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.

Summary: Lots of change this quarter: tariff cuts on 2, 200 products, a rapid rise up the World Bank’s Ease of Doing Business Ranking (32 places), a new draft Foreign Investment Law, and a Supreme Court IP Tribunal. More liberalisation in finance, e-commerce, healthcare, agriculture and education sectors. But stricter rules for auto and energy. The British Chamber of Commerce survey suggests that 65% of companies are optimistic about business prospects over the next two years. But cybersecurity, IP protection and licensing are the top 3 concerns.

**CROSS-CUTTING POLICIES:**

China implemented its fourth round of tariff cuts for 1, 500 industrial products including electromechanical products (from 12.2% to 8.8%), textile and building materials (from 11.5% to 8.4%), and paper products (from 6.6% to 5.4%), effective from 1 November. These cuts follow the first round in May for anti-cancer drugs, and second and third rounds in July for automotive parts and consumer goods respectively. China’s overall tariff rate has reached 7.5% versus 9.8% last year, which is slightly higher the EU rate (5.1%). Read the State Council announcement [here](English) (Chinese) and a summary [here](English).

China introduced another round of tariff cuts across more than 700 products, effective from 1 January 2019. Many products saw their tariffs drop to 0% including components for cancer drugs. Read the list [here](Chinese) and a news article [here](English).

The National People’s Congress published a new draft of Foreign Investment Law, open to public consultation until 24 February 2019. The new draft bans the use of administrative measures to force technological transfer, reconfirms the protection of foreign IP and allows foreign companies to repatriate income generated in China. Foreign-invested enterprises will be granted equal rights when applying for policy incentives or participating in government procurement and the standards setting process. Read the draft [here](Chinese) and [here](English).

China unveiled its first national Market Access Negative List (MANL) on 25 December. The List features 151 items: 4 in the “prohibited” category, where private investment is forbidden, and 147 in the “restricted” category, where market access for private investment is subject to licensing requirements or government approval – at either national or provincial level. Besides MANL, foreign investment is also restricted by the Foreign Investment Negative List. Read the draft and relevant information [here](Chinese) and a news article [here](English).

The Supreme People’s Court (SPC) started to take on intellectual property cases from 1 January 2019. Read the news [here](Chinese), the SPC regulation [here](Chinese), and a news article [here](English).

Following a rapid rise in its 2019 Ease of Doing Business Ranking in November (from 78th to 46th), China has announced new measures, with concrete timelines, for improving the business environment. These include 1) cutting 10% of items that require mandatory certifications (end 2018); 2) issuing a shorter list of licences that require governmental approval (March 2019); and 3) launching a campaign regarding the equal treatment of foreign-invested enterprises in areas including government procurement, subsidies and qualifications (March 2019). At local level, China pledges to set up a complaints mechanism for business environment issues (end 2018), and launch a city-level ranking system (end 2020). For more information read the State Council Circular on further improving China’s business environment [here](Chinese), the announcement of the launch of the city-ranking system [here](Chinese), and summaries [here](English) and [here](English).

The State Council published on 19 October a Working Plan to Improve Trade Facilitation at Customs. China pledged to cut the overall clearance time by one third (end 2018), reduce clearance documents subject to verification at ports from 86 to 48 (1 November 2018), cut compliance fees for containers clearing by US$ 100 per container (end 2018), and process 80% of declarations through a Single Window (end 2018) and 100% by end 2020. The General Administration of China (GACC) recently confirmed that most of these targets have been achieved. Read the Working Plan [here](Chinese), the GACC conference script [here](Chinese), and a news article [here](English).
The Ministry of Finance (MOF) expanded withholding tax exemptions for foreign companies reinvesting their profit into all non-prohibited sectors, eligible for proceeds after 1 January 2018. This policy was initially introduced early this year for reinvestment into sectors encouraged by the Chinese government, now it has been expanded to all non-prohibited sectors. Read the announcement here (Chinese) and a news article here (English).

China adopted new export rebate rates (up to 16%), effective from 1 November. Read the announcement and list here (Chinese) and a news article here (English).

The State Administration of Market Regulation (SAMR) published new guidance on mergers and acquisitions application. Companies filing for a M&A deal are urged to explain the motivation of the deal when they file their documents. Read the guidance here (Chinese) and here (Chinese).

China unveiled a Development Plan for Hainan pilot Free Trade Zone. Key objectives are to build Hainan into an international tourist island, boost the healthcare sector, and open up the oil & gas and telecoms sectors. Foreign investment restrictions in a number of sectors (e.g. seed production, ship / aircraft design and manufacturing, exploration of oil and gas and cultural performances) have been relaxed. Read the State Council document here (Chinese) and a summary here (English).

Shanghai Municipal Government released China’s first negative list for cross-border service trade, applicable in Shanghai pilot Free Trade Zone and effective from 1 November. Read the negative list here (Chinese), regulations around the list here (Chinese) and a news article here (English).

SECTORS:

FINANCE

China Securities Regulatory Commission (CSRC) released rules for Shanghai-London Stock Connect (for trial implementation) on 12 October. Read the rules here (Chinese) and here (English).

China Banking and Insurance Regulatory Commission (CBIRC) implemented the Measures on Administration of Wealth Management Subsidiary of Commercial Banks on 2 December. Read the Measures here (Chinese) and a news article here (English).

CSRC implemented the Measures of Administration of Private Fund Management Business of Security and Futures Institutions on 22 October. Read the Measures here (Chinese).

E-COMMERCE

In the hope of boosting cross-border e-commerce (CBEC), China has decided to enhance its preferential policies from 1 January 2019. Cross-border retail goods will continue to be treated as personal belongings (not subject to normal import and export regulations) in 37 cities including Hangzhou and Beijing. China has also added an additional 63 items (including sparkling wine and beer) to the list of products that can be sold into China via CBEC. Read the State Council news here (Chinese), the list here (Chinese), and a summary here (English).

AGRICULTURE

Following an agreement with China’s General Administration of Customs (GACC), the UK can start to export dairy products made with non-UK dairy ingredients to China from 15 December. See a sample of health certificate here (Chinese).

EDUCATION

China vows to achieve universal preschool education by 2035 and welcomes public investment into the sector. Read the State Council announcement here (Chinese) and a summary here (English).
HEALTHCARE AND PHARMACEUTICALS

China’s State Medical Insurance Administration approved 17 anti-cancer drugs (including Astra Zeneca Tagrisso) for inclusion on its Nationally Determined Drug Reimbursement List. This comes as part of the country’s efforts to make cancer drugs more affordable to the public. Read the announcement and the full list here (Chinese), and a news article here (English).

AUTOMOTIVE

Hainan and Shenzhen started to adopt new China 6 emission standards (China 6) from 1 November. The standards were set to be fully implemented nationwide in two phases: 1) 6a standards from 1 July 2020; 2) 6b standards (much stricter) from 1 July 2023. Major cities including Beijing and Guangzhou all have plans to implement China 6 ahead of time. Read a news article here (English).

The National Development and Reform Commission (NDRC) unveiled new Auto Industry Investment rules, effective from 10 January 2019. The rules restrict the ability to invest in production of internal combustion engine (ICE) vehicles. Read the rules here (Chinese) and a news article here (English).

ENERGY

The National Energy Administration is close to introducing China’s first mandatory renewable power quote system. Minimum renewable energy consumption targets will be set by region from 2019. Read the announcement here (Chinese) and a news article here (English).

NDRC released an Action Plan to Improve Charging Infrastructure for New Energy Vehicles. The action aims at improving the technology and quality of charging facilities, establishing a better NEV standard system, and optimizing the facilities distribution within three years. Read the announcement here (Chinese) and a news article here (English).

REGIONAL SNAPSHOT:

China-Britain Innovation Industry Park (CBIIP) was inaugurated in November 2017, and is the first industrial park to be launched between the UK and China. It has a total planned area of 15.1 square kilometres and sits within the broader Qingdao International Economic Cooperative Area (with a total planned area of over 200 square kilometres).

CBIIP aims to bring innovative UK companies to China. Focuses include life sciences, the creative sector and advanced manufacturing. UK firms entering the park are eligible for subsidies, preferential housing policies and technical support on getting licenses and establishing partnerships. CBIIP established a platform that supports international companies operating in the park to sell products in China.

For more information, please contact China Trade Policy team, or CBIIP directly, Mrs. Hu Yun (huyun@sgep.cn) for general questions, Mrs. Li Su (lisu@squgroup.cn) for selling products in China.

VIEW FROM THE BUSINESS COMMUNITY:

The British Chamber of Commerce published its British Business in China: Member Sentiment Survey on 18 December. It is the first public survey of British businesses in China and assessed over 200 of their members’ reflections on companies’ experience in 2018 and their outlook for 2019. While 65% of the respondents are optimistic about their prospects in China's market over the next two years, 31% have found it more difficult to do business in China. The top three concerns of British businesses are cybersecurity, intellectual property protection and licensing restrictions.

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