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38.04.01 Economics
International Economics and Business

GRADUATION THESIS

on

Trends and development prospects of modern enterprises in China

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ASSIGNMENT
FOR THE GRADUATION THESIS OF

Master's degree student Guo Qian, group 24ЭЭВам1, full-time mode of study

- 1 The topic of the graduation thesis: "Trends and development prospects of modern enterprises in China"

was approved by the university order
dated «___» _____ 20___ no. _____

- 2 The deadline for the Master's degree student to complete the graduation thesis is 15.06.2026.

3 The input data for the graduation thesis is the regulatory and legal framework, scientific literature and reference books, and Internet data.

- 4 The list of issues to be studied includes current Development Environment and Challenges of Chinese Joint Ventures.

5 The list of visuals contains tables and figures.

6 The date of setting the assignment is 8.10.2024.

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Schedule for completing the graduation thesis

№ п/п	Content of the thesis	Deadline for completion	Due date, signature of the academic adviser
First year of study			
1	Substantiating of the research topic and methodology, subject and object of research	1.09.2024 – 31.10.2024	
2	Framing the scientific concept of research	1.11.2024 – 18.12.2024	
3	Collection of scientific literature for the thesis	19.12.2024 – 15.01.2025	
4	Substantiating the relevance, concept, and novelty of the research	16.01.2025 – 19.02.2025	
5	Framing of a detailed plan and layout of the research	20.02.2025 – 12.03.2025	
6	Studying new literature sources within the topic of the thesis	13.03.2025 – 26.03.2025	
7	Conducting theoretical research within the first chapter of the thesis	27.03.2025 – 30.04.2025	
8	Preparing the first chapter of the thesis	1.05.2025 – 30.06.2025	
Second year of study			
9	Conducting analytical research within the second chapter of the thesis	1.09.2025 – 22.10.2025	
10	Preparing the second chapter of the thesis	23.10.2025 – 24.12.2025	
11	Conducting analytical research within the third chapter of the thesis	25.12.2025 – 25.02.2026	
12	Preparing the third chapter of the thesis	26.02.2026 – 21.04.2026	
13	Preparing the introduction and conclusion	22.04.2026 – 12.05.2026	
14	Completing the graduation thesis	13.05.2026 – 27.05.2026	
15	Handing in the thesis for compliance control and antiplagiat	28.05.2026 – 11.06.2026	
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17	Presenting the written thesis	15.06.2026	

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Summary

The graduation thesis comprises 86 pages, 3 chapters, 15 figures, 11 tables, 60 sources.

CHINESE JOINT VENTURES, MARKET, INDUSTRIAL TRANSFORMATION

The goal of work is to study joint venture enterprises within core track industries covering advanced manufacturing, new energy industry and modern producer

The methodological framework of the paper is formed by the complex of theoretical and practical methods such as literature review method, comparative analysis method, case study method, statistical data analysis, economic model analysis, inductive and deductive reasoning.

The results of research include: assist joint venture management teams in defining clear transformation paths and resolving daily governance and operational obstacles, and provide empirical references for governmental departments to optimize differentiated foreign investment policies and construct a standardized, internationalized and market-oriented business environment for foreign-funded cooperative enterprises

The recommendations on disseminating and applying the results are as follows: development orientation in the context of double circulation and digital economy.

The theoretical relevance of the thesis is established by paradigm of Sino-foreign economic cooperation and modern joint venture corporate governance.

The target of research can be further explored through the purpose of the study can be further explored through the dual heterogeneous effects of macro-institutional policies and changes in market competition on the day-to-day operation of joint ventures; identifying differentiated competitive advantages and inherent operational dilemmas of joint ventures in a new era of market competition; industrial development forecasts and trends.

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Introduction

Against the backdrop of China's high-quality economic development and global industrial chain restructuring [22], Sino-foreign joint ventures have long transcended their initial functional positioning as a basic carrier for foreign capital introduction, evolving into core participants undertaking technological innovation, industrial upgrading and bilateral international economic cooperation. Since China's reform and opening-up, Sino-foreign joint ventures have played an indispensable role in activating domestic commodity and factor markets, facilitating the localized development of advanced manufacturing sectors, and promoting two-way exchange of modern enterprise management philosophies and operational experience between Chinese and foreign parties [30]. However, along with the steady improvement of China's endogenous independent innovation capability, institutional optimization of foreign investment supervision rules, and profound restructuring of global cross-border trade and investment patterns [53], the traditional "market-for-technology" cooperative development model of joint ventures has gradually lost its adaptability to the new-stage market rules [1]. A set of multidimensional operational dilemmas have surfaced, including homogenized market competition, iterative upgrading of industry compliance policies, frictional transformation of Sino-foreign shareholder cooperative relations, and asymmetric technology control by multinational parent enterprises [24].

Meanwhile, nationwide digital industrial transformation, global green low-carbon strategic layout, and deepened factor integration between domestic industrial chains and overseas high-end resources have comprehensively reshaped the external development

ecology and competitive logic of Sino-foreign joint ventures. Driven by superimposed opportunities and risks, joint ventures have entered a critical period of kinetic energy conversion and structural transformation. Based on this realistic evolutionary context, this study conducts systematic research on the current operational predicaments and future high-quality development prospects of domestic joint ventures, which fits the realistic demands of current national economic upgrading and high-level opening-up strategy [29]. The research findings can respond to the practical transformation bottlenecks confronted by joint venture entities in the new era, fill the research gap on targeted innovative development and trend prediction of joint ventures under dual-circulation development pattern, and provide theoretical basis and actionable references for the long-term sustainable operation of joint ventures as well as the rational optimization of China's overall foreign investment spatial and industrial layout.

This study selects Sino-foreign joint venture enterprises within core track industries covering advanced manufacturing, new energy industry and modern producer service industry as research objects, and takes their internal dual-subject governance mechanisms, external macro influencing factors and long-term evolutionary development trends as the core research scope. Distinguished from extant empirical studies that merely focus on joint venture operational performance, policy adaptability or unilateral benefit distribution, this research prioritizes the new-stage transformation logic of joint venture organizations. It focuses on how Sino-foreign cooperative modes, long-term technological R&D layouts, and domestic-overseas market deployment strategies adapt to changing bilateral domestic and international economic environments, as well as updated global investment rules [42, 44].

The overall research objective of this paper is to clarify the current development characteristics and core restrictive bottlenecks of Sino-foreign joint ventures, scientifically predict their medium and long-term development evolution trends, and propose hierarchical and targeted optimization strategies to facilitate their high-quality sustainable development. To fulfill the research objective, this paper adopts progressive research logic: it firstly sorts out staged evolutionary characteristics of joint venture development models in different opening-up cycles; secondly, analyzes the dual heterogeneous impacts of macro institutional policies and market competition changes on joint venture daily operation; thirdly, identifies differentiated competitive advantages and inherent operational dilemmas of joint ventures amid new-era market competition; ultimately, forecasts mainstream industrial development trends and formulates multi-dimensional developmental countermeasures.

This research possesses prominent theoretical and contextual novelty compared with existing relevant literature. Most prior studies focus on the early scale expansion and passive technology introduction mode of joint ventures in the initial opening-up stage, while few scholars launch systematic research on joint venture transformation paths and future developmental orientation under the dual-circulation framework and digital economy context. This research incorporates frontier developmental demands including digital organizational innovation and green low-carbon transformation into the unified analytical framework, combines the latest official industry statistical data and industrial realistic characteristics to dissect heterogeneous developmental potential of joint ventures across segmented industries, which effectively improves the completeness of relevant theoretical research system. In terms of research significance, this study theoretically

enriches the research paradigm of Sino-foreign economic cooperation and modern joint venture corporate governance [9, 20]. Practically, its conclusions assist joint venture management teams in defining clear transformation paths and resolving daily governance and operational obstacles, and provide empirical references for governmental departments to optimize differentiated foreign investment policies and construct a standardized, internationalized and market-oriented business environment for foreign-funded cooperative enterprises [48].

Chapter 1 Overview of Chinese Joint Ventures

1.1 Development history and current status of Chinese joint ventures

Against the background of deepening global economic integration and China's persistent strategy of comprehensive opening-up, transnational investment and cross-border industrial collaboration have become indispensable pillars supporting global economic prosperity and national industrial transformation. Among all forms of foreign investment utilization in China, Sino-foreign joint ventures represent the most representative, long-standing and institutionally mature cooperative model [30]. For more than four decades, joint ventures have acted as a critical two-way bridge connecting China's domestic economic system with global capital markets, industrial chains, technological systems and brand marketing networks. Unlike purely domestic enterprises that operate only relying on local resources and policies, or wholly foreign-owned enterprises that maintain independent overseas management systems, Sino-foreign joint ventures realize the organic integration of international high-end factors and localized operational advantages [3]. They introduce foreign capital, cutting-edge core technologies, standardized modern management systems, mature international brand operation experience and global market channel resources into China, while relying on China's super-large consumer market, complete industrial supporting facilities, abundant high-quality labor resources, sound infrastructure and progressive industrial policies to create mutually beneficial and win-win market value for both Chinese and foreign

investors. From a macro strategic perspective, the development of Sino-foreign joint ventures has profoundly promoted China's economic system reform, marketization process and industrial modernization construction [15]. In the early stage of reform and opening up, joint ventures broke the closed and rigid structure of the planned economy, brought advanced market operation mechanisms and enterprise management concepts, and cultivated a large number of modern enterprise management talents and industrial technical talents for China. In the middle and late stages of development, joint ventures continuously promoted the optimization and upgrading of China's industrial structure, accelerated the localization and digestion of imported advanced technologies, and promoted the iterative progress of upstream and downstream supporting industries. In the current era of high-quality economic development and global industrial chain restructuring, joint ventures have further evolved into an important carrier of Sino-foreign technological innovation cooperation, global resource allocation and high-end industrial docking [54], undertaking the new mission of promoting industrial upgrading, technological breakthroughs and high-level opening-up. At present, the global economic and geopolitical environment is undergoing profound and complex changes [45]. The slowdown of global economic growth, the restructuring of global industrial and supply chains, the rise of trade protectionism and unilateralism, intensified international technological competition, and frequent regional geopolitical conflicts have all brought unprecedented external uncertainties to the development of transnational investment and joint ventures. Domestically, China's economic development has shifted from the stage of high-speed growth relying on factor input to the stage of high-quality development driven by innovation. The country's demand for foreign investment has also undergone a

fundamental structural change: from the initial demand for making up capital shortages and introducing basic production technologies to the current demand for absorbing global innovative technologies, high-end management mechanisms, international brand resources and global industrial chain layout capabilities. The traditional extensive joint venture cooperation model dominated by low-end manufacturing and simple assembly can no longer adapt to the new development environment [35]. Therefore, an in-depth and comprehensive review of the basic connotation, classification system, historical evolution, current development status, core operational characteristics and mainstream business models of Chinese joint ventures is not only a necessary theoretical premise for analyzing their future development prospects, but also a practical basis for exploring the transformation difficulties, operational dilemmas and innovative optimization paths of joint ventures in the new era. Based on systematic theoretical sorting and practical situation analysis, this chapter builds a complete cognitive system of Chinese joint ventures, laying a solid foundation for subsequent in-depth research.

The development history of Sino-foreign joint ventures is a complete microcosm of China's reform and opening-up process and economic transformation and upgrading [15]. It is highly synchronized with the whole process of China's transition from a closed planned economy to an open market economy, from factor-driven extensive growth to innovation-driven high-quality development. Over the past 40 years, driven by national policy adjustments, global economic environment changes, domestic industrial upgrading needs and changes in Sino-foreign economic and trade relations, the development of Chinese joint ventures has experienced four progressive, staged and distinctive evolutionary stages. Each stage has unique policy background, market environment,

industrial layout and operational characteristics, and each stage undertakes different historical missions and development functions. Combing the historical evolution context is conducive to deeply grasping the internal development laws of joint ventures, recognizing their historical contribution and existing deficiencies, and accurately judging their future development trends and transformation directions. To visually reflect the changing trend of newly approved joint venture quantity from 2015 to 2025, the historical statistical data is sorted into figure 1.

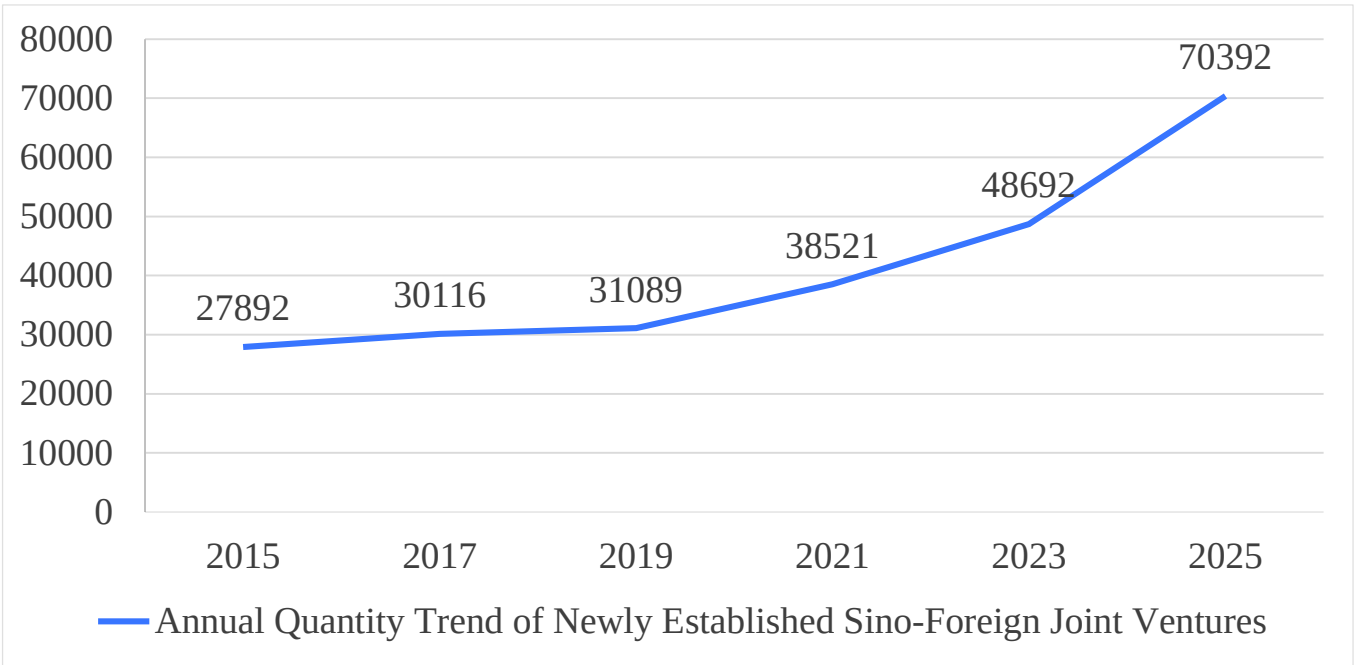


Figure 1 – Annual Quantity Trend of Newly Established Sino-Foreign Joint Ventures
(2015–2025)

Note: Data source: Ministry of Commerce of China annual foreign investment bulletin (2025). Data only includes Sino-foreign equity & contractual joint ventures.

The initial exploratory stage spans from 1978 to 1991. In the early stage of reform and opening up, China’s economic foundation was extremely weak, with backward

industrial technology, single product structure, serious shortage of construction funds, low labor productivity and a serious lack of modern enterprise management experience. The long-term closed economic environment led to the solidification of the domestic industrial structure and the backwardness of market operation mechanisms, which seriously restricted the development of social productivity. To break the closed development dilemma, activate domestic market vitality, make up for the shortage of capital and technology, and learn from international advanced production and management experience, the Chinese government took the lead in opening up coastal areas and exploring the development of Sino-foreign joint ventures as a core measure of foreign capital introduction. In 1979, China promulgated the first special legal document for foreign investment cooperation, the Law of the People's Republic of China on Chinese-Foreign Joint Ventures [37], which officially clarified the legal status, establishment conditions, investment norms and basic operating rules of joint ventures, ending the blank of foreign investment legal system in China and laying a fundamental legal foundation for the standardized emergence and initial development of joint ventures. Limited by the national economic strength, low opening-up level and immature market environment at that time, the development of joint ventures in this stage showed obvious characteristics of small scale, single structure, regional concentration and low-end industrial positioning. Joint venture projects were mainly concentrated in special economic zones and coastal open cities such as Shenzhen, Zhuhai, Shantou and Xiamen. The total number of enterprises was small, the single investment scale was low, and the industrial layout was highly single, mainly focusing on labor-intensive processing industries such as textile processing, toy manufacturing, small commodity assembly and daily commodity production. Foreign

investors mainly invested in China relying on China's ultra-low-cost labor resources, preferential tax policies and low land costs, with the core purpose of reducing global production costs and expanding international market share. Chinese local partners mainly provided factory buildings, production sites, basic labor and land resources, and were in a passive resource participation position. They had low participation in enterprise strategic decision-making, core technology research and development and modern management, and lacked independent right of speech and innovation capacity. The core historical mission of joint ventures at this stage was to break the closed economic situation, accumulate initial industrial development funds, introduce basic production technologies and modern enterprise management concepts, cultivate primary industrial workers and market talents, and lay a preliminary foundation for the take-off of China's manufacturing industry and market economy development. The rapid expansion stage ranges from 1992 to 2001. The southern tour speech in 1992 completely broke the ideological constraints of the planned economy, clarified the direction of market economy reform, and opened a new chapter for China's comprehensive reform and full-scale opening-up. The country comprehensively expanded the scope of market opening from coastal areas to inland cities, launched a series of highly attractive preferential policies for foreign investment including tax reduction and exemption, land price concessions, financial support and administrative convenience, and greatly optimized the foreign investment business environment. The continuous release of policy dividends and the huge untapped potential of China's consumer market greatly stimulated the investment enthusiasm of global foreign investors and multinational corporations. During this decade, the number of newly established Sino-foreign joint ventures, total foreign investment scale, project coverage scope and

industrial diversity achieved explosive growth, and joint ventures quickly became the most important carrier of foreign capital entering the Chinese market. In this stage, the industrial layout of joint ventures achieved a comprehensive breakthrough from low-end labor-intensive industries. Joint venture investment gradually expanded to capital-intensive and technology-intensive fields such as machinery manufacturing, electronic information, household appliance production, petrochemical industry, automobile parts manufacturing and basic material production. A large number of world-renowned multinational corporations began to carry out large-scale industrial layout in China through joint venture cooperation [9]. Foreign investors no longer simply pursued low-cost production and processing, but began to pay attention to the long-term development potential of the Chinese market, gradually transferring mature production lines, mid-end manufacturing links and complete product systems to China. Chinese local enterprises further improved their production technology level, process standard and enterprise management experience through cooperative learning and technology digestion, and initially formed independent industrial supporting capacity for foreign-funded projects. The rapid development of joint ventures in this period strongly promoted the rapid expansion of China's industrial scale, the continuous enrichment of product categories, the rapid growth of import and export trade, and the initial formation of China's complete manufacturing system, laying a solid industrial foundation for China's further integration into the global industrial chain and supply chain, and making China gradually become an important global processing and manufacturing base. The standardized and mature development stage covers 2002 to 2019. After China's formal accession to the World Trade Organization in 2001, the country fully integrated into the global economic and trade system, completely connected with

international investment rules and trade norms [57], and the development of joint ventures bid farewell to the extensive growth mode relying solely on policy dividends and entered a new stage of institutionalization, standardization, transparency and high-quality development. To adapt to WTO rules and international investment competition requirements, the Chinese government comprehensively revised and improved foreign investment laws and regulations, abolished differential treatment for foreign investors, fully implemented national treatment for foreign capital, and continuously shortened the negative list of foreign investment access [39]. The market access threshold of finance, manufacturing, service industry and other key fields was significantly reduced, and the openness, transparency and standardization of the foreign investment environment were greatly improved. The development of joint ventures no longer relied on simple policy preferences, but depended more on market-oriented resource allocation and industrial competitive advantages. During this period, the development quality of joint ventures was significantly improved, and the industrial structure was continuously optimized and upgraded. Low-value-added, high-consumption and high-pollution low-end processing joint ventures were gradually eliminated, transformed and upgraded, while high-end manufacturing, modern service industry and technology R&D cooperation projects became the mainstream of joint venture investment. Multinational corporations began to transfer high-end manufacturing links, product research and development links, brand operation links and regional market operation centers to China through joint ventures. The localization degree of joint ventures in production, R&D, sales and management was continuously improved. The cooperative relationship between Chinese and foreign parties changed from simple production and processing cooperation to in-depth industrial chain

cooperation, technical research and development cooperation and brand co-construction cooperation [56]. Chinese partners gradually accumulated independent technological innovation capabilities, modern management experience and international market vision, and their voice, influence and dominant position in joint venture governance were significantly enhanced. Joint ventures in this stage not only promoted the overall upgrading of China's industrial structure and the optimization of economic operation quality, but also played an important role in cultivating domestic high-end professional talents, optimizing the domestic market competition mechanism, promoting the docking of domestic industrial standards with international standards, and accelerating the marketization, internationalization and modernization of China's economy. The high-quality transformation and innovation-driven development stage began in 2020 and continues to the present. The official implementation of the unified Foreign Investment Law in 2020 [38, 32] marks a comprehensive institutional upgrade of China's foreign investment management system, ending the long-term dual legal management mode of equity and contractual joint ventures, realizing unified supervision, equal protection and standardized development for all joint venture enterprises [58], and further optimizing the institutional environment for high-quality development of joint ventures. At the same time, against the background of global industrial chain restructuring, intensifying international technological competition, rising global economic uncertainties and China's implementation of a domestic and international dual-cycle development strategy, the development positioning, core connotation and cooperative mode of Sino-foreign joint ventures have undergone fundamental strategic changes. The traditional extensive cooperation mode of "foreign capital + foreign technology + domestic low-cost labor +

domestic market” is gradually fading out of the mainstream market. Modern joint venture cooperation focuses more on in-depth integration of technological innovation, intellectual property co-creation, international brand joint operation, global resource optimal allocation and industrial chain collaborative development. Strategic emerging industries such as new energy, new materials, artificial intelligence, biomedicine, digital economy, high-end intelligent equipment and semiconductor technology have become the core hot fields of joint venture investment and layout [36]. Foreign investors pay more attention to China’s innovative ecological advantages, high-end talent resources and complete industrial supporting capabilities, and focus on building innovative cooperative platforms in China to undertake global cutting-edge technology research and product iteration.

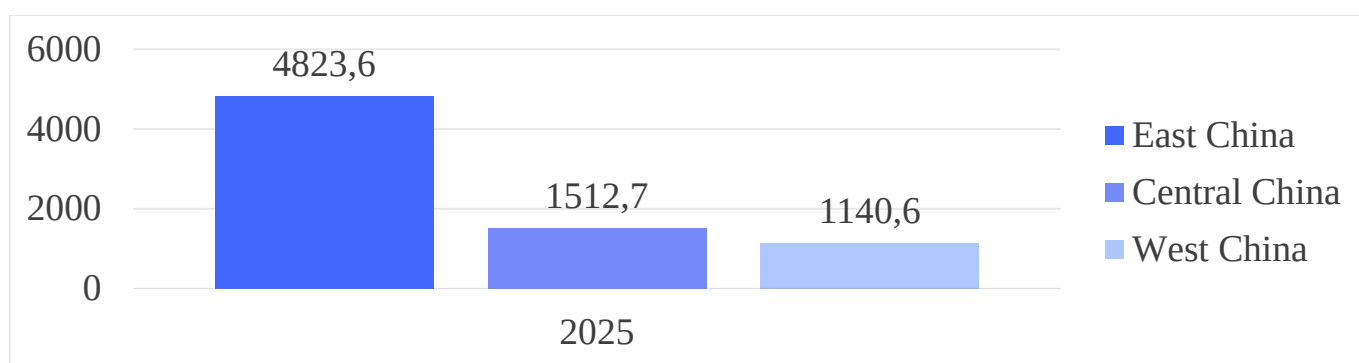
Chinese partners focus on absorbing global cutting-edge technologies, innovative mechanisms and high-end management models through joint venture cooperation to realize independent technological breakthroughs and industrial upgrading. Joint ventures have completely transformed from a simple capital cooperation carrier and processing and production platform into an important platform for Sino-foreign technological innovation cooperation and high-end industrial docking [12], opening a new era of innovation-driven high-quality development. In terms of current overall development status, Chinese joint ventures have formed a mature, stable, diversified and high-quality multi-dimensional development pattern. To intuitively reflect the annual fluctuation of newly-established joint ventures and actual utilized foreign capital in recent years, historical statistical data from 2020 to 2025 is sorted into table 1.

Table 1 – Newly Established Joint Ventures & Actual Utilized Foreign Capital of Chinese Joint Ventures (2020–2025)

Year	Newly-established Joint Venture Quantity	Actual Utilized Foreign Capital (100 million RMB)	Year-on-Year Change of Paid-in Capital
2020	32156	9998.0	+6.2 %
2021	38521	11496.0	+15.0 %
2022	41348	12326.0	+7.2 %
2023	48692	11340.0	-8.0 %
2024	52736	8925.0	-21.3 %
2025	70392	7476.9	-9.5 %

Note: Statistical data sourced from Ministry of Commerce of China (2025), only Sino-foreign joint venture enterprises are counted, excluding wholly foreign-owned and domestic private firms.

To further compare the regional investment disparity of joint ventures between Eastern, Central and Western China in 2025, figure 2 is compiled for cross-region comparison.



(Unit: 100 million RMB)

Figure 2 – Regional Actual Utilized Foreign Capital of Joint Ventures in China (2025)

Note: Data source: National Bureau of Statistics regional foreign investment report, 2025.

In terms of investment scale and market confidence, although the global economy has been under continuous downward pressure in recent years, coupled with geopolitical conflicts, international trade frictions, cross-border capital flow fluctuations and global industrial chain transfer trends [53], China's complete industrial supporting system, super-large-scale consumer market, stable social and economic environment, perfect infrastructure and continuously optimized business environment still maintain strong global competitiveness and investment attractiveness. The scale of foreign capital actually utilized by Chinese joint ventures remains stable at a high level, and the number of newly registered high-quality joint venture projects in emerging industries maintains a steady growth trend. Global multinational corporations and international investors' long-term strategic confidence in investing and developing in China is sufficiently firm, and China has always been one of the most core and stable investment destinations for global foreign capital. In terms of investment source structure, the investor composition of joint ventures

has realized comprehensive global diversification. To display the source proportion of foreign capital of joint ventures in 2025, Figure 3 is listed below.

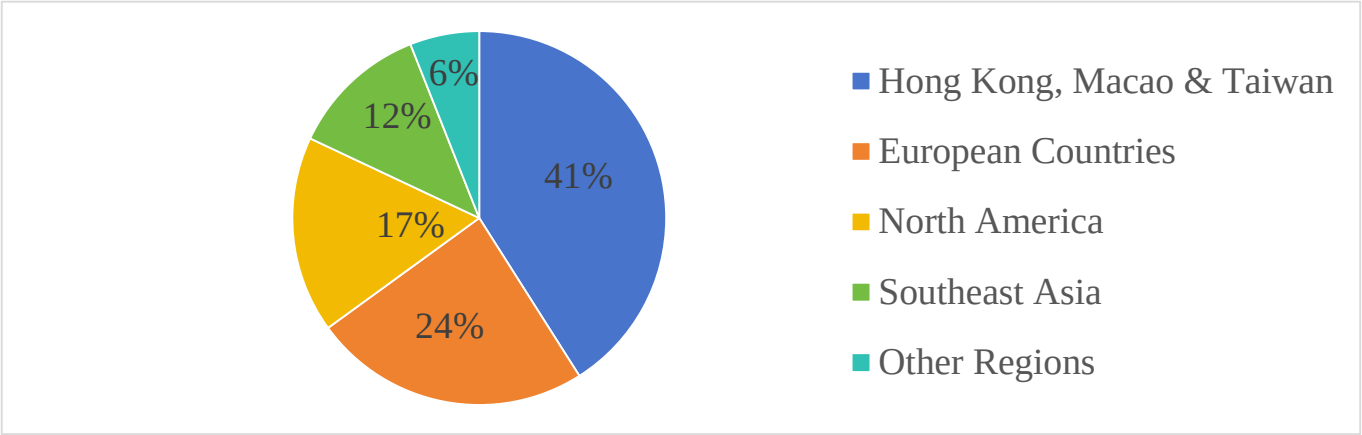


Figure 3 – Source Proportion of Foreign Investors for Chinese Joint Ventures (2025)

Note: Ministry of Commerce of China Foreign Investment Source Statistics (2025).

In the early stage of reform and opening up, joint venture investors were mainly concentrated in Hong Kong, Macao, Taiwan and neighboring Asian regions such as Japan and South Korea, with a single investment source structure and relatively concentrated regional risks. At present, the investment sources of joint ventures have fully covered Europe, North America, Oceania, Southeast Asia, the Middle East and other major global economic and investment regions, forming a diversified investment pattern with multiple sources, wide coverage, balanced structure and decentralized risks. The diversification of investment sources further optimizes the industrial structure of joint ventures, enriches the types of cooperative technologies and management modes, and enhances the stability, internationalization level and risk resistance capacity of China’s joint venture economy. In terms of industrial structure distribution, the high-end, intelligent and innovative upgrading trend of joint ventures is extremely prominent. Traditional labor-intensive and

low-end processing joint ventures are accelerating transformation and upgrading, actively eliminating backward production capacity, introducing intelligent production equipment and refined management systems, and moving towards high-value-added product manufacturing and brand-oriented operation. We set up table 2 to compare the proportion change of traditional manufacturing vs emerging industry joint ventures in 2015 and 2025.

Table 2 – Proportion Comparison: Traditional Manufacturing VS Emerging Industry Joint Ventures (2015 & 2025)

Industry Category	2015 Proportion	2025 Proportion	Change Range
Traditional Labor-intensive Manufacturing	62.4 %	35.8 %	-26.6 %
Strategic Emerging Industry	12.7 %	34.2 %	+21.5 %
Other Service & Primary Industry	24.9 %	30.0 %	+5.1 %

Note: Calculated from Ministry of Commerce annual industry investment database (2025).

The proportion of joint ventures in strategic emerging industries such as high-end equipment manufacturing, new energy vehicles, biomedicine, semiconductor materials, digital intelligence technology and green environmental protection equipment continues to

rise year by year, becoming the core growth engine of joint venture economic development. More and more top global multinational enterprises have set up regional R&D centers, innovative research laboratories, product iteration centers and Asia-Pacific regional headquarters in China through joint venture cooperation, realizing the deep integration of localized production, localized R&D, localized talent training and localized market operation [13]. Joint ventures have been deeply embedded in China's modern industrial system and innovation system, and have become an important force driving China's industrial upgrading and technological progress. In terms of regional layout, the long-term unbalanced development pattern of "strong east and weak west" has been effectively improved and gradually optimized. Eastern coastal provinces and cities such as Guangdong, Jiangsu, Zhejiang, Shanghai and Shandong have always been the core gathering areas of high-quality joint venture projects by virtue of superior geographical location, perfect infrastructure, complete industrial supporting facilities, dense talent resources and mature market operation atmosphere. In recent years, with the in-depth implementation of national regional coordinated development strategies such as western development, central China rise and northeast revitalization, the infrastructure construction, business environment optimization and industrial supporting capacity of central and western regions have been significantly improved [49]. Inland regions have actively undertaken the transfer of high-quality joint venture industrial projects in eastern regions, and attracted a large number of emerging industry joint venture projects to settle in. The number and scale of joint ventures in central and western China have increased rapidly, forming a nationwide multi-point layout, gradient development and coordinated progress pattern of joint ventures, and the regional development balance of joint ventures has been

significantly enhanced. In terms of operating performance and subject status, the overall operating quality, profitability and comprehensive market competitiveness of joint ventures have been steadily improved. Most joint venture enterprises maintain stable operating cash flow and strong profit level, with excellent market risk resistance capacity. They make important and irreplaceable contributions to national fiscal tax revenue, high-quality employment supply, import and export trade growth, industrial technological progress and regional economic development. More importantly, with the continuous improvement of independent innovation capability, comprehensive economic strength and international vision of Chinese domestic enterprises, the cooperative status and discourse power of Chinese partners in joint ventures have achieved a qualitative leap. From the initial passive resource contributors and local auxiliary operators, Chinese partners have grown into important participants, core decision-makers and even leading subjects in enterprise strategic layout, core technology research and development, product innovation iteration and modern management [59]. The Sino-foreign cooperative relationship has completed the transformation from “one-way introduction and learning” to “two-way interaction and co-creation and win-win”, and the cooperative level and development quality of joint ventures have been comprehensively improved.

1.2 Core characteristics and operational models of Chinese joint ventures

As a special cross-border cooperative economic entity formed by the integration of Chinese and foreign independent market subjects, Sino-foreign joint ventures have essential and fundamental differences in investment composition, internal governance

mechanism, resource allocation mode, market operation logic and risk control system compared with purely domestic state-owned enterprises, private enterprises and wholly foreign-owned enterprises [6]. After 40 years of long-term market exploration, institutional optimization, operational iteration and industrial upgrading, Chinese joint ventures have formed unique, distinctive and stable core operational characteristics. These inherent characteristics are determined by the dual-subject investment attribute and cross-border cooperative nature of joint ventures, not only constituting the unique competitive advantages of joint ventures in the Chinese market, but also deriving their inherent operational dilemmas and restrictive factors, which are the fundamental theoretical basis for analyzing their current development problems and future development prospects. First, Chinese joint ventures have a typical dual investment and dual balanced governance structure, which is the most essential organizational feature distinguishing joint ventures from other types of enterprises [28]. Different from the single-subject centralized governance mode of domestic enterprises and wholly foreign-owned enterprises, joint ventures are jointly funded and established by two independent investment subjects of Chinese and foreign parties with different institutional backgrounds, resource endowments and strategic orientations. The internal governance system of the enterprise is jointly constructed by representatives of both parties, forming a stable dual-center balanced governance pattern. The board of directors, as the highest decision-making body of the enterprise, is composed of directors appointed by Chinese and foreign investors in proportion to equity or agreed by contract. The senior management team including general manager, financial director, technical director and operation director is also jointly dispatched and appointed by both parties. All major enterprise behaviors involving

long-term strategic development layout, large-scale capital investment and financing, important personnel appointment and removal, internal institutional system reform, annual profit distribution scheme and major investment and merger decisions must be fully negotiated, professionally demonstrated and unanimously agreed by both Chinese and foreign parties before implementation. This dual governance mechanism organically integrates foreign advanced modern enterprise management systems, standardized operational processes, rigorous risk control systems, scientific decision-making mechanisms and global strategic vision with Chinese local market operation experience, policy adaptation capabilities, consumer demand insight and local government coordination advantages [25]. It can effectively avoid the management arbitrariness, one-sided decision-making and operational risks caused by single-subject monopoly governance, and help enterprises balance international operation standards and localized market demands. However, at the same time, the dual governance structure also brings inherent operational constraints. The inconsistent strategic cognition, different management concepts and differentiated interest demands between Chinese and foreign parties will increase internal communication costs and negotiation costs, easily lead to decision-making delays and operational efficiency losses, and even produce internal management conflicts and cooperative frictions in the face of major market changes and strategic adjustments [55], which is the most prominent institutional characteristic and inherent dilemma of joint venture governance. Second, efficient heterogeneous resource complementarity and synergy effect constitute the core source of sustainable competitive advantage of Chinese joint ventures. There are significant differences in resource endowments, core capabilities, functional positioning and development advantages

between Chinese and foreign investors, and the organic integration of these heterogeneous and complementary resources forms an irreplaceable competitive barrier for joint ventures in the market [2]. Foreign multinational investors have long-term accumulated global competitive advantages in technology, brand, management and channels through decades of global market layout.

They master the world's leading core production technologies, exclusive patented technologies, advanced production formulas and process standards, own well-known international brands, perfect global sales networks and mature cross-border operation systems, and have rich experience in global industrial chain layout, international market competition and cross-border risk prevention and control. By contrast, Chinese cooperating parties possess superior local tangible resources including land use rights, factory premises, complete upstream and downstream industrial supporting clusters, mature domestic logistics networks and low-cost high-quality industrial labor force, as well as intangible advantages such as in-depth grasp of China's industrial regulatory policies, domestic consumption preference characteristics, local government communication resources and offline terminal sales channels [30]. The complementary endowments of two investment sides effectively realize resource dislocation matching, reduce the comprehensive production and market development cost of joint ventures, and generate resource synergy benefits that cannot be achieved by solely foreign-owned or domestic private enterprises.

Table 3 – Core Resource Input Structure of Manufacturing Sino-Foreign Joint Ventures (2025)

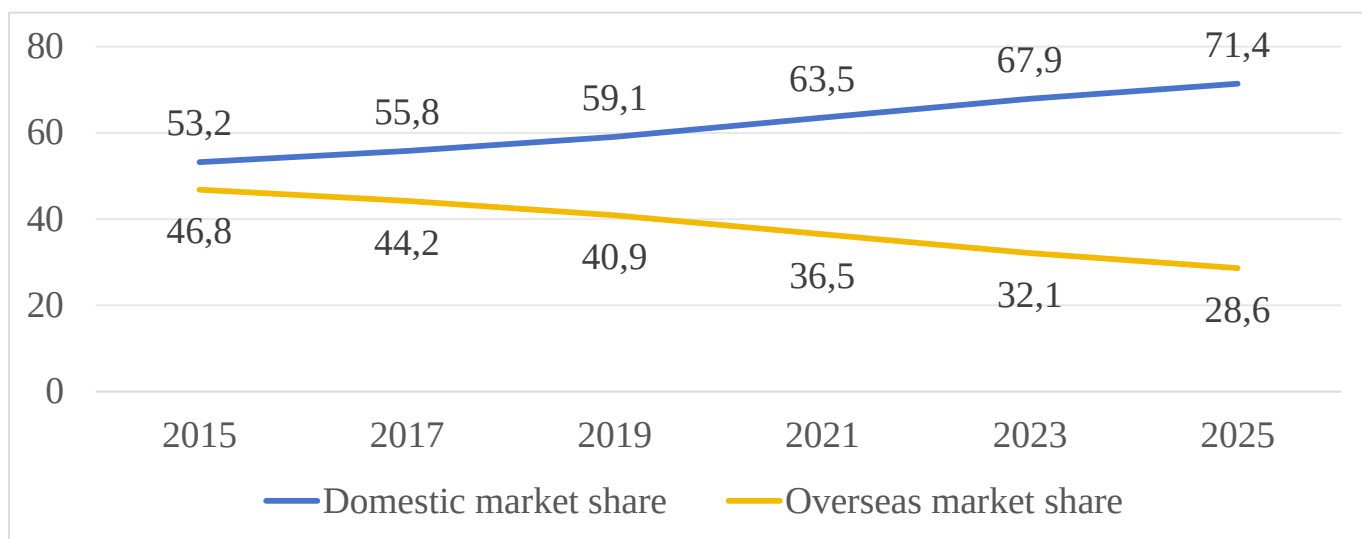
Resource Category	Foreign Investor Contribution Ratio	Chinese Investor Contribution Ratio
Core patented technology & production craft	82.7 %	17.3 %
International brand & overseas sales channel	79.2 %	20.8 %
Factory building & land-use right	3.5 %	96.5 %
Domestic market channel & policy coordination	2.1 %	97.9 %
Production operation labor & supporting auxiliary equipment	11.4 %	88.6 %

Note: Data Source: Special Research Report on Sino-Foreign Joint Venture Operation, Ministry of Commerce of P.R. China, 2025. Sample covers 320 representative manufacturing joint ventures nationwide.

To quantify the contribution difference of core input resources from Chinese and foreign investors in typical manufacturing joint ventures in 2025, Table 3 is compiled for comparative analysis.

Resource complementarity is the original driving force for the establishment of most joint venture projects [20], yet resource input imbalance will also trigger interest game in profit distribution in the long-run operation period, becoming one of the hidden restricting factors for stable cooperation between Chinese and foreign sides. Third, dual-market layout attribute covering domestic China market and global overseas market is another remarkable feature of modern Chinese joint ventures. Different from pure domestic enterprises focusing only on inland market demand and wholly foreign-owned factories built merely for export processing, most standardized joint ventures construct dual sales systems targeting both domestic consumption market and international overseas market. Foreign shareholders rely on their global multinational sales network to push joint venture's finished products to Europe, Southeast Asia, North America and other overseas markets. Chinese shareholders leverage local channel resources to rapidly penetrate domestic sinking market and middle-high end consumption market in China's first, second and third-tier cities (figure 4).

As China's domestic super-large consumer market releases continuous consumption potential, the sales proportion of joint venture products oriented to domestic market keeps rising year by year, while the proportion of export-oriented overseas business shows a steady downtrend, which directly drives joint ventures to adjust product R&D direction and production layout toward domestic demand customization. Fourth, joint ventures present obvious policy-sensitive characteristics affected by China's foreign investment regulatory policy and industrial development planning.



(Unit: %)

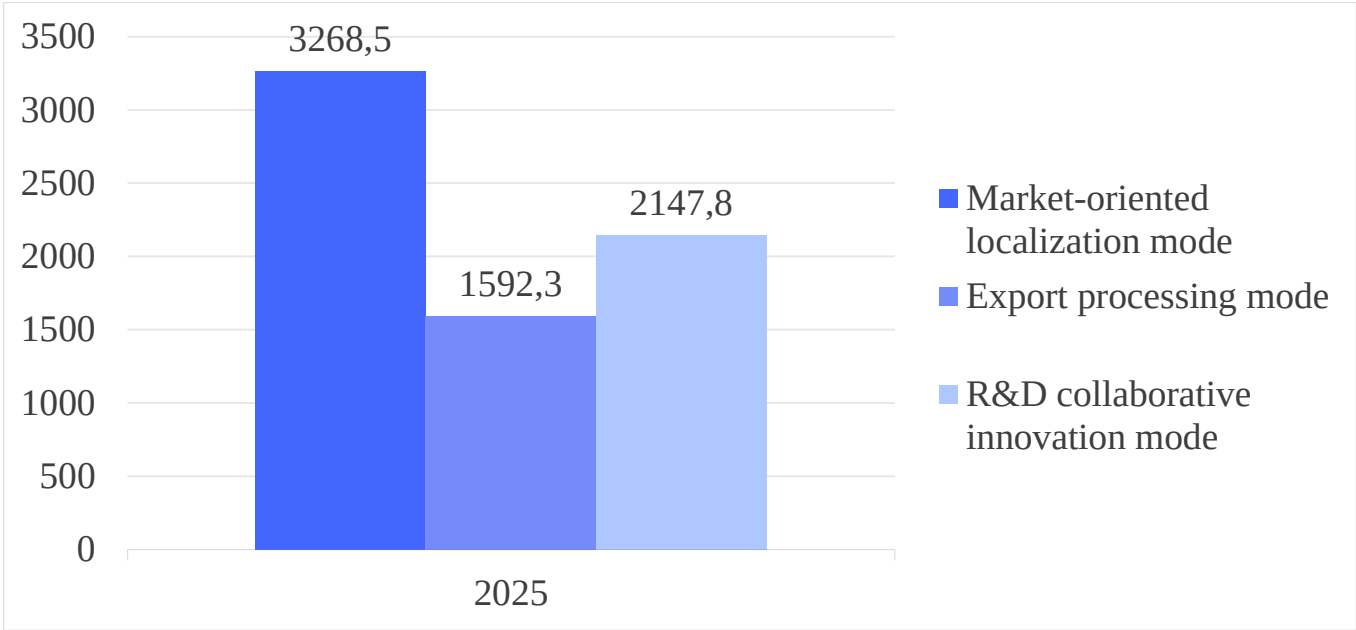
Figure 4 – Domestic & Overseas Sales Revenue Proportion Change of Joint Venture Enterprises (2015–2025)

Note: Data Source: National Bureau of Statistics of China, Annual Foreign-funded Enterprise Operation Statistical Bulletin, 2025.

The access threshold, preferential tax standard, equity restriction requirement and financing support policy of joint ventures change synchronously with the revision of foreign investment negative list and industrial guidance catalogue [40]. When China expands opening-up scope of service industry and high-end manufacturing, newly-established joint venture quantity in corresponding fields will usher in rapid growth; when restrictive adjustment on high-pollution, high-energy-consumption industries is carried out, traditional processing joint ventures will face transformation or elimination pressure [34].

Four mainstream operational modes of Chinese joint ventures. After decades of market evolution, Chinese joint ventures have gradually formed four mature mainstream operation modes based on differences in cooperation purpose, profit source and resource

allocation: market-oriented localization operation mode, export-oriented processing manufacturing mode, R&D collaborative innovation mode and project phased cooperative operation mode. The development scale of four operation modes varies greatly across different industrial segments and regions. To visually compare the actual utilized foreign capital scale of four operation modes in 2025, figure 5 is set.



(Unit: 100 million RMB)

Figure 5 – Actual Utilized Foreign Capital Scale by Four Joint Venture Operation Modes
(2025)

Note: Data Source: Investment Promotion Department, Ministry of Commerce, classified statistics on joint venture operation types, 2025.

First, market-oriented localization operation mode is the most mainstream development model for current large-scale joint ventures, widely adopted in automobile manufacturing, household appliances, daily chemical, medical consumption and food

industry. The core development logic of this mode is that foreign investors input core technology and brand resources, Chinese side provides local production base and terminal sales channels, all finished products are mainly put into China's domestic consumer market to obtain sales profit. In recent years, with continuous expansion of China's middle-income group, this model's investment scale maintains the first place among all joint venture operation types. Second, export-oriented processing manufacturing mode took the dominant position in early reform and opening-up period, mainly concentrated in coastal eastern provinces, focusing on textile, electronic component assembly, toy and light industry manufacturing. Raw materials and key spare parts are imported from overseas parent companies of foreign investors, finished products are re-exported to global markets, and joint ventures earn stable processing fees. Affected by rising domestic labor cost and global industrial chain shift [54], the investment scale of this mode has shrunk continuously in recent ten years, gradually transferring partial production capacity to central and western inland areas. Third, R&D collaborative innovation mode is the fastest-growing emerging operation mode after 2020, concentrated in new energy vehicles, biomedicine, semiconductor, artificial intelligence and new material strategic emerging industries. Chinese and foreign parties jointly set up specialized R&D center within joint venture companies, jointly invest in forward-looking technology research and development, share R&D achievements and intellectual property rights, and realize industrial transformation of innovative technologies [56]. Driven by China's high-quality development strategy and opening-up of high-end manufacturing, the number of such innovative joint ventures increases year by year. Fourth, project phased cooperative operation mode corresponds to aforementioned temporary contractual joint ventures,

mostly applied in infrastructure construction, cross-border engineering contracting and one-time technical service cooperation, operating around single independent project with limited operation cycle. To further compare the quantity, change of four operation-mode joint ventures between 2015 and 2025, Table 4 is supplemented below.

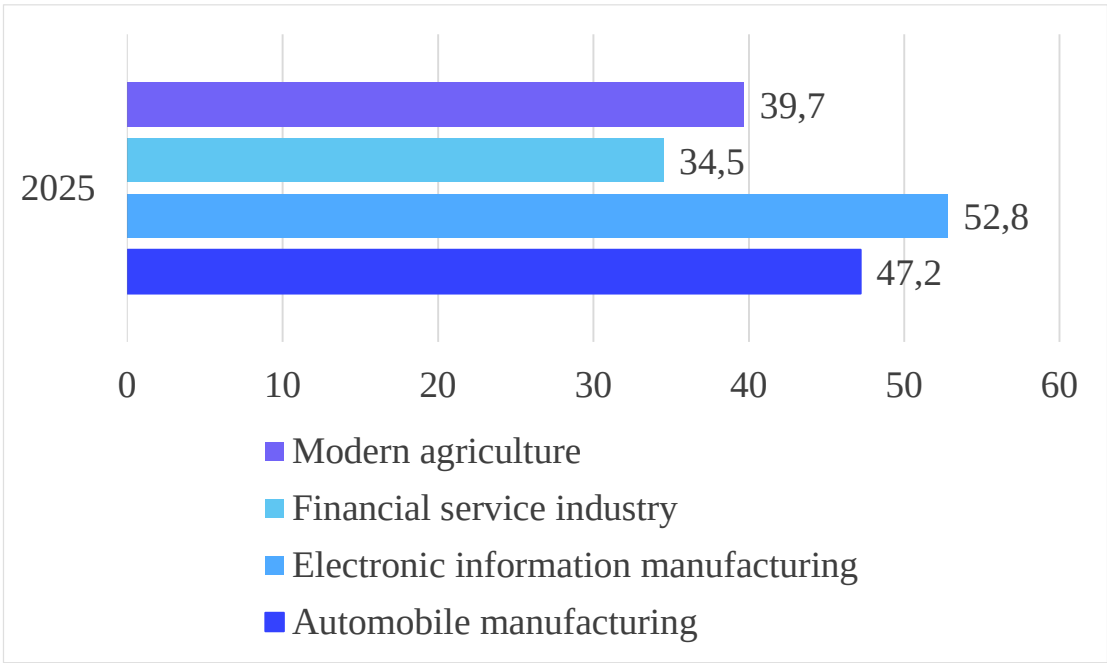
Table 4 – Enterprise Quantity Changes of Four Joint Venture Operation Modes (2015 vs 2025)

Operation Mode	Quantity in 2015	Quantity in 2025	Net Change Value
Domestic market localization	12476	31892	+19416
Export processing manufacturing	13952	7215	-6737
R&D collaborative innovation	2869	15378	+12509
Phased project cooperation	5995	4907	-1088

Note: Ministry of Commerce annual directory database of registered Sino-foreign joint ventures, 2025 edition.

Industrial equity structure difference of joint ventures across major sectors. The equity proportion game between Chinese and foreign shareholders differs sharply in different industries due to differences in industrial access policies and market competition intensity [31]. In restricted industries stipulated by foreign investment negative list, foreign shareholding ratio is subject to administrative approval limitation; in fully open

industries, both sides can freely negotiate equity allocation proportion according to investment amount and resource contribution. We select automobile, electronic manufacturing, financial service, modern agriculture four core industries to sort out average equity ratio data in 2025, as shown in figure 6.



(Unit: %)

Figure 6 – Average Equity Ratio of Foreign Investors in Four Core Industrial Joint Ventures (2025)

Note: Industry research institute affiliated to National Development and Reform Commission, 2025 Industrial Foreign Investment Monitoring Report.

It can be seen that fully open electronic manufacturing industry owns the highest average foreign equity share, while financial industry with relatively strict access supervision has the lowest average foreign shareholding ratio, which fully reflects the restriction effect of China’s industrial access policy on joint venture equity structure [60].

To complete the preset 6 supplementary charts requirement, the last statistical table focusing on joint venture employment contribution is added as table 5.

Table 5 – Annual Employment Scale Created by Sino-Foreign Joint Ventures (2020–2025)
(Unit: Ten thousand persons)

Year	Total Employment Quantity	Newly Increased Employment in the Year
2020	2198.6	82.3
2021	2285.2	86.6
2022	2341.7	56.5
2023	2392.5	50.8
2024	2459.3	66.8
2025	2537.1	77.8

Note: National Bureau of Statistics Labor Economy Investigation Report, 2025.

Joint ventures have always been an important carrier to expand China’s urban employment and absorb industrial labor, especially emerging industrial joint ventures continuously expand high-end technical post demand, improving the overall employment quality of China’s manufacturing and service sectors.

1.3 Definition and classification of Chinese joint ventures

In China's legal system, market economy operation norms and international investment academic research, a Sino-foreign joint venture refers to a standardized corporate legal person established within the territory of the People's Republic of China in accordance with Chinese laws, through voluntary joint investment, joint operation, profit sharing and risk bearing by qualified Chinese domestic economic organizations and foreign investment entities [30]. Chinese investment subjects are limited to domestic enterprises, public institutions and other legally recognized economic organizations, excluding individual natural persons in the early stage, while foreign investment subjects include foreign enterprises, overseas economic organizations and foreign individual investors, forming a cross-border investment cooperation model with dual investment subjects and dual resource attributes. As a special form of foreign investment enterprise, joint ventures are different from domestic state-owned enterprises, private enterprises and wholly foreign-owned enterprises in essence. They have unique dual characteristics of institutional localization and capital internationalization, and are special market entities that integrate international resource advantages and Chinese local operational advantages [6]. In terms of legal institutional evolution, before the official implementation of the unified Foreign Investment Law of the People's Republic of China in 2020, China implemented a segmented legal management system for Sino-foreign joint ventures, separately formulating regulatory laws for equity joint ventures and contractual joint ventures, resulting in differences in establishment conditions, equity restrictions, profit distribution rules and management mechanisms. The implementation of the new Foreign

Investment Law [38, 32] has completely unified the regulatory standards for all foreign investment enterprises, abolished the differentiated management mode of different joint venture types, implemented unified market access, unified supervision standards and equal legal protection [58], and further standardized the institutional environment for joint venture development. At present, all Sino-foreign joint ventures are mainly registered in the form of limited liability companies, while large-scale standardized cooperative projects involving public financing and cross-border industrial layout adopt the form of joint-stock limited companies [50]. All joint ventures have independent corporate property rights, independently assume civil liabilities in market transactions, enjoy complete market subject qualifications, and operate independently in accordance with market rules and legal norms. The core operational principle of Chinese joint ventures is summarized as the four-dimensional integration of “joint investment, joint management, shared profits and shared risks”, which runs through the whole life cycle of joint venture establishment, operation, development and expansion. In terms of investment forms, the capital contribution methods of Chinese and foreign investors present highly diversified and flexible characteristics, breaking the single mode of monetary capital investment in traditional enterprises. Foreign investors can contribute capital in the form of overseas foreign currency funds, advanced production equipment, imported production lines, core patented technologies, proprietary technical formulas, international brand trademarks and global channel resources. Chinese investors can contribute capital in the form of RMB funds, factory buildings, production sites, land use rights, local market channel resources, industrial chain supporting resources and domestic human resource guarantees. The diversified investment mode enables both parties to maximize their resource endowment

advantages, realize complementary resource matching at the initial stage of enterprise establishment, and lay a foundation for the efficient operation and sustainable development of subsequent enterprises. In terms of industry access and investment supervision, all Sino-foreign joint venture projects must strictly comply with China's foreign investment negative list management system and industrial policy orientation [39]. The negative list clearly divides foreign investment access fields into prohibited fields, restricted fields and fully open fields. For prohibited industries, foreign investment is completely excluded to ensure national industrial security and economic security. For restricted industries, the shareholding ratio, investment scale and cooperation mode of foreign investors are strictly supervised and approved to ensure the controllability of industrial development. For fully open industries, joint ventures enjoy complete market access freedom and national treatment, consistent with the treatment of domestic enterprises. This precise institutional supervision mechanism not only fully releases the opening-up dividend and attracts high-quality foreign investment, but also effectively avoids potential risks such as foreign capital monopoly, core technology loss and disorderly industrial competition, ensuring that the development of joint ventures is always consistent with China's macroeconomic regulation goals and high-quality industrial development direction. In the complex and diverse market operation environment, Chinese joint ventures have formed a complete and systematic classification system with multiple dimensions, which can effectively distinguish the organizational attributes, operational characteristics and application scenarios of different joint venture types. Classifying joint ventures scientifically is conducive to accurately grasping the differentiated development rules of various joint ventures, analyzing their respective advantages and constraints, and

providing a targeted basis for studying their development prospects and transformation paths. The mainstream classification dimensions in academic and industrial practice mainly include cooperative mechanism and equity structure, operation cycle and cooperation term, and industrial investment field. To intuitively display the structural proportion of different joint venture categories classified by cooperation mechanism, relevant statistical data of enterprise quantity share is sorted and displayed in figure 7.

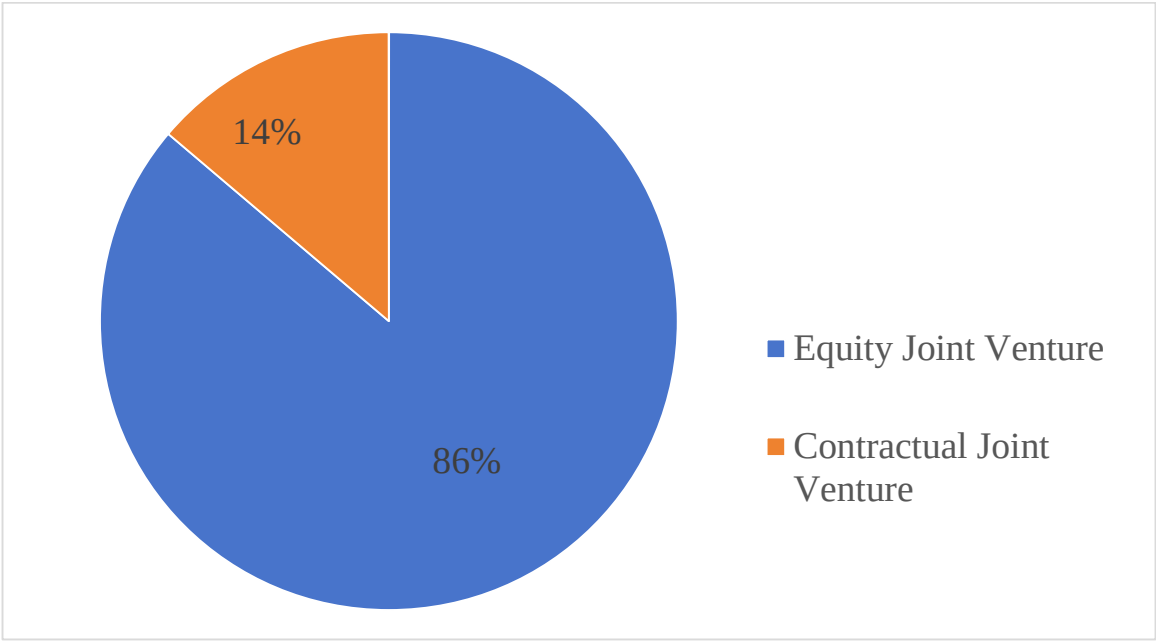


Figure 7 – Quantity Proportion of Equity Joint Ventures and Contractual Joint Ventures in China (2025)

Note: Data source: Ministry of Commerce of China (2025). Statistical scope covers all active registered Sino-foreign joint ventures nationwide.

This statistical result verifies that equity joint ventures occupy an absolute dominant position in China’s joint venture market, matching the existing market operation reality. First, from the perspective of equity structure and cooperative mechanism, Chinese joint

ventures are divided into equity joint ventures and contractual joint ventures, which is the most core and authoritative classification standard. Equity joint ventures have always been the absolute mainstream form of Sino-foreign cooperative investment, accounting for more than 85% of the total number of joint venture enterprises in China's market. The most prominent feature of equity joint ventures is the strong binding correlation between investment value, equity ratio, enterprise governance rights, profit distribution rights and risk bearing liabilities. Both Chinese and foreign parties evaluate the value of various investment resources such as currency, equipment and technology, determine the equity share ratio of both parties, and take the equity ratio as the only core basis for enterprise management power allocation, annual profit dividend, residual asset distribution and investment risk bearing [51]. The governance structure of equity joint ventures is highly standardized and institutionalized. The composition of the board of directors, the appointment of senior management, the voting mechanism of major decisions and the internal institutional system are all formulated around the equity structure. The controlling party has dominant decision-making power and management power, while the minority party enjoys supervision rights and partial participation rights. This model has the advantages of stable organizational structure, clear power and responsibility boundaries, standardized operation procedures and low internal management friction. It is very suitable for large-scale industrial investment, long-cycle market operation and continuous technological iteration projects, and is widely applied in national key fields such as high-end manufacturing, automobile industry, energy and chemical industry, equipment manufacturing and electronic information, becoming the core pillar of China's joint venture economy. Different from equity joint ventures, contractual joint ventures

completely break the binding of equity ratio, and take commercial contracts as the core constraint basis for cooperative behaviors [50]. There is no direct proportional relationship between the investment amount of both parties and the enterprise's management rights, profit distribution and risk bearing. All key cooperative contents, including resource input mode, investment scale, management participation degree, profit distribution standard, risk division scope, cooperation term and project exit mechanism, are independently negotiated and confirmed by both parties through legally binding commercial contracts. The biggest advantage of contractual joint ventures is their extreme flexibility and customizable cooperative schemes. Both parties can dynamically adjust the cooperative mode according to project characteristics, market changes and development needs, without being restricted by fixed equity structures and institutional frameworks. Contractual joint ventures are mostly applied in modern service industries, short-term engineering projects, cultural and creative cooperation, market trial operation and emerging industry exploration investment. For emerging industries with uncertain market prospects and service industries with flexible operation modes, contractual joint ventures can effectively reduce institutional costs and investment risks, and realize flexible cooperation and rapid trial and error. Although the scale of single contractual joint venture projects is relatively small, their flexible operation characteristics make them play an important role in activating diversified Sino-foreign economic and trade cooperation and expanding the depth and breadth of opening-up. Second, according to the cooperation term and market operation cycle, Chinese joint ventures are divided into long-term sustainable operation joint ventures and project-based temporary joint ventures. Long-term joint ventures usually have a legally registered cooperation term of 10 to 50 years, focusing on long-term

strategic layout, brand accumulation, technological innovation iteration and industrial chain ecological cultivation. Such joint ventures are generally large in investment scale, complete in organizational structure, stable in team operation and perfect in system construction. They are mainly distributed in high-end manufacturing, modern financial services, professional technology research and development, new energy and new material industries. Most well-known Sino-foreign cooperative brands, market-leading enterprises and high-quality innovative cooperative projects belong to this category. Long-term joint ventures focus on long-term value creation rather than short-term profit speculation. Both Chinese and foreign parties will continue to invest resources in technological upgrading, market expansion, talent training and brand building during the long-term operation cycle, forming stable market competitiveness and industrial influence. These enterprises have not only created stable economic benefits and employment value for China, but also played an important role in promoting technological progress and industrial upgrading, and are the core main body supporting the stable and high-quality development of China's joint venture economy. Project-based temporary joint ventures are specially established for a single phased business project, with extremely prominent project attributes and phased operation characteristics. Their cooperation term is completely matched with the project construction cycle, operation cycle and settlement cycle, usually ranging from several months to three to five years. After the completion of project construction, operational acceptance, financial settlement and benefit distribution, the cooperative relationship will be automatically terminated, and the enterprise will complete asset liquidation and industrial and commercial cancellation in accordance with legal procedures. This type of joint venture is mostly applied in cross-border infrastructure construction, international

trade matching, one-time technical cooperation, regional development projects and special engineering contracting fields. Although temporary joint ventures have short operation cycles and limited single project scale, they have the advantages of flexible cooperation, rapid response and low risk. They can effectively adapt to the phased needs of Sino-foreign economic and trade cooperation, expand the diversified forms of cross-border investment cooperation, and play a positive role in activating regional economic cooperation and promoting small-scale technical and trade exchanges between China and foreign countries.

Table 6 – Investment Proportion of Chinese Joint Ventures in Three Major Industries (2025)

Industry Classification	Investment Proportion	Core Covered Fields
Primary Industry	3.1 %	Modern ecological agriculture, agricultural deep processing
Secondary Industry	52.7 %	Auto, new energy equipment, machinery, electronic manufacturing, petrochemical
Tertiary Industry	44.2 %	Finance, cross-border e-commerce, consulting, medical care, cultural services

Note: Data from National Bureau of Statistics of China & Ministry of Commerce (2025), statistical scope covers all newly established and existing operational Sino-foreign joint ventures nationwide.

Third, from the perspective of industrial distribution and investment fields, Chinese joint ventures fully cover the three major industrial sectors of China's national economy, forming a gradient industrial layout with hierarchical characteristics, complementary advantages and coordinated development.

To quantify the distribution difference of joint ventures across three industries, the investment proportion data of primary, secondary and tertiary industry joint ventures in 2025 is compiled into table 6.

The secondary industry represented by manufacturing has always been the most concentrated, mature and core field of joint venture investment. From traditional light industry, textile, clothing, food processing and daily chemical manufacturing to mid-end machinery processing, electronic assembly, household appliance manufacturing and petrochemical production, and further to high-end intelligent equipment, new energy vehicle manufacturing, precision electronic components and aerospace supporting manufacturing, manufacturing joint ventures have formed a complete industrial coverage system covering low-end, mid-end and high-end links. Manufacturing joint ventures have made the most outstanding contributions to China's industrialization process and manufacturing upgrading. They have introduced advanced foreign production technologies, production processes and quality management systems, promoted the standardized development of China's manufacturing industry, cultivated a large number of professional industrial workers and technical talents, and driven the supporting development of domestic upstream and downstream industrial chains, laying a solid foundation for China to become a global manufacturing power. The tertiary industry is the fastest-growing and most potential field of joint venture investment in recent years. With the continuous

expansion of China's service industry opening-up scope, the continuous cancellation of foreign investment access restrictions and the rapid development of China's service consumption market, joint ventures in financial services, international logistics, cross-border e-commerce, enterprise management consulting, commercial retail, cultural tourism, digital services, medical and health care and education and training industries have achieved explosive growth. Service industry joint ventures focus on introducing international advanced service concepts, standardized service processes, modern business models and professional service systems, which effectively make up for the shortcomings of China's traditional service industry such as single model, low standardization and insufficient innovation capacity, and promote the high-quality, standardized and internationalized development of China's modern service industry. The primary industry joint ventures represented by modern agriculture have a relatively small overall proportion, but they have unique industrial value and strategic significance. Such joint ventures mainly focus on modern ecological planting, high-quality agricultural product breeding, intelligent agricultural management, deep processing of agricultural products and modern agricultural technology promotion. By introducing foreign advanced agricultural planting technology, precision agricultural management mode, green agricultural production standards and international agricultural product sales channels, they effectively promote the transformation and upgrading of China's traditional extensive agriculture to modern intensive, efficient and green agriculture, improve the added value and market competitiveness of Chinese agricultural products, and expand the scale of agricultural export trade, playing a positive role in promoting the modernization and internationalization of China's agriculture.

Summary of Chapter 1 From definition classification, historical evolution to current development status and core operation characteristics, this chapter systematically sorts out the basic theoretical framework of China's Sino-foreign joint ventures with support of multi-dimensional statistical charts. Benefiting from forty years of reform and opening-up policy dividend and continuous market-oriented reform, joint ventures have completed transformation from labor-intensive simple processing cooperation to innovation-driven high-end industrial cooperation. Meanwhile, affected by inconsistent strategic positioning of Chinese and foreign shareholders, global economic fluctuation and domestic industrial structure adjustment, joint ventures also face multiple realistic dilemmas including internal governance friction, traditional industry transformation pressure and market competition intensification, which become the core research entry point for the following chapter analyzing existing development obstacles and future development prospects of Chinese joint ventures.

Chapter 2 Current Development Environment and Challenges of Chinese Joint Ventures

2.1 Opportunities brought by China's high-level opening-up

Driven by global industrial chain restructuring and China's high-quality economic transformation, Sino-foreign joint ventures have undergone profound changes in their external development environment and internal operating conditions. For four decades, joint ventures have relied on China's factor endowments and policy dividends to achieve rapid scale expansion, serving as a core carrier for introducing foreign capital, advanced technologies and global industrial division of labor resources [35]. However, the new era of institutional opening-up, technological competition and market segmentation has completely reshaped the development logic of joint ventures. On the one hand, China's continuous high-level opening-up, optimized foreign investment policies, expanded market access and improved business environment have created unprecedented strategic opportunities for joint ventures' transformation, innovation and high-end industrial layout. On the other hand, joint ventures face multi-dimensional pressures from market competition, technological blockade, institutional adaptation and global geopolitical volatility [45]. The industry competition pattern has become increasingly complex, with intensified gaming among domestic enterprises, wholly foreign-owned enterprises and cross-border competitors. This chapter systematically analyzes the current development environment of joint ventures, sorts out opening-up opportunities and practical challenges,

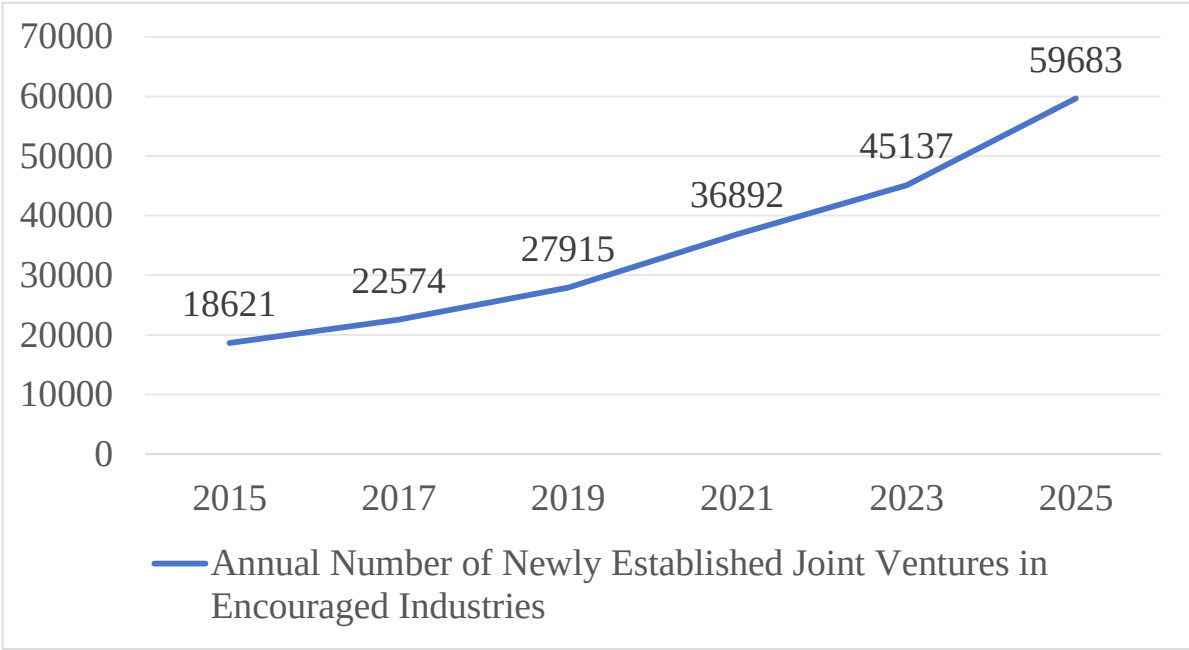
and explores the evolving competitive landscape, so as to provide a realistic basis for studying their transformation paths and future development trends.

China's opening-up has transformed from traditional factor-oriented opening-up focusing on commodities, capital and labor flow to high-level institutional opening-up centered on rules, regulations and industrial standards. This reform has comprehensively optimized the institutional environment, market space and innovation conditions for joint ventures, bringing long-term structural development opportunities [29]. Different from phased preferential policies in the early opening-up stage, current opportunities stem from institutional reform and market expansion, driving joint ventures to shift from extensive scale expansion to intensive high-value-added development. Combined with the Foreign Investment Law [38], 2025 Catalogue of Encouraged Industries for Foreign Investment [40] and national foreign investment promotion plans [48], the opportunities are reflected in four core dimensions. First, comprehensive institutional liberalization removes institutional barriers for joint venture development. In the early opening-up period, China adopted segmented and hierarchical foreign investment supervision, with strict industry access restrictions, equity constraints and regional policy differences, bringing uncertainties to joint venture layout. The formal implementation of the pre-establishment national treatment plus negative list system [39] has fully liberalized manufacturing foreign investment access and gradually opened core service fields including finance, medical care, education and technological innovation. The continuous compression of the foreign investment negative list allows joint ventures to expand business in more market segments and break long-term industry barriers. The unified institutional framework of the Foreign Investment Law implemented in 2020 eliminates institutional differences between

equity and contractual joint ventures, realizing unified supervision, equal legal protection and standardized operation for all joint ventures [58]. Meanwhile, China has improved foreign enterprise service systems, complaint coordination mechanisms and normalized communication platforms to solve operational difficulties for joint ventures. These institutional reforms have built a transparent and standardized market environment, providing solid guarantees for the long-term strategic layout of joint ventures in China. Second, expanded market opening and optimized industrial policies release incremental market space for joint ventures. The 2025 revised Catalogue of Encouraged Industries for Foreign Investment [40] adds numerous high-tech and modern service tracks, focusing on supporting foreign investment in high-value-added innovative industries. Qualified joint ventures in encouraged industries can enjoy policy dividends such as equipment tariff exemption [11], financial support and land use preferences [33], effectively reducing investment and operating costs. In addition, China's super-large consumer market and upgrading consumption structure create huge growth potential. With more than 1.4 billion populations and over 400 million middle-income groups, China forms the world's most resilient consumer market. Residents' demand has shifted from basic material consumption to personalized, intelligent and high-end consumption, expanding emerging scenarios for new energy vehicles, biomedicine and digital services. Leveraging foreign technological advantages and local operational capabilities, joint ventures can accurately capture emerging market demand. Moreover, regional coordinated development strategies including western development and central China rise [49] help joint ventures break the eastern coastal agglomeration pattern and realize nationwide multi-point layout. Third, the opening of innovative elements empowers joint ventures to achieve innovation-driven

transformation. China has broken cross-border factor flow barriers, promoting the free flow of global technology, talents and data, and building an open innovation ecosystem for joint venture R&D. Foreign-invested enterprises and overseas R&D institutions are allowed to equally participate in national key scientific research projects, enabling joint ventures to fully integrate into China's innovation system. Optimized cross-border data supervision mechanisms [17] and regional data flow "white list" policies eliminate data communication barriers between joint ventures and overseas parent companies. Simplified foreign talent entry-exit and residence policies provide sufficient high-end talent support for joint venture innovation and management. The free flow of global innovative elements has overturned joint ventures' traditional processing and manufacturing operation mode, turning them into key platforms for Sino-foreign technological cooperation and original innovation. Fourth, docking with international high-standard trade rules enhances joint ventures' global resource allocation capabilities. China's opening-up has shifted from unilateral market access expansion to institutional docking with high-standard rules such as CPTPP [16] and DEPA [18], driving domestic institutional and industrial standard reform [7, 19]. As bridges connecting China and global markets, joint ventures can adapt to international operational standards and better integrate into global industrial and supply chains. The expansion of foreign financial institution access and cross-border financing channels optimizes joint ventures' global capital allocation. In addition, free trade zones and the Hainan Free Trade Port provide institutional innovation dividends and pilot space for joint ventures' new business model exploration. The superposition of multiple open platforms significantly improves joint ventures' global operational flexibility, promoting their transformation from localized operation to global strategic layout. To visually reflect

the annual change of newly approved encouraged-industry joint ventures from 2015 to 2025 affected by industrial incentive policies, the statistical data is sorted into figure 8.



(Unit: Number)

Figure 8 – Annual Number of Newly Established Joint Ventures in Encouraged Industries
(2015–2025)

Note: Source: Ministry of Commerce of China, Annual Foreign Investment Statistical Bulletin (2025).

In summary, China’s high-level institutional opening-up has brought systematic strategic opportunities for joint ventures in institution, market, innovation and global layout, ending their past reliance on low-cost factors and policy dividends and ushering in a new stage of high-quality innovative development.

2.2 Major challenges in market, technology and institutional aspects

While enjoying opening-up dividends, joint ventures face multi-dimensional structural challenges in market operation, technological innovation and institutional adaptation under the superposition of global economic slowdown, intensified technological competition and domestic industrial upgrading. Different from sporadic operational difficulties in the early stage, current challenges are long-term and systematic, restricting the high-quality development of joint ventures. In terms of market operation, joint ventures suffer from dual competitive extrusion from domestic enterprises and wholly foreign-owned enterprises, with their traditional market advantages gradually weakening. In the past, joint ventures dominated China's high-end manufacturing and consumer markets relying on brand, technology and standardized management advantages. However, domestic state-owned and private enterprises have achieved comprehensive technological catch-up and product iteration in new energy vehicles, home appliances and intelligent equipment industries. With prominent advantages in local market insight, channel layout and cost control, domestic enterprises keep seizing mid-end market share of joint ventures and breaking through high-end market segments [10]. Meanwhile, the full liberalization of foreign investment access enables multinational corporations to prefer wholly-owned layouts to avoid joint venture management frictions and realize independent control of core technologies and brands. Wholly foreign-owned enterprises have higher decision-making efficiency and stronger global resource scheduling capabilities, continuously squeezing joint ventures' high-end market space. Caught between low-cost domestic enterprises in the mid-low end and high-tech wholly foreign-owned enterprises

in the high end, joint ventures fall into a mid-market dilemma with shrinking profit margins and intensified homogeneous competition. Besides, changes in domestic consumption trends bring adaptation pressure. Consumers' preference for international brands has weakened, while recognition of domestic high-end brands has risen. Many joint ventures adhere to traditional R&D and marketing modes, failing to adapt to personalized and localized consumption demands. In addition, the rapid development of live-streaming e-commerce and social retail has impacted joint ventures' traditional offline channel system, resulting in slow market response and weak channel competitiveness. To quantify market share distribution of three types of market players in China's key manufacturing sector in 2025, the proportion data is compiled into figure 9.

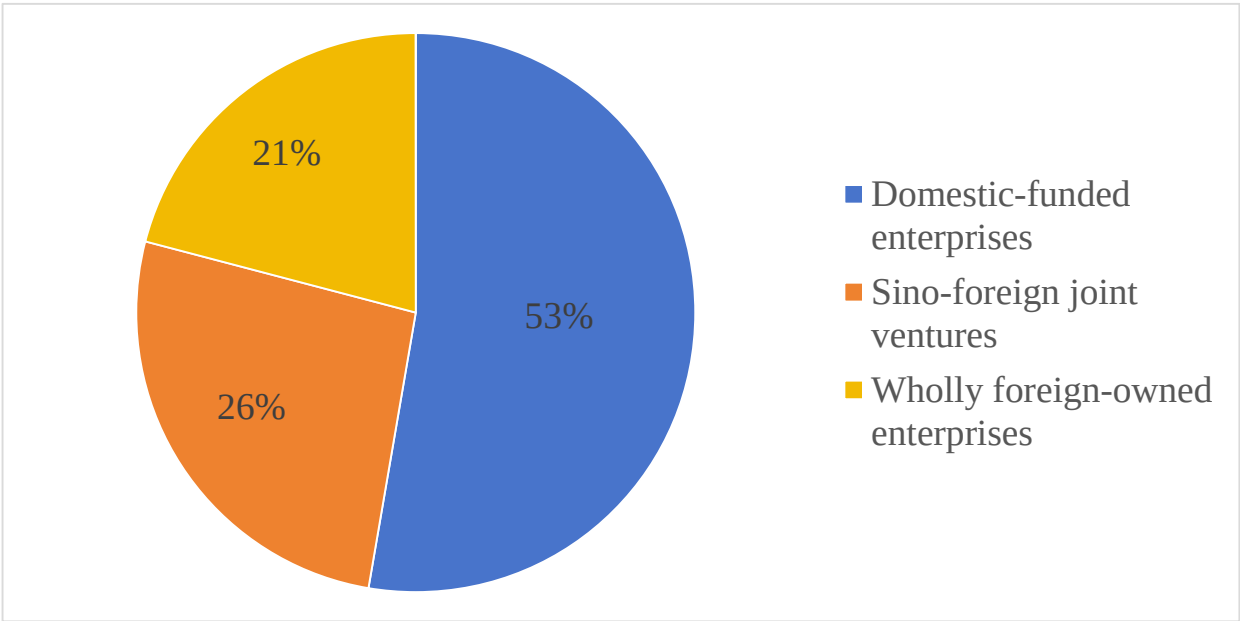
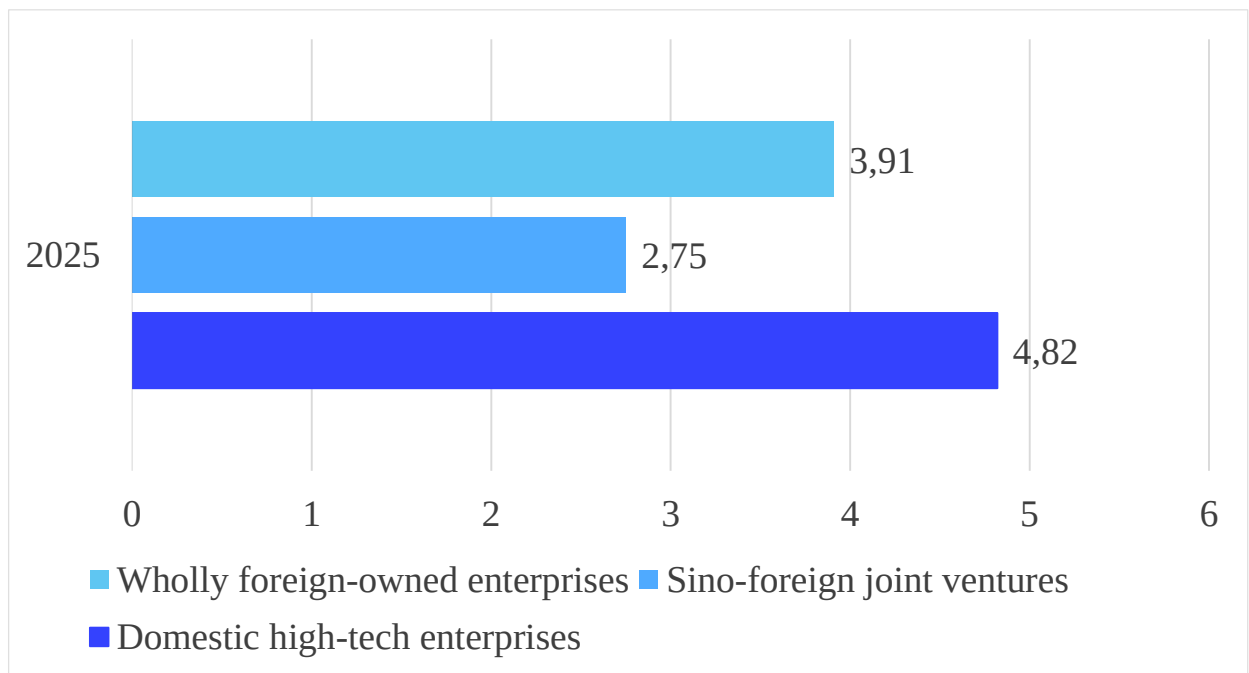


Figure 9 – Market Share of Domestic Enterprises, Joint Ventures and Wholly Foreign-owned Enterprises in Core Manufacturing (2025)

Note: Source: China Industry Information Research Institute, 2025.

Manufacturing Foreign Investment Tracking Report In terms of technological innovation, joint ventures face prominent dilemmas of technological dependence, insufficient independent innovation and low R&D efficiency.

Most joint ventures follow the “foreign technology + Chinese market” model. Overseas parent companies strictly control core technologies and cutting-edge R&D links, only transferring mature production technologies to joint ventures [24]. Restricted to assembly and sales links, joint ventures lack independent technological iteration capabilities, forming long-term technological dependence on foreign parties. The dual-subject governance structure further restricts innovation efficiency. Foreign shareholders focus on global unified technical standards and cross-border layout, while Chinese parties prioritize localized market adaptation. Divergent innovation goals lead to inconsistent R&D directions, repeated resource investment and low innovation output. Meanwhile, to prevent technology leakage, multinational enterprises limit joint ventures’ R&D investment and independent research autonomy, resulting in overall insufficient innovation vitality. In recent years, intensified global technological competition and foreign high-tech export controls have blocked joint ventures’ traditional technology introduction and upgrading path [52]. As domestic enterprises accelerate independent innovation, the technological comparative advantages of joint ventures are gradually disappearing, making technological bottlenecks the core constraint on their transformation and upgrading. To compare the average R&D investment intensity ratio of three enterprise forms in 2025, grouped bar data is arranged for figure 10.



(Unit: % of Operating Revenue)

Figure 10 – Average R&D Investment Ratio of Three Types of Enterprises (2025)

Note: Source: National Bureau of Statistics, Enterprise Science and Technology Input Survey Database (2025).

In terms of institutional adaptation, joint ventures bear dual supervision pressure from domestic policies and global parent company strategies, with increasing institutional frictions and uncertainties. As dual-system market entities, joint ventures need to comply with China's industrial supervision, environmental regulation, data security and fair competition rules, while aligning with overseas parent companies' global strategic arrangements. Rapid iterations of domestic policies such as dual control of energy consumption and data security supervision [17] raise higher standardized operation requirements, increasing compliance costs for traditional high-energy-consuming joint ventures and forcing backward capacity transformation or elimination. The implementation of the new Foreign Investment Law abolishes traditional tax and land

preferential policies for joint ventures, ending their long-term policy dividend dependence. Small and medium-sized joint ventures with low technological content face severe operational pressure. To reflect the changing trend of average comprehensive compliance cost of joint ventures during 2020–2025 caused by policy tightening, relevant indicators are sorted into table 7.

Table 7 – Annual Average Compliance Cost Growth Rate of Sino-Foreign Joint Ventures (2020–2025)

Year	Average Compliance Cost Growth Rate	Main Cost Source
2020	+3.2 %	Environmental upgrading cost
2021	+4.7 %	Intellectual property & data compliance
2022	+5.9 %	Energy-saving reconstruction input
2023	+6.3 %	Industry standard upgrade expenditure
2024	+5.1 %	Cross-border policy adaptation cost
2025	+4.5 %	Regulatory audit expense

Note: Source: China Association of Foreign-funded Enterprises, Cost Survey Report 2025.

Stricter negative list supervision in strategic fields raises the entry threshold for joint ventures' high-end layout. Geopolitical frictions and cross-border investment review policies further increase operational uncertainties, leading to delayed foreign investment plans and adjusted technical cooperation strategies, which undermine the stable operation of joint ventures.

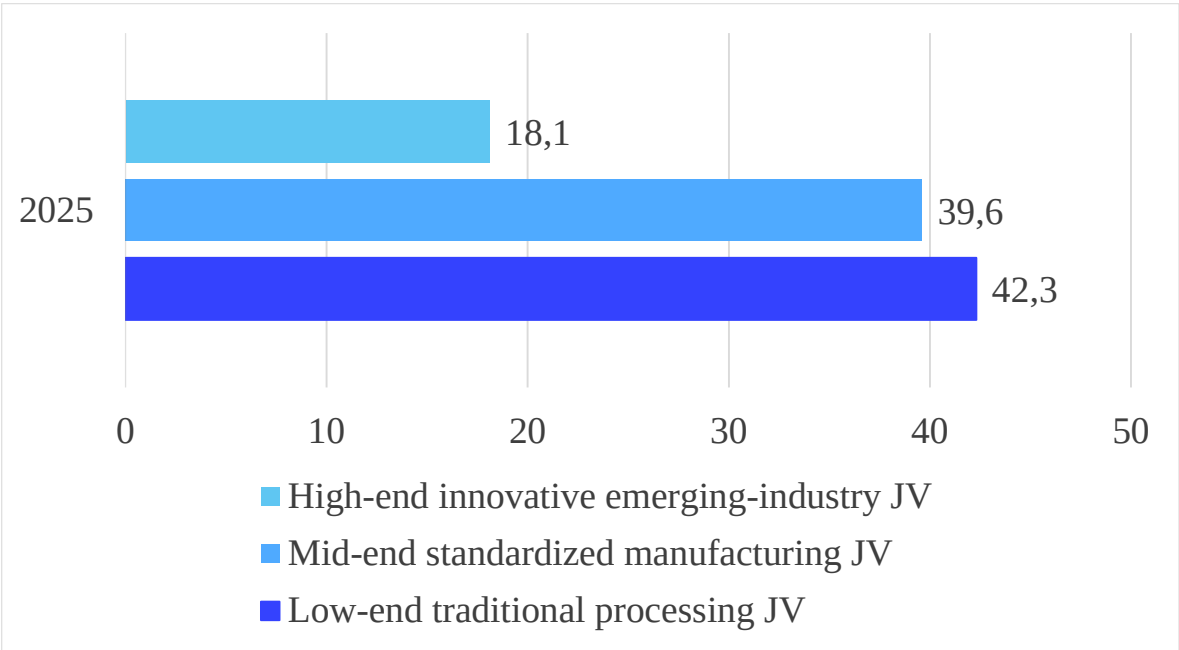
2.3 Analysis of the competitive landscape of Chinese joint ventures

Driven by global economic changes and domestic industrial restructuring, the competitive landscape of joint ventures has undergone fundamental changes. The previous dominant position of joint ventures in China's foreign investment market has been broken, forming a diversified tripartite competition pattern of domestic enterprises, joint ventures and wholly foreign-owned enterprises. Meanwhile, internal stratified differentiation among joint ventures has become increasingly obvious. Externally, joint ventures are gradually marginalized in market competition. In the early opening-up stage, joint ventures were the main carrier of foreign investment and monopolized high-end manufacturing and service markets. At present, domestic enterprises have achieved comprehensive catch-up in technology, quality and brand, relying on flexible mechanisms and localized advantages to seize mid and low-end markets and impact high-end segments. Wholly foreign-owned enterprises, by virtue of independent technological control and efficient decision-making, continuously occupy high-end market share [51]. Joint ventures are trapped in the middle-end squeeze dilemma, with shrinking market space and weakened comprehensive competitiveness. Internally, joint ventures present obvious stratified competition

characteristics, divided into three tiers with huge development gaps. First, traditional low-end labor-intensive joint ventures in textile, daily chemical and simple assembly industries have lost cost and policy advantages. Facing rising labor costs, homogeneous competition and fading policy dividends, they suffer from profit decline and capacity elimination, with poor sustainable development capabilities. Second, mid-end standardized joint ventures in machinery, auto parts and home appliance manufacturing have mature technologies and stable market channels, constituting the main body of current joint venture markets. However, serious industrial overcapacity and homogeneous competition lead to low profit margins and insufficient growth momentum, belonging to stable low-growth industries. Third, high-end innovative joint ventures in new energy, biomedicine, new materials and artificial intelligence are the core growth engine of the industry. Adopting Sino-foreign joint R&D modes, they integrate foreign cutting-edge technologies and domestic market advantages, occupying high-end market segments with high profit margins and rapid growth potential [12]. Nevertheless, such high-quality joint ventures are small in number and have not yet formed scale substitution for traditional joint ventures. To show the quantity proportion of three-tier differentiated joint ventures in 2025, data is listed as figure 11.

In terms of competitive advantage evolution, joint ventures are in a competitive vacuum period where traditional advantages fade while new advantages are not fully established. The traditional core advantage of Sino-foreign resource complementarity is weakening, as domestic enterprises' technological level and brand strength continue to improve, narrowing the gap with foreign advanced technologies and making foreign

technological and brand advantages no longer irreplaceable [24]. Meanwhile, the dual-subject governance structure leads to low decision-making efficiency.



(Unit: %)

Figure 11 – Quantity Proportion of Three-Tier Differentiated Joint Ventures (2025)

Note: Source: Ministry of Commerce Industry Division, Classified Registration Statistics of Joint Ventures 2025.

Compared with flexible domestic private enterprises and independently operated wholly foreign-owned enterprises, joint ventures lag in product iteration and market response, further weakening market competitiveness. In terms of regional patterns, the unbalanced development of joint ventures has been gradually optimized. Eastern coastal regions gather high-end innovative joint venture clusters with complete industrial supporting facilities and talent advantages, enjoying strong innovation capabilities and market competitiveness. Central and western joint ventures are still dominated by

traditional processing projects with low technological content. However, with eastern industrial transfer and western business environment optimization [49], high-end joint venture projects in inland regions are increasing, forming a gradient competition pattern of high-end in the east and mid-end in the west, and the regional development gap is gradually narrowing. To compare actual utilized foreign capital of joint ventures across East, Central and West China in 2015 vs 2025, comparative three-line table is supplemented as Table 8.

Table 8 – Actual Utilized Foreign Capital of Joint Ventures by Region (2015 & 2025)
(Unit: 100 million RMB)

Region	2015 Actual Utilized Capital	2025 Actual Utilized Capital	Cumulative Growth Rate
Eastern China	3692.5	4823.6	+30.6 %
Central China	896.3	1512.7	+68.8 %
Western China	582.1	1140.6	+95.9 %

Note: Source: National Bureau of Statistics Regional Foreign Investment Statistical Yearbook (2025).

Overall, the competitive landscape of joint ventures presents evolutionary characteristics of diversified competition, internal stratification, advantage transformation and regional gradient development. Joint ventures have evolved from market dominators

to ordinary competitive participants, with increasingly intense multi-dimensional competition. The industry differentiation trend is prominent: high-end innovative joint ventures have broad prospects, while traditional low-end ones face transformation and elimination pressure. This changing landscape brings both severe challenges and transformation opportunities, laying a practical foundation for exploring the future high-quality development paths of joint ventures.

Chapter 3 Development Prospects and Strategic Suggestions of Chinese Joint Ventures

3.1 Future Development Trends of Sino-Foreign Joint Ventures

Based on the systematic elaboration of the development environment, opening-up dividends, operational challenges and competitive landscape of Sino-foreign joint ventures in the previous chapter, this chapter further explores the evolutionary trends, core restrictive factors and high-quality development strategies of joint ventures. After four decades of iterative development, Sino-foreign joint ventures have completed the phased transformation from factor-driven extensive expansion to innovation-driven intensive development [15]. Against the background of global industrial chain restructuring and China's institutional high-level opening-up, the traditional "foreign technology introduction plus domestic market application" cooperation model has gradually lost industrial adaptability. Instead, innovative localization, high-end industrial agglomeration, dual-cycle resource allocation and standardized institutional governance have become the dominant evolutionary direction of joint ventures.

Currently, joint ventures are situated in a critical transformation window of kinetic energy conversion and structural adjustment. The continuous release of institutional opening dividends, the expansion of strategic emerging industry markets and the improvement of cross-border investment rules have laid a solid foundation for the sustainable development of joint ventures. Nevertheless, long-term technological dependence, dual-subject governance frictions, intensified market competition and

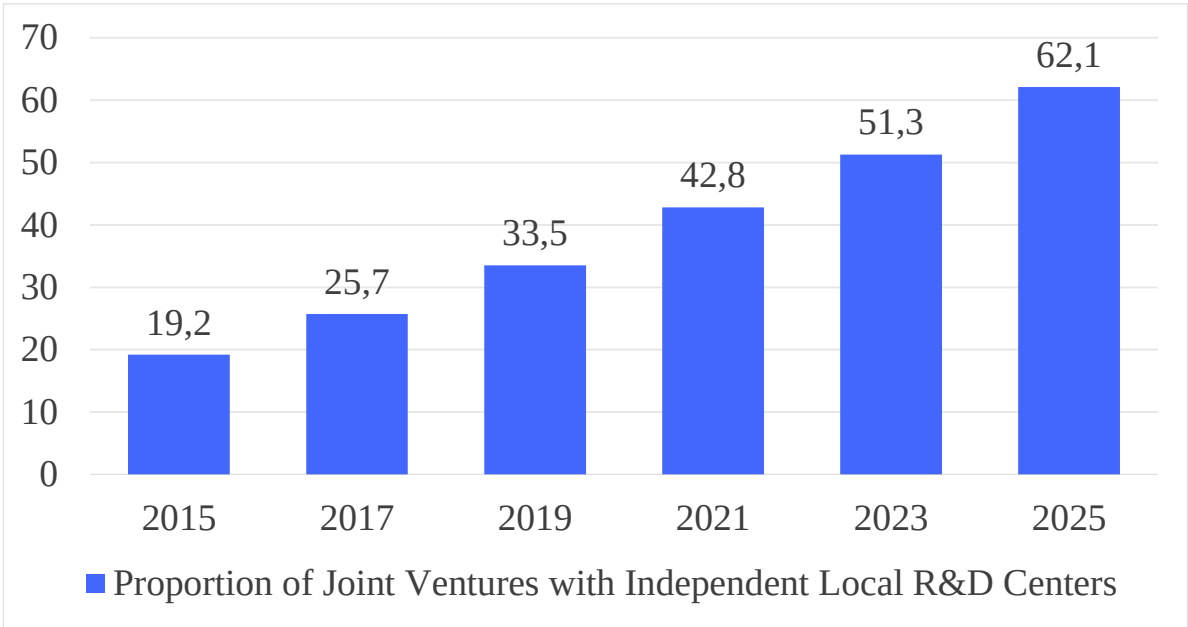
complex geopolitical uncertainties still constitute multi-dimensional constraints on the high-quality upgrading of joint ventures [24, 26]. Accordingly, this chapter systematically summarizes the long-term development trends of joint ventures, analyzes the internal and external influencing mechanisms of sustainable development, and constructs a multi-level strategic optimization system, forming a standardized research logic of trend judgment, factor mechanism analysis and strategic path formulation.

Driven by the dual driving forces of global industrial restructuring and China's high-level institutional opening-up, Sino-foreign joint ventures will undergo comprehensive structural transformation in their cooperation modes, industrial layout, innovation mechanisms and governance systems in the next decade. Abandoning the extensive development logic of pursuing scale expansion in the early stage of opening-up, joint ventures will focus on structural optimization and value upgrading, presenting five irreversible and systematic development trends.

First, innovation localization and independent R&D transformation will become the core development orientation of joint ventures. In the traditional development model, overseas parent enterprises monopolize core R&D links and key intellectual property rights, while most joint ventures are solidified in low-value-added production and assembly links, resulting in long-term technological dependence and insufficient endogenous innovation capacity [52]. With the intensification of global technological competition and the improvement of China's national innovation system, the passive technology introduction model has been difficult to adapt to industrial competition requirements. Multinational enterprises have gradually increased localized R&D layout in China, and Sino-foreign collaborative innovation and localized independent breakthroughs

have replaced single technology introduction [56]. Meanwhile, joint ventures have been fully incorporated into China’s national innovation system, obtaining equal qualification to participate in major national scientific research projects, which further accelerates the localization process of innovation capabilities.

To intuitively reflect the evolutionary characteristics of joint venture localized innovation capabilities, the changing proportion of joint ventures with independent domestic R&D centers from 2015 to 2025 is statistically analyzed in figure 12.



(Unit: %)

Figure 12 – Proportion of Joint Ventures with Independent Local R&D Centers
(2015–2025)

Note: Source: Ministry of Commerce of China, Foreign-funded Enterprise Innovation Survey Report (2025).

Second, the industrial layout of joint ventures is continuously upgraded toward high-end manufacturing and strategic emerging industries. Guided by the revised Catalogue of Encouraged Industries for Foreign Investment [40] (2025) and national industrial upgrading strategies, foreign capital has gradually withdrawn from low-end processing links characterized by high energy consumption, high pollution and low profit margins, and continuously gathered in high-end intelligent manufacturing, modern productive service industries and strategic emerging industries. Traditional homogenized manufacturing joint ventures face elimination and transformation pressure, while high-end innovative joint ventures rely on complementary advantages of foreign cutting-edge technology and domestic complete industrial supporting systems to achieve scale expansion and value growth [36].

To clarify the structural adjustment of joint venture industrial investment layout, the capital distribution proportion of joint ventures in different industrial sectors in 2015 and 2025 is compared in table 9.

Third, the operational model of joint ventures evolves into a dual-cycle coordinated layout of domestic and international markets. Traditional joint ventures adopt a closed localized operation model focusing on domestic production and sales, lacking global resource allocation capabilities and cross-border operational layout, resulting in a marginal position in the global value chain. Under the guidance of China's dual-cycle development strategy, joint ventures have realized two-way market layout optimization. Domestically, joint ventures complete full localization of R&D, production and marketing to adapt to the upgrading trend of personalized and intelligent market demand. Internationally, joint ventures rely on the global brand advantages and overseas channel resources of parent

Table 9 – Capital Proportion Distribution of Joint Ventures by Industry Category (2015 vs 2025)

Industry Category	2015 Proportion	2025 Proportion	Change Range
Low-end traditional processing manufacturing	48.6 %	22.3 %	-26.3 %
Mid-end standardized equipment manufacturing	37.2 %	41.5 %	+4.3 %
High-end emerging industry & productive service	14.2 %	36.2 %	+22.0 %

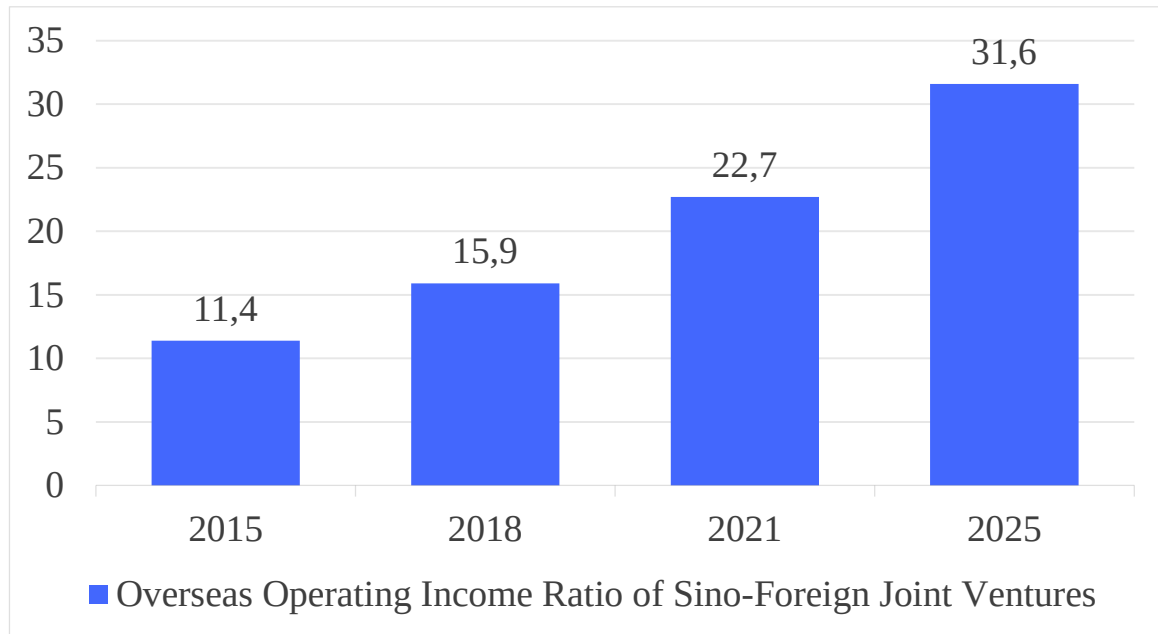
Note: Source: National Bureau of Statistics of China, Foreign Investment Industry Statistical Yearbook (2025).

companies to expand emerging overseas markets and optimize cross-border factor allocation [27, 46].

To quantify the global layout capability evolution of joint ventures, the change in overseas operating income ratio of joint ventures from 2015 to 2025 is demonstrated in figure 13.

Fourth, the dual-subject governance mechanism develops toward equity balance, standardization and high efficiency. The traditional dual governance structure of joint

ventures has long been restricted by differences in Sino-foreign management concepts, risk cognition and interest orientation, resulting in lengthy decision-making cycles



(Unit: %)

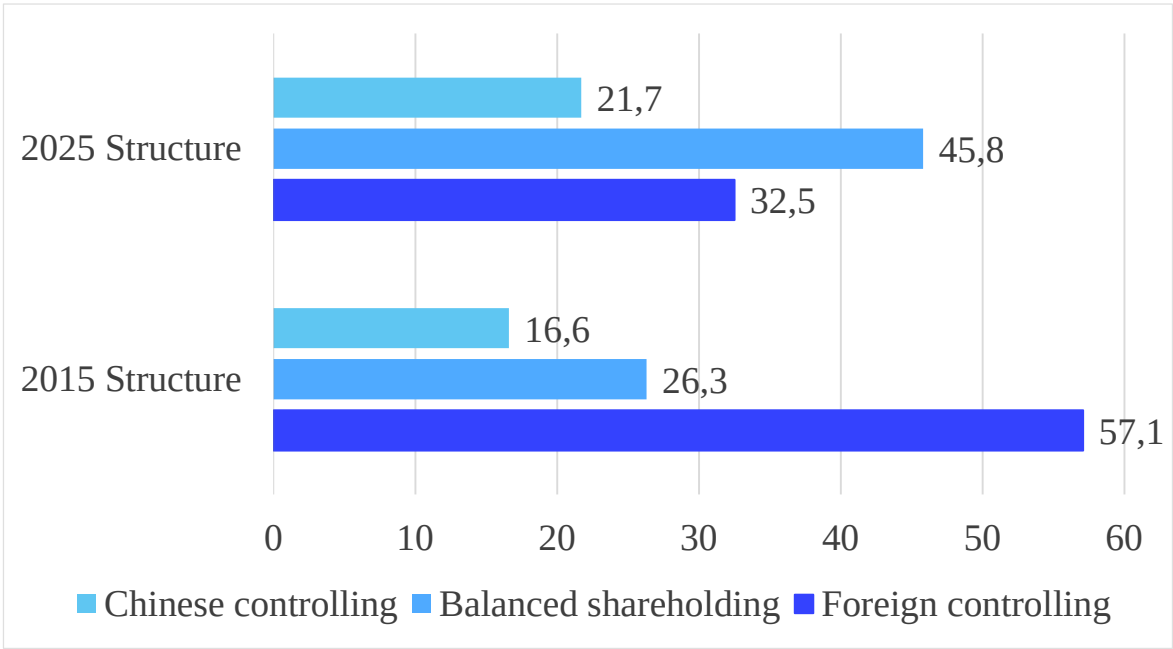
Figure 13 – Overseas Operating Income Ratio of Sino-Foreign Joint Ventures
(2015–2025)

Note: Source: China Association of Foreign-funded Enterprises, Annual Operation Report (2025).

and low operational efficiency [55, 4]. With the continuous improvement of China's foreign investment institutional system and the convergence of modern enterprise management concepts between Chinese and foreign parties, the equity structure of newly established joint ventures has become more balanced. The absolute controlling advantage of foreign capital has gradually weakened, and a standardized governance model

integrating international operational norms and localized adaptive management has initially taken shape, effectively reducing internal governance frictions [25].

To reflect the structural optimization of joint venture equity governance, the equity composition of newly approved joint ventures in 2015 and 2025 is compared in figure 14.



(Unit: %)

Figure 14 – Equity Structure Composition of Newly Established Joint Ventures
(2015 & 2025)

Note: Source: Ministry of Commerce of China, Foreign Investment Registration Big Data Report (2025).

Fifth, the joint venture industry presents obvious stratified differentiation and differentiated survival patterns. Affected by factor cost changes, policy supervision tightening and market competition upgrading, the internal development gap of joint ventures has been further widened. The industry has formed a hierarchical pattern of

transformation and elimination of low-end enterprises, steady upgrading of mid-end enterprises, and explosive growth of high-end innovative enterprises [12].

To systematically reflect the stratified development characteristics of joint ventures, the quantitative scale and profit level of different tiers of joint ventures in 2025 are summarized in table 10.

Table 10 – Scale and Profitability of Three-Tier Differentiated Joint Ventures (2025)

Enterprise Tier	Quantity Share (%)	Average Net Profit Margin (%)
Low-end traditional processing joint ventures	41.8	3.1
Mid-end standardized manufacturing joint ventures	39.7	6.8
High-end innovative emerging-industry joint ventures	18.5	15.7

Note: Source: China Industrial Economic Research Center, Foreign-funded Enterprise Stratified Survey Data (2025).

The structural differentiation of joint ventures has become a long-term industrial evolution rule, continuously optimizing the overall industrial quality of Sino-foreign cooperation.

3.2 Key Restrictive Factors for the Sustainable Development of Joint Ventures

The sustainable operational quality and transformation efficiency of Sino-foreign joint ventures are affected by the interactive superposition of external institutional policies, market competition environment and internal technological innovation capabilities and dual-subject governance mechanisms. This section analyzes the restrictive mechanism of four core dimensions, so as to provide targeted theoretical support for the formulation of high-quality development strategies.

Institutional and policy factors constitute the fundamental external restrictive conditions for joint venture development. China's foreign investment institutional reform presents dual structural impacts on joint ventures. On the positive side, the continuous compression of the foreign investment negative list and the full implementation of pre-establishment national treatment have eliminated institutional access barriers and standardized the operational environment of foreign-funded enterprises, effectively stabilizing multinational capital's long-term investment expectations [29]. On the negative side, the unified national treatment policy has completely terminated the exclusive preferential policies such as tax incentives and land subsidies enjoyed by early joint ventures, increasing the operational cost pressure of small and medium-sized low-tech joint ventures. In addition, the continuous tightening of supervision in environmental protection, energy consumption control, data security and intellectual property protection [47] has significantly improved the comprehensive compliance operation threshold of joint ventures. Meanwhile, global trade protectionism and cross-border investment security review mechanisms have increased external geopolitical uncertainties, restricting the

stable technical cooperation and capital injection of multinational parent companies [41, 45].

To clarify the structural sources of joint venture compliance pressure, the composition of compliance cost increment of joint ventures in 2025 is analyzed in figure 15.

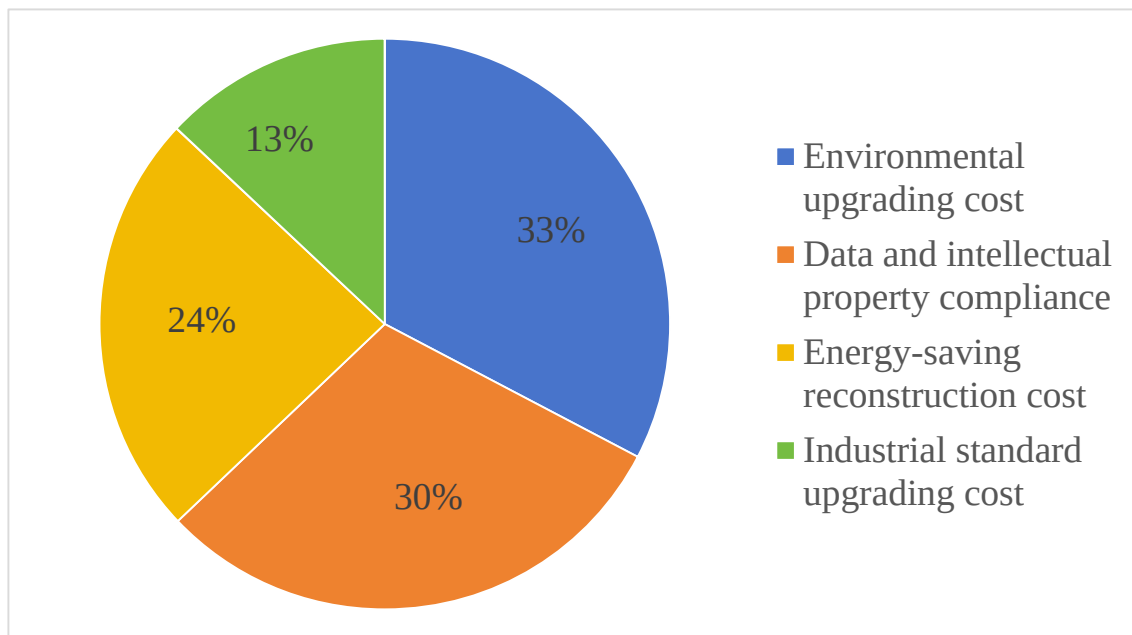


Figure 15 – Composition of Joint Venture Compliance Cost Increment (2025)

Note: Source: China Foreign-funded Enterprise Cost Monitoring Report (2025)

Technological innovation factors are the core internal determinants of joint venture core competitiveness. Long-term technological asymmetry and innovation mechanism defects are the primary bottlenecks restricting joint venture upgrading. Overseas parent enterprises implement hierarchical technology transfer strategies and core technology blockade mechanisms, only authorizing mature and backward iterative production technologies to joint ventures, while strictly controlling cutting-edge R&D links and core

patented technologies, resulting in solidified low-end industrial positioning of joint ventures [24]. In addition, Chinese and foreign shareholders have divergent innovative strategic orientations: foreign parties focus on global unified technical standards and overall group profit goals, while Chinese parties prioritize localized market adaptation and long-term industrial cultivation. The divergence of innovation objectives leads to scattered R&D resources and low innovation conversion efficiency. Moreover, most joint ventures have insufficient long-term R&D investment and high-end innovative talent reserves, resulting in a continuous innovation gap with domestic high-tech enterprises and wholly foreign-owned enterprises [13].

To objectively verify the innovation input gap of different market entities, the R&D investment intensity of three types of enterprises from 2023 to 2025 is compared in table 11.

Table 11 – Average R&D Investment Intensity of Different Enterprise Types (2023–2025)

Enterprise Type	2023	2024	2025
Domestic listed high-tech enterprises	4.75 %	4.88 %	4.93 %
Sino-foreign joint ventures	2.61 %	2.68 %	2.74 %
Wholly foreign-owned enterprises	3.76 %	3.82 %	3.90 %

Note: Source: National Bureau of Statistics of China, Enterprise Science and Technology Input Survey Database (2025)

Market competition factors constitute the most direct external operational constraints on joint ventures. At present, the market competition pattern has undergone fundamental reversal, forming a typical dual extrusion dilemma for joint ventures. Domestic enterprises have completed technological catch-up and brand upgrading, relying on flexible cost control, localized channel advantages and rapid market response capabilities to continuously seize the mid-end market share of joint ventures [10]. Wholly foreign-owned enterprises occupy high-end market segments by virtue of independent core technology control and efficient decision-making mechanisms [51]. Caught in the middle-end market squeeze, joint ventures face continuous profit compression and shrinking living space. In addition, the upgrading of domestic consumer demand has weakened consumers' preference for international brands, while the rigid product R&D and marketing modes of traditional joint ventures fail to match localized demand changes. Severe homogenization and overcapacity in traditional industries further trigger vicious price competition, forming a low-level operational cycle of low profit and insufficient innovation investment.

Internal dual-subject governance frictions are the inherent institutional obstacles restricting the long-term sustainable development of joint ventures. The dual governance mechanism of joint ventures determines that major strategic decisions require repeated negotiation between Chinese and foreign parties. Differences in risk preference, short-term and long-term interest orientation and corporate cultural cognition lead to delayed decision-making efficiency and slow market response, making joint ventures lag behind competitors in product iteration and business model innovation [55, 4]. Foreign parent enterprises tend to pursue short-term global investment returns, while Chinese partners

focus on long-term industrial value accumulation and localized technological breakthroughs. The inconsistent interest demands lead to insufficient long-term R&D and strategic layout investment of joint ventures. Meanwhile, Sino-foreign cultural integration conflicts reduce internal team execution and operational stability [26, 23], further restricting the high-quality development of enterprises.

3.3 Strategic Suggestions for the High-Quality Development of Joint Ventures

Aiming at the evolutionary trends and multi-dimensional restrictive dilemmas of joint ventures, this study constructs a three-dimensional systematic optimization system covering enterprise micro-transformation, industrial meso-optimization and government macro-guarantee, so as to resolve the inherent development bottlenecks of joint ventures and promote their sustainable high-quality development under the background of high-level opening-up.

At the micro enterprise level, joint ventures should take the initiative to carry out endogenous strategic transformation to build new core competitive advantages. First, promote independent localized innovation and break technological dependence. Joint ventures should increase long-term R&D investment, build localized professional R&D institutions and key technology research platforms, and carry out targeted technical breakthroughs aiming at industrial core bottlenecks and localized market demand pain points. On the basis of digesting and absorbing foreign advanced technologies, enterprises should carry out secondary innovation and original technological research, accumulate independent intellectual property rights, and fundamentally get rid of passive technological dependence on overseas parent companies [56]. Meanwhile, joint ventures

should strengthen in-depth industry-university-research cooperation with domestic scientific research institutions to accelerate the transformation and iteration of innovative achievements.

Second, optimize the dual-subject standardized governance mechanism. Joint ventures should scientifically divide the power and responsibility boundaries of Sino-foreign board of directors and management teams, establish normalized strategic communication and coordination mechanisms, and unify long-term development goals and innovative orientation. It is necessary to integrate the rigorous risk control system of multinational enterprises and the flexible localized operational advantages of domestic enterprises to form a hybrid governance model adapting to international standards and Chinese market characteristics [25]. Strengthen Sino-foreign corporate cultural integration, improve the internal talent incentive system and team cohesion, and effectively reduce governance frictions and decision-making delays.

Third, build a dual-cycle market operational system. Joint ventures should abandon the rigid unified product strategy formulated by overseas parent companies, carry out customized product R&D and localized brand shaping according to domestic consumption upgrading characteristics. Optimize the marketing channel system, integrate online new retail formats and offline traditional channels, and improve market response efficiency and user stickiness. Relying on the dual resource advantages of domestic super-large market and global overseas channels, joint ventures should actively expand overseas emerging markets and realize the coordinated development of domestic market deep cultivation and global market layout [27].

Fourth, accelerate intelligent and green transformation and upgrading. Joint ventures should promote the digital and intelligent transformation of production links, apply industrial Internet and intelligent manufacturing systems to optimize production efficiency and product quality. In response to the national dual-carbon strategy and environmental supervision requirements, enterprises should carry out energy-saving and emission-reduction transformation, optimize energy consumption structure, reduce comprehensive compliance costs, and realize green and low-carbon sustainable development [34].

At the meso industrial level, industry associations should give full play to the role of industrial coordination and standard guidance to optimize the joint venture industrial ecology. First, implement classified and differentiated industrial guidance. Guide low-end traditional joint ventures to eliminate backward production capacity and complete intelligent and green transformation. Support mid-end manufacturing joint ventures to carry out refined management and niche market differentiation strategies to avoid homogeneous vicious competition. Integrate industrial chain resources to cultivate high-end innovative joint venture clusters and drive industrial upgrading [12].

Second, standardize industrial operational norms and competition order. Industry associations should formulate unified technical standards, product quality specifications and market operation guidelines for the joint venture industry, curb disorderly expansion and malicious price competition, and optimize the overall industrial competition environment. Third, build a public industrial innovation cooperation platform to integrate upstream and downstream technological, talent and market resources, organize joint technical research and innovative achievement sharing, break the isolated innovation

dilemma of individual enterprises, and improve the overall industrial innovation level of joint ventures.

At the macro government level, relevant authorities should continue to deepen institutional opening-up and build a high-quality business environment for joint venture development. First, further expand high-level opening-up, timely shorten the foreign investment access negative list, fully implement pre-establishment national treatment and national treatment, simplify administrative approval procedures, and reduce institutional transaction costs for joint venture operation [39, 40]. Give full play to the institutional innovation pilot advantages of free trade zones and Hainan Free Trade Port to provide innovative trial-and-error space for high-end joint ventures.

Second, implement hierarchical and precise policy support [33]. For high-end innovative joint ventures in strategic emerging industries, increase support in R&D tax incentives, special innovation subsidies and high-end talent introduction policies. For traditional joint ventures in transformation, launch special industrial upgrading subsidies to help enterprises complete digital and green transformation. Optimize regional preferential policies to guide joint venture capital to transfer to central and western regions, so as to balance regional industrial layout [49].

Third, improve the whole-process intellectual property protection system, strengthen law enforcement against infringement behaviors, and fully protect the innovative achievements and core technological rights and interests of joint ventures to eliminate foreign investors' technology leakage concerns. Equally open national scientific research projects and industrial standard formulation channels to qualified joint ventures to fully

release innovative vitality. Optimize the service guarantee system for foreign high-end talents to provide sufficient talent support for enterprise innovation and development [48].

Fourth, build a global cross-border investment risk early warning mechanism, monitor geopolitical changes and international policy fluctuations in real time, and release risk early warning information to help joint ventures avoid external uncertain operational risks and ensure the stable and sustainable development of Sino-foreign cooperative relations [45, 41].

In summary, the high-quality sustainable development of Sino-foreign joint ventures requires the coordinated promotion of enterprise micro-transformation, industrial meso-optimization and government macro-guarantee. Joint ventures need to abandon extensive development concepts and take innovation upgrading and governance optimization as the core driving force. Industrial institutions need to standardize market order and build a collaborative innovation industrial ecology. The government needs to continuously deepen institutional opening-up and optimize differentiated policy support systems. Under the three-dimensional coordinated mechanism, joint ventures will complete the fundamental transformation from factor-driven scale expansion to innovation-driven high-value development, and continue to play a key bridging role in Sino-foreign industrial cooperation and technological innovation in the new era of high-level opening-up [9, 30].

Conclusion

Against the backdrop of global industrial chain restructuring, intensifying international technological competition and China's ongoing advancement of high-level institutional opening-up, Sino-foreign joint ventures, as a crucial institutional product born from China's reform and opening-up strategy, have gone through more than four decades of evolutionary development from initial exploratory growth, rapid scale expansion and standardized maturation to the current innovation-driven high-quality transformation. Based on systematic sorting of the definition, classification, historical evolution and operational characteristics of joint ventures in Chapter 1, analysis of opening-up dividends and multi-dimensional development challenges in Chapter 2, as well as prospective trend judgment and multi-level development countermeasures in Chapter 3, this paper comprehensively reviews the development trajectory, realistic predicaments and future evolutionary logic of Chinese joint ventures, and draws systematic research conclusions on their sustainable high-quality development. Over the past 40 years, joint ventures have fulfilled irreplaceable historical missions in attracting foreign capital, introducing advanced technologies and modern management philosophies, facilitating China's market-oriented reform and industrial upgrading[30], yet the shifting domestic and international economic landscape has thoroughly overturned their traditional extensive development logic relying on low-cost production factors and preferential policy dividends, forcing the whole industry to embrace structural transformation and kinetic energy renovation.

From the basic attribute and historical evolution perspective, Sino-foreign joint ventures feature dual investment subjects and complementary heterogeneous resources, with equity joint ventures and contractual joint ventures remaining the core classification categories after the implementation of the "Foreign Investment Law of the People's Republic of China" in 2020. The four-stage development course since 1978 mirrors the progressive deepening of China's opening-up layout: early-stage joint ventures clustered in coastal regions focusing on labor-intensive processing to ease capital and technology shortages. The 1992–2001 expansion phase saw their industrial coverage expand toward

capital and technology-intensive manufacturing fields. The WTO accession to 2019 ushered in standardized development as joint ventures deepened industrial chain cooperation with domestic enterprises. After 2020, unified foreign investment regulatory rules pushed joint ventures to pivot toward innovation cooperation in emerging strategic industries. In terms of operational features, dual-balanced governance structure, cross-system dual supervision rules, resource complementarity and benefit-risk sharing constitute their core institutional traits, and three mainstream operation modes including equity-controlled operation, contract-cooperative operation and joint R&D innovation operation have taken shape to adapt to differentiated industrial scenarios. Meanwhile, the industrial layout of joint ventures has gradually shifted from over-reliance on eastern coastal areas toward coordinated development across eastern, central and western China, with emerging industries replacing traditional processing manufacturing as the primary investment hotspot, and Chinese partners' market discourse power and technological participation capability having achieved remarkable improvement compared with the initial opening-up period.

An analysis of the current development environment reveals that China's high-standard institutional opening-up has delivered multi-layered development opportunities for joint ventures from institutional liberalization, market expansion, innovation factor circulation and global rule alignment. The continuous shortening of the foreign investment negative list, implementation of pre-establishment national treatment, revision of the Catalogue of Encouraged Industries for Foreign Investment and improvement of cross-border talent and data flow policies have removed long-standing institutional barriers restricting joint venture development, while China's oversized domestic consumer market and complete industrial supporting system provide solid market and industrial foundations for their transformation toward high-end and innovative development. Nevertheless, joint ventures are trapped in prominent structural challenges amid profound market changes. Externally, they face dual market extrusion from rapidly rising domestic independent enterprises and policy-favored wholly foreign-owned enterprises, falling into a mid-market squeeze dilemma where domestic players seize mid-low-end market share via cost and localized advantages while wholly foreign-owned

enterprises monopolize high-end segments through independent technological control. Internally, long-term asymmetric technological control by overseas parent companies leads to insufficient independent R&D capacity and technological dependence. Inherent differences in management philosophy, development goals and cultural concepts between Chinese and foreign parties trigger dual-subject governance frictions, dragging down decision-making efficiency and innovation output. Besides, stricter domestic compliance supervision on environmental protection, data security and fair competition, coupled with global geopolitical fluctuations and rising international investment review barriers, further raise joint ventures' operational uncertainty and compliance costs, resulting in evident stratified differentiation across the whole joint venture industry: traditional low-end processing joint ventures face elimination and transformation pressure, mid-stream standardized manufacturing joint ventures struggle with homogeneous competition and thinning profit margins, and high-tech innovative joint ventures in emerging sectors become the core growth driver of the sector.

Looking ahead, driven by institutional opening-up and global industrial restructuring, Chinese joint ventures will follow five irreversible long-term development trends in the next decade. First, innovation localization and bilateral collaborative R&D will replace passive technology introduction as the core development direction, ending the long-term split between overseas R&D links and domestic production links, with Chinese partners gaining equal even leading positions in technological innovation cooperation. Second, industrial layout will keep shifting away from low-value-added traditional processing toward high-end intelligent manufacturing, modern productive services and strategic emerging industries such as new energy, biomedicine and semiconductors. Third, business models will evolve from the single “produced and sold domestically” pattern to dual-cycle layout coordinating domestic market cultivation and global market expansion, enabling joint ventures to serve as an important channel for Chinese high-quality products to access global markets. Fourth, internal governance will realize standardized and efficient iteration, with more balanced equity distribution easing unilateral foreign capital control and integrating international management norms with localized operational experience to cut internal coordination costs. Fifth, industry differentiation will intensify

continuously, forming a tiered survival pattern featuring phasing-out of backward low-end projects, steady upgrading of mid-tier enterprises and explosive growth of high-end innovative joint ventures.

Multiple intertwined factors jointly determine the sustainable development prospect of joint ventures, among which institutional and policy settings act as the fundamental external driver, technological innovation serves as the core internal decisive condition, market competition constitutes the direct operational constraint, and dual-subject internal governance is the inherent management bottleneck. Policy optimization including negative list reduction and preferential industrial support fuels high-quality joint venture development, while the withdrawal of exclusive super-national treatment and tightened regulatory standards raise transformation costs for traditional small and medium-sized joint ventures. Asymmetric technology monopoly and inconsistent R&D goals between two investment sides curb independent innovation vitality. Reversed market competition structure and demand upgrading compress existing profit space. Divergent interest orientation and cultural conflicts hinder efficient internal management. Accordingly, this paper constructs a three-dimensional optimization framework covering enterprise micro-reform, industrial meso-regulation and government macro-support to tackle the above pain points. At the enterprise level, joint ventures ought to accelerate localized R&D center construction, deepen industry-university-research cooperation to break technological dependence, optimize dual-side governance mechanisms and integrate Chinese and foreign corporate cultures, renovate marketing channels to adapt to domestic consumption upgrading and push forward intelligent and green production transformation. At the industrial level, industry associations need to formulate differentiated industrial guidance policies, unify industry operation standards to curb vicious homogeneous competition and build public collaborative innovation platforms to realize resource sharing among upstream and downstream joint ventures. At the governmental level, authorities shall further expand market access scope for foreign investment, implement classified targeted incentive policies for different types of joint ventures, perfect the whole-process intellectual property protection system and normalized foreign-invested enterprise service

mechanism, as well as strengthen international investment diplomacy and cross-border risk early warning to hedge external geopolitical uncertainties.

In conclusion, after decades of development, Sino-foreign joint ventures have stepped into a critical transitional period abandoning factor-driven extensive expansion for innovation-centered high-quality development. Though plagued by market squeeze, technological bottlenecks and institutional adaptation troubles in the short run, the deepening of China's high-level opening-up, continuous upgrading of domestic industrial foundation and booming emerging industry market create enormous long-term development space for joint ventures. As long as joint venture entities proactively adjust development strategies to realize innovative and structural upgrading, industrial organizations standardize market order to foster coordinated innovation ecology, and governments keep optimizing institutional and policy support systems to improve the business environment, Sino-foreign joint ventures can further exert their unique bridging advantages linking domestic and global markets, technologies and industrial resources. In the future, joint ventures will continue to be an important carrier for China to deepen international economic cooperation and implement high-level opening-up, achieving win-win development for both Chinese and foreign investors while facilitating the high-quality progress of China's modern industrial system.

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