

OECD/CHINA CONFERENCE

FOREIGN DIRECT INVESTMENT IN CHINA - CHALLENGES AND PROSPECTS

FINAL PROGRAMME AGENDA

11-12 September 2000
Xiamen, Fujian Province
People's Republic of China

Co-organised by

Organisation for Economic Co-operation and Development

and

Ministry of Foreign Trade and Economic Co-operation

Within the Framework of the Annual China Fair for International Investment and Trade (CFIIT)

Objectives

China is on the threshold of crucial developments and policy decisions concerning foreign investment, and keen to increase the levels and quality of incoming FDI, particularly from the OECD Member countries. The Chinese government continues its efforts to adjust its policy and institutional framework, as well as investment promotion policies, to the requirements of the changing international and domestic circumstances. This conference has been co-organised by the OECD and the MOFTEC with a view to contributing to this ongoing process and as part of the OECD-China programme of co-operation and policy dialogue.

The objectives of the conference include (i) a thorough discussion of the driving forces and economic effects of FDI on China's development and the future FDI plans and policies; and (ii) exchange of information and experiences on best FDI promotion practices. It will be attended by senior officials and executives from the OECD and the China government circles, business and investment groups, international organizations, and research institutes.

Background

China has actively sought FDI and technology to promote its modernisation efforts and accelerate its export trade capabilities. The amount of incoming FDI in China rose from almost zero in 1978 to a high of about \$110 billion in 1993,¹ when China has become the world's second largest recipient of FDI in the world, and the largest recipient among developing countries. It has since hovered around \$40-50 billion in each of the past several years. China expects significant inflows over the next five years following the anticipated WTO accession.

This spectacular growth in FDI has been fuelled by various factors, including the country's large and continuously growing domestic market, its export-oriented strategy and successful penetration of world markets, the liberalisation of its inward-FDI regime, and spillover effects of industrial upgrading and economic growth in neighbouring economies. China's investment abroad has also risen from politically motivated aid projects to large-scale commercial business ventures.

Despite some continuing challenges faced by foreign investors, the effort to make China a more hospitable environment for foreign investment, both in terms of rules at the sovereign level and operations on the ground, has continued slowly and steadily. As a result of specific measures to attract FDI, and of the increased confidence of foreign investors in the Chinese economic strategy, the inflow of FDI has expanded substantially. China's markets are becoming more open to foreign investment. Some industries, such as banking, insurance and telecommunications, may be altered fundamentally. Yet others, such as consumer products and electronics, are already competitive and open to global competition and thus will see little real change. Overall, WTO membership will make China far more accessible to large non-Chinese companies.

China's complex system of investment incentives has developed and expanded since the late 1970s. The Special Economic Zones of Shenzhen, Shantou, Zhuhai, Xiamen and Hainan, 14 coastal cities, dozens of development zones and designated inland cities all promote investment with unique packages of tax incentives. The Pudong area in Shanghai is particularly noteworthy as a location for Chinese experiments in liberalisation, which are then extended nation-wide. In recent years, Chinese authorities have also established a number of free ports and bonded zones. The incentives available include significant reductions in national and local income taxes, land fees, import and export duties, and priority treatment in obtaining basic infrastructure services. The Chinese authorities have also established special preferences for projects involving high-tech and export-oriented investments.

Anticipated WTO membership and other reforms in progress, coupled with the pressing demands of globalisation, certainly do mark a crucial step in the transformation of the highly dynamic Chinese economy and, accordingly, its FDI policies. Hence, this conference will provide a timely forum to discuss the impact of FDI in China and investment promotion policies in a unique setting involving all the key players in China's FDI scene.

¹ The realized FDI stock reached \$320 billion at the end of 1999 while contracted value was \$630 billion, according to MOFTEC.

PROGRAMME AGENDA

Session I: SETTING THE SCENE

11 September, Monday

8.00-8.50 Registration

Opening Remarks

09.00-09.15 Ms. Ma Xiuhong, Assistant Deputy Minister of Foreign Trade and Economic Co-operation, China

09.15-09.30 *Global Investment Trends and Policies: An OECD Perspective*, Ambassador Marino Baldi, Chairman of the OECD Committee on International Investment and Multinational Enterprises.

Recent Foreign Direct Investment (FDI) Trends and Determinants in the OECD and China

Co-Chairs: Ambassador Marino Baldi and Minister Ma Xiuhong

09.30-09.45 *Recent Trends and Main Characteristics of FDI in China*, Mr. Liu Zuozhang, Deputy Director-General, Foreign Investment Administration (FIA), MOFTEC

09.45-10.00 *Main Determinants and Policy Impacts of FDI on the Chinese Economy*, Mr. Rainer Geiger, Deputy Director, OECD Secretariat

10.00-10.15 Coffee Break

Panel Discussion

10.15-10.30 *FDI Policy Framework and Guidelines in China – Mr. Ma Yu, Chinese Academy of Social Sciences*

10.30-10:45 *An OECD Member Country Perspective*, Mr. Peter Kreuzberger, Counsellor, German Delegation to the OECD, Paris.

10:45-11:00 *Challenges Faced by Foreign Investors*, Mr. Mick Shadwick, Minister-Counsellor, Senior Australian Treasury Representative, Embassy of Australia, China

11.00-11.15 *An Academic Perspective on FDI in China*, Dr Chunlai Chen, Adelaide University Australia

11.15-12.00 Interventions/Question and answers

Session II: INVESTMENT PROMOTION POLICIES, EXPERIENCES AND PRACTICES

Co-chairs: Mr. Andrew Proctor and Mr. Xie Jian Chen, Deputy Director General, FIA, MOFTEC.

International experiences:

- 14.00-14.15 *Role of Local Governments in Foreign Investment Promotion: The Case of Scotland*, Mr. Brian Shaw - Director Asia, "Locate in Scotland".
- 14.15-14.45 *Promoting Foreign Investment in Saxony*, Mr. Günter Metzger, President and CEO, Saxony Economic Development Corporation, Germany.
- 14.45-15:00 *Lessons from the Korean Example*, Mr. Lee Jongghun, Director of Foreign Investment Division, Ministry of Commerce, Industry and Energy, Seoul.
- 15:00-15.15 *The French Experience*, Mr. Jean-Louis Gaudin, Regional Manager, DATAR/Invest in France Agency for Hong Kong and Singapore.
- 15.15-15:30 *The Malaysian Experience*, Ms. Kaziah Abdul Kadir, Director, Industrial Development Agency
- 15.30-15.50 Interventions/Question and Answers
- 15.50-16.05 *Foreign Investment Advisory Services (FIAS)*, Mr. Andrew Proctor, Regional Manager for Asia
- 16.05-16.20 *World Association of Investment Promotion Agencies*, Mr. Arvind Mayaram
- 16.20-16.35 Coffee Break

China's National and Local Experiences

- 16.35-16.5 *Role of Central Government in Foreign Investment Promotion*
- 16.50-17.05 *City and Provincial Investment Promotion Experience*
- *Shanghai Foreign Investment Development Bank – Mr. Douglas Dang, Assistant to President*
 - *Beijing Foreign Investors Service Centre*, Mr. Guo Song, Deputy Director General
- 17.05-18.00 Interventions/Question and Answers

12 September, Tuesday

SESSION III: BUSINESS COMMUNITY PERSPECTIVES

Chairman: Mr. Thomas Klotz, Vice-President, A.T. Kearney

9.00-9.20 *Global Companies and Investment in China*, Mr. Thomas Klotz, Vice-President, A.T. Kearney

9.20-9.35 *Perspectives of International Companies*, Mr. Kenneth Tung, Vice President and Director of Legal Affairs, Eastman Kodak Company, Greater China Region

9.35-9.50 *The Findings of the Questionnaire to Foreign Investors in China*, Ms. Yang Fang, Director, China Association of Enterprises with Foreign Investment.

9.50-10.05 Coffee Break

Panel on Sectoral Issues

10.05-11.45

- *Prospects and Challenges for Foreign Investment in China's Energy Industries*, Mr. Mehmet Ogutcu, Principal Administrator, OECD
- *Investment Banking and Telecommunications*, Mr. Xu Zhaotong, Manager, China International Capital Corporation
- *Heavy Machinery Industry: Hands-on Experience*, Mr. Bernhard A.F. Ewald, General Manager, Laeis Bucher Foshan, China

Interventions/Questions and answers

THE WAY FORWARD

11.45-12.45

Co-Chairs: Mr. Rainer Geiger and Mr. Hu Jing Yan, Director General of FIA, MOFTEC

Panelists

- Professor Christopher FINDLAY, Asia-Pacific School of Economics and Management, Australian National University
- Mr. Tom Delare, Deputy Director, Office of Investment Affairs, U.S. State Department, United States
- Mr. Rainer Geiger, OECD
- Mr. Liu Zuozhang, MOFTEC