

that a joint venture shall work out its plan according to the scope of operation and production scale fixed in the contract, and carry it out upon approval by its board of directors. The Chinese department in charge and its planning and administrative departments at various levels shall not assign the instructive plan to the joint venture.

6. The foreign exchange matter and the financial and accounting system of joint ventures. The foreign exchange income and expenses of a joint venture is an issue that is concerned by foreign investors. All the matters concerning foreign exchanges of a joint venture shall be handled in accordance with the special laws and regulations on foreign exchange control of our country. And our country encourages joint ventures to sell their products outside China, so as to solve their problems of foreign exchange expenditure. If their products are approved to be sold outside China but still have an unbalance in foreign exchange, the amount lacked will be solved by the department in charge of the enterprise. On the whole, the legitimate rights and interests of foreign investors are guaranteed.

7. The departments in charge of joint ventures and the regulations between these departments and joint ventures. The Regulations stipulate that departments in charge of joint ventures are responsible for guidance, assistance and exercising supervision to joint ventures. That is to say the relation between these departments and joint ventures is not the leadership relation as that to the state-owned enterprises. This has reflected that the operation and management autonomy of joint ventures are respected.

8. The matters concerning labour management and trade union of joint ventures.

9. Matters concerning consultation, conciliation and arbitration of the disputes arising between parties to joint ventures. The Regulations stipulate that the disputes between parties to a joint venture may be submitted for arbitration in China, or in the country where the party is being sued, or through the arbitration agency of the third country, if failed in friendly consultation or conciliation.

All these matters mentioned above are in common concern both at home and abroad, and needed to be clarified and resolved in practical work. It can be anticipated that joint ventures are surely developed in a further step as all these issues have the laws to follow and been clarified.

### III. The Preferential Treatment to Joint Ventures

The Regulations have permeated, from the beginning to the end, the principle of equality and mutual benefit. And at the same time stipulate some preferential treatments to joint ventures, such as:

1. Certain goods imported by joint ventures are exempt from customs duty and industrial and commercial consolidated tax. According to the stipulations of our country, the machinery, equipment and other goods as investment made by foreign participant or imported with the funds which are part of the total investment, and the raw materials which China cannot guarantee production and supply or those for production of export goods imported with the increased capital, are exempt from customs duty and industrial and commercial consolidated tax.

2. Joint ventures may be granted a reduction or exemption, upon approval of their application, from industrial and commercial consolidated tax for exported products produced by them, except for those are prohibited to be exported by our country.

3. The products produced by joint ventures, if are urgently needed in China or to be imported by China, may be sold mainly in Chinese domestic market.

All these are the preferential treatments favourable to foreign investors.

China has a rich natural resources and labour sources, with certain level of production technologies and low wages. There are many enterprises that are needed and possibly to be developed, the Chinese market is broad, the political situation is increasingly stable and will be stable continuously. The Chinese economy has been brought into line of healthy development. And the open-door policy adopted by China has gained obvious results and shall be persisted in continuously. All these have provided a favourable condition and environment for the investments made by foreign investors. I would like, on this occasion, to express again our welcome to foreign investors to make investment in our country, and wish a new and greater development of joint ventures on the basis of equality and mutual benefit.

So much for my introduction and now my colleagues, the leaders concerned from the Ministry of Foreign Economic Relations and Trade, and I are ready to answer your questions concerning this matter.

### Some Key Terms Used in the "Regulations for the Implementation of the Law on Joint Ventures Using Chinese and Foreign Investment"

#### Total amount of investment

The total amount of investment of a joint venture refers to the sum (total) of the capital construction funds needed for the production scale specified in the contract and the articles of association of joint venture and the circulating funds for production. If the funds contributed by the parties to the venture