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A LEGAL AND PRACTICAL OVERVIEW OF DIRECT INVESTMENT AND JOINT VENTURES IN THE “NEW” CHINA

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INTRODUCTION

Investing in the People's Republic of China (PRC) has become a national trend over the last two decades. Presently, the trend appears to be growing stronger. For example, China absorbed twenty-six million dollars in foreign investments in 1993. This amounted to a 134% increase from 1992, and was second only to the United States.¹

Pioneer investors in China have tasted both the bitter and the sweet. Furthermore, outsiders are vigorously seeking investment opportunities so they can remain on, or acquire, equal footing with the rest of the world. As the year 2000 approaches, the world economy and international attention continues to focus on

1. UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, 1994 WORLD INVESTMENT REPORT 68 (1994).

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China. To keep pace with the world economy, “American businesses no longer view China’s market as an interesting, intriguing sideline, but regard conducting business in China as a fundamental part of their business strategy.”

The purpose of this Article is to aid American business people in assessing investment opportunities in China. First, this Article addresses some of the legal and practical issues surrounding direct investment in China. Second, while this Article briefly touches on other ways to directly invest in China, its discussion centers on issues that relate to equity and contractual joint ventures. Lastly, this Article describes the background and development of joint ventures in China, analyzes relevant legislation, discusses practical issues that relate to joint ventures in China, and outlines future developments in joint venture enterprises in China.

I. THE DIRECT INVESTMENT ATMOSPHERE IN CHINA

A. Forms of Direct Investment

Many use the term “direct investment” to differentiate between investments in Chinese joint ventures and companies, and other types of foreign business activities conducted in China, such as import and export activity. As an initial step towards privatization, the Chinese government first offered direct investment to foreign investors along with its attendant privileges and incentives. In response to its economic development and the increase of foreign capital, China developed five business structures by which foreign investors may make direct investments. The business structures include the Equity Joint Venture, the Contractual Joint Venture, the Limited Liability Company, the Partnership Enterprise, and the Sole Enterprise. The Chinese government may impose restrictions on trading activities, such as requiring import and export licenses, and imposing quotas and tariffs. Trade Law, supra, art. 19, § 19-586, at 25,201 [hereinafter Trade Law]; Foreign Economic Contract Law of the PRC, Act of May 12, 1984, 3 CHINA L. FOR FOREIGN BUS. REG. (CCH) § 19-586, at 25,201; Foreign Exchange Law of the PRC, Act of Mar. 21, 1985, 2 CHINA L. FOR FOREIGN BUS. REG. (CCH) § 5-550, at 6,621. The Chinese government may impose restrictions on trading activities, such as requiring import and export licenses, and imposing quotas and tariffs. Trade Law, supra, art. 19, § 19-586, at 25,201; Trade Law, supra, art. 16, at 25,205.

B. Legal Environment

The legal environment surrounding direct investment in China is complex and diverse. The Chinese government has enacted numerous laws and regulations to facilitate foreign investment. The main legislative framework includes the Foreign Investment Law of the People's Republic of China, the Equity Joint Venture Law of the PRC, the Contractual Joint Venture Law of the PRC, the Limited Liability Company Law of the PRC, the Partnership Enterprise Law of the PRC, and the Sole Enterprise Law of the PRC. These laws provide a legal foundation for foreign investors to establish joint ventures in China and engage in business activities. The legal environment also includes a range of administrative regulations and policies that govern various aspects of foreign investment, such as taxation, labor, and environmental protection.

II. LEGAL ISSUES SURROUNDING DIRECT INVESTMENT IN CHINA

A. The Equity Joint Venture

The Equity Joint Venture is the most common form of direct investment in China. It is a legal entity in which foreign investors and Chinese investors invest in Chinese enterprises. The primary benefits of an Equity Joint Venture are the equal ownership of assets and responsibilities, the sharing of profits and losses, and the protection of investors' rights and interests. The main legal framework for Equity Joint Ventures includes the Equity Joint Venture Law of the PRC, the Foreign Investment Law of the PRC, and the Contractual Joint Venture Law of the PRC. These laws stipulate the establishment, operation, and termination of Equity Joint Ventures, as well as the rights and responsibilities of investors.

B. The Contractual Joint Venture

The Contractual Joint Venture is another common form of direct investment in China. It is a legal entity in which foreign investors and Chinese investors invest in Chinese enterprises through a contract. The primary benefits of a Contractual Joint Venture are the flexibility of operations, the division of responsibilities, and the sharing of profits and losses. The main legal framework for Contractual Joint Ventures includes the Contractual Joint Venture Law of the PRC, the Foreign Investment Law of the PRC, and the Equity Joint Venture Law of the PRC. These laws stipulate the establishment, operation, and termination of Contractual Joint Ventures, as well as the rights and responsibilities of investors.

C. Legal and Practical Issues

In addition to the legal framework, there are numerous practical issues that foreign investors need to consider when investing in China. These issues include taxation, labor, environmental protection, and regulations. The Chinese government has enacted numerous laws and regulations to facilitate foreign investment. The main legislative framework includes the Foreign Investment Law of the People's Republic of China, the Equity Joint Venture Law of the PRC, the Contractual Joint Venture Law of the PRC, the Limited Liability Company Law of the PRC, the Partnership Enterprise Law of the PRC, and the Sole Enterprise Law of the PRC. These laws provide a legal foundation for foreign investors to establish joint ventures in China and engage in business activities. The legal environment also includes a range of administrative regulations and policies that govern various aspects of foreign investment, such as taxation, labor, and environmental protection.

D. Conclusion

In conclusion, direct investment in China is a complex and diverse field that requires a comprehensive understanding of both legal and practical issues. Foreign investors need to carefully consider the legal framework, practical issues, and business strategies when investing in China. The Chinese government has enacted numerous laws and regulations to facilitate foreign investment, and the legal environment is constantly evolving. Foreign investors need to stay informed and adapt to changes in order to succeed in China's market.

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2. William H. Miller, China Boom: This Time It's For Real, INDUS. WK., Nov. 1, 1993, at 45.
3. The Foreign Trade Law and Foreign Economic Contract Law of the PRC governs trading activities, including import and export, material processing, assembling, barter trade and compensation trade. See generally Foreign Trade Law of the PRC, Act of May 12, 1994, 3 CHINA L. FOR FOREIGN BUS. REG. (CCH) § 19-586, at 25,201 [hereinafter Trade Law]; Foreign Economic Contract Law of the PRC, Act of Mar. 21, 1985, 2 CHINA L. FOR FOREIGN BUS. REG. (CCH) § 5-550, at 6,621. The Chinese government may impose restrictions on trading activities, such as requiring import and export licenses, and imposing quotas and tariffs. Trade Law, supra, art. 19, § 19-586, at 25,201; Trade Law, supra, art. 16, at 25,205.
4. Later, the State Council of the PRC promulgated the “Regulations on (Domestic) Private Enterprises in 1988,” confirming Chinese citizens' rights to establish private enterprises in the form of “a sole investment enterprise,” a “partnership enterprise” or a “Limited Liability Company.” Provisional Regulations of the PRC on Private Enterprises, Act of June 25, 1988, art. 6, 2 CHINA L. FOR FOREIGN BUS. REG. (CCH) § 13-546, at 17,101. These regulations provided the legal foundation for Chinese individuals to directly participate in China's economic development, and greatly vitalized the country's economy.
5. This Article analyzes the legal and practical issues of the Equity Joint Venture Law of the PRC. See infra notes 30-33, 45-109 and accompanying text for a
al Joint Venture, the Wholly Foreign-Owned Enterprise, the Limited Liability Company, and the Joint Stock Limited Company.

B. Protection of Foreign Investors' Rights

China's communist-socialist system has made a negative impression on westerners for more than forty years. Thus, the Chinese government appears to understand foreign investors' concerns about their rights when they invest in China. As a result, the Chinese government has made a significant effort to address these concerns and to reassure foreign investors. For example, in 1982, the fifth session of the fifth National People's Congress amended China's Constitution to explicitly protect foreign investors' "lawful rights and interests in the People's Republic of China." Additionally, the Chinese government has expanded foreign investors' rights by stating in the Chinese joint venture law that the Chinese government will protect foreign participants' investments in joint venture enterprises, their profits, and other rights and interests stipulated in joint venture agreements, contracts,

discussion of equity joint ventures.

6. This Article addresses contractual joint ventures in the analysis of joint ventures in China. See infra notes 30-33, 45-109 and accompanying text for a discussion of contractual joint ventures.

7. The Law of PRC on Wholly Foreign-Owned Enterprise governs wholly foreign-owned enterprises and was passed by the People's Congress on April 12, 1986. Law of the PRC Concerning Enterprises with Sole Foreign Investment, Act of Apr. 12, 1986, art. 1, 2 CHINA L. FOR FOREIGN BUS. REG. (CCH) ¶ 13-506, at 16,651. This law applies only to enterprises established exclusively with foreign capital within China. Id.

8. Limited liability companies formed under the new Company Law of the PRC include, but are not limited to, limited liability companies in which foreign individuals or entities have invested. See Company Law of the PRC, Act of Dec. 29, 1993, art. 18, 2 CHINA L. FOR FOREIGN BUS. REG. (CCH) ¶ 13-518, at 16,739 (hereinafter Company Law). Under the new Company Law, a limited liability company mainly involved in manufacturing, business operations, or wholesale activities must have a minimum registered capital of at least RMB 500,000 (approximately 65,000 U.S. dollars) and, it must also be jointly invested in by no fewer than two, and no more than 50, shareholders. Id. art. 23, ¶ 13-518, at 16,741. (Renminbi is the proper name for the abbreviation RMB which is a form of Chinese currency). See infra notes 110-18 and accompanying text for a discussion of the Company Law.

9. A joint stock limited company is a special type of limited liability company governed by the new Company Law of the PRC. A joint stock limited company requires at least RMB 10 million (approximately 1.2 million U.S. dollars) as registered capital, and must have at least five or more sponsors. Id. arts. 75, 78, ¶ 13-518, at 16,767. Fewer than half of the sponsors may be foreign investors. Id. art. 75, ¶ 13-518, at 16,767. See infra notes 110-18 and accompanying text for a discussion of the Company Law of the PRC.

10. XIANFA [Constitution] art. 18 (PRC).
Chinese law encourages foreign participants to deposit foreign currency earned from joint venture profits into the Bank of China, and offers tax benefits to investors who reinvest their profits in China. However, it does not restrict repatriation of profits, except where the legislature has prescribed specific obligations by law, or the parties have prescribed specific obligations in the joint venture contracts.

Two relatively recent amendments to the Chinese joint venture law demonstrate the Chinese legislature's continuing efforts to reassure foreign investors that it will protect their investments by law. The first amendment provides that, "the state shall not subject joint ventures to nationalization or expropriation, except under special circumstances relating to public interests." The second amendment provides that the joint venture's board of directors may choose either a Chinese participant or a foreign participant as the chairperson. While business people in western countries may take these issues for granted, the "Communist Regime" view the amendments as significant steps toward reforming both its political and economic systems.

C. Geographic Attractions

China consists of 9.65 million square kilometers of territory and 1.2 billion people, including fifty-six minorities. By using a "step-by-step" approach, the Chinese government has managed to open nearly all of China's territories to foreign investment. Theoretically, no geographic area in China is off limits to foreign investors. In practice, however, in order to guarantee the success of a joint venture project and a profitable return, an investor must consider the available infrastructure, labor force, cost of living,
and governmental functions when selecting a suitable area for making investments.

During the early stages in the evolution of China's open door policy, China declared Shenzhen, Zhuhai, Shantou, and Xiamen in the Guangdong and Fujian Provinces, Special Economic Zones (SEZs). Since the declaration, those Provinces have experienced tremendous changes and stunning economic development. Currently, those Provinces are leading the investment trends and most investors continue to favor them. The principal factors contributing to the success of joint ventures in those Provinces include well-established infrastructures, communication and transportation networks, pro-active and business-oriented governmental agencies, and highly-skilled and reasonably priced labor forces.

In March, 1984, Hainan Island along with certain coastal-port cities implemented a special program similar to the SEZs. The new investment opportunity greatly excited foreign investors, as well as the cities that participated in the program. Those cities included Dalian, Qinghuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, and Beihai. Subsequently, China also declared the three river-delta areas to be open economic zones, and listed additional areas as special development areas.

China has offered special tax incentives and privileges to foreign investors who invest in the SEZs, the open Coastal Economic Zones, and the old urban districts of cities. Among all of the special development areas offering tax incentives, preferential treatment, and competitive investment environments to foreign investors, Shanghai appears to have taken the lead in attracting and utilizing foreign investment. Despite Shanghai's reputation as one of the most well-recognized financial centers since the 1930s, it continues to focus on catching up, and eventually surpassing Hong Kong within the next few years.

D. Various Industrial Areas for Foreign Investment

As part of the Chinese government's effort in the early 1990s to resume its status in the General Agreement on Tariffs and Trade (GATT), it has gradually opened up more and more domes-
tic industrial sectors which had been previously restricted to foreign investors. As a result, more opportunities for trade and investment exist. China has also made trade-related service areas, such as insurance, banking, consulting, accounting, and legal services, accessible to foreign investors as a result of the Uruguay Round concessions from the Chinese government.24

While welcoming foreign investment in nearly all industrial sectors, the Chinese government specifically encourages investment in the transportation, telecommunications, and energy sectors.25 Many foreign companies have profited from participating in projects involving transportation, telecommunications, and energy sectors; even more foreign companies will reap benefits from future participation in those sectors. For example, in the telecommunications industry, the Ministry of the Post and Communication reported that in 1994, China spent sixty-seven billion dollars on upgrading the Post's computer system. Additionally, many estimate that investments in the postal and communications industries over the next five years will reach $450 billion.26 The Chinese joint venture law also specifically mentions other industries. Other industries include the power generation, construction material, chemical and metallurgical, machinery manufacturing, instruments and meters, offshore oil exploitation, electronics, textile, foodstuffs, medical apparatus, packaging, agriculture, animal husbandry, fish breeding, tourism, and services industries.27

Despite the specifically mentioned industrial areas, foreign investment in China has continued to spread far beyond the enumerated areas. Joint ventures in China include various industrial areas along with various investment volumes. Furthermore, China is heading toward modernization, and the Chinese people are aiming at "high quality" production and "western style" consumption. With China's rapidly growing economy and the Chinese consumers' increased standard of living, many industrial sectors will undoubtedly appear attractive to foreign investors.

24. See the MINISTRY OF FOREIGN AND ECONOMIC RELATIONS AND TRADE (MOFERT), THE REP. OF URU. ROUND NEGOTIATION (1992). MOFERT is presently referred to as MOFECT (MINISTRY OF FOREIGN TRADE AND ECONOMIC COOPERATION). See MOFECT RENAMED MOFECT, Oct. 10, 1993, 1 CHINA BUS. L. GUIDE, (CCH) ¶ 98-118, at 99,161. The switch to the new name was made at the March, 1993 session of the National People's Congress. Id. The Ministry's general functions remain unchanged. Id.

25. The author states that the exceptions to the industrial sectors include the defense industry and industries that are critically important to China's economic independence.

26. MINISTRY OF POST AND COMM. ANN. REP. OF PRC (1993). This Ministry is located in Beijing, China.

27. Joint Ventures, supra note 13, art. 3, ¶ 6-550, at 7,911.
E. Further Improvements Needed

While enjoying the advantages, incentives, and improved investment conditions in China, foreign investors have also experienced certain frustrations and obstacles. Many of the difficulties arise from several factors. The factors include inadequate infrastructure; increased costs for labor, rent, and expenses in certain areas; infringement on intellectual property rights; comparatively long negotiation processes; and the absence of a well-established marketing system, efficient transportation system, and communication system.

In China's effort to attract foreign investment, the Chinese government has acknowledged the concerns and problems foreign investors encounter and has attempted to improve the investment environment. Some of the problems caused by the impact of the political and economic systems over the past forty years will be mitigated by China's continued economic growth and development. Other problems, however, will take longer to resolve. Thus, foreign investors should realistically expect to encounter certain problems and obstacles when investing in China. Besides, if investors wait until all the political and economic problems disappear, they may miss prime investment opportunities.

II. INVESTING IN JOINT VENTURES IN CHINA AND CHINA'S JOINT VENTURE LAWS

A. Contractual or Equity Joint Venture?

China has two separate laws governing contractual joint ventures and equity joint ventures. The joint venture laws, however, have more similarities than differences with respect to legal requirements and practical matters. Contractual joint ventures feature special flexibility regarding formation and capitalization, and offer a potentially quicker recoupment on the investor's initial investment. For example, while the law requires equity joint ventures to take the form of a limited liability company, it allows contractual joint ventures to take the form of a contractual relationship, partnership, project, or limited liability company. Also, unlike participants in an equity joint venture, parties to a contractual joint venture need not allocate profits or risks and

28. For the next decade, the Chinese government will find itself heavily committed to investments in telecommunications, transportation systems, and other infrastructure projects. The success of these projects will greatly benefit foreign investors as well as China's overall investment conditions.


losses in proportion to their respective contributions to registered capital.\textsuperscript{31} Instead, parties to a contractual joint venture may freely negotiate and prescribe the terms for allocating profits, earnings, risks and losses, and the method of business management in the joint venture contract.\textsuperscript{32}

Another difference becomes apparent when the joint venturers terminate their business relationship. At the end of a joint venture, foreign investors are usually interested in rapidly recouping their investment while the Chinese partners are usually interested in acquiring ownership of the joint venture's fixed assets. Unlike the equity joint venture law, the contractual joint venture law permits participants to agree on specific ways foreign investors can recoup their investment within the contractual joint venture contract. Regardless of the privilege of being allowed to contract for methods to recoup investments, foreign investors still remain responsible for the contractual joint venture's liabilities pursuant to the contract stipulations and applicable laws.\textsuperscript{33}

Despite the many differences, contractual joint ventures enjoy many of the same privileges and tax incentives, and require many of the same approval procedures as equity joint ventures. Additionally, contractual joint ventures encounter the same management, labor, and liquidation issues as equity joint ventures. Determining the appropriate type of joint venture depends on the particular circumstances underlying each situation.

\textbf{B. Finding a Good Partner}

In China, finding a good partner for a joint venture is the first, and perhaps most important step a foreign investor can take in forming a joint venture. Additionally, it is important for foreign investors to find a Chinese partner that is an enterprise, a company, or another kind of economic entity.\textsuperscript{34} China's joint venture laws prohibit foreign investors from forming joint ventures with Chinese individuals.\textsuperscript{35} Although China's economic reform over the past ten years has brought about many changes, and numerous new entities have been formed and have become available as Chinese joint venture partners, the following section outlines entities which are the most likely candidates for Chinese joint venture partners.

\begin{itemize}
\item \textsuperscript{31} \textit{Sino-foreign Enterprises}, supra note 11, art. 4, ¶ 6-500, at 7,803. See also infra notes 62-77 and accompanying text for a discussion of registered capital.
\item \textsuperscript{32} \textit{Sino-foreign Co-operative Law}, supra note 30, art. 2, ¶ 6-100, at 7,551.
\item \textsuperscript{33} \textit{Id.}, art. 22, ¶ 6-100, at 7,561.
\item \textsuperscript{34} \textit{Id.}, art. 1, ¶ 6-100, at 7,551; \textit{Sino-foreign Enterprises}, supra note 11, art. 1, ¶ 6-500, at 7,801.
\item \textsuperscript{35} \textit{Sino-foreign Co-operative Law}, supra note 30, art. 1, ¶ 6-100, at 7,551; \textit{Sino-foreign Enterprises}, supra note 11, art. 1, ¶ 6-500, at 7,801.
\end{itemize}
1. National Import and Export Companies Under the Ministry of Foreign Economic Cooperation and Trade (MOFECT)

MOFECT companies are state-owned companies that have been engaged in China's foreign trade activities since the early 1950s. They possess specialized personnel and strong networks, both inside and outside China. Joint ventures that engage in significant import and export activities may find these companies to be appropriate joint venture partners because of their specialized knowledge of import and export activities.\(^{36}\)

2. Provincial Import and Export Companies

Provincial companies are local companies that are free from the Central Government and the National Import and Export Companies. They are usually very enthusiastic and flexible. It is always a good start to use them as a bridge to finding good partners because of their close ties with local manufacturers.\(^{37}\)

3. Enterprises and Companies under the Direct Jurisdiction of Various Specialty Ministries

Enterprises under the direct jurisdiction of ministries such as the Ministry of Chemical Industry, of Machinery Industry, and of Electronic Industry,\(^{38}\) make ideal partners for manufacturing joint venture projects.\(^{39}\) They are in a prime position with respect to industrial bases, technical personnel, skilled workers, and business management.

4. Collective Economic Organizations and Private Companies

Collective economic organizations and private companies\(^{40}\) are most proactive when they form joint ventures with foreign investors in projects such as assembling, material processing, and other service areas. They work efficiently towards obtaining their goals and are extremely motivated and profit-oriented. For large manufacturing or "high-tech" projects, however, they may lack

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36. These trading companies are established as specialized import and export companies according to different commodities. For example, trading companies exist for light industrial products, textiles, machinery and equipment, cereals, oils, and food stuffs.

37. Local connections are extremely important when conducting business in China.

38. Each Ministry has the power to authorize trading companies under its jurisdiction. Additionally, each has the responsibility and funds to upgrade the industrial enterprises under its jurisdiction.

39. Usually these enterprises possess more efficient management teams, highly skilled engineers and ready premises.

40. XIANFA [Constitution] art. 6, art. 11 (PRC).
adequate resources.

5. China Council for the Promotion of International Trade (CCPIT) and China International Trust and Investment Corporation (CITIC)

CCPIT is a non-governmental organization which was established in 1952. Its functions are to promote economic and trade relations between China and foreign countries and to facilitate trade and investment activities.\(^4\) Several trade and investment activities include organizing trade exhibitions, arranging technical exchanges, conducting arbitration, and registering patents and trademarks.\(^4\)

CITIC, on the other hand, is a new, high-profile, state-owned corporation. It possesses a Ministry status and works directly under the authority of the State Council. CITIC was created to represent and assist both Chinese organizations and foreign investors in their search for economically feasible projects, and to facilitate negotiations between the parties.\(^4\) CITIC is also a good source for both Chinese and foreign investors to find appropriate partners.\(^4\)

C. Legal and Practical Issues in Setting Up a Joint Venture

1. The Preliminary Feasibility Study

Preparing a preliminary feasibility study report and a project proposal is the first step in negotiating a joint venture project in China.\(^4\) The joint venture law requires the Chinese participant to submit the preliminary feasibility study and project proposal to the department in charge for examination and consent.\(^4\) Usually, the feasibility study and project proposal provide a detailed explanation of the purpose and scope of the project, disclose the total amount of investment and the consumption demand of the project for electricity, raw materials and other infrastructure,\(^4\) and project the profit margin and the potential technological advancements or technical renovation the joint venture will develop.

Procuring approval of the preliminary feasibility study and

41. Foreign Investment and Trade and the Control of the Economy, Apr. 26, 1988, 1 CHINA L. FOR FOREIGN BUS. REG. (CCH) ¶ 2-405, at 1,703.
42. Id. ¶ 2-405, at 1,703.
43. Id. ¶ 2-420, at 1,801.
44. Joint Ventures, supra note 13, art. 12, ¶ 6-550, at 7,917.
45. Id. art. 9, ¶ 6-550, at 7,915.
46. Id.
47. This information is necessary so that the Chinese department in charge can evaluate the situation and make an accurate estimate of whether China can meet the demands of the new projects.
project proposal is important. The preliminary feasibility study and project proposal are the bases on which the joint venture participants negotiate agreements, contracts, and articles of association. In the absence of an approved preliminary feasibility study, it would be premature for the parties to a joint venture to begin their contract negotiations.

2. The Approval and Negotiation Process

The governmental approval and negotiation process involves several steps. Initially, the Chinese and foreign partners must locate suitable partners, conduct preliminary discussions, and exchange letters of intent. Next, Chinese partners must draft preliminary feasibility studies and project proposals, submit them to the department in charge for examination and consent, and upon receiving consent, submit them to additional relevant authorities for approval. Only after obtaining the approved preliminary feasibility study and project proposal should the parties to the joint venture begin negotiating the terms of the agreement, contracts, and articles of association.

To form the actual joint venture, the Chinese and foreign partners must jointly submit applications to the relevant approval authority along with supporting documents. The required supporting documents include:

1. a feasibility study report jointly prepared by the parties to the venture;
2. a joint venture agreement, contract and articles of association signed by representatives authorized by the parties to the joint venture;
3. a list of the candidates for chairman, vice-chairman and directors the participants have appointed to the joint venture; and
4. opinions written by the department in charge and by the government in the city where the joint venture is located regarding the formation of the joint venture.

48. The soundness of the initial feasibility study and its approval is critical to the successful formation of a joint venture.

49. "The 'Joint Venture Agreement' refers to a summary document agreed upon by the parties to the joint venture on some main points and principles governing the establishment of a joint venture." Joint Ventures, supra note 13, art. 13, ¶ 6-550, at 7,917. A Joint Venture Contract is a detailed document agreed upon and concluded by the parties to the joint venture on their rights and obligations. Id. art. 13, ¶ 6-550, at 7,917-21. If the two documents conflict with each other, the contract shall prevail. The Agreement (but not the Contract) may be omitted upon conclusion of joint venture negotiation. Id. art. 13, ¶ 6-550, at 7,921.

50. Id. art. 9, ¶ 6-550, at 7,915-17. The parties should have received the local government's written opinions by the time the relevant approval authority approves the initial feasibility study report.
All of the supporting documents must be exclusively written in Chinese except for the documents mentioned in sections (1), (2) and (3). Documents (1), (2) and (3) may be written simultaneously in Chinese and in a mutually agreed upon foreign language. Both versions of the simultaneously drafted documents are equally authentic.

After the joint venture participants have satisfied all of the prerequisites, the relevant approval authority will make a final decision. The approval authority will issue its final decision within forty-five days after receiving the contractual joint venture application. The approval authority for equity joint ventures, however, will not render a final decision until three months after receiving an equity joint venture application.

3. The Legal Status of the Joint Venture

As previously discussed, contractual joint ventures are far more flexible than equity joint ventures in terms of legal status. While Chinese law requires equity joint ventures to take the form of a limited liability company, contractual joint ventures can take many forms.

4. The Registration

Both contractual and equity joint ventures must register with the Administration for Industry and Commerce within one month after receiving the certificate of approval from the relevant approval authority. A joint venture is legally established on the date the Administration for Industry and Commerce issues a business license to the joint venture. Prior to 1992, the State Administration for Industry and Commerce registered the joint ventures. Since 1992, however, the State Administration for Industry and Commerce has authorized certain local administrations for industry and commerce to register foreign-invested enterprises.

51. Id. art. 9, ¶ 6-550, at 7,917.
52. Id.
53. Id.
54. Id. art. 10, ¶ 6-550, at 7,917; Sino-foreign Co-operative Law, supra note 30, art. 5, ¶ 6-100, at 7,551-52.
55. For discussion of the flexibility of joint ventures, see supra note 30 and accompanying text.
56. Sino-foreign Enterprises, supra note 11, art. 4, ¶ 6-500, at 7,803.
57. For discussion of the contractual joint venture form, see supra notes 30-33 and accompanying text.
58. Sino-foreign Co-operative Law, supra note 30, art. 6, ¶ 6-100, at 7,553; Joint Ventures, supra note 13, art. 11, ¶ 6-550, at 7,917.
59. Administrative Rules of the PRC governing the Registration of Companies,
Contractual and equity joint ventures must also pay a registration fee. If the total registered capital is ten million yuan (approximately eight million U.S. dollars) or less, the required registration fee is 1/1,000 of the registered capital. Accordingly, if the registered capital exceeds ten million yuan, the required registration fee is 1/1,000 of the first ten million yuan plus 0.5/1,000 of the amount that exceeds the ten million yuan.

In addition to registering with the Administration for Industry and Commerce (or other authorized local administration), joint ventures must register with the Taxation Bureau. Both the contractual and equity joint ventures must pay taxes. They must register within thirty days after the joint venture has received its business license.61

5. The Capital Subscription and Forms of Contribution

Each joint-venture participant may contribute cash, equipment, buildings, land use rights, industrial property rights, and "know-how."62 The participants may make cash contributions either in Chinese currency or in an agreed upon foreign currency. If the participants agree to use a foreign currency, they must have it converted according to the exchange rate announced by the State General Administration of Foreign Exchange Control of the PRC on the day the parties submit the currency.63

The participants may also contribute machinery, equipment, and other materials to the joint venture. However, they may only make those contributions in instances where the machinery and equipment are indispensable to the joint venture, and where China is unable to manufacture the necessary equipment or machinery.64 In no case, however, may the value of the contribution exceed a price higher than the current international market price of similar equipment or machinery.65

The participants may also contribute material objects, industrial property rights, or proprietary technology. A foreign investor who makes those types of contributions must present valid certifi-
cation of ownership and disposition rights. "Relevant documentation for industrial property rights or 'know-how' include: photocopies of the patent or trademark registration certificates, statements of validity, their technical characteristics, the practical value, the basis for calculating the price, and the price agreement signed by both the foreign investors and the Chinese partners. The participants must attach the necessary documents as an appendix to the contract. Moreover, the proportion of investment contribution in the form of intangible assets may not exceed twenty-five percent of the entire investment.

In order to contribute industrial property rights and "know-how," the foreign participant must benefit China in one of the following ways:

(1) by enabling the manufacture of new products urgently needed in China or products suitable for export;
(2) by remarkably improving the performance or quality of existing products and raising productivity; or
(3) by enabling notable savings in raw materials, fuel or power.

Parties to a joint venture must also set forth, in the contract, the methods of subscribing to capital and must make their full contributions within the stipulated time period. If the parties to the joint venture agree to pay the subscription in one payment, the total contribution is due within six months after the date the Administration for Industry and Commerce issues the business license. If, however, the parties contract to pay the subscription in installments, the first payment by each party must be at least fifteen percent of their respective capital contributions and must be made within three months after the Administration for Industry and Commerce issues the business license. If the parties fail to subscribe their capital within the stipulated time period, the joint venture shall automatically dissolve and the approval certificate shall automatically cease to be valid.

In addition to subscription requirements, the joint venture must comply with the total investment-registered capital ratio requirements. The registered capital of a joint venture is the total capital subscribed by all parties to the joint venture and regis-

66. Id. art. 29, ¶ 6-550, at 7,931.
67. Id.
68. Id.
69. Id. art. 28, ¶ 6-550, at 7,927-31.
70. Certain Regulations on the Subscription of Capital by the Parties to Sino-foreign Joint Equity Enterprises, Act of Jan. 1, 1988, art. 4, 1 CHINA L. FOR FOREIGN BUS. REG. (CCH) ¶ 6-556, 7,989-91.
71. Id. art. 4, ¶ 6-556, at 7,989-91.
72. Id.
73. Id. art. 5, ¶ 6-556, at 7,991.
tered with the registration and administration office.\textsuperscript{74} The total investment, including loans, refers to the sum of capital construction funds and the circulating funds needed for the joint venture's operation as stipulated in the contract.\textsuperscript{75} Joint ventures must comply with the following total investment-registered capital ratio requirements:

1. where the total investment is at least three million dollars, the registered capital (capital subscription) must be at least seventy percent of the total investment;\textsuperscript{76}
2. where the total investment is at least three million dollars, but less than ten million dollars, the registered capital must be at least fifty percent of the total investment;\textsuperscript{77}
3. where the total investment is at least ten million dollars, but less than thirty million dollars, the registered capital must be at least forty percent of the total investment; and
4. where the total investment is more than thirty million dollars, the registered capital must be at least one-third of the total investment.\textsuperscript{78}

Since the approval authority closely examines both the ratio of the registered capital to the total investment, as well as the payment schedule, it is important that the ratio provisions within the joint venture contract be valid.

6. The Land Use Rights

The Chinese joint venture law allows the Chinese partner to contribute a land use right to the joint venture as an investment if that partner already has the land use right.\textsuperscript{79} The value attributed to the land use right must equal that which the Chinese partner would otherwise pay the Chinese government for acquiring that kind of land use right.\textsuperscript{80} Chinese partners commonly contribute their land use rights as part of their investment. One advantage to using that approach is that the joint venture can avoid the hassle of applying for the land use right and negotiating for the right with the local government in charge of the land.

A Chinese partner may own two different kinds of land use rights: the "allocated" land use right and the "for value and for a

\textsuperscript{74} Joint Ventures, supra note 13, art. 21, ¶ 6-550, at 7,925.
\textsuperscript{75} Id. art. 20, ¶ 6-550, at 7,925.
\textsuperscript{76} Provisional Regulations of the State Administration for Industry and Commerce on the Ratio between the Registered Capital and Total Investment of Sino-foreign Joint Equity Enterprises, Act of Mar. 1, 1987, art. 3, 1 CHINA L. FOREIGN BUS. REG. (CCH) ¶ 6-554, at 7,985-87 [hereinafter Registered Capital].
\textsuperscript{77} Id. art. 3, ¶ 6-554, at 7,985-87.
\textsuperscript{78} Registered Capital, supra note 76, art. 3, ¶ 6-554, at 7,985-87.
\textsuperscript{79} Joint Ventures, supra note 13, art. 48, ¶ 6-550, at 7,941.
\textsuperscript{80} Id.
fixed term" land use right. An "allocated" land use right is a right the Chinese government allocates to a Chinese partner to use a certain parcel of land. It does not require the Chinese partner to pay a land premium to the government. As a result, the allocated land use right is not as valuable to the joint venture. Additionally, the owner of the right is forbidden to lease or transfer the right, the land must be used in the manner in which the government designates, and the government, under certain conditions, may recover the land use right without compensating the Chinese partner.

On the other hand, the land use right "for value and for a fixed term" requires the Chinese partner to pay a land premium to the government. The owner of the "for value and for a fixed term" land use right also obtains more freedom and rights in utilizing and disposing of the land. In fact, except for paying the annual land use fees and observing the covenants in the grant contract, the right holder may exercise most of the same rights as the landowner during the term of the grant. Thus, the land use right "for value and for a fixed term" is more valuable than the "allocated" land use right. Therefore, the foreign investor will benefit by acquiring a clear understanding of the type of land use rights the Chinese partner possesses during the negotiation process and by properly evaluating the value of the land use rights.

7. The Board of Directors

The joint venture contract should include provisions which set forth the composition of the joint venture's board of directors, the process of appointing the board members, and the employment responsibilities and powers of the general manager and other high ranking management personnel. The joint venture law requires the board of directors to consist of at least three members. Each joint enterprise partner is responsible for appointing and replacing its own directors. The board chairman may be either the Chinese or foreign party to a joint venture.

82. Id.
83. Id. at 2.
84. According to the "Provisional Measures for the Administration of Allocated Land Use Rights," an "allocated" land use right cannot be transferred, mortgaged, or leased unless and until it has been converted into a land use right "for value and for a fixed term." Id. at 3-4.
86. Id. art. 34, ¶ 6-550, at 7,931-33.
87. Sino-foreign Enterprises, supra note 11, art. 6, ¶ 6-500, at 7,803.
88. The requirement that the board chairman be a Chinese party was amended
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Additionally, the joint venture may perform other functions by reaching a unanimous agreement. The other functions include: "amending the articles of association; terminating or dissolving the joint venture; increasing or assigning the registered capital; or merging the joint venture with other economic organizations." The joint venture's by-laws may further empower the board of directors in deciding issues regarding development plans, production and operation projects, income and expenditure budgets, profit distribution, labor and wage plans, as well as other aspects of the joint venture.

8. Purchasing, Selling, and Construction Planning

A joint venture which plans capital construction must include in its feasibility study report its demand for building materials, water, power, and gas. Additionally, the department in charge of capital construction must approve the joint venture's capital construction plan. Although that requirement shows traits of a planned economy, the joint venture law divides materials that a joint venture needs to purchase into several categories. Joint ventures can purchase materials in China through the following channels:

(1) those materials under "planned distribution" shall be brought into the supply plan of the department in charge, and shall be supplied by the material and commercial departments according to the parties' contract;
(2) those materials handled exclusively by the material and commercial departments may be purchased from those departments only;
(3) those materials freely circulated may be purchased from manufacturers or sales or commission agencies; and
(4) those export commodities handled by Chinese trading companies shall be purchased from those companies.

In any case, the joint venture is guaranteed priority over domestic enterprises when purchasing materials and other supplies.
A joint venture may also freely export its manufactured goods as well as import machinery, equipment parts, and raw materials it needs for manufacturing. Depending on the types of commodities, China may require import and export licenses. The Chinese government encourages joint ventures to sell their products on the international market, but also allows them to sell products urgently needed or typically imported by the Chinese on the Chinese markets.

9. Foreign Currency

China has taken a major step towards changing its foreign currency policy in order to facilitate its economic reform. In the past, the state strictly controlled foreign currencies. It required all domestic trading companies to turnover all foreign currencies earned from trading to the Chinese government. In return, the state allocated a certain portion of that foreign currency to enterprises to purchase products from abroad. The enterprises could then purchase that portion of the foreign currency from the state bank at a rate lower than the rate on the black market. Unfortunately, companies that needed foreign currency, but did not have an allocation system with the state bank, had to make exchanges in the black market at a higher exchange rate.

In 1993, the "Announcement of the People's Bank of China Concerning Further Reform of the Foreign Exchange Control System" revised China's foreign currency exchange system. Under the new law, China is currently practicing the system of foreign exchange sales by its banks, and improving the mechanism for setting up an RMB exchange rate by utilizing a single and regulated floating system based on market supply and demand. A nationwide unified inter-bank foreign exchange swap market has also been established to facilitate the foreign exchange sales system. The People's Bank of China has published the median exchange rate of the RMB against the U.S. dollar daily. The exchange rate is based on the trading price for the previous day on the inter-bank foreign exchange swap market.

Under the new system, Chinese trading companies are not obligated to turn over their foreign currencies to the government.

95. Id. art. 63, ¶ 6-550, at 7,945. MOFECT publishes a list of licensed import and export commodities on a regular basis.
96. Id. at arts. 59-61, ¶ 6-550, at 7,943. Most joint ventures would find it relatively easy to meet these two standards and sell their products on the Chinese market.
98. Id. ¶ 8-716, at 10,879-81.
Instead, the companies must sell their foreign currencies to the designated state bank at the prevailing exchange rate, and subsequently, repurchase the currency when necessary, at the swap market price by presenting the necessary documents (e.g., quota certificates and import licenses). Foreign invested enterprises in China now enjoy the same freedom of purchasing the foreign currency in the swap market at the same prevailing rate as Chinese companies. Additionally, unlike Chinese companies, foreign invested enterprises are no longer obligated to sell its foreign exchange earnings to the state bank.99 According to the new system, foreign invested enterprises may remit all of its profits outside China after paying taxes and other relevant fees. Thus, foreign investors' concerns about free remittance and the exchange of hard currencies inside and outside China no longer exist. Investors expect that the time will soon come when Chinese currency can be freely convertible in the world market.

10. The Trade Unions and Labor Issues

Employees of joint ventures have the right to create trade unions to represent the workers' interests.100 In China, few cases exist where a joint venture's trade union has had a direct confrontation with the joint venture enterprise. In fact, in most cases, the trade unions deal with more docile issues such as helping management organize and motivate the employees, and overseeing activities such as technical studies and organized sports.

Nevertheless, trade unions still try hard to protect the interests of the workers. Union representatives have the right to attend board meetings as non-voting members and report their opinions to the board of directors on important issues such as development plans, production, and operational activities of the joint venture.101 When discussing and deciding issues that directly relate to the workers (e.g. awards and penalties, salaries, welfare, benefits, or labor protection), the joint venture's board of directors must consider the trade union's opinions.102

In 1980, the Chinese government published its Regulations on Labor Management in Joint Ventures, and thereafter promulgated the Implementation Regulations. The regulations provide detailed requirements concerning labor and management issues. On the one hand, they require joint ventures to adhere to the legal requirements concerning labor; on the other hand, however, explicit labor regulations make it relatively easy for joint ventures

99. Id. ¶ 8-716, at 10,875.
100. Joint Ventures, supra note 13, art. 95, ¶ 6-550, at 7,963.
101. Id. art. 98, ¶ 6-550, at 7,963.
102. Id.
to handle labor issues peaceably.\textsuperscript{103}

11. Dissolving and Liquidating the Joint Venture

The Implementation Regulations of PRC joint venture law identify several situations that cause dissolution. The situations include:

(1) termination of duration of the joint venture;
(2) inability to continue operations due to heavy losses;
(3) inability to continue operations because the contracting party failed to fulfill its obligations prescribed by the agreement, contract and articles of association;
(4) inability to continue operations due to heavy losses caused by \textit{force majeure} (e.g., natural disasters, wars, etc.); or
(5) inability to obtain the desired objectives of operation and develop future plans.\textsuperscript{104}

Upon announcing a dissolution, the board of directors must establish procedures and principles for liquidation, nominate candidates for the liquidation committee, and report the dissolution to the governmental department in charge of the joint venture.\textsuperscript{105}

Joint ventures usually select members of the liquidation committee from among the joint venture's directors. After liquidation is complete, the liquidation committee must submit a liquidation report to the relevant governmental approval authority.\textsuperscript{106}

The joint venture must also register its dissolution with that authority.\textsuperscript{107}

At liquidation, the joint venture distributes any remaining property among the parties to the joint venture according to each party's investment.\textsuperscript{108} Unlike equity joint venture law, contractual joint venture law permits the parties to provide within the joint venture contract that a foreign investor may recoup his investment and that the Chinese partner may become the owner of the fixed assets. However, even if the participants have included recoupment and fixed-asset provisions, both still remain responsible for the joint venture's liabilities pursuant to the contract stip-
III. EFFECTS OF THE NEW "COMPANY LAW" ON JOINT VENTURE COMPANIES

A. Applicability

On December 29, 1993, the Standing Committee of China's National People's Congress passed the new Company Law of the People's Republic of China (Company Law). The Company Law became effective July 1, 1994 and not only provides an alternative legal foundation to attract foreign investment, but also offers more business forms to both domestic and foreign investors. According to the Company Law, foreign and domestic investors may form a limited liability company and a joint stock company. The limited liability company under the Company Law is similar to a limited liability company under China's existing legislation on joint ventures and wholly foreign-owned enterprises. Questions have arisen, however, as to which law will apply to foreign investors who plan to form a limited liability company in China: the Company Law, the Equity Joint Venture Law, or the Wholly Foreign-Owned Enterprise Law?

The applicable law will probably depend upon which law better suits the foreign investors. There is no doubt that the new Company Law is applicable to both limited liability companies and joint stock companies in which foreign participants have invested. It is helpful to bear in mind, however, that until the legislature enacted the new Company Law, China's legislators had always differentiated between "foreign invested enterprises" and "domestic companies." For example, "foreign invested enterprises" received more preferential treatment and tax advantages than "domestic companies."

Unlike the laws enacted before the Company Law, the Company Law contains no special provisions for foreign invested enterprises. Nevertheless, Article 18 of the Company Law states that despite the applicability of the Company Law to foreign invested enterprises, if other laws regarding joint ventures and wholly foreign owned enterprises have other provisions, the other provisions apply. Therefore, before investing in a particular form, foreign investors must consider the relative advantages and disadvantages of the establishment, organization, management, and various other aspects of forming and operating a business entity under the different laws.
B. Advantages and Disadvantages of The New Company Law of Equity Joint Venture Laws

Assuming that an investor wants to establish a limited liability company in China, should the investor organize under the Company Law or the Equity Joint Venture Law? The answer to this question depends largely on the investor's priorities.

A careful analysis of the legislation shows that each law has advantages and disadvantages. For example, a limited liability company and a joint stock limited company under the Company Law require at least $65,000 registered capital and $1.2 million registered capital, respectively.\(^1\) The joint venture laws, however, do not have those same requirements. With regard to transferring shares, the Company Law imposes no restrictions for limited liability companies or joint stock companies except for promoters. On the other hand, in joint venture companies, all parties to the joint venture, as well as the examination and approval authority, must approve the transfer of an interest in the joint venture.\(^2\) Consequently, the liquidity of the investment may be reason enough for some foreign investors to prefer a limited liability company or joint stock company rather than a joint venture.

Conversely, the Company Law requires a joint stock company to establish a "supervisory board" of three or more supervisors who will be elected not only from the shareholders, but from the workers as well.\(^3\) The Company Law also permits the supervisory board to examine the company's financial affairs, to supervise the directors and the managers, and to require a director to correct certain acts if deemed harmful to the company's interests.\(^4\) Thus, the Company Law's provisions strengthen the power of labor unions in joint stock companies more than the provisions in the joint venture laws.

C. "Grandfather" Status

The Company Law requires that China preserve "companies registered and established according to the laws, administrative regulations, and local regulations . . . prior to implementing the Company Law, and those companies that fail to completely meet the conditions provided under that Company Law shall, within the stipulated time period, satisfy the conditions provided in that law."\(^5\) The existing joint venture limited liability enterprises and companies were established according to the joint venture

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1. Id. art. 23, ¶ 13-518, at 16,741; Id. art. 78, ¶ 13-518, at 16,767.
2. Joint Ventures, supra note 13, art. 37, ¶ 6-550, at 7,925.
4. Id. art. 126, ¶ 13-518, at 16,793.
5. Id. art. 229, ¶ 13-518, at 16,843.
law. Do they really need to comply with the Company Law?

The answer is unclear. Because joint venture laws are laws other than the Company Law, and existing joint venture enterprises and companies were established prior to implementing the Company Law, it seems necessary to require existing joint ventures to comply with the conditions provided in the Company Law. Nevertheless, one could argue that Article 18 of the Company Law grants joint ventures “grandfather status” because it states that if the laws regarding joint ventures have other provisions, the other provisions apply. Assuming that the “other provisions in joint venture laws” referred to in Article 18 of the Company Law also include the special tax-related provisions, foreign invested enterprises and companies would be able to enjoy tax holidays, reductions, or other benefits regardless of the laws under which they are formed, as long as they qualify as “foreign enterprises” or “enterprises with foreign investment.”

IV. FUTURE DEVELOPMENT

A. Economic and Investment Situation

While world economies are sluggishly climbing out of a recession, China prominently stands out as an oasis of economic growth. In the past fifteen years, China’s economy has grown at an average annual rate of 9.3%. In 1995, China’s economy should, at least, maintain the same momentum and expand by at least ten percent; thus, becoming the fastest growing economy in the world.

Along with the rapid economic development and a prosperous economy, however, comes a heavy price to pay. China’s inflation rate has increased to twenty percent in the past few years. The fight against inflation will remain the number one job for the Chinese government in the years to come. Accordingly, experts forecast that the inflation rate will average between fifteen and

117. Others have interpreted Article 18 as intending only to apply to future investments, but not existing investments. In such a case, existing joint ventures would have to meet the new conditions. The Company Law states that the State Council will promulgate specific rules on the application of the Company Law to existing companies, but has not designated a specific time table for the promulgation.
119. See David Schneider, Demand Meets Supply for U.S. Companies in China, Jan. 25, 1993, available in Westlaw, BUS. AM. Database (comparing average economic growth rate in the past five years: average economic growth rate throughout the World: 2% average economic growth rate in Asia: 8% average growth rate in China: 12%).
120. Seng Bank Upbeat, supra note 23, at 5.
eighteen percent in 1995.  

Nevertheless, in the midst of China’s encouraging economic growth and threatening rate of inflation, foreign investments in China reached an accumulated $91.2 billion by October, 1994, increasing at an annual average rate of 40.7% during the past decade. Investment from Hong Kong accounted for $47.5 billion, followed by Taiwan, Japan, and the United States.

The Chinese government continues to make efforts to create a favorable investment environment. Toward this end, the government may decide to allow foreign invested enterprises that used a large amount of capital and advanced technology to sell primarily in the domestic market. This privilege would provide foreign invested enterprises with a huge and promising consumer market.

B. Investment Protection and Competition

The forecast for future foreign investment in China is not entirely positive. China’s economy is in transition today with aspects of both the market economy and the traditional state-owned economy each balancing precariously side by side. The success of foreign investment in China depends to a great extent on the success of China’s economic reforms and the continuity of its open-door policy. However, the success of China’s economic reforms and open-door policy ultimately depend on China’s political stability.

Assuming China acts upon Deng Xiao Ping’s words and maintains its current open-door policy for at least one hundred years, foreign investors still have other concerns. For example, as China’s economy joins the international economic system, U.S. companies in China will face competition not only with Chinese enterprises, but also with companies of other industrialized countries. Maintaining competitiveness, while simultaneously and effectively protecting intellectual property rights, will be critically important. Also, now that China has announced its policy to move towards “national treatment” (equal treatment of foreign and local investors) as part of its efforts to rejoin GATT, there is some question as to whether all of the tax advantages and other special

123. Seng Bank Upbeat, supra note 23, at 5.
124. Id.
125. China’s foreign trade volume reached $235 billion in 1994. With the increase of foreign investment as well as of the improved standard of living of Chinese consumers, there appear to be more and more demands for high quality imported products which may be readily supplied by foreign invested enterprises in China.
treatment currently available to foreign investors in joint venture laws will continue. Fortunately, the United States and China have been negotiating an “Agreement on the Protection of Investment” for many years. If both China and the United States sign this Agreement, United States investors will probably enjoy additional investment protection.

CONCLUSION

In conclusion, this Article has analyzed China’s joint venture legislation and addressed some practical issues relating to the legislation and the creation of joint ventures in China. The Article has also discussed the future development of joint ventures in China and some potential obstacles to future development. Nevertheless, despite all the anticipated difficulties and risks involved with investing in China, China has nevertheless remained a prominent figure, and will continue to stand out as one of the world’s most profitable investment markets.