Tomorrow's Affairs

Analysis of today
Assessment of tomorrow

By: The Editorial Board

The economy of sovereignty - how China uses bans as an instrument?

In recent days, China's practice of imposing exit bans on executives of foreign companies has taken on a whole new dynamic. The most recent example occurred on 17 July, when an Atlanta-based managing director at Wells Fargo, Chenyue Mao, was prevented from leaving China after a business trip to Shanghai.

Shortly afterwards, the American bank decided to suspend all business trips to the country. In an official statement, it said it was "actively working to return the employee to the United States".

On the same day, Reuters reported on similar cases – from investigations into senior executives at Astellas Pharma to accusations of espionage and heavy fines for consulting firms such as the Mintz Group.

This series of incidents clearly demonstrates that even the most experienced managers and prestigious multinational companies are not immune.

Chinese authorities are increasingly using exit bans as leverage in complex civil disputes, regulatory or even criminal investigations, without having to disclose the reasons for the measure.

This uncertainty forces companies to be constantly vigilant - from revising travel policies to constantly reviewing business risks.

Analysts cite several important reasons for Beijing's tougher stance. Firstly, China's economic recovery has slowed due to the pandemic, so the government in Beijing is protecting strategic industries - the pharmaceutical, technology, and financial sectors - more intensively to prevent the outflow of sensitive data and technological solutions.

Secondly, the threats of a tariff war and new US measures against Chinese tech giants – such as Huawei and SMIC – have forced China to show toughness and hit back diplomatically and regulatory.

With these measures, Beijing is making it clear to foreign investors that they can only do business successfully in China if they adhere strictly to Chinese regulations and are prepared for sudden interventions by the authorities.

Doing business in China

The banking sector was one of the first to feel the consequences. Following the exit ban in the Wells Fargo case, several international banks advised their employees that they should consult the legal department in advance when visiting China and carry additional documents to minimise the risk of unexpected restrictive measures.

Analysts point out that the bureaucratic process and the possibility of individual regulatory interventions have become an integral part of the cost assessment of any operation in China.

In the pharmaceutical sector, a court in Beijing sentenced a Japanese employee of Astellas Pharma to three and a half years in prison for "espionage" - allegedly collecting confidential data on industrial processes - in a trial conducted under the Counter-Espionage Law without disclosing the details of the investigation.

> Beijing uses travel bans and investigations against foreign executives not only as a legislative or judicial tool, but also as a means of political positioning on the world stage

Consulting and due diligence firms are on the same track: Chinese authorities arrested several local Mintz Group employees in 2023, and in 2024 the company was fined $1.5 million for "unauthorised statistical work". In addition, at least one Singapore-based Mintz Group executive and employees from Nomura, Kroll, and UBS have been prevented from leaving the country, indicating a broader strategy to control the work of foreign consulting firms in

China.

Beijing uses travel bans and investigations against foreign executives not only as a legislative or judicial tool, but also as a means of political positioning on the world stage.

The Ministry of Commerce announced that China values and wishes to maintain stability in negotiations with Washington but at the same time warned that it would not allow interference in its own economic decisions.

This message comes across as a clear signal of sovereignty – Beijing is reaffirming that it will not give in to pressure, whether it is tariffs or demands for technology transfer.

A means of strategic confrontation

At the same time, investments in artificial intelligence, biomedicine, and renewable energy sources are regarded as priority areas in which China wants to maintain or expand its technological monopoly.

The US Competition Council reported that the strategic accumulation of resources and intellectual property in these "chokepoint" sectors is the basis for China's vision of technological independence. In this context, any potential "leakage" of data or knowledge becomes a matter of national security, and exit bans - a means of protecting these key technologies.

The practice of bans is increasing dramatically. An analysis of Chinese court documents shows that the number of measures imposed increased eightfold between 2016 and 2022, with the biggest jump occurring during the years of intense trade tensions with the US.

This shows that such measures have become a standard part of Beijing's "negotiating arsenal" - a tool that can respond quickly to any external pressure.

> Exit bans are no longer just a legal issue but are becoming a means of strategic confrontation

Ultimately, any such decision has immediate diplomatic repercussions. If China prevents foreign executives from leaving the country, Washington and Brussels will consider reciprocal restrictions on Chinese managers, leading to a cycle of reciprocal measures and a further cooling of relations.

Thus, exit bans are no longer just a legal issue but are becoming a means of strategic confrontation, the effects of which are directly reflected in investment decisions and the political dynamics between the major powers.

The diplomatic missions of the United States and the European Union in Beijing are holding intensive discussions with officials from the Ministry of Justice and the Supreme Prosecutor's Office about the recent arrests of foreign leaders.

At the same time, the State Department in Washington and the Secretariat-General of the EEAS in Brussels are considering appropriate countermeasures - from the formulation of new travel warnings for business trips to China to the possible extension of visa restrictions for Chinese officials.

Strategic realignment

Diplomatic circles emphasise that any countermeasures will be proportionate to the scale of the restrictions imposed by the Chinese authorities and that official demarches are being prepared at the bilateral and multilateral levels.

Companies now have several options, but none is without risk. The first is to relocate investments to countries with less political uncertainty, such as India, Vietnam, and Mexico, where Western executives enjoy greater legal protection.

The second is to fully localise management, i.e., hire Chinese managers with constant monitoring of their activities and regular reporting to headquarters.

Global fund managers are gradually reducing the proportion of Chinese equities in their portfolios - Shanghai

The third is the development of hybrid models where key strategic operations are conducted from regional centres in Asia (Singapore, Hong Kong), while the operational base in China is reduced.

The monthly reports from MSCI and Bloomberg Intelligence clearly point to the growing "political risk" in the valuation of the Chinese market, which is reflected in the increasing weighting of political factors in their risk reports.

In direct response, global fund managers are gradually reducing the proportion of Chinese equities in their portfolios or seeking a higher "risk premium" for capital invested in companies with significant exposure to China.

This changing investment dynamic is also reflected in the secondary markets, where the cost of raising capital for Chinese companies is slightly higher than in the rest of Asia.

At the same time, the management teams of large multinational companies are increasingly viewing legal uncertainty in China as a factor that can delay or significantly increase the cost of projects.

While the Chinese market presents significant opportunities, it also carries potential risks that can escalate quickly. Companies need to implement strict risk assessment protocols, strengthen local leadership, and spread key activities across multiple markets.

Only those that quickly recognise regulatory changes, adapt their strategy, and maintain operational flexibility will be able to withstand the pressure of stricter controls and retain a competitive advantage.