

Keynote Speech by H.E. Xi Jinping
Vice President of the People's Republic of China
At the UNCTAD World Investment Forum 2010

Xiamen, 7 September 2010

Your Excellency Supachai Panitchpakdi, Secretary-General of the United Nations Conference on Trade and Development,
Distinguished Guests,
Dear Friends,
Ladies and Gentlemen,

The Second World Investment Forum of the United Nations Conference on Trade and Development (UNCTAD) is being held from 6 to 9 September in Xiamen, a dynamic special economic zone in China. The sustained and fast development the Xiamen special economic zone has achieved since its establishment 30 years ago proves that developing an open economy is the right thing to do and illustrates the importance of attracting foreign investment and conducting mutually beneficial cooperation. At the outset, I wish to extend, on behalf of the Chinese government and people, warm congratulations on the convocation of the forum, and sincere welcome to the heads of state and government, political leaders, representatives of relevant international organizations and the more than 1,000 business leaders from around the world.

The First World Investment Forum sponsored by UNCTAD in 2008 played a positive role in improving the global investment environment and promoting investment cooperation. The theme of this year's forum, "Investing in Sustainable Development", meets the aspirations of countries in the world, developing countries in particular, for promoting economic development through foreign investment attraction, and contributes to the attainment of the United Nations Millennium Development Goals. Let me take today's opportunity to express my deep regards to UNCTAD for the important contribution it has made over the years for upholding and advancing the interests of developing countries.

Ladies and Gentlemen,

Thanks to the concerted efforts of the international community, the world economy is gradually moving out of the shadow of the financial crisis and heading towards recovery. However, such recovery is neither

firmly established nor balanced, and there are still significant uncertainties down the road. While countering the impact of the international financial crisis, China has adhered to the policy of reform and the win-win strategy of opening-up. We expanded market access in line with universal international economic rules, advanced trade liberalization and investment facilitation, and accelerated the transformation of economic development pattern, with focus on expanding domestic demand and boosting household consumption. Following the principles of independent initiative, controllability and gradual progress, we steadily pushed forward the reform of the RMB exchange rate formation mechanism. In 2009, China attracted a total of US\$90 billion in foreign investment, ranking the second in the world. In the first half of this year, China approved 12,000 new foreign-invested enterprises with a paid-in investment of US\$51.4 billion, up by 19% and 21% year-on-year respectively. Also in 2009, domestic investors from China made direct investment in 111 countries and regions, and China's outward direct investment in non-financial sectors totaled US\$17.8 billion, which represents a 44% year-on-year increase. All this has laid an important foundation for the early recovery of the Chinese economy against the backdrop of the international financial crisis and contributed positively to global economic recovery.

To follow the basic state policy of opening-up, unswervingly develop an open economy and pursue a win-win strategy of opening-up is a useful experience that has underpinned the sustained and rapid development of the Chinese economy over the past 30 years and more. To attract foreign investment, pick competitive foreign investors and bring in "financial resources" and "intellectual resources" both at the same time is an important element of China's opening-up policy. By July 2010, a total of 698,000 foreign-invested enterprises had been established in China, registering a paid-in capital of US\$1.05 trillion. Today, in China, 22% of tax revenues, 28% of added industrial value, 55% of foreign trade, 50% of technology import and some 45 million job opportunities are contributed by foreign-invested enterprises. Opening to the outside world and attracting foreign investment are mutually beneficial and complementary. For China, continued introduction of foreign investment has provided necessary fund, advanced technologies and valuable managerial expertise and many global-minded talents to support the country's modernization drive. For foreign enterprises, investing in China has generated handsome returns. Many foreign-invested enterprises in China have become the growth engines and profit centers of their parent companies' global business. The latest UNCTAD survey shows that China is still the most appealing host for investment in the world.

In recent years, we have worked in line with the characteristics of the different stages of opening-up, and the requirements to improve an open economic system that focuses on both domestic and international markets, that promotes win-win and mutually beneficial cooperation, and that emphasizes security and effectiveness. And we have actively summed up our successful experience in past years. We better coordinated our “inviting in” and “going global” strategies, adopted new ways of conducting overseas investment and cooperation and supported enterprises to develop international operation in research and development, production and distribution. By the end of 2009, China had set up a total of 13,000 overseas enterprises with overall assets reaching more than US\$1 trillion, and had made US\$245.7 billion of overseas investment in 177 countries and regions. We are stepping up efforts to facilitate various forms of overseas investment cooperation, develop our own multinational companies and support well-positioned enterprises to establish international sales distribution networks. We are working to strengthen overseas infrastructure construction cooperation, and develop overseas labor contract cooperation in a well-managed fashion. And we are actively advancing the construction of overseas economic and trade cooperation zones. Our aim is to alleviate the tensions between overcapacity and weak domestic demand, stimulate industrial transformation at home and, at the same time, promote exports of relevant products and services.

In the process of building an open economy, China has worked in various forms to help developing countries enhance self-development capacity, improve the livelihood of their peoples and narrow the North-South gap. For instance, China made an additional contribution of US\$50 billion to the IMF replenishment plan, making it clear that the fund should be used to support least developed countries on a priority basis; China inaugurated a China-ASEAN Investment Cooperation Fund of US\$10 billion, and provided US\$15 billion of credit support to ASEAN countries, to help promote regional economic and financial stability. China provided US\$10 billion of credit support to members of the Shanghai Cooperation Organization, US\$10 billion of concessional loans to African countries, and cancelled debts owed by heavily-indebted poor countries and least developed countries in Africa; China gradually introduced zero-tariff treatment to 95% of exports from all the least developed countries with which China has diplomatic ties, and helped developing countries mitigate the impact of the international financial crisis, ease the employment pressure, and stabilize the economic situation. We will encourage more Chinese enterprises to “go global”, and will

continue to deepen South-South cooperation, and truly help developing countries raise economic development capacity.

Ladies and Gentlemen,

Whether in the past, at present or in the future, it is always China's long-term strategy to make good use of both domestic and global markets and resources, and promote both inbound and outbound investment. Our aim is to promote scientific and harmonious development at home and pursue peaceful and cooperation-based development with other countries. As China's open economy continues to develop, foreign investment in China will surely enjoy a broader space and generate even more profits. China is taking vigorous steps to create a more open and optimal investment environment for foreign-invested enterprises.

First, we continue to foster an open and transparent legal environment. China's socialist market economy is an economy based on the rule of law, and its investment environment is protected by laws that are open and transparent. In the thirty years and more of China's reform and opening-up, we have amended, on four occasions, the *Catalogue for the Guidance of Foreign Investment Industries*, and in each amendment, our focus has been to further expand the scope of market access and optimize foreign investment structure. Since China's accession to the WTO in 2001, we have effectively promoted investment facilitation and transparency of the investment environment. We have steadily improved laws and regulations guiding foreign investment, increased decision-making transparency, better regulated administrative behavior, made timely information release of development programs, industrial policies, access criteria and industry developments. Recently, the Chinese government promulgated the *Several Opinions of the State Council on Facilitating the Use of Foreign Investment*, and introduced a series of innovative measures to optimize foreign investment utilization structure, expand areas of opening-up and diversify foreign investment utilization. To be more specific, we will encourage more foreign investment in high-end manufacturing industries, high-tech industries, modern services industries, new energy, energy-saving and environmental protection industries. We will encourage foreign investors to move to and increase investment in the central and western regions, and develop labor-intensive industries meeting environmental requirements in the central and western regions. We will encourage foreign investment to participate in the reorganization, restructuring, merger and acquisitions of Chinese enterprises in the form of equity purchase, merger and acquisition, expand channels of funding for foreign-invested enterprises

in China, and give a better play to the role of foreign investment in scientific innovation, industry upgrading and balanced regional economic development.

Second, we continue to build a market environment for fair competition. Development will not be possible without competition which, in turn, demands fair play. The Chinese government's policy to encourage indigenous innovation applies to all enterprises in China and therefore cover all foreign-invested enterprises lawfully set up in China. This is an open and creative move taken in the broader context of international cooperation. Last April, after publicly soliciting opinions from Chinese and foreign investors, China made adjustments to the criteria for accreditation of "indigenous innovation-based products". According to the new criteria, foreign-invested enterprises are also producers of "Made in China" goods and therefore enjoy equal country of origin and national treatment as their fully Chinese-funded counterparts. The Chinese government is approaching the negotiation to join the WTO *Government Procurement Agreement* with a responsible attitude. The Chinese government will make all procurement and construction projects involving government budget open and transparent to Chinese- and foreign-invested enterprises and their products alike. As a matter of fact, foreign-invested enterprises won 55.4% of all bids in the international tendering conducted for 12,000 mechanical and electric products procurement programs in 2009.

Third, we continue to build a steady and orderly business environment. Intellectual property rights (IPR) protection is high on the agenda of the Chinese government, and a series of relatively full-fledged IPR protection systems have been instituted over the last two decades. In 2008, China developed the *Outline of the National Intellectual Property Strategy*, upgrading IPR protection to a national strategy. The five years between 2006 and 2010 witnessed the introduction of a host of annual IPR protection action plans. The Chinese government has reinforced IPR protection law enforcement via a number of special campaigns against online IPR infringement, piracy, etc. In the years ahead, the Chinese government will continue to improve the market system, remove market barriers, maintain market order and protect the rights and interests of investors, so that all market players, foreign-invested enterprises included, not only enjoy their rightful place in the Chinese market but will also grow their business on a sustainable basis. China will also improve systems, mechanisms, laws and regulations designed for IPR protection to offer more effective and efficient protection to investors and IPR owners. We welcome continued cooperation and supervision of

foreign-invested enterprises on China's actions and progress in regulating IPR infringement.

China is committed to improving its investment environment and the quality of foreign investment utilization. With a wide-scope, multi-tiered and all-dimensional opening-up pattern already in place and with the opening of China's manufacturing industry, most agricultural sectors and 100 service trade sectors, China hopes to remain a most appealing destination of investment in the world. These facts prove that China holds a competitive edge and its investment environment remains attractive to foreign-invested enterprises. China is now in a new phase of reform and opening-up and is working to integrate the transformation of its external and internal patterns of development in order to gain a new edge in international economic cooperation and competition in a globalized world economy.

Ladies and Gentlemen,

What we have is an open world and an open global economy. Under such circumstances, all countries need to develop an open economy if they were to accelerate development. The pace of growth of an open economy hinges on how wide it opens, and its prospect is determined by how well it opens. China will expand the breadth and depth of opening-up to deepen opening-up along the coast, accelerate opening-up in the hinterland and upgrade opening-up of the border regions. We will promote reform, development and people's living standards all through opening-up. In so doing, we will make fresh contribution to strong, sustainable and balanced growth of the world economy and advance economic globalization in a balanced and all-win direction that benefits all countries.

In conclusion, I sincerely wish the World Investment Forum 2010 a complete success.

Thank you.