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# **An investigation into China's export-share policy for foreign-invested firms**

**A thesis submitted in partial fulfilment of the requirements  
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# Abstract

This thesis analyses China's export-share policy; a policy that requires foreign-invested firms to export a certain minimum share of their production. The initial discussion focuses on the development of China's foreign investment and foreign exchange control policies since the commencement of the Open Door policy. Data on foreign-invested firms is analysed to determine whether (i) the export-share requirements affect investor behaviour, and (ii) the pattern of requirements imposed has changed over time. The effect of export-share requirements on domestic welfare, foreign investment, and the level of foreign reserves are then examined within a partial equilibrium framework, and, more extensively, within a general equilibrium model that allows for urban unemployment and various forms of trade protection. Finally, the results of the theoretical analysis are applied to the earlier discussion on China's foreign investment and foreign exchange control policies. It is found that the various policy goals pursued by China have conflicting optimal export-share requirements and, even though many of the theoretical results are ambiguous, the export-share policy implemented by China is probably non-optimal.

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# Abbreviations

The following abbreviations are used in this thesis:

CEMI	China-Europe Management Institute
cif	(imports valued at) cost, insurance and freight
CJV	Contractual or Co-operative Joint Venture
df	degrees of freedom
EJV	Equity Joint Venture
EPZ	Export processing zone
ESR	Export-share requirement
FEAC	Foreign exchange Adjustment Centre
FIE	Foreign-invested enterprise
Forex	Foreign exchange
FTC	Foreign Trade Corporation
LDC	Less Developed Country
MNC	Multi-National Corporation
MOFERT	Ministry of Foreign Economic Relations and Trade
PRC	People's Republic of China
RMB	Renminbi
SAEC	State Administration of Exchange Control
SEZ	Special Economic Zone
SFLPRC	<u>Selected Foreign-Related Laws and Regulations of the PRC</u> , Vol. 2, Hong Kong: Institute of Chinese Law (Publishers) and East Asia Open Institute
SGAEC	State General Administration of Exchange Control
SOE	Small open economy
USCBC	US-China Business Council
WFOE	Wholly Foreign-Owned Enterprise

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