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China Unveils Action Plan to Boost Foreign Investment

On March 19, 2024, the State Council of China released a comprehensive action plan entitled the "Action Plan to Solidly Promote High-Level Opening Up and Make Greater Efforts to Attract Foreign Investment". This initiative aims to enhance foreign investment, aligning with the objectives set during the annual Two Sessions and emphasized in the 2024 Government Work Report.

The Action Plan comprises five sections with 24 measures, including expanding investment access in high-tech and environmental protection areas, increasing policy and tax support, promoting fair competition, fostering data and business personnel flows, and aligning domestic rules with high-level international trade rules.

Here are some key highlights from the Action Plan:

- 1. Expanding Market Access to Foreign Investment:** The Action Plan prioritizes directives outlined in the Government Work Report, focusing on lifting restrictions on foreign investment in manufacturing and further liberalizing sectors such as telecommunications and medicine. Additionally, it advocates for pilot projects aimed at relaxing foreign investment constraints in scientific and technological innovation. Initially, these pilot projects will be implemented in free trade zones like Beijing, Shanghai, and Guangdong, granting qualified foreign-invested enterprises (FIEs) expanded access, particularly in areas like genetic diagnosis and treatment technologies.
- 2. Boosting Policies to Attract Foreign Investment:** In addition to streamlining the foreign investment negative list, the Action Plan proposes an expansion of the Catalogue of Industries Encouraged for Foreign Investment. Support will be amplified for sectors including advanced manufacturing, high-tech, energy conservation, and environmental protection. Furthermore, the plan introduces supportive tax policies and increased financial backing for FIEs. These include a tariff exemption for imported self-use equipment for projects invested by FIE-reinvested enterprises within the territory of China that meet the conditions of the encouraged catalogue, and implementing preferential tax policies for foreign investors investing in China's bond market and other financial markets.
- 3. Ensuring Fair Competition:** Acknowledging concerns among FIEs, the Action Plan underscores the imperative of rectifying behaviors and policies that impede fair competition. It demands swift action to address reported instances of discrimination against FIEs in government procurement, bidding processes, qualification licensing, standard setting, and subsidy allocation. Additionally, the plan seeks to enhance the bidding system and establish fair competition review mechanisms to ensure equal participation for enterprises of all ownership types.

4. Facilitating Cross-Border Data Flows: A significant aspect of the Action Plan is the endeavor to support seamless data flows between FIEs and their overseas headquarters. Within the framework of China's Personal Information Protection Law (PIPL), the government aims to standardize cross-border data security management and define "important data."

5. Improving Visa Conditions for Foreign Workers of FIEs: Efforts to streamline visa procedures for foreign personnel conducting business activities, including extending visa durations for accompanying family members of FIE managers and technical staff, are proposed in the action plan.

This initiative underscores China's commitment to further integrating into the global economy.

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