

China opens its health industry to international investors

Peter Lu, Partner and Global Head of the China Practice at McDermott Will & Emery, discusses China's opening of its health industry to international investors

With China's potential for economic development set against an ageing population, its demand for medical services is growing. With foreign direct investment into China declining in recent years, it is no surprise that China's plans to open its health and medical care sectors to foreign investment have garnered significant attention.

[A joint circular](#) released by China's Ministry of Commerce, the National Health Commission and the National Medical Products Administration in September 2024 signals a relaxation of China's long-standing restrictions on foreign investment in healthcare.

The circular announces that China will allow wholly foreign-owned hospitals in several major cities, including Beijing and Shanghai. It also permits foreign enterprises to engage in biotechnology – particularly to offer human stem cell and gene therapy services in pilot free-trade zones. These programmes clearly signal China's intention to bring back foreign investment and stabilise growth.

This follows the pledge given by China's leadership to open the market to international investors further. Indeed, [in 2024, Vice Premier He Lifeng specifically outlined](#) that “foreign investment is an important part of China's economy and an important force in China's modernisation drive.”

Wholly foreign-owned hospitals in China

Pilot programmes in 2014 to encourage international investment in the health sector yielded limited results. However, following the easing up of restrictions heralded by the joint circular, foreign-owned hospitals can now be opened in Beijing, Tianjin, Shanghai, and beyond. It also aims to facilitate registering, listing, and producing related products, which can be used nationwide once registered and approved.

The joint circular aims to facilitate registering, listing, and producing related products, which can be used nationwide once registered and approved. Wholly foreign-owned hospitals are appealing to foreign investors across the globe through the introduction of international medical technologies, talent, nursing models, service concepts, and management practices.

[Commentators have noted](#) the joint circular's unprecedented scope of “opening up”, with the term “wholly foreign-owned” representing a breakthrough change that allows many more locations to benefit from foreign-funded medical resources.

The joint circular also promotes the in-depth implementation of the Healthy China strategy, helping China to build a more flexible, incisive, and efficient medical service system. While these policy changes are currently limited to pilot regions, the demand for medical services may mean further prohibitions are lifted in due course – presenting an opportunity to improve China's overall medical environment.

The detailed requirements and procedures for foreign-owned hospitals and foreign investment have been released on 1st November 2024, yet the exact day of implementation may vary from city to city. However, foreign investors will not be allowed to acquire public hospitals or run businesses relating to Chinese medicine.

Due to the involvement of health data, foreign-owned hospitals may face different regulations in areas such as pre-approval and medical care services. Investors will need to closely monitor the development and implementation of regulations, particularly issues related to national treatment, regulatory models, and the free flow of foreign capital.



Biotechnology development and application in China

China's negative list has explicitly prohibited foreign investment in developing and applying human stem cells, gene diagnosis, and treatment technologies since 2007. With the joint circular, foreign investment entities can now engage in these activities within the free-trade zones of Beijing, Shanghai, Guangdong, and the Hainan Free Trade Port for the purposes of registration, market authorisation, and manufacturing.

The easing of restrictions on foreign investment must be balanced against ensuring China's biosecurity – a long-standing focus for the country. Investors participating in the pilot programme must adhere to the relevant laws and regulations on human genetic resource management, drug clinical trials, drug registration and listing, drug production, and ethical review.

Additionally, foreign investors must remember that while China's dynamic healthcare market is continuously growing – making it one of the most attractive in the world – it is heavily regulated, with high compliance requirements and strong competition. To successfully enter the market, foreign investors must stay abreast of changes to industry policies and requirements and develop a well-tailored strategy.

China health industry: Key takeaways

- A recent Government announcement signals a relaxation of restrictions on foreign investment in Chinese healthcare.

- On 1st November 2024, China released a document providing the specific conditions, requirements and procedures for establishing wholly foreign-owned hospitals in major cities.

- Foreign investors will be permitted to offer stem cell and gene therapies via a pilot programme.

- China's biosecurity remains a key government focus, and strict laws and regulations will continue to define the sector.

- Chinese healthcare remains heavily regulated, so foreign investors must develop a clear, strategic approach.

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