

Silk Road Manufacturing: An Alternative Path to Globalisation

Since the Belt and Road Initiative (BRI) was proposed in 2013, China's manufacturing sector has explored international markets and integrated into the global economic cycle. Concurrently, industrialised countries like the United States have sought to maintain their economic dominance by leveraging technological hegemony, control over upstream industrial chains, and protectionist measures to impose technological blockades and trade barriers against industrialising countries like China. Against this backdrop, it is important to study how Chinese manufacturing firms have responded by going overseas, opening new markets, and reconfiguring transnational industrial chains.

Vietnam, a crucial node for the BRI, possesses natural advantages and catch-up potential for industrial and value chain restructuring, making it a hotspot for Chinese firms expanding overseas.¹ Currently, Chinese manufacturing presence in Vietnam manifests in the spillover of supply chain networks, which indirectly proves the growing mismatch between the spatial scope of economic activities and the rigidity of political boundaries. The relocation of Chinese factories to Vietnam does not signify the transfer of entire industries; rather, China acts as the hub of the industrial chain while Vietnam acts as a vital link to international markets, forming an important component of the 'dual circulation' structure. The manufacturing sectors of China and Vietnam have formed a highly integrated and mutually supportive relationship.²

Amid the crisis of deglobalisation, Chinese firms continue to engage in cross-border investment across global industrial chains and multiple national policy frameworks. In this context, this essay proposes the concept of 'Silk Road Manufacturing' (SRM) – a new model for industrial collaboration under the BRI where Chinese firms construct transnational manufacturing networks through foreign direct investment, technology transfer, and industrial chain integration. This model helps market entities engaged in transnational business to control cross-border capital flows, coordinate and restructure key economic nodes in industrial chains, share resources, promote an effective international division of labour, and maximise marginal returns.

The practice of SRM in Vietnam reflects China's need to internationalise its industrial chain while also synergising with Vietnam's strategy of utilising foreign capital to industrialise. Its strategic significance lies in integrating global industrial chains to form an intertwined production structure. This is not only expected to be an effective measure against protectionism and decoupling, but may also provide an alternative path of globalisation and the basis for a new international economic order.

The Evolution of Vietnam's Economic Diplomacy

Since the early 2000s, Vietnam has pursued a three-stage strategy for international economic integration. The

first step involved proactive integration into the international economy, as proposed by the 9th National Congress of the Communist Party of Vietnam (CPV) in 2001.

The second step, from 2016 onwards, was comprehensive international integration. This entailed establishing trade relations with 230 countries and regions and joining diverse agreements, including the BRI and the

The third step was deep integration, as clarified by the 13th CPV National Congress in 2021. In 2024, Tô Lâm was elected to the position of general secretary of the CPV. In a speech at the Ministry of Foreign Affairs, he highlighted Vietnam's unprecedented integration into the world economy and demanded that the country's foreign policy 'must constantly consolidate position and strength', 'disseminate and radiate Vietnam's soft power to the world through cultural diplomacy and external information', and 'present to the world an independent, self-reliant, peaceful, cooperative, friendly, developing, prosperous, and happy Vietnam'.

The Evolution of Vietnam's Industrial Policy

In recent years, Vietnam has continued the path of international economic integration while retaining a socialist-oriented market economy, limiting reliance on external actors and ensuring independence and autonomy.

Since 2024, General Secretary Tô Lâm has proposed the 'New Era of National Rise' and introduced a series of resolutions to promote sci-tech innovation, developing the private economy, renovating legislative and law enforcement work, and deepening international integration. This was combined with an anti-corruption campaign to strengthen socialist rule of law. In addition, the constitution, dozens of laws and regulations, and free trade agreements (FTAs) were amended to meet the needs of economic development.

Measures such as provincial–municipal mergers and institutional downsizing have been used to promote tiered governance, administrative simplification, and decentralisation. Simultaneously, the government has introduced policies like tax exemptions, regulatory streamlining, administrative efficiency, and anti-monopoly rules. These efforts have helped establish a local environment compatible with international cooperation.

Vietnam currently occupies a mid- to low-end position in East Asian value chains, importing intermediate inputs from China, Japan, and South Korea and exporting finished products to Europe and the United States. Unsatisfied with this status quo, the Vietnamese government has taken a series of measures to promote high-end manufacturing development. Following the 'Socio-Economic Development Strategy 2016-2020', Vietnam increasingly prioritises developing high-tech industries, including electronic information, biopharmaceuticals, new materials, and renewable energy sectors. Guided by the 'Strategy for Science, Technology, and Innovation Development to 2030', the share of high-tech industrial products in Vietnam's manufacturing sector is expected to increase to over 45%, transforming Vietnam into a modern industrial country by 2030.

Against the dual backdrop of global value chain restructuring and the deepening advancement of the BRI, Vietnam – with its locational advantages, competitive costs, and active participation in regional FTAs – has become a crucial strategic hub for the internationalisation of China's manufacturing industry. As Vietnam's demographic dividend fades, it aims to create a 'technology dividend' by developing a high-quality workforce, which in turn improves technological capabilities and increases domestic value-addition.

Vietnam's Strategic Opportunities for Silk Road Manufacturing

The current conjuncture presents Vietnam with strategic opportunities for industrialisation. First, the restructuring of global value chains has pushed Chinese firms to establish a presence in Vietnam. In the textile sector, Chinese spinning companies synergise well with Vietnamese weaving, dyeing, and garment production capabilities. This allows Vietnam to attract China's upstream supply chain capabilities while Chinese firms benefit from Vietnam's preferential access to the market. Similarly, Vietnam's low self-sufficiency in intermediate goods in manufacturing (below 40%) creates opportunities for Chinese suppliers. For example, over 40 Chinese suppliers have set up around Samsung's factories in Vietnam, providing packaging materials, metal components, and mold development. However, only a few Chinese-invested enterprises in Vietnam, such as Goertek and AAC Technologies, have entered Samsung's supply chain, indicating significant scope for further integration.³

Second, the growth of the home market creates a range of opportunities for . With a population nearing 100 million, Vietnam's middle class and consumption patterns are rapidly expanding. This market exhibits three characteristics:

1. Demand is increasingly driven by young consumers, with people under the age of 35 accounting for 65% of the population. This cohort has a strong preference for cost-effective, innovatively designed electronics and small appliances, driving rapid growth in online consumption.
2. The expansion of Vietnam's middle class has fuelled imports of mid- to high-end consumer goods, accelerated a shift toward health-oriented consumption, and increased consumer acceptance of international brands.

Though local cultural identity remains strong, consumers are not resistant to international products. For example, Chinese company TCL launched televisions with lightning protection and enhanced signal reception in response to Vietnam's frequent thunderstorms and complex mountainous terrain. This allowed the firm to successfully enter remote rural markets in Vietnam, rapidly turn a profit, and rise to second place in market share for televisions.⁴ If SRM firms place greater emphasis on designing product functionalities tailored to local conditions, they can capture substantial market opportunities.

Third, the strategic alignment between China and Vietnam provides institutional guarantees for SRM. Under the framework of the BRI and Vietnam's 'Two Corridors and One Economic Circle' plan, both sides can advance cooperation at multiple levels.

1. Trade facilitation measures, such as those through the RCEP and the upgraded China-ASEAN FTA, enable enterprises in both countries to benefit from streamlined export and import procedures, thereby effectively reducing transaction and trade costs.
2. Infrastructure connectivity, such as the agreements for three cross-border standard-gauge railway lines (Lào Cai-Hanoi-Haiphong, Lạng Sơn-Hanoi, and Móng Cái-Hạ Long-Haiphong), are anticipated to significantly lower logistics and transportation costs.
3. Vietnam's industrial policies – such as the 'National Strategy for the Fourth Industrial Revolution to 2030' and 'Green Growth Strategy' – align with China's own policies for promoting the internationalisation of the digital economy. This policy convergence facilitates the implementation of cooperation projects in sectors such as photovoltaics and wind power.

4. Technical and vocational talent development, through platforms such as the China–ASEAN ‘Chinese + Vocational Education’ Alliance and the ‘Luban Workshop’ initiative, contribute to improving workforce skills across the region. These initiatives help foster skills formation and support industrial upgrading.

The Core Logic of Silk Road Manufacturing

With the restructuring of global supply chains, Vietnam is transforming from a location for offshoring into an industrial chain hub. Chinese firms are investing in Vietnam to build integrated industrial chains and establish end-to-end production capabilities, from raw material sourcing to final product assembly.⁵ These industrial clusters – through mechanisms such as technology spillovers, labour mobility, and inter-firm collaboration – have enhanced the technological sophistication and innovative capacity of SRM, thereby contributing to Vietnam’s industrialisation.

Under the backdrop of the BRI, the enterprises going overseas are not only Chinese but also include third-party partnerships and joint ventures. Despite the capital and technological advantages commonly held by foreign investors, Chinese enterprises relocating abroad must still undergo a transformation from labour-intensive to capital-intensive production, particularly in a global environment dominated by Western management models. This structural shift helps break the binary logic that assigns value-chain ownership exclusively to one country or firm.

At its core, SRM represents a transnational business model in which enterprises integrate local and foreign elements while expanding across industries. Under these conditions, constructing multi-layered corporate identities requires long-term exploration. Moreover, as most Chinese firms in Vietnam operate at the downstream end of local value chains, Vietnamese firms inevitably remain cautious when absorbing industrial capital from China. Consequently, multinational firms must overcome provincialised brand identity. Brand identity is the soul of product design; thus, international brand strategies are necessary for the SRM model.

For example, Haier’s 2011 acquisition of Sanyo Electric’s business in Southeast Asia brought the AQUA brand to the Vietnamese market.⁶ Although AQUA experienced a sharp decline during the , a comprehensive strategy – product upgrades, platform replacement, factory-efficiency improvements, and expanded promotion – helped it regain the first and second positions in Vietnam’s washing machine and refrigerator markets, respectively. Responding to local consumer demands, AQUA introduced refrigerators with ABT dynamic sterilisation and HCS humidity-preserving features, smart washing machines, and energy-saving products tailored to Southeast Asia’s tropical climate. Through active engagement in local cultural spaces (such as social platforms and beauty pageants), AQUA successfully integrated itself into the everyday life of Vietnamese people.

The Challenges and Opportunities Posed by US Tariffs

On 2 April 2025, the US announced ‘reciprocal tariffs’ targeting 57 countries, including Vietnam, which was accused of using entrepôt trade to evade US tariffs on China. The proposed 46% tariff on Vietnamese exports was a strategic attempt to restructure global supply chains and weaken China’s industrial relocation strategies.⁷ The US Customs and Border Protection (CBP) has activated a new origin-verification system, combining strict audits, extended traceability, and criminal deterrence to clamp down on entrepôt trade.

Given Vietnam's heavy export dependence, 'bamboo diplomacy', and pragmatic interests, its state media refrained from commenting when US President Donald Trump unilaterally announced the signing of an unequal 'Tariff and Trade Framework Agreement' with Vietnam on 2 July 2025.⁸ During a phone call on the same day, Prime Minister Sủ Lủnh agreed with Trump on a 'Joint Statement on a Vietnam–U.S. Reciprocal, Fair, and Balanced Trade Agreement', and urged the US to recognise Vietnam as a market economy and lift export restrictions on Vietnamese high-tech goods. While the government adopted a cautious stance, the response from academics and businesses was mixed – some were optimistic due to lower US tariffs on Vietnamese exports while others were concerned about mixed outcomes.⁹

Although the agreement remains controversial, the punitive 40% tariff on 'entrepôt trade goods' has been confirmed. Vietnam is required to establish a three-tier traceability system – raw-material invoices, production flow charts, and energy-consumption records – with mandatory inspections for solar panels, furniture, and electronics. This drastically raises the cost of Chinese goods re-exported through Vietnam, undermining the model used by Chinese SMEs relying on labelling or simple assembly. Even without the full text of the agreement, these transshipment provisions will constrain Chinese exporters, reduce intermediate-goods shipments, and raise operational costs for Chinese firms in Vietnam. This signifies the end of the Vietnam transshipment model and poses the urgent need to build a deeply embedded SRM ecosystem.¹⁰

Post-pandemic economic sluggishness and rising labour and environmental constraints have challenged traditional manufacturing models. Geopolitical tensions increasingly affect SRM, as political instability and trade frictions amplify cross-border operational risks. Vietnam imports around \$90 billion in goods from China annually, some of which undergo simple processing before being exported as 'Made in Vietnam' to US and European markets. Apple's Vietnamese suppliers increased from 14% in 2018 to 35% in 2024.¹¹ Leveraging RCEP rules of origin (ROO), Vietnam has constructed an efficient model of assembling Chinese components in Vietnam and exporting finished goods globally. If future tariff regimes across China, the US, and Vietnam stabilise, SRM may exhibit fluctuations but ultimately reach a dynamic equilibrium shaped by taxation and market mechanisms.

To adapt, overseas firms must strengthen risk management, optimise production networks, and mitigate geopolitical disruptions. The shifting external environment compels SRM to accelerate industrial upgrading. By enhancing technological innovation, improving industrial structures, and increasing value addition, firms can raise competitiveness under new market conditions. Facing uncertainty, SRM must also deepen regional cooperation, develop joint industrial parks, and enhance connectivity to foster resource optimisation and coordinated industrial development. Ultimately, as an emerging model of manufacturing cooperation under the BRI, SRM transcends traditional original equipment manufacturer (OEM) production or cost-driven industrial relocation. It can evolve into a hybrid system integrating local innovation, regional market service, and upward movement within global value chains.

Towards a Mobile Country of Origin

In Vietnam, SRM demonstrates clear regional characteristics and dynamic industrial evolution. Investors are shifting from labour-intensive (garments, furniture) to technology-intensive industries (electronics, home appliances, renewable energy). This is driven not only by cost advantages but also by strategic motives such as avoiding trade barriers, proximity to consumer markets, and regional resource integration.

The model for collaboration is changing. Chinese firms are encouraged to avoid replicating domestic production structures and instead integrate into Vietnam's local industrial ecosystem. Leveraging BRI cooperation opportunities, firms can relocate certain production stages to ASEAN members – such as Cambodia, Laos, and Myanmar – where labour is cheaper and tariff preferences apply. Meanwhile, strengthening Vietnam's local supply capacity and expanding investment in local suppliers increases local sourcing ratios and helps satisfy ROO requirements.

The lesson for Chinese firms is that they must go beyond simple factory relocation and build deeply localised ecosystems. By expanding local processing and achieving 30% (or higher) value-addition in Vietnam, they can meet ROO requirements. Developing localised upstream and downstream supply chains through nurturing suppliers and forming locally embedded clusters can raise Vietnam's manufacturing capabilities. This will also enable Chinese lead firms to bring supporting firms with them overseas to replicate domestic supply chain ecosystems.

Through industrial upgrading, regional productive chain integration, brand expansion, deep localisation, technology transfer, and compliance with ROO, multinational enterprises can develop distinctive competitive advantages. This 'mobile country of origin' model strengthens the competitiveness of Chinese firms while supporting Vietnamese industrialisation – it provides a replicable model for industrial cooperation under the BRI.

Towards a Sustainable Logic of Silk Road Manufacturing

Princeton historian Harold James has argued that China is attempting to construct an alternative path to globalisation – aligned with a new era of high-value goods, services, and data flows – through the BRI. James contends that China and the US are not trapped in a Thucydides Trap but are undergoing a redistribution of power in an increasingly multipolar world, where the US must adjust to a reality where it is no longer dominating the international order.¹²

US maximum-pressure policies and efforts to contain China have inadvertently driven China towards full industrial chain consolidation, granting it substantial 'anti-involution' capacity and control over key intellectual property and industrial capacity.¹³ However, China has yet to construct a theory to explain its alternative to globalisation and the role of Chinese firms in manufacturing cooperation along the BRI. This has weakened China's ability to respond to Western narratives that are rooted in colonial legacies and monopoly finance capitalism. As the West continues to use asymmetric mechanisms – intellectual property regimes, tariff barriers, and others – to sustain an unjust international political-economic order, China must propose a theory for an alternative. The concept of SRM could be a starting point for such an endeavour.

The expansion of Chinese enterprises into Vietnam is a product of supply-chain restructuring and deep regional economic interaction. Today, while facing opportunities in supply-chain reconfiguration, consumption upgrading, policy coordination, and emerging sectors, firms must also overcome bottlenecks in infrastructure, policy volatility, intensifying competition, geopolitics, and compliance requirements. The key to a breakthrough is transcending the traditional 'cost arbitrage' model and transitioning toward a higher-quality development model characterised by localised innovation, technological empowerment, and green integration.

The Vietnamese government regarded 2025 as a ‘year of accelerated breakthroughs’. Its two-digit growth rate intersects with China’s strategy for high-quality overseas manufacturing expansion. Seizing this opportunity, a diversified SRM strategy can help firms navigate anti-globalisation headwinds and create a benchmark for BRI cooperation. This could provide new pathways for industrialisation in the Global South and inject new momentum into China’s own economic transformation.

Notes

¹ Feng Chao, ‘When Chinese Manufacturing Encounters Vietnamese Đổi Mới’, Fudan Business Knowledge WeChat Official Account, 10 March 2025.

² Shi Zhan, ‘From Trade Frictions to Merchant Order – Viewing the “Dual Circulation” Structure from Sino-Vietnamese Manufacturing Relations’, *Exploration and Free Views* 1 (2020).

³ Ba Jiuling, ‘Vietnam is Launching a Major Transformation Unseen in Forty Years’, Zhenghe Island WeChat Official Account, 24 March 2025.

⁴ Lu Jiangyong, Yang Xuecheng, ‘TCL: Driving Global Development with Localization Strategy’ (Case No. IB-1-20240918-327), Guanghua School of Management, Peking University, 10 October 2024.

⁵ Li Xing, ‘The Changing Logic of Chinese Enterprises Investing in Vietnam: From Product Globalization to Industrial Chain Globalization’, Sunrise Big Data WeChat Official Account, 16 June 2025.

⁶ Editor’s note: Haier is a Chinese company focusing on home appliances and consumer electronics, and Sanyo is a Japanese company focusing on home appliances.

⁷ Feng Chao, ‘Want to Use Vietnam as a Pivot? The US is Doomed to “Draw Water with a Bamboo Basket”’, *Guancha.cn*, 30 April 2025.

⁸ Editor’s note: Bamboo diplomacy refers to Vietnam’s flexible, resilient, and non-aligned foreign policy that balances relations with major powers while maintaining strategic autonomy.

⁹ Minh Ngọc – Hoàng Quân, ‘Thỏa thuận thuế quan Việt – Mỹ: Cơ hội và sức ép tái cấu trúc doanh nghiệp’, *Diễn đàn Doanh nghiệp*, 8 November 2025.

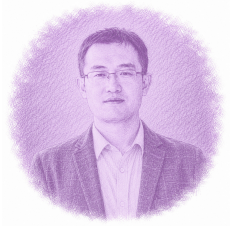
¹⁰ Liu Chenghui, ‘Several Former Vietnamese National Leaders Collectively Dismissed, What Happened?’, *Guancha.cn*, 21 July 2025.

¹¹ Li Wei, Xu Yue, ‘The Return of Geopolitics and Changes in International Industrial Geography – Taking Apple’s Supply Chain Strategy Adjustment as an Example’, *World Economic Herald* 5 (2024).

¹² Li Wei and Xu Yue, ‘The Return of Geopolitics and Changes in International Industrial Geography –

Taking Apple's Supply Chain Strategy Adjustment as an Example', *World Economic Herald*, no. 5 (2024).

¹³ Editor's note: In economics, involution refers to a scenario where intense competition yields diminishing returns, resulting in stagnant growth despite immense efforts by competing parties.



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