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# Rules for Access of Foreign Capitals to Agricultural Field in Countries along the "Belt and Road"

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**Abstract** Agriculture is related to the strategy and security of a country. Every country is very discreet about access of foreign capitals to the agricultural field. Countries along the "Belt and Road" also have imposed restrictions on the access of foreign capitals to the agricultural field. There are restrictions on establishing agriculture-related enterprises, affiliated organizations, and branch offices. Also, there are regulations concerning the scope, proportion, performance requirement, and approval of access of foreign capitals to the agricultural field.

**Key words** Countries along the "Belt and Road", Agriculture, Access of foreign capitals, Regulations

## 1 Introduction

With the promotion and deepening of the "Belt and Road" (B&R), China's investment scale and field in countries along the "Belt and Road" are constantly expanding and deepening, and the exchange and cooperation in the agricultural field are also constantly strengthening. However, countries along the "Belt and Road" impose few restrictions on the access of foreign capitals to the agricultural field. To strengthen the cooperation and exchange with other countries along the "Belt and Road", China should comprehensively summarize regulations of countries along the "Belt and Road" about restrictions on the access of foreign capitals to the agricultural field. Therefore, it is necessary to make a detailed study on regulations of countries along the "Belt and Road" concerning the scope, proportion, performance requirement, and approval of access of foreign capitals to the agricultural field.

## 2 Restrictions of countries along the "Belt and Road" on the organizational form of access of foreign capitals to the agricultural field

According to the differences in organizational form of the access of foreign capitals generally includes establishment of new enterprises, merger and acquisition, establishment of affiliated organizations or branch offices, and other forms<sup>[1]</sup>. Some countries along the "Belt and Road" also have imposed restrictions on the organizational form of access of foreign capitals to the agricultural field.

**2.1 Establishing agriculture-related enterprises** In the field of international investment, the establishment of a new enterprise, also known as Greenfield Investment, refers to the investment by foreign investors in the establishment of a new enterprise under the

premises of complying with the host country's domestic law and foreign investors hold the equity of the corresponding shares of the enterprise<sup>[2]</sup>. There are two main forms: (i) wholly foreign-owned enterprises, and (ii) joint venture established jointly with investors in host countries. Different countries have different regulations on the ways of establishment of foreign capital enterprises. Countries along the "Belt and Road" also have imposed restrictions on the foreign capitals participating in the establishment of foreign capital enterprises. The restrictions are clear and specific, mainly involving ways of foreign capitals participating in the agricultural field and form of agriculture-related enterprises. In general, there are mainly two following regulations.

**2.1.1** Regulations on the form of legal person. Under such circumstances, some countries along the "Belt and Road" generally restrict the nature of agricultural-related enterprises that have been set up by foreign capitals to legal entities, excluding other forms of enterprises. For example, Croatia has clearly stipulated that, enterprises in the form of legal entity may engage in agriculture-related activities, while other forms of enterprises are restricted. Besides, some countries further restrict the nationality of legal entities, generally limiting to the nationality of the country. For example, Tajikistan stipulates that foreign capitals can participate in its open agricultural sectors, but only in the form of enterprises that have legal status in Tajikistan and foreign legal persons are disqualified from participating in establishing agriculture-related enterprises.

**2.1.2** Regulations on specific form of foreign capitals participating in establishment of enterprises. Such restrictive provisions are more specific. Many countries along the "Belt and Road" have adopted this approach, showing that most countries are cautious in their treatment of access of foreign capitals to the agricultural field. In Vietnam, foreign capitals are allowed to participate in the agricultural field, but only in the form of a joint venture. For another example, only limited liability companies can be registered in Thailand and engage in economic activities related to the agricultural field.

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## 2.2 Establishing affiliated organizations or branch offices

In the field of international investment, the establishment of affiliated organizations or branch offices is the simplest form of investment. At present, there are enormous differences in the legal provisions on these two forms between different countries. Likewise, in countries along the "Belt and Road", for foreign capitals participating in the agricultural field, there are differences in provisions on the establishment of affiliated organizations or branch offices.

**2.2.1** Affiliated organizations established by foreign capitals can participate in the agricultural field. Affiliated organizations established by foreign capitals can participate in the agricultural field, but may not engage in activities of corresponding agricultural field. Most countries along the "Belt and Road" adopt such regulation. In this case, affiliated organizations are granted permission to engage in certain agricultural activities, but some countries make specific stipulations as to the procedure of foreign capitals establishing affiliated organizations in the agricultural field<sup>[3]</sup>. For example, Vietnam stipulates that foreign investors may set up foreign-invested enterprises in Vietnam and set up the representative office in Vietnam, but are not allowed to engage in any direct profit-making activities; however, it imposes no restriction on the establishment affiliated organizations. In Croatia, affiliated organizations are allowed to participate in all relevant agricultural economic activities, but rights and obligations of affiliated organizations are stipulated, only restricted to their parent companies. According to restrictions of Macedonia, foreign capitals may register a wholly-owned enterprise in Macedonia or provide economic activities in the agricultural field in the form of affiliated organization, but the branch offices registered in Macedonia are not allowed to engage in and provide economic activities related to the agriculture. In accordance with regulations of Russia, the representative office is not entitled to engage in any commercial activities.

**2.2.2** Representative offices can engage in related agricultural economic activities. Very few countries along the "Belt and Road" take different attitudes towards foreign capitals establishing the representative offices. In Hungary, the representative office is allowed to provide economic activities of the agricultural field, but affiliated organizations initially entering Hungary are not allowed to engage in corresponding agricultural economic activities, which need approval of central and local authorities of Hungary.

## 3 Restrictions of countries along the "Belt and Road" on the scope and proportion of access of foreign capitals to the agricultural field

### 3.1 Restrictions on the scope of access of foreign capitals

The scope of access of foreign capitals is the industry or sector of a country in which foreign capitals are allowed to participate. Generally, host countries specify the scope of access of foreign capitals through laws or regulations, mainly considering the domestic economic security and industrial development. In view of the special features of the agricultural field, especially the important role in

supporting national economic system and national strategy and security, many countries along the "Belt and Road" have imposed stringent regulations on the scope of the access of foreign capitals to the agricultural field.

**3.1.1** Negation. In this manner, a country makes specific exclusion of the access of foreign capitals to the agricultural field. All fields not excluded are the scope of the access. This method is mainly adopted by developed countries, such as Austria; some developing countries also adopt this approach, such as Estonia. In general, because the negation method reflects high threshold for foreign capitals entering the agricultural field, few countries adopt this method.

**3.1.2** Affirmation. In this manner, countries along the "Belt and Road" impose specific provisions on the access of foreign capitals to the agricultural field. Those fields not listed are not allowed to enter. Many countries along the "Belt and Road" adopt this method, especially the developing countries and the least developed countries.

**3.2 Restrictions on the proportion of access of foreign capitals** The provision of the proportion of foreign capitals is an essential measure for the degree of access and participation of foreign capitals. Thus, analysis of provision of the proportion of foreign capitals can clearly judge a country's access policy of foreign capitals. From a macroscopic perspective, a country's regulation and restriction on the proportion of foreign capitals reflect the general grasp of investment direction and special fields of foreign capitals; from microscopic perspective, it mainly reflects the specific investment proportion, enterprise benefits, and allocation of management right, while such allocation requires that investors of host countries and foreign investors must act within the framework of laws of the host countries. Countries along the "Belt and Road" impose different provisions on the proportion of access of foreign capitals to the agricultural field, reflecting different attitudes of these countries towards foreign capitals participating in their domestic agricultural field. In general, the regulations on the proportion of foreign capitals in agricultural field are clear and specific, and can be divided into three types.

**3.2.1** Foreign capitals may take up a small portion. According to such provisions, foreign capitals should not exceed 50% of the share of agricultural enterprises. But for the specific proportion, there is no detailed provision. For example, Thailand stipulates that the foreign capital invested in the agricultural field of Thailand shall not exceed 49% of the total foreign capital, and it is required to obtain the prior authorization of the agricultural sector in their own countries or meet the requirements of the relevant enterprises in the agricultural field in their own countries<sup>[4]</sup>.

**3.2.2** Foreign capitals may take up a large portion. In other words, the foreign capitals may exceed 50% of the share of agricultural enterprises, and this type is also can be divided into three cases<sup>[5]</sup>. (i) Provision of specific proportion. There is provision on the specific proportion of foreign capitals participating in establishing agriculture-related enterprises. For example, Laos stipu-

lates that the proportion of foreign capitals participating in the agricultural field is limited to 51% (upper limit). (ii) Progressive provisions. There is provision of specific proportion of foreign capitals, but over time, the proportion of foreign capitals may be increased. In Nepal, the highest proportion of foreign capital is 51%, but five years as of the date of participation, the proportion of foreign capital can be increased to 80%. In Vietnam, as of January 1, 2009, foreign capitals may own 100% shares of agriculture-related enterprises, and there is no restriction on the investment proportion of foreign capitals participating in domestic agricultural field. Oman stipulates that foreign capitals can participate in the agricultural field, and as of January 1, 2001, the share of foreign equity may be up to 70%. Jordan stipulates that the proportion of foreign capitals can reach 51%, and as of January 1, 2004, the proportion of foreign capitals may be up to 100%. (iii) General provisions. There are only general provisions on the proportion of foreign capitals in the agricultural field, but there is neither specific proportion value, nor progressive proportion adjustment.

**3.2.3** Some countries along the "Belt and Road" have not imposed restrictions on the proportion of foreign capitals. Except the above provisions, many other countries have not imposed restrictions on the proportion of access of foreign capitals to their open agricultural field. Most countries along the "Belt and Road" belong to this case. This indicates that countries along the "Belt and Road" do not have detailed or special provisions on the access of foreign capitals to their agricultural field. Instead, they just apply the rules for access of general investment.

#### 4 Performance requirements and approval regulations of countries along the "Belt and Road" on the access of foreign capitals to the agricultural field

**4.1 Performance requirements for the access of foreign capitals** Performance requirements, also known as "investment conditions", are the specific regulatory measures by host countries for the foreign capitals introduced. If the foreign capitals fail to meet the investment performance requirements set by the host countries, the foreign capitals will not smoothly enter the host countries and will not operate in the host countries and obtain certain preferential conditions. The implementation of such regulatory conditions is mainly to make the foreign capitals better serve domestic economic development and satisfy demands of overall social and economic development objectives of host countries, to avoid control of domestic economy by foreign capitals and avoid adverse effects of foreign capitals to domestic economy. Countries along the "Belt and Road" impose decentralized performance requirements for access of foreign capitals to their agricultural field. There are both general and specific provisions. In general, the regulations of countries along the "Belt and Road" on performance requirements for access of foreign capitals to the agricultural field are mainly reflected in local composition, local employment, and trade balance<sup>[6]</sup>.

**4.1.1** Specific provisions on responsible person for agricultural enterprises. Such provisions are actually performance requirements of local composition for access of foreign capitals to the agricultural field. Many countries have detailed restrictions on this. Such provisions mainly refer to the specific provisions of the responsible persons, directors, shareholders or managers of agricultural enterprises with participation of foreign capitals. For example, Ukraine stipulates that when foreign capitals participate in the agricultural field, no matter the proportion of foreign capitals, the responsible person of agricultural enterprises must be a citizen of Ukraine. Jordan also stipulates that when foreign capitals participate in agricultural field, the responsible person of agricultural enterprise must be person with Jordanian nationality.

**4.1.2** Provisions on local employment. This case also belongs to performance requirements for local employment, mainly referring to local ordinary workers and professional workers in agricultural enterprises with participation of foreign capitals. Few countries impose such restrictions. For example, Jordan stipulates that at least 90% of ordinary workers should be Jordanian, foreign spouses of Jordanian, or people living in Jordan for ten years or longer, and foreign professionals or technicians should not exceed 15% of the total workers. In agricultural enterprises with high proportion of foreign capitals, with prior proposal of relevant departments and approval of the Department of Social Welfare and Social Security, professional or technical personnel may be allowed to enter Jordan for a fixed period of time.

**4.1.3** Other relevant provisions. These provisions are relatively decentralized, but detailed and specific. According to provisions of Turkey, with approval, foreigners can set up wholly-funded agricultural enterprises or agricultural joint venture. Turkey only stipulates that agricultural enterprises with participation of foreign capitals, but does not stipulate foreign people. Latvia does not stipulate the acquisition of land, and the land rental period of agricultural enterprises should not exceed 99 years.

**4.2 Approval regulations of access of foreign capitals** The approval regulations of access of foreign capitals are a system of host countries making examination and granting approval for access of foreign capitals with certain procedures and standards. Such a system is mainly based on the economic security and economic development goals of host countries. The system is set for regulation of access of foreign capitals and for host countries using foreign capitals in a planned and purposeful manner, to promote healthy economic development of host countries. Therefore, the most of countries have established their own system of examination and approval for access of foreign capitals. These countries will also set the approval system for access of foreign capitals from the perspective of procedural rules, and generally they will reserve the right to refuse the access of foreign capitals under certain circumstances. In countries along the "Belt and Road", many countries impose special restrictions on the approval of access of foreign capitals to the agricultural field, mainly including two aspects.

**Table 3 Yield and yield composition of the maize varieties**

Variety	Grain weight per ear // g	Cob weight // g	Hundred-grain weight // g	Double ear rate // %	Yield kg/ha	Changing rate of yield // %	Order
Xianyu 335	160.15	33.14	26.99	0	4 851.58 c	-21.12	5
Baodan 3	139.91	27.72	27.73	10	4 662.28 c	-24.20	7
Lianda 169	187.35	34.64	25.47	60	8 080.93 a	31.40	1
Jindan 73	160.15	22.56	23.65	20	5 821.90 bc	-5.35	4
Ganyu 804	142.25	27.79	26.20	10	4 740.25 c	-22.93	6
Ganyu 812	120.75	20.29	26.11	0	3 658.00 d	-40.53	10
Ganyu 816	113.87	21.40	26.82	0	3 449.58 d	-43.92	11
Ganyu 810	122.12	23.16	23.24	0	3 699.50 d	-39.85	9
Ganyu 803	100.23	20.14	24.12	0	3 036.37 e	-50.64	12
Ganyu 811	121.32	21.34	23.46	5	3 859.03 d	-37.26	8
Jinsui 4 ( CK)	203.04	45.76	33.34	0	6 150.89 b	0.00	3
Dunyu 16	218.56	44.38	34.22	0	6 621.06 b	7.64	2

## 4 Conclusions

The growth period, characters and yield of the 12 maize varieties were analyzed. The results showed that the growth period of the maize varieties was 115 – 137 d. The yield of Lianda 169 and Dunyu 16 was 31.40% and 7.64% higher than that of Jinsui 4 respectively. Their plant height and ear position were appropriate, and their grain number per ear was large, while their hundred-grain weight was large, so they could be popularized and planted in dry farming areas of Lanzhou City. The yield of Ganyu series as early maturing varieties was low, so they should not be popularized. Xianyu 335 and Jindan 73 need to be studied through an experiment.

(From page 39)

**4.2.1** Examination and approval and certification regulations on the establishment of agriculture-related enterprises. Countries along the "Belt and Road" impose provisions on the examination and approval authorities, approval procedure, and certification for foreign capitals setting up wholly-funded agricultural enterprises or agricultural joint venture. Russia stipulates that any agricultural enterprise with a share of foreign capitals may not participate in the agricultural field restricted by the state and must be approved by the state agricultural department in advance. Such approval includes the planning and operation of funds and expenses, and also includes approval of workers and management staff. Hungary stipulates that the license of foreign capitals participating in agricultural enterprises must be obtained from local or central agricultural bureau.

**4.2.2** Examination and approval of shares and proportion of foreign capitals buying from domestic agricultural enterprises. These restrictions mainly relate to whether foreign capital can buy the shares of the agriculture-related enterprises in the host country, the proportion of purchase shares, the competent authorities for approval, the application and procedure for examination and approval, the contents of examination and approval and the reference objects<sup>[7]</sup>. Slovenia stipulates that any foreign acquisition of Slovenian agricultural enterprises more than 10% of the total share must be evaluated by the government for review, and the contents of review mainly include market condition, domestic status and influence of the enterprise, potential influence of introduced foreign

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capitals, and benefits and losses for domestic agricultural enterprises; Turkey stipulates that foreign capitals can buy shares of domestic agriculture-related enterprises, but they must comply with laws related to investment in securities and foreign investments, and shall obtain authorization of general administration of foreign investment.

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