Market Views: How will the US-China manufacturing rivalry impact investors?

Heather Ng
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China's push for technological self-sufficiency, particularly in high-tech manufacturing and semiconductors is reshaping investor strategies.

China's revised "Made in China 2025" strategy underscores a determined effort to drive high-tech manufacturing, with a strong emphasis on semiconductor equipment. This initiative reflects Beijing's long-term vision for technological self-sufficiency, reducing reliance on foreign suppliers and reinforcing its status as a global industrial leader.

By prioritising innovation, fostering domestic research and development, and making strategic investments in advanced industries, China aims to strengthen its manufacturing in response to evolving trade dynamics and geopolitical uncertainties.

With ongoing tensions between the US and China, industry experts are analysing how investors should navigate the intensifying manufacturing rivalry. Beijing's commitment to bolstering domestic production and technological capacity could reshape global investment strategies, prompting stakeholders to assess risks and opportunities in emerging markets.

Chaoping Zhu, global market strategist
JP Morgan Asset Management


Chaoping Zhu

China has steadily made significant progress in advanced manufacturing over the past decades, acquiring necessary technologies and expertise to enhance its capabilities in cutting-edge sectors such as semiconductors.

Against the backdrop of intensifying US-China competition, the Chinese government is undertaking greater efforts to develop advanced manufacturing to improve competitiveness in critical areas.

China's massive market size provides an essential foundation for economies of scale in technological advancement and helps identify winners among numerous firms through intense competition. This advantage could be further amplified when the government relaxes its regulatory constraints on the technology sector, presenting a stark contrast to the situations in Europe and the US.

As a result, if the separation from the US market deepens, China might have the opportunity to forge an independent path in technology development.

In terms of investment, we expect to see the emergence of domestic technology players with strong potential. Meanwhile, the division between China and the US might further increase, which implies lower correlation between the two markets.

For asset allocators, lower market correlation might bring better risk-adjusted returns through diversification.

Therefore, future investment strategy might shift from solely focusing on US technology to diversifying across both Chinese and US technology sectors.

Ivy Ng, CIO, APAC
DWS

The "Made in China 2025" initiative and ongoing rivalry between the US and China in technology development are both not new to investors.


Ivy Ng

China has long prioritised technological self-sufficiency, so the updated version with focus on developing core technologies, such as semiconductor equipment, should come as no surprise.

Beyond policy-driven sector growth, the major internet companies are driving robust demand in the AI supply chain, with capital expenditures in AI expected to grow by 40-50%, supporting continued technology advancement.

On top of the tech companies, investors should also focus on the technology-enabled companies for future growth. Biotechnology is also an interesting sector where the government is promoting innovation, offering a strong structural growth opportunity.

Steve Alain Lawrence, CIO
Balfour Capital Group


Steve Alain Lawrence

Investors navigating the intensifying US-China manufacturing rivalry should pay close attention to companies demonstrating strong capital investment and a commitment to developing domestic talent. The trajectory suggests a continued upward momentum—and the time to act is now.

In the technology sector, Alibaba Group Holding Ltd is a standout example. The tech giant has announced plans to invest over $52 billion in AI and cloud infrastructure over the next three years—more than it spent in the previous decade. This massive outlay includes significant support for its chipmaking division, T-Head, which is focused on developing RISC-V-based processors to reduce dependence on foreign semiconductors.

Another noteworthy player is Semiconductor Manufacturing International Corporation (SMIC). Amid tightening US export controls, SMIC is ramping up hiring to support its expansion in Shanghai and Shenzhen. The company's efforts to scale up domestic chip production underscore its strategic importance to China's technology self-sufficiency.

In the commodities sector, Ganfeng Lithium Co., Ltd is making bold moves to support the energy transition. The company is building a new solid-state battery plant and expanding recruitment of chemical engineers to vertically integrate its battery production capabilities—reinforcing its position in the EV supply chain.

Meanwhile, China Northern Rare Earth Group High-Tech Co Ltd reported a striking 727% year-over-year increase in net income for Q1 2025. This surge was largely driven by soaring prices for rare earth elements such as praseodymium and neodymium—critical inputs for advanced manufacturing and clean energy technologies.

Calvin Zhang, senior portfolio manager
Federated Hermes

China is reportedly intensifying its push for high-tech self-sufficiency through a revamped "Made in China 2025" strategy. We believe instead of arguing or predicting whether China will succeed in the revamped MIC2025 or not, the focus should be on the trend.


Calvin Zhang

China has made huge progress in becoming a manufacturing powerhouse over the last 10 years because of the strategy. Given the history, its determination, access to talent pool and fundings, it will continue to make progress towards the ultimate goals, and this is a long-term secular trend that as investors, we all should embrace.

A few industries look particularly interesting: AI, automation, robots/humanoids, biotech, semiconductor supply chain, EV and autonomous driving. These are areas China is developing rapidly. Import substitution is a real practical need in some, while in other areas, China is leading. Many successful companies will emerge here.

That said, there are always risks associated with any investment case and in the case of China, there is one extra layer, a geopolitical one. Some of these companies could be 'too successful' and become a 'national security risk'. Investors need to take this into consideration and vet each investment in a case-by-case basis very carefully.

Nicholas Yeo, head of China equities
Aberdeen Investments


Nicholas Yeo

While China's 'Made in China 2025' initiative has seen considerable success in recent years and remains central to its development strategy, future iterations of the plan remain uncertain, as discussions are ongoing, and significant changes may be introduced before its expected unveiling at the annual legislative session in March 2026.

Over the years, China has undergone a fundamental shift from low-end, labour-intensive manufacturing to a more domestic consumer-driven, value-added manufacturing-based economy. This transformation has reshaped its industrial landscape, with an emphasis on innovation, automation, and high-tech industries to drive long-term growth and enhance global competitiveness.

However, amid heightened geopolitical tensions with the US and the imposition of export restrictions on key high-tech sectors aimed at curbing advancements in areas such as AI and supercomputing, we expect China to continue—and likely accelerate—its push for high-tech self-sufficiency. While these bans limit China's access to cutting-edge technology, they have also served as a catalyst for China to accelerate its own technological advancements, focusing on domestic production and innovation.

This priority has been underscored in key meetings such as the two sessions, where strong support from authorities has been evident.

Aligned with China's policy objectives of self-sufficiency and localization, domestic China enterprises stand to benefit from improved productivity, lower costs, and increasing innovation—all of which have contributed to economic growth.

Jing Luo, investment director, equities
Value Partners


Jing Luo

The US-China manufacturing rivalry centers on two strategic fronts: technological leadership and manufacturing dominance.

Despite US restrictions, China continues to make rapid advancements in high-tech sectors like AI and semiconductors, investing over RMB 1.2 trillion ($166 billion) annually in chip development, building a strong foundation for innovation and self-reliance.

China's trade surplus with the US remains above $270 billion annually, reflecting its robust industrial competitiveness.

China's manufacturing is shifting focus from scale to quality and profitability. Although China contributes over 30% of global industrial value added, it earns only about 7% of global industrial profits, revealing structural imbalances.

To address this, China is upgrading its value chains by strengthening high-value capabilities essential for sustainable growth and reducing external pressures. Importantly, in industries where China holds competitive advantages, capital expenditures are being actively moderated to control capacity and improve returns.

This disciplined approach to capex helps optimize supply-demand balance, supporting profitability recovery and enhancing overall industry efficiency. This strategic transition positions China to move up the global manufacturing value chain and secure a more dominant, sustainable industrial role.

Daniel Tan, portfolio manager
Grasshopper Asset Management


Daniel Tan

Chinese leaders have emphasised the need to stimulate domestic consumption. This is not an overnight change of stance. China has been trying to boost domestic consumption and diversify away from their reliance on foreign technologies since Trump's first notion of China-US trade war in his first term. DeepSeek's breakthrough in artificial intelligence earlier this year reinforced confidence that the strategy is working.

Despite the 90-day tariff truce reached with the US early this month leading to economists' upgrade of GDP growth forecast to 4.5%, there are still some uncertainties to investing in China's manufacturing sector and how China can achieve its 5% growth target. Domestic consumption remained lackluster even as China seems to have seen the worst for the property sector.

In addition to the tariff shock in early April which has a deflationary impact on China, the Chinese economy still very much relies on investment and domestic consumption is unlikely to take centre-stage any time soon. To bring growth closer to China's 5% target, the PBOC likely would have to cut policy rate by 15 to 20 basis and RRR by 50 bps for the rest of this year. On the fiscal stimulus front, China would also be expected to introduce a sizable stimulus package this year.

Investors could look at sectors such as EV automobiles, renewable energy and semiconductors to position for China's plans for high tech self-sufficiency. However, there could be a better entry level for investors. The Hang Seng Tech index is unchanged since the China-US trade truce was announced on 8th May, and has rallied close to +18% from the April-lows since Trump drummed up reciprocal tariffs around 1st April.

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