

**REPORT ON
FOREIGN INVESTMENT
IN CHINA
2022**

**MINISTRY OF COMMERCE OF
THE PEOPLE'S REPUBLIC OF CHINA**

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INvest in China

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Preface

Since the reform and opening up, with the continuous improvement of China's opening up to the outside world, the scale of foreign capital utilized has gradually expanded, and the foreign capital has gradually become an important force in China's economic development, playing an important role in driving the industrial upgrading, increasing the taxes and promoting the employment. In particular, since the outbreak of COVID-19 around the world, the foreign capital actually utilized by China has maintained stable growth in the face of fluctuations in global transnational investment, which has played an important supporting role in building a new development paradigm. In 2021, the foreign capital actually utilized in China reached USD 180.96 billion, with a growth rate of 21.2%. 48,000 foreign-funded enterprises were newly established, a year-on-year increase of 23.5%. The scale of investment absorbed and the number of enterprises established both increased.

With a view to comprehensively analyzing and displaying the development of foreign investment in China in 2021, this Report is divided into three parts, namely the General Situation, the Foreign Investment in Different Industries, and the Foreign Investment in Different Regions, so as to, based on the systematic analysis of the overall situation of foreign investment in China in 2021, present

the specific situations of foreign investment by industry and region.

Overall, in 2021, under the complicated and volatile international situations, such as the slow recovery of the world economy, the continuous spread of COVID-19, and the obstruction of the global industrial chain and supply chain, China scientifically coordinated the pandemic prevention and control and economic and social development. As a result, the national economy maintained a continuous and stable recovery, and the high-quality development scored new progress, generating a strong attraction for foreign investment and promoting the sustained growth of foreign investment. At the same time, China has shown some new characteristics in attracting foreign investment. First, the structure of foreign capital utilized has been continuously optimized, and the foreign capital utilized by high-tech industries increased by 22.1%, accounting for 28.8% and making such industries a new growth point for attraction of foreign investment. Second, the supporting role of major projects was significant, and the number of large projects with contracted foreign capital exceeding USD 50 million and USD 100 million increased by 26.1% and 25.5% respectively. Third, the effect of open platforms on attracting foreign investment was prominent. The foreign capital actually utilized by 21 pilot free trade zones reached

USD 32.29 billion, accounting for 18.6% of total foreign capital absorbed by the whole country. The foreign capital actually utilized by 230 national-level economic and technological development zones increased by 25.7% year-on-year, 5.5 percentage points higher than the national average growth rate, making positive contributions to the stabilization of foreign investment. Fourth, the operation of foreign-funded enterprises in China has been improved continuously. The operating income and operating profit of foreign-funded industrial enterprises above designated size have been growing for two consecutive years, and the growth rate has increased, which further enhances the confidence of foreign-funded enterprises in making investments in China.

From an industry perspective, in 2021, in order to drive transformation and upgrading of industries and promote high-quality industrial development, China has not only implemented the policy for stabilizing foreign trade and foreign investment, but also continuously issued a series of policies and measures in widening industrial opening, improving support policies, optimizing regulatory systems and intensifying industry reform, so as to create a good investment

environment for foreign-invested enterprises, promote the continuous increase of foreign capital utilized in key industries, and ensure the steady development of foreign-funded enterprises in China.

From a regional perspective, in 2021, based on their own development advantages and major national strategies and focusing on the promotion of high-quality development of an open economy, the key provinces (municipalities) for foreign investment, such as Beijing, Shanghai, Jiangsu, Zhejiang, Shandong and Guangdong, as well as some provinces (municipalities) in central and western regions, such as Henan, Hubei, Chongqing and Shaanxi, properly carried out the work for "stabilizing foreign investment", actively issued the relevant foreign investment promotion policies, promoted the construction of open platforms such as pilot free trade zones and national economic and technological development zones, innovated the foreign investment promotion and service mechanisms, optimized the foreign investment environment, and achieved the continuous improvement in the quality and level of foreign capital utilized.

Content

Preface / I

Part I: General Picture / 1

I. Situations Faced by China's Foreign Investment Development in 2021 / 2

(I) International Situations / 2

(II) Domestic Situations / 5

II. Development of Foreign Investment in China in 2021 / 9

(I) General Situation of Foreign Investment / 9

(II) Characteristics and Trends of Growth of Foreign Investment / 13

III. Key Policies for Foreign Investment in China in 2021 / 17

(I) Foreign Investment Access Policies / 18

(II) Foreign Investment Facilitation Policies / 22

(III) Foreign Investment Promotion Policies / 26

(IV) Foreign Investment Protection Policies / 28

Part II: Industry / 31

I. Pharmaceutical Manufacturing Industry / 32

(I) Changes in Industrial Policies / 32

(II) Utilization of Foreign Capital / 37

II. Electronic Information Manufacturing Industry / 39

(I) Changes in Industrial Policies / 42

(II) Utilization of Foreign Capital / 44

III. Automobile Manufacturing Industry / 44

(I) Changes in Industrial Policies / 47

(II) Utilization of Foreign Capital / 50

IV. Chemical Manufacturing Industry / 50

(I) Changes in Industrial Policies / 50

(II) Utilization of Foreign Capital / 53

V. Food Manufacturing Industry / 56

(I) Changes in Industrial Policies / 56

(II) Utilization of Foreign Investment / 58

VI. Producer Service Industry / 61

(I) Changes in Industrial Policies / 61

(II) Utilization of Foreign Investment / 65

Part III: Foreign Investment in Different Regions / 71

I. Beijing / 72

(I) Issuing the whole-chain policies for stabilizing foreign investment, so as to promote the stable development of foreign-funded enterprises / 72

(II) Bring the policy advantages arising from the superimposition of the “two zones” into full play, so as to promote the foreign-funded enterprises to invest in Beijing / 73

(III) Promoting the investment in high-tech industries and driving the high-end and intelligent development of the manufacturing industry / 74

(IV) Building various parks with high quality, so as to speed up the cultivation of RMB-hundred-billion-level industrial clusters / 75

(V) Strengthening the mechanism for serving foreign-funded enterprises, and improving the efficiency of services for foreign-funded enterprises / 76

II. Shanghai / 77

(I) Strengthening the services for foreign investment, so as to further improve the comfort of investors / 77

(II) Improving the protection mechanism for foreign investment, so as to further enhance investment security / 78

(III) Innovating the new modes and methods for attracting investment, so as to further enhance the development agglomeration. / 79

III. Jiangsu Province / 80

(I) Focusing on gathering the headquarters of multinational companies and systematically optimizing the design of policies for attracting foreign investment / 80

(II) Giving play to the role of major exhibition platforms, so as to expand the channels for the promotion of foreign investment / 81

(III) Strengthening the construction of the investment cooperation platform, and carrying out the investment promotion in corresponding countries/regions / 82

(IV) Optimizing the investment promotion and cooperation mechanism, and providing accurate services to attract investment / 84

IV. Zhejiang Province / 84

(I) Developing financial services and expanding financing channels / 84

(II) Supporting the clustering development of foreign-funded R&D centers / 85

(III) Improving the ability of opening-up platforms to attract foreign investment / 85

(IV) Strengthening the innovation of the service mechanism for foreign-funded enterprises / 85

(V) Improving the mechanism for handling complaints from foreign-funded enterprises / 86

V. Shandong Province / 87

(I) Strengthening policy supply and supporting the bail-out and recovery of foreign-funded enterprises / 87

(II) Strengthening service guarantee to promote the stable development of foreign-funded enterprises / 87

(III) Strengthening platform docking to facilitate the landing and development of foreign-funded projects / 88

(IV) Strengthening the cultivation of projects and tapping the potential to introduce foreign investment / 90

VI. Henan Province / 90

(I) Implementing the promotion plan for key foreign-funded projects / 90

(II) Improving the complaint handling mechanism for foreign-funded enterprises / 91

(III) Implementing the activity "paying visits to thousands of foreign-funded enterprises" / 91

VII. Hubei Province / 92

(I) Strengthening the fiscal, taxation and financial support, so as to accelerate the development of foreign investment / 92

(II) Strengthening the service for key enterprises and helping the enterprises operate stably / 93

(III) Actively building the exchange platform, so as to improve the quality of foreign investment introduced / 94

(IV) Implementing the observer system, so as to continuously optimize the business environment / 95

VIII. Guangdong Province / 96

- (I) Strengthen the whole-industrial-chain investment promotion for key industries. / 96
- (II) Optimizing investment policies of multinational companies' headquarters / 97
- (III) Improving the service mechanism for "stabilizing foreign investment" / 98
- (IV) Promoting the investment cooperation in Guangdong-Hong Kong-Macao Greater Bay Area / 98
- (V) Strengthening the protection of legitimate rights and interests of foreign investors / 99
- (VI) Improving the foreign investment promotion and cooperation mechanism / 100

IX. Chongqing / 101

- (I) Improving the four-level dispatching mechanism for foreign investment services / 101
- (II) Putting forward the "five-drive and five-new" service concept / 101
- (III) Carrying out the "three sending and one visit" activity in a down-to-earth manner / 102
- (IV) Increasing the policy support for foreign investment / 103
- (V) Actively carrying out the foreign investment promotion activities / 103

X. Shaanxi Province / 104

- (I) Strengthening the guidance of investment promotion for various industries / 104
- (II) Establishing the contact system for key enterprises / 105
- (III) Improving the foreign investment facilitation policies / 105
- (IV) Using multiple platforms to promote the foreign investment / 106

Postscript / 108

List of Figures

- Figure 1-1 Changes in Global Foreign Direct Investment During 2020-2021 / 3
- Figure 1-2 Changes in China's Gross Domestic Product During 2020-2021 / 7
- Figure 1-3 Details of foreign capital actually utilized by China during 2017-2021 / 9
- Figure 1-4 Changes in Number of Newly-established Foreign-funded Enterprises in China during 2017-2021 / 10
- Figure 1-5 Details of Foreign Capital Actually Utilized by Service Industry and Manufacturing Industry during 2017-2021 / 11
- Figure 1-6 Proportion of Foreign Investment Absorbed by Industries in 2021 / 12
- Figure 1-7 Details of Foreign Capital Utilized by High-tech Industry during 2019-2021 / 14
- Figure 1-8 Number of Large Foreign-funded Projects during 2019-2021 / 14
- Figure 1-9 Operation of Foreign-funded Industrial Enterprises above Designated Size during 2019-2021 / 16
- Figure 2-1 Operating Profit Margin of Pharmaceutical Enterprises above the Designated Size during 2016-2020 / 38
- Figure 2-2 Changes in Per Capita Operating Revenues of Pharmaceutical Manufacturing Enterprises above the Designated Size during 2016-2020 / 38
- Figure 2-3 Number of Foreign-funded Computer, Communications and other Electronic Equipment Manufacturing Enterprises above the Designated Size during 2012-2020 / 42
- Figure 2-4 Growth Rate of Investment in Fixed Assets in Electronic Information Industry by Registration Type / 43
- Figure 2-5 Operating Profit Margin of Automobile Manufacturing Enterprises above the Designated Size during 2016-2020 / 49
- Figure 2-6 Per Capita Operating Revenues of Automobile Manufacturing Enterprises above the Designated Size during 2016-2020 / 49
- Figure 2-7 Operating Profit Margin of Chemical Raw Material and Chemical Product Manufacturing Enterprises above the Designated Size during 2016-2020 / 54
- Figure 2-8 Per Capita Operating Revenues of Foreign-funded Chemical Raw Material and Chemical Product Manufacturing Enterprises during 2016-2020 / 55
- Figure 2-9 Foreign Investment Actually Utilized by Food Manufacturing Industry during 2017-2021 / 58
- Figure 2-10 Total Number of Assets of Foreign-funded Food Manufacturing Enterprises above Designated Size and Proportion during 2016-2020 / 59
- Figure 2-11 Number and Proportion of Foreign-funded Food Manufacturing Enterprises above Designated Size during 2016-2020 / 59

- Figure 2-12 Details of Operating Income Profit Rates of Food Manufacturing Enterprises above Designated Size during 2016-2020 / 60
- Figure 2-13 Changes in Per Capita Operating Income of Food Manufacturing Enterprises above Designated Size during 2016-2020 / 61
- Figure 2-14 Foreign Investment Actually Utilized by Producer Service Industry during 2017-2021 / 66
- Figure 2-15 Newly-established Enterprises in Producer Service Industry during 2017-2021 / 66
- Figure 2-16 Scale of Foreign Investment Actually Utilized by Wholesale and Trade Brokerage Industry during 2017-2021 / 67
- Figure 2-17 Foreign Investment Actually Utilized by Information Service Industry during 2017-2021 / 67
- Figure 2-18 Details of Foreign Investment Utilized by R&D Design and Other Technical Service Industry during 2017-2021 / 68
- Figure 2-19 The Number of Foreign-funded Enterprises Awarded Value-added Telecommunications Service License by the Ministry of Industry and Information Technology from 2017 to 2021 / 69

List of Tables

- Table 1-1 Investment Attraction in Eastern, Central and Western Regions during 2017-2021 / 13
- Table 1-2 Ranking of Kearney Foreign Direct Investment Confidence Index in 2022 / 16
- Table 2-1 Details of R&D of Foreign-funded Pharmaceutical Enterprises in China during 2019-2020 / 39
- Table 2-2 Main Policy Documents Supporting the Development of Integrated Circuit Industry in China during 2020-2022 / 41
- Table 2-3 Policy Documents on Green and Low-carbon Transformation of Chemical Manufacturing Industry in 2021 / 51
- Table 2-4 R&D Details of Chemical Raw Material and Chemical Product Manufacturing Enterprises above the Designated Size during 2016-2020 / 53

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General Picture

In 2021, in the face of complicated and severe domestic and international situations, China further opened to the outside world at a high level, took solid steps to utilize foreign investment, made considerable progress in stabilizing foreign investment, and made a good start in the utilization of foreign investment during the “14th Five-Year Plan” period.

I. Situations Faced by China's Foreign Investment Development in 2021

In 2021, under the complicated and volatile international situations, such as the slow recovery of the world economy, the continuous spread of COVID-19, and the obstruction of the global industrial chain and supply chain, China scientifically coordinated the pandemic prevention and control and economic and social development. As a result, the national economy maintained a continuous and stable recovery, and the high-quality development scored new progress, generating strong attraction for foreign investment and promoting the sustained growth of foreign investment.

(I) International Situations

1. The global economy showed a significant recovery trend

Benefiting from a number of macro stimulus policies adopted by various countries in response to the pandemic, as well as the relaxation of control and blockade measures related to the pandemic in some countries, the world economy to a certain extent got rid of the impact of the COVID-19, achieving a strong recovery and leading to the growth of global transnational investment. The World Economic Outlook released by the International Monetary Fund (IMF) in April 2022 indicates that, the global economy grew by 6.1% year-on-year in 2021, an increase of 9 percentage points over the previous year. The growth rate of developed economies was 5.2%, and

the growth rate of emerging markets and developing economies was 6.8%. However, the global economy has not completely returned to normal, and there are still potential risks and uncertainties. In addition, the sharp fluctuations in the global employment market and the increased risk of global inflation have imposed a negative impact on the future development of global transnational investment. The data from IMF showed that, the overall global inflation rate reached 4.8% in 2021, the highest since 2007, with the inflation rates in more than 80 countries and regions hitting new highs over the past five years.

2. The global foreign direct investment rebounded strongly

In 2021, due to the loose financing and major infrastructure stimulus plans, as well as the active cross-border mergers and acquisitions, the global foreign direct investment increased significantly, with its scale exceeding that before the pandemic. According to the statistics of the United Nations Conference on Trade and Development, the global

foreign direct investment grew by 64% year-on-year in 2021, reaching USD 1.58 trillion, an increase of 6.9% over that in 2019 before the outbreak of COVID-19. The amount of foreign direct investment flowing into economics increased by 133.6% year-on-year, with a net increase of USD 426.55 billion; the amount of money flowing into developing countries increased by 29.9% to USD 836.57 billion, the highest in history. In addition, from the perspective of cross-border investment methods, the cross-border mergers and acquisitions recovered strongly. In 2021, the amount of cross-border mergers and acquisitions throughout the world was about USD 884.6 billion, an increase of 43% year-on-year, while the amount of greenfield investment increased by only 15%.

3. The diversion in investment policies of different economies became significant

The developed economies significantly increased foreign investment security reviews and investment restrictions. According to the statistics of the United Nations Conference

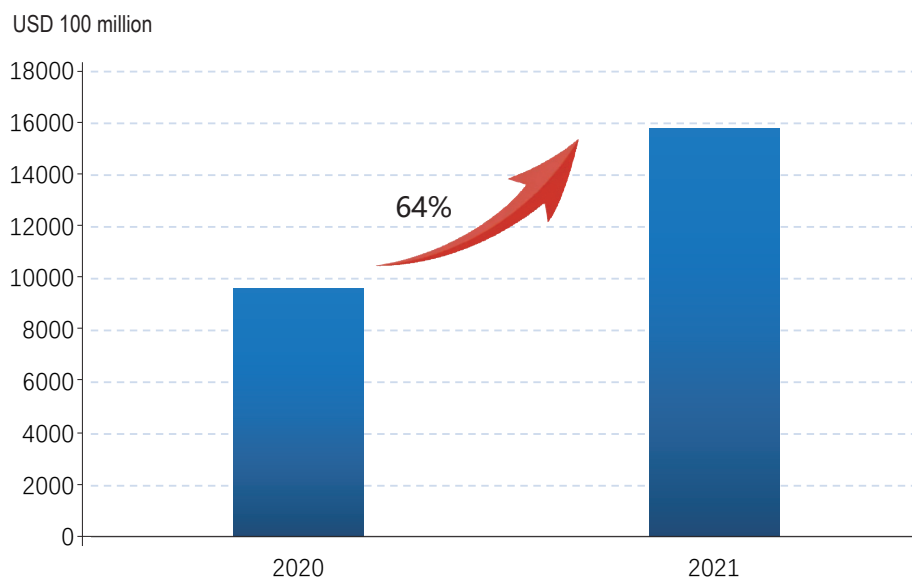


Figure 1-1 Changes in Global Foreign Direct Investment during 2020-2021

Source: UNCTAD.

on Trade and Development, among the 30 foreign investment policies issued by developed countries in 2021, there were 20 policies involving security reviews, investment restrictions and investment prohibitions, while there were only 5 investment facilitation policies. For example, the EU has expanded the scope of the application of the Regulation of the Framework for Screening Foreign Investment into the EU and added four types of projects, including digital Europe and space. France lowered the threshold for triggering the security review of foreign investment, requiring the acquisition of no less than 10% of the shares of French enterprises to be reviewed. The United States and Spain extended the time limit of investment restrictions, and Japan and Germany expanded the contents of investment review and further restricted the investment in rare earth, high-tech and other projects.

The developing economies introduced the implementation of policies for liberalization and facilitation of foreign investment. Among the nearly 60 foreign investment policies and measures issued by developing economies in 2021, the facilitation policies and measures accounted for 40%, the investment relaxation policies and measures accounted for 30%, and the investment incentive policies and measures accounted for 20%. For example, India established a national single window to facilitate the examination and approval of applications from investors, allowed the wholly foreign-funded enterprises to make investment in all telecommunications service industries and telecommunications infrastructure industries in India, and raised the upper limit of shareholding ratio in foreign-funded insurance companies from 49% to 74%. In 2021, Vietnam implemented the new investment law, introducing a negative list management system for access of foreign investment,

weakening the supervision and examination on foreign investment, re-issuing the recognition criteria for high-tech enterprises, and lowering the requirements for enterprises with an investment of more than VND 100 billion (about RMB 30 million), so as to attract the multinational enterprises to invest in Vietnam.

4. The global industrial chain and supply chain were adjusted at an accelerated pace

Since the outbreak of COVID-19, the factories in many regions around the world have been unable to go into operation, the insufficient production capacity, declining transportation capacity and inventory shortages have led to the inadequate supplies, and the rise of trade protectionism around the world has hindered the international economic and trade cooperation. As a result, the industrial chain and the supply chain have been seriously disrupted, and the supply chain has been "broken" frequently, promoting the accelerated adjustment of global industrial chain and supply chain. **First, the emergencies have exacerbated the tension in global supply chain.** In 2021, various "black swan" events, such as the blockage of the Suez Canal, the cold wave hitting the North American continent, and the massive congestion of the United States' supply chain, further aggravated the tension of supply chain. **Second, the major developed countries and regions promoted the localization and diversification of supply chains.** The major developed countries and regions have adopted the subsidy policies to encourage and support enterprises to transfer their supply chains to their own countries or neighboring countries in the region, as well as their allies and partner countries. For example, the 100-day supply chain review report released by the United States in August 2021 shows that, the United States will further improve its

independent supply capacity in four key areas, namely semiconductors, new energy batteries, key minerals and pharmaceutical supplies. The Economic Security Promotion Law adopted by the House of Councillors of Japan in May 2022 points out that, Japan will strengthen the production capacity of important materials in Japan by establishing a government assistance system, and will adopt the measures of strengthening the purchase of materials from allies and friendly countries. **Third, in pursuit of the balance between efficiency and security, multinationals have promoted the nearshore and diversified layout of supply chain.** For example, in response to the shortage of chips, some multinational companies engaged with more suppliers for diversified procurement, implemented the strategy of diversified or decentralized supply chain, adjusted the layout of the supply chain, and reduced supply chain risks.

(II) Domestic Situations

1. The level of opening-up has been further improved

In 2021, China continued to expand its high-level opening-up, so that the scope, field and level of opening-up were further expanded, and a new high-level open economic system was accelerated. **First, the institutional opening-up has been continuously optimized.** In 2021, the negative lists of foreign investment access in the country and the pilot free trade zones were reduced to 31 and 27 entries respectively. Entries for the manufacturing industry were reduced to zero in the negative list for PFTZs. China issued the Special Administrative Measures for Cross Border Service Trade in Hainan Free Trade Port (Negative List) (Version 2021), listing 70 special administrative measures in 11 categories and requiring that in fields

outside the list, the domestic and foreign service providers shall be treated equally and enjoy equal access, so as to greatly improve the openness, transparency and predictability of service trade and achieve a major breakthrough in the administration mode of service trade. **Second, the functions of open platform have been further enhanced.** China issued the Several Measures for Promoting the Reform and Innovation of Trade and Investment Facilitation in Pilot Free Trade Zone, proposing 19 facilitation measures, so as to further strengthen the in-depth exploration and experiment of opening to the outside world. With the approval of the State Council, the Measures for Assessment and Evaluation of the Comprehensive Development Level of National-level Economic and Technological Development Zones (Version 2021) was revised and issued. It reinforces the goals of high-quality development and reform and opening up development, and guides national-level economic and technological development zones to make greater contributions to stabilizing foreign trade and foreign investment. 13 economic and technological development zones including Zhangjiakou Economic and Technological Development Zone were upgraded to national-level, and local governments were supported to build more open platforms. China has designated four comprehensive pilot cities to expand the opening-up of service industry, including Tianjin, Shanghai, Hainan, and Chongqing. In addition, China supports Beijing's efforts to build a national comprehensive demonstration area for expanding the opening-up of service industry, so as to expand the opening-up in a larger scope, in a broader field, and at a deeper level. China successfully held the 4th China International Import Expo, the 1st China International Consumer Products Expo, China International Fair for Trade in Services,

China International Fair for Investment & Trade and other major exhibitions, taking the initiative to open the Chinese market to the world. **Third, the bilateral and multilateral economic and trade cooperation has been further driven.** To enhance the level of investment and trade cooperation, China has signed 19 free trade agreements with 26 countries and regions, has effective bilateral investment agreements with 108 countries, promoted the entry into force and implementation of the Regional Comprehensive Economic Partnership (RCEP) as scheduled, formally applied for joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA), and formally signed the protocol on upgrading the free trade agreement with New Zealand. Outbound investment cooperation was deepened continuously. According to preliminary statistics, China's outbound direct investment in all industries reached USD 145.20 billion in 2021, a year-on-year increase of 9.2%, and its newly signed contracts on contracting projects in other countries amounted to USD 258.50 billion, a year-on-year increase of 1.2%. China continued to release the positive signals of opening wider to the outside world, so that the majority of foreign investors saw more market opportunities and increased their investments in China.

2. The economic development maintained a recovery trend

In 2021, with continuous recovery of China's economy and a relatively good achievement of expected goal of development, China's GDP exceeded RMB 110 trillion, reaching RMB 114.40 trillion (equivalent to USD 17.70 trillion), with a year-on-year increase of 8.1%, accounting for about 18% of the global economy, and contributing 25% to world

economic growth. As a result, China has become the world's second largest economy for 12 consecutive years. The economic structure continued to be optimized, and the added value of industries above designated size increased by 9.6% year-on-year, 1.5 percentage points higher than the growth rate of GDP, and 6.8 percentage points higher than that in 2020. The final consumption expenditure, capital formation and net exports drove the GDP growth by 5.3, 1.1 and 1.7 percentage points respectively. The inflation remained low, and the employment remained stable, with 12.69 million new jobs added throughout the year. China's comprehensive economic recovery has created a good environment for foreign investment, enhanced the confidence in foreign investment, and promoted the steady growth of foreign investment.

3. The domestic market potential has been constantly released

Driven by a series of policies and measures issued by the CPC Central Committee, the State Council and various regions to promote consumption and cultivate and expand the domestic market, China's consumer market continues to recover and prosper. **First, the scale of domestic consumption has expanded continuously.** In 2021, the total retail sales of consumer goods nationwide increased by 12.5% year-on-year to RMB 441,000, and the contribution rate of final consumer expenditure to economic growth was 65.4%, reaching the highest level over recent years. The new consumption and green consumption developed rapidly. The online retail sales of physical goods and the sales of new-energy vehicles increased by 12% and 160% year-on-year respectively. The demand for upgrading consumption was stronger, and

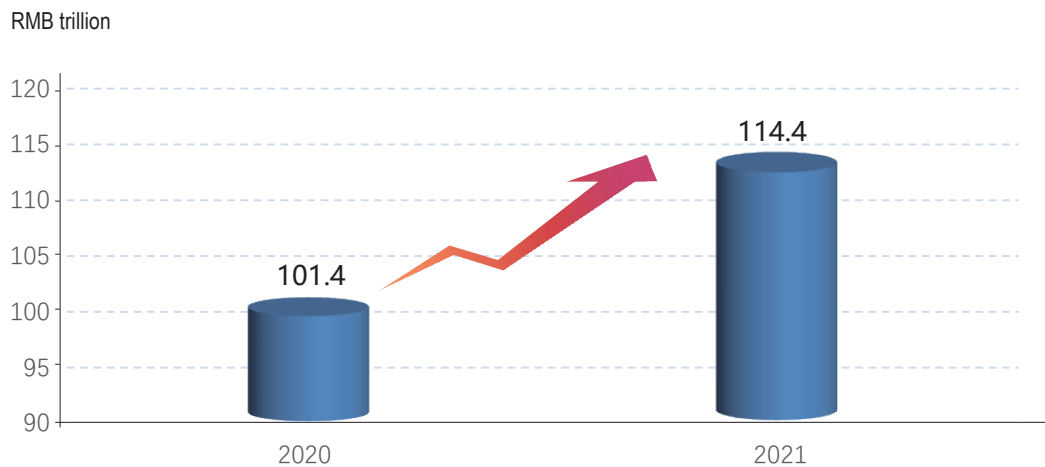


Figure 1-2 Changes in China's Gross Domestic Product during 2020-2021

Source: National Bureau of statistics.

the retail sales of consumer goods such as sports and fitness goods maintained double-digit growth. **Second, consumption capacity has been continuously enhanced.** In 2021, the per capita disposable income of Chinese residents was RMB 35,128, an actual increase of 8.1%; the median per capita disposable income reached RMB 29,975, an increase of 8.8%. China's per capita GDP reached USD 12,600 (about RMB 80,976), close to the threshold of standard of high-income countries as set by the World Bank. In China, there are nearly 140 million families with an annual income of RMB 100,000 to 500,000, and about 400 million people have the ability to buy cars, buy housing and travel. The rapid growth of middle-income populations and the continuous expansion of consumption scale have provided a broad market space for the development of foreign-funded enterprises in China and enhanced the confidence of foreign-funded enterprises in long-term operation and development in China.

4. The supporting role of scientific and technological innovation has been strengthened

Innovation is the fundamental driving force for building a new development pattern and promoting the high-quality development. In 2021, China continued to increase its investment in scientific research. The whole society's R&D investment reached RMB 2.79 trillion, a year-on-year increase of 14.2%. The proportion of R&D investment in GDP reached 2.44%, close to the average level of 2.47% before the outbreak of COVID-19 in OECD countries. The role of enterprises as the main innovator has been strengthened. The R&D expenditures from enterprises account for 50% of total R&D expenditures in China, and the number of international patent applications under the Patent Cooperation Treaty (PCT) also accounts for 50% of total international patent applications from China, which provides the technical support for the

high-level innovation and entrepreneurship and the cultivation and development of high-end industries. The sustained and high-intensity R&D investment, abundant innovative resource elements and rich application scenarios have served as the strong support for foreign-funded enterprises to achieve the innovative development. In 2021, 110,000 invention patents were granted to foreign applicants in China, a year-on-year increase of 23%; 194,000 trademarks were registered by foreign applicants in China, a year-on-year increase of 5.2%.

5. The pace of digital transformation of industry has accelerated

China's digital economy is leading the world. In 2021, the scale of China's digital economy reached RMB 45.50 trillion, with a year-on-year nominal growth of 16.2%. **On the one hand, the construction of digital infrastructure was accelerated, which has expanded the room for foreign investment.** In 2021, China accelerated the construction of "double Gigabit" networks, put 1,425,000 5G base stations into operation, and built the largest optical fiber network and 5G network in the world; there were more than 150 industrial Internet platforms with national influence, serving more than 1.6 million industrial enterprises. **On the other hand, the continuous and in-depth development of industrial digital transformation has provided the new momentum for foreign investment.** In 2021, more than 2,000 "5G + industrial Internet" projects were under construction in China. The numerical control rate of key processes in industrial enterprises above designated size reached 55.3%, the popularity of digital R&D tools reached 74.7%, and the number of industrial robots increased by 30.8% year-on-year. The proportion of enterprises carrying out

networked collaboration and service-oriented manufacturing reached 38.8% and 29.6% respectively. The acceleration of industrial digital transformation not only expands the room for the transformation and development of foreign-invested enterprises, but also relieves the pressure of rising labor costs through "machine replacement", so as to further encourage foreign enterprises to invest in China.

6. The economy and society are undergoing the comprehensive green transformation

In 2021, China issued and implemented top-level design documents on emission peak and carbon neutrality, and implementation plans for different fields and industries were developed at a quicker pace. The "1+N" policy system was gradually improved. International cooperation on climate change was fruitful. People from all walks of life in the whole society significantly strengthened both consensus and actions on promoting green, low-carbon and circular development. **First, the supply of clean energy grew rapidly.** In 2021, China's new installed capacity of renewable energy was 134 million kW, accounting for 76.1% of total new installed capacity. The annual renewable energy power generation reached 2.48 trillion kWh, accounting for 29.8% of total electricity consumption in China. The energy consumption per RMB 10,000 GDP decreased by 2.7% over the previous year, and the clean energy consumption accounted for 25.5% of total energy consumption. **Second, the green manufacturing developed rapidly.** In 2021, 989 products, 662 plants and 107 green supply chain management enterprises were included into China's green manufacturing list. The comprehensive energy consumption per unit of calcium carbide in key energy-

consuming industrial enterprises decreased by 5.3%, and the energy consumption per unit of added value in enterprises above designated size decreased by 5.5% year-on-year. The comprehensive green and low-carbon transformation of the economy and society under the "twin carbon" goals has not only promoted the investment of foreign-funded enterprises in the field of clean energy and created the broader market space and development opportunities for foreign-funded enterprises, but also driven the green and low-carbon transformation of foreign-funded enterprises and enhanced the new momentum of their development. The survey report released by HSBC during the 4th China International Import Expo in 2021 indicates that, 76% of overseas enterprises believe that the green and low-carbon transformation has further enhanced the attractiveness of the Chinese market, and are optimistic about the business opportunities brought by the implementation of China's "twin carbon" goals.

II. Development of Foreign Investment in China in 2021

(I) General Situation of Foreign Investment

In 2021, China maintained a leading position in the world in terms of both economic development and anti-epidemic work. It accelerated the growth of its strategic scientific and technological strength, improved the resilience of industrial chain, deepened the reform and opening up, made new achievements in stabilizing foreign investment, and continued to attract foreign investment.

1. The foreign investment grew steadily

Affected by the factors such as the intensification of anti-globalization and trade protectionism, the impact of COVID-19 and the geopolitical conflicts, the transnational investment throughout the world has fluctuated greatly over recent years. However, the

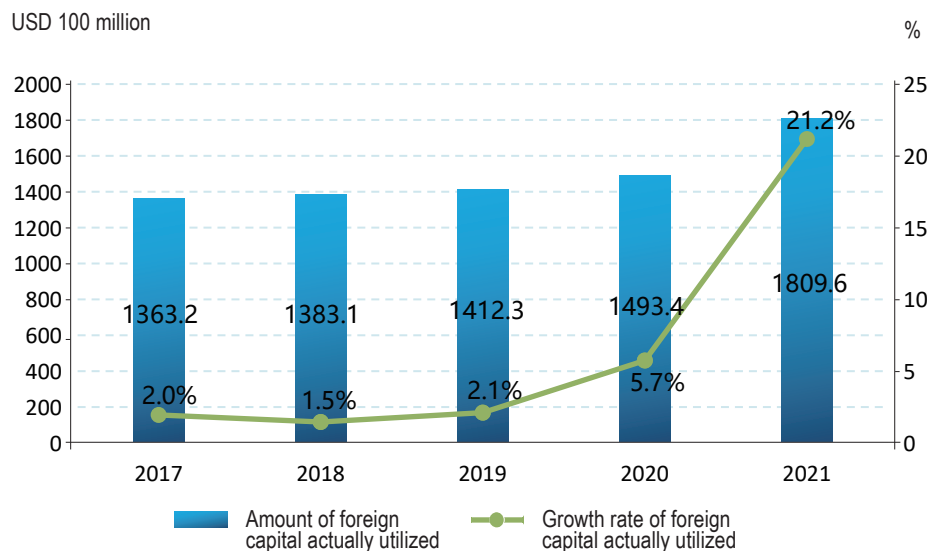


Figure 1-3 Details of foreign capital actually utilized by China during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

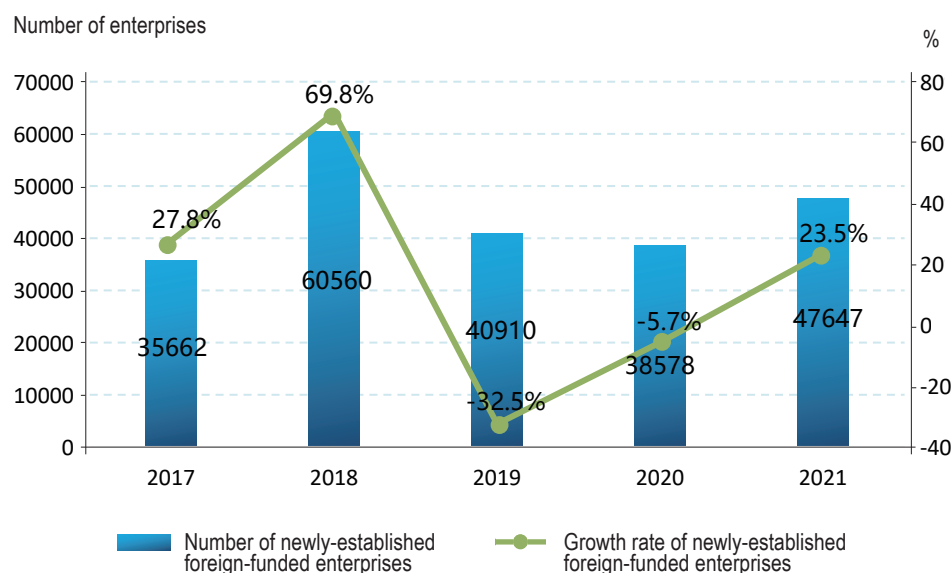


Figure 1-4 Changes in Number of Newly-established Foreign-funded Enterprises in China during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

foreign capital actually utilized by China has maintained a sustained and stable growth, and especially in the context of a large-scale decline in transnational investment around the world in 2020, the foreign capital actually utilized by China still achieved the positive growth. In 2021, the foreign capital actually utilized in China reached a record high of USD 180.96 billion, with a growth rate of 21.2%. 48,000 foreign-funded enterprises were newly established, a year-on-year increase of 23.5%, which indicates the "double growth" in the scale of investment absorbed and the number of enterprises established. The foreign capital actually utilized by China accounted for 11.4% of global transnational investment, up from 8.3% in 2017.

2. The flow of foreign investment became relatively concentrated

Over recent years, affected by the factors such

as China's industrial structure upgrade and the accelerated development of manufacturing services, the foreign investment in China has mainly flowed to the service industry. From 2017 to 2021, the amount of foreign capital actually utilized by service industry increased rapidly at an average annual growth rate of 8.4%, with its proportion in total foreign capital actually utilized by China increased from 73.9% in 2017 to 79.6% in 2021. The scale of foreign capital actually utilized by manufacturing industry remained relatively stable. Affected by the outbreak of COVID-19, the foreign capital actually utilized by manufacturing industry decreased to USD 31 billion in 2020. With the effective prevention and control of COVID-19 in China, the foreign capital actually utilized by manufacturing industry in China reached USD 33.73 billion in 2021, a year-on-year increase of 8.8%. However, the proportion of foreign capital actually utilized by manufacturing

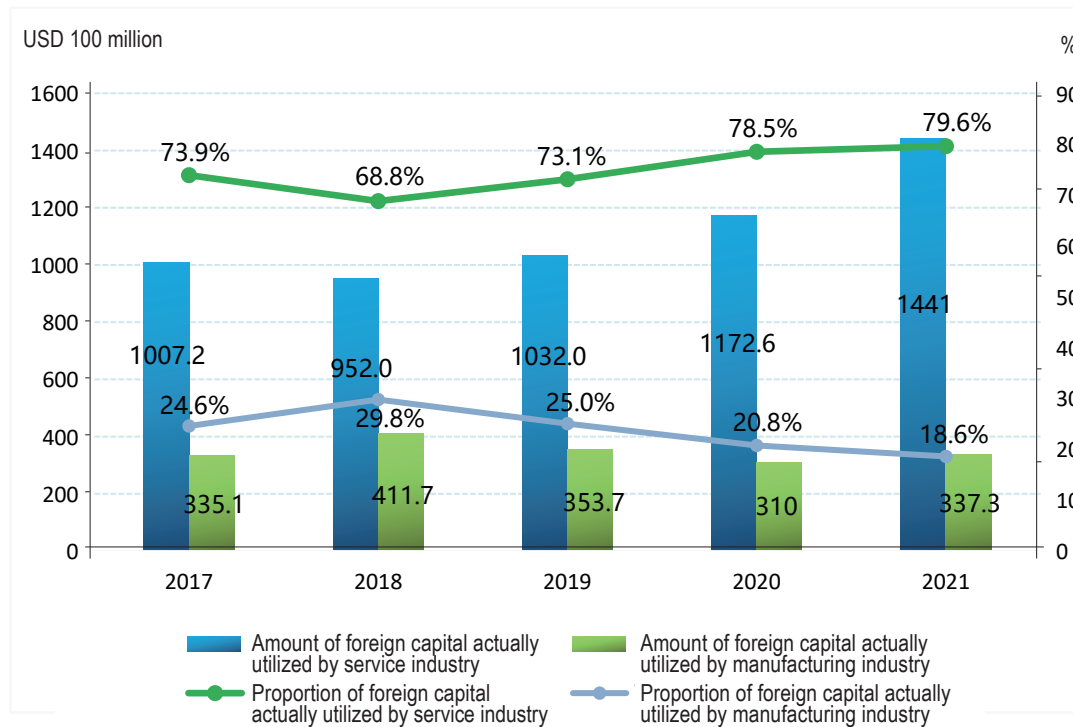


Figure 1-5 Details of Foreign Capital Actually Utilized by Service Industry and Manufacturing Industry during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

industry in the total foreign capital actually utilized by all industries decreased from 24.6% in 2017 to 18.6% in 2021, showing a downward trend.

In 2021, the leasing and business service industry, real estate industry, scientific research and technical service industry, information transmission, software and information technology service industry and wholesale and retail industry are the five industries with the largest scale of foreign capital utilized in the service industries, respectively accounting for 18.3%, 13%, 12.6%, 11.1%

and 9.2% of total foreign capital utilized by service industries, and aggregately accounting for 64.2% of total foreign capital utilized by China. Among them, the foreign capital actually utilized by wholesale and retail industry increased by 41.1% year-on-year, while the foreign capital actually utilized by leasing and business service industry and information transmission, software and information technology service industry increased by 24.6% and 22.3% respectively, both exceeding the average growth rate of 21.2% of all service industries.

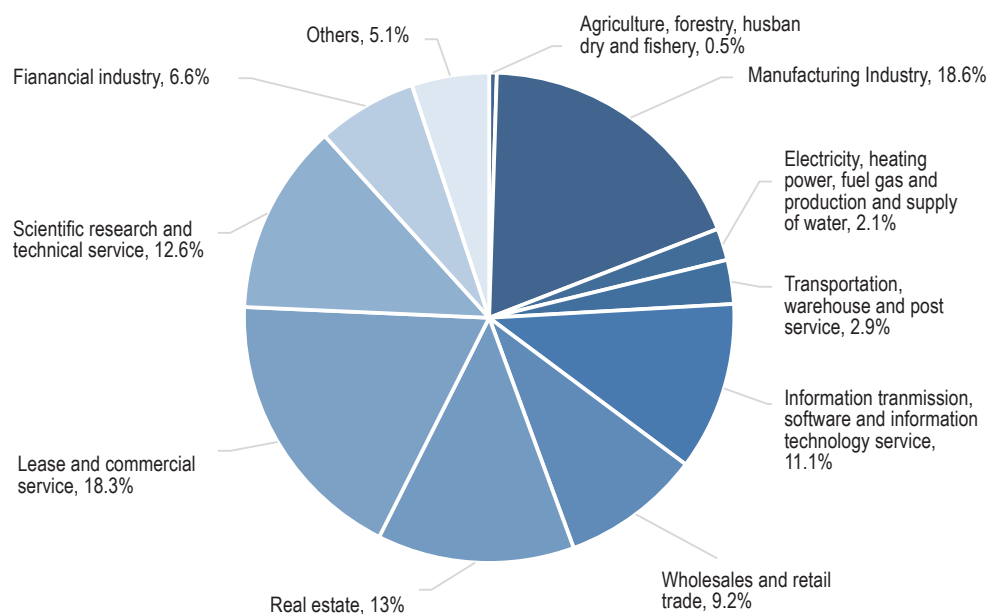


Figure 1-6 Proportion of Foreign Investment Absorbed by Industries in 2021

Source: Foreign investment statistics of the Ministry of Commerce.

3. The source structure of foreign investment remained relatively stable

Over recent years, the sources of foreign investment in China have been relatively concentrated, and the proportion of investment in China from main sources in the total scale of foreign investment has changed slightly and remained relatively stable. From 2017 to 2021, the top-10 sources of foreign investment in China accounted for 93.4% of total foreign investment in China over such five years.

In 2021, the foreign investment in China from main sources increased rapidly, and the concentration of investment sources increased to a certain extent. Hong Kong of China, Singapore, the British Virgin Islands, South Korea, Japan, the United States, the Cayman Islands, Macao of China, Germany and the United Kingdom are the top-10 sources of foreign investment in China, accounting for 95.3% of total foreign investment in China.

4. The foreign capital actually utilized in the central region grew rapidly

In 2021, the foreign capital actually utilized in the eastern region accounted for 84.4% of the total in the country, down 1 percentage point from 2020. During the same period, the proportion of foreign capital actually utilized in the central and western regions grew by 0.2 percentage points.

In 2021, the foreign investment absorbed grew in all regions. The foreign capital actually utilized in the eastern, central and western regions was USD 152.68 billion, USD 11.16 billion and USD 9.64 billion respectively. Although the foreign investment flow to eastern region still far exceeds that of the central and western regions, the central region also enjoyed the high growth rate of foreign capital actually utilized, which reached 26.5%, 6.8 percentage points higher than that in the eastern region. The growth

rate of foreign capital actually utilized in the western region was also basically the same as that in the eastern region. This is mainly attributable to the rich resources and sufficient labor force in the central and western regions,

the continuous improvement of transportation infrastructure and the continuous enhancement of industrial supporting capacity, which have enhanced the attraction to foreign-funded enterprises.

Table 1-1 Investment Attraction in Eastern, Central and Western Regions during 2017-2021

Region	2017		2018		2019		2020		2021	
	Scale (USD Hundred Million)	Proportion	Scale (USD Hundred Million)	Proportion	Scale (USD Hundred Million)	Proportion	Scale (USD Hundred Million)	Proportion	Scale (USD Hundred Million)	Proportion
Eastern region	1145.9	84.1%	1153.7	83.4%	1191.1	84.3%	1275.4	85.4%	1526.8	84.4%
Central region	83.1	6.1%	98.0	7.1%	97.3	6.9%	88.2	5.9%	111.6	6.2%
Western region	81.3	6.0%	97.9	7.1%	92.9	6.6%	80.1	5.4%	96.4	5.3%
Relevant Agencies	52.8	3.9%	33.4	2.4%	30.9	2.2%	49.7	3.3%	74.7	4.1%

Note: The item of relevant agencies includes the amount of foreign investment in the banking, securities and insurance sectors.

Source: Foreign investment statistics of the Ministry of Commerce.

(II) Characteristics and Trends of Growth of Foreign Investment

In 2021, China's absorption of foreign investment showed some new characteristics, such as the continuous optimization of structure of foreign capital utilized, and the prominent role of major open platforms in attracting investment.

1. The high-tech industry became the growth point for attraction of foreign investment

Over recent years, driven by China's vigorous promotion of technological innovation and development of high-tech industries, the structure of foreign capital utilized by China has been continuously optimized, and the scale of foreign capital actually utilized by high-tech industries has shown a rapid growth trend. In 2021, the foreign capital utilized by high-tech industry in China increased by 22.1%, with its proportion in total foreign capital utilized in China increased to 28.8%. From 2017 to 2021,

the foreign capital actually utilized in China's high-tech manufacturing industry increased from USD 9.89 billion to USD 12.06 billion, and its proportion in total foreign capital utilized by manufacturing industry increased by 6.3 percentage points, from 29.5% to 35.8%. The foreign capital actually utilized in China's high-tech service industry increased from USD 26.08 billion to more than USD 41.05 billion, and its proportion in total foreign capital utilized by service industry increased by 2 percentage points, from 25.9% to 27.9%.

In 2021, in the high-tech manufacturing industry, the foreign capital attracted by the electronics and communication equipment manufacturing industry and the computer and office equipment manufacturing increased by 26.1% and 20.4% respectively; in the high-tech service industry, the foreign capital attracted by the technological achievements transformation services and the R&D and design services increased by 30% and 28.6%, respectively.

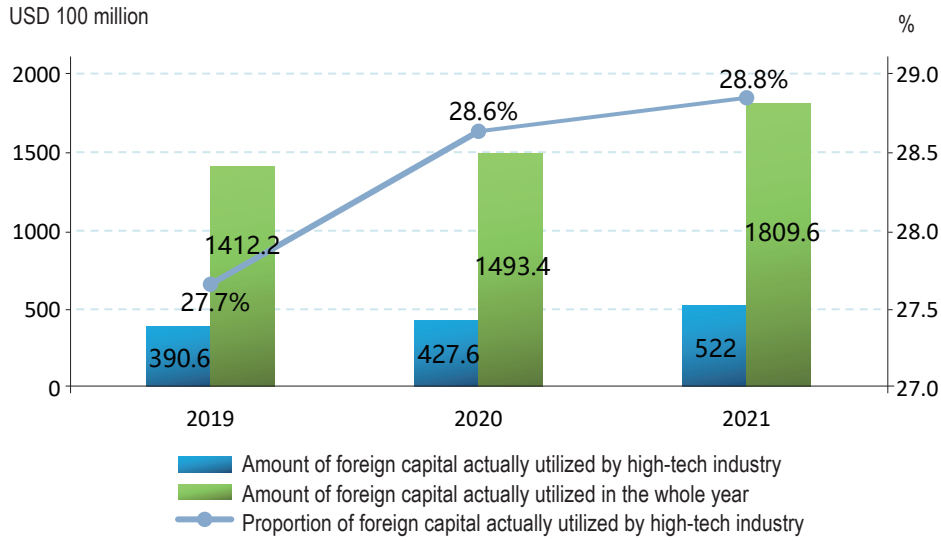


Figure 1-7 Details of Foreign Capital Utilized by High-tech Industry during 2019-2021

Source: Foreign investment statistics of the Ministry of Commerce.

2. The supporting role of key foreign-funded projects became prominent

Over recent years, the large foreign-funded projects have maintained a rapid growth rate.

The number of large projects with foreign capital of more than USD 100 million under new or capital increase contracts has increased from 834 in 2019 to 1,177 in 2021, maintaining a double-digit growth for three consecutive

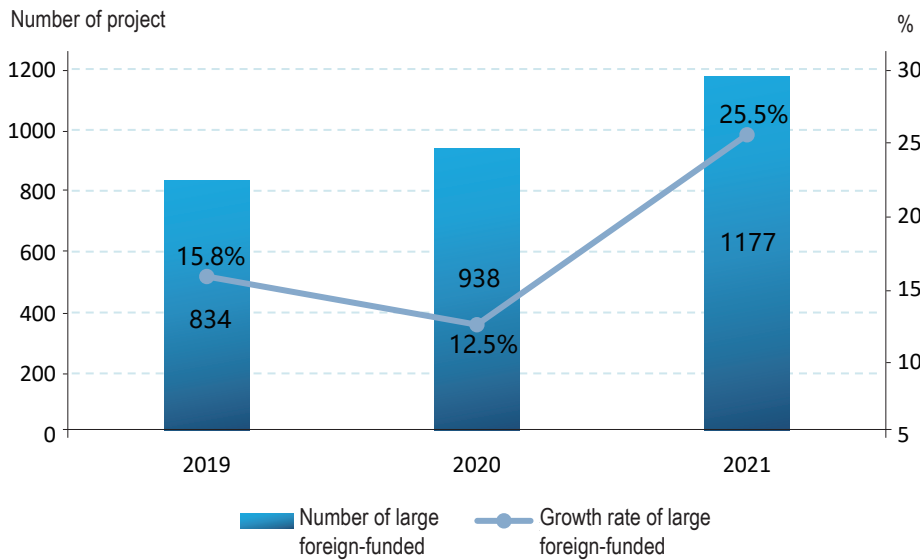


Figure 1-8 Number of Large Foreign-funded Projects during 2019-2021

Source: Foreign investment statistics of the Ministry of Commerce.

years. In 2021, the number of large projects with contracted foreign capital exceeding USD 50 million or USD 100 million increased by 26.1% and 25.5% respectively, which played an important supporting role in maintaining the steady growth of foreign investment.

3. The important open platforms played a significant role in attracting investment

In 2021, a number of opening-up platforms, such as free trade pilot zone, free trade port and comprehensive pilot of expanding the opening-up of service industry and China national economic and technical development zone, gave full play to combined effect of various favorable policies, and played a significant role in attracting and stabilizing foreign investment. The 21 pilot free trade zones have attracted 18.6% of total foreign investment with less than 0.4% of China's land area, making a positive contribution to stabilization of foreign investment. Driven by the implementation of favorable policies such as the negative list of foreign investment access and the negative list of cross-border trade in services, the foreign investment in Hainan Free Trade Port grew rapidly. Seven years after the exploration in opening-up and innovation of service industry, a pattern of "1+4" pilot demonstration areas in Beijing, Tianjin, Shanghai, Hainan and Chongqing was formed. The foreign capital actually utilized for service industry in the "1+4" pilot demonstration provinces and cities throughout the year was USD 4.56 billion, accounting for 33.4% of total foreign capital actually utilized by the national service industry, and accounting for 26.3% of total foreign capital actually utilized by China, so that the leading and exemplary role in promoting the opening-up and development of national service industry has been increasingly strengthened.

The foreign capital actually utilized by 230 national-level economic and technological development zones reached USD 30.30 billion, a year-on-year increase of 25.7%, which was 5.5 percentage points higher than the average growth rate of the country.

4. The operation of foreign-funded enterprises has been continuously improved in China

From the perspective of enterprises above designated size, in 2021, both the operating income and the operating profit of foreign-funded enterprises above designated size increased, with the positive growth for two consecutive years and the growth rate accelerated. The data of the National Bureau of Statistics show that, in 2021, the operating income of foreign-invested industrial enterprises above designated size nationwide was RMB 28.8 trillion, and their total profit was RMB 2.3 trillion, with a year-on-year growth of 14.8% and 21.1% respectively, 13.9 and 14.1 percentage points higher than the growth rate in 2020. From the perspective of operating profit margin, from 2019 to 2021, the operating profit margin of foreign-funded industrial enterprises above designated size increased rapidly, from 6.6% to 7.9%, which was significantly higher than the operating profit margin of all industrial enterprises above designated size. According to the American Business in China White Paper issued by the American Chamber of Commerce in China in 2022, the proportion of enterprises expected to "make very high profits" rose to 13% in 2021, the highest point in the past five years, an increase of 8 percentage points over 2020; it is expected that the proportion of enterprises making profits is 59%.

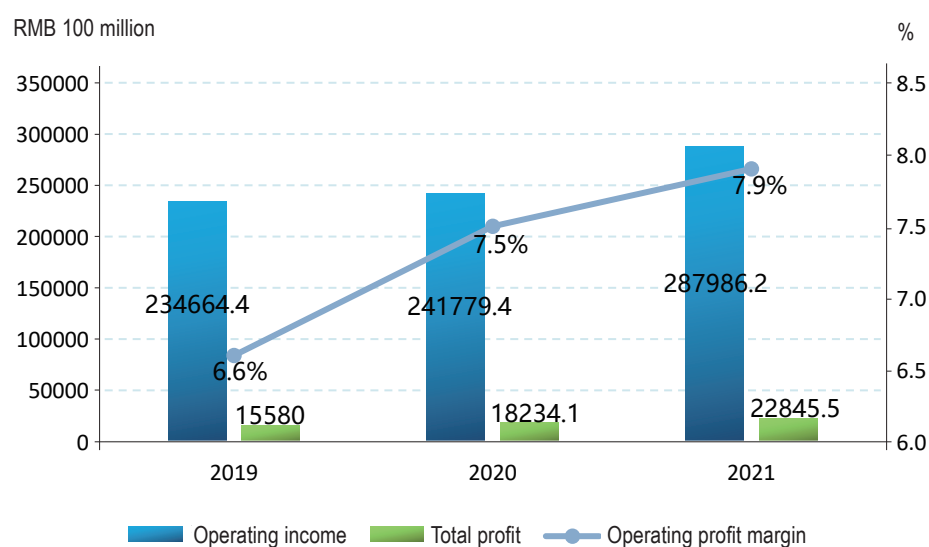


Figure 1-9 Operation of Foreign-funded Industrial Enterprises above Designated Size during 2019-2021

Source: National Bureau of Statistics.

5. The investment confidence of foreign-funded enterprises has enhanced continuously

In 2021, China's economy recovered strongly and the actually-utilized foreign capital increased steadily, further enhancing the foreign-funded enterprises' confidence in investment in China. According to the Report of Foreign Direct Investment Confidence

Index released by Kearney in January 2022, China's ranking related to foreign investment confidence index rose from No. 12 in January 2021 to No. 10 in 2022. According to the report, in 2021, China's effective pandemic prevention policy brought about a rapid economic recovery, restored the consumers' confidence and enhanced the stability of supply chain, which has increased the confidence of foreign investors in China.

Table 1-2 Ranking of Kearney Foreign Direct Investment Confidence Index in 2022

Country	Ranking in 2022	Compared with ranking in previous year	Ranking in 2021
USA	1	-	1
Germany	2	↑	3
Canada	3	↓	2
Japan	4	↑	5
UK	5	↓	4
France	6	-	6

Country	Ranking in 2022	Compared with ranking in previous year	Ranking in 2021
Italy	7	↑	8
Spain	8	↑	9
Switzerland	9	↑	10
China (including Hong Kong)	10	↑	12

Source: Report of Foreign Direct Investment Confidence Index in 2022 released by Kearney

According to the results of the investment survey carried out by various institutions on foreign-funded enterprises in China, the foreign-funded enterprises continue to maintain their enthusiasm for investment in China. In May 2022, the China Council for the Promotion of International Trade (CCPIT) released the Survey Report on China's Business Environment for Foreign Investment in First Quarter of 2022, which shows that, in the first quarter of 2022, about 71% of the foreign-funded enterprises surveyed maintained their business scale in China, 16.4% of the enterprises expanded their business scale, and 72.1% of the enterprises increased their capital in China by more than 5%. In March, 2022, the American Chamber of Commerce in China released a survey report on American enterprises in China, which shows that, 60% of enterprises still believe that China is one of the top-three investment destinations in their recent global investment plan; 66% of enterprises plan to increase their investment in China in 2022; 83% of enterprises have no intention to transfer their manufacturing or procurement business out of China. The 2021 White Paper on Chinese Economy and Japanese Enterprises shows that, 92.8% of Japanese-funded enterprises in China will not adjust their production bases due to factors such as "pandemic spread" and "changes in trade

environment". The Business Confidence Survey 2021-2022 released by the German Chamber of Commerce in China and KPMG shows that, 71% of German-funded enterprises plan to increase their investment in China. The Special Report on Economic Situation of South China in 2022 released by the American Chamber of Commerce in South China shows that, 72% of the surveyed enterprises plan to expand their business in China in the next three years, and in the next three to five years, the total reinvestment of the surveyed enterprises in China is expected to reach USD 26.50 billion (about RMB 168.50 billion).

III. Key Policies for Foreign Investment in China in 2021

In January, 2020, the Foreign Investment Law of China and its implementation rules came into force, establishing the general framework of the legal system for foreign investment. In accordance with the relevant provisions of the Foreign Investment Law, relevant Chinese agencies have further improved the policy and institutional system for promoting foreign investment in terms of investment access, facilitation measures, investment promotion and investment protection, so as to create a good environment for foreign investment.

(I) Foreign Investment Access Policies

1. Reducing the negative lists of foreign investment access in China and pilot free trade zones

On December 27, 2021, the National Development and Reform Commission and the Ministry of Commerce issued the Special Administrative Measures for Foreign Investment Access (Negative List) (Version 2021) (Order No. 47 of the National Development and Reform Commission and the Ministry of Commerce) and the Special Administrative Measures for Foreign Investment Access in Pilot Free Trade Zones (Negative List) (Version 2021) (Order No. 48 of the National Development and Reform Commission and the Ministry of Commerce), further reducing the contents of the negative lists of foreign investment access in the country and the pilot free trade zones by 6.1% and 10% to 31 and 27 entries respectively, so as to further expand opening-up to the outside world in a larger scope and at a deeper level.

The first is further expanding the opening-up of manufacturing industry. In the automobile manufacturing sector, the restriction on foreign shareholding ratio in passenger car manufacturing enterprises and the restriction that a same foreign investor may only establish no more than two joint ventures in China to produce similar vehicle products have been abolished. In the radio and television equipment manufacturing sector, the restrictions on foreign investment in production of satellite television broadcasting ground receiving facilities and key components have been lifted, and the administration will be carried out in accordance with the principle of consistency between domestic and foreign investment. This revision has cleared the entries about manufacturing industry in the

negative list for pilot free trade zones.

The second is that the pilot free trade zones have explored to relax the access of service industry. In the market survey sector, except for the listening and audience survey for radio and television, which must be controlled by the Chinese party, the foreign investment access restrictions have been lifted. In the social survey sector, the foreign investment in social survey is allowed, but the Chinese share ratio must be no less than 67%, and the legal representative must have the Chinese nationality.

The third is improving the accuracy of negative list of foreign investment access. In the section "description" of the negative list, the language "In case a domestic enterprise engaged in the business in the field wherein the foreign investment is prohibited by the negative list of foreign capital access gets its shares issued and listed abroad, such enterprise shall be subject to the examination and approval by the relevant competent agencies of China, the foreign investors shall not participate in the operation management of such enterprise, and their shareholding ratio shall be subject to the restrictions by reference to the relevant provisions for administration on domestic securities investment of foreign investors" has been added, and the CSRC and relevant competent departments shall implement the precise management on the overseas listing and financing of domestic enterprises engaged in the business in the field wherein the foreign investment is prohibited by the negative list.

Fourth, the management of negative list of foreign investment access has been optimized. According to the Regulations for Implementation of the Foreign Investment Law, "The foreign-funded enterprises that invest within the territory of China shall comply with the relevant provisions of the negative list of

foreign investment access" have been added to the section "description" of the negative list. In order to ensure consistency between the negative list of foreign investment access and the negative list of market access, the sentence "The relevant provisions of the Negative List of Market Access shall be applicable to both domestic and foreign investors" have been added to the section "description" of the negative list.

2. Granting the exclusive access management measures to Hainan Free Trade Port

With a view to supporting the construction of Hainan Free Trade Port, the Special Administrative Measures for Foreign Investment Access in Hainan Free Trade Port (Negative List) (Version 2020) (Order No. 39 of the Ministry of Commerce and the National Development and Reform Commission), issued by the Ministry of Commerce and the National Development and Reform Commission, started to be implemented on February 1, 2021, and the Ministry of Commerce also issued the Special Administrative Measures for Cross-border Trade in Services in Hainan Free Trade Port (Negative List) (Version 2021) (Order No. 3 of the Ministry of Commerce in 2021) in July 2021 and implemented such measures on August 26. This is the first negative list published by China in the field of cross-border trade in services, which clearly lists 70 special administrative measures in 11 categories for overseas service providers, marking that China's opening-up has risen to a new height.

In terms of foreign investment access of Hainan Free Trade Port, compared with the negative lists of foreign investment access for the whole country and for pilot free trade zones, Hainan Free Trade Port has achieved further opening in the fields of service industry and mining industry. For example, in the

service sector, the restrictions on access of foreign capital in fields such as value-added telecommunications services, business services and other services have been relaxed, and the foreign-funded enterprises are allowed to deeply carry out operations in the relevant service fields. In the mining sector, the provisions prohibiting foreign investment in rare earth, radioactive minerals, tungsten exploration, mining and beneficiation have been abolished, and the management will be implemented in accordance with the measures of China and Hainan province that the domestic investment and foreign investment in the mining industry will be treated in a consistent manner.

In terms of cross-border trade in services in Hainan Free Trade Port, the degree of openness exceeds the commitments made by China when it joined the World Trade Organization and signed the free trade agreements, which is conducive to the participation of foreign-funded enterprises and overseas individuals in Hainan's service industry. When the Chinese government joined the World Trade Organization, it made a commitment to open 100 of the 160 sub-sectors of trade in services, while in the negative list of cross-border trade in services, Hainan made a commitment to open 120 sub-sectors. Among them, the opening commitment about 70 sub-sectors is higher than that made by China for accession to the WTO, and the opening commitment of more than 40 sub-sectors is made for the first time, such as allowing overseas service providers to carry out market surveys after obtaining foreign-related survey licenses through qualification verification, and abolishing the restriction that for the purpose of providing services in China, the overseas individual education service providers must have two years of professional work experience. Moreover, the level of opening-up also exceeds the commitments

made by China in the Regional Comprehensive Economic Partnership (RCEP).

In addition, although both the negative list of cross-border trade in services and the negative list of foreign investment access of Hainan are special administrative measures for overseas market entities or individuals, there are certain differences in positioning and functions between them. Among the four supply modes as specified in the General Agreement on Trade in Services of the WTO, the commercial presence belongs to investment, while the cross-border supply, consumption abroad and movement of natural persons are collectively referred to as cross-border trade in services. The service supply in business presence mode is included in the negative list of foreign investment access. In Hainan's negative list of cross-border trade in services, the special administrative measures for overseas service providers to provide services to Hainan Free Trade Port in the modes such as cross-border delivery, consumption abroad and movement of natural persons are laid out. In the fields outside the list, the domestic and foreign services and service providers are treated equally in Hainan Free Trade Port.

3. Adding four comprehensive pilot projects for expanding the opening-up of service industry

In April, 2021, the State Council approved the comprehensive pilot projects of expanding the opening-up of service industry in Tianjin, Shanghai, Hainan and Chongqing for a period of three years. As Beijing has implemented four versions of comprehensive pilot plan for expanding the opening-up of service industry, a "1+4" pilot demonstration area pattern has been formed. The "1+4" comprehensive pilot demonstration areas for expanding the opening-up of service industry expanded the opening up to the outside world at a high level,

coordinated the opening up to the domestic and foreign markets, facilitated institutional opening based on the negative list of market access, promoted market-oriented reform, equally relaxed the business licensing for domestically-funded and foreign-funded enterprises and promoted the fair competition. First, in terms of industrial opening-up, according to the different characteristics of market competition in service industry, the pilot projects set up such four categories as full competition, limited competition, competitive business in natural monopoly field, and service industry in specific fields, and put 12 key service industries, including science and technology, finance and education, under these categories. The second is to, in terms of regional development, emphasize the construction of key demonstration parks, so as to promote the collaborative opening in various regions. The third is to, in terms of construction of institutional mechanisms, align with international standards and rules, so as to promote the facilitation of trade and investment. The fourth is to, in terms of policy and factors support, strengthen the support for flow of funds and data, talent services, and protection of intellectual property rights. In addition, the work of comprehensive pilot demonstration area for expanding the opening-up of service industry emphasizes that, under the precondition that the opening-up of common fields is properly coordinated, the regional characteristics shall be fully reflected, the differentiated exploration shall be encouraged, and the opening-up, innovation and development of service industry in various localities shall be promoted, so as to play a demonstration and leading role for the opening-up and development of national service industry.

With a view to supporting the construction of comprehensive demonstration area for

expanding the opening-up of service industry in Beijing, in October 2021, the State Council issued the Reply on Agreeing to Temporarily Adjust the Relevant Administrative Regulations and Departmental Rules Approved by the State Council (G.H. [2021] No. 106), so as to adjust the relevant contents in the Regulations of the People's Republic of China on Chinese-foreign Cooperation in Running Schools, the Provisions on Administration of Foreign-funded Telecommunications Enterprises, the Regulations on Administration of Commercial Performances, the Regulations on Travel Agencies, the Regulations on Administration of Registration of Private Non-enterprise Entities and the negative list of foreign investment access, which has promoted the implementation of relevant measures for expanding the opening-up of telecommunications, education, cultural tourism, pension and other fields.

4. Revising the provisions in relevant fields that are inconsistent with the foreign investment law.

In order to implement the Foreign Investment Law, the relevant government agencies have actively promoted the "establishment, revision and abolition" of laws, so as to clean up and revise some laws and regulations, and abolish the access and operation restrictions in relevant fields. For example, on March 10, 2021, the China Banking and Insurance Regulatory Commission issued the Decision on Revising the Detailed Rules for Implementation of the Regulations of the People's Republic of China on Administration of Foreign-funded Insurance Companies (Order No. 2 of the China Banking and Insurance Regulatory Commission in 2021), expanding the foreign shareholders of foreign-funded insurance companies from foreign insurance companies to foreign insurance companies, foreign insurance group companies and

other overseas financial institutions, and deleting the restrictive provisions on foreign shareholding ratio in the Detailed Rules for Implementation. On May 27, 2021, the Ministry of Culture and Tourism issued the Circular on Adjusting the Examination and Approval of Entertainment Venues and Internet Access Service Venues (W.L.SH.CH.F. [2021] No. 57), allowing foreign investors to set up entertainment venues in China according to laws. On June 29, 2021, the Ministry of Industry and Information Technology issued the Circular on Intensifying the "Separation of Certificates and Licenses" Reform (G.X.B.ZH. F.H.[2021] No. 159), canceling the "approval of foreign investment in telecommunications business (basic telecommunications business)", "approval of foreign investment in telecommunications business (class-I value-added telecommunications business)" and "approval of foreign investment in telecommunications business (Class-II value-added telecommunications business)" nationwide, and specifying that, the Opinions on Examination and Approval of Foreign Investment in Telecommunications Business will no longer be issued, and the corresponding examination of foreign investment will be included in the examination and approval of telecommunications business license.

5. Continuously improving the foreign investment security review system and mechanism

It is an international common practice to conduct security reviews on foreign investment that affects or may affect the national security. China has established the foreign investment security review system since 2011. With the continuous improvement of the Foreign Investment Law as well as other relevant supporting laws and regulations, China's foreign investment security review has gradually been brought in line with international

standards. On January 18, 2021, Measures for Security Review of Foreign Investment (Order No. 37 of the National Development and Reform Commission and the Ministry of Commerce) came into effect, specifying the types of foreign investment subject to security review, the review institutions, the scope of security review, the procedures of security review, the supervision and implementation of review decisions and the handling of violations, which further improves the standardization, accuracy and transparency of review work and minimizes the impact on foreign investment activities, and protects the enthusiasm and legitimate rights and interests of foreign investors. In addition, in accordance with the laws, China has established a working mechanism for security review of foreign investment. The office of such working mechanism, located in the National Development and Reform Commission and led by the National Development and Reform Commission and the Ministry of Commerce, undertakes the daily work related to security review of foreign investment and promotes the continuous improvement of foreign investment security review mechanism.

(II) Foreign Investment Facilitation Policies

In 2021, the State Council and relevant agencies issued a series of documents involving simplification and decentralization of administration, trade and investment facilitation, and business environment, so as to continuously promote the "deregulation and service" reform in the investment field, optimize the trade and investment facilitation measures of the pilot free trade zones and Hainan Free Trade Port, improve the level of investment facilitation, and promote the investment and development of foreign-invested enterprises.

1. Continuously intensifying the "deregulation and service" reform, so as to stimulate the new development vitality of market entities

With a view to optimizing the business environment and stimulating the development vitality of market entities including foreign-funded enterprises, China has continuously deepened the "deregulation and service" reform, so as to continuously streamline the administration, delegate the powers, cancel the approval system, simplify the tax-related business procedures, and thus stabilize the foreign trade and investment with services.

The first is simplifying and optimizing the convenience measures for enterprise-related matters. For example, on April 15, 2021, the General Office of the State Council issued the Opinions on Serving "Six Stabilities" and "Six Guarantees" and further Implementing the Work Related to "Deregulation and Service" Reform (G.B.F [2021] No. 10), proposing the measures to simplify the procedures of enterprise-related matters, optimize the approval process of investment projects and improve the foreign investment information reporting system from such five aspects as employment environment, enterprise-related approval, expanding domestic demand, livelihood service supply, and fair supervision, so as to reduce the operating burden of enterprises and stimulate the vitality of market entities. On June 3, 2021, the State Council issued the Circular on Intensifying the "Separation of Certificates and Licenses" Reform and further Stimulating the Development Vitality of Market Entities (G.F. [2021] No. 7), so as to implement the full-coverage list management of enterprise-related licensing matters nationwide. As a result, approval of 523 enterprise-related licensing matters at the central level are reformed,, including by directly canceling approval,

changing approval to filing, implementing notification commitments, and optimizing approval services, while the reform in the free trade pilot zone was further strengthened on a pilot basis.

The second is simplifying the procedures and processes for tax-related business.

With a view to optimizing the tax-related business of enterprises and simplifying the tax refund and tax payment procedures, the State Taxation Administration has successively issued the Announcement on Optimizing and Integrating the Export Tax Refund Information System to Better Serve Taxpayers (Announcement No. 15 of the State Taxation Administration in 2021), the Announcement on Implementing the Notification and Commitment System for Some Tax Certification Matters to further Optimize Tax Services (Announcement No. 21 of the State Taxation Administration in 2021), the Circular on Several Measures to further Intensify the "Deregulation and Service" Reform in Tax Field and Cultivate and Stimulate the Vitality of Market Entities (SH.Z.ZH.K.F. [2021] No. 69) and other documents, greatly simplifying and optimizing the application for tax refund, submission of materials, procedures for handling of tax matters, issuance of certificates and classified management, implementing the notification and commitment system for six tax certification matters nationwide, simplifying the handling of exemption of land-related value-added tax, and implementing the handling of tax matters with some materials omitted, so as to improve the convenience of tax handling and tax payment.

The third is optimizing the market entry and exit mechanism for enterprises. With a view to improving the service level for establishment of enterprises and optimizing the market exit mechanism for enterprises, the State Administration for Market Regulation, together with relevant agencies, issued the

Circular on further Intensifying the Reform and Continuously Improving the Service Level for Establishment of Enterprises (G.SH.J.ZH.F. [2021] No. 24), the Circular on further Improving the Simple Cancellation Registration and Facilitating the Market Exit of Small, Medium and Micro Enterprises (G.SH.J.ZH.F. [2021] No. 45) and other documents, proposing to include the establishment of foreign-invested enterprises in the "all-in-one network" platform, expand the pilot scope of synchronous issuance and application of electronic business licenses and electronic seals, promote the normalization and standardization of enterprise establishment process, and implement the specific measures such as simple deregistration for small, medium and micro enterprises, so as to solve the pain points and difficult problems encountered in establishment of enterprises, unblock the exit channels of market entities, and improve the activity of market entities. On this basis, in November 2021, the State Council issued the Opinions on Carrying out the Pilot Work of Business Environment Innovation (G.F. [2021] No. 24), also giving priority to the establishment of a more open, transparent, standardized and efficient market access and exit mechanism, and proposing measures such as expanding the business scope of "all-in-one network" platform, further facilitating the enterprises to open bank accounts, permitting the enterprises to change their registration information online, establishing the delisting system of market entities, optimizing the disposal procedures for land and real estate of bankrupt enterprises, and optimizing the property unsealing and disposal mechanism of bankruptcy cases, so as to facilitate the establishment and market exit of enterprises.

2. Intensifying the reform of trade and investment facilitation, and improving the level of trade and investment facilitation

In 2021, with a view to further promoting trade

and investment facilitation, and accelerating the formation of a new development paradigm with the domestic circulation as the mainstay and the domestic and international circulations reinforcing each other, the State Council and the relevant ministries and commissions issued the relevant documents for promoting the trade liberalization and facilitation of pilot free trade zones and Hainan free trade port, and boosting the innovative development of trade in services to enhance trade and investment facilitation level.

The first is innovating the measures for reform of trade and investment facilitation in pilot free trade zones. In August 2021, the State Council issued the Several Measures for Promoting the Reform and Innovation of Trade and Investment Facilitation in Pilot Free Trade Zones (G.F. [2021] No. 12), putting forward 19 detailed and well-directed measures. On the whole, five characteristics can be noted: The first is improving trade convenience. The measures include making trade import innovation, supporting the cultivation of import trade innovation demonstration zones in pilot free trade zones, releasing the potential of new trade methods and supporting the development of offshore trade in pilot free trade zones; promoting bonded maintenance business, supporting enterprises in pilot free trade zones to carry out bonded maintenance business according to the maintenance product catalogue of the comprehensive bonded zones; improving the convenience of pharmaceutical products import, and allowing the qualified pilot free trade zones to carry out the cross-border e-commerce retail import of some drugs and medical devices. The second is promoting investment facilitation. The measures include stepping up the opening to investment from Hong Kong and Macao, and delegating the approval authority for establishment of travel agencies in pilot free trade zones by Hong

Kong and Macao service providers from the provincial tourism authority to the pilot free trade zones. Statutory survey of international registered ships should be liberalized, and overseas ship survey agencies approved by law should be allowed to conduct statutory survey on international registered ships in pilot free trade zones. In pilot free trade zones, we have supplied land for industrial chain and implemented the overall supply of several lands involved in key links and core projects of industrial chain. The third is improving the convenience of international logistics. We have promoted the establishment of open channels and supported the relevant international airports in the cities where the pilot free trade zones are located to make use of the fifth air rights, so as to allow foreign airlines to carry passengers and cargoes from such cities to the third countries on the basis of equality and mutual benefit. We have supported the pilot reform of "one document system" for multimodal transport in the pilot free trade zones, have encouraged the formulation and implementation of standardized multimodal transport document in the pilot free trade zones, and have studied and issued the policy documents on railway consignment note financing. The efficiency of shipping management services should be improved, and the management authority on some matters concerning the Certificate of Business Transport Ship should be delegated to the provincial departments in the pilot free trade zones. The fourth is strengthening the role of finance in supporting real economy. In terms of futures trading, the proposal is further enriching the varieties of commodity futures, speeding up the introduction of foreign traders to participate in futures trading, and improving the regulation policy on bonded delivery of futures. We have carried out the pilot work for integrated bank account for local and foreign

currencies. We have promoted the pilot work of foreign debt facilitation of financial leasing companies. We have explored the intellectual property securitization mode in the qualified pilot free trade zones. The fifth is exploring the protection function of justice for trade and investment facilitation. We have explored allowing multimodal transport documents to be used as documents of title, and accumulated the relevant experience through judicial practice, so as to provide the support for the improvement of relevant domestic legislation, and promote the settlement of issues with documents of title relating to railway consignment notes. In the meantime, the Several Measures have put forward measures to improve the judicial review of arbitration and clarify the application of law involved in the judicial review of the arbitration awards made by the arbitration institutions established by overseas arbitration institutions in pilot free trade zones.

The second is promoting the liberalization and facilitation of trade and investment in Hainan Free Trade Port. On April 19, 2021, the Ministry of Commerce and other 20 agencies jointly issued the Circular on Several Measures to Promote the Liberalization and Facilitation of Trade in Hainan Free Trade Port (SH.Z.M.F. [2021] No. 58), introducing a total of 28 specific policies and measures in trade in goods and trade in services. In terms of trade in goods, in areas where “first-line” liberalization and “second-line” control are implemented, targeted relaxation of restrictions on crude oil, refined oil, electromechanical products and sugar is proposed. In terms of trade in services, innovative measures, such as support for overseas institutions to hold foreign-related exhibitions in Hainan and the exploration of cancelling the approval for establishment of auction enterprises, have

been put forward to support the development of cross-border trade in services. In addition, with a view to supporting the construction of Hainan Free Trade Port, on March 10, 2021, the People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange jointly issued the Opinions on Financial Support for Hainan's Comprehensive Deepening of the Reform and Opening-up (Y.F. [2021] No. 84), proposing the measures such as allowing the qualified foreign limited partners (QFLP) in Hainan Free Trade Port to freely remit funds according to the balance management mode and simplifying the foreign exchange registration procedures under the precondition that the risk is controllable; carrying out the pilot work of domestic-currency and foreign-currency cross-border capital pool business in Hainan, supporting the qualified multinational enterprise groups to carry out the balance transfer and collection business for domestic-currency and foreign-currency funds between domestic and foreign members, and permitting the exchange of funds in special account in light of actual needs; supporting the overseas financial institutions to set up Sino-foreign joint-venture banks in Hainan, and supporting the qualified foreign-funded institutions to obtain payment business licenses in Hainan in accordance with the laws, so as to promote the free and convenient flow of cross-border funds and facilitate the investment, financing and exchange.

The third is adjusting the laws and regulations and documents of the State Council, so as to promote the innovation and development of trade in services. In August 2020, China launched the pilot project to comprehensively intensify the innovation

and development of trade in services in 28 provinces and cities (regions) for a period of three years. On September 15, 2021, the State Council issued the Reply on Agreeing to Temporarily Adjust the Relevant Administrative Regulations and State Council's Documents in Pilot Areas for Comprehensively Deepening the Innovation and Development of Trade in Services (G.H. [2021] No. 94), further facilitating the investment and development by adjusting seven regulations and provisions. **The first is** adjusting the Travel Agency Regulations, so as to shorten the time limit for approval on application from foreign-invested enterprises for establishment of travel agencies in all pilot areas, and reduce the approval time from 30 working days from the date of accepting applications to 15 working days. **The second is** relaxing the restrictive provisions of the Regulation on Patent Agency on qualification examination of patent agents, so as to allow foreigners to take the examination in pilot areas such as Beijing, Nanjing, Suzhou and Guangzhou. **The third is** adjusting the relevant content of the Notice of the General Office of the State Council on Strengthening the Management of Foreign Economic and Technological Exhibitions Held in China (G.B.F. [1997] No. 25), relaxing the restriction on the qualification for sponsors of foreign-related economic and technological exhibitions, and delegating the approval authority for such exhibitions. Allowing foreign institutions to independently hold foreign-related economic and technical exhibitions in Hainan Province, except for those titled "China", "National" and "Country". The administrative licensing of the above-mentioned foreign-related economic and technical exhibitions independently or jointly held by foreign institutions has been entrusted to the provincial-level commerce department for implementation and effective supervision.

(III) Foreign Investment Promotion Policies

1. Strengthening the top-level design of foreign investment and improving the foreign investment promotion system

With a view to properly carrying out the "six-stability" work, comprehensively implementing the "six-guarantee" task, and stabilizing the foreign trade and foreign investment, in March 2021, the Ministry of Commerce, by issuing the Circular on Stabilizing Foreign Investment around Construction of New Development Pattern, proposed 22 specific measures from five aspects, such as improving the level of open platforms and perfecting the foreign investment service guarantee system, so as to stabilize the industrial chain and supply chain, and promote the stable development of foreign-invested enterprises in China. In October 2021, by issuing the Development Plan for Utilization of Foreign Capital during the "14th Five-Year Plan" Period, the Ministry of Commerce carried out the top-level design of foreign investment during the "14th Five Year Plan" Period from such seven aspects as promoting a higher level of opening up, optimizing the structure of foreign capital utilized, strengthening the functions of open platforms, improving the level of foreign investment promotion services and optimizing the foreign investment environment, clearly put forward 23 main tasks and measures, and made arrangements to improve the foreign investment promotion service system. This plan not only provides the guidance for the implementation of work related to foreign investment and the construction of foreign investment promotion service system, but also provides a reference for the investment and business activities of foreign-invested enterprises. On November 5, 2021, the Ministry of Commerce issued the Foreign Investment Guide of China (Version 2021), and formed four versions in Chinese,

English, Japanese and Korean. Building on the basic framework of the previous version, the new version of the foreign investment guide integrates the investment environment, relevant legal systems and investment procedures of China, adjusts, updates and optimizes each chapter, and updates various data, procedures and institutional directories, so as to make it convenient for foreign-funded enterprises and foreign investors to study and formulate the strategies for investment in China and carry out the investment and business activities.

2. Expanding the catalogue of industries for encouraged foreign investment and promoting the foreign investment in key industries

On January 27, 2021, the Catalogue of Industries for Encouraged Foreign Investment (Version 2020) came into force, which has 1,235 entries, with 127 entries added and 88 entries amended as compared with the version 2019, so as to further expand the scope of foreign investment. The national catalogue of industries for encouraged foreign investment has 480 entries, with 65 entries added and 51 entries amended; the catalogue of industries for encouraged foreign investment for the central and western regions has 755 entries, with 62 entries added and 37 entries amended. Compared with the version 2019, the version 2020 of the catalogue has three characteristics: **the first is** that the manufacturing industry is taken as the key direction for foreign investment in the national version. According to the guidance of "attracting investment to supplement the chain", "attracting investment to strengthen the chain" and "attracting investment to expand the chain", the relevant entries are added in the field of raw materials and end products. **The second is** that the foreign investment in producer service industry is further encouraged. For example, in the field of R&D and design, the entries about R&D of

5G mobile communication technologies and development of blockchain technologies are added or amended. In the field of business services, the entries about maintenance of high-end equipment and transformation and integration of digital production lines are added. In the field of modern logistics, the entries about cross-border e-commerce retail, bulk commodity import and export distribution center and community chain distribution are added or amended. **The third is** that the foreign investment in the central and western regions is further encouraged. The entries for encouraging foreign investment in central and western provinces are added appropriately, so as to boost the development of open economy and export-oriented industrial clusters in central and western regions.

3. Optimizing the fiscal and tax policies for foreign investment, so as to enhance the attractiveness for foreign investment

In 2021, the Ministry of Finance, the State Taxation Administration and other relevant agencies conscientiously implemented the decisions and arrangements of the CPC Central Committee and the State Council on active and effective use of foreign capital, and refined the preferential policies for tax reduction and fee reduction, so as to support the R&D of enterprises and the development of key industries. **The first is implementing the deferred tax policy for reinvestment specifically for foreign-funded enterprises.** The profits distributed to foreign investors from domestic resident enterprises in China, which are directly used to make reinvestment in domestic projects, will be temporarily exempted from withholding income tax, so as to effectively alleviate the funding strain of foreign-funded enterprises and promote the continuous growth of foreign-funded enterprises' reinvestment in China. **The second is optimizing the policies for supporting**

R&D and innovation of foreign-funded enterprises. The Announcement on further Improving the Policy for Pre-tax Additional Deduction for R&D Expenses (Announcement No. 13 of the Ministry of Finance and the State Taxation Administration in 2021), the Circular on Import Tax Policy for Supporting Scientific and Technical Innovation during the “14th Five-Year Plan” Period (C.G.SH. [2021] No. 23), the Circular on Political Administration Measures for Supporting Import Taxation of Scientific Innovation during the “14th Five-Year Plan” Period (C.G.SH. [2021] No. 24) and other documents have been issued, so as to realize the policy for pre-tax additional deduction for R&D expenses and further encourage enterprises to increase R&D investment. The tax exemption qualification of foreign-funded R&D centers for purchase of imported equipment has been clarified, so as to support the development of foreign-funded R&D centers. **The third is implementing the import tariff exemption policy for key products in key industries.** The Circular on Import Tax Policy for Supporting the Development of Integrated Circuit Industry and Software Industry (C.G.SH. [2021] No. 4) and the Circular on Import Tax Policy for Supporting the Development of New-type Display Industry during 2021-2030 (C.G.SH. [2021] No. 19) have been issued, so as to exempt the import tariff for key raw materials and spare parts of integrated circuit industry and new-type display industry.

4. Improving the foreign investment service guarantee mechanism, so as to improve the level of services for foreign investments

The first is giving full play to the role of special team for key foreign investment projects. The foreign trade and investment coordination mechanism (office in the Ministry of Commerce) special working team for key foreign-funded projects stepped up the efforts to serve enterprises, responding quickly

to the difficulties encountered by foreign-funded enterprises and solving them in a timely manner, so as to provide the service guarantee for stable operation of enterprises. The team also strengthened the guarantee in the aspects of land use, energy consumption, environmental protection and personnel entry and exit of key foreign-funded projects, so as to promote the early signing and early production of projects. More than 1,000 difficult problems encountered by foreign-funded enterprises, such as entry of personnel, customs clearance of goods and vaccination, were coordinated and solved, so as to effectively stabilize the operation of foreign-funded enterprises.

The second is strengthening the communication and exchange with foreign-funded businesses and enterprise associations. The Chinese government has continuously strengthened the communication with foreign-funded enterprises. Through various symposiums, it has helped the foreign-funded enterprises better understand the relevant policies, and also learned about the difficulties encountered by foreign-funded enterprises. Since the outbreak of COVID-19 in 2020, the Ministry of Commerce has carried out more than 100 dialogue and exchange activities with foreign-funded enterprises and foreign chambers of commerce, with more than 1,800 foreign-funded enterprises participating in such activities. Since 2021, the Ministry of Commerce has held the symposium on foreign-funded enterprises in pharmaceutical industry and the symposium on foreign-funded enterprises in automobile industry chain, and held talks with the American Chamber of Commerce in China and the German Chamber of Commerce in China.

(IV) Foreign Investment Protection Policies

In order to protect the legitimate rights and interests of foreign-invested enterprises, the

relevant agencies of central government and local governments have issued the relevant documents, so as to strengthen the protection of intellectual property rights of foreign-funded enterprises by implementing the fair treatment of foreign-funded enterprises. In addition, all localities and agencies have thoroughly sorted out the regulatory documents inconsistent with the foreign investment law, and formulated, revised and abolished more than 500 regulatory documents, so as to further improve the transparency of foreign investment policies.

1. Implementing the national treatment of foreign-funded enterprises

The provisions inconsistent with the foreign investment law and its implementation regulations have been comprehensively cleared up, and the national treatment for foreign-funded enterprises has been implemented, so as to promote just competition between domestically-funded and foreign-funded enterprises. **The first is implementing the relevant policies for equal treatment of domestically-funded and foreign-funded enterprises in government procurement activities.** On October 13, 2021, the Ministry of Finance issued the Circular on Implementing the relevant Policies for Equal Treatment of Domestically-funded and Foreign-funded Enterprises in Government Procurement Activities (C.K. [2021] No. 35), requiring that the products (including services) produced by domestically-funded and foreign-funded enterprises in China shall be equally treated in government procurement activities according to laws, and the products produced by domestically-funded and foreign-funded enterprises in China may not be treated differently, except for the procurement projects involving national security and state secrets. In government procurement activities, the budget units at all levels shall not give

differential or discriminatory treatment to domestically-funded or foreign-funded enterprises in terms of release of government procurement information, determination of supplier qualification, and standards for qualification examination and evaluation, and shall not limit the scope of suppliers on the basis of ownership, organizational form, equity structure, investor's nationality, product brand and other unreasonable conditions. **The second is promoting the equal application of policies for supporting the development of foreign-funded enterprises.** On August 24, 2021, the Ministry of Commerce and other six agencies issued the Circular on Supporting the Relief and Development of Offline Retail Entities, Accommodation and Catering Entities, Foreign Trade Entities and other Market Entities (SH.C.H. [2021] No. 442), clearly supporting the foreign-funded foreign trade enterprises to carry out RMB cross-border settlement, and supporting financial institutions to further simplify the cross-border RMB settlement process on the basis of the "three principles for operation", so as to optimize the cross-border RMB business processing. The use of special funds for foreign economic and trade development to provide the foreign-funded foreign trade enterprises with public services such as business training, risk prevention and response, overseas credit investigation and foreign investment guidance is encouraged. **The third is supporting foreign-funded enterprises to participate equally in formulation of standards.** On August 17, 2021, the Ministry of Commerce issued the Guiding Opinions on Strengthening the Standardization Construction in the Business Field during the "14th Five-Year Plan" Period, clearly requiring the implementation of the foreign investment law and other relevant provisions, so as to ensure the equal participation of foreign-funded enterprises in

standardization activities.

2. Strengthening the protection on intellectual property rights of foreign-funded enterprises

In 2021, the Outline for Construction of a Powerful Country with Intellectual Property Rights (2021-2035) and the National Plan for Protection and Application of Intellectual Property Rights during the "14th Five-Year Plan" Period were issued, so as to deploy and promote the protection of intellectual property rights of foreign-funded enterprises in the top-level design. The Outline for Construction of a Powerful Country with Intellectual Property Rights (2021-2035) sets out to build the intellectual property protection system that supports the world-class business environment, improve the judicial protection system that is fair, efficient, systematic and complete and has the scientific jurisdiction and clear authority, and improve the administrative protection system that is convenient, efficient, strict, fair, open and transparent, so as to form a collaborative protection pattern that is smoothly-connected, fast and efficient under unified leadership. The National Plan for Protection and Application of Intellectual Property Rights during the "14th Five-Year Plan" Period sets out to improve the legal and policy system for intellectual property rights, strengthen the judicial protection,

administrative protection, collaborative protection and source protection of intellectual property rights, and implement the protection of trade secrets, so as to strongly protect the intellectual property rights of foreign-funded enterprises.

3. Improving the work mechanism for handling of complaints from foreign-funded enterprises

In 2020, the Ministry of Commerce formulated and promulgated the Measures for Work Related to Complaints from Foreign-funded Enterprises, and issued the National Guidelines for Work of Foreign-funded Enterprises Complaint Handling Centers and the Directory of Foreign-funded Enterprises Complaint Handling Institutions in China. In 2021, according to the requirements of the Measures for Handling of Complaints from Foreign-funded Enterprises, all provinces and cities in China have successively issued their own measures for handling of complaints in light of their own specific situations. By the end of 2021, 27 provinces and cities across the country and the Xinjiang Production and Construction Corps have completed the formulation or revision of local measures for handling of complaints from foreign investors, so the local mechanisms and systems for handling of complaints from foreign investors have been further improved.

The background features a series of overlapping, wavy, translucent blue lines that create a sense of movement and depth. The lines vary in opacity and color, ranging from light sky blue to a deeper cerulean. The overall effect is clean, modern, and professional.

Industry

Over recent years, in order to drive the industrial transformation and upgrading and promote the high-quality industrial development, China has not only implemented the policy for stabilizing foreign trade and foreign investment, but also continuously issued a series of policies and measures to widen industrial opening-up, improve support policies, optimize regulatory systems and intensify industrial reform, so as to create a good investment environment for foreign-invested enterprises, promote the continuous increase of foreign capital utilized in key industries, and ensure the steady progress in the operation of foreign-funded enterprises in China.

I. Pharmaceutical Manufacturing Industry

The pharmaceutical manufacturing industry is one of China's industries that opened to the outside world at the earliest. Since reform and opening up began, China, by virtue of its competitive labor, preferential industrial policies and huge consumer markets, has attracted foreign-funded pharmaceutical enterprises to invest in and lay out their pharmaceutical manufacturing business in

China and promoted continuous developmental of China's pharmaceutical manufacturing industry. In particular, driven by China's continuous promotion of pharmaceutical reform and optimization of industrial policies, the foreign-funded pharmaceutical manufacturing enterprises have achieved steady development in China over the past two years.

(I) Changes in Industrial Policies

Over recent years, China has intensively issued a series of policies to promote the

reform in the pharmaceutical field and to support and standardize the development of pharmaceutical industry, providing a good institutional and policy guarantee for the sound development of pharmaceutical manufacturing industry and the fair competition between domestically-funded and foreign-funded enterprises.

1. The policies for pharmaceutical industry have been further optimized, so as to lead the foreign investment in key fields of pharmaceutical industry

The first is strengthening the toplevel design for the development of pharmaceutical industry. With a view to promoting the high-quality development of pharmaceutical industry, in 2021, China issued a series of plans and policy documents, such as the Plan for Development of Pharmaceutical Industry during the “14th Five-Year Plan” Period, the National Plan for Drug Safety and High-quality Development during the “14th Five-Year Plan” Period, the Action Plan for Fully Expanding and Strengthening the Pharmaceutical Industry (2021-2023) and the Circular on Several Measures to Support the Development of Pharmaceutical Industry, which not only further clarified the direction of pharmaceutical development, but also introduced policies and measures such as deepening international industrial cooperation, encouraging global innovative drugs and medical devices to register in China first, supporting the synchronous marketing of overseas new drugs and medical devices in China, so as to expand the market space for the development of foreign-funded pharmaceutical enterprises in China.

The second is promoting the high-quality development of API industry. China is a major supplier of APIs in the world, supplying more than 40% of global APIs. With a view to

enhancing China’s international competitive advantage in APIs, the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the Implementation Plan for Promoting the High-quality Development of API Industry in October 2021, proposing to vigorously develop the characteristic APIs and innovative APIs, and promote the standardized, intensive development of API production and the integrated development of APIs and preparations. In November 2021, the Antimonopoly Commission of the State Council issued the Antimonopoly Guidelines on Field of APIs, further clarifying the market competition rules, so as to maintain the market competition order in the field of APIs.

The third is promoting the characteristic development of traditional Chinese medicine. On February 9, 2021, the General Office of the State Council issued the Several Policies and Measures on Accelerating the Characteristic Development of Traditional Chinese Medicine, making it clear that it is necessary to improve the vitality of traditional Chinese medicine industry, accelerate the reform of review and approval mechanism of traditional Chinese medicine, and improve the technical guidance level and registration service capacity for application for registration of traditional Chinese medicine. In addition, a number of ministries and commissions jointly issued the announcement on ending the pilot program on traditional Chinese medicine formula granules in February 2021, ending the 20-year pilot program, and specifying that the varieties of traditional Chinese medicine formula granules are subject to filing-based administration.

2. The scope of the catalogue of pharmaceutical investment industries has been continuously expanded, so as to encourage foreign investors to

invest in pharmaceutical manufacturing industry

The Catalogue of Industries in which Foreign Investment is Encouraged (Version 2020) that entered into force in January 2021 includes 14 pharmaceutical manufacturing items. The Catalogue of Industries in which Foreign Investment is Encouraged (Version 2022) (Draft for Comments) released in May 2022 includes 16 pharmaceutical manufacturing items. Two new items have been added: the first is the development and production of drugs for rare diseases and special drugs for children; the second is the relevant consumables of pharmaceutical manufacturing industry: separation and purification media, solid-phase synthesis media, chiral separation media and pharmaceutical impurity control and detection consumables, so as to guide the foreign-funded enterprises in investing in key pharmaceutical manufacturing sectors where investment is encouraged.

3. The regulatory system for pharmaceutical industrial chain has been continuously improved, so as to provide the institutional guarantee for the development of foreign-funded enterprises

Since 2019, China has successively issued the new Drug Administration Law (revised in 2019), the Regulations for the Supervision and Administration of Medical Devices, (Order No. 739 of the State Council in 2021), the Measures for Administration of Drug Registration and the Measures for Supervision and Administration of Drug Production, and has, centering around these four laws, regulations and departmental rules, intensively issued the normative documents related to the research and development, evaluation, registration, production and post-marketing payment of innovative drugs, so as to build a whole industrial chain management system

in line with the international standards for pharmaceutical industry by strengthening the supervision and management of R&D and production of drugs, optimizing the review and approval process, and improving the drug marketing license holder system.

In terms of drug research and development, aiming at the chaos such as numerous targets, mediocre curative effect, disordered investment and simple repetition in the development of innovative drugs, on November 19, 2021, the National Medical Products Administration issued the Guiding Principles for Clinical Research and Development of Anti-tumor Drugs Guided by Clinical Value, establishing the technical principles for drug research and development guided by clinical value in the field of anti-tumor drugs. In addition, the National Medical Products Administration also issued the guiding principles and technical requirements for many fields and drug types, such as biological analogues, new chemical drugs, gene therapy, cell therapy, oncolytic viruses, nano drugs, COVID-19 chemical drugs and COVID-19 proprietary Chinese medicines. China introduced its first patent linking system, namely the Implementation Measures for Early Resolution Mechanism of Drug Disputes (for Trial Implementation), which not only protects the drug patents against infringement, but also encourages innovation in generic drugs. China established the patent information registration platform for marketed drugs, clarified the scope of drug patent information registration, implemented the classified handling for drug evaluation and approval, and increased the incentives for generic drug patent challenges. This has played an important role in encouraging the foreign-funded pharmaceutical enterprises to accelerate the development of cutting-edge biomedical technologies and promoting innovation in

generic drugs.

In terms of drug registration and approval, China has carried out the comprehensive reform of drug registration and approval over recent years, including accelerating the review and approval, and providing the conditional approval for marketing of clinically urgently needed drugs. On July 1, 2020, the Measures for Administration on Drug Registration issued by the National Medical Products Administration was officially implemented, which clearly proposes the establishment of a drug marketing registration system and specifies that for qualified drug registration applications, the applicants may apply for breakthrough therapeutic drug procedure, conditional approval procedure, priority review and approval procedure and special approval procedure. The National Medical Products Administration issued the Measures for Administration on Post-marketing Changes of Drugs (for Trial Implementation) on January 13, 2021, regulating the post-marketing changes of drugs by the holders of drug marketing licenses, and then issued a series of normative documents in the aspects such as acceptance and review of drug changes, drug registration verification and pharmacovigilance. The issuance of these laws, regulations and normative documents is conducive to reducing the steps of registration and filing of drugs, medical devices and cosmetics, improving the efficiency of registration approval, and accelerating the marketing of drugs, medical devices and cosmeceuticals. At present, the time required for registration of drugs in China is close to that in the United States and Europe.

In terms of production of drugs, on July 1, 2020, the Measures for Supervision and Administration on Drug Production were officially implemented, which specifies the procedures and requirements for submission

of application materials for drug production license, acceptance of application for license, examination and issuance of license, as well as the relevant management requirements for drug production license, and requires the holders of drug marketing licenses and drug production enterprises to establish and implement the drug traceability system.

In terms of marketing of drugs, the Drug Administration Law, which came into effect on December 1, 2019, specifies that China implements the drug marketing license holder system for drugs, establishes a series of management systems such as implied license for clinical trials of drugs, conditional approval, priority review and approval, and classified management for post-marketing changes, and requires that the drug review and approval system shall be improved, the review and approval process shall be optimized, and the review and approval efficiency shall be raised. Compared with the previous mode whereby the drug marketing license and drug production license are bound together, the drug marketing license holder system separates the marketing license from the production license, which plays an important role in encouraging drugs R&D and innovation, ensuring the supply of drugs and promoting the development of the biomedical industry.

In terms of supervision and administration of drugs, on May 10, 2021, the General Office of the State Council issued the Implementation Opinions on Comprehensively Strengthening Capacity Building for Drug Supervision, which proposes to improve the drug evaluation ability, improve the management of emergencies, trace drugs using information technology and strengthen law enforcement, which plays an important role in standardizing the supervision and administration on drugs and promoting the sound development of the pharmaceutical

manufacturing industry.

With respect to medical device supervision, the revised Measures for Supervision and Administration of Medical Device Production and the Measures for Supervision and Administration of Medical Device Operation came into effect on May 1, 2022. These relevant measures put the medical device registrant and filer system into full implementation, optimize the administrative licensing process, strengthen supervision and inspection measures, improve supervision and inspection methods, consolidate the primary responsibility of enterprises, and impose more stringent penalty on illegal acts. They play an important role in promoting the legal and compliant production and operation of medical devices.

4. Bulk government purchases have been normalized and institutionalized, continuously promoting the participation of foreign-funded enterprises

On the basis of the pilot projects carried out in the early stage and the nationwide promotion of bulk government drug purchases, in January 2021, the General Office of the State Council issued the Opinions on Promoting the Normalization and Institutionalization of Bulk Government Drug Purchases, clearly including the drugs in the national drug reimbursement list that are in heavy demand and procured at high prices into the scope of procurement, so as to guide the drug price to return to a reasonable level. In June 2021, eight agencies including the National Healthcare Security Administration issued the Guiding Opinions on State-Organized Bulk Purchases and Use of High-value Medical Consumables, covering some expensive high-value medical consumables that are in huge demand clinically with mature clinical use, full market competition and high homogenization

level into the scope of procurement. Under the normalization mechanism of bulk government purchases of drugs and medical devices, the participation of foreign-funded enterprises in bulk purchases increased in 2021, and the number of foreign-funded enterprises involved in bulk purchases reached 11, an increase of 3 over 2020.

5. The national drug reimbursement list continued to be dynamically adjusted, so as to enable the foreign-funded enterprises' products to enjoy the policy dividends.

Over recent years, the comprehensive deepening of China's medical insurance reform has not only accelerated the pace of the marketing of new drugs, but also continuously accelerated the speed of their inclusion into national drug reimbursement list. In the latest version of the national drug reimbursement list released by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security in December 2021, a total of 74 drugs were added to the list, and 11 drugs were removed from the list. With the dynamic adjustment of national drug reimbursement list and the normalization of access negotiations, the foreign-funded pharmaceutical enterprises have enjoyed the dividends from the "seamless connection" between drug approval and list inclusion. For example, with the inclusion of first-line treatment of advanced EGFR mutation-positive or metastatic non-small-cell lung cancer (NSCLC) into the version 2021 of national drug reimbursement list, the renewal of contract for second-line treatment of NSCLC, and the approval of adjuvant treatment of NSCLC, Osimertinib has become the main source of some foreign-funded pharmaceutical enterprises' incomes in China.

6. Services for foreign-funded pharmaceutical enterprises have been improved, so as to better promote the development of foreign-funded enterprises in China

Since 2021, the Ministry of Commerce and the National Medical Products Administration have successively organized symposiums for foreign-funded enterprises in the pharmaceutical industry, so as to listen to the problems and difficulties faced by foreign-funded pharmaceutical enterprises in their business development in China and take the effective measures to alleviate difficulties. In addition, in June 2022, the National Medical Products Administration issued the Circular on Further Strengthening Services for Foreign-funded Enterprises (Y.J.Z.K.W.H.[2022] No. 361), proposing to strengthen the services for foreign-funded drug enterprises and medical device enterprises in eight aspects, including the supervision on drugs and medical devices, the review and approval of marketing of drugs and the transformation of international rules, so as to drive the development of foreign-funded pharmaceutical enterprises in China.

(II) Utilization of Foreign Capital

In the context of repeated COVID-19 outbreaks around the world and the intensifying geopolitical risks, driven by China's huge demographic dividends and aging population, the pharmaceutical manufacturing industry has a strong attraction for investment from multinational enterprises and has become one of China's main growth areas in the absorption of foreign capital.

1. Foreign-funded pharmaceutical enterprises stepped up the pace of localization

In recent years, driven by China's policies to encourage the development of pharmaceu-

tical industry, some foreign-funded enterprises have invested actively in China's pharmaceutical manufacturing industry, and a number of production and R&D projects have been implemented. At the same time, foreign-funded pharmaceutical enterprises are moving faster to implement their localization strategies, which cover everything from R&D to manufacturing, and even supply chains, thereby promoting the optimization and upgrading of the pharmaceutical industrial chains in China.

2. The revenues of foreign-funded pharmaceutical enterprises has increased steadily

The foreign-funded pharmaceutical manufacturing enterprises continued to operate well in China. The data from the National Bureau of Statistics reveal that, from 2016 to 2020, the revenues of foreign-funded pharmaceutical manufacturing enterprises above the designated size increased from RMB 521.97 billion to RMB 565.26 billion, and their total profits increased from RMB 65.21 billion to RMB 90.16 billion. From the perspective of operating profit margin, the operating profit margin of foreign-funded pharmaceutical manufacturing enterprises above the designated size increased from 12.5% in 2016 to 16.0% in 2020, significantly higher than the national level. In terms of per capita operating revenues, the per capita operating revenues of foreign-funded pharmaceutical manufacturing enterprises above the designated size continued to grow, from RMB 1.30 million in 2016 to RMB 1.515 million in 2020, while the per capita operating revenues of all pharmaceutical manufacturing enterprises above the designated size in China remained relatively stable, which indicates that the foreign-funded pharmaceutical manufacturing enterprises have strong profitability.

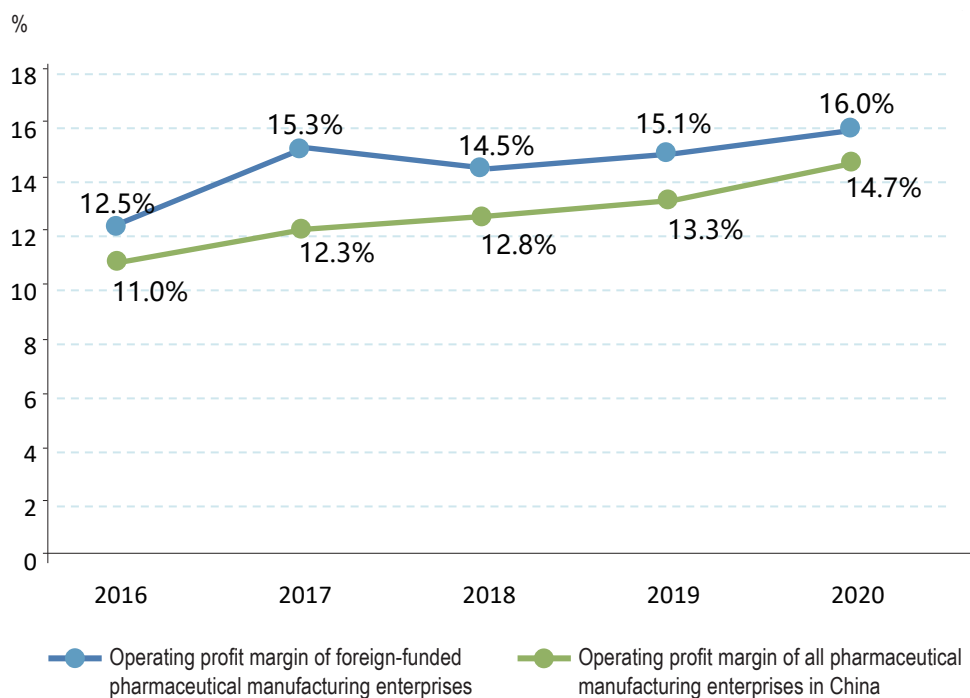


Figure 2-1 Operating Profit Margin of Pharmaceutical Enterprises above the Designated Size during 2016-2020

Source: National Bureau of Statistics.

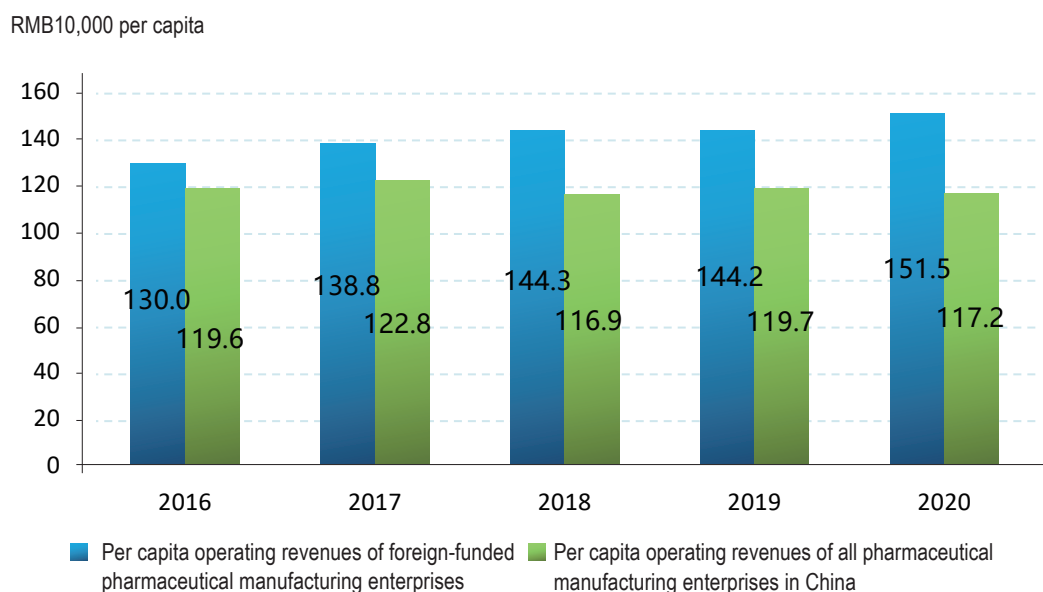


Figure 2-2 Changes in Per Capita Operating Revenues of Pharmaceutical Manufacturing Enterprises above the Designated Size during 2016-2020

Source: National Bureau of Statistics.

3. The foreign-funded pharmaceutical enterprises have relatively strong innovation ability

Over recent years, based on the establishment of R&D centers to carry out the activities such as early research, clinical trials, education and cultivation, the foreign-funded pharmaceutical enterprises have actively promoted the localization of R&D, which has played a positive role in promoting the research, development and innovation of pharmaceutical products. The data from the China Statistics Yearbook on High Technology Industry shows that, the number of R&D institutions of foreign-funded pharmaceutical enterprises reached 483 in 2020, an increase

of 48 over 2019; the expenditure of R&D institutions reached RMB 14.91 billion, an increase of 0.9% over 2019; the number of valid invention patents reached 8,700, an increase of 6.5% over 2019. There are 340 enterprises with R&D institutions, an increase of 19 over 2019. Meanwhile, in the form of “China innovation center” or “open innovation platform”, more and more foreign-funded pharmaceutical enterprises are actively exploring to strengthen their cooperation with innovative Chinese companies or projects. Their R&D endeavors in China have shown a tendency of changing from setting up internal R&D centers to cooperating on innovation with Chinese enterprises or research institutes.

Table 2-1 Details of R&D of Foreign-funded Pharmaceutical Enterprises in China during 2019-2020

Industry	Number of R&D institutions		Number of enterprises with R&D institution		Number of valid invention patents	
	2019	2020	2019	2020	2019	2020
Pharmaceutical manufacturing industry	435	483	321	340	8168	8700
#Chemical drug manufacturing industry	204	216	148	152	4341	4588
Chinese patent medicine manufacturing industry	74	81	49	56	1305	1546
Biological drug manufacturing industry	88	102	65	61	1398	1565

Source: China Statistics Yearbook on High Technology Industry 2021.

II. Electronic Information Manufacturing Industry

The electronic information manufacturing industry is one of the important pillar industries for China's economic development, and it is also one of the industries in which the foreign capital entered the earliest. Since reform

and opening up began, China has attracted multinational electronic information enterprises to invest in China by virtue of its competitive factors of production, gradually extending China's electronic information industry from assembling and processing to high value-added industrial chain links, and forming an electronic information industry system supported by complete industrial chains.

(I) Changes in Industrial Policies

Over recent years, China has intensively issued a series of policies and measures to support the development of electronic information industry, providing a good institutional and policy guarantee for the sound development of electronic information industry and the fair competition between domestically-funded and foreign-funded enterprises.

1. Strengthening the top-level design for the development of electronic information industry, and promoting the international cooperation in the field of electronic information

Over recent years, with a view to moving the electronic information industry up the value chain, China has strengthened the top-level design. It has not only, in the comprehensive plans such as the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035 of the People's Republic of China and the Development Plan for Utilization of Foreign Capital during the "14th Five-Year Plan" Period, clearly proposed to encourage enterprises to invest in manufacturing of integrated circuits and other fields, but also, in the special plans such as the Plan for Development of Digital Economy during the "14th Five-Year Plan" Period, the Plan for Development of Information and Communication Industry during the "14th Five-Year Plan" Period and the Action Plan for Development of Basic Electronic Components Industry (2021-2023), clearly proposed to support the development of key fields such as integrated circuits, new displays, smart health and elderly care and ultra-high definition video, strengthen the research, development, design and production of key technologies and products related to integrated circuits, and encourage the world's leading electronic information enterprises to deepen their cooperation with China, which pointed out the

direction for intensified and open cooperation in key fields of electronic information industry. For example, the Action Plan for Development of Basic Electronic Components Industry (2021-2023) issued by the Ministry of Industry and Information Technology in January 2021 clearly points out that, it is necessary to ensure that domestic and international electronic components sectors facilitate each other and carry out various forms of technology, talent, capital cooperation with overseas enterprises, so as to build an industrial pattern of open development and win-win cooperation.

2. Expanding the scope of the catalogue of industries in which the foreign investment is encouraged, and encouraging foreign investors to invest in key fields of electronic information

While maintaining the basic stability of the existing incentive policies for electronic information industry, the Catalogue of Industries in which Foreign Investment is Encouraged (Version 2020) implemented in January 2021 adds or revises the entries about integrated circuit test equipment, L3/L4/L5 automatic driving hardware, ventilator, and AI-aided medical equipment. In May 2022, the National Development and Reform Commission and the Ministry of Commerce issued the Catalogue of Industries in which Foreign Investment is Encouraged (Version 2022) (draft for comments), which further expanded the scope of foreign investment in electronic information industry, and added the entries about production and regeneration of wafer, lead-free solder paste for surface mounted technology (SMT), and development and manufacturing of high-purity (electronic grade) polysilicon materials, which will play an important role in encouraging the foreign-funded enterprises to make investment in key links and fields in electronic information industry and ensuring the security and stability of industrial and supply chains.

3. Increasing the policy support in key fields, so as to support the innovation and development of domestically-funded and foreign-funded enterprises

China is an important integrated circuit market in the world. The scale of China's integrated circuit industry has continuously expanded over recent years, and the sales volume of the whole industry exceeded RMB 1 trillion for the first time in 2021. With a view to supporting the development of integrated circuit industry, in 2020, China issued the Several Policies for Promoting the High-quality Development of Integrated Circuit Industry and Software Industry in New Era, giving the 10-year tax exemption treatment to the domestically-funded and foreign-funded enterprises with the IC linewidth of no more than 28nm, the 5-year tax exemption and 5-year tax reduction

treatment to the domestically-funded and foreign-funded enterprises with the IC linewidth of no more than 65nm, and the "2-year tax exemption and 3-year tax reduction" treatment to the domestically-funded and foreign-funded enterprises with the IC linewidth of no more than 130nm. In March 2021, the Ministry of Finance and other government departments issued the Circular on Import Tax Policies for Supporting the Development of Integrated Circuit Industry and Software Industry (C.G.SH. [2021] No. 4), exempting the import tariffs on raw materials and equipment for production of different types of integrated circuits. In February 2022, the Ministry of Industry and Information Technology, in conjunction with relevant government departments, published the List of Duty-free Imported Products for Integrated Circuit Enterprises (first batch), and announced the conditions for enterprises to enjoy the

Table 2-2 Main Policy Documents Supporting the Development of Integrated Circuit Industry in China during 2020-2022

Time	Issued by	Name of Document	Main Contents
August 2020	State Council	Circular on Issuance of the Several Policies for Promoting the High-quality Development of Integrated Circuit Industry and Software Industry in New Era (G.F. [2020] No. 8)	Providing different tax preferences for enterprises with the IC linewidth of no more than 28nm, 65nm and 130nm.
March 2021	Ministry of Finance, General Administration of Customs, and State Taxation Administration	Circular on Import Tax Policies for Supporting the Development of Integrated Circuit Industry and Software Industry (C.G.SH. [2021] No. 4)	Exempting the import tariffs on the logic circuits with IC linewidth of less than 65nm, and the self-use productive raw materials and consumables imported by memory manufacturing enterprises that cannot be produced domestically or the performance of domestically-produced products cannot meet the requirements; and exempting manufacturers of photoresist and masks for integrated circuits and 8-inch and larger silicon wafers from the import tariffs on the special building materials for purification rooms, supporting systems and production equipment that cannot be produced domestically or if the performance of domestically-produced products cannot meet the requirements.
February 2022	Ministry of Industry and Information Technology	List of Duty-free Imported Products for Integrated Circuit Enterprises (First Batch)	Announcing the conditions for enterprises to enjoy the relevant policies.

Source: sorted out on the basis of relevant documents.

relevant policies. Treating domestically-funded and foreign-funded enterprises equally, these policies will help integrated circuit enterprises redouble their efforts in industrial development.

(II) Utilization of Foreign Capital

The electronic information manufacturing industry is the industry with the largest scale of foreign capital utilized in China's manufacturing sector. Over recent years, the proportion of foreign capital utilized by the electronic information manufacturing industry in the total foreign capital utilized by the manufacturing industry has been maintained at about 20%, which plays an important role in stabilizing the foreign investment in manufacturing sector and maintaining the stability and security of supply chain in manufacturing sector.

1. Foreign investment inflows recovered and foreign investment mix improved continuously

In 2020, affected by the impact of COVID-19 on supply chains, the scale of foreign capital utilized by computer, communication and other electronic equipment manufacturing industries fell significantly from the high level in 2018-2019. However, due to the effective prevention

and control of pandemic in China, the scale of foreign capital utilized by electronic information manufacturing industry rebounded notably in 2021, achieving a year-on-year increase of 14.2%. In addition, the foreign capital utilized in high-tech manufacturing links in computer, communication and other electronic equipment manufacturing industries increased steadily. The proportion of foreign capital actually utilized by manufacturing of integrated circuit in total foreign capital utilized by computer, communication and other electronic equipment manufacturing industries increased from 4.9% in 2011 to 11% in 2021. The foreign capital utilized by manufacturing of smart consumer devices grew from scratch, with its proportion in total foreign capital utilized in computer, communication and other electronic equipment manufacturing sectors reaching 6.4% in 2021.

2. The number of existing enterprises has gradually stabilized, and the development of enterprises has entered a stable period

In terms of number of existing foreign-funded enterprises, from 2012 to 2019, the number of foreign-funded computer, communication and other electronic equipment manufacturing

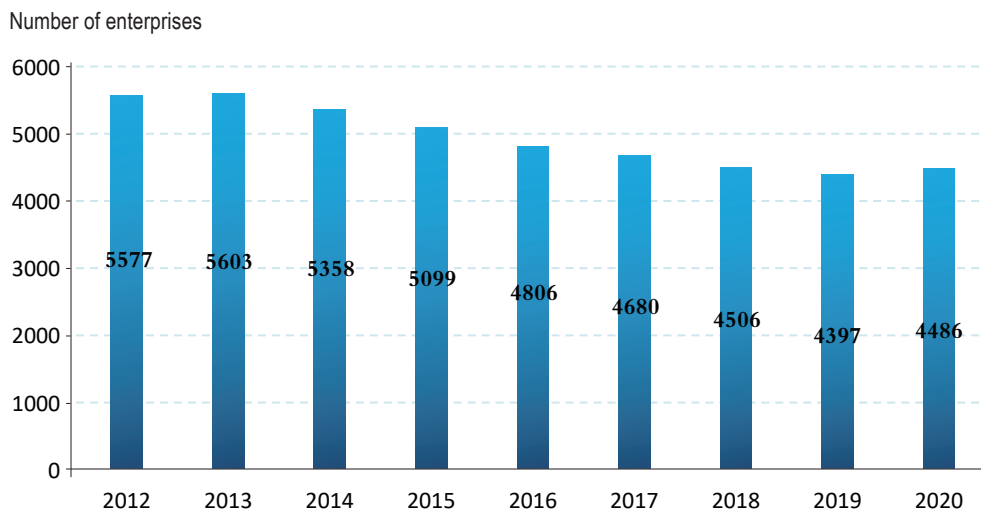


Figure 2-3 Number of Foreign-funded Computer, Communications and other Electronic Equipment Manufacturing Enterprises above the Designated Size during 2012-2020

Source: National Bureau of Statistics.

enterprises above the designated size showed a gradual downward trend, from 5,577 to 4,397. In 2020, however, despite the impact of COVID-19, the number of foreign-funded computer, communication and other electronic equipment manufacturing enterprises above the designated size showed a growing trend, achieving an increase of 89 over 2019.

In addition, from the perspective of fixed asset investment in computer, communication and other electronic equipment manufacturing

industry, the growth rate of fixed asset investment in the whole industry fell from 16.8% in 2019 to 12.5% in 2020. The growth rate of fixed asset investment of foreign-funded enterprises increased from 3.4% to 4.5%. This indicates that, the development of foreign-funded enterprises in China's computer, communication and other electronic equipment manufacturing industries has entered a relatively stable stage over recent years.

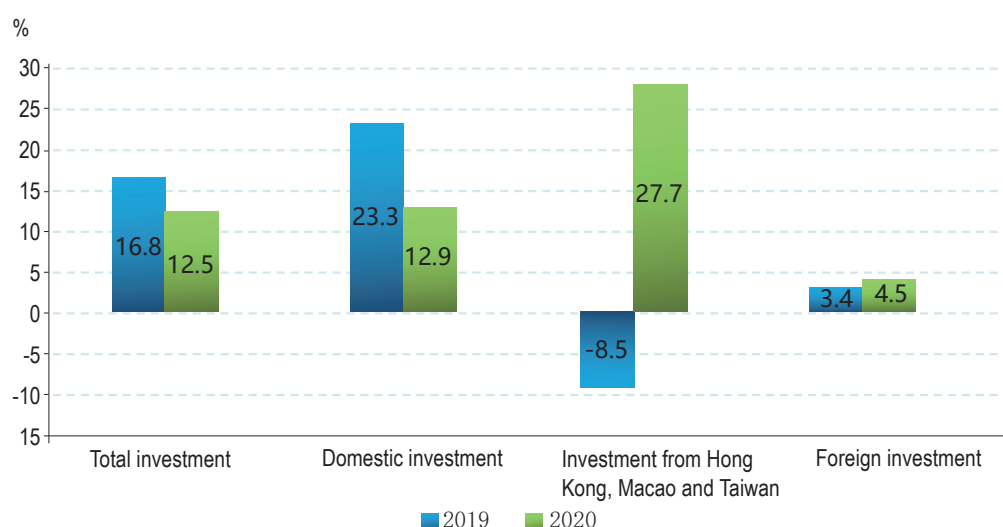


Figure 2-4 Growth Rate of Investment in Fixed Assets in Electronic Information Industry by Registration Type

Source: National Bureau of Statistics.

3. Some foreign-funded enterprises adjusted the deployment of their investment in China

In recent years, affected by all kinds of international and domestic factors, some enterprises, including foreign-funded enterprises, have adjusted their production layouts on a global scale and optimized their investment direction in China. For example, in the field of semiconductors, a number of foreign-funded semiconductor enterprises

actively cooperated with domestically-funded enterprises for localized development through the establishment of joint ventures led by Chinese Mainland capital. Following the industrial upgrading trend in China, some foreign-funded electronic information enterprises turned to the high-end segment of China's electronic information industrial chain while transferring their production capacity that is no longer competitive to Vietnam and other Southeast Asian countries.

III. Automobile Manufacturing Industry

Automobile manufacturing industry is one of the important pillar industries for China's national economy. Since reform and opening up began, China has opened up its automobile market, attracted large multinational enterprises to invest and set up factories in China in the form of joint ventures, and promoted the foreign-funded enterprises to participate in the whole industrial chain of China's automobile manufacturing industry from technology to processes and from equipment to key parts, so as to make foreign-funded enterprises an important part in the industrial chain of China's automobile manufacturing industry. Over recent years, with the continuous expansion of China's consumer market and the relaxation of equity caps on foreign-funded enterprises in investment in automobile sector, the attractiveness of the Chinese market for foreign-funded automotive enterprises has increased.

(I) Changes in Industrial Policies

1. Lifting foreign equity restrictions so as to fully open the automobile manufacturing industry

For one thing, the access restrictions for foreign investment in the automobile sector have been completely cancelled, and the industry has been fully opened to foreign investment. With a view to protecting China's automobile industry, China issued the Industrial Policy for Automobile Industry in 1994, imposing strict caps on the equity of foreign-funded enterprises entering the automobile manufacturing industry and the number of enterprises established. Over recent years, as China further promoted the high-level opening to the outside world, the foreign investment access restrictions in automobile sector have

been gradually lifted. The foreign equity caps on special purpose vehicle and new energy vehicle enterprises were lifted in 2018, and those on commercial vehicle enterprises were lifted in 2020. The Special Administrative Measures for Foreign Investment Access (Negative List) (Version 2021) and the Special Administrative Measures for Foreign Investment Access in Pilot Free Trade Zones (Negative List) (Version 2021) issued in 2021 lifted the foreign equity caps on passenger car enterprises and the restrictions that the number of joint ventures may not exceed two, which marked that the restrictions on investment of foreign-funded enterprises in China's automobile manufacturing industry have been fully lifted, so as to provide a broader space for the development of foreign-funded automobile enterprises in China.

For another, the Catalogue of Industries in which Foreign Investment is Encouraged was revised and expanded, so as to steer more foreign investment to the automobile industry. In the automobile manufacturing section of the version 2022 of the Catalogue of Industries in which Foreign Investment is Encouraged (Draft for Comments), based on the key technological fields in the 2020 version such as the manufacturing of automobile engines and establishment of engine R&D institutions, the R&D of key automobile parts and technologies, the R&D and manufacturing of automobile electronic devices and the R&D and manufacturing of key components of new energy vehicles and intelligent vehicles, the entries about the manufacturing of hardware and key parts related to L3/L4/L5 automatic driving and the charging piles are added.

2. Continuously issuing the policies for upgrading of automobile industry, so as to guide the foreign-funded automobile enterprises to realize transformation and

upgrading

In order to promote the green transformation and intelligent upgrading of automobile manufacturing industry, since 2021, China has successively issued a series of policy documents in the fields of new energy vehicles, intelligent connected vehicles and intelligent transformation of automobile manufacturing industry, pointing out the direction for the intelligent and green low-carbon transformation of foreign-funded automobile enterprises.

The first is supporting the automobile enterprises to promote the intelligent manufacturing. The “14th Five-Year Plan” for Development of Intelligent Manufacturing issued by China in December 2021 has clarified the key tasks of intelligent manufacturing, which is particularly targeted for the intelligent transformation of automobile manufacturing industry, such as supporting the leading automobile enterprises to build smart supply chain collaboration platforms and carry out the construction of intelligent manufacturing demonstration factories, charting the course for foreign-funded enterprises to carry out the intelligent transformation of automobile manufacturing.

The second is supporting the development of new energy vehicles and power batteries. Vigorously developing new energy vehicles is an important main line and engine for the high-quality development of China's automobile industry. With a view to supporting the development of new energy vehicles, China has successively issued a series of policies over recent years. For example, the State Council issued the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035 of the People's Republic of China in March 2021, and issued the Guidelines for Fully and Faithfully Implementing the New Development

Philosophy in the Work on Achieving Peak Carbon and Carbon Neutrality in October 2021, proposing to focus on the field of new energy vehicles and accelerate the innovation and application of key core technologies. In July 2021, the National Development and Reform Commission, the National Energy Administration and other government departments issued the Guiding Opinions on Accelerating the Development of New Energy Storage, the Three-year Action Plan for Development of New Type of Data Centers (2021-2023) and other policy documents, emphasizing the need to continuously lower lithium battery costs and promote repurposed products centering around the field of power battery for new energy vehicles. These policies have effectively driven the foreign-funded enterprises to invest in new energy vehicles, power batteries and other fields.

The third is promoting the energy conservation and emission reduction in traditional automobile industry. On February 20, 2021, China issued the mandatory national standard Fuel Consumption Limits for Passenger Cars (GB19578-2021), which stipulates the fuel consumption limit requirements for category-M1 vehicles that use gasoline or diesel fuel and whose maximum design total mass does not exceed 3,500kg in the near future. In July 2021, the National-VI emission standards for motor vehicles and the National-IV emission standards for non-road mobile diesel machinery were fully implemented, which basically phased out the vehicles manufactured in compliance with the National-III or lower emission standards. The issuance and implementation of these two standards have played an important role in promoting the energy conservation and emission reduction of automobile products of domestically-funded and foreign-funded enterprises and driving the green and low-carbon transformation of

automobile manufacturing industry.

3. Consumption boosting policies were adopted to tap market potential and encourage foreign-funded enterprises to continuously make investment

As a key part of domestic consumer market, the automobile consumption accounts for about 10% of total retail sales of consumer goods, which indicates that there is still huge market potential. As of July 2021, China's car parc is only 195 sets per thousand people, which means that China still has much room for growth as compared with mature overseas markets such as the United States (817 sets per thousand people). With a view to further tapping the market potential and promoting the automobile consumption, since 2021, China has successively issued a series of policy documents, such as the Circular on Financial Subsidy Policies for Promotion and Application of New Energy Vehicles in 2022, the Opinions on further Releasing the Consumption Potential and Promoting the Sustainable Recovery of Consumption, the Circular on Carrying out Activities for Promoting New Energy Vehicles in Rural Areas in 2022, the Circular on Reducing the Purchase Tax on Some Passenger Vehicles, and the Circular on Several Measures to Invigorate the Circulation of Vehicles and Expand the Automobile Consumption, so as to promote the automobile consumption by relaxing the restrictions on automobile purchase, extending the term of subsidies, exempting the purchase taxes, carrying out the activities for promoting vehicles in rural areas and trading in old vehicles for new ones, and enriching the automobile financial services. The issuance and implementation of this series of automobile consumption promotion measures will help further expand China's automobile consumption market and encourage foreign automobile enterprises to continuously invest

in the Chinese market.

4. Fairer, improved sectoral regulations and norms kept optimizing the development environment of foreign-funded enterprises.

First, relevant policies in the field of new energy vehicles were improved to ensure equal treatment for domestic and foreign enterprises. Since 2019, China has continuously issued relevant policies for ensuring the equal treatment of domestic and foreign investment in the field of new energy vehicles. On November 7, 2019, the State Council issued the Opinions on Further Improving the Utilization of Foreign Capital, requiring that new energy vehicles produced by domestically-funded and foreign-funded automobile manufacturing enterprises in various regions shall be guaranteed to enjoy the same market access treatment. On December 6, 2019, China issued the Catalogue of Recommended Models for Promotion and Application of New Energy Vehicles, indicating for the first time that, the new energy vehicles equipped with batteries manufactured by foreign-funded enterprises are entitled to the subsidies for new energy vehicles. Before that, only the new energy vehicles equipped with batteries in the "White List of Power Batteries" are entitled to such subsidies. In June 2020, the Ministry of Industry and Information Technology issued the Decision on Amending the Measures for Parallel Administration on Average Fuel Consumption of Passenger Vehicle Enterprises and New Energy Vehicle Credits, revising the "double credit policy", relaxing the requirements on the recognition of affiliated enterprises, and permitting the transfer of credits among complete-vehicle enterprises established by foreign enterprises in China, so that the foreign-funded and joint-venture vehicle enterprises can also compete with domestically-funded enterprises on an

equal footing through the transfer of credits.

The second is introducing the automobile data processing standards to ensure the lawful operation of foreign-funded enterprises. With the accelerated integration between new-generation information technologies and automotive industry, the data processing capacity of vehicles has continuously increased, and the investment from foreign automobile manufacturing enterprises in China's intelligent vehicle and intelligent connected vehicle industry has also gradually increased, resulting in a large number of security problems and potential risks related to cross-border transfer of automobile data. On July 5, 2021, China issued the Several Provisions on Security Management of Automobile Data (for Trial Implementation), clearly stipulating that the important automobile data shall be stored within the territory of China according to laws, and defining the compliance obligations of foreign-funded enterprises and joint-venture enterprises in data processing and cross-border transfer under the circumstance that the outbound transfer of important data is necessary due to business needs, so as to promote the lawful operation of foreign-funded enterprises.

The third is formulating the standards and codes of intelligent connected vehicles to promote the lawful development of foreign-funded enterprises. Intelligent connected vehicle is the product of the integration and development of new-generation information technologies and automotive industry, and is an emerging field and strategic direction of development of automobile industry around the world. With a view to improving the policies on intelligent connected vehicles, in 2021, China successively issued a series of documents, such as the Guidelines for Developing National Industrial Standards on Internet of Vehicles (Related to Intelligent Transportation), the

Specifications for Administration on Road Testing and Demonstration Applications of Intelligent Connected Vehicles (for Trial Implementation), and the Opinions on Strengthening the Administration on Access of Intelligent Connected Vehicle Manufacturing Enterprises and Products, standardizing the industrial standards, R&D and verification, industrial access and other aspects, which is conducive to promoting the standardized development of intelligent connected vehicles by domestically-funded and foreign-funded enterprises.

(II) Utilization of Foreign Capital

Although the supply chain of its automobile industry has been greatly impacted by the outbreak of COVID-19 in the past two years, China, as the world's largest automobile consumption market, still has a great attraction to foreign-funded automobile enterprises, especially new energy automobile enterprises. In 2021, China's automobile production and sales reached 26.082 million sets and 26.275 million sets respectively, up 3.4% and 3.8% year-on-year respectively, ending the three-year downward trend, and reflecting the fact that, China, as the world's largest single new car market, still has great growth potential, and is still the main investment destination for multinational automobile enterprises.

1. The foreign-funded automobile enterprises' investment in China's automobile market has increased continuously

Over recent years, in order to reduce the costs and improve the security and efficiency of supply chains, the multinational automobile manufacturing enterprises have improved the layout of automobile supply chain in China by purchasing local parts or investing in local auto technology enterprises.

First, automobile parts are a main field of foreign investment. China's automobile parts industry has a wide range of products and complete supporting facilities, and the foreign-funded automobile parts manufacturers play an important role in China's automobile parts production system. Since 2021, the industrial chains and supply chains of China's automobile industry have been gradually restored, and some multinational parts enterprises have accelerated their investment in China and forged their production bases in China into manufacturing centers serving Asia and even the whole world.

Second, new energy vehicles are a new growth area of foreign investment. Driven by the strategic "carbon peak and carbon neutrality" goal and the stabilization and improvement of automobile market, China's new energy automobile industry has ushered in new development opportunities, and its attraction to multinational automobile enterprises is rising continuously. After China lifted the restrictions on number and share ratio of foreign-funded new energy vehicle enterprises in two steps in 2017 and 2018, a number of foreign vehicle manufacturing enterprises entered the Chinese market and accelerated the pace of investment in China's new energy vehicle industry.

Third, relaxation of access restrictions provides more development opportunities for foreign-funded enterprises. The lift of foreign equity caps on passenger car manufacturing enterprises brought huge automotive market and sustainable growth potential to foreign-funded automobile enterprises that had been developing in China for years, some of the foreign investors in joint ventures accelerated their investment in China.

2. The foreign-funded automobile enterprises have continuously strengthened

the research and development of technologies

From the perspective of invention patents in the automobile field, the Chinese automobile patent applicants are mainly foreign-funded enterprises. In 2021, among the top five holders of automobile invention patents published, four were foreign-funded enterprises. In the automobile joint venture system, the design and development of basic systems and core technologies are generally carried out in home countries or by foreign-funded enterprises' wholly-owned subsidiaries in China. **In terms of the R&D trend of foreign-funded automobile enterprises,** the multinational automobile enterprises have accelerated the pace of localization and transformation by setting up R&D centers in China or strengthening the cooperation with local enterprises, so as to make their ideas and technologies more suitable for the needs of Chinese consumers. Moreover, with the accelerated efforts to manufacture networked, smart electric vehicles, foreign investment is no longer limited to the research and development of traditional internal combustion engine parts. Instead, foreign investors are focusing more on new fields such as electric vehicle parts and software, as well as the application and implementation of high-level intelligent R&D outcomes.

3. The operating revenues and sales of foreign-funded automobile enterprises in China have grown continuously

The data of the National Bureau of Statistics reveal that, from 2016 to 2020, the operating revenues of foreign-funded enterprises above the designated size in automobile manufacturing industry increased from RMB 3.69048 trillion to 4.34184 trillion, their total profit increased from RMB 351.16 billion to RMB 352.27 billion, and their operating profit margin decreased from 9.5% to 8.1%, which was still significantly

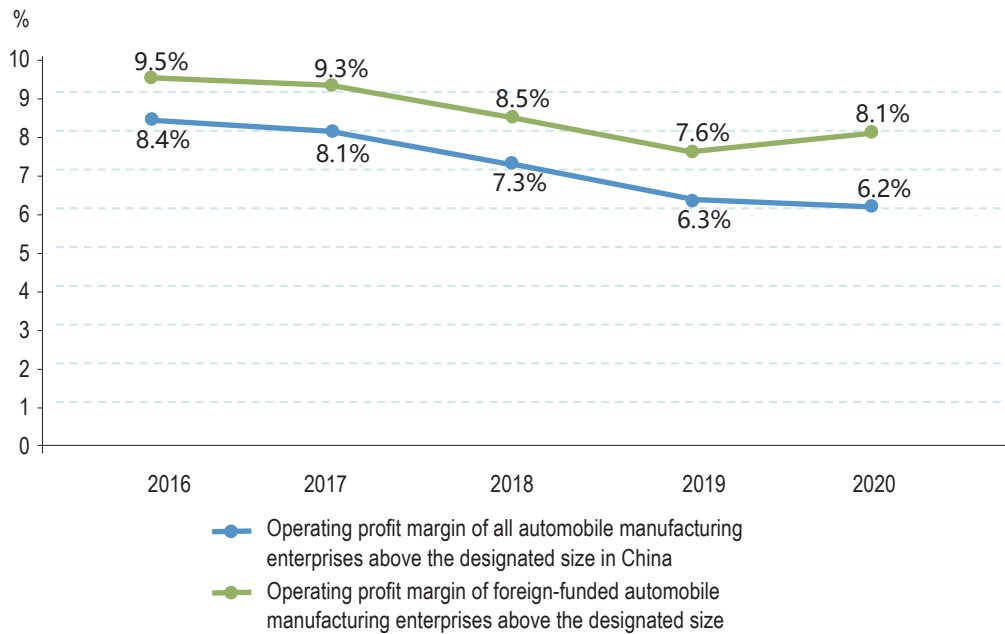


Figure 2-5 Operating Profit Margin of Automobile Manufacturing Enterprises above the Designated Size during 2016-2020

Source: National Bureau of Statistics.

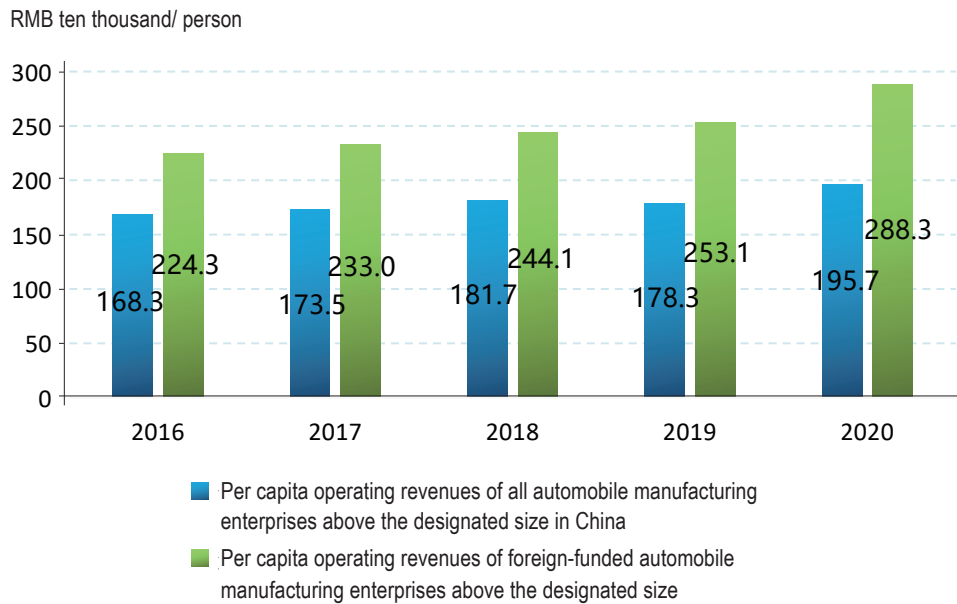


Figure 2-6 Per Capita Operating Revenues of Automobile Manufacturing Enterprises above the Designated Size during 2016-2020

Source: National Bureau of Statistics.

higher than the average operating profit margin of all automobile manufacturing enterprises above the designated size in China. The per capita operating revenues of automobile manufacturing enterprises above the designated size grew from RMB 1.683 million in 2016 to RMB 1.957 million in 2020. Moreover, in the same period, the per capita income of foreign-funded automobile manufacturing enterprises increased from RMB 2.243 million to RMB 2.883 million, which is also far higher than the average level of all enterprises in the same industry.

IV. Chemical Manufacturing Industry

The chemical manufacturing industry is an important basic industry for the development of national economy with its long industrial chains, high capital and technology intensity and strong industrial driving effect. China is the largest producer and consumer of chemical products in the world, and plays an important role in the industrial chains and supply chains of global chemical industry. As an important part of China's chemical industry, the foreign-funded chemical enterprises play an important role in leading the technological innovation in chemical industry, promoting the development of trade in chemical products, and driving the high-quality development of chemical industry. Over recent years, driven by China's industrial transformation and upgrading and its "carbon peak and carbon neutrality" goal, the foreign-funded chemical enterprises have been accelerating their transformation and upgrading, contributing to the high-quality development of chemical manufacturing industry.

(I) Changes in Industrial Policies

Over recent years, the State Council, the National Development and Reform

Commission, the Ministry of Industry and Information Technology and other relevant departments have successively issued the relevant policies for supporting the transformation, upgrading and green and low-carbon development of chemical manufacturing industry as well as wholly foreign-owned chemical enterprises, which promoted the investment and stable development of transnational chemical enterprises in China.

1. Promoting the green and low-carbon transformation of chemical manufacturing industry, and guiding the transformation and development of foreign-invested enterprises

Promoting the transformation and upgrading of chemical industry is one of the key measures to implement the major strategic decisions and deployment about carbon peak and carbon neutrality. Since 2021, China has intensively issued a series of planning and policy documents, such as the Guiding Opinions on Accelerating the Establishment and Improvement of Green and Low-carbon Circular Development Economic System, the National Plan for Implementation of Cleaner Production during the "14th Five-Year Plan" Period, and the Action Plan for Imposing the Strict Energy Efficiency Constraints in Key Petrochemical and Chemical Industries to Promote Energy Conservation and Carbon Emission Reduction (2021-2025), so as to strengthen the top-level design for the green and low-carbon transformation of chemical manufacturing industry, promote and guide the chemical manufacturing industry to save energy and reduce carbon emissions, accelerate the green transformation of chemical industry, carry out the cleaner production, develop the biochemical industry, and realize the green and low-carbon transformation and upgrading of chemical manufacturing industry. These policies have played an important role

Table 2-3 Policy Documents on Green and Low-carbon Transformation of Chemical Manufacturing Industry in 2021

Time	Issued by	Name of Document	Main contents related to green and low-carbon transformation of chemical industry
January 2021	China Petroleum and Chemical Industry Federation	Guidelines for Development of Petroleum and Chemical Industry during the "14th Five-Year Plan" Period	Promoting the green and low-carbon transformation of petroleum and chemical industry
February 2021	State Council	Guiding Opinions on Accelerating the Establishment and Improvement of Green and Low-carbon Circular Development Economic System	Accelerating the implementation of green transformation in petrochemical, chemical, nonferrous and other industries, promoting the green product design, and building the green manufacturing system
April 2021	National Development and Reform Commission and other government departments	National Plan for Implementation of Cleaner Production during the "14th Five-Year Plan" Period	Comprehensively carrying out the cleaner production evaluation and certification, and taking targeted measures to promote the green transformation and upgrading of petrochemical, chemical, printing, dyeing, papermaking, chemical APIs and other key industries
October 2021	National Development and Reform Commission	Action Plan for Strict Energy Efficiency Constraints in Key Petrochemical and Chemical Industries for Promoting Energy Conservation and Carbon Reduction (2021-2025)	Proposing to ensure that the proportion of production capacity reaching the benchmark level in the oil refining, ethylene, synthetic nitrogen and calcium carbide industries will exceed 30% by 2025 through the implementation of energy conservation and carbon reduction actions
November 2021	Ministry of Industry and Information Technology and other government departments	Guiding Opinions on Strengthening Cooperation between Industry and Finance to Promote Green Industrial Development	Accelerating the green transformation of petrochemical, chemical and other industries, and encouraging financial institutions to develop products for green transformation of steel, petrochemical and other key industries

Source: Sorted out on the basis of relevant policy documents.

in promoting the foreign-funded chemical enterprises to achieve the "carbon peak and carbon neutrality" goal in the chemical industry, accelerate the development and application of green and low-carbon technologies, develop new chemical products and realize the green manufacturing.

2. Continuously optimizing the catalogue of industries in which foreign investment is encouraged, so as to encourage foreign-funded enterprises to invest in the green and low-carbon field of chemical industry

Over recent years, in order to encourage the foreign investors to make investment in chemical industry, China has continuously revised the contents of the Catalogue of Industries in which Foreign Investment is Encouraged related to chemical industry, so as to promote the foreign-funded enterprises to invest in the production of chemical products with high added value and high-tech content and the development of chemical raw materials. The Catalogue of Industries in which Foreign Investment is Encouraged (Version 2019) issued by the National Development and Reform Commission and

the Ministry of Commerce in 2019 listed 22 chemical industry items, including supporting raw materials of synthetic materials, raw materials of synthetic fiber, synthetic rubber, engineering plastics and plastic alloys, electronization, high-performance coatings, high-performance fluororesins, fluorine membrane materials, production, storage, transportation and liquefaction of hydrogen fuel, and production of organic polymer materials. The Catalogue of Industries in which Foreign Investment is Encouraged (Version 2020) issued in 2021 increased the number of chemical industry items in which the foreign investment is encouraged to 34. In the Catalogue of Industries in which Foreign Investment is Encouraged (Version 2022) (draft for comments), 26 entries about chemical raw material and chemical product manufacturing industry are revised and new entries are added, including the development, production and application of new technologies and new products related to forestry biomass energy; and the low-carbon upgrading process of petrochemical and chemical raw materials (including the electrically-driven ethylene cracking; the reverse water gas transformation and partial oxidation process, and the conversion of carbon dioxide and light hydrocarbons as raw materials into carbon monoxide), which will further encourage the foreign-invested enterprises to invest in biomass energy and low-carbon transformation of chemical raw materials.

3. Encouraging the innovation and development of chemical industry, and guiding the foreign investment in high-end new chemical materials and other fields.

The policy documents issued by competent Chinese authorities have not only actively promoted the green and low-carbon develop-

ment of chemical manufacturing industry, but also guided enterprises to strengthen technological innovation, optimize product structure, and move to the high value-added links in industrial chains such as high-end chemical new materials. For example, in April 2022, the Ministry of Industry and Information Technology and other six government departments issued the Guiding Opinions on Promoting the High-quality Development of Petrochemical and Chemical Industry during the “14th Five-Year Plan” Period, proposing to support the enterprises to increase R&D investment and accelerate the development of high-end new chemical material products, so as to drive the diversified, low-carbon development of high-end chemical industry. These policies have led the foreign-funded enterprises to speed up the construction of technological innovation centers and R&D centers in China and to adjust their middle- and low-end and high-energy-consumption chemical manufacturing businesses, so as to meet the needs arising from the transformation and upgrading of China’s chemical manufacturing industry.

4. Strengthening the safety and risk management of the chemical industry, and promoting the safety in production and operation of foreign-funded enterprises

In view of the relatively high safety risks in production and transportation of hazardous chemicals in chemical industry, the supervision and administration on dangerous chemicals in China have been gradually tightened. In February 2020, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Comprehensively Strengthening the Safety in Production of Hazardous Chemicals, requiring that the prevention and control of systematic safety risks should be the focus,

the responsibility and management system for safety in production should be improved and implemented, and the hidden hazards screening system and safety prevention and control system should be established. In September 2020, the Ministry of Emergency Management issued the Catalogue of Phased-out Outdated Safety Technologies and Equipment in Production of Hazardous Chemicals (First Batch), announcing a number of technologies and equipment that were phased out due to backwardness. Since the beginning of 2022, the State Council and the Ministry of Emergency Management have successively issued the National Work Safety Plan for “14th Five-Year Plan” Period and the Plan for Safety in Production of Hazardous Chemicals for “14th Five-Year Plan” Period, so as to strengthen the whole-process supervision on hazardous wastes such as waste hazardous chemicals, arrange the establishment of safety management system for hazardous chemicals, and implement the classified measures to accurately control the safety risks in key fields. The increasingly strict supervision on dangerous chemicals has increased the costs of foreign-funded chemical enterprises to a certain extent, but it is conducive to standardizing the production, operation, storage and transportation of hazardous chemicals by foreign-funded production enterprises, so as to

realize the better development of enterprises.

(II) Utilization of Foreign Capital

Since 2021, in the adjustment of industrial chains and supply chains of global chemical industry, driven by the continuous optimization of China's super large-scale market and business environment, the foreign-funded chemical enterprises in China have continuously increased their investment in chemical projects, and actively strengthened the research and development of technologies as well as the green and low-carbon transformation

1. The innovation ability of foreign-funded chemical enterprises has been enhanced continuously

Driven by policies for supporting the structural upgrading of chemical manufacturing industry in China, the foreign-funded chemical enterprises have continuously adjusted their business layout in China, successively set up, launched or upgraded their R&D and innovation centers, and actively promoted the localization of R&D, which have played a positive role in chemical R&D and innovation. From the perspective of R&D of chemical raw material and chemical product manufacturing industry, the R&D investment of the whole industry was RMB 84.07 billion in 2016, rose to RMB 92.34

Table 2-4 R&D Details of Chemical Raw Material and Chemical Product Manufacturing Enterprises above the Designated Size during 2016-2020

	2016	2017	2018	2019	2020
Full-time equivalent of R&D personnel (10,000 person years)	17.9	16.8	16.8	16.5	18.1
R&D funds (RMB Hundred Million)	840.7	912.5	899.9	923.4	797.2
Number of R&D projects (Ten Thousand)	3.0	3.6	3.7	4.2	4.9

Source: National Bureau of Statistics.

billion in 2019, and fell to RMB 79.72 billion in 2020 due to the impact of COVID-19. However, the full-time equivalent of R&D personnel and the number of R&D projects have shown a continuous growth trend. The full-time equivalent of R&D personnel was 179,000 person years in 2016, and increased to 181,000 person years in 2020. The number of R&D projects has also increased significantly from 29,675 projects in 2016 to 49,404 projects in 2020, with an average annual growth of 10.7%. The R&D strength of chemical raw material and chemical product manufacturing enterprises above the designated size in China has been continuously strengthened and improved.

2. The operating efficiency of foreign-funded chemical enterprises remained stable

Despite the continuous adjustment of industrial structure and the impact of COVID-19, the overall operation of foreign-funded chemical enterprises in China has maintained a

relatively stable trend. The data of the National Bureau of Statistics reveal that, from 2016 to 2020, the operating revenues of all enterprises above the designated size in China's chemical manufacturing industry declined from RMB 8.7294 trillion to RMB 7.96515 trillion, and the total profit also decreased from RMB 518.03 billion to RMB 443.96 billion, but the operating profit margin increased significantly from 5.9% to 7.0%. Among them, although the operating revenues of foreign-funded chemical enterprises (foreign-funded chemical raw material and chemical product manufacturing enterprises) also decreased from RMB 1.83397 trillion to RMB 1.45275 trillion, showing a downward trend, the total profit increased from RMB 135.84 billion to RMB 140.82 billion, and the operating profit margin also increased synchronously from 7.4% to 9.7%. In addition, the operating profit margin of foreign-funded chemical enterprises were always higher than that of all chemical raw material and chemical product manufacturing enterprises in China.

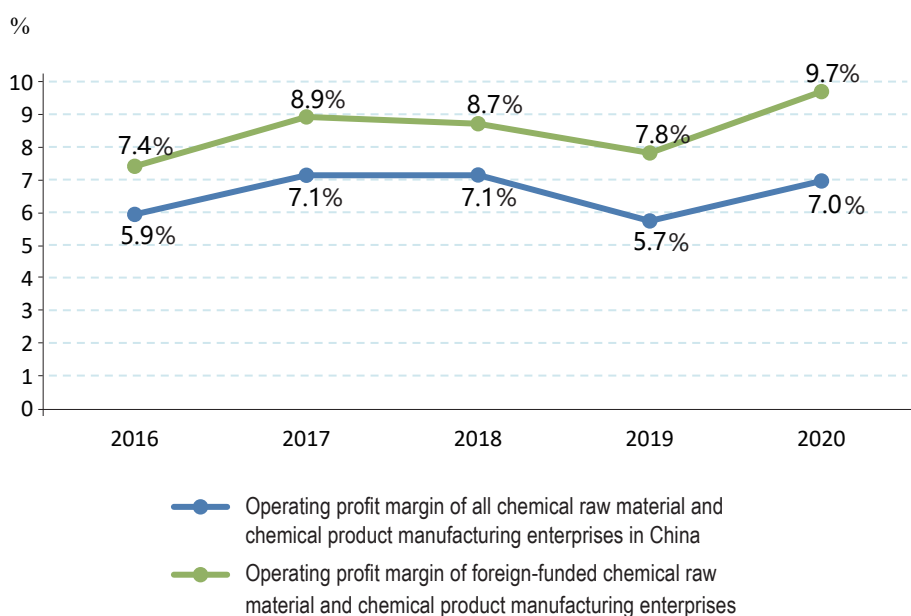


Figure 2-7 Operating Profit Margin of Chemical Raw Material and Chemical Product Manufacturing Enterprises above the Designated Size during 2016-2020

Source: National Bureau of Statistics.

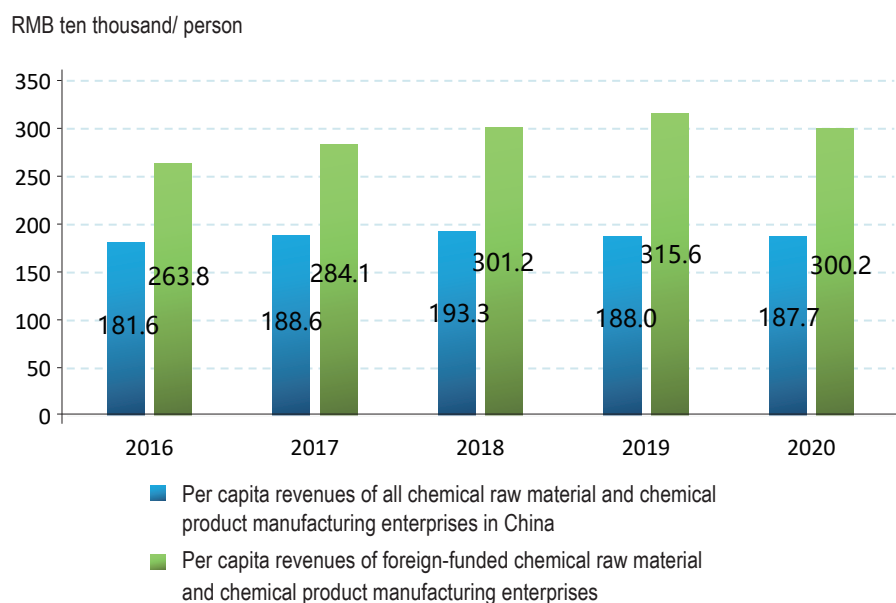


Figure 2-8 Per Capita Operating Revenues of Foreign-funded Chemical Raw Material and Chemical Product Manufacturing Enterprises during 2016-2020

Source: National Bureau of Statistics.

The per capita operating revenues of chemical raw material and chemical product manufacturing enterprises above the designated size increased from RMB 1.816 million in 2016 to RMB 1.877 million in 2020, showing a fluctuating growth trend. In the same period, however, the per capita revenues of foreign-funded chemical enterprises above the designated size increased from RMB 2.638 million to RMB 3.002 million, with an increase of RMB 364,000, far exceeding the average level of all enterprises in the same industry. Foreign-funded chemical enterprises have relatively high production efficiency and relatively strong profitability.

3. The pace of green and low-carbon transformation of foreign-funded chemical enterprises has accelerated

Driven by China's "carbon peak and carbon

neutrality" goal, the foreign-funded chemical enterprises have accelerated the green transformation of chemical production by establishing the low-carbon technology R&D centers and promoting the cleaner production. For one thing, some foreign-funded enterprises focus on the development of low-carbon technologies and market demand, promote the development and implementation of low-carbon solutions in the Chinese market by cooperating with domestic chemical enterprises to help achieve the "carbon peak and carbon neutrality" goal. For another, some foreign-funded chemical enterprises actively develop green plants, promote the reduction of carbon emission in the entire chemical industry chain by using new energy power generation equipment and low-carbon technologies, which facilitates the transformation and development of the chemical industry.

V. Food Manufacturing Industry

Food manufacturing industry is one of the industries in China with earlier absorption of foreign investment and a relatively higher level utilization of foreign investment. Since the reform and opening up, the world's leading multinational food enterprises have invested and set up plants in China successively, which has promoted the rapid development of China's food manufacturing industry. Over recent years, with China's continuous efforts in promoting the transformation and upgrading of food manufacturing industry and the growing strength of domestic food manufacturing enterprises, the development of foreign-funded food manufacturing enterprises in China has entered a new stage of transformation and adjustment.

(I) Changes in Industrial Policies

Over recent years, China's policies for promoting the sustainable, stable and sound development of food manufacturing industry have mainly focused on two aspects: one is to meet the upgraded and green consumption needs of Chinese residents and support the development of green food. The other is to meet the food safety needs, and develop laws, regulations, standards and other systems related to food safety. These policies have driven the domestically-funded and foreign-funded enterprises to accelerate the transformation and upgrading and achieve the steady development by strengthening the technological innovation, developing the new products and optimizing the production processes.

1. Vigorously promoting the development of green food industry, and guiding the transformation and upgrading of foreign-funded food enterprises

With the improvement of Chinese people's

living standards and the change of consumer attitudes, the pollution-free and safe green food has become a fashion and is more and more favored by people. With a view to further promoting the sustainable and sound development of green food industry, China has issued a series of policies for encouraging the development of green food industry. In 2021, the CPC Central Committee and the State Council issued the Opinions on Comprehensively Promoting the Rural Revitalization and Accelerating the Agricultural and Rural Modernization, requiring to strengthen the supervision and administration on agricultural product quality and food safety and develop the green agricultural products, organic agricultural products and agricultural products with geographical indication. In November 2021, the China Green Food Development Center issued the Outline of Plan for Development of Green Food Industry during the "14th Five-Year" (2021-2025), defining the development goals and main tasks of green food industry during the 14th Five-Year Plan Period, and proposing to increase the scale of green food industry, forge the model of whole industrial chain of green food industry, and construct the national standardized raw material production base for green food and the national park of integrated development of primary, secondary and tertiary industries of green food. In September, 2021, the China Green Food Development Center issued the Catalogue of Applicable Standards for Green Food Products (Version 2021), updating 58 standards and giving the guidance for development of green food. The continuous optimization of policies for green food industry will guide the foreign-funded enterprises to increase their investment in production of green food, accelerate the research and development of production and manufacturing technologies for green food, and strengthen the green management of whole production process.

2. Improving the administrative systems related to food safety, and strengthening food production and business safety in an all-round way

Food safety is related to people's well-being. Over recent years, China has intensively issued a series of laws, regulations and departmental regulations on food safety, so as to enhance the awareness on food safety risks, and refine the administrative regulations on food safety. **The first is improving the food safety laws and regulations.** Over recent years, China has continuously revised the Food Safety Law, so as to strengthen the management of food safety risks. The Food Safety Law revised in April 2021 further improved the supervision and administration system and supervision and administration mechanism for food safety. In particular, in December 2021, the Implementation Regulations of the Food Safety Law, as the supporting implementation rules of the Food Safety Law, were officially implemented, which refine the contents about “punishment to specific person” and supervision on health food, so as to further enhance the operability of the system. **The second is improving the management on food safety risks.** In order to strengthen the supervision and administration on food production and business, in March 2022, the Measures for Administration on Supervisory Inspection of Food Production and Business issued by the State Administration for Market Supervision came into effect, specifying that all food producers and dealers in the administrative region shall be inspected at least once every two years and the details of supervisory inspection shall be recorded in the food safety credit files of food producers and dealers, and putting forward the clear requirements for supervisory inspection on production of special food and health food. **The third is improving the relevant standards for food production.** For example, in May 2022, the State Administration for Market Supervision

(National Standardization Administration) issued the amendment No. 1 to the national standard GB 23350-2021 “Requirements of Restricting Excessive Package - Foods and Cosmetics”, proposing that in food production, the number of packaging layers shall be reduced, the empty space within the packaging shall be compressed, the packaging costs shall be decreased, and the requirements for mixing packages shall be tightened. The promulgation of these regulations and standards, on the one hand, puts forward higher requirements for the production and operation of foreign-funded food enterprises in China, and on the other hand, points out the direction for the high-quality development of foreign-funded food enterprises.

3. Simplifying the licensing of food production and business operation, so as to facilitate the investment of foreign-funded food enterprises

On top of the newly-added provision that “those who only sell prepackaged food do not need to obtain a license” in the new version of the Food Safety Law, since July 1, 2021, the State Council has intensified nationwide the reform for separating operating permits from business licenses, and separated the license-type certificates by directly canceling the approval process, changing the approval process to filing process, implementing the notification and commitment system, and optimizing the access services, so as to reduce the approval and issuance of certificates. It is clearly specified in Items 76 and 78 of the reform list related to operating permits that, the “approval-changed-to-filing” system shall be implemented for enterprises engaged in sales and customs declaration of prepackaged food, and the filing procedures shall be handled during the registration of enterprises, so that the enterprises do not need to “go through the application process again” for filing. This measure brings the foreign-funded enterprises

that sell prepackaged food or need to carry out customs declaration under the coverage of “integrating multiple certifications and licenses into one consolidated business license”, which greatly simplifies the process and saves the time for enterprises to go through the business-related formalities, and makes it convenient for foreign-funded food enterprises to make investment and carry out operation in China.

(II) Utilization of Foreign Investment

Since 2020, although affected by various factors such as COVID-19, food security risks and global trade frictions, the utilization of foreign investment in food manufacturing industry has maintained a relatively stable development trend.

1. The scale of investment absorbed has grown continuously.

Over recent years, driven by China’s policies for continuously supporting and standardizing the development of food manufacturing industry, the scale of investment absorbed by food manufacturing industry

has grown continuously. From 2017 to 2021, the amount of foreign investment actually utilized by food manufacturing industry increased from USD 1.19 billion to USD 1.59 billion, an increase of 32.7%. A number of multinational food enterprises have continuously increased their investment in the whole industrial chain of China’s food manufacturing industry, and accelerated their deployment of investment in China’s food manufacturing industry.

2. The remainder investment has been relatively stable

In terms of total assets, the total assets of foreign-funded food manufacturing enterprises increased in a fluctuating manner, from RMB 469.30 billion in 2016 to RMB 575.20 billion in 2020, with an average annual growth rate of 4.2%. The total assets of all food manufacturing enterprises above designated size in China increased from RMB 1549.70 billion to RMB 1729.10 billion, with an average annual growth rate of only 2.2%. Assets of foreign-funded food manufacturing enterprises have expanded rapidly.

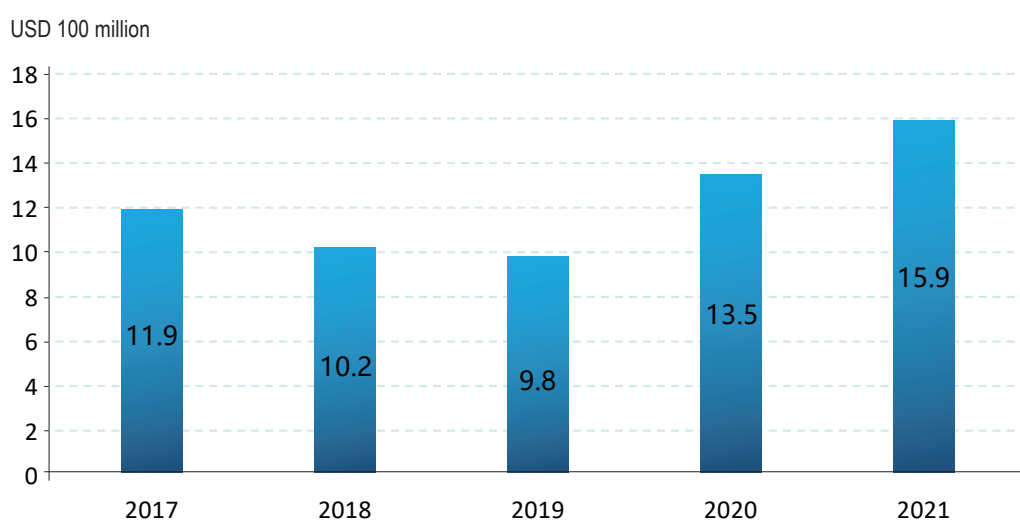


Figure 2-9 Foreign Investment Actually Utilized by Food Manufacturing Industry during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

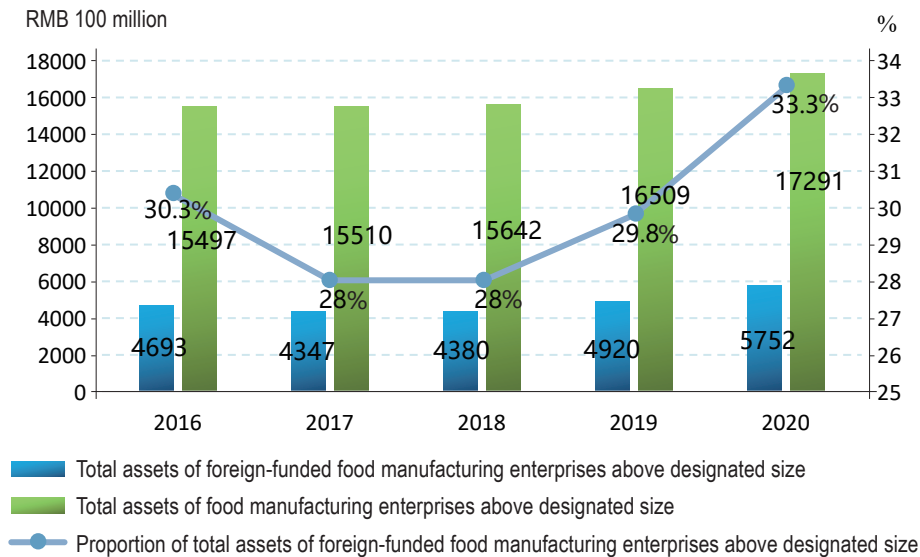


Figure 2-10 Total Number of Assets of Foreign-funded Food Manufacturing Enterprises above Designated Size and Proportion during 2016-2020

Source: National Bureau of Statistics.

In terms of the numbers of remainder enterprises, the number of food manufacturing enterprises above designated size nationwide fluctuated from 9,043 in 2016 to 8,267

in 2020. Although the number of foreign-funded food manufacturing enterprises above designated size has declined since 2016, it remained relatively stable from 2018 to 2020,

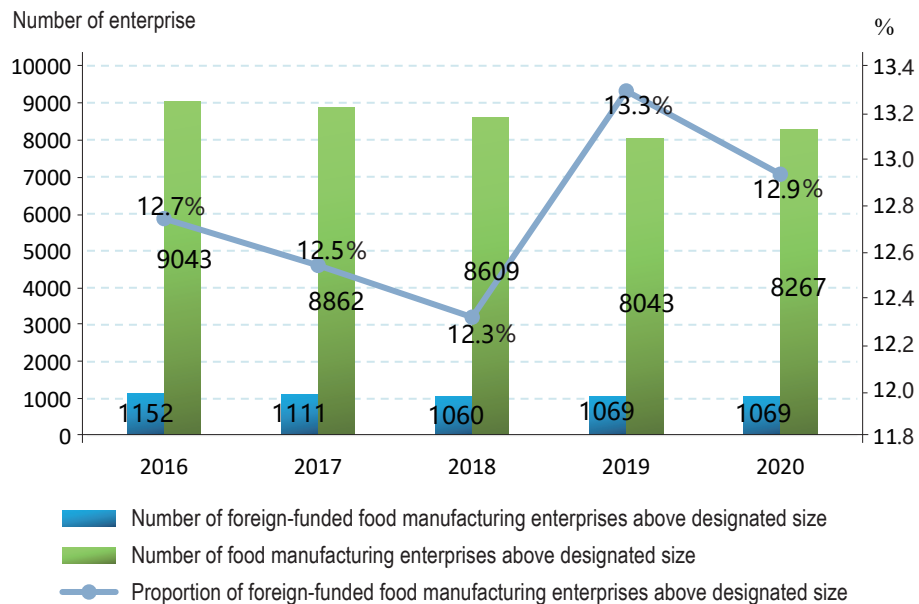


Figure 2-11 Number and Proportion of Foreign-funded Food Manufacturing Enterprises above Designated Size during 2016-2020

Source: National Bureau of Statistics.

and its proportion in total number of foreign-funded food manufacturing enterprises above designated size increased slightly. Foreign-funded food manufacturing enterprises were still optimistic about the development of the Chinese market.

3. The enterprises showed a good momentum in operation

Although the COVID-19 has had a certain impact on the industrial chain and supply chain of global food manufacturing industry, the foreign-funded food enterprises have maintained a sustained growth trend in their operating incomes in China. The data of the National Bureau of Statistics reveal that, from 2016 to 2020, in China the operating income of foreign-funded food manufacturing enterprises above designated size increased from RMB

596.684 billion to RMB 625.03 billion, and the total profit increased from RMB 57.078 billion to RMB 69.78 billion. In terms of operating profit margins, the operating profit margin of foreign-funded enterprises above designated size in food manufacturing industry increased from 9.6% in 2016 to 11.2% in 2020, generally higher than the national average. In terms of per capita operating income, the per capita operating income of foreign-funded enterprises above designated size in food manufacturing industry increased from RMB 1.246 million/person in 2016 to RMB 1.481 million/person in 2020, while the per capita operating income of all food manufacturing enterprises above designated size in China fluctuated and increased in a relatively low range.

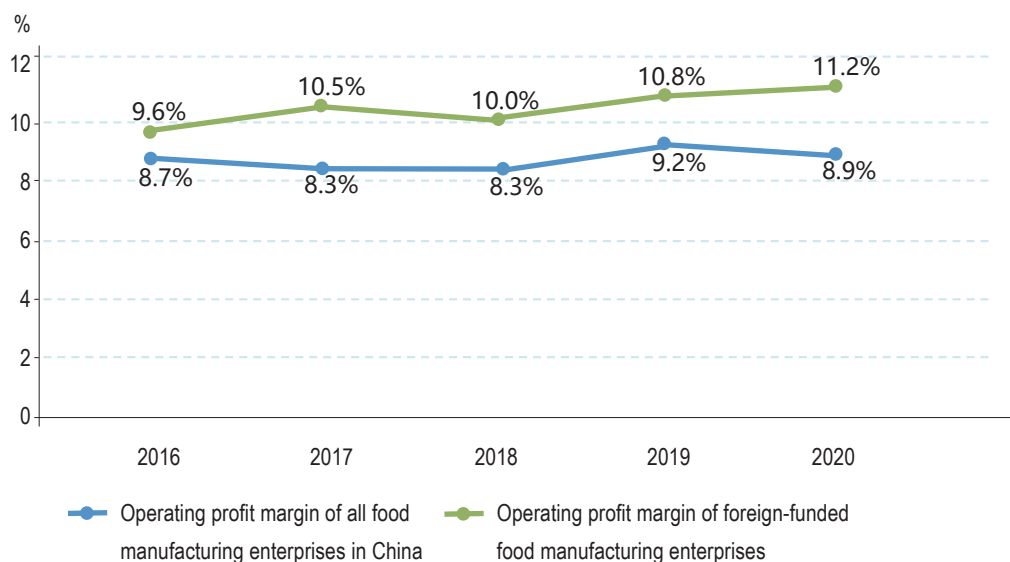


Figure 2-12 Details of Operating Income Profit Rates of Food Manufacturing Enterprises above Designated Size during 2016-2020

Source: National Bureau of Statistics.

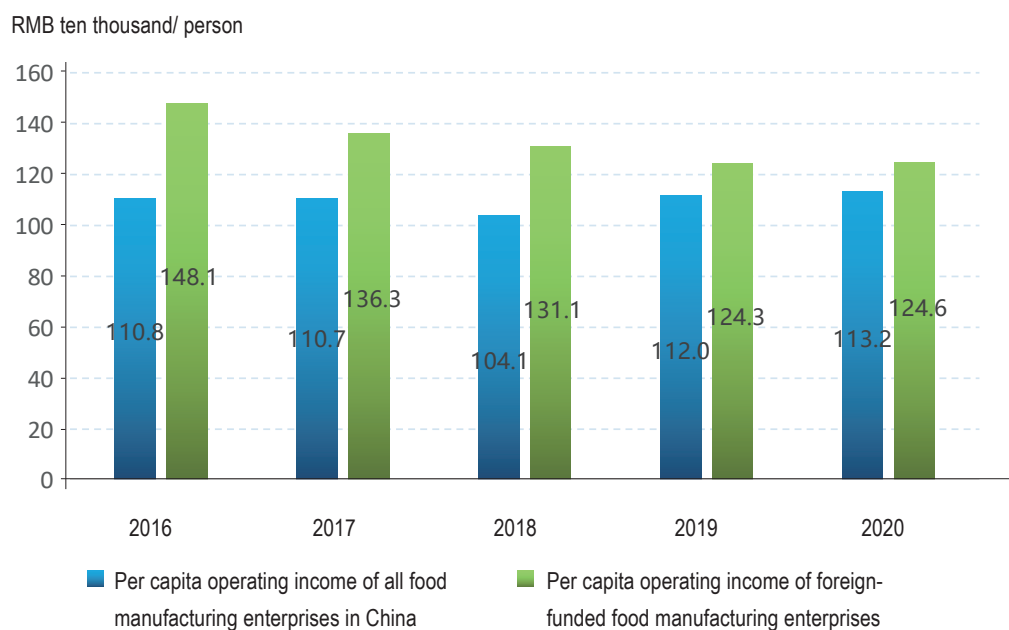


Figure 2-13 Changes in Per Capita Operating Income of Food Manufacturing Enterprises above Designated Size during 2016-2020

Source: National Bureau of Statistics.

VI. Producer Service Industry

The producer service industry refers to the service industry that provides the supportive services for maintaining the continuity of industrial production process, promoting the industrial technology advancement and industrial upgrading and improving the production efficiency. According to the Statistics and Classification of Producer Services (2019) issued by the National Bureau of Statistics, producer services mainly include R&D, design and other technical services, information services, financial services, business services, wholesale and trade brokerage and agency, etc. Over recent years, driven by China's policies for continuously widening the opening of service industry and promoting the integrative development of manufacturing

industry and service industry, the scale of foreign investment utilized by producer service industry has continuously increased, which promotes the high-quality development of producer service industry.

(I) Changes in Industrial Policies

Over recent years, for the purpose of promoting the development of producer service industry, China has issued a series of policy documents in further opening up the service industry, encouraging the development of key producer services, promoting the in-depth integration between manufacturing and the service industry and optimizing the business environment, so as to create a good environment for foreign-funded enterprises to make investment in the producer service industry.

1. Gradually improving the policies for the opening-up of producer service industry

The first is improving the negative list system for foreign investment access and expanding the opening-up of some sectors in producer service industry. The Special Administrative Measures for Foreign Investment Access in Pilot Free Trade Zones (Negative List) (Version 2021) further opens up the producer service industry, and lifts some restrictions on foreign investment access in producer service industry. For example, in the field of business services, except for the radio and television ratings surveys, which must be controlled by the Chinese party, the foreign investment access restrictions have been lifted. The foreign investment in social surveys is allowed, but the equity share by the Chinese side must be no less than 67%, and the legal representative should be of Chinese nationality.

The second is introducing new comprehensive pilot projects for expanding the opening-up of service industry, so as to promote the opening-up, innovation and development of producer service industry. In April, 2021, the State Council issued the reply on agreeing to carry out the comprehensive pilot projects for expanding the opening-up of service industry in Tianjin, Shanghai, Hainan and Chongqing, thus extending the pilot projects from Beijing to four other provinces and cities. The comprehensive pilot projects for expanding the opening-up of service industry, on the one hand, focus on promoting the reform and opening-up of key productive services such as science and technology services, business services, logistics services and financial services, so as to lead the development of national service industry through trial and innovation. On the other hand, they focus on promoting the integration

of service industry and manufacturing industry, and give play to the supporting role of producer service industry in the development of manufacturing industry, so as to promote the high-quality development of manufacturing industry. After more than a year of pilot work, the construction of the “1+4” comprehensive pilot demonstration areas for expanding the opening-up of service industry has achieved positive results, and a number of replicable experiences have been formed in the opening-up, innovation and development of producer service industry.

The third is revising the relevant laws and regulations on producer service industry, so as to promote the more accurate access of foreign investment in service industry. In the financial sector, the Regulations on the Administration of Foreign-funded Banks in China were revised in 2019, which clearly proposes to reduce the business threshold for foreign bank branches to take in RMB deposits by lowering the minimum amount of fixed-term deposits that foreign bank branches can take from Chinese citizens in China from no less than RMB 1 million per transaction to no less than RMB 500,000 per transaction. On March 10, 2021, the China Banking and Insurance Regulatory Commission issued the Decision on Revising the Detailed Rules for Implementation of the Regulations of the People’s Republic of China on Administration of Foreign-funded Insurance Companies (Order No. 2 of the China Banking and Insurance Regulatory Commission in 2021), expanding the categories of foreign shareholders of foreign-funded insurance companies from only foreign insurance companies to foreign insurance companies, foreign insurance group companies and other overseas financial institutions, and deleting the restrictive provisions on foreign shareholding ratio in the Detailed Rules for Implementation. In the

field of telecommunications, in April 2022, the State Council issued the Decision of the State Council on Amending and Repealing Some Administrative Regulations, revising the Provisions for Administration on Foreign-funded Telecommunications Enterprises for the third time. The revision mainly includes simplifying the procedures for establishment of foreign-invested telecommunications enterprises and deleting the requirements that major foreign investors must have “good performance and operating experience in telecommunications business”. The newly-revised Provisions for Administration on Foreign-funded Telecommunications Enterprises retain the basic requirements that the foreign shareholding ratio in basic telecommunications services (except wireless paging services) shall not exceed 49% and the foreign shareholding ratio in value-added telecommunications services (including wireless paging services in basic telecommunications services) shall not exceed 50%, cancel the restrictions that the foreign-funded telecommunications enterprises must be established “in the form of Sino-foreign joint ventures”, and define a foreign-invested telecommunications enterprise as “an enterprise engaged in telecommunications business legally established by foreign investors within the territory of the People’s Republic of China”. This means that the foreign-invested telecommunications enterprises can not only be joint ventures, but also be wholly foreign-owned enterprises if they engage in specific telecommunications businesses. With the continuous opening of China’s telecommunications sector, according to the service trade restrictiveness index released by the OECD, the service trade restrictiveness index (STRI) of China’s telecommunications industry decreased from 0.219 in 2014 to 0.209 in 2021.

2. Encouraging and guiding the foreign investment in producer service industry

The Development Plan for Utilization of Foreign Investment during the “14th Five-Year Plan” Period clearly proposes to support the foreign-funded enterprises to develop R&D, design, financial services, modern logistics, supply chain management, information services and other producer service businesses. In the Catalogue of Industries Encouraged for Foreign Investment (Version 2020), regarding the producer service industry, the entries about R&D of 5G mobile communication technologies, development of blockchain technologies and design of sewage treatment facilities are added or amended in the field of R&D and design; the entries about maintenance of high-end equipment, transformation and integration of digital production line, and development of industrial service network platform are added in the field of business service; the entries about bulk commodity import and export distribution centers and community chain distribution are added or amended in the field of modern logistics. The entries about online education, online medical treatment and online office are added in the field of information services. In the Catalogue of Encouraged Industries for Foreign Investment (Version 2022) (Draft for Comments) issued by the National development and Reform Commission and the Ministry of Commerce, the entries about human resources services and language services are added in the field of business services, and the entries about professional R&D and design and development and application of environmentally friendly technologies are added in the field of scientific research and technical services. China has gradually improved the catalogue of production service industry in the Catalogue of Encouraged Industries for Foreign Investment,

which is conducive to promoting foreign investment in key producer services and advancing the high-quality development of producer service industry.

3. Continuously increasing the tax reduction and exemption support for producer service industry

The producer service industry has always been a key field of which the development is supported by China. In view of the difficulties faced by some producer service sectors due to COVID-19, in February 2022, the National Development and Reform Commission, the Ministry of Finance, the State Taxation Administration and other 14 departments jointly issued the Several Policies on Promoting the Recovery and Development of Industries Facing Difficulties in the Service Sector, proposing a total of 41 measures to help enterprises in six major industries, including transportation and other producer service industries, and specifying that the current deductible input tax of taxpayers in producer service industry and living service industry will continue to be deducted after being increased by 10% and 15% respectively. In March 2021, the Ministry of Finance issued the Circular on Supporting the Import Tax Policy for Aviation Equipment for Civil Aviation Maintenance during 2021-2030 (C.G.SH. [2021] No. 15), exempting the import tariff for the import of maintenance-purpose aviation equipment that cannot be domestically produced by civil aircraft design and manufacturing enterprises, domestic airlines, maintenance entities and aviation equipment distributors. These preferential tax exemption and reduction policies for producer service industry are conducive to enhancing the investment confidence of foreign-funded enterprises and promoting the stable development of foreign-funded enterprises.

4. Promoting the high-quality development of sub-industries in producer service industry

With a view to promoting the development of producer service industry, the relevant departments of China have issued a series of plans and policy documents, so as to guide the transformation, innovation and development of sub-industries in producer service industry. **In terms of information services**, the Ministry of Industry and Information Technology issued the Development Plan for Software and Information Technology Service Industry during the “14th Five-Year Plan” Period in December 2021, proposing to concentrate on development of basic software, make breakthroughs in industrial software, jointly develop application software, take the initiative to develop emerging platform software, actively cultivate embedded software, and optimize information technology services, so as to move faster to “shore up weak links, enhance advantages, and optimize services”, and thus comprehensively improve the modernization level of industrial chain of the software industry. **In terms of financial services**, the People's Bank of China issued the Development Plan for Financial Technologies (2022-2025), proposing to comprehensively strengthen the building of data capacity, promote the orderly sharing and comprehensive application of data while ensuring security and privacy, improve the safe and efficient financial technology innovation system, build the integrated operation center involving business, technology and data, establish the intelligent risk control mechanism, and comprehensively activate the new momentum of digital operation. On June 1, 2022, the China Banking and Insurance Regulatory Commission issued the Guidelines for Green Finance in Banking Industry and Insurance Industry, taking a strategic view on the development of green finance in banking industry and insurance

industry, and proposing that the two industries should incorporate the environmental, social, and governance (ESG) requirements into the management process and the comprehensive risk management system. **In terms of transportation**, in November 2021, the Ministry of Transport issued the Development Plan for Integrated Transportation Services during the “14th Five-Year Plan” Period, proposing to promote the development of rail-water, road-rail, air-land and other multimodal transportation services, and build an intensive and efficient freight and logistics service system. The continuous improvement of the planning system for development of sub-industries in producer service industry not only points out the direction for the development of China’s producer service industry, but also provides the guidance for foreign-funded enterprises to invest and develop. **In terms of R&D and design**, encouraging foreign-funded enterprises to set up R&D centers in China has always been China’s priority in the utilization of foreign investment. In a series of policy documents issued by the State Council for stabilizing foreign investment, it has been repeatedly proposed to encourage foreign-funded enterprises to set up R&D centers in China. In the Development Plan for Utilization of Foreign Investment during the “14th Five-Year Plan” Period, China has clearly proposed to support the foreign-invested enterprises to set up global and regional headquarters and R&D centers, and support the R&D centers of foreign-invested enterprises to participate in national science and technology projects, so as to promote the concentration of global high-end factor resources. In addition, different localities across the country have also actively issued various incentive policies to support the foreign-funded enterprises to set up R&D centers and develop R&D services.

(II) Utilization of Foreign Investment

Over recent years, driven by the continuous industrial upgrading in China, the further opening of service industry and the intensive issuance of supportive policies, the scale of foreign investment utilized by producer service industry has been expanded continuously, and the structure has been optimized continuously, which has played an important role in promoting the rapid development of China’s producer service industry.

1. The scale of foreign investment utilized by producer service industry has increased steadily

Driven by the policies for expanding the opening-up of service industry, the scale of foreign investment utilized by China’s producer service industry increased continuously, from USD 73.94 billion in 2017 to USD 101.22 billion in 2021, an increase of 36.9%, its proportion in total foreign investment utilized by service industry decreased from 73.4% to 70.2%, down by 3.2 percentage points, and its proportion in total foreign investment utilized by China increased from 54.2% to 55.9%. In addition, since 2017, the number of foreign-funded enterprises newly established in producer service industry increased from 27,813 in 2017 to 35,772 in 2021, an increase of 28.6%, showing a fluctuating growth trend. The number peaked in 2018 with 48,331 foreign-funded producer service enterprises established in that year, and maintained a relatively stable growth trend from 2019 to 2021. This shows that, the producer service industry is increasingly attractive to foreign investment and has become an important area for China’s utilized foreign investment, making a positive contribution to utilizing and stabilizing foreign investment.

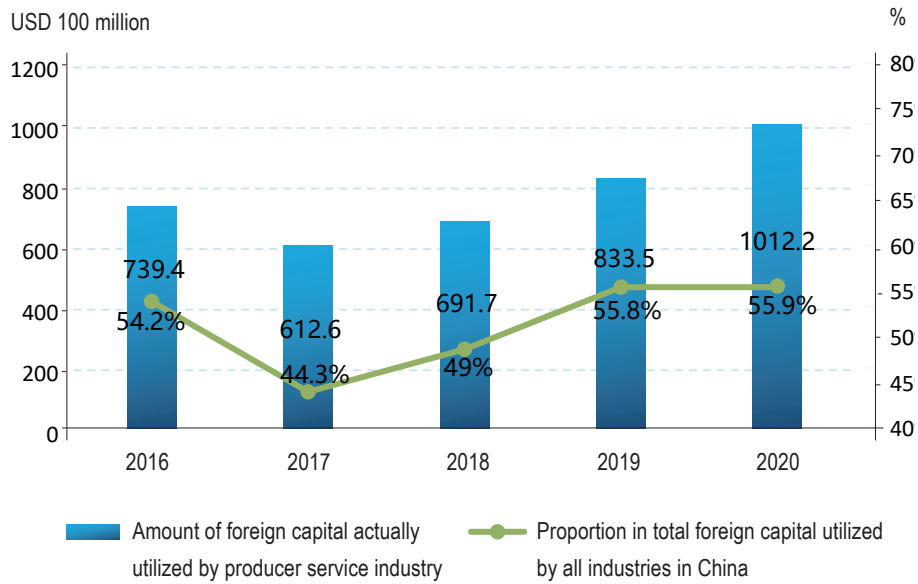


Figure 2-14 Foreign Investment Actually Utilized by Producer Service Industry during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

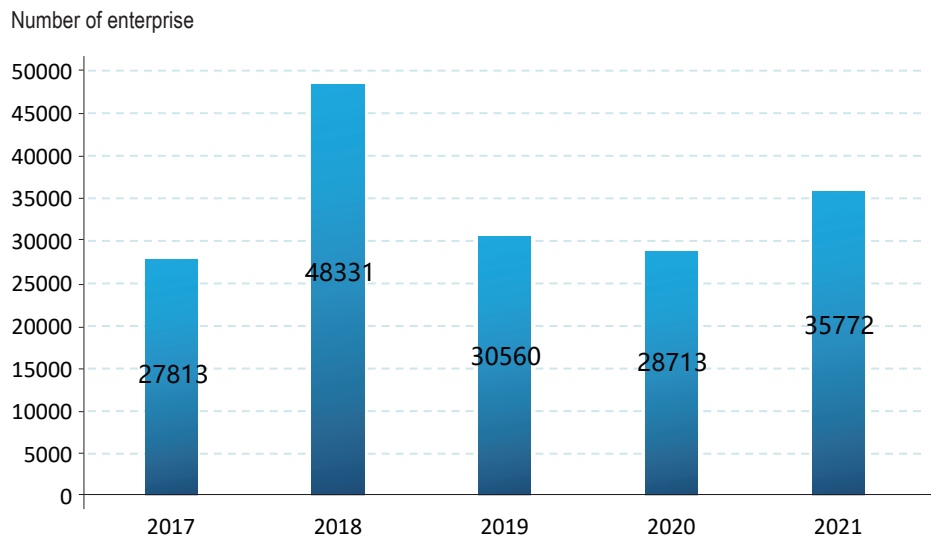


Figure 2-15 Newly-established Enterprises in Producer Service Industry during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

2. Different changes in the scale of foreign investment utilized by different sectors

Over recent years, affected by the factors such as the structural transformation and upgrading

of different producer services and the different levels of industrial openness, the scale of foreign investment utilized by different producer services has shown great differences.

First, the scale of foreign investment actually utilized in the field of wholesale and trade brokerage changed in a “U-shaped” trend. From 2017 to 2021, the amount of foreign investment actually utilized by wholesale and trade brokerage services fell from USD 8.18 billion in 2017 to USD 6.81 billion in 2019,

and then rose to USD 11.61 billion in 2021, an increase of 41.9% as compared with that in 2017.

Second, the amount of foreign investment actually utilized by information service industry has been steadily increasing since 2018. The amount of foreign investment

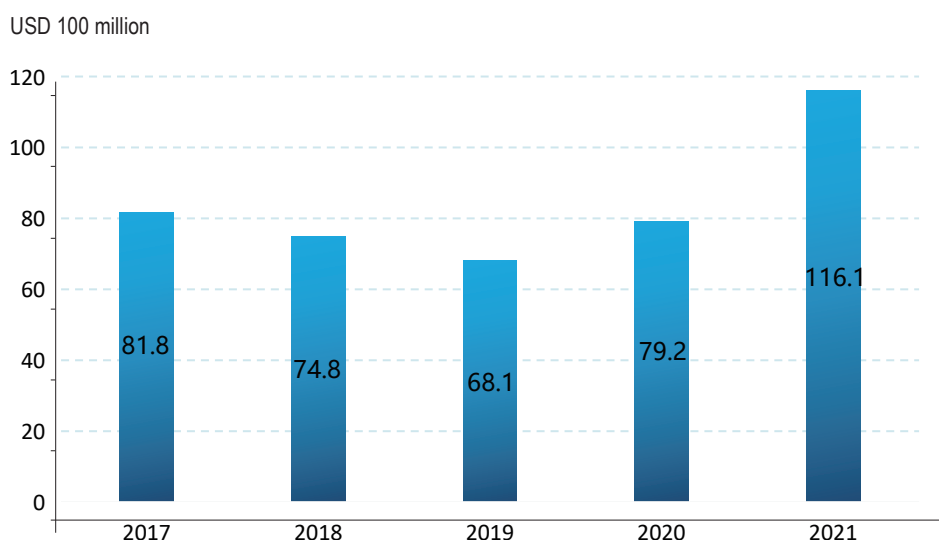


Figure 2-16 Scale of Foreign Investment Actually Utilized by Wholesale and Trade Brokerage Industry during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

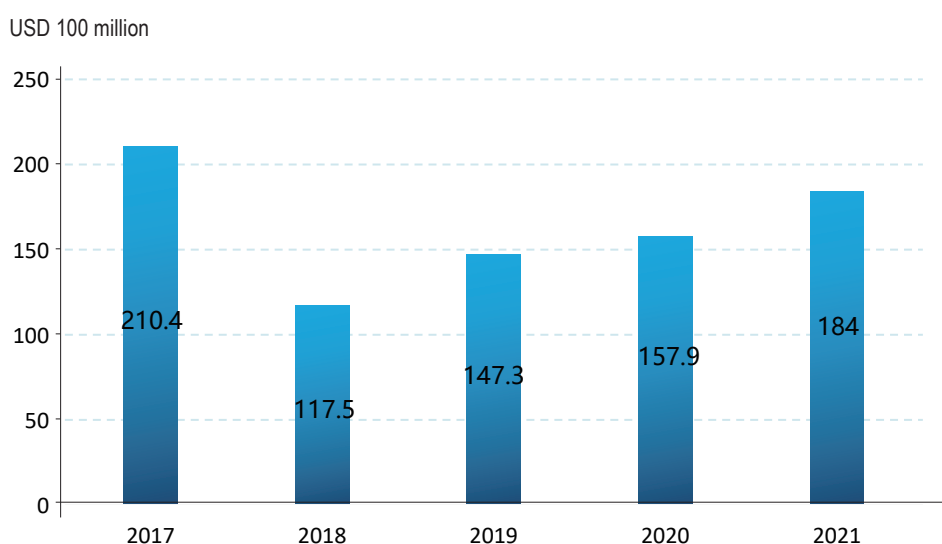


Figure 2-17 Foreign Investment Actually Utilized by Information Service Industry during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

actually utilized by information service industry was USD 21.04 billion in 2017, decreased by 44.2% to USD 11.75 billion in 2018, and then increased steadily to USD 18.4 billion in 2021, a year-on-year increase of 16.5%.

Third, the scale of foreign investment actually

utilized by R&D, design and other technical services increased rapidly. From 2017 to 2021, foreign investment actually utilized by R&D, design and other technical services grew rapidly, from USD 4.63 billion in 2017 to USD 20.56 billion in 2021, with an average annual growth rate of 45.2%.

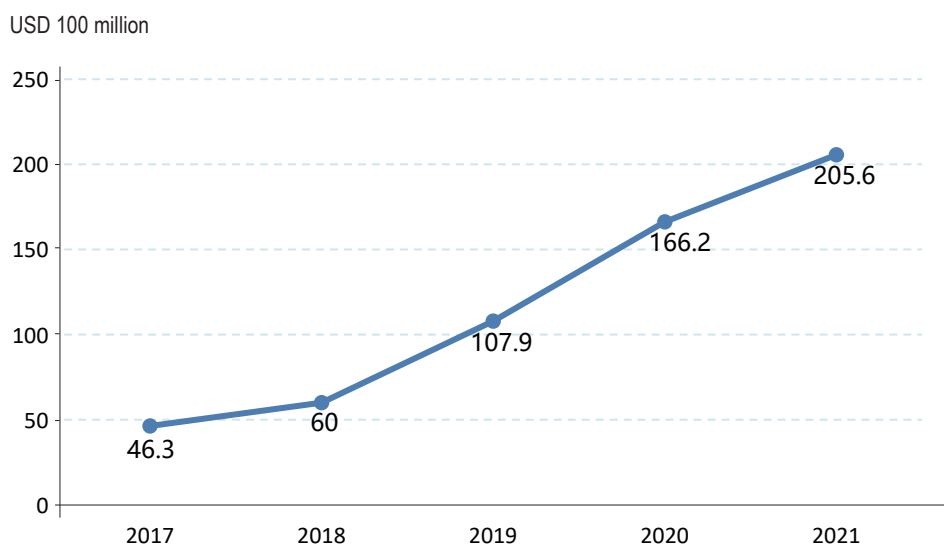


Figure 2-18 Details of Foreign Investment Utilized by R&D Design and Other Technical Service Industry during 2017-2021

Source: Foreign investment statistics of the Ministry of Commerce.

3. The investment in sub-industries in producer service industry has remained active

In the financial sector, the total assets of foreign-funded banks in China increased from RMB 415.9 billion in 2013 to RMB 3.8 trillion in 2020, with an average annual growth rate of 13.9%. As of 2020, foreign banks set up a total of 41 corporate banks, 115 bank branches and 149 representative offices as well as a total of 975 business institutions (including head offices, branches and sub-branches) in China. Overseas insurance institutions set up a total of 66 foreign-funded insurance institutions,

117 representative offices and 17 professional insurance intermediaries in China. The total assets of foreign-funded insurance companies reached RMB 1.7 trillion, the original premium income of foreign-funded insurance companies amounted to RMB 352.44 billion, and the market share of foreign-funded insurance companies stood at 7.8%, a year-on-year increase of 0.6 percentage points. The development of foreign-funded insurance companies has improved the main structure of China's insurance market, so that Chinese and foreign-funded insurance companies could draw on each other's competitive advantages,

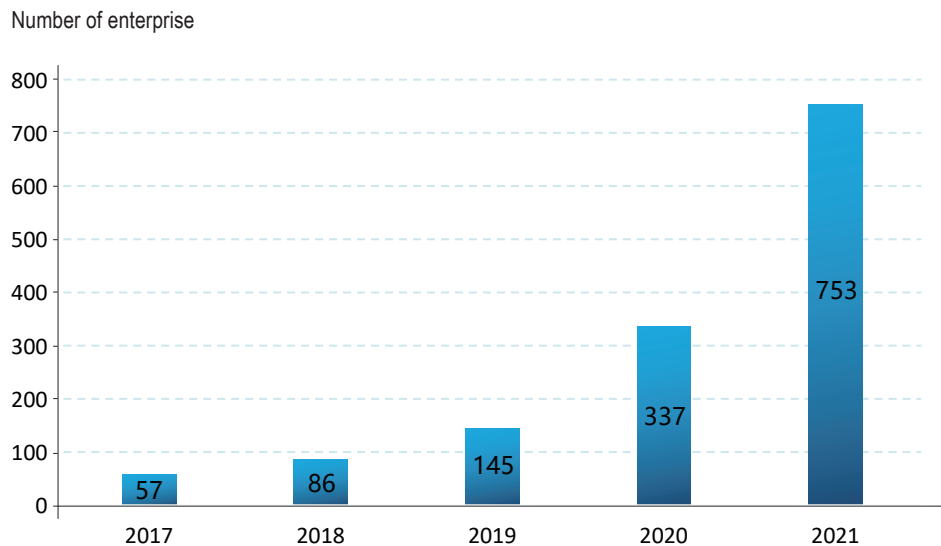


Figure 2-19 The Number of Foreign-funded Enterprises Awarded Value-added Telecommunications Service License by the Ministry of Industry and Information Technology from 2017 to 2021

Source: Development Trend of Foreign-funded Telecommunications Enterprises (June 2020) and Report on the Business Environment Development of the Information and Communication Industry (2022), CAICT

compete fairly and develop together.

In the field of telecommunications, the Report on Business Environment Development of Information and Communication Industry (2022) released by the China Academy of Information and Communications Technology (CAICT) shows that in China, the foreign investment in telecommunications business was concentrated in value-added telecommunications services. Since lifting foreign equity caps in 2019 on four value-added telecommunications services, namely e-commerce, domestic multi-party communication, store-and-forward business, and call center business,, foreign investors have moved faster to join the development of China's information and communications industry. By the end of 2021, 735 foreign-funded enterprises were awarded value-added telecommunications service license by the Ministry of Industry and

Information Technology, which grew by 12.4% compared to the end of 2020 and 13.2 times that of 2017. According to the Report on Licensing for Value-Added Telecommunications Services in China issued in June 2022, 964 foreign-funded enterprises have been awarded value-added telecommunications service license by the Ministry of Industry and Information Technology, accounting for 3.3% of the total number of operators.

In terms of R&D and design, the foreign-funded R&D centers in China are mainly engaged in R&D and services in capital and technology intensive industries such as biomedicine, information technology, automobile parts, chemicals, electronic equipment and machinery manufacturing. These R&D centers have gradually shifted from research of applied technologies serving local market to basic research of global core

technologies. In 2021, driven by the active introduction of supportive policies by the central and local governments, the continuously growing Chinese market, China's abundant innovation resources and diversified innovation

application scenarios, a number of foreign-funded enterprises have successively set up their R&D centers or innovation centers in China to promote the localized development of R&D and support their global supply chains.



Foreign Investment in Different Regions

In 2021, focusing on promoting the high-quality development of the open economy, the key provinces for foreign investment as well as some provinces and cities in the central and western regions actively issued the relevant foreign investment policies, held a series of foreign investment promotion activities, and worked vigorously to “stabilize the foreign investment”, so as to realize the steady development of foreign investment.

I. Beijing

In 2021, focusing on the construction of the “national integrated demonstration zone for greater openness in the services sector and pilot free trade zone” (hereinafter referred to as the “two zones”), Beijing continuously expanded the foreign investment access, actively improved the promotion policies, and properly optimized the business environment, so as to reinforce the sound momentum of utilizing foreign investment.

(I) Issuing the whole-chain policies for stabilizing foreign investment, so as to promote the stable development of foreign-funded enterprises

On December 9, 2021, the Beijing Municipal Bureau of Commerce issued the Several Measures for Further Strengthening the Work of Stabilizing Foreign Investment (J.SH.Z.F.Z. [2021] No. 14), putting forward 25 whole-chain policy measures in seven aspects such as further expanding the opening-up, **gathering the global high-end and high-quality**

resources, optimizing the development environment of foreign-invested enterprises, optimizing the life services for foreign investors, promoting the combination of investment introduction and talent introduction, optimizing the foreign investment promotion services, and strengthening the protection on rights and interests of foreign-invested enterprises. In terms of gathering the global high-end and high-quality resources, the foreign investors were encouraged to set up regional headquarters of multinational corporations and various functional institutions in this city, and the qualified regional headquarters of multinational corporations were given the financial incentives and the facilitation measures about entry and exit of key personnel and customs clearance of goods. **In terms of a combination of investment introduction and talent introduction**, Beijing provided targeted support for talent introduction in accordance with the foreign-invested enterprises' contribution and positive effects in light of their investment, tax payment and scientific and technological innovation in Beijing. For senior executives and professionals in specific industries who conform to Beijing's development orientation and talent introduction policies, Beijing intensified its efforts in facilitating their settlement in the city and application for work and residence permits. For professionals with special skills urgently needed by the city and with outstanding achievements and contributions, the age criteria could be appropriately relaxed. **In terms of optimizing the life services for foreign investors**, Beijing improved the layout of international schools and international hospitals, and implemented the pilot program for facilitating the personal foreign exchange business of foreign talents in China, so as to meet the real and legitimate personal needs for current account foreign exchange of foreign talents in China.

(II) Bring the policy advantages arising from the superimposition of the “two zones” into full play, so as to promote the foreign-funded enterprises to invest in Beijing

In terms of foreign investment access, in addition to the negative list for foreign investment access, Beijing also built an integrated demonstration zone for greater openness in the services sector on the basis of the previous plans for the comprehensive pilot project of expansion and opening up of service industry, and carried out pilot programs and innovation in many fields, so as to form opening-up advantages arising from the superimposition of the “two zones”. For example, Beijing took the lead in lifting the restriction that the foreign investment in the aviation maintenance industry was subject to Chinese control, allowing foreign investment in the production of audio-visual products, eliminating the restriction on half of the total investment by foreign-funded companies, and eliminating the restriction on the number of enterprises investing in China. In addition, Beijing applied for the policy of allowing foreign investment in literary and artistic performance groups for Tongzhou Culture & Tourism Zone, and applied for a breakthrough in the restrictions on the foreign shareholding ratio in the information service business (currently only limited to application stores) for Zhongguancun Haidian Park, so as to promote the growth of foreign investment in the service industry.

In terms of investment promotion in the “two zones”, Beijing established the “one library, three lists and four mechanisms”, where the “one library” is the investment promotion project library for the “two zones”, the “three lists” are the spatial resource list, the target enterprise list and the supporting policy list for

the “two zones”, and the “four mechanisms” are the major project coordination and dispatching mechanism, the service steward mechanism, the government-enterprise docking mechanism, and the supervision and evaluation mechanism, so as to build a result-oriented project supporting system. In addition, the Beijing Investment Promotion Service Center formulated the plan for major foreign-related investment promotion activities in Beijing in 2021 and held several “online international promotion” activities with Hong Kong SAR, Japan, Singapore, the United Kingdom, the United States, Germany, and New Zealand. By actively carrying out the online and on-site promotion activities, creating a cloud reception platform brand, and widely promoting the opening-up policies through the portal website and WeChat official account, the service center extensively mobilized the enthusiasm of overseas enterprises to participate in the construction of the “two zones” and enhanced their international influence.

In September 2021, on the first anniversary of the construction of the “two zones”, 10 cases of the first batch of national integrated demonstration zone for greater openness in the services sector and 24 cases for replication and promotion in the whole city were formed. Since the pilot project was launched, 35 cases in 7 batches have been promoted throughout the whole country. Forty-five landmark projects have been put into effect, and 35 functional and service platforms have been operated efficiently. Beijing also settled 68 domestically-funded and foreign-funded financial institutions. The first foreign-funded currency brokerage company in China and the first Japanese securities firm with a securities underwriting license successively registered in Beijing.

(III) Promoting the investment in high-tech industries and driving the high-end and intelligent development of the manufacturing industry

On September 6, 2021, the Beijing Municipal People’s Government issued the Several Measures of Beijing Municipality on Promoting the Investment in High-tech Industries and Driving the High-end, Intelligent and Green Development of the Manufacturing Industry (J.ZH.F. [2021] No. 25), proposing 16 specific measures for encouraging private enterprises, foreign-funded enterprises and state-owned enterprises to actively invest in high-tech industries that conform to the strategic positioning of the capital city, promoting the reconstruction and upgrading of industrial base and the optimization and upgrading of industrial chains, and driving the high-end, intelligent and green development of the manufacturing industry. In terms of **“encouraging the investment in high-tech industries”**, the Beijing Municipal People’s Government proposed to support the development of “high-tech industries”, support the headquarters enterprises to carry out industrial upgrading and develop new models and new business forms by making use of Beijing’s high-tech industrial policies, and encourage the establishment of municipal-level industrial innovation centers, industrial design centers and corporate technology centers. **In terms of “implementing the first negotiation system for the landing of projects”**, Beijing explored the implementation of a “first negotiation system” for those projects with a total investment of no less than RMB 100 million or with the overall and strategic significance. For any major advanced manufacturing project identified in the first negotiation and successfully introduced in line with the strategic positioning of the capital city, in case the capital actually paid by the project owner in Beijing is not less than RMB 5 billion or the

foreign investment actually utilized reaches USD 500 million, the local district will give a reward of not less than RMB 10 million for a single project to the third-party institution providing the whole-process service for the project.

(IV) Building various parks with high quality, so as to speed up the cultivation of RMB-hundred-billion-level industrial clusters

In 2021, by giving full play to the role of the open platform of Beijing Economic and Technological Development Zone, continuously strengthening the services for foreign-funded enterprises and optimizing the business environment, Beijing attracted a number of key overseas projects. Eleven offshore innovation centers were set up, which has promoted the rapid development of four RMB-hundred-billion-level industrial clusters, including the high-end automobile cluster, industrial Internet cluster, biomedicine cluster and new-generation information technology cluster.

In addition, Beijing actively promoted the construction of international cooperation parks. The Sino-Germany International Cooperation Industrial Park and Sino-Japan International Cooperation Industrial Park in Beijing are industrial parks with global demonstration significance that are supported by the state, led by Beijing Municipality and implemented by

Shunyi District and Daxing District. Focusing on the three leading industries including new energy intelligent vehicles, intelligent equipment, and industrial Internet, as well as the three major productive service industries including “scientific and technological services, business exhibitions, and digital trade”, the Sino-Germany International Cooperation Industrial Park aims to create “a gathering place of German advanced manufacturing enterprises, a strategic highland for development of invisible champions in China and Germany, and an important window for exchanges, opening-up and innovation between China and Germany”. So far, the park has gathered 73 German-funded enterprises with an annual output value of more than RMB 30 billion, including 25 German invisible champion enterprises. Positioned as a demonstration zone for international scientific and technological collaborative innovation and industrial co-operation development, the Sino-Japan International Cooperation Industrial Park aims to give play to China’s huge market, complete industrial system and business environment as well as Japan’s high-end industries and manufacturing advantages, so as to promote the complementarity of China and Japan’s industrial and innovation advantages, and create a characteristic industrial innovation cooperation park.

Special Column 3-1

Construction of International operation Industrial Parks in Beijing

Beijing Sino-Germany International Cooperation Industrial Park On December 23, 2021, the Beijing Sino-Germany International Cooperation Development Forum was successfully held in Shunyi District, and Beijing Sino-Germany International Cooperation Industrial Park was officially

opened. The representatives of the Beijing Municipal Government, the National Development and Reform Commission, the China International Investment Promotion Center (CIPA) and China Europe International Exchange AG (CEINEX), as well as the representatives of more than 300 well-known German enterprises and associations such as Fraunhofer Association (FHG), Steinbeck Technology Transfer Center (STC), German China R&D and Innovation Alliance (CFEID), German Federal Foreign Trade and Investment Agency and German liaison offices in China, participated in the forum in the form of “online + on-site”. At the forum, the Management Committee of Beijing Sino-Germany Industrial Park signed comprehensive strategic cooperation agreements with the International Cooperation Center of the National Development and Reform Commission and the German Chamber of Commerce in China, and 22 key foreign-funded projects were successfully signed.

Beijing Sino-Japan International Cooperation Industrial Park In August 2021, the press conference of Beijing Sino-Japan

International Cooperation Industrial Park and Daxing International Hydrogen Energy Demonstration Zone was held in Daxing District, at which, the National Development and Reform Commission and Beijing Municipality jointly proposed to build the Beijing Sino-Japan International Cooperation Industrial Park in Daxing District. In phase I of the Daxing International Hydrogen Energy Demonstration Zone, it is planned to build a demonstration station with the largest daily hydrogen filling capacity (3.6 tons) in the world, and transform the existing plant into a hydrogen energy science and technology experience exhibition hall integrating the hydrogen energy society, hydrogen energy achievements, enterprise products and hydrogen energy development history, temporary exhibition areas, a multi-function hall and other facilities. The phase I project also plans to build a “hydrogen spring”-themed science and technology park integrating R&D, testing, production, living and other functions, and set up the hydrogen energy industry innovation center in cooperation with Tsinghua Industrial Research Institute and China Hydrogen Energy Engineering Center (key laboratory).

(V) Strengthening the mechanism for serving foreign-funded enterprises, and improving the efficiency of services for foreign-funded enterprises

Attaching importance to strengthening the services for foreign-funded enterprises, Beijing set up the service platform for the listing of foreign-funded enterprises. Based on

the construction of Beijing’s comprehensive service platform for the listing of enterprises, relying on the Beijing enterprise listing service platform and Zhongguancun capital market service platform, responding to the needs of enterprises in value evaluation, guidance and training, listing consulting, financing matching and policy implementation, and through the products and services such as science and innovation diamond index, capital college and

intelligent IPO, the platform provides high-quality services for the listing and development of foreign-invested enterprises in China. The Beijing Municipal Government has appointed dedicated service stewards for foreign-funded enterprises in key development fields. For example, it has established the working mechanism of “service steward” for foreign-funded financial institutions, so as to actively attract high-quality financial resources. By the end of 2021, the enterprise service stewards at all levels in Beijing had provided 6,624 services, with a settlement rate of 96.5%. In addition, the Beijing Municipal Government and the district governments have also appointed the “stewards” for key projects, so as to provide the landing services for investing enterprises and their projects in Beijing. In 2021, the Beijing Municipal Government allocated “stewards” for more than 500 key projects, which led to the implementation of 121 projects.

II. Shanghai

In 2021, Shanghai continuously optimized the business environment by improving the foreign investment promotion policies, perfecting the working mechanism for the promotion of foreign investment, and innovating the new mode for attracting foreign investment, so as to create the preferred place for foreign investment and the high-quality gathering place for foreign investment in the new era, and promote the steady progress in the utilization of foreign capital.

(I) Strengthening the services for foreign investment, so as to further improve the comfort of investors

Focusing on the pain points and difficulties encountered in the whole life cycle of

enterprises, Shanghai has established a regular communication and exchange mechanism, strengthened the promotion of collaborative solutions, established a special service mechanism, and continuously carried out major “visit and survey” activities, so as to create a comfortable environment for the development of foreign investment in Shanghai and lay a foundation for the good start of the foreign investment work during the 14th Five-Year Plan period.

Strengthening the communication between government and enterprises. In 2021, the municipal commerce commission held 20 government-enterprise communication round-table meetings. At the meetings, a total of 180 foreign-funded enterprises, chambers of commerce and associations put forward 175 difficult problems and suggestions, with the resolution rate exceeding 90%. The Shanghai Municipal Government paid full coverage visits to key enterprises such as major foreign-funded projects, regional headquarters of multinational corporations, and R&D centers, and effectively solved common and personalized problems such as improvement of customs clearance efficiency, relocation of production bases, facilitation of cross-border capital flow, and accelerated marketing of products of biomedical enterprises. The round-table meetings have effectively helped enterprises solve some of the practical difficulties and problems encountered in production and operation, and fully demonstrated Shanghai’s determination to create a market-oriented, legal and international business environment. As a result, they have become an important platform for foreign-funded enterprises to raise problems and promote their solutions, and have become a shining brand of “Shanghai service”.

Establishing the special service mechanism for major projects. The Shanghai Municipal Government has provided the “one-stop services” for 30 key foreign-funded projects with large investment amounts and strong demonstration effect in the aspects such as investment promotion, access, planning, land use, environmental protection, construction and foreign exchange. The Shanghai Municipal Government has improved the liaison officer system for key enterprises, formed three lists of “cultivation, energy enhancement and upgrading”, and regularly organized special training activities on policies about headquarters. In view of the difficulty in cross-district relocation of enterprises, the Shanghai Municipal Government has opened the enterprise service cloud “special window for cross-district relocation”, so as to optimize the business process; in view of the difficulty in cancellation of enterprises, the Shanghai Municipal Government has improved the cancellation process, guided the enterprises to apply for cancellation via the “one window” online platform, and implemented the classified disposal, synchronous handling and one-time settlement.

Enhancing the function of special window for foreign services. In view of the difficulties faced by foreign-funded enterprises in handling affairs, the Shanghai Municipal Government set up a special foreign-related service team at the municipal level, issued the Implementation Plan of Shanghai Municipality for Construction of “Special Foreign-related Service Window” for Foreign-related Services, clarified the division of responsibilities among various departments, established the working mechanism for foreign-related services, and promoted the construction of “special foreign-related service window” by breaking through the information barriers and re-constructing

the process, so as to continuously optimize the function of “special foreign-related service window”. In 2021, Shanghai added 79 service items and policy guidelines for 7 departments, optimized and updated 6 service items related to science and technology awards and talent plan declaration, provided 64 foreign-related service items and talent plan declaration service items for 30 departments, provided 236 handling contents and policy guidelines, and served 445,400 registered overseas users and 95,000 registered foreign-funded enterprises.

(II) Improving the protection mechanism for foreign investment, so as to further enhance investment security

Taking the establishment and improvement of foreign investment laws and policies as the cornerstone of the protection of foreign investment, Shanghai standardized the policy implementation, supervision and evaluation, implemented the protection of rights and interests of foreign-funded enterprises in accordance with the laws, and incorporated the protection on foreign investment into the local legislation and into the work for optimization of business environment, and into the evaluation and supervision.

Issuing the laws and regulations for the protection of foreign investment. Shanghai took the lead in formulating and promulgating the Regulations of Shanghai Municipality on Foreign Investment, with a special chapter on “investment protection”. In terms of contents under protection, the focus is placed on issues that the foreign investors are most concerned about, such as expropriation, inflow and outflow of funds, protection of intellectual property rights, protection of trade secrets, technical cooperation, government

procurement, formulation of local standards, and urban franchising, and the specific provisions are clarified.

Improving the mechanism for handling complaints from foreign investors. In May 2021, the Shanghai Municipal Government issued the Measures of Shanghai Municipality for Handling of Complaints from Foreign-funded Enterprises (H.SH.G [2021] No. 3), further clarifying the relevant procedures for the handling of complaints from foreign-funded enterprises. In addition, Shanghai Municipal Commerce Commission, in conjunction with 27 relevant units in the city, established a municipal-level joint meeting mechanism for the handling of complaints from foreign-funded enterprises, and set up a “1 + 16 + 2” complaint center for foreign-funded enterprises in the city, including 1 municipal-level complaint center, 16 complaint centers in various districts, 1 complaint center in Lingang Special Area and 1 complaint center in Hongqiao Business Zone.

Strengthening the publicity about protection of foreign investment. In view of the difficulty of foreign-funded enterprises in safeguarding their rights and interests, the Shanghai Municipal Government has prepared the White Paper on Protection of Rights and Interests of Foreign-funded Enterprises in Shanghai for two consecutive years, so as to provide the enterprises with the relevant policies and cases about protection on rights and interests and improve the enterprises’ ability to safeguard their legitimate rights and interests. The Shanghai Municipal Government expanded the function of “Shanghai foreign investment promotion service platform”, so as to realize the online handling of complaints.

(III) Innovating the new modes and methods for attracting investment, so as to further enhance the development agglomeration.

Launching the global investment partner mode. In 2021, Shanghai launched the global investment promotion partnership program, and selected four international entrepreneurs and six institutions including the International Semiconductor Industry Association, the China Association of Listed Companies, and the China European Association for Economic and Technological Cooperation as the first batch of partners to actively play the role of a bridge and link, and contribute their wisdom and force for accelerating the gathering of global functional institutions, high-end projects, outstanding talents and entrepreneurial teams in Shanghai.

Innovating the investment attraction mode of the exhibition platform. In 2021, the 4th China International Import Expo was successfully held, and Fortune 500 enterprises and industrial leading enterprises participated in it enthusiastically, with a return rate of more than 80%. More than 200 exhibitors were connected with more than 500 purchasers in advance through the pre-exhibition supply-demand matchmaking meeting, so as to promote the negotiation and deal-making. In addition, various domestic and foreign investment promotion activities were held in Shanghai in 2021, including the “2021 Shanghai City Promotion Conference” for promoting the overall investment environment and key regions of Shanghai, and the “Award Ceremony for 34th Batch of Regional Headquarters of Multinational Companies and Foreign-funded R&D Centers”.

III. Jiangsu Province

In 2021, adhering to the general tone of seeking progress while maintaining stability, Jiangsu Province properly carried out the work for stabilizing foreign investment. Through a series of measures such as issuing policies to support foreign-funded R&D centers, holding the foreign investment promotion activities and optimizing the foreign investment environment, Jiangsu Province achieved steady growth in foreign capital utilized, with the scale ranked first in the country.

(I) Focusing on gathering the headquarters of multinational companies and systematically optimizing the design of policies for attracting foreign investment

In the first year of the 14th Five Year Plan period, while continuing to optimize the business environment, Jiangsu Province further focused its foreign investment policies on attracting regional headquarters and functional institutions of multinational companies and foreign-funded R&D centers, and issued a series of policy documents such as the Opinions on Encouraging Multinational Companies to Set up Regional Headquarters and Functional Institutions in Jiangsu Province (2021 Version) (S.ZH.B.F.[2021] No. 4), the Circular of Jiangsu Provincial Department of Commerce, Jiangsu Provincial Department of Finance, Nanjing Customs Administration, and Jiangsu Provincial Tax Service of State Taxation Administration on Import Tax Policies for Foreign-Funded R&D Centers during 2021-2025 (S.SH.Z. [2021] No. 318) and the Administrative Measures of Jiangsu Province for Recognition of Foreign-funded Headquarters Economic Clusters (for Trial Implementation).

Optimizing the criteria for recognition of regional headquarters and functional organizations of multinational corporations.

Jiangsu Province's 2021 version of policies on regional headquarters and functional organizations of multinational corporations reduce the requirements on total assets of parent companies of functional organizations, expands the scope of applicants for functional organizations, and appropriately reduces the requirements on the number of enterprises managed or served by regional headquarters and functional organizations. Suzhou has expanded the scope of foreign-funded headquarters to four types, including the regional headquarters of multinational corporations, the functional organizations of multinational corporations, the provincial headquarters of foreign-funded enterprises, and the foreign-funded headquarters reviewed by "one case, one discussion".

Systematically optimizing the investment facilitation measures for regional headquarters and functional institutions of multinational corporations.

Jiangsu Province issued 26 facilitation measures in six fields, including entry and exit, work permit and residence, trade facilitation, cross-border settlement and investment & financing facilitation. For example, in terms of trade facilitation, Jiangsu Province supports the regional headquarters and functional institutions of multinational corporations to carry out the pilot work of tariff guarantee insurance, and implements the risk assessment and classified management on the import and export materials for testing of headquarters and R&D centers, so as to further facilitate the headquarters to carry out R&D activities. Suzhou also issued 48 facilitation measures for enterprises in 14 fields, such as including the officers of headquarters into the city's high-

end talent incentive plan and designating the public security organ as the only filing authority for foreign high-end talents to work part-time in headquarters, and also issued the policies such as "advanced certification relay type credit cultivation for AEO (authorized economic operator)" and "active disclosure".

Promoting the foreign-funded R&D centers to enjoy the import tax policy. Jiangsu Province clarified the application conditions, application procedures and application materials for foreign-funded R&D centers to enjoy the import tax policy of scientific and technological innovation, and initiated the review of foreign-funded R&D centers for the enjoyment of import tax policy in 2021, so as to support the development of foreign-funded R&D centers.

Supporting the construction of foreign-funded headquarters economic cluster. Jiangsu Province supported the recognition of a number of international headquarters economic clusters in areas with relatively mature headquarters economic development in the province, and supported the establishment of headquarters economic service centers in the international headquarters economic clusters, so as to provide convenient services for headquarters enterprises. Jiangsu Province recognized Suzhou Industrial Park as the first foreign-funded headquarters economic cluster in the province. In 2021, Suzhou Industrial Park was recognized as one of the first batch of Sino-Japan-Korea (Jiangsu) industrial cooperation demonstration parks, with 6 provincial-level foreign-funded headquarters, 21 municipal-level foreign-funded headquarters, 46 provincial-level foreign-funded headquarters cultivation enterprises and a number of foreign-funded R&D centers newly set up in the industrial park.

(II) Giving play to the role of major exhibition platforms, so as to expand the channels for the promotion of foreign investment

Jiangsu Province actively played the pivotal role of large-scale exhibitions in connecting the domestic and international markets, built the foreign investment promotion platform through exhibitions, exchanges and negotiations, project docking and international forums, continuously introduced the investment environment in Jiangsu, optimized the investment orientation of key industries, and promoted the exchange and cooperation between domestically-funded enterprises and foreign-funded enterprises, so as to provide important support for promoting the high-quality development of utilization of foreign capital. In 2021, Jiangsu Province held 17 key investment promotion exhibitions such as "Jiangsu week" Activity at the Dubai World Expo, the 3rd China-Korea Trade and Investment Expo & Jiangsu-Korea Entrepreneur Exchange Meeting, the 2nd International Forum on Development of Free Trade Parks, the 2021 International Intellectual Property Application and Project Cooperation Meeting, the Taihu Summit of East Asian Entrepreneurs, the 7th China (Lianyungang) Silk Road International Logistics Expo, the Jiangsu International Agricultural Machinery Exhibition (Nanjing), the Jiangsu International Elderly Care Service Expo (Nanjing), the China (Huai'an) International Food Expo, the China (Taizhou) Medical Expo, the 3rd Canal Brand E-commerce Meeting (Suqian), and the 2021 China (Suqian) Green Industry Fair, making fruitful achievements in investment attraction, and introducing a number of large foreign-funded projects in the fields such as high-tech and green energy, which has promoted the high-quality development of foreign investment.

 Special Column 3-2

Investment Attraction Results of Major Exhibitions in Jiangsu Province in 2021

Taihu Summit of East Asian Entrepreneurs

On May 17, 2021, 55 Japanese and Korean funded projects with a total investment of USD 7.80 billion were signed at the Taihu Summit of East Asian Entrepreneurs held at Suzhou Taihu International Conference Center. Among them, there were 29 biomedical and health industry projects with a total investment of USD 4.80 billion; there were 7 new-generation information technology industry projects with a total investment of USD 970 million; there were 6 high-end equipment manufacturing and new energy projects with a total investment of USD 1.02 billion. The summit has promoted the integration of industrial chains between China, Japan, Korea and other East Asian countries and regions, which is conducive to unblocking the industrial cycle in East Asia and promoting win-win cooperation and

development between China, Japan, Korea and other East Asian countries.

China Suqian Green Industry Fair

On September 28, 2021, the 2021 China Suqian Green Industry Fair highlighted the "6 + 3 + X" leading industries, namely, the six leading industries including electromechanical equipment, green food, high-end textile, photovoltaic new energy, green home and new materials, and the three pilot industries including new-generation information technology, biomedicine and digitization, so as to show the development achievements of industrial clusters and leading enterprises in Suqian. After preliminary negotiations, 76 projects were signed, including 7 foreign-funded projects with an agreed investment of USD220 million.

3rd China Korea Trade and Investment Expo

On October 29, 2021, the 3rd China Korea Trade and Investment Expo and Jiangsu-Korea Entrepreneurs Exchange Meeting opened at Yancheng International Convention and Exhibition Center. At the meeting, eight foreign-funded projects were signed with a total investment of USD 3.39 billion.

(III) Strengthening the construction of the investment cooperation platform, and carrying out the investment promotion in corresponding countries/regions

In 2021, Jiangsu Province designated nine international cooperation parks and Taiwan-

Hong Kong-Macao cooperation parks as China (Jiangsu) pilot free trade zone linkage innovation development zones, so as to make every effort to create a new growth pole for high-quality development in Jiangsu Province. Jiangsu Province guided all localities to promote local cooperation under the multilateral and bilateral mechanism by

relying on local investment and cooperation platforms such as Sino-Europe (Changzhou) International Inspection, Testing and Certification Cooperation Industrial Park, Sino-Germany (Changzhou) Innovation Industrial Park, Wuxi Sino-Korea Integrated Circuit Industrial Park, Sino-Japan (Suzhou) Local Development and Cooperation Demonstration Zone, and Sino-Germany (Taicang) Green

and Low-carbon Cooperation Park, and carry out the in-depth investment promotion work in corresponding countries (regions) and promote the accurate docking of investment projects by holding the exchange and promotion meetings of international cooperation industrial parks and cooperation demonstration zones and improving the investment cooperation mechanisms.

Special Column 3-3

Investment Attraction Results of Major International Cooperation Parks in Jiangsu Province in 2021

Sino-Europe (Changzhou) International Inspection, Testing and Certification Cooperation Industrial Park As one of the first nine international cooperation parks in Jiangsu Province, the Sino-Europe (Changzhou) International Inspection, Testing and Certification Cooperation Industrial Park has introduced more than 130 international inspection, testing and certification institutions and their upstream and downstream institutions since 2016 when the park was opened, forming a new situation of large-scale, clustered, ecological and international development of the inspection and testing industry, which has made a good demonstration for Jiangsu Province to carry out the investment attraction work in the corresponding countries (regions).

Sino-Germany (Changzhou) Innovation Industrial Park Since September 28, 2020, when the Sino-Germany (Changzhou) Innovation Industrial Park was opened, the industrial park has invited investment around the "five new industries" and attracted many hidden champions in such industries. By June 2022, the park has gathered 40 German-funded enterprises with a total investment of more than EUR 900 million.

Sino-Japan (Suzhou) Local Development and Cooperation Demonstration Zone By September 6, 2021, the first anniversary of the establishment of the Sino-Japan (Suzhou) Local Development and Cooperation Demonstration Zone, the zone had gathered more than 200 Japanese-funded enterprises and Sino-Japan cooperation projects/platforms, and 92 Japanese-funded projects have been signed, with a total investment of more than USD 4.50 billion. During the activity, 210 key projects in the cooperation demonstration zone were signed, with a total investment of RMB 42.78 billion. Among them, there were 31 Japanese-funded projects, with a total investment of nearly USD 1.80 billion.

(IV) Optimizing the investment promotion and cooperation mechanism, and providing accurate services to attract investment

Jiangsu Province actively brought the role of the investment promotion cooperation mechanism into full play, established the overseas economic and trade representative offices, and actively explored the establishment of a normalized cooperation mechanism for investment promotion, so as to promote the quality and efficiency of Jiangsu Province's utilization of foreign capital.

Promoting overseas institutions to carry out investment promotion activities. In 2021, the Foreign Economic and Trade Representative Office of the Department of Commerce of Jiangsu Province and the Overseas Economic and Trade Representative Office of Jiangsu Province organized a series of online and offline investment promotion activities such as "visiting and investing in Jiangsu on the cloud" and "connecting the world", deepened the working mechanism of linking with key development zones and gave full play to the dual effects of internal and external linkage through the "exchange meeting for seizing RCEP opportunities to promote the two-way investment", "Jiangsu-Japan new energy industry cooperation exchange meeting" and "Netherlands North Brabant-Jiangsu exchange meeting for sustainable livestock breeding and processing technology", so as to promote the in-depth docking of two-way investment cooperation between Jiangsu and Singapore, Malaysia, Japan, the Netherlands and other countries, build a multi-party communication, exchange and cooperation platform, more accurately serve Jiangsu's investment attraction, and promote the high-quality utilization of foreign capital.

Establishing the online joint meeting

mechanism for international economic and trade cooperation. In 2021, the first meeting of the Jiangsu-Korea joint conference on economic and trade cooperation, the second meeting of the Jiangsu-Germany Norwich joint cooperation committee, and the Jiangsu-France economic and trade cooperation exchange meeting were held online to further deepen the two-way investment cooperation between Jiangsu Province and Korea, Germany and France, explore the establishment of a normalized cooperation mechanism for investment promotion, strengthen the exchanges in the new-generation information technology, high-end equipment manufacturing, new materials, digital economy and other high-tech industries and modern service industries, steadily drive the cooperation in investment and trade, technological innovation, talent training and other fields, constantly expand the cooperation fields, incorporate the cooperation in new fields such as double carbon, energy conservation and environmental protection into the joint meeting mechanism, and encourage foreign-funded enterprises to participate in Jiangsu's "carbon peak and carbon neutrality" work.

IV. Zhejiang Province

In 2021, Zhejiang Province thoroughly implemented the Foreign Investment Law, actively expanded investment channels, improved service levels, optimized business environment, and achieved positive results in work for stabilizing foreign investment.

(I) Developing financial services and expanding financing channels

Zhejiang Province optimized cross-border financial services, expanded the pilot scope of the local and foreign currency integrated bank account system to the whole province,

improved the facilitation level of foreign-exchange receipt and payment, lowered the entry threshold, and improved the convenience of cross-border RMB trade and investment in key fields such as digital trade services and cross-border e-commerce, so as to stimulate the vitality of market players. Zhejiang Province used the pilot qualified foreign limited partners (QFLP), industrial funds and other new ways to attract foreign investment. As a result, three investment funds have been set up in this province, with a total registered capital of RMB 3.50 billion.

(II) Supporting the clustering development of foreign-funded R&D centers

The Department of Commerce and other four agencies of Zhejiang Province issued the Circular on Implementation of Import Tax Policy for Foreign-funded R&D Centers (ZH.SH.W.L.F.[2021] No. 161), exempting some scientific research and teaching supplies imported by foreign-funded scientific research institutions and technological development institutions from import duties, import value-added tax and consumption tax. The "path" for foreign-funded enterprises to enjoy the import tax preference was clarified from five aspects such as application conditions, application materials, application and review processes, review methods, and supervision & management, so as to enable the foreign-funded R&D centers to enjoy the practical benefits. By the end of 2021, there were 220 foreign-funded R&D institutions in Zhejiang Province. The relevant import tax policies will promote the further clustering of foreign-funded R&D centers.

(III) Improving the ability of opening-up platforms to attract foreign investment

Zhejiang Province improved the layout of various special regions, carried out

comprehensive assessments and tap the potential of provincial-level development zones, adopted the method of "advance and retreat" to improve the construction level of development zones, and gave play to the institutional innovation advantages of pilot free trade zones, so as to further enhance the ability and level of opening-up platforms. On December 30, 2021, Zhejiang added 13 provincial-level development zones such as Wencheng Economic Development Zone. A total of 99 development zones at all levels, 12 special customs supervision zones and pilot free trade zones (including expansion zones) were set up, forming a layered and systematic opening-up platform pattern. The pilot free trade zones gave full play to their advantages in attracting investment in the oil and gas industry chain. The 4th World Oil Traders Conference held in 2021 gathered a number of foreign-funded enterprises to participate in the construction of pilot free trade zones, and promoted 20 cooperation projects in the oil and gas industry and related industries.

(IV) Strengthening the innovation of the service mechanism for foreign-funded enterprises

Establishing and improving the service system for foreign-funded enterprises. Hangzhou regularly held the emotional connection and exchange activities for foreign-funded enterprises, innovated the communication paths between government and enterprises by forms such as paying regular visits to foreign-funded enterprises, carrying out questionnaire surveys and holding enterprise symposiums by country, enhanced the mutual trust between government and enterprise, and provided timely services in the whole process of establishment, survival and development of foreign-funded enterprises, so as to enhance the attraction to foreign investment. Ningbo implemented the responsibility of "top leader"

in attracting foreign investment, strengthened the project planning and attracting work, paid attention to the investment promotion for the industrial chain, and promoted the capital increase and share expansion of existing foreign-funded enterprises. Jiaxing organized and implemented the 100-day campaign for utilization of foreign capital in 2021, organized and carried out large-scale investment promotion, large-scale enterprise visits and large-scale project acceleration activities, and served the development of foreign-funded enterprises in the spirit of "shop assistants", so as to create a better business environment.

Implementing the single window system for international investment. During the 4th China International Import Expo in 2021, Zhejiang launched the single window for international investment, and provided comprehensive services for foreign-funded enterprises with "one window, one brain and one service". "One window" refers to providing the multinational enterprises investing in Zhejiang with an industrial map covering nearly 100 industrial platforms such as economic and technological development zones and international industrial cooperation parks, so as to guide the optimization of industrial layout and promote the agglomeration of industrial elements. "One brain" refers to integrating Zhejiang's industrial chain information and data through the "brain of foreign investment", accurately analyzing the industrial chain, and recommending the targeted investment enterprises for various localities. "One service" refers to providing the full-process tracking services for negotiation, implementation, construction and operation of foreign-funded enterprises in Zhejiang. By integrating the services for foreign-funded enterprises, Zhejiang enabled the enterprises to quickly understand the policies, investment, employment, laws and financial information, enjoy the convenient services, and truly feel

that "Zhejiang is your home".

(V) Improving the mechanism for handling complaints from foreign-funded enterprises

On February 1, 2021, Zhejiang Province promulgated measures for handling complaints from foreign-funded enterprises, designating the provincial department of commerce as the provincial-level complaint handling department. The agencies or institutions designated by the local governments at or above the county level to accept the complaints from foreign-invested enterprises are responsible for handling the complaints from foreign-funded enterprises within their respective administrative regions. After receiving the complete complaint materials, the complaint handling institutions shall decide on whether to accept the complaints within 7 working days; and shall handle the accepted complaints within 60 working days after accepting the complaints. Zhejiang Province has set up 113 complaint handling agencies for foreign-funded enterprises, achieving full coverage of all regions at and above the county level in the province. The level, address, contact information and main responsible person of all complaint handling organizations for foreign-funded enterprises were announced online, so as to further unblock the complaint channels. The promulgation of relevant measures makes it possible to timely, fairly and effectively handle the complaints of foreign-invested enterprises, protect the legitimate rights and interests of foreign-funded enterprises and foreign investors in Zhejiang, and continuously optimize the foreign investment environment, so as to provide guarantee for the more stable and sound development of foreign-invested enterprises in Zhejiang and the work for stabilizing foreign investment.

V. Shandong Province

In 2021, Shandong Province continuously created an international first-class business environment, continuously strengthened policy supply, and promoted the formation of a "list" and "catalogue" policy system for optimizing the business environment, attracting more and more multinational companies to choose Shandong, invest in Shandong and start businesses in Shandong.

(I) Strengthening policy supply and supporting the bail-out and recovery of foreign-funded enterprises

Accelerating the implementation of policies for stabilizing foreign investment to enable enterprises to enjoy the real benefits as soon as possible. In 2021, Shandong Province, on the basis of the 32 measures for stabilization of foreign trade and foreign investment, the 20 measures for high-level utilization of foreign investment and other policies and measures, issued the List of Policies for Implementing the "Six Stabilities" and "Six Guarantees" to Promote the High-quality Development (Second Batch) (L.ZH.F. [2021] No. 4) and the Several Measures for Supplementing and Improving the Work Deployment of the Province in 2021 (L.ZH.F. [2021] No. 54), further refining the implementation rules, and forming the "list" and "directory" based policy system.

Accelerating the implementation of measures to help enterprises to solve difficult and painful problems. According to the development needs of the industry, the demands of enterprises and the difficulties encountered during the outbreak of COVID-19, Shandong issued specific measures to overcome the difficulties. Shandong formulated the special support policies for major foreign-

funded enterprises in the industrial chain and took the initiative to solve the urgent problem for 18 key foreign-funded enterprises. The "service platform for stabilizing foreign trade and stabilizing foreign investment in Shandong Province" immediately generalized the enterprise-benefiting policies and measures, intensified publicity, and encouraged enterprises to consult policies online. The number of online enterprises increased 13 times to more than 14,800. According to the work requirements of "one policy for one enterprise", more than 900 problems related to employment, energy consumption indicators, financing loans and entry of foreign personnel of foreign-funded enterprises have been accurately solved.

(II) Strengthening service guarantee to promote the stable development of foreign-funded enterprises

Providing whole-process rolling tracking service. Shandong Province established a tracking and promotion mechanism for key foreign-funded projects throughout the province, improved the customer database, foreign-funded project information database and promotion project database, and implemented classified management. This work was carried out and advanced in accordance with the principle of "three batches", which means promoting the early signing of a batch of projects under negotiation, promoting the early implementation of a batch of signed projects, and promoting the early arrival of foreign capital for a batch of implemented projects. By the end of 2021, the signing rate of 688 key projects under negotiation in the province reached 79.2%, and the landing rate and foreign capital arrival rate of 487 foreign-funded projects signed in major economic and trade activities reached 61.2% and 63.7% respectively.

Providing guarantee services for key production elements. Shandong Province thoroughly implemented the Detailed Rules of Shandong Province for Implementation of Element Guarantee for Key Foreign-funded Projects and provided the key production element guarantee for the foreign-funded enterprises which met the industrial development direction of Shandong and the national regulations on the foreign-funded industry. If it is really necessary to increase the construction land, the land quota will be allocated by the provincial government; the project can apply for the use of the provincial-level energy consumption and coal consumption indicators according to the relevant provisions. All prefecture-level cities made overall use of their respective total pollutant discharge indicators to guarantee the normal implementation of key projects. The coordination among department agencies was strengthened, and breakthroughs were made to solve the outstanding problems related to various production elements that restricted the implementation of projects, so as to achieve the early implementation and commencement of projects. In light of the main service demands, a "point-to-point" service mechanism for key foreign-funded enterprises was established to support the stable development of such enterprises.

Providing communication docking and supervision services. The leading group (headquarters) of the provincial CPC committee for the overall planning of pandemic prevention and control and economic operation disclosed the information about the investment promotion by the leading comrades of the party and government of each city and the implementation of projects every month, so as to strengthen the awareness of active contact, active docking and active service, and form a joint force for the province and various cities to introduce foreign investment. The leading group

regularly carried out survey and supervision by "going to the grass-roots level and to the site without notice, greeting or accompanying" in all cities, and coordinated the on-site settlement of difficulties and demands of foreign-funded enterprises.

(III) Strengthening platform docking to facilitate the landing and development of foreign-funded projects

Making full use of the "host diplomacy" platform to attract foreign investment. After the Qingdao Summit of the Shanghai Cooperation Organization (SCO), Shandong established the "SCO International Investment and Trade Expo" and built the China-SCO local economic and trade cooperation demonstration zone, so as to promote the conversion of exhibits into commodities and exhibitors into investors and encourage more foreign-funded enterprises, including those from SCO member states, to enter Shandong. In 2021, nearly 2000 enterprises from more than 30 countries participated in the SCO International Investment and Trade Expo, and more than 20 cooperation project agreements were signed in the fields of trade & logistics, new energy, high-end manufacturing, culture & tourism, biomedicine and so on. The Qingdao summit of leaders of multinational corporations has become an important communication platform between China and multinational corporations. Shandong has brought its host advantages and platform agglomeration advantages into full play, and carried out the local characteristic investment activities in support of the summit, such as the road shows in Jinan, Zibo and Jining and the special exchange and docking activities for multinational corporations in Yantai, Weifang, Weihai, Rizhao, Liaocheng and Binzhou, further enhancing Shandong's popularity and its attraction to foreign investment.

Strengthening local dialogue platforms to attract foreign investment. In light of the local characteristics, and on the basis of the concept of promoting investment through exchanges, enhancing confidence through communication and welcoming foreign guests with sincerity, the top CPC and government leaders of Shandong Province attended the "Dialogue with Chambers of Commerce · Qilu Appointment", delivered the keynote speeches, and publicized the relevant investment policies, so as to narrow the distance between Shandong and enterprises. In the context of pandemic prevention and control, Shandong has launched a series of dialogue activities titled "connecting Shandong with the world's

top-500 enterprises". Since August 2020, 10 special activities have been carried out, focusing on high-end equipment, modern ocean, new energy & new materials, biomedicine, international trade & shipping logistics, and new-generation information technologies, with the theme ranging from regional "special sessions" to cooperation "promotion meetings", and from "based on regions" to "locking industries". Such activities have become more targeted and effective, and played an increasingly prominent role in promoting foreign investment. By the end of 2021, 223 of the global top-500 enterprises had made investments in Shandong.

Special Column 3-4

Information about Investment Promotion Dialogue held in Shandong

2nd Qingdao Summit of Leaders of Multinational Corporations From July 15-16, 2021, the 2nd Summit of Leaders of Multinational Corporations was held in Qingdao. A number of heads of international organizations and political figures attended the summit, and a total of 390 world top-500 enterprises and 517 industrial leaders participated in the summit. At the summit, a total of 96 foreign-funded projects were signed, with a total investment of USD 11.85 billion.

Connection Meeting between Shandong and World's Top-500 Enterprises & Promotion Meeting for Deepening Cooperation with

Japan and Korea On the afternoon of December 2, 2021, the promotion meeting was held in Jinan, Tokyo and Seoul online and offline, taking "new pattern, new opportunities and new development" as its theme. A total of 23 key projects involving new-generation information technology, high-end equipment, medical care & health, modern finance, energy conservation & environmental protection, big data and cross-border e-commerce were signed online, with a total investment of USD 1.84 billion and a contractual foreign capital of USD 435 million.

Connection Meeting between Shandong and World's Top-500 Enterprises & Special Meeting for High-end Equipment Industry Cooperation On February 11, 2022, the special meeting was held online and offline, with the main venue in Jinan and the sub-venues in 16 cities in Shandong. At the meeting, a total of 19 high-end equipment industry projects were signed, with a total investment of USD 910 million.

(IV) Strengthening the cultivation of projects and tapping the potential to introduce foreign investment

Shandong has deepened its strategic cooperation with the world's top-500 enterprises. For 277 world's top-500 enterprises that have not yet invested in Shandong, Shandong has gradually implemented the practice of "one policy for one enterprise" to attract investment in light of the actual situations of Shandong and the development of multinational enterprises. Shandong strengthened the research on the strategic layout of multinational corporations' investment in China, encouraged the multinational corporations to set up regional headquarters and even global headquarters in Shandong, identified a number of "regional headquarters of multinational corporations in Shandong Province" and "headquarters base of multinational corporations in Shandong Province", and realized the clustering development of headquarters economy. Shandong increased the investment attraction in key industries and fields, and made full use of various carriers such as the "Choose Shandong" cloud platform to guide more foreign investment into the high-tech manufacturing industry and high-tech service industry. Shandong encouraged the cross-border M&A return investment, so as to accelerate the implementation of cross-border M&A return investment projects in the manufacturing industry.

VI. Henan Province

In 2021, taking the key foreign-funded projects as a starting point, Henan Province established and improved the service mechanism for foreign investment, and gave play to the leading role of major projects, so as to stabilize and improve the utilization of foreign capital.

(I) Implementing the promotion plan for key foreign-funded projects

Henan Province gave all-round support to major foreign-funded projects. Henan Province increased its support in export tax refund, market development, loan financing and other fields. For the major foreign investment projects meeting the national strategic needs and Henan's industrial development direction, Henan Province accelerated the application to the state for their inclusion in relevant industrial planning. Henan Province temporarily exempted the withholding income tax on the profits distributed by foreign-funded enterprises for reinvestment. Henan Province improved the guarantee of various production elements for major foreign-funded projects, opened up the green approval channels, and shortened the time limit for environmental impact assessment and issuance of construction permits for projects. Henan Province gave priority to the provincial key projects and granted them the provincial land use index rewards, so as to ensure that the land demand of the projects is met. The pollutant emission quota was allocated to key projects by the provincial allocation mechanism, and the pollutant emission indicators reduced and vacated by various localities were preferentially used for the key projects. The decomposition method of the total energy consumption control index was optimized, so as to ensure the rational use of energy by projects.

The services for key foreign-funded projects were strengthened. The governments of cities and counties where the key foreign-funded projects are located established a special team system for coordination and promotion of key foreign-funded projects. A city (county) level leader was designated for each project, responsible for promoting the project, actively meeting the needs of the project, and solving

the problems and demands in a "one-to-one" manner. The implementation of the plan was vigorously and orderly promoted through special dispatching, node inversion, and on-site observation. The problems involving local-level factors were identified and solved in a coordinated manner.

(II) Improving the complaint handling mechanism for foreign-funded enterprises

With a view to dealing with the complaints from foreign-invested enterprises in a timely and effective manner and protecting the legitimate rights and interests of foreign-invested enterprises, Henan Province revised and issued the Measures for Handling of Complaints from Foreign-funded Enterprises (Y.ZH. [2021] No. 29), which is divided into five chapters, including general provisions, complaint submission and acceptance, complaint handling, complaint management system and supplementary provisions, with a total of 32 articles. The Measures define the scope of complaints to be accepted from foreign-funded enterprises, clarifying that, the complaints filed by foreign-funded enterprises because they believe that the administrative acts of administrative organs and their staff at all levels in the province infringe on their legitimate rights and interests or there are problems in the investment environment are within the scope of acceptance. The Measures specify the procedures and time limit for handling complaints from foreign-funded enterprises, requiring that the complaints shall be handled within 60 working days after being accepted. The Measures specify that the complaints shall not affect the rights of foreign-funded enterprises to legally file administrative reconsideration, administrative litigation and other proceedings and enjoy the relevant remedies.

(III) Implementing the activity "paying visits to thousands of foreign-funded enterprises"

With a view to further stabilizing the basic situation of foreign trade and foreign investment, Henan Province organized and implemented the activity "paying visits to thousands of foreign-funded enterprises", which covered more than 2,700 foreign-funded enterprises in the province and achieved "three understandings, one publicity and one guidance". Understanding the industrial distribution, tax payment, production and operation of key foreign-funded enterprises in the province, understanding the demands of enterprises, and making coordination for settling the existing problems; understanding the situation of key industries for investment promotion in cities under the jurisdiction of the province and counties (cities) directly managed by the province as well as the signing of foreign-funded projects under negotiation, and making coordination for promoting the implementation of projects; understanding the potential of in-stock enterprises to increase their capital, checking the clues of capital in place, and promoting the capital increase and share expansion. Comprehensively mastering the basic situation of foreign-funded enterprises in various places, and establishing a long-term and efficient communication and liaison mechanism with key enterprises, so as to better serve the investment promotion work of the province. Publicizing and interpreting the investment promotion policies and guidelines of Henan Province, the investment guides of Henan Province, and the relevant national and provincial preferential policies for enterprises, guiding the enterprises to make full use of and make good use of the policies, strengthening the implementation and effectiveness of the policies, and fully

releasing the "gold content" of the policies, so as to stabilize and improve the utilization of foreign capital.

VII. Hubei Province

In 2021, by increasing the policy support for domestically-funded and foreign-funded enterprises and improving the service mechanism for foreign-funded enterprises, Hubei Province promoted the remarkable recovery of foreign capital utilized in the whole province, and achieved a good start in the utilization of foreign capital during the "14th Five Year Plan" period.

(I) Strengthening the fiscal, taxation and financial support, so as to accelerate the development of foreign investment

With a view to stabilizing and securing foreign investment and creating a more stable, transparent and predictable investment environment, Hubei Province successively issued policy documents such as the Circular of the General Office of Hubei Provincial People's Government on Issuance of the Several Measures for further Stabilizing Foreign Trade and Foreign Investment (E.ZH.B.F. [2021] No. 3) and the Several Measures for Supporting the Intensified Reform and Innovation of China (Hubei) Pilot Free Trade Zone (E.ZH.B.F. [2021] No. 7). In such policy documents, strengthening the fiscal, taxation and financial policy support and promoting the accelerated development of foreign investment are the important contents.

Strengthening the support from governmental industrial funds, and ensuring that domestic and foreign investors enjoy consistent policies. Hubei Province guided the industrial funds of governments at all levels to focus on supporting the investment of the world's

top-500 enterprises and global industrially-leading enterprises in Hubei, as well as the return investment of major cross-border M&A projects. Hubei Province issued the detailed safeguard measures, specifying that the special line support for refinancing and rediscount and the new loan scale of import & export banks are equally applicable to foreign-funded enterprises, so as to ensure that domestically-funded and foreign-funded enterprises can equally enjoy the policies for providing assistance and solving difficulties.

Optimizing the policies for foreign-funded R&D centers, so as to promote the development of foreign-funded R&D centers. Hubei Province optimized the conditions for foreign-funded R&D centers to enjoy the preferential import tax policies and reduced the requirement for the number of full-time R&D personnel of foreign-funded R&D centers for the application of relevant policies. For the scientific research and technological development supplies imported by the qualified foreign-funded R&D centers that cannot be produced in China, Hubei Province will exempt some taxes and refund the relevant value-added tax according to the relevant regulations. If the specified conditions are met, the foreign-funded enterprises providing technology transfer and technology development as well as the relevant technical consulting and technical services will be exempted from value-added tax according to the relevant regulations. The qualified foreign-funded enterprises in the comprehensive bonded zones are allowed to import tangible materials, reagents, consumables and samples for R&D business. If they meet the specified conditions, the foreign-funded R&D institutions participating in the construction of R&D public service platforms and the implementation of governmental science and technology projects will enjoy the same treatment as domestically-funded R&D institutions. Hubei Province strengthened the

construction of a high-level overseas talent service window and promoted the "one card" services for such talents.

(II) Strengthening the service for key enterprises and helping the enterprises operate stably

Implementing the "through train" system for major foreign-funded projects. Hubei Province included the foreign-funded projects with an investment of more than USD 100 million into the list of key foreign-funded projects, implemented the CPC and government leadership guarantee system for the enterprises in the list, included the qualified key foreign-funded projects into the scope of provincial key project guarantee service system, and gave such projects strong support in all aspects. In addition, Hubei Province supported the governments at or above the county level to introduce more flexible support policies, so as to enhance the guarantee for local key foreign-funded projects.

Timely understanding of the operation status of key foreign-funded projects. Hubei Province organized and carried out activities such as the large-scale "two stabilities and one promotion" survey, the "visiting foreign-funded enterprises, solving difficult problems, providing excellent services, and promoting development". Hubei Province established the contact system for key enterprises, included 54 key foreign-funded enterprises in the list of directly-reporting sample enterprises on the information service platform of the Ministry of Commerce, and encouraged the enterprises to fill in the basic information questionnaire and monthly questionnaire, so as to understand the operation status of enterprises and solve the difficulties encountered by enterprises in a timely manner.

Coordinating efforts to solve the problem

of entry of foreign personnel of key foreign-funded projects. Hubei Province comprehensively sorted out the list of foreign personnel of foreign-funded enterprises stranded abroad due to COVID-19, strengthened communication and coordination with relevant authorities, and helped solve the problem of entry of foreign personnel of foreign-funded enterprises. The problem of entry of foreign employees of key foreign-funded enterprises making investments in Hubei Province was successfully solved.

Carrying out the in-depth "bank-enterprise docking" activities. In 2021, relevant authorities such as the Hubei Banking and Insurance Regulatory Bureau, the Hubei Provincial Financial Administration, as well as banks and financial institutions jointly established a "bank-enterprise docking" communication mechanism, and actively carried out a series of "bank-enterprise docking" activities for foreign-invested enterprises, so as to further deepen the cooperation between government, banks and enterprises and optimize the financial service channels.

Providing special services for foreign investment in high-tech industries. Hubei Province strengthened the guidance and service for foreign-funded enterprises to apply for the recognition of high-tech enterprises, optimized the application process of high-tech enterprises, made use of the data sharing service platform, and promoted the data docking between the online application platform of Hubei Province and the national platform, so as to improve the information sharing level and reduce the application burden of foreign-funded enterprises. Hubei Province supported and guided the development of intellectual property service industry and strengthened the international exchanges to promote the development of high-tech industries. Hubei

Province supported the foreign-funded enterprises and provincial enterprises to jointly participate in the formulation of hydrogen energy vehicle standards.

(III) Actively building the exchange platform, so as to improve the quality of foreign investment introduced

Giving full play to the communication and investment attraction functions of investment promotion activities. Hubei Province strengthened the docking and exchange with well-known foreign businesses, the world's top-500 enterprises and transnational companies, and actively used various economic and trade activities to display Hubei's characteristics and advantages, so as to enhance its attraction to foreign investment. Hubei Province held a symposium involving US-funded enterprises, Hong Kong-funded enterprises and Korean-funded enterprises in Hubei to interpret relevant policies and publicize the new development opportunities in Hubei. Hubei Province held a high-level economic and trade negotiation activity titled "Meet to Enjoy Cherry Blossoms in Spring" in 2021, gathering the officials of embassies and consulates in China from Japan, Korea, Britain and France, as well as the officers of the world top-500 enterprises and well-known multinational companies, so as to carry out the negotiations on trade logistics, cultural tourism, electronic information, advanced

manufacturing, sports and health, and actively promote the signing and landing of various investment projects. Hubei Province and the foreign affairs authority jointly held the "Hubei Global Special Promotion Activity" to show the world the major opportunities in Hubei's opening and development. Making full use of the Central China Expo as a platform, Hubei Province held the "Export-oriented Economic Project Cooperation Fair", promoting more than 300 export-oriented economic projects, involving high-end manufacturing, electronic information, automobile, aerospace, biomedicine and other fields.

Focusing on the construction of key Sino-foreign cooperation parks and introducing the high-quality foreign investment. Centering around Wuhan Sino-Germany International Industrial Park, Hubei Province launched the "German enterprises in China - Entering Wuhan" activity to actively involve the German enterprises in the construction of the Wuhan Automobile Industry Base, and increase the bilateral activities by building national new energy and intelligent connected automobile base, and establishing and operating a national carbon emission settlement and registration center, so as to introduce foreign investment in new energy, carbon trading and green industries.

Special Column 3-5

Major Investment Promotion Activities Carried out in Hubei Province in 2021

2021 Symposium of Representatives from Hong Kong-funded Enterprises in Wuhan
 Hong Kong is the main source of foreign investment in Wuhan. With a view to promoting the exchange and cooperation between the Wuhan municipal government and Hong Kong-funded enterprises, and exploring the new opportunities for development in Wuhan under

the new development pattern of international and domestic double circulation, the 6th Symposium of Representatives from Hong Kong-funded Enterprises in Wuhan was held in Wuhan on September 23, 2021. The representatives of more than 20 Hong Kong-funded enterprises in Wuhan, the Wuhan municipal government, relevant departments and units directly under the municipal government, the Hong Kong Chamber of Commerce in Hubei Province, the Hong Kong Economic and Trade Office in Wuhan and other institutions attended the symposium to carry out the discussion over the intensified cooperation between Wuhan and Hong Kong and the sharing of development opportunities.

Promotion Meeting of Overseas Chinese Entrepreneurship Development Conference for Overseas Hubei Business Associations

On November 17, 2021, with the theme of "gathering the overseas Chinese and realizing the dream in China", the Promotion Meeting of Overseas Chinese Entrepreneurship Development Conference for Overseas Hubei Business Associations was held in Wuhan. This meeting was jointly organized by the non-governmental organizations from more than ten countries and regions on five continents,

including the chambers of commerce in New Zealand, Germany and Canada, and more than 150 persons participated in the meeting offline at the venue in Hubei, and nearly 80,000 persons participated in the meeting online. Sixteen projects were signed, with a total signed amount of more than RMB 2.50 billion, involving rural revitalization, scientific and technological innovation, sharing economy, agricultural health, health care, education and other fields.

The 2nd "Farewell the Old and Welcome the New and Talk about the Future" Activity of the Hubei Council for Promotion of International Trade

From December 20-22, 2021, the Hubei Council for Promotion of International Trade organized nearly 100 representatives of foreign consulates in China, overseas institutions in China, friendly business associations, trade and investment promotion agencies and foreign-funded enterprises to visit the characteristic industries and representative enterprises in Huangshi and Xianning, so as to gain a deep understanding of the latest achievements in Hubei's economic and social development.

(IV) Implementing the observer system, so as to continuously optimize the business environment

With a view to directly listening to the voices of market players, finding out the pain points, difficulties and blocking points in the business environment, further improving the accuracy and scientificity of policies for optimizing the

business environment, and strengthening the supervision of the implementation of such policies, Hubei established the business environment observer system. By means of public recruitment and recommendation from relevant units, and in accordance with the principle of enterprise domination, diversified industries, excellent quality and overall planning, Hubei Province selected

205 representative observers for optimizing the business environment, including the representatives of people's congresses at provincial, municipal and county levels, the members of the Chinese People's Political Consultative Conference, the staff of provincial units and state-owned enterprises, the journalists of news media and the representatives of business associations, covering all walks of life and extensive social contacts. Moreover, Hubei Province specially invited 20 foreign-funded enterprises to recommend 20 staff as business environment observers. The observers for optimizing the business environment have a tenure term of one year, and may be re-appointed in light of their performance upon expiration of the tenure term. In addition, Hubei Province specially invited more than 10 officers from the world's top-500 enterprises and well-known multinational companies to serve as advisers for the governor's international entrepreneur advisory committee, provide advice and suggestions for the government agencies to formulate the relevant policies and put forward the opinions and suggestions on the services of the government agencies, so as to further improve the accuracy of the work related to the business environment in the province, and promote the construction of a first-class business environment.

VIII. Guangdong Province

In 2021, centering around the 20 strategic industrial clusters in the province, Guangdong Province implemented the high-level industrial-chain investment promotion, accelerated the construction of a market-oriented and internationalized business environment under rule of law, and actively attracted high-quality foreign-funded enterprises such as the world's top-500 enterprises, so as to significantly

improve the quality and efficiency of foreign investment.

(I) Strengthen the whole-industrial-chain investment promotion for key industries.

In 2021, focusing on the whole-industrial-chain investment promotion, Guangdong Province issued the Several Policies and Measures of Guangdong Province for Accelerating the Investment and Construction of Advanced Manufacturing Projects (Y.F. [2021] No. 21), proposing to carry out the whole-industrial-chain investment promotion around the strategic pillar industrial clusters and strategic emerging industrial clusters, and guiding the foreign investment into medium-and high-end manufacturing, high-tech and modern service industries, so as to drive the transformation and upgrading of traditional industries and the development of emerging industries. It also held the 2021 annual meeting of multinational companies investing in Guangdong, so as to drive the multinational enterprises to participate in the construction of ten strategic emerging industries and ten pillar industrial clusters in Guangdong-Hong Kong-Macao Greater Bay Area and Guangdong Province.

Releasing the investment promotion map for 20 major industrial chains. Centering around the 20 strategic industrial clusters such as semiconductors and integrated circuits, high-end equipment manufacturing and intelligent robots, and according to the requirements of "one map for one industry", "one industrial policy map" and "one investment element map", Guangdong Province designed and compiled the visualized industrial-chain investment promotion maps in three categories, comprehensively displaying the 20 strategic industrial layout areas, industrial supporting facilities, industrial policies, investment elements and investment

promotion services, so as to provide accurate guidance for enterprises to make investment in Guangdong.

Appointing the first batch of global investment promotion consultants of Guangdong Province. With a view to deeply implementing the industrial-chain investment promotion work, further innovating the investment promotion mechanism, and strengthening the industrial-cluster investment promotion in the developed economies, the Department of Commerce of Guangdong Province appointed 22 well-known persons from the economic and business circles as the global investment promotion consultants of Guangdong Province. Among them, 6 provincial governor's economic advisory institutions, including key foreign-funded enterprises, were included in the first batch of global investment promotion consultants of Guangdong Province. In the future, the global investment promotion consultants will actively publicize and promote the investment and business environment in Guangdong, and introduce more global high-end and high-quality projects and talents into Guangdong.

Improving the working mechanism for industrial-chain investment promotion. Guangdong Province set up the industrial-chain investment promotion alliance, and established the industrial database and a list of target enterprises, so as to facilitate the implementation of industrial-chain investment promotion. Guangdong Province improved the through train system for provincial leaders to contact multinational companies, and regularly organized the round table meetings between the governor and CEOs of foreign-funded enterprises, so as to establish a "green channel" for direct communication between provincial leaders and officers of multinational companies.

(II) Optimizing investment policies of multinational companies' headquarters

In August 2021, the Department of Commerce of Guangdong Province issued the Measures of Guangdong Province for Encouraging Multinational Companies to Set up Regional Headquarters (Revised Version), so as to, by formulating and implementing the recognition standards that are compatible with the new opening situation and in line with the international standards as well as the strong support measures, speed up the cultivation of headquarters economy and attract a number of multinational headquarters enterprises with high knowledge content, strong industrial relevance and strong agglomeration and driving effect to invest and settle down in Guangdong. The new Measures not only optimize the identification standards, increase the policy incentives and strengthen the support, but also highlight the characteristics of Guangdong. For example, in terms of the identification of institutions with headquarters functions, the "supply chain" is included in the functions of headquarters-type institutions, so as to highlight the development of the manufacturing industry. In light of some preferential and supporting measures unique to Guangdong, the regional headquarters of multinational companies are included in the through train mechanism for the governor to contact multinational companies according to procedures; talents such as the officers of the regional headquarters of multinational companies are included as the service objects of "Youyue Card", and the cardholders, as well as their spouses and minor children, can enjoy the treatment equivalent to those of local residents.

In order to support the development of foreign-funded R&D centers, in October 2021,

five agencies including the Department of Commerce of Guangdong Province, the Department of Finance of Guangdong Province, the Guangdong Branch of the General Administration of Customs and the Guangdong Provincial Tax Service issued the Measures of Guangdong Province for Examination and Determination of Qualification of Foreign-Funded R&D Centers for Tax-free Import of Equipment, defining the specific operating methods for application for tax-free qualification of foreign-funded R&D centers that meet the requirements of relevant documents, so as to further encourage foreign-funded enterprises to increase their R&D efforts in China and provide guarantee for innovation and development of foreign-funded enterprises.

(III) Improving the service mechanism for "stabilizing foreign investment"

Centering around the investment promotion work for strategic industrial clusters, Guangdong Province strengthened the coordination and service guarantee for key foreign-funded enterprises in Guangdong, especially the foreign-funded enterprises (projects) to be settled in Guangdong, so as to inject strong momentum into the stable growth and development of foreign investment in Guangdong. At the municipal level, in order to help the foreign-funded enterprises cope with the impact of COVID-19 and achieve stable, sustainable and high-quality development, Guangzhou has set up a special team for stabilizing foreign investment, released the first investment-policy-related intelligent computing service platform "investment policy abacus", issued the country's first special RCEP cross-border e-commerce policy, and took the lead in Guangdong in launching the strategic cooperation plan for the stabilization of foreign investment involving RMB 720 billion financial support, so as to promote the

stable development of foreign investment. Centering around the three concepts of "legal system + policy + service", Shenzhen actively advanced the formulation and issuance of the Regulations of Shenzhen Special Economic Zone on Foreign Investment, built the "service workstation for foreign-funded enterprises in Shenzhen" to serve the foreign-invested enterprises in the mode of "city level + district level + park", and established the "Shenzhen Foreign Investment Promotion Service Information Platform", so as to improve the service mechanisms for foreign investment.

(IV) Promoting the investment cooperation in Guangdong-Hong Kong-Macao Greater Bay Area

In 2021, focusing on the construction of Guangdong-Hong Kong-Macao Greater Bay Area, the CPC Central Committee and the State Council issued the documents such as the General Plan for Construction of Hengqin Guangdong-Macao Deep Cooperation Zone and the Plan for Comprehensively Deepening the Reform and Opening up of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, so as to promote the investment cooperation in Guangdong-Hong Kong-Macao Greater Bay Area and expand the development space of Hong Kong and Macao enterprises.

Improving the facilitation level of investment in Guangdong, Hong Kong and Macao Guangdong implemented a shorter negative list for Hong Kong and Macao under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), lowering the entry threshold for Hong Kong and Macao institutions to invest in the service industry in the Guangdong-Hong Kong-Macao Greater Bay Area, so as to facilitate the investment of Hong Kong and Macao enterprises. At present, the Hong Kong

and Macao enterprises enjoy the national treatment for investment and business in the fields such as legal service, accounting and construction, the "one-stop" handling has been achieved for business registration of Hong Kong and Macao enterprises, and the time necessary for the establishment of enterprises has been reduced to one working day. The Hengqin Cooperation Zone launched cross-border business registration services, enabling the Macao enterprises to settle in the cooperation zone without leaving their homes. Since its inauguration, 253 new Macao-funded enterprises have been established in the cooperation zone, increasing the number of Macao-funded enterprises to 4,771.

Promoting the efficient cross-border flow of talents in Guangdong, Hong Kong and Macao. The administration of the exit endorsement to Hong Kong and Macao was relaxed, and the convenience policies for going to and from Hong Kong and Macao were issued for trial implementation. Guangdong Province promoted the professional title evaluation and professional qualification recognition in the Greater Bay Area, supported the qualified professionals from Hong Kong and Macao to apply for professional title evaluation and participate in professional qualification examination, promoted the mutual recognition of talents in Guangdong, Hong Kong and Macao, and strengthened the talent flow, so as to provide talent support for the development of the Guangdong-Hong Kong-Macao Greater Bay Area. For example, the cross-border filing system for Hong Kong and Macao construction projects and professionals in Hengqin Cooperation Zone was officially launched, and a total of 63 Hong Kong and Macao enterprises and 324 professionals have obtained cross-border practicing qualifications.

Optimizing the investment policies for Hong Kong and Macao enterprises in Guangdong-

Hong Kong-Macao Greater Bay Area. In the Guangdong-Hong Kong-Macao Greater Bay Area, Guangdong Province explored the pilot project for the Hong Kong and Macao institutions to establish financial management companies with large banks and for the insurance asset management companies to participate in the financial management companies established by overseas asset management institutions. Guangdong Province supported the securities, funds, futures and insurance companies established or controlled by foreign-funded institutions to settle down in the Guangdong-Hong Kong-Macao Greater Bay Area.

(V) Strengthening the protection of legitimate rights and interests of foreign investors

On January 16, 2022, the Regulations of Guangdong Province on Protection of Rights and Interests of Foreign Investors were adopted at the 39th Meeting of the Standing Committee of the 13th People's Congress of Guangdong Province, which give clear provisions for the protection of intellectual properties, formulation of standards, government procurement, technical cooperation and other issues that the foreign-funded enterprises are concerned about. For example, in terms of improving intellectual property protection mechanism, the regulations specify that it is necessary to establish a cross-regional and cross-departmental rapid collaborative protection mechanism for intellectual properties, so as to ensure that the foreign-invested enterprises can make fair use of public service resources related to intellectual properties according to laws, enjoy the services such as rapid review, rapid determination and rapid protection of rights, and apply the punitive compensation system according to laws. The promulgation

of the regulations will help better protect the legitimate rights and interests of foreign investors and provide a strong legal guarantee for the high-level opening-up of Guangdong.

(VI) Improving the foreign investment promotion and cooperation mechanism

In 2021, Guangdong Province cooperated with the Ministry of Commerce to comprehensively improve the level of the Canton Fair, completed the construction of the phase IV exhibition hall of the Canton Fair with high quality, and held a series of foreign investment promotion activities, such as the Canton Fair, the High-tech Fair, the Expo Central China, the Maritime Silk Road International Expo, the 2021 Annual Meeting of Multinational Companies Investing in Guangdong, the 2021 Qianhai Investment Promotion

Meeting, the 2021 7th China Guangzhou International Investment Conference, and the 2021 Shenzhen Global Investment Promotion Meeting. In addition, by bringing the investment promotion role of the Guangdong International Chamber of Commerce into full play, Guangdong Province held a series of foreign exchange and negotiation activities, such as China-Indonesia economic and trade cooperation, exploring Georgia activity, going into Russia and Belarus, online symposium between GBA and Thailand for the eastern economic corridor, and 2021 Israel intelligent Internet industry docking and exchange conference, so as to introduce the business environment in Guangdong Province and attract the enterprises around the world to make investment and start businesses in Guangdong.

Special Column 3-6

Some Investment Promotion Exhibitions held in Guangdong Province in 2021

The 7th Annual China Guangzhou International Investment Conference On March 30, 2021, the 7th Annual China Guangzhou International Investment Conference was held, and the heads of 496 enterprises and institutions from 35 countries and regions gathered together to discuss the intensification of investment cooperation. A total of 183 projects were signed, with

a total investment of more than RMB 860 billion, involving artificial intelligence, digital economy, biomedicine, new infrastructure and other industries.

2021 Annual Conference of Multinational Companies Investing in Guangdong From September 27-29, 2021, the 2021 Annual Conference of Multinational Companies Investing in Guangdong was held in Guangzhou, and more than 300 persons from more than 200 multinational enterprises and institutions from 16 countries and regions, including Japan, Korea, the United States, Britain, Germany and France, participated in the conference. A total of 27 foreign-funded strategic cooperation projects were signed, with a total investment of more than RMB 100 billion.

2021 Qianhai Investment Promotion Meeting On November 21, the 2021 Qianhai Investment Promotion Meeting was held in Shenzhen and Hong Kong simultaneously. Among the 40 key representative projects displayed at the meeting, 16 were invested by the world's top-500 enterprises, 3 were invested by listed companies at home and abroad, and 4 were invested by Unicorn enterprises; 2 were invested with the funds of more than RMB 10 billion respectively, 16 were invested with the funds of more than RMB 1 billion, 32 were invested with the funds of more than RMB 100 million, and the total investment exceeded RMB 86.60 billion.

2021 Shenzhen Global Investment Promotion Meeting On December 15, 2021, the 2021 Shenzhen Global Investment Promotion Meeting was held. Twelve overseas sub-venues were set up on five continents for showing the charm, power, vitality and innovation of Shenzhen to the whole world, so as to encourage domestic and foreign enterprises, entrepreneurs and investors to make investments in Shenzhen. At the meeting, more than 260 projects were negotiated and signed, involving a total investment of more than RMB 820 billion.

IX. Chongqing

In 2021, Chongqing focused on strengthening the foreign investment services, improved the service levels, strengthened the policy support, and continuously released positive signals of expanding opening up, so as to attract investors to increase their investment in Chongqing. As a result, it achieved double growth both in the amount of foreign capital actually utilized and the number of foreign-funded enterprises newly established, with the quality of foreign investment further improved.

(I) Improving the four-level dispatching mechanism for foreign investment services

Chongqing improved the four-level foreign investment dispatching mechanism with the high-level promotion of municipal leaders, the horizontal linkage of municipal agencies, the vertical linkage between municipality and

districts, and the positive circulation within agencies. The municipal government held a symposium for foreign-funded enterprises every half a year to report the economic and social development of the whole city and listen to the opinions and suggestions of enterprises. As a result, the investment of a number of major foreign-funded projects was accurately dispatched in a point-to-point manner.

(II) Putting forward the "five-drive and five-new" service concept

Chongqing put forward the "five-drive and five-new" service concepts. **Using offline to drive online, Chongqing innovated the new service modes.** Chongqing built an intelligent service cloud platform for foreign-funded enterprises, opened the foreign investment policy release window and foreign investment business environment evaluation window, strengthened the publicity and promotion, and provided online services for foreign-funded

market players. Chongqing set up a special channel for online handling of complaints from foreign-funded market players, enabled the foreign-funded market players to send appeals with one click, realized the connection of "Internet + government supervision", tracked and handled the complaints promptly, and ensured the quality of handling of appeals from foreign-funded market players. Chongqing established the online database serving foreign-funded market players, contacted and visited the foreign-funded market players, and enabled the foreign-funded market players to directly submit various data online and query the progress of business at any time. **Arranging the municipal level to drive the district/county level, Chongqing gathered the new forces for services.** Chongqing arranged for the relevant municipal agencies to establish a municipal-level "foreign investment service steward" team to guide various districts and counties to further enrich and adjust their own "foreign investment service steward" teams. As a result, there were 416 "foreign investment service stewards" in the city. **Arranging the agencies to drive associations, Chongqing built a new service bridge.** Chongqing strengthened the guidance for foreign trade associations, brought the role of trade associations into full play, and urged the foreign trade associations to properly serve their member enterprises. **Using key projects to drive all projects, Chongqing improved the new service mechanism.** Leaders of the Chongqing municipal government contacted 21 key foreign-invested enterprises, and the Chongqing Municipal Commission of Commerce established the service mechanism for the government staff to contact 520 foreign-invested enterprises above the designated size, so as to promote the coverage of all foreign-invested market players in the districts and counties. **Using services to drive the administration, Chongqing strengthened**

the new thought for administration.

Chongqing properly implemented the foreign investment information reporting system and organized the foreign-funded enterprises to participate in the foreign investment information reporting in 2021, so as to realize the synchronous promotion of service for and management of foreign-funded enterprises.

(III) Carrying out the "three sending and one visit" activity in a down-to-earth manner

Chongqing carried out the "three sending and one visiting" (namely sending policies, sending tools, sending consulting services and visiting enterprises) activity in a down-to-earth manner, served the foreign-funded market players, and provided the "full coverage" direct contact services for more than 6,700 foreign-funded market players in the city. Chongqing established "one account and three lists", namely the visit and contact service account, project list, problem and suggestion list, and typical case list. Through the careful "online + offline" services, Chongqing helped the enterprises solve 252 difficulties and problems accumulatively. Chongqing established the long-effect service mechanism, held publicity meetings on policies related to entry-exit facilitation, labor, taxation and finance, carried out the docking activities for foreign-funded banks and enterprises, improved the accuracy and direct access of financial policies for supporting foreign-funded enterprises, and promoted the banks to provide the financing of more than RMB 100 billion for foreign-funded enterprises. Chongqing carried out the activities for foreign-funded enterprises to travel to districts/counties, and effectively built a platform for exchange and cooperation between foreign-funded enterprises and districts/counties, so as to continuously improve the sense of gain and development confidence of foreign-funded market players in Chongqing.

(IV) Increasing the policy support for foreign investment

Chongqing prepared the policy compilations and reference books such as the Compilation of Laws and Regulations on Utilization of Foreign Capital, the Q&A Manual on Utilization of Foreign Capital and the Convenience Manual for Foreign-funded Enterprises in Chongqing, summarizing and promoting the capital increase methods of existing foreign-funded enterprises and the design of foreign capital M&A paths, so as to facilitate the direct access of foreign-investment policies and tools to enterprises. Chongqing formulated and issued the policy documents such as the Measures of Chongqing Municipality for Handling of Complaints from Foreign-funded Enterprises, strengthening the guidance on stabilizing foreign investment in districts and counties, and enhancing the protection of legitimate rights and interests of foreign investors.

(V) Actively carrying out the foreign investment promotion activities

Using high-level platforms such as the World Economic Forum, the Tokyo Consumer Electronics Expo, the Hong Kong Food Expo, the Boao Forum for Asia, the Smart China Expo, the China International Import Expo, the Xiamen Trade Fair and the ASEAN Expo, Chongqing promoted the municipal agencies, district/county-level platforms and members of investment promotion network to create the fixed brand investment promotion activities. In 2021, Chongqing successfully held major economic and trade promotion activities such as the 16th Annual Meeting of Mayor's Advisory Group, the 3rd Western China International Investment and Trade Fair, the 4th China International Import Expo Chongqing Investment and Trade Cooperation Forum, so as to, through the methods of "collective + individual", "online + offline" and "going out + inviting", increase the intensity of investment promotion and maintain the close communication with foreign investors.

Special Column 3-7

Major Investment Promotion Activities Carried out in Chongqing

3rd Western China International Investment and Trade Fair From May 21-23, 2021, the 3rd Western China International Investment and Trade Fair & 2021 International Cooperation Forum for New Land and Sea Channels was held in Chongqing. There were 8 theme

pavilions, and more than 40 countries (regions), 26 provinces, autonomous regions and cities, and more than 4,100 enterprises (institutions) participated in the fair. The fair had an offline exhibition area of 110,000 square meters and an online exhibition hall pushed via multiple channels, so as to show the new achievements of opening up and cooperation in the western region in an all-round and three-dimensional manner. During the fair, more than 100 activities such as investment promotion, economic and trade negotiation, survey and docking were carried out, and 359 projects were signed, with a total contracted amount of RMB 357.82 billion.

Among them, 102 projects were signed in a centralized manner, with a total amount of RMB 228.50 billion, covering more than 20 fields such as information technology, high-end equipment, biotechnology, and clean energy; there were 257 off-site contracted projects, with an amount of RMB 129.32 billion.

The 16th Annual Meeting of Mayor's Advisory Group of Chongqing From September 23-25, 2021, Chongqing held the 16th Annual Meeting of Mayor's Advisory Group. With the theme of "singing the tale of two cities and building an economic circle: opportunities and challenges", the meeting was held in the form of "online + offline", and attracted 38 advisory companies from 9 different countries and regions. Centering around the collaborative construction of the modern industrial system, collaborative promotion of digital and intelligent development and collaborative driving of green development, the advisors shared their ideas and wisdom, talked about the cooperative business opportunities and looked forward to future development.

As a result, the purpose of "consultation, friendship, cooperation and development" was achieved and the confidence of foreign-invested enterprises in Chongqing was further strengthened.

Chongqing Investment and Trade Cooperation Forum of 4th China International Import Expo On the afternoon of November 5, 2021, Chongqing held an investment and trade cooperation forum during the 4th China International Import Expo. Thirty-seven world top-500 enterprises, industrially-leading multinational enterprises, foreign institutions and organizations, and important business associations participated in the forum. A number of multinational companies signed 24 trade and investment cooperation agreements with Chongqing. Among them, there were 19 investment projects (9 foreign-funded projects), involving manufacturing, new energy, software and information technology services, intelligent technology, bonded processing and other fields. There were 5 trade agreements, covering new materials, frozen meat, milk powder and other products.

X. Shaanxi Province

In 2021, through the innovation in investment promotion methods, Shaanxi Province strengthened the foreign investment facilitation policies, promoted the construction of opening platforms, focused on the construction of inland reform and opening-up highland, constantly optimized the investment environment, and realized the steady growth of foreign capital utilized.

(I) Strengthening the guidance of investment promotion for various industries

Shaanxi Province issued the Guiding Catalogue of Key Industries in Shaanxi Province for Investment Promotion, encouraging foreign investment in key industries and fields that have an important impact on the stability of the provincial industrial chain and supply chain, play a piloting role in improving the competitiveness of regional industries, and play

a leading role in optimizing and upgrading the industrial structure, saving the resources and protecting the environment. According to the requirements of relevant policies for high-quality development, and in light of the differences in functional positioning, resource endowment, economic structure and other aspects of various cities (districts) in Shaanxi Province, the Shaanxi provincial government divided the whole province into five types of regions, implemented the classified guidance, defined the main industrial development direction in the five types of regions, and guided the coordinated layout, differential development and accurate investment promotion of industries.

(II) Establishing the contact system for key enterprises

Shaanxi Province established a list of key foreign-funded projects, mastered the enterprises' operation status and difficulties they faced by research and issued the policies and their interpretations to help the enterprises overcome various difficulties. Shaanxi Province strengthened the coordination and promotion mechanism of a special team for environmental impact assessment of key projects in the province, unblocked the "green channel" of environmental impact assessment for key domestically-funded and foreign-funded projects in the fields such as pandemic prevention and control, infrastructure construction, rural revitalization, and people's livelihood, and optimized the approval procedures and time, so as to ensure the accelerated implementation of such projects.

(III) Improving the foreign investment facilitation policies

Optimizing the identification process of high-tech enterprises. Shaanxi Province implemented convenient services such as "perennial acceptance, paperless application, online review and system management", so

as to realize the "no meeting" identification of high-tech enterprises. Shaanxi Province established the "virtual expert room" and an online service platform, provided the "policy service package" through multiple channels, and strengthened the training, publicity and interpretation of policies, so as to support the high-tech enterprises in the start-up and growth stages to become bigger and stronger.

Facilitating the entry and exit of foreign talents. In view of the key technologies required for the development of the high-end manufacturing industry, Shaanxi Province introduced a number of leading talents and industry-university-research projects, so as to drive the establishment of relevant enterprises. By giving full play to the role of the provincial foreign trade and foreign investment coordination mechanism and the provincial special team for key foreign-funded projects, Shaanxi Province actively contacted the foreign-funded enterprises, simplified the procedures related to work permits of foreign personnel urgently required in important business, logistics, production and technical services in China, implemented the online application, opened the green channel, fast channel and special channel for the invitation-based application, and arranged the foreign businessmen to return to China as soon as possible.

Facilitating the handling of enterprise-related matters. Shaanxi Province built the "single window" for international investment, carried out the integration and innovation of investment facilitation systems, and forged the "package" investment services covering the pre-investment, during-investment and post-investment matters. Shaanxi Province further improved the efficiency and level of services for the establishment of enterprises, handling of construction permits, registration of real estate and other matters, and further reduced the handling time as compared with

that in 2020. Shaanxi Province simplified and integrated the application procedures for investment projects, and carried out the reform of "regional evaluation + standard land + commitment system + comprehensive service" for investment projects. Shaanxi Province issued the Administrative Measures of Shaanxi Province for Approval and Filing of Foreign-funded Projects, simplifying the approval procedures for foreign-funded projects and facilitating the filing of foreign-funded projects.

(IV) Using multiple platforms to promote the foreign investment

Promoting the upgrading of economic development zones, so as to attract foreign enterprises to settle down there.

Centering around the industrial orientation of various national economic development zones, Shaanxi Province gave full play to its agglomeration advantages, and attracted foreign investment into strategic emerging industries and advanced manufacturing industries such as electronic information, intelligent manufacturing and biomedicine, so as to enhance the cluster effect. By making full use of the opportunities of domestic industrial transfer, Shaanxi Province actively undertook the settlement of labor-intensive and export-oriented foreign-funded enterprises from the eastern region. The provincial-level economic development zones formulated the

annual development plans according to the comprehensive development assessment standards of national economic development zones, actively improved the utilization level of foreign capital, raised the degree of outward orientation, actively applied for upgrading to national-level economic development zones, and improved the opening level.

Improving the investment promotion mechanism, so as to promote foreign investment through multiple channels.

By making full use of China International Import Expo, China International Investment and Trade Fair, Silk Road Expo and other major exhibitions, Shaanxi Province actively carried out foreign investment promotion and project promotion activities. By making full use of the bilateral investment promotion mechanism established with Japan, Korea, Singapore and other countries, Shaanxi Province actively promoted its foreign investment environment and advantageous investment projects. Shaanxi Province carried out economic cooperation activities with Beijing, Tianjin, Hebei, Yangtze River Delta, and Guangdong-Hong Kong-Macao Greater Bay Area (GBA), compiled the Catalogue of Key Promotion Projects in Shaanxi Province, so as to publicize its foreign investment environment and related projects.

Special Column 3-8

Important Foreign Investment Promotion Activities Carried out in Shaanxi

The 5th Silk Road Expo From May 11-14, 2021, the 5th Silk Road International Expo & China East-West Cooperation, Investment and Trade Fair were held in Xi'an. Taking "connectivity, joint construction and sharing" as the theme, the Expo attracted more than 2100 exhibitors. The exhibition has 7

pavilions including an international pavilion, China pavilion, Shaanxi pavilion, intelligent manufacturing pavilion, green industry pavilion, cultural industry pavilion and rural revitalization pavilion, with a total exhibition area of 72,000 square meters. During the conference, three centralized signing ceremonies were held, and a total of 72 key cooperation projects were concluded, with a total investment of RMB 158.30 billion, involving education, modern agriculture, high-tech industry and other fields.

Shaanxi-GBA Foreign-funded Enterprises Docking and Exchange Meeting On November 30, 2021, the Shaanxi-GBA Foreign-funded Enterprises Docking and Exchange Meeting was held in Shenzhen, Hong Kong and Macao synchronously in an online + offline manner. The persons in charge from more than 50 foreign-funded enterprises in the United States, Britain and Japan as well as from foreign businessmen associations stationed in Guangdong, Hong Kong and Macao attended the meeting in Shenzhen,

and the representatives of more than 40 enterprises from relevant industries in Hong Kong and Macao communicated online in Hong Kong and Macao respectively.

2021 Shaanxi Cooperation Forum for Foreign-funded Equipment Manufacturing Enterprises On November 3, 2021, the Cooperation Forum for Foreign-funded Equipment Manufacturing Enterprises among the Shaanxi-Yangtze River Delta economic cooperation activities was held online. The representatives from more than 50 world-famous multinational enterprises as well as overseas chambers of commerce and associations in China, such as the Japan Trade Promotion Agency and the China-Europe Association for Technical & Economic Cooperation, participated in the forum. The key foreign-funded enterprises and the relevant cities (districts) and development zones of Shaanxi Province conducted the promotion talks.

Postscript

While comprehensively and systematically showing the overall situation of foreign investment in China, this Report gives a panoramic and detailed display of foreign investment in China from multiple perspectives and dimensions, and interprets the main policies and hot issues related to foreign investment in the form of special analysis, which is of great significance for better understanding the development of foreign investment in China, and can provide a decision-making reference for government agencies at all levels to "stabilize the foreign investment" and for multinational enterprises to make investments in China.

This Report is prepared by the Research Institute of International Trade and Economic Cooperation of the Ministry of Commerce as entrusted by the Foreign Investment Department of the Ministry of Commerce. The team leader is Zhang Wei, the vice president of the Research Institute of International Trade and Economic Cooperation of the Ministry of Commerce and a second-level researcher, and the team members mainly include Lin Meng, Lu Hongyan, Sun Jiyong, Wang Wenhai, Li Ruizhe, Li Xiaoxue, Tu Su, Pu Xinyu, Liu Jianping, Fu Xin and Li Xueya. During the preparation of this Report, the Foreign Investment Department of the Ministry of Commerce discussed with the preparation team the content of this Report several times, giving careful guidance and assistance for the revision and improvement of this Report.

Based on the principle of seeking truth from facts, this Report uses facts and data to objectively show the situation of foreign investment in China. The sources of data in this Report mainly include the United Nations Conference on Trade and Development of the United Nations, the foreign-investment statistics of the Ministry of Commerce of China, the statistics of the National Bureau of Statistics of China, the annual reports of major multinational companies, and the survey reports issued by the American Chamber of Commerce in China, the German Chamber of Commerce in China and other relevant institutions.