

Each month, *ALB* draws on its panel of country editors to bring readers up to date with regulatory developments across the region

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Gatmaitan****MALAYSIA****Tay & Partners****SINGAPORE****Loo & Partners****CHINA****Paul Weiss****China Issues New Foreign Investment Catalog**

On October 31, 2007, China's National Development and Reform Commission ("NDRC") and the Ministry of Commerce ("MOFCOM") promulgated the amended Catalog Guiding Foreign Investment in Industry (the "2007 Catalog"). The 2007 Catalog will come into effect on December 1, 2007 and will replace the Foreign Investment Catalog currently in effect.

The Foreign Investment Catalog is used by the Chinese Government to steer foreign investment into sectors that the Chinese government wishes to promote and away from industries that China believes does not require additional foreign investment. Foreign investment targeting certain manufacturing industries (e.g. manufacture of general digital cameras) is no longer included in the encouraged category as China has already acquired advanced technical know-how in such industries. In addition, it is clear from the 2007 Catalog that the Chinese government is attempting to slow down investment in the overheated property market -- not only has the construction and development of residential housing been removed from the encouraged category, foreign investment in the secondary property market (e.g. real estate agents) has been placed in the restricted category.

The 2007 Catalog also serves to formalize some of the prohibitions that have been put into practice by the Chinese government in recent years. A prime example is foreign investment in the radio and TV program production sector. China had issued regulations in 2004 permitting foreign investors to set up joint ventures for program production in China ("Order 44") but a series of rules and notices issued in 2005 reversed the liberalization measures and effectively placed a moratorium on the establishment

of such joint ventures even though Order 44 has not been officially revoked. In the 2007 Catalog, foreign investment in radio and TV program production has been listed under the prohibited category and the restriction on foreign investment in this sector has been formalized. It is also worthy to note that foreign investment in news websites, Internet cafes and Internet culture operations (which generally refer to online games operations) has also been placed in the prohibited category in the 2007 Catalog.

The 2007 Catalog, however, includes many new items in the encouraged category relating to renewable energy, ecological and environmentally-friendly projects such as the manufacture of solar powered equipment, equipment controlling or preventing pollution and other recycling projects. These new items reflect the Chinese government's desire to promote investment and development in this relatively new sector and the desire to address long term environmental issues.



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