

Impact of China's New Foreign Investment Law

Introduction

China is considered as one of those countries which are continuously developing with the time period. In the international market, this country deals with many countries either they are developed or developing nation. This country trade with American, Asian, European and many other countries. In this paper, there is a brief description of how its new foreign investment policies impact the foreign investors in its market. In the previous years, there are four laws regarding its foreign policies like Chinese-Foreign Contractual Joint Ventures Law, the Foreign Capital Enterprise Law and the Chinese-Foreign Equity Joint Ventures Law(Zhang & Tsoi, 2019).

Now in March 15, 2019, the administration of this state passed its new Foreign Investment Law in the meeting of the National People's Congress (NPC) and the Chinese People's Political Consultative Conference, which will officially be implemented on January 1, 2020. This paper is informative in case of critically analyzed the importance of this new and attractive law to retain a large number of foreigners in the state. Different articles, chapters and new policies are discussed in this paper which shows that this law is a combination of all the previous law and majorly focus on overcoming the tense situation which faced by the Chinese government in the trade war. This law gives the independent power to this state and makes some fixed rules to generate a fair trade (Zhang & Tsoi, 2019).

Change in management policy on foreign investment

In the current era where a trade war is created between the US and Chinese government and both of them impose the different amount of tariff on their different manufacturing products, so there is a need of such authentic law and legislation which help to overcome this confusion between both these countries. As there are many legal cases are faced by a Chinese company in their foreign trading, so in that case, this law is helpful to give confidence to the foreign investors of this state. The major aim of this law is to declare some specific policies regarding their effective international investor's relation to invest in their country. In its article 4, 16 and 17, there is a proper law to inspire the investors to easily access this country while the article 22, 23, 26 and 39 majorly focus on giving some protection of their intellectual property in this state.

Most of the management related policies are changed by this new foreign investment law which major aim to treat fairly each foreign investor. As technology is that factor which is majorly focused in this law, by making this state a more liberal state for the international investors.

Before there was no clarity regarding its agreement with other country's businesses but this law based majorly based on the concept of tit for tat, according to Article 40. This new law makes some efficient changes in the pre-existing risk inherent, unfair treatment and IP expropriation (Koty, 2019).

The obligation on foreign investor in China

There are some obligations applied to the foreign investors in China that explores there major operating, investing and financing activities in this state. There are some articles that explores their obligations like

Article 4: any foreign investors will be no favorably treated as compared to the domestic investors in the access stage of investment except the rea, which is specified by the Market Access Negative List of China.

Article 16: there is a guarantee of the foreign capital enterprises to bid their activities for the public procurement based projects.

Article 17: Every foreign company can only issue their bonds, stocks or other related instruments for the finance related operation.

Article 23: All the government agencies related laws and rules are protected from the commercial sector of foreign investors or companies.

Article 24: As the government makes some levels and the relevant departments in order to formulate the efficient document regarding the foreign investment and each foreign investor is obliged to follow that instruction in a proper way. Like they are obliged to share all their financial data and operating activities, inaccurate information reporting.

Articles 26: There is a proper complaint mechanism for foreign companies or investors in this state (Kim & Lo, 2019).

This shows that every rule and policy is fixed by the government so that no confusion is created in this business activity. These obligations are majorly focused on creating such an environment for the foreign investor to invest in this state. This new law also based on securing the legal right of the shareholders and investors in the market.

Impact of this new law on Foreign Invested Enterprise

As this new foreign investment law majorly focuses on providing such free trade based environment for the international investors to easily enter in its local market and earn a large amount of profit. This type of new investment policy is one of the effective approaches to boost the economic status of both foreign business and the local economy.

WOFE

The technique of Wholly Foreign-Owned Enterprise is a common investment vehicle of this state to incorporate with the complete foreign-owned limited liability based company. This new foreign investment law based policies are somehow linked with this technique to boost the economy of the country where the government makes different policies and provide greater control over the business ventures in China's mainland and to overcome a different multitude of the problematic issues. This new law resolves all the investment related issues by giving proper legislation to give protection and surety to the intellectual property (Hogan Lovells, 2019).

Joint Ventures

This new foreign investment based law covered all the foreign investment based activities in this state like it based on established a foreign invested enterprises (FIE) in the China state, jointly or independently to other investors. While, the acquisition of the property, equities, shares and other related interest and shares of an enterprise in China. The next joint venture based on making an investment in a new project in China and using another way of investing in the domestic market of this states, according to the administrative regulations or provision of the State Council, which is stipulated by law.

This law is based on providing such a market which has a stable environment, having fair competition, transparent and efficient predictability for foreign investors. This law replaces the previous law regarding Equity & Joint Ventures related laws. Article 2 is based on this factor like allowing the foreign companies to purchase the property shares, stocks and the other treatment related accession.

National treatment & negative list

According to the Article 4, chapter 1 of this law states that the government of this country is to implement a foreign investment management system in order to effectively addressing the pre-entry national treatment like the negative list of foreign investment. In this pre-entry national treatment, this law is helpful to attract new investors in the target market. The negative list is based on certain regulations made by this country on foreign investors like the measure of the special management for the approval of the investment implementation.

This law is based on implementing the efficient international treaties or agreement to the foreign investors that are approved or issued by the State Council. This law is helpful to critically analyze the current situation regarding different restriction on China in international trading and makes efficient policies that attract more foreign investors to invest in this state.

In this new Foreign Investment Law, there is a chapter IV who based on investment management related articles where all the policies are formed to attract the target customers. According to article 28 of this chapter, the negative list of the foreign investment stipulates areas where the number of investment is prohibited. In this article, there is a proper method to generate such areas and conditions which provides a favourable environment for the investor to invest in this

state. The foreign investment is mostly restricted to that area of this state, which is expanded by the negative list; it is occurred according to the principle of foreign investment and consistent domestic(The US-China Business Council, 2019).

Its article 22 explores that foreign investment must require the proper filing and approval of the investment project according to the regulation made by the state. The article 30 of this investor management states that in case of any investment scheme, each request of the investor's approval request complies with the relevant laws and licensing procedure of this state (The US-China Business Council, 2019). This shows that this new foreign investment law makes such national treatment which protects the right of the investors.

Protection of foreign investors in China

In this new foreign investment law, there is a bilateral investment protection based policies which safeguard or protect the right of foreign investors against expropriation in the domestic market by making general ongoing regulation of the FIE based operational activities like foreign exchange, tax, labour protection and another one. In this state, there is a different type of investors who are interested in investing in this state while the major aim of this state is to secure the rights of the foreign investor in the target market.

This law gives some protection to the right if the target customers by considering their complaints and then raise the issues related to the local protectionism (Yabuki, 2018). This law shows that now the state tries to give some confidence to the international investor in order to overcome the confusion which is created due to such anti-dumping law related sections on this state.

Chapter III of this new based on giving some protection to the existed investors in the market. Its article 20 state that state shall not have the power to impose any charge on the investment amount from a foreign investor. Its article 21 also based on protecting the right of theinvestors in this market by making some investment in capital contribution, capital gains, assets disposal income, compensation, intellectual property license fees and the capital gains(Hogan Lovells, 2019).

This shows that the government if China is interested in increasingits economic status by making efficient investmentrelated strategies in the market. While its article 25 majorly explore that the local government shall carry out the policy based commitment in order to make a foreign investment related enterprises in the state. While they made that the interest of the state is to give some warranty to these investors.

Impact of Article 21 on the foreign investment

This article positively impact on the foreign investment concept in the China market because it majorly based on adding some asset disposal and the liquidation proceeds; like licensing fees of intellectual fees, capital contribution, capital gain, profit or the indemnification which is obtained in the accordance of the state, which allow the foreign investor to freely transfer its assets in or out of the country, according to the law.

This one is an effective approach to attract a large number of international investors who are interested in investing in this state. This article gives the surety to the international investor to earn a large amount of profit in the flexible environment (Livdahl, Sheng, Liu, Xu, & Cai, 2019).

This one is an effective strategy to investment rate in the local economy because most of the

investors majorly want such economy that imposes limited tariff, laws and regulations and in the current scenario, this state majorly focuses on providing the free trade based investor to the international investor and enterprises.

This article gives the flexible approach to the investor to invest in this country's economy where they can easily use the cheap labour and launch their different manufacturing plants and earn a secure profit which is based on minimum tariffs. This act motivates investors and different business enterprises to participate in the economy of China actively. This article is an effective one to overcome the crucial situation of China in the international market.

Protection of intellectual property and transfer of technology

According to the article 22 of this new foreign investment law, it becomes clear that the right of the intellectual property of foreign invested enterprises and investors are protected the legitimate rights and the interest of the intellectual property and other right holders. This law pursues the legal liability for intellectual property rights by infringing the strict in accordance with the law. This act helps the investors to secure their property from any external influence. This article helps to clarify the confusion regarding the technical corporation which based on business rules and voluntary principles. This article will create a positive word of mouth regarding the company's foreign policies in the investor's market because it helps the foreign investors to protect their intellectual property from any influence. This article based on following the principle of fairness in their negotiation, trading and other business-related activities. This article strengthened the position of the foreign investment in China's market where the administrative agencies and its staff shall not tell us the administration means in case of transferring the technology(Asia Breifing, 2019).

After this, the state is liable to protect the intellectual property of the outside investors by giving them right that if anybody used their technology and any intellectual property that they have a right to pursue that company or individual and all of this procedure is occurred with the accordance of the law. In this case, the government will be unbiased, and the fair decision will be made. This showshow this law overcome all the dispute between foreign investors and the local market that will create a positive image in the international trade market (Asia Breifing, 2019).

Implication/ Effects of new foreign investment law on direct investment

If the current situation of this country is considered, then it comes to know that in the current situation there is a major need in front of the Chinese government to secure its position in front of many other competitor's markets. There are many investment law make by China's government, and this is an effective one to attract and retain a large number of the investor at the same time. After this, more door regarding the operating activities of the foreign companies will be opened in front of the multinational companies and another related investor to participate in their local businesses actively.

This foreign investment lawis the backbone of the legislation that regulates and governed the foreign direct investment in China. This law will help China to clarify its position in the trade war between this state with the United States and the European Union in the World Trade Organization. This law is an effective one to reduce the investment related risk factor in this economy because now China is interested in becoming a stronger economy based country where there will be fair trading within and outside the country(Yabuki, 2018).

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This is simply direct and indirect foreign elements or investment that motivate the investors to participate in the local economy of China actively. This shows that this law will positively impact on the economic development of a country. It is because after this the foreign direct investment will be increased due to trade friendly policies and also the bad reputation of China regarding its dumping activities can be resolved because, in this law, China tries to make all things more clear and attractive for a foreign investment.

Its article 33 provides the efficient national security implication that provides the national security law for all the foreign investment related activities. In the next year, there is a chance that more companies will invest in the local industries of this country that will positively impact of the economic status of this country in the customers market. This new FDI provides the cost and benefit to the international investors by providing them with a clear cost efficient based economic policies.

There are majorly four major types of FDI or capital flow like commercial loans, foreign portfolio investment, foreign direct investment and official flows that are positively affected by implementing this new law. So, the long term investment named as a direct investment of this company has positively affected the economy of China for a long run while foreign direct investment is also affected but purchasing or building their business and their associated infrastructure in China's economy. It is because more of the investors are sure about the efficient services of this country (Koty, 2019).

Conclusion

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Thus, after critically analyzed this new foreign investment law, it is concluded that this law is an effective one to attract a large number of investors to invest in this state because through this way, it will become quite easy for a businessperson to launch its new business in this state. The chapter 4 of this law is effective in the proper management of the investor through making such cost effective strategies secure and protect the interest factor of the investor in the state.

Its article 20, 21 and 22 majorly focus on giving some protection to the investment right by giving them some right to sue any local person or body to harm their intellectual property and technical right of this company. Its article 1 and 2 explore the positive impact of this law on the international relation of this country with another one because, in this way, more of the external investors and companies made a joint venture with the local companies, properties and other ones, which strengthened this economy due to a large number of reserves.

It's true that this law reduces the hegemony of the United States in the world market. This type of foreign policies in the international trading positively impact on the reputation of China's image in the international trade market where there is a trade war between this and the United States and EU. This law is an effective one to boost the investment level in this state that will strengthen its economy and also its political relationships with other countries. This paper is informative regarding effective investment related policies and laws in the international trade market, and China plays an important part in it.

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