with R&D and design services growing by more than 80%[22].

Table 9: Stage-specific characteristics of MNCs' investment in China's innovation sector

Stage	Investment objective	Business action	Global role
Localisation and adaptation	Support product sales in China	Adapt global products to China and implement headquarters solutions	Local engineering and standards knowledge; limited depth of cooperation
Regional R&D	Respond to differentiated demand in Asia-Pacific	Develop independently for Asia-Pacific markets and gain regional product definition rights	Independent development capability for regional markets
Global innovation collaboration	Accelerate global pipelines and participate in early-stage R&D	Initiate architecture-level projects in China and move early-stage R&D and clinical work upstream	Participate in global early-stage R&D and join global technology committees
Ecosystem co-creation	Co-create technology assets and share them globally	Joint development and risk sharing with local companies, start-ups and research institutes	Jointly define products and technology roadmaps; feed results back into the global system

Source: PwC analysis

As the advantages of the four capabilities in China's innovation landscape become more pronounced in the AI era, MNCs' ways of engaging with Chinese innovation are no longer limited to technology procurement or local adaptation. They now take three representative forms of cooperation, from working together to deep alignment and on to building the ecosystem together.

(1) Joint R&D and co-development

Joint R&D and co-development suit partnerships that require deep involvement in the technology direction without long-term equity ties. Examples include advancing pipelines with local innovative drug companies and forming joint project teams or joint laboratories around specific technology directions. In such cooperation, Chinese companies provide R&D resources, clinical and translational medicine capabilities and product design proposals, while MNCs contribute global R&D systems, category management experience and overseas commercial channels. Local companies gain access to global pipelines and commercialisation capabilities, while MNCs gain localised R&D resources aligned with their technology direction without the governance costs of a joint venture, creating complementary strengths.



In May 2026, a US multinational pharmaceutical company and a Chinese innovative drug company entered into a USD10 billion-plus global strategic partnership. Under the agreement, the two parties will jointly develop four core programmes globally, share R&D costs, commercialise jointly in the US and Europe and share profits. The Chinese company retains Greater China rights, while the remaining programmes are handled through regional and global licensing. The partners share failure risk rather than only sharing upside.

(2) Joint venture building and new joint venture models

Joint venture building and new joint venture models are suited to scenarios with long cycles, aligned long-term interests and investment in core assets. Examples include Sino-foreign manufacturing joint ventures, joint R&D platforms, new-style joint ventures in which local companies take on core R&D while multinationals contribute brands and channels, and New-Co entities that take over specific technology assets. In such cooperation, Chinese companies provide core R&D capabilities, product planning and supply chain integration, while MNCs contribute brand heritage, global channels and local production resources. After the partnership, Chinese companies can use global brands and channels to enter overseas markets, while MNCs use local R&D and supply chain capabilities to fill technology gaps, with interests bound together over the long term through equity.



A multinational automotive group and a Chinese new energy company established a joint venture. The Chinese company provides vehicle-level technology and deeply embeds its innovative technology and cost advantages in the group's European manufacturing system. In turn, it directly uses the group's existing dealer and after-sales service network in Europe and quickly exceeded 1,000 retail outlets, creating a mutually reinforcing partnership.

(3) Ecosystem embedding and standard co-development

Ecosystem embedding and standard co-development suit partnerships that seek long-term influence, where returns are not reflected in current revenue. Examples include participating in standard development, pursuing frontier technology breakthroughs, joining local innovation networks and co-building open platforms. Chinese companies offer ecosystem insight, opportunities to take part in rule-making and industrial-chain coordination, while MNCs contribute capital, accumulated standards expertise and global network resources. In this process, Chinese companies use multinationals' standards expertise to strengthen their voice in rule-making, while multinationals use the local ecosystem to gain ongoing technology awareness and a say in rule-making. The returns ultimately accumulate as capabilities and relationships. In 2025, China led the formulation and publication of 285 International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC) international standards, up 26.67% year on year[23]. The industrial 5G international standard was jointly proposed by China and Germany and developed by experts from multiple countries[24].



A Swiss robotics company has conducted research, development and manufacturing in China for more than 30 years. China is its main global delivery market for robots, with 90% of products manufactured locally. The first batch of products across its full robot range obtained CR (China Robot Certification) certification, and the company participated as an expert group member in revising the CR certification implementation rules and in the initiation review of several association standards.

Table 10: Main modes of cooperation between Chinese and foreign enterprises in the technological innovation field

Modes	Characteristics	MNC advantages	Local company advantages
Joint R&D and co-development	Both sides contribute resources, share costs and risks and share results, with no equity involvement	Global R&D system, overseas commercial channels	R&D resources, clinical and translational medicine and other specialist resources
Joint venture building and new-style joint ventures	Equity ties and aligned long-term interests; local companies take on core R&D while multinationals contribute brands and channels	Brand heritage, global channels, multinational production resources	R&D teams, product solutions, supply chain integration
Ecosystem embedding and standard co-development	Engage in standard development, frontier technology, innovation networks and basic research	Capital, accumulated technical standards, global network resources	Ecosystem awareness, rule-making opportunities, industrial chain coordination

Source: PwC analysis

4. Sharing China's innovation capabilities with the world

Capabilities from China's innovation landscape are benefiting global markets in various forms: products enter global architectures, solutions can be reused across markets, outputs can be traded directly and ecosystems can extend across regions. The focus of sharing is shifting from physical products to the relationships and networks behind them, reshaping where technology is developed and how innovation is organised.

(1) Global sharing of R&D teams

In the past, China-based R&D centres played a local adaptation role, adapting global products to the China market. Today, more MNCs are upgrading their China R&D teams into global resources: solutions developed in China enter global product architectures directly, Chinese technology leaders join global technology committees and Chinese teams participate directly in new product development. This shift in role has directly shortened the global product cycle from R&D to launch and reduced the duplicated cost of cross-market adaptation.

A leading global automotive components supplier has 22 production bases, 10 R&D centres and 4,300 R&D staff in China, making China the group's second-largest pool of specialists, with coverage of 35 core technology areas. Over the past five years, its combined industrial and R&D investment in China has exceeded RMB26 billion, equivalent to about 20% of its China sales each year on average. In 2025, its China team contributed 287 first-time global patent applications. Technology platforms developed in China serve not only local automakers but increasingly global OEM customers.

(2) Cross-market reuse of technology master templates

A technology solution that works in China typically goes through a complete chain of demand definition, architecture design, supplier selection, engineering validation and mass-production ramp-up. This experience is codified into architecture documents, toolchains and supplier lists, forming a set of R&D master templates that can be used across markets, shortening the time and investment needed to rebuild from scratch in the next market. This is what replication and migration look like in technological innovation. Architectures, tools and methods validated in China can be transferred to other markets. Before entering a new market, companies need to check three things: whether the local supply chain is mature enough, whether compliance and certification requirements can be handled locally, and whether the local team can reproduce the solution. The master template is reusable only if all three conditions are met. For global companies, one R&D solution can generate returns in market after market, with marginal costs declining each time.

A digital construction company's intelligent construction solution integrates building information modelling (BIM), geographic information systems (GIS), the Internet of Things and AI to create an integrated sense-decide-act management model. It addresses pain points in overseas projects such as difficult coordination, demanding standards and complex resource scheduling, and breaks down barriers to cross-border collaboration through lightweight models and multi-source data integration. The solution has been deployed in Colombia, Panama and other countries, forming a replicable and scalable set of intelligent construction standards and management systems.

(3) Licensing and opening up of knowledge assets

As innovation outputs enter global markets, they are shifting from physical carriers to intangible assets. In the past, technology exports were mostly delivered through equipment, components and other physical goods. Today, innovation outputs increasingly take the form of patents, models, data and other intangible assets, shared globally through licensing and ecosystem operations.

In innovative drugs, for example, out-licensing has become the main channel for Chinese innovation to enter global markets. In the first half of 2026, total out-licensing transactions for Chinese innovative drugs reached about USD110 billion, a record high[25]. Chinese companies accounted for eight of the world's top 10 business development (BD) deals[26].

In AI, open-source models are becoming a new vehicle for cross-border technology flows. Chinese open-source large models account for 41% of downloads on Hugging Face[27], an AI community and platform. Tokens are emerging as a new vehicle for cross-border technology flows, and the calls, subscriptions and deployments built around them have become a new category of cross-border technology trade.

(4) Global extension of the innovation ecosystem

Technology can be bought and products can be copied, but an active innovation network cannot be built overnight. It accumulates through long-term collaboration and depends on who researches with whom, how results are shared, how standards connect and how talent moves. China's global innovation ecosystem extension precisely embodies this model of organisation. Specific forms include joint laboratories, joint R&D projects, open-source communities, standard proposals and talent mobility channels. They may not generate direct sales revenue, but they determine whether companies can continue to participate in the global innovation network.

In June 2026, the AI application cooperation centre at the China-Malaysia Qinzhou Industrial Park and its Kuala Lumpur centre opened at the same time, creating two hubs: one for incubating solutions in China and one for deploying them overseas. The two sides will work on co-creation of frontier technology, joint promotion of industrial applications and joint development of industry standards, covering the full chain from technology R&D and integration of results to deployment in ASEAN markets. This cooperation exports not a single product but a complete model for organising innovation, with R&D in Beijing, Shanghai and Guangzhou, integration in Guangxi and deployment in ASEAN markets.

Table 11: Forms of global migration of innovation capabilities

Form	Features	Global value
Global sharing of R&D teams	Architecture-level projects initiated in China; China R&D teams participate in global projects	Provide R&D talent resources and shorten the global product definition cycle
Cross-market reuse of technology master templates	Architectures, tools and methods validated in China are replicated in other markets	One technology investment is monetised repeatedly across markets, with declining marginal costs
Licensing and opening up of knowledge assets	Out-licensing of innovative drugs; open-source models spread through ecosystems	Create new cross-border technology trade; innovation outputs shift from products to tradable assets
Global extension of the innovation ecosystem	Collaboration mechanisms and open platforms extend overseas, forming a cross-regional innovation network	Expand network nodes and improve global innovation efficiency

Source: PwC analysis

> China's pharmaceutical innovation is shifting from manufacturing and generics to original research and co-creation. The underlying capabilities supporting this shift are a combination of conditions: multi-omics data and machine learning models are moving target discovery towards intelligent inference, generative AI is advancing molecular design towards precise generation, and dense clinical expertise and patient resources provide efficiency advantages for early-stage clinical and translational medicine. These capabilities serve Chinese companies and are also shared with global pharmaceutical companies through multinational pharma R&D centres in China, joint development with Chinese partners and out-licensing of innovation outputs. China's pharmaceutical innovation creates new growth for the global industry by combining inbound investment and out-licensing with co-creation.

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04

Manufacturing: From low cost to high efficiency and flexibility

A new anchor for manufacturing investment: the resilient production system

Four types of capability in China's manufacturing sector

Channels and approaches for MNCs to configure manufacturing capabilities

Sharing China's manufacturing capabilities with the world



This chapter addresses the third element of strategic resilience: reconfiguration speed. Whether a technology or product can move from concept to stable mass production depends on three factors: how quickly the process can be stabilised, how quickly the production line can ramp up, and how quickly the system can be replicated. Getting these right is critical. Geopolitical friction, unexpected events and supply chain disruption also mean that capacity planning must cover backup and recovery. Against this backdrop, the value of Chinese manufacturing is shifting. It is no longer just about low-cost, large-scale production. It is about getting products from concept to stable mass production faster and more reliably.



1. A new anchor for manufacturing investment: The resilient production system

Historically, cost was the central decision variable in global manufacturing investment: differences in the price of labour, land, energy and logistics determined where capacity was located, with priority given to the cheapest locations. Today, products are increasingly complex, processes are updated ever more frequently, and the focus of competition has shifted from price to speed and reliability. Companies must weigh where they can move from concept to mass production faster and more reliably. This shift is driven by three forces.

First, rising product complexity is driving increasingly stringent process precision requirements. Products such as advanced chips, AI servers and power batteries demand far more complex coordination across design, process and supply chain. This is far more demanding than for traditional consumer electronics. In the semiconductor industry, yield ramp-up is the key challenge in moving from R&D to mass production, and involves equipment commissioning, process optimisation, material validation and capacity ramp-up. This places greater demands on teams, equipment and the supply chain. In addition, factors such as the Carbon Border Adjustment Mechanism (CBAM) and green electricity ratio requirements have become considerations in site selection and process design.

Second, shorter delivery cycles are pulling manufacturing and operations closer together. The product-as-a-service model has led some manufacturers to move from simply delivering products to providing full lifecycle services. That requires the manufacturing side not only to ramp up fast, but also to support operations and maintenance, and to upgrade the product after delivery. A supply chain platform and shared factory model, for example, matches fragmented orders to a network of shared factories so they can be produced together. As the share of small-batch, multi-variety orders rises, the repeatable reconfiguration capability of production lines becomes more important.

Third, geopolitical factors and flexible capacity planning. Geopolitical friction and unexpected events have led some companies to spread capacity across several countries or regions. This requires them to compare production conditions across locations and determine the footprint for each stage. Where factories must be built in several places at once, the one that is first to complete process implementation, yield ramp-up and supply chain integration becomes the reference for the others.

The report finds that the core anchor for manufacturing investment is shifting from cost advantage to the resilient production system. This system has two dimensions. The first is the ability to adjust dynamically on the demand side: shorter engineering cycles to finalise production plans, faster capacity ramp-up to achieve scale delivery, and efficient response to order swings and product changes. The second is the ability to respond to geopolitical and regulatory risk: multiple locations, backup capacity and supply chain switching, so the company can recover quickly from external shocks.

> The strategic anchor for manufacturing investment is decisively shifting from cost advantage to a highly efficient and resilient production system. Success hinges on an enterprise's ability to execute across five imperatives simultaneously: compressing engineering cycles to finalise production plans; resolving process bottlenecks through targeted resource integration; accelerating ramp-up to achieve delivery at scale; capturing rapid commercial value through scalable replication; and compounding long-term competitiveness through systematic knowledge accumulation. The capacity to orchestrate all five in parallel has become the defining criterion in global capacity allocation.

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2. Four types of capability in China's manufacturing sector

China covers every category in the United Nations industrial classification system, covering 41 major industrial categories, 207 medium-level categories and 666 subcategories. In 2025, manufacturing value added reached RMB34.7 trillion, up 6.1% year on year, accounting for roughly a quarter of GDP and ranking among the world's largest for many years running[28]. Complete coverage of industrial categories means that most new products can source their materials, components, equipment and process services within one country – or even one industrial belt. This is the traditional strength of Chinese manufacturing.

In the AI era, these advantages are getting stronger. Simulation and digital twins let engineers rehearse processes in a virtual environment. AI-based quality inspection and predictive maintenance move defect detection from post-production sampling to pre-emptive prediction. Intelligent scheduling turns production planning from static exercise to dynamic adjustment. Smart tools make the most of China's broad industrial base, its data and its rapid iteration cycles, and these conditions in turn support the deployment of intelligent tools. This two-way reinforcement is bringing four capabilities to the fore: process engineering, supply chain resilience orchestration, flexible manufacturing and operational know-how capitalisation.

(1) Process engineering: Turning design concepts into process plans

Process engineering turns a new product or concept into a process plan for stable mass production. It comprises three key parts: working out whether a design can be made, and how to make it more economically, converting the product design into a process route, and codifying validated process parameters into executable operating standards.

This capability directly affects how fast products iterate and whether delivery commitments are met. China has strong support across the whole conversion chain. Tools such as CAD/CAM (Computer-aided Design and Manufacturing), APQP (Advanced Product Quality Planning), PFMEA (Process Failure Mode and Effects Analysis), process databases and rapid tooling have long been widely used. In 2025, China's mould output reached RMB380 billion, with annual exports exceeding USD10.2 billion[29]. Local supplier clusters provide nearby support for moulds, structural parts and testing. Shared prototyping centres and shared factories handle trial production and validation. Supplier collaboration platforms link the various development stages. In many fields, rapid prototyping takes only 24 to 48 hours. After trial production and validation, process parameters are codified into standard operating instructions and control plans, becoming knowledge that can be replicated. At the same time, AI-assisted process design can draft plans from historical process data, and rapid tooling and simulation further shorten trial cycles.

(2) Supply chain resilience orchestration: Dynamically networking resources around manufacturing demand

Supply chain resilience orchestration means linking scattered suppliers, capacity, logistics and contingency plans into one network that can be adjusted dynamically. It covers the full chain of resource organisation: supplier sourcing and cultivation, collaborative development and capacity reservation, and risk control and preparation of alternatives.

China's supply chain networks are already well developed. Supplier sourcing draws on industry databases and digital platforms. Collaborative development draws on simultaneous engineering and joint laboratories. Capacity reservation draws on long-term agreements, capacity prepayments and joint-venture plant construction. Logistics coordination draws on vendor-managed inventory, just-in-time (JIT) and smart warehousing. Risk control draws on dual-sourcing strategies, safety stock and alternatives.

AI tools can recommend suppliers, predict delivery risk and adjust dual-sourcing strategies automatically, based on industry databases. This speeds up the local supplier network, where parts can be sourced within an hour, and turns contingency plans from static documents into options that can be activated in real time. Hour-level industrial coordination is now a defining feature of Chinese manufacturing: a one-hour innovation circle for electronics in the Yangtze River Delta, a one-hour industrial circle for motorcycles in Chongqing, and a half-hour supplier circle in Shenzhen's Robot Valley.

A robotics industry cluster in China covers the complete chain from core components to complete machine integration. During R&D, complete machine manufacturers and component suppliers engage simultaneously, so that design changes can be prototyped the same day and iterated the following day. Component interfaces and specifications are gradually standardised locally, with upstream and downstream companies developing to the same set of standards. The relevant teams can produce drawings in the morning, prototypes in the afternoon and iterations the next day. This collaboration mechanism, based on simultaneous development, shared standards and mutual capacity support, has compressed the robotics trial production cycle from months to days, substantially reducing product costs.

(3) Flexible manufacturing: Production lines that change with demand

Flexible manufacturing is the ability of one production line to respond quickly to demand for different specifications, different batch sizes and different degrees of customisation. As product life cycles shrink to months and orders become more fragmented, production lines that can be adjusted and reconfigured repeatedly become more valuable. This directly affects how fast a company can respond to demand.



Flexible manufacturing requires coordination on two fronts. First, equipment connectivity, data collection, production visualisation and quality prediction make manufacturing status, quality and efficiency visible in real time. This provides the basis for adjustment. Second, scheduling optimisation, modular tooling, quick-change fixtures, and mixed-model production let lines switch quickly as orders change. Only with both can a line move freely between volume production and customisation. By the first half of 2026, China had 109 lighthouse factories[30] and had built 35,000 basic-level, over 8,200 advanced-level and more than 500 excellence-level smart factories[31]. Flexible manufacturing is already used at scale in China across industries such as automobiles, home appliances and smart terminals.

The smart manufacturing base of a Chinese company adopts a hybrid production model combining assembly lines with cellular production, supporting multiple categories, small batches and minimum order quantities of one unit. It divides its production lines into cellular units that can operate independently: batch orders run through the assembly lines, while customised orders are handled by the cellular units, and the two can switch in parallel on the same production line without stopping it for reconfiguration. The base achieves data interconnectivity through ERP (Enterprise Resource Planning), MES (Manufacturing Execution System), a real-time quality tracking system and a supplier management system. Once an order changes, scheduling, materials and process parameters are adjusted simultaneously, cutting the production cycle for customised products by nearly half and raising assembly efficiency for standard products by 30%.

(4) Operational know-how capitalisation: Turning factory operating experience into deliverable assets

The core of operational know-how capitalisation is turning factory experience built up in China into a set of knowledge assets that can be transferred alongside the factory. These assets cover three stages of a factory's life. At the construction stage, the assets that can be captured are process documents, equipment lists and supplier directories, which determine whether a new plant can be built to standard. At the ramp-up stage, the assets that can be captured are process parameters, yield-improvement roadmaps and ramp-up manuals, which determine whether a new plant can quickly reach full production. At the operating stage, the assets that can be captured are the standard operating system, scheduling and dispatching rules, equipment maintenance standards, quality control systems, personnel training systems and performance improvement mechanisms, which determine whether a completed plant can operate continuously and efficiently. Experience from all three stages is consolidated into one set of deliverable, replicable assets.



With the help of AI, some leading Chinese companies have gone further by consolidating process documents, equipment parameters and scheduling rules into standardised knowledge packages. New factories can call on these packages directly and use them for remote commissioning. The value of such knowledge assets lies in turning experience into replicable standards, so that new factories can be built and operated to standard without relying on a handful of experts being stationed on site.

A Chinese technology group's southern smart manufacturing base makes more than 50 product categories and nearly 100,000 configurations. It is the group's global master factory. The group expands its manufacturing footprint in three ways: sending experts, exporting production line master templates, and introducing technology at the same time. In 2015 it built an end-to-end manufacturing system in Mexico. In 2022 its Hungarian factory began production using a comparable line as its master template. Today, it produces more than 90% of data centre products and around 50% of commercial products sold by the group in Europe, the Middle East and Africa.

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China's manufacturing scale, industrial chains and enterprise diversity form the foundation, while AI acts as an amplifier. Industrial quality inspection and predictive maintenance shift defect interception from post-hoc sampling to pre-emptive prediction. Intelligent scheduling and digital twins compress production line changeovers from hours to minutes. Intelligent supply chain matching further accelerates the response speed of the hour-level supporting circle. The industrial diffusion of open-source models and agents makes these capabilities accessible and affordable even for small and medium-sized enterprises. These capabilities combine to lift efficiency across China's processes, supply chains and production lines at the same time. The real advantage of Chinese manufacturing is shifting from comprehensive industrial coverage and leading scale towards an efficient production system driven by an intelligent ecosystem.

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3. Channels and approaches for MNCs to configure manufacturing capabilities

MNC investment in China's manufacturing sector has evolved through four stages: early cost-driven contract manufacturing; localised production with deeper supply chain engagement; global-facing manufacturing bases; and, today, Chinese factories serving as the master process template for newly built overseas factories. Throughout this process, the manufacturing capabilities that MNCs have built up in China have continued to deepen and upgrade.

Table 12: Evolution and characteristics of MNC investment in China's manufacturing sector

Stage	Features	Typical actions	Capabilities built
Cost-driven contract manufacturing	Leveraging labour and land cost advantages to undertake assembly and processing of standardised products	Processing with supplied materials and OEM production, with orders and management rules set by headquarters	Large-scale production management, basic supply chain organisation
Localised production and deeper supply chain engagement	Establishing a complete production system for the Chinese market, with a rising share of local procurement	Building local factories, cultivating local suppliers and setting up regional procurement centres	Local supply chain management, market responsiveness
Global-facing manufacturing base	Upgrading from serving the local market to exporting globally, becoming a key manufacturing hub	Producing in Chinese factories and taking on multi-regional supply tasks	Engineering of complex products, global delivery management
Master factory and capability reuse	Becoming the master process template for newly built overseas factories, enabling standardised reuse of capabilities	Full replication of process documents, equipment lists, supplier directories and ramp-up manuals	Geographic extension of manufacturing capabilities, reuse of manufacturing methodologies

Source: PwC analysis

As China's manufacturing capabilities improve, so do the ways MNCs tap them. In 2024, foreign investment access restrictions in China's manufacturing sector were fully removed, and the new edition of the Catalogue of Encouraged Industries for Foreign Investment has continued to be implemented. In 2025, foreign investment in actual use in China's medical instruments and equipment, and in aircraft, spacecraft and related equipment manufacturing, grew by 42.1% and 22.9% respectively[32]. A major Japanese electronics group moved the global R&D centre of its electromechanical business to China. A global industrial automation company set up an innovative product division in China, with R&D, production and supply chain in one organisation. The main aim of this investment is to use China's manufacturing capabilities to incubate new products, processes and production lines that would be hard to bring to mass production elsewhere. This report outlines three cooperation models, from the simplest to the most integrated.

(1) Embedding in local collaborative networks

Embedding in local collaborative networks suits MNCs that do not build entire factories but instead swap capabilities at key stages. Through joint ventures at key stages, mergers and acquisitions, and capability swaps, they work closely with Chinese enterprises on specific processes, components or systems. In such cooperation, MNCs contribute brands, channels, local compliance and foundational technologies. Chinese enterprises provide manufacturing capabilities at key stages, rapid engineering capabilities, and scenarios and data. Through this cooperation, MNCs fill gaps in key stages, and local enterprises gain access to global brands and channels.

A major Japanese electronics group and a leading Chinese display company established a television joint venture: one party contributed the brand and commissioning technology, while the other drew on its supply chain and manufacturing capabilities to take charge of production, extending its manufacturing capability system overseas in the process.

(2) Building master factories

Building master factories suits MNCs that need long-term capacity and want to replicate entire-factory capability. They build a factory in China that can serve as a replicable master template, and turn process documents, equipment lists, supplier directories and ramp-up manuals into standardised assets. These assets can then be rapidly replicated and deployed in other regions. In building master factories, MNCs can draw on Chinese strengths such as process standards, digital systems and supply chain networks.

The technological achievements, management experience and innovative practices accumulated by a French tyre group's Shenyang factory are being disseminated globally through the group's network, strengthening its competitiveness in Asian and global markets. Each year, several hundred executives from around the world attend training at the Shenyang factory within the group.



(3) Co-building R&D and manufacturing systems

Co-building local R&D and manufacturing systems suits MNCs that want to complete product R&D, process solution development and production in an integrated way in China. For example, within the R&D system, suppliers are brought into product definition early, so that process feasibility and cost limits shape the design from the start. Joint laboratories with universities and research institutes tackle fundamental process problems. Products are defined with local customers and validated in real-world scenarios. Through co-building, MNCs build integrated manufacturing capability that turns R&D output into mass-producible products quickly. The assets accumulated include process route documents, supplier collaboration mechanisms and product definition processes.



In July 2026, a leading Chinese automaker and a US automaker reached an agreement to establish a joint venture in Spain, sharing production capacity to build new energy vehicles for the European market under both brands. The Chinese company contributes technology and manufacturing, while the MNC contributes brand and sales network resources, achieving a joint venture and shared use based on technology, capacity and brand channels.

Table 13: Main modes of cooperation between Chinese and foreign enterprises in manufacturing

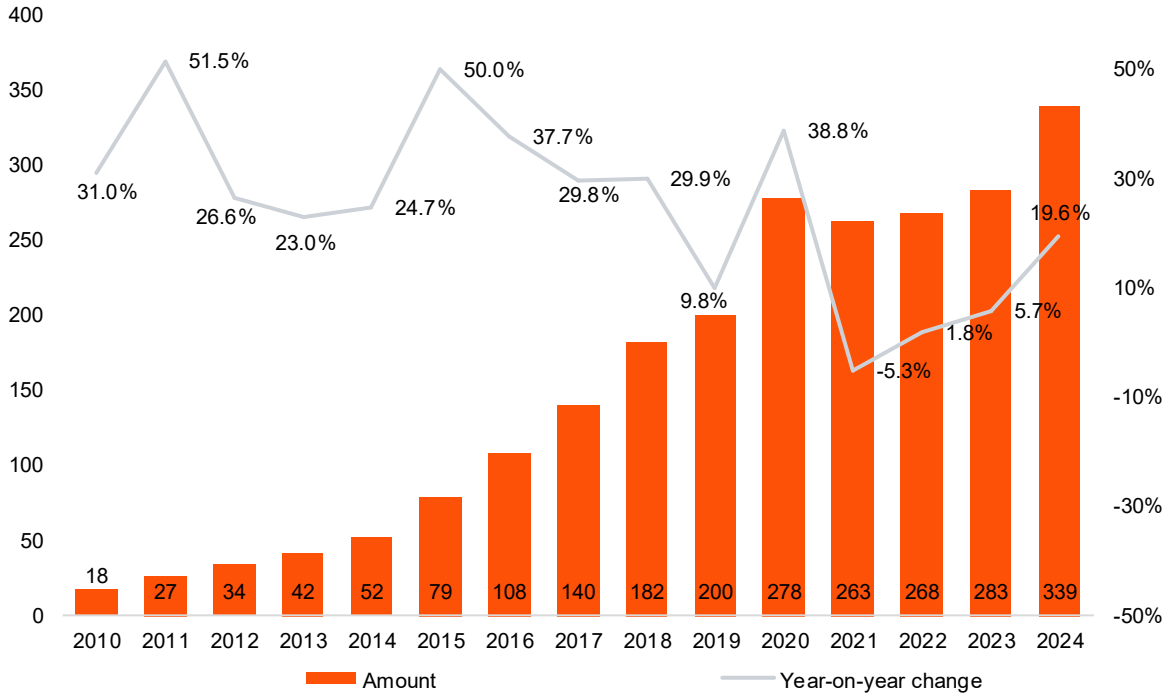
Modes	MNC contributions	Available resources at the China site	Transferable assets
Embedding in local collaborative networks	Brand, channels, local compliance, order resources	Manufacturing capabilities at key stages, rapid engineering capabilities, scenarios and data	Process capabilities at key stages, rapid product upgrading
Building master factories	Brand, global channels, capital	Process standards, digital systems, supply chain organisation networks	Process documents, equipment lists, supplier directories, ramp-up manuals
Co-building R&D and manufacturing systems	Global business lines, R&D resources, global market channels	Engineering talent density, industrial supporting facilities, market scenarios, supplier and research resources	Process documents, supplier collaboration mechanisms, product solutions, collaborative relationships

Source: PwC analysis

4. Sharing China's manufacturing capabilities with the world

China's outbound manufacturing investment has grown steadily in recent years, and the forms it takes have diversified. These range from manufactured products going global, to the whole-factory reuse of the master factory, to the embedding of key capability modules in global networks, and finally to supply chain synergistic global expansion. These four forms represent a progression: what is exported moves from goods to production systems.

Figure 3: Stock and growth rate of China's outward direct investment in manufacturing (Unit: USD billion)



Source: National Bureau of Statistics of China

(1) Manufactured products going global

China has been a leading goods trading nation for many consecutive years, and its export mix is shifting rapidly from traditional industrial products to high-quality, green and intelligent products. The "new trio" products (electric vehicles, lithium batteries, and photovoltaic products) continue to broaden the foreign trade mix. In 2025, China's industrial robot exports exceeded imports for the first time, making the country a net exporter of industrial robots. In the first half of 2026, exports reached RMB6.29 billion, with products sold to 141 countries and regions[33]. Globally, China lowers unit costs through economies of scale, making advanced manufactured products more accessible to emerging markets. At the same time, technological iteration and green transformation allow it to offer higher value-added, more sustainable manufacturing solutions worldwide.

(2) Whole-factory reuse of the master factory

Whole-factory reuse of the master factory refers to replicating overseas a whole-factory capability already proven in China. Complete factory capabilities include process standards, equipment selection, digital management systems and supply chain organisation. For transfer overseas, these are captured as knowledge assets: process documentation, equipment lists, supplier directories and ramp-up manuals. New overseas factories build to the drawings and ramp up with the manuals, which sharply shortens the time to reach designed capacity. The host country gains a manufacturing capability that has already been proven.

A leading Chinese battery company launched construction of a large-scale production base in Hungary in September 2026. The factory's process standards, equipment selection, digital management systems and supply chain organisation all derive from its proven entire-factory system in China, with the master factory team travelling to the site to complete commissioning and training. This export brings battery technologies and manufacturing systems validated in China to Europe, providing European automakers with stable and accessible battery products.

(3) Embedding capability modules in global networks

Embedding key capability modules in global networks means integrating China's core capabilities at specific stages into the corresponding nodes of the global manufacturing value chain. Through long-term supporting operations, China's manufacturing sector has developed many stages into independently deliverable modules that can be flexibly combined across different markets, such as processes that can be split, components that can be standardised and systems that can be interfaced. As they expand globally, companies in many manufacturing sectors integrate key-stage capabilities into the global value chain, including R&D engineering, rapid iteration, manufacturing at specific process stages and system integration. For global companies, this provides access to advanced technologies and solutions in key modules without rebuilding complete industrial chains.

A Chinese robotics company's mobile robots and system solutions have entered multiple countries and regions, including Europe, North America and Southeast Asia. They are applied in fields such as automotive manufacturing, new energy and electronics manufacturing. Its overseas business operates through product delivery, system integration and localised services, and is integrated into local certification systems and service networks.

(4) Supply chain synergistic global expansion

It is led by leading enterprises, which drive upstream and downstream suppliers and manufacturing enterprises to expand globally together, concentrating the deployment of upstream and downstream supply chains and manufacturing capabilities by building industrial parks overseas. This model forms a complete industrial supporting system and long-term symbiotic industrial relationships, enabling the full chain from components to finished products, and from manufacturing to services to be completed in one go. For host countries, this provides direct access to a mature industrial development path already validated by the market, along with supply chain resources and jobs delivered simultaneously.

Table 14: Forms of global extension of China's manufacturing capabilities

Forms	Features	Global value
Manufactured products going global	Scaled manufacturing supports product exports, with the structure upgrading towards intelligence and green development	Lowers the threshold for emerging markets to access advanced manufactured products
Whole-factory reuse of the master factory	Entire-factory capabilities replicated overseas and consolidated into deliverable standardised assets	Compresses the time to full capacity for new factories, giving host countries a proven industrial path
Embedding capability modules in global networks	Capabilities at specific manufacturing stages embedded in global value chain nodes	Supply chains can be flexibly combined across markets, thereby generating resilience
Supply chain synergistic global expansion	Leading enterprises drive upstream and downstream players to expand together and build industrial parks	Host countries gain a complete industrial supporting system as a whole

Source: PwC analysis



In automotive manufacturing, China has followed a clear evolutionary path: from cost advantages to technological advantages in electrification and intelligent technology, and further to exploration of intelligent driving, vehicle architecture and software-defined vehicles. This upgrade path of scale, technology, brand and innovation has been pursued jointly by Chinese automakers and global MNCs. MNCs bring global standards, brands and channels, while Chinese enterprises provide electrification platforms, engineering speed and supply chain ecosystems. Today, platforms, technologies and manufacturing systems validated in China are reaching markets in Southeast Asia, Europe and Latin America through joint development with MNCs, technology licensing and joint ventures, becoming shared assets for the upgrading of the global automotive industry.



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05

Green transformation: From compliance cost to value capture

A new anchor for green investment: where the premium comes from

Four capabilities in China's green transformation field

Channels and approaches for MNCs to configure green capabilities

Sharing China's green capabilities with the world



This chapter addresses the fourth element of strategic resilience: premium conversion. Compliance is a prerequisite for revenue certainty. Whether companies can turn compliance into a revenue premium depends on two things: whether the cost of green power and carbon management can be reduced, and whether green attributes can be extended and used. The investment value of China's green sector is shifting from meeting compliance requirements to capturing green premiums. Green electricity and green computing power generate value in the form of products and services, while carbon footprint accounting and certification provide the basis for identifying green value.



1. A new anchor for green investment: Where the premium comes from

In the past, green investment was driven mainly by compliance requirements such as carbon emissions regulation, mandatory disclosure and supply chain audits. Today, with tighter regulation and faster technology iteration, the focus of green investment has shifted from meeting compliance requirements to capturing premium value. Companies care more about where green spending can be converted into returns that can be priced and traded.

First, demand for green computing power is surging. AI is reshaping the structure of global electricity demand. The International Energy Agency forecasts that annual electricity consumption by global data centres will double from 485TWh in 2025 to 950TWh in 2030, equivalent to about 3% of global electricity demand[34]. PwC forecasts cumulative global data centre capital expenditure of USD31.6 trillion from 2026 to 2050 [35]. The bottleneck in computing expansion is shifting from chips to power: the availability of green electricity has become a key constraint on computing investment decisions. Green power is no longer optional. For the core infrastructure of the digital age, it is both a limiting factor and a source of advantage.

Second, the ability to monetise green value has changed fundamentally. PwC's Third Annual State of Decarbonisation Report found that 82% of companies have maintained or accelerated their decarbonisation commitments, 23% have raised their targets, and only 18% have lowered them. Products with sustainable attributes can command revenue premiums of 6% to more than 25% over comparable alternatives[36]. In hard-to-abate sectors such as metals and mining, oil and gas, and construction, companies with a higher share of transition capital expenditure are securing systematic valuation premiums as investors separate leaders from laggards. Ultimately, green assets are achieving standalone pricing – evolving from a reporting narrative into measurable cash flows, where an explicit liquidity premium is beginning to emerge.

Third, investors are placing greater emphasis on stability. Leading global asset managers now incorporate climate scenario analysis into standard investment workflows, mandating portfolio companies to disclose transition pathways aligned with 1.5° C and 2° C scenarios to quantify transition risks. Climate exposure is no longer treated merely as an external externality, but as a quantifiable, hedgeable variable in asset pricing. Consequently, green assets demonstrating structural resilience across policy, technological, and macroeconomic cycles are capturing an explicit stability premium.

> Green transformation has moved from a compliance cost to value creation, and green electricity, green computing power and carbon assets are forming new priceable and tradable investment targets. China's industrial support capabilities in green electricity supply, green manufacturing and green computing power are making it an indispensable part of global green asset allocation.

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2. Four capabilities in China's green transformation field

China has built a large renewable energy system. A steadily improving power market and institutional environment have made green industry investable. In 2025, investment in China's clean energy transition exceeded USD800 billion, more than one third of the global total[37]. By the end of July 2026, China's installed photovoltaic capacity reached 1,286GW, surpassing coal power for the first time to become the largest power source by installed capacity[38]. In 2025, mainland China's green bond market saw the issuance of 645 new green bonds worth about RMB1.08 trillion, exceeding RMB1 trillion in annual issuance for the first time[39].

The rules for green investment are taking shape quickly. Requirements are becoming clearer on matching volumes in direct green power connections, on ownership of green certificates and environmental rights, and on mutual recognition of carbon footprint data verification. Companies increasingly need green capabilities they can use directly. China has developed four capabilities: securing and locking in green electricity costs, supplying and dispatching green computing power, tracing and certifying product carbon footprints, and integrated zero-carbon park and factory solutions. Together they provide end-to-end support from green compliance to green pricing.

(1) Securing a stable green electricity supply: Turning energy price volatility into a predictable competitive advantage

Stable green electricity can be secured through long-term agreements and traceability mechanisms. This turns volatile green electricity prices into predictable costs and converts green attributes into verifiable, bookable certificates. Companies can obtain green electricity through long-term power purchase agreements (PPAs) or direct green electricity connections, and demonstrate green attributes through green certificate retirement and generation-consumption matching data. It sets both a cost baseline and a compliance baseline. Without stability, even a low tariff is just a variable cost. Without traceability, even clean electricity cannot be recognised.



China offers multiple routes to green electricity, each with cost advantages. In long-term green electricity trading, China's volume reached 328.5TWh in 2025, up 38.3% year on year; multi-year green electricity agreements reached 60TWh, and interprovincial and interregional trading hit a record 1,590TWh[40]. In direct green electricity connections, by the end of 2025 renewable energy accounted for more than 60% of China's total installed power capacity, with wind and solar capacity reaching 1,840GW[41]. In green certificate trading, more than 110,000 consumer entities participated in 2025, up 87.52% year on year, and the average price of green electricity certificates was RMB5.57 each, nearly eight times the level three years earlier[42]. With integrated configuration of generation, grid, load and storage, these routes can also be combined: AI forecasts wind and solar output and optimises the power purchase mix and the charging and discharging of storage, allowing companies to adjust dynamically across multiple agreements. Green electricity can therefore be sourced, traced, verified and priced.



A German chemical group's Zhanjiang base in Guangdong secures stable green electricity in two ways. First, it signs long-term direct green electricity purchase agreements that lock in supply volume and price and avoid spot market volatility. Second, it invests in offshore wind projects, obtaining a stable power source as a shareholder and sharing project returns. Together, these give the base a 100% renewable electricity supply.

(2) Supply and dispatch of green computing power: Packaging green electricity as an accessible service

Supplying and dispatching green computing power can effectively resolve the mismatch between when computing demand occurs and when green electricity is delivered. Through storage adjustment, load dispatch and grid coordination, it places computing load and green electricity supply in the same dispatch system, converting low-cost, traceable green electricity into computing services that can be called externally. Companies buying such services obtain green computing power with controllable costs and verifiable attributes.

China has incorporated computing and electricity coordination into national infrastructure development. At computing hub nodes such as Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing, green electricity supply and storage facilities are being co-deployed, driving the coordinated layout of computing hubs and power centres. Ulanqab in Inner Mongolia and other locations have built data centres with direct green electricity supply based on local wind and solar resources, supported by storage, with computing load participating in peak shaving and unified grid dispatch. AI now forecasts where and when computing load will occur and dispatches it accordingly. Matching green electricity supply to computing demand is moving from manual scheduling to real-time algorithm optimisation, improving both the accuracy and speed of deviation settlement.



A microgrid project between a Dutch technology company and a Chinese telecommunications company adopted an innovative model that combines wind, solar, storage, charging and a computing centre, directly integrating clean energy systems with computing infrastructure. Direct green electricity supply enables the intelligent computing centre to achieve zero carbon emissions across its lifecycle. The model offers an innovative approach to greening intelligent computing centres worldwide.

(3) Product carbon footprint tracing and certification: Turning green into a verifiable passport

Product carbon footprint tracing and certification is about getting green practices recognised by international markets.

It draws on a company's full lifecycle carbon data, from raw materials and production to delivery, recycling, and disposal. This data goes through collection, accounting, verification, and mutual recognition to become an internationally accepted, verifiable passport. For companies, the value lies in two areas. The first is market access: green admission and carbon-footprint disclosure requirements in major markets are becoming more stringent, and carbon footprint certification directly affects whether a company can enter international brand supply chains. The second is a low-carbon premium: auditable and verifiable carbon data helps improve ESG ratings and financing terms.

China’s carbon market infrastructure and certification system have gradually improved. The mandatory carbon market covers four sectors (power generation, steel, cement and aluminium smelting), accounting for more than 60% of national CO2 emissions[43]. The relaunched voluntary carbon market (CCER) supports quantified trading of renewable energy and ecosystem carbon sinks, and supply-chain carbon data is now systematically aggregated. Domestic verification bodies are advancing international mutual recognition, with GB/T 24067 aligned with ISO 14067, so that carbon footprint results issued in China can be accepted in target markets. With AI accelerating carbon data processing across the chain, companies can respond far more efficiently to international rules such as the Carbon Border Adjustment Mechanism (CBAM).

A US coffee company and a Chinese green technology company formed a strategic partnership to build a digital carbon management platform. It calculates full lifecycle carbon footprints for thousands of SKUs, turning hard-to-quantify supply-chain carbon data into assets that can be measured, traced and managed, from coffee beans and milk to packaging and logistics.



(4) Zero-carbon industrial park and factory solutions: A zero-carbon environment ready for immediate use

Integrated zero-carbon park and factory solutions combine green electricity supply, energy-saving technology, intelligent management and carbon certification into a systematic solution that can be implemented, replicated and certified. Companies can access these solutions in two ways: by moving into an established park to obtain energy, facilities and management conditions that support low-carbon operations, or by building their own park or factory to zero-carbon standards. For companies, moving into an established park can greatly shorten the zero-carbon certification lead time, and a combination of direct green electricity supply, shared storage and waste heat recovery can reduce overall energy costs by 20% to 40%.

China is accelerating zero-carbon park development, with plans to build about 100 national-level zero-carbon parks and about 500 zero-carbon factories during the 15th Five-Year Plan period [44]. The first 52 national-level zero-carbon parks have been launched; once completed, their carbon emissions per unit of energy consumption will be about 0.25 tonnes of CO2 per tonne of coal equivalent, about one tenth of the current national park average[45]. China has also developed more than 8,000 national-level green factories and more than 600 green industrial parks[46], providing a wide range of green development reference models for companies in different sectors.

Through a range of organisational innovations, the Ordos Zero-carbon Industrial Park has developed a solution that allows variable wind and solar power to support continuous industrial operations reliably. The Tianji weather model predicts changes in wind and solar output in advance, while the Tianshu energy model optimises generation, storage and load in real time, supported by electrochemical storage and long-duration green hydrogen storage to ensure green electricity stability. The park also uses the Ark energy and carbon management platform to precisely calculate product lifecycle carbon footprints and generate a traceable, certifiable zero-carbon green code. The solution has been recognised by the World Economic Forum for several consecutive years.

These four capabilities form a complete green value loop. Stable green electricity establishes the cost baseline. Green computing power turns green power into accessible services. Carbon footprint certification opens the door to international markets. And zero-carbon parks bring the first three together in a ready-to-use form. Companies in China can therefore access end-to-end capabilities, from controlling green costs to monetising green value.



3. Channels and approaches for MNCs to configure green capabilities

For MNCs, deep participation in China's green transformation offers two benefits: a share of growth in the local market, and the chance to refine technologies and solutions within a complete industrial ecosystem before extending them to global markets. Historically, multinational green investment in China has passed through three stages: a policy-dividend stage, when subsidies and tax incentives built new-energy manufacturing capacity; an asset-capture stage, when companies secured stable green power through power station investment and long-term agreements; and a system-integration stage, which combines green power, computing power and storage into integrated solutions. Through these stages, the green capabilities MNCs gain in China have steadily deepened.

Table 15: Evolution and characteristics of MNCs' investment in China's green sector

Stage	Features	Typical actions	Capabilities built
Policy-dividend investment	Use subsidies and tax incentives to build new energy manufacturing capacity	Build new energy manufacturing capacity and gain scale production capability	Scale production management, supply chain organisation
Asset-capture investment	Obtain stable cash flow through power station investment and long-term agreements	Power station REITs and green ABS, direct green electricity supply, long-term PPAs	Asset operation, use of financial instruments, risk pricing
System-integration investment	Integrate green electricity, computing power and storage into a single solution	Integrated data centre, green electricity and storage; green computing services; zero-carbon park development	Green computing power supply and dispatch; integrated zero-carbon park and factory solutions

Source: PwC analysis

As China's green capabilities advance, the ways MNCs access them are also changing. In 2025, the National Development and Reform Commission and the Ministry of Commerce issued a new edition of the Catalogue of Industries for Encouraging Foreign Investment, explicitly encouraging foreign investment in clean energy equipment manufacturing, power station construction and other fields. In 2026, the world's first benchmark index tracking the offshore RMB green bond market was launched. These institutional arrangements open more channels for MNCs to access green capabilities in China. On this basis, the report identifies four representative new cooperation approaches.

(1) Computing and electricity coordination project cooperation

Through computing and electricity coordination projects, MNCs can lock in green electricity costs and gain coordinated operating capabilities. There are two ways to implement this: forming a joint venture with a Chinese company to conduct operational dispatch, metering and deviation settlement together, or investing in and developing a data centre connected to the local green electricity supply and dispatch system. In such projects, MNCs contribute computing demand, licensed data centre assets and technical standards. Chinese partners provide new-energy power stations, grid connection, storage and dispatch operations.

(2) Green asset securitisation cooperation

Green asset securitisation offers MNCs a way to gain green rights without heavy asset investment. Green asset pricing is currently anchored mainly to the cash flow of underlying assets. Revenue rights, debt or project assets of new energy power stations can be monetised through green ABS, holding-type real estate ABS or REITs. MNCs can participate by subscribing to units, gaining long-term, stable green certificates and other green environmental rights without investing in an entire power station.



In 2025, China's first clean energy holding-type real estate ABS was successfully issued, with an underlying asset of a wind farm in Hebei and primary revenue sources of wind power feed-in tariffs and green environmental rights income. The special plan standardises and unitises the wind project to create a holding-type investment. Diverse investors including local energy groups and well-known foreign companies participated actively and broadened their carbon reduction tools.

(3) Sustainability-linked financing cooperation

Sustainability-linked financing cooperation provides tools and channels for MNCs to deliver on green investment commitments. Some MNCs have made public commitments to green investment targets and carbon reduction. Such commitments can only be delivered with verifiable emission reduction outcomes. Through these tools, MNCs can fund capacity upgrades and emission reduction projects at Chinese companies, with loan interest rates directly linked to sustainability performance targets set by the borrower. Under this model, MNCs obtain emission reduction outcomes that count towards their own green commitments, while Chinese companies secure more favourable financing terms in exchange for performance commitments. Participants include foreign banks, multilateral development institutions and foreign asset managers, which take on roles such as syndicate formation, long-term funding and green fund allocation.



In June 2025, a technology group successfully arranged China's first sustainability-linked offshore syndicated loan in the display panel industry, totalling USD200 million. Two foreign banks and one Chinese bank acted as joint mandated lead arrangers, bookrunners and sustainability-linked loan coordinators. A Norwegian risk management and technical services firm acted as the independent external reviewer. A total of 19 Chinese and foreign banks participated in the loan, which was more than three times oversubscribed.

(4) Cross-border green financial asset allocation

Cross-border green asset allocation gives international investors a route into Chinese green assets through RMB bonds such as green panda bonds and dim sum bonds. Once RMB green bonds are included in mainstream international indices, passive funds tracking those indices can allocate automatically, and secondary market liquidity will improve accordingly. For international investors, these instruments provide a convenient entry point to RMB green assets. For offshore issuers, they open low-cost, diversified financing channels. Hong Kong, as a major global offshore RMB centre, is the core hub for international investors entering China's green bond market.

In May 2026, the Ministry of Finance issued RMB6 billion of green sovereign bonds in Hong Kong, with total subscriptions of RMB62.4 billion, 10.4 times the issue size. Investors included sovereign and supranational institutions (31%), banks (47%) and funds, asset managers and insurers (20%), with green and sustainable investors accounting for 35%. By region, Asia-Pacific accounted for 80% and non-Asia-Pacific for 20%. This case demonstrates genuine allocation demand from international capital for Chinese green assets, with RMB green bonds becoming their channel into China's green market.

Table 16: Main modes of cooperation between Chinese and foreign enterprises in green transformation

Modes	Characteristics	MNC advantages	China's advantages
Computing and electricity coordination project cooperation	Computing load and green electricity supply dispatched on the same grid; computing consumption matched to green electricity delivery	Computing demand, licensed data centre assets, technical standards	New energy power stations, grid connection, storage and dispatch operations
Green asset securitisation cooperation	New energy power station assets monetised through ABS, REITs and similar instruments; multinationals participate by subscribing to units	Long-term capital, senior tranche investment, global allocation channels	Underlying power station assets, operations management, multi-tier circulation market
Sustainability-linked financing cooperation	Loan interest rates linked to sustainability performance targets	Cross-border syndicate organisation, performance target systems and interest rate mechanism design	Syndicated lending, capacity upgrades and emission reduction performance scenarios
Cross-border green financial asset allocation	International investors invest in Chinese green assets through panda bonds and dim sum bonds	International capital, global allocation channels	Issuance of green panda bonds and dim sum bonds, market connectivity

Source: PwC analysis

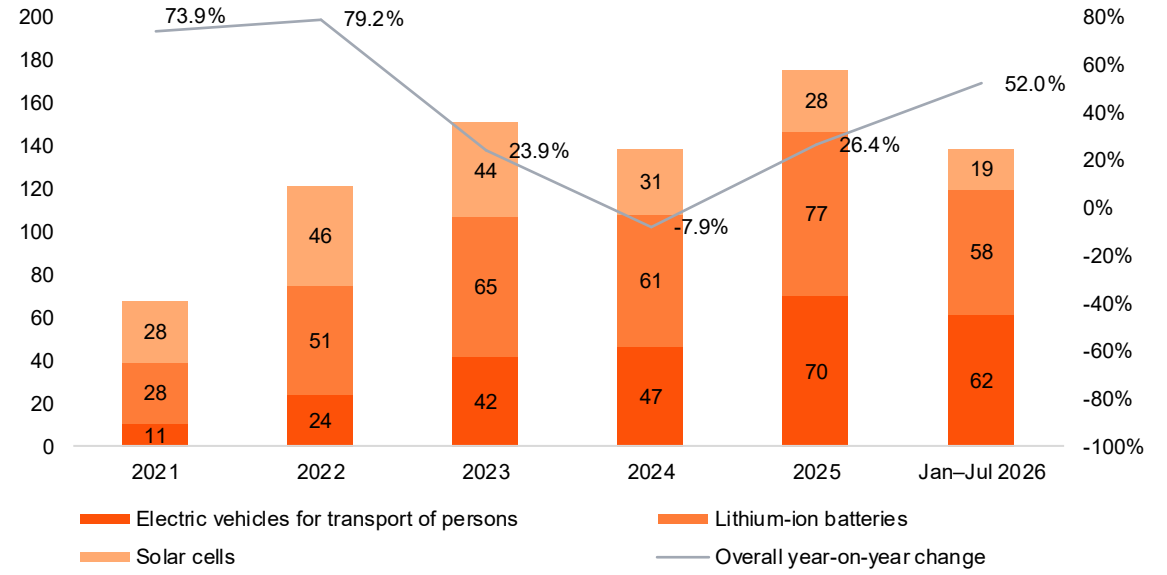
4. Sharing China's green capabilities with the world

Whether China's green capabilities and assets can be transferred successfully depends on two things: companies' ability to operate across markets, and external conditions such as local power market structures, progress on mutual certification and cross-border data rules. China's green capabilities are now extending along an upgrade path from hardware products to solutions and then to cross-border services, in four forms.

(1) Green products going global

In recent years, the global green and low-carbon transition has deepened and international demand for green products has continued to grow. In 2025, China's green product exports reached USD442.63 billion, up 14.62% year on year, accounting for 16.53% of global green product exports[47]. Within this total, exports of the "new trio" products reached USD175.1 billion[48], among the fastest-growing green product categories. Several new energy vehicle makers have built plants in Europe and Southeast Asia, driving exports of power batteries and electronic control systems. For the world, Chinese green product exports provide equipment and technology support for more countries' energy transitions and lower the cost of the global green transition.

Figure 4: China's exports of major green products and growth, 2021 to July 2026 (Unit: USD billion)



Source: General Administration of Customs of China

(2) Invest-Build-Operate (IBO) integration going global

IBO integration going global delivers design, construction and operation as one package, extending to new energy power stations, smart grids, energy storage systems and green hydrogen production. This model does not simply deliver equipment or a single product. It adapts equipment and systems to the local power market structure, grid connection rules and green electricity consumption conditions, and takes responsibility for long-term operation after completion. For host countries, it shortens the construction period for local green infrastructure, reduces whole-life project costs and effectively lowers operating risk through long-term operation.

A Chinese company signed an EPC turnkey contract with a foreign company for the 150MW/300MWh Celeste energy storage station project in Uzbekistan. Located in the capital, Tashkent, the project includes the storage station, a booster station and associated transmission lines. Revenue from storage stations depends heavily on operating capabilities such as charging and discharging strategy, power market participation and capacity leasing, all of which require long-term operating experience. The project is delivered as an integrated build-plus-operate package, so the host country can ensure stable operation without having to build its own operating capability.

(3) Zero-carbon operating model reuse

China's proven green electricity procurement, zero-carbon park development and carbon footprint management are packaged into a single zero-carbon operating model that can be replicated abroad as a whole. Unlike engineering delivery for a single project, this model provides regional-level operating capabilities and creates an end-to-end loop from energy supply and production organisation to carbon data management. Its core value lies in two areas. First, host countries can apply proven operating approaches validated in an ultra-large market without starting from scratch. Second, the framework provides a verifiable carbon data foundation for local products, helping companies gain a compliance advantage in responding to international carbon rules.

A Chinese zero-carbon industrial park model has been deployed in Brazil, Spain, France and other countries. In a zero-carbon battery park in France, for example, wind, solar and storage work together to supply green electricity for battery manufacturing, which in turn supplies zero-carbon power batteries to automakers. The park is equipped with a China-validated energy and carbon management platform and the EnOS intelligent IoT operating system, which measure and aggregate energy consumption and carbon emissions data across production and operations, and generate a zero-carbon green code for products in the park.

(4) Green computing power services going global

The global expansion of green computing power services means packaging green electricity and computing power as services that can be delivered across borders and billed to overseas customers on a token basis. After purchasing tokens, overseas users can access China's AI service capabilities through APIs and obtain verifiable low-carbon computing certificates with green electricity attributes. For the global market, these services lower the barrier for companies and individuals to use AI and help users meet their own carbon reduction targets.

One city is exploring an end-to-end token export loop covering data centres, token production, overseas access, compliant data transmission and cross-border settlement. It draws on the pilot policy for processing data sourced from abroad (a business model that transforms raw data originating overseas into orderly data products through procedures such as governance, aggregation and modelling) in the Overseas Chinese Economic and Cultural Cooperation Experimental Zone; overseas users access computing power in China through an API and pay by token. Eight overseas customers have already tested the service in real-world scenarios.

Table 17: Forms and value of the global extension of China's green capabilities

Forms	Features	Global value
Green products going global	Scale manufacturing supports green product exports	Lower the cost of the global green transition
IBO integration going global	Integrated delivery of design, construction and operation	Shorten construction periods and reduce operating risk
Zero-carbon operating model reuse	Whole-system transfer of regional zero-carbon operating models	Host countries gain proven operating approaches directly
Green computing power services going global	Green electricity and computing power packaged as token-billed services	Lower the barrier to AI use and provide low-carbon computing power

Source: PwC analysis

> Carbon costs are shifting from a hidden burden to an explicit operational threshold. Chinese green companies going global face not only price competition at a single point in the value chain, but systemic carbon rules that govern the entire cycle—from procuring green electricity and calculating carbon footprints to securing mutual certification recognition and delivering green computing power. Spanning multiple countries and regions, this chain requires consistent accounting and attribution of carbon costs at every stage. During investment structuring and contract design, enterprises must explicitly resolve three key questions: which party bears the carbon liability, who accounts for and certifies carbon footprint data, and how carbon tariffs are reflected in the contract price.

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06

Two-way empowerment: Future pathways to enhance strategic resilience

Classification framework and enhancement pathways for strategic resilience

Recommendations for MNCs: reconfigure underlying capabilities and strengthen cross-domain reconfiguration

Recommendations for Chinese enterprises: leverage advantageous capabilities and refine the capability cycle

Recommendations for policymakers: optimise the institutional environment for capability cultivation and cross-border flow



Building on the capability sources mapped across the first five chapters, this final chapter introduces a robust classification and assessment methodology alongside concrete pathways for enhancing strategic resilience. By integrating the capabilities dispersed across the four business domains into a structured, assessable framework, this chapter delivers actionable strategic guidance for MNCs, Chinese enterprises, and policymakers alike.



1. Classification framework and enhancement pathways for strategic resilience

(1) Classification framework

Strategic resilience does not materialise in a vacuum; it is rooted in the steady accumulation of corporate capabilities. As established in Chapter 1, an enterprise's truly controllable core assets are its underlying capabilities – defined as operational methodologies that are observable, transferable, and reconfigurable. This report maintains that when these underlying capabilities are organically synthesised through the five core elements – scenario sensing, capture and generation, reconfiguration speed, premium conversion, and replication and migration – they forge corporate strategic resilience. The first four elements form a complete capability lifecycle, whereas the fifth determines whether this cycle can be successfully scaled and replicated across borders. In this architecture, capabilities serve as the foundational carrier, the five elements provide the structural logic, and resilience represents the ultimate outcome. These three dimensions build upon one another sequentially to define the core parameters of an enterprise's resilience capacity.

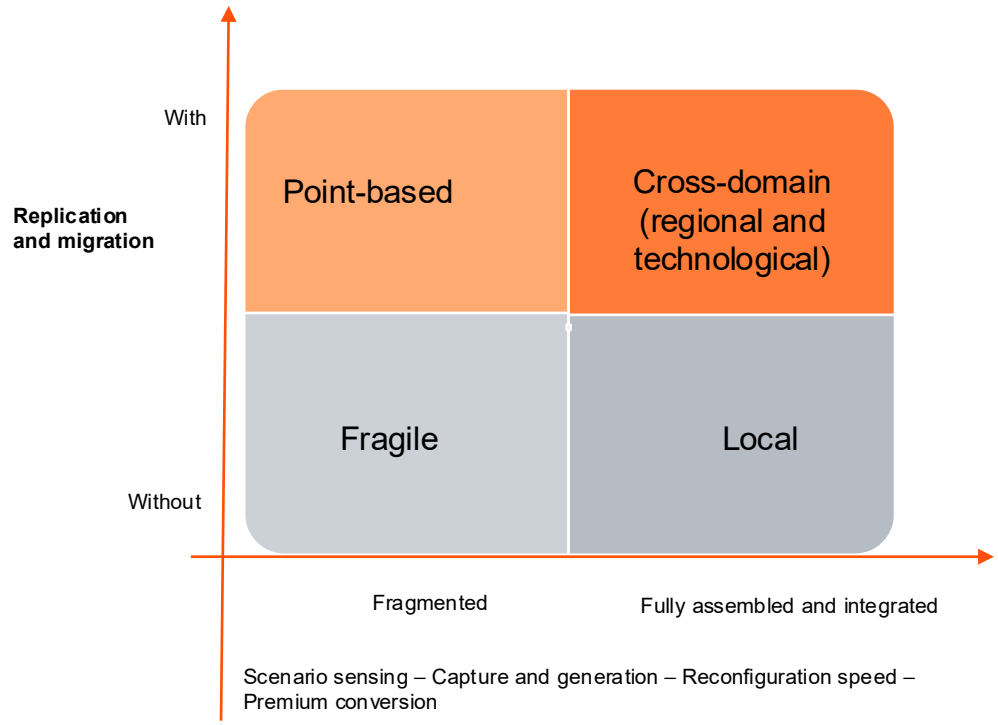
Based on the two evaluative dimensions of elemental completeness and readiness alongside replication and migration capacity, corporate strategic resilience can be classified into four distinct archetypes: **fragile, point-based, local, and cross-domain.** These four configurations correspond to varying developmental stages and operational contexts; they do not represent a rigid hierarchy of superiority or inferiority. While point-based and local resilience each offer distinct operational advantages, cross-domain resilience – encompassing both cross-regional and cross-technological dimensions – represents the advanced benchmark pursued by leading global enterprises. An enterprise may successfully establish a closed loop across the first four elements, yet its replication and migration capabilities may remain confined to a point-based level. Conversely, it may perform exceptionally well in a single isolated element while its overarching capabilities have yet to form an integrated, self-reinforcing closed loop.

Table 18: Four archetypes of strategic resilience

Archetypes	Typical manifestations	Observable indicators
Fragile	Following an external shock, the enterprise lacks viable contingency solutions, forcing it to scale back operations or suspend activities while awaiting an environmental recovery	Absence of contingency plans; sharp business contraction during shock periods with prolonged downturns
Point-based	The enterprise can mount a response within one or two isolated operational links, but this agility fails to propagate across the value chain, leaving overall performance vulnerable to external volatility	Performance metrics improve in isolated segments (e.g., shorter signal-to-decision latency or higher prototype first-pass yields), while the overarching business structure remains unchanged
Local	Within a specific regional market, the enterprise can independently execute the entire lifecycle from detecting change to capturing value, yet the underlying capability combination cannot be readily replicated in alternative markets	Measurable transformation cycles and investment returns; emerging revenue streams from novel business lines
Cross-domain	• Cross-regional: transferring locally accumulated capabilities to a new market and rapidly re-establishing the capability cycle at a fresh operational base. • Cross-technological domain: reconfiguring an existing capability set into a novel business vertical to achieve cross-boundary integration. (Enterprises possessing both capabilities can accumulate once, reuse across multiple geographies, and monetise through diverse commercial formats)	Frequency of cross-market reuse, ramp-up success rates for initial operations at new facilities, and diversified models of capability sharing and collaboration

Source: PwC analysis

Figure 5: Four archetypes of strategic resilience



Source: PwC analysis

(2) Self-assessment methodology

Enterprise resilience self-assessment can be structured into three distinct steps: first, verify the existence of underlying capabilities; second, determine whether the core elements form an integrated closed loop; and finally, apply a stress test to identify the specific resilience archetype.

Step 1: Verify the existence of capabilities

The foundational premise of the assessment is that the capability genuinely exists. If a capability cannot be systematically identified, reused, reconfigured, or yield quantifiable outcomes, it amounts merely to fragmented experience rather than a cumulative corporate asset. The genuine existence of a capability must be validated through four core diagnostic questions: a capability is established only if it successfully passes all four criteria. If any single criterion fails, the capability is deemed non-existent and cannot be incorporated into subsequent elemental or resilience evaluations. This serves as the mandatory starting point for the entire self-assessment framework.

Table 19: Four diagnostic questions for verifying genuine capability acquisition

Questions	What needs to be answered	Basis and criteria
Does it exist?	Does it rest on a concrete carrier?	Project, production line, system, process, contract or team; if there is no carrier, it is regarded as not acquired
Can it be taken away?	Can it be reused elsewhere?	The cycle and investment required to rebuild the same capability elsewhere in the same period; the gap between the two is its value
Can it be reconfigured?	Has it been repeatedly called?	How many product lines and how many markets it has entered; if used only once, it has not yet become an asset
Has it produced results?	Has it entered measurable operating indicators?	Validation cycle, ramp-up cycle, transformation cycle, unit cost, yield rate, carbon intensity, premium margin

Source: PwC analysis

Step 2: Assess whether the elements form a closed loop

Once a capability has been verified as existing, the next step is to evaluate whether it constitutes a complete operational cycle. Whether the capabilities corresponding to the first four core elements – scenario sensing, capture and generation, reconfiguration speed, and premium conversion – are fully established and linked end-to-end determines whether the capability cycle achieves an integrated closed loop. Meanwhile, the full implementation of the fifth element (replication and migration) dictates whether this cycle possesses cross-market scalability and spillover attributes. In short, establishing the first four elements completes the closed loop, whereas successfully executing the fifth element confers genuine reusability.

Step 3:
Use a stress test to determine the specific archetype

Enterprises can arrive at a definitive assessment conclusion through a simulated real-scenario stress test, which is structured across three operational stages:

1. **Set the stress scenario.** Select high-impact risk scenarios directly pertinent to enterprise operations – such as supply chain disruptions, restricted market access, or tightening technology controls – and evaluate the organisation's response performance under duress.

2. **Observe the response.** Focus evaluation on three core dimensions: whether pre-existing contingency solutions are readily available (verifying whether the first four elements are fully established); whether the capability cycle can operate autonomously (verifying whether an operational closed loop has been achieved); and the duration required for business recovery (verifying operational agility and adjustment efficiency).

3. **Match the resilience archetype.** Fragile: weak performance across all three dimensions, characterised by a complete absence of alternative solutions, no closed loop, and prolonged operational downtime. Point-based: partial alternative solutions exist in isolated areas, but an overarching operational closed loop has not been formed. Local: the capability closed loop functions independently and the recovery process remains fully controllable within the primary market. Cross-domain: the closed loop is successfully executed, and core capabilities can be seamlessly migrated and scaled into novel operational scenarios.

The fundamental value of this stress test lies in its diagnostic efficiency: enterprises are not required to audit the five elements item by item. A single stress test forces the actual performance of the entire framework into explicit view – whichever operational link breaks first under pressure immediately pinpoints the exact location of the capability shortfall.



(3) Enhancement strategies

The four resilience archetypes are not static; enterprises can chart distinct transition trajectories aligned with their resource availability and operational pace. The core ethos of enhancing strategic resilience lies in investing in underlying capabilities rather than pursuing sheer scale or short-term financial returns. The key enhancement priorities for each archetype are outlined below.

Enhancing the fragile archetype. The primary imperative is to establish robust scenario sensing capabilities, enabling the enterprise to detect market shifts proactively. The core investment focus at this stage is to construct direct channels for external signals to inform executive decision-making, thereby compressing sensing latency. Effective sensing serves as the vital springboard for all subsequent capability upgrades. From a fragile baseline, enterprises can pursue two distinct transition pathways:

- Pathway one: upgrading to the point-based archetype. Prioritise forging transferable capabilities within one or two isolated elements. The chief advantage of this pathway is strategic focus: enterprises are not required to build all four elements simultaneously; rather, they need only develop deep proficiency at a single node to reach a transferable standard. For resource-constrained enterprises, this represents a highly pragmatic upgrade route.

- Pathway two: upgrading to the local archetype. Prioritise completing all four elements to establish an integrated operational closed loop. This pathway requires the capacity to develop all four elements in parallel, entailing higher capital expenditure and a more extended implementation lifecycle. It is ideally suited to enterprises possessing robust resource reserves and an uncompromising strategic commitment to systemic transformation.

Enhancing the local archetype to the cross-domain archetype. The core imperative at this stage is to unlock cross-border replication and migration, transforming locally cultivated capabilities into a highly transferable and reusable format. The strategic investment focus shifts from foundational capability building to capability codification and standardisation: converting non-standardised operations that previously depended on specific personnel and localised facilities into replicable assets governed by standardised processes, governance frameworks, and repeatable mechanisms. This transformation enables the rapid redeployment and re-establishment of the capability cycle in novel operational environments. The cross-domain transition encompasses two distinct strategic directions, allowing enterprises to advance sequentially based on their operational readiness:

- Pathway one: achieving cross-market geographic replication. Migrate a mature capability cycle into a new international or regional market, successfully rebuilding the operational closed loop at a fresh facility. This path rigorously tests the cross-border transferability of the enterprise's capabilities under varying regulatory, cultural, and market conditions.

- Pathway two: achieving cross-technological domain reconfiguration. Reconfigure and apply accumulated capability elements to a novel business vertical, driving cross-boundary integration and new value creation. This path rigorously tests the structural reconfigurability of the enterprise's underlying capabilities.

When enterprises transition from the local archetype to the cross-domain archetype, they inevitably confront a pivotal practical question: how can operational capabilities successfully achieve cross-regional migration? The definitive answer lies in two-way investment. For MNCs already established in China, the core strategic value of "bringing in" has shifted decisively – from capturing local market dividends to integrating capabilities cultivated within Chinese operational scenarios into their worldwide systems. Conversely, for Chinese enterprises expanding globally, the objective is to reuse mature capabilities forged in China across diverse international markets. These dual directional flows ultimately converge on a singular strategic objective: enabling capabilities to transcend geographical boundaries and achieve seamless replication and establishment across multiple locations. Ultimately, two-way investment serves as the essential catalyst and core pathway for enterprises seeking to elevate their resilience from a local foundation to a cross-domain benchmark.

Co-creation serves as the pivotal mechanism for this strategic upgrade. It is increasingly challenging for any single entity to independently construct an end-to-end system of underlying capabilities. The global standards, technological edge, and brand equity of MNCs naturally complement the operational scenarios, data density, manufacturing flexibility, and iteration velocity of domestic Chinese enterprises. Through equity linkages, joint R&D, collaborative supply chain development, and shared decarbonisation solutions, both parties can engage in multifaceted co-creation. The resulting validation environments, pilot-scale capabilities, supply chain ecosystems, and green credentials yield outcomes that neither party could independently achieve within the same timeframe and at a comparable cost. Ultimately, as capabilities are configured within the Chinese market, collaboration has become the standard pathway for capability access, representing a vital driver of incremental value in China's two-way investment landscape.



We observe that cooperation between MNCs and Chinese enterprises is evolving from isolated project-based linkages to multi-layered strategic collaboration spanning research and development, manufacturing, supply chain ecosystems, and sustainability initiatives. This deep collaboration not only reinforces their respective global operational resilience but also establishes a scalable, replicable pathway for mutually beneficial international cooperation. Ultimately, this embodies the core objective of China's two-way investment: empowering capabilities cultivated within China to serve as the strategic resilience through which enterprises engage the global market and successfully navigate economic cycles.



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2. Recommendations for MNCs: Reconfigure underlying capabilities and strengthen cross-domain reconfiguration

In the era of artificial intelligence, the substance of underlying capabilities is evolving rapidly, with novel operating models emerging across scenario sensing, validation, capture, reconfiguration, and green transformation. China exhibits globally rare structural advantages in scenario density, supply chain density, iteration velocity, and the coordinated supply of green power and computing infrastructure. In particular, the 16 underlying capabilities across the four business domains summarised in this report are exceptionally difficult to replicate simultaneously on a global scale. Consequently, MNCs need to dynamically adjust and upgrade their existing capabilities to align with contemporary demands and emerging paradigms. This report recommends that MNCs take decisive action across four key areas – reshaping the strategic role of the Chinese market, auditing and updating capability requirements, adapting governance structures, and strengthening cross-border capability deployment and sharing – to significantly enhance their global strategic resilience.

(1) Redefine the role of the Chinese market: From regional sales centre to global capability hub

Evaluating China's business solely by its global revenue share confines its strategic contribution to the execution layer. The scale of regional business operations is not equivalent to the true value generated through local capability development. In the era of artificial intelligence, the strategic value of the Chinese market has undergone a fundamental transformation. It is recommended that MNCs elevate the positioning of the Chinese market from a regional sales centre to a global capability hub.

Strategy meetings need to treat China capability building as a dedicated agenda item, ensuring that the solutions, processes, and 16 core capabilities developed in China are transformed into global knowledge assets rather than being confined to regional performance reviews. Furthermore, headquarters need to evaluate capability building alongside traditional revenue metrics. To make this capability hub truly effective, headquarters need to focus on establishing three core channels: first, dedicated budget and decision-authorisation pathways for joint development projects; second, collaborative networks linking local partners, academic institutions, and supply chain ecosystems; and third, cross-border deployment and sharing channels for replicating and scaling Chinese best practices across third-party markets.



(2) Audit global capability requirements and establish a China capability deployment plan

Global enterprises can conduct an audit of their global capability requirements based on the five-element framework, benchmarked against the rigorous standards of the cross-domain archetype – particularly across technological domains – and calibrate or upgrade these assets with reference to the Chinese market. MNCs need to proactively monitor emerging dynamics and innovative solutions in China, explore collaborative pathways across diversified channels, and identify and deploy requisite capabilities locally, thereby enhancing the efficiency and resilience of their global operations. Following this global audit of capability requirements, enterprises need to clearly delineate which capabilities can be directly integrated into their global operating systems, which necessitate joint development, and which require long-term cultivation. Notably, China's rapid technological iteration, rich operational scenarios, comprehensive industrial categories, and fast-evolving business models make it an indispensable proving ground for cultivating cross-technological reconfiguration capabilities. Consequently, cross-technological integration and boundary-spanning synthesis should be established as a standalone strategic priority within the enterprise's China capability deployment plan.

(3) Establish a governance structure adapted to capability building

A capability-oriented governance framework represents an organisational model centred on capability configuration and systemic flow. Decision-making authority and resources are dynamically allocated to wherever capabilities are generated, accumulated, and reused. Its overarching objective is not regional administrative control, but enabling capabilities to flow seamlessly across the global enterprise. Consequently, capability-driven governance places heightened demands on operational agility and decision velocity: critical imperatives such as demand validation, production line reconfiguration, and joint development initiatives all necessitate substantially shorter decision cycles. If approvals must continually escalate through multiple hierarchical management layers under rigid global protocols, decision-making rhythms inevitably become decoupled from frontline commercial realities. The calibration of authority is fundamentally about striking an optimal equilibrium between local responsiveness and global consistency. For enterprises characterised by centralised headquarters control, empowerment can commence at the operational tier – granting local units autonomous decision-making latitude subject to post-action reporting. Conversely, for organisations with higher local independence, authority over structural and strategic initiatives can be concurrently devolved, with headquarters maintaining oversight primarily through compliance filing. Ultimately, the essence of effective delegation lies not in the quantum of authority granted on a single occasion, but in firmly embedding decision mandates, streamlined approval workflows, and response time limits into formal institutional norms.

(4) Promote the global migration and reuse of capabilities to refine cross-domain resilience

The overarching long-term objective for MNCs in deploying capabilities within China is to reinforce the resilience of their global operations through the organic synthesis of these assets. Established mechanisms for reusing capabilities cultivated in China include: local R&D centres actively co-defining global product lines; Chinese manufacturing and engineering process systems serving as master blueprints for newly constructed overseas facilities – facilitating rapid replication and scaling via process package licensing; and Chinese teams engaging directly in global co-development initiatives, with resulting strategic outputs embedded seamlessly into the global decision-making chain.

Whether capabilities deployed in China can achieve global reuse can be evaluated across two distinct dimensions. The first is the temporal efficiency of reuse: when fresh demand emerges in a global market, can headquarters – leveraging agile operating mechanisms – rapidly mobilise capabilities accumulated in China to execute the end-to-end journey from demand response to solution delivery within a compressed timeframe? The second is the magnitude of resource optimisation: when replicating mature capabilities developed in China across alternative geographies, can complex operational milestones – such as initial ramp-up success rates at new facilities and local market validation cycles – circumvent redundant trial-and-error costs? When an individual market experiences an external shock, MNCs can swiftly mobilise capabilities configured in China to provide critical operational reinforcement, thereby substantially elevating global strategic resilience.

The overarching objective for MNCs in reconfiguring underlying capabilities in China extends far beyond capturing commercial market share; crucially, it lies in assimilating new-era capabilities cultivated within the Chinese market into their broader global architecture. On the one hand, this refreshes the enterprise's proprietary capability foundation and drives a revitalised cycle across the first four core elements. On the other hand, it reconfigures and applies these capabilities to emerging business verticals, thereby scaling them across technological domains. This serves both as an actionable pathway for enterprises transitioning from the local archetype to the cross-domain archetype, and as vital reinforcement for continuously refining cross-domain resilience.

3. Recommendations for Chinese enterprises: Leverage advantageous capabilities and refine the capability cycle

From the perspective of corporate strategic resilience, Chinese enterprises typically possess robust single-point capabilities, with the majority operating at the point-based or local archetype level. To establish a firm footing in international markets, they need to, on the one hand, scale and replicate advantageous capabilities across overseas markets (cross-market migration) to achieve cross-regional capability extension; on the other hand, they need to continuously refine and optimise the four-element capability cycle throughout this cross-border deployment. Only by combining these dual imperatives can the transition from the local archetype to the cross-domain archetype be realised. This report recommends that Chinese enterprises take concerted action across four strategic areas: clarifying their global positioning, auditing capability assets, deepening cross-border collaboration, and refining their globalised governance structure.

(1) Elevate global expansion positioning: From selling products to sharing capabilities

Historically, Chinese enterprises expanding globally advanced primarily along two main trajectories: the first was direct product export, selling domestically manufactured goods to international markets; the second was the outward deployment of competitive industrial capacity through establishing overseas production facilities. Research in this report indicates that capabilities cultivated by enterprises in China – such as rapid validation, engineering implementation, supply chain orchestration, and cost optimisation – possess inherent cross-market reuse value. The strategic focus of going global can therefore transition decisively from merely selling physical products to deploying, sharing, and scaling underlying capabilities.

To elevate this global expansion positioning, strategic priorities can be adjusted across three key dimensions. First, clarify the core subject of transfer: what is shared across borders needs to be a reusable methodological and operational framework rather than a one-off transactional order. Second, clarify the mandate of the recipient entity: overseas facilities and international operations need to assume the role of capability hubs rather than functioning merely as sales front-ends, with dedicated focus placed on whether local teams can independently reconstruct and operationalise this capability suite. Third, institutionalise an effective feedback mechanism: operational outcomes and strategic insights generated overseas need to flow back to headquarters, becoming embedded within the enterprise's broader global architecture so they can be readily replicated and scaled across third-party markets.



(2) Audit capability assets: Distil competitive capabilities suited for replication

Capabilities honed by Chinese enterprises within the domestic market represent both core domestic competitive advantages and vital sources of value for international expansion. However, not all capabilities can be successfully transferred and scaled across borders. On the one hand, viability hinges on whether a given capability can be modularly disaggregated, codified, and reused. On the other hand, target markets exhibit marked divergences in operating environments, infrastructural maturity, and risk profiles. Enterprises can draw upon the 16 underlying capabilities across the four business domains systematically examined in this report to conduct a rigorous, item-by-item audit of their own capability architecture.

This audit can be conducted in three steps. **The first is identification:** benchmarking against the four business domains, enterprises need to catalogue the capability components they currently possess and ascertain which rest upon concrete organisational carriers (such as operational projects, production lines, digital systems, codified processes, or dedicated teams). **The second is disaggregation:** enterprises must evaluate which capabilities have been successfully modularised and can be decoupled from specific domestic contexts, and which remain reliant on particular individuals or facilities and are therefore non-transferable. A higher degree of modularisation substantially lowers the cost of overseas localisation while affording greater strategic latitude in cross-border commercialisation and pricing. **The third is estimation:** factoring in the local conditions of the target market, enterprises need to assess the timeframe and capital investment required to reconstruct equivalent capabilities locally, clarifying in advance the operational adjustments required under new regional constraints and identifying potential collaborative partners. Following this audit, enterprises also need to secure the vital carriers for capability migration – interdisciplinary talent possessing international commercial acumen, a nuanced grasp of local regulatory landscapes, and the ability to lead cross-cultural teams. In the absence of such human capital, even the most formidable capabilities will struggle to achieve successful cross-border execution.

At present, primary models for cross-border capability deployment among Chinese enterprises encompass three distinct approaches. First, codifying process documentation, approved supplier directories, and ramp-up manuals into master operational blueprints for newly established overseas facilities, thereby achieving the systematic replication of advanced industrial capacity. Second, pre-positioning R&D capabilities directly within international markets to accelerate localisation and adaptation in close proximity to end customers and real-world operational scenarios. Third, deploying brand equity and operational systems in their entirety, driving a strategic elevation from product-centric international expansion to comprehensive, system-level globalisation.

Table 20: Key evaluation criteria for the distillation and migration of capabilities by Chinese enterprises

Strategic element	Key criteria for evaluating local capabilities	Key criteria for evaluating migration to third markets
Scenario sensing	Availability of viable data sources and signal channels in the target market; identifiability of structural divergences in demand segmentation, channel architectures, and brand perception; feasibility of completing the initial validation round within controlled cost parameters	Degree to which validation methodologies depend on market-specific data sources; reconstructibility of signal channels when transitioning across markets; breadth of cross-market applicability and transferability of validation conclusions
Capture and generation	Presence of foundational conditions for process engineering and pilot-scale validation in the target market; impact of regulatory frameworks, cultural divergences, and labour dynamics on R&D cadences; first-pass success rate from concept ideation through to prototype realisation	Degree of R&D process dependency on specific local teams; reproducibility of pilot-scale operational conditions across third markets; magnitude of local adaptation required for technical architectures
Reconfiguration speed	Readiness of local supply chain ecosystems and skilled technical labour pools; deployment of localised management frameworks and internationalised talent; transformation and retooling cycles for production lines and service delivery systems	Replicability of process solutions and production line configurations across third markets; transferability of regional operational experience and management practices; capacity of international talent to sustain multi-site, distributed operations
Premium conversion	Acceptance and institutional recognition of carbon footprint accounting standards and green power credentials in the target market; material impact of regulatory compliance and ESG benchmarks on margin and premium latitude; commercial attainability of sustained price premiums	Cross-border recognition and interoperability of green certifications and environmental credentials in third markets; scalability and reusability of premium monetisation models across geographies; portability of compliance governance and regulatory adaptation experience

Source: PwC analysis

(3) Deepen transnational cooperation: Draw upon global experience to reduce the risks of going global

Going global entails multifaceted risks. Disparities in regulations, cultural environments, and labour standards across markets – combined with local compliance, tax planning, and distribution channel structures – typically require substantial investment and extended learning cycles when Chinese enterprises venture out from scratch. In contrast, MNCs have accumulated decades of operational expertise, including local compliance know-how, established relationships with local channels and authorities, institutionalised brand and talent frameworks, and cross-border capital capabilities. Partnering with MNCs provides an effective pathway to lower exploratory friction and risks.

Cooperation in third markets can unfold across four primary avenues. The first is joint ventures, enabling co-investment and shared risk with MNC partners. The second is joint development, collaboratively advancing R&D, advanced manufacturing, and supply chains. The third is technology licensing, achieving capability deployment through licensing arrangements to reduce capital-intensive exposure. The fourth is co-branding and co-investment, entering new markets by drawing on the brand equity and distribution channels of MNCs. Cooperative relationships already established within the Chinese domestic market can thus be systematically extended into global collaboration oriented towards third markets.

(4) Establish a global operational management structure in advance to prepare for cross-domain upgrade

For Chinese enterprises transitioning from the local archetype to the cross-domain archetype, establishing a global operational management structure constitutes an essential breakthrough. The governance structure directly dictates profit repatriation channels, tax exposure, and the strategic latitude available for future corporate reorganisations. Structural planning should therefore be initiated concurrently with commercial negotiations rather than being addressed retroactively.

Structural design should adhere to three core principles. **The principle of strategic alignment** requires that the architecture directly serves the overarching objectives of the enterprise's global deployment. **The principle of commercial substance** requires genuine operational activities and personnel support on the ground, thereby avoiding the creation of hollow shell entities**. The principle of operational flexibility** ensures sufficient leeway is retained for future corporate restructuring, divestment, and reinvestment. In addition, dedicated pathways for capability deployment should be integrated into these structural arrangements, with formal mechanisms for capability feedback codified directly into governance rules.

The three principles can be operationalised across five dimensions:

- **Capital flow arrangements:** clarify investment holding structures, intermediate platforms, and entity tiering. These arrangements directly determine withholding tax liabilities on dividends, interest, and royalties, as well as the applicable tiers and limitations for foreign tax credits.

- **Allocation of decision-making authority:** define governance mechanisms and delegated decision mandates. These directly dictate the operational agility and market responsiveness of overseas entities, while requiring careful evaluation of whether deployed personnel and project sites constitute permanent establishments.



- **Ownership of intellectual property:** clarify the jurisdiction of IP holding, licensing perimeters, and transfer pricing arrangements. These directly influence both the overall tax profile and the enforceability of intellectual property rights. Against the backdrop of global minimum tax rules, IP structures must be supported by genuine commercial substance.
- **Data flow rules:** define cross-border data compliance mandates and local deployment architectures. This becomes particularly critical where intelligent, data-intensive, and digitalised businesses are involved.
- **Delineation of legal liability:** ensure that the functions, assets, and risks of each legal entity are rigorously aligned. This directly governs the clarity of compliance responsibilities and the effectiveness of risk ring-fencing across jurisdictions.



We observe that the international expansion of Chinese enterprises is undergoing a pronounced transformation: advancing from initial product sales to cross-border mergers and acquisitions, and now to the establishment of dedicated overseas teams, ecosystems, and brands. Divergences in commercial outcomes, however, often stem not from target market selection, but from the depth of genuine local integration – specifically, whether mature local governance frameworks are in place, whether talent skilled in multinational operations is deployed, and whether local regulatory, cultural, and labour dynamics have been properly accommodated. This represents a critical vulnerability for many Chinese enterprises today: an over-reliance on seconding domestic personnel, coupled with a shortage of leadership equipped to manage complex transnational operations. Global expansion cannot succeed through the mechanical transplantation of domestic practices; it demands that operational models be successfully reconstructed under new institutional constraints. Only through substantive local embedding – prioritising structural soundness and rigorous compliance from the outset – can enterprises achieve sustained, resilient growth on the global stage.



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4. Recommendations for policymakers: Optimise the institutional environment for capability cultivation and cross-border flow

From a strategic perspective, the transition of enterprises from the local archetype to the cross-domain archetype depends not only on internal capability building, but equally on the support of a well-aligned institutional environment. In the context of two-way investment, shifts in the headline volume of foreign direct investment represent trailing outcomes; the genesis and fluid circulation of capabilities constitute the true focal point of global investment. This report contends that advancing high-quality two-way investment requires institutional frameworks to focus on optimising the conditions for domestic capability cultivation and frictionless cross-border mobility. Aligning institutional provisions with enterprise capability requirements will both amplify the competitive advantages of established capabilities and enable a broader base of enterprises to access, share, and reuse these capability assets with greater operational efficiency.

(1) Provide shared training resources to lower the cost of capability cultivation

Capability development demands real-world scenarios, pilot-scale facilities, and testing environments – resources that incur heavy capital expenditure and redundant investment if built independently. Policy needs to therefore consolidate these dispersed assets into shared public infrastructure. First, authorities need to unlock shared validation sandboxes across the four core domains of consumption, innovation, advanced manufacturing, and green development to lower initial testing costs. Second, establishing open pilot-scale platforms for process validation and facility retooling will compress the cycle from concept to mass production. Third, integrating testing, standards compliance, and certification within unified facilities will enable enterprises to complete end-to-end accreditation through a single streamlined process.

(2) Streamline factor access to prevent bottlenecks in capability cultivation

The initial phase of capability development relies on the prompt acquisition of market signals and production factors. To sense shifts in demand, enterprises require access to reliable data; to convert concepts into prototypes, R&D assets need to circulate freely; and to rapidly retool facilities, industrial space and supply chains must be deployable without delay. Access thresholds and approval timelines directly dictate whether capability development can be initiated smoothly. Enhancing regulatory predictability and processing efficiency within compliance boundaries substantially lowers institutional transaction costs. In the AI era, where technological iterations are measured in months, the speed of securing production factors directly determines the velocity of capability building: prompt access accelerates development, whereas regulatory friction stalls capability generation at the outset.

Policymakers need to therefore streamline factor access essential for capability development while maintaining robust compliance oversight. First, clarify data governance and usage frameworks so enterprises can access market information with minimal regulatory ambiguity. Second, simplify clearance procedures for cross-border R&D elements to facilitate the frictionless movement of equipment, testing materials, and collaborative research funding. Third, foster cross-industry coordination to reduce systemic alignment costs. Because modern capability building increasingly hinges on upstream and downstream synergies across suppliers, customers, and research institutions, public policy support ought to expand from assisting isolated firms to empowering entire industrial ecosystems – ensuring production factors flow seamlessly across entities, regions, and supply chain tiers.

Table 21: Demands of production factors for capability training on policy and institutions

Strategic element	Production factors required for training	Policy and institutional demands
Scenario sensing	Data, application scenarios	Clear and predictable data usage rules; pilot access and sandbox mechanisms; predictable approval timelines for new product launches
Capture and generation	Technology, talent, R&D equipment	Intellectual property protection and dispute resolution; streamlined clearance of equipment and materials for collaborative R&D; efficient registration and settlement for technology licensing
Reconfiguration speed	Supply chains, upstream and downstream collaboration, process flows	Expedited customs clearance and bonded maintenance regimes; integrated supply chain collaborative services; direct linkage between technical standards, testing, and certification
Premium conversion	Green electricity, certification, funding	Green power trading and green certificate traceability mechanisms; mutual recognition of carbon accounting criteria with international standards; green finance support and capital exit channels
Replication and migration	Talent, processes, mechanisms	Codification of capabilities into transferable processes and standards; streamlined cross-border fund settlement and talent secondment; bilateral mutual recognition of regulatory and industry standards

Source: PwC analysis

(3) Cultivate new intelligent professional services to support capability sharing

During the capability sharing phase, professional services play an increasingly critical role. Professional service firms can assist enterprises in distilling capabilities from specific operating contexts into reusable methodologies, codifying capabilities into transferable assets to remove dependency on specific individuals or facilities, and establishing clear mechanisms for capability pricing, licensing, and cross-border settlement. These operational elements fall outside the core production and manufacturing systems of enterprises, representing the precise strategic strengths of specialised professional organisations.

From a global perspective, AI is fundamentally restructuring the operating paradigm of the professional services industry, with emerging capabilities such as intelligent commercial decision-making, automated cross-border compliance retrieval, intelligent tax calculation, and algorithmic certification verification continuously coming to the fore. For these advanced solutions to function effectively, an accommodating institutional environment is essential: enterprise tools that can be directly deployed, high-calibre data that can flow securely, and pilot frameworks that accommodate iterative trial and error.

Policy support for professional services organisations should therefore be reinforced across three strategic areas to underpin the global operations of Chinese enterprises. First, incorporate professional services within the scope of national "AI+" initiatives, actively backing the development and enterprise deployment of intelligent commercial decision-making, automated compliance, and digital certification tools. Second, provide targeted institutional facilitation for professional service firms in critical areas such as cross-border data retrieval, synthesis, and multi-jurisdictional decision analysis. Third, establish dedicated "regulatory sandbox" pilots within high-standard opening platforms such as free trade zones, granting professional services the latitude to test innovative service models within bounded, controllable parameters while providing necessary institutional tolerance for experimental initiatives.

(4) Promote mutual recognition of rules and standards to bridge cross-border institutional disparities

The more deep-seated barriers to the cross-border flow of capabilities stem from divergences in rules and standards. Disparate regulatory frameworks for cross-border data governance, insufficient mutual recognition of green certificates and carbon accounting, and non-acceptance of conformity testing and certification outcomes all inflate the costs for enterprises navigating different institutional environments.

First, policymakers need to strengthen regulatory alignment. In focal areas such as cross-border data flows and sectoral governance, authorities need to pursue substantive convergence of regulatory benchmarks with major trading partners, leveraging established multilateral platforms such as RCEP and bilateral investment treaties to implement pragmatic operational protocols. Second, institutions need to advance the mutual recognition of credentials and technical standards. In fields encompassing renewable electricity certificates, carbon footprint verification, and product certification, stakeholders need to broaden bilateral and multilateral mutual recognition arrangements to ensure that Chinese-issued green credentials and testing results gain full institutional acceptance across destination markets.

Greater alignment of technical rules and standards directly lowers the compliance burden of navigating cross-border institutional friction and accelerates the international mobility of capabilities. Crucially, this not only curtails direct enterprise operating costs, but also determines whether capabilities cultivated in China can be integrated seamlessly into the global economic architecture.

> When enterprises invest in capabilities rather than physical capacity, policy continuity and regulatory alignment emerge as the scarcest public goods. Sustained progress in China's institutional opening-up will further curtail the institutional transaction costs associated with cross-border capability mobility, ultimately amplifying the global value and strategic reach of Chinese capabilities.

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Conclusion

Capital inherently seeks certainty within volatile environments, and such certainty must ultimately be anchored in the underlying capabilities of enterprises themselves. What organisations can genuinely build and sustain is a capability portfolio spanning scenario sensing, capture and generation, reconfiguration speed, and premium conversion. Through open collaboration and disciplined investment, these capabilities can be systematically converted into strategic resilience for globalised operations.

What this report provides is an actionable methodology centred on strategic resilience. Grounded in this core framework, it enables enterprises to diagnose their current resilience posture, pinpoint capability deficits, and chart targeted enhancement pathways. This approach does not depend on predictive forecasting, but on deliberate capability configuration: whilst enterprises cannot control external macro fluctuations, they can continuously cultivate, reconfigure, and migrate their proprietary capabilities.

China is not the sole arena in which capabilities can be cultivated, yet it remains one of the few environments defined by rapid iteration and high execution completeness. Across the global landscape, markets that simultaneously combine diverse application scenarios, an abundant engineering talent base, compressed iteration cycles, and an ecosystem conducive to collaborative innovation remain exceptionally scarce.

This dynamic largely underpins the commercial logic of two distinct corporate cohorts: MNCs that continue to invest in China, and Chinese enterprises that are proactively expanding overseas. In essence, both are pursuing the same strategic imperative – securing deployable operational options well in advance to navigate a decade of global uncertainty.

Looking to the next decade, the capabilities that truly warrant focused configuration are those core competencies that can only be accumulated through deep industrial practice, and that can be effectively transferred across geographic markets and technological domains.



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