



Negative List 2020 and FTZ Negative List 2020 newly released by NDRC and MOFCOM

On June 24, 2020, the National Development and Reform Commission (the “NDRC”) and the Ministry of Commerce (the “MOFCOM”) jointly rolled out Special Administrative Measures for Access of Foreign Investment 2020 version (“Negative List 2020”) and Special Administrative Measures for Foreign Investment Access in Pilot Free Trade Zones 2020 version (“FTZ Negative List 2020”). These two lists will take effect officially on July 23, 2020, in addition, the previous Negative List 2019 and FTZ Negative List 2019 will be annulled since then.¹ We summarize the most catching content for your reference:

I. Negative List 2020 v. Negative List 2019

Comparing to Negative List 2019, Negative List 2020 further reduces the restrictions on foreign investments. The major cuts include:

Field	Cut
Financial Sector	The restrictions that the foreign share in the following type companies shall not exceed 51% are lifted: 1. securities company; 2. securities investment fund management company; 3. futures company; 4. life insurance company
Infrastructure Sector	The restriction that the domestic investor shall hold the controlling share ² on the construction and operation of urban water supply and drainage pipelines (purely for the city with a population of 500,000 or more) is lifted.
Manufacturing Sector	The restriction that domestic share in commercial vehicle manufacture shall not be less than 50% is lifted. The prohibition on foreign investment in radioactive mineral smelting, processing and nuclear fuel production is abolished.
Agriculture Sector	The restriction that the domestic investor shall hold the controlling share in the breeding of new wheat varieties and seed production is loosened up to domestic share shall not be less than 34%.

II. FTZ Negative List 2020 v. FTZ Negative List 2019

FTZ Negative List 2020 make same lifts on the restrictions imposed on

- the construction and operation of urban water supply and drainage pipelines (purely for the city with a population of more than 500,000);
- securities company;
- securities investment fund management company;
- futures company;
- life insurance company; and
- commercial vehicle manufacture.

In addition, FTZ Negative List 2020 abolishes the prohibition on foreign investment in the application of steaming, frying, roasting and calcining of Chinese herbal pieces and production of secret prescription products of Chinese patent medicines.

III. Negative List 2020 v. FTZ Negative List 2020

Generally speaking, FTZ Negative List 2020 further liberalize foreign investment than Negative List 2020 to promote the development of Free Trade Zones in China.³ As for the order of application:

- For the foreign investments conducted in the Free Trade Zones, FTZ Negative List 2020 shall be applied preferentially.
- For the foreign investments conducted outside the Free Trade Zones, Negative List 2020 shall be applied.

The below table summarize the major difference between two lists for your reference:

Negative List 2020	FTZ Negative List 2020
Prohibition on foreign investment in fishing of aquatic products in sea areas under China's jurisdiction and inland waters.	No such prohibition
The printing of publication shall be controlled by domestic party.	No such restriction
Prohibition on foreign investment in the application of steaming, frying, roasting and calcining of Chinese herbal pieces and production of secret prescription products of Chinese patent medicines.	No such prohibition
Prohibition on foreign investment in performing arts group.	The performing arts group shall be controlled by domestic party.
Domestic investor shall hold the controlling share in the breeding of new corn varieties and seed production.	Domestic share in the breeding of new corn varieties and seed production shall not be less than 34%.
Restriction on foreign investment in establishing vocational training institutions (foreign investor may do this only if it is in cooperative with Chinese party).	Foreign investor may establish vocational training institutions.

Preferential Policies on Social Insurance announced by Ministry of Human Resources and Social Security

On June 22, 2020, Ministry of Human Resources and Social Security officially announced the preferential policies on social insurance for small and medium enterprises (SMEs).⁴ This announcement timely follows up Premier Li Keqiang's government work report delivered on two sessions which were held on May 22, 2020.

Small and medium enterprises (SMEs) will be exempted from contributions of

- pension insurance,
- unemployment insurance, and
- work injury insurance

for this whole year.

Asiallians will keep a close eye on the above mentioned legal news.

Should you need more details, please contact us at asiallians@asiallians.com.

As always, Asiallians remains at your service and our teams are currently mobilized in all our offices in China, Hong Kong and Taipei.

1. <http://www.mofcom.gov.cn/article/b/c/202006/20200602977237.shtml>;
https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202006/t20200624_1231938.html

2. Negative List 2020 stipulates that, where the Negative List impose requirement on the share ratio of foreign investment, partnership enterprise shall not be set up. In other words, corporation shall be set up for the purpose of meeting the requirement of share ratio.

3. Up to now, Free Trade Zones in China include: Chongqing Free Trade Zone; Fujian Free Trade Zone; Guangdong Free Trade Zone; Henan Free Trade Zone; Hubei Free Trade Zone; Liaoning Free Trade Zone; Shaanxi Free Trade Zone; Shanghai Free Trade Zone; Sichuan Free Trade Zone; Tianjin Free Trade Zone; Zhejiang Free Trade Zone; Yunnan Free Trade Zone; Guangxi Free Trade Zone; Heilongjiang Free Trade Zone; Hebei Free Trade Zone; Shandong Free Trade Zone; Jiangsu Free Trade Zone; Hainan Free Trade Zone

4. http://www.mohrss.gov.cn/SYRzyzhshbzb/shehuibaozhang/zcwj/202006/t20200624_377465.html

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