

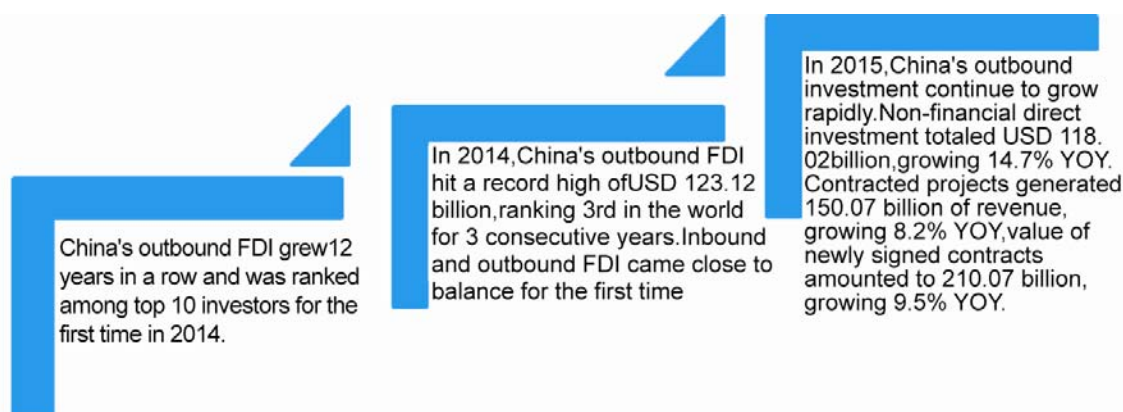
# Chapter Three

## China's Outbound Investment

### I. Overview of China's Outbound Investment

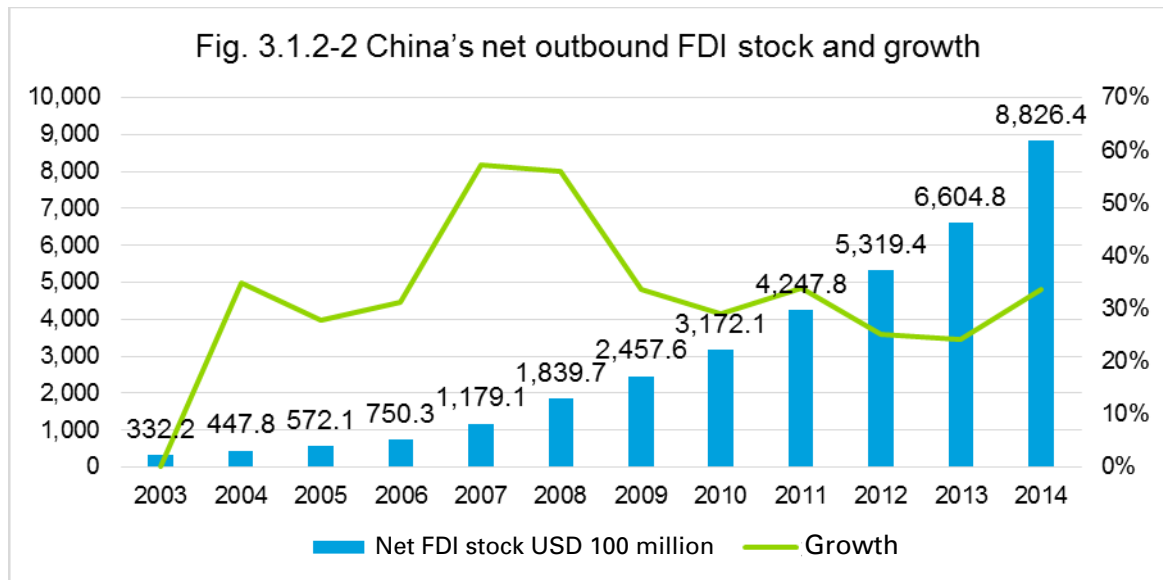
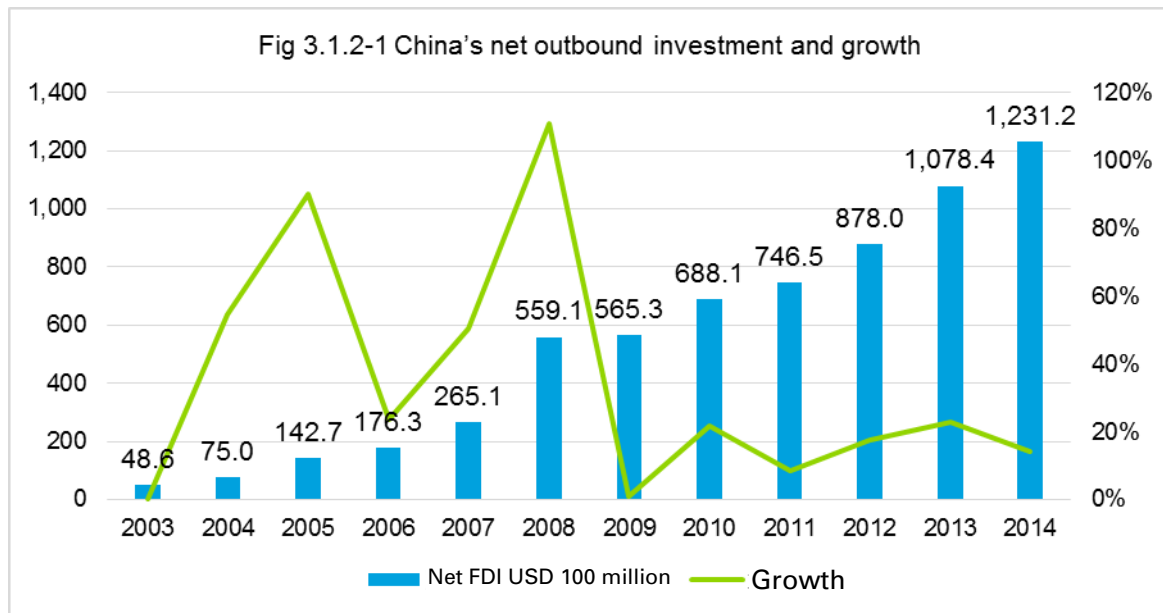
#### 3.1.1 Chinese enterprises "Going out"

Since 2003, outbound investment from Chinese companies embarked on a path of sustained growth. Initially it was driven purely by acquisition of energy sources and expansion in sales channels. Gradually the drivers became more diversified, including gaining access to best practices, building production lines overseas, acquiring brands with competitive edges, and achieving synergies. The "Going out" also took multiple forms, such as green field investment, mergers & acquisitions (M&As) and joint ventures. The Belt and Road Initiative will usher in a golden age of "Going out" for Chinese enterprises.



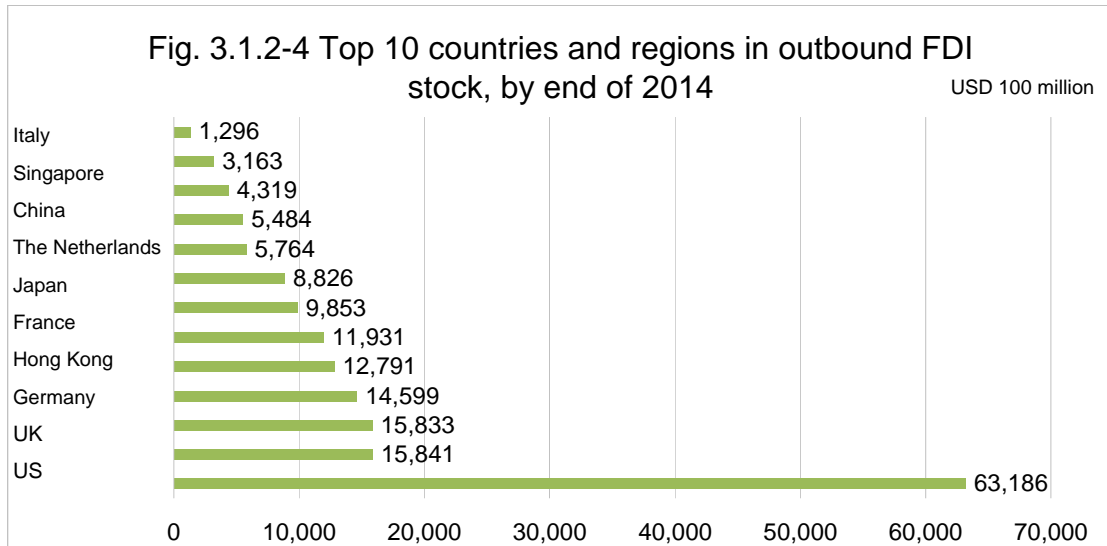
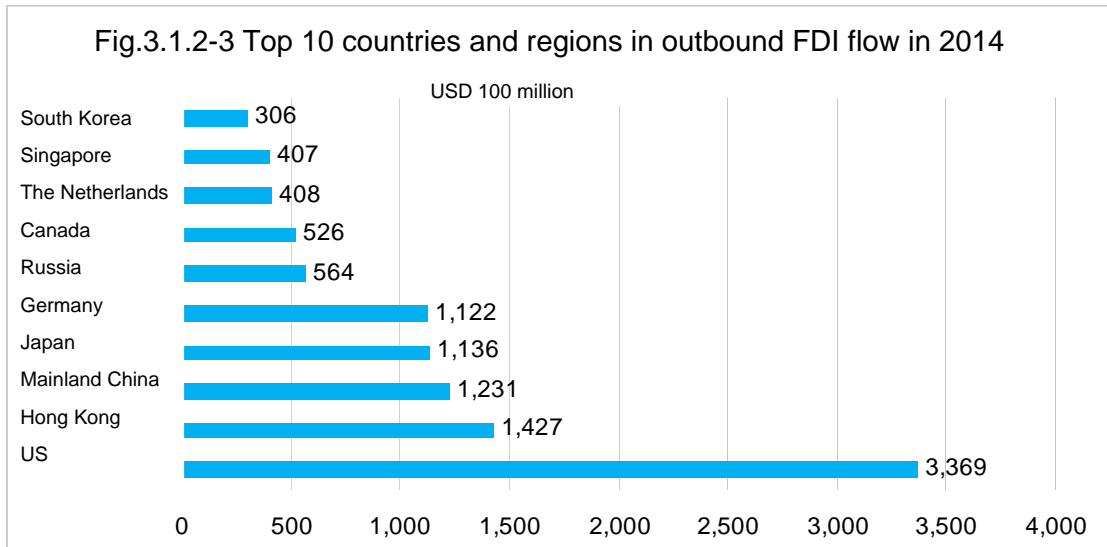
#### 3.1.2 Overview of China's outbound FDI

In 2014, against a backdrop of slowing industrial production and trade, sustained volatility in the global financial markets and correction in the world economic growth, FDI stood out as an area of relative vitality. In 2014, China's outbound FDI continued to growing rapidly, hitting a record high of USD 123.12 billion, growing 14.2% YOY. Since 2003, when China started to publish outbound FDI statistics, it has achieved positive growth for 12 consecutive years. The value in 2014 was 45.6 times of that in 2002, with average annual growth of 37.5% during this period. In 2014, the difference between China's outbound and inbound investment was only USD 5.38 billion, getting close to equilibrium for the first time in history.



Source: 2015 Statistical Bulletin of China's Outward Foreign Direct Investment

According to the UNCTAD World Investment Report 2015, total FDI outflows in 2014 amounted to USD 1.35 trillion, at year-end FDI stock was 25.87 trillion. Based on this figure, China's outbound FDI accounted for 8.6% of total world FDI flow that year; by the end of 2014, share of China's FDI stock in the world total grew from 0.4% in 2002 to 3.4%, ranking 8<sup>th</sup> among all countries and regions, up 3 seats from 2013 and joined the top 10 for the first time.



Source: 2014 China's outbound investment data from 2014 Statistical Bulletin of China's Outward Foreign Direct Investment; data for other countries (regions) from UNCTAD World Investment Report 2015

### 3.1.3 Destinations of China's outbound FDI

As of the end of 2014, China's outbound FDI stock was distributed in 186 countries and regions, or 79.8% of total number of countries and regions in the world. USD 600.97 billion (68.1%) and 106.11 billion (12%) went into Asia and Latin America, which ranked top 2 in size and share. Europe and North America received 69.4 billion (7.9%) and 47.95 billion (5.4%) respectively, ranking 3<sup>rd</sup> and 4<sup>th</sup>.

Fig.3.1.3-1 China's outbound FDI stock by destination, 2003-2014

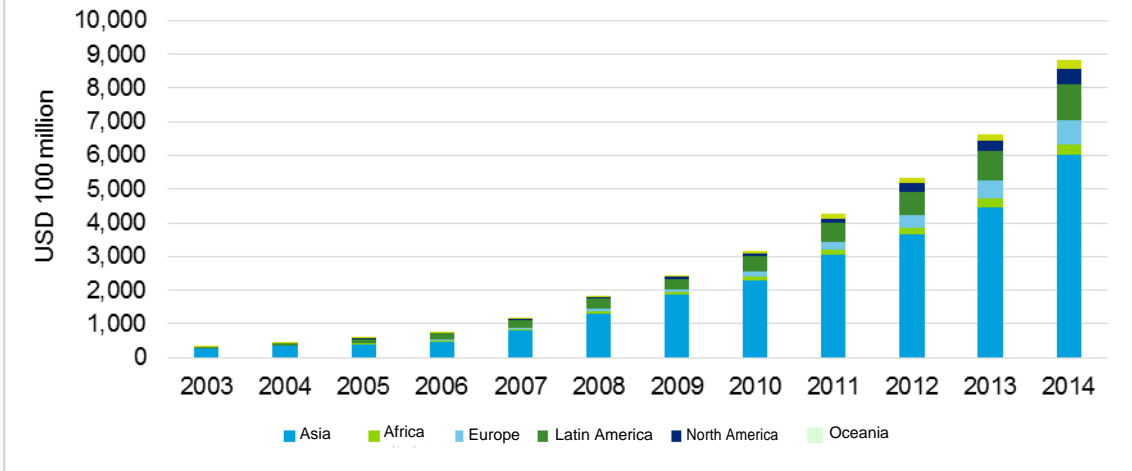
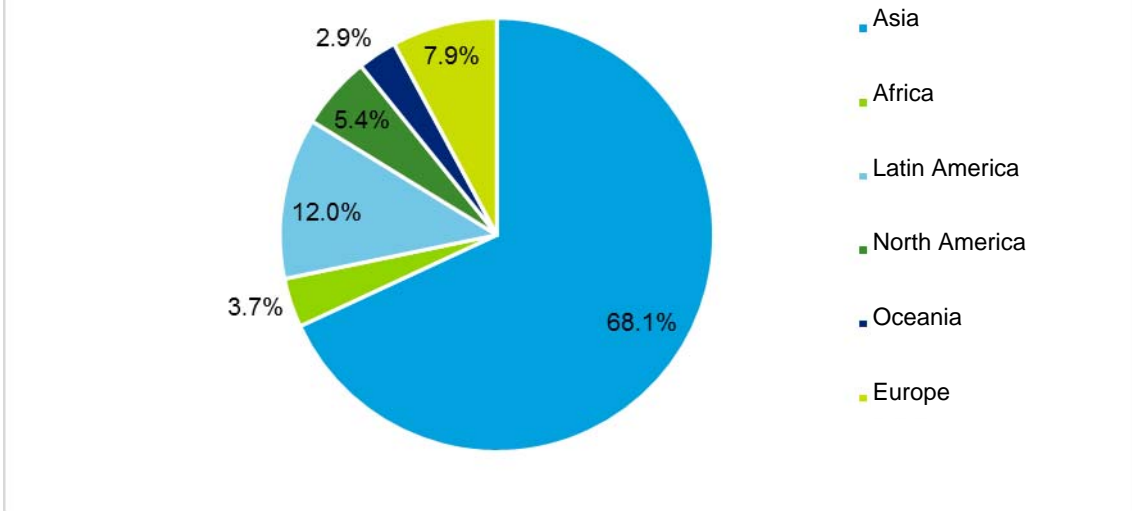


Fig. 3.1.3-2 China's outbound FDI stock by destination, by end of 2014



Source: 2014 Statistical Bulletin of China's Outward Foreign Direct Investment

**Top 10 destinations of China's stock FDI by 2014 by region**

Region	FDI stock	Share of total	Main destinations
<b>Asia</b>	USD 600.97 billion	68.1%	More than 10 countries and regions, including Hong Kong, Singapore, Kazakhstan and Indonesia. FDI stock in Hong Kong accounts for 84.8% of the Asia total.
<b>Latin America</b>	USD 106.11 billion	12%	More than 10 countries and regions, including British Virgin Islands, Cayman Islands, Brazil, Venezuela, Argentina, Trinidad and Tobago and Ecuador. FDI stock in British Virgin Islands and Cayman Islands account for 88.2% of the regional total.

Region	FDI stock	Share of total	Main destinations
Europe	USD 69.4 billion	7.9%	Luxemburg, the UK, Russia, France, Germany, Norway, the Netherlands, Sweden and Italy.
North America	USD 47.95 billion	5.4%	Mainly in the US and Canada.
Africa	USD 32.35 billion	3.7%	More than 10 countries, including South Africa, Zambia, Algeria, Democratic Republic of Congo, Sudan, Angola, Zimbabwe and Ghana.
Oceania	USD 25.86 billion	2.9%	Australia, New Zealand, Papua New Guinea, Samoa, Fiji and Marshall Islands .

Source: 2014 Statistical Bulletin of China's Outward Foreign Direct Investment.

#### Top 10 countries and regions by China's FDI stock in 2014

Country/region	FDI stock	Share of total
Hong Kong	5,099.2	57.8%
British Virgin Islands	493.2	5.6%
Cayman Islands	442.4	5.0%
US	380.1	4.3%
Australia	238.8	2.7%
Singapore	206.4	2.3%
UK	128.0	1.5%
Russia	86.9	1.0%
France	84.4	1.0%
Canada	77.9	0.9%

China's outbound FDI flow in 2014 had the following geographical trends:

- Developed economy became a hot spot for FDI flow. China's FDI in the EU, the US and Australia all hit record highs. Developed nations became the most popular market with Chinese enterprises. In 2014, China's FDI flow to developed economies reached USD 23.83 billion, surging 72.3% YOY;
- China's outbound FDI flow was highly concentrated, with close to 70% going to Hong Kong, British Virgin Islands, Cayman Islands and Luxemburg (totalling USD 84.207 billion, growing by 10% YOY and accounting for 68.4% of 2014 total). One of the reasons was that many companies chose to set up commercial service enterprises in these countries and regions and in turn initiate M&As through these entities.
- While in 2013 China's outbound FDI in Latin America and Africa grew (Latin America received total of USD 14.36 billion, growing dramatically by 132.7% YOY; FDI in Africa also grew by almost 34%), in 2014 the FDI flow to these regions declined (Latin America received 10.54 billion, down by 26.6% YOY; Africa received 3.2 billion, down by 5% YOY). In comparison, FDI flows to other regions all grew at double digits (see below).

Fig. 3.1.3-3 China's outbound FDI flow by destination and growth, 2004-2014

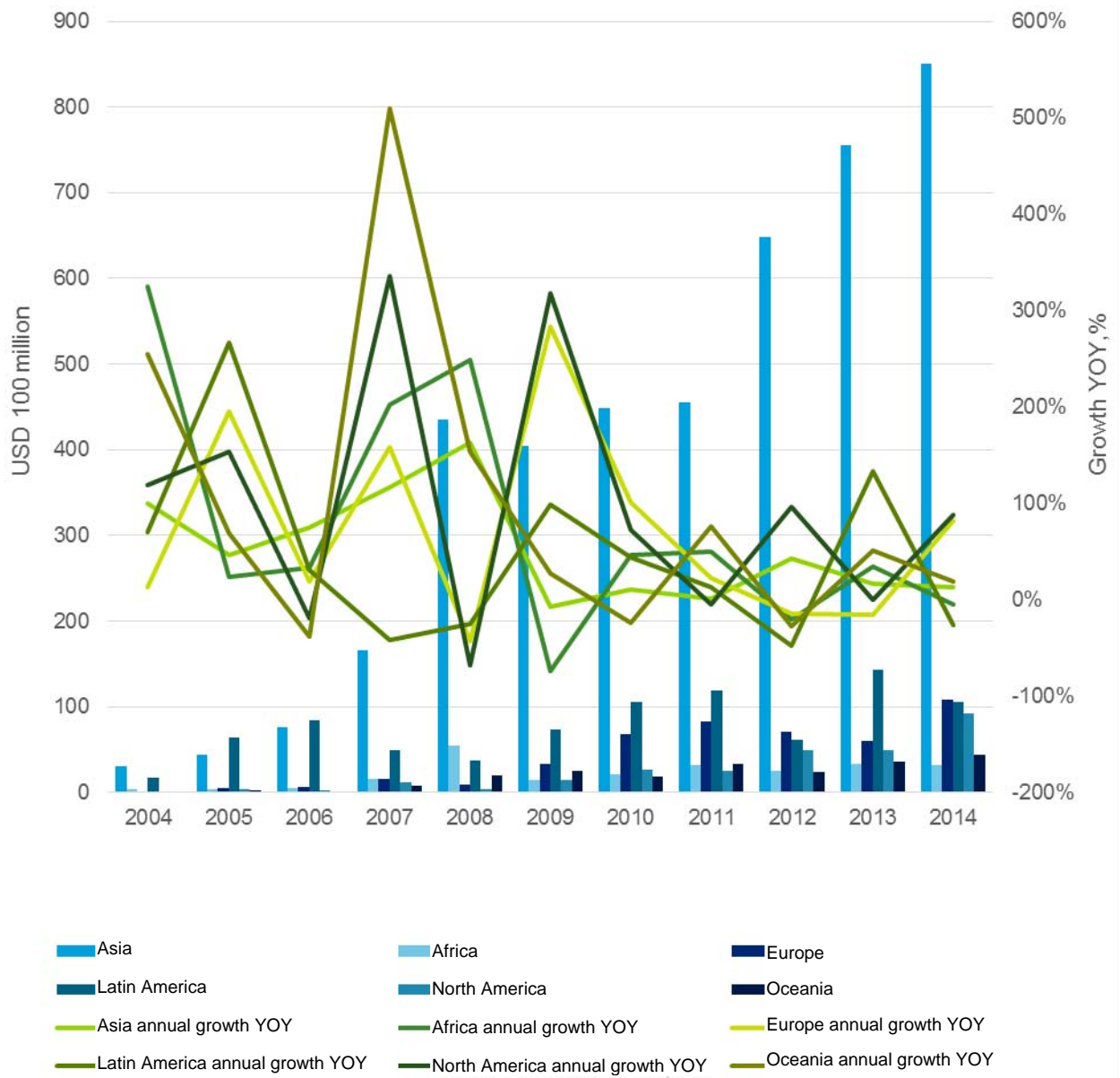
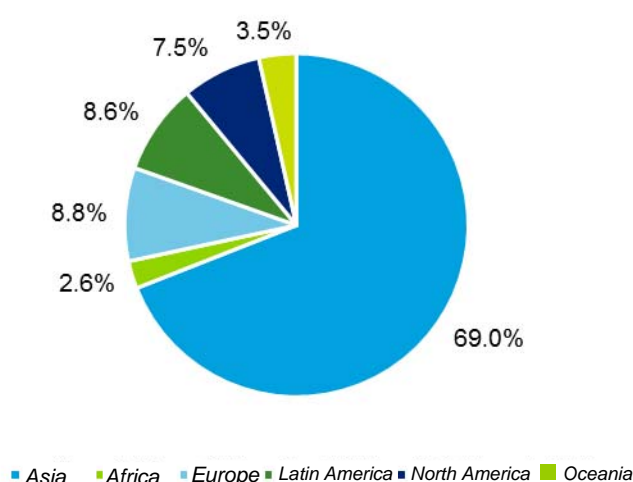


Fig. 3.1.3-4 China's outbound FDI flow by destination, 2014



Source: 2014 Statistical Bulletin of China's Outward Foreign Direct Investment.

Asia Africa Europe Latin America North America Oceania

#### Top 10 countries and regions by China's FDI flow in 2014

Country/region	FDI flow	Share of total
Hong Kong	708.67	57.6%
US	75.96	6.2%
Luxemburg	45.78	3.7%
British Virgin Islands	45.70	3.7%
Cayman Islands	41.92	3.4%
Australia	40.49	3.3%
Singapore	28.14	2.3%
UK	14.99	1.2%
Germany	14.39	1.2%
Indonesia	12.72	1.0%
Total	1028.76	83.6%

Source: NBS and 2014 Statistical Bulletin of China's Outward Foreign Direct Investment.

#### 3.1.4 China's outbound FDI by industry

By the end of 2014, China's outbound FDI covered every type of industry. FDI stock from leasing and commercial services, financial services, mining, wholesale and retail and manufacturing industries totaled USD 73.91 billion, accounting for 83.7% of total FDI stock.

According to 2014 statistics, the tertiary industry ranked top in YOY growth and share of total flow. Total FDI flow reached USD 90.42 billion, growing 28.7% YOY and accounting for 73.4% of total. While FDI into the primary industry grew 26.2% YOY, but it had a smaller size (1.59 billion), just 1.3% of the total flow. FDI into the secondary industry reached 31.11 billion, down by 14.4% and accounting for 25.3% of total investment.

By the end of 2014, the distribution of FDI stock by these three industries was generally consistent with the FDI flow distribution in 2014. The tertiary industry received USD 661.65 billion, or 75% of total;

the secondary industry received 213.23 billion, or 24%; the primary industry (agriculture/forestry/animal husbandry/fishery, excluding the service sector for these industries) received 7.76 billion, 1% of total stock.

Specifically:

- FDI flow in leasing and commercial services reached USD 36.83 billion, growing 36.1% YOY and accounting for 29.9% of the annual total. By the end of 2014, this industry ranked top with 322.44 billion of FDI stock, accounting for 36.5% of total outbound FDI stock. The main purpose of investment in this industry is to gain control;
- In 2014 FDI flow to the financial services industry reached USD 15.92 billion, growing 5.4% YOY and accounting for 12.9% of the annual total. In terms of FDI stock, the financial services industry ranked 2<sup>nd</sup>, only next to leasing and commercial services, reaching 137.62 billion and accounting for 15.6% of the total;
- While FDI flow to the mining industry (excluding mining auxiliary activities) declined by 33.3% YOY (USD 16.55 billion), overall speaking the FDI stock at the end of 2014 totaled 123.73 billion, accounting for 14% of the total and ranking 3<sup>rd</sup> among all industries;
- The retail and wholesale industry received 14.9% of total FDI flow in 2014, reaching USD 18.29 billion and growing 24.8% YOY. By the end of 2014, this industry received total FDI stock of 102.96 billion, or 11.7% of the total, ranking 4<sup>th</sup> among all industries. Other sub-sectors under the tertiary industry that account for high shares of FDI stock include transportation, warehousing and real estate. The information transmission, software and information technology services industry accounted a small share (2.6%) in total 2014 FDI flow, but grew 126.4% YOY (3.17 billion);
- FDI into manufacturing experienced negative growth in 2013. In 2014 FDI flow reached USD 9.58 billion, growing 33.1%. By the end of 2014, FDI stock was 52.35 billion, accounting for 5.9% of the total. The investments are mainly focused on chemical material and chemical products manufacturing, computer/communications and other electronics manufacturing, specialized equipment manufacturing, auto manufacturing, textiles, pharmaceuticals, electrical machinery and device manufacturing, metal smelting and processing, rubber and plastic products, and food processing;
- In the top 10 industries by FDI flow, construction also had negative growth, like mining. FDI flow was USD 3.4 billion, down by 22% YOY. By the end of 2014 FDI stock in the industry was 22.58 billion, ranking 8<sup>th</sup> among all industries.

Fig. 3.1.4-1 China's net outbound FDI flow by industry, 2014 (Top 10)

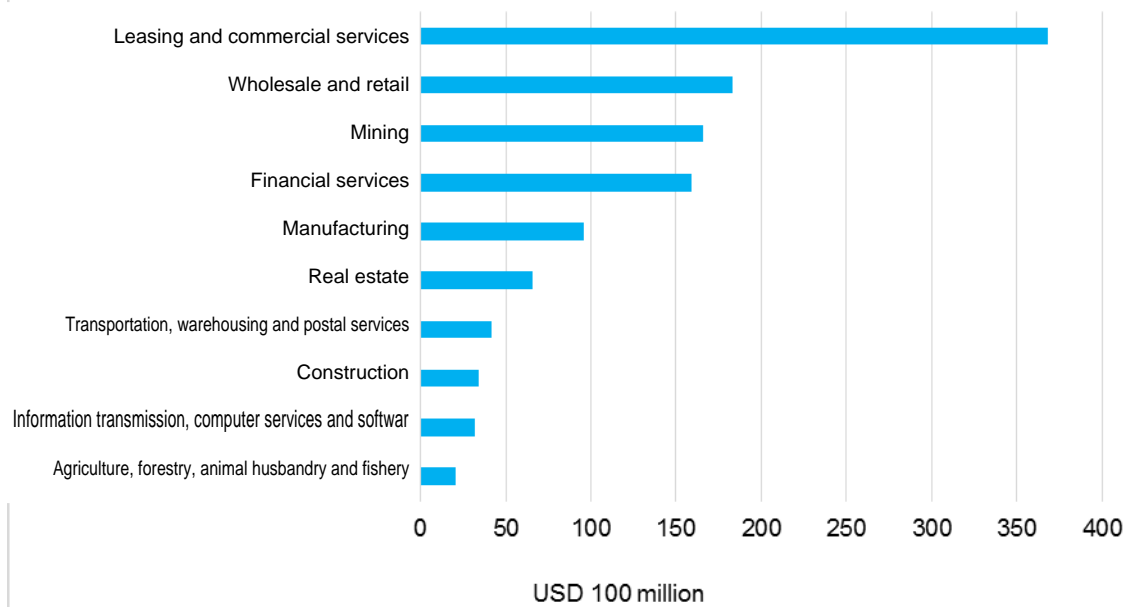
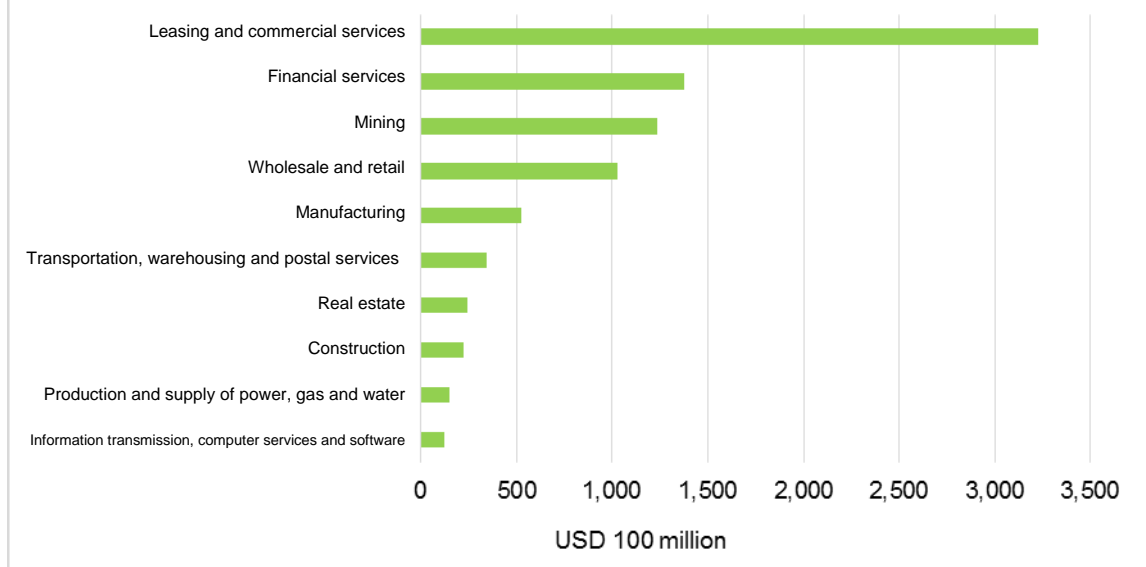


Fig. 3.1.4-2 China's net outbound FDI stock by industry, by end of 2014 (Top 10)



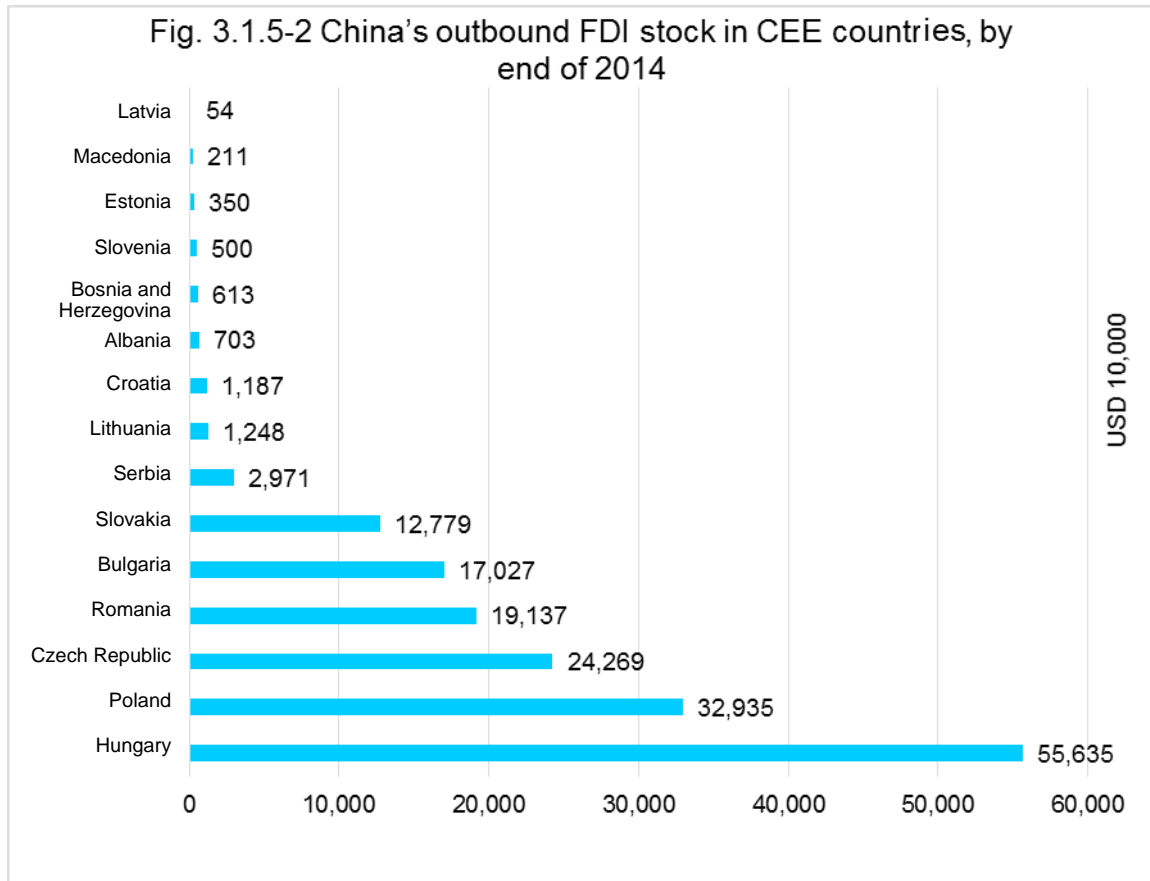
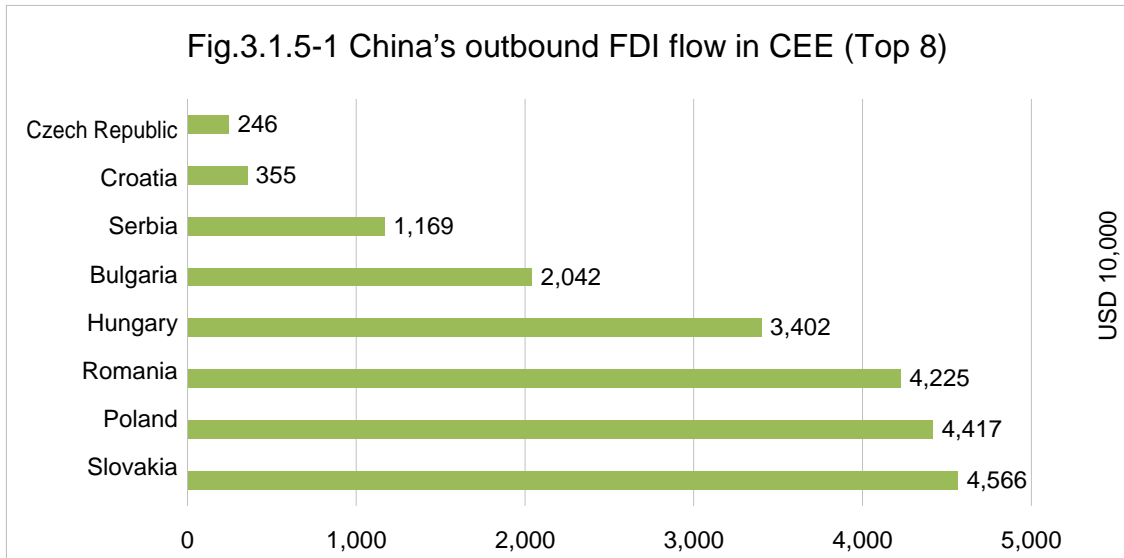
Source: 2014 Statistical Bulletin of China's Outward Foreign Direct Investment.

Geographically, the industries receiving FDI from China are highly concentrated. By the end of 2014, top five industries in FDI stock in each continent are:

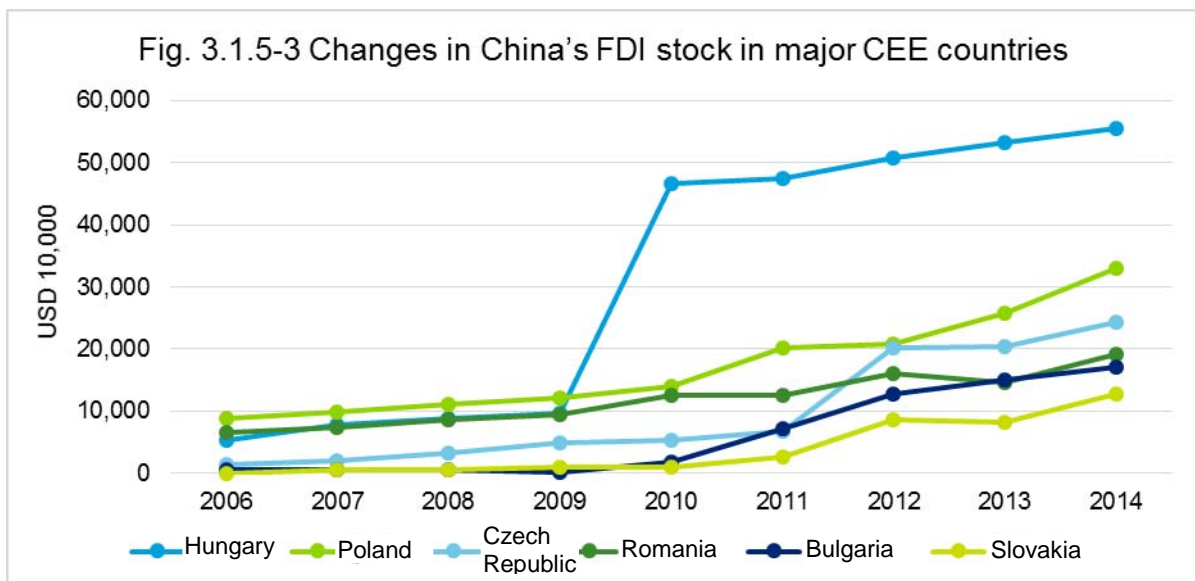
Region	Industry	FDI stock (USD 00 million)	Share (%)
Asia	Leasing and commercial services	2,408.2	40.1
	Wholesale and retail	812.9	13.5
	Financial services	809.6	13.5
	Mining	742.7	12.4
	Transportation, warehousing and postal services	283.5	4.7
	Subtotal	5,056.9	84.2
Africa	Construction	79.8	24.7
	Mining	79.2	24.5
	Financial services	53.2	16.4
	Manufacturing	44.1	13.6
	Research and technical services	13.5	4.2
	Subtotal	269.8	83.4
Europe	Leasing and commercial services	161.8	23.3
	Financial services	137.5	19.8
	Manufacturing	117.2	16.9
	Mining	107.9	15.5
	Wholesale and retail	54.7	7.9
	Subtotal	579.1	83.4
Latin America	Leasing and commercial services	605.0	57.0
	Financial services	194.1	18.3
	Wholesale and retail	84.4	8.0
	Mining	54.3	5.1
	Transportation, warehousing and postal services	34.5	3.2
	Subtotal	972.3	91.6
North America	Financial services	162.6	33.9
	Mining	83.8	17.5
	Manufacturing	71.7	15.0
	Leasing and commercial services	31.6	6.6
	Real estate	31.2	6.5
	Subtotal	380.9	79.5
Oceania	Mining	169.4	65.5
	Financial services	19.3	7.5
	Real estate	18.5	7.2
	Agriculture, forestry, animal husbandry and fishery	10.7	4.1
	Manufacturing	9.5	3.7
	Subtotal	227.4	88.0

### 3.1.5 China's investment in CEE countries

By the end of 2014, 6 CEE countries attracted more than USD 100 million of FDI stock from China. They are Hungary, Poland, the Czech Republic, Bulgaria and Slovakia (in order of FDI stock size). With the exception of the Czech Republic, the other 5 countries also ranked top 5 among CEE countries in FDI flow from China, each attracting more than 20 million. Slovakia ranked top with 45.66 million.



Source: 2014 Statistical Bulletin of China's Outward Foreign Direct Investment.

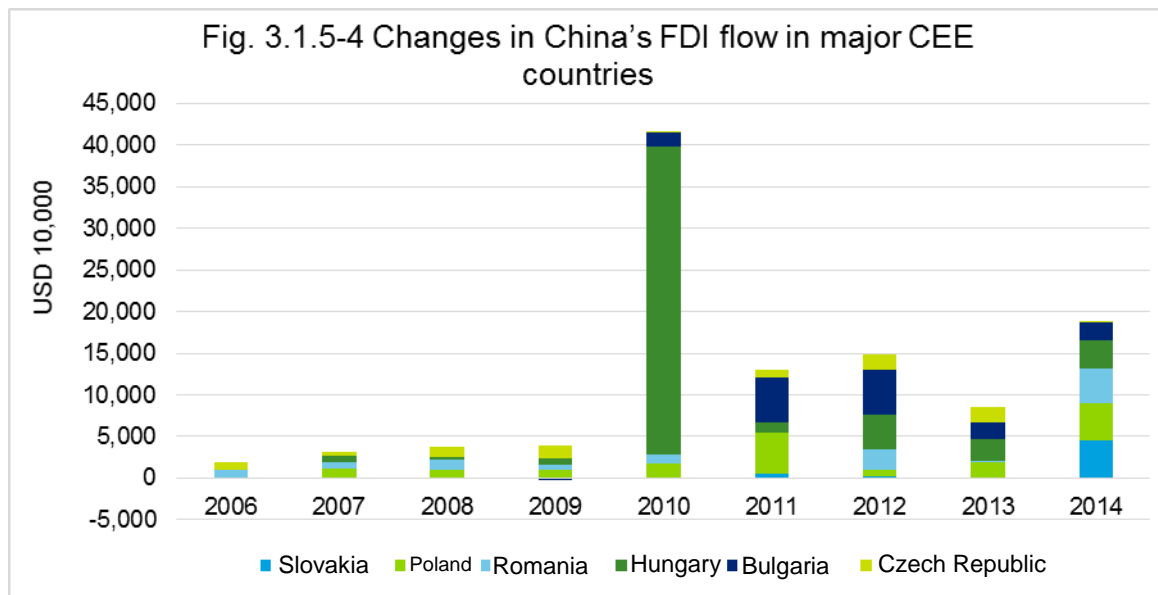


Source: 2014 Statistical Bulletin of China's Outward Foreign Direct Investment.

Chinese enterprises had very specific targets when investing in these 6 countries. For example, China Road and Bridge Corporation focused on infrastructure projects, Huawei and ZTE on ICT, Wanhua Industrial Group on the chemical industry, and Liugong Machinery on machinery manufacturing. Among the 6 countries, Hungary attracted the highest investment in these areas from China.

Bank of China, Huawei, ZTE and Wanhua are among the largest Chinese investors in Hungary. In 2012, however, Bulgaria surpassed Hungary in FDI flow.

Poland is another major destination for China's outbound FDI. It is the only EU country that has seen GDP growth for 20 consecutive years. In 2011, China and Poland established a strategic partnership. China's FDI in Poland mainly target electronics (television sets and monitors), the electromechanical industry, IT and construction machinery. Major investors include the TCL Group, Digital View, Nuctech, ZTE, Huawei and Liugong Machinery. In 2013, the railway connecting Chengdu with Lodz went into service. It is part of the China-Europe railway.



Source: 2014 Statistical Bulletin of China's Outward Foreign Direct Investment.

While China's investment in the Czech Republic fell in 2014, it enjoyed growth between 2007 and 2009, and between 2011 and 2013. At present, Chinese enterprises investing in the Czech Republic include: ZTE, Huawei, Changhong Group (TV sets), Noark (electronic components), Yuncheng Plate Making Group (gravure printing), Shandong Linyi Yuli Foodnuts and Beijing Fight Company (crystal glass).

In Bulgaria, in addition to auto manufacturing, China also partners with Bulgaria in emerging industries such as chemical, energy, agriculture and food processing. At the same time, Bulgaria is fully prepared to embrace Chinese tourists and investors.

In the first few years of the 21<sup>st</sup> century, Romania was a preferred destination for Chinese investment. In 2005, Romania was the largest recipient of Chinese investment, accounting for more than two thirds of FDI stock in the 6 CEE countries. Among these countries, Romania had been the most successful market for China's "Going out" strategy, with exceptional outcomes in infrastructure and high-tech. In recent years, however, the share of FDI stock in Romania of the 6-country total was declining. China was shifting its investments towards Poland, the Czech Republic, Hungary and other CEE countries.

## II. China's Outbound Investment Policy

The 3rd Plenary Session of the 18th CPC Central Committee decided to “encourage outbound investment by enterprises and individuals, establishing enterprises and individuals as investment subjects”, and made it clear to “reform the approval mechanism for outbound investment, improve the consular protection system and offer more services in safeguarding rights and interests, investment promotion and risk warning”. As the “service-based governance” philosophy becomes more pervasive, the new service-based “three-in-one” system, linking the central government, local government and intermediary organization, will become increasingly sophisticated. The central government will strengthen its capabilities in providing public services, further facilitate investment, better coordinate policies, and improve bilateral and multilateral investment promotion mechanisms. The outbound investment environment will become fairer, more stable and more transparent.<sup>3</sup>

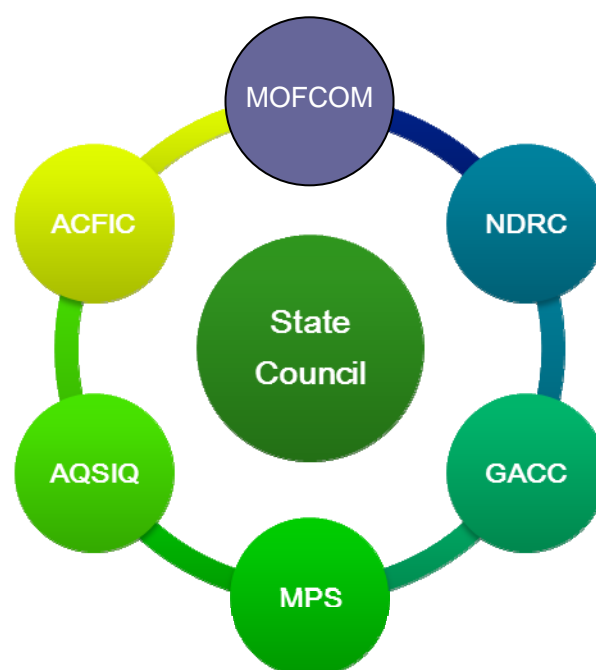
### 3.2.1 Facilitation of outbound investment

#### 3.2.1.1 Streamlining process and deregulation

To facilitate outbound investment and lay a policy foundation for enterprises “Going out”, the State Council and six related departments have launched a series of favorable policies in recent years.

- **Macro-policy documents by the State Council**

- a) On July 1 2013, the General Office of the State Council issued the Guiding Opinions of on the Financial Support for Economic Restructuring, Transformation and Upgrading, to encourage policy banks and commercial banks to support companies go global. The focus was on trade and investment facilitation, cross-border use of Renminbi, deregulation in forex administration and further improving forex regime in trade in goods and services. ◦
- b) On Mar 7, 2014, the State Council issued the Opinions on Further Optimizing the Market Environment for Mergers and Reorganizations of Enterprises, addressing challenges in the approval process, financing, underdeveloped service offerings, incomplete mechanisms, and



<sup>3</sup> Report on China's Outward Investment and Economic Cooperation 2014

cross-region and cross-ownership M&As. The Opinions demanded that forex administration for overseas M&As be streamlined to further facilitate investment; the ex ante reporting procedures for overseas M&As be optimized to speed up the approval process.

c) On October 31 the State Council issued the Catalogue of Investment Projects Subject to Government Approval (2014 version) and repealed the Notice on Issuing the Catalogue of Investment Projects Subject to Governmental Approval (2013 Version). In the articles concerning overseas investment, it is stipulated that projects involving sensitive countries, regions or industries should be approved by investment authorities in the State Council. Other than that, investment projects by central SOEs and investment projects over USD 300 million by local enterprises should be reported to investment authorities in the State Council for filing.

- **Policies of other departments**

Department	Policy
MOFCOM	<p><b>Administrative Measures on Overseas Investments</b></p> <ul style="list-style-type: none"> <li>a) Establishing an administrative model based mainly on filing and supported by approval. Overseas investment involving sensitive countries (countries without diplomatic relations or under sanctions of the United Nations) and sensitive industries (government restrictions on export, affecting rights of third party) must be approved. Other projects will go through the filing procedures. Cap on investment and related approval is repealed.</li> <li>b) Delegating administrative power to clear the path for enterprises. Enterprises can make filing with local provincial department of commerce, who in turn will report for approval from MOFCOM. Central SOEs report directly to MOFCOM for filing or approval.</li> <li>c) Reducing the time for filing and approval. For approvals, the central SOEs will need 20 days and local enterprises 15 days. Only 3 days is needed for filings.</li> <li>d) After the new Administrative Measures on Overseas Investments goes into enforce, MOFCOM will see a reduction of 98.5% in its approvals.</li> <li>e) Streamlining the filing procedure. Enterprises only need to fill in the Overseas Investment Filing Form with complete and accurate information and submit to the MOFCOM or local department of commerce. Within three business days the Enterprise Overseas Investment Certificate will be issued. Comparing with the approval process, the filing procedure is much more efficient. It will help enterprises to seize opportunities and gain higher returns.</li> </ul>
NDRC	<p><b>Administrative Measures on Approval and Filing for Outbound Investment Projects</b></p> <ul style="list-style-type: none"> <li>a) Significantly relaxing approval requirements on overseas investment projects. No separation of resource and non-resource projects. Only projects involving sensitive countries or regions, or sensitive industries, or with over USD 1 billion investment, must be approved. Other projects will all go through filing.</li> </ul>

<b>Department</b>	<b>Policy</b>
	<p>b) Further streamlining procedures and giving out clear timelines to ensure consistency and convenience. For projects that need approval by NDRC or State Council, or projects need filing with NDRC, the local enterprise can submit application to the local provincial development and reform department, who will report to NDRC for approval. Local enterprises no longer need to file application with all levels of governments. The timelines of approval and filing are clearly defined and the conditions simplified.</p> <p>c) Creating the National Overseas Investment Project Online Filing System, which is up and running. The projects that should go through the filing process can be processed online, offering further convenience.</p>
<b>General Administration of Customs of China (GACC)</b>	<p>a) Strengthening bilateral and multilateral customs cooperation to support the building and improvement of bilateral, multilateral and regional trade and investment cooperation mechanisms. To date, GACC has built ties with 129 countries and regions, signed 134 agreements (34 inter-governmental and 100 inter-departmental), covering 73 countries and regions. GACC strives to improve the communication mechanism among customs based on mutual recognition, mutual support in enforcement and exchanging information, in an effort to facilitate trade and improve the outbound investment environment.</p> <p>b) Taking into consideration key concerns of enterprises to identify more stakeholders and potential area for customs collaboration, such as trade legislation, supervision and enforcement and duties and fees. GACC will proactively participate in multilateral and regional customs collaborations to make comments and suggestions that will facilitate outbound investment of Chinese enterprises. Through the international rule-setting process, GACC will encourage foreign parties to improve legislation and policies to increase efficiency in customs clearance.</p>
<b>General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)</b>	<p>a) In 2013, 391 exporters obtained fast track status in quality supervision and quarantine, after reviewed by local department of quality supervision, inspection and quarantine and approved by AQSIQ. This will facilitate the customs clearance process for these exporters.</p>
<b>All-China Federation of Industry &amp; Commerce (ACFIC)</b>	<p>a) ACFIC has set up a permanent work mechanism with MOFCOM to encourage outbound investment by private enterprise. They will strengthen collaboration to develop a three-tier service network at national, provincial and county level. Since 2013, ACFIC continued to expand its service and set up overseas points of contact.</p>
<b>Ministry of Public Security (MPS)</b>	<p>a) The national system of exit and entry administration continues to improve its service level to create a safe and convenient experience for users.</p>

### 3.2.1.2 QDII and QDII2

In the context of a capital account that is not fully liberalized, in July 2007 the CSRC released the Administration of Qualified Domestic Institutional Investors in Foreign Securities Investments Trial Procedures, allowing qualified domestic institutional investors to raise funds in China and make portfolio investments overseas. This move signaled that QDII become a standard arrangement in China. According to the QDII Quota Approval Report by SAFE, as of August 28, 2015, total approved QDII quota reached USD 89.993 billion.

On May 8, 2015, the State Council approved and relayed the Opinions of the NDRC on Key Work for Deepening the Reform of the Economic System in 2015. It stated that QDII2 will be launched at the right timing and the first six pilot cities are Shanghai, Tianjin, Chongqing, Wuhan, Shenzhen and Wenzhou. The launch of QDII2 will be another new initiative to liberalize China's capital market, marking the beginning of private capital going global.

### 3.2.2 Reinforcing public services

According to the spirit of the 18<sup>th</sup> National Congress of the CPC and the 3rd Plenary Session of the 18th CPC Central Committee, government agencies should provide macro-guidance and services to enterprises going global by conducting country- and industry-specific research into global investment demands, offering accurate information on outbound investment and streamlining approval processes. Only by making continuous progress in the “Going out” drive can China improve its capabilities to allocation resources on a worldwide basis and transform itself from a large trading nation to a strong trading nation, and from a large receiver of investment to a large exporter of investment.

#### 3.2.2.1 Country-specific guidance and report on investment and cooperation

- **Country (region)-specific Guidelines on Outbound Investment**

In order to protect the rights and interests of enterprises going global and provide services such as investment promotion and risk warning, the Chinese Academy of International Trade and Economic Cooperation (CAITEC), China Investment Promotion Agency (CIPA) and Chinese missions overseas started in 2009 to publish and update the Country (region)-specific Guidelines on Outbound Investment. As of today, they



➤ **By reading the Guidelines, you will know**



cover 166 countries and regions (including most of the 16 CEE countries). The guidelines give objective accounts of the business environment, policies on land and labor, and risks in specific countries (regions), and provide reminders on key issues in cross-border operations.<sup>4</sup> The Guidelines can be accessed on the China Investment Guidelines website.

- Report on Development of China's Outward Investment and Economic Cooperation
- MOFCOM started to compile the Report on Development of China's Outward Investment and Economic Cooperation in 2010. To date the Report has become an integral part of the outbound investment service system. In the latest publication, the Report on Development of China's Outward Investment and Economic Cooperation 2014 used the theme of "safety and efficiency". It described trends in outbound investment, relevant policies and measures and current investment landscape in target markets and in typical provinces. Also it added sections on industry development of case studies of some enterprises for reference.<sup>5</sup>

Each year the Report is updated and released on a MOFCOM website, offering detailed information for enterprises making outbound investment.<sup>6</sup>

- **Public information platform in the internet age**

MOFCOM and other outbound investment-related departments have all set up their online public information platforms. By visiting these platforms one can access information on policies, laws and top news of foreign trade. Applications and approvals can also be submitted and processed on similar government platforms.

Some platforms are:



### 3.2.3 Strengthening risk mitigation and protection

Since 2013, the political, economic and security situations in the world have become increasingly complex. As more Chinese enterprises choose to "go out", the external risks and challenges are also on the rise. To address this complexity and protect the safety of enterprises and personnel, MOFCOM has worked with other departments to take a number of measures to collect information and feedback from local commerce departments, enterprises, trade associations and Chinese missions overseas. By doing so MOFCOM aims to provide quick response to any emergencies.

<sup>4</sup> Country(region)-specific Guidelines on Outbound Investment (2014), <http://fec.mofcom.gov.cn/gbzn/guobiezhiban.shtml?COLLCC=3113211709&>, visited on Sep 1, 2015.

<sup>5</sup> MOFCOM, Report on Development of China's Outward Investment and Economic Cooperation 2014

<sup>6</sup> Report on Development of China's Outward Investment and Economic Cooperation, <http://fec.mofcom.gov.cn/channel/fzbg.shtml>, visited on Sep 1, 2015.

#### Policy support

In July 2013, MOFCOM published the Regulation on Security Incident Emergency Response and Handling in Outbound Investment with the five ministries including the Ministry of Foreign Affairs and State Administration of Work Safety, further improving the overseas security risk prevention and control system.

#### Surveillance and early warning

An overseas risk column has been set up on the MOFCOM website to publish risk warnings such as changing business environment, social turmoil, natural disasters and pandemics. MOFCOM also sends out Risk Reminders for Overseas Investment to directly warn enterprises of such risks as terrorist attacks and kidnappings.

#### Supervision and inspection

Together with the State Administration of Work Safety, Ministry of Foreign Affairs and NDRC, MOFCOM conducts work safety inspections on Chinese enterprises overseas. A task force has been set up to lead such inspections.

#### Emergency handling

According to the Regulations on Emergency Response and Handling in Security Incidents in Overseas Investment, incidents causing threats to or loss of life or property of overseas Chinese enterprises should be handled based on the principles of “people-oriented, act according to law, prevention and safety first”. The document has laid out specific requirements on accountability, emergency response and handling.

### 3.2.3.1 Information collection and surveillance

#### • Reporting requirements for “Going out”

Local commerce departments, central SOEs, Trade Development Bureau of MOFCOM (Center for Complaint Handling for Chinese Enterprises Operating Overseas), China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME), China International Contractors Association (CHINCA), China International Chamber of Commerce for the Private Sector (CICCPS), Chinese mission overseas, chambers of commerce (trade associations) of Chinese enterprises overseas are charged with the responsibility of making reports. They should, in accordance with the MOFCOM Notice on Reinforcing Information Reporting for “Going out”, collect information and report at least twice a year to MOFCOM. The report should cover challenges during “Going out”, feedback and suggestions, and important and breaking news. MOFCOM will consolidate reports from all stakeholders and make regular reports to the State Council and other relevant departments.<sup>7</sup>

#### • Statistics

To monitor investment, operations and company performance, various statistical regulations have been developed. Outlined below are three important pieces of statistical regulation. Other regulations include the System for Statistics of Outbound Direct Investment, the System for Statistics of Assets, Liabilities and Trading in Foreign Financial Business and the latest System for Statistics of Foreign Trade in Culture and Entertainment (2015).

#### • System for Statistics of Outbound Direct Investment

<sup>7</sup> General Office of MOFCOM Notice on Reinforcing Information Reporting for “Going out”

In 2003, NBS and the former Ministry of Foreign Trade and Economic Cooperation (MOFTEC) created and published a new system, the System for Statistics of Outbound Direct Investment, to meet the demands of Chinese enterprises making outbound investments. In 2004, NBS and MOFTEC published an annual statistical bulletin. At that time it only cover the non-financial portion. In 2006, data of outbound investment from the financial services industry, owned by SAFE, was included, to complete the statistics. Between 2002 and 2015, the three ministries made six revisions to the System, combining international standards with Chinese conditions in foreign investment, to make it more sophisticated.

- **Statistics of overseas engineering contractors**

According to the Regulation on Overseas Engineering Contracting, contractors should report statistics to relevant agencies as required by commerce department and statistics department under the State Council. This regulation applies to all levels of commerce departments and enterprises with qualification of overseas contracting. The purpose of the statistics is to provide an accurate and complete picture of contracting projects overseas, so that relevant departments can make informed decisions. It is an important part of China's foreign-related economic statistics system. The system of statistics is managed on a tiered structure.<sup>8</sup>

- **Statistics of overseas labor service**

According to the Regulations on the Administration of Overseas Labor Service Cooperation, the commerce department and statistics department under the State Council establish the system for statistics of overseas labor service to provide timely information on such services. Overseas labor service is defined as organizing works to go to other countries or regions to work for overseas entities. This system is applicable to all-levels of commerce departments, enterprises that have obtained qualification of providing overseas labor service and seamen dispatch organizations. The purpose is to provide an accurate and complete picture of labor service projects overseas, so that relevant departments can make informed decisions. It is an important part of China's outbound investment statistics system.

### **3.2.3.2 Surveillance, early warning, supervision and inspection**

MOFCOM works closely with relevant departments to monitor security situations in key regions and issue early warnings in a timely manner. An overseas risk column has been set up on the MOFCOM website to publish risk warnings such as changing business environment, social turmoil, natural disasters and pandemics. MOFCOM also sends out Risk Reminders for Overseas Investment to directly warn enterprises of such risks as terrorist attacks and kidnappings. In addition, MOFCOM established the Early Warning and Information System for Overseas Investment in 2010 to offer further protections for enterprises in overseas investment and mitigate security risks.

In addition, MOFCOM, Ministry of Foreign Affairs, NDRC, MPS, State-owned Assets Supervision and Administration Commission, State Administration of Work Safety and ACFIC have jointly published

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<sup>8</sup> System for Statistics of Overseas Engineering Contracting

the Guidelines on Safety for Overseas Chinese Enterprises and Individuals. According to the document, local commerce departments should work with departments of foreign affairs, development and reform, public security and work safety to manage safety of local enterprises making overseas investments. Local State-owned assets supervision and administration department provides safety guidance to local SOEs making overseas investments. Local federations of industry and commerce support government agencies in providing safety guidance to local private enterprises making overseas investments. Overseas Chinese Embassies and Consulates are responsible for safety guidance and supervision for Chinese enterprises and their employees in their respective countries. Enterprises should follow the Guidelines to develop their own overseas safety management systems to improve safety risk management and emergency handling.

### 3.2.3.3 Industry and trade associations

Industry and trade associations serve as a bridge between enterprises and government agencies. They offer protection to enterprises “Going out” by relaying information and providing service at the local level.

- [China Shippers' Association](#)

Under the auspices of MOFCOM, the China Shippers' Association is a national industry association aiming at safeguarding rights and interests of importers and exporters. It conducts research in foreign trade by experts to serve importers and exporters. Its main functions include running the China Foreign Trade Enterprise website, building a database of enterprise credibility and sharing credit information. It offers information, policy advisory and promotion services to its members. It organizes trade missions both to and from China to help enterprises “Go out”. It focuses on exchanges and collaborations with domestic and international organizations, especially shippers' associations in other countries.

- [CHINCA](#)

Under the auspices of MOFCOM, CHINCA was founded in April 1988. It now has more than 1,000 members and is a member of International Chamber of Commerce (ICC). CHINCA is a national trade association for international contractors, labor service companies and related service providers. It promotes self-discipline among members through coordination. Its main functions include relaying challenging and concerns of members to government agencies and relevant stakeholders in China and abroad; maintaining order in the industry; providing services to members; training; helping members to go global; building ties with international counterparts; organizing trips to exhibitions and trade fairs.

- [China International Council for the Promotion of Multinational Corporations \(CICPMC\)](#)

CICPMC adheres to the basic national policy of ‘Reform and Opening-up’, with tenets of promoting the growth and development of multinational enterprises, facilitating the exchange and cooperation between Chinese and foreign corporations, relying on the support of the government, taking multinational corporations as the mainstay and offering services as its mission. It has conducted a lot of fruitful work in enhancing the cooperation and exchange between Chinese and foreign multinational

corporations as well as promoting the growth and development of Chinese multinational corporations, and provided solutions to individual difficulties of many enterprises in their development. Working with ministries and commissions, international organizations and chambers of commerce, CICPMC has held many large-scale conferences, such as the World Economic Development Declaration Conference, High Level International Conference on Millennium Development Goals, Economic and Trade Talks of Sino-US Large-Scale Enterprises, Talk on China's Economic Situation and International CEO Roundtable of Chinese and Foreign Multinational Corporations.

To better adapt itself to new trends in cross-border investment and cooperation and the changing needs of enterprises, MOFCOM will continue to work on innovations in policy and improvements in services and risk control. It will speed up institutional reform to establish enterprises as the investment subject and promote investment facilitation by enhancing policy coordination and creating a fairer, more stable and more transparent policy framework.<sup>9</sup>

### **3.2.4 Bilateral and multilateral cooperation mechanisms**

This section offers a chronicle of events in China-CEE cooperation and outcomes in developing bilateral and multilateral cooperation mechanisms.<sup>10</sup>

#### **3.2.4.1 Meeting and forums**

- On November 26, 2013, the Meeting of Head of Government of China and CEE Countries was held in Bucharest, Romania. China and 16 CEE countries jointly announced the Bucharest Guidelines for Cooperation between China and CEE Countries.
- In December 2013, citizens of all 16 CEE countries are entitled to 72-hour visa-free transit in ports including Beijing and Shanghai.
- In December 2013, the first High-Level China-CEE Symposium of Think Tanks was held in Beijing.
- In April 2014, a delegation of CEE correspondents visited China.
- In May 2014, the 1st China-CEEC Seminar on Innovation, Technology Cooperation and International Technology Transfer was held in Shanghai.
- In May 2014, the inaugural conference of the China-CEEC Association of Tourism Promotion Agencies and Businesses was held in Budapest.
- In June 2014, the 1st meeting of the China-Hungary-Serbia joint working group on transport infrastructure cooperation was held in Beijing.
- In June 2014, the China-CEEC Ministerial Meeting on Promoting Trade and Economic Cooperation was held in Ningbo, China.
- In June 2014, the Central and Eastern European Countries' Products Fair (CEEC Fair) was held in Ningbo.
- In June 2014, the High Level Conference on Transport, Logistics and Trade Routes: Connecting Asia with Europe was held in Riga, Latvia

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<sup>9</sup> MOFCOM, Report on Development of China's Outward Investment and Economic Cooperation 2014

<sup>10</sup> China-CEE Cooperation website, <http://www.china-ceec.org/chi/fwpt.html>, visited on Sep 1, 2015.

- In August 2014, the 2nd China-CEEC Local Leaders' Meeting was held in Prague, the Czech Republic.
- In August 2014, In August 2014, the China Investment Forum was held in Prague.
- In August 2014, the Memorandum of Understanding on Promotion of the Establishment of the Association of Governors of Provinces of China and Representatives of Regions of CEEC was signed in Prague.
- In September 2014, the 2nd China-CEEC High-Level Symposium of Think Tanks was held in Bled, Slovenia.
- In September 2014, the 2nd China-CEEC Education Policy Dialogue was held in Tianjin, China.
- In September 2014, the China-CEEC Higher Education Institutes Consortium was established in Tianjin. Sofia University (Bulgaria) was elected as its first rotating coordination center on the European side.
- In September 2014, a China-CEEC symposium on investment promotion was held in Xiamen, China.
- In September 2014, the establishment of China-CEEC Investment Promotion Agencies Contact Mechanism was announced in Xiamen.
- In September 2014, a China-CEEC investment promotion event was held in Xiamen.
- In October 2014, a promotion event dedicated to CEECs was held in Guangzhou, China, during the 11th China International Small and Medium Enterprises Fair.
- In October 2014, the China-CEEC Agrottrade and Economic Cooperation Forum was held in Bucharest.
- In October 2014, agreement was reached on Bulgaria leading the efforts to establish a China-CEEC association on promoting agricultural cooperation.
- In October 2014, artistic directors and choreographers of international dance festivals from the CEECs visited China.
- In October 2014, an event dedicated to China-CEEC cooperation in environmental technologies was held in Poznan, Poland, during the PolEko fairs .
- In Nov 2014, the 2nd Meeting for the Investment Promotion Agencies Contact Mechanism of China and CEECs was held in Warsaw, Poland.
- In November 2014, a promotion event of Chinese and CEEC tourism products was held at the China International Travel Mart in Shanghai.
- In November-December 2014, delegations of Chinese journalists visited CEECs.
- In December 2014, the 3rd China-CEEC Meeting of Heads of Government was held in Belgrade, Serbia.

#### **3.2.4.2 Bilateral investment treaties between China and CEE**

Since the 1980s, China has signed Bilateral Investment Treaties (BITs) with 14 CEE countries (see table below), providing full legal protection to bilateral investment.

Country	Date	Treaty
Bulgaria	June 27, 1989	BIT between PRC and Bulgaria
Hungary	May 29, 1991	BIT between PRC and Republic of Hungary
Czechoslovakia	December 4, 1991	BIT between PRC and Czechoslovakia
Ukraine	October 31, 1992	BIT between PRC and Ukraine
Moldova	November 16, 1992	BIT between PRC and Republic of Moldova
Belarus	January 11, 1993	BIT between PRC and Republic of Belarus
Albania	February 13, 1993	BIT between PRC and Republic of Albania
Croatia	June 7, 1993	BIT between PRC and Republic of Croatia
Estonia	Sep 2, 1993	BIT between PRC and Republic of Estonia
Slovenia	Sep 13, 1993	BIT between PRC and Republic of Slovenia
Lithuania	Nov 8, 1993	BIT between PRC and Republic of Lithuania
Romania	July 12, 1994	BIT between PRC and Romania
Former Yugoslavia (applicable to Serbia)	Dec 18, 1995	BIT between PRC and Federal Republic of Yugoslavia
Macedonia	June 9, 1997	BIT between PRC and Republic of Macedonia

### 3.2.4.3 Bilateral tax treaties

China has signed bilateral tax treaties with 15 CEE countries (see table below) to eliminate the negative impact of double taxation on economic, technology and talent exchanges.

Country	Date signed	Date effective	Date of implementation
Slovakia	1987.6.11	1987.12.23	1988.1.1
Former Yugoslavia (applicable to Bosnia and Herzegovina)	1988.12.2	1989.12.16	1990.1.1
Bulgaria	1989.11.6	1990.5.25	1991.1.1
Romania	1991.1.16	1992.3.5	1993.1.1
Hungary	1992.6.17	1994.12.31	1995.1.1
Croatia	1995.1.9	2001.5.18	2002.1.1
Belarus	1995.1.17	1996.10.3	1997.1.1

<b>Slovenia</b>	1995.2.13	1995.12.27	1996.1.1
<b>Ukraine</b>	1995.12.4	1996.10.18	1997.1.1
<b>Lithuania</b>	1996.6.3	1996.10.18	1997.1.1
<b>Latvia</b>	1996.6.7	1997.1.27	1998.1.1
<b>Former Yugoslavia (applicable to Serbia and Montenegro)</b>	1997.3.21	1998.1.1	1998.1.1
<b>Macedonia</b>	1997.6.9	1997.11.29	1998.1.1
<b>Estonia</b>	1998.5.12	1999.1.8	2000.1.1
<b>Albania</b>	2004.9.13	2005.7.28	2006.1.1
<b>The Czech Republic</b>	2009.8.28	2011.5.4	2012.1.1