Tony Blair Institute for Global Change

# “High-Quality Opening Up”

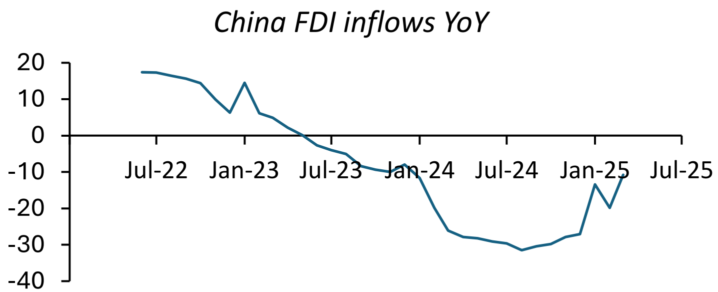
## The changing landscape of FDI in China

# Executive Summary

In 2023, **China's YoY FDI inflows started decreasing**. This led to a **renewed push for opening up** which saw Xi meet CEOs and a host of new measures to make investing easier. In February of this year, China released a new **2025 Action plan** with 20 measures – around 12 are likely to lead to changes within 12 months.

## Decreasing FDI inflows

In mid-2023 China FDI inflows started decreasing significantly YoY:

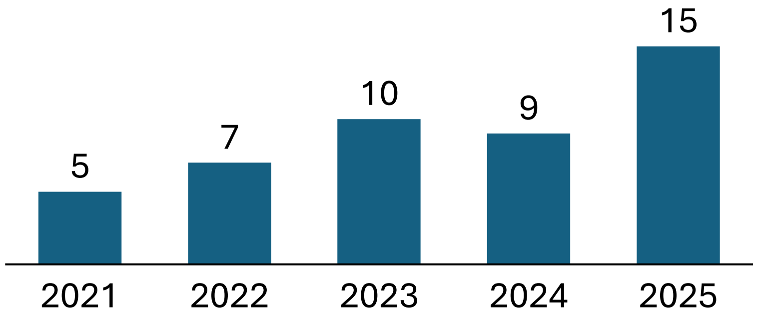



This downturn was a result of three broad causes:

1. **External pressure:** e.g. CHIPS Act
2. **Security overreach:** e.g. espionage law
3. **Economic headwinds:** e.g. real estate crash

## Renewed push for opening up

This sparked a renewed push for "opening up" with mentions in annual Work Reports tripling:




In 2024 we saw three major events as part of a push for increased FDI:

1. **Xi meets CEOs in one-off March meeting**
2. **2024 action plan with 24 measures**
3. **New measures on "strategic investments"**

## 2025 Action plan evaluation

2025 Action plan – like in 2024 – released new measures for attracting investment. This time with 20 measures of which:

**3** Measures are **internal** (e.g. *Building invest in China brand*)

**5** Measures are **repeated** (e.g. *Ensuring lifting of all restrictions in manufacturing*)

**12** Measures are **actionable** (e.g. *Removing restrictions on FIE access to domestic loans*)

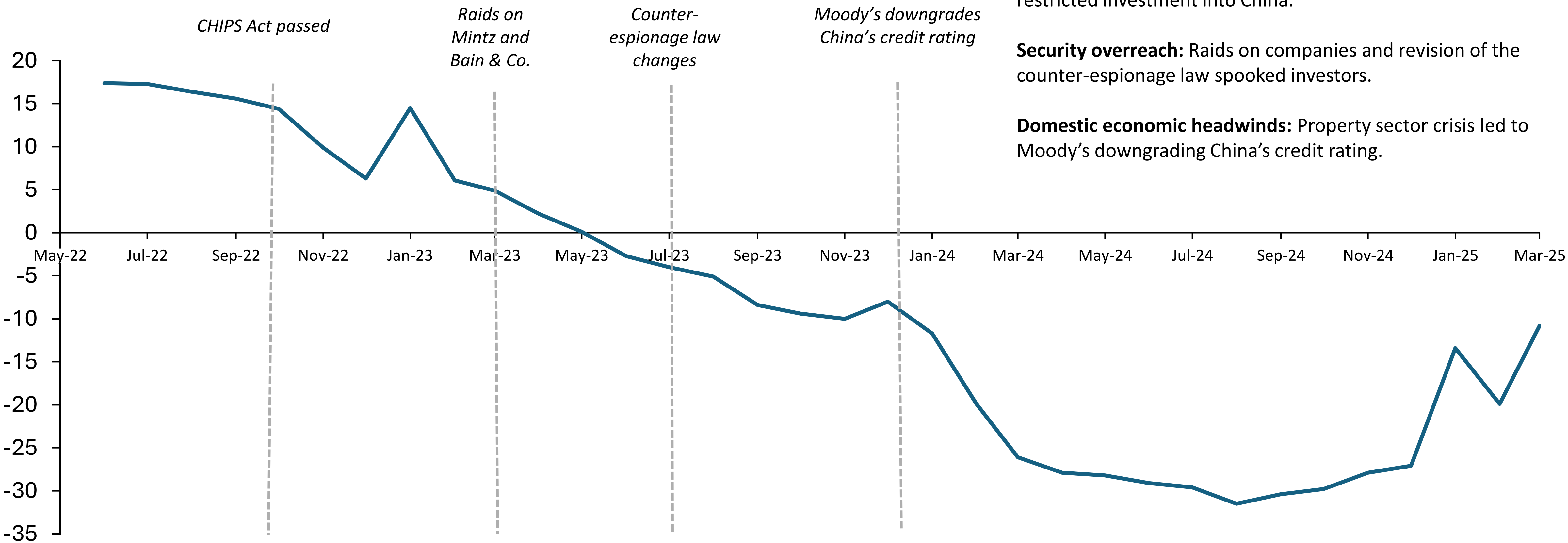
Of these the most significant are:

1. **FIE access to domestic loans**
2. **FIE participation in government procurement**
3. **Opening of telecoms, health and education**

# FDI inflows started decreasing due to a combination of factors

Despite the impact of Covid-19, a tech crackdown, and the default of property sector giant Evergrande FDI into China was still growing by double-figures in 2022. In 2023, FDI into China started decreasing significantly due to a combination of **external pressures**, **security overreach** and **domestic economic headwinds**.

**China's Inbound FDI (YoY)**




**External pressure:** Legislation like the CHIPS Act explicitly restricted investment into China.

**Security overreach:** Raids on companies and revision of the counter-espionage law spooked investors.

**Domestic economic headwinds:** Property sector crisis led to Moody's downgrading China's credit rating.

# First attempts to renew investment undermined by security actors

To address falling FDI party leaders began proactively courting foreign enterprises as part of a **push for investment** under a new policy slogan of "high-quality" or "high-standard opening up". However – **public security actions** such as raids on companies undermined these efforts, potentially a result of political infighting.

## Push for investment

**Since the phrase "high-quality opening up" featured at the 20th party congress – party leaders have proactively courted investment**

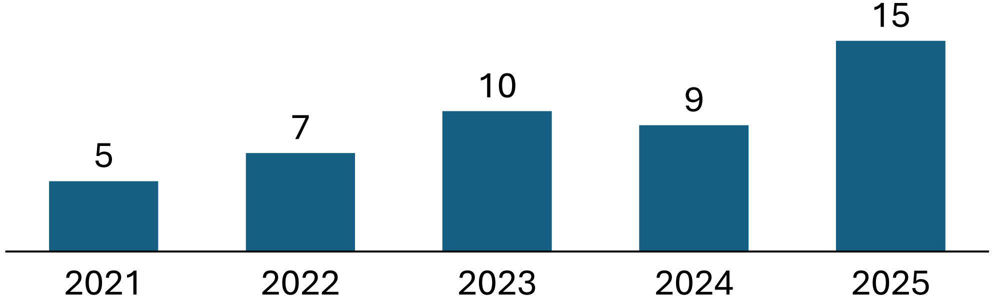
Oct '22 — **"High-quality opening up"**
Phrase features at 20th Party Congress

Mar '23 — **Li Qiang at Davos**
In his first major global event as Premier Li Qiang invites investment

Nov '23 — **Xi attends APEC in San Francisco**
Xi speaks to US CEOs during San Francisco visit

Mar '24 — **Xi meets US CEOs in Beijing**
NPC responsible for enacting laws & regulations

**The number of references to "opening up" in China's annual work reports has tripled since 2021**




## Public security actions

**Foreign companies and interest groups were quick to point out issues that undermined this push for investment**

*"The Chinese government has continuously said it welcomes foreign investment. However, a flurry of recent actions taken against US enterprises in China has sent the opposite message,"*

- Michael Hart, president of American Chamber of Commerce in China in 2023

**China's contradictory actions potentially the result of clashes between the top security and economic officials**

*Cai Qi*

- No.5 ranked overall
- Head of General Office
- Politics and security role

Essentially Xi's chief of staff, Cai Qi has a primarily political role and supervises China's top security officials Wang Xiaohong and Chen Wenqing.

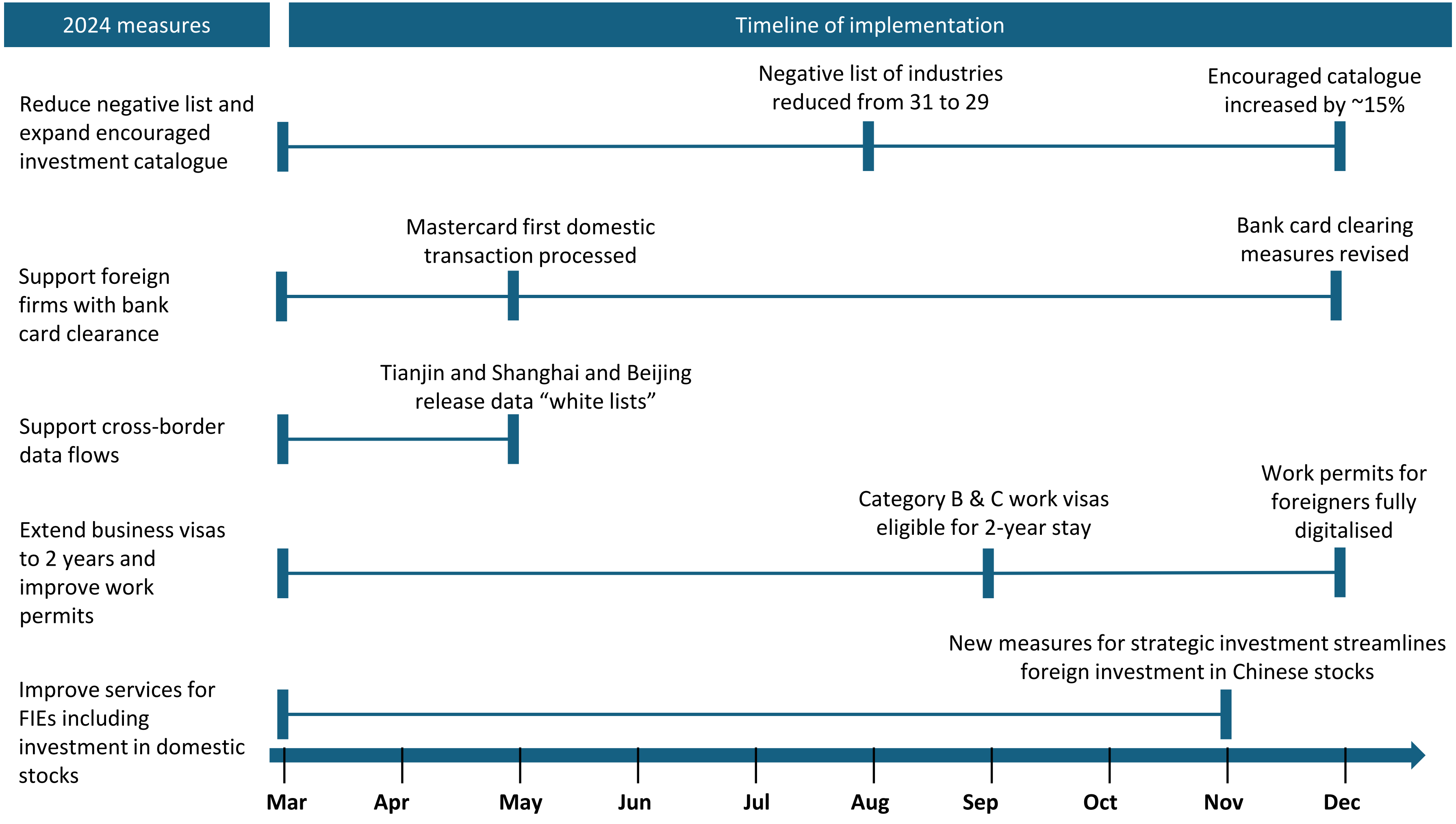
*Li Qiang*

- No.2 ranked overall
- Premier of China
- Economic role

As Premier Li Qiang's focus is on improving the economy – although he is second-ranked overall he has less institutional power in the party.

# Measures in the 2024 Action plan did lead to practical changes

In March 2024 – around the same time that Xi met with US CEOs in a special one-off meeting in Beijing – China published an ‘action plan to promote high-quality opening up’ with 24 measures to attract investment. Typical of Chinese policy documents measure were often vague – but some have led to practical changes.




This timeline summarises some of the measures from the 2024 document and shows when a corresponding practical change came into effect.

**Some measures** like “continue to build the Invest in China brand” and “further implement the international science and technology cooperation plan” **are purely internal with no expected measurable outcome**.

Others set clear goals – and have led to changes – for example reducing the negative list of industries, or improving work permits for foreigners.

**At least 12 of the 24 measures had resulted in a practical change by the end of the year** – with some key examples given on this timeline.

# Followed by new measures and encouraging legal cases

In November 2024, the government released new measures to make investing in listed companies in China much easier – meanwhile in early 2025 the first batch of “typical cases” of application of the Foreign Investment Law was a signal from the political centre for the law to encourage rather than stifle foreign investment.

## November document on “strategic investments”

Some measures in the 2024 document resulted in practical changes found in a November document which outlined key changes for foreign investors:

- **No need for prior approval** from the Ministry of Commerce to invest.
- **Qualifying capital thresholds reduced** as foreign investors now only need $50 million in actual overseas assets revised from $100 million; or manage at least $300 million in the overseas assets revised from $500 million.
- **New transaction methods:** In addition to private placements and negotiated transfers, foreign investors can now make public tender offers and bids as well as cross-border share swaps to acquire equity.
- **Shareholding threshold reduced:** Required shareholding percentage for strategic investments reduced from 10% to 5%.
- **Shortened lock-up period:** The lock-up period for A shares acquired by Foreign Investors through strategic investment from 3 years to just 1 year.

**Lower thresholds, more transaction methods and a reduced lock-up period are significant changes** – bringing China in line with international practice and addressing concerns about getting capital out of the country.

## First example cases for foreign investment law released

In 2025 the courts released the first batch of “typical cases” of the application of the Foreign Investment Law.

- In **four out of the five cases the courts ruled in favour of the foreign investor** – with the final case resulting in a mediation and settlement out of court.
- In two cases, **an initial ruling from a lower-level court was appealed and overturned** by a higher court.
- Summaries of the outcomes **asserted that the cases were examples of fair treatment of foreign companies in China** with extracts like: “Foreign-invested companies established in China are among China’s market entities and enjoy equal protection under the Company Law of China. “
- In one case, the **Chinese courts applied foreign law** to identify legal representatives of a company.

**Typical cases released by Chinese courts are used to send signals** from the legal and political centre to provincial and local level courts. These cases were **a clear signal that courts should apply the Foreign Investment Law without discrimination against foreign firms.**

# 2025 Action plan and Xi CEO meeting mirrored the previous year

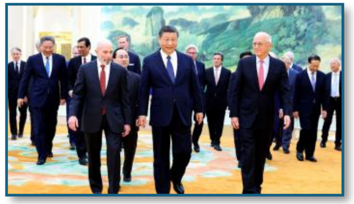
In early 2025 the government repeated the process of the previous year with Xi meeting global CEOs almost exactly a year to the day of his meeting with US CEOs in 2024. The new action plan has fewer measures – but based on last year at least some are likely to lead to practical changes in the next 12 months.

## New model for investment promotion

**In early 2024**

*'Action plan to promote high-level opening-up, attract foreign investment'*

March 19 published with **24 measures**



**March 27** Xi meets over a dozen US CEOs

**In early 2025**

*'Action Plan for Stabilizing Foreign Investment'*

Feb 21 published with **20 measures**

**March 28** Xi meets over 40 global CEOs

## Breakdown of new measures in the 2025 action plan

The **measures in the action plans can be vague and oversimplified** – for example measure no.5, which is simply: "Encouraging foreign equity investment in China".

**Some, however, do call directly for changes to specific policies or laws** – for example measure no.11 which states: "The Provisions on the Merger and Acquisition…..will be amended".

The measures can be separated into **3 categories:**

- **Internal measures** directed at investment related state organs without real implications for FIEs.
- **Repeated measures** which just call for the strengthening of pre-existing programs or policies.
- **Actionable measures** likely to lead to practical changes.

**3** Measures are **internal** – for example measure no. 6: "continuously building the 'Invest in China' brand"; and no. 13: "promoting communications on economic policies".

**5** Measures are **repeated** – for example measure no. 2: "Ensuring the lift of restrictions on foreign investment in the manufacturing sector is well-implemented".

**12** Measures are **actionable** – for example measure no. 17: "Establishing a system of standards for domestic products in government procurement". **These are the most important measures for understanding how China's business and investment environment is actually likely to change in 2025.** *(See more on the next slide)*

# Measures will lead to changes but full “national treatment” unlikely

Key outcomes of the action plan include access to domestic loans, participation in government procurement and opening up of service sectors like telecommunications, healthcare and education to foreign investors. A key question is to what extent the promise of “national treatment” will be kept.

## Breakdown of new measures in the 2025 action plan

More significant → Less significant

| Key Measures | Expected outcomes |
|---|---|
| *No.9 Removing restrictions on foreign-invested investment companies’ access to domestic loans* | Increased financing from Chinese banks to foreign invested enterprises (FIEs) |
| *No.17 enterprises of different ownerships within China participate equally in government procurement* | Opportunities for FIEs to win government contracts |
| *No.1 Expand pilot programs to open up the telecommunications, healthcare, and education sectors* | Foreign investment opportunities in these sectors in tier 1 cities |
| *No.11 Facilitating merger & acquisition (M&A) investment in China by foreign investors* | Amendments to M&A laws to lower thresholds and reduce administration |
| *No.4 Advancing opening-up of the biomedicine sector in an orderly manner* | Opportunities for FIEs to participate in China’s pharmaceuticals market |
| *No.20 Improving the level of trade facilitation for FIEs* | Easier to obtain Authorized Economic Operator certificate – less inspections |
| *No.19 Facilitating personnel exchange* | Port and transit visas longer and easier to obtain – more exemptions |

## ‘National treatment’?

**4** Measures in the 2025 action plan are **related to new promises of “national treatment” for FIEs.**

This includes some of **the most significant measures** such as FIE access to domestic loans and FIE bids for government procurement contracts.

Unlike some of the measures which have more specific outcomes – like an amendment to the M&A laws – the push for “national treatment” of FIEs will be **harder to measure**.

It is **unlikely that FIEs will get true “national treatment”** local governments and banks will always have a bias towards Chinese companies. However, it will likely lead to at least **some participation of FIEs in government procurement and access to domestic loans.**

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