

November 9, 2006 8:27 a.m. EST

China Outlines New Approach To Foreign Investments

By ANDREW BATSON

November 9, 2006 8:27 a.m.

BEIJING -- China has outlined a new approach to foreign investment, with planners saying they will now focus less on attracting large amounts of cash and more on selecting investments that will bring valuable skills and technology into the country.

The official document, published Thursday by the National Development and Reform Commission, comes after more than a year of heated public debate over the role foreign investors should play in China's increasingly large and sophisticated economy.

China has long been one of the world's top destinations for foreign investment, and international companies poured in more than \$70 billion last year, drawn by the country's low costs, manufacturing prowess and huge domestic market. But the inroads foreign companies have made into the Chinese economy have caused some unease among both ordinary people and officials, who want to see domestic firms do well also.


The new plan, which isn't a specific blueprint but rather a statement of broad principles, does say that regulators will look more closely at foreign takeovers of local companies and other issues of "national economic security" that have gotten increasing attention recently. But the vision it advances represents neither an attempt to completely close off China's economy—which is much more open to foreign trade and investment than that of other developing countries—nor a whole new round of liberalization.

Rather, the planning agency said its major goal is to advance what it calls a "fundamental shift from quantity to quality" of investment. For instance, new investments by foreign companies will face stricter environmental and land-use standards, in an effort to weed out projects that use up scarce resources without contributing much to the local economy. On the other hand, multinationals can expect new incentives to invest in things like research centers and training and purchasing operations.

"We will strive to realize a shift by foreign investors away from simple processing, assembly and low-level manufacturing and into research and development, high-end design, modern logistics and other new areas," an unnamed commission official said in a statement accompanying the plan. "This will help our country become one of the world's manufacturing bases for high value-added products."

The plan said China would continue to open up service industries like banking and retailing, though it offered no new specific commitments beyond the ones already made to the World Trade Organization. The commission also pledged to improve the business environment for both domestic and foreign companies by reducing administrative red tape, improving the efficiency of customs, and strengthening

DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

enforcement of intellectual property rights.

Write to Andrew Batson at andrew.batson@wsj.com¹

URL for this article:

<http://online.wsj.com/article/SB116307840074618522.html>

Hyperlinks in this Article:

(1) <mailto:andrew.batson@wsj.com>

Copyright 2006 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.