

# China Issues 2018 Negative List for Foreign Direct Investment

On 28 June 2018, the PRC Ministry of Commerce and the National Development and Reform Commission, with approval from the State Council, released Decree 18 and published the Negative List for Foreign Direct Investment Industry (2018 version) (“**2018 Negative List**”). The 2018 Negative List will repeal the Foreign Investment Industrial Guidance Catalogue (2017 Amendment) (“**2017 Catalogue**”) when it comes into force on 28 July 2018.

**This update sets out a short summary of the key differences between the 2017 Catalogue and the 2018 Negative List.**

## Foreign Investment Industrial Guidance Catalogue

Foreign investment in China is subject to the Foreign Investment Industrial Guidance Catalogue in terms of whether certain industries are “prohibited”, “permitted”, “restricted” or “encouraged” for foreign investment purpose. Foreign companies/foreigners are not allowed to invest in a “prohibited” industry and are encouraged to invest in an “encouraged” industry. For foreign investment in a “restricted” industry, it is subject to more scrutiny, approval from a higher authority and will generally involve a longer approval period (as compared to “encouraged” or “permitted” industries). Any investment not listed as “prohibited”, “restricted” or “encouraged” in the Catalogue are considered “permitted”. The first such Catalogue was released in 1995 and the PRC authorities update the Catalogue from time to time. The latest version was the 2017 Catalogue which was effective from 28 July 2017. The 2017 Catalogue has 63 industries which are

either “restricted” or “prohibited” for foreign investment purpose.

## Major Changes in 2018 Negative List

The 2018 Negative List further shortened the list and only includes 48 industries which are either “restricted” or “prohibited” for foreign investment purpose. The main changes are summarised as follows:

Service industry:

- Foreign investors are allowed to own up to 51% in securities companies, fund management companies, future trade companies and life insurance companies; the 51% threshold will be increased to 100% with effect from 2021;
- There will be no foreign shareholding restrictions in railway main lines and power grid companies;
- There will be no foreign shareholding restrictions in railway passenger transportation companies, international shipping and agency companies;
- There will be no foreign shareholding restrictions in petrol stations, and grain purchase and distribution companies;
- The investment in Internet surfing service spaces (互联网上网服务营业场所) is no longer prohibited.

Manufacturing Industry:

- There will be no foreign shareholding restrictions in companies engaging in special vehicle and new energy vehicle manufacturing;

- There will be no foreign shareholding restrictions in companies engaging in commercial vehicle manufacturing from 2020;
- There will be no foreign shareholding restrictions in companies engaging in passenger car manufacturing from 2022, and the number of invested companies engaging in passenger car manufacturing will no longer be limited to a maximum of 2;
- There will be no foreign shareholding restrictions in companies engaging in vessel design, manufacturing and repair;
- There will be no foreign shareholding restrictions in aeroplane industry.

#### Agricultural and Energy industry:

- There will be no foreign shareholding restrictions in companies engaging in seed production, except corn and wheat;
- There will be no foreign shareholding restrictions in companies engaging in exploration and exploitation of rare and special coals;
- There will be no foreign shareholding restrictions in companies engaging in the exploitation of graphite, separation and metallurgy of rare earth (稀土) and metallurgy of tungsten (钨).

If you would like information and/or assistance on the above or any other area of law, you may wish to contact the partner at WongPartnership that you normally deal with or any of the following partners:



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