



Hot Topic:

Latest Regulatory Adjustments in Pilot Free Trade Zones

According to the 2020 Business Environment Report released by the World Bank on October 24th, China's business environment increased drastically to the 31st among the world's 190 economies (compared to the 46th place last year), and entered among the world's top ten economies with the greatest improvement in the business environment for two consecutive years. These remarkable changes cannot be separated from the overall reform of the Chinese government to improve the business environment.

Pilot Free Trade Zones¹, as the testing areas in China for business reforms, play an important role in improving the business environment by offering preferential policies to improve the business environment. On October 26th, 2019, the Standing Committee of the National People's Congress authorized the State Council the right to temporarily adjust the application of relevant legal provisions in Pilot Free Trade Zones, which is another giant step to improve the business environment after promoting the reform of "Permits-Business License Separation".

These adjustments involve six laws² and will adopt 4 means to promote the reform in 3 years. To be more specific, these methods can be classified as directly cancelling the examination and approval process, replacing examination and approval process with record-filing process, implementing commitment notification, and optimizing examination and approval services. All the new temporary adjustments will enter into force as of December 1, 2019 with a trial period of three years³.

Among all these adjustments, one of the most significant change is in the Foreign Trade Law which cancels record-filing application by the foreign trade operators at Foreign Trade Authorities. In the past, the Foreign Trade Law provides that foreign trade dealers who engage in the import and export of the goods and service shall go through a record-filing registration at Foreign Trade Authorities, otherwise, the Customs shall not process the procedures of declaration, inspection and release for the import or export of goods or services.

Another key reform is to eliminate the examination and approval process in the food industry by replacing it with a simplified record-filing process. China used to adopt a licensing system for food production and trading, but now after the adjustment, for the sale on prepackaged foods, business operators only need to go through a simplified record-filing process.

It is reported that the adjustments will bring about convenience to foreign investors in consideration of eliminating tedious procedures and incidental expenses.

1. Currently there are 18 FTZs in China, which are Shanghai, Fujian, Guangdong, Tianjin, Chongqing, Henan, Hubei, Liaoning, Saanxi, Sichuan, Zhejiang, Hainan, Shandong, Jiangsu, Guangxin, Hebei, Yunnan, and Heilongjiang. For more details, please refer to our article "China to Establish Six New Pilot Free Trade Zones":

<http://asiallians.com/china-legal-update-china-adopts-resource-tax-law-protect-environment/>

2. Foreign Trade Law, the Law on Road Traffic Safety, the Fire Protection Law, the Food Safety Law, the Customs Law and the Seed Law.

3. It is reported that if the temporary adjustments go well in the free trade zone (It is not clear yet on how to judge they go well or not), then formal legislations will be released later to make the temporary adjustments formally implemented after three years. Otherwise, current regulations shall be resumed after the three-years' pilot period.

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