China issues new guide for foreign investment

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BEIJING, Nov. 7 (Xinhua) -- China's government released a new guide on Wednesday of industries open to foreign investment and foreign companies that are banned or restricted from entering the Chinese market.

Foreign investors are invited to join efforts to promote the recycling economy, clean production, renewable energy utilization and ecological environment protection.

However, China is to prohibit foreign investors from exploiting "important and non-renewable" mineral resources, and to restrict energy-consuming and highly-polluting projects, said the NDRC.

The new guide, promulgated against the backdrop of economic transformation from quantity to quality, will replace the 2004 version and take effect from Dec. 1, said the National Development and Reform Center (NDRC), or the top economic planner.

The 28-page guide, stating China's position of "upholding the opening-up policy and safeguarding national economic security", has just been approved by the State Council.

Foreign companies are restricted from entering "strategic and sensitive" industries relating to the national economic security, but the NDRC did not specify these industries or the restrictions.

Foreign capital is encouraged to help develop service outsourcing and modern logistics, the guide says.

The manufacturing sector is also open to foreign investment in high technology, equipment manufacturing and new materials industries, but foreign investment in traditional manufacturing industries in which China already had "mature technologies and relatively strong production capacity" is not encouraged.

The government will also curb the expansion of export-oriented industries to reduce ballooning trade surplus, which has stirred protectionist sentiment among major trade partners.

Since 1997, China has revised the industry guide for foreign investors on three occasions in the hope of channeling foreign investment to serve the needs of industrial restructuring.

Justin Lin, director of the China Center for Economic Research of Peking University, said it was time China started to be more discerning with foreign investment.

The current policies to attract foreign investment were made 28years ago when China was desperate for money and foreign currencies.

"Our priority now is not to attract as much foreign investment as possible, but to bring in new high-tech industries that we currently don't have," Lin said, "I have no doubt that preferential policies will only remain for certain kinds of foreign investors."

Jin Bosheng, a research analyst with the Ministry of Commerce, said the government was showing particular interest in new high-tech industries, especially electronics, biology, petrochemicals and medicines, which indicated it was seeking to redirect foreign investment.

Amid growing domestic concern that surging foreign trade was failing to benefit people in central and western China, investment regulators are focusing on upgrading industries in the poorer areas of inland China.

The government would also introduce a revised version of the guide for foreign investors in central and western regions, said the NDRC.

China is the largest recipient of foreign investment of all developing nations for 15 successive years. But a 2004 report to the UN Conference on Trade and Development noted China attracted per capita foreign investment of 47 U.S. dollars, much lower than the 534 U.S. dollars per person that was invested in developed countries and below the world average of 107 U.S. dollars.