

## **Opinions on Further Guiding and Regulating the Directions of Overseas Investments**

**(ISSUED BY THE NATIONAL DEVELOPMENT AND REFORM COMMISSION, THE MINISTRY OF COMMERCE, THE PEOPLE'S BANK OF CHINA AND THE MINISTRY OF FOREIGN AFFAIRS OF THE PEOPLE'S REPUBLIC OF CHINA)**

In recent years, Chinese enterprises have remarkably increased their pace of overseas investments with significantly improved scale and efficiency. Their overseas investments have greatly contributed to the globalization of relevant products, technologies and services, transformation and upgrade of China's economy, mutually beneficial partnership with relevant countries, development of the "Belt and Road" initiative and international cooperation in production capacity. In light of profound changes in the current international and domestic environment, Chinese enterprises face a variety of risks and challenges in their overseas investments despite having good opportunities. In order to improve the macro guidance on overseas investments, further guide and regulate the directions of overseas investments, promote the sustainable, rational, orderly and healthy development of overseas investments, effectively prevent all types of risks and properly meet the needs of national economic and social development, we hereby provide the following opinions:

### **I. GUIDING IDEOLOGY**

The guiding ideology is to thoroughly implement the gist of the 18th National Congress of the Communist Party of China ("CPC") and the Third, Fourth, Fifth and Sixth Plenary Sessions of the CPC Central Committee and a series of important speeches of the General Secretary Xi Jinping and his new concepts, ideas and strategies in governing China, diligently execute the decisions and planning of the CPC Central Committee and the State Council, promote the overall "Five-in-One" planning and the strategic "Four Comprehensives" planning, adhere to the people-oriented development ideology, adhere to the general principle of steady progress, firmly build up and thoroughly implement the development ideology that emphasizes innovation, coordination, green initiatives, openness and sharing, firmly adhere to the strategy of opening up for mutual benefits, continue to build a more comprehensive, in-depth, and diverse opening-up environment, use the supply-side structural reform as the underlying theme, serve the "Belt and Road" initiative, deepen the reform of overseas investments mechanism, further guide and regulate the directions of overseas investments, promote overseas investments in a rational and orderly manner, prevent and tackle risks of overseas investments, facilitate the sustainable and healthy development of overseas investments and achieve the goal of mutual benefits and joint development with target jurisdictions.

## II. BASIC PRINCIPLES

- Enterprises taking the lead. Full play shall be given to the decisive role of the market in allocation of resources and better use shall be made to the role of the government in overseas investments. Enterprises shall take the lead in their overseas investments based on the market-oriented approach, in accordance with business principles and international practice. Enterprises are required to make their own decisions and take sole responsibility for profits, losses or risks under the government's guidance.
- Deepening the reform. China shall innovate the relevant system and mechanism, improve the convenience of overseas investments, further promote the streamlining and delegation of government powers, adopt an approach that combines government supervision and deregulation, promote the optimization of service reform, adhere to the filing-based administrative system for overseas investments, implement a market-oriented yet regulated operating mechanism, and guide and regulate the directions of overseas investments by Chinese enterprises based on the model of "encouraged development + negative list."
- Promoting mutual benefits. Government shall guide enterprises to fully consider specific conditions and actual needs of target jurisdictions, develop mutually beneficiary partnerships with local governments and enterprises, create sound economic and social benefits and promote mutual benefits and cooperation.
- Preventing risks. Government shall abide by the general principle of pursuing steady progress, give overall consideration to China's economic and diplomatic strategies, obey laws and regulations, reasonably grasp the focus and pace of overseas investments, proactively monitor the situation before, during and after any overseas investment is made and effectively manage all types of risks.

## III. ENCOURAGED OVERSEAS INVESTMENTS

China shall support domestic enterprises with adequate capabilities and qualifications to actively and prudently invest overseas, in an effort to promote the "Belt and Road" initiative, deepen international cooperation in production capacity, facilitate the export of high standard industrial capacity, high quality equipment and appropriate technologies, strengthen China's capabilities of technological research and development and manufacturing, make up for China's shortcomings in energy and resources, and achieve higher performance through upgrades in relevant sectors. Domestic enterprises are encouraged to:

- (1) primarily focus on investment in overseas infrastructure projects that facilitate the communications and connections that are beneficial to the "Belt and Road" initiative;

- (2) steadily carry out investment in overseas projects that will facilitate the export of high standard industrial capacity, high quality equipment and technical standards;
- (3) increase investment in and cooperation with overseas new and high technological and advanced manufacturing enterprises, and establish offshore research and development centers;
- (4) participate in the exploration and extraction of offshore oil and gas, mining and other energy resources based on prudent assessment of cost benefits;
- (5) expand investment and cooperation in agricultural projects, including in farming, forestry, animal husbandry, side-line production and fishery sectors that are mutually beneficial; and
- (6) promote investment in commerce and trading, the cultural sector, logistics and other service sectors in an orderly manner, and qualified financial institutions are encouraged to set up offshore branches and service networks to lawfully launch their operations.

#### **IV. RESTRICTED OVERSEAS INVESTMENTS**

Domestic Enterprises are restricted from making overseas investments that contravene China's foreign policy of peaceful development, the opening-up strategy featuring mutual benefit and win-win results, and the macroeconomic regulation, including:

- (1) making overseas investments in countries or regions that have not established diplomatic relations with China, are at war, or sensitive countries or regions the investments in which are restricted by bilateral or multi-lateral treaties that China is a party to;
- (2) making overseas investments in real estate, hotels, film studios, entertainment sector or sports clubs;
- (3) establishing overseas equity investment funds or investment platforms without underlying business operations;
- (4) making overseas investments using obsolete production equipment that is not in compliance with the relevant target jurisdiction's technical standards; and
- (5) making overseas investments that are not in compliance with the relevant target jurisdiction's environmental protection, energy consumption or safety standards.

Among all of the above, the first three categories of overseas investments require regulatory approvals by competent authorities of overseas investments.

## **V. PROHIBITED OVERSEAS INVESTMENTS**

Domestic enterprises are prohibited from making overseas investments that endanger or may endanger national interest or national security, including:

- (1) making overseas investments that involve the export of core technologies and products of military industry unauthorized by the government;
- (2) making overseas investments using technologies, techniques and products that are banned from export;
- (3) making overseas investments in gambling or sex sectors;
- (4) making overseas investments that are prohibited by any international treaty which China is a party to; and
- (5) making other overseas investments which endanger or may endanger national interest or national security.

## **VI. PROTECTIVE MEASURES**

(1) Implementing category-based guidance. For encouraged overseas investments, the government shall further improve the level of services in the areas of taxation, foreign exchange, insurance, customs and information to create more optimized investment environment for enterprises. For restricted overseas investments, the government shall guide enterprises to invest in a prudent manner, and offer the necessary guidance and reminders based on the actual situations. For prohibited overseas investments, the government shall take practical and effective measures to ensure rigorous management and control.

(2) Optimizing administrative mechanism. The government shall strengthen the review on the authenticity and compliance of overseas investments to prevent fraudulent investment behaviors. The government shall establish an overseas investment blacklist system and implement joint punishment on illegal investment activities. An information-sharing mechanism across governmental departments shall be established. The government shall guide domestic enterprises to strengthen supervision and administration of overseas enterprises under their control, and establish and improve the overseas investments decision-making, financial management and accountability system for violation of rules and regulations. The government shall establish a capital system for overseas investments by state-owned

enterprises, improve the overseas investments auditing system of state-owned enterprises to safeguard overseas state-owned assets.

(3) **Improving service standards.** The government shall formulate rules to regulate overseas investments and operations and guide enterprises to establish and improve risk review and control procedures and a decision-making system in respect of their overseas compliance operations, to have an in-depth understanding of overseas investments and cooperation policies, regulations and international practices and to comply with local laws and regulations in operations. The government shall strengthen cooperation with relevant countries in formulating regulations for investment protection, finance and personnel exchange and create a favorable external environment for enterprises to conduct overseas investments. The government shall support the development of relevant domestic intermediary entities engaging in assets evaluation, legal services, accounting services, tax services, investment consultancy, design consultancy, risk assessment, certification or arbitration and provide enterprises with market-oriented, society-based and international business consultancy services in their overseas investments to reduce risks in overseas investments and operations.

(4) **Strengthening safety and security.** The government shall, on a regular basis, publish a Status Report by Country to Facilitate Investment and Operation in order to strengthen the supervision and monitoring of enterprises making investments in high risk countries and regions, timely alert and notify enterprises of material political, economic and social risks of the relevant countries, propose corresponding contingency plans and preventive measures, and safeguard Chinese enterprises' legal rights and interests abroad in a practical manner. The government shall urge the enterprises to conduct security risk assessments for their overseas projects, do a proper job in addressing project security risk forecasts, construct a sound safety and security system, strengthen training on safety and security, and enhance the security risk prevention capability of enterprises making overseas investments.

In accordance with the requirements of these opinions, all prefectures and all departments shall have a reasonable control of the directions and focuses of overseas investments, strengthen organizational leadership and make coordination in a practical manner, implement job responsibilities, timely formulate and issue ancillary policies and measures, solidly proceed with the relevant tasks and ensure that practical results will be achieved.