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New investment laws ready by 2015

REVISED LEGISLATION WILL SHIFT FOCUS FROM REGULATION TO SUPERVISION OF FOREIGN ENTERPRISES

By LI JIABAO
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Revision of foreign investment laws in China is likely to be concluded in 2015, when the focus will shift to the supervision of investors and their conduct, Assistant Minister of Commerce Wang Shouwen said on Aug 21.

"The revision of foreign investment laws is a key project … and will probably be completed within the 12th Five-Year Plan," Wang said. That plan covers the years from 2011 to 2015.

"It's still hard to say what the final versions will be like. There may be a law called the 'foreign investment law'. The essential thing is that it will shift from the regulation of enterprises to the supervision of investors and their investment behavior, and thus it will be an investment law.

"The revised foreign investment laws will define investors and investment conduct. Issues that are under discussion and that fall within the scope of the Company Law will not appear in the foreign investment law," he said. "The stipulations in the Company Law will remain in force."

He added that the Company Law, adopted in 1993 to regulate the organization and operation of companies, was enacted after the passage of three laws governing foreign investment.

The law on Sino-foreign equity joint ventures was adopted in 1979, the law on foreign-capital enterprises in 1986, and the law on Sino-foreign cooperative joint ventures in 1988.

"We are also reviewing the China (Shanghai) Pilot Free Trade Zone and studying whether the registration-oriented approach, supported by approvals, could be expanded to foreign companies across the country, which will help build a unified, open, competitive and orderly market," Wang said.

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>
> WANG SHOUWEN,
> ASSISTANT MINISTER OF COMMERCE

The zone, approved on Aug 22 last year and officially launched the following month, serves as a trial region for the "negative list" approach, which identifies sectors barred to foreign investment, as well as "pre-establishment national treatment", which gives foreign enterprises the same treatment as domestic companies.

Wang Zhile, a senior researcher on foreign investment at the Chinese Academy of International Trade and Economic Cooperation, has called for the integration of foreign investment laws with the Company Law, thus according overseas companies on the Chinese mainland national treatment and laying the foundations for corporate governance.

China was the world's second-largest recipient of foreign direct investment (FDI) after the United States last year. But in the first seven months of this year, actual FDI inflows, excluding the financial sector, slid 0.35 percent from a year earlier to $71.14 billion, according to the Ministry of Commerce.

"In the January-July period, contracted FDI, which foreshadows investment inflows for the near future, surged 11 percent from the same period last year, suggesting that the prospects are very good, and we are confident in the future. The huge Chinese market is growing into the world's largest one," the assistant minister said.

Citing a report from the United Nations Conference on Trade and Development, Wang Shouwen said China remains the world's most attractive investment destination, and the investment environment is "improving rather than deteriorating" despite recent antitrust probes into foreign companies such as BMW and Microsoft.

The FDI decline in the first seven months of the year was caused by lagging investment in export-oriented and labor-intensive sectors amid rising costs of labor, land and resources, the assistant minister added.

Between Sept 8 and 11, China will hold the 18th China International Fair for Investment and Trade in Xiamen, Fujian province in East China. The event, the only one in China that specializes in promoting international investment, will cover the topics of national economic and technological development zones, transnational companies in China and China's investments overseas.

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Chengdu: Bringing more breakthroughs to market

By LI YU and PENG CHAO

Already a science and technology hub in southwestern China, Chengdu is striving to further build its innovative strength by increasing cooperation with universities and research institutes.

The move follows the national strategy for innovation-driven development and the city's plan to improve its economic mix to become a growth engine in the western region.

The city government formulated a number of policies in mid-August to encourage research, innovation and industrialization of breakthroughs.

Local authorities will give subsidies of up to 10 million yuan ($1.6 million) to universities and research institutes that build industrialization and innovation centers in cooperation with local districts and county governments, said Tang Hua, director of the Chengdu Science and Technology Bureau.

"Chengdu also encourages universities and research institutes to set up technology intermediaries that transfer research findings to local companies," he said.

Each intermediary will receive 2 percent of transaction values as a subsidy of up to 2 million yuan a year. Companies will receive 3 percent, up to 2 million yuan a year. University research teams are eligible for 3 percent, up to 1 million yuan for each project, according to the new policies.

Tang said the city will give 1 million yuan at most in financial support to senior professionals who start companies in Chengdu, including experts at the Chinese academies of sciences and engineering and those listed in China's Thousand Talent Program.

Investment funds will be established to provide capital for industrialization of research findings. Researchers at universities and institutes can receive loans of up to 10 million yuan if they start a high-tech company in Chengdu.

The city is home to 53 universities and colleges, 30 State-level research institutes, and 10 key national laboratories.

The city already has a number of established technology transformation programs with local universities such as University of Electronic Science and Technology of China, Southwest Jiaotong University, and Chengdu University of Information Technology. A technology transformation center with Sichuan University is also in the plan.

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Since 2009, Sichuan University has cooperated with the city government and companies in a wide range of fields including biopharmaceuticals, electronic communications, IT and software, new materials, polymer materials, chemicals and chemical engineering. It has helped industrialize a series of major scientific and technological achievements.

Wisesoft Co Ltd, China's leading provider of air traffic control software and equipment, evolved from a research team at Sichuan University. Breaking the technology monopoly of Western air traffic control systems, it now has a big share of the domestic market.

Its major products include real-time air traffic command systems, air traffic control simulation training systems and control application systems based on automatic vehicle identification technologies.

As the Chinese government sets out to open its low-altitude airspace, a new low-altitude surveillance radar system developed by the company is drawing increasing attention from investors.

National-level research institutes have also begun a series of initiatives in Chengdu to industrialize major scientific and technological achievements.

Chengdu Diao Pharmaceutical Group Co Ltd, the biggest pharmaceutical company in western China by revenue, was originally a research team at the Chengdu Institute of Biology under the Chinese Academy of Sciences.

The company was founded in 1988, with its core product Diao Xin Xue Kang capsules developed after eight years of research. It was among the earliest high-tech companies in the Chengdu High-Tech Industrial Development Zone.

The product, used for treating myocardial ischemia, was licensed by the Dutch Medicines Evaluation Board in 2012, making it the first traditional Chinese medicine to receive market authorization in a Western country.

The company has one of China's most competitive R&D operations for new drugs. It has a staff of more than 1,700 researchers and annually invests 80 million yuan in R&D, some 4 percent of its sales revenue.

The company is also involved in supporting projects by the medical research departments, collaborative institutions and universities in Chengdu.

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