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13th Five-Year Plan

What is a Five-Year Plan?

China's five-year plans are blueprints containing the country's social, economic, and political goals. They encompass and intertwine with existing policies, regional plans, and strategic initiatives. A five-year plan signals the Chinese government's vision for future reforms and communicates this to other parts of the bureaucracy, industry players and Chinese citizens.

13th 5 Five Year Plan

The 13th Five Year Plan ("13th FYP") was approved and issued lately in March, 2016. The 13th FYP contains five main principles underpinning the policies for China's future development. Except for the principles of innovation, green, coordination and inclusive, the 13th FYP also focuses on the principle of openness. As what is written in the 13th FYP, openness is the way that has to be passed to the booming and development of the nation.

In the 13th 5 year period (year 2016-2020), China will continue to adhere to the opening-up national policy, while in the meantime further enhance the level of utilizing foreign investment and investment abroad.

I. Foreign Investment in China

1. Releasing the access restrictions for some service industries

Currently, foreign investments are restricted in some industries in different ways, for example, pre-school education institutions are limited to cooperative joint venture operations led by Chinese parties, construction design companies are subject to stricter establishment conditions or procedures, foreign invested accounting firms can only be set up by cooperating with a Chinese company. According to the 13th FYP, the access restrictions for service industries including the above-mentioned industries will be released in the next 5 years.

2. Market access to financial industries will be expanded

In China, approval and restrictions for financial industries such as banking, insurance, stock, aged industry, etc. are very strict, especially for foreign capital. It is said in the 13th FYP that the market access to such financial industries will be expanded. This means China will allow more foreign capital being injected into these financial industries by ways of granting more preferential policies or probably reducing the restrictions for these industries to some extent.

3. Encouraged industries and investment direction

Foreign investments are encouraged to industries such as advanced manufacture, high technology, energy-saving and environment-protection, modern service industry, etc. In the meantime, the 13th FYP encourages foreign capitals to be invested into the Central and Western of China as well as the Northeast Area. According to the Minister of MOFCOM, foreign investments in the Central and Western of China only accounts for 16% of the whole nation. In 2015, foreign investment in such area went down compare to the previous year. Therefore MOFCOM will speed up revising the Catalogues of Foreign-invested Advantage Industries in Central and Western China, the latest version of which is in 2013. Foreign investors will enjoy preferential policies when investing in the industries in such Catalogues.

4. The Free-Trade Zones will still play an important role in the next 5 years

Development plans vary depending on different areas of China. For the coastal areas such as Bohai Rim, Yangtze River Delta and Pearl River Delta, their function as the doors for opening-up shall remain the same and be supported as what China always do. The establishment of Zhoushan Free Trade Zone is in the plan for the next 5 years, which will absolutely bring great economic effect to Zhoushan and the areas around. For border cities, development of Border Economic Cooperation Zones and Cross-Border Economic Cooperation Zones shall be improved. As for inland areas, the establishment of Inland Economic Test Zones will be supported. Such Inland Economic Test Zone has already been approved by the government in 2012, which may be expanded to other inland areas if successful experience can be gained.

5. Fundamental Foreign Investment Law will be formulated

According to the 13th FYP, China will unify the laws and regulations on domestic and foreign companies and will formulate a fundamental foreign investment law to better protect the lawful interests of foreign invested enterprises; national treatment system and negative list system for foreign investment shall be fully carried out and the national security review system for foreign investment will be perfected accordingly. In fact, the State already started to prepare and formulate these policies before the issuance of the 13th FYP. On January 19, 2015, MOFCOM issued the Foreign Investment Law of the People's Republic of China (Draft for Comment) for public comments. Such draft integrates and revises the existing 3 major laws regarding foreign investment (i.e. Law of the People's Republic of China on Wholly Foreign-owned Enterprises, Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures and Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures). The abovementioned important policies for foreign investments are all included in such draft. According to the Minister of MOFCOM recently after the issuance of the 13th FYP, the legislative process for the Foreign Investment Law of the PRC will be accelerated and MOFCOM will try to submit such draft to the National People's Congress for approval within the year

of 2016.

6. Talent introduction

In the next 5 years, China will implement more positive, open and effective talent introduction policies: the permanent residence system for foreigners will be perfected, conditions for technical-talented foreigners to acquire the permanent residence right will be easier and procedures with regard to foreigners coming to China for study, work, exit and entry and residence administration will be simplified.

II. China's investment abroad

1. Key industries for investment abroad

The 13th FYP listed key industries for investment abroad, including steel, nonferrous metal, building materials, railroad, power, chemical, light textile, automobile, correspondence, engineering machinery, aviation, vessel, ocean engineering, etc. It is encouraged for Chinese companies to invest in such industries by way of outbound investment, project contracting, technical cooperation, equipment export, etc.

2. Expanding export trade

The service trade shall account for over 16% of the whole export trade, amongst which the manufacture-service trade shall be further and well developed. Traditional export trade, i.e. goods trade or export of goods, shall still be focused and consolidated. In the meantime, import shall also be expanded, while advanced technology and equipment, high-quality consumer goods will be more welcomed.

3. Improving the simplified procedure for foreign investment administration system and encouraging personal investment abroad.

The 2014 revision of Administrative Measures for Outbound Investment has simplified the procedure for outbound investment, changing from approval-oriented management system into archive filing-oriented management system. This principle for outbound investment will still be implemented in the next 5 years, but it will also be improved gradually.

To promote individual investors to invest abroad, exchanges restrictions for outbound investment will be relaxed, the administration for foreign exchange will also be improved.

III. Conclusion

The 13th FYP is only a framework and guideline for how China shall be developed in the next 5 years. The various departments of the State Council and provincial government will study the FYP and will separately further issue detailed plans for different industries and areas on how the FYP will be implemented.

We may be reached under the following addresses:

Zurich

Wenfei Attorneys-at-Law Ltd.
Mainaustrasse 19
CH-8008 Zurich, Switzerland
T +41 43 210 8686
F +41 43 210 8688

苏黎世

瑞士文斐律师事务所
Mainaustrasse 19 号
CH-8008 瑞士文斐律师事务所
电话: +41 43 210 86 86
传真: +41 43 210 86 88

Beijing

Wenfei Attorneys-at-Law Ltd.
Room A1506, Nanxincang Business Plaza,
A No.22 Dongsishitiao,
Dongcheng District,
Beijing 100007 P.R.C.
T +86 10 5169 0263
F +86 10 5169 0965

北京

瑞士文斐律师事务所北京代表处
北京市东城区东四十条甲 22 号
南新仓商务大厦 A 座 1506 室
邮编 100007
电话: +86 10 5169 0263
传真: +86 10 5169 0965

Shanghai Cooperation:

Shanghai Cooperation:
Office 18D, Shanghai Industrial
Investment Building,
No.18, Cao Xi Bei Road,
Shanghai 200030 P.R.C.
T +86 21 6427 6258
F +86 21 6427 6259

上海合作单位 :

文斐商务咨询
中国上海市徐汇区漕溪北路 18 号
上海实业大厦 18D
邮编 200030
电话: +86 21 6427 6258
传真 : +86 21 6427 6259

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