

# WORLD TRADE ORGANIZATION

S/C/N/212  
17 December 2002

(02-6961)

Council for Trade in Services

Original: English

## NOTIFICATION PURSUANT TO ARTICLE III:3 OF THE GENERAL AGREEMENT ON TRADE IN SERVICES

The following notification has been received from the delegation of the People's Republic of China.

**1. Member notifying:**

The People's Republic of China

**2. Notification under:**

Article III, paragraph 3 of the General Agreement on Trade in Services

**3. Date of entry into force/duration:**

2000/10/31

**4. Agency responsible for implementation and enforcement of the measure:**

Ministry of Foreign Trade and Economic Co-operation

**5. Complete description of the measure\* indicating the modes of supply covered, the effect on trade in services (e.g., restrictions/liberalization measures) and the impact of the measure on commitments in the Member's schedule and Article II (MFN) exemption list, if relevant:**

Law of the People's Republic of China on Foreign Capital Enterprise

Full text English translation of the law is attached.<sup>1</sup> The English translation is for reference only and the Chinese version shall be authentic.

**6. Members specifically affected, if any:**

All Members

**7. The texts are available from:**

- Enquiry point ☒
- WTO Secretariat ☒
- Other sources (address, fax and telephone of other body) ☐

---

\* Including international agreements, recognition measures or other types.

<sup>1</sup> In English only.

## **Law of the People's Republic of China on Foreign Capital Enterprise**

(Adopted at the Fourth Session of the Sixth National People's Congress on April 12, 1986, amended according to the Decision on Revision of the Law of the People's Republic of China on Foreign Capital Enterprises adopted at the 18th Meeting of the Standing Committee of the Ninth National People's Congress on October 31, 2000).

**Article 1** With a view to expanding economic cooperation and technological exchange with foreign countries and promoting the development of China's national economy, the People's Republic of China permits foreign enterprises, other foreign economic organizations and individuals (hereinafter collectively referred to as "foreign investors") to set up enterprises with foreign capital in China and protects the lawful rights and interests of such enterprises.

**Article 2** As mentioned in this Law, "enterprises with foreign capital" refers to those enterprises established in China by foreign investors, exclusively with their own capital, in accordance with relevant Chinese laws. The term does not include branches set up in China by foreign enterprises and other foreign economic organizations.

**Article 3** Enterprises with foreign capital shall be established in such a manner as to help the development of China's national economy. The State may encourage the establishment of foreign capital enterprises that are export oriented or technologically advanced.

Regulations shall be formulated by the State Council regarding the lines of business which the State forbids enterprises with foreign capital to engage in or on which it places certain restrictions.

**Article 4** The investments of a foreign investor in China, the profits it earns and its other lawful rights and interests are protected by Chinese law.

Enterprises with foreign capital shall abide by Chinese laws and regulations and may not engage in any activities detrimental to China's public interests.

**Article 5** The State does not nationalize or requisition any enterprise with foreign capital. However, under special circumstances when public interests require, enterprises with foreign capital may be requisitioned through legal procedures and appropriate compensation shall be made.

**Article 6** The application to establish an enterprise with foreign capital shall be submitted for examination and approval to the department under the State Council which is in charge of foreign economic relations and trade, or to an institution authorized by the State Council. The authorities in charge of examination and approval shall, within 90 days from the date they receives such application, decide whether or not to grant approval.

**Article 7** When the application for the establishment of an enterprise with foreign capital is approved, the foreign investor shall, within 30 days from the date of receiving the certificate of approval, apply to the administrative department for industry and commerce for registration in order to obtain a business licence. The date of issue of the business licence of foreign capital enterprise shall be the date of its establishment.

**Article 8** An enterprise with foreign capital which meets the conditions for being considered a legal person under Chinese law shall acquire the status of a Chinese legal person in accordance with law.

**Article 9** An enterprise with foreign capital shall make investments in China within the period approved by the authorities in charge of examination and approval. If it fails to do so, the

administrative departments for industry and commerce shall have the power to cancel its business licence.

The administrative department for industry and commerce shall inspect and supervise the investment situation of an enterprise with foreign capital.

**Article 10** In the event of separation, merger or other major change, an enterprise with foreign capital shall report the matter to and seek approval from the authorities in charge of examination and approval, and register the change with the administrative department for industry and commerce.

**Article 11** Enterprises with foreign capital shall conduct their operation and management in accordance with the approved articles of association and shall be free from any interference.

**Article 12** When employing Chinese workers and staff, an enterprise with foreign capital shall conclude contracts with them according to law, in which matters concerning employment, dismissal, remuneration, welfare benefits, occupational protection and labour insurance shall be clearly prescribed.

**Article 13** Workers and staff of enterprises with foreign capital may organize trade unions in accordance with law, in order to conduct trade union activities and protect their lawful rights and interests.

The said enterprises shall provide the necessary conditions for the activities of the trade unions in their respective enterprises.

**Article 14** An enterprise with foreign capital shall set up account books in China, conduct independent accounting, submit the fiscal reports and statements as required and accept supervision by the financial and tax authorities.

If an enterprise with foreign capital refuses to maintain account books in China, the financial and tax authorities may impose a fine on it, and the administrative department for industry and commerce may order it to suspend operation or may revoke its business licence.

**Article 15** A foreign capital enterprise may, in adherence to the principles of fairness and rationality, purchase on both the Chinese and the world market the raw and semi-processed materials, fuels and other materials it needs within the approved scope of operation.

**Article 16** Enterprises with foreign capital shall apply to insurance companies in China for such kinds of insurance coverage as are needed.

**Article 17** Enterprises with foreign capital shall pay taxes in accordance with relevant State regulations for tax payment, and may enjoy preferential treatment for reduction of or exemption from taxes.

An enterprise with foreign capital that reinvests its profits in China after paying the income tax may, in accordance with relevant State regulations, apply for refund of a part of the income tax already paid on the reinvested amount.

**Article 18** An enterprise with foreign capital shall handle its foreign exchange transactions in accordance with the State regulations on foreign exchange control.

An enterprise with foreign capital shall open an account with the Bank of China or with a bank designated by the State authority exercising foreign exchange control.

**Article 19** The foreign investor may remit abroad the profits that are lawfully earned from an enterprise with its investment, as well as other lawful earnings and any funds remaining after the enterprise is liquidated.

Wages, salaries and other legitimate income earned by foreign employees in an enterprise with foreign capital may be remitted abroad after the payment of individual income tax in accordance with law.

**Article 20** With respect to the period of operation of an enterprise with foreign capital, the foreign investor shall report to and secure approval from the authorities in charge of examination and approval. For an extension of the period of operation, an application shall be submitted to the said authorities 180 days before the expiration of the period. The authorities in charge of examination and approval shall, within 30 days from the date of receiving such application, decide whether or not to grant the extension.

**Article 21** When terminating its operation, an enterprise with foreign capital shall promptly issue a public notice and proceed with liquidation in accordance with legal procedure.

Pending the completion of liquidation, a foreign investor may not dispose of the assets of the enterprise except for the purpose of liquidation.

**Article 22** At the termination of operation, the enterprise with foreign capital shall cancel its registration with the administrative department for industry and commerce and hand in its business licence for cancellation.

**Article 23** The department under the State Council which is in charge of foreign economic relations and trade shall, in accordance with this Law, formulate rules for its implementation, which shall go into effect after being submitted to and approved by the State Council.

**Article 24** This Law shall go into effect as of the date of its promulgation.

---