



Reduced Negative List 2020 New Investment Openings in China

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China is opening its market as the Negative list is reduced to 33 from 40

The Special Administrative Measures for Foreign Investment Access or better known as the “Negative List” in China is a list of industries where foreign investment is prohibited or heavily regulated. However, foreign investors can access regulated industries through joint ventures or cooperative structures.

Any industry not listed on the negative list can be available to foreign Investors and be treated on an equal basis to Chinese Investors. However, there are differences of the documentation which needs to be submitted, and while not on the negative list, the Government department which covers this industry may have other criteria that need to be met, and therefore in effect make the industry restricted in some way to foreign investment.

2020 Negative List

The 2020 Edition of the Negative will be in effect from July 23, 2020, reducing from its 2019 list of 40 to 33 and reducing the list for pilot free trade zone from 37 to 30. These reductions which China has revised, will scrap restrictions on foreign ownership in the financial sector, as pledged in the Phase one deal with the US, give access to city infrastructure, for cities with a population above 500,000, and civil aviation, removing the bans on air traffic control.

However, not all sectors are open and below are the details regarding restrictions on the Negative list in areas of interest to most foreign investors:

- **Information Transmission, Software and Information Technology Services**
 1. Telecommunications companies are subject to the provision of telecommunications services opened up according to China’s WTO commitments; the foreign share ratio for value-add telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%; and the Chinese party shall hold the controlling stake for basic telecommunications services.
 2. Investment in Internet news service, Internet publishing service, Internet audio-visual program service, cyberculture operation (except for music) and Internet information dissemination service (except for contents opened up in China’s WTO commitments) shall be prohibited.
- **Leasing and Business Service**
 1. Investment in Chinese legal matters (except for the provision of information on the impact on Chinese legal environment) shall be prohibited, and a foreign investor shall not be appointed as a partner of a domestic law firm.
 2. Market surveys shall only be limited to the form of equity joint venture; for radio and television rating survey therein, controlling stake shall be held by the Chinese Party.
 3. Investment in social surveys shall be prohibited.

- **Education**

1. Pre-school education, ordinary high school and higher education institutions are subject to Sino-foreign cooperative education, and must be led by the Chinese Party (the president or the chief executive shall have Chinese nationality, and the Chinese Party shall comprise not less than half of the council, board or joint administrative committee).
2. It is prohibited to invest in compulsory education institutions or religious education institutions.

- **Health and Social Work**

3. Medical institutions are limited to the form of joint venture.

Want to Find Out More?

The reduction of the Negative List is a much-welcomed step for global investors as it shows a China which is opening its markets to the world after closing due to the pandemic. There are plenty of opportunities which can be had outside of the negative list, though as noted above, restrictions still exist sometimes at department approval levels. If you would like to know more then, please consult LehmanBrown's China experts by sending your enquiry to enquiries@lehmanbrown.com.



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