

Circular to Regulate the Overseas Investment and Cooperation of Chinese Companies

Ministry of Commerce, Ministry of Foreign Affairs, State-owned Assets
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The outward investment of China has experienced rapid development, and currently both investment scale and scope are increasing. However, during the process, some problems also emerge, mainly covering labor incidents, conflicts with local employees, environment protection and the delay, quality and safety issues of engineering projects. These issues will harm overseas investment if not adequately addressed. Therefore, the circular is published to regulate the overseas investment and cooperation of Chinese companies.

(1) Increase the awareness of regulating the investment and cooperation activities of Chinese companies

Given the impact of mentioned issues has had on the international image of China and Chinese companies, the bilateral relationships with other countries, stability of domestic society, and international competitiveness of Chinese companies, the relevant departments and enterprises should take a long-term viewpoint and pay significant attention to regulating overseas investment and cooperation to ensure the national image and social stability.

(2) Firmly hold the ideology of 'mutually benefiting and developing'

- **Enhance the consciousness of "knowing and complying with the law, and managing with integrity"**. Seriously study and strictly comply with the laws and policies of foreign investment and cooperation in both China and recipient countries, especially in the area of environment protection, labor employment, immigration management, safety, production and tender bidding, and any other aspects.
- **Labor related issues**. Effectively apply the ideology of "people-oriented" into the business management based on the requirements of the "Scientific Concept of Development" in China; provide employees with wages, benefits and working conditions that are in accordance with laws and contracts; broaden communication channels with employees, and actively respond to their legitimate demands in order to establish a more harmonious working environment.
- **Harmony and mutual development with the recipient country**. Maintain good relations with foreign governments, strengthen communication with the local

trade union organizations, the media, religious, ethnic leaders and other stakeholders, to get their understanding and support; actively promote the localization of business and create jobs for locals; be aware of political sensitivity and avoid getting involved in disputes of local politics and economic interests;

- **Fulfill the necessary social responsibility.** Understand and respect local customs, especially religious practices and take efforts to improve relations with the locals; furthermore, enterprise staff must be aware of their appearances and behavior in public places to show a good image and respect for others.

(3) Responsibility system

Monitoring and supervision of overseas projects should be conducted regularly by relevant competent authorities or enterprises; enterprises should send competent full-time supervisors to conduct the field guide and supervision in order to detect, report, and correct the problems in a timely way; the enterprise principal responsible person should strengthen the regulating work of foreign investment and cooperation, implement the responsibility system for effective manage quality, safety, disputes management and other issues.

(4) The exemplary role of the central government-owned enterprises

Central government-owned enterprises are the backbone of foreign investment and cooperation. Their good practice and operations are not only on behalf of the overall strength and image of China, but also the healthy development of foreign investment and cooperation. Therefore, the central enterprises should further enhance the sense of social responsibility, and set an example model of foreign overseas investment and cooperation in the area of abiding the law, honesty and trustworthiness, saving resource and protecting environment, people-oriented and building a harmonious society.

(5) Penalty for illegal activities

All types of enterprises should attach great importance to, and in strict accordance with this circular, regulate foreign investment and cooperation activities. As for the enterprises violating relevant law and regulations and result into serious consequences, MOFCOM, MOFA, and SASAC will give penalties according to the relevant provisions. The punishments of these departments include:

- MOFCOM: publish the notice of criticism, warning, suspend or revoke business qualifications and other treatment or punishment depending on the seriousness of the violation;
- MOFA: implement penalties on approving right of foreign affairs, passport or visa

management right;

- SASAC: punish the responsible enterprises and individuals who cause adverse impacts according to relevant provisions;
- The local commerce departments, foreign affairs, state-owned assets supervision and administration should take appropriate measures against illegal activities and those who cause serious consequences, and give punishment in accordance with the spirit of this notice.