See what China says about its capital outflow restrictions

Description

News started telling that China is tightening its foreign exchange rules to restrict money outflow from the beginning of this year or late last year, and recently, we saw an explosion of internet discourse on this topic. Many panic.

Right, China is worried about its capital outflow which will surely have adverse impact on China's economy which is struggling to restructure itself to gear up to a more self-sustaining and less-investment-driven growth mode.

China development and reform commission, ministry of commerce, People's Bank of China and China State Administration of Foreign Exchange have responded to the market unease by a reply on November 28 to question raised by reporter:

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> Q: how do you view the current situation of outbound investment? what policies should be kept in place?
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> A: Recent years, China has seen rapid development in outbound investments achieving an obvious success, and contributing greatly to the international mutual cooperation and domestic economic restructuring.
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> China is clear with its outbound investment policy and management, namely, insisting on a higher level of opening up, insisting on "going out" strategy, insisting on Enterprise participating, market principle, international practice, and government guiding, insisting on the filing system management for outbound investment, combining the facilitation of outbound investment and prevention of outbound investment risks, and standardizing market order. We verify some outbound investment projects by some enterprises in accordance with relevant regulations, boosting the healthy development of outbound investments and realizing mutual benefits and mutual development.

Then on December 6, 2016, the four departments again posted another reply to report that China is tightening outbound investment:

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Q: News said, China is tightening up supervision and management of outbound investment, what are your comments?

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Q: China’s clear with its outbound investment policies and managements, and still maintains the directive of encouraging our enterprises to participate in international competition and cooperation and getting involved in global industrial and value chains, and still insists on the principle of “Enterprise participating, market principle, international practice, and government guiding, and we still keep on reforms to further simplify, supervise and serve outbound investment. We support domestic competent enterprises to carry out genuine and compliant outbound investment, taking part in the construction and international production capacity cooperation, prompting deeper economic restructure at home, and deepening mutual cooperation between China and the world. At the same time, supervising departments are watching the risks associated with the irrational outbound investments in sectors such as real estate, hotels, cinemas and entertainment and sports and clubs, and big investment projects out of line with its main business, outbound investment by LLP, “small parent big son”, “fast in and fast out” and similar projects, and suggested enterprises to make prudent investment decisions. Administration regime of outbound investment is an important part of China’s open economy system, and we will combine the long-term regime and short-term control to contain risks while pushing forward outbound investment, and perfect and regulate market orders, boost healthy development of outbound investment and keep international inflow and outflow in balance.

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