

# **Guiding Opinion of the State Council on Encouraging and Standardizing Enterprises' Cooperation in Outbound Investment**

State Council, 14 April 2007

Source: Unofficial translation by Inclusive Development International

*[Excerpt]*

## **Article II: Guidelines, Objectives and Principles on Encouraging and Standardizing Outbound Investment**

**Guidelines:** To uphold the theories of Deng Xiaoping and the Three Represents, to thoroughly implement the scientific outlook on development, to plan for domestic development and economic opening-up, to adopt an enterprise-focused and market-oriented approach, to encourage qualified enterprises to “go global”, to proactively promote outbound investment and cooperation at a steady pace, to make better use of the domestic and international markets and resources, to safeguard national economic security and promote the continued, coordinated, speedy and healthy development of national economy.

**Main Objectives:** To have significantly expanded the volume and areas of outbound investment and cooperation, gradually formed a group of reputable transnational Chinese corporations and brands, improved innovative capacity, and continued to increase the catalyzing effect on the development of national economy by year 2010. To have leapfrogged into better standards of outbound investment and cooperation in the interim, improved global competitiveness, enabled transnational Chinese enterprises to perform as the pillar of an open economy, coordinated the progress of outbound and inbound investment, and achieved a greater contribution to the national economy by 2020.

To place focal attention on dealing with the following four categories of relationship in accordance with the principles of “mutual respect, equality and mutual benefit, complementing advantages, cooperation and win-win, enterprise-centered, government-led, pluralist development, targeted breakthrough, plan and coordination, synergistic collaboration, proactive and paced approach, risk prevention”:

(1) Balance the relationship between safeguarding national interests and promoting common development. Enterprises should adhere to national interests, safeguard economic security and speed up their own development, while abiding by local laws and regulations, fulfilling the necessary social responsibilities, safeguarding the legitimate rights and interests of local employees and paying attention to the protection of environmental resources, promoting mutual benefit and common development, (with the host country) and establishing a good international image.

(2) Balance the relationship between the leading role of enterprises and the coordinative and directive functions of the government. Following the relevant international customs, enterprises should be allowed to autonomously determine the scope and management of its transnational businesses based on its competitive advantage and need. Government shall

improve its policy guidance, planning, coordination, regulations, and actively provide guidance and services to enterprises going abroad for the purpose of creating a more conducive investment environment and safeguarding the legitimate interests of such companies.

(3) Balance the relationship between active promotion of outbound investment and risk prevention. It is important to make it possible to “go abroad” at the right opportunities but it is equally important to be realistic, efficient, to improve risk-awareness, to scientifically evaluate, to act proactively and at steady pace, to be cautious and to avoid being blindly profit-driven and shortsighted, to prevent investment and operational risks, and to improve the rate of success of outbound investment.

(4) Balance the relationship between outbound and inbound investment. To actively explore an efficient means of organically combining outbound and inbound investment. To create a more favorable environment for outbound investment by bringing in and internalizing advanced technologies and modern management expertise and attracting talents from abroad. To adapt to the strategic need of national economic development and foreign policy of a new era, to identify the right direction and focus for outbound investment, to improve the quality and standard of outbound investment, and to create a greater space for inbound investment.