EuroHub4Sino

European Hub for Contemporary China

April 2025

Open for Business? China's Inward Foreign Investment Charm Offensive

by Shaun Breslin

Co-funded by the European Union

https://doi.org/10.31175/eh4s.cb0a

KEY TAKEAWAYS

- In February 2025, China's Ministry of Commerce issued a new Action Plan for Stabilizing Foreign Investment.
- The Action Plan forms part of a longer- term process of gradually opening up more sectors to foreign investment, and piloting reforms to partially liberalise previously closed areas (in the service sector, telecoms, education and healthcare).
- China's leaders are particularly keen to emphasise the "voluntary and unilateral" nature of these liberalising reforms, and to contrast them to protectionist moves in advanced Western economies.
- The 2025 Action Plan is an example of the performative element of administrative change and political action in China. It is best thought of as an attempt to send a message to outsiders to convince them of the leadership's intent to further open the economy, to make it easier to invest, and to guarantee the rights of both current and future foreign investors.
- There is a relatively strong belief (or perhaps hope) in China that the Trump presidency will result in Europeans seeking to reset Sino-European relations.
- Despite the messaging, it remains far from clear when or if new sectors will become truly open to foreign investment, and if guarantees and assurances will always be honoured.
- Many of the questions Europeans have long had about reciprocity and the openness of the Chinese economy essentially remain unanswered.

Keywords
Inward Foreign Direct Investment
Liberalisation
Opening up
Strategic Signalling
Messaging

Introduction

Despite the title, this is not a paper about actual investment in China. There are no statistics at all in what follows. To be sure, there is a discussion of some of the specific changes to the Chinese inward investment regime that have a very real impact on who can do what in which economic sectors in China. But the main concern is how these changes feed into a wider process of signalling and messaging; how China's leaders are trying to establish and disseminate an idea of an open Chinese economy that, in contrast to other key economies, is getting ever more open.

In many respects, this messaging is nothing new. For many years, annual government work reports and major party speeches have repeated China's leaders' commitment to further reform, opening up and liberalisation. It has become something of a dogma that has to be repeated irrespective of what is happening in the real economy. These major and mega events are effectively a grand exercise in political marketing and selling the Party's preferred idea of what it is, what it stands for, what it wants, and what it will do to get what it wants.

In recent years, though, there has been an extra effort to promote and project the idea of China's openness and greater future liberalisation through a range of different mechanisms. These include continuing to use the above-mentioned big showpiece acts of political theatre that are a feature of Chinese political life. For example, Xi's speech at the 2022 Party Congress contained a section titled "Promoting High Quality Opening Up" which, among other things, emphasised steadily expanding "institutional opening up with regard to rules, regulations, management, and standards"; the need to expand the geographic penetration of foreign capital and "more widely open the central, western, and northeastern regions"; the importance of opening more sectors to foreign investment; and the need to "protect the rights and interests of foreign investors in accordance with the law, and foster a world-class business environment that is market-oriented, law-based, and internationalized". *[1]*

China has also introduced new laws, revised regulations, and in 2025, introduced a new special Action Plan to try and build confidence in China's present and future investment climate and regime. While some of these do contain detailed, specific and important policy changes, through the way that they are announced and reported, they are also individually and collectively designed to play a performative role.

This messaging is not just directed towards Europe. Indeed, parts of the message – the idea of China as following a very different path from the major western economies – seems to be primarily for audiences in the Global South. That said, there are potentially significant consequences of China's direction of travel (as announced by China) for Europe. On one level, if China does indeed move forward with opening new sectors to investment as it is promising to do, then this will contribute to making the more level playing field that European companies and countries as well as the EU have been asking China to create for some years. *[2]*

On another level, as China's relations with the US seem destined to remain at best uneasy and at worst conflictual for the foreseeable future, there is a hope in China that dealing with Europe might be a different story; that despite the differences between the two sides, at least some of the current economic problems might be fixable. This was the feeling even before Donald Trump's re-election in 2024. It's fair to say, however, that a Trump presidency is seen as having the potential to create common ground between China and Europe as both seek to navigate new global economic uncertainties that have their origins in the White House.

Saying, though, is not the same thing as doing, and despite some important changes, much of the levelling of the playing field is still at a very early and limited stage or remains a future aspiration. And trust is much easier to lose than to build. Given what has happened in the past (such as the party's attempts to discipline private sector actors in 2020) and the ongoing emphasis on ensuring China's national security, then there might not be a great deal of confidence that foreign investors will have the promised future freedom to operate in China in the ways that they want to do. Indeed, if it hadn't been for past Chinese actions undermining trust and confidence and reducing expectations, then it wouldn't now need to do what it is doing to try to restore that very same certainty and optimism. Rather than focus on how the message is received, though, the main focus of the rest of this paper is on what that message is, how it is disseminated, and what actual changes have been made to the inward investment regime.

A New(ish) Message

The current attempt to present China as not just open to foreign investment, but more open now than ever before, arguably originated with the preparations to introduce a new Foreign Investment Law. [3] The Law, which was approved in March 2019 and came into effect on 1 st January 2020, was presented as the start of a new era of simplicity, replacing the three previous laws governing investment with a single shared legal framework. [4] It also claimed to guarantee foreign investors the right to equal treatment alongside Chinese companies, including in bidding for government procurement contracts, and providing enhanced protection for commercial and intellectual property rights. Foreign companies were also given new financial rights, including the ability to raise capital "by publicly issuing stocks, corporate bonds, and other securities" and also to transfer any money made in China out of the country in any currency.

Despite identifying itself as marking a key step forward in "the policy of liberalizing and facilitating investment", as an Ernst and Young analysis noted at the time, the law was actually rather "vague" and short on specifics. Nevertheless, as the report also noted, it served an important task of depicting China as moving towards ever increased openness in contrast to what was widely conceived at the time as a move in the other direction towards "more restrictive practices" in the US and the EU; [5] hence the idea of policy documents playing a performative role. Note that here, the direction of travel is depicted as the key rather than actual comparative levels of openness at any specific time. As noted elsewhere "power transitions are not just about what rising powers do or want. What existing powers do (or don't do) is important too" when it comes to shifting perceptions of China's relative global standing and reputation (not least within the Global South). [6]

Of course, it was not just China that had to either rethink economic priorities and strategies in 2020 as the pandemic resulted in lockdowns and disrupted economic flows across the world. But not every other country was also facing the same "complex international environment, geopolitical tensions and some countries'; attempt to oust China from the global supply chain" that Vice Premier He Lifeng said China was facing as it came out of the pandemic. This, He argued, made it "especially necessary" for China to be proactive in showcasing investment opportunities to global audiences as it tried to return to some sort of post-pandemic academic normalcy. [7]

He made these comments at the official launch of 2023 as China's "Year of Investment". Even though there were around 20 official Year of Investment events both in China and overseas, this was a project that seemed to pretty much pass under the radar of most foreign observers (and indeed apparently and anecdotally of many in China as well). So arguably more important in terms of establishing the idea of China's increasing openness and reliability - as well as making specific concrete changes - was the announcement of a new "negative list" the following year.

Cataloguing and Listing

For many years, China controlled who could invest how much in which sectors through The Catalogue Guiding Foreign Investment in Industry. The Catalogue, as it was generally known, was first published in 1995 and consisted of detailed breakdown of those sectors where investment was prohibited, restricted, permitted, or encouraged. Whilst some specifics were provided on the nature of the restrictions in The Catalogue, the full and detailed restrictions for each industry were found in the various and specific laws and regulations for that industry. And even in permitted sectors, the devil was often in the detail with limitations on what could be done often blurring the distinction between restricted and permitted sectors.

The Catalogue was first amended in 1997, and then more fundamentally altered in 2002 and 2005 in the wake of China's WTO entry. These later changes were meant to ensure compliance with the conditions of China's WTO entry. But as more industries and sectors moved from less to more open categories, these moves were often qualified by the addition of new conditions that limited the extent of new openness. In this respect, the performative impact of these two post-WTO changes was not so much to **reinforce** China's credentials as an ever more open economy, as to **question** real long term objectives and intent. *[8]*

After various subsequent amendments, The Catalogue was replaced by a simple Negative List of restricted and prohibited sectors in 2018. Well, sort of. There are actually two negative lists, one for the country as a whole, and a special second and shorter list for Free Trade Zones (which are more open than the rest of the country). There is also a separate "Catalogue of Encouraged Industries for Foreign Investment". Originally, there was also a further Catalogue with special encouragements for investments in China's Central and Western regions (as most foreign investment goes to China's coastal provinces), but this was rolled into a single encouraged industries catalogue in 2019. *[9]* So while the listing process may have been simplified, and China was keen to focus on the importance of the transition to a simple Negative List in and after 2018, things are not quite as simple as they the appear at first sight. The shadow of the old differential Catalogue system hasn't simply or entirely faded away.

Making and - arguably more important - announcing changes to the negative list provides the opportunity to showcase China's moves towards increasing openness. So, for example, the first Negative List in 2018 reduced the 11 prohibited manufacturing sectors in the final version of The Catalogue in 2017 to eight. The number of prohibited manufacturing sectors was incrementally reduced in the 2019 and 2021 versions, with the final two removed in 2024, leaving the list of prohibited manufacturing industries totally empty. [10]

The actual and overall difference that moving from two to no prohibited manufacturing industries makes is questionable. But it was certainly a big symbolic move. And just in case people missed it, official China was keen to emphasise the importance of this move and its symbolism. The China Daily, for example, argued that the new and:

> *shortened negative list indicates China's firm determination to fulfill its commitment to further expand high-standard opening-up, and will contribute to a more favorable business environment and consolidate the confidence of foreign investors [emphasis added]*

Note here that increased investor confidence is being asserted by the China Daily as a future inevitability rather than evidenced by investors themselves. It also cited theNDirector of the China Institute of New Economy calling the new list:

> *a clear signal that it is dedicated to further opening up its economy to the outside world and creating a world-class and market-oriented business environment governed by a sound legal framework* [11]

In a similar vein The Global Times finished the year by lauding the "Landmark Policies" of 2024 that showed China "voluntarily and unilaterally" opening its economy to the rest of the world, and becoming especially open to developing economies. [12] It didn't specifically mention that other countries were not doing the same thing, but the contrast was there by implication.

The Global Times report also pointed to further opening and liberalisation to come, calling it a "key task" for 2025. Indeed, the importance of this task was flagged by Xi Jinping at the Central Economic Work Conference in December 2024, with a specific reference to "steadily" opening up the service sector to foreign investment and also developing pilot programmes in telecoms, education and healthcare. The "voluntary and unliteral" nature of these reforms was also noted at the Conference; [13] a message that China's leaders seem very keen to promote and one which has specific significance for EU-China relations (more on which later).

The Action Plan

Which brings us to February 2025 and the announcement of the Action Plan to Stabilise Foreign Investment. Much of the Action Plan is about improving the existing Investment structure and environment; enhancing the effectiveness of existing laws and processes, strengthening support for investors, simplifying and clarifying procedures and making it easier to do certain things (such as mergers and acquisitions with and of Chinese companies). There is also a focus on finding new ways of encouraging investors to come to China, including changing the legal system to facilitate and encourage foreign equity investment in Chinese listed companies.

The main headline and significance of the plan (in performative ways at least) was that having gradually opened up the manufacturing sector in entirety, the Action Plan was a signal of intent to now do the same in remaining closed or restricted sectors. In the first instance, this entails experiments in "pilot areas" for the opening up of the telecoms, medical care (including wholly foreign owned hospitals) and biotechnology, with the Beijing Demonstration Zone "playing a leading role in expanding the opening up of service industries". Further down the line a plan will be developed for the "orderly expansion of autonomous opening-up in the fields of education and culture".

Decoding the Message

The Action Plan, then, does not fundamentally change very much at all in specific details (with the possible exception of equity investment). But it does – or at least, is intended to do - four important things. Here, while the specific messages of the Action Plan are important in themselves, it is probably best to think about how they form part of a greater effort designed to get the same four messages across. The first is to reassure investors and give them confidence that China is a safe and profitable destination by pointing to the continual refinement of the investment climate and legal structure to make it easier for them to do what they want to do in China without fear of discrimination and government interference; or maybe more correctly, that should be not too much or undue government interference.

Here, what is being said to an international audience sits alongside a domestic facing campaign to give the same message to China's private sector. In 2023, the State Council issued guidelines with 31 measures to boost the private sector, and a new private sector protection bureau was established as part of the National Development and Reform Commission. *[14]* The draft of a new law "On promoting Private Economy" was introduced in December 2024, *[15]* and Xi's speech on "unswervingly consolidating and developing the public sector and unswervingly encouraging, supporting and guiding the development of the non-public sector" was published in the party's theoretical journal the following March. More important than the actual article itself was the fact that its publication was widely and loudly trailed in the state media, which is always a sign that the leadership considers it to have particular weight. *[16]* One by one the efforts of provincial governments to support and promote the private sector have been reported by the same state media. *[17]*

Second, China is not only open to foreign investment, but more open than ever before, and the trend is to open even further in the future. Moreover, this direction of travel will continue, so the message goes, despite economic and geopolitical tensions with the West (and particularly the US) that are often explained in China as an attempt to isolate it and prevent its further development. *[18]* Following on from this, the third is to present China as the polar opposite of large Western economies. As Europe and the US move towards ever more protected economies, the message is that China is going the other way towards ever greater openness and freedoms for outsiders. This is a signal that seems to be primarily intended for audiences in the Global South. For example, at the Forum in China Africa Cooperation summit in September 2024, Xi did not just emphasis China's focus on "open and win-win" economic relationships in general (as he always does) but also announced a special openness to the poorest economies in the Global South:

> *China will voluntarily and unilaterally open its market wider. We have decided to give all LDCs having diplomatic relations with China, including 33 countries in Africa, zero-tariff treatment for 100 percent tariff lines. This has made China the first major developing country and the first major economy to take such a step.* [19]

Fourth, China is not doing this because it is being forced to do it, or as part of bilateral or multilateral negotiations and obligations. Rather, in words that have already appeared more than once in this paper, it is doing it "voluntarily and unilaterally". Or as Xi put it at the APEC Economic Leaders Meeting in November 2024 (covering the last three of these four objectives in two sentences):

> *Opening up is a distinct hallmark of Chinese modernization. China always promotes reform through opening up. We voluntarily subscribe to high-standard international economic and trade rules, adopt proactive measures for further opening up, and take systematic steps to further open the telecom, Internet, education, culture, medical service and other sectors.* [20]

Implications for Europe

The second and fourth of these objectives have specific relevance for Europe. The new areas slated for gradual opening include sectors where Europeans have long been keen to gain access to. Even though these sectors are still a long way from being open to Europeans, there is a hope in China that these moves will assuage some European concerns about the lack of reciprocity in investment access. That China is voluntarily and unilaterally making changes is also intended to help convince Europeans of China's long-term direction of travel and its trustworthiness.

Ideally, for the Chinese, these changes might convince the EU to re-open negotiations over the Comprehensive Agreement on Investment that were at the very least put on ice in 2021 due to political (rather than economic) conflicts over Xinjiang. Or if revisiting the agreement itself is not on the cards, then at least Europe might rethink some of its own restrictions on Chinese investment and trade; particularly, but not only, in the EV sector. But at the very least, the hope is that all that China has done since 2020 (and since 2023 in particular) shows, in the words of the Chinese Ambassador to the EU, that “China’s new economic development offers fresh opportunities for China-EU cooperation”. [21]

The potential for this cooperation is contrasted with the potential for further discord and perhaps more in the EU-US relationship. The idea that shared problems with Trump’s America will push Europe closer to China has become what one Chinese scholar called “a sort of common sense”. [22] Whilst there is some logic to the argument, it is an understanding that seems to miss the very real and indigenous European concerns about the nature and impact of China’s global role and rise, or the basic understanding in large parts of Europe that China is simply on the wrong side over Ukraine. And it remains questionable, to say the least, whether potential investors, governments, and the EU will be convinced and buy the message that is being sold.

Opening more sectors will be welcomed, but what is not at all clear is how far and how quickly they will be opened. And there is likely to remain a lack of confidence from both international investors and from within the domestic Chinese private sector that the government is really and unswervingly committed to supporting them and protecting their interests under all and any conditions. After all, as already noted, the reason that the leadership now needs a campaign to reassure the private sector is because of the way that private sector actors – including very high profile ones – have been treated in the relatively recent past.

And then there is the other side of Chinese legislative change and innovation to think about. At the same time as one part of the Chinese party-state emphasises openness and internationalism, another part has been emphasising national security. So in thinking about working in China in the future, the sort of messaging emphasised in this paper so far has to be balanced against those laws introduced over the last decade designed to given the state considerable power to assert itself in the name of national security. These include, but are not limited to, the National Security Law of 2015, the Cybersecurity Law of 2017, Measures for the Management of Scientific Data from 2018, the Data Security Law and the Personal Information Protection Law, both from 2021, the Revised Counter-Espionage Law of 2023, and the Revised State Secrets Law of May 2024.

Conclusion and Next Steps

Whilst Europe and China remain in dialogue trying to find some sort of common ground to resolve bilateral economic differences, there is no clear sign that the European side thinks that changes in China have gone far enough to resolve these differences here and now. As the EU Trade and Economic Security Commissioner Maros Sefcovic put it during a visit to Beijing in March 2025, the playing field still needed to be fully levelled. [23] Nor has the global economic turmoil originating from Washington DC been enough to put bilateral difficulties to one side to develop a shared Sino-European position and response. Though given the speed at which US economic policy seems to be changing, it’s probably wise to provide the caveat “to date" to any observation about the nature of economic change and the global order in Trump's new era.

Perhaps the key to future perceptions and relations will be how the announced experiments and pilot schemes play out. And also what happens when (or perhaps if) they break out of their initial limited scope to become normalised national policies. Signalling and messaging does have an important role to play, and the performativity of announcing policy changes and aspirations should not be ignored. But real trust and confidence comes from doing rather than saying; and not just doing, but doing with clarity and consistency. Moreover, not just doing during good times, but also when things get more challenging too.

[1] Xi Jinping, "Hold High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects", Report to the 20th National Congress of the Communist Party of China, 16 th October 16 2022, available at http://gb.china-embassy.gov.cn/eng/zgyw/202210/P020221025833535574835.doc last accessed 13th February 2025.

[2] Flóra Rencz, "The EU's Emerging Toolbox to Level the Playing Field with China", Choice, 1 st July 2020, available at *https://chinaobservers.eu/the-eus-emerging-toolbox-to-level-the-playing-field-with-china* last accessed 13th June 2023.

[3] Foreign Investment Law of the People's Republic of China, 15 th March 2019, available at *https://investmentpolicy.unctad.org/investment-laws/laws/317/china-foreign-investment-law-of-the-people-s-republic-of-china* last accessed 9th April 2025.

[4] The Law on Foreign-Capital Enterprises, the Law on Sino-Foreign Equity Joint Ventures, and the Law on Sino-Foreign Contractual Joint Ventures.

[5] "What are the implications of China's Foreign Investment Law?", Ernst and Young, 3 rd May 2021, *https://www.ey.com/en_cn/insights/china-opportunities/what-are-the-implications-of-china-s-foreign-investment-law*, last accessed 9 th April 2025.

[6] Shaun Breslin, China Risen? Studying Chinese Global Power, (Bristol: Bristol University Press, 20211), p.97.

[7] Shen Weiduo and Qi Xijia, "China launches yearlong campaign in strong move to attract foreign investment", Global Times, 28 th March 2023, available at *https://www.globaltimes.cn/page/202303/1288131.shtml* last accessed 3rd March 2025.

[8] For details, see Shaun Breslin, "Foreign Direct Investment in the People's Republic of China: Preferences, Policies and Performance", Policy and Society, 25 (1) 2006: 9-38.

[9] Zoey Ye Zhang, "China's 2019 Negative Lists and Encouraged Catalogue for Foreign Investment", China Briefing, 10 th July 2019, available at *https://www.china-briefing.com/news/chinas-2019-negative-lists-encouraged-catalogue-foreign-investment/* last accessed 14 th June 2024.

[10] "China eliminates all access restrictions to foreign investors in the manufacturing sector", Norton Rose Fulbright, December 2024, available at *https://www.nortonrosefulbright.com/en/knowledge/publications/ac881831/china-eliminates-all-access-restrictions-to-foreign-investors-in-the-manufacturing-sector* last accessed 23rd January 2025.

[11] New rules set to boost investors' confidence". China Daily, 10 th September 2024, available at *https://english.www.gov.cn/news/202409/10/content_WS66df9fb0c6d0868f4e8eac92.html* last accessed 3rd January 2025.

[12] "2024 Yearender: China advances opening-up with landmark policies in 2024", Global Times, 20th December, available at *https://www.globaltimes.cn/page/202412/1325472.shtml* last accessed 13th February 2025.

[13] "Xi delivers important speech at Central Economic Work Conference", Xinhua, 17th December, available at https://english.www.gov.cn/news/202412/17/content_WS6760b3e6c6d0868f4e8ee061.html last accessed 21st January 2025.

[14] "China to cement legal protection for private sector", Xinhua, 26th February, available at http://en.moj.gov.cn/2025-02/26/c_1072867.htm last accessed 28th February 2025.

[15] " Law of the People's Republic of China on Promoting Private Economy", 26th December 2024, available in Chinese at at http://www.law-lib.com/fzdt/newshtml/20/20241226162127.htm last accessed 10th April 2025.

[16] "Xi's article on public, non-public sectors to be published", Xinhua, 15th March 2025, available at https://english.www.gov.cn/news/202503/15/content_WS67d5470bc6d0868f4e8f0d74.html last accessed 17th March 2025.

[17] For example, Zhu Sixiong and Yang Wenming, "Create 'There is an Opportunity Called Yunnan' with Private Enterprises", People's Daily (online), 2 nd April 2025, available in Chinese at http://paper.people.com.cn/rmrb/pc/content/202504/02/content_30065379.html last accessed 9th April 2025.

[18] Evelyn Cheng, "China's latest action plan shows it's trying to boost foreign investment amid geopolitical tensions", CNBC, 23rd February 2025, available at https://www.cnbc.com/2025/02/24/china-strives-to-attract-foreign-investment-amid-geopolitical-tensions.html last accessed 1st March 2025.

[19] "Keynote address by Chinese President Xi Jinping at opening ceremony of 2024 FOCAC summit", 5th September 2025, available at https://english.www.gov.cn/news/202409/05/content_WS66d964bdc6d0868f4e8eaa07.html last accessed 1st March 2025.

[20] "Address by Chinese President Xi Jinping at 31st APEC Economic Leaders' Meeting", 17th November 2024, available at https://english.www.gov.cn/news/202411/17/content_WS67390fd8c6d0868f4e8ed0ee.html last accessed 3rd March 2025.

[21] Cai Run, "China's new economic development offers fresh opportunities for China-EU cooperation", 20th December 2024, available at https://www.euronews.com/2024/12/20/chinas-new-economic-development-offers-fresh-opportunities-for-china-eu-cooperation last accessed 3rd January 2025.

[22] As part of private conversations in Beijing, April 2025.

[23] "China, EU discuss 'level playing field'; on trade, EU's Sefcovic says", Reuters, 29th March 2025, available at https://www.reuters.com/world/china-eu-discuss-level-playing-field-trade-eus-sefcovic-says-2025-03-29 last accessed 1st April 2025.

EuroHub4Sino
European Hub
for Contemporary China

Co-funded by the European Union

The project "European Hub for Contemporary China (EuroHub4Sino)" has received funding from the European Union's Horizon Europe research and innovation programme under grant agreement number 101131737.

Co-funded by the European Union. Views and opinions expressed are however those of the authors) only and do not necessarily reflect those of the European Union or European Research Executive Agency (REA). Neither the European Union nor the granting authority can be held responsible for them.