

China Economic Journal >

Volume 7, 2014 - [Issue 1: Chinese Overseas Direct Investment](#)

3,294 89

Views | CrossRef citations to date | Altmetric

34

Original Articles

China's regulatory framework for outward foreign direct investment

Karl P. Sauvant  & Victor Zitian Chen

Pages 141-163 | Received 06 Nov 2013, Accepted 05 Dec 2013, Published online: 13 Feb 2014

 Cite this article

 <https://doi.org/10.1080/17538963.2013.874072>



Sample our
Economics, Finance,
Business & Industry Journals
>> **Sign in here** to start your access
to the latest two volumes for 14 days

 Full Article

 Figures & data

 References

 Citations

 Metrics

 Reprints & Permissions

Read this article

 Share

Abstract

China has become the world's third largest outward investor, behind the United States and Japan. A growing body of literature suggests that China's regulatory framework for outward foreign direct investment (OFDI) is a determinant of the country's rising OFDI. This article presents a holistic review of that framework, including some possibilities for its improvement. Overall, China's framework serves two objectives: to help Chinese firms become more competitive internationally and to assist the country in its development effort. In pursuing these objectives, the regulatory framework has moved from restricting, to facilitating, to supporting, to encouraging OFDI, but there are still strong elements of administrative control that make it cumbersome. State-owned enterprises (SOEs) seem to benefit particularly from the current framework when internationalizing through FDI.

Keywords:

JEL codes:

F21

F23

F31

F65

G18

G28

G38

H1

H2

H3

K2

K3

M16

P33

Acknowledgments

The authors gratefully acknowledge the support of the East Asian Bureau of Economic Research (EABER) in the Crawford School of Public Policy at the Australian National University. They benefitted greatly from the discussions at the EABER Roundtable for which this article was prepared and at a roundtable at the 2013 Academy of International Business meeting in Istanbul, Turkey. They also acknowledge important help from Bekele Amare, Mark Feldman, Shuang Liu, Wouter Schmit Jongbloed, Bijun Wang, Yuanyuan Xiu, and Kenny K. Zhang, as well as helpful feedback from Vivienne Bath, Kim Fahem, Chris Fraser, Jane Golley, Thilo Hanemann, Victor Hu, Zhongmin Li, Hao Liang, Bing Ren, Xiaofang Shen, Valentina Vadi, Hinrich Voss, Lisa Mei Wang, Lutz-Christian Wolff, Stephen Wortley, Yuen Pau Woo, Daying Yan, and Ying Zheng. Special thanks to the Asia Pacific Foundation of Canada for kindly sharing CCPIT's raw survey data. Thanks go also to Levon Golendukhin, Sara Hambright, and Jon-David Jorgensen for their research assistance. Any errors or omissions are of course those of the authors.

Notes

1. Although the expression 'go out' policy is usually used as the official translation of 走出去 (see, e.g., Government of China [2006](#)), 'going out', 'go abroad', 'going abroad', 'step out', and 'stepping out' are sometimes used interchangeably in the literature.
2. 'Nonfinancial' refers to all Chinese investors that do not belong to the banking, securities, and insurance sectors. 'Financial' refers to Chinese investors in the banking, securities, and insurance sectors.

3. There were a total of 115 SASAC-listed central SOEs as of 12 May 2013. The full list is available at <http://www.sasac.gov.cn/n1180/n1226/n2425/index.html>
4. The laws and regulations concerning China's OFDI are available from various websites and are updated frequently. For a collection of a number of them, see Wolff ([2011](#)) and Bernasconi-Osterwalder, Johnson, and Zhang ([2012](#)).
5. A sample of the Certificate can be found at <http://tfs.mofcom.gov.cn/accessory/200903/1237250375949.doc>
6. A special purpose vehicle is a legal entity created by a sponsor or originator firm by transferring assets to the vehicle to carry out some specific and often temporary purposes or circumscribed activities or a series of such transactions.
7. For instance, building a manufacturing facility.
8. For example, deposits, preinvestment market research costs, preinvestment consulting, and legal service fees.
9. That is, the China Banking Regulatory Commission, the China Securities Regulatory Commission, and the China Insurance Regulatory Commission.
10. A detailed list of the policies and regulations of the China Banking Regulatory Commission can be found at <http://www.cbrc.gov.cn/chinese/zhengcefg.html>. A similar list for the China Securities Regulatory Commission can be found at <http://www.csrc.gov.cn/pub/zjhpublic/index.htm?channel=3300/3311> (both sites accessed on 16 January 2013).
11. For an example of the full list of the performance measures under review, see <http://hzs.mofcom.gov.cn/article/zcfb/b/200912/20091206705370.shtml>
12. Chinese forestry companies also need to comply with the rules of the State Forestry Administration ([2010](#)).
13. The Ministry of Foreign Affairs, the NDRC, the Ministry of Public Safety, the State Administration of Work Safety, and the All-China Federation of Industry and Commerce.
14. Namely the International Communications Office of the Communist Party of China's Central Committee, the Ministry of Foreign Affairs, the NDRC, the SASAC, the National

Bureau of Corruption Prevention, and the All-China Federation of Industry and Commerce.

15. That is, investment that makes a maximum contribution to the economic, social, and environmental development of the host country and that takes place within a framework of fair governance systems (e.g., when negotiating large-scale complex contracts with host countries).

16. For instance, up to 20% of the carrying costs can be covered through subsidies for a Chinese natural resource-seeking investor to transport natural resources back to China (Luo, Xue, and Han [2010](#), 76).

17. The Catalogue has three parts, which can be downloaded through the following links: www.china.com.cn/chinese/PI-c/626171.htm (Part 1); www.sndrc.gov.cn/view.jsp?ID=9674 (Part 2); and <http://www.sdpc.gov.cn/zcfb/zcfbtz/2007tongzhi/W020070227622797287359.doc> (Part 3).

18. The system is available online at <http://femhzs.mofcom.gov.cn/fecpmvc/pages/fem/LoginedHome.html>

19. Further information about surveys by the China Council for the Promotion of International Trade is available at http://www.ccpit.org/zhuanti/zouchuqu/Channel_1085.htm?ChannelID=1085

20. The date of the latest update of UNCTAD's BIT list.

21. The Agreement Among the Government of Japan, the Government of the Republic of Korea, and the Government of the People's Republic of China for the Promotion, Facilitation and Protection of Investment can be accessed at http://www.mofa.go.jp/announce/announce/2012/5/pdfs/0513_01_01.pdf

22. Consisting of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

23. The report was published in 2012.

24. The 2005 survey did not have the category of 'important', but only 'very important' on a seven point scale. For the purpose of this article, 'important' was defined as the rankings that indicated a '5' and '6' out of '7' on the scale.

25. Together with the MOFCOM, the Ministry of Foreign Affairs, the Peoples' Bank of China, and eight other ministries.
26. Based on 2012 data, China was only behind the United States (with foreign direct investment flows of US\$329 billion) and Japan (US\$123 billion).
27. This high concentration of OFDI in terms of the number of MNEs is typical for many home countries.
28. For a discussion of the range of issues surrounding FDI by state-controlled entities, see Sauvant, Sachs, and Schmit Jongbloed ([2012](#)).

Related Research Data

[Explaining China's Outward FDI: An Institutional Perspective](#)

Source: Unknown Repository

[A China - US Bilateral Investment Treaty: A Template for a Multilateral Framework for Investment?](#)

Source: Transnational Corporation Review

[How emerging market governments promote outward FDI: Experience from China](#)

Source: Journal of World Business

[The Two-Tier Bargaining Model Revisited: Theory and Evidence from China's Natural Resource Investments in Africa](#)

Source: Global Strategy Journal

[Sovereign Investment](#)

Source: Unknown Repository

[State Ownership Effect on Firms' FDI Ownership Decisions Under Institutional Pressure: A Study of Chinese Outward-Investing Firms](#)

Source: Unknown Repository

Related research

People also read

Recommended articles

Cited by
89

Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG



Taylor & Francis
by informa