

# OECD 2006 Investment Policy Review of China

## OPEN POLICIES TOWARDS MERGERS AND ACQUISITIONS

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## What is in the book

# China can benefit from more open policies on M&A

- Cross-border M&A the predominant form of global FDI flow
- Cross-border M&A a small, though growing, proportion of China's FDI inflows
- North-East China has a high concentration of SOEs needing restructuring and upgrading
- Cross-border M&A can play a greater role in the economic development of the North–East and the rest of China, alongside other forms of FDI

## What is in the book

# The 2003 Investment Policy Review of China and subsequent further opening to FDI in China

- OECD 2003 Investment Policy Review of China: Progress and Reform Challenges
- Recommended policy options to attract more and better FDI to China
- Called for a more open and transparent rules-based investment environment, including:
  - Further relaxation of remaining foreign ownership restrictions
  - Streamlining of foreign investment approval procedures
  - Better protection of intellectual property rights and stronger rule of law
  - Stronger rule of law

## What is in the book

# Remaining obstacles to cross-border M&A in China

- Fragmentary, over-complex and incomplete regulatory framework
- Unclear specification of “strategic sectors”
- Foreign ownership restrictions persist and are not transparent
- Cross-border M&A procedures are cumbersome and time-consuming
- Lack of transparency and disclosure in domestic enterprises
- Lack of openness of China’s capital markets
- No competition framework

## What is in the book

# Open policies towards M&A can benefit domestic as well as foreign investors

- Domestic enterprises often seek merger or acquisition with a foreign partner
- Cross-border M&A can bring new technology, management techniques and markets
- Institutional obstacles can harm domestic just as much as foreign-invested enterprises

## What is in the book

# Recommended policy responses

- Further relaxation of foreign ownership restrictions
- Increased regulatory transparency
- Adopting internationally standard and transparent merger notification procedures
- Further increasing corporate transparency
- Fully opening capital markets to foreign investor participation



# Thank you

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