

Industrial Practices of Foreign Firms in the Chinese Market Amid Opening-Up

Wenjie Zhu

School of International Studies, Communication University of China, Beijing, 100024, China

Abstract: The present paper discusses the position of localization of foreign capital in China in light of the opening-up process, explores the role of business environment in determining foreign investment placement, and does the study in the framework of real economy development. According to the official statistics of 2025 and supplemented by the case studies of leading companies, the research chooses major industries including manufacturing, high tech, new energy, and modern service industries for the systematic analysis. It is observed that in 2025, the actual foreign capital utilization of China was 747.69 billion yuan, and the amount of foreign capital invested in high-tech industries was 241.77 billion yuan or a year-on-year increase of 28.3% or a total share of 32.3%. Foreign investment in China has experienced a significant transformation that is not restricted to simple production and sales but involves merging into indigenous industrial networks, creating internal R&D facilities, and actively participating in the creation of domestic green industries and further enhancing its integration with the host market. Through analysis it has been established that the optimization of the business environment would help to stabilize the expectations of foreign capital and encourage the growth of investments. The high level of openness will contribute to the close correlation between domestic and international resources which will create a powerful external support of the high-quality economic development of China.

Keywords: Opening-Up; Foreign Enterprises; Localization Strategy; Industrial Chain Integration; Innovation Ecosystem.

1. Introduction

The process of opening up China has grown over time, leading to its position as an attractive investment location on a global scale. By 2025, Chinese government adopted the Action Plan to Stabilize Foreign Investments, broadened the list of service sectors that are open to the implementation of the pilot program (including telecommunications and medical care), and provided additional opportunities to develop foreign investments in China. Based on the negative list of foreign investment access, the limits of foreign investment access to the manufacturing sector have been completely removed and enabling business regulations have been put in place at the same time. The Catalogue on the List of Industries that Are Encouraging Foreign Investment (2025 Revision) published at the same time has 1,679 items, 205 times higher than the old version and will accurately direct foreign investment to such critical sectors as advanced manufacturing, high-tech, and modern services [1].

Based on the official statistics, there were 12,603 newly formed foreign invested enterprises in China during the first quarter of 2025, which is 4.3% higher than that of the previous year. In terms of segmented industries, foreign investment in scientific research and technical services grew at a strong pace, where foreign capital used in the industry comprised almost one fifth of the national total and has been steadily increasing over seven years. By the end of the year, 14,000 new foreign-funded companies have been registered, an increase of 27.2 percent compared to the previous year.

There has been a major shift in the investment strategies of foreign-invested companies in China as a result of the high volatility in the global economy. The conventional manufacturing-based foreign investors are slowly shifting out of low-end processing systems and shifting into integrated operations along the whole industrial chain; the technology-based foreign investors are speeding up the development of

local R&D systems; the service sector foreign investors are changing business models to suit local consumer behavior; and the new energy-related foreign companies are taking an active role in the green and low-carbon development programs in China. The localization strategy of foreign investment is not only strengthening the roots of its development, but also promotes industrial upgrading, technological innovation and market extension in China. This article combines key industry foreign investment cases, summarizes experiences, points out shortcomings, and provides practical references for optimizing the development environment of foreign investment and promoting the coordinated progress of domestic and foreign investment.

2. Policy Dividend-Driven: Optimization of Institutional Environment for Foreign Investment in China

China's opening-up continues to deepen, and the system for foreign investment access and development is becoming increasingly sound. In February 2025, the Action Plan for Stabilizing Foreign Investment in 2025 led by the Ministry of Commerce and the National Development and Reform Commission was officially issued. The document clarifies 20 specific measures from four aspects: opening scope, investment efficiency, platform construction, and service guarantee, and comprehensively cancels the restrictions on foreign investment access in the manufacturing industry. After the opening up of manufacturing access, foreign investment projects will land faster. BASF Zhanjiang Integrated Base in Germany, with a total investment of approximately 8.7 billion euros, focuses on the production of high-end chemical materials and will be put into operation on March 26, 2026. The project covers an area of 4 square kilometers, equipped with 18 sets of production facilities and

32 production lines. It is the first foreign-owned heavy chemical project in China and the biggest single foreign investor project in China by a German company. The implementation period of the project is five years, and the streamlined approval procedures as well as enhanced efficiency demonstrate the maturity of the foreign investment service system.

Besides easing access, policies regarding the reinvestment of foreign investment have also been established to stabilize the long-term outlook of foreign investment. In July 2025, the National Development and Reform Commission, together with seven other departments, released a Special Notice on Foreign Investment Reinvestment, which clarified several measures, including tax incentives and simplified fund transfers, and directed foreign investment to increase the size of local investments. Amway, a US-funded firm, has been operating in the daily chemical and nutrition health sectors for 30 years, and has completed 10 capital increases. In 2023, it finalized a five-year investment plan of 2.1 billion yuan [2]. The Chinese market has remained Amway's largest market for 23 consecutive years, with two major production bases in Guangzhou and Xianning. Its products cover 55% of the global consumer market, and its China sales increased by over 20% year-on-year in 2025. Multiple locally adapted products have high market recognition. The continuous capital increase behavior is related to both market space and policy support.

The open platform continues to upgrade its functions and become the core carrier for foreign investment projects [3]. Shanghai, Hainan and other pilot free trade zones have implemented a "negative list+pre-admission national treatment" management model, simplifying processes and lowering barriers in foreign exchange management, personnel entry and exit, and cross-border data flow. ExxonMobil Huizhou Ethylene Project, with a total investment of 10 billion US dollars, focuses on the production of ethylene and downstream polyolefin products, and will be put into operation on July 15, 2025. The first phase of the project includes a 1.6 million ton ethylene cracking unit and a 2.65 million ton polyolefin unit. Leveraging the industrial cluster advantages of the Guangdong-Hong Kong-Macao Greater Bay Area, it has driven upstream and downstream investment of over 200 billion yuan and created 15,000 job opportunities. Multiple policy supports have enabled foreign investment to no longer test the waters in the short term, but to cultivate deeply in the long term.

3. Deep Integration of Industrial Chains: Localization and Upgrading Paths for Foreign-Funded Manufacturers

Manufacturing foreign capital is spanning the industrial chain, shifting from OEM to local innovation. German automotive parts giant ZF entered China in 1981 and has been operating for over 40 years, building more than 50 factories and 5 research and development centers. In the past 5 years, it has invested nearly 3.5 billion euros in China. ZF has introduced advanced global technology into China, while simultaneously promoting localized research and production. An 800V high-voltage electric drive system tailored for China's NEV market has achieved large-scale production, and orders for this system increased steadily in China in 2025. In addition, ZF is promoting its Chinese-developed technologies such as steer-by-wire to the world. In December 2025, its

advanced driver assistance systems (ADAS) business was sold to Harman for 1.5 billion euros, realizing the global value of Chinese-developed technologies.

Building a local supply chain can help reduce costs and improve efficiency for manufacturing foreign investment. Tesla's Shanghai Gigafactory delivered 851,000 vehicles in 2025, accounting for 52% of the global delivery volume, boasting a 95% local procurement ratio for components [4]. It has deep cooperation with more than 400 domestic first-tier suppliers to create a 4-hour supply chain circle in the Yangtze River Delta, which not only reduces production costs by about 30%, but also compresses the delivery cycle of new cars from 6 months to 45 days. On December 8, 2025, the factory successfully produced its 4 millionth complete vehicle and has now become the world's largest electric vehicle production base and export center, with products exported to more than 20 countries and regions.

Industrial cluster collaboration enhances foreign investment competitiveness. Wuxi High-Tech Zone in Jiangsu Province gathers 170 European-funded enterprises with a cumulative investment of approximately 15 billion euros. Among them, Atlas Copco (Wuxi) Compressor Co., Ltd. has become the global manufacturing center of the Group's industrial compressor business; Veolia Wuxi Base is the largest production base of Veolia Asia Pacific and the only composite factory in the world with a complete water treatment product line; Siemens has established multiple physical and innovation centers in Wuxi, including medium voltage switch technology. The enterprises have a common infrastructure, are based on the exchange of technology, and are able to attract mobile talents, and thus create an effective network of companies working together. In 2024, European-funded companies in the Wuxi High-Tech Zone achieved sales revenue of about 120 billion yuan, which remained steady in 2025. Such localization strategies adopted by the manufacturing foreign enterprises do not only make them more competitive but also push China manufacturing towards more high-end, intelligent and green development, providing mutual benefits to both parties [5].

4. Co-Construction of Innovation Ecosystems: strategic Layout of Foreign-Funded R&D Centers in the High-Tech Sector

In recent years, foreign R&D centers have changed significantly from local adaptation to global innovation nodes—from local adaptation sites to key fulcrums of global innovation, and are deeply integrated into China's local innovation system. According to data from the Ministry of Commerce, there were 14,000 newly established foreign-funded enterprises in the field of scientific research and technology services in China by 2025, a year-on-year increase of 27.2%; the actual proportion of foreign investment used in this field has been increasing for seven consecutive years, accounting for nearly one-fifth of the total foreign investment in 2025, which is 3.8 times that of 2018. Multinational giants including Roche Diagnostics, AstraZeneca and Philips have expanded their R&D footprints in China, and a foreign-funded R&D cluster with Shanghai, Beijing, and Suzhou as its core has gradually taken shape.

Beauty is the representative of foreign local innovation, and L'Oreal Shanghai R&D Center is an example. As one of the Group's seven global R&D hubs, its local innovation

achievements are eye-catching. The replaceable skin care series launched in 2025 precisely matches the domestic green consumption trend: Keyan's high moisturizing face cream reduces the weight by 42%, cutting the product's life-cycle carbon emissions by 18%, and the sales volume exceeds 5 million pieces in half a year after its launch [6]. The center currently has over 400 scientific researchers, with local talents accounting for 90%; in 2025, R&D investment accounted for 3.5% of its China sales revenue, and 94 patents were obtained throughout the year, making it L'Oreal's largest and most technologically comprehensive research base in the Asia-Pacific region.

Focusing on the semiconductor track, foreign investment is increasing its R&D layout in China, reflecting the global industrial competition situation. In the fiscal year 2025, Nvidia's China revenue reached USD 17.108 billion, a year-on-year increase of 66%, reaching a historic high. Its Shanghai R&D center focuses on the local adaptation of AI chips, and develops special solutions for intelligent driving and industrial Internet; in 2025, domestic enterprises launched the Hopper Architecture AI Training Platform to assist in the development of local large-scale models. SK Hynix Dalian Base will invest \$320 million in 2025 to upgrade production, deeply cultivate 3D NAND flash memory technology, and supply products globally.

Foreign R&D is not a one-way output, but a mutual empowerment with the local market. This type of center not only strengthens the innovation strength of enterprises, but also cultivates high-end talents and builds a bridge for technological exchange in China [7]. As of 2025, the number of foreign-funded R&D centers in Shanghai, Beijing and other places has significantly increased, and the national R&D investment has steadily increased, becoming an important part of the national innovation system. They collaborate with local universities and research institutes to tackle key issues, promote industrial upgrading, and achieve optimized sharing of global innovation resources.

5. Accelerating Green Transformation: Practices of Foreign-Funded Enterprises in New Energy and Environmental Protection

China's green industry is booming, offering vast opportunities in the new energy sector and drawing growing foreign investment inflows. The direction of foreign investment is consistent with the domestic "dual carbon" goal. In 2025, the scale of foreign investment in the new energy industry increased steadily, and the investment in these green industries maintained a steady upward trend in the overall share of foreign investment in high-tech industries.

Schneider Electric has long been deeply rooted in the forefront of the domestic new energy market development, catering to the actual needs of energy construction in various regions. It has launched multiple equipment and supporting service solutions that are suitable for local scenarios, focusing on practical areas such as power system transformation, wind power generation equipment, energy storage supporting facilities, and civilian charging piles. In September 2024, the Jinshan Innovation Experimental Park Phase II project, located in Shanghai, was officially put into use. The park has built highly professional energy testing facilities that can restore different climate environments in various regions, conduct on-site tests of the operating effects of photovoltaic

and wind power equipment, and effectively help local energy enterprises solve technical problems [8].

Danish pharmaceutical company Novo Nordisk continues to expand the construction scale of its Tianjin production base and has early laid out a local low-carbon production model. In March 2024, the company allocated 4 billion yuan to build a sterile preparation production plant. After more than a year, it also allocated 800 million yuan to expand the internal quality testing site, with a newly built floor area of 18,000 square meters. The overall project is expected to be completed by the end of 2026. The entire project construction process follows the relevant standards for green buildings, starting from basic aspects such as daily electricity and water consumption to reduce resource consumption. The enterprise also actively collaborates with medical institutions in various regions to optimize daily diagnosis and treatment processes through digital means, and practices low-carbon and environmental protection concepts in medical services.

Foreign investment in the chemical industry is also undergoing green transformation. Saudi Arabia's Basic Industries, in collaboration with local cooperative enterprises, has applied specially processed recycled plastics to the construction of sports fields. With the help of urban stadium renovation projects, new environmentally friendly materials have been tested on site, creating standardized demonstration venues in multiple first-tier and new first-tier cities. BASF's integrated production base in Zhanjiang relies entirely on renewable energy to maintain daily production operations. The emissions of various pollutants are strictly controlled below industry benchmarks, and the level of wastewater recycling and reuse is also at the forefront of the industry, providing a practical reference for the transformation and development of similar chemical enterprises in China [9].

6. Cultivating the Consumer Market In-Depth: Localized Operational Innovation of Foreign-Funded Service Enterprises

Foreign-funded service enterprises adapt their overseas business models to local consumption characteristics, and realize the shift from overseas models to localized innovation [10]. By 2025, the actual use of foreign investment in China's service industry reached 545.12 billion yuan, accounting for 72.9% of the total foreign investment in the country. Wholesale and retail, accommodation and catering, and financial services have become the mainstream areas of foreign investment.

The localization of fast fashion brand GAP performed well. The brand plans to add about 50 new stores by 2026 and simultaneously restart its market layout in Hong Kong. By the end of 2025, the number of its mainland stores will reach 164, with a year-on-year increase of over 20% in annual sales. The brand adjusts clothing styles according to the characteristics of Chinese people's body shape, creates distinctive items that incorporate Chinese style elements, improves omnichannel consumption scenarios, and meets the actual consumption needs of the public.

Foreign investment in catering is also updating its products and services. In 2025, McDonald's launched specialty meals tailored to local dietary preferences, and fully deploy intelligent ordering and delivery facilities in its stores. By the end of the year, the store scale will expand to 7,700, with branches covering all provincial-level administrative regions

across the country. After completing its capital cooperation, Starbucks has delved deeper into the sinking market and launched a series of cost-effective drinks. In fiscal 2025, it had a total of 8,011 stores in China, with a revenue scale of 3.105 billion US dollars.

Foreign investment in the field of big health is deeply tailored to local health needs. Amway integrates traditional wellness concepts to develop new nutritional products, with excellent sales performance in multiple main products in the market. It has built an online and offline linkage health service platform, providing one-stop health services to the public. United Family Hospitals & Clinics is expanding its medical layout in mainland China and starting construction of a large comprehensive hospital in Beijing by 2025. The total investment for the project is 6 billion yuan, aiming to improve the layout of high-end medical services in China.

The localization operation of the foreign-funded service industry not only stabilizes its own market share, but also promotes the upgrading of domestic service industry quality. Various foreign-funded entities integrate into the local market through product, service, and model innovation, providing practical paths for the high-quality development of the service industry [11].

7. Conclusion

From the perspective of the current state of openness, the development model of foreign investment in China has become clear, and its investment layout has shifted towards diversification, depth, and localization. From the data of foreign investment inflows in 2025, it can be seen that utilized foreign capital in high-tech industries has grown steadily, and the number of foreign investment entities in the field of science and technology innovation services continues to increase, fully demonstrating the sufficient attractiveness of the domestic market to foreign investment. Different measures to ensure steady foreign investment have been adopted, the barrier to accessing the market has been lowered, the business climate has been improved, which can be considered as strong basis of the implementation of foreign investment projects and the growth of enterprise capital

Based on case studies from various industries, four clear paths have been formed for the development of foreign investment in China at present. The manufacturing sector relies on local supply chains to complete industrial upgrading, the science and technology innovation sector links local resources to build a collaborative innovation system, the green industry actively participates in domestic low-carbon construction, and the service industry optimizes operations to meet public consumption needs. The localization practices in different tracks not only allow foreign-funded enterprises to gain market dividends, but also provide assistance for domestic industrial optimization and consumption expansion, delivering reciprocal gains.

However, foreign investment rooted in China also has many shortcomings: regional disparities in foreign investment distribution, insufficient integration of foreign capital and localization in some segmented industries, difficulties in adapting overseas advanced technologies to local adoption, and further improvement of the industrial

cooperation mechanism between local and foreign-funded enterprises.

Opening up continues to advance, and China will continue to optimize its foreign investment policies, broaden the scope of industry openness, and optimize investment supporting services. The foreign-funded companies must be in line with the domestic market trends, develop their business and R&D strategies depending on domestic demand, and further integrate the full industry chain. Foreign investment is going to be more effective in empowering the domestic real economy since it will combine both policy directions with adapting to the market, and will use the domestic market as an instrument of its own development and play a more practical role in the economic and trade relations of the region and the world.

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