



CHINA BRIEFING

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The China+ Strategy: Cross-Border Restructuring for Supply Chain Resilience

Cross-Border Restructuring: A Strategic Response to Rising Geopolitical and Supply Chain Risks Pg 04

Key Considerations for Successful Cross-Border Restructuring Pg 08

Making it Work — Implementation Tips and Pitfalls to Avoid Pg 17



Introduction



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In today's rapidly evolving global landscape, foreign investors with operations in China are confronting unprecedented challenges. Escalating trade tensions, shifting regulatory landscapes, and the fragility of global supply chains have forced many companies to reassess their footprint in the region. Yet, despite these headwinds, few can afford to ignore China's irreplaceable role in global manufacturing and its vast consumer market.

This magazine explores cross-border restructuring as a pragmatic strategy—not as an exit from China, but as a way to adapt, diversify, and build long-term resilience. For companies that want to continue benefiting from China while mitigating geopolitical and operational risks, partial relocation or supply chain reconfiguration across Asia has emerged as a compelling solution.

In this issue of China Briefing magazine, we start by examining why cross-border restructuring has become increasingly relevant and viable under current economic and political conditions. We then turn to the how, laying out a concrete framework of considerations—from location selection and tax implications to talent and regulatory factors—that businesses must evaluate when planning a shift. Finally, we address the execution phase, sharing implementation tips, common pitfalls, and risk management strategies to guide companies through this complex transition.

Our goal is to offer practical, experience-driven insights to decision-makers navigating this new reality. Cross-border restructuring is not just a reaction to pressure, it's a proactive step toward operational flexibility, supply chain resilience, and long-term competitiveness in Asia.

With kind regards,

Alberto Vettoretti



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Contents

Cross-Border Restructuring: A Strategic Response to Rising Geopolitical and Supply Chain Risks

Pg 04

Key Considerations for Successful Cross-Border Restructuring

Pg 08

Making it Work — Implementation Tips and Pitfalls to Avoid

Pg 17

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Cross-Border Restructuring: A Strategic Response to Rising Geopolitical and Supply Chain Risks

Facing geopolitical tensions and supply chain risks, many businesses are rethinking their China-centric operations. This article explores why cross-border restructuring—rather than full relocation—offers a strategic path to resilience, balancing regional diversification with the need to maintain competitiveness, market access, and operational continuity in China.



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In today's volatile global environment, businesses with operations in China are facing intensifying pressures—from escalating US-China trade tensions to shifting tariff regimes, geopolitical fragmentation, and mounting calls for supply chain resilience. For many foreign investors, the question is no longer *whether* to adjust their supply chains, but *how*.

Yet while headlines often spotlight companies “leaving China,” the reality on the ground is more nuanced. For most multinationals, China remains indispensable—whether for its massive domestic consumer base, its sophisticated supplier ecosystem, or its vital role in global production networks. Exiting entirely would not only be disruptive but economically unjustifiable.

In this context, cross-border restructuring is emerging as a viable, strategic middle path. It allows companies to reduce overdependence on a single jurisdiction, hedge geopolitical risk, and reconfigure operations across multiple countries, without abandoning the benefits of their China footprint.

This article explores why cross-border restructuring makes sense now, how it differs from full relocation, and how leading companies are using it to build a more resilient, future-ready supply chain.

The new normal: Geopolitical tensions and supply chain disruptions

Over the past decade, supply chains have moved from the background to the boardroom. What was once considered a technical or operational issue is now central to strategic decision-making—especially for foreign businesses operating in China.

At the heart of this shift is the evolving US-China relationship. Since 2018, successive waves of tariffs, export controls, and investment restrictions have disrupted trade flows and challenged long-standing operating models. The uncertainty is no longer temporary; it is structural.

And the challenges don't stop at bilateral tensions. Businesses are also grappling with:

- **Trade fragmentation:** Rising use of local content rules, shifting origin standards, and diverging regulatory regimes.
- **Geopolitical instability:** Conflicts in Europe, the Red Sea, and other regions further complicating global operations.
- **Cost pressures:** Rising labor, compliance, and energy costs in China—especially in coastal regions—forcing a re-evaluation of total landed costs.
- **Strong R&D and talent base:** In sectors like electronics, automotive, and green tech, China offers not only engineering talent but also growing innovation capabilities, making it a strategic base for more than just low-cost production.
- **Massive domestic market:** For many brands, China is no longer just a place to manufacture—it's a core revenue driver. Scaling back too aggressively risks losing market access and competitive positioning.
- **Regulatory and financial entanglements:** Many foreign companies have sunk investments in land, factories, equipment, and local entities. Unwinding these assets is not only costly but can also trigger tax and legal complications.

For companies that once built their global supply chains around cost efficiency and centralized production in China, these factors are prompting a reassessment. The question is no longer about the efficiency of China-only models—it's about resilience, agility, and risk diversification.

Why exiting China entirely is not realistic for many companies

While many companies are exploring alternatives to reduce overexposure to geopolitical risks, a full exit from China remains largely impractical, and, for most, strategically unwise. China is not just a manufacturing hub; it is a deeply integrated part of the global supply chain and an increasingly important end market. Several factors make a complete withdrawal from China infeasible for the majority of foreign-invested businesses:

- **Unmatched industrial ecosystem:** China's supplier networks are highly specialized, vertically integrated, and often irreplaceable in the short to medium term. From components to tooling to testing, the ecosystem's scale and depth are difficult to replicate elsewhere.
- **Advanced infrastructure:** World-class logistics, ports, road and rail networks, and reliable utilities enable efficiency and speed that many emerging alternatives still struggle to match.

Rather than abandoning China, many firms are seeking to rebalance, retaining key operations where China offers clear advantages, while gradually shifting parts of the supply chain elsewhere to spread risk. This is where cross-border restructuring becomes relevant—not as a retreat from China, but as a recalibration.

Cross-border restructuring: A pragmatic middle path

For companies caught between geopolitical risks and operational dependencies, cross-border restructuring offers a practical and flexible alternative. Rather than choosing between staying in China or leaving entirely, this strategy allows businesses to adapt their supply chains by reallocating certain functions—such as assembly, packaging, or low-value production—to other countries, while keeping strategic operations in China.

This approach, often described as "China + 1," reflects a broader shift in mindset. It's no longer about finding a single low-cost location to centralize everything. Instead, companies are building multi-jurisdictional supply chains that can absorb shocks, respond faster

to policy changes, and meet the evolving demands of customers and regulators across regions.

What distinguishes cross-border restructuring from full relocation is its emphasis on balance and continuity. Businesses retain their foothold in China to serve the domestic market, maintain existing supplier relationships, or anchor R&D and high-tech functions. Meanwhile, they establish complementary operations in countries like Vietnam, India, Thailand, or Malaysia to diversify geopolitical exposure, reduce tariffs, and access regional trade benefits.

The benefits of this model are tangible. By splitting operations across borders, companies can better manage their original status for tariff purposes, qualify for different trade agreements, and mitigate the impact of country-specific export controls or restrictions. At the same time, they preserve the institutional knowledge, partnerships, and brand presence they've built in China over years or even decades.

Importantly, cross-border restructuring is not just a reactionary move. For forward-looking companies, it's an opportunity to future-proof their supply chains,

making them more resilient, cost-effective, and adaptable in an increasingly unpredictable global environment.

Early movers and lessons learned

Several multinational companies have already taken steps toward cross-border restructuring, offering useful insights into how this strategy works in practice. While their approaches vary by industry and scale, a common thread is the desire to mitigate risk without abandoning the advantages of a China presence.

In the electronics sector, for example, firms with deep manufacturing roots in southern China have started shifting final assembly operations to Southeast Asia—particularly Vietnam and Malaysia—where they can take advantage of favorable tariff treatment for exports to the United States and Europe. Core component manufacturing, R&D, and supplier coordination, however, often remain in China, where the industrial ecosystem is still unrivaled. This allows companies to keep their high-value processes centralized while using overseas facilities to navigate trade barriers more flexibly.

Comparison: Cross-Border Restructuring vs. Full Relocation

Cross-border restructuring		Full relocation
Features: • Retain China base for market access, R&D, or key manufacturing • Shift selected functions (e.g., assembly, packaging) abroad • Diversify geopolitical and tariff risk • Flexible, scalable, and gradual process • Best for companies needing continuity and resilience		Features: • Abandon China assets and operations • Lose access to China's market and supplier network • Higher disruption and transition costs • Requires full regulatory, talent, and infrastructure reset • High-risk, less reversible

"For most foreign investors, cross-border restructuring offers a middle path—preserving China's advantages while reducing exposure to external shocks."

Apparel and consumer goods manufacturers, long drawn to China for its speed and reliability, have also begun diversifying. Some have moved parts of their production to Bangladesh or Indonesia, not only to reduce labor costs but also to respond to client demands for multi-origin sourcing strategies. These businesses often retain sourcing teams or regional headquarters in China to manage suppliers and maintain oversight.

In the pharmaceutical and life sciences industry, companies face additional regulatory complexity. Still, we are seeing examples of firms establishing secondary production sites in India or Singapore to ensure redundancy and avoid supply disruptions due to export controls or political sensitivities. What these early movers reveal is that cross-border restructuring isn't a one-size-fits-all solution. It requires a tailored strategy based on product characteristics, supply chain complexity, cost structures, and regulatory environments. Some companies move quickly, launching pilot lines in new locations and scaling up after proof of concept. Others take a phased approach, shifting production step by step while continuously evaluating costs and operational performance.

A key lesson is timing and execution matter. Companies that acted early—before trade frictions escalated—were better positioned to cushion the impact and adjust smoothly. Those that delayed often faced rushed decisions and higher costs. The most successful transitions were led by firms that treated restructuring not as a crisis response, but as a long-term strategic adjustment.

Is it right for your business?

While cross-border restructuring offers compelling advantages, it's not a universal solution. Whether this strategy is right for your business depends on

a careful assessment of your operational footprint, exposure to geopolitical risks, and long-term strategic goals. The first step is to identify where your supply chain is most vulnerable. Are specific products or components affected by tariffs or export controls? Do you rely heavily on a single production site or region that poses growing political or logistical risks? Understanding these pressure points will help define the scope of potential restructuring.

Next, consider what parts of your operations can realistically be relocated or duplicated abroad without sacrificing quality, compliance, or customer expectations. High-value functions like R&D or precision engineering may need to stay in China, while assembly or packaging can often be shifted elsewhere. For some businesses, the right answer may not involve physical relocation at all, but rather forming partnerships or contract manufacturing arrangements in new markets to supplement existing capabilities.

It's also essential to look beyond costs. While labor savings may be achievable in countries like Vietnam or India, companies must weigh these gains against potential challenges—such as infrastructure limitations, unfamiliar regulatory systems, or cultural and language barriers. In many cases, it's not about where is cheapest to produce, but where you can build a stable, long-term presence that complements your existing operations. 



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Key Considerations for Successful Cross-Border Restructuring

Cross-border restructuring demands more than shifting production. This article outlines critical factors stakeholders must evaluate, from location strategy and tax structuring to workforce planning and customer continuity, and offers a high-level roadmap to help businesses mitigate risk, capture regional advantages, and ensure that restructuring efforts are sustainable and successful.



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As trade tensions reshape global supply chains, foreign-invested companies in China are under increasing pressure to adapt. For many, cross-border restructuring—shifting part of their operations to other Asian markets while retaining a China presence—offers a way to reduce geopolitical exposure without sacrificing market access or supply chain strength. But while the strategy is conceptually appealing, the path to implementation is far from simple.

Cross-border restructuring involves far more than choosing a new location and moving production lines. It is a complex, multi-layered transformation that touches nearly every part of a business, including tax structures, legal compliance, human resources, logistics, technology systems, and intellectual property (IP). Missteps in any of these areas can erode the intended benefits and lead to operational, financial, or reputational setbacks.

Moreover, restructuring decisions must be forward-looking. Companies not only need to consider

current cost structures and regulatory risks but also assess the long-term scalability, digital readiness, and sustainability of new operations. The restructuring must also account for the company's broader goals: maintaining customer satisfaction, preserving supplier relationships, and ensuring compliance across multiple jurisdictions.

This article unpacks the key considerations that companies must address to restructure successfully. From choosing the right host country and navigating outbound investment rules to ensuring tax efficiency, protecting IP, and managing workforce transitions, we provide a framework to guide businesses through the complexity—to move both quickly and wisely.

Rethinking China operations: What stays, what shifts, and why?

For companies pursuing cross-border restructuring, one of the most difficult decisions lies in what to do with what they already have—particularly if their

China operations. The answer isn't straightforward, and the stakes are high. China remains indispensable as both a market and a production base, but its strategic role is evolving under the pressures of geopolitics, rising costs, and compliance complexity. How companies respond depends on a clear-headed assessment of multiple factors.

First, what function does the China operation serve today—and tomorrow? For some firms, China is still a primary export base; for others, it's increasingly a domestic market center, R&D hub, or supplier of high-spec inputs. A company with deep customer relationships or embedded supply chain ties in China will make different choices than one that has relied primarily on low-cost manufacturing. Cross-border restructuring starts with mapping these functional roles and evaluating whether each still aligns with the company's goals and risk appetite.

Second, what are the operational, legal, and financial implications of scaling back? Downsizing in China isn't as simple as flipping a switch. Labor laws mandate consultations, severance, and—in some cases—approval from local labor bureaus.

Disposing of equipment may require approval, especially for sensitive sectors or foreign-owned assets. There may also be tax consequences related to asset transfers or capital gains. Companies must weigh these exit costs against the long-term savings and strategic advantages of relocation.

Third, which activities should be retained—and which can be relocated or phased out? A nuanced approach often works best. For example, labor-intensive processes may move to Vietnam or Indonesia, while value-added functions such as product customization, engineering, or quality control stay in China. Similarly, firms in regulated

industries (such as pharma, food, or automotive) may find that retaining local compliance functions or partner-facing teams is non-negotiable.

Fourth, what are the reputational and relational consequences? Abrupt downsizing can raise red flags with Chinese regulators and local governments, particularly in regions that have offered incentives or supported job creation. Relationships built over years with suppliers, JV partners, or officials can fray if restructuring is handled poorly. Transparent communication, compliance with local laws, and even proactive outreach to explain the strategic rationale can help preserve goodwill.

In essence, there is no one-size-fits-all model. The smart play isn't to withdraw from China, but to reconfigure its role—to shift from a one-dimensional manufacturing hub to a selective, high-value node in a diversified regional strategy.

The right decision depends on sector-specific dynamics, regulatory exposure, long-term market goals, and the company's internal capabilities. Cross-border restructuring isn't just about where to go next; it's also about what to keep—and why.

Where to go: Strategic location selection is about more than cost

Choosing the right destination for relocating operations is arguably another one of the most consequential decisions in any cross-border restructuring effort. While labor and land costs remain important, the true calculus goes far deeper.

The optimal location varies significantly by industry, and misalignment between a company's sectoral needs and the new host country's strengths can quickly erode anticipated gains. Labor cost alone is no longer a sufficient metric. What's needed is a

strategic, sector-informed assessment of operational viability, regulatory fit, and long-term resilience.

Trade exposure and country of origin rules come first

Under the current economic situation, trade exposure and **country of origin rules** are often the first consideration. Restructuring operations to move final assembly or key value-added steps outside China can help companies qualify for trade agreement benefits or avoid punitive tariffs. For example, producing in Vietnam or Malaysia may allow exporters to meet “Made in ASEAN” thresholds that open up preferential access to the US or EU under existing free trade agreements. However, the extent to which this strategy is viable depends on the product’s value chain complexity and origin rule thresholds specific to the sector.

Market access must be sector-specific

Market access is another strategic lens. A new site that doubles as a regional hub—for instance, tapping into the 600 million-strong ASEAN consumer base—can unlock new revenue streams and justify the upfront investment. However, market access should be evaluated not just for geographic proximity, but also for sectoral demand. For example, consumer electronics firms may view Indonesia as a gateway to a fast-growing middle-class market, while pharmaceutical producers may prioritize regulatory alignment with markets like Japan or the EU.

Infrastructure and logistics: One size doesn’t fit all

Equally important is the state of infrastructure and logistics. Reliable energy, modern ports, highway

The 2025 Asia Manufacturing Index Rankings*											
Tier	BD	CN	IN	ID	JP	MY	PH	SG	KR	TH	VN
Economy	9	2	1	5	11	7	4	10	6	8	3
Political risk	11	5	8	6	2	4	10	1	3	9	7
Business environment	6	11	5	10	2	3	8	1	4	9	7
International trade	11	5	10	7	3	6	9	1	2	8	4
Tax policy	10	8	11	4	7	2	9	1	3	5	6
Infrastructure and cost	8	2	5	6	9	1	11	10	7	4	3
Workforce	3	6	1	5	11	7	2	9	10	8	4
Innovation	11	2	6	9	3	5	10	4	1	7	8
Final ranking	11	1	6	7	8	3	9	5	4	10	2

* BD (Bangladesh); CN (China); IN (India); ID (Indonesia); JP (Japan); MY (Malaysia); PH (Philippines); SG (Singapore); KR (South Korea); TH (Thailand); VN (Vietnam)

Source: Asia Manufacturing Index, Dezan Shira & Associates

connectivity, and access to industrial zones with digital readiness are all essential. These capabilities must also be assessed in light of industry-specific requirements. A textile manufacturer might prioritize access to ports and labor-intensive zones, whereas a semiconductor firm will demand power stability, water supply, and proximity to a skilled engineering workforce.

Regulatory stability and incentives

Similarly, regulatory stability varies in its implications. For life sciences, medical devices, or food processing, clear and science-based standards are critical. For digital services, countries with open data flows and coherent IP enforcement become more attractive.

Last but not the least, incentives are also rarely one-size-fits-all. Governments increasingly tailor tax breaks, R&D grants, and industrial park access to targeted sectors. For instance, Thailand's Eastern Economic Corridor offers enhanced packages for EV, biotech, and advanced electronics firms, while India's Production-Linked Incentive (PLI) schemes support textiles and electronics with sector-specific thresholds and goals.

In principle, strategic location selection must align not just with the company's global footprint and risk profile, but also with the specific operational, regulatory, and market dynamics of the sector in question. Businesses that approach site selection through this dual lens—macroeconomic and sectoral—will be better positioned to reap both short-term relief and long-term strategic advantage.

Structuring the new operation: Get the vehicle and timeline right

The question of how to enter a new country is just as important as where. In the context of cross-

border restructuring, selecting the right legal and operational structure—and setting a realistic rollout timeline—can significantly influence whether the new setup meets strategic goals, especially around tariff mitigation and supply chain risk reduction.

Choosing the right legal structure—whether a wholly foreign-owned enterprise (WFOE), joint venture, contract manufacturing agreement, or strategic alliance—has implications beyond compliance. It determines the level of operational control, exposure to local risk, and access to investment incentives or trade preferences.

For businesses seeking to reduce US-China tariff exposure, structuring must also take into account **country-of-origin rules**. To qualify for tariff exemptions or preferential access under trade agreements (such as the RCEP or CPTPP), the new operation must meet content thresholds or undergo substantial transformation. Simply repackaging goods offshore is not enough—value-add must be real and demonstrable.

For example, electronics assemblers moving operations to Vietnam must ensure that enough components and production steps occur there to qualify for “Made in Vietnam” status. This impacts how the production process is designed, where suppliers are located, and how much transformation occurs on-site.

Going “all in” with a full-scale move may seem bold, but a phased approach usually offers more resilience. Starting with a pilot or partial shift allows companies to test whether the new operations truly deliver tariff benefits, navigate local regulations smoothly, and maintain quality and supply reliability.

Timelines should also factor in:

- Construction and permitting delays;
- Staff recruitment or training cycles;
- Local partner onboarding; and
- Compliance ramp-up for customs, tax, and ESG standards.

When done right, the structure and timeline of the new operation do more than enable market entry—they can strategically de-risk the value chain. Proper structuring ensures that companies not only qualify for tariff benefits but also gain operational agility, diversify geopolitical exposure, and build more resilient sourcing and manufacturing footprints.

Taxation and transfer pricing: Building a sustainable fiscal architecture

Cross-border restructuring changes the flow of goods, services, and IP, which inevitably triggers tax consequences.

These changes affect where value is created, how profits are allocated, and where tax authorities will seek to assert jurisdiction. For decision-makers, the task is to ensure that the redesigned structure does more than reduce tariffs or labor costs—it must also withstand scrutiny across multiple tax regimes, optimize global tax exposure, and remain adaptable in an era of tightening international compliance standards.

Reassessing value chains from a tax lens

Relocating operations alters the economic substance of the value chain. Executives must ask: Are we moving value-creating functions, or just shifting headcount? Tax authorities are paying closer attention to how real functions, such as control over R&D, procurement, and risk, align with profit allocation. Without substance to

support new profit centers, tax risks increase across jurisdictions.

Managing exposure across multiple regimes

While moving out of China may reduce geopolitical risk, it can expose companies to fragmented tax regimes with different interpretations of permanent establishment, controlled foreign corporation (CFC) rules, and withholding taxes. For example, an asset-light structure in one ASEAN country might be efficient on paper but trigger disputes over effective control or residency in others. Integrated, multi-jurisdictional planning is required to minimize exposure.

Transfer pricing: Beyond documentation, toward defensibility

Restructuring will bring fresh scrutiny to intercompany pricing policies. As functions move across borders—say, manufacturing to Vietnam or logistics to Thailand—the transfer pricing model must be revisited.

Arm's length pricing must reflect the actual risk and value creation in each location. This requires a fresh functional analysis, considering which entities bear production risks, own intangibles, or control key decisions. For example, if China shifts from being the main manufacturer to a limited-risk distributor, the profit allocation will need to be adjusted accordingly. Tax authorities in China and in the new host country will closely examine whether the new pricing model aligns with reality.

China's outbound tax lens: Strategic exit, not a quiet departure

For businesses scaling back in China, attention must be paid to exit taxation, including capital gains on

asset transfers, indirect equity sales, or intellectual property migration. China's tax authorities have become more assertive in reviewing outbound restructurings, particularly when high-value functions or assets are shifted overseas. Early engagement with local tax bureaus and careful structuring of asset redeployments are essential to avoid delays and disputes.

All in all, tax and transfer pricing should not be treated as back-end compliance tasks. Instead, they must be part of the executive-level governance of restructuring.

This involves aligning legal, operational, and financial decisions from the start—with guidance from global tax professionals who understand both local enforcement practices and international rules. A resilient tax structure supports business continuity, regulatory confidence, and long-term competitiveness.

Workforce and leadership considerations

Supply chains can be rebuilt with capital and infrastructure, but operational continuity depends on people. Cross-border restructuring often puts stress on leadership pipelines, disrupts workforce dynamics, and creates cultural and regulatory complexity.

If not managed proactively, talent disruptions can erode productivity, delay ramp-up in new markets, and damage morale in legacy operations. A people-centered strategy is therefore critical to the overall success of restructuring.

Relocation and mobility of key personnel

In many restructurings, technical or managerial talent from China is expected to play a role in

establishing the new operation, whether through short-term deployments, long-term relocation, or hybrid oversight. This raises immediate challenges:

- **Immigration barriers:** Host countries may limit foreign work permits or impose quotas on expats (such as Indonesia and India).
- **Tax residence risks:** Employees spending extended periods abroad may trigger unintended personal or corporate tax obligations.
- **Cultural adaptation:** Leaders operating in unfamiliar legal or cultural environments may need support to succeed.

A clear talent deployment plan, aligned with immigration counsel and tax advisors, is essential.

Retention and morale in China operations

Even when downsizing is strategic, it creates uncertainty among employees. If not addressed head-on, this can lead to departures of high performers or reputational risk in local labor markets. Companies are advised to:

- Communicate transparently about the rationale and future role of the China operation;
- Provide retention bonuses or career development pathways for key staff; and
- Engage with legal advisors early to ensure compliance and minimize friction.

A stable China team is vital, especially when the remaining footprint includes R&D, high-end production, or customer service functions.

Building a workforce in the new destination

Success in a new location hinges on quickly building a competent, motivated workforce. Key considerations include:

- **Labor market mapping:** Is there sufficient availability of semi-skilled or technically trained workers?
- **Training and onboarding:** Are local institutions or in-house programs equipped to develop needed capabilities?
- **Localization requirements:** Many jurisdictions mandate hiring quotas, training commitments, or restrictions on expat roles.

Partnering with local vocational schools, government agencies, or industrial park HR services can ease the burden.

Leadership and governance continuity

Effective cross-border execution also requires clarity on leadership responsibilities. Will decision-making be centralized at HQ, delegated to the China team,

or shared with new-country leadership? Fragmented authority often leads to delays and accountability gaps. Structuring the right governance model, possibly through cross-location leadership teams or transitional steering committees, can prevent drift.

Restructuring isn’t just about where factories go, it’s about who leads them, staffs them, and sustains them. Companies that take a holistic approach to talent—retention, relocation, hiring, compliance, and culture—will find themselves not only better equipped to execute change, but also more resilient in the face of future disruption.

Safeguarding intellectual property

Cross-border restructuring often involves the transfer of proprietary processes, designs, technologies, or brands to new jurisdictions. These IP assets are

Labor Landscape across Key Asian Destinations			
Country	Foreign labor restrictions	Skilled labor availability	Key risks & considerations
Vietnam	Strict quotas on foreign workers; permits tied to job type and duration	Moderate; growing technical talent pool, regional disparities	Language barriers; limited mid-level management depth; tightening labor inspections
Indonesia	Local hiring quotas; job title restrictions; expat permits require justification	Varies by region; gaps in technical and managerial talent	Bureaucracy; cultural adjustment; restrictions on expats in certain job categories
Malaysia	Relatively flexible for skilled expats, especially in strategic sectors	Strong base in electronics, engineering, and bilingual talent	Wage inflation; political sensitivity around foreign labor
Thailand	Quotas and occupation lists limit expat roles; SEZs offer more flexibility	Good vocational training base, though aging demographics	High turnover in low-skilled jobs; expat licensing can be complex
Philippines	Open for expat executives	Strong BPO and services talent; industrial workforce less deep	Weaker manufacturing ecosystem; infrastructure bottlenecks
India	Expat employment allowed but heavily regulated; visa compliance is strict	Large engineering and IT workforce; wide talent pool	Bureaucratic visa processes; wage volatility; cultural management gaps in multinational teams

frequently the backbone of competitive advantage. Yet, in the rush to relocate or diversify operations, companies may overlook how IP protections—and risks—shift across borders. Key considerations include:

- **Legal protection across jurisdictions:** IP protection is not uniform. Patent, trademark, and copyright enforcement varies widely between countries. Companies must assess whether the destination country offers strong legal mechanisms and judicial capacity to protect their IP, especially in sectors like tech, pharma, and consumer goods.
- **Ownership and transfer structures:** Will IP stay with the China entity, be transferred to headquarters, or housed in a regional IP-holding entity? Each approach has implications for tax, control, and enforcement. Reallocating IP also raises issues of exit taxation, transfer pricing compliance, and local registration needs.
- **Licensing and use rights:** In cases where operations are split, clear internal licensing arrangements should be in place. If manufacturing shifts abroad while R&D remains in China, companies must define how IP will be shared, what royalties are charged, and who bears the legal risks in case of infringement.
- **Operational leakage risks:** Moving operations to jurisdictions with weaker IP regimes or less experienced partners increases the risk of unintentional leaks or deliberate misappropriation. Vetting partners, using robust contracts, and maintaining critical know-how in-house or in more secure jurisdictions can help mitigate this.
- **Digital assets and data overlap:** Increasingly, IP includes data sets, software, algorithms, and customer databases. Where data localization laws exist (e.g., in China), companies must ensure their data management protocols do not inadvertently expose valuable intangible assets to foreign risk or compliance failure.

Thus, before committing to a new production site, conducting an IP risk assessment tailored to the destination country and business model is necessary.

Businesses are advised to consider developing a regional IP strategy that balances cost, control, and enforceability, especially when splitting operations across borders.

Managing customer and supplier relationships: Continuity amid change

Restructuring operations across borders inevitably affects a company's upstream and downstream partners. For many foreign investors in China, long-standing supplier relationships and customer expectations are deeply embedded in current operations. Any shift in geography risks disrupting delivery schedules, service levels, and contractual obligations, especially for critical components or clients with strict just-in-time requirements.

The first step is to systematically map out key customer and supplier relationships that may be affected by the restructuring. This means identifying dependencies, such as sole-source suppliers or high-revenue clients tied to specific locations.

Understanding these points of sensitivity helps companies avoid blind spots as they reconfigure supply routes or production hubs.

Operational continuity must be planned for. This includes developing interim supply plans, setting up logistics buffers, and coordinating with third-party logistics providers to prevent delivery disruptions during the transition. Contracts may also require updates, particularly regarding terms of delivery, tax treatments, or governing law, especially if goods will now flow through a different jurisdiction.

Communication is just as critical. Customers and suppliers should be engaged proactively, with clear messaging about transition timelines, expected changes in operations, and the company's commitment to maintaining quality and service levels. Transparent dialogue helps mitigate uncertainty and builds trust through the transition.

In some cases, strategic suppliers or anchor customers may benefit from co-transition planning or incentives to maintain alignment.

At the same time, companies may explore expanding their supplier base in the new location to reduce risk and build long-term resilience.

However, for high-value components or specialty inputs, maintaining relationships with select Chinese suppliers—even in a dual-sourcing model—may still be the best option.

Ultimately, success depends on careful sequencing, mutual coordination, and a firm grasp of both commercial and logistical realities. Ongoing performance tracking, feedback collection, and monitoring of key performance indicators (KPIs) should be built into the transition plan to ensure that customer satisfaction and supplier reliability remain uncompromised throughout the restructuring journey.

Conclusion

Cross-border restructuring is not merely a defensive response to geopolitical tension or rising costs—it is a strategic opportunity to future-proof operations, deepen regional integration, and build lasting resilience.

For foreign investors in China, the goal is rarely to exit entirely, but rather to rebalance exposure while

preserving access to the Chinese market and its supply chain depth.

Success, however, hinges on getting the fundamentals right. The choice of destination must go beyond labor cost arbitrage, factoring in sector-specific advantages, regulatory environments, and market access opportunities. The structuring of the new operation, whether through greenfield investment, joint ventures, or contract manufacturing, must support both commercial agility and compliance. And post-move integration, including IP protection, tax and transfer pricing design, and workforce management, must be tailored to minimize friction and maximize long-term value.

Again, this is not a one-size-fits-all journey. Companies need to weigh the unique dynamics of their industry, operational footprint, and strategic priorities. But for those that continue to see value in China while seeking flexibility and risk diversification, cross-border restructuring offers a viable middle path—not an exit, but a recalibration.

By approaching this process deliberately and holistically, businesses can turn restructuring into a competitive advantage, one that positions them not just to weather today's uncertainty, but to thrive in tomorrow's regionalized economy. 📌



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Making it Work – Implementation Tips and Pitfalls to Avoid

Execution is where restructuring succeeds or fails. This article offers practical guidance for foreign investors navigating internal coordination, risk planning, talent shifts, and government relations to ensure their China+ strategies translate into real-world resilience and competitive advantage.



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Once a cross-border restructuring strategy is designed, execution becomes the true test. Many well-intentioned plans falter not because of poor design, but due to weak implementation.

This article provides practical, experience-based advice for foreign investors restructuring their supply chains across Asia while maintaining a presence in China. The focus is on how to coordinate teams, manage risks, engage governments, and adapt on the ground.

Getting internal alignment: One strategy, multiple stakeholders

Internal misalignment is a frequent barrier to effective implementation. Headquarters may focus on global risk mitigation and financial performance, while China-based managers may be more concerned about regulatory compliance and talent retention, and new teams in the host country may prioritize setup speed and operational clarity. Early-stage alignment workshops, shared digital dashboards,

and clearly defined roles and responsibilities can help reduce friction. Establishing a “transition management office” or appointing a restructuring lead who bridges geographies and functions can also help keep everyone aligned throughout the project lifecycle.

Timeline and phasing: Gradual transitions win the race

A rushed restructuring can lead to breakdowns in logistics, compliance, and morale. A phased approach, starting with pilot programs, small-batch production, or assembly-only operations in the new country, helps companies test their new capabilities while maintaining business continuity. For instance, a company might relocate only the final assembly of a high-tariff product to Vietnam while keeping upstream production in China. Timelines should account for customs clearance processes, equipment import/export, new employee training, and possible re-certification of products under different jurisdictional standards.

Key Implementation Factors for Successful Cross-Border Restructuring



Risk management and business continuity: Planning for what can go wrong

Cross-border restructuring inevitably introduces complexity and risk. Companies should proactively identify and address the following:

- **Supply chain resilience:** Use digital supply chain mapping tools to identify concentration risk. Establish secondary suppliers in neighboring countries to reduce disruption from any one location.
- **Dual sourcing and inventory strategies:** Maintaining buffer stock in multiple geographies and using just-in-case models—rather than just-in-time—can absorb shocks from customs delays or transport bottlenecks.
- **Cybersecurity and data governance:** Each jurisdiction may have its own data protection requirements (for example, China’s Personal Information Protection Law or Vietnam’s data localization rules). IT teams must evaluate the compliance of cloud-based tools and ensure that critical data flows between units are secure.

Having a formal risk register and conducting scenario planning for different types of disruptions,

such as port closures, power outages, or regulatory crackdowns, is no longer optional.

Managing government relations: Navigating both ends of the restructuring

Political and regulatory relationships are central to the smooth execution of cross-border restructuring. On the China side, companies scaling back operations must carefully manage their obligations under Chinese labor, tax, and customs regulations. This includes planning for asset disposal—such as reselling or relocating equipment—handling employee transitions through layoffs or reassignments in compliance with labor laws, and preparing for potential tax or customs audits. Engaging early and transparently with local authorities can often lead to more favorable exit terms, especially if companies demonstrate a continued commitment to responsible operations.

In host countries, navigating the regulatory landscape requires a deep understanding of the local investment environment. Securing necessary approvals, negotiating incentive packages, and complying with local hiring and localization policies all demand strategic planning. Early outreach to investment promotion agencies and industrial park

administrators can unlock valuable benefits, including streamlined permitting processes, infrastructure support, and tax or utility subsidies.

For instance, Thailand's Board of Investment (BOI) and Malaysia's Malaysian Investment Development Authority (MIDA) both offer targeted incentives for export-oriented manufacturing in priority sectors. Such relationships are not merely procedural—they are strategic levers that can make or break the success of a restructuring effort.

Monitoring, evaluation, and iteration: Building in accountability

Post-transition monitoring is essential to ensure that the restructured operations deliver on their intended outcomes. KPIs should go beyond cost savings to also capture metrics related to operational flexibility, customer satisfaction, and risk mitigation. Useful indicators might include:

- Unit cost comparisons across geographies;
- Lead time variance pre- and post-restructuring;
- Frequency of regulatory delays or compliance breaches; and
- Employee turnover in new facilities.

Rather than wait for problems to escalate, businesses should create feedback loops through staff surveys, regular operational reviews, and on-site evaluations. These help catch early warning signs and enable quick adjustments.

For example, if dual sourcing in Indonesia strengthens supply chain stability, that model could be replicated in India or the Philippines.

By applying lessons from one phase to the next, companies can fine-tune their approach and continuously improve outcomes. Staying agile

and data-driven is key to making cross-border restructuring not just a one-off project, but a long-term advantage.

Conclusion

In today's shifting global landscape, cross-border restructuring offers companies a pathway to greater resilience, flexibility, and regional integration.

But success hinges on more than choosing the right destination—it requires disciplined execution. From aligning internal stakeholders across geographies to carefully phasing the transition and managing regulatory obligations on both ends, each decision carries operational and strategic weight.

Companies that treat execution as an ongoing process, rather than a one-off event, are best positioned to realize long-term benefits. Monitoring performance, adapting to real-time challenges, and staying engaged with both China and host-country governments all help smooth the transition and avoid costly missteps.

With thoughtful planning, active risk management, and clear communication, businesses can transform a complex transition into a competitive edge. 



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