China Commercial Regulatory Summary
October – December 2017

A quarterly summary of the key Chinese policies affecting UK business

This product aims to inform new and expanding UK businesses selling to or located in China about the commercial regulatory issues most likely to affect them. We are providing factual information rather than analysis. All feedback welcome.

CROSS-CUTTING POLICIES:

China’s National People’s Congress (NPC) revamps Anti-unfair Competition Law and Standardization Law.
China’s legislature, the NPC passed the revised Anti-unfair Competition Law at the beginning of November. The revision addresses emerging issues including fraud in e-commerce. It also stipulates that companies, rather than individuals should be penalized for bribery. The new law will take effect from 1 January 2018. Read the law here (Chinese) and further information here (English).

The NPC also approved a new standardization law. According to the law, businesses are required to publish all standards adopted, including internal standards. Read the law here (Chinese).

MOFCOM cuts procedures for foreign firms to set up representative office in China.
On 25 September, China’s Ministry of Commerce (MOFCOM) announced (Chinese) the abolition of a regulation which has stipulated how foreign enterprises establish representative offices in China since 1995. Other regulations requiring a simplified registration procedure is still in force. Click here (Chinese) and here (English) for current regulations.

AQSIQ introduces a ‘one-stop’ customs clearance procedure.
On 24 October General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) published an announcement that streamlines inspections and quarantine procedures. Measures include adopting a “one-stop” procedure and a free online inspection and quarantine system e-CIQ (Chinese). The new procedure has been effective since 1 November. See procedure here (Chinese) and AQSIQ Announcement here (Chinese).

GAC adjusts the supervision period for imported goods with tariff reduction and exemption.
On the same day as the above AQSIQ announcement the General Administration of Customs (GAC) issued an announcement to adjust the supervision period for imported goods with reduced/exempted tariffs, effective immediately. Detailed adjustments as: 8 years for vessels and airplanes, 6 years for motor vehicles and 3 years for other types of imported goods. See the announcement here (Chinese).

MOF cuts import tariffs on consumer goods.
On 22 November China’s Ministry of Finance (MOF) announced cuts of import tariffs for consumer products ranging from food & beverages, pharmaceuticals, clothing to machinery with the reduction from an average of 17.3% to 7.7%. New tariffs have been applied since 1 December. See the announcement here (Chinese) and the full list of products with new tariff rates here (Chinese).

CIETAC launches China’s first Arbitration Rules for Foreign Investment Disputes.
China’s biggest arbitration institution, China International Economic and Trade Commission (CIETAC) introduced on 19 September the country’s first Arbitration Rules for Foreign Investment Disputes which took effect on 1 October. See the rules here (Chinese) and the State Council Announcement here (English).

SECTORS:

FINANCE

In mid-November China announced plans to open up sections of the financial services market.
China committed to increase foreign ownership caps to 51% in fund management, brokerage and futures companies and to 100% after 3 years. For insurance companies, JV caps will be lifted to 51% after 3 years and 100% after 5 years. Also, the restriction of single foreign investment into banks, capped at 20%, has been removed. Further information here (English).

AUTOMOTIVE

China commits to remove foreign ownership restriction for New Energy Vehicles in Pilot Free Trade Zones before June 2018.
A detailed implementation plan remains to be seen.

**E-Commerce**

**NPC solicits comments on the 2nd reading of the E-commerce Law.**
Following the Standing Committee meeting at the beginning of November, the NPC published the second reading of the E-commerce Law on 7 November. Consultations were welcome until 26 November. Read the draft here (Chinese).

**MOFCOM extends transition period for cross-border retail regulations to an additional five cities.**
On 7 December, at the weekly MOFCOM press conference, the Spokesperson announced that the transition period for cross-border retail regulations would be applied in 5 more cities (Hefei, Chengdu, Dalian, Qingdao and Suzhou) in addition to the initial 10 pilot cities (Tianjin, Shanghai, Hangzhou, Ningbo, Zhengzhou, Guangzhou, Shenzhen, Chongqing, Fuzhou and Pingtan). During the transition period, retail imports will be treated as personal goods.

**MEDICAL DEVICES AND PHARMACEUTICALS**

**CFDA revises regulations on supervision and administration of medical devices.**
On 31 October China’s Food and Drug Administration (CFDA) released the Amendments to the Regulations on Supervision and Administration of Medical Devices and solicited public comments by 12 November. The draft is intended to streamline approval procedures and strengthen regulations of medical devices after they have been launched in market. Read the CFDA announcement here (Chinese).

**CHINESE INVESTMENT OVERSEAS:**

China revised Measures for Chinese investment overseas.
On 3 November the State Council published the draft measures for the Administration of Chinese Companies Investing Overseas, open for consultation until 3 December. The draft Measures stipulates that only investment over US$ 300 million in sensitive sections or countries should be notified to NDRC via a to-be-launched online system. Click here for the State Council announcement (Chinese).

**REGIONAL SNAPSHOT:**

Anhui has the 6th fastest growth rate in China and is already China’s 13th largest provincial economy. Its GDP is equivalent to Austria and its population is similar to the UK. Hefei, the capital city has roughly the same population as London.

Anhui’s economy is still largely based on heavy industries which make up 48.1% of Anhui’s GDP. Key sectors include automotive and construction machinery manufacturing with companies like JAC and Chery (joint venture partners of Jaguar Land Rover); construction material manufacturing with companies including Conch Cement, Tongling Metal, Ma Steel, Huabei Mining Group and home appliance manufacturing. Anhui is the largest producer of home appliances in China.

Anhui is playing a key role in China’s ongoing reform as it is home to many large State Owned Enterprises (SOE). Looking ahead, Anhui is promoting advanced engineering and high tech software companies including iFly-Tek. The province has also invested into high speed rail in the past few years, making its capital city Hefei a new national transport hub. Anhui is keen to attract foreign investment and has succeeded in bringing the largest Unilever plant in China to Hefei. The British Embassy’s Regional Engagement Network works across China help the UK build partnerships, prosperity and opportunity for all. For more information on Anhui, contact cathy.xu@fco.gov.uk

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