STRATEGIC ALLIANCES

The Logic of Partnerships with Chinese Firms Has Flipped

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For decades, partnerships between multinational and Chinese companies followed a stable exchange. Foreign firms brought advanced technology, IP, and management expertise. Chinese partners provided market access, regulatory navigation, and operational advantages. The technology-for-market-access model was mutually beneficial: multinationals gained access to a vast market where they could monetize their technologies while Chinese enterprises absorbed know-how and built manufacturing scale.

This old model is now under pressure. As a result, both multinational companies and Chinese firms must rethink if, where, when, and how to partner.

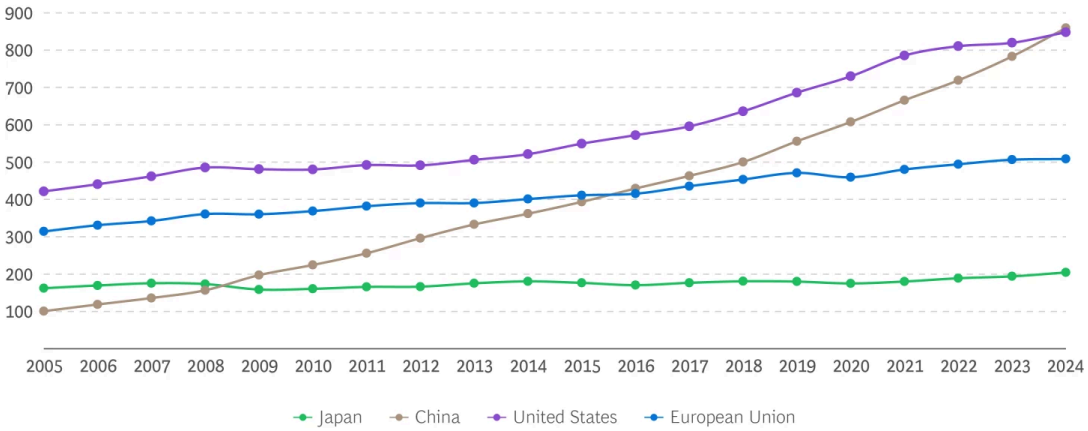
In several industries—such as electric vehicles, lithium-ion batteries, renewable energy, and telecom infrastructure—Chinese companies have built globally competitive capabilities. In some cases, Chinese firms are at the leading edge. These are industries where technology has evolved rapidly, enabling companies that invested early and at scale to leapfrog established incumbents. Sustained R&D investment, ambitious industrial policy, and fierce domestic competition have propelled this shift. China's gross expenditure on R&D now surpasses that of the United States in purchasing power terms. (See Exhibit 1.)

EXHIBIT 1

China Has Surpassed the US as the World Leader in R&D Spending

Gross domestic expenditure on R&D (GERD)

Constant 2020 $B (PPP converted)



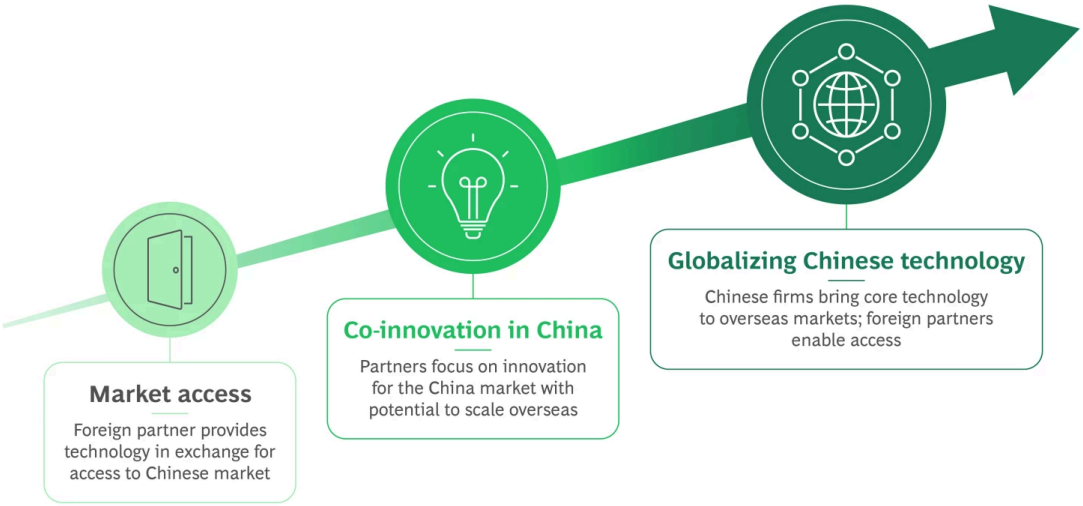
Source: OECD, Main Science and Technology Indicators Database, March 2026.
Note: PPP = purchasing power parity.

The consequences for partnerships are profound. Chinese companies increasingly bring core technology, integrated supply chains, and the speed to develop and manufacture products at scale. Foreign partners, in turn, are increasingly valued for access to global markets, international commercialization capabilities, and compliance with global standards. In some industries, the traditional contribution logic has flipped entirely.

As Chinese capabilities advance, partnership models are progressing along a path from trading technology for access to the Chinese market to the newer collaborations that co-innovate in China using domestic technology and then globalize that technology. (See Exhibit 2.)

EXHIBIT 2

How Chinese Partnerships with Multinational Companies Are Evolving



Source: BCG analysis.

Partnerships that Leverage China's Innovation Engine

Traditional joint ventures (JVs) still exist, particularly in sectors where significant capability gaps persist, such as advanced semiconductors, aerospace, and some areas of precision engineering. In these partnerships, foreign companies continue to provide core technology and IP in exchange for access to the Chinese market.

But many legacy JVs are at a crossroads. In industries where Chinese counterparts have closed the technology gap or even surpassed them, multinational leaders are asking whether such partnerships are becoming a constraint. Several high-profile exits in recent years signal that passively continuing legacy structures in most cases is no longer a viable strategy.

A growing number of multinationals are partnering with Chinese firms specifically to improve their global competitiveness by accessing China's innovation engine—its R&D talent, speed of iteration, manufacturing depth, and cost advantages. The innovation may be anchored in China, but the strategic rationale is to develop products faster, cheaper, and more competitively than firms could achieve on their own.

Consider Volkswagen's partnership with Xpeng. After decades of producing internal combustion engine vehicles based on Volkswagen's IP and know-how through traditional JVs, Volkswagen recognized it needed access to Chinese innovation to remain competitive in that market. It partnered with Xpeng, gaining access to the Chinese EV manufacturer's technology. The partnership adopted an agile operating model with joint R&D teams and minimal management layers.

VW began producing its first smart EV, an all-electric SUV, just two years after the partnership was formed, a timeline that has become known within the company as "China speed." International automotive OEMs typically take five-to-seven years to develop a new model. Crucially, VW is now considering taking China-developed models to global markets. VW has also established a major R&D center in Hefei and formed a semiconductor joint venture with Horizon Robotics to develop autonomous-driving chips and capabilities, further deepening its innovation footprint in China.

AstraZeneca's collaboration with BioKangtai to co-develop vaccines and biologics anchors innovation in China for both domestic and global patients, supported by AstraZeneca's planned $2.5 billion R&D center in Beijing.

Bosch and Weichai Power's joint development of advanced powertrain and hydrogen technologies is another example of China-based co-innovation with global potential.

The critical questions for these partnerships center on governance.

- How much autonomy and real decision-making power should the venture have in China?
- How will IP and data be shared across borders?
- What are the pathways for deploying China-developed innovations globally?

The tradeoff is between speed and control. But many firms attempt to preserve both—and achieve neither.

Partnerships That Globalize Chinese Technology

The most dramatic illustrations of the technology flips are partnerships where Chinese firms bring core technology, platforms, or manufacturing capabilities to markets outside China—while foreign partners contribute localization, regulatory navigation, and brand legitimacy. This model represents a full reversal of the traditional JV logic.

Activity is concentrated in industries where Chinese companies have established clear technological and manufacturing leads. In batteries, BMW has deepened its long-standing partnership with CATL, which supplies advanced battery cell chemistries from its manufacturing base in Germany and China for BMW's next-generation electric vehicles. Stellantis has established a venture with CATL to build a factory in Spain, and Ford has licensed CATL's lithium iron phosphate battery technology to build a domestic manufacturing base at its plant in Marshall, Michigan. Stellantis acquired a 20% stake in Chinese EV maker Leapmotor and formed a joint venture to sell and manufacture Leapmotor vehicles abroad. In one of the first Chinese offshore vehicle localization partnerships, Magna Steyr is assembling Xpeng EVs in Austria for European markets.

In green energy, Engie has partnered with Huawei on solar projects in Saudi Arabia, with Huawei supplying inverters and smart energy management technology. Ganfeng Lithium and Lithium Argentina are collaborating on large-scale lithium production, combining Chinese processing technology with local natural resources.

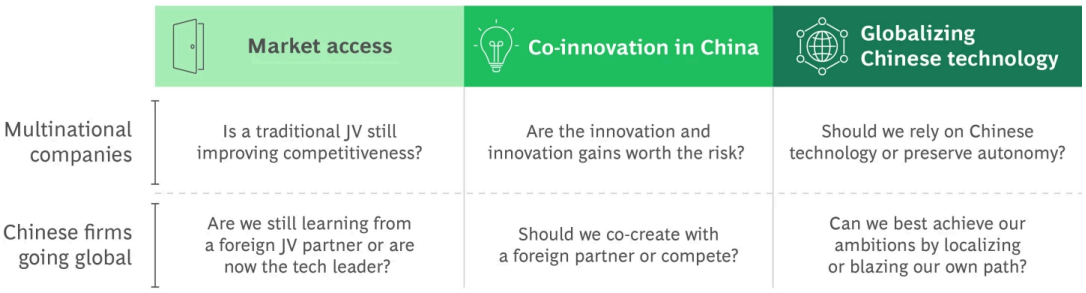
We expect that such partnerships will be more common and extend to other sectors. For Chinese firms, they are becoming as critical as they were for multinationals entering China decades ago. As Chinese firms enter new markets, they need what every entrant requires: local expertise, regulatory navigation, established customer relationships, and brand credibility.

Partnership Implications for Chinese Firms and Multinationals

The question is no longer whether these new partnerships create value—but under what conditions they do, and for whom. Leaders on both sides need to act deliberately. (See Exhibit 3.)

EXHIBIT 3

Key Decisions for Multinationals and Chinese Firms in Different Partnership Models



Source: BCG analysis.

The following are some key implications for each partner as they explore which partnership model is most appropriate:

Multinational Companies. Reassess existing partnerships based on the legacy traditional JV contribution logic. Leaders should rigorously evaluate whether each partnership is still accelerating competitiveness or is simply continuing as a result of inertia. In some cases, exiting and restructuring may be the rational path.

Evaluate the co-innovation opportunity. China's innovation ecosystem can offer a chance to develop products faster and at lower cost than multinational companies could independently. Leaders should assess where partnering with Chinese firms might create new sources of competitive advantage. The challenge, however, is that capturing this value comes with real implications and risks. It requires genuine decision-making authority in China, modern IP and data-sharing frameworks, clear pathways for deploying China-developed innovations globally, and a willingness to navigate the geopolitical tradeoffs that such commitments entail.

Navigate global partnerships with clear-eyed asymmetry. In sectors where Chinese firms lead technologically, multinationals must decide where they are comfortable becoming dependent on a Chinese technology provider—and where they must preserve autonomy over IP, data, and supply chains. This is a portfolio-and-risk decision that belongs at the board level.

Chinese Companies Going Global. In legacy JVs, Chinese firms should ask whether they are still gaining from a foreign partner's technology and management practices—or whether they have become the more capable party. If the answer has shifted, so should the partnership structure.

In innovation-based models, the central tension is whether to co-create with a foreign partner or compete independently. Partnerships offer access to global markets and brands, but they also require sharing capabilities that Chinese firms may increasingly want to commercialize on their own terms.

When expanding globally, Chinese firms must decide whether to localize through partnerships—gaining credibility, regulatory navigation, and customer access—or to build their own presence independently. Partnerships accelerate market entry but require governance alignment, transparency, and a willingness to adapt operating models to local expectations. Trust is not a given; it must be built.

External Risk Implications for All Partners. All partnership models must now contend with a more complex external environment. Tariffs, export controls, investment screening, and divergent data and IP regimes affect feasibility and limit what technologies can be shared. Environmental and diversity requirements, as well as stakeholder expectations, are rising in many nations. Political scrutiny and public perceptions of Chinese technologies influence partnership options in some markets. Companies should actively monitor these risks and build partnership structures that are resilient to external shocks, including contractual provisions that allow for adaptation as the geopolitical landscape shifts.

The partnership evolution extends beyond tech-intensive manufacturing industries. Chinese firms in services, consumer sectors, and digital platforms are also expanding globally and facing similar questions about how to partner effectively. The frameworks outlined here—and the tensions between opportunity and risk—apply broadly, even when different capabilities are being exchanged.

Partnerships with Chinese firms are entering a new era. Today, far-sighted leaders recognize Chinese companies as invaluable sources of leading-edge technology, innovation speed, manufacturing expertise, and integrated supply chains that can strengthen competitiveness in the decades ahead. For both multinationals and globally ambitious Chinese companies, partnerships will continue to be an indispensable part of corporate strategy. Companies that develop the right partnership models—and the organizational muscles to manage them—will unlock new growth, lower cost structures, strengthen resilience, and create lasting value.

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