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China's State Council Announces Measures to Stabilise Foreign Investment and Foreign Trade - August 2020

China saw foreign direct investment in the nonfinancial sector grow 0.5 percent year-on-year to 533.65 billion yuan (US$77.13 billion) in the first seven months of 2020, achieving positive growth for the first time since January, according to data from the PRC's Ministry of Commerce ("**MOC**")[1]. According to PRC official data, in the first seven months of 2020, foreign trade in goods went down 1.7 percent year-on-year to 17.16 trillion yuan, but in July 2020 foreign trade rose 6.5 percent year-on-year with exports and imports up 10.4 percent and 1.6 percent, respectively. During January to July 2020, ASEAN remained China's largest trading partner and trade with the European Union went up 0.1 percent.[2]

More efforts will be made by China to help solve operational difficulties for global companies, aiming to stabilise long-term business confidence of foreign investors amid the economic fallout of the COVID-19 pandemic. The General Office of China's State Council released an *Opinion on Further Stabilizing Foreign Trade and Foreign Investment* [3] ("**Opinion**") on 12 August 2020 with the aim of protecting foreign trade entities, supporting local growth of global companies and stabilising the industrial and supply chains against the backdrop of the continuing pandemic and economic recession in the world. According to Bai Ming, deputy director of International Market Research Institute, Ministry of Commerce of the PRC, "there are many overlaps in the work of stabilizing foreign trade and investment. Stable foreign investment will help create a favourable business environment and enable foreign trade companies to better participate in international supply chains.[4] The Opinion includes 15 measures to provide support in relation to the following four main categories.

I. Credit enhancement and financial support

The Opinion calls for a more important role for export credit insurance. China Export and Credit Insurance Corporation ("**SinoSure**"), a state-funded and policy-oriented insurance company established to promote China's foreign economic and trade development, should, where possible, seek to actively lower the risk of orders being canceled before shipment. By the end of 2020, SinoSure will, on application by the relevant companies, make reasonable changes to short-term insurance's premium payment terms, and extend payment grace periods and deadlines for filing loss claims. In the first five months of 2020, in terms of expanding insurance coverage, SinoreSure has provided services to 89,000 small and medium enterprises ("**SME**"), an increase of 23 percent over the same period last year.[5]

China will also set up credit support for companies engaged in foreign trade and investment. Eligible local regions should copy and expand the financing model featuring "credit plus guarantee insurance" and multiple methods should be adopted to help enterprises engaged in foreign trade enhance credit levels and support them with easier financing. Government financing guarantee agencies are encouraged to share the

1 http://english.www.gov.cn/statecouncil/ministries/202008/14/content_WS5f35c890c6d029c1c2637b6c.html
2 http://english.www.gov.cn/archive/statistics/202008/07/content_WS5f2ce952c6d029c1c263766f.html
3 www.gov.cn/zhengce/content/2020-08/12/content_5534361.htm
4 http://www.gov.cn/zhengce/2020-08/13/content_5534444.htm
5 http://english.www.gov.cn/policies/policywatch/202006/18/content_WS5eeada7fc6d0a6946639c4ee.html

risks with enterprises and guarantee loan principal other than the amount to be covered by export credit insurance. Commercial Banks are also encouraged to determine loan interest rates under the principle of "credit plus guarantee".

The Opinion emphasises full maximization of the role of government-backed financing guarantees and enhancing financing and credit for foreign trade enterprises and SMEs. Local governments, the Ministry of Finance, People's Bank of China ("**PBOC**") and other governmental authorities are urged to play their own roles to provide liquidity support and alleviate the difficulties of financing for SMEs. The Opinion encourages financial support for key foreign-invested enterprises ("**FIE**"). The existing special quota of 1.5 trillion yuan for re-lending and rediscounts provided by the PBOC is equally applicable to FIEs, and further credit of 570 billion yuan provided by Export-Important Bank of China will be used to support qualified FIEs.

II. Developing new models of trade

According to Premier Li Keqiang, "In view of acute challenges such as falling orders, effective measures will be rolled out to help businesses to explore new markets and find new opportunities. The relief policies should apply equally to all types of companies."[6] The Opinion calls on efforts to increase about 30 pilot projects in market procurement and trading nationwide. The PRC government will also help foreign trade firms to expand their market channels such as, through online exhibitions. Efforts will also be made to improve trade services and facilities, including but not limited to cross-border e-commerce platforms, logistics and overseas warehouses. Local governments and key industry associations are also encouraged to hold online exhibitions for foreign trade companies.

III. Facilitating travel and trade flows

In order to facilitate travel and trade flows, China will, through a staged approach, add more flights with countries which are major sources of investment while increasing the total amount of international passenger flights. With strict pandemic prevention and control measures in place, the PRC government will continue to negotiate with specific countries to set up "fast track" channels. So far, China has signed fast track channel agreements with Germany, Japan, South Korea, Singapore and other countries.[7]

Customs clearance should also be further facilitated and the business environment at ports should be improved according to the Opinion. For instance, Shantou customs authorities in Guangdong Province took the initiative and made efforts to quickly handle online declarations and simplify procedures.

IV. More support for key sectors and enterprises

The Opinion encourages Central, Western and Northeastern provinces to tap into their strengths and host relocated labour-intensive industries engaged in export. The Opinion also stresses further support for labour-intensive export enterprises in addition to common preferential policies such as tax and fee cuts, export credit loans and insurance.

Work should be done to make a list of large-scale, backbone foreign trade enterprises to help solve their problems in production and operations. Key foreign investment projects will receive greater support in terms of land use, energy consumption and environmental protection. Accreditation of high-tech foreign-invested companies will be made easier. The circular also highlights support for key foreign investment projects, encouraging the flow of foreign capital to high-tech industries and lowering the threshold for foreign R&D centres to enjoy preferential policies.

The advantage for China's foreign trade lies in the integration of processing and manufacturing, general trade and cross-border e-commerce, which has been conducive to stabilising the nation's industrial supply chains and easing external pressure over the past several months, said Wei Jianguo, vice-chairman of the China Centre for International Economic Exchanges.[8]

Vice-Chairman Wei Jianguo further explained that since January cross-border e-commerce has been developed, while export-oriented firms have increasingly relied on e-commerce to get new orders from both developed and developing markets.

6 http://www.xinhuanet.com/english/2020-07/30/c_139249597.htm
7 http://m.news.cctv.com/2020/06/09/ARTIyXkoP5ljmZDmopw7Rv7i200609.shtml
8 http://english.www.gov.cn/news/topnews/202008/08/content_WS5f2ddbc0c6d029c1c26376d7.html

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