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China announced draft 2020 Catalogue of Encouraged Industries for Foreign Investment

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According to the annual study “Doing Business” released by the World Bank Group in recent years, China’s business environment has improved greatly during 2018 to 2020, with its global ranking moved up from 78th to 31st.

In terms of investment policies, the Chinese government mainly uses the Catalogue of Encouraged Industries for Foreign Investment to facilitate and guide foreign investment in specific industries, fields, and regions in China. On the basis of the current 2019 Catalogue of Encouraged Industries for Foreign Investment (**Catalogue 2019**), the Chinese government announced that it would continue to expand the scope of encouraged industry sectors. Against such background, the Catalogue of Encouraged Industries for Foreign Investment (2020 version) (Draft for Comments) (**Draft 2020**) was announced on 31 July 2020.

Upon comparison, it can be noted that Draft 2020 maintains the same structure as Catalogue 2019 by combining the “National Catalogue of Encouraged Industries for Foreign Investment” and the “Catalogue of Advantageous Industries for Foreign Investment in the Central and Western Regions” together. In so far as amendments are concerned, Draft 2020 contains 125 newly added items, and 76 revised items which were amended by expanding the scope of the original items, etc.

Overall, the revised parts of Draft 2020 encourage foreign investors to:

- (1) participate in the high-quality development of the manufacturing industries. For example, adding items such as the manufacturing of noise and vibration pollution control equipment, the manufacturing of artificial intelligence-assisted medical equipment, the R&D and manufacturing of passenger ship navigation and communication system, and the manufacturing of laser projection equipment, which are applicable nationwide;
- (2) invest in the production service industry. For example, adding items such as the maintenance and repair of modern high-end equipment, the transformation and integration of digital production line, and the R&D and application of the blockchain technology, which are applicable nationwide; and
- (3) further invest in the central and western regions of China. For example, for Henan Province, adding items such as the production, R&D, and testing of hydraulic pipes, and for Ningxia Autonomous Region, adding items such as the development and production of intelligent robot equipment.

Draft 2020 indicates China’s efforts to stabilise foreign investment in the face of COVID-19. Upon the coming into effect of the final version, it is expected that foreign investors in more business sectors will enjoy preferential policies in China.

State Council promotes new policies to stabilise foreign trade and foreign investment

Myles Seto and Lynn Lin

On 29 July 2020, the State Council held an executive meeting (**Meeting**) which centred on stabilising the main body of

foreign trade, the industrial chain and the supply chain, and establishing four policies to stabilise foreign trade and foreign investment (**Four Policies**). On 12 August 2020, the General Office of the State Council released the “*Opinions on Further Doing a Good Job in Stabilising Foreign Trade and Foreign Investment*” (**Opinions**) proposing 15 policy measures (**Policy Measures**) to stabilise foreign trade and foreign investment, detailing and expanding the Four Policies. These policies are summarised below:

Four Policies	Policy Measures
<ol style="list-style-type: none"> 1. To support foreign trade enterprises and strengthen their risk resilience capabilities. In response to prominent problems, such as reduction of enterprises' product orders, effective measures are put forward to support market expansion and increase of orders. Export credit insurance is used to actively prevent the risk of order cancellation before shipment. Promoting "Credit Insurance + Security" to provide credit enhancement support for foreign trade enterprises' financing. 2. To encourage the central and western regions and the north-eastern region to give full play to their advantages and undertake labour-intensive foreign trade industries. Supporting the development of new forms of business, such as cross-border e-commerce, overseas warehouses, and foreign trade comprehensive service enterprises etc.; expanding market procurement and trade mode pilots, and boosting the exports of the medium, small and micro enterprises. 3. To improve the policy environment for attracting foreign investment. To treat key foreign investment projects equally, and increase guarantees for land use and others. To improve the convenience for recognition of foreign-invested high-tech enterprises. Supporting foreign-invested enterprises equally on the special quota for refinancing and rediscounting, and on the newly increased scale of new loans by import-export banks. 4. To give full play to the role of service trade in stabilising foreign trade and foreign investment. Expanding the service trade innovation development pilots to parts of 21 provinces of the nation by integrating the regional development strategy. Exploring reforms by focusing on broadening opening-up areas and improving the convenience level, and promoting a higher level of opening-up. 	<ol style="list-style-type: none"> 1. To give full play to the role of export credit insurance. 2. To support those localities where conditions permit to replicate or expand the financing model of "Credit Insurance + Security". 3. To provide credit enhancement support for foreign trade enterprises' financing in various ways. 4. To further expand export credits to medium, small and micro foreign trade enterprises. 5. To support the development of new forms of business. 6. To guide the gradient transfer of processing trade. Cultivating a batch of processing trade industrial parks jointly built by the eastern, central and western, and north-eastern regions. 7. To increase the support for labour-intensive enterprises. 8. To assist large key foreign trade companies to resolve difficult problems. Providing good services under the principle of "One policy for one enterprise". 9. To expand online channels for foreign trade. Promote "One country one exhibition online". 10. To further improve the level of facilitation of customs clearance. 11. To facilitate foreign businessmen's visits to China. 12. To give financial support to key foreign-invested enterprises. 13. To increase supporting services for key foreign investment projects. 14. To encourage more foreign investment to invest in high-tech industries. 15. To lower the threshold for foreign research and development centres to enjoy preferential policies.

Previously, the State Council and various ministries and departments have successively issued a series of policies and measures to stabilise foreign trade and foreign investment in response to the COVID-19 pandemic. It is expected that the State Council will release further policies to achieve the goal of stabilising foreign trade and foreign investment in the future. Meanwhile, the various departments of the State Council and local governments are required to take respective responsibilities based on their division of duties to ensure that the policies and measures would be duly implemented.

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