



USCBC Summary of PRC Government Foreign Investment Work in 2014

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In 2014, China’s agencies in charge of approving and regulating foreign investment are focused on facilitating a more open economy, creating an open business environment, and lowering foreign investment restrictions, according to various agencies’ 2014 work plans. This is following Chinese senior leadership’s call to allow the market to play the “decisive” role of allocating resources, made during the third plenum of the Chinese Communist Party Congress held last November.

Links to Full Agency Work Plans and Priorities (Chinese)

Central government:	National Development and Reform Commission (NDRC)	Ministry of Commerce (MOFCOM)	China Banking Regulatory Commission (CBRC)	China Securities Regulatory Commission (CSRC)
Select provinces:	Shanghai	Jiangsu	Zhejiang	Sichuan

Key Themes from Central Government Work Plans

Improve the foreign investment environment The PRC government intends to develop a fair-competition investment environment for both foreign and domestic companies, as seen in the 2014 the [government work report](#). China’s Ministry of Commerce (MOFCOM), National Development and Reform Commission (NDRC), and various local governments also plan to improve the investment environment for foreign companies by further promoting government activities that promote foreign investment, particularly those that ensure fair competition between foreign and domestic enterprises. Additionally, MOFCOM highlighted the importance of establishing an investment evaluation system and introducing incentives that would encourage foreign investment in R&D centers. MOFCOM will also work to promote the development of advanced technologies and hiring new R&D personnel. NDRC states in its work plan that it will develop measures to facilitate foreign investment, but it does not specify which measures it is prioritizing.

Broaden market access in investment Agencies including MOFCOM, NDRC, the China Securities Regulatory Commission (CSRC) and the China Banking Regulatory Commission (CBRC) plan to relax market access restrictions on foreign investment, particularly in service industries like elderly and child care, architectural design, commercial logistics, e-commerce, and securities and futures, among other services sectors. In order to further improve market access, MOFCOM’s work plan indicates the agency will review foreign investment restrictions in the Catalogue Guiding Foreign Investment as well as specific industry policies – a possible indication that it could further open certain industries to foreign investment. Additionally, CSRC will remove equity share limitations on foreign investment in certain financial sectors, such as securities and futures, in which foreign enterprises will now be allowed to set up wholly-owned subsidiaries. CBRC announced plans to gradually relax the administrative thresholds for foreign banks operating in China, as well as restrictions on offering RMB services and working capital requirements for branches.

Administrative system reform MOFCOM has made foreign investment administration system reform its [major work focus](#) for 2014. Specific measures include revisions to three major laws guiding foreign investment – the Wholly Foreign-Owned Enterprise Law, the Sino-Foreign Equity Joint Venture Enterprise Law and the Sino-Foreign Contractual Joint Venture Enterprise Law. Other measures include the exploration of new foreign investment administration models to simplify the investment approval process and make changes to the customs clearance process to ensure expedient and efficient processing. This year, NDRC has also taken steps to simplify the administrative approval process for foreign investment, as seen in the release of the [Draft Administrative Measures for the Approval and Filing of Foreign Investment Projects](#), which allows many foreign investment projects to go through a simplified filing system rather than a full approval process.

Pre-establishment and the negative list model The China (Shanghai) Pilot Free Trade Zone (FTZ) applies a “pre-establishment” principle to foreign investment in the zone, granting national treatment to both new and existing investments in sectors are not included in the zone’s “negative list.” The negative list permits all foreign investment projects except those specifically included on the list. Pre-establishment and negative list issues have also appeared in a number of agency and municipal work plans in 2014 including those for NDRC and CSRC, as well as plans from local governments in Shanghai, Guangdong and Chengdu. However, as these are comparatively new concepts to China’s foreign investment administration, Chinese authorities are in the process of exploring how to use these concepts to reduce government intervention in the market while maintaining necessary restrictions. The 2014 version of the Shanghai FTZ negative list, which is expected to be released in the middle of this year, will offer some indication on the government’s progress in this area.

Highlights from Provincial and Municipal Government Work Plans

When it comes to local implementation, various provincial and municipal agencies share priorities similar to the central government on foreign investment administration, though different localities focus on developing industries considered significant to their areas. Below is a selection of provincial and municipal government goals.

Shanghai The Shanghai government will take advantage of the opportunities presented by the Shanghai FTZ to build a more open economy. It will implement simplified foreign investment approval processes and release the 2014 version of the Shanghai FTZ negative list. The Shanghai government has set specific goals of increasing year-on-year foreign investment by 10 percent and attracting 45 new foreign company regional headquarters to Shanghai whose main function is R&D and transaction services.

Jiangsu The Jiangsu government will encourage foreign investment in high-tech, modern services, clean energy, and environmentally-friendly industries. In addition, Jiangsu will encourage foreign enterprises to set up R&D centers and it will establish an electronic inspection reporting system for the annual review of foreign enterprises.

Zhejiang Zhejiang’s government will consider the negative list and pre-establishment model for regulating foreign investment within the province. Zhejiang also intends to reduce the number of foreign investment approval processes in 2014, while it will strengthen regulatory oversight in areas such as environmental protection. Finally, Zhejiang’s work plan calls for improving the legal mechanisms of foreign-invested enterprise administration. It also calls on the province to establish a stable, transparent, and fair investment environment to better protect foreign investors’ legal rights.

Sichuan Sichuan’s work plan encourages additional support for large foreign-invested mergers, corporate spin-offs, and asset reorganization in order to advance the local industrial structure. In addition, the Sichuan government says it will support new investment models such as cross-border RMB foreign investments.