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China Company formation demand 'healthy' despite FDI dip

The first seven months of this year saw foreign direct investment (FDI) fall slightly in China, but a leading expert on China Company formation says that demand for startups remains strong.

The 7.6% year-on-year investment dip to US\$32.7 billion, announced by the Ministry of Commerce in Beijing in August 2006, comes in the wake of investment reforms carried out by Beijing.

As part of the reforms, a new corporate structure was created to encourage company formation in China. The Foreign Invested Commercial Enterprise (FICE) is similar in principle to the existing and popular WOFE (Wholly Owned Foreign Enterprise) but, unlike a WOFE, a FICE is not restricted in where it can operate. In fact the only major restriction on a FICE is that it cannot engage in manufacturing.

Aidan Healy, managing director of Singapore-based Healy Consultants, said though foreign investments had fallen, China was clamping down on startups in certain industries 'which are viewed as detrimental.'

'The government wants foreign investment in shiny research and development centres, not environmentally-damaging factories,' he said. According to Xinhua, more than 750 foreign-invested R&D centres have already been set up in China.

'Given this policy by Beijing to encourage added-value industries, the FICE is a natural successor to a WOFE. And demand for company formation in China remains healthy despite the bureaucracy and restrictions still in place,' he added.

As a new generation of company formation in China, the FICE is also attractive because foreign investors retain 100% control of the Company.

According to the *Xinhua News Agency*, the Chinese government approved 22,772 new foreign-financed ventures from January to July 2006, down 7.63% compared with a year ago. The news agency added that the 10 leading investors in China in the period were Hong Kong, the British Virgin

Islands, Japan, South Korea, the US, Germany, Singapore, Taiwan, the Cayman Islands and Samoa.

Healy Consultants provides international tax planning, asset protection, company formation and corporate and private bank accounts, as well as migration into Asia. With a headquarters in Singapore, the Group also has offices in Dubai, Hong Kong and Perth, Western Australia.

For more information on China Company formation, kindly follow [this link](#).