



Insights from
MNC Senior Executives in China:

Integrating China's
Innovation Ecosystem into
MNCs' Global Strategies

Spring 2025





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Executive Summary

In January 2025, PwC China hosted its annual conference in Shanghai for senior executives from multinational corporations (MNCs), where more than 100 participants shared their perspectives on “Integrating China’s Innovation Ecosystem into MNCs’ Global Strategies” through on-site surveys and interviews.

The study and analysis of the on-site survey and interview results reveal that:

Integrating China’s innovation and research and development (R&D) into their global strategies enables MNCs to better consolidate innovation resources and enhance their global competitiveness. According to the survey, most MNCs (57%) believe that China’s innovation ecosystem has played a significant role in boosting their global competitiveness, with 12% reporting a highly significant enhancement and 45% noting a significant enhancement.

As China’s innovation ecosystem continues to develop and improve, its role in the global strategies of MNCs is set to become even more prominent. Looking ahead, 50% of surveyed MNCs believe the importance of such an ecosystem to their global strategies will continue to grow. Among them, 4% expect this importance to grow significantly, 46% anticipate a moderate rise, while 38% believe its importance will remain unchanged.

China’s foreign investment environment remains attractive, boosting confidence among foreign-invested enterprises in the Chinese market. Among the surveyed MNCs, 42% plan to significantly increase or increase their innovation and R&D investments in China over the next two years, while another 42% intend to maintain their current investment levels.

As China’s investment structure continues to advance, the country is steadily emerging as a hotspot for global high-tech industry investments. The preferences of surveyed MNCs show a diverse array of focus areas. The development and improvement of products or services currently rank as the primary area of focus for MNCs, cited by 57% of respondents, while 48% view digitalisation as a key investment direction. Business model innovation is also highly favored by MNCs, with 29% identifying it as a critical area. Smart manufacturing and automation follow closely, noted by 27% of those surveyed. Additionally, sectors such as renewable energy and environmental protection technologies, advanced materials, and financial technology (fintech) are gaining widespread attention.





The survey results indicate that integrating China's innovation ecosystem into global strategies poses core challenges for MNCs, with 51% surveyed identifying company culture and understanding from headquarters as the primary obstacles. Legal and regulatory differences across regions rank as the second largest core challenge, noted by 50% of respondents. 26% of MNCs highlighted cultural differences as one of the major challenges they encounter during overseas expansion, while 13% noted that language barriers hinder the efficient transmission of information and impede knowledge sharing. Differences in market demand for products and services significantly influence product development and market positioning for 25% of MNCs, while 20% consider technology transfer requirements a key factor in overseas R&D activities. 18% of the MNCs surveyed regard access to China's local innovation ecosystem as vital. Regarding talent mobility between regions, 10% of them believe that it has an impact on their R&D operations.

As MNCs increasingly establish innovation and R&D centers in China, these global R&D hubs are becoming vital links between the country's innovation market and the global marketplace. Survey results reveal that MNCs place more emphasis on factors related to the local R&D environment when selecting locations for these centers. Among them, the availability of talent stands out, cited by 55% as a key contributing factor. Intellectual property protection (41%), the supporting business environment (35%), and access to high-quality external innovation and R&D institutions (31%) are also widely considered critical in influencing the choice of innovation and R&D center locations. Additionally, 29% of surveyed MNCs factor in the importance of local government policies and services supporting corporate R&D. 21% view local market size as a key consideration, while 10% highlight the local concentration of specific industries. An additional 8% stress the importance of capital flow and funding.

Cooperation between Chinese and foreign-invested enterprises has evolved beyond simple financial transactions into deeper, multifaceted integration and collaboration. In order to more effectively integrate China's innovation ecosystem into their global strategies, surveyed MNCs plan to adopt a range of measures. Their top priority is expanding collaboration with local Chinese enterprises (33%). For global cross-regional collaboration, key strategies include promoting cross-border R&D knowledge sharing and technology transfer (28%), integrating China's innovation achievements into global supply chains (27%), and participating in global joint R&D initiatives and projects (24%). Within China, MNCs are focusing on recruiting and promoting more local Chinese talent (23%), increasing R&D investments in China (23%), establishing or enhancing innovation centers in China (19%), and exploring mergers and acquisitions opportunities (17%).

Preface

In recent years, as China's influence on the global economy has grown and driven industrial transformation, MNCs in China have recognised that integrating China's innovation ecosystem into their global strategies is a key factor in enhancing global competitiveness. Beyond its vast domestic market and rapid technological advancements, China has fostered numerous startups and tech companies with leading-edge advantages in fields such as artificial intelligence (AI), big data, the Internet of Things (IoT), advanced materials, and biomedicine. In response, many MNCs are actively seeking ways to collaborate with local innovation forces. These efforts include accelerating the iteration and upgrading of their products and services, as well as capturing growth potential in global emerging markets through resource sharing, collaborative R&D, and market expansion. However, this process is far from smooth. Effectively aligning with China's innovation resources and market demands, while adhering to international regulations, presents a new challenge for MNCs in their strategic planning. Meanwhile, China's welcoming stance toward foreign investment and its ever-improving legal and regulatory environment provide unprecedented opportunities for this integration. In this context, deeply integrating China's innovation ecosystem into MNCs' global strategies has become a critical issue for multinational operations in the new era.

In order to help MNCs in China capitalise on new opportunities and respond to the evolving conditions, PwC hosted its annual conference for senior executives from MNCs in Shanghai in January 2025, themed "Integrating China's Innovation Ecosystem into MNCs' Global Strategies". The event brought together over 100 senior executives from industries including consumer goods, automotive, finance, healthcare and pharmaceuticals, real estate, chemicals, and chemical engineering. Participants shared their perspectives through a survey and engaged in a panel discussion moderated by Shi Gongqi, Vice Director of the National Innovation Center par Excellence/ Shanghai Yangtze Delta Innovation Institute. The discussion featured four senior executives from MNCs. They engaged in an in-depth case study discussion and exchange on the theme, exploring how China's technological advancements, vast consumer base, and innovation ecosystem create valuable opportunities for MNCs in China.

This report compiles and analyses the on-site survey responses from senior executives, insights shared during the conference, and recommendations from invited experts. Combined with desk research and policy analysis, our findings are presented in the following sections.



Chapter I

Overview

As we enter 2025, the global investment landscape remains complex and volatile, influenced by multiple factors including economic growth fluctuations, geopolitical situations, and shifts in the global economic structure. The overall investment trends in 2024 exhibited some fluctuations. Nevertheless, China continues to be a prime location for global investment, maintaining a relatively high level of inbound investment over the past decade after a brief period of adjustment. This demonstrates the country's robust market appeal and the confidence it inspires among foreign investors.

MNCs are refining their investment strategies in China, viewing it not only as an indispensable part of their global operations but also as a critical source of innovation. China's innovation ecosystem is seen as key to driving the upgrade of its global strategies and spurring innovation development. This further deepens the integration of China into the global economy and contributes to the development of a new ecosystem for global industrial and supply chains.

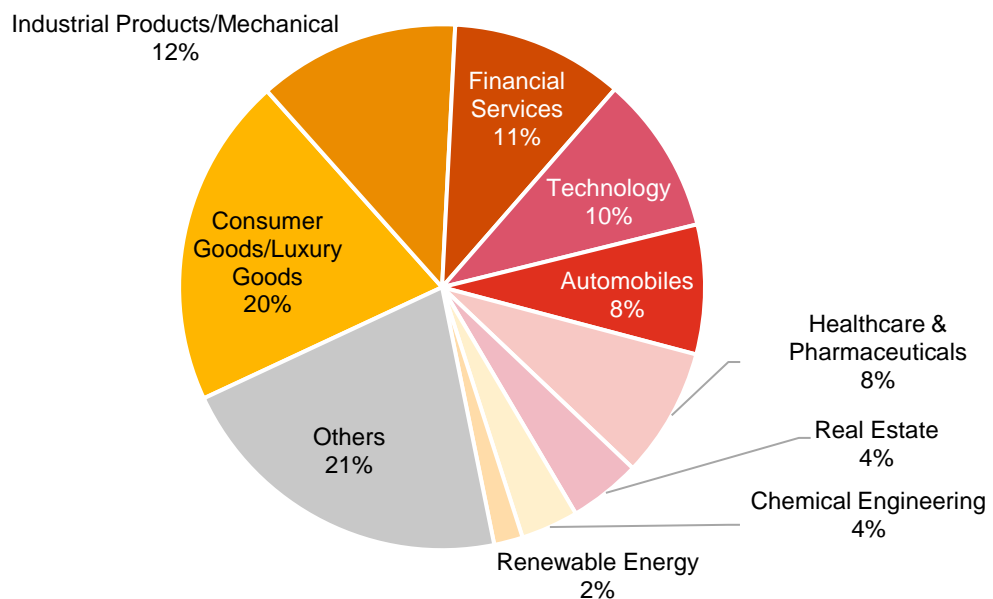
This report leverages data analysis, desk research, and policy analysis to explore how MNCs can further integrate China's innovation into their global strategies. It examines their investment strategies, collaboration models, and future development plans in the Chinese market, aiming to offer guidance and inspiration to MNCs. This survey, conducted through on-site questionnaires and interviews, included 113 senior executives from MNCs across different industries such as consumer goods, automobiles, finance, healthcare and pharmaceuticals, real estate, chemicals, and chemical engineering.



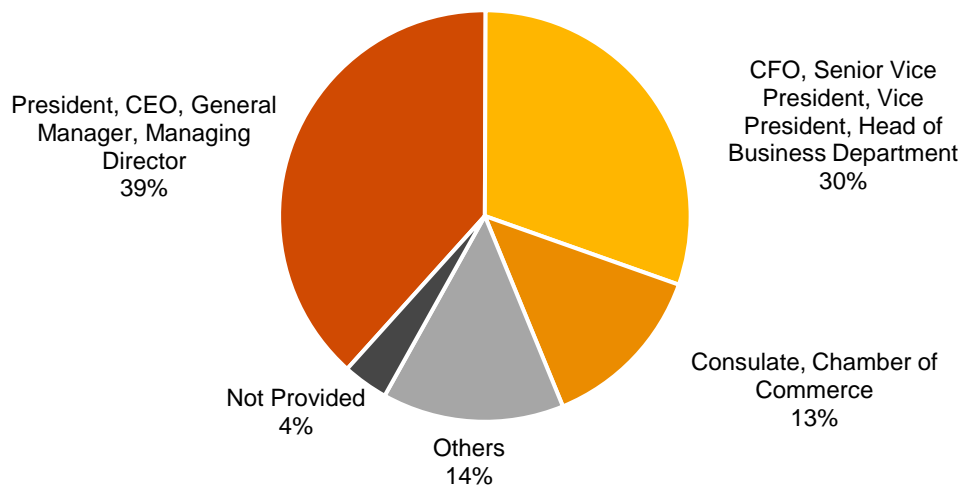


This survey focuses on examining the innovation strategies, R&D investments, and future plans of MNCs in China, as well as a comprehensive evaluation of factors shaping China’s innovation environment. Participating MNCs represented industries, with the consumer sector having the largest share at 20%, followed by industrial machinery (12%), financial services (11%), technology (10%), automotive (8%), and healthcare and pharmaceutical (8%). The remaining spanned real estate, chemicals, renewable energy, and other sectors. In terms of the distribution of respondents by position level, 39% of the senior executives were directors, presidents, CEOs, or general managers; 30% were CFOs, vice presidents, or heads of business departments; and 13% were representatives from consulates and chambers of commerce.

Industry Breakdown of the Participants in the Survey



Position Levels for the Senior Executives of the Surveyed MNCs



The event featured a dynamic discussion surrounding the topic of “Integration of China’s Innovation Ecosystem with Global Strategies”. Drawing from this dialogue, we have summarised the following keywords based on frequency:





Chapter II

Innovation Strategies of MNCs in China and Their Global Positioning

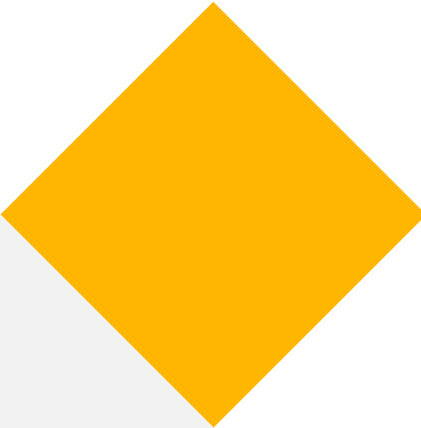
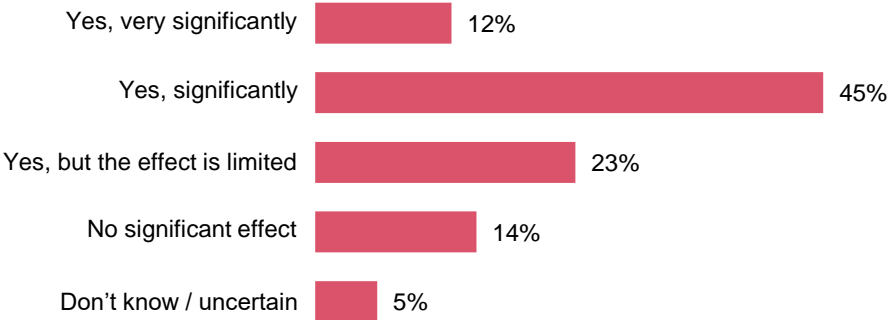
China’s technological innovation capabilities are advancing at an astonishing pace, positioning the country as a key driving force behind global technological progress.

Public data shows that China has led the world in PCT international patent applications for five consecutive years. China’s R&D expenditures have surpassed RMB 3.30 trillion, making up 2.64% of GDP, surpassing the EU average. In the first three quarters of 2024, R&D investment by listed companies reached RMB 1.10 trillion, marking a 3.9% year-on-year increase. From 2018 to 2023, China’s R&D expenditures grew by nearly 70%. In the Global Innovation Index 2024 released by the World Intellectual Property Organisation, China ranks 11th globally, the only middle-income economy in the top 30.

As China’s position in the global innovation landscape continues to grow, MNCs’ ongoing pursuit of the “bringing in and going global” strategies in the Chinese market has not only achieved significant profit growth and market share expansion but has also fostered notable synergies in resource allocation and technological innovation. This has enabled MNCs to better integrate China’s innovation ecosystem into their global strategies, consolidate innovation resources, and enhance their global competitiveness.

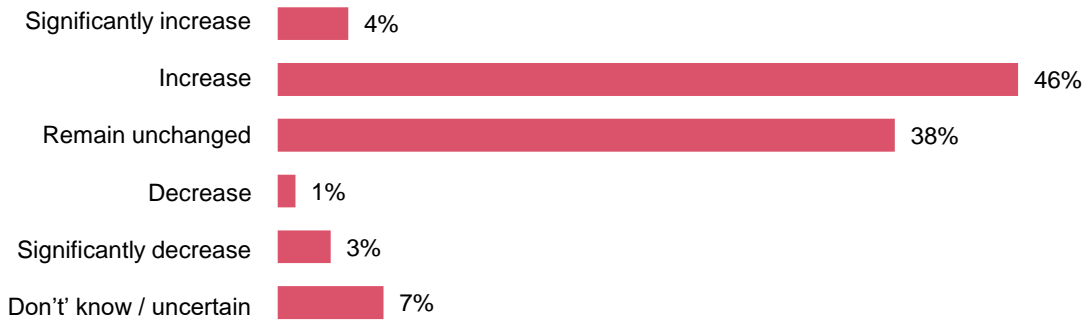
PwC’s survey data shows that the majority of the MNCs surveyed (57%) view China’s innovation ecosystem as a significant contributor to their global competitiveness, with 12% reporting a highly significant enhancement and 45% noting the enhancement was significant. Only 14% observed no significant enhancement, while the remaining 19% described the enhancement as limited or uncertain. These findings indicate that China’s innovation ecosystem has become a key driver in enhancing the global competitiveness of MNCs.

Does your company believe that China’s innovation / R&D increases your company’s global competitiveness? (Single choice)



With the ongoing development and refinement of China's innovation ecosystem, its role in the global strategies of MNCs is poised to grow even more prominent. Looking ahead, 50% of surveyed MNCs believe the importance of China's innovation and R&D to their global strategies will increase further, with 4% expecting a substantial rise, 46% anticipating a moderate increase, and 38% predicting no change. Meanwhile, only 4% of companies foresee a decline in importance, and 7% are uncertain.

Will the importance of China's innovation / R&D change your company's global strategies in the next two years? (Single choice)





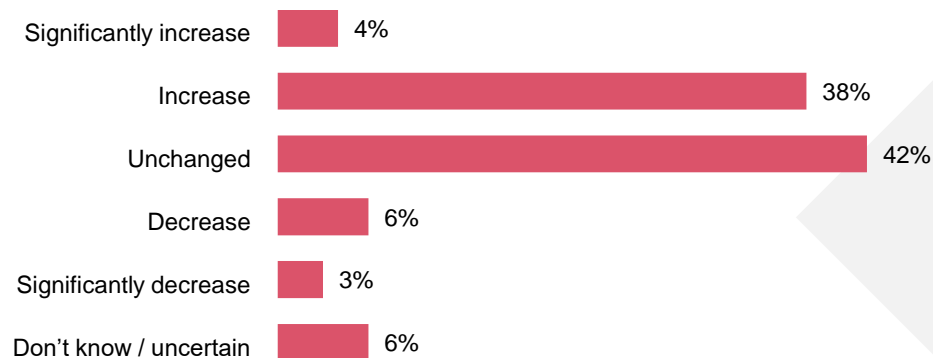
Chapter III

Key Focus Areas and Future Plans for MNCs' R&D Investments

China's foreign investment environment continues to demonstrate its attractiveness, boosting confidence among foreign-invested enterprises in the Chinese market and encouraging steady investment growth. The *2024 Fourth Quarter Survey Report on the Business Environment for Foreign Investment in China*, released by the China Council for the Promotion of International Trade in January 2025, reveals that among the over 400 foreign-invested enterprises surveyed and interviewed, more than 80% of surveyed foreign-invested enterprises rated China's business environment as satisfactory or above. Among the 10 evaluation indicators, satisfaction with acquiring business premises, handling closure procedures, and resolving commercial disputes exceeded 90%. In terms of operational performance, more than 80% of the surveyed foreign-invested enterprises maintained stable industrial chains and supply chains in China, nearly 20% have increased their capital in China, over 30% reported increased investment profits in China in 2024, and nearly 50% anticipate increased investment profits in China over the next five years. Research reports released in 2024 by the American Chamber of Commerce in China, the AHK Greater China, and the Japanese Chamber of Commerce and Industry in China show that the majority of surveyed enterprises plan to maintain their presence in the Chinese market, with over half planning to expand investments. Similarly, HSBC's survey report, titled *Overseas Enterprises' View of China 2023*, finds that 87% of surveyed foreign-invested enterprises aim to grow their business presence in China.

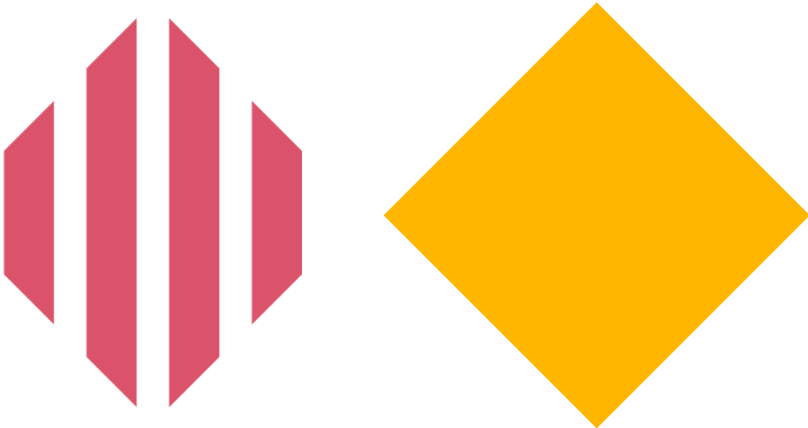
PwC's survey results indicate strong confidence among MNCs in their future innovation and R&D investments in China. Over the next two years, 42% of surveyed MNCs plan to maintain their innovation and R&D investments in China. Additionally, 4% plan to significantly increase their R&D investments, while 38% intend to increase their R&D investments. Fewer than 10% expect to reduce R&D investments, with the remaining 6% uncertain. According to the China Statistical Yearbook, from 2018 to 2023, both the full-time equivalent of R&D personnel and R&D expenditures from foreign-invested enterprises have seen steady growth. This trend highlights MNCs' confidence in and commitment to China's innovation ecosystem, as well as their determination to increase R&D investments in the Chinese market.

How will your company invest into innovation / R&D in China in the next two years compared to the last two years? (Single choice)



High-tech industries tied to innovation and scientific research are emerging as a new engine for attracting foreign investment to China. The research report titled *Multinational Corporations in China: Sharing New Opportunities of “Chinese-Style Modernization”*, released by the Chinese Academy of International Trade and Economic Cooperation of the Ministry of Commerce, indicates that the scale of foreign investment in high-tech industries amounted to RMB 423.34 billion in 2023, accounting for 37.3% of the total foreign investment in China, marking a record high. Among them, actual foreign investment utilised in the high-tech manufacturing industry grew by 6.5%, with notable increases in medical devices and instrumentation manufacturing (32.1%) and electronic and communication equipment manufacturing (12.2%). The utilisation of foreign investment in technological achievement transformation services and R&D and design services grew by 8.9% and 4.1%, respectively, reflecting an ongoing optimisation of foreign investment allocation. This suggests that MNCs are driving high-quality development through investments in high-tech industries while spotlighting the strong appeal of the Chinese market for foreign capital in areas such as high-end manufacturing, technological innovation and R&D services.

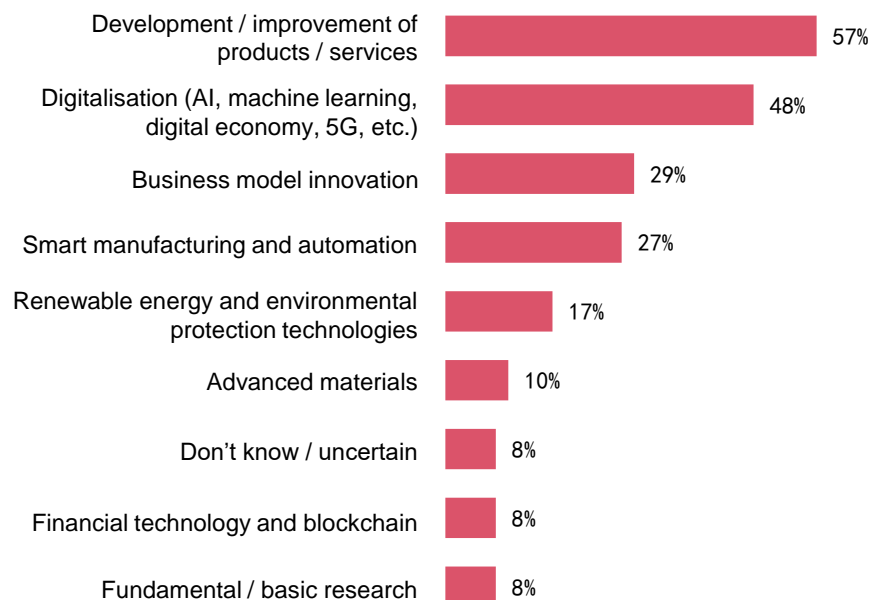
As China’s investment structure continues to improve, the country is steadily becoming a hotspot for global high-tech industry investments. The choices made by the surveyed MNCs show a diversified range of focus areas. The development and improvement of products or services tops the list for the most prominent area of focus for MNCs, as mentioned by 57% of respondents. This high percentage indicates strong demand in the Chinese market for high-quality, innovative products, as well as MNCs’ desire to better adapt to and lead this demand through continuous refinement and upgrading. Amid the digitalisation wave, 48% of MNCs view digitalisation as a key investment direction. They adopt technologies such as big data, cloud computing, and AI to improve operational efficiency and develop intelligent products and services, capitalising on the vast business opportunities brought by digital transformation.





Business model innovation also ranks high as a key area for 29% of MNCs, who are exploring new profitability models, marketing channels, and collaboration methods in an effort to differentiate themselves in the competitive market. Smart manufacturing and automation closely follow, noted by 27%, with many MNCs enhancing their overall competitiveness in the manufacturing industry by introducing advanced robotics and IoT technologies to achieve intelligent and efficient production processes. Moreover, as global emphasis on sustainable development grows, renewable energy and environmental protection technologies have become an area of focus for 17% of surveyed MNCs, who are seeking investment opportunities in areas such as wind energy, solar power, and wastewater treatment to advance the green economy. The advanced materials sector is of interest to 10% of surveyed MNCs, particularly in fields like nanomaterials and high-performance composites, which is of great significance for improving product performance and reducing costs. The fintech sector has also garnered the attention of 8%, with firms using technologies such as blockchain and AI to optimise financial services, enhance the efficiency and security of financial systems, and address the growing demand for digital financial services. These sectors not only highlight where MNCs are seeking innovative breakthroughs in the Chinese market but also signal the trends and potential for the future development of China's high-tech industries, offering vast opportunities for collaboration and development for both domestic and foreign enterprises.

Which are the key areas your company is focusing on for innovation / R&D investments in China? (Choose top 3)





Chapter IV

How MNCs Continue to Build Within China's Innovation Ecosystem

The cultural orientation of MNCs and their headquarters' understanding of the Chinese market and innovation trends have a direct impact on their choices of business strategies, investment decisions, and their overall business structure in China. This impact is profound and cannot be overlooked. The survey results indicate that 51% of MNCs view company culture and understanding from headquarters as a core challenge in integrating China's innovation ecosystem into their global strategies. This not only highlights the pressing need for a deep understanding of scientific innovation, the characteristics of the Chinese market, and the country's innovation dynamics at both the company culture and headquarters levels but also underscores the decisive role these awareness factors play in subsequent strategic decision-making. Consequently, bridging the cultural and awareness gaps and ensuring that MNCs can precisely capture the essence of China's innovation and effectively integrate it into their global strategic framework have become major challenges for many MNCs.

MNCs rank legal and regulatory differences across regions as the second largest major challenge, with 50% of those surveyed identifying it as a core issue. However, in recent years, the Chinese government has actively introduced policies and regulations aimed at optimising the foreign investment environment. During the press conference on the "Achievements of China's High-Quality Economic Development" series held on January 3, 2025, Zhao Chenxin, Vice Chairman of the National Development and Reform Commission, announced the rollout of the 2024 Negative List for Foreign Investment Access. The number of restrictive measures has been significantly reduced from 93 in 2015 to 29, with all restrictions in the manufacturing industry removed. These changes are set to provide foreign investment greater freedom, convenience, fairness, and transparency in market access and operations, backed by a more robust, effective, and stable institutional framework.





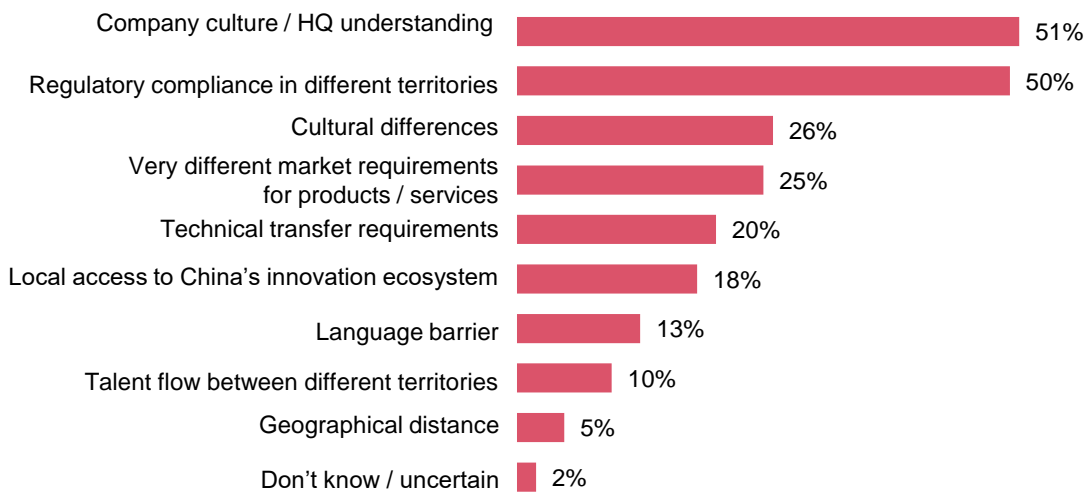
With respect to cultural differences, survey data shows that 26% of MNCs specifically highlight it as one of the major challenges they face in overseas expansion. These cultural differences include but are not limited to, working habits, management philosophies, decision-making processes, and social interaction styles, directly impacting teamwork efficiency and innovative thinking. To address these challenges, many MNCs implement a series of cross-cultural training programs to enhance their employees' cultural sensitivity and adaptability, thereby boosting collaboration across international teams. Additionally, 13% of respondents note that language differences impact the efficient transmission of information and knowledge sharing, especially in R&D fields dependent on technical documentation and communication.

Regarding variations in product and service market demand, 25% of surveyed MNCs report that regional variations in consumer preferences, purchasing power, and regulations significantly influence product development and market positioning. An enterprise's ability to thoroughly understand and swiftly adapt to shifting market demand is key to its success. Enterprises must tailor product designs, functional features, and marketing strategies to the specific needs of target markets. Customised products for specific markets tend to outperform generic ones, enabling corporations to capture a larger market share.

In terms of technology transfer requirements, 20% of surveyed MNCs view it as a key factor in their overseas R&D activities. Technology transfer involves not only legal considerations such as patent licensing and intellectual property protection, but also practical elements like technology compatibility testing, localisation adjustments, and technical training. Successful technology transfer directly enhances an enterprise's competitiveness and cost control in new markets. Enterprises that excel in this process typically have efficient technology transfer mechanisms in place, including specialised teams, partnerships with local scientific research institutions and universities, and utilisation of digital tools to accelerate knowledge sharing.

In regards to opportunities to engage with China's innovation ecosystem, 18% of surveyed MNCs believe it is crucial for acquiring cutting-edge technologies, forging partnerships, and integrating into the global innovation network. On cross-regional talent mobility, 10% of respondents believe it has an impact on their R&D operations. As the primary driving force of innovation, talent mobility across regions directly affects an enterprise's ability to efficiently allocate resources both domestically and globally.

What are the biggest challenges in the process of integrating China's innovation / R&D into global strategies? (Choose top 3)

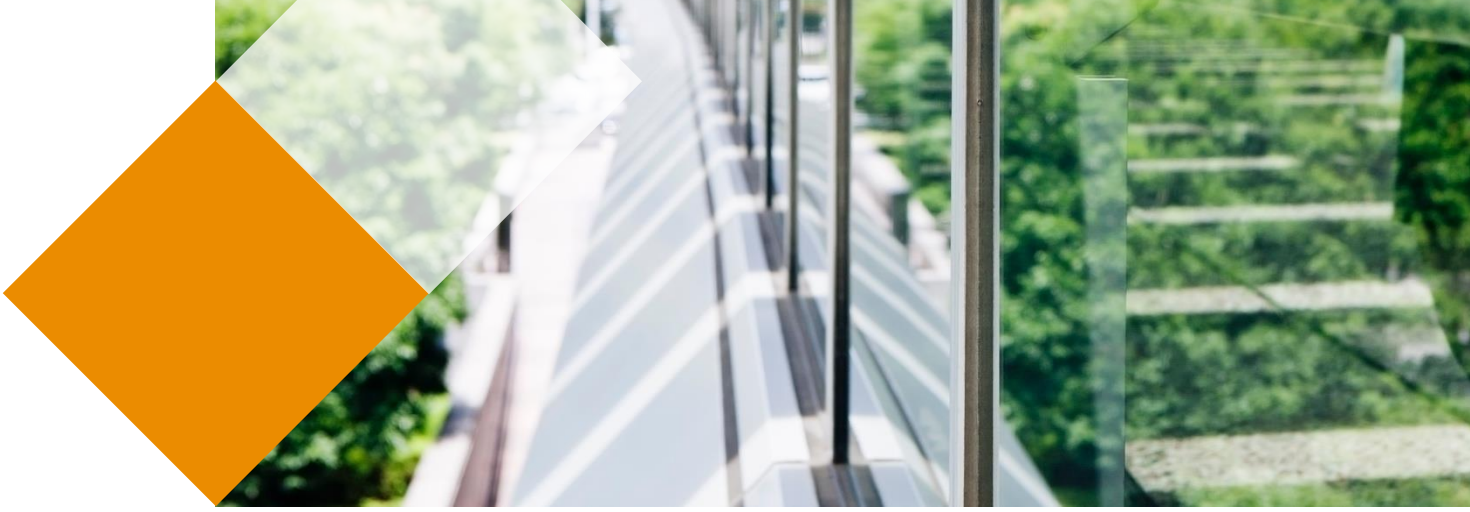


As MNCs increasingly establish innovation and R&D centers in China, strengthening its integration into the country's economic innovation wave and staying closely attuned to market dynamics, these global R&D centers have become vital links between China's innovation market and the global marketplace. Official statistics show that, in the first 11 months of 2024, over 52,000 new foreign-invested enterprises were established nationwide, marking an 8.9% year-on-year increase and a record high for the same period in history. The share of foreign investment utilised in high-tech manufacturing grew by 0.3 percentage points compared to the same period last year.



Survey results show that MNCs place more emphasis on factors related to the local R&D environment when selecting locations for global innovation and R&D centers, with 55% citing talent availability as a key contributing factor. Talent is central to technological innovation, and China's abundant pool of highly skilled talent remains a key appeal for MNCs. According to the World Talent Ranking 2024 released by the International Institute for Management Development (IMD) in Lausanne, Switzerland, China ranks 38th out of 67 countries, up 3 places from last year, with a 48th ranking for appeal and 25th for readiness. Among the factors influencing talent attractiveness, personal income tax rates and employee incentives stand out, ranking 7th and 9th, respectively. According to the *Global City Talent Retention Index 2024* released by the Beijing Institute of Talent Development Strategy, which evaluates 120 cities, Beijing ranks 5th and Shanghai 12th. Other notable cities in the top 60 include Hong Kong (24th), Shenzhen (42nd), Hangzhou (44th), Chengdu (48th), Guangzhou (49th), Nanjing (53rd), Wuhan (55th), and Changsha (56th). The report highlights the rise of Asian cities, with Chinese cities like Beijing and Shanghai leading due to their unique development models and clear advantages in innovation potential. These cities boast world-class scientific innovation platforms, innovation outputs, outstanding medical and educational resources, and a high degree of international openness, making them highly attractive to talent and enabling the efficient retention of high-quality talent.





Intellectual property protection (41%), supporting business environment (35%), and the access to high-quality external innovation and R&D institutions (31%) are also widely regarded as important factors influencing the location choice for innovation and R&D centers.

China has been proactively developing and refining its intellectual property protection laws while maintaining positive communication and exchanges with international stakeholders, contributing valuable insights and solutions to global intellectual property progress. In October 2024, the International Association for the Protection of Intellectual Property (AIPPI) held its World Congress in Hangzhou - the first time in its 127-year history that the congress was hosted in China, marking a significant milestone. Attendees widely recognised this as a testament to the international acknowledgment of China's historic accomplishments in intellectual property and its prominent role in the global innovation landscape. It has been reported that China has become the first country to surpass 4 million valid domestic invention patents. Additionally, the number of PCT international patents, design patents following the Hague System, and Madrid international trademark applications from China remains among the top in the world. According to statistics from the China National Intellectual Property Administration, by the end of 2023, the intellectual property talent pool grew from 690,000 at the end of the "13th Five-Year Plan" period to 860,000, including over 30,000 administrative and law enforcement professionals. On the international front, China has trained around 270 international patent examiners, cultivated over 150 intellectual property instructors with international expertise, and appointed 119 experts in handling overseas intellectual property disputes, all contributing to high-level opening-up. Currently, nearly 200 intellectual property research institutions nationwide have formed a collaborative network of multi-stakeholders connecting intellectual property research efforts.

The completeness of surrounding infrastructure has a direct impact on the operational efficiency and market responsiveness of MNCs' global R&D centers, making site selection a critical decision. In China, numerous regions boast robust innovation and R&D capabilities alongside well-developed infrastructure, offering MNCs diverse options. The *Global Innovation Index (GII) 2024* released by the World Intellectual Property Organisation shows that China is home to 26 of the world's Top 100 Science and Technology Clusters, leading globally for the second consecutive year. Among the world's Top 10 Science and Technology Clusters, Shenzhen-Hong Kong-Guangzhou ranks second, Beijing third, Shanghai-Suzhou fifth, and Nanjing ninth. This data underscores China's widespread distribution of technological innovation and the rich supporting resources in surrounding cities.

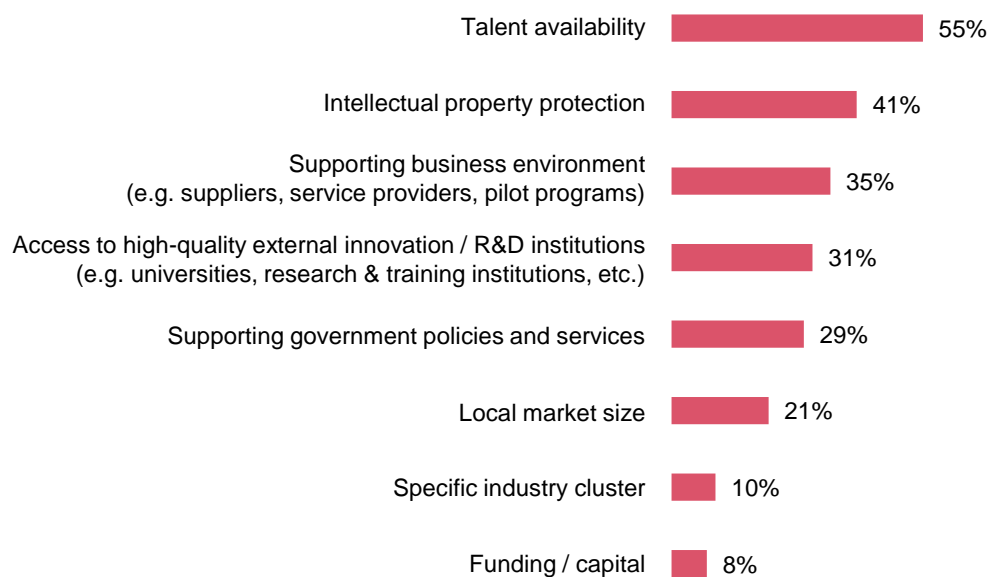


Collaboration between MNCs and Chinese local universities and research institutions is growing increasingly tight. Through joint R&D centers and laboratory development collaboration, they work together to drive technological innovation and the conversion of research into practical outcomes. These platforms not only promote the in-depth integration of fundamental research with industrial applications but also accelerate the transformation of scientific and technological achievements into productive forces. Local governments have also successively rolled out incentivising policies to support foreign-invested enterprises in partnering with local universities and scientific research institutes, participating equally in national key R&D projects, national science and technology major projects, and other national science and technology projects. These efforts aim to strengthen technological R&D, research achievement transformation, industry-academia collaboration, and the cultivation of innovative talents, thereby driving innovative development across emerging industries and sectors.

Additionally, 29% of the surveyed MNCs prioritise local government policies and services related to corporate R&D. In recent years, both the central and local governments have actively introduced policies to promote technological innovation. One such example is the *Several Measures to Further Encourage Foreign Investment in Establishing R&D Centers*, issued by the Ministry of Commerce and the Ministry of Science and Technology in January 2023. These measures offer comprehensive support for foreign-invested enterprises engaging in technological R&D activities in China across four key areas: supporting technological innovation, improving R&D convenience, facilitating the recruitment of overseas talent, and enhancing intellectual property protection. Through tax reductions and exemptions, research subsidies, and rewards for technological innovation, these policies have drawn a large number of MNCs to establish or expand R&D centers in China. In this context, the number of foreign-funded R&D centers, foreign-funded R&D institutions, and R&D expenditures have steadily increased. The implementation of these policies has deepened the integration of foreign-funded R&D centers into China's innovation, industrial, capital, and talent chains. Foreign-funded R&D centers will play an even more important role in China's technological innovation and high-quality economic development.

Results from the survey highlight several location-specific considerations for MNCs. Notably, 21% of MNCs regard local market size as a key factor. China is the only country covering 666 sub-industries. Regions with large market sizes not only provide rich data for R&D centers but also accelerate the commercialisation of research outcomes. As a result, enterprises favour areas with larger market sizes and higher growth potential to ensure the long-term development and success of their R&D operations. Meanwhile, 10% of MNCs pay extra attention to the local concentration of specific industries. They believe that the density of related industries in the region directly affects the innovation environment, technological exchange, and supply chain integration capabilities of their R&D centers. A highly concentrated industrial environment accelerates the adoption and application of new technologies, provides more opportunities for collaboration, and enhances market potential for R&D projects. Additionally, 8% of the MNCs place particular emphasis on local capital flow, seeing it as a marker of regional economic vitality and development that influences funding acquisition, investment returns, and expansion prospects of R&D centers. These MNCs prefer regions with dynamic capital markets and a variety of financing channels to secure funding for their R&D projects and, when necessary, quickly attract external investment to commercialise innovations.

What are the most significant factors in the choice of location for a global innovation / R&D center for your company? (Choose top 3)

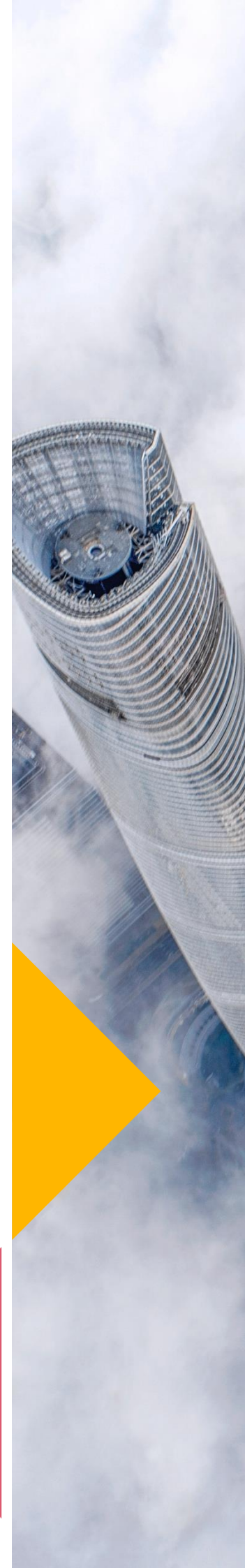


Collaboration between Chinese and foreign-invested enterprises has evolved beyond simple financial transactions into deeper, multifaceted integration.

According to *China Trade News* in its *Top 10 Trends of Chinese Enterprises' Internationalisation 2025*, "Chinese enterprises will transition from pure investment to joint R&D and talent development, forging long-term collaborative partnerships for mutual benefits." This collaboration model goes beyond traditional capital infusion and market access, focusing instead on core areas like technological innovation, knowledge sharing, and talent cultivation to co-create a global innovation network.

As China's global economic influence grows, it has emerged as a major force in global technological innovation. To more effectively integrate China's innovation ecosystem into their global strategies, surveyed MNCs plan to adopt various measures, with 33% prioritising expanded collaboration with local Chinese enterprises. MNCs are keenly aware of the opportunities and challenges posed by the growing global influence of Chinese enterprises, which have become both competitors and potential partners for MNCs in the international market. Deepening collaboration efforts allow MNCs to fully capitalise on China's innovation strengths for joint research and application of cutting-edge technologies, driving continuous innovation in products and services, and expanding international markets for mutual benefits. This collaboration model not only helps MNCs maintain technological leadership but also accelerates the implementation of their globalisation strategies.

As for global cross-regional collaboration, surveyed MNCs emphasise on promoting cross-border R&D knowledge sharing and technology transfer (28%), incorporating China's innovation achievements into global supply chains (27%), and engaging in global joint R&D initiatives and projects (24%). Chinese and foreign-invested enterprises are collaborating to pool R&D resources and accelerate technological iteration and product innovation. Knowledge sharing has shifted from isolated, short-term efforts to a regular communication mechanism that facilitates the rapid dissemination and application of best practices worldwide. Meanwhile, technology transfer pathways have expanded, with breakthroughs made by Chinese enterprises in cutting-edge technologies such as AI, 5G communication, and new energy increasingly embedded in MNCs' global technology systems, signaling a shift from "Made in China" to "Created in China".





Key strategies adopted by MNCs to advance global collaboration in China include recruiting and promoting more Chinese local talent (23%), increasing R&D investments in China (23%), establish or strengthen innovation centers (19%), and exploring mergers and acquisitions projects (17%). Foreign-funded R&D centers are a key component of MNCs' strategies and serve as vital conduits for the cross-border flow and global allocation of innovation resources. According to Shanghai's *Report on the Work of the Government*, the city hosted a total of 1,016 MNC regional headquarters and 591 foreign-funded R&D centers in 2024. On January 15, 2024, the Beijing Municipal Bureau of Statistics released a series of special reports on high-quality development, stating that over 110 new foreign-funded R&D centers have been recognised in Beijing in 2024, spanning healthcare and pharmaceuticals, information technology, and intelligent manufacturing. The total number of foreign-funded R&D centers has doubled to 221. Wind Data indicates a significant rise in mergers and acquisitions in China's capital market in recent years, largely attributed to the improved policy environment, maturing capital markets, and growing demand for corporate transformation and upgrading. Policies such as the *Opinions on Deepening Market Reform in Mergers and Acquisitions* of Listed Companies ("Six Opinions on Mergers and Acquisitions") and the Eight Measures on Deepening the Reform of the Science and Technology Innovation Board and Serving Technological Innovation and the Development of New Productive Forces ("Eight Measures for the Science and Technology Innovation Board"), introduced by the State Council, the China Securities Regulatory Commission, and other departments, have not only reduced administrative barriers to mergers and acquisitions but also revitalised market activity and liquidity. MNCs enter the Chinese market through mergers and acquisitions to seek new growth opportunities. These findings reflect the proactive attitude and actions of MNCs in integrating China's innovation ecosystem into their global strategies.

To integrate China's innovation / R&D into your global strategy more effectively, what measures does your company plan to take? (Choose top 3)





Chapter V

Insights from MNC Executives Who Attended the Event

Olivier: Trust in the future and in our ability to overcome any challenge.

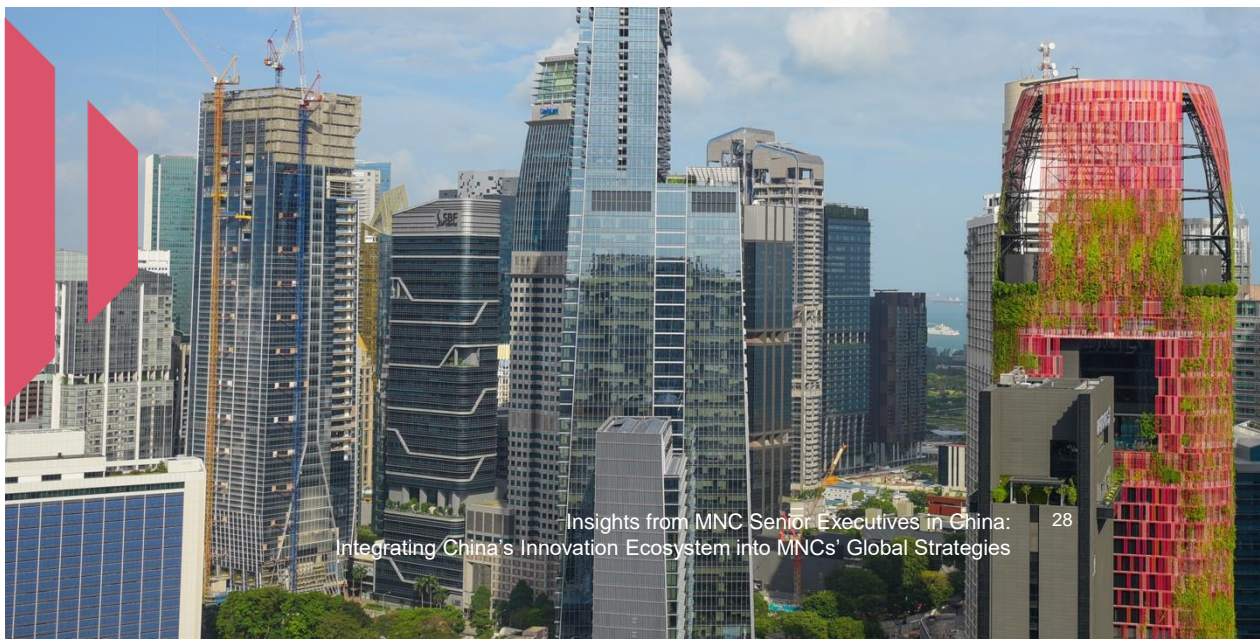
Mr. Olivier de Saignes, President of Aptar Northeast Asia and Southeast Asia, remarked:

While the markets in Southeast Asia and India are seeing rapid growth, China distinguishes itself with its larger market size and greater global influence. Competition in China is intense, yet the country excels in execution speed, product development, organisational structure, and digitalisation. Aptar has set up an innovation center in China to respond to market trends and consumer demands. To overcome communication challenges in innovation efforts between China, the United States, and Europe, Aptar is proactively inviting its headquarters and regional team members to visit China, aiming to foster multi-party communication and collaboration.

Michael: Headquarters should not overly manage regional innovation, but instead, give regional strengths the freedom to develop.

Mr. Michael Rockel, CEO of LANXESS Greater China, remarked:

Amid intense market competition, LANXESS views China as an indispensable part of its global strategy. The company's global market share, production, and demand share fully demonstrate the necessity of staying competitive and maintaining its industry leadership in China. LANXESS dedicated two years in setting up an operational R&D center in China, with an aim to respond to market changes, meet the growing consumer demand for customised specialty chemical solutions, and cultivate an innovative spirit. This center keeps the R&D team attuned to China's evolving market trends, enabling the delivery of higher-quality products. It has also evolved into a communication platform for clients in China and across Asia, hosting major clients and partner organisations for brainstorming sessions with the R&D team. Recognised as a global model by the parent company, this approach is being replicated worldwide. LANXESS Greater China encourages its local teams to lead the innovation process and promotes cross-departmental and cross-industry collaboration as a benchmark for other regions. LANXESS is now deeply engaged in China's innovation ecosystem and building partnerships with local companies. The shift from a China-to-China strategy to a China-to-global strategy marks a qualitative change — where actions in the China region must align with the company's global strategy for cohesive impact.





Marc: Bridges should be built between different regions and headquarters to encourage communication and exchange.

Mr. Marc Horn, EVP of Merck and President of Merck China, remarked:

While China prioritises scaling innovation, Merck is more focused on disruptive innovation. On one hand, Merck collaborates with local companies to contribute to ecosystem development and spur local innovation. On the other hand, the company actively supports Chinese enterprises in expanding globally to promote win-win cooperation. He views serving as a bridge between the headquarters and various regions as one of their important responsibilities. More members from the headquarters should be encouraged to visit China to explore and understand the market. For a global organisation like Merck, thorough communication is essential to fostering subsequent trust and empowerment. In the context of globalisation, companies must embrace a more strategic vision.

Closing Remarks:

MNCs' Vision for the Future — “China’s Innovation Benefiting the World”

MNC representatives shared an optimistic vision for the future — “China’s Innovation Benefiting the World”. They believe as China’s innovation ecosystem continues to evolve and improve, bolstered by the ongoing support and promotion from the Chinese government, China will emerge as a vital source of global innovation. MNCs will continue to ramp up their R&D investment and innovation collaboration efforts in China, leveraging the country’s advantages in talent, technology, and market potential to drive the globalisation and commercialisation of innovation outcomes. Furthermore, they will actively address challenges such as cultural differences, regulatory compliance, and technology transfer requirements, while enhancing communication and collaboration with the Chinese government and enterprises to jointly foster a thriving innovation ecosystem in China.



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