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:

Chinese Premier Li Keqiang pledged to substantially reduce taxes and fees, as well as create a level playing field for foreign companies at the 2018 Tianjin Summer Davos. Read the full speech here (Chinese) and here (English).

China abolished 11 administrative approval requirements with effect from 28 July. This includes approval requirements for registration of corporate groups. Additionally, the requirement to file records when establishing company branches has been removed, as well as the need to make an announcement when withdrawing a business licence. The relevant ministries have been tasked to develop detailed oversight rules within 20 working days from the effective date. Read the announcement here (Chinese) and a summary here (English).

Meanwhile, Premier Li Keqiang pledged to further cut the number of production certificates for industrial goods by at least one-third and to further simplify approval procedures for the remaining certificates. Read the news here (Chinese) and here (English).

China unveiled its new Foreign Investment Negative List (FINL) for pilot Free Trade Zones (FTZs), effective from 30 July 2018. The number of items on the new list was reduced from 95 to 45. Compared with the national one released two days prior, the FTZ list removes restrictions on the production of nuclear fuel and other radioactive minerals, and on joint ventures in oil and natural gas exploration. The investment cap for the production of wheat and corn has been raised from 49% to 66% in FTZs. Read the announcement here (Chinese), a summary here (English) and a list of key changes here (English).

China’s Ministry of Commerce (MOFCOM) published draft Administrative Measures to Regulate Foreign Strategic Investment into Chinese Listed Companies. The draft comes 13 years after the previous version was released in 2005, and takes into account the new FINLs and the government reshuffle in March (The State Administration for Industry and Commerce and Anti-monopoly Bureau now sit in the newly established State Administration for Market Regulation). For strategic investment into listed companies, regulations around minimum total assets and lock-up period requirements will be loosened. Investment approval rights will be partly decentralized to provincial-level commerce bureaus. Read the draft measures here (Chinese) and more information here (English).

State Council approved a plan to deepen trade in services innovation in pilot cities/regions from 1 July 2018 to 30 June 2020. New facilitating and opening up measures on banking, telecommunication, tourism, engineering consulting and legal services will be adopted in pilot regions including Beijing, Tianjin, Shanghai, Hainan and Shenzhen. Read the announcement here (Chinese) and a summary here (English).

China’s Ministry of Finance announced it would raise the export rebate rate (up to 16%) for electromechanical and cultural products, effective from 15 September. Read the announcement and full list here (Chinese), and more information here (English).

China’s legislative body National People’s Congress (NPC) released its five-year legislative plan on 7 September. Foreign Investment Law, Securities Law, Export Control Law, as well as revisions to the Patent Law and Copyright Law are all listed as high priorities in the plan. The Trademark Law revision is excluded from the plan. Read the plan here (Chinese).

SECTORS:

E-COMMERCE

NPC passed the country’s first E-commerce Law, effective from 1 January 2019. The law clarifies the legal responsibilities of platform operators as well as merchants on those platforms. It also outlines requirements around consumer protection, cyber security, market competition, credit evaluation, IPR protection and cross border e-commerce. Read the law here (Chinese) and a summary here (English).
China introduced its second internet court in Beijing on 9 September to deal with disputes around digital assets, intellectual property, personal information and business secrets. The first internet court was launched in Hangzhou a year ago. A third one will reportedly open in Guangzhou. Read more here (Chinese) and here (English).

State Council approved Cross-border E-commerce Pilot Zones in 22 cities including Beijing. Municipal governments are tasked with issuing implementation plans. Read the announcement here (Chinese) and a summary here (English).

FINANCE

China Securities Regulatory Commission (CSRC) seeks public comments on the draft Shanghai-London Stock Connect (SLSC) Rules (for trial implementation) from 31 August. The draft rules stipulate requirements for market entities under SLSC. A review and approval regime, as well as a conversion mechanism for CDRs will be set up. Read the announcement here (Chinese) and here (English), and the draft rules here (Chinese).

CSRC released the Administrative Measures for Foreign-invested Futures Companies, effective from 24 August. According to CSRC, the guidance for permit application will soon be updated accordingly. Read the announcement here (Chinese) and here (English), and the measures here (Chinese).

China Banking and Insurance Regulatory Commission (CBIRC) removed foreign-stake limits in banks and asset management companies dealing with non-performing loans, effective from 17 August. Read the announcement here (Chinese), the full text here (Chinese) and a more information here (English).

ENERGY

State Council urged sustainable development of natural gas (Circular [2018] 31). The Circular seeks to tackle problems facing the industry, such as unbalanced supply and demand, the lack of geographical, transportation and contracting diversity in imports, and inadequate infrastructure. Read the Circular here (Chinese) and a summary here (English).

China’s National Development and Reform Commission (NDRC) published draft Regulatory Measures on Opening Access to Oil and Gas Infrastructure. The draft measures will allow third-party access to pipelines previously controlled by Chinese state-owned oil companies. Read the draft measures here (Chinese) and more information here (English).

State Council published guidelines to promote standardization in nuclear power. According to the guidelines, China will enhance cooperation with international standardization organisations. Read the guidelines here (Chinese) and a summary here (English).

HEALTHCARE AND PHARMACEUTICALS

China’s State Medical Insurance Administration announced that 18 cancer drugs will be added to the negotiations for entry into medial insurance for 2018. Read the announcement and full list here (Chinese) and a short news article here (English).

AUTOMOTIVE

China’s National Development and Reform Commission published draft Administrative Provisions for Investment in the Automobile Industry. The draft provisions stipulate that relevant ministries should conduct timely antitrust investigations in accordance with relevant rules for new large projects, mergers, acquisitions, reorganisations and equity changes. A security review should also be conducted when foreign investment is involved. Read the draft provisions here (Chinese) and more information here (English) and here (English).

AGRICULTURE

General Administration of Customs of China issued phytosanitary requirements for UK seed potatoes, effective from 19 September. Read the requirement here (Chinese).
VIEW FROM THE BUSINESS COMMUNITY:

The European Chamber released its Annual Position Paper 2018/2019 on 18 September. The central theme in the paper is China’s ‘reform deficit’. While the paper acknowledges that the speed of China’s reform and opening up has accelerated over the past year relative to the recent past, it remains, in absolute terms, incomplete and too slow. It provides 828 specific recommendations that the European Chamber believes will help China to overcome the deficit.

REGIONAL SNAPSHOT:

Located in South-Central China and the birthplace of Mao Zedong, Hunan has a population of 75 million, and a fast growing economy. In 2017, Hunan’s GDP grew by 8%, ranking Hunan as China’s 9th largest province in terms of GDP. Major cities include Changsha (the capital), and Zhuzhou (the base of CRRC Zhuzhou Electric Locomotive Co. Ltd., the main producer of electric locomotives in China).

There are five major rivers running through Hunan which, together with the subtropical climate, make the province the country’s largest rice producer. In addition, Hunan is seen as an important communications hub that connects central areas with economic belts in the richer coastal areas and the poorer western Provinces. Other key sectors include the Creative industry (Hunan TV is China’s second biggest TV channel after CCTV), Construction, and Manufacturing (including non-ferrous metals, which has led to high levels of heavy-metal pollution in Hunan’s soil).

Hunan’s strategy for development focuses on innovation and openness. As part of that, they want to work with the UK on culture, environmental issues and continue to develop business partnerships. Hunan itself is due to be partnered with Lincolnshire and Changsha is also currently seeking a UK sister city.

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