

# POLICY REVIEW

## Foreign capital to spur upgrading

Greater competition to increase vitality of domestic companies and benefit Chinese consumers

By XU WEI

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The State Council has renewed its pledge to further open up the Chinese market and level the business playing field, with measures to give domestic and foreign players equal access to the banking and auto sectors and the capital market.

Experts said more market access to foreign capital will spur the vitality of domestic companies through greater market competition, which could provide better services and products to consumers.

The Cabinet said in a statement following Wednesday's executive meeting that the government will continue to cut red tape and improve services to foster a more welcoming business environment for foreign investment.

More sectors will be open to foreign investment, and restrictions on the scope of business of foreign-invested banks, securities companies and fund management firms already established in China will be lifted across the board, the statement said.

It also called for better foreign investment policies

in the auto industry, with steps to offer equal market access for domestic and foreign-invested new energy vehicles made in China.

Premier Li Keqiang said at the meeting that foreign capital has played a unique and important role in China's economic growth, and the country must always attach great importance to the use of foreign capital to promote high-quality development and modernization.

Enabling fair competition between domestic and foreign businesses will offer consumers more choice and spur domestic businesses to improve their competitiveness and level of services, he said, adding that measures to attract foreign investment must be scaled up.

Mei Xinyu, a researcher at the Chinese Academy of International Trade and Economic Cooperation, said the Chinese economy is entering an era in which opening-up can pave the way for further reforms.

"Most of the sectors in China have been developed enough to no longer require a high degree of protection," he said. "Rather, they require more pressure from competition to ensure their vitality."

Mei said China's



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683

billion yuan

the inflow of foreign capital in the first nine months of this year

opening-up has covered measures including widened market access and the lifting of restrictions on equity caps, and the country has shared opportunities arising from its economic growth with its partners, helping them to better adapt to its market and its rules.

At the meeting, the State Council also came up with measures to make investment easier and ensure equal protection of the legitimate interests of foreign investors.

It pledged support to foreign-invested companies in independently choosing their model of borrowing from foreign lenders, saying foreign businesses will be encouraged to use their capital for equity investment in China.

Preliminary site selection and land use reviews for foreign-invested projects will be consolidated, and the requirements for permission to plan projects and use land for construction will be combined, it added.

The Cabinet also vowed to ban the forced transfer of technology, including transfers through requirements that are disguised.

Trade secrets will be protected in accordance with the law, and there should be no restrictions in government procurement based on the type of ownership of suppliers, the nationality of investors, or the

brands of products and services, it added.

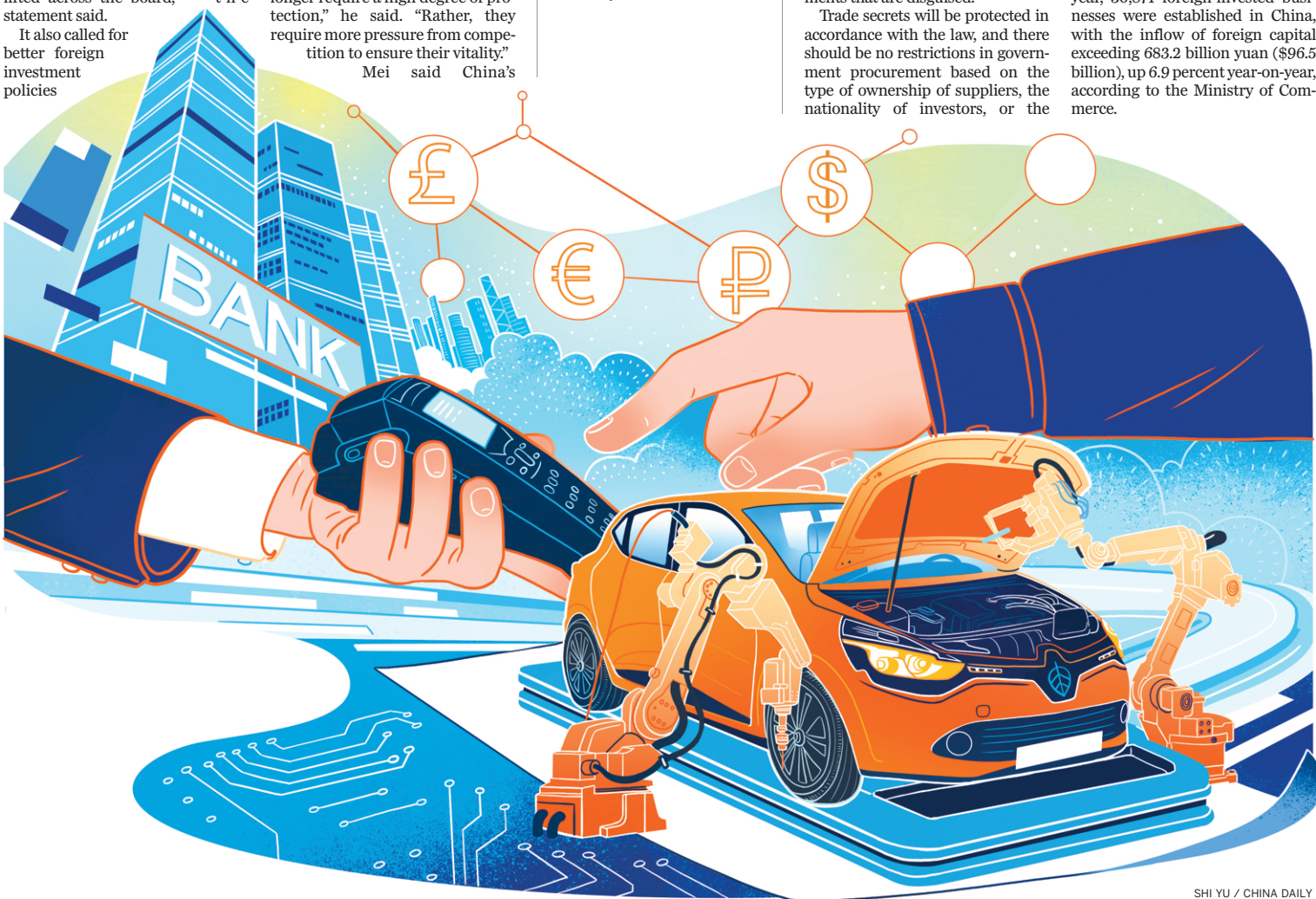
Tu Xinquan, director of the China Institute for WTO Studies at the University of International Business and Economics, said the newly opened up sectors were of crucial importance to the national economy, and their opening up showed that the sectors are strong enough to withstand risks and challenges.

More opening-up could level the playing field and promote the upgrading of Chinese industries, he said.

"For foreign businesses, the opening up of the market is only part of their concern. They care more about regulatory measures and the business environment," he said, adding that measures rolled out at Wednesday's meeting would help dispel their concerns.

Tu said China, with its stable political and social environment, sound infrastructure and sizable domestic market, remained one of the economies with the strongest appeal to foreign investors.

In the first nine months of this year, 30,871 foreign-invested businesses were established in China, with the inflow of foreign capital exceeding 683.2 billion yuan (\$96.5 billion), up 6.9 percent year-on-year, according to the Ministry of Commerce.



SHI YU / CHINA DAILY

### POLICY RESPONSE

## Better support for severely disabled poor people

By MONG JINGXI

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Several ministry-level departments, including those responsible for education, health, water resources, and poverty alleviation, have responded recently to issues of public concern.

### Forum focuses on relief for disabled living in poverty

China will address problems faced by services that care for impoverished people who are severely disabled, an official with the State Council Leading Group Office of Poverty Alleviation and Development said.

Measures and policies will be formulated to better support such people in areas including compulsory education, basic medical care, hous-

ing security and drinking water safety, Xia Gengsheng, the office's deputy director, said at a forum on poverty alleviation for disabled people in Beijing on Oct 14.

The forum, jointly held by the China Disabled Persons' Federation, the State Council Leading Group Office of Poverty Alleviation and Development and the Ministry of Civil Affairs, discussed measures to promote caring services for impoverished people who are severely disabled.

Statistics from the China Disabled Persons' Federation show that China has about 1.69 million registered impoverished disabled people. Nearly half of them are severely disabled and 472,000 people need foster care services.

### More monitoring for river basin water resources

The Ministry of Water Resources will take a series of measures to strengthen the management of river basin water resources, Water Resources Minister E Jingping said at a meeting in Dongying, in eastern China's Shandong province, on Oct 11.

E said flood control, high-quality water resources, a healthy aquatic ecosystem and a livable water envi-



ronment should be the four goals of China's river management.

In order to protect water resources, E said efforts should be made to improve water quality and ease water loss and soil erosion. He also underlined the importance of curbing over-exploitation of water resources and preventing water pollution.

Information technology should be used to monitor larger water resources in real time, E said.

### Undergraduate education reforms to boost talent

China will reform undergraduate education to improve its cultivation of talent, according to a guideline published by the Ministry of Education on Oct 12.

The guideline listed four areas for further reform, related to education and teaching management, educa-

tion and teaching systems, and teaching personnel.

To strictly control examinations and graduation, the guideline called for efforts to improve the country's academic assessment system by combining process-oriented and result-oriented assessments.

The proportion of process-oriented assessments, such as Q & As in class, research reports and periodic tests, should be more reasonable, it said.

The guideline said universities should motivate students to study hard, make their academic tasks more challenging, and give them more time for reading and sports.

It also asked universities to improve appraisal systems to punish academic misconduct and improve standards for the conferring of degrees.

### Shorter hospital stays indicate improvement

The efficiency of China's medical services has increased, with the duration of the average hospital stay dropping for five years in a row in top-level hospitals, according to a report issued by the National Health Commission on Oct 9.

The report said the average hospital stay last year was 9.3 days, down 42.6 percent compared with 1992. The average hospital stay is one indicator used when assessing medical benefits and efficiency.

Shorter hospital stays show that China's medical service has become more efficient through the development of new medical service models and the promotion of integrated medical services, said Guo Yanhong, an official with the commission.

In recent years, the commission has been working to optimize service procedures in hospitals across the country and offer services such as outpatient surgery and early rehabilitation.

The amount, quality and capability of China's medical services have improved continuously in recent years, Guo said.



### Policy digest

#### Tax and fee cuts should be fully implemented

The government must maintain a tight budget and make sure that tax- and fee-reduction policies are fully implemented, the State Council decided at an executive meeting on Wednesday.

A statement released after the meeting said tax and fee cuts exceeded 1.5 trillion yuan (\$212.03 billion) in the first eight months of the year.

Tax and fee cuts have eased the burden on enterprises, increased residents' incomes and added jobs, which effectively stimulated market vitality, it said, and the cuts also played a significant role in counteracting downward pressure, stabilizing the country's economy and maintaining reasonable economic growth.

It is estimated that total tax and fee reductions will exceed 2 trillion yuan by the end of this year, the statement said.

The Cabinet called for efforts to further implement related policies, and study and solve problems faced by enterprises in a timely manner.

As a result, the tax burden on major industries such as manufacturing should be significantly reduced, the tax burden on the construction and transportation industries should be eased and the tax burden on other industries should not be increased, it said.

The collection of fees from enterprises that violate laws and regulations will be subject to further regulation, according to the statement.

The meeting decided that governments at all levels should strengthen their budget management by maintaining a tight budget and strictly controlling regular expenditures.

Provincial governments are responsible for supporting grassroots governments that are experiencing fiscal difficulties to guarantee their salaries, operation and basic livelihood needs, it said.

The Cabinet also called for further study of measures designed to promote reform, stimulate development and increase employment, with a focus on encouraging entrepreneurship and innovation.

It also required efforts to study preferential policies to increase tax deductions in key industries such as manufacturing.

#### Amendments further open up finance sector

The State Council has amended some provisions in regulations that are related to the administration of foreign-funded insurance companies and banks in order to expand the opening-up of China's finance sector.

A State Council decree published on Oct 15 said amendments to the regulations on the administration of foreign-funded insurance companies and foreign-funded banks came into effect that day.

A new article in the regulations on the administration of foreign-funded insurance companies — article 40 — says that foreign insurance group companies are allowed to establish foreign-invested insurance companies in China.

Another new article — 41 — stipulates that overseas financial institutions are allowed to become shareholders of foreign-funded insurance companies.

A revised article 11 in the regulations on the administration of foreign-funded banks requires the foreign stakeholders of joint-venture banks to be financial institutions.

The only or major stakeholder should be a commercial bank and its capital adequacy ratio should meet the requirements specified by the financial supervisory authorities, it said.

According to a revised article 25 in the regulations on the administration of foreign-funded banks foreign banks are allowed to set up foreign-funded banks and foreign bank branches in China at the same time.

They are also allowed to establish joint-venture banks and foreign bank branches at the same time.

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