

China focus April 2019

retail, trade and e-commerce



China and EU leaders hold hands in Brussels on 9 April

e-commerce and logistics

tax cuts on personal items
bought overseas

Alongside the 'biggest tax cut in history' in a bid to boost the slowing economy, State Council Customs Tariff Commission also announced [reduction of import tax on personal baggage and postal items](#) entering China (aka 'personal postal articles tax'), which is a combination of tariff, VAT and consumption taxes. The cut covers consumer goods such as computers, furniture, medicine, electronic appliances, and textile products. The move aligns with [previous preferential policies](#) on CBEC retail imports, meant to bolster domestic consumption by encouraging overseas purchases. The cuts will benefit cross-border C2C e-commerce platforms and sellers that directly ship products to buyers in China from overseas, with little impact on B2C, says Cao Lei 曹磊 E-commerce Research Centre director.

15 logistics hubs to be built

Following a joint call to [promote high-quality logistics services](#) last month, National Development and Reform Commission (NDRC) and Ministry of Transport (MoT) issued a plan to set up a national [logistics hub network](#) in 2019-20. The first batch of 15 hubs will be determined in 2019, based on strategies including the Belt and Road Initiative (BRI), Greater Bay Area (GBA) plan, Beijing-Tianjin-Hebei integration, and Yangtze River Delta integration. They will involve public-private partnerships in which firms will be responsible for planning, operation and management, while the government will offer policy support, investment and financing.

trade and investment

China and the EU released a [joint statement](#) on 9 April highlighting closer trade and investment cooperation and shared support for the

China-EU joint statement

multilateral trade system, after the EU framed China as an economic competitor and pushed China for reciprocity in a March report. Some interpret this as a sign that China is teaming up with the EU against the US, as Trump threatens tariffs on EU goods over Airbus subsidies and continues trade negotiations with China. For the first time, China and the EU agreed to 'intensify discussion on strengthening international rules on industrial subsidies'. This resonates with China's plan to build a 'fair competition review mechanism', ensuring subsidies are applied equally to foreign and domestic products and services. The consensus on subsidies further aligns their interests in WTO reform, building on shared goals to resolve Appellate Body deadlock and safeguard multilateralism. The statement also set a deadline for concluding years of negotiations on a [bilateral investment treaty](#) (BIT). The treaty has been under negotiation since 2014, and a conclusion will substantially improve market access for EU countries.

China-CEECs guideline

Following the EU summit, a meeting with leaders of Central and Eastern European Countries (CEECs) secured China more European support for its flagship Belt and Road Initiative (BRI) in advance of its high-profile annual forum in Beijing. The [new guidelines](#) produced in Dubrovnik unveiled more projects, including railway expansion, construction of logistics hubs, port cooperation, cross-border e-commerce and agricultural investment. The EU has been pushing long-term investment plans in infrastructure construction, and less economically developed CEECs with high infrastructure demand offer a good opportunity for China to make its way into Europe, says Zhao Junjie 赵俊杰 CAAS Institute for European Studies research fellow.

China-Japan economic dialogue and third-party market cooperation

In Asia, China pushed for accelerated negotiations over regional trade deals like the Regional Comprehensive Economic Partnership (RCEP) and China-Japan-Korea Free Trade Agreement (C-J-K FTA). The fifth [China-Japan high-level economic dialogue](#) resulted in agreements to coordinate on WTO reform, conclude RCEP negotiations within the year and deepen third-party market cooperation. The meeting attached great importance to RCEP, says Chen Yan 陈言 Japanese Enterprise Research Institute director, noting that Japan wants to use the deal to hedge against US demands on a bilateral trade deal currently under negotiation. Although Japan hasn't signed up for BRI officially, China and Japan are working closely on third-party market cooperation under the BRI framework, recently signing a deal on [third-party market cooperation in Thailand](#), where they will strengthen cooperation on transportation logistics, energy environment and smart cities. China and Japan are well positioned for third-party market cooperation in the ASEAN region, with Japan being the largest source of foreign capital, and China the biggest trading partner, notes *Guangming Daily*.

China-Korea FTA and China-Japan-Korea FTA

China and South Korea are also moving ahead with talks on an upgraded FTA. China adopted the [negative list scheme](#) for the first time in bilateral negotiations over trade in services and investment. Closer ties added momentum to China-Japan-Korea FTA talks, which saw their 15th round of negotiations in April. All three parties

agreed to **further liberalise trade and investment** based on RCEP standards. But an FTA still faces challenges, warns Yan Zeyang 颜泽洋 CICIR, including political distrust, US intervention, rising intra-industry competition and Japan's high standards on issues like IPR protection.

Q1 ODI registered steady growth, driven by BRI

April data show Chinese outbound direct investment (ODI) maintained **steady growth in Q1**, with a January decline offset by a 10 percent y-o-y increase in March. Growth was largely concentrated in BRI countries, with capital flowing to sectors that could benefit the domestic economy, while industries associated with capital flight such as real estate saw no new investment. To better regulate ODI, Ministry of Commerce released **draft implementation rules** for public comment, covering an outbound investment reporting system, and rules on direct investment, reinvestment, compliance, M&As, overseas cooperation zones and major marketing events. The rules serve to streamline administration on outbound investment and keep risks in check, says Lu Jinyong 卢进勇 UIBE professor.

trade stabilised in Q1

Trade also registered **stable growth in Q1** thanks to robust export performance in March. Li Kuiwen 李魁文 GAC spokesperson says the Q1 growth was mainly driven by rebounding manufacturing, supportive government policies, stable exchange rates, and trade with BRI countries offsetting the impact of US-China conflict. Despite stabilisation in Q1, **major exporting countries in Asia** report declining exports, with South Korea and Japan both identifying weak exports to China as the main reason for their overall decline.

other sector highlights

food and fibre

- agriculture and rural development should be the Party-state's top priority, argues Han Changfu 韩长赋 Ministry of Agriculture and Rural Affairs (MARA) minister **in a recent edition of Qiushi**
- **World Trade Organisation (WTO) ruling on China's tariff rate quota (TRQ) management measures** for wheat, rice and corn found undue opacity in domestic practices
- **pork prices may increase over 70 percent in 2019**, announced Tang Ke 唐珂 MARA market information department director at a routine press conference. His acknowledgement has been followed by a rolling back of claims made earlier in the month that CPI is controllable

healthcare, medical technology and pharmaceuticals

- draft **Drug Administration Law** and **Vaccine Management Law** were sent for second review by the National People's Congress (NPC) Standing Committee in April
- National Health Security Administration (NHSA) issued '**Plan for adjusting National Reimbursement Drug List (RDL) of basic medical insurance schemes (2019)**' on 17 April
- State Council issued a '**28-step plan**' to set up a multi-level aged care system and develop a robust market for care services by 2022

professional services

- Belt and Road (BRI) tax cooperation mechanism was officially established at [the first tax administration cooperation forum](#) on 18 Apr 2019
- Q1 data shows signs of recovery, confirming field studies conducted by National Development and Reform Commission (NDRC) and National Bureau of Statistics (NBS) in early April. March NBS data saw the [manufacturing Purchasing Managers' Index expand](#) after three months of contraction
- [local government bonds issued via commercial banks](#) are now available to individual investors in six pilot provinces (Ningbo, Zhejiang, Sichuan, Shanxi, Shandong and Beijing)
- in 2018, households surpassed corporations (excluding the finance sector) [as the greatest contributor to additional debt](#), according to a Xize Institute study

international education

- MoE launched a plan to identify and build 10,000 national-level first-class undergraduate degree programs and 10,000 provincial-level first-class undergraduate degree programs by 2021 ('[first-class 2.0' project](#)')
- MoE announced the [2019 regular HEI admission and enrollment policy](#). Updates focus on exam equity, security and quality and expanding vocational education program enrollment
- In the third batch of eight *gaokao* reform provinces' their implementation plans, the '3+3' scheme adopted by Shanghai and Zhejiang has been modified to a '[3+1+2' scheme](#)
- On 4 Apr 2019, Premier Li Keqiang set a target to [enrol an additional one million students in 2019](#). To this end, MoE issued a roadmap for building '[first-class vocational colleges and disciplines](#)'

ICT

- China's ICT industry [experienced rapid development in 2018](#), growing the digital economy to C¥31 tn, one-third of GDP
- Ministry of Science and Technology commenced strategic research for the forthcoming 'National mid- to long-term sci-tech development plan's (2021-35)'. Social development research covers [seven thematic areas](#)
- to support 5G, MIIT will issue [commercial licences](#) in 2019, said Miao Wei 苗圩 MIIT minister
- State Administration for Market Regulation (SAMR) announced a [six-month campaign titled 'Guarding Consumption'](#) running from 1 Apr to 30 Sep 2019, focusing on enforcing personal information infringement regulations

advanced manufacturing

- Ministry of Industry and IT (MIIT) is pushing [manufacturers to adopt digital platforms](#)
- Ministry-level agencies have [increased their sci-tech budgets](#) across the board
- push for industrial upgrading will lead to structural changes in labour demand. Competition over [talent with intelligent manufacturing application skills](#) is intensifying

energy and green tech

- State Council [issued a policy reforming the natural resources property right system on 14 April](#), taking another step towards restructuring upstream oil and gas

- NEA announced draft measures promoting subsidy-free (grid parity) wind and solar projects. Emerging from negotiation with industry representatives, they underscore the priority placed on grid parity projects
- MEE issued a set of draft carbon trading regulations on 3 Apr 2019, the first major policy since announcement of plans for a national carbon market in 2017
- Ministry of Ecology and Environment and four other agencies jointly issued the long-awaited ultra-low emission plan for steel sector, aiming for 60 percent of existing steel capacity in Jingjinji region, Yangtze River Delta and Fenwei Plain to complete ultra-low emission renovations by end 2020