

**From  
“Made in China”  
to “Made by China”**



The country America tried to contain through tariffs and chip export bans has become the world’s fastest-growing AI market, largest EV exporter, and a formidable rival in the very technologies the West sought to keep out of reach. As Donald Trump landed in Beijing on May 13<sup>th</sup> for his high-stakes summit with Xi Jinping, the symbolism mattered as much as the outcome.

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## Introduction

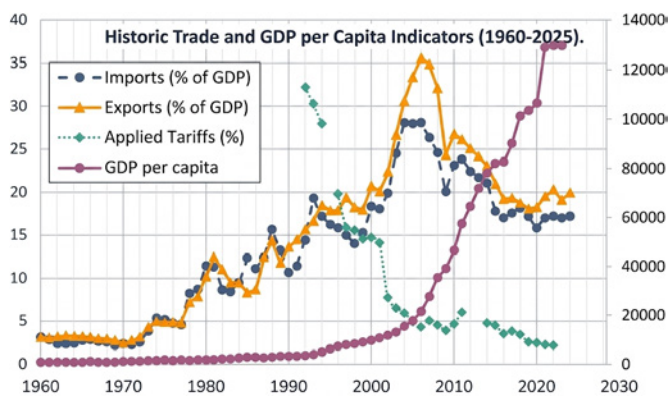
China's economic history can be read as a cycle of dominance, decline, and resurgence. For centuries, the country stood at the centre of global trade, exporting silk, porcelain and tea. It then entered a prolonged period of stagnation marked by lost innovation and dependence on foreign powers. For much of the modern era, China became shorthand for cheap production: the world's factory, where Western brands assembled products at scale and at low cost.

Today, this old label feels outdated. Chinese companies are building humanoid robots, developing frontier AI models, and electrifying the global car market. The Sleeping Giant is increasingly creating its own technologies, building its own brands, and shaping the supply chains behind the next phase of global growth.

US-China tensions have only accelerated this shift. Tariffs, export controls, and restrictions on advanced chips have pushed Beijing to depend less on foreign technology and build more at home. This is the shift from "Made in China" to "Made by China."

## "Made in China"

For four decades, China pursued one of the most consequential economic strategies in modern history by becoming indispensable to the world by producing goods faster and cheaper than anyone else. The results were extraordinary. Since Deng Xiaoping's Reform and Opening Up in 1978, China's integration into global trade accelerated without modern precedent. After joining the WTO in 2001, export growth surged further, ultimately making China the world's largest manufacturer, accounting for nearly 30% of global output.



Source: World Bank Open Data (Notes: Imports and exports include goods and services; tariffs are weighted averages across all traded products; GDP per capita is in current USD.)

The core of this model was a division of labor. Foreign multinationals mainly Western and Japanese handled design, branding, and distribution, while China specialized in everything in between: assembly, processing, and logistics at unmatched scale and cost. This "processing

trade," formalized in 1978, allowed duty-free imports of inputs, domestic transformation, and re-export of finished goods. At its peak in the 1990s and early 2000s, it represented over half of China's exports. Ownership of intellectual property was unnecessary; mastery of process was enough.

This system was reinforced by powerful structural forces. Massive state-led investment-built ports, highways, rail networks, and special economic zones, drastically lowering logistics costs and integrating firms into global supply chains. Local governments competed aggressively for foreign direct investment, offering land, subsidies, and credit support. The result was a manufacturing ecosystem of exceptional density and speed, especially in hubs like Shenzhen and the Pearl River Delta, where products could move from prototype to mass production in weeks.



Source: Li & Fung research center; The Beijing Axis Analysis

Macroeconomic conditions further strengthened the model. A vast low-cost labor force, high domestic savings, and a booming property sector created a self-reinforcing growth engine. Real estate became the financial backbone, land sales funded by local governments, construction absorbed migrant workers, and rising home prices supported household wealth and consumption.

The structural strengths that once powered China's rise began to fade across multiple fronts. Rising labor costs started eroding its traditional cost advantage, while demographic shifts intensified pressure as millions exited the workforce, tightening labor supply. The property sector, long a key growth engine, is now in sustained decline, marked by falling prices, developer crises like Evergrande, and strained local government finances. Consumer prices have also turned negative, signaling weak demand. Externally, US-China technological decoupling is restricting access to critical sectors like semiconductors and AI, while firms increasingly adopt "China+1" strategies, diversifying production away from China toward countries such as Vietnam, India, or Mexico. This emerging set of constraints does not signal stagnation, but rather a turning point, where the old growth engine gives way to a fundamentally different economic model, still taking shape beneath the surface of transition.

## “Made by China”

The country that once built its rise on low-cost assembly and export manufacturing is becoming a creator of its own global icons, companies that design, innovate, brand, and dominate both at home and abroad.

One of the most visible signs of this new era is the rise of Chinese consumer brands that are winning hearts (and wallets) worldwide, not through rock-bottom prices alone, but through clever design, cultural resonance, and viral marketing. Pop Mart turned Labubu from a collectible toy into a fashion accessory and social media phenomenon. MINISO exports “affordable joy” through well-designed products, playful stores, and global IP collaborations. Shein and Temu add the e-commerce layer, proving that Chinese firms can combine manufacturing speed, data-driven trend detection, and direct-to-consumer distribution.

The same shift is visible in technology. DeepSeek became a symbol of China’s innovation surge, showing that advanced AI models can be built with efficiency, open-source distribution and far lower costs than many Western peers. BYD and CATL anchor China’s dominance in electric vehicles and batteries. Huawei has used vertical integration and heavy R&D to remain central in telecoms, devices and smart mobility despite sanctions. DJI made drones a Chinese-led global category, while Xiaomi continues to expand from consumer electronics into connected devices and mobility.

This brand and tech boom is not accidental. It is reinforced by deliberate policy. The 15th Five-Year Plan is set to become the next roadmap for China’s industrial upgrade, directing capital, credit and state support toward sectors seen as critical for long-term economic power.

The plan places technological self-reliance, advanced manufacturing and “new quality productive forces” at the centre of China’s next growth phase. Its priorities are expected to include semiconductors, industrial software, advanced materials, high-end machine tools, AI, quantum technology, embodied AI, 6G, biomanufacturing, green hydrogen and the low-altitude economy. The objective is to reduce external vulnerabilities while building domestic champions with full-chain control in strategic industries.

The tools behind the plan include guidance funds, R&D incentives, talent programs, government procurement preferences for domestic innovation, and “extraordinary measures” for breakthroughs.

The shift is already visible in trade data. April exports surged to +14.1% YoY, driven overwhelmingly by integrated circuits (+100%) and ADP machines (+47.6%), with tech products now accounting for roughly half of export growth. Strong import growth (+25.3%), especially in semiconductors and ADP machines, shows that China is also buying to build.

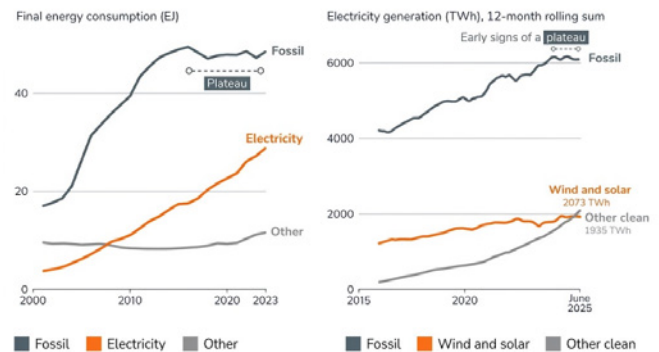
Financial conditions are also starting to align with the policy narrative. One of the most important shifts is the reallocation of bank lending away from real estate and

toward industrials and advanced manufacturing. Real-estate loan growth has been flat or negative since 2021, while credit to other sectors has continued to expand.

Several other tailwinds reinforce the story. Chinese tech has shown relative resilience since the escalation of geopolitical tensions in the Middle East. Foreign investor positioning in China remains low, leaving room for catch-up if the policy narrative improves or geopolitical risk stabilises. Authorities are also pushing listed companies to improve shareholder returns through dividends and buybacks, a potentially important support for equity markets after years of low confidence.

Energy capacity adds another advantage. AI, automation, data centres, EVs and advanced manufacturing all require large and reliable power supply. China benefits from deep energy infrastructure and fast deployment capacity, allowing it to scale power-intensive technologies more quickly than Western economies facing grid bottlenecks, permitting delays or infrastructure constraints.

### CHINA'S SHIFTING ENERGY MIX: A REFINED LOOK



Source: Ember Energy

The plan keeps domestic demand as a key pillar of the next growth model, supported by rising upper-middle-income households and consumers increasingly focused on health, sustainability and premium products. PwC estimates that Chinese households with disposable income above USD 25,000 rose from 21 million in 2015 to 64 million in 2024, and could reach 116 million by 2029.

## Trump-Xi Beijing Summit

At the time of writing, President Trump has just landed in Beijing, reportedly accompanied by the chief executives of 16 large US companies, including Tesla’s Elon Musk and Apple CEO Tim Cook. The visit carries weight far past traditional diplomacy. Beneath discussions on trade and tariffs, the talks are expected to touch on Iran, Taiwan and the tech supply chains now at the centre of US-China tensions.

The most constructive outcome may also be the least dramatic one. After a year of escalating tariffs, export controls and geopolitical stress, a cordial photo-op, a vague communiqué and a handful of targeted deliverables would already mark meaningful de-escalation. The summit looks more like a stability exercise than a grand bargain.

Washington is seeking Beijing's support in using its leverage over Iran to reach a nuclear agreement, while hoping to secure some relaxation on Chinese rare earth exports, the minerals that underpin much of the Western tech supply chain. Beijing, for its part, will push for a loosening of US export controls on advanced semiconductors. Narrower, sector-specific deals are more likely than any sweeping agreement.

Across the six Trump-Xi summits since 2017, the renminbi has tended to appreciate modestly in the weeks following a meeting, averaging around 64 basis points over 30 days, while Chinese equity markets have typically sold off, falling an average of 0.4% in the ten days after, as the initial optimism gives way to the reality that underlying tensions rarely resolve cleanly.

This summit is unlikely to be different. Export controls, rare earth dependence, technology decoupling, energy

security and Taiwan will not be resolved in one meeting. Whatever is signed, or isn't, the structural rivalry between the world's two largest economies runs deeper than any single meeting can address.

## Conclusion

China's rise echoes its own history. For centuries, silk, porcelain and tea carried more than goods to the rest of the world. That same logic has returned in a modern form. China has moved from the factory of the world to a creator of advanced technologies, industrial platforms and strategic supply chains. Its new export story now runs through EVs, batteries, drones, AI models, solar panels and high-speed manufacturing. Backed by technological self-reliance and growing cultural confidence, China is positioning itself to control the engineering, the components and the infrastructure behind the next industrial cycle.

# Welcome to Syzerland®

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