S&P Global

China Inc. heads to Global South in the age of tariffs

August 2025

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Highlights

Leading Chinese firms are heading to the Global South amid rising US tariffs on Chinese goods since 2018. S&P Global expects this trend to continue as companies look to diversify sales away from the US and expand to other markets with stronger growth prospects than at home.

This trend is reflected in the rapidly growing trade between China and the Global South, which includes most of the developing world. China now exports over 50% more to these regions ($1.6 trillion) than to the US and Western Europe combined ($1 trillion).

Booming trade has helped secure Chinese firms' access to these markets. On average, China's trade with its top 20 trading partners in the Global South amounts to nearly 20% of these countries' GDP (Figure 1).

Chinese firms are not just redirecting goods for re-export through these regions. They are increasingly producing them there. This requires investing in the local economy. Their investments in China's four largest trading partners in Southeast Asia, for example, have quadrupled over the past decade to an average of $8.8 billion annually.

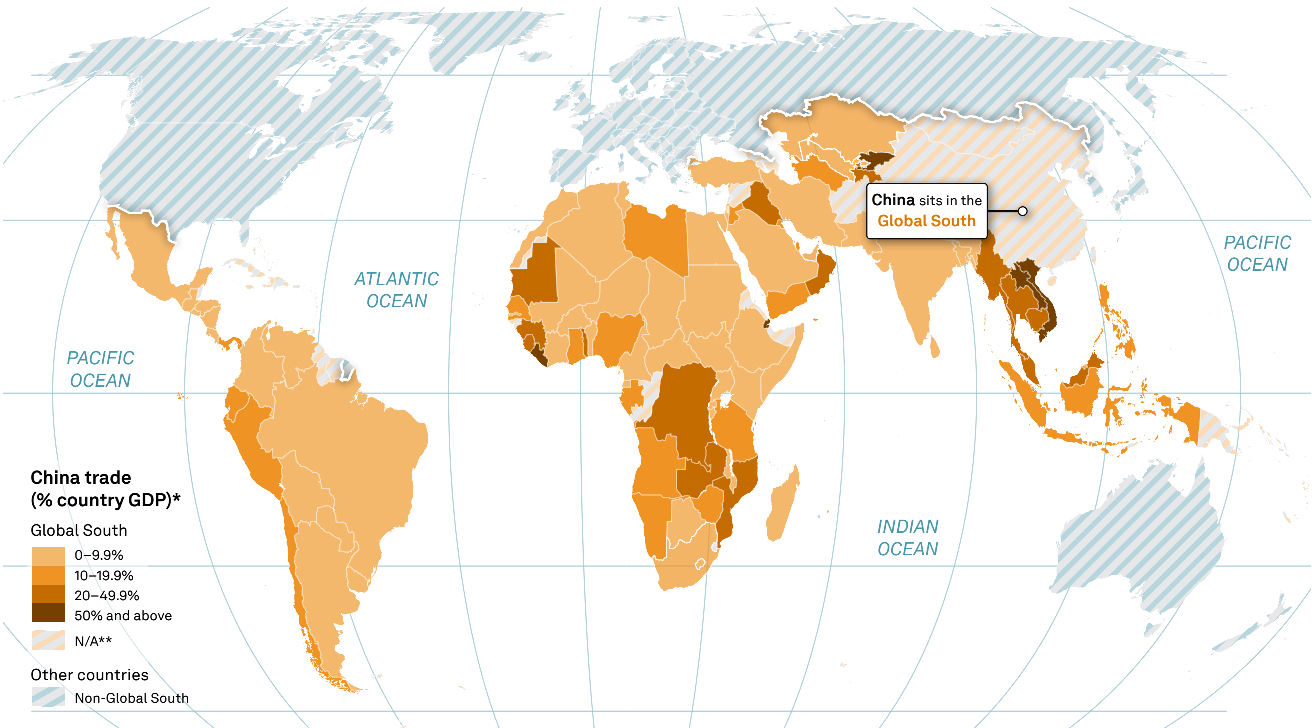
These investments are likely to continue in the age of tariffs — not just to avoid new levies or secure resources, but to develop end markets and reduce reliance on US sales.

New tariffs motivate Chinese firms to explore markets offering pull factors such as facilitating policies or deepening commercial relations with China. The tariffs' negative effects may also serve as a push factor as they weigh on growth in these firms' home market.

In its recent statements, the Chinese government noted the "rise of the Global South" as the "future of development." This view is also reflected in the core strategies and future plans of many leading Chinese companies.

As they continue to head to the Global South, the result could be a new order of global commerce where South–South trade becomes the new center of gravity and Chinese multinationals emerge as the new key players.

Figure 1: Depth of China's trade with the Global South



As of July 2025.
* Indicates each country's exports to and imports from China as a percentage of the country's GDP.
** Includes Global South countries where data is incomplete or not applicable.
Sources: International Trade Center; UN Comtrade; International Monetary Fund; S&P Global Ratings.

What is the "Global South"?

The term "Global South" has not been formally defined despite its increasing use in discussions of geopolitical issues.

Its origins trace back to the 1950s, when countries in the Non-Aligned Movement (NAM) sought a neutral path amid Cold War tensions. In the 1960s, many of these nations formed the Group of 77 (G77) at the United Nations to promote their collective interests.

In 1980, the Brandt Report, which examined the North-South divide in economic development, provided a visual representation of this group by showing the world demarcated by what came to be called the "Brandt Line."

Over time, a number of NAM and G77 countries achieved development levels comparable to advanced economies, raising questions of their inclusion in the "Global South" from a developmental perspective.

As we use the term in this report in the context of trade and investments rather than levels of economic development, we define the "Global South" as countries south of the Brandt Line, including those in South and Southeast Asia, Latin America, the Middle East and Africa, Central Asia, and Eastern Europe.

Excluded from this group are countries typically considered part of the "West," including those in North America, Western Europe, Australia and New Zealand, as well as those with formal alliances with the West, such as South Korea and Japan. Russia is also excluded as it lies north of the Brandt Line and is not part of NAM or the G77. China, by this definition, is part of the Global South.

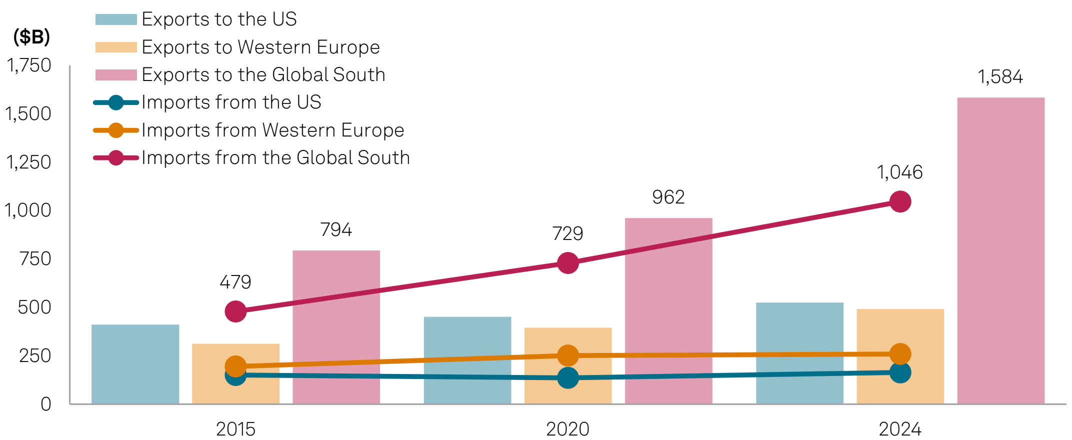
Surging trade between China and the Global South

China's trade with the Global South has expanded significantly faster than with the rest of the world, particularly after the US raised tariffs on the country in 2018 (Figure 2).

China's exports of goods to these regions have doubled since 2015, compared with growth of 28% to the US and 58% to Western Europe. This acceleration has been most pronounced from 2020 to 2024, during which the country's exports to the Global South rose 65%, three times the growth rate (21%) of the previous five-year period (Figure 3).

As a result, China now sells over 50% more to the Global South ($1.6 trillion) than to the US and Western Europe combined ($1 trillion). Notably, the country's exports to just three regions — South and Southeast Asia ($759 billion), Latin America ($264 billion), and the Middle East ($219 billion) — already exceed the total to the US and Western Europe.

Figure 2: Surging trade between China and the Global South



As of July 2025.

China's merchandise exports to and imports from the Global South. Global South includes South and Southeast Asia, the Middle East and Africa, Eastern Europe, Central Asia, and Latin America.

Source: International Trade Center; UN Comtrade; S&P Global Ratings.

China's imports of goods from the Global South have also more than doubled since 2015, reaching $1 trillion. This is six times the value of its imports from the US ($165 billion) and four times that from Western Europe ($260 billion).

In relative terms, the Global South accounted for 44% of China's exports in 2024, up from 35% in 2015. Over the same period, the US share fell to 15% from 18%, while Western Europe stayed at 14% (Figure 3). The Global South now contributes more than half (54%) of China's trade surplus with the world, compared with 36% from the US and 23% from Western Europe.

Figure 3: Global South's share of China's trade expands

	($B)			Percent of total (%)			Growth (%)	
	2015	2020	2024	2015	2020	2024	2015–2020	2020–2024
China's merchandise exports to								
US	411	452	525	18.0	17.5	14.7	10	16
Western Europe	313	395	492	13.7	15.3	13.8	26	25
Global South	794	962	1,584	34.8	37.2	44.3	21	65
South and Southeast Asia	373	487	759	16.4	18.8	21.2	30	56
Latin America	124	144	264	5.4	5.6	7.4	16	84
Middle East	129	130	219	5.7	5.0	6.1	0	69
Africa	109	114	179	4.8	4.4	5.0	5	57
Eastern Europe and Central Asia	59	88	163	2.6	3.4	4.6	49	85
Other OECD	312	351	423	13.7	13.6	11.8	13	20
Rest of the world	453	427	551	19.8	16.5	15.4	-6	29
World total	2,282	2,588	3,575	100.0	100.0	100.0	13	38
China's merchandise imports from								
US	151	136	165	9.0	6.6	6.4	-9	21
Western Europe	195	252	260	11.6	12.3	10.1	29	3
Global South	479	729	1,046	28.5	35.4	40.4	52	43
South and Southeast Asia	172	325	419	10.2	15.8	16.2	89	29
Latin America	103	167	238	6.1	8.1	9.2	62	43
Middle East	105	128	213	6.2	6.2	8.2	22	66
Africa	70	74	117	4.2	3.6	4.5	5	59
Eastern Europe and Central Asia	29	36	59	1.7	1.8	2.3	26	63
Other OECD	424	500	538	25.2	24.3	20.8	18	8
Rest of the world	433	440	577	25.7	21.4	22.3	2	31
World total	1,682	2,057	2,587	100.0	100.0	100.0	22	26
China's merchandise trade surplus/deficit								
US	260	316	360	43.4	59.5	36.4	21	14
Western Europe	117	143	232	19.6	26.9	23.5	22	62
Global South	315	233	538	52.5	43.9	54.5	-26	131
South and Southeast Asia	202	162	340	33.6	30.5	34.4	-20	110
Latin America	21	-23	26	3.4	-4.3	2.6	-	-
Middle East	25	2	6	4.1	0.4	0.6	-92	232
Africa	38	40	62	6.3	7.6	6.2	6	53
Eastern Europe and Central Asia	30	52	104	5.0	9.8	10.5	71	101
Other OECD	-112	-148	-115	-18.7	-27.9	-11.7	-	-
Rest of the world	20	-13	-26	3.3	-2.4	-2.7	-	-
World total	600	531	988	100.0	100.0	100.0	-11	86

As of July 2025.

OECD = Organisation for Economic Cooperation and Development.

Other OECD includes other North America and Asia Pacific OECD members (Canada, Japan, South Korea, Australia, New Zealand). Global South includes South and Southeast Asia, the Middle East and Africa, Eastern Europe, Central Asia, and Latin America.

Source: International Trade Center; UN Comtrade; S&P Global Ratings.

Rising significance and complicating factors

As with the US, China's growing trade surpluses have raised tensions with some of its trading partners in the developing world. However, as booming trade has raised the importance of commercial ties, bilateral relations with these partners have remained largely stable, securing continued market access for Chinese firms.

One way to measure this importance is by comparing a country's total trade with China (exports plus imports) relative to its GDP (Figure 4). Among China's top 20 trading partners in the Global South, the average is a significant 19% of these countries' GDP.

Adding to this significance is that nearly half of these top 20 markets have substantial trade surpluses with China, including Malaysia, Brazil, Saudi Arabia, Chile, Iraq, South Africa, Peru, Oman and the Democratic Republic of Congo.

Most of these countries, however, also have trade surpluses with the US, which could put Chinese firms' access at risk if geopolitical tensions lead to pressures to choose sides. While most will endeavor to maintain trade with both, their calculus could be affected by US tariffs, or by the fact that the US' trade volumes are meaningfully smaller, amounting to an average of only 10% of their GDP (Figure 4).

That said, this comparison shows a high degree of variability. The disparity is clearly lopsided in some cases, such as Malaysia (48.2% China trade to GDP vs. 18.5% US trade to GDP), Mexico (5.9% vs. 45.7%), and Oman (33.4% vs. 3.1%), but less so in other cases, such as Saudi Arabia (9.8% vs. 2.4%), Brazil (8.6% vs. 4.3%), and India (3.6% vs. 3.4%).

Figure 4: China's top trading partners trade less with the US

	China trade 2024			US trade 2024			Trade surplus/deficit ($B)			
							with China		with US	
Country	Exports to (X) ($B)	Imports from (M) ($B)	X+M % GDP	Exports to (X) ($B)	Imports from (M) ($B)	X+M % GDP	2015	2024	2015	2024
Global South regions										
Southeast Asia	396.5	586.2	24.7	124.6	365.2	12.3	-89.5	-189.8	82.3	240.6
Africa	116.9	178.5	10.6	32.1	40.6	2.6	-38.1	-61.6	-0.7	8.5
Middle East	212.8	219.0	8.9	84.5	79.1	3.4	-24.6	-6.2	-7.8	-5.5
Latin America	238.5	264.4	7.8	502.9	656.0	17.9	-20.5	-25.9	43.0	153.1
Eastern Europe and Central Asia	58.9	163.0	7.5	27.9	63.0	3.1	-30.3	-104.1	14.1	35.1
South Asia	22.5	173.0	4.0	46.7	108.8	3.2	-77.4	-150.5	34.8	62.1
China top 20 trade partners										
Vietnam	98.9	161.8	55.7	13.1	142.5	33.2	-41.3	-63.0	32.6	129.4
Malaysia	110.9	101.2	48.2	27.7	53.8	18.5	9.1	9.7	22.4	26.1
Brazil	116.4	72.0	8.6	49.7	44.2	4.3	16.9	44.3	-3.1	-5.5
Indonesia	71.2	76.8	10.6	10.2	29.5	2.8	-14.6	-5.6	13.5	19.3
India	18.1	120.5	3.6	41.8	91.2	3.4	-44.9	-102.5	25.2	49.5
Thailand	48.0	86.0	25.3	17.7	66.0	15.8	-1.1	-38.0	18.4	48.3
Singapore	31.9	79.3	21.0	46.0	43.6	16.9	-25.6	-47.3	-10.0	-2.5
Mexico	19.1	90.1	5.9	334.0	510.0	45.7	-23.7	-71.0	62.8	175.9
Saudi Arabia	57.5	49.9	9.8	13.2	13.2	2.4	8.5	7.7	3.6	0.0
UAE	36.2	65.6	18.7	27.0	7.8	6.4	-25.5	-29.4	-20.4	-19.2
Philippines	19.3	52.3	15.2	9.3	14.6	5.1	-7.7	-32.9	2.7	5.3
Chile	40.8	20.6	18.7	18.2	17.4	10.8	5.4	20.2	-5.9	-0.8
Iraq	38.2	16.0	20.5	1.7	7.7	3.5	4.7	22.2	2.6	6.0
South Africa	30.7	21.8	13.0	5.8	14.9	5.1	14.3	8.9	2.1	9.1
Poland	4.9	40.0	5.2	12.0	14.1	3.0	-11.6	-35.1	2.1	2.1
Kazakhstan	15.9	28.1	15.0	1.1	2.4	1.2	-2.6	-12.3	0.0	1.3
Peru	29.2	13.9	15.2	11.2	10.0	7.5	1.8	15.3	-3.3	-1.2
Turkey	4.8	38.1	3.2	15.3	17.8	2.5	-15.7	-33.4	-1.2	2.5
Oman	30.9	5.8	33.4	2.0	1.4	3.1	12.9	25.1	-1.4	-0.5
DR Congo	21.6	4.3	35.8	0.3	0.3	0.8	1.3	17.2	0.0	0.1

As of July 2025.
Source: International Trade Center; UN Comtrade; International Monetary Fund; S&P Global Ratings.

Complicating these considerations are issues regarding trade composition, particularly for countries that export mainly commodities to China but import mostly manufactured goods. These issues are relevant not just for the oil exporters, but also for key exporters of critical minerals, as China continues to pursue global supplies of these minerals (see "China's Global Reach Grows Behind Critical Minerals," published Aug. 24, 2023).

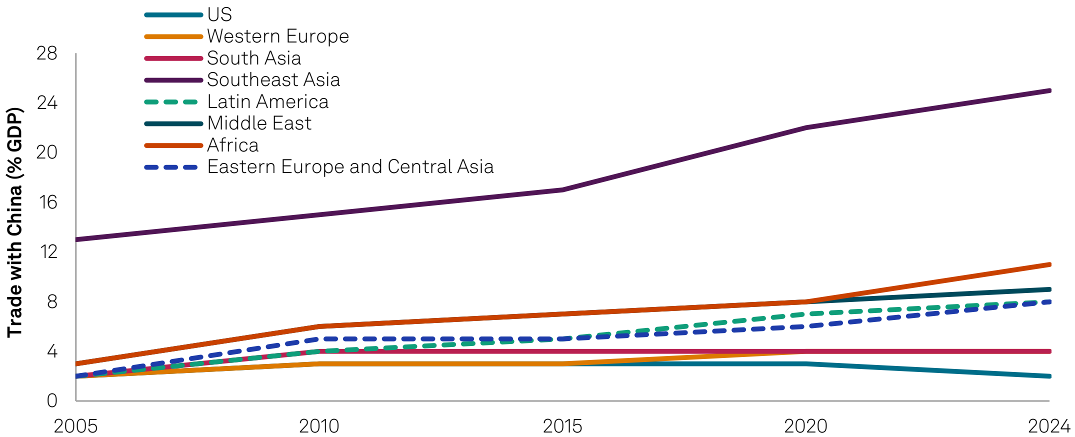
These issues are structural in nature and are challenging to adjust. Proactive diversification of bilateral ties may help address them, but it will take substantial time for such efforts to bear fruit in this regard (see "Saudi-China ties and Renminbi-based oil trade," published Aug. 21, 2024).

These factors highlight the complexity of trade relations in the age of tariffs. How can Chinese firms navigate the resulting uncertainties? Southeast Asia may provide some indications, as it is the region in the Global South where they are the most active.

China Inc. in the Global South – the case of Southeast Asia

Chinese firms have increasingly expanded to Southeast Asia, as the region's trade with China has grown more than with any other part of the world over the past decade (Figure 5). China's trade with Southeast Asia has risen from 17% of the region's GDP in 2015 to 25% in 2024 — double Africa's share and triple that of the Middle East and Latin America (Figure 4).

Figure 5: Southeast Asia's rapid trade integration with China

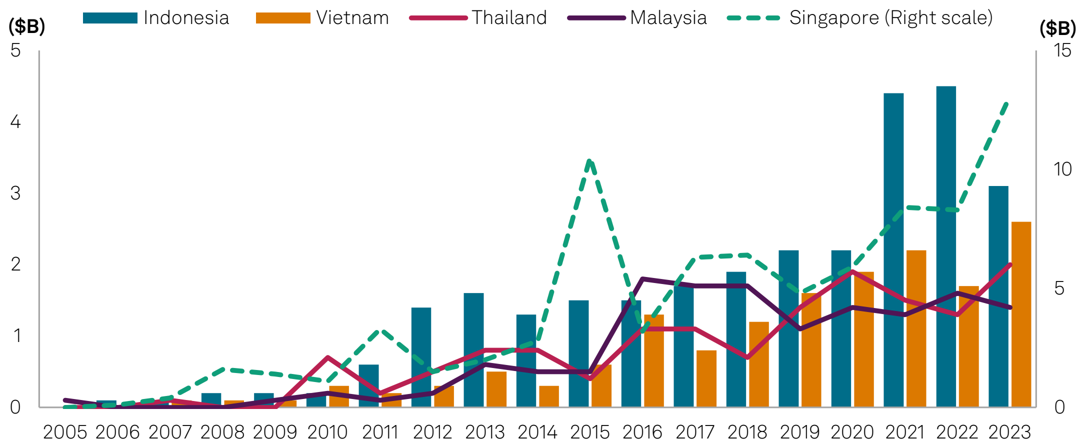


As of July 2025.
Each region's merchandise export to and imports from China divided by the region's GDP.
Source: International Trade Center; UN Comtrade; International Monetary Fund; S&P Global Ratings.

Chinese firms are not just redirecting goods for re-export through the region. They are increasingly producing them there. This requires investments in the local economy — in manufacturing capacity as well as infrastructure, support services, and worker training.

This is reflected in surging foreign direct investment (FDI) by Chinese firms across the region over the past decade (Figure 6). In Indonesia, Malaysia, Thailand and Vietnam — China's four largest trading partners in Southeast Asia — Chinese FDI has quadrupled in the past decade, rising from an annual average of $2.2 billion in the early 2010s to $8.8 billion in recent years.

Figure 6: China's direct investments in Southeast Asia climb



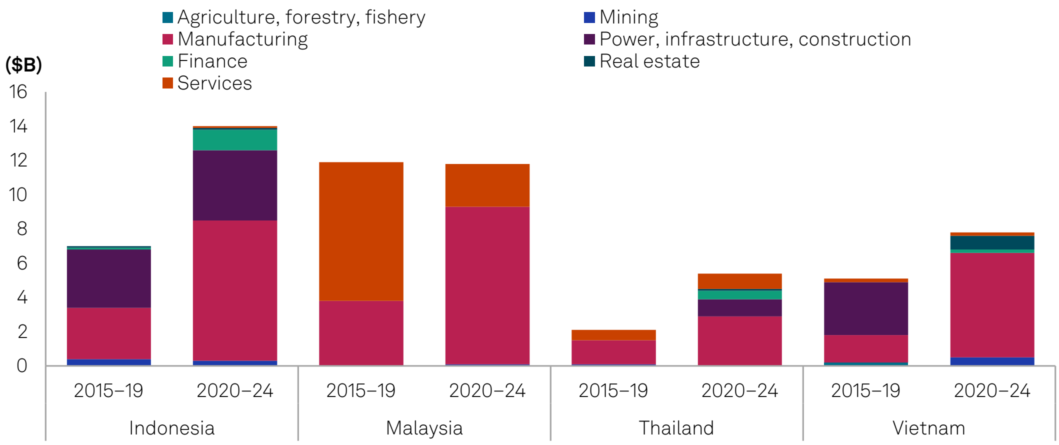
As of July 2025.
Source: CEIC; S&P Global Ratings.

These figures exclude indirect flows via Singapore, which also saw Chinese FDI more than quadruple to $8.9 billion annually. Despite global trade tensions, the country has retained its role as the key financial center that facilitates investments from China and elsewhere into Southeast Asia, particularly as more Chinese firms see Singapore as a preferred jurisdiction for setting up regional headquarters.

In terms of industries, Chinese firms' investments in the region have increasingly focused on manufacturing (Figure 7). These investments are often facilitated by government programs aiming to promote local manufacturing industries.

In Indonesia, Malaysia, Thailand and Vietnam, Chinese investments are focused on the production of consumer electronics, technology products, and electric vehicles (EVs). These investments often require parallel support in infrastructure and services, making those sectors the second-largest recipients of Chinese FDI.

Figure 7: China stepped up manufacturing investments in Southeast Asia in the past decade



As of July 2025.
Distribution of foreign direct investments by key identifiable industries from China. Manufacturing includes related business services.
Source: CEIC; American Enterprise Institute; S&P Global Ratings.

The impact of Chinese investments is perhaps most evident in Indonesia, where manufacturing FDI from China has nearly tripled in recent years. The country has leveraged this capital to rapidly develop its nickel industry and position itself further up the EV supply chain (see box).

In Thailand, Chinese firms have concentrated investment in the Eastern Economic Corridor, a government-promoted manufacturing hub. They are also increasingly investing in the auto sector to take advantage of the country's established auto supply infrastructure and supportive policies for the transition to EVs.

In Malaysia, nearly 80% of Chinese FDI has gone into manufacturing industries such as electronics, transport equipment and other products.

In Vietnam, Chinese investments have flowed into 18 of 21 economic sectors, with the processing and manufacturing industries receiving over 60% of total FDI and nearly 80% of Chinese FDI.

Indonesia and Chinese investments

Indonesia offers a striking example of how Chinese firms could align their investments and operations with local development objectives.

For over a decade, the Indonesian government has sought greater processing capabilities of its major mineral ores, with more recent emphasis on EV manufacturing. Chinese firms have aligned their investment strategies with these objectives.

The country's nickel ore export ban in 2020 and China's "going out" strategy under its Belt and Road Initiative (BRI) prompted Chinese firms to pour billions of dollars into Indonesia's nickel supply chain.

In 2024, Indonesia was again the single largest recipient of BRI-related funds, with $9.3 billion of investment. Chinese companies have built over 90% of the nickel smelters and some of the largest industrial parks in the country, including Tsingshan Group's Morowali and Weda Bay parks. Other leading Chinese firms operating in Indonesia include Zhejiang Huayou Cobalt, CATL, Wuling Motors, and China Molybdenum Co.

These investments have helped Indonesia become the world's largest nickel producer, accounting for 45% of global primary supply. Yet, as the case of PT Gunbuster Nickel Industry shows, large projects raise substantial execution risks, which balance against the opportunities they may bring for Chinese as well as local stakeholders.

Diversification and its challenges

Chinese FDI into the Global South is likely to continue — not just to avoid new levies or secure resources, but to develop end markets and reduce reliance on US sales.

This diversification strategy may be one of the few feasible ways to manage the high uncertainties of the age of tariffs. Such a strategy, however, requires developing new markets, which will present challenges as well as opportunities for Chinese firms.

In addition to new customers or clients, firms entering new markets face different operating environments and less familiar counterparties. This raises execution risks ranging from ineffective sales approaches to renegotiations or nonperformance of contracts. Less developed legal and physical infrastructure in many jurisdictions tend to compound these risks.

Moreover, many businesses and policymakers in Global South markets are concerned about the risk of Chinese firms selling goods at excessively low prices to displace local competitors or to address their own overcapacity. Such concerns are particularly elevated for sectors showing signs of overinvestment in China, such as autos, chemicals, and electrical equipment (see "Where Are China's Overinvestment Risks?," published Aug. 7, 2024).

Regulators in many countries have raised scrutiny over these risks and could be more prone to take action. This elevates the likelihood of regulatory penalties or countervailing duties. Although these consequences would make such practices counterproductive to developing sustainable end markets, some firms may nevertheless adopt them as tactics, resulting in higher regulatory risks for themselves as well as other Chinese firms.

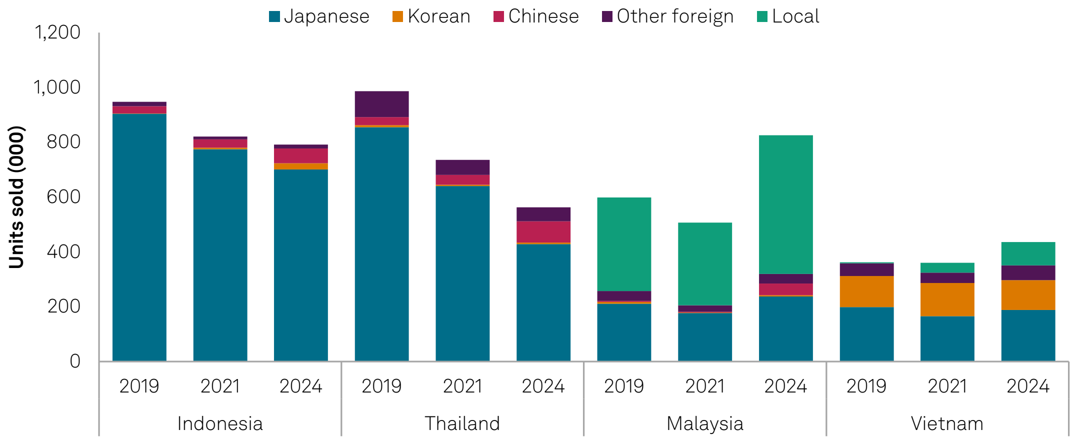
Facilitating factors in new markets

Some factors could facilitate Chinese firms' operations in the Global South. Many countries in these regions have developmental priorities that may outrank protecting "national champions" or traditional industries, particularly where such champions are few or none and where such industries are low-skill and low value-added.

Aligning with such priorities could facilitate local operations, but it could also raise the potential for friction if the benefits envisaged by authorities are slow to materialize.

The interplay of these factors is perhaps most observable in auto markets across South and Southeast Asia, where Chinese automakers are rapidly building market presence under the region's energy transition push. In the last three years, their sales have grown 13-fold in Malaysia, doubled in Thailand, Indonesia and the Philippines, and climbed over 50% in India and Vietnam (Figure 8).

Figure 8: Chinese automakers' light vehicle sales rise across South and Southeast Asia



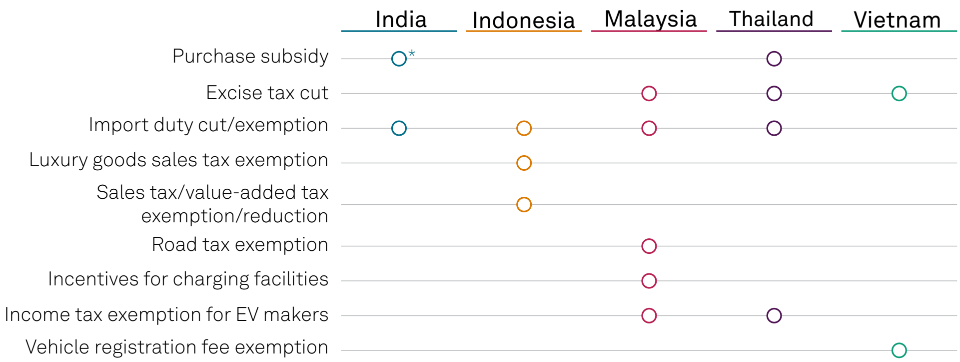
As of July 2025.
Source: S&P Global Mobility; S&P Global Ratings.

Despite such gains, these countries have not imposed direct restrictions on Chinese automakers. This is in part because their auto markets either have no “national champions” (e.g., in Indonesia, Thailand, and the Philippines) or are dominated by Japanese, Korean and other foreign brands (e.g., in Malaysia, Vietnam, and India), with relatively small shares held by Chinese firms.

In markets where local automakers do hold a significant share, such as Malaysia and India, protection from foreign competition may be a higher priority. However, local firms in these markets produce mostly internal combustion engine vehicles. Protecting such players could mean supporting older technologies that increase emissions while new foreign competition — mostly EV makers — offer lower-emission alternatives.

Most governments in the region have prioritized the latter, offering sales, tax, import, and other incentives despite concerns of foreign competition (Figure 9).

Figure 9: Governments are promoting EVs despite the threat of foreign competition



As of July 2025.
* For commercial purposes and public transportation. This list is not exhaustive.
Source: S&P Global Ratings.

In some cases, Chinese firms operate as partners rather than competitors. Geely Auto, which owns 49.9% of Malaysia’s second-largest automaker Proton, is an example. Geely helped Proton launch Malaysia’s first domestically branded EV in 2024, supporting the government’s goal of EV and hybrid sales reaching a fifth of the country’s new car sales by 2030.

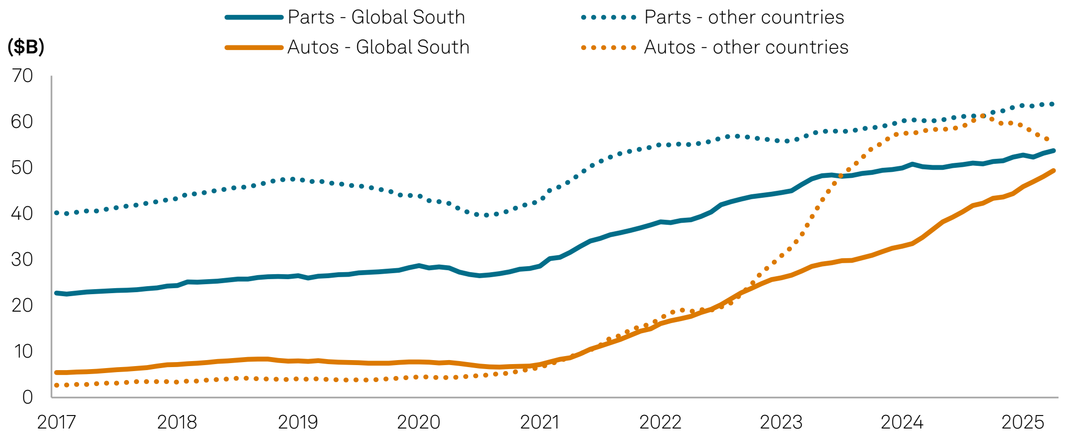
As a result of these policies, South and Southeast Asia are likely to see 20% annual growth in EV sales over the next few years. The region is also likely to attract at least $20 billion of EV investments from Chinese firms (see “EV Makers To Bet $20 Billion On South And Southeast Asia,” published Oct. 29, 2024).

Global South sales grow amid slowdown elsewhere

The experience of Chinese automakers in South and Southeast Asia may not play out in the same way in other markets. However, similar factors could facilitate their efforts to develop new markets as new tariffs arise, particularly in countries where their aims align with local priorities.

Across emerging auto markets, Chinese exports are gaining ground, driven by a global shift toward electrification and an evolving tariff landscape. After the US and EU implemented new tariffs relating to Chinese EVs in May and October 2024, respectively, China’s vehicle exports to the Global South grew by more than a third, while exports to other markets fell by 7% (Figure 10).

Figure 10: China's exports of auto and auto parts accelerate across the Global South



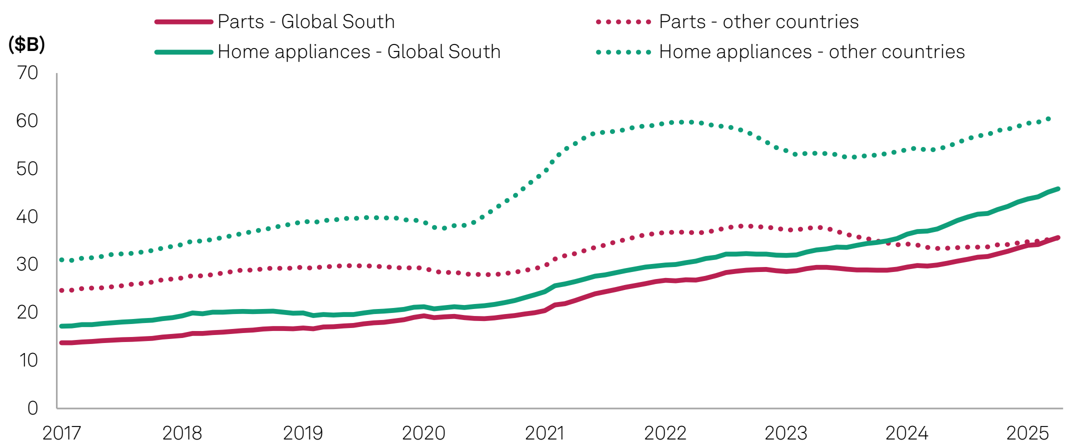
As of April 2025.
Trailing 12 months export value in US dollars of vehicles and auto parts to the Global South and other countries.
Source: S&P Global Market Intelligence.

The more notable development is the exports of auto parts, which reflect both manufacturing and end-market demand. Parts are required for assembling vehicles for export as well as servicing vehicles sold locally. In the past year, parts exports to the Global South grew 7.4%, compared with 6.1% growth to other regions. This suggests that more vehicles were sold and maintained locally, even as exports to other countries slowed.

While the policy environment may differ, similar trends are also observable outside the auto industry. For example, China's exports of home appliances to the Global South rose 22% over the past year — double the 11% growth rate to other countries (Figure 11). Meanwhile, exports of home appliance parts to the Global South grew at 19%, compared with 6% to other markets.

As a result of these shifts, Global South markets are now nearly or equally as important as other markets to Chinese producers in both industries. These regions account for 48% of China's auto exports and 46% of its auto parts exports, along with 43% and 50% of its home appliance and appliance parts exports in 2024, respectively.

Figure 11: Chinese exports of home appliances and parts increase across the Global South



As of April 2025.
Trailing 12 months export value in US dollars of home appliances and home appliance parts to the Global South and other countries.
Source: S&P Global Market Intelligence.

China Inc.'s expansion to the Global South

The phenomenon of leading Chinese firms heading to the Global South is also observable in many other industries as more firms see stronger growth prospects abroad than at home.

New US tariffs may not be the direct cause, but they serve as a common accelerant. They motivate firms to explore markets elsewhere, particularly among countries offering pull factors such as facilitating policies or deepening commercial relations with China.

The tariffs' negative effects may also serve as a push factor as they weigh on a number of industrial and consumer sectors in China (see "China: Can Stimulus Offset Slow Growth And New Tariffs?," published March 24, 2025).

Engineering and construction: Leading industry players such as CITIC Construction, China State Construction Engineering Corp., China Railway Construction Corp., and Power Construction Corp. have been pursuing growth across Asia-Pacific, Central Asia, Eastern Europe, Africa and Latin America, supported in part by China's BRI (Figure 12).

Their international contracts are growing at double-digit rates yet still make up only 5% to 10% of total new contract value for most, implying room for growth. Recognizing this, many firms now consider expansion across the Global South a top priority to take advantage of opportunities from the BRI and other Chinese initiatives.

Machinery and equipment: Manufacturers such as Zoomlion Heavy Industries Science and Technology Co. Ltd., XCMG Construction Machinery, Sany Heavy Industries, and Huagong Technology show a similar pattern (Figure 12). Their overseas revenues have grown by 10% to 25% in 2024 while their domestic revenues slowed, stayed flat, or contracted by 10% to 25%. As a result, sales from abroad now account for as much as one-third to half of total revenue for several firms.

Their footprints abroad are also focused on the Global South and the BRI, with some covering as much as 95% of BRI participants. Their aims, however, are not just to ride the BRI's coattails, but to truly globalize, as some are targeting overseas sales to account for as much as 30% to over 60% of revenues.

Building materials and metals: Leading manufacturers in this sector have also seen stronger growth from abroad (Figure 12). Overseas revenue grew from 15% to 30% last year, while domestic sales stagnated or fell by up to a third. These firms are prioritizing capital investment in Southeast Asia, Central Asia, and Africa.

For example, Anhui Conch Cement Co. Ltd., West China Cement Ltd., and Huaxin Cement Co. Ltd. are planning to double overseas production capacity, while CITIC Pacific Special Steel Group is looking to acquire local players in Southeast Asia.

Auto and EV: As noted earlier, Chinese automakers are benefiting from the global energy transition push, particularly in markets with no "national champions" or those dominated by other foreign brands (Figure 13). With intense competition at home and their global competitiveness, companies such as Great Wall Motor Co. Ltd., GAC Group, Chongqing Changan Auto. Co. Ltd., Geely Auto. Holdings Ltd., and BYD Co. Ltd. are aiming to double or triple overseas sales over the medium term.

Facing high tariffs in the US, their strategic focus is turning to Global South markets. Aside from Southeast Asia, where they have made the most advances, they are increasingly targeting end markets and localizing production in Africa, the Middle East, Latin America and Eastern Europe.

Retail and consumer products: Major Chinese brands are rapidly expanding to Global South markets, even in industries not directly affected by US tariffs (Figure 13). These markets tend to be countries with growing trade and investments from China.

MINISO Group Holdings Ltd. and Anta Sports Products Ltd. have expanded overseas retail outlets rapidly, first focusing on Southeast Asia, then the Middle East and Africa. Xiaomi Corp. has also expanded to and gained meaningful market share in these regions, while white-goods maker Midea Group Co. Ltd. and MSG-maker Fufeng Group Ltd. are seeing stronger sales across these and other overseas markets amid weaker sales at home.

These firms have also set overseas expansion as a top priority, backed by ambitious plans. MINISO plans to open some 3,000 overseas stores in five years, Xiaomi aims for 10,000 in the same period, and Midea plans to double its international branches in 2025. Fufeng is building two new overseas plants and expanding three regional sales offices.

Consumer services: Even service providers are looking abroad. Delivery giant Meituan, for example, may explore other Middle East markets after expanding to top cities across Saudi Arabia in 2024, its first market outside mainland China and Hong Kong.

Government initiatives to pave the way

Government initiatives such as the BRI and trade agreements can continue to support the overseas expansion of Chinese firms. While the BRI has primarily supported infrastructure and construction-related sectors, trade agreements are facilitating a broader range of industries, including both goods and services.

Beijing has been signing bilateral free trade agreements (FTAs) with Global South countries since the late 2000s. The push to sign more FTAs and to expand the coverage of existing FTAs accelerated in recent years, after the US increased tariffs in 2018.

Between 2019 and 2022, China signed new FTAs with Mauritius, Cambodia, Nicaragua, Ecuador, and Serbia, and upgraded existing FTAs with Chile and Pakistan (Figure 14). The new FTAs cut bilateral tariffs to zero on 90% to 95% of items, while the upgraded FTAs raised that to as high as 98% and added services to their coverage.

Multilaterally, China launched the upgraded China–ASEAN FTA in 2019 and signed the Regional Comprehensive Economic Partnership in 2020 alongside ASEAN countries plus Japan, South Korea, Australia and New Zealand. It also concluded the 10th round of negotiations toward an FTA with the Gulf Cooperation Council (GCC), which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

China's strategy for the age of tariffs

Since the COVID-19 pandemic, China has reinforced its strategy for the age of tariffs by expanding FTAs, cutting tariffs, and stepping up engagement with key trading partners (Figure 14). Beijing has set trade liberalization toward the Global South as a top priority and has focused on deepening commercial ties, supported by a wide range of bilateral and multilateral agreements.

In 2024, China concluded the 11th round of FTA negotiations with the GCC, upgraded FTAs with Peru and Singapore, and signed a new FTA with the Maldives. Beijing also expanded zero-tariff treatment to cover 100% (from 98%) of items for 43 least-developed countries, including 33 in Africa. During the Central Economic Work Conference at the end of the year, President Xi set "voluntary and unilateral" opening up of trade as a key task for the government for 2025.

In early 2025, President Xi met with the Thai Prime Minister in Beijing, where both leaders stated support for multilateralism and the global trade order, and agreed to collaborate on developing infrastructure, technology, and manufacturing. In April, President Xi visited Vietnam, Malaysia and Cambodia, where he delivered similar joint statements and signed 30 or more cooperation agreements with each country.

Such statements and agreements were also announced during the Beijing visits by the president of Kenya in April and the president of Brazil in May. At the same time, signatories to the China–ASEAN FTA completed negotiations on the second upgrade of the agreement, with full signing targeted for the end of 2025. In June, Beijing announced plans to eliminate tariffs on all items from 53 African countries with diplomatic ties to China.

The road ahead for Chinese firms

In its recent statements, the Chinese government noted the "rise of the Global South" as the "future of development." This view is also reflected in the core strategies and future plans of many leading Chinese companies, signaling that they will continue to head to these markets in the coming years.

As they expand to these countries, authorities may look to leverage their investments to raise incomes, lift value-added, and develop know-how of the local economy. Yet these potential benefits come with substantial execution risks that could challenge the degree and pace of such improvements and impact the income and profitability of Chinese as well as local stakeholders.

Despite these risks, high uncertainties under US tariffs and China's slowdown will continue to motivate Chinese firms to head to the Global South. The result could be a new order of global commerce where South–South trade becomes the new center of gravity and Chinese multinationals emerge as the new key players.

Appendix

Figure 12: Chinese firms heading to the Global South – Industrials

Name	Overseas and Global South highlights
Engineering and construction	
CITIC Construction Co. Ltd.	New overseas contracts grew 182% in 2024 to RMB9 billion (65% of total). In Saudi Arabia, plans to build 12 factories and a housing project with 3,500 homes. Operates in over 20 countries, including Kazakhstan, Uzbekistan, Malaysia, Algeria and Angola.
China State Cons. Engr. Corp.	New overseas contracts grew 19% in 2024 to RMB221 billion (5% of total) across Southeast Asia, the Middle East and Africa, with new key projects in Saudi Arabia, Algeria, Indonesia, Malaysia and Singapore.
China Railway Cons. Corp.	New overseas contracts grew 23% in 2024 to RMB312 billion (10% of total), a new high. Its "overseas first" strategy focuses on Africa, Latin America, and Asia-Pacific (together 90% of overseas projects under construction).
Power Cons. Corp.	In 2024, overseas saw revenues grow 11% to RMB91 billion (11% of total) and new contracts hit record high (RMB224 billion, 18% of total). The company has key new projects in Egypt, the UAE, Congo, Serbia and Guinea. Footprint includes Africa (44 countries), the Middle East (13 countries), Eastern Europe and Central Asia (43 countries) and Asia-Pacific (25 countries).
Machinery and equipment	
Zoomlion Heavy Industry Science and Tech. Co. Ltd.	Overseas sales grew 30% in 2024 to RMB23 billion (51% of total) as domestic sales fell 24%. The company has 11 production bases in eight countries (e.g., India, Mexico, Belarus, Brazil and Turkey). Its 140-country footprint includes Malaysia, Thailand, Vietnam, Nigeria, Kenya, Oman, Qatar, Kuwait, Saudi Arabia, Poland and Hungary.
XCMG Cons. Machinery Co. Ltd.	Overseas sales grew 12% in 2024 to RMB42 billion (45% of total), as domestic sales fell 10%. Aim to raise overseas sales to over 60% of the total, from 190 countries covering 95% of BRI, including Brazil, Chile, Argentina, Thailand, Malaysia, Vietnam, Indonesia, India, Kazakhstan, UAE, Saudi Arabia, Turkey, Nigeria and Tanzania.
Sany Heavy Equipment	Overseas sales grew 28% in 2024 to RMB22 billion (37% of total) as domestic sales fell 1%. The Global South accounted for 25% of sales compared with 20% in 2023, from 180 countries focused on Asia, Africa and Brazil.
Huagong Tech	Overseas sales grew 26% in 2024 to RMB1.4 billion (12% of total) as domestic sales rose 12%. Aim to raise overseas sales to over 30% of the total. The company now has 11 subsidiaries and eight production bases: six in China, two in Thailand, one in Vietnam and one in Hungary.
Building materials and metals	
Anhui Conch Cement Co. Ltd.	Overseas sales rose 1% to RMB5 billion (6% of total) in 2024 as domestic sales fell 37%. Aim to double overseas capacity to 50 million tons. The company operates in Uzbekistan, Myanmar, Laos, Cambodia and Indonesia.
West China Cement Ltd.	Overseas sales rose 15% to RMB3 billion (38% of total) in 2024 as domestic sales fell 17%. Aim to boost sales from overseas factories 2.5x to 10 million tons (31% of total capacity: Ethiopia 16%, Uzbekistan 6%, Mozambique 5%, Congo 4%, plus new capacity in Tanzania, Uganda, Zimbabwe).
Huaxin Cement Co. Ltd.	Overseas sales grew 30% to RMB5.5 billion (16% of total) in 2024 as domestic sales rose 4%. The company plans to focus its 2025 capex (RMB13 billion) on M&A in Nigeria and Brazil. Aim to double overseas capacity to 50 million tons in 16 BRI countries (Mozambique, Tanzania, South Africa, Malawi, Oman, Uzbekistan, Cambodia, and others).
Citic Pacific Special Steel Group	Target is 20% export growth to 2.65 million tons in 2025 as domestic sales fall 4%. Aim to set up first overseas production base in Southeast Asia via M&A to add 3 million tons of capacity to the now 20 million tons. Other overseas focus areas include the Middle East, Mexico and Europe.

Data compiled July 2025.
BRI = Belt and Road Initiative.
Source: Company releases; media reports; S&P Global Ratings.

Figure 13: Chinese firms heading to the Global South – Autos and consumer goods and services

Name	Overseas and Global South highlights
Autos and electric vehicles	
Great Wall Motor Co. Ltd.	Overseas sales grew 51% to RMB81 billion (40% of total) in 2024 as domestic sales rose 1%. Aim to boost overseas sales 2.2x to 1 million units by 2030, focused on Southeast Asia, Latin America, the Middle East, South Africa, and others.
GAC Group	Overseas sales doubled to RMB11.7 billion (11% of total) in 2024 as domestic sales fell 23%. Aim to boost overseas sales to 40% of total (180,000 units), expand coverage to 87 countries from 74, and accelerate localized production (Malaysia, Thailand and Brazil) and logistics (Mexico).
Chongqing Changan Auto Co. Ltd.	Overseas sales grew 58% to RMB32 billion (20% of total) in 2024 as domestic sales fell 3%. Aim to boost overseas 2.8x to 1.5 million units by 2030 in key markets, including Egypt, Saudi Arabia, Nigeria, Iraq, Mexico, Columbia, Ecuador, Peru, Bolivia and Chile, with plants in Thailand, Pakistan, Myanmar and Vietnam.
Geely Auto Holdings Ltd.	Overseas sales grew 64% to RMB54 billion in 2024 (22% of total) as domestic sales rose 27%. Global South sales grew 71% to RMB44 billion. Aim to add 300 overseas outlets to the current 891 in 81 countries, focused on Eastern Europe, Southeast Asia, the Middle East, Latin America, with plants in Nigeria, Ghana, Cambodia and Egypt.
BYD Co. Ltd.	Overseas sales grew 38% to RMB222 billion (29% of total) as domestic rose 26%. Aim for overseas sales to double to about 800,000 cars in 2025 and to make up half of all car sales by 2030, to 100 countries across Latin America, Southeast Asia, the Middle East, Africa and Eastern Europe, with plants in Uzbekistan, Thailand and Hungary.
Retail and consumer products and services	
MINOSO Group Holding Ltd.	Overseas sales grew 140% to RMB6.7 billion in 2024 (39% of total) as domestic sales rose 113%. The Global South accounted for 25% of sales and 33% of 7,504 stores. The company added 1,091 stores in 2024 (631 overseas, 389 in the Global South). Aim to open 900 to 1,000 stores per year (550-650 overseas) over the next five years.
Anta Sports Products Ltd.	Opened first overseas stores in Singapore and Thailand in 2023, then opened 240 stores in 2024 (2% of total) in those markets as well as in Malaysia, Vietnam, Philippines, Brunei and Nepal. The company added only two domestic stores in 2024. Aim to focus on Southeast Asia and expand into the Middle East, Africa, Europe and the US.
Xiaomi Corp.	Overseas sales, mainly from India and Europe, grew 26% to RMB153 billion (42% of total), as domestic sales rose 42%. The company increased market shares in Africa by 2.4% to 11.3%; in Southeast Asia by 2% to 16.1%; and in the Middle East by 1.5% to 18.6%. With nearly 15,000 stores in China, the company plans to open 10,000 stores overseas in five years.
Midea Group Co. Ltd.	Overseas sales grew 12% in 2024 to RMB169 billion (41% of total), as domestic sales rose 8%. Global expansion is a priority for the company. Aim to double overseas branches to 60 by 2025. It has 22 research and development centers and 23 plants across Latin America, Asia, Africa, Europe and North America. The company sells to over 200 countries/regions.
Fufeng Group Ltd.	Overseas sales rose 11% to RMB8.3 billion (30% of total) in 2024, as domestic sales fell 5%. Sales were mainly focused on Latin America, the Middle East, Southeast Asia, South Africa, Japan, Europe and North America. It plans to start construction of two overseas plants and further develop the three regional sales offices in Vietnam, US and the Netherlands.
Meituan	The company launched Keeta in 2024 in major cities in Saudi Arabia, its first market outside China. It plans to invest 1 billion riyals there then explore other first-tier cities in the UAE, Qatar, Bahrain, Kuwait and Oman.

Data compiled July 2025.
BRI = Belt and Road Initiative.
Source: Company releases; media reports; S&P Global Ratings.

Figure 14: China's outreach in the Global South

Date	Description
2019–2022	**Chile, Pakistan, Mauritius FTAs:** China upgraded its 2006 FTA with Chile in March 2019, eliminating tariffs on 98% of items from the previous 97%, and its 2007 FTA with Pakistan in December 2019, eliminating tariffs on 75% of items from the previous 35%. It launched new FTAs with Mauritius in January 2021, removing tariffs on 94% of items, and with Cambodia in January 2022, removing tariffs on over 90% goods.
January 2022	**RCEP:** The Regional Comprehensive Economic Partnership (RCEP) came into force on Jan. 1, 2022, after being signed in 2020 by Brunei, Cambodia, Laos, Singapore, Thailand, Vietnam, Malaysia, Myanmar, Indonesia, and the Philippines, as well as China, Japan, South Korea, Australia and New Zealand. The RCEP aims to cut tariffs and trade barriers and promote regional trade, export access, supply chains, and technology transfer under a rules-based multilateral trading system.
January to June 2022	**Nicaragua, Ecuador, Serbia FTAs:** China launched new FTAs with Nicaragua in January 2022, eliminating tariffs on 95% of items; with Ecuador in April 2022, eliminating tariffs on 90% of items; and Serbia in June 2022, removing tariffs on over 95% items.
September 2024	**Africa:** At the 9th Forum on China-Africa Cooperation (FOCAC) in Beijing, China committed to accomplish the following goals in three years: (1) cut all tariffs on least developed countries; (2) support local manufacturing and supply chains, build 10 industrial parks; (3) extend RMB360 billion, RMB70 billion investments by firms, rest assistance; (4) help build 30 infrastructure projects; and (5) support SMEs, hospitals and green energy.
November 2024	**GCC FTA:** The 11th round of negotiations concluded in Guangzhou between China and Gulf Cooperation Council (GCC) states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE), following 10 rounds of negotiations from 2005 to 2022.
November to December 2024	**Peru, Singapore, Maldives FTAs:** China upgraded its 2009 FTA with Peru, removing tariffs on 90% of items, and its 2009 FTA with Singapore, removing tariffs on 95% of items after an expanded agreement in 2011. It launched a new FTA with Maldives, removing tariffs on over 90% of items.
December 2024	**Unilateral cut:** China cut tariffs to zero on 100% of items from 43 least-developed countries across Asia and Africa to promote growth, manufacturing and globalization against "rising unilateralism and protectionism in the West." It expanded the cut from 98% of items since 2022 and 97% since 2015.
December 2024	**Liberalization directive:** At the year-end Central Economic Work Conference, Chinese President Xi Jinping set as a 2025 "key task" to expand "high standard" and "voluntary and unilateral" opening up of trade.
January 2025	**Unilateral cut:** As part of promoting technology and sustainable development, China lowered tariffs on 935 raw material inputs for medical, pharmaceutical, auto and petrochemical products.
February 2025	**Thailand:** President Xi and Thai Prime Minister Paetongtarn Shinawatra met in Beijing and stated support for multilateralism, trade, and development, and cooperation in the China-Thailand Railway, as well as in technology, EVs, supply chains and the Global South.
April 2025	**Vietnam, Malaysia, Cambodia:** President Xi visited the capitals and prime ministers of each country to support global trade, multilateral order, and investments by Chinese firms. China signed 30 or more cooperation agreements with each country on development, infrastructure, technology, AI, clean energy, and other areas.
April/May 2025	**Kenya, Brazil:** Chinese President Xi Jinping met in Beijing with Kenyan President William Ruto in April and Brazilian President Luiz Inácio Lula da Silva in May to affirm support for development, multilateralism, global trade order, and the Global South. President Xi also encouraged Chinese trade and investments. China signed 20 cooperation agreements with each country during the visits, focused mostly on development and technology.
May 2025	**ASEAN FTA:** Negotiations for the China–ASEAN FTA 3.0 was completed in May 2025 and is set to be fully signed by the end of 2025. This follows the CAFTA 2.0 launch in 2019 and CAFTA 1.0 in 2005, which eliminated tariffs on over 90% of items.
June 2025	**Unilateral cut:** In the China-Africa Changsha Declaration, China stated that it sees the "rise of the Global South" as the "future of development" and that both China and Africa are key Global South members. It also committed in the declaration to cut tariffs to zero on 100% of items from 53 African countries with diplomatic relations with China.

Data compiled July 2025.

BRI = Belt and Road Initiative.

Source: Ministry of Foreign Affairs of China; Ministry of Commerce of China; Xinhua; Global Times; other media sources.

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