

Opinion **Chinese trade**

How China pulled off a great tech reversal

Beijing has long pursued an industrial strategy aimed at acquiring global technology

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A Volkswagen plant in Qingdao, Shandong province. German and American automakers have established lucrative joint ventures with Chinese car brands © AFP/Getty Images

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We are witnessing a great reversal in global technology flows. For decades, China lagged behind the west. American and European companies sold products to Chinese consumers and set up factories in the country, lured by its vast market and low labour costs. Apple and Tesla built mega-factories in cities like Zhengzhou and Shanghai. GM and Volkswagen established lucrative joint ventures with Chinese automakers.

But the diffusion of technology between China and the west is increasingly a two-way street. Across a growing array of products — electric vehicles, batteries, drones, rare earth magnets — it is now China that stands at the global frontier.

None of this is an accident. China has long pursued a deliberate industrial strategy aimed at acquiring technology from global leaders and upgrading the country's economy. In exchange for market access, China pushed foreign companies to share technology and knowhow in everything from telecommunications equipment to welding techniques. Western companies trained not only Chinese factory workers but a whole generation of Chinese managers and engineers. They helped Chinese suppliers move up the value chain.

This shift is most apparent in EVs and batteries, where China has become the clear global leader. Ford is licensing battery technology from China's CATL to produce LFP batteries for EVs and energy storage in Michigan.

Western automakers such as Volkswagen and Stellantis are partnering with Chinese EV start-ups to gain access to Chinese EV platforms. Renault, which does not even sell cars in China, established a new R&D centre in Shanghai to take advantage of China's EV technology ecosystem.

This is not just happening in the automotive industry. In biotech, western pharmaceutical companies are signing billions of dollars in licensing deals to access intellectual property from Chinese drugmakers, reaching [\\$41.5bn](#) in 2024. In robotics, American start-ups are building with Chinese hardware platforms, such as Unitree's nimble G1 humanoid robot. In AI, Chinese open-source models such as Alibaba's Qwen series are being used by developers in the US.

Meta's [recent acquisition](#) of agentic AI start-up Manus offers a striking case study. At the end of 2025, Meta announced it was buying Manus in a deal reportedly valued at more than \$2bn, delivering a windfall for the start-up's early Chinese investors such as Tencent and HSG. In an intensifying AI race, one of America's biggest tech companies turned to a start-up founded in China in order to gain an edge.

But the Meta-Manus deal also illustrates the geopolitical complications around such technology flows. In April 2025, Manus secured a \$75mn funding round led by American VC firm Benchmark, which was [criticised](#) in the US for using American capital to support China's AI development. In May, the US Treasury Department launched an investigation. Not long after, Manus relocated from China to Singapore in a move that was criticised by Chinese commentators for caving to US pressure. When the deal with Meta was announced in December, a Meta spokesperson said Manus would cease operations in China and close out all Chinese ownership stakes.

Manus has managed to tread a delicate journey from Chinese start-up to American acquisition target by moving its headquarters. Could this be a pathway for future Chinese tech start-ups? In 2022, AI start-up HeyGen moved from Shenzhen to Los Angeles and reportedly unwound most of its Chinese ownership stakes. A growing number of Chinese companies have shed their Chinese corporate identities and moved to Singapore to get around geopolitical issues, including TikTok and Shein.

However Beijing is likely to clamp down on such moves if they become a trend. China has already tightened export controls on key technologies, such as batteries, lithium processing and rare earths. In the tussle over TikTok in the US, Beijing proved it was willing to block the handover of ByteDance's algorithms and source code, which appear to remain [under Chinese control](#). There are reports that China's Ministry of Commerce is [reviewing the Manus sale](#) to determine whether it violates Chinese technology export controls.

As China continues to move up the technology ladder, Beijing is going to seek to capitalise on its cutting-edge innovations while protecting its hard-won technological edge, just as the west has tried to do. Now that the tables have turned on global technology flows, the question is how Beijing will try to control them.

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