

# China's New Negative List for Foreign Investment

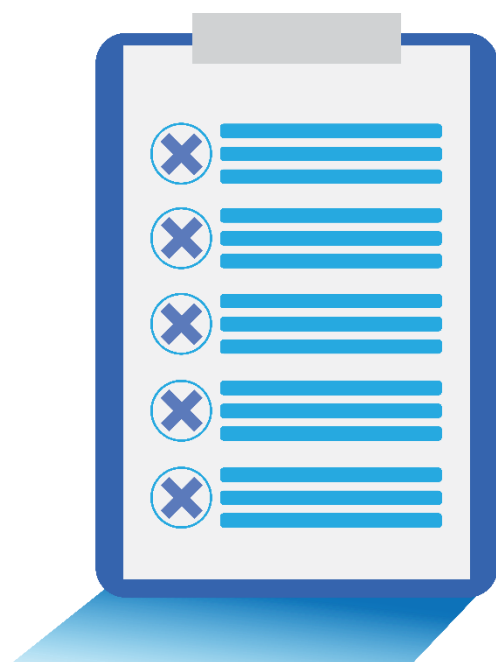


## China's State Council Encourages Foreign Investment

During an executive meeting of the State Council that was held on August 19, 2024, the council reviewed and approved the new Special Administrative Measures for Foreign Investment Access ("Negative List", 2024 Edition) and discussed potential policy measures that will support the high-quality development of small and medium enterprises that use sophisticated technologies to produce novel products (Innovative SMEs). The full text of the Negative List was released as Decree Number 23 in September and went into effect as of November 1 of this year (2024). In addition, the Council discussed the need to further open up the service industry to foreign investment.



The new Negative List provides for a reduction in the total number of restricted industry areas from 31 items to 29. It is notable that all restrictions on foreign investment in the manufacturing sector have been removed. This move places China on par with other developed nations and far ahead of the world's developing nations. As part of this move, the State Council has relaxed restrictions on the printing of publications, removing the clause, "the printing of publications must be controlled by a Chinese party," which was present in



previous lists. Note, however, that it is still prohibited for foreigners to invest in the editing, publishing and production of books, newspapers, periodicals, audio-visual products and electronic publications. It is also now allowed that foreign parties can invest in production of Chinese herbal medicines and production of confidential prescription products of proprietary Chinese medicines.

The 29 restrictions remaining in the Negative List all relate to foreign investment in the services industry, covering a variety of specific services within agriculture, mining, power plant production and operation, transportation, education, and cultural categories. However, the Council has stressed the importance of further opening up the services sector to foreign investment through innovation and optimization of policies. Revision of the catalogue of encouraged foreign investment industries with increased access to the services sector is underway. It remains unclear whether the Council is working to relax restrictions on cross-border trade in services. The latest negative list on cross-border trade in services, released in April 2024, still has 71 restrictive clauses on the service categories mentioned above.



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