

Executive Summary

China's Economic Reform Direction and Business Environment

In the year since the release of the 2024 White Paper, China's domestic and international business environment has undergone significant changes. While significant changes are occurring in the external environment, such as changes in US-China relations due to elections, regime change, and policy shifts in the US, and trade frictions with Europe and other regions in response to rapid changes in trade structures, domestic changes are also becoming apparent, including the introduction of various advanced technologies such as IT, AI, and robotics, the gradual slowdown of past rapid economic growth, and changes in social structures such as an aging population. In response to these changes, China is introducing measures that will affect foreign companies' trade and investment, including the formulation of detailed rules for a wide range of laws, such as the Three Data Laws, the Export Control Law, and the Government Procurement Law, soliciting opinions on proposed detailed regulations, as well as the publication of subject of regulations based on these laws and the introduction of specific measures.

The State Council announced the "2025 Action Plan for Stabilizing Foreign Investment" in February 2025, and in its 2025 Government Activity Report, it also set forth its policy of continuing to open up to the international community. In March 2024, the State Council announced the "Action Plan for Steadily Promoting High-level Opening-up and Making Greater Efforts to Attract and Utilize Foreign Investment", which shares the same direction as the proposals made in previous white papers. We expect that these action plans will be steadily executed and realized.

The Ministry of Commerce continues to hold briefings on progress to foreign companies, and exchanges of views between the three economic organizations visiting China in February 2025 and Chinese government officials indicate a willingness to improve the business environment through dialogue with foreign companies. We hope that the voices of foreign companies will be steadily reflected in the formulation of implementation guidelines and administrative operations, and we propose that progress and improvements be regularly disclosed in writing so that all companies can easily follow the progress and improvements.

Following the 6th Japan-China High-Level Economic Dialogue held in Tokyo in March 2025, the Chinese government announced the results of the dialogue. We welcome the fact that many of these results share the same direction as this White Paper. In particular, the holding of the "Japan-China Business Environment Facilitation Working Group", which aims to provide a fair, transparent, and predictable business environment, and the dialogue between Chinese government departments and the Japanese Chamber of Commerce and Industry in China will contribute to resolving issues faced by Japanese companies. We sincerely hope that constructive dialogue based on active and multifaceted exchanges will continue, resulting in a win-win situation for both Japan and China.

The following is a list of the main items in the 2024 White Paper that have shown improvement.

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(1) Resumption of visa waiver measures and shortening of visa screening periods as soon as possible (2024 White Paper p.122, "Labor service," ①)

At a press conference on November 22, 2024, the Ministry of Foreign Affairs announced that it would apply visa waiver measures to ordinary Japanese passport holders for the period from November 30, 2024 to December 31, 2025. The period of visa exemption has been extended from the previous 15 days to 30 days. We welcome these measures and look forward to the revitalization of people-to-people exchanges between Japan and China. However, as this visa waiver policy will only be implemented on a trial basis until December 31, 2025, we propose that the visa waiver policy continue to be implemented on a regular basis after December 31, 2025.

(2) Progress in the Three Data Laws

Three laws (the Three Data Laws), namely, Cybersecurity Law, Data Security Law, and the Personal Information Protection

Law, have been enacted, and many other laws, bylaws, standards, etc. are being formulated. The promulgation and enforcement of the “Regulations on the Promotion and Regulation of Cross-border Data Flows” in March 2024 can be appreciated to a certain extent for easing procedures for cross-border transfers of personal information outside China, with the exception of sensitive personal information. In addition, in 2024, a negative list regarding data transfer outside the zone was introduced in some free trade zones, indicating the fields and cases in which it will be necessary to submit a data transfer safety assessment, conclude standard contracts for the transfer of personal information outside the zone, obtain personal information protection certification. As such, methods, standards, guidelines, and other measures related to information security are being formulated and promulgated in quick succession. However, in the process of formulating these measures, we propose that the opinions of relevant parties, including foreign companies, be taken into consideration, and that care be taken in establishing and operating the system so as not to hinder the development of new businesses such as cloud services or discriminate against foreign products and services. We also propose that prior guidance be provided, sufficient time be allowed for implementation, and coordination and cooperation among relevant government departments be ensured to facilitate smooth implementation.

(3) Diversification of investment sources for investment companies (2024 White Paper p.338, “Banks” ⑩)

Regarding reinvestment by foreign-invested investment companies, the Ministry of Commerce announced at a press conference in January 2025 that it would lift the current restrictions on domestic borrowing for capital investment by investment companies. Capital investments in M&A in China by investment companies have generally been funded by foreign bonds issued by parent companies and dividends from subsidiaries in China, and deregulation will allow surplus funds from group companies to be used for such investments. According to the Ministry of Commerce, amid growing reinvestment by foreign companies in China, it has been announced that improvements will be made in response to requests from foreign companies. We hope that these improvements will be reflected in the detailed rules at an early stage and that specific implementation will begin soon.

(4) Relaxation of foreign ownership restrictions on telecommunications business licenses (2024 White Paper p.276, “Information and Communications,” 1.)

We welcome the trial implementation of value-added telecommunications services such as data centers and cloud services in certain regions, which was enforced on October 23, 2024. We propose that the opening up to the international community in this field not be limited to certain regions, but be expanded nationwide, and that restrictions continue to be eased so that foreign companies can utilize the expertise they have cultivated in their home countries to develop attractive ICT services in China.

(5) Appropriate implementation and improvement of cosmetic safety assessment (2024 White Paper p.230, “Cosmetics,” 7.)

The Cosmetics Safety Evaluation Report (full version), which was originally scheduled to start in May 2024, was postponed for one year through promulgation of the “NMPA Announcement on Several Measures to Optimize the Management of Cosmetic Safety Assessment (No.50, 2024)” issued in April 2024. Applications using the existing Cosmetic Safety Assessment Report (simplified version) will be accepted until April 30, 2025. We welcome the extension of the transition period for the Cosmetic Safety Assessment Report (full version). We continue to propose that the requirements for the Cosmetic Safety Assessment Report (full version) be appropriate and not excessive.

(6) Sale of counterfeit goods in the retail industry (2024 White Paper p.326, “Retail,” ⑪)

Until now, many non-genuine products have been sold in the retail industry, but with crackdowns on stores selling counterfeit goods, the situation is improving compared to the past. However, there are still businesses that illegally infringe on trademark rights and manufacture imitation products, as well as businesses that sell such products despite knowing that they are illegal. Therefore, we strongly propose that penalties continue to be strengthened and that crackdowns on illegal and non-compliant products circulating in the market be implemented.

(7) Promotion of electronic invoicing (2024 White Paper p.118, “Taxation and Accounting,” ⑫)

In particular, during 2024, the area of introduction of electronic invoicing expanded and spread to almost all of China.

Contribution of Japanese companies to the Chinese economy

Japanese companies have played a very important role in the past as China has achieved its economic scale while improving growth quality and efficiency. In terms of trade, according to statistics from the General Administration of Customs of the People's Republic of China, Japan is the third largest trading partner (total imports and exports in 2024), which makes Japan an important trading partner for China, accounting for 5.0% of its total trade.

As for investment, according to the State Administration of Foreign Exchange of China, China's inward direct investment in the balance of payments statistics for 2024 was 4,500 million USD, down 89.5% from the previous year. On the other hand, although the statistical standards differ, according to Japan's Ministry of Finance (preliminary figures), net direct investment from Japan to China in 2024 was only 493,100 million yen, increased by 1.0% from the previous year. According to the Ministry of Foreign Affairs of Japan's "Survey on the Number of Offices of Japanese Companies Operating Overseas 2023", the number of Japanese companies' offices in China is 31,060, and Japanese companies in a wide range of industries, from large corporations to SMEs, are operating in China.

Japanese Companies' Stance on China

According to the 6th survey on the perception of the economic and business environment (released on February 12, 2025) by the Japanese Chamber of Commerce and Industry in China, when asked whether they would increase their investment in China in 2025 compared to 2024, of the 1,484 Japanese companies that answered, 16% said that they will "significantly increase" or "increase" their investment, while 42% answered that their investment will be "the same amount as in 2024". When asked how they see the Chinese market in 2025 and beyond, 53% of the companies answered that it is "the most important market" or "one of the three most important markets". According to JETRO's survey (FY2024 JETRO Survey on Business Conditions for Japanese Companies Operating Overseas), 21.7% of Japanese companies in China answered "expansion" for their business development over the next 1-2 years, falling below 30%, just as in the previous year, indicating a cautious attitude. However, the fact that 64.6% responded that they would "maintain the status quo," shows that the majority of Japanese companies have a strong commitment to remain firmly entrenched in the Chinese market. In the aforementioned 6th survey by the Japanese Chamber of Commerce and Industry in China, the percentage of companies that responded that they were "very satisfied" or "satisfied" with the business environment in China rose to 64%, an improvement of 10 points compared to the second survey by the Japanese Chamber of Commerce and Industry, conducted one year ago. Although the Chinese government's efforts to improve the business environment are evident, there are still requests for improvements regarding inequality with domestic companies, sudden inspections by authorities, and the uncertainty and complexity of systems. We would like to see continued improvements in the business environment.

What to Expect from the Chinese Government

In its 2025 Report on Government Activities, the Chinese government stated that regardless of how the external environment changes, it will consistently adhere to opening up to the international community and "expand high-level opening up to the international community and actively work to stabilize trade and investment in China." It also indicated that the Chinese government plans to focus on implementing trade stabilization policies and supporting corporate stability and market development. Furthermore, it has been stated that it will strongly encourage foreign investment, promote increased reinvestment by foreign investors, and support their participation in industrial chains. Japanese companies would like to contribute to China's high-quality economic development as we have in the past, or even more so.

An environment that fosters mutual trust is important for building good relations between Japan and China. People-to-people exchanges is the foundation of mutual trust, and we hope that the resumption of short-term visa waiver measures will have a positive effect. To that end, it is essential to create a safe and secure environment for Japanese nationals residing in China. We also hope that a predictable business environment will be ensured, including the elimination of uncertainty in the application of the Counter-espionage Law.

We also hope that high-level dialogue and exchanges between the governments of both countries will be held regularly and reliably, regardless of international and political circumstances. Excessive export restrictions and trade measures could hinder the supply chain for consumer goods. We propose that such measures be limited to those truly necessary for

security and that they be implemented appropriately.

There is still great potential for deepening trade and investment relations between the two countries if the reform and opening up policy is pursued by the Chinese government in an appropriate manner. We continue to expect the Chinese government to raise the priority of economic construction, implement further economic measures, and achieve stable economic development. We look forward to strong economic management so that various economic entities can regain confidence in the Chinese economy and maximize China's potential.

In deepening reforms, we are convinced that many of the constructive ideas are included in this White Paper, which has compiled proposals for analysis and resolution of the issues facing Japanese companies engaging in business in China for a long period of time. We would like to see that something in this White Paper is used as a reference for policy management in the future.

This White Paper consolidates 557 proposals from Japanese companies in various fields, industries, and regions on the challenges they face in doing business in China (see Appendix). Of these, the issues are summarized as follows from the three perspectives of fair competition, opening up to the international community, improvement and facilitation of administrative predictability and transparency.

Three elements of proposals and major proposals

(1) Fair competition

In the 14th Five-Year Plan, it was emphasized that a high-level market system is to be constructed, equal entry and fair supervision and management to be maintained, and a domestic unified market where fair competition takes place is to be formed. The Foreign Investment Law and the Implementation Regulations of the Foreign Investment Law state the principle of equality of domestic and foreign investment. The Government Report to the National People's Congress in March 2025 also stated that "we will steadily ensure national treatment for foreign companies, enhance the brand power of 'Invest in China,' and promote the better development of foreign companies." In this White Paper, various systems that are obstacles to fair competition will be reviewed in order to fully utilize market principles and we also propose development of highly transparent market economy rules and their proper operation.

- Facilitation and speeding up of export license applications (Part 2, Chapter 1, Trade ①)
- Publication of relevant detailed regulations and controlled items of the Export Control Law and operation in accordance with international standards (Part 2, Chapter 1, Trade ②)
- Unify the way of operation and improve transparency and fairness of the official standard setting process, such as national standards and industry standards (Part 2, Chapter 2, Investment ⑨)
- Careful consideration of the introduction of regulations against abuse of dominant positions by large companies, etc., or clarification of unclear points in such regulations (Part 2, Chapter 3, Competition Law ⑩)
- Strengthening the protection of famous foreign trademarks (Part 2, Chapter 6, Intellectual Property Rights ②)
- Early clarification of origin certification criteria for government procurement (Part 2, Chapter 9, Government Procurement ①)
- Establish a business environment that enables fair and open transactions between foreign companies and central enterprises and state-owned enterprises (Part 2, Chapter 9, Government Procurement ④)
- Clarification of the "secure and controllable" and "innovation on informatization and application" systems and disclosure of information on certified products (Part 2, Chapter 9, Government Procurement ⑧)
- Elimination of temporary suspension of imports of Japanese marine products (Part 3, Chapter 1, Agriculture, Forestry and Fisheries/Food ④)

- Thorough compliance with laws and regulations for additional certificates at the time of import customs clearance, and shortening of the period to return to the previous procedure (Part 3, Chapter 1, Agriculture, Forestry and Fisheries/Food⑤)
- Lifting or relaxing import restrictions on Japanese food products (Part 3, Chapter 1, Agriculture, Forestry and Fisheries/Food ⑥)
- Medical devices, etc.: Streamlining the procurement selection process for imported products (Part 3, Chapter 4-4. Medical Devices/Pharmaceuticals for in-vitro Diagnostics ⑦)
- Requirement to use domestic products for information security (Part 3, Chapter 4-9, Business Equipment ⑦)

(2) Opening up to the international community

In the 14th Five-Year Plan, as “construction of a higher-level new open economic system”, the level of opening up to the international community will be raised completely, the liberalization and facilitation of trade and investment will be promoted, a high level of opening up to the international community will be promoted. The Government Report to the National People’s Congress in March 2025 also states that “we will promote comprehensive model projects for the expansion of service liberalization, promote the orderly opening up of fields such as the Internet and culture, and expand trials of liberalization in fields such as telecommunications, healthcare, and education.” We expect that this direction of liberalization will be reflected in the revision of laws and regulations in the future, allowing foreign companies to contribute to the Chinese economy on a broader scale.

- Further relaxation of the Special Management Measures on the Entry of Foreign Investment (Negative List) (Part 2, Chapter 2, Investment ⑥)
- Relaxation of entry restrictions by laws and regulations other than the negative list (Part 2, Chapter 2, Investment ⑦)
- Establishment of a system for deregulation (Part 2, Chapter 2, Investment ⑧)
- Considerations for the participation of Japanese companies in environmental projects (Part 2, Chapter 7, Energy saving / Environment ⑦)
- Deregulation on foreign companies and foreign content entering the Chinese market (Part 3, Chapter 5-3. Content ①②③)
- Full opening up of outbound travel business by wholly foreign-owned travel agencies to Chinese citizens (Part 3, Chapter 9-1. Travel ⑥)

(3) Improvement and facilitation of administrative predictability and transparency

In the 14th Five-Year Plan, it was emphasized to deepen “Fang · Guan · Fu Reform” (reform to streamline administration, delegate powers, and improve regulation and services) and to streamline administrative permits. Regulations under the law are underway, and we expect that appropriate legislation and enforcement will be promoted.

It is only natural for the Chinese government to change regulations and systems as it pursues “Chinese-style modernization” and “reform and opening up”. When implementing changes to regulations and systems, we propose that sufficient preparation time be given, and that consideration be given to the timing of information disclosure and specific implementation methods, such as posting the information in writing on the website in advance. When formulating policies, laws, and plans, it is still necessary to exchange information with related industries, including foreign companies, and to proceed with adequate coordination with government agencies of the countries concerned, as well as to develop regulations such as implementation guidelines, and clarify interpretations and contact points for inquiries. In order for Japanese companies to properly comply with laws and regulations, we propose that the enforcement aspects, such as monitoring and crackdowns by the authorities, be operated based on uniform standards, regardless of whether they are domestic or foreign-affiliated, rather than arbitrary actions by individual officials. In addition, we propose that when administrative guidance, etc., is given to companies, explanations be provided in writing, etc., showing the basis for the violation of laws, regulations, data, etc. on which the guidance is based.

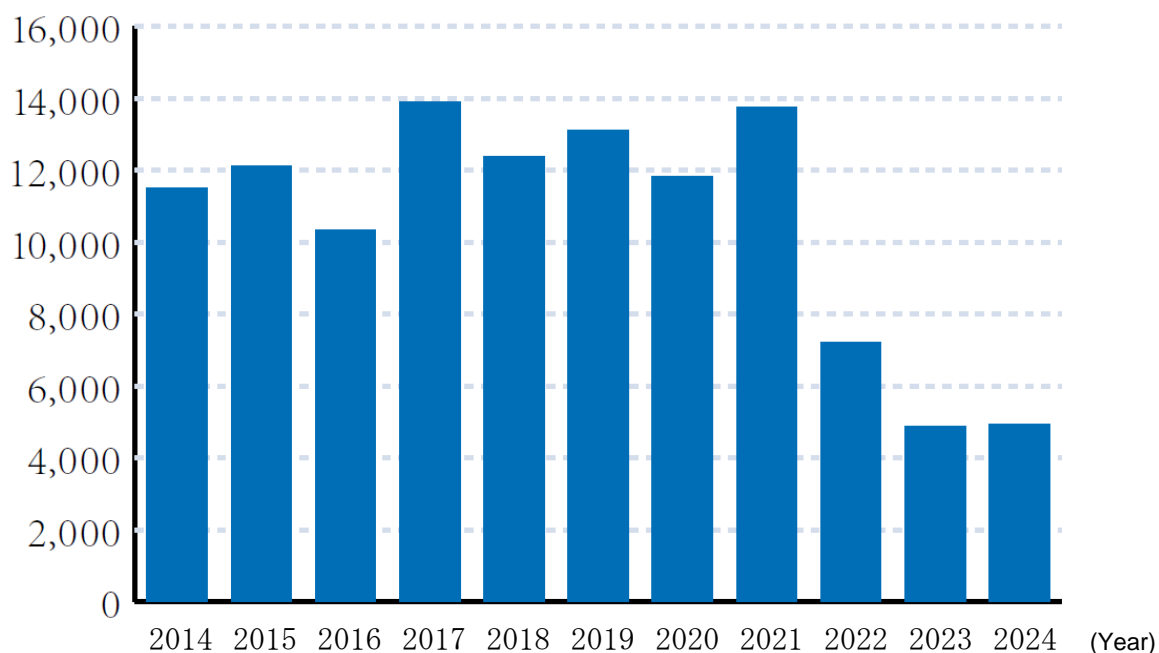
- Unified interpretation of customs rules and regulations, and enhanced uniform application of these rules and regulations

(Part 2, Chapter 1, Trade ⑤)

- Fair and transparent operation of “Provisions on the Unreliable Entity List” (Part 2, Chapter 2, Investment ③)
- Continuous and ongoing publication of statistical and survey data (Part 2, Chapter 2, Investment ⑯)
- Provision of unified information on corporate support measures (Part 2, Chapter 2, Investment ⑰)
- Consistent and fair application of tax rules (Part 2, Chapter 4, Taxation and Accounting ①⑫⑬)
- Permanent tax exemption for foreign nationals (Part 2, Chapter 4, Taxation and Accounting③)
- Normalization of visa exemption policy for Japanese nationals (Part 2, Chapter 5, Labor Service ①)
- Implementation of market surveillance in accordance with international standards in product safety standard GB 4943.1-2022 (Part 3, Chapter 4-8. Consumer Electronics ⑤)
- Consideration for companies in the establishment and operation of information security systems, including important data (Part 3, Chapter 5-1. Information and Communications ③)
- Early nationwide implementation of the long-term care insurance system (Part 3, Chapter 10, Elderly people-related services/industries ②)

Figure 1: Japan’s Investment in China

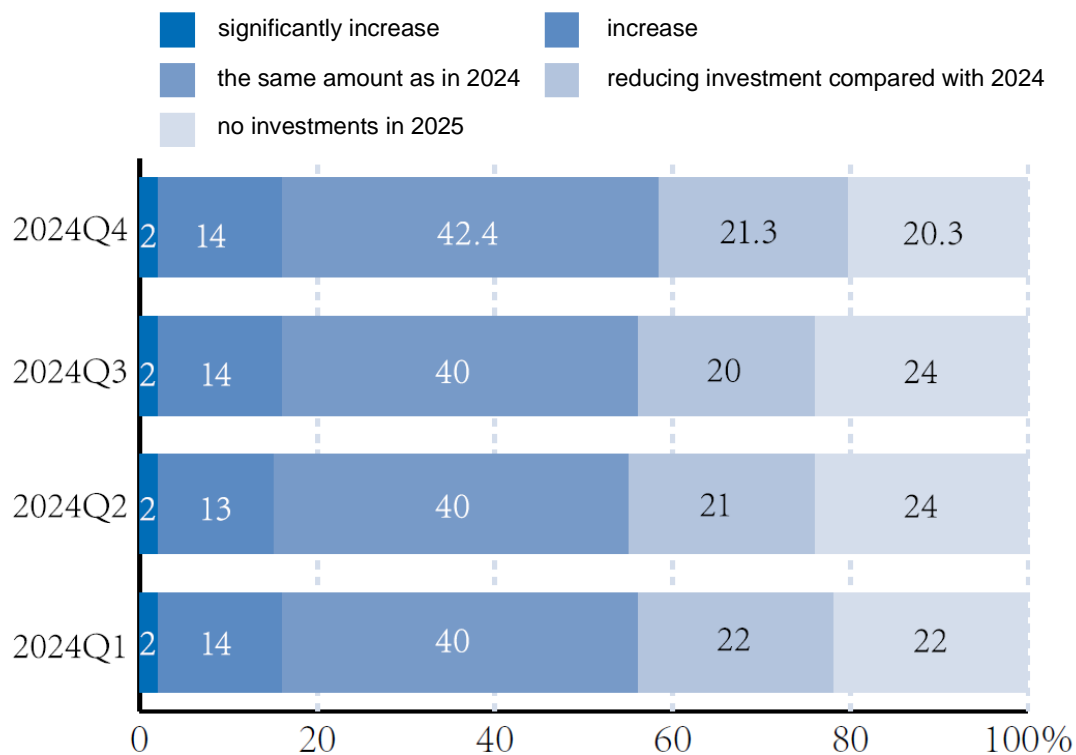
(100 million yen)



Note: Figures for 2024 are preliminary.

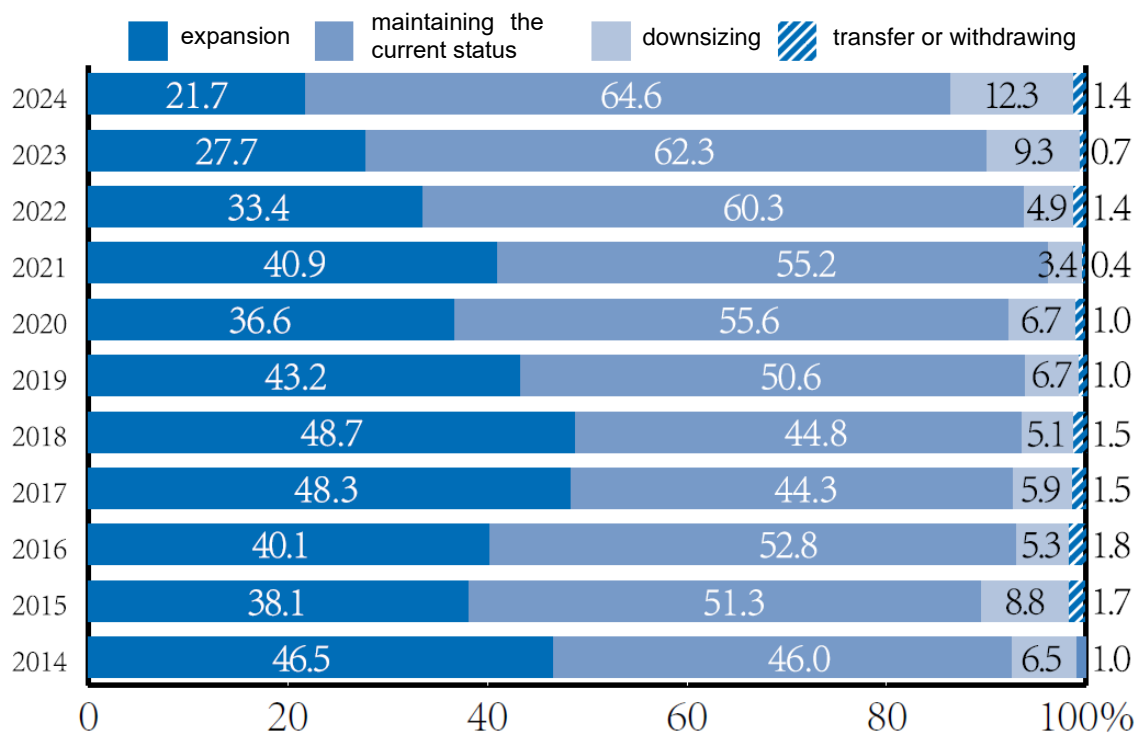
Source: Ministry of Finance

Figure 2: Investment in 2025 compared to the previous year



Source: The Japanese Chamber of Commerce and Industry in China, "Results of the 6th Questionnaire on the Economic and Business Environment Perceptions of Member Companies"

Figure 3: Japanese Companies in China - Business Expansion in the Next 1-2 Years



Source: JETRO, "Survey on Business Conditions for Japanese Companies Operating Overseas"