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CHINA BUSINESS ENVIRONMENT RESEARCH REPORT 2020

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# **China Business Environment Research Report 2020**

Department of Trade and Investment  
Promotion, China Council for the Promotion  
of International Trade  
Academy of China Council for the  
Promotion of International Trade



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# Preface

## I. Research Background and Significance

Currently, international political and economic order is undergoing profound adjustment. Under the impact of global epidemic, the world economy is in a severe recession. Industrial and supply chains are broken, international trade and investment are shrinking, and the commodity market is volatile. Shrinking domestic consumption, investment and exports increased pressure on the job market. Difficulties faced by enterprises, especially private enterprises and micro, small and medium-sized enterprises, have become prominent. Risks have accumulated in financial and other sectors, and the balance between basic government revenue and expenditure has intensified. Economic development is facing unprecedented challenges. Meanwhile, China's economy is at a crucial stage, with urgent needs to change the driving force for economic growth and optimize industrial structure. The combination of structural, institutional and periodic problems has brought about a series of difficulties and problems. Affected by the COVID-19 Pandemic and uncertainties at home and abroad, China's GDP in the first quarter of 2020 recorded *negative growth for the first time since the quarterly GDP data was released in 1992*.

The CPC Central Committee and the State Council treats the construction of business environment seriously. At the Extraordinary G20 Leaders' Summit early 2020, President Xi Jinping pointed out that China will unswervingly expand reform and opening up, relax restrictions on market access, continue to improve business environment, and actively expand imports and outbound investment, therefore contributing to the stable development of the world

economy. At a Chinese New Year symposium with foreign experts in China, Premier Li Keqiang noted that, building on the basis of the progress in reducing taxes and fees last year, China should continue to implement institutional tax cuts, further improve the business environment, stimulate market vitality and maintain the smooth operation of the economy. In May, Premier Li Keqiang presided at an executive meeting of the State Council, stressing that China should continue to improve the business environment, promptly revise the negative list for market access, remove barriers to entry for private enterprises, especially micro, small and medium-sized businesses, and stimulate more effective investment. China should improve foreign trade policies, speed up the revision of the negative list for foreign investment access and the catalogue of industries encouraging foreign investment, and further relax restrictions on foreign investment access. The statements of the national leaders have pointed out the direction for construction of the business environment. With the deepening of the reform to streamline administration and delegate power, improve regulation, and upgrade services, and the introduction of a series of policies and regulations, especially the formal enforcement of the *Foreign Investment Law* and the *Regulations on Optimizing the Business Environment*, China has entered a new stage of building a market-oriented, law-based and international business environment.

A number of measures to improve the business environment and policies to resume economic activities have produced positive results. On the basis of the stabilization and recovery of China's economy in the second quarter, China's GDP picked up by 4.9% in the third quarter compared with the same period last year; among which, agriculture rose by 3.8% and industry by 1.2%. Facing the grim economic situation at home and abroad, further improving the business environment, sparking market vitality, and ensuring "six stabilizations" (stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations) and "six guarantees" (security in employment, basic living needs, operations of

market entities, food and energy, stable industrial and supply chains, and normal functioning of primary-level governments) remain the major issues that need to be addressed urgently. Meanwhile, there is still a gap between China's soft and hard business environment and its international counterparts. Hard work remains to be done to create a first-class business environment.

In order to implement the strategic plans of the CPC Central Committee and the State Council and give full play to the resource advantages of the China Council for the Promotion of International Trade (the CCPIT), the Department of Trade and Investment Promotion (the “Promotion Department”) of the CCPIT and the Academy of China Council for the Promotion of International Trade (the “Academy”) have continued the work on business environment surveys and report preparation in 2020, on the basis of conducting surveys and issuing annual reports on the investment (business) environment in China for four consecutive years since 2016. These endeavors aim to closely monitor and analyze the changing business environment in China, in order to present an accurate and comprehensive reflection of the achievements and problems in the construction of business environment. This allows for opinions and suggestions, helping improve the business environment, further stimulating creativity and market vitality, and promoting steady and sound economic and social development.

## **II. Research Methodology**

The research project adopts a combination of techniques including questionnaire survey, field study, enterprise symposium, comparative analysis and literature review.

### **(I) Questionnaire survey**

From April to June 2020, the Promotion Department and the Academy of CCPIT, together with 28 local branches of CCPIT, a number of

sub-councils for different industries and the Service Centers of Pilot Free Trade Zones, CCPIT, jointly organized and carried out the questionnaire survey of enterprises in China's business environment in 2020. In the survey, 4,311 enterprises completed the questionnaires effectively, and the qualified rate reached 94.62%. More than 300 questionnaires were each collected in Fujian, Hunan, Shandong, Yunnan, Zhejiang and other regions, cities and provinces. Through the enterprise questionnaire survey, we have obtained relevant data of different regions, industries and enterprises of different ownerships, which has provided objective data for the analysis and evaluation of the national business environment.

## **(II) Field studies**

From June to November 2020, the Promotion Department and the Academy formed a team of scholars to conduct research in Guangxi, Shandong, Gansu, Zhejiang, Sichuan and other regions, cities and provinces. With strong support from local governments, associations, management committees of industrial parks as well as the enterprises, the research team visited nearly 20 industrial parks on the spot, including Beihai Integrated Free Trade Zone in Guangxi Province, Yufeng District Industrial Park in Liuzhou City, Yiwu High-tech Zone in Zhejiang Province, Liaocheng High-tech Zone in Shandong Province, and Lanzhou Free Trade Zone in Gansu Province, etc., and held discussions with more than 100 enterprises including Liu Dian Electric Co., Ltd., Hengliyuan Bio-technology Co., Ltd., Jinchuan Group Co., Ltd., CP Group Lanzhou Limited, Shandong Xinghan Material Co., Ltd., Nobot Intelligent Equipment (Shandong) Co., Ltd., AB-InBev (Sichuan) Beer Co., Ltd., Sichuan Tianyu Oleochemical Co., Ltd., Chengdu Rocca Co., Ltd., etc.(see Appendix I for the detailed list of investigation)

The research team had face-to-face and in-depth exchanges with the members of management committees of industrial parks and

representatives of enterprises to learn about the current situation, achievements and problems of the business environment in different regions from different perspectives and to verify and supplement the information on the questionnaires of enterprises, which has laid a solid foundation for a comprehensive and objective assessment of the business environment in China.

### **(III) Enterprise symposium**

From April to November 2020, in order to actively stabilize foreign investment and foreign trade, further strengthen the promotion and protection of foreign investment, and promote the optimization of foreign investment environment, CCPIT and the provinces of Shandong, Sichuan, Guangdong and Fujian jointly held the Online Dialogue between Governments and Enterprises on Optimizing Business Environment. Responsible persons of relevant departments of provincial governments, representatives of embassies and consulates in China, representatives of some foreign business associations and representatives of enterprises attended the meeting. The main venues for the meeting was set up in Beijing and other provinces to serve as a platform for communication between governments and enterprises to discuss and exchange ideas on the current economic situation, business environment construction, problems encountered by foreign-funded foreign trade enterprises as well as policy recommendations. The research group sent representatives to participate in the meetings to systematically understand the achievements and existing problems in the construction of business environment in the above-mentioned four provinces, which has further enriched the content of this report.

### **(IV) Comparative analysis**

The research team selected the data related to China's business environment in 2019 and 2020 for horizontal and vertical comparison, so as to learn about the dynamic changes among different regions, different industries (traditional manufacturing, high-tech, resource,

construction and service industries, etc.) and enterprises of different nature (state-owned, private and foreign-funded enterprises, Sino-foreign joint ventures and cooperative enterprises, etc.). The team also gains a deeper understanding of the differences, characteristics and trends of the business environment among different regions, industries and enterprises, promote experience models for improving the business environment in different regions and encouraging them to learn from each other and make common progress.

### **(V) Literature review**

The research group reviewed domestic and foreign literature and data on optimizing business environment from the World Bank, the National Development and Reform Commission, the Ministry of Commerce, the State Administration for Market Regulation, the National Bureau of Statistics and other ministries and commissions. In addition, relevant agencies of cities in Guangxi Zhuang Autonomous Region, and Shandong Sub-council, Gansu Sub-council and Sichuan Sub-council of CCPIT also provided relevant information on the business environment. The review of, references and discussions on previous research have further substantiated this report.

### **III. Evaluation Indexes**

Besides referring to CCPIT's Business Environment Evaluation Index System issued in 2018 and learning from WB's Doing Business Index System, the research team also added COVID-19-related content in the questionnaire survey. The research team finished the 2020 China Business Environment Evaluation Index System and the corresponding enterprise questionnaire. After repeated demonstration and analysis, we designed 12 first-level indexes and 49 second-level indexes for business environment evaluation. The distribution of index weights generally follows the equal weight principle, which applies to all first-level indexes and most of the second-level indexes.

The 12 first-level indexes include infrastructure environment, life-support service environment, policy and government administration environment, social credit environment, fair competition environment, intellectual property protection environment, technology innovation environment, human resources environment, financial service environment, fiscal and tax service environment, port service environment and enterprise establishment and withdrawal environment.

Table 0-1 Evaluation Indexes for China's Business Environment and Their Weights

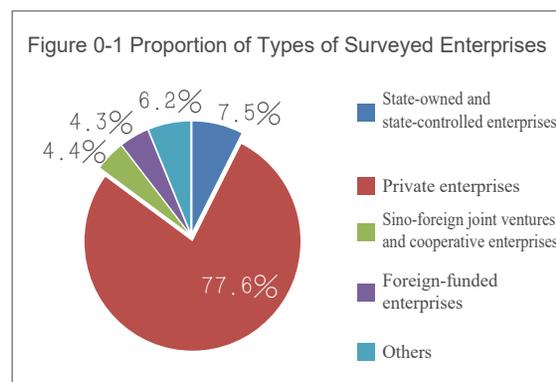
First-level indexes and weights	Second-level indexes and weights
Infrastructure environment	Transportation (1/5) Network communication (1/5) Environmental protection facilities (1/5) Water, electricity and gas supply (1/5) Urban planning and construction (1/5)
Life-support Service Environment	Living conditions (1/6) Health care (1/6) Sports facilities (1/6) Education level (1/6) Environmental protection (1/6) Public security (1/6)
Policy and government administration environment	Policy stability (1/6) Policy equity (1/6) Policy transparency (1/6) Efficiency of government services (1/6) Intensity of policy implementation (1/6) Policy synergy (1/6) Official integrity (1/6)
Social credit environment	Construction of credit information publicity system (1/4) Construction of punishment and reward mechanism (1/4) Social credit (1/4) Construction of credit system (1/4)
Fair competition environment	Market supervision (1/4) Administrative monopoly governance (1/4) Government procurement (1/4) Market access (1/4)
Intellectual property protection environment	Intellectual property protection cost (1/5) Intellectual property administrative enforcement (1/5) Judicial protection of intellectual property (1/5) Intellectual property case settlement rate (1/5) Intellectual property management and public service (1/5)
Technological innovation environment	Implementation of R&D tax credit policy (1/5) Intellectual property collateralization (1/5) Industry-university research collaboration (1/5) Business incubation service (1/5) Public service platform construction (1/5)
Human resources environment	Availability of skilled labor (1/4) Availability of middle and senior managers (1/4) Availability of export-oriented talents (1/4) Availability of innovative and entrepreneurial talents (1/4)
Financial service environment	Financing accessibility (2/5) Diversity of financing channels (2/5) Profit repatriation freedom (1/5)

First-level indexes and weights	Second-level indexes and weights
Fiscal and tax service environment	Standardization of fiscal and tax law enforcement (1/2) Processing time for tax refund (1/2)
Port service environment	Goods clearance (1/3) Inspection and quarantine (1/3) Personnel entry and exit (1/3)
Enterprise establishment and withdrawal environment	Land acquisition (1/3) Environmental protection procedure (1/3) Bankruptcy procedure (1/3)

Each index has a range of is 1-5 points. In order to facilitate qualitative analysis based on quantification, we identified a score of 4.5-5 points as very satisfied (excellent), that of 3.5-4.5 points (exclusive) as satisfied, that of 2.5-3.5 points (exclusive) as mediocre, that of 1.5-2.5 points (exclusive) as dissatisfied and that of 1.5 points (exclusive) and below as very dissatisfied.

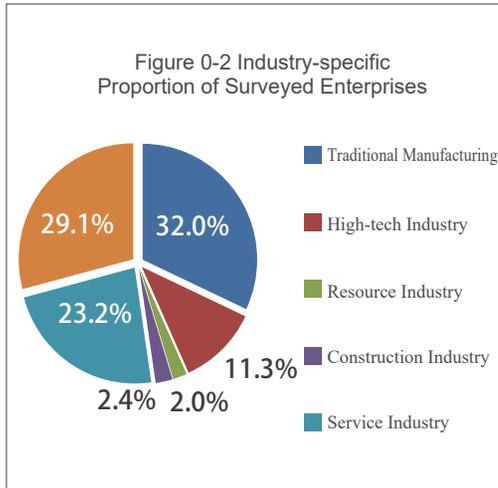
## IV. Respondent Composition

### (I) Over 70% of the surveyed enterprises are private businesses



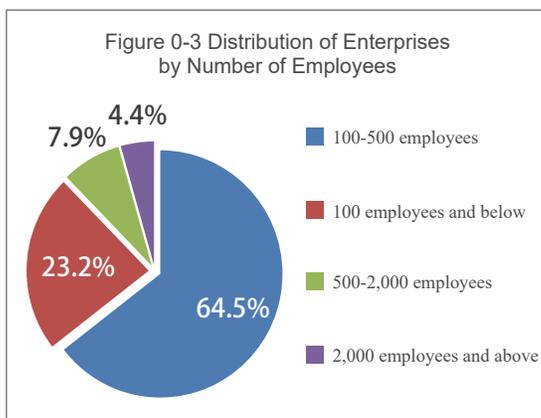
Among the 4,311 enterprises involved in the survey, 77.6% are private enterprises; 7.5% are state-owned and state-controlled enterprises (hereinafter referred to as "state-owned enterprises"); 6.2% are enterprises of other ownerships; Sino-foreign joint ventures and cooperative enterprises and foreign-owned enterprises take similar shares, accounting for 4.4% and 4.3% respectively.

## (II) Enterprises engaged in traditional manufacturing, other industries, and service industry account for a large proportion



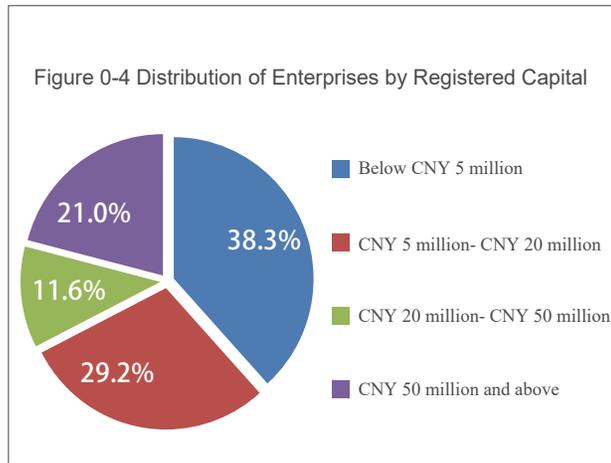
Among the enterprises involved in the survey, 32% are engaged in traditional manufacturing, 29.1% in other industries, 23.2% service industry, 11.3% in high-tech industry, 2.4% in construction industry, and 2.0% in resources industry.

## (III) Micro and small enterprises account for over 60%



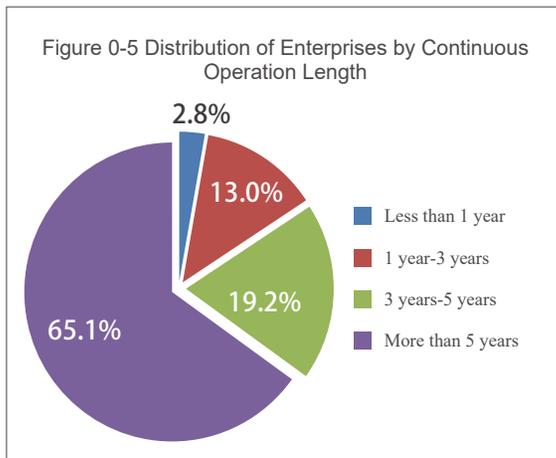
Among the enterprises involved in the survey, 64.5% are micro and small enterprise with 100 employees or less; 23.2% have 100-500 employees; 7.9% have 500-2000 employees; and 4.4% are super large enterprises with 2,000 employees or more.

#### **(IV) Over 60% are enterprises with registered capital of less than CNY 20 million**



Among the enterprises involved in the survey, 38.3% are registered with a capital of less than CNY 5 million, 29.2% with CNY 5 million- CNY 20 million, 11.6% with CNY 20 million- CNY 50 million, and 21% with CNY 50 million and above.

#### **(V) More than 60% have continuously operated for more than five years**



Among the enterprises involved in the survey, 2.8% are new enterprises with a history of less than one year, 13% with 1-3 years, 19.2% with 3-5 years, and 65.1% with five years and above.

### **V. Main Conclusions**

The main conclusions of this report are as follows:

#### **(I) Enterprises generally gave good ratings for China's business environment in 2020**

In 2020, affected by COVID-19 and the uncertainties in economic and trade situation, China's economic operation has been greater pressure.

In accordance with the unified deployment of the CPC Central Committee and the State Council, the government and authorities of the whole country implemented epidemic prevention and control and economic and social development in a coordinated manner, timely introduced corresponding policies and measures, continued to optimize the business environment, and effectively organized the maintenance of supply and price stability and the resumption of work and production. As a result, China's economy recovered quickly and showed admirable resilience. In the first half of 2020, China's GDP decline gradually narrowed and rose by 4.9% year-on-year in Q3. The economic growth rate in the first three quarters turned from negative to positive, the supply-demand balance gradually improved, market vitality increased, security of employment and people's livelihoods were strengthened, and the national economy went on a path of stabilization and recovery. According to the Doing Business 2020 released by the World Bank, China's overall ranking rose by 15 places compared with last year, being No. 31 in the world, and its total score increased to 77.9 points, 4.26 higher than that in 2019. According to a questionnaire survey conducted by CCPIT, 89.7% of enterprises rated China's business environment in 2020 as satisfied or above. 86.3% of them believed that China's business environment has improved in the past three years.

Compared with 2019, the overall rating for China's business environment in 2020 has increased by 0.04 points; in the scores on the 12 first-level indexes, 10 have increased, 1 has kept level with the previous year's rating, and 1 has declined. Among them, the fiscal and tax service environment, port service environment, and policy and government administration environment are highly rated, while the scores on human resources environment, financial service environment, and life-support service environment are low; the eastern region, Sino-foreign joint ventures and the resources industry gain high scores, while the overall rating of the business environment for the central region, state-owned enterprises and the construction

industry has declined.

In 2020, more than 70% of enterprises achieved positive revenue growth. The main reasons that drove corporate investment were market expansion and use of local resources. The main source of corporate investment is still personal investment. For the first time, digital technology has replaced market opening as China's most important business opportunity.

## **(II) The construction of China's business environment has reached a higher level**

The outstanding achievements of China's business environment construction in 2020 include: 1. The reforms to streamline administration and delegate power, improve regulation, and upgrade services have been deepened, and the level of legalization and informatization has been greatly improved; 2. The government has reduced taxes and fees by more than CNY two trillion to help enterprises tide over difficulties; 3. The negative list system has been fully implemented, and the reform pilot zone has been continuously expanding; 4. The customs clearance process is being continuously simplified, and the cost for import has been reduced; 5. The IP protection system has been continuously improved and law enforcement strengthened; 6. Public security has been continuously improved and legal rights for businesses are more protected; 7. Construction of major infrastructure such as railways, highways, and airports and new infrastructure are being promoted simultaneously; the business environment for infrastructure industry has been continuously improved.

## **(III) Room for improvement still exists in China's business environment**

Combining the statistical results of the questionnaire survey and field research and analysis, the research team believes that the following problems still exist in China's business environment: 1. policymaking

is not always grounded on rationality and efficiency; 2. Increasing factors and transportation costs are aggravating difficulties for enterprises; 3. There is a serious shortage of talents in central and western regions; 4. There are shortcomings in the industrial park infrastructure and industrial supporting facilities; 5. Inaccessible, expensive and slow financing still restricts the development of enterprises; 6. Insufficient IP protection makes enterprises difficult to safeguard rights.

#### **(IV) Policy Recommendations and suggestions**

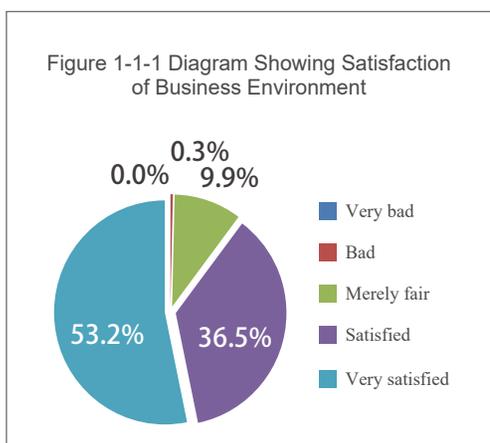
To address the above problems, combining field research conclusions and opinions from experts and scholars, the research team proposed the following suggestions: 1. Deepening the reforms to streamline administration and delegate power, improve regulation, and upgrade services and optimizing the policymaking and implementation; 2. Deepening market reforms and reducing energy, taxation, and transportation costs; 3. Cultivate talent to alleviate the labor shortage in specialized fields; 4. Establishing and improving industrial supporting facilities and while preserving the ecological environment; 5. Cultivating diversified financial markets and reducing financing costs of enterprises; 6. Strengthening the protection of intellectual property and improving the fair competition environment.

## Chapter I Overall Evaluation of China's Business Environment

The data used in Chapter I Overall Evaluation of China's Business Environment, Chapter II Evaluation of Sub-divided Indexes, and Chapter III Operation and Investment Status of Enterprises of this report are mainly derived from the business environment questionnaire survey organized by CCPIT in 2020.

The overall evaluation and comparison were carried out by analyzing and studying China's business environment in 2020 by region, industry, and year. The survey results show that although affected by COVID-19 at the beginning of the year, the improvement rate of the business environment ratings given by enterprises decreased compared with previous years, the overall business environment in China has been improving in 2020. The score was 4.34 points, seeing an increase of 0.04 points compared with 2019.

### I. The Business Environment Has Generally Been Rated as Good, with Fluctuations in Various Indexes



#### (I) More than 50% are "very satisfied" with the business environment

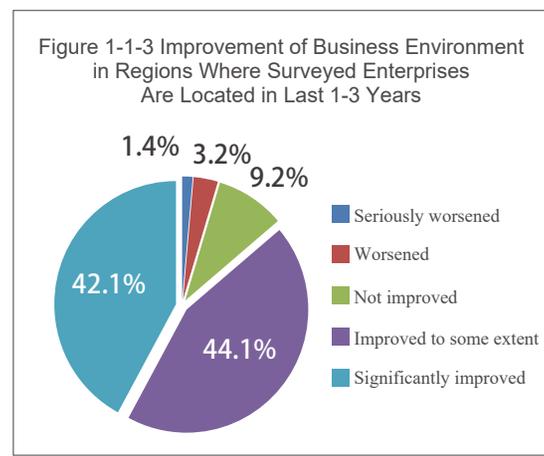
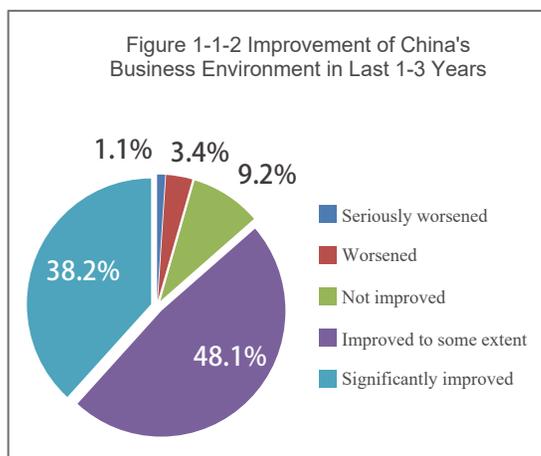
Enterprises generally are highly satisfied with China's business environment in 2020. 53.2% of them are "very satisfied" and 36.5% "satisfied"; 9.9% rated the environment mediocre; only 0.3%

are dissatisfied, and none is very dissatisfied.

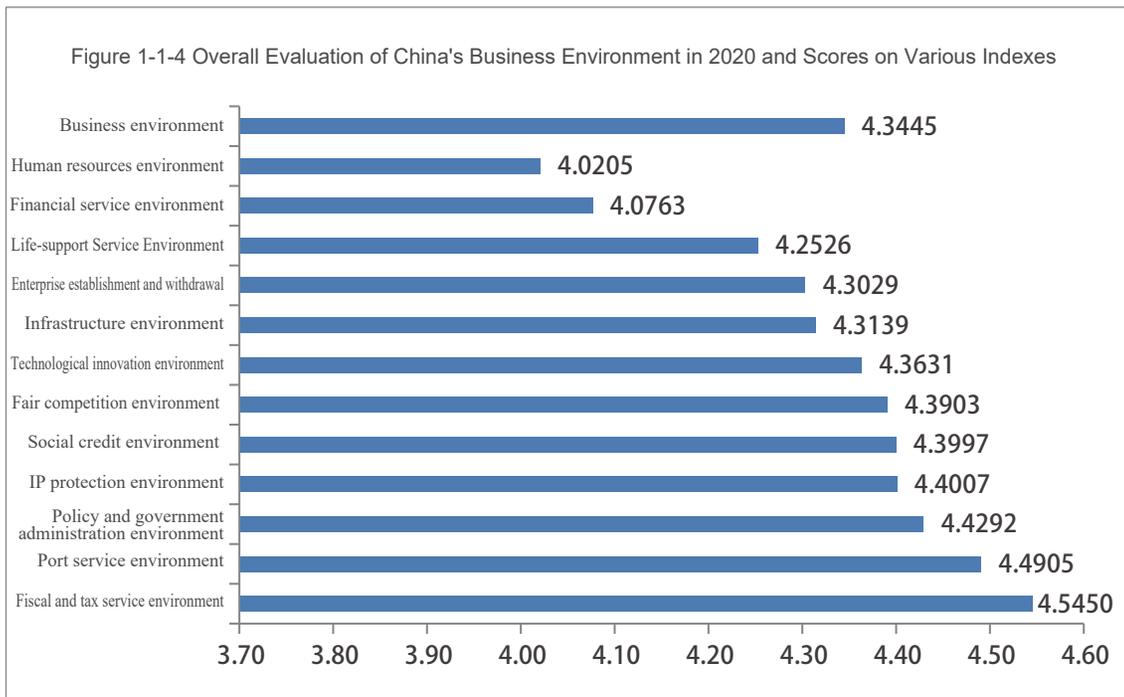
Enterprises generally are highly satisfied with China's business environment in 2020. 53.2% of them are "very satisfied" and 36.5% "satisfied"; 9.9% rated the environment mediocre; only 0.3% are dissatisfied, and none is very dissatisfied.

## (II) Over 80% of enterprises believe that the business environment has improved

48.1% of the enterprises surveyed believe that China's business environment has significantly improved over the last 1-3 years, 38.2% believe that it has improved to some extent, and 9.2% see no improvement; 4.5% feel that it has worsened (including seriously worsened and somewhat worsened), and this proportion is much higher than the percentage in 2019 (1.8%).



In the last 1-3 years, the improvement of the regional business environment is similar to the improvement of the business environment in China. 42.1% (38.2% nationwide) of the enterprises believe that their regional business environment has been "significantly improved", and 1.4% (1.1% nationwide) consider that the business environment has "seriously worsened".

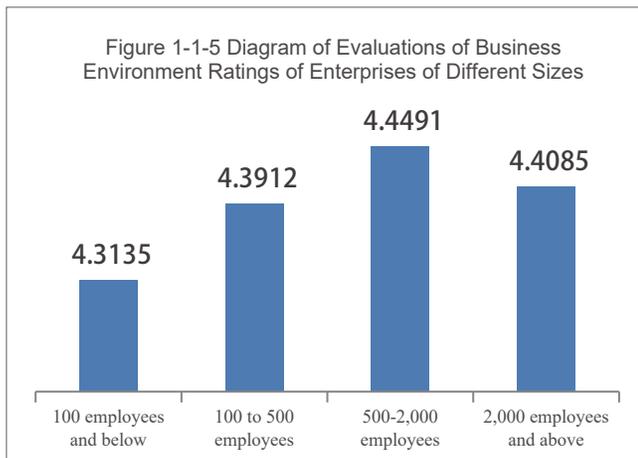


**(III) The fiscal and tax service ratings and port service ratings are high, and the scores on human resources environment and financial service environment are low**

The score on national business environment is 4.34 points, which is in the range of “good”. Falling within the range of 4.00-4.50 points, the scores on the twelve first-level indexes are all on a high level and relatively balanced. The human resources service environment is the lowest rated with 4.02 points, followed by financial service environment with 4.08 points; the fiscal and tax service environment is the highest rated with 4.54 points, as the primary index to exceed 4.50 points since the survey was launched in 2016, reaching the “Excellent” level.

**(IV) Large enterprises contributed high ratings, while micro and small enterprises saw a different side**

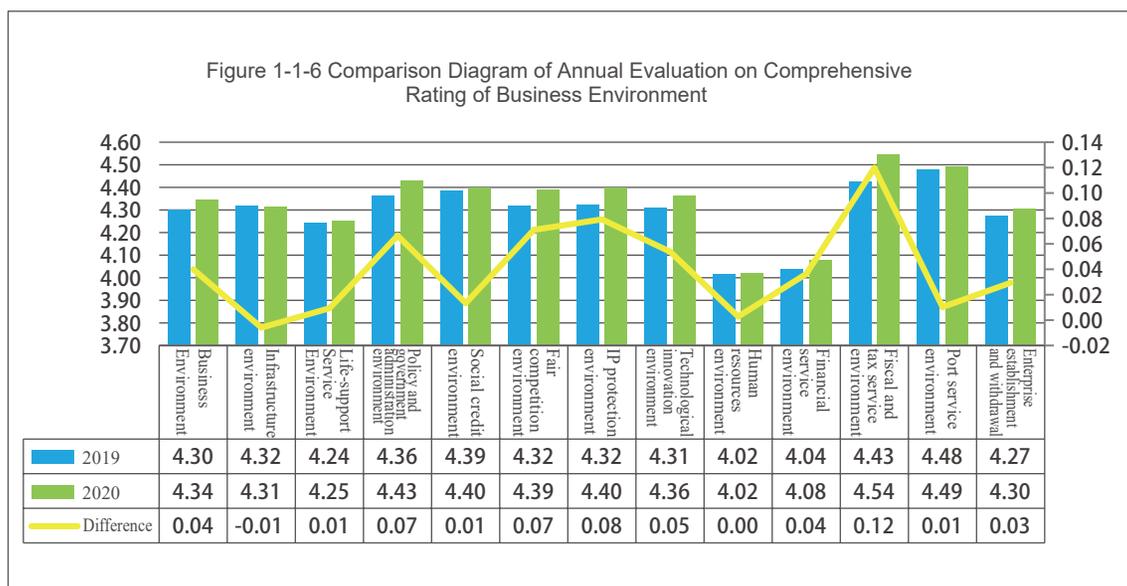
In this survey, large enterprises with 500-2000 employees gave the highest rating for China’s business environment, and the score of 4.45 is close to “Excellent”, followed by super large enterprises with 2,000 employees and above giving a score of 4.41; the score derived from



medium-sized enterprises with 100-500 employees is 4.39 points in the middle; and micro and small enterprises with less than 100 employees provided the lowest rating of 4.31 points.

### (V) The business environment has generally been improved with rises and falls seen in various indexes

From a dynamic point of view, compared with 2019, the overall score on China's business environment has increase by 0.04 points in 2020, and the scores on various first-level indexes have gone in different directions. Among them, the fiscal and tax service rating in 2020 has improved by 0.12 points, or 2.7%, surpassing the port service rating, the top index in 2019, to rank first among the 12 first-level indexes; the intellectual property protection environment follows, with an increase of 0.08 points, or 1.8%; the policy service environment and the fair competition environment are closely behind, both increasing



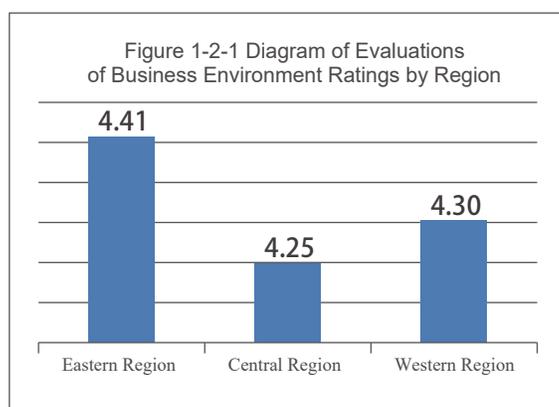
by 0.07 points, or 1.5% and 1.6% respectively. The financial service environment has improved by 0.04 points, or about 1%.

In 2020, in the 12 first-level indexes, the score on human resources environment has not changed, and that on infrastructure environmental has declined by more than 1% compared with 2019.

## II. The Ratings of the Eastern and Western Regions Have Improved, while the Central Region's Rating Continues to Decline

### (I). The rating of the eastern region is high, while that of the central region is relatively low

The results of the questionnaire survey show that different regions have obtained different scores on the business environment. The eastern region has the highest score of 4.41 points, the western region



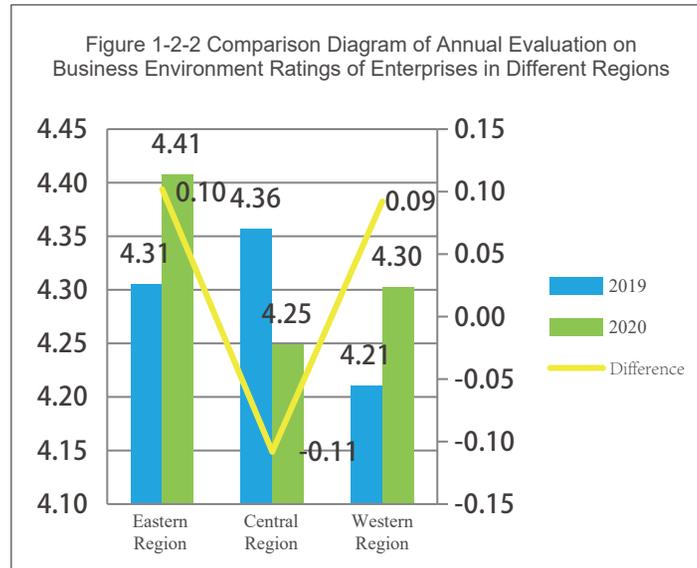
has 4.30 points in the middle, and the central region has the lowest score of 4.25 points. The difference between the eastern and central regions is 0.16 points, which is significant.

### (II) The ratings of the eastern and western regions have improved, while the central region declined

### region declined

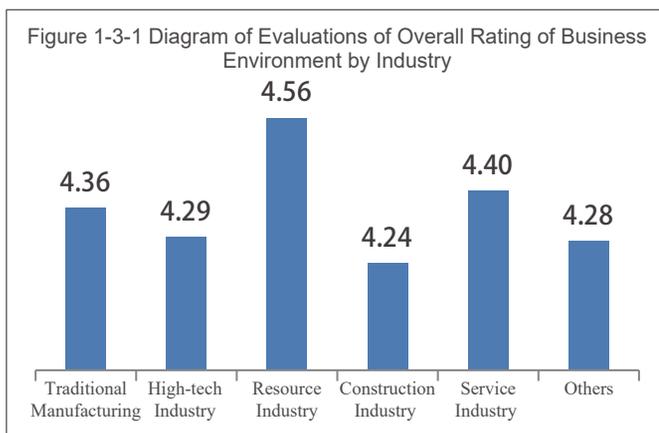
From a dynamic perspective, the eastern and western regions have made a certain improvement in the evaluation of the business environment in 2020 compared with 2019. The score of the eastern region has increased by 0.1 points and the western region by 0.09 points. It is worth noting that the score of the central region has declined for the first time, by 0.11 points, or 2.5%.

### III. The Ratings for Five Industries Including Resources Have Improved; Ratings for the Construction Industry Have Declined



#### (I) The resources industry has the highest rating while the construction industry has the lowest

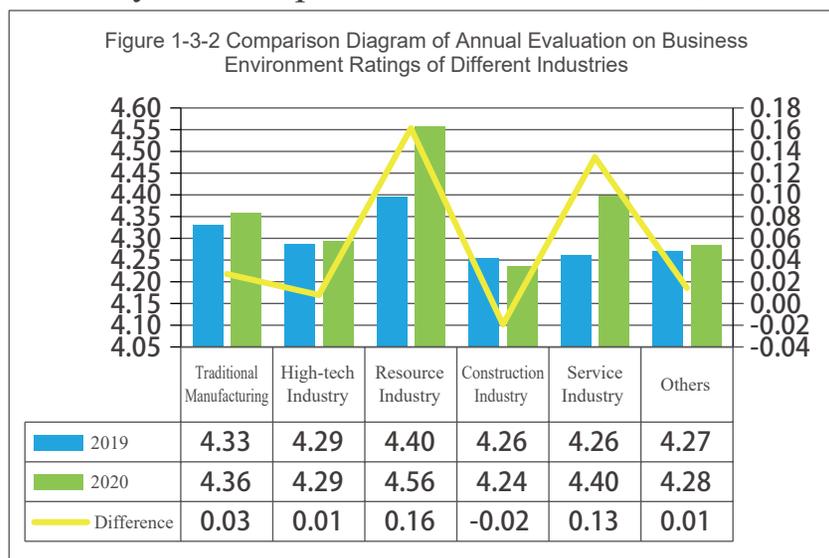
In this questionnaire survey, the ratings for all industries are at a good level or above. The resources industry gave the highest rating of 4.56 points, which reaches the “Excellent” level; the service industry follows with 4.40 points; the construction industry gave the lowest score of 4.24 points; traditional manufacturing, high-tech industry and other industries are in the middle with 4.36, 4.29, and 4.28 points respectively.



follows with 4.40 points; the construction industry gave the lowest score of 4.24 points; traditional manufacturing, high-tech industry and other industries are in the middle with 4.36, 4.29, and 4.28 points respectively.

## (II) The ratings for the resources and service industries has increased greatly, and that of the construction industry declined

Compared with 2019, the ratings for the business environment of the resources industry have improved the most in 2020, from 4.40 points



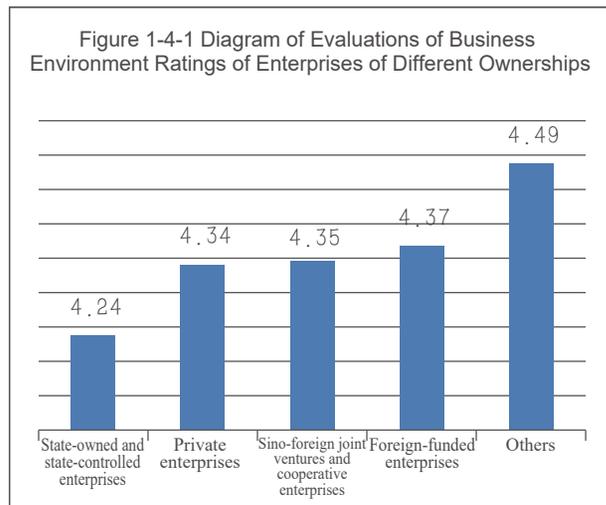
in 2019 to 4.56 points (by 0.16 points); the service industry follows with an increase of 0.13 points; the ratings for the high-tech industry and other industries have changed little, increasing by only 0.01 points compared with the previous year; the rating for the construction industry has declined from 4.26 points in 2019 to 4.24 points in 2020 (by 0.02 points).

## IV. The Ratings from Four Types of Enterprises Have Improved; Ratings from State-owned Enterprises Declined

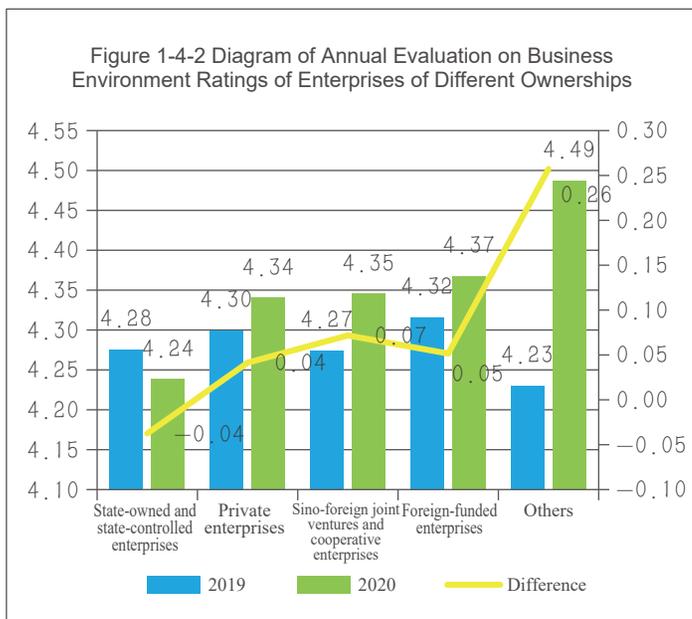
### (I) Enterprises of other ownerships give the highest rating and state-owned enterprises give the lowest

In the 2020 business environment survey, enterprises of other ownerships (including collectively owned enterprises, joint ventures,

etc.) have the highest score of 4.49 points; state-owned enterprises have the lowest 4.24 points, which is 0.25 points lower. The scores of foreign-owned enterprises, Sino-foreign joint ventures and cooperative enterprises, and private enterprises are in the middle and similar, with 4.37, 4.35 and 4.34 points respectively.



## (II) The ratings from all except state-owned enterprises have improved



Compared with 2019, the ratings from enterprises of other ownerships have increased the most in 2020, from 4.23 points in 2019 to 4.49 points, seeing an increase of 6.15%; the ratings from Sino-foreign joint ventures and cooperative enterprises, foreign-owned enterprises, and private enterprises have improved slightly, increasing by 0.07, 0.05 and 0.04 points respectively; ratings from state-owned enterprises declined by 0.04 points, from 4.28 points in 2019 to 4.24 points.

enterprises have improved slightly, increasing by 0.07, 0.05 and 0.04 points respectively; ratings from state-owned enterprises declined by 0.04 points, from 4.28 points in 2019 to 4.24 points.

## Chapter II Evaluation on the Sub-divided Indexes of China's Business Environment

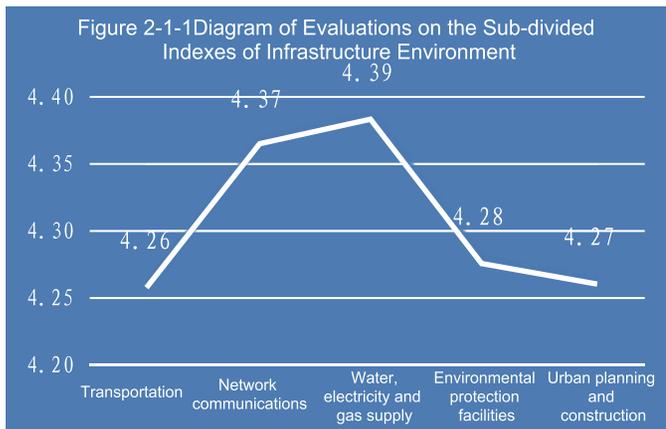
The sub-divided indexes of China's business environment mainly covers 12 first-level indexes including infrastructure, policy & government administration and port service environment as well as 49 second-level indexes. According to the Enterprise Questionnaire survey, enterprises have a good overall evaluation on China's business environment in 2020. Among the 12 first-level indexes, most of them have been improved compared with those in 2019.

### I. Infrastructure: High Ratings for the Water, Electricity and Gas Supply and Network Communication Infrastructure; Improved Ratings from Eastern and Western Regions

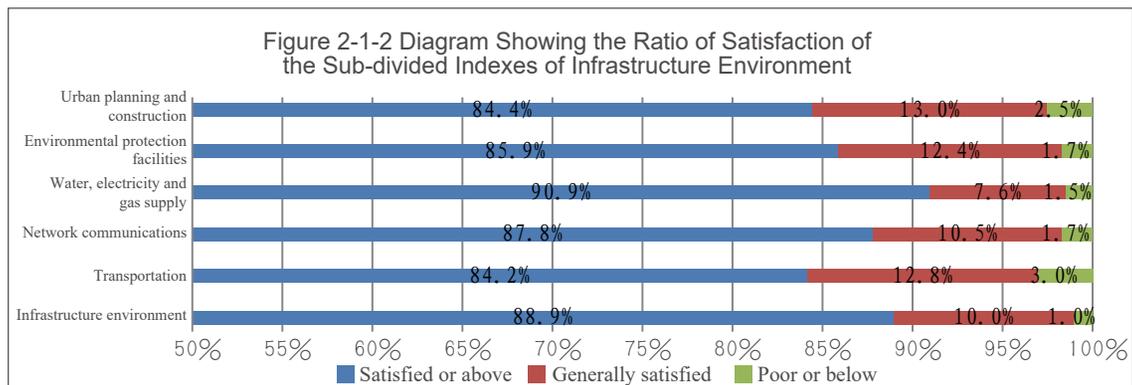
The infrastructure environment index is sub-divided into five second-level indexes, i.e. transportation, network communications, water, electricity and gas supply, environmental protection facilities and urban planning and construction. In 2020, the surveyed enterprises give a good overall score on the infrastructure environment with a score of 4.31 points, but there is a drop shown in the overall index, the sub-divided index of water, electricity and gas supply and the score of some regions.

#### (I) High rating for water, electricity and gas supply and network communications; low rating for transportation

The infrastructure index in 2020 scores 4.31 points, slightly lower than the overall score of the national business environment. Among the second-level indexes, water, electricity and gas supply scores the highest at 4.39 points, followed by network communications at 4.37



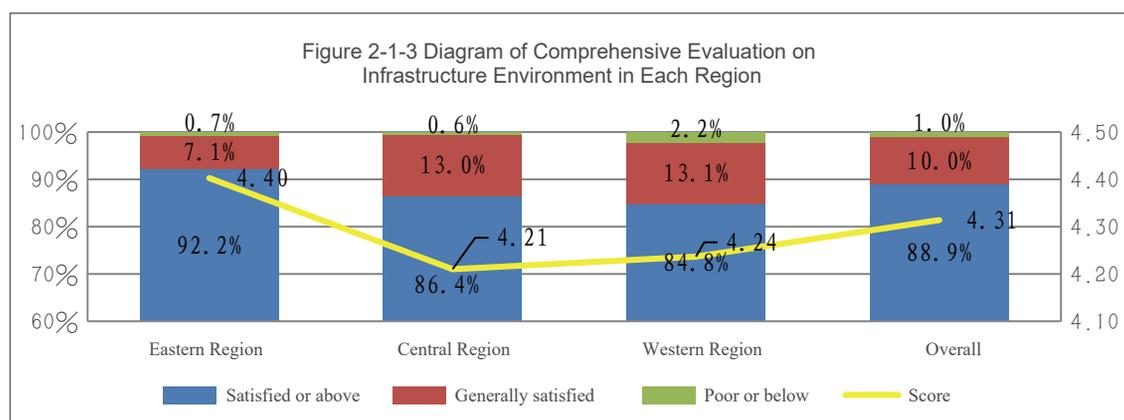
points. Transportation scores the lowest at 4.26 points, and the scores of the second-level indexes of urban planning and environmental protection facilities are also low, at 4.27 and 4.28 points respectively.



More than 90% (90.9%) are “satisfied or above” with water, electricity and gas supply, while only a low proportion of 1.5% rates it as “poor or below.” 84.2% are “satisfied or above” with transportation; 84.4% are “satisfied or above” with urban planning and construction; 85.9% and 87.8% are “satisfied or above” with environmental protection facilities and network communications respectively.

## (II) The ratings from the eastern region is significantly higher than that of the central and western regions

Regarding the scores on infrastructure in different regions, the eastern region scores the highest at 4.40 points. The western region is in the middle at 4.24 points. The central region scores the lowest at 4.21 points. There is little difference between the evaluations of enterprises in central and western regions, yet the eastern region is far ahead. The



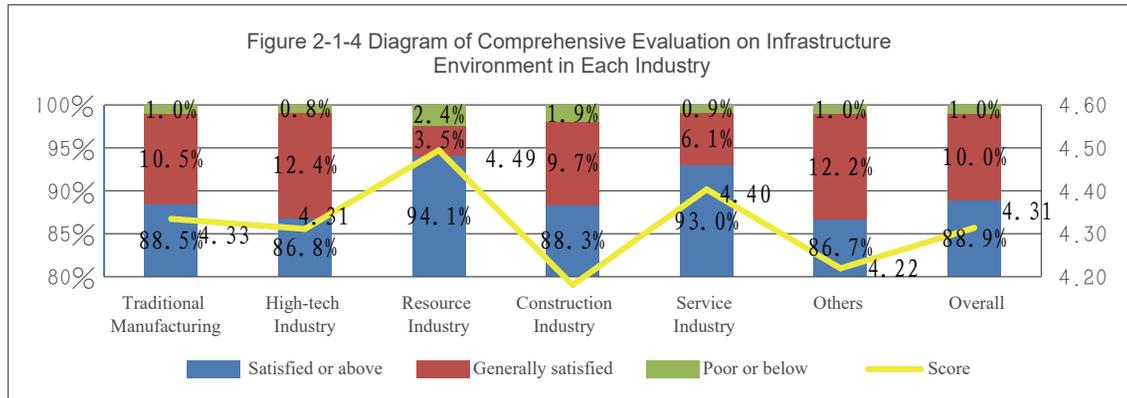
proportion of evaluations showing “satisfied or above” is the highest (92.2%) in the eastern region, while that in the central and western region are in a similar league, scoring 86.4% and 84.8% respectively.

According to the average score of the five second-level indexes, the score of the eastern region is higher than that of the central and western regions. Among them, the regional difference of evaluations on transportation is the greatest, with the western region scoring 4.10 points, which is 7.3% (0.30 points) lower than the eastern region (scoring 4.40 points). The ratings for environmental protection facilities are the closest, with the eastern region scoring only 0.13 points higher than the western region.

2-1-1 Scores of the Sub-divided Indexes of Infrastructure Environment in Each Region

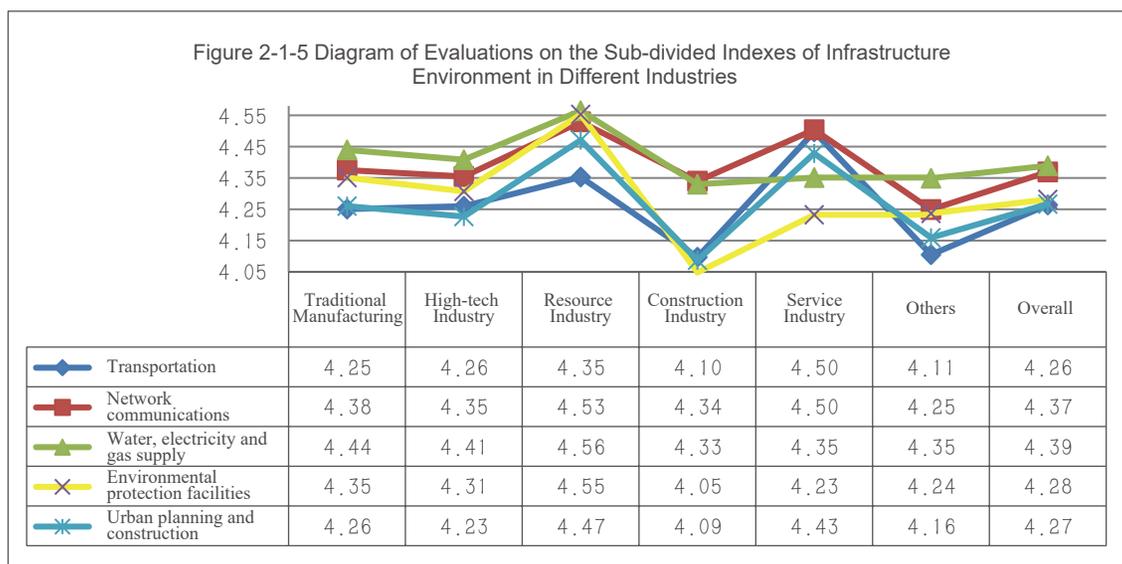
RANKING	Transportation		Network communications		Water, Electricity and Gas Supply		Environmental protection facilities		Urban planning and construction	
	Region	Score	Region	Score	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.40	Eastern Region	4.46	Eastern Region	4.45	Eastern Region	4.33	Eastern Region	4.37
2	Central Region	4.15	Western Region	4.32	Western Region	4.35	Western Region	4.26	Central Region	4.17
3	Western Region	4.10	Central Region	4.24	Central Region	4.30	Central Region	4.20	Western Region	4.15

### (III) More than 90% of the respondents in the resource and service industries express “satisfied or above”, while the construction industry scores poorly

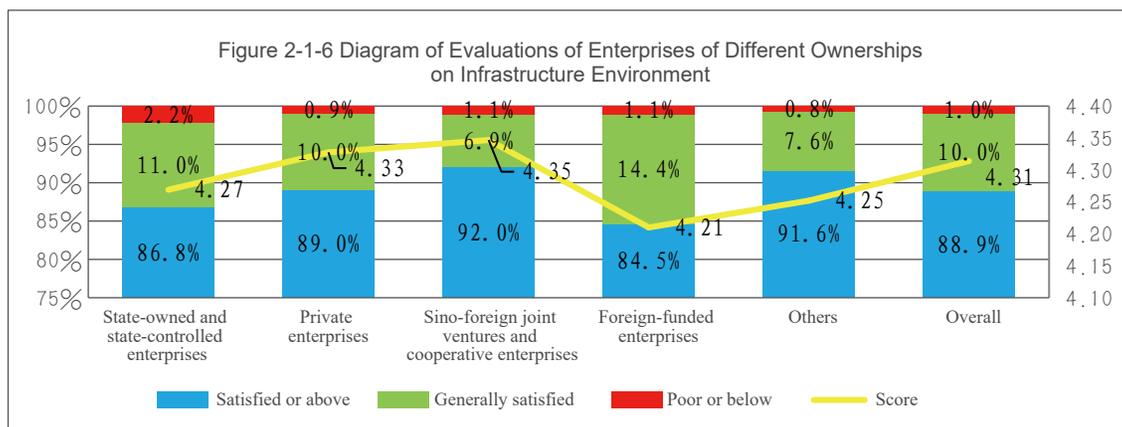


The resource industry enjoys the most satisfaction on infrastructure environment, with 94.1% of evaluations showing “satisfied or above”. Service industry ranks second in evaluations showing “satisfied or above” (93.0%). The proportion of evaluations showing “satisfied or above” of high-tech industry enterprises is the lowest, accounting for 86.8%.

The evaluation score on infrastructure environment in resource industry is the highest, which is 4.49 points, followed by that in the service industry at 4.40 points. The construction industry gives the lowest rating for infrastructure environment—4.18 points. Traditional manufacturing, high-tech industry and the other three industries score in the middle, with scores of 4.33, 4.31 and 4.22 points respectively.



Among the evaluations on infrastructure in different industries, the scores on such indexes as environmental protection facilities, urban planning and construction and transportation in the construction industry are significantly lower than those in other industries, with scores of 4.05, 4.09 and 4.10 points respectively.

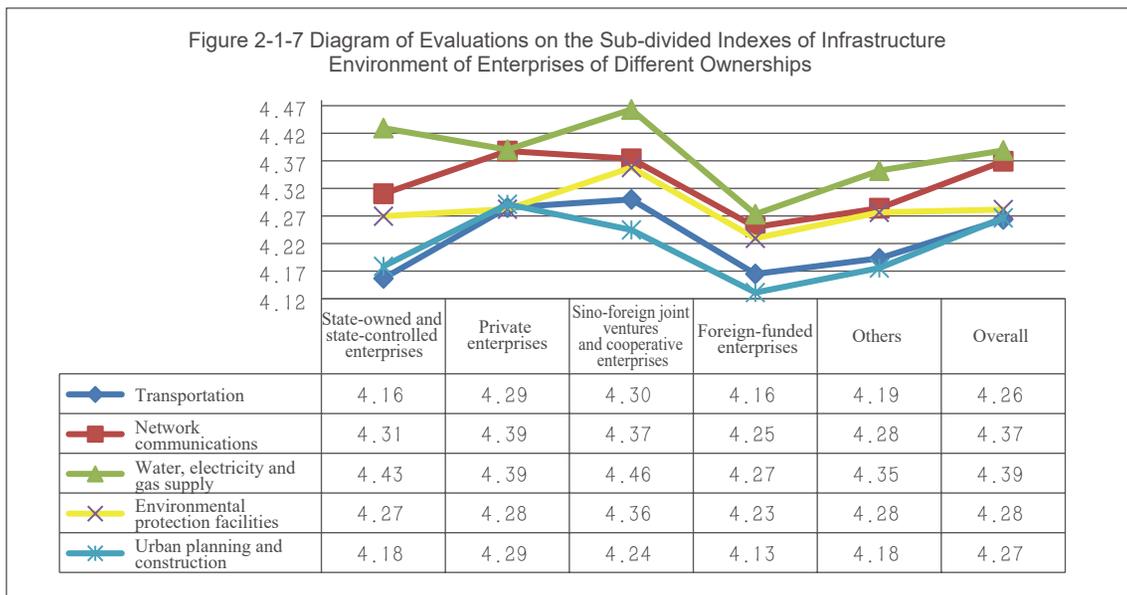


#### (IV) The ratings from Sino-foreign joint ventures and cooperative enterprises is high, while that of foreign-funded enterprises is low

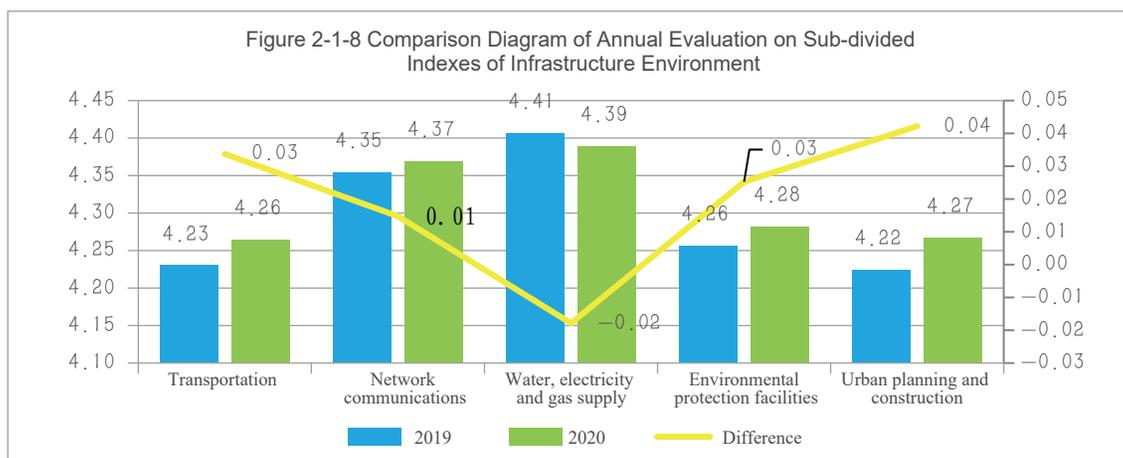
The evaluations on infrastructure environment between enterprises of different ownerships show some differences. Among them, Sino-foreign joint ventures and cooperative enterprises score the highest (4.35 points) on infrastructure environment, with the greatest

proportion of evaluations (92.0%) showing “satisfied or above”. Foreign-funded enterprises score the lowest (4.21 points) on infrastructure environment, with the smallest proportion of evaluations (84.5%) showing “satisfied or above”. Enterprises of other ownerships, state-owned enterprises and private enterprises score in the middle in terms of evaluation scores and satisfaction on infrastructure environment, with scores of 4.25, 4.27 and 4.33 points respectively.

From the scores on sub-divided indexes of enterprises of different ownerships, the evaluation of Sino-foreign joint ventures and cooperative enterprises on water, electricity and gas supply, which scores 4.46 points, is much higher than that of other types of enterprises. Foreign-funded enterprises give the lowest on urban planning and construction: 4.13 points. Private enterprises give a relatively high rating of 4.29 points for transportation and urban planning and construction.



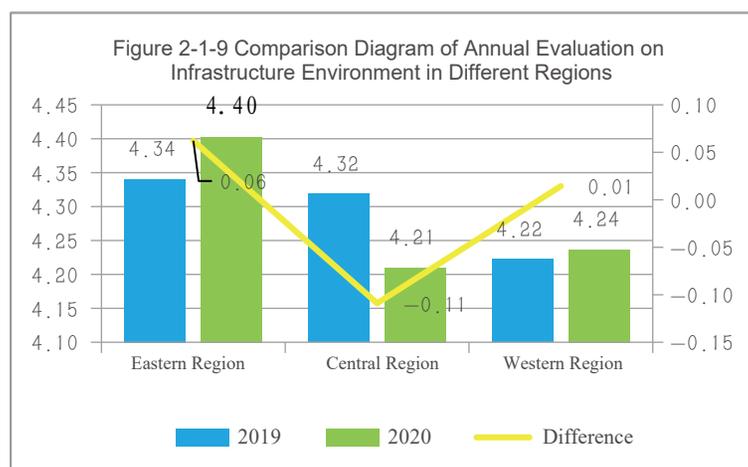
**(V) The indexes decline slightly overall, with the ratings from construction industry dropping by 2.7%.**



Compared with 2019, there is a slight decline (by 0.01 points) in the overall evaluation of enterprises on infrastructure. However, there are significant differences across regions and industries.

1. The scores on the second-level indexes improves by less than 0.05 points, and ratings for water, electricity and gas supply decline.

From the sub-divided indexes of infrastructure environment, the index for urban planning and construction improves the most, with an increase of 0.04 points. The average ratings for water, electricity and gas supply decreases by 0.02 points, which is the only second-level index of negative growth in infrastructure environment.



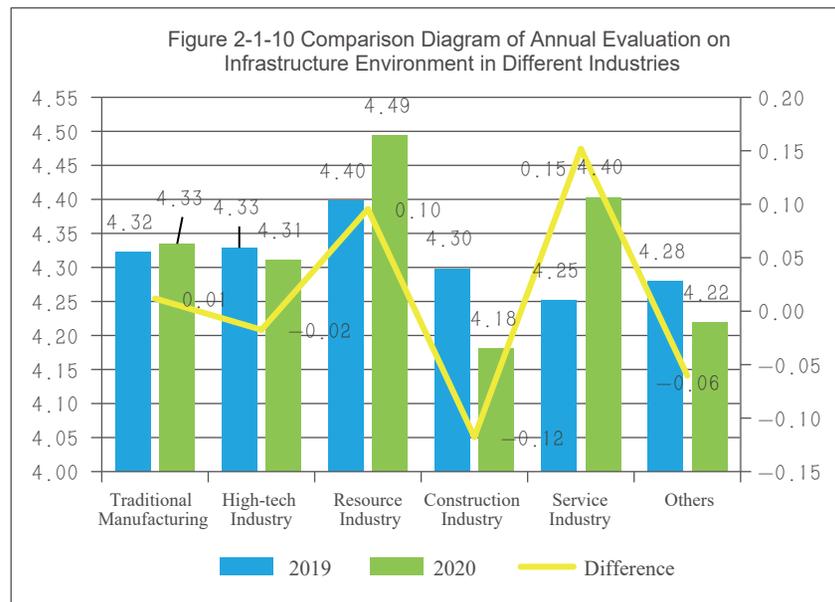
2. The ratings for eastern and western regions improves, while that in the central region declines.

Compared to 2019, the score on infrastructure in the eastern region in 2020 increases by 0.06 points, with the greatest improvement; that in the western region improves by 0.01 points. The central region continues to experience

negative growth, with the ratings for infrastructure in 2020 decreasing by 0.11 points compared with 2019 and by 0.17 points compared with 2018.

3. The ratings from the service industry improves significantly, while the ratings from high-tech industry decline.

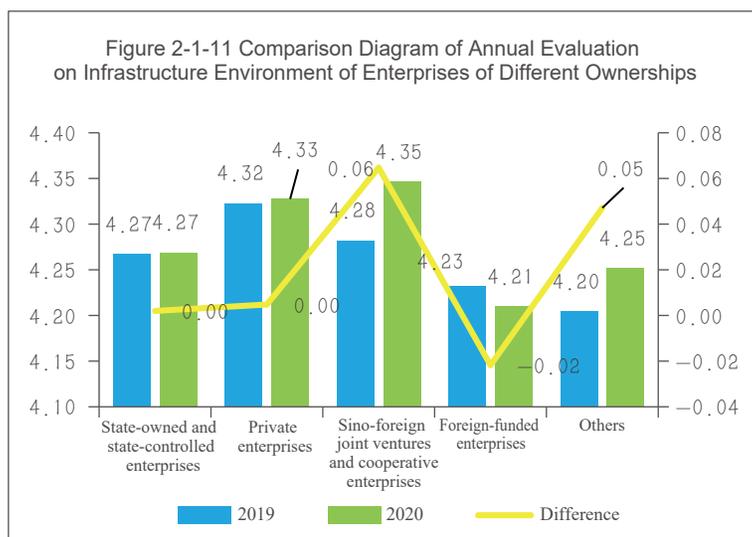
Compared to 2019, there is little difference in the evaluations for infrastructure in different industries in 2020. Ratings from service industry and resource industry improve significantly by 0.15 and 0.10 points respectively. Scores on traditional manufacturing rises slightly



by 0.01 points from 2019. Evaluations on infrastructure environment in high-tech, construction and other industries show a decline in the range of 0.02, 0.06 and 0.12 points, respectively.

4. The ratings from Sino-foreign joint ventures and cooperative enterprises greatly improve, while these of foreign-funded enterprises decline.

Compared with 2019, the evaluations on infrastructure environment between different types of enterprises show certain differences in 2020. Among them, the ratings from Sino-foreign joint ventures and cooperative enterprises as well as enterprises of other ownerships

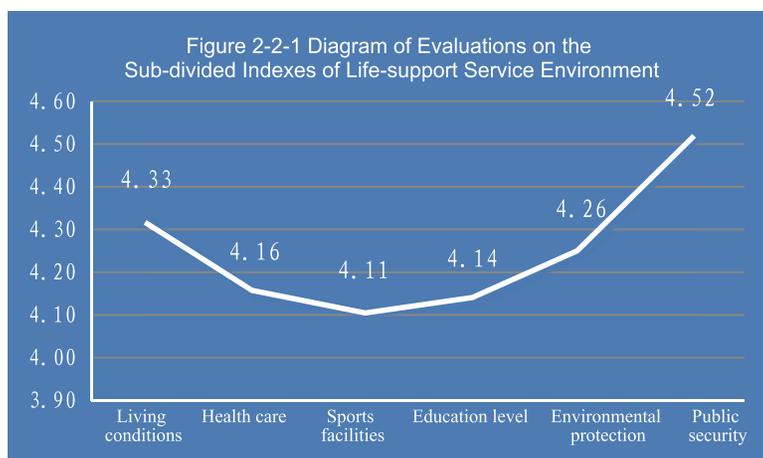


enterprises decreases by 0.02 points compared with 2019.

increase by 0.06 points and 0.05 points respectively compared with 2019. The ratings from state-owned and private enterprises remain the same as those of the previous year. The evaluation of foreign-funded

## II. Life-support Services: High Praises for Public Security, Low Satisfaction for Sports Facilities, Education and Health Care

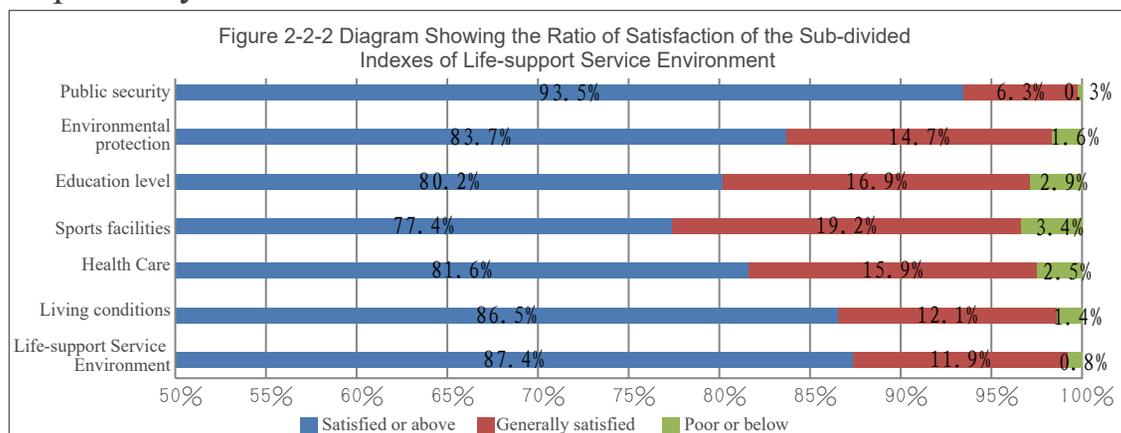
The life-support service index is sub-divided into six second-level indexes, i.e. living conditions, health care, sports facilities, education level, environmental protection and public security. In 2020, the surveyed enterprises have a low overall evaluation on life-support service, with a score of 4.25 points, which ranks 10th among the twelve first-level indexes.



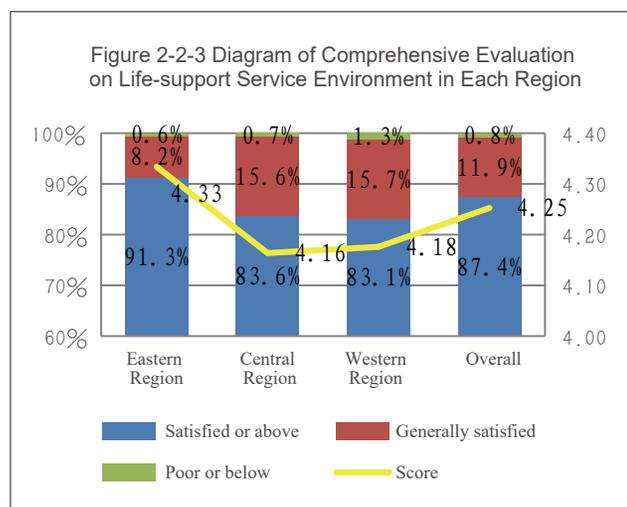
### (I) High praises for public security, low ratings for sports facilities

Among the six sub-divided indexes of life-support service environment, public security scores the

highest at 4.52 points, reaching the excellent level. Sports facilities scores the lowest at 4.11 points. The evaluations on education level and health care are also low, with the scores of 4.14 and 4.16 points respectively. The evaluations on environmental protection and living conditions stay in the middle, with the scores of 4.26 and 4.33 points respectively.



More than 90% of evaluations are “satisfied or above” with public security, while the proportion of evaluations indicating “poor or below” accounts for less than 0.5%, showing a high overall satisfaction. Only 77.4% of evaluations are “satisfied or above” with sports facilities, while 3.4% indicate “poor or below”. The satisfaction rate for education level, health care, environmental protection, living conditions and life-support service environment keeps in the middle, with more than 80% being “satisfied or above”, and less than 3% being “poor or below”.



**(II) The evaluations showing “satisfied or above” in the eastern region account for more than 90%, while those in the central and western region for over 80%.**

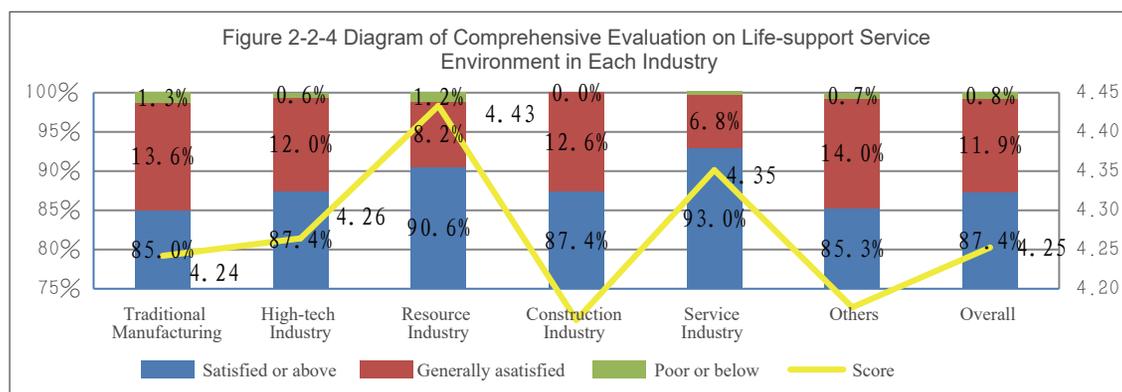
By region, the eastern part has the highest evaluation on life-support service

environment, with evaluations showing “satisfied or above” accounting for more than 90% (91.3%), scoring the highest at 4.33 points. The central and western regions have similar ratings, with evaluations showing “satisfied or above” accounting for 83.6% and 83.1%, scoring 4.16 and 4.18 points, respectively.

Table 2-2-1 Scores of the Sub-divided Indexes of Life-support Service Environment in Each Region

RANKING	living conditions		health care		sports facilities		education level		environmental protection		public security	
	Region	Score	Region	Score	Region	Score	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.41	Eastern Region	4.23	Eastern Region	4.20	Eastern Region	4.23	Eastern Region	4.33	Eastern Region	4.59
2	Western Region	4.27	Central Region	4.11	Western Region	4.04	Central Region	4.08	Central Region	4.19	Western Region	4.50
3	Central Region	4.20	Western Region	4.06	Central Region	4.01	Western Region	4.02	Western Region	4.17	Central Region	4.38

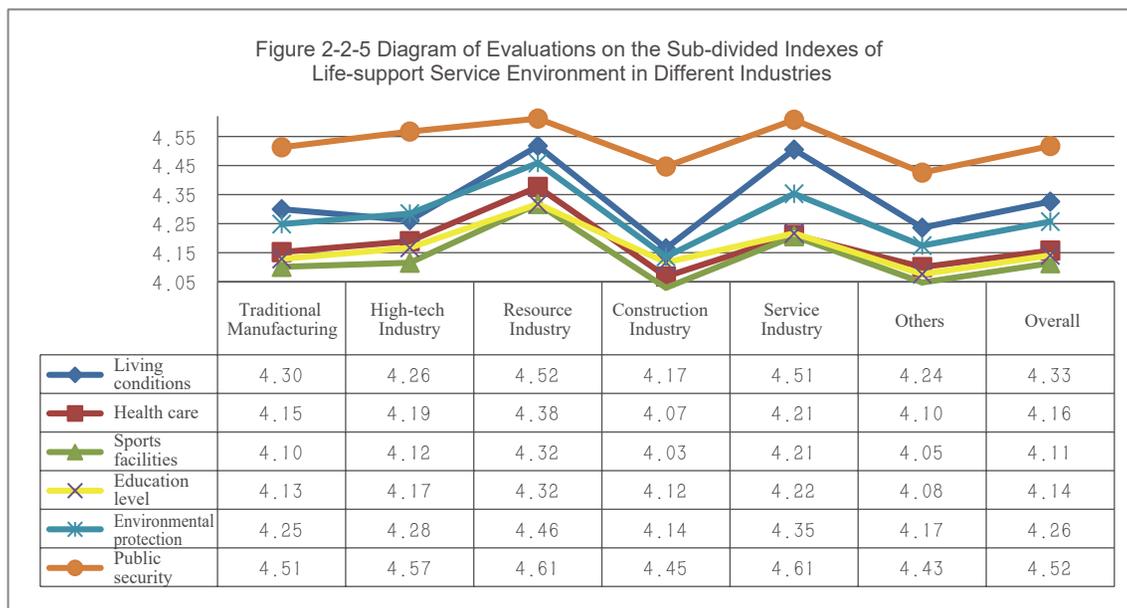
In terms of second-level sub-divided indexes, the evaluation is generally higher in the eastern region. The score on education level in the western region is the lowest at 4.02 points; the score on sports facilities in the central region is the lowest at 4.01 points. Among the regions, the difference of evaluations on environmental protection is the smallest (only 0.16 points); evaluations on living conditions, education level and public security all differ by 0.21 points. The gap of education level between the eastern and western regions is the greatest, with the west being 5.22% lower than the east.



### (III) The satisfaction rate among all industries exceeds 80%

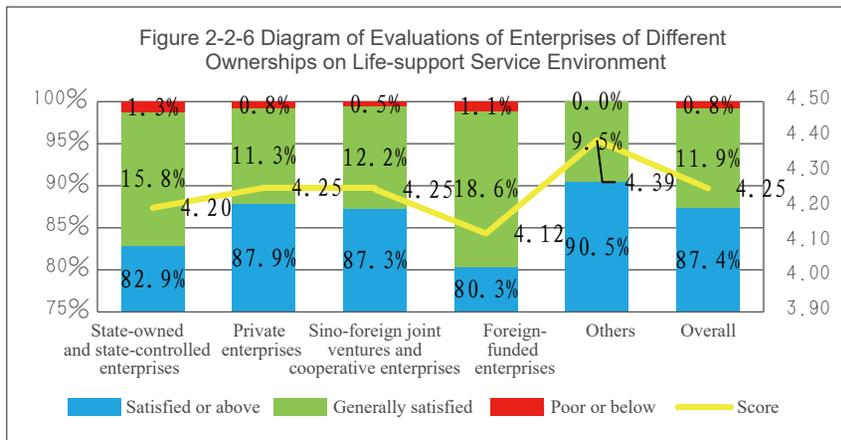
In terms of different industries, the service industry has the highest proportion of evaluations showing “satisfied or above” (93.0%), followed by the resource industry (90.6%). Evaluations showing “satisfied or above” in all industries exceed 80%.

In terms of scores, the resource industry gives the highest rating to life-support service environment, with a score of 4.43 points, followed by the service industry with a score of 4.35 points. Ratings from construction and other industries are relatively low, at 4.18 and 4.16 points respectively. There is a big gap between the industry with the highest score and the lowest score, differing by 0.27 points.

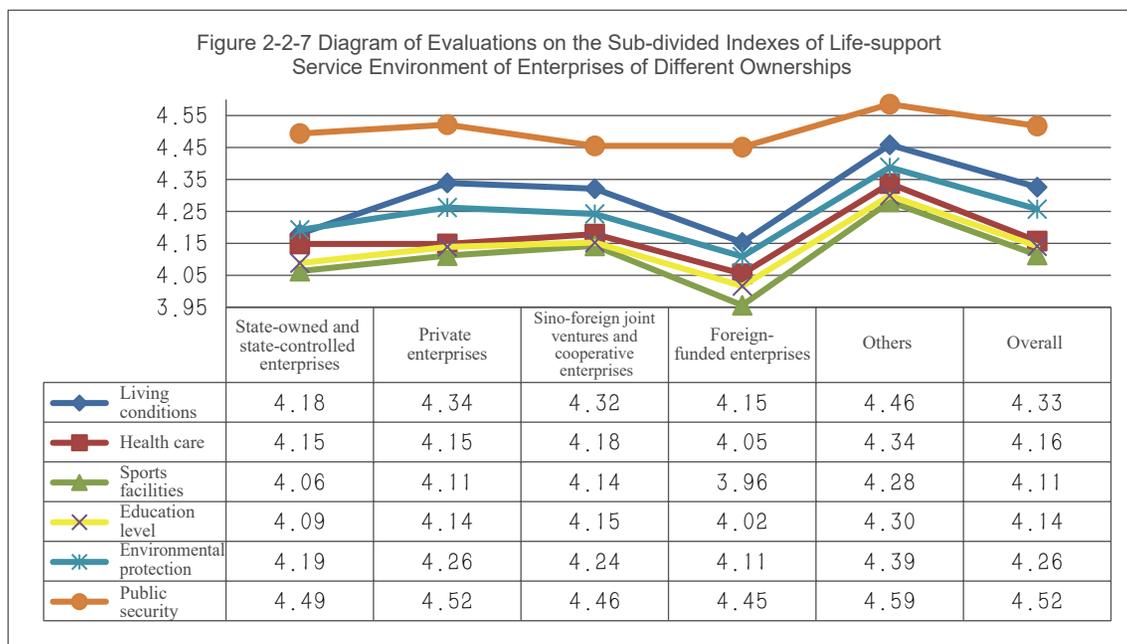


All industries have a high evaluation on public security. The most highly rated industries are service and resources, both scoring 4.61 points. Evaluation on sports facilities in construction industry only scores 4.03 points.

### (IV) Foreign-funded enterprises give the lowest evaluation



Enterprises of different ownerships have certain differences in the evaluation on life-support service environment. Among them, enterprises of other ownership give the highest score (4.39 points), while foreign-funded enterprises give the lowest (4.12 points). Ratings from state-owned enterprises, private enterprises and Sino-foreign joint ventures and cooperative enterprises are in between, at 4.20, 4.25 and 4.25 points respectively.



The proportion of evaluations indicating “satisfied or above” for foreign-funded enterprises is the lowest (80.3%), while that of enterprises of other ownership is the highest (90.5%), and there is no evaluation showing “poor or below”.

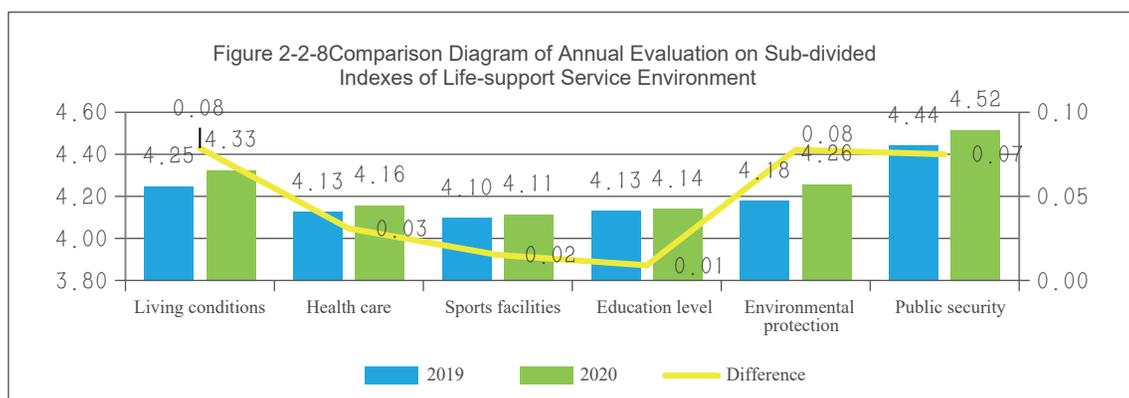
Among the second-level indexes, evaluation on public security of enterprises of other ownership scores the highest at 4.59 points; evaluation on sports facilities of foreign-funded enterprises scores the lowest at 4.02 points.

### (V) The ratings from the service industry improve greatly, while ratings from the construction industry drops considerably

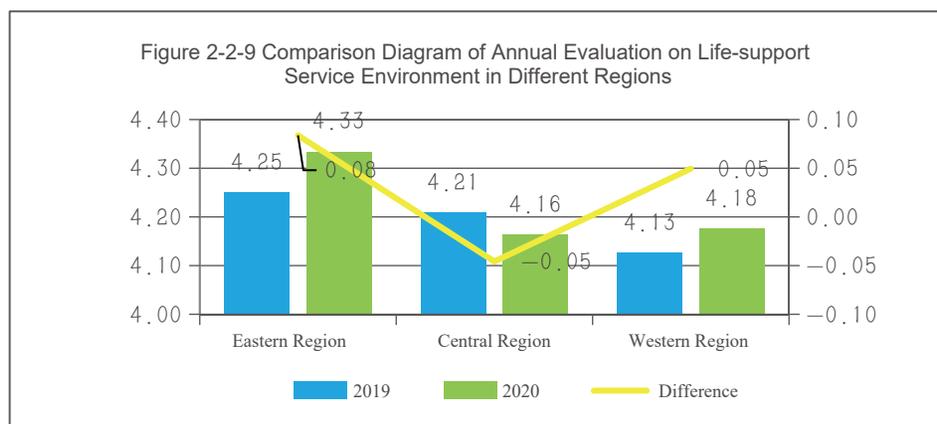
In 2020, evaluation on life-support service environment in China rises slightly to 4.32 points from 4.31 points in 2019. All the sub-divided indexes have improved.

1. All the six second-level indexes achieve growth; environmental protection and living conditions improve greatly.

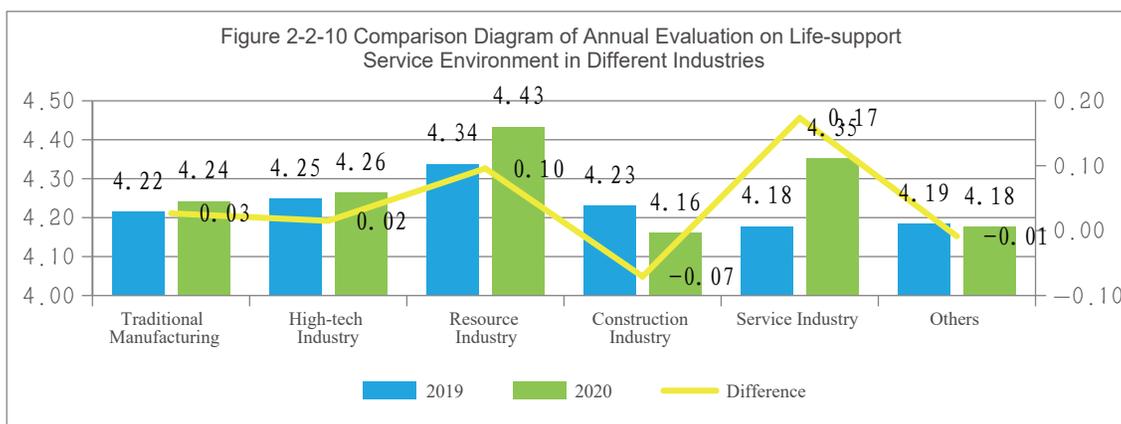
Compared with 2019, the two second-level indexes of environmental protection and living conditions improve the most in 2020, both by 0.08 points. Public security environment ranks second, with an increase of 0.07 points, which scores the highest among the second-level indexes, reaching the category of excellence. In contrast, education level and sports facilities improve slowly by 0.01 and 0.02 points respectively.



2. The evaluations for the eastern and western regions improved, while the central region continues to see negative growth in indexes.

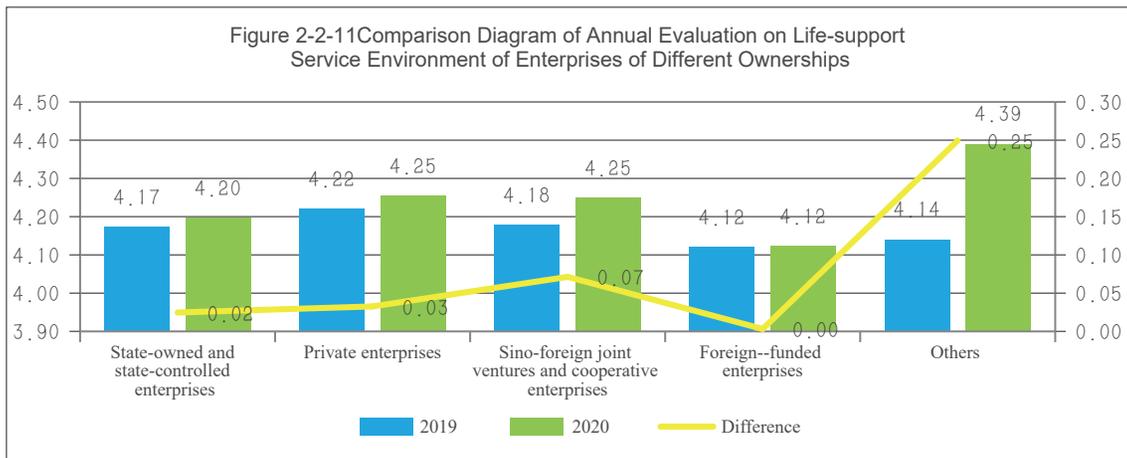


Compared with 2019, evaluations on life-support service environment in the eastern and western regions in 2020 have improved to some extent, with the eastern region increasing by 0.08 points and the western region by 0.05 points. The score of the central region decreases by 0.05 points.



3. The score of service industry rises sharply, while scores of construction and other industries drop down.

Compared with 2019, the evaluation in service industry on life-support service environment in 2020 improves the most by 0.17 points. Construction and other industries are rated lower by 0.07 and 0.01 points, respectively.



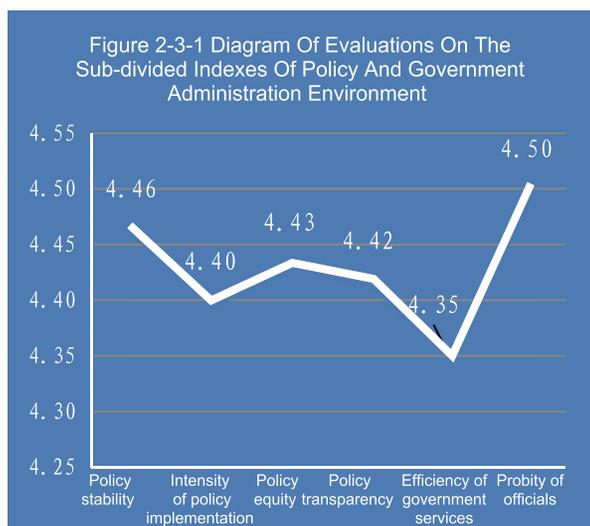
4. Evaluation from enterprises of other ownership improves greatly. The overall evaluation of the industries is relatively stable.

Compared with 2019, evaluations from enterprises of different ownerships on life-support services have improved or remained stable in 2020. Among them, the ratings from enterprises of other ownership improve the most, with an increase of 0.25 points; that of foreign-funded enterprises remains the same as in 2019, while the rest increase to different degrees.

### III. Policy and Government Administration: Probity of Officials Rated as “Very Satisfied”, Low Ratings for the Efficiency of Government Services

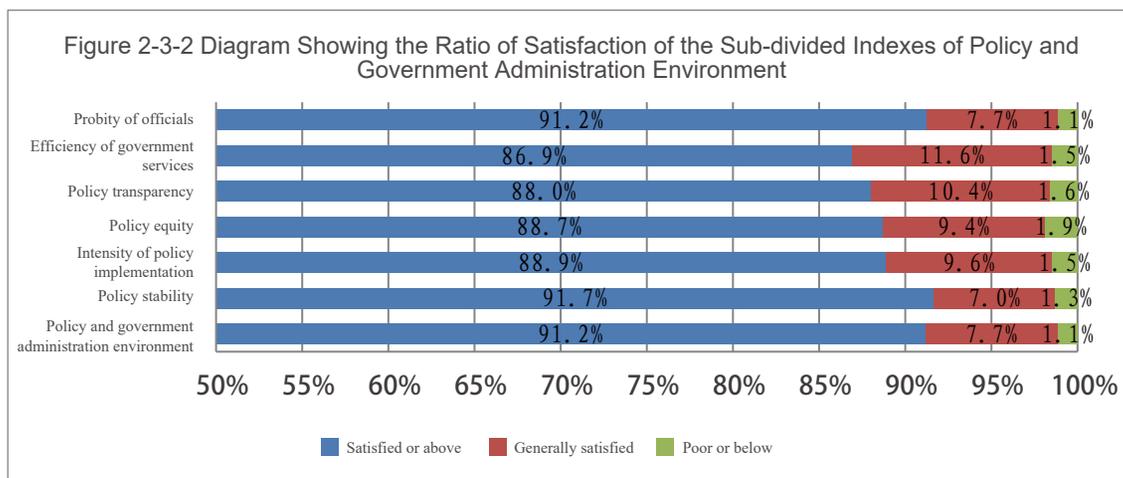
The policy and government administration environment index can be sub-divided into 6 second-level indexes, i.e. policy stability, intensity of policy implementation, policy equity, policy synergy, efficiency of government services and probity of officials. In 2020, the surveyed enterprises have a high evaluation on policy and government administration environment, with enterprises indicating “satisfied or above” accounting for more than 90%.

#### (I) Highest ratings for the probity of officials, low ratings for the efficiency of government services



In 2020, the overall rating of policy and government administration environment scores 4.43 points, higher than that of the national business environment, ranking the third among the 12 first-level indexes. Among the seven second-level indexes of policy and government administration environment,

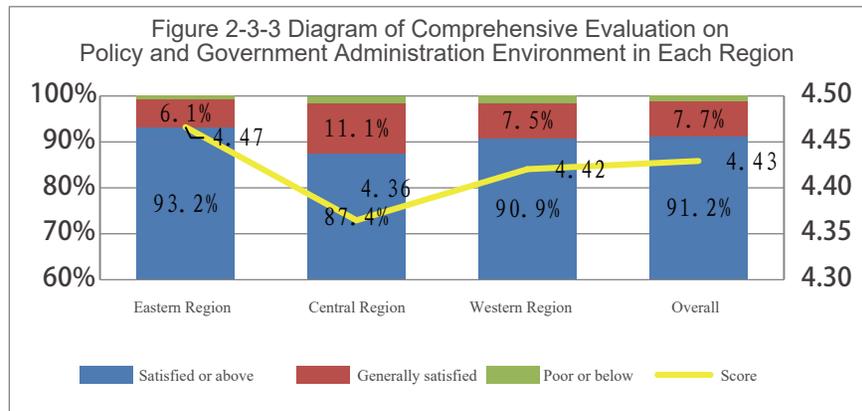
probity of officials scores the highest at 4.50 points, being rated as “very satisfied” for the first time and entering the range of excellence. The index of policy stability scores the second at 4.46 points. Evaluations on policy equity, policy transparency and intensity of policy implementation score in the middle, at 4.43, 4.42 and 4.40 points respectively. Ratings on efficiency of government services is relatively low at 4.35 points.



More than 90% of evaluations are “satisfied or above” with the overall policy and government administration environment index. Among the second-level indexes, evaluations showing “satisfied or above” on probity of officials and policy stability account for more than 90%, being 91.2% and 91.7% respectively. Evaluations indicating “satisfied

or above” on the efficiency of government services is low at 86.9%.

## (II) Small difference in efficiency of government services and large difference in probity of officials among different regions



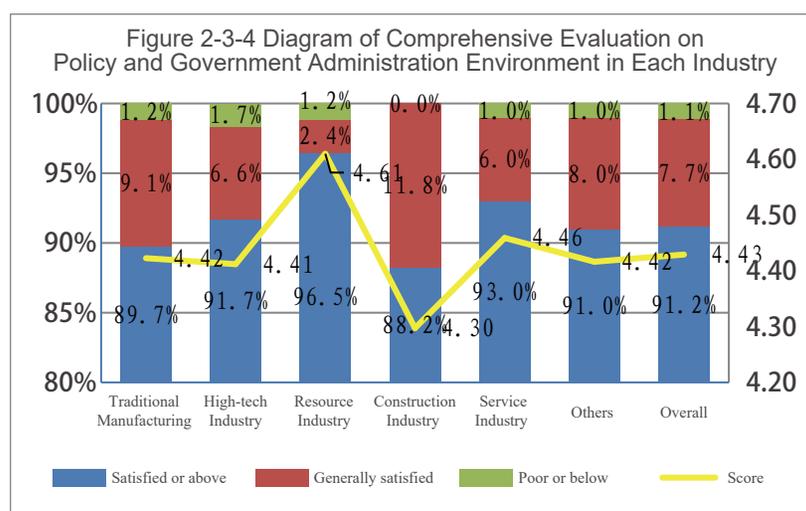
There are some regional differences in the evaluation on policy and government administration environment. The eastern region receives a high rating of 4.47 points; the central region gets a low rating of 4.36 points; the western region is in the middle with a score of 4.42 points. Evaluations indicating “satisfied or above” in the eastern and western regions account for more than 90%, being 93.2% and 90.9% respectively, while that in the central region is slightly lower at 87.4%.

Table 2-3-1 Scores of Policy and Government Administration Environment in Each Region

RANKING	Policy stability		Intensity of policy implementation		Policy equity		Policy transparency		Efficiency of government services		Probity of officials	
	Region	Score	Region	Score	Region	Score	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.53	Eastern Region	4.44	Eastern Region	4.50	Eastern Region	4.45	Western Region	4.39	Eastern Region	4.54
2	Western Region	4.41	Western Region	4.37	Western Region	4.39	Western Region	4.43	Central Region	4.37	Western Region	4.52
3	Central Region	4.39	Central Region	4.36	Central Region	4.34	Central Region	4.34	Eastern Region	4.33	Central Region	4.39

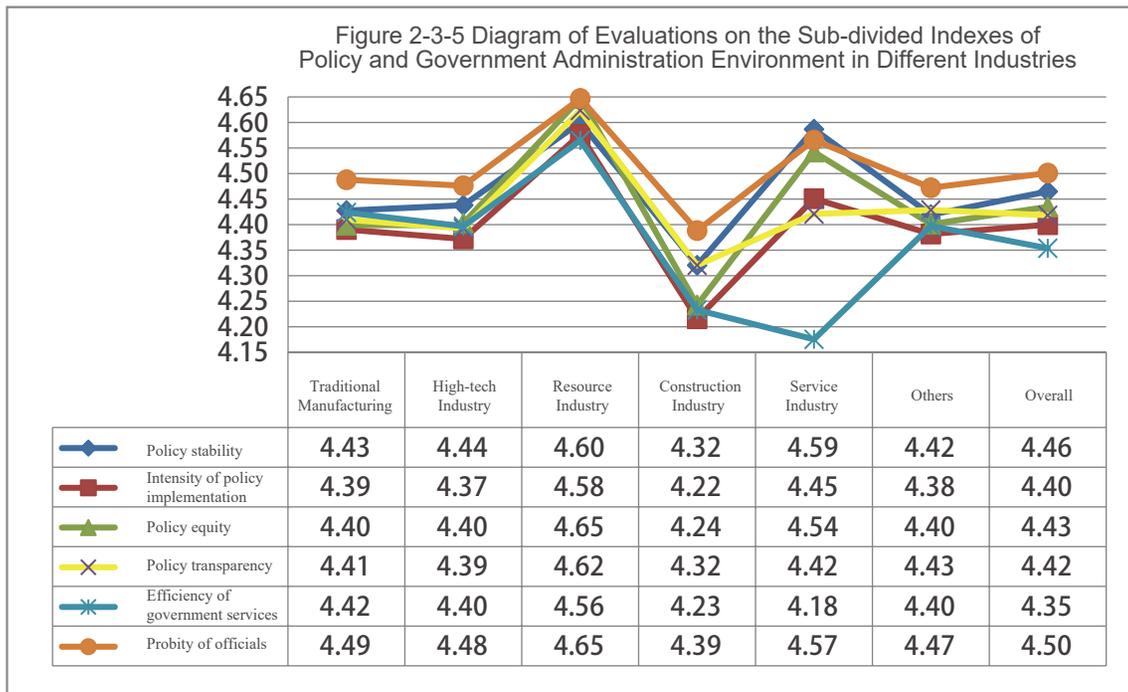
The eastern region ranks first among the six second-level indexes with excellent performance. On efficiency of government services, the western region scores the highest (4.39 points), while the eastern region scores the lowest (4.33 points).

### (III) Highest ratings from resource industry, low ratings from construction industry and traditional manufacturing

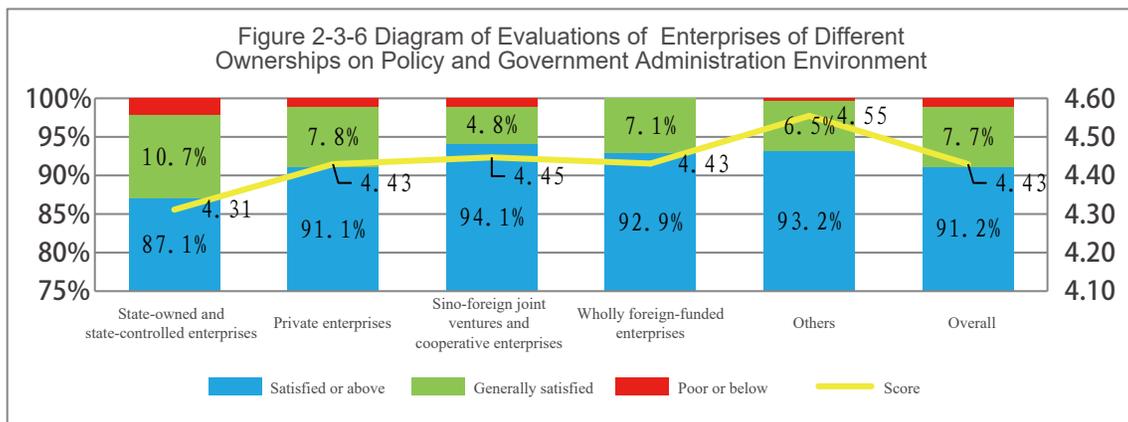


By industry, evaluations indicating “satisfied or above” in the resource industry, service industry, high-tech industry and other industries all account for over 90%, with that in the resource industry reaching up to 96.5%. Evaluations indicating “satisfied or above” in construction industry and traditional manufacturing account for a low proportion of 88.2% and 89.7% respectively.

In terms of the scores of policy and government administration environment in different industries, the resource industry gives the highest rating at 4.61 points; construction industry scores the lowest at 4.30 points. The ratings of other industries, from high to low, are service industry (4.46 points), other industries (4.42 points), traditional manufacturing (4.42 points) and high-tech industry (4.41 points).



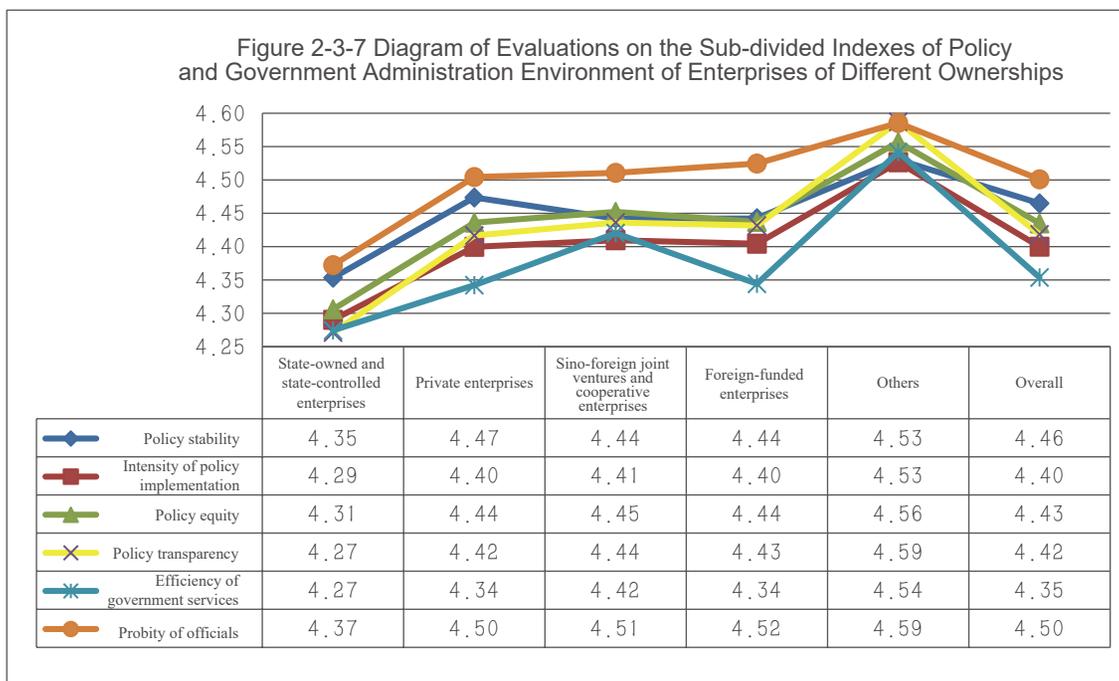
Among the scores of second-level indexes, the highest score is 4.65 points on probity of officials in the resource industry; the lowest score is 4.18 points on efficiency of government services in service industry.



#### (IV) Evaluations showing “satisfied or above” account for more than 90%, while state-owned enterprises have a low evaluation

Evaluations indicating “satisfied or above” of the four ownership types of enterprises, i.e. Sino-foreign joint ventures and cooperative enterprises, foreign-funded enterprises, private enterprises and other

enterprises, all account for more than 90%, in which those of Sino-foreign joint ventures and cooperative enterprises account for a high proportion of 94.1%. Evaluation indicating “satisfied or above” of state-owned enterprises has a low proportion of 87.1%.



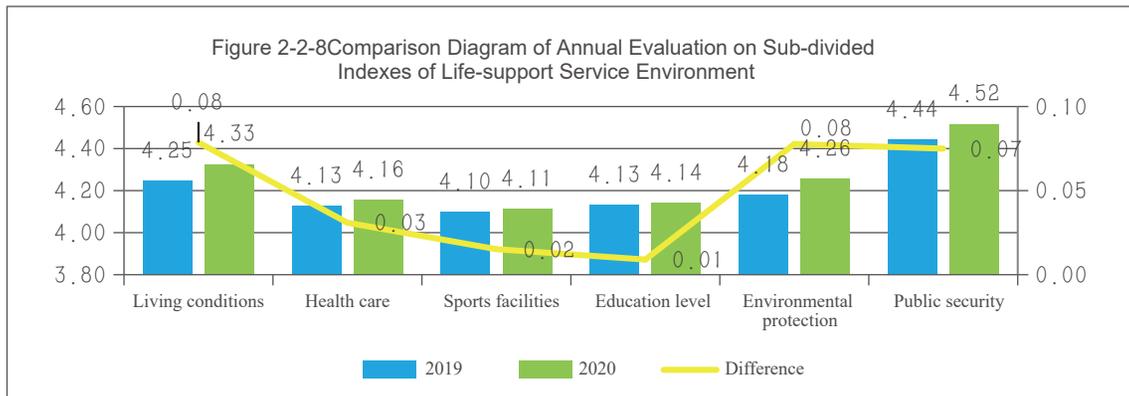
Among the second-level indexes, the evaluation on probity of officials is in the leading position, and that on efficiency of government services is generally low. Enterprises of other ownership give the probity of officials the highest rating at 4.59 points. State-owned enterprises score the lowest on efficiency of government services and policy transparency at 4.27 points.

**(V) The evaluation on policy transparency and equity improves greatly; the evaluation in the central region declines slightly**

In 2020, enterprises' evaluation on policy and government administration increases by 0.07 points from 4.36 points in 2019 to 4.43 points, ranking second in terms of increment.

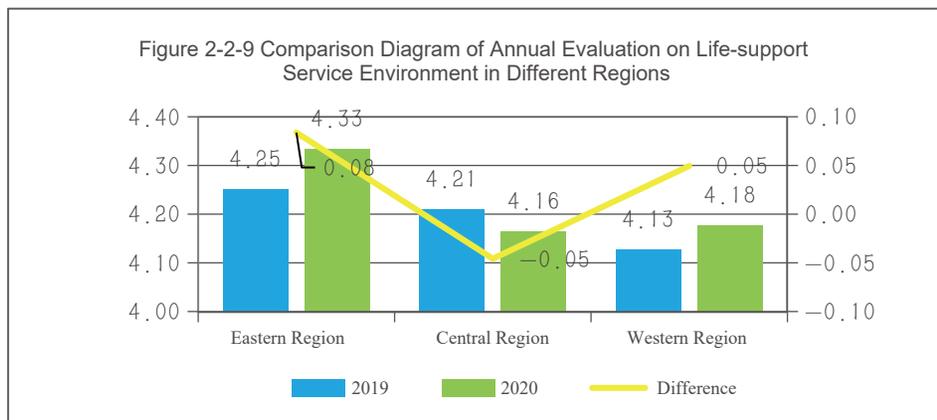
1. Evaluations on all indexes have improved, and those on policy transparency and equity improve the most.

Compared with 2019, evaluations on all of the seven second-level indexes have improved in 2020, with those on policy equity and transparency increasing greatly, both by 0.14 points. The improvement of evaluations on intensity of policy implementation, policy stability and probity of officials ranks in the middle, by 0.12, 0.10 and 0.07 points respectively. The evaluation on efficiency of government services improves less, by only 0.02 points.



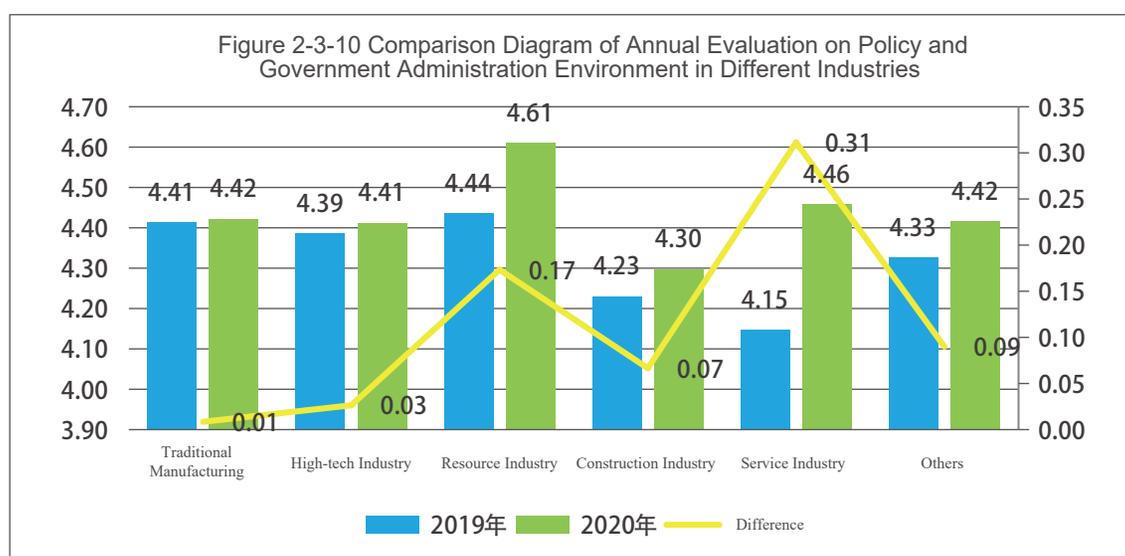
2. Evaluations in both the eastern and western regions have improved, while those in the central region have slightly decreased.

In terms of different regions, the evaluation in the eastern region increases greatly by 0.17 points, followed by that in the western region with an increase of 0.11 points; the central region sees a drop, down 0.09 points.



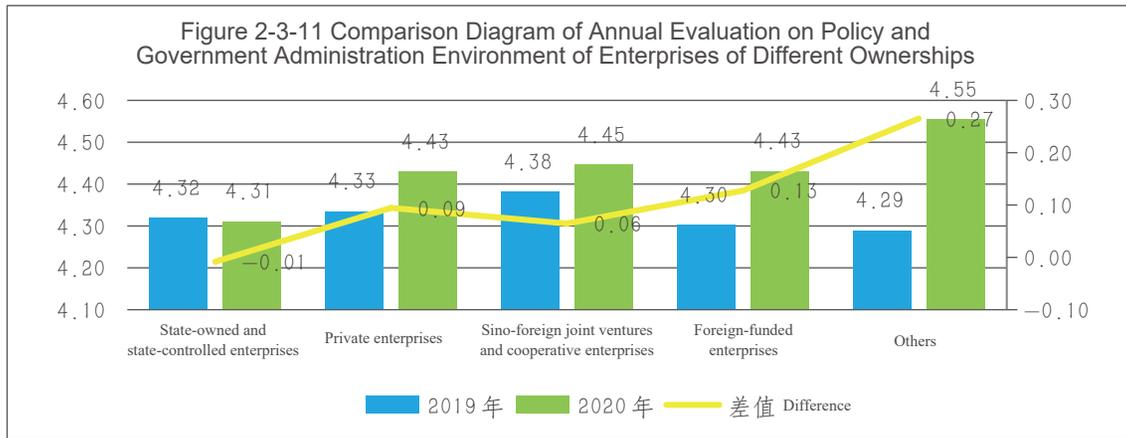
### 3. Evaluation in all industries has improved, and the ratings from the service industry increases by more than 7%.

In 2020, ratings on policy and government administration in all industries have improved compared with those in 2019. Ratings from traditional manufacturing rises the least by only 0.01 points; the high-tech industry gives the second highest ratings, up by 0.03 points; ratings from the service sector increase by 0.31 points, the largest increase among industries (7.4%).



### 4. Evaluations from enterprises of other ownership and foreign-funded enterprises improve greatly, while that of state-owned enterprises drops slightly.

Compared with 2019, the evaluation from enterprises of other ownership on policy and government administration environment improves the most by 0.27 points in 2020, which is followed by that of foreign-funded enterprises with an increase of 0.13 points. The improvement of ratings from private enterprises and Sino-foreign joint ventures and cooperative enterprises ranks in the middle, by 0.06 and 0.09 points respectively. The ratings from state-owned enterprises decreases slightly, by 0.01 points.

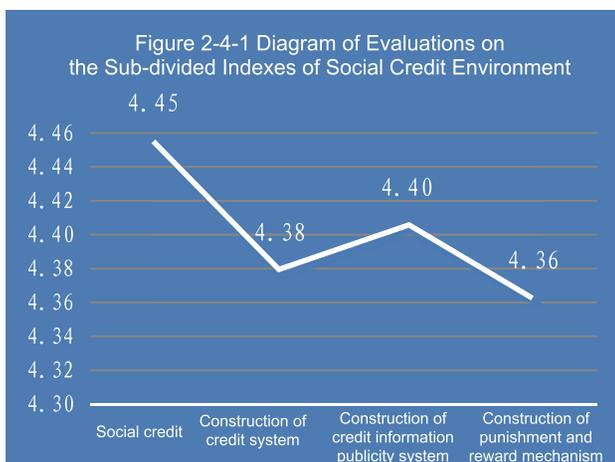


## IV. Social Credit: High Ratings for the Social Credit System; Punishment and Reward Mechanism Needs to Be Strengthened

The social credit index is sub-divided into four second-level indexes, i.e. the level of social credit, the construction of credit system, the construction of an open credit information platform, and punishment and reward mechanism. In 2020, the surveyed enterprises give a good overall evaluation on social credit system, which ranks fifth among the twelve first-level indexes.

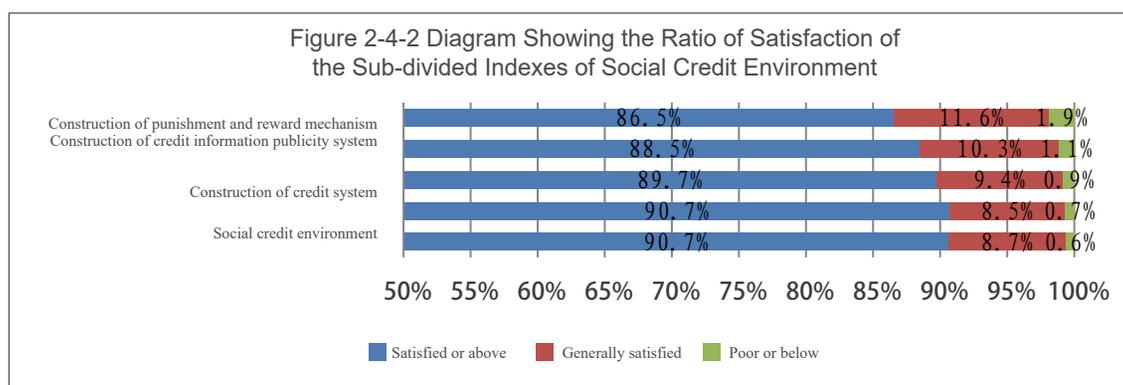
### (I) Ratings on social credit level is high; punishment and reward mechanism needs to be strengthened

In 2020, the overall score of social credit index is 4.40 points, higher than the score of comprehensive evaluation on China's business environment. Among the four second-level indexes, the sub-divided index—social credit level—scores the highest at 4.45 points, while punishment and reward mechanism scores the



lowest at 4.36 points. The construction of an open credit information system and the construction of credit system get 4.40 points and 4.38 points respectively.

In terms of satisfaction index, more than 90% of the surveyed enterprises are “satisfied or above” with social credit environment. Among the second-level indexes, the index of social credit level has a high proportion of evaluations showing “satisfied or above” (90.7%), while the punishment and reward mechanism has a low one (86.5%).



**(II) The ratings for the eastern region is the highest, followed by the central and western region.**

The evaluation on social credit environment in all regions presents a V-shaped curve, with evaluations indicating “satisfied or above” accounting for more than 90%. The ratings for the eastern region is the highest, scoring 4.44 points with evaluations indicating “satisfied or above” accounting for 92.3%. The ratings for the central region is relatively low, scoring 4.32 points with evaluations indicating “satisfied or above” accounting for 88.6%.

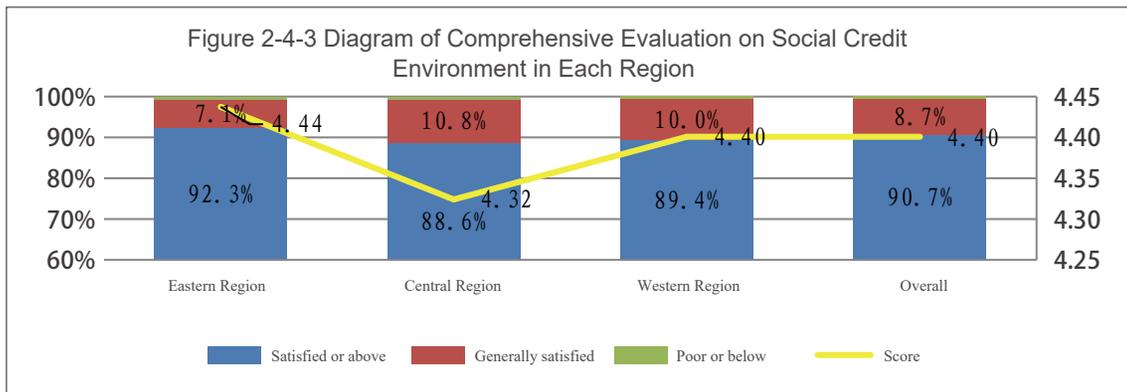


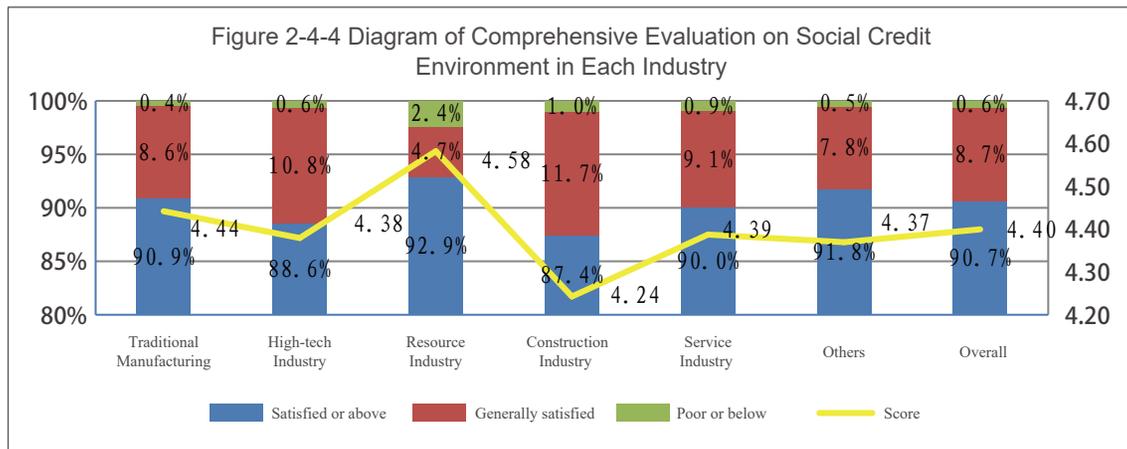
Table 2-4-1 Scores of the Sub-divided Indexes of Social Service Environment in Each Region

RANKING	Social credit		Construction of credit system		Construction of credit information publicity system		Construction of punishment and reward mechanism	
	Region	Score	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.52	Western Region	4.41	Eastern Region	4.46	Eastern Region	4.40
2	Western Region	4.42	Eastern Region	4.37	Western Region	4.39	Western Region	4.39
3	Central Region	4.36	Central Region	4.36	Central Region	4.31	Central Region	4.26

Among the second-level indexes, the western region ranks first in the index of credit system construction with a score of 4.41 points. The eastern region tops the list in terms of social credit, construction of credit information publicity system and construction of punishment and reward mechanism.

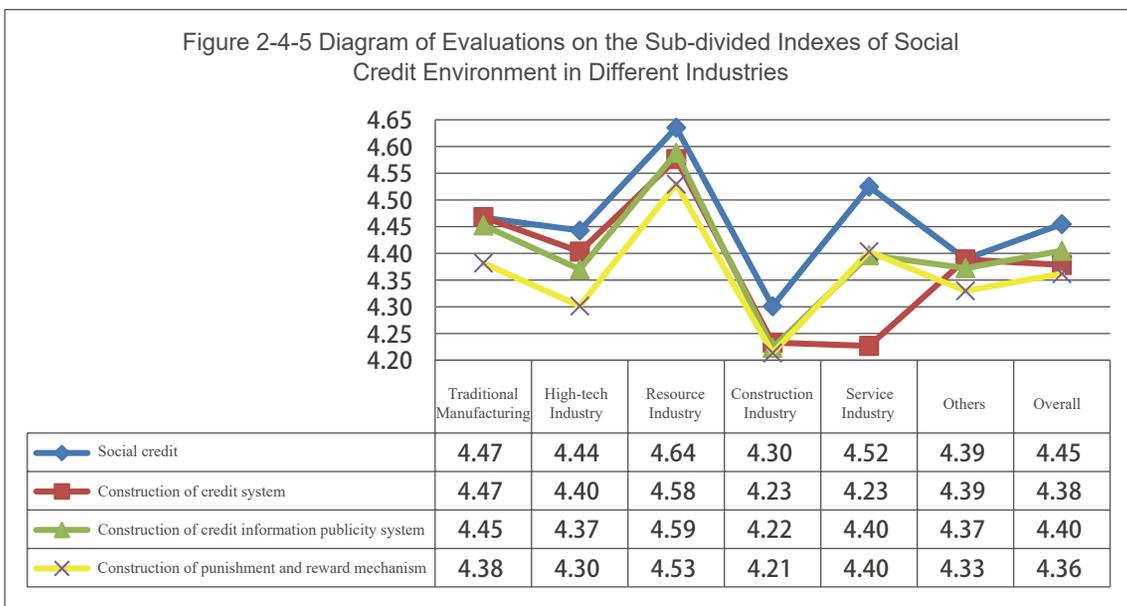
### (III) Highest rating from the resource industry, lowest rating from the construction industry

By industry, the resource industry gives the highest score (4.58 points) on the social credit index, while the construction industry gives the lowest (4.24 points). Traditional manufacturing, service, high-tech and other industries score between 4.35 and 4.45 points.



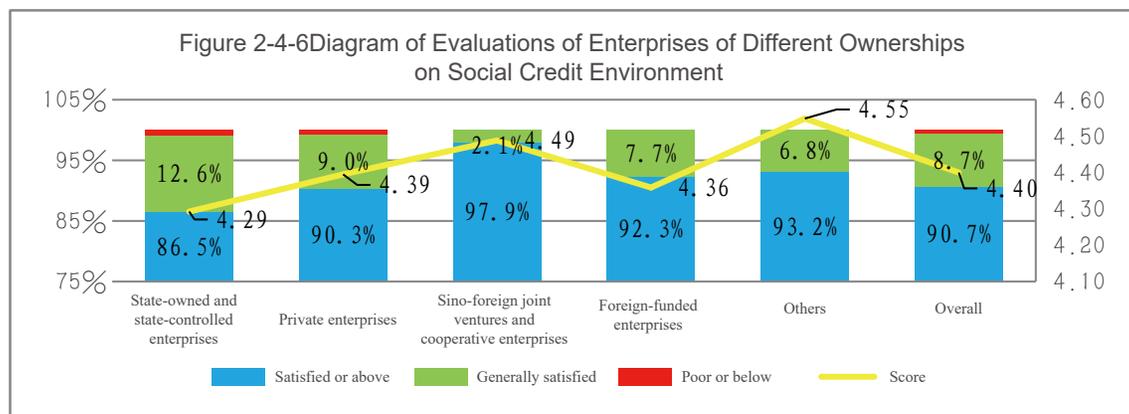
Evaluation indicating “satisfied or above” in construction industry takes up the lowest proportion of 87.4%, while that in resource industry accounts for the highest proportion of 92.9%.

The social credit level is generally rated high on second-level indexes in all industries. Construction of credit system is rated relatively low in the service industry (4.23 points). The lowest score is 4.21 points for evaluation on construction of punishment and reward mechanism, which is given by the construction industry; the highest score is 4.64 points for social credit level in resource industry.



#### (IV) Sino-foreign joint ventures and cooperative enterprises have a high degree of satisfaction; state-owned enterprises give low ratings

In terms of scoring, enterprises of other ownership have a high evaluation on social credit environment, with a score of 4.55 points, reaching excellent level. Sino-foreign joint ventures and cooperative enterprises come second, with a score of 4.49 points. State-owned enterprises score the lowest, at 4.29 points.



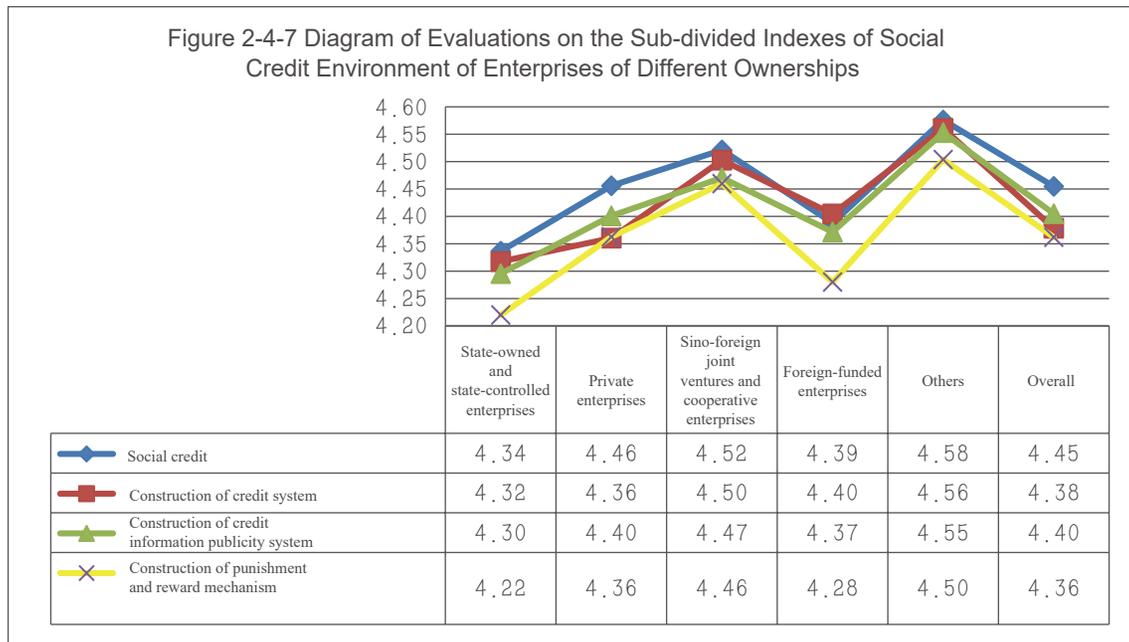
In terms of satisfaction, evaluation indicating “satisfied or above” of Sino-foreign joint ventures and cooperative enterprises accounts for the largest proportion (97.9%), which is much higher than that of other types of enterprises. The proportion of evaluation indicating “satisfied or above” is the lowest (86.5%) in state-owned enterprises.

Among the second-level indexes, the ratings for social credit of the other-ownership enterprises scores the highest (4.58 points); the score of state-owned enterprises on construction of punishment and reward mechanism is the lowest: 4.22 points. The evaluation of foreign-funded enterprises on construction of punishment and reward mechanism is also low, at 4.28 points.

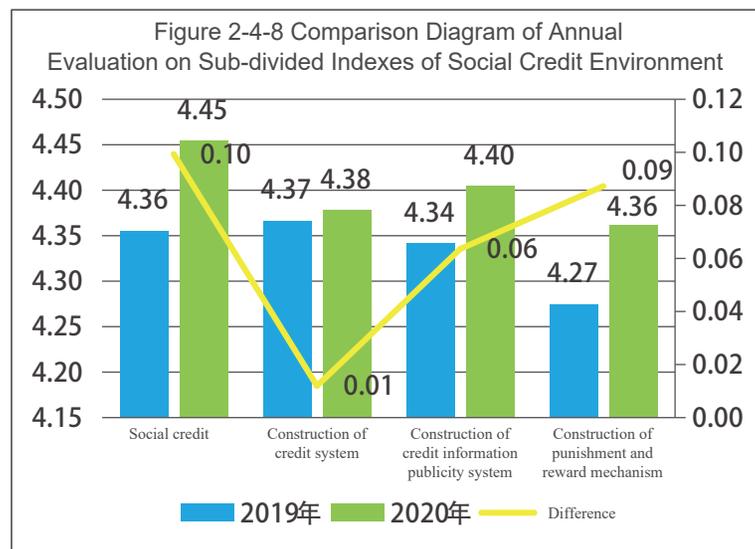
#### (V) The overall ratings on social credit environment has improved, with the evaluation in each region and each industry varying from each other.

The overall social credit index scores 4.40 points in 2020, 0.01 points higher than that in 2019 (3.39 points). The score of social credit increases greatly, while that in the central region drops.

### 1. Great improvement in social credit level, less improvement in construction of credit system



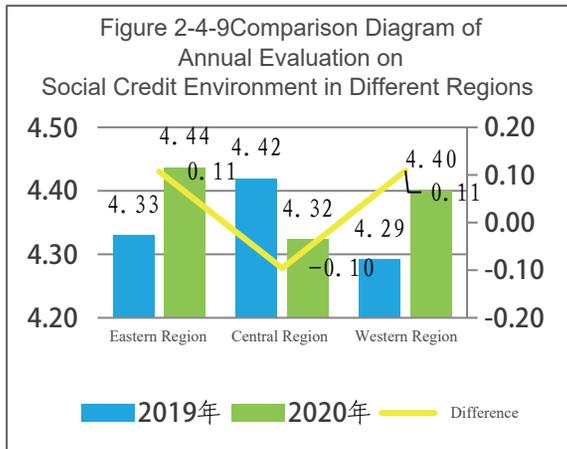
Compared with 2019, ratings on the social credit level in 2020 improves by 0.1 points, with the most increase, followed by that on construction of punishment and reward mechanism with an increase



of 0.09 points. The improvement in the construction of credit system is relatively less, by 0.01 points, while that in the construction of credit information publicity system ranks in the middle,

by 0.06 points.

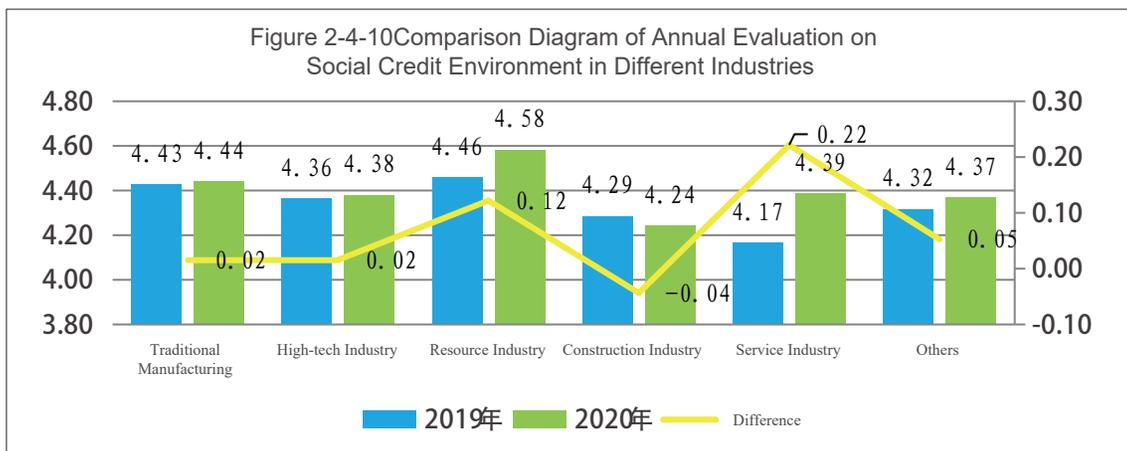
## 2. Ratings for the eastern and western regions go up, while the central region's ratings go down.



Compared with 2019, ratings on social credit environment in both the eastern and western regions in 2020 experiences a significant increase by 0.11 points, with the western region having the largest increasing rate of 2.6%. The central region sees a drop of 0.10 points.

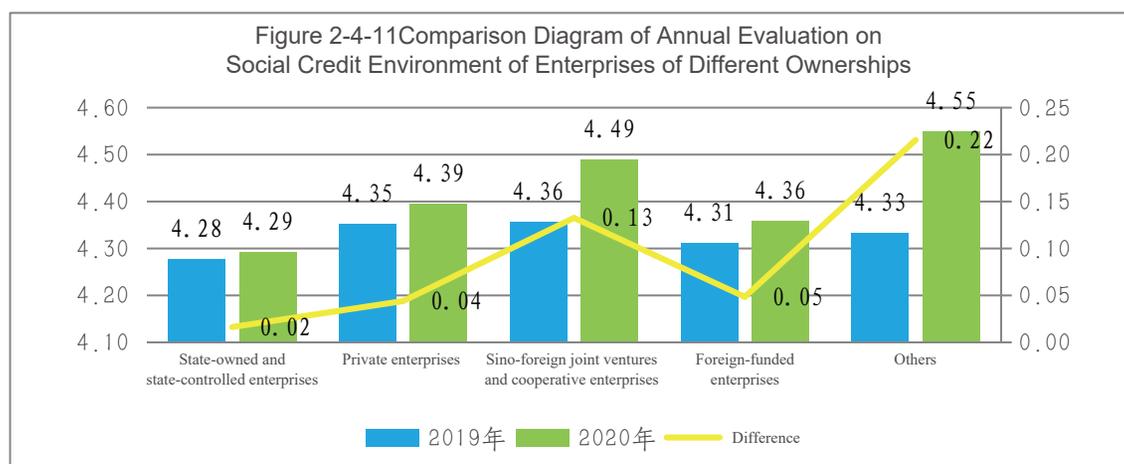
## 3. Ratings from the service industry improve greatly, while construction industry's ratings decline.

Compared with 2019, the ratings on service industry in 2020 has improved greatly, with an increase of 0.22 points or 5.28%. The score of resource industry also sees an improvement of 0.12 points. Ratings from the traditional manufacturing, high-tech industry and other industries increase by 0.02, 0.02 and 0.05 points respectively, while the score on social credit in construction industry shows a decline by 0.04 points.



#### 4. Ratings from enterprises of other ownership grow by more than 5%, and that of state-owned enterprises is less.

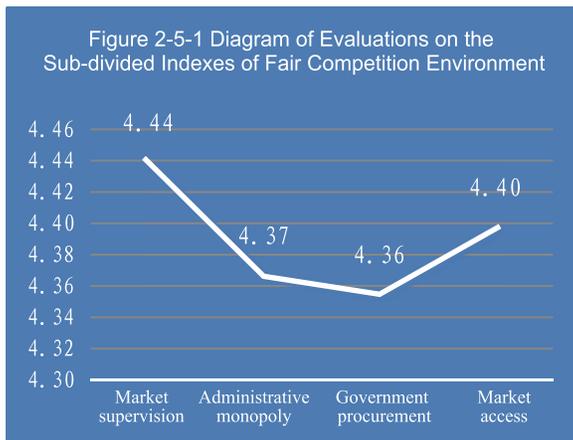
In terms of different ownerships, evaluations on social credit of all types of enterprises have improved during 2019-2020. Among them, the evaluation of enterprises of other ownership increases by 0.22 points, or 5.08%; the evaluation of state-owned enterprises improves less, only by 0.02 points.



## V. Fair Competition: High Ratings for Market Supervision, Low Ratings for Government Procurement

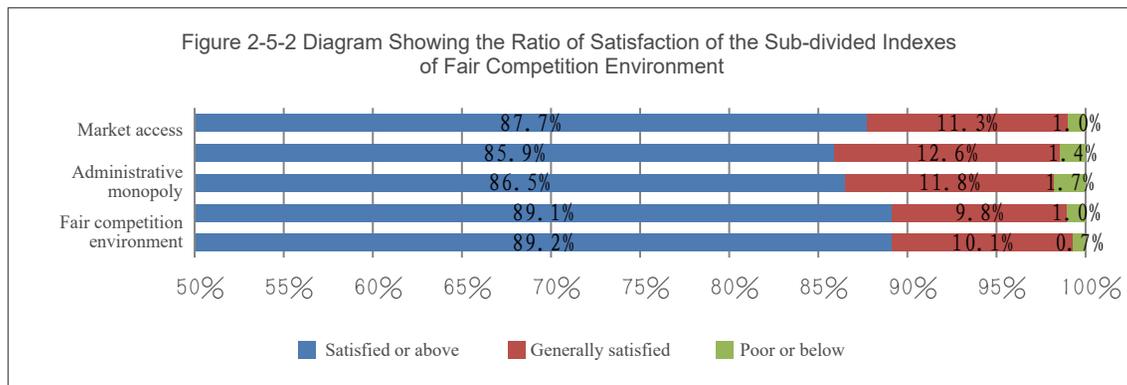
The fair competition index is sub-divided into four second-level indexes, i.e. market supervision, monopoly governance, government procurement and market access. The surveyed enterprises generally give a good evaluation on fair competition environment, but there are some variations in depending on enterprise types and industries.

### (I) High ratings on market supervision, low ratings on government procurement



The overall evaluation on fair competition index in 2020 is 4.39 points, ranking sixth among the 12 first-level indexes. Among the four second-level indexes, market supervision scores 4.44 points, ranking first; government procurement scores the lowest at 4.36 points; the scores of market access and administrative monopoly come in the middle, at 4.40 and 4.37 points, respectively.

Evaluation indicating “satisfied or above” on fair competition environment accounts for nearly 90%, and there is little difference among the second-level indexes. The proportion of evaluation indicating “satisfied or above” on market supervision is the highest (89.1%), while that on government procurement is the lowest (85.9%).



## (II) Higher ratings for the eastern region, lower ratings for the central and western regions

Evaluations indicating “satisfied or above” in the eastern region account for the largest proportion of 90.9%, while those in the central and western regions account for 87.9% and 86.8% respectively. The eastern region has the highest score, 4.44 points. The lowest score is in the central region (4.32 points). The western region comes in the middle, with a score of 4.37 points.

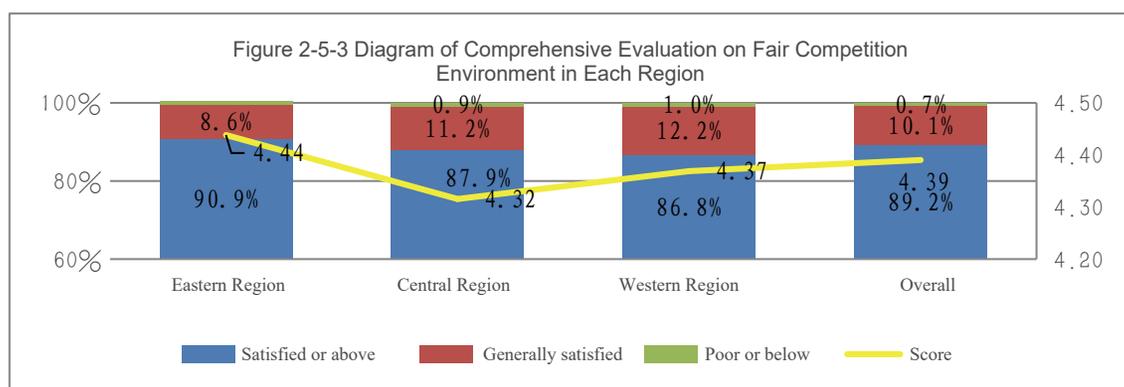


Table 2-5-1 Scores of the Sub-divided Indexes of Fair Competition in Each Region

RANKING	Market supervision		Administrative monopoly		Government procurement		Market access	
	Region	Score	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.48	Eastern Region	4.44	Eastern Region	4.40	Eastern Region	4.44
2	Western Region	4.44	Western Region	4.32	Western Region	4.32	Western Region	4.39
3	Central Region	4.36	Central Region	4.27	Central Region	4.30	Central Region	4.34

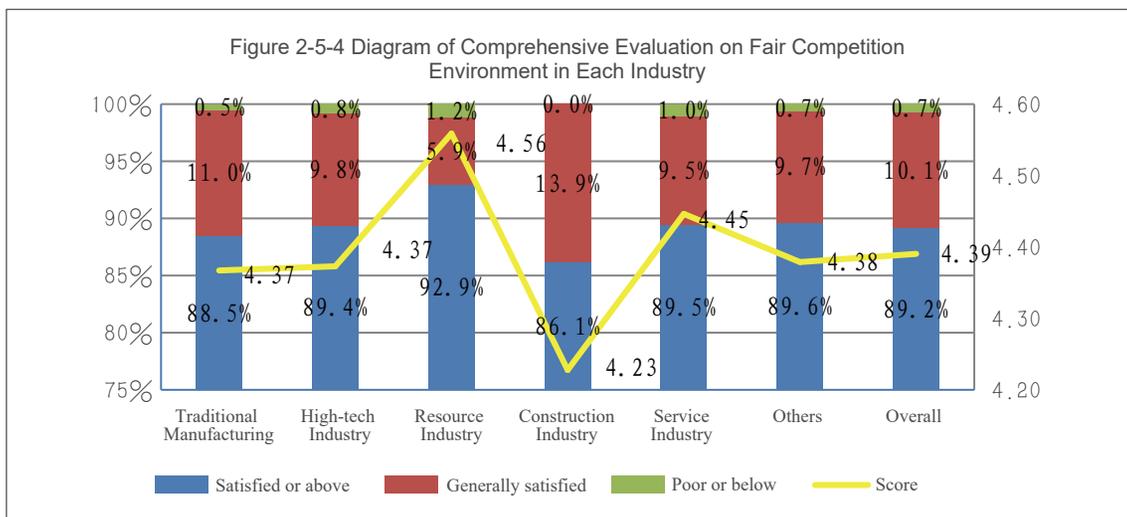
Evaluation on each of the four second-level indexes is the highest in the eastern region, while the evaluation in the central region is generally low. The biggest score difference between regions is on the index of monopoly governance, differing by 0.17 points. The smallest difference is in government procurement and market access, with a regional difference of 0.10 points.

### (III) High ratings from the resource industry, lowest ratings from the construction industry

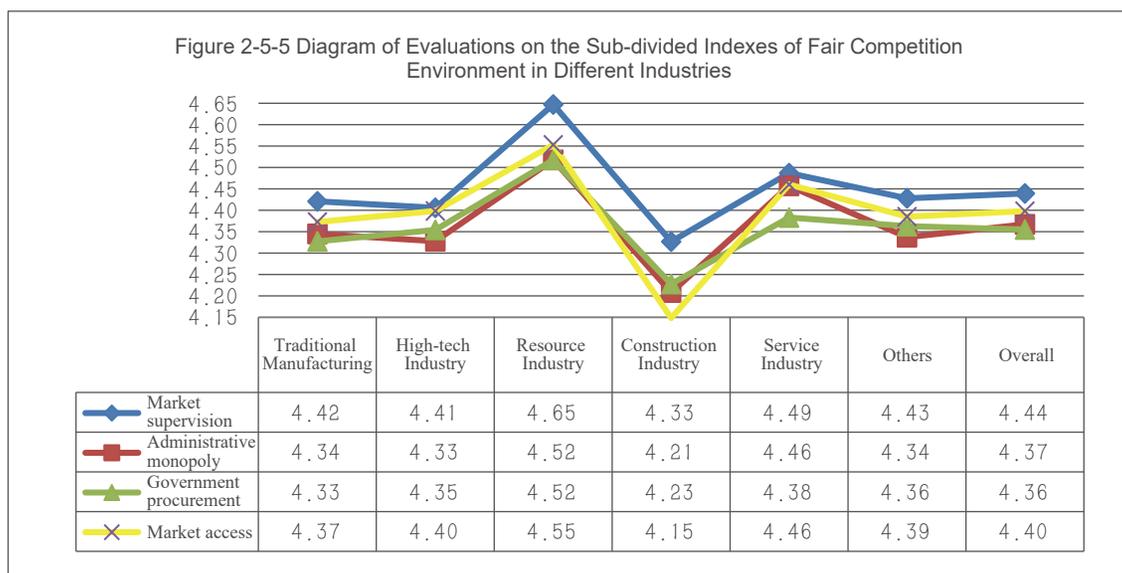
By industry, evaluation indicating “satisfied or above” in resource industry accounts for the largest proportion of 92.9%, while that in construction industry accounts for the lowest proportion of only 86.19%. The proportion of evaluation indicating “satisfied or above”

in other industries ranges from 88% to 90%.

By scoring, the resource industry has the highest evaluation on fair competition index, with a score of 4.56 points, reaching the category of "very satisfied". The service industry is the second, scoring 4.45 points. Traditional manufacturing, high-tech industry and other industries score in the middle, at 4.38, 4.37 and 4.37 points respectively. The construction industry scores the lowest, at 4.23 points.

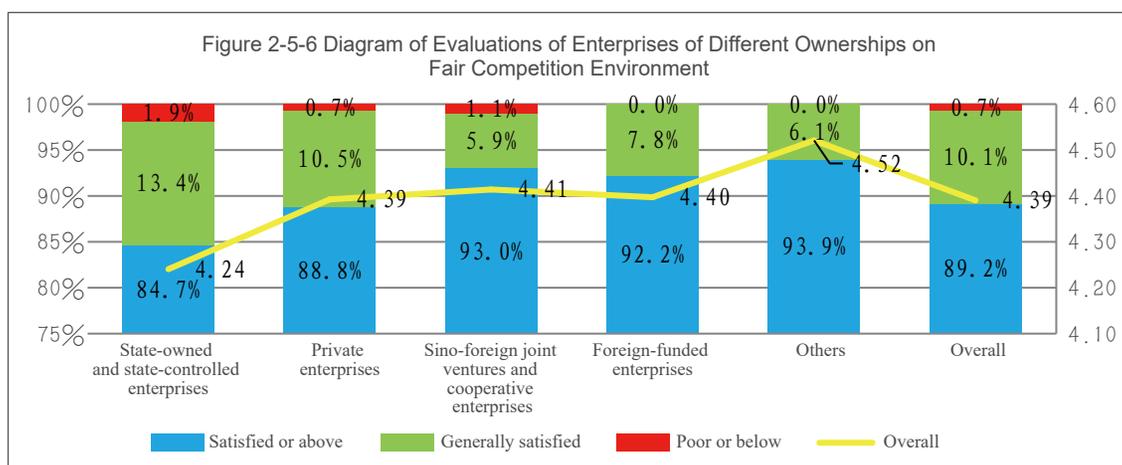


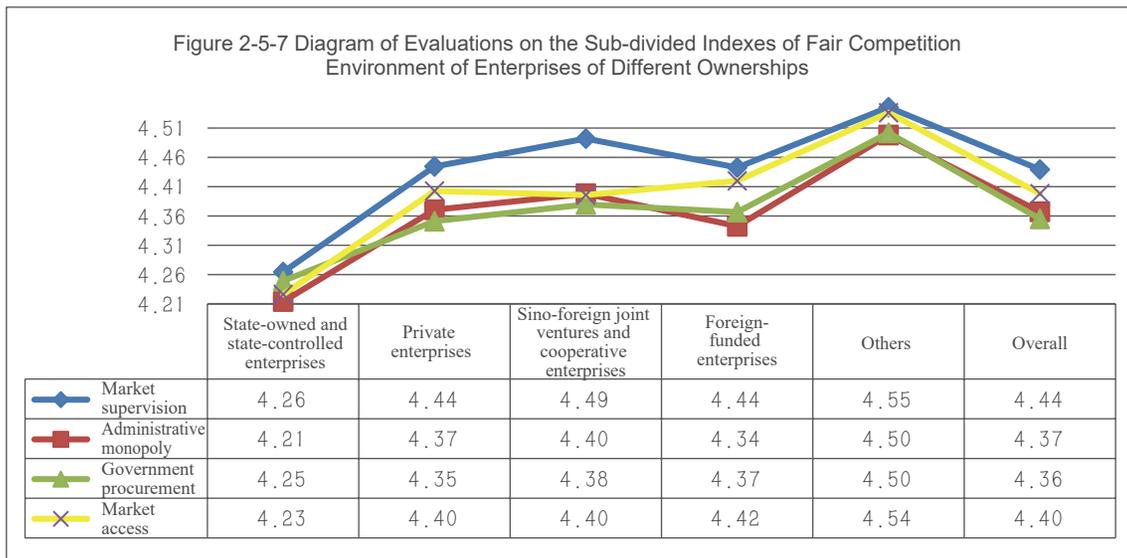
From the evaluation on the sub-divided indexes of fair competition, market supervision scores the highest, with the evaluation on market supervision in the resource industry as high as 4.65 points. The lowest score is the evaluation on market access in construction industry, which is 4.15 points.



#### (IV) High ratings from enterprises of other ownership, low ratings from state-owned enterprises

More than 90% of the enterprises indicate that they are “satisfied or above” for fairness in competition: enterprises of other ownership (93.9%), Sino-foreign joint ventures and cooperative enterprises (93.0%) and foreign-funded enterprises (92.2%). State-owned enterprises have a low degree of satisfaction for fairness in competition, with evaluation indicating “satisfied or above” accounting for only 84.7%. The satisfaction evaluation of private enterprises ranks in the middle, with evaluation indicating “satisfied or above” accounting for 88.8%, which is slightly below the average (89.2%).





Enterprises of other ownership give the highest score of 4.52 points on fair competition, reaching the category of "very satisfied", followed by Sino-foreign joint ventures and cooperative enterprises, of foreign-funded enterprises and private enterprises with scores of 4.41, 4.40 and 4.39 points respectively. State-owned enterprises score low at 4.24 points only.

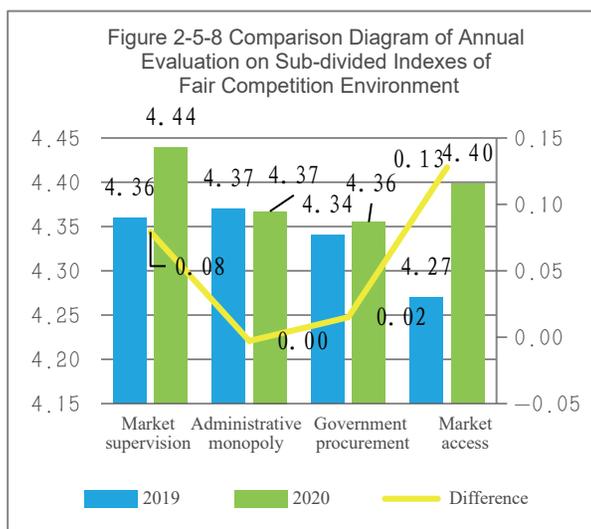
Among the sub-divided indexes of enterprises of different ownerships, the score on market supervision is significantly higher than that on other sub-divided indexes. The highest score (4.55 points) is the evaluation of enterprises of other ownership on market supervision, while the lowest (4.21 points) is that of state-owned enterprises on monopoly governance.

### **(V) The ratings for the eastern and western region and the service industry have improved greatly**

The fair competition index in 2020 is 4.39 points, seeing an increase of 0.07 points from 2019, and the growth rate ranks third among the twelve first-level indexes. The eastern and western regions have greatly improved their scores on fair competition; large differences in scores, however, exist among industries.

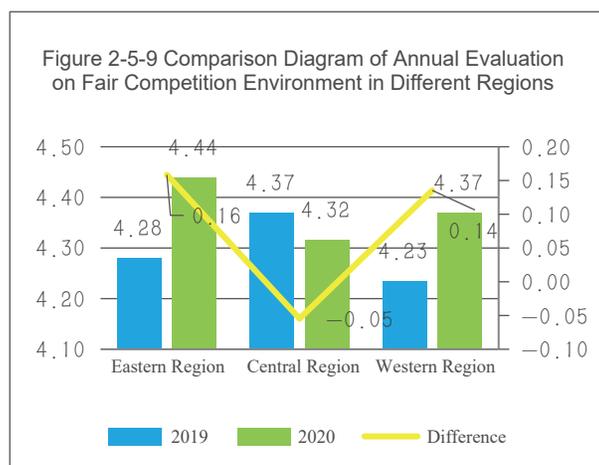
1. The scores on various sub-divided indexes have generally increased, while government procurement shows less improvement.

Compared with 2019, the scores on sub-divided indexes in 2020 have



risen steadily. Among them, the market access score has increased the most (by 0.13 points), seeing an increase rate of about 3.1%, followed by market supervision with an increase of 0.08 points; the monopoly governance score almost remains the same as last year, with the least increase.

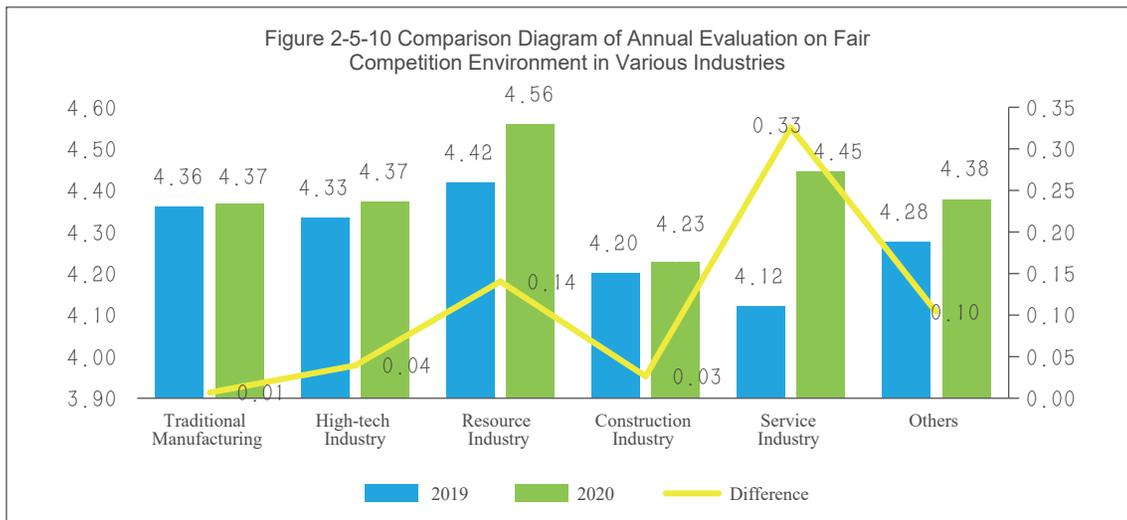
2. The scores of the eastern and western regions have increased significantly, while the score of the central region has decreased but at a decreasing rate.



During the period from 2019 to 2020, the scores of the eastern and western regions on the fair competition have increased significantly by 0.16 and 0.14 points respectively, equating to a growth rate of 4.2% and 3.3%. The score of the central region has dropped by 0.03 points or 0.6%, but it

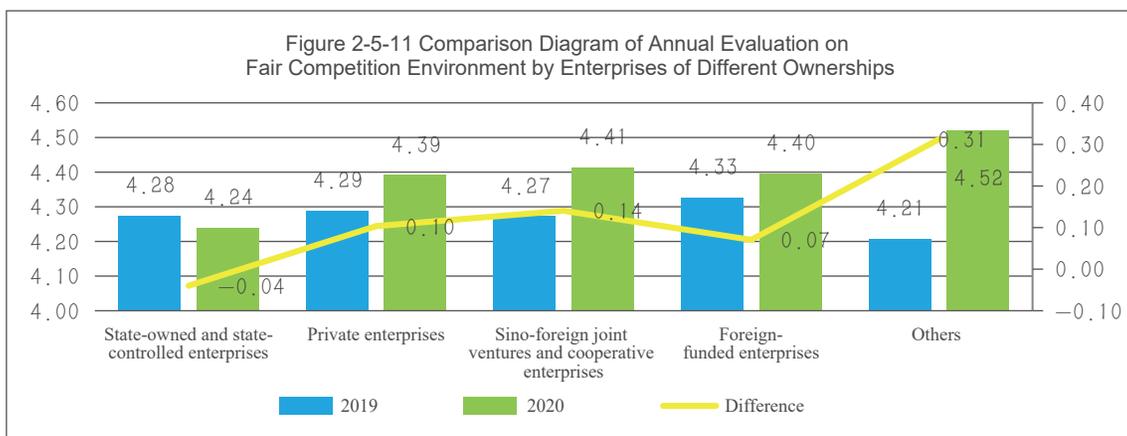
is smaller than the 0.9% decline during 2018-2019.

3. The ratings for all industries have improved, and that of service industry has increased by over 8%.



Compared with 2019, various industries have improved their performance in terms of fair competition environment in 2020. Among them, service industry has improved the most, seeing an increase of 0.33 points, or over 8%, and its fair competition score has soared from the lowest to a relatively higher level, followed by resources industry, which has realized a score increase of 0.14 points. Traditional manufacturing, construction, and high-tech industries have seen little growth in their scores on fair competition environment, with an increase of 0.01, 0.03 and 0.04 points respectively.

4. The scores of various types of enterprises have increased, while enterprises of other ownership have improved greatly.

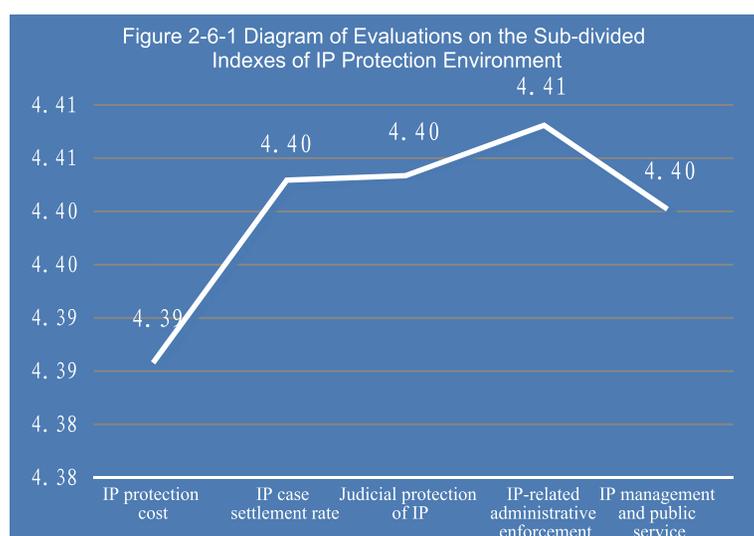


From 2019 to 2020, the ratings from enterprises of other ownership on fair competition environment has increased by 0.31 points, or 7.3%, representing the largest increase, followed by Sino-foreign joint ventures and cooperative enterprises, whose score has increased by 0.14 points, or 3.3%. The ratings from state-owned enterprises has dropped slightly by 0.04 points.

## VI. Intellectual Property Protection: The Overall Evaluation Result is Promising, the Scores on Various Indexes are Relatively Balanced

The intellectual property protection index is sub-divided into five second-level indexes: intellectual property rights protection cost, IP case settlement rate, judicial protection of intellectual property rights, administrative enforcement of intellectual property rights, and intellectual property management and public services. In 2020, the overall evaluation result of the IP protection environment is generally good, and the scores on most second-level indexes and of most enterprises have steadily increased.

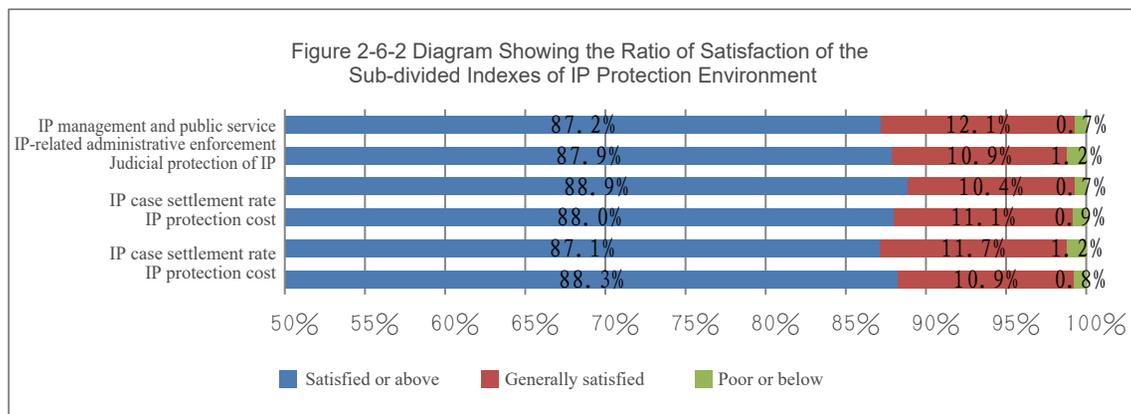
### (I) The scores on all indexes are good, and intellectual property (IP)-related administrative enforcement is highly rated



The total score of IP protection index in 2020 is 4.40 points, which is slightly higher than the comprehensive score of China's business environment, ranking fourth among the 12 first-level indexes. The scores on the

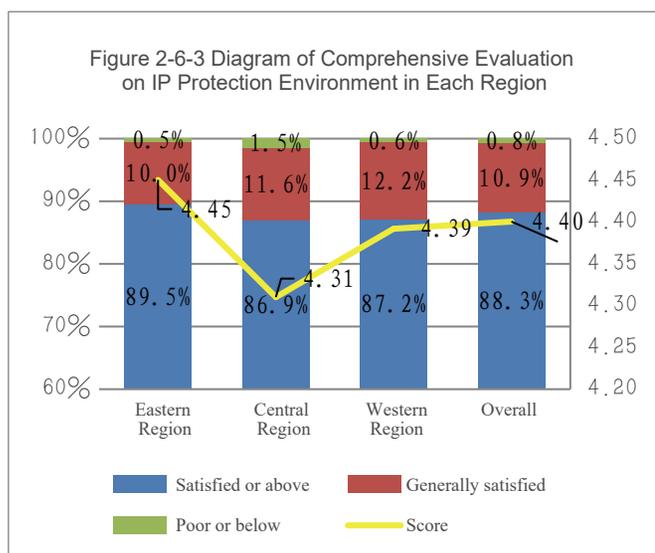
five second-level indexes show relatively small differences. Among them, IP-related administrative enforcement stands out with a higher score of 4.41, followed by IP case settlement rate, judicial protection of IP, and IP management and public services, which all score 4.40 points; a slightly lower score of 4.39 points is given for IP protection cost. The difference between the highest score and the lowest score on the second-level indexes is only 0.02 points.

In terms of satisfaction, 88.3% of the reflections on the IP protection environment are “Satisfied or Above”, and the satisfaction degree for the sub-divided indexes is not much different, all being concentrated at about 88%. Among them, the satisfaction rate for judicial protection of IP is the highest, with 88.9% being “Satisfied or Above”, followed by IP case settlement rate, for which “Satisfied or Above” accounts for 88.0%; in terms of IP protection cost, the proportion of Satisfied or above is only 87.1%.



## (II) The score of the eastern region is high, that of the western region is in the middle, and that of the central region is the lowest

The scores of the eastern, central, and western regions form a "V" pattern. The eastern region has the highest score for IP protection environment with 4.45 points, followed by the western region with 4.39 points and the central region with the lowest score of only 4.31 points.



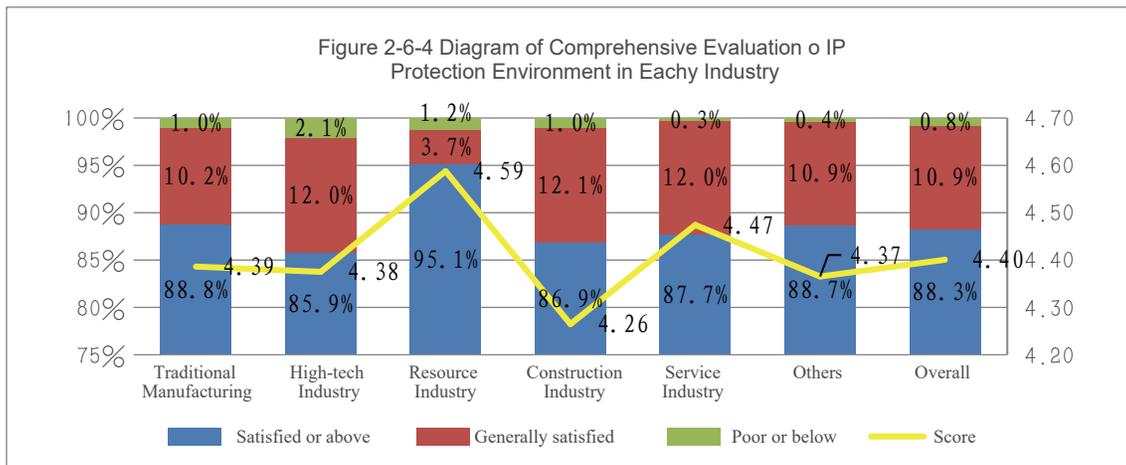
In terms of satisfaction degree, the enterprises have the highest degree of satisfaction for the IP protection environment of the eastern region, with 89.5% being Satisfied or above; the western region ranks second, with 87.2% of enterprises being Satisfied or above; and enterprises from the central region are less satisfied with a satisfaction rate of 86.9%.

enterprises from the central region are less satisfied with a satisfaction rate of 86.9%.

2-6-1 Scores on Sub-divided indexes of IP Protection Environment in Each Region

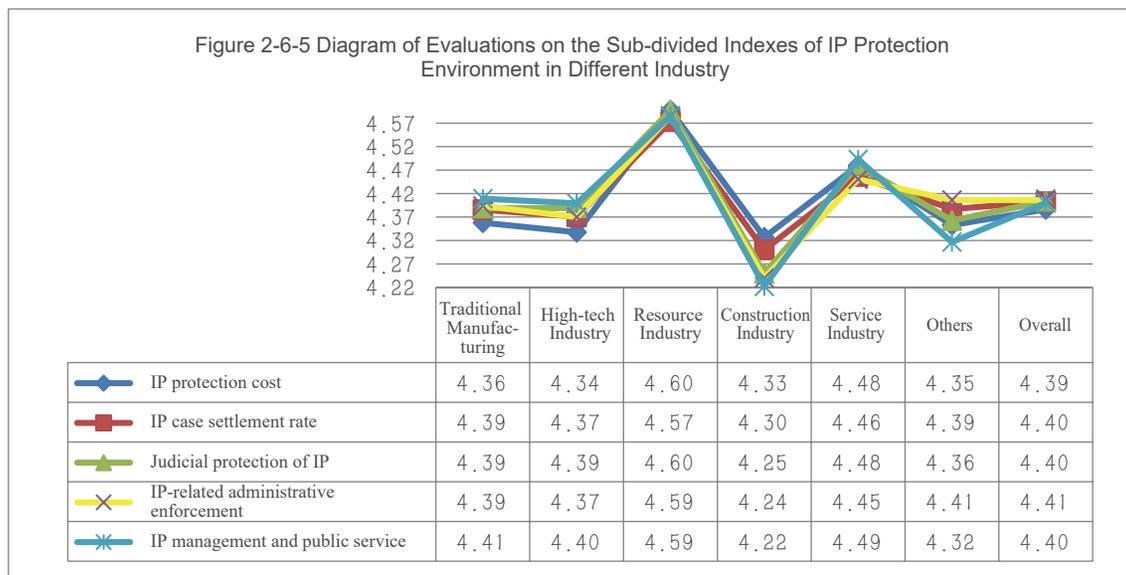
RANKING	IP protection cost		IP case settlement rate		Judicial protection of IP		IP-related administrative enforcement		IP management and public service	
	Region	Score	Region	Score	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.44	Eastern Region	4.44	Eastern Region	4.45	Eastern Region	4.44	Eastern Region	4.47
2	Western Region	4.37	Western Region	4.38	Western Region	4.39	Western Region	4.41	Western Region	4.40
3	Central Region	4.28	Central Region	4.34	Central Region	4.32	Central Region	4.34	Central Region	4.27

The scores of the eastern region on the sub-divided indexes are generally higher, while those of the central region are lower. The sub-divided index with the largest score difference is IP management and public service, showing a difference of 0.20 points between the highest score (4.47 points) and the lowest score (4.27 points); the smallest gap appears in IP case settlement rate, as the highest score (4.44 points) and the lowest score (4.34 points) differ by 0.10 points.



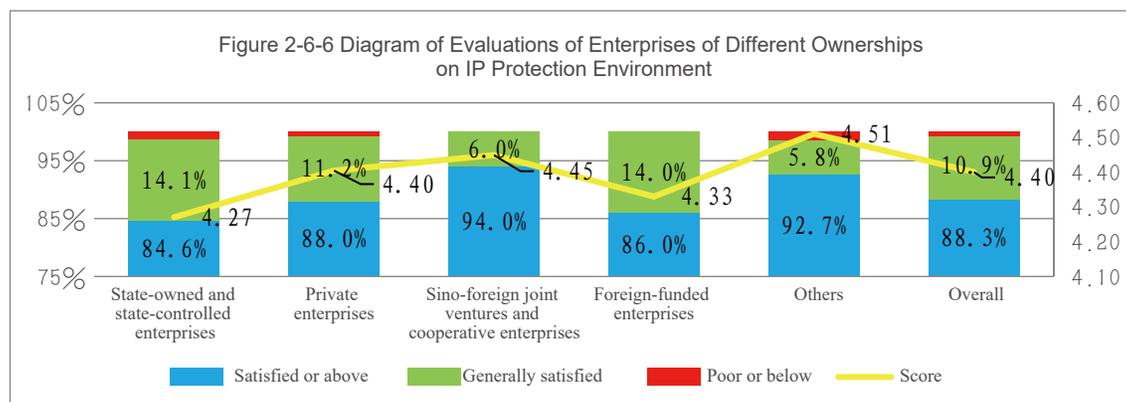
**(III) The resource industry and the service industry give high ratings, while the high-tech and construction industry are unsatisfied**

Among various industries, the resources industry and the service industry give the highest scores on intellectual property protection, 4.59 points and 4.47 points respectively; the construction industry presents the lowest score of 4.26 points. The difference between the highest score and the lowest score is 0.33 points.



The resource industry’s satisfaction rate is much higher than other industries, with 95.1% of choices being Satisfied or above, and it is the only industry with more than 90% of Satisfied or above. The high-tech industry and the construction industry show lower percentage “Satisfied or Above” ratings, being 85.9% and 86.9% respectively.

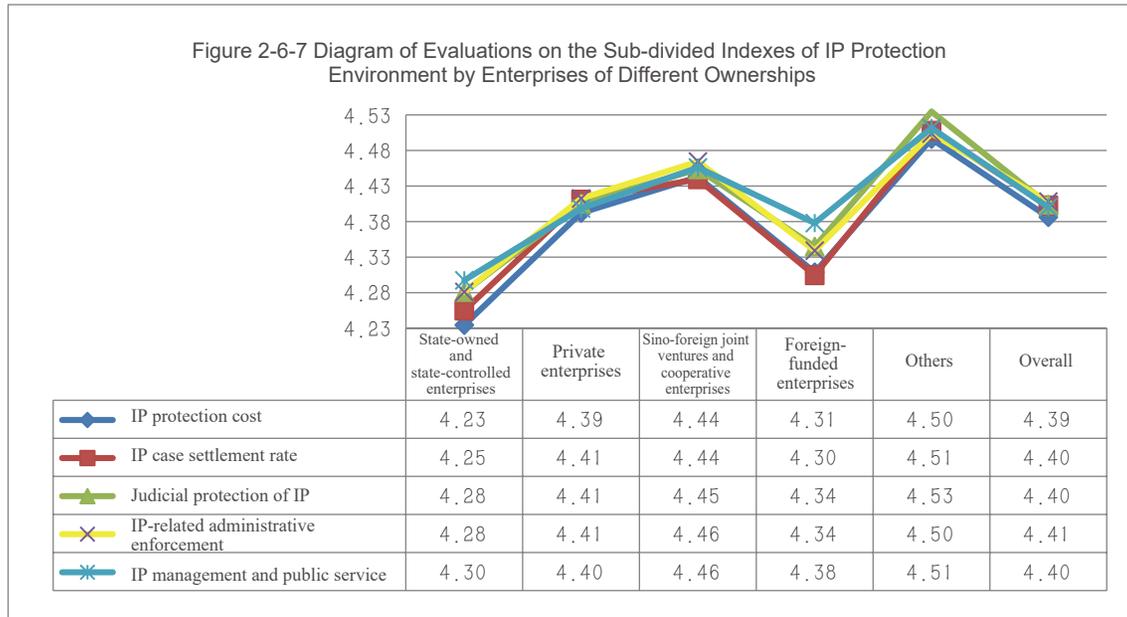
Different industries have relatively consistent scores on the subdivided indexes of intellectual property protection environment. The highest score is 4.60, given by the resource industry on IP protection cost and judicial protection; the lowest score is 4.22 points—the construction industry’s rating for IP management and public service.



#### (IV) Sino-foreign joint ventures, cooperative enterprises and enterprises of other ownership give high ratings, while the ratings of foreign-owned and state-owned enterprises are low

From the perspective of type of ownership, enterprises of other ownership, Sino-foreign joint ventures and cooperative enterprises give higher ratings, with 94.0% and 92.7% being “Satisfied or Above”—4.45 and 4.51 points. State-owned enterprises and foreign-funded enterprise give lower ratings, with 84.6% and 86.0% being “Satisfied or Above”—4.27 and 4.33 points. The ratings from private enterprises are in the middle, with 88.0% being “Satisfied or Above”, and the score is 4.40 points.

The highest score among the second-level indexes is 4.53, which is the rating of judicial protection of IP by enterprises of other ownership, and the lowest is 4.23 points, which is the rating of IP protection cost by state-owned enterprises.

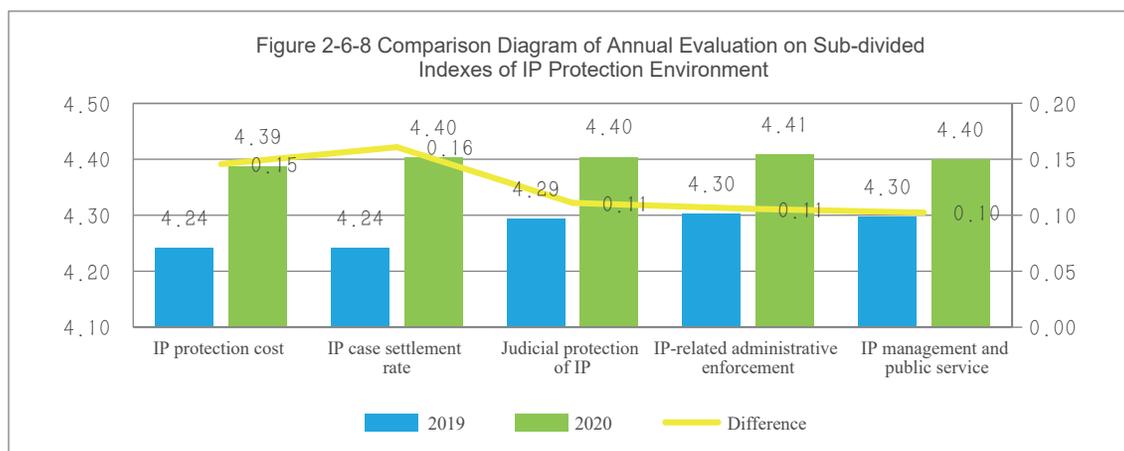


### (V) The ratings of various indexes have all improved, and that of the service industry has improved greatly

The overall rating of IP protection environment in 2020 is 4.40 points, seeing an increase of 0.08 points from 2019, or 1.8%. All sub-divided indexes have improved by more than 0.10 points, and the ratings from the service industry has increased by more than 0.30 points.

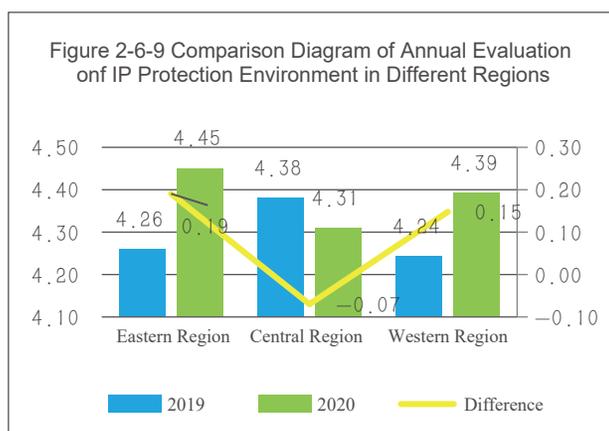
1. The scores on IP protection cost and IP case settlement rate have increased significantly.

Compared with 2019, the scores on IP case settlement rate and IP protection cost protection in 2020 have improved the most, increasing by 0.16 points and 0.15 points respectively, seeing an average increase of 3.8%; the scores on judicial protection of IP, administrative enforcement, and management and public service have increased by



0.11 points, 0.11 points and 0.10 points respectively.

2. The ratings of the eastern and western regions have improved greatly, and that of the central region has declined for two consecutive years.

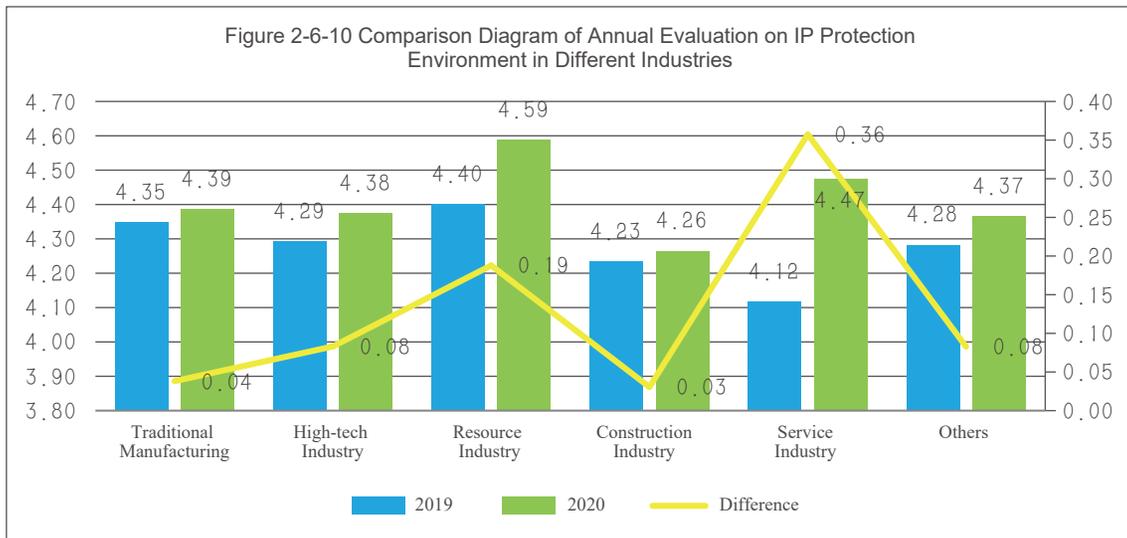


Compared with 2019, in 2020, the scores on IP protection environment in the eastern and western regions have significantly increased by 0.19 points and 0.15 points respectively, or by 4.5% and 3.5%. Since 2018 to 2020, the central region's score on IP protection has continued to decline, by 0.12 points compared with 2018 and 0.07 points compared with 2019.

3. The ratings of all industries have improved, and that of service industry has increased significantly.

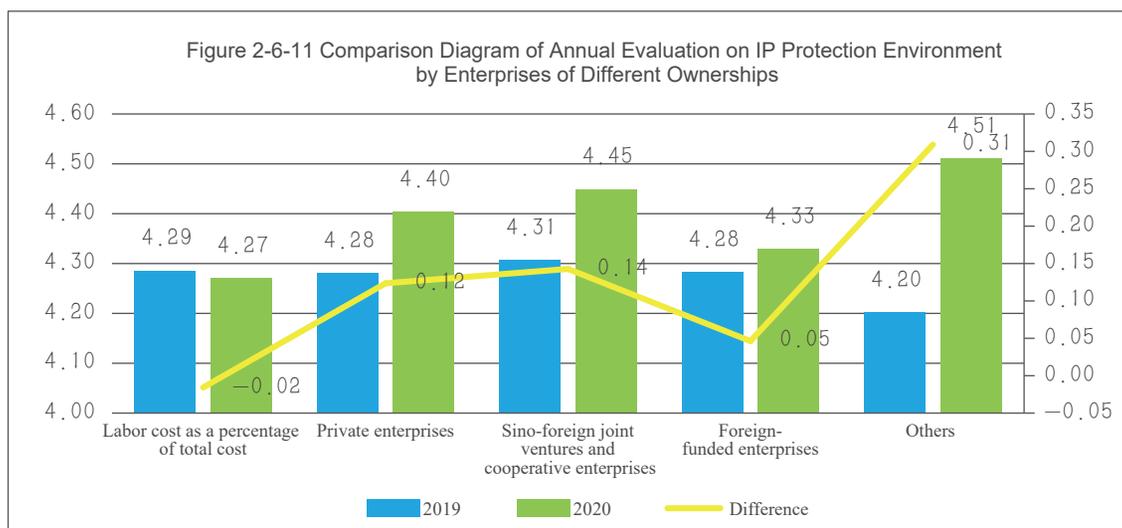
Compared with 2019, the ratings of all industries in 2020 show positive growth. Among them, the scores of service industry and resources industry have increased significantly, by 0.36 and 0.19 points respectively, and that of service industry on IP protection environment has increased by 8.7%. The scores of traditional manufacturing and

construction industries have increased slightly, by 0.04 and 0.03 points respectively; and that of high-tech industry and other industries increased both by 0.08 points.



4. The ratings from enterprises of other ownership have improved greatly, while ratings from state-owned enterprises are relatively low.

Compared with 2019, the score of enterprises of other ownership in 2020 on IP protection index has increased significantly (by 0.31 points), seeing an increase of 7.4%; the ratings from Sino-foreign joint ventures and cooperative enterprises, and private enterprises have all increased by more than 0.10 points, seeing an increase of 0.12 points and 0.14 points respectively; the ratings from foreign-funded enterprise has also improved by 0.05 points, and that of state-owned enterprises has dropped slightly by 0.02 points.

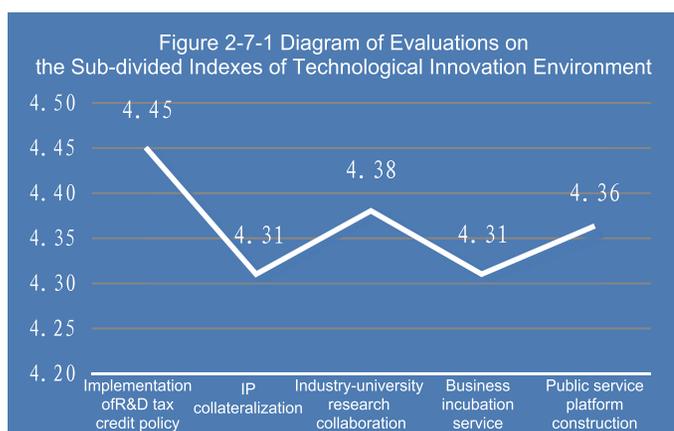


## VII. Technological Innovation: The R&D tax Credit Policy is Well Implemented, and the Rating of IP Collateralization is Low

Technological innovation environment is sub-divided into five second-level indexes: implementation of R&D tax credit policy, IP collateralization, industry-university research collaboration, business incubation service and public service platform construction. There is still room for improvement in technological innovation environment, and unbalanced growth of sub-indexes, uneven growth of regional scores, and different ratings from different industries and ownership types have been shown.

### (I) The implementation of the R&D tax credit policy is highly rated, and IP collateralization and business incubation service need to be improved

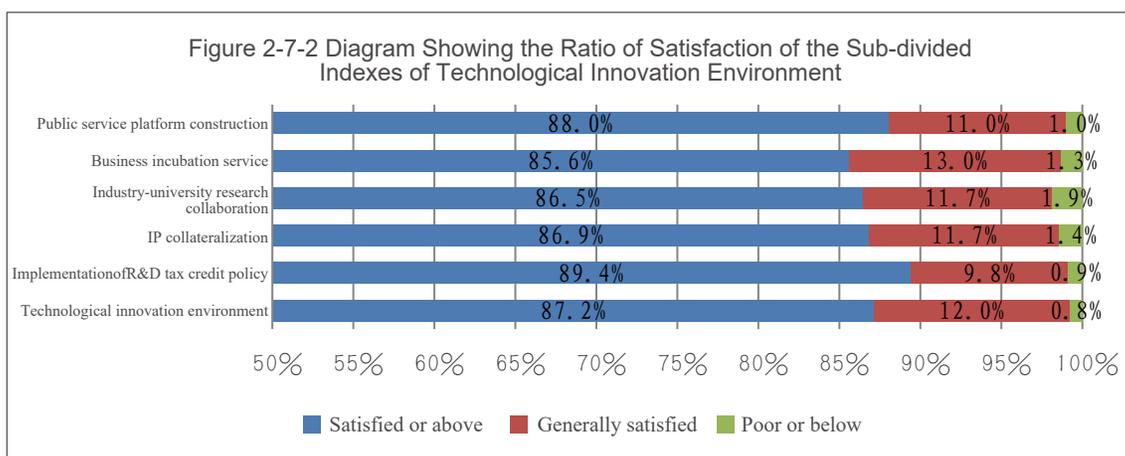
In 2020, the score on technological innovation index is 4.36 points, ranking in the middle, i.e., seventh among the 12 first-level indexes. Among the five second-level indexes, the score on implementation of the R&D tax credit policy is the highest at 4.45 points; industry-university research collaboration and public service platform construction follow with 4.38 and 4.36 points, respectively; the



surveyed enterprises give low scores on IP collateralization rights and business incubation service, and both are 4.31 points.

In terms of satisfaction rate, the technological innovation index is generally good, and reflections of Satisfied or above account for nearly 90%. Among the five sub-divided indexes, implementation of the R&D tax credit policy and public service platform construction

account for a relatively high proportion of Satisfied or above ratings, at 89.4% and 88.0% respectively; the proportion of Satisfied or above rating for business incubation service is low at 85.6%.



account for a relatively high proportion of Satisfied or above ratings, at 89.4% and 88.0% respectively; the proportion of Satisfied or above rating for business incubation service is low at 85.6%.

## (II) The score of the eastern region is generally high, and the ratings of R&D tax credit policy vary significantly in different regions

On regional differences, the eastern region enjoys the highest rating for its technological innovation index, with a score of 4.41, 90% of which being Satisfied or above. The ratings of the central and western

regions are 4.30 and 4.33 respectively, and the proportions of Satisfied or above ratings are 85.3% and 83.2% respectively.

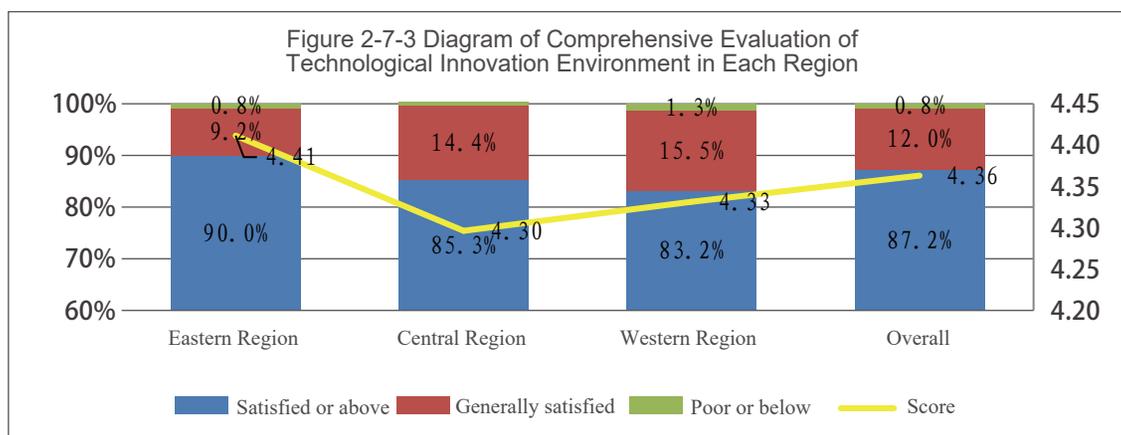


Table 2-7-1 Scores of the Sub-divided Indexes of Technological Innovation Environment in Each Region

RANKING	Implementation of R&D tax credit policy		IP collateralization		Industry-university research collaboration		Business incubation service		Public service platform construction	
	Region	Score	Region	Score	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.53	Eastern Region	4.33	Eastern Region	4.48	Eastern Region	4.34	Eastern Region	4.38
2	Western Region	4.41	Western Region	4.30	Central Region	4.29	Western Region	4.31	Western Region	4.36
3	Central Region	4.32	Central Region	4.29	Western Region	4.28	Central Region	4.26	Central Region	4.32

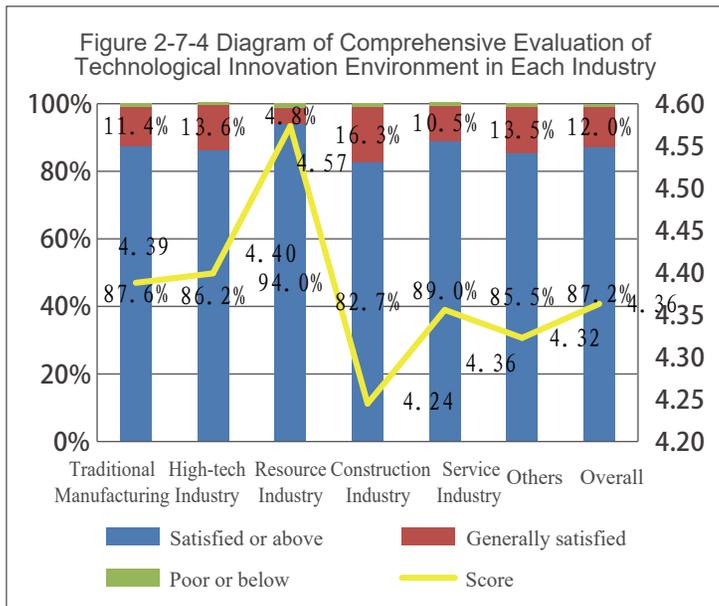
The scores of eastern regions are generally higher, while those of the central and western regions are behind compared with the eastern region. Among the five second-level indexes, the largest difference between regions appears in implementation of R&D tax credit policy. The highest score (Eastern, 4.53 points) and the lowest score (Central, 4.32 points) differ by 0.21 points; the second largest difference is shown in industry-university research collaboration as the highest score. (Eastern, 4.48 points) and the lowest score (Western, 4.28 points) differ by 0.20 points. The smallest difference of ratings between regions appears in IP collateralization, with the highest score

(Eastern, 4.33 points) and the lowest score (Central, 4.29 points) differing by 0.04 points.

### (III) 90% of Satisfied and above ratings are given by the resources industry, while the construction industry present low score

Among various industries, the resources industry gives the highest score of 4.57 on technological innovation environment, reaching the level of "Excellent",

followed by high-tech and traditional manufacturing industries, which are 4.40 and 4.39 points respectively; the service industry presents a middle score of 4.36 points on technological innovation environment, and the construction industry presents a low score of 4.24 points.



In terms of satisfaction degree, 94% of choices of the resources industry are Satisfied or above, while the construction industry offers only 82.7% of Satisfied or above ratings. The difference between the two is more than 10%.

Judging from the scores on the second-level indexes of technological innovation in different industries, the scores on IP collateralization are generally low; the peak score appears in the ratings for R&D tax credit policy and public service platform construction by the resources industry, both of which are 4.57 points; the bottom score is 4.16 points, which is construction industry's rating for IP collateralization.

**(IV) Enterprises of other ownership, Sino-foreign joint ventures and cooperative enterprises give high ratings, while this ratings from state-owned enterprises are low**

Judging from the ratings for the technological innovation environment by enterprises of different ownerships, enterprises of other ownership, Sino-foreign joint ventures and cooperative enterprises give high ratings of 4.47 points and 4.43 points respectively, followed by private enterprises and foreign-funded enterprise with 4.36 points and 4.35 points respectively, and state-owned enterprises with a relatively low rating of 4.25 points.

Figure 2-7-5 Diagram of Evaluations on the Sub-divided Indexes of Technological Innovation Environment in Different Industries

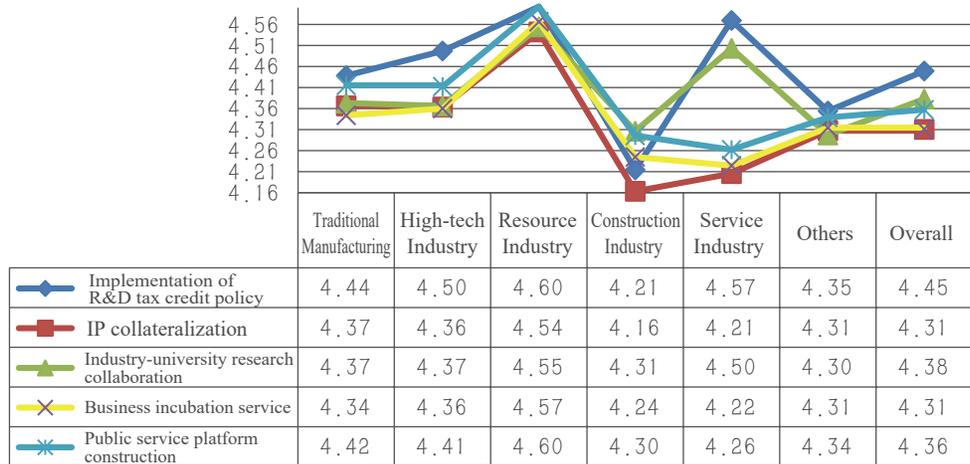
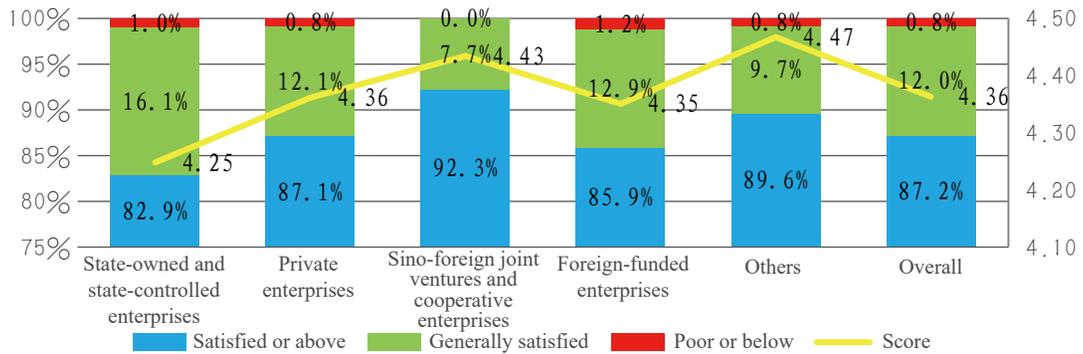
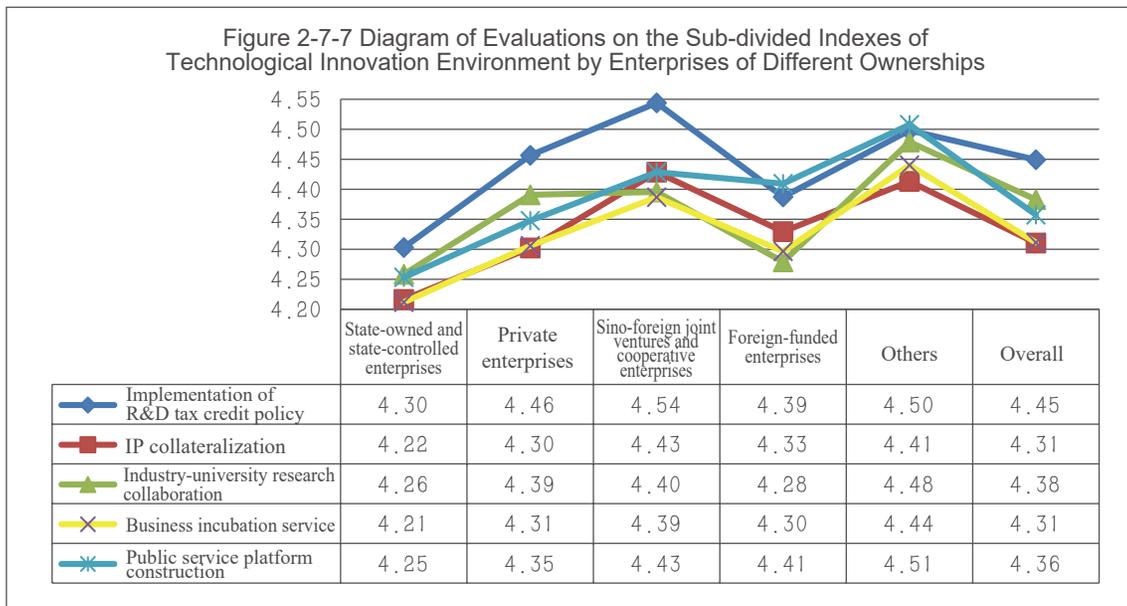


Figure 2-7-6 Diagram of Evaluations of Enterprises of Different Ownerships on Technological Innovation Environment



Sino-foreign joint ventures and cooperative enterprises have the highest satisfaction rate evaluations, reaching 92.3%; followed by enterprises of other ownership with 89.6%; state-owned enterprises are relatively less satisfied with the technological innovation environment, with a satisfaction rate of 82.9%.

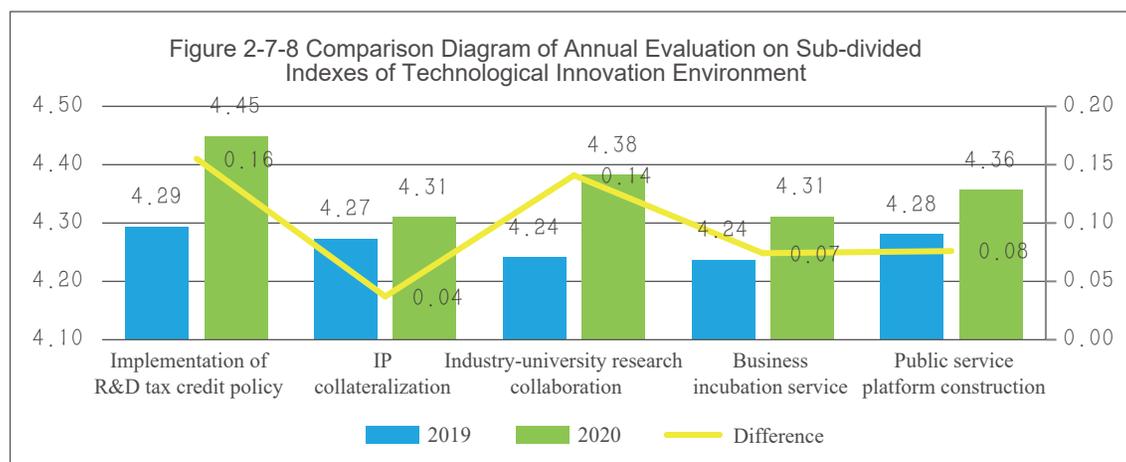
Overall, the implementation of the R&D tax credit policy is highly evaluated, while the foreign-funded enterprise and enterprises of other ownership highly evaluate the construction of public service platforms. The highest ratings appear in the evaluation of the implementation of the R&D tax credit policy by the Sino-foreign joint ventures and cooperative enterprises (4.54 points), and the lowest ratings appear in the evaluation of the business incubation services for state-owned enterprises (4.21 points).



## (V) The overall rating has improved, while that of the western region has declined

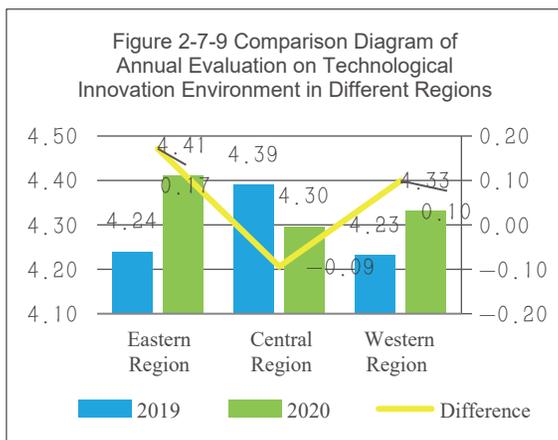
The overall rating of technological innovation environment in 2020 is 4.36 points, seeing an increase of 0.05 points from 2019, or 1.3%, and ranking fifth among the 12 first-level indexes. The scores of the eastern region and the service industry have increased significantly, while that of the western region has experienced a decline of over 2%.

1. The implementation of the R&D tax credit policy and industry-university research collaboration have improved significantly, and the increase in IP collateralization is limited.



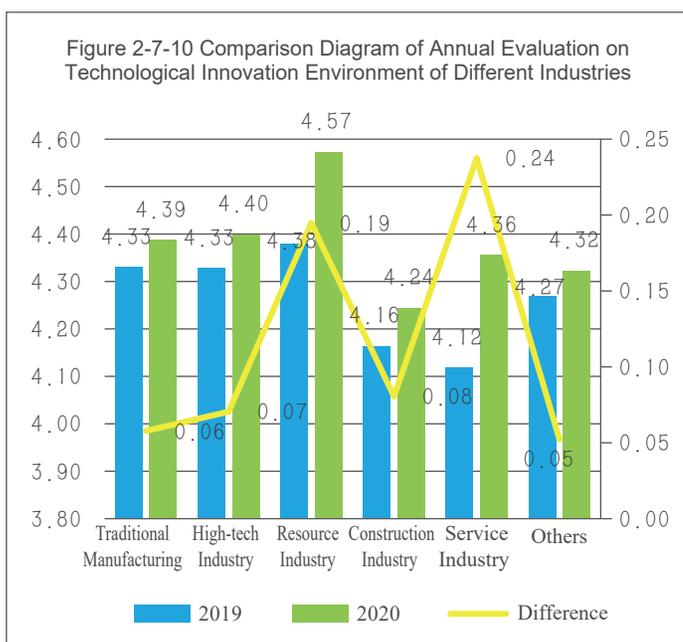
Compared with 2019, the scores on the sub-divided indexes of technological innovation environment in 2020 have improved. Among them, the score on implementation of the R&D tax credit policy has increased by 0.16 points, representing the largest improvement, followed by industry-university research collaboration with an increase of 0.14 points; the improvement of business incubation service and public platform construction service are intermediate, increasing by 0.07 and 0.08 points respectively; the increase in IP collateralization is less, being 0.04 points.

2. The rating of the eastern region has improved significantly, while that of the central region has declined.



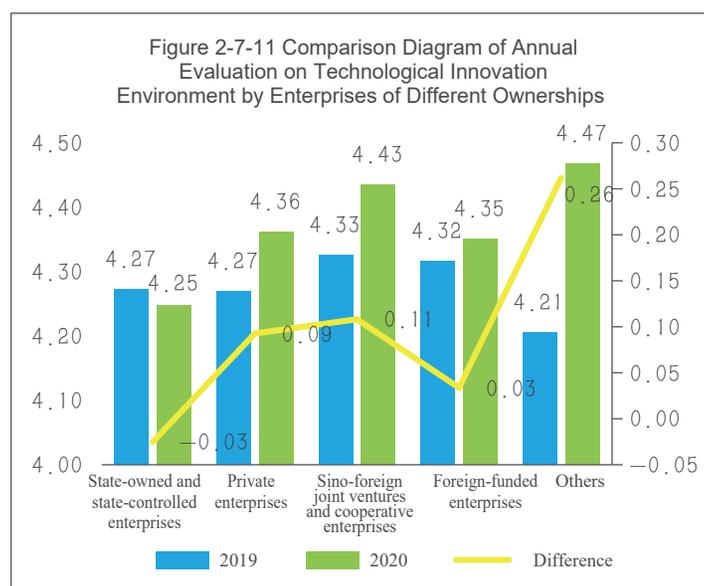
Compared with 2019, the changes in the technological innovation environment in 2020 are quite different in various regions. The score of the eastern region has increased by 0.20 points, indicating an increase of 4.3%; followed by the western region with an increase of 0.10 points; the central region has experienced a decline of 0.09 points, equating to a decrease of more than 2%.

3. The ratings are polarized, and the scores of the service industry and resources industry have increased greatly.



From 2019 to 2020, the service industry's rating for the technological innovation environment has increased by 0.24 points, or 5.8%, ranking first among the five industries; the resources industry follows with a rating increased by 0.19 points, or 3.2%; the ratings of other industries have improved to a less extent: 0.08 points for the construction industry, 0.07 points for the high-tech industry, 0.06 points for the traditional manufacturing, and 0.05 points for other industries.

4. The ratings from enterprises of other ownership has increased by more than 6%, while the ratings from state-owned enterprises have declined on average



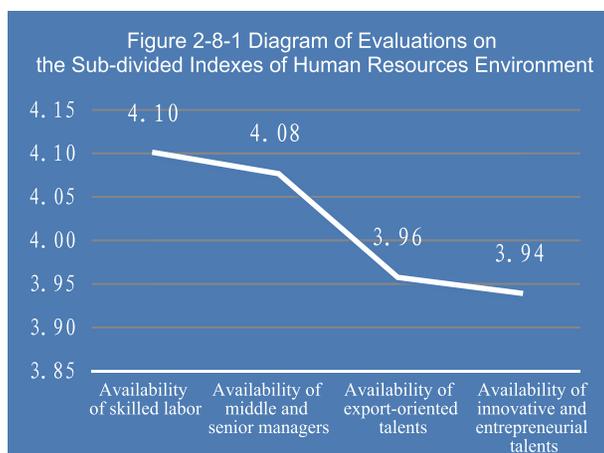
Compared with 2019, the ratings from enterprises of other ownership on technological innovation environment in 2020 have increased by 0.26 points, seeing an increase of 6.2%; the scores of Sino-foreign joint ventures and cooperative enterprises, and private enterprises have increased by 0.11 points and 0.09 points respectively; the score of foreign-funded enterprise has increased less by 0.03 points, and for the first time, that of state-owned enterprises has declined by 0.03 points.

### VIII. Human Resources: The Accessibility for Talents is Low, and Labor Cost Has Increased Significantly

Human resources index is sub-divided into four second-level indexes: availability of skilled labor, availability of middle and senior managers, the availability of export-oriented talents, and availability of innovative and entrepreneurial talents. In 2020, the ratings of the availability of export-oriented and innovative and entrepreneurial talents are low. The proportion of labor cost in the total costs has increased slightly compared with 2019, and the increase in labor cost is lower than that in 2019.

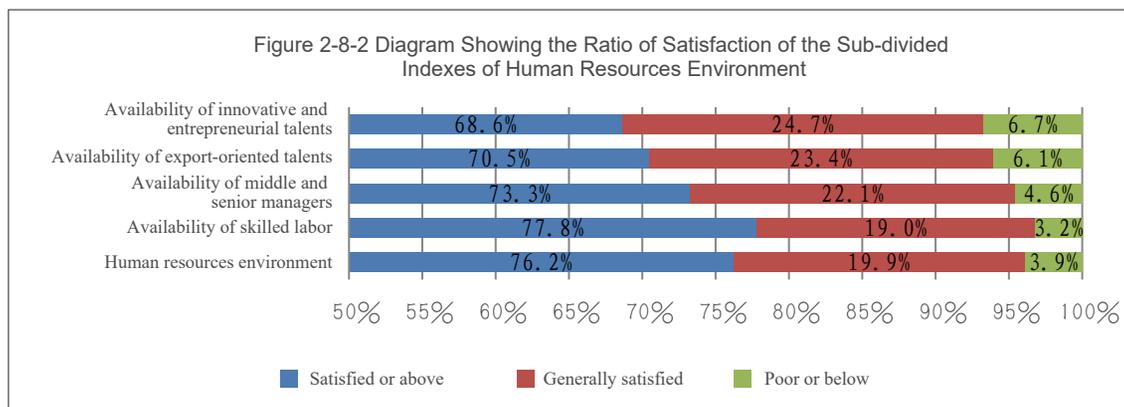
## (I) The scores on availability of skilled labor and middle and senior managers are high, while the scores on availability of export-oriented and innovative and entrepreneurial talents are low

In 2020, the score on human resources index is 4.02 points, ranking the last among the 12 indexes, far lower than the national business environment score (4.34 points). From the perspective of sub-divided indexes, the scores on availability of skilled labor and middle and senior managers are higher at 4.10 and 4.08 points respectively;

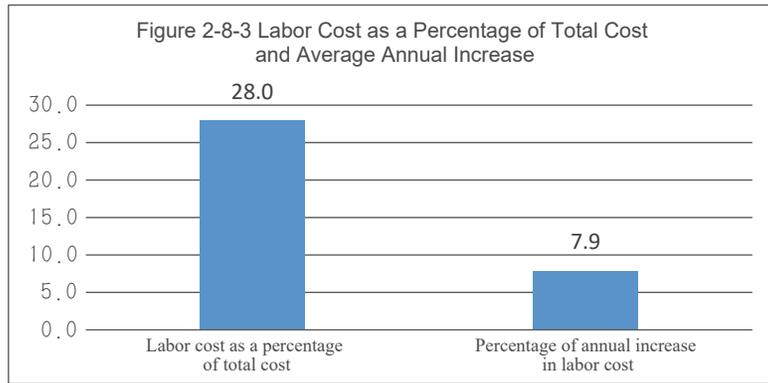


the scores on availability of innovative and entrepreneurial talents and export-oriented talents are relatively low, being 3.94 points and 3.96 points respectively.

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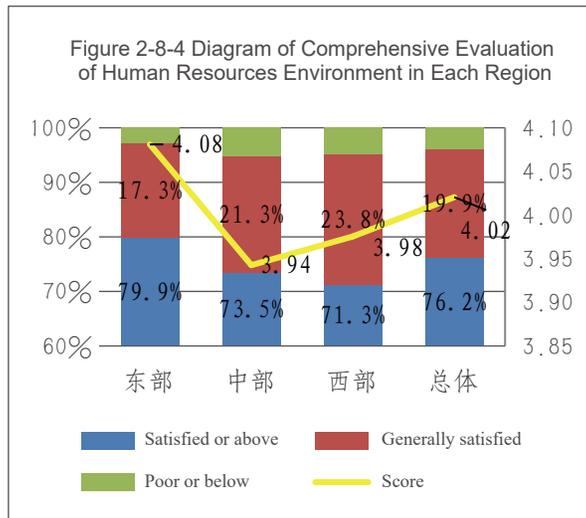


The satisfaction rate of the overall human resource is less than 80%. Specifically, the availability of skilled labor accounts for a relatively high proportion of Satisfied or above ratings (77.8%); ratings on innovative and entrepreneurial talents are even lower (68.6%).



In 2020, China's labor cost has increased by 7.9%. The labor cost now accounts for 28% of the total cost, increasing by 0.36% from 2019. This increase is, however, is lower than that of 2019 (1.6%).

### (II) The labor cost in the central region has increased greatly



The score of the eastern region on human resources environment is 4.08 points, nearly 80% (79.9%) of Satisfied or above ratings are given, being the highest among the regions; the scores of the central and western regions are 3.94 and 3.98 points, respectively, and the proportions of Satisfied or above ratings are both less

than 75%.

Table 2-8-1 Scores of the Sub-divided Indexes of Human Resources Environment in Each Region

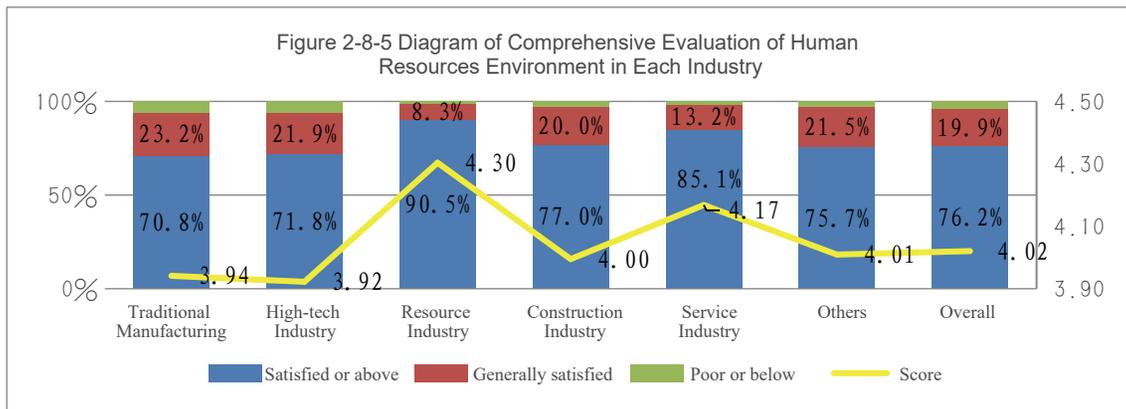
RANKING	Availability of skilled labor		Availability of middle and senior managers		Availability of export-oriented talents		Availability of innovative and entrepreneurial talents	
	Region	Score	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.13	Eastern Region	4.20	Eastern Region	4.01	Eastern Region	3.99
2	Western Region	4.08	Western Region	3.97	Western Region	3.92	Western Region	3.92
3	Central Region	4.08	Central Region	3.93	Central Region	3.90	Central Region	3.87

The most significant difference in regional ratings appears in availability of middle and senior managers. The difference between the scores of the eastern and central regions is 0.27 points; the smallest difference lies in availability of skilled labor, being a gap of only 0.05 points between the highest and the lowest scores.

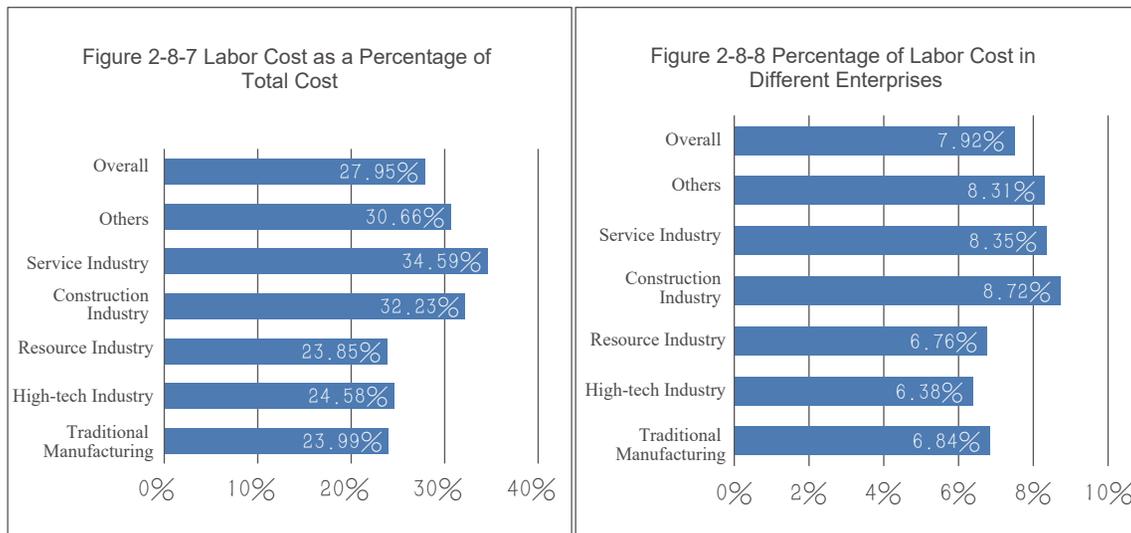
Table 2-8-2 Average Annual Increase and Percentage of Labor Cost in Each Region

SEQUENCE	Average annual increase		Percentage of labor cost	
	Region	Increase	Region	Percentage
1	Central Region	8.45	Central Region	33.17
2	Western Region	7.58	Western Region	28.02
3	Eastern Region	6.89	Eastern Region	25.25

The central region shows the largest annual increase in labor cost (8.45%) and the highest percentage of labor cost (33.17%); the western region lies in the middle with an average annual increase of 7.58% in labor cost and a percentage of 28.02% in the total cost; the eastern region has the lowest average annual increase in labor cost and percentage, being 6.89% and 25.25%, respectively.



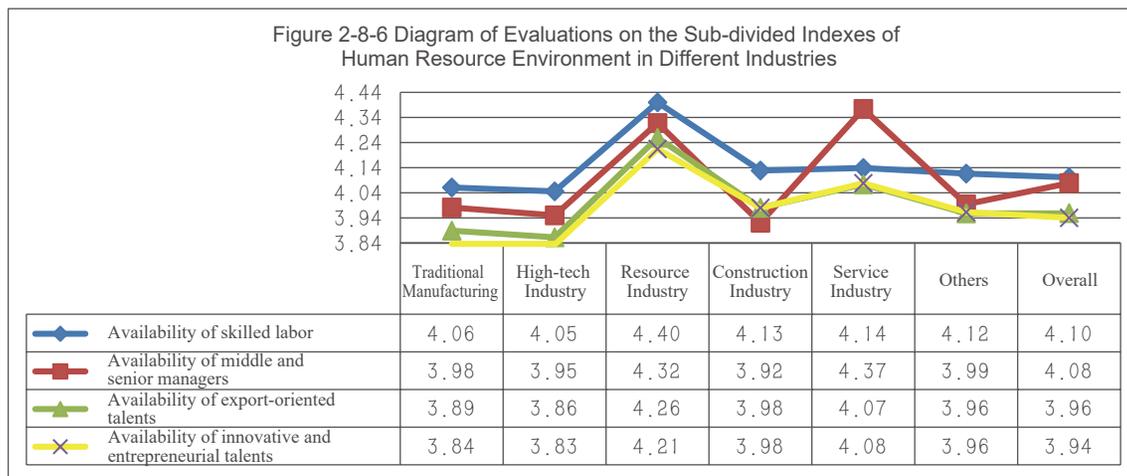
### (III) The availability of senior managers in the service industry is high, and that in high-tech industry is low



Among various industries, the comprehensive score on human resources environment in the resources industry is the highest at 4.30, and more than 90% (90.5%) of the ratings are Satisfied or above, followed by the service industry with 4.17 points and 85.1% of Satisfied or above ratings; in other industries, the percentage of Satisfied or above ratings is less than 80%. The high-tech industry gives the lowest score on human resources index (3.92 points), followed by traditional manufacturing (3.94 points), while construction industry (4.00 points) and resources industry (4.01 points) are in the middle.

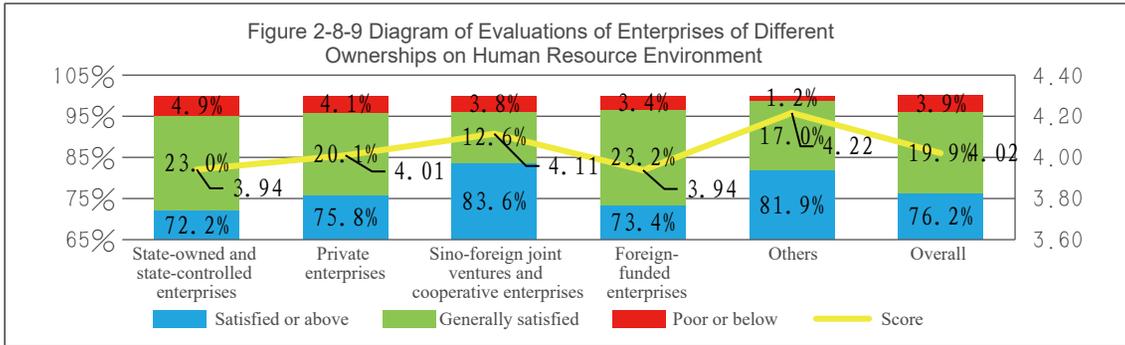
Judging from the evaluation of the sub-divided indexes of the human resource environment by industry, except for the service industry, the rating of availability of skilled labor in other industries is generally high; except for the construction industry, the rating of the availability of innovative and entrepreneurial human resources is generally low. The service industry's score (4.37 points) on the availability of middle and senior managers is significantly higher than other second-level indexes. The highest score is given to the availability of skilled labor by the resources industry (4.40 points), and the bottom value to the availability of innovative and entrepreneurial talents by the high-tech industry (3.86 points).

In 2020, the percentage of labor cost in total cost in different industries varies. Results are polarized: labor cost accounts for more than 30% of total cost in service (34.59%), construction (32.23%) and other industries (30.66%); labor cost accounts for no more than 25% in high-tech industries (24.58 %), traditional manufacturing (23.99%) and resource industries (23.85%).



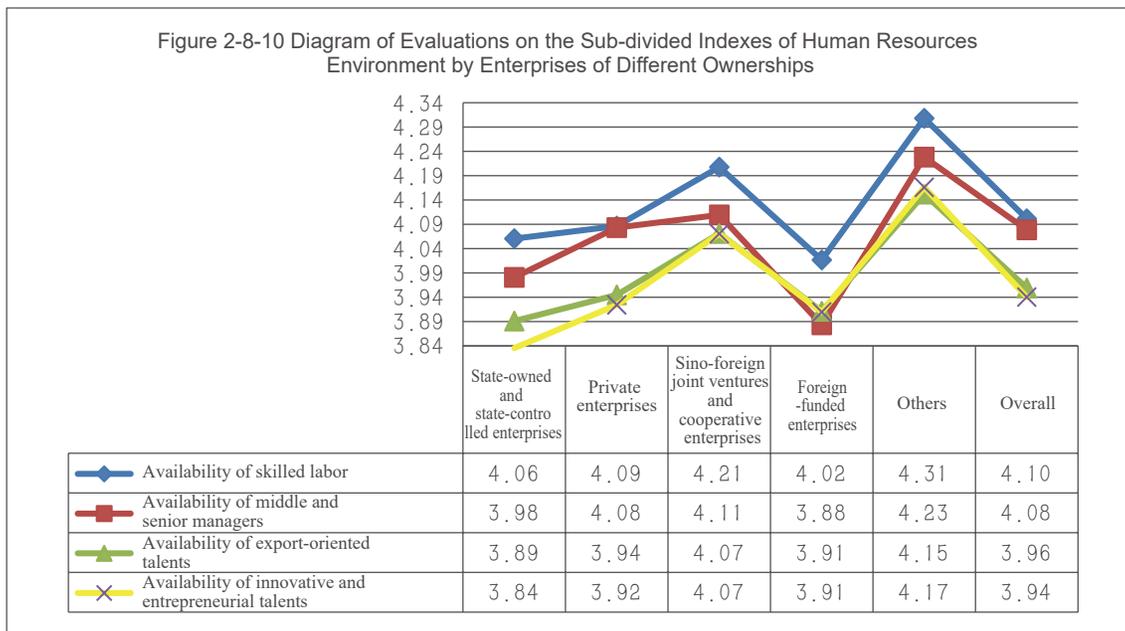
In 2020, labor cost in all industries has increased by more than 6%. Among them, labor cost in the construction industry has risen by 8.72%, representing the largest increase, followed by the service industry and other industries with a rise of 8.35% and 8.31%

respectively. The labor cost of traditional manufacturing, resource and high-tech industries have all increased by about 6%, specifically being 6.84%, 6.76% and 6.38% respectively.



#### (IV) Private enterprises have the largest increase in human costs, while foreign-funded enterprises have the smallest increase

Sino-foreign joint ventures and cooperative enterprises have the highest rating for human resources index, with 83.6% of them being Satisfied or above, followed by enterprises of other ownership (81.9%). State-owned enterprises (72.2%), foreign-funded enterprise (73.4%) and private enterprises (75.8%) give low satisfaction ratings.

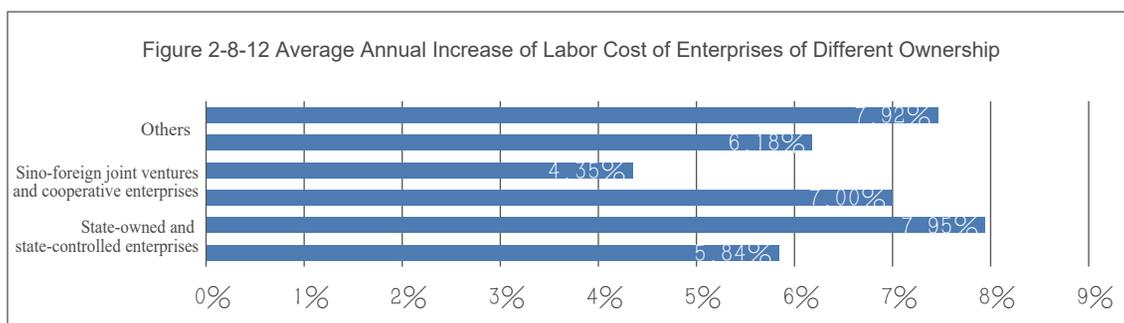
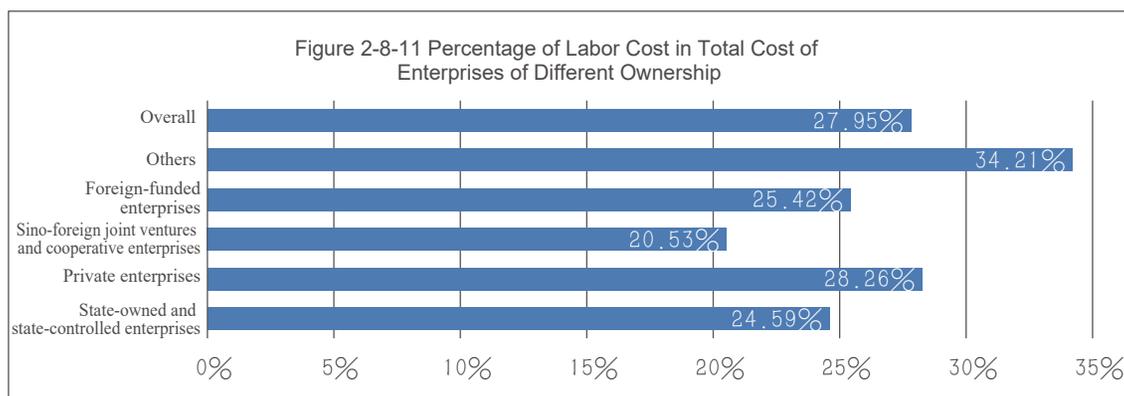


Enterprises of other ownership, Sino-foreign joint ventures and private enterprises give relatively high scores of 4.22, 4.11, and 4.01 points on human resources index; state-owned enterprises and foreign-owned enterprise both give a low score of 3.94 points.

Judging from the evaluation of sub-divided indexes of human resources environment by enterprises of different ownerships, the score on the availability of skilled labor is relatively high, and the scores on the availability of export-oriented talents and innovative and entrepreneurial talents are low. The peak score on the sub-divided indexes appears in the evaluation of the availability of skilled labor by enterprises of other ownership (4.31 points), and the bottom score appears in the evaluation of the availability of innovative and entrepreneurial talents by state-owned enterprises (3.84 points).

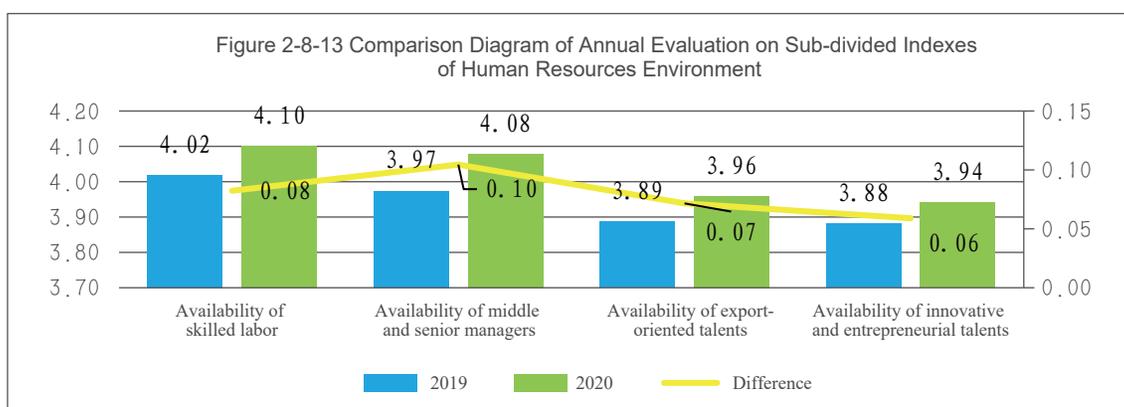
In 2020, labor cost of enterprises of other ownership accounts for the largest proportion (34.21%) of total cost, which is far higher than the remaining types of enterprises, followed by private enterprises (28.26%) and foreign-funded enterprise (25.42%); labor cost of Sino-foreign joint ventures and cooperative enterprises accounts for a low percentage (20.53%) of total cost.

In 2020, the average annual increases in labor cost of private enterprises and Sino-foreign joint ventures and cooperative enterprises are as high as 7.95% and 7.00%, followed by enterprises of other ownership (6.18%). Foreign-funded enterprises have experienced the smallest increase in labor cost (4.35%). The increase rate in labor cost of state-owned enterprises is in the middle (5.84%).



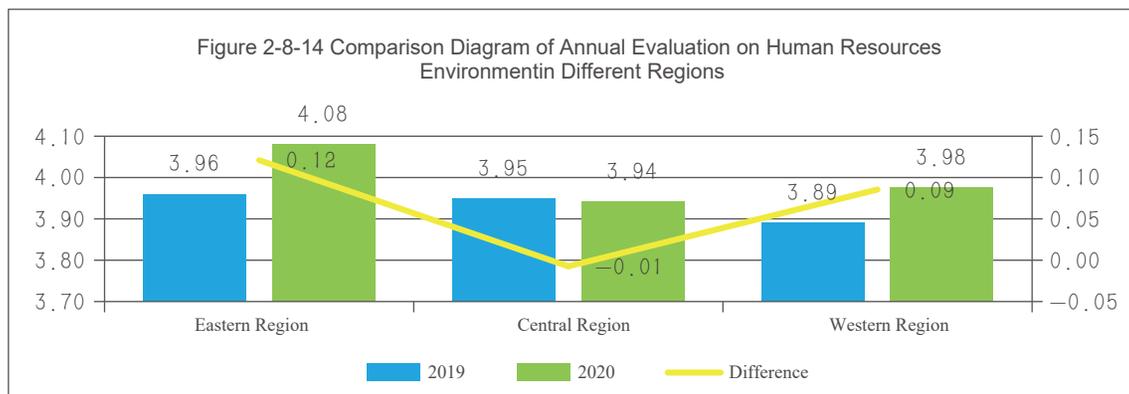
**(V) The score on the availability of middle and senior managers has improved, and the rating varies with region and enterprise of different ownerships**

In 2020, the score on human resources environment is the same as in 2019 (4.02 points). The increase rate ranks tenth among the 12 indexes, and the ratings in western regions and of state-owned enterprises have declined slightly.



1. The scores on all sub-divided indexes have been improved, and the increase rates are similar.

The scores on sub-divided indexes of human resources environment have improved in 2020. Among them, the availability of middle and senior managers has increased the most (0.10 points), followed by the availability of skilled labor (0.08 points); the scores on the availability of innovative entrepreneurial talents and export-oriented talents have increased by 0.06 and 0.07 points respectively.

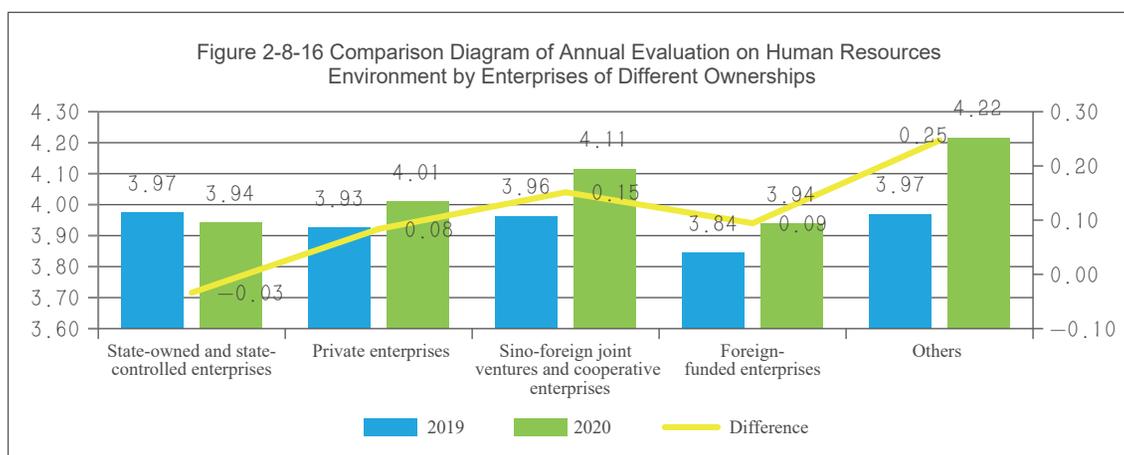
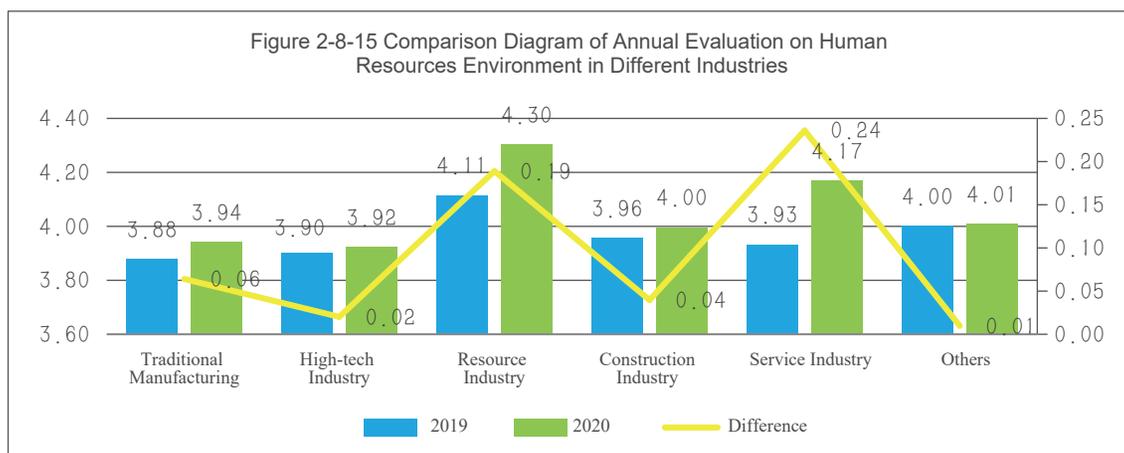


2. The rating of the eastern region has improved greatly, while that of the central region has declined slightly.

In terms of region, the rating on human resources environment in the eastern region has improved the most (0.14 points) during 2019-2020, followed by the western region (0.09 points); and that of the central region has dropped by 0.01 points.

3. The scores of the service industry and the resources industry have improved greatly, and the growth rate between industries is significant

Compared with 2019, the scores of the service industry and the resources industry have increased the most in 2020 by 0.24 and 0.19 points respectively; the scores of other industries, high-tech industry and construction industry have increased slightly by 0.01, 0.02 and 0.04 points respectively; the score increase of traditional manufacturing is on the middle level, with an increase of 0.06 points.



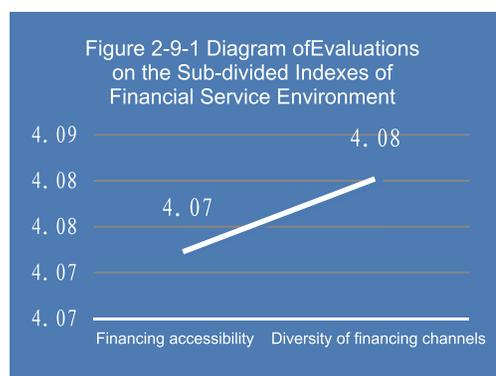
4. The score of state-owned enterprises has declined, and enterprises of other ownership have a strong sense of gain.

Compared with 2019, in 2020, except for the decrease of 0.03 points in the rating of human resources environment by state-owned enterprises, the rest are all on the rise. Among them, the score of enterprises of other ownership has improved the most by 0.25 points, followed by Sino-foreign joint ventures and cooperative enterprises with an increase of 0.15 points. The scores of foreign-funded enterprise and private enterprises are in the middle, with an increase of 0.09 and 0.08 points respectively.

## IX. Financial Services: Financing Accessibility and Channel Diversity are Limited, and the Cost of Financing is High

Financial service environment is sub-divided into two second-level indexes: financing accessibility and diversity of financing channels. In recent years, the financial service environment has improved; however, the overall situation is still not optimistic, and there are large differences in the ratings between the eastern, central and western regions.

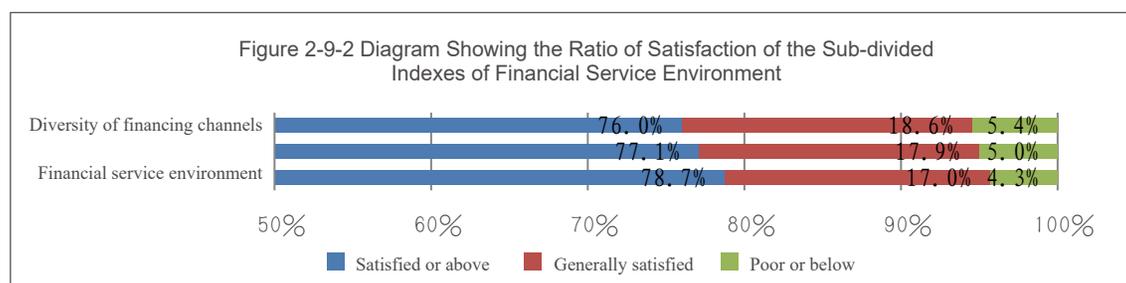
### (I) The scores on second-level indexes are low, and the difference between the indexes is not limited



In 2020, the score on financial service environment is about 4.08 points, which is in the range of Satisfied or above, far below the overall evaluation of the national business environment, ranking 11th among the 12 sub-divided indexes. The financing accessibility score is 4.07 points, and the diversity of

financing channels is 4.08 points. The difference between the two is only 0.01 points.

Enterprises satisfied about the financial service environment account for 78.7%, which is a relatively low level in general. The percentage of Satisfied or above ratings is 76.0% in diversity of financing channels, and 77.1% in financing accessibility.



## (II) The satisfaction degree for financing cost is high, and the rating in the eastern region is good

Among the regions, the percentage of Satisfied or above ratings in the eastern region is the highest, at 83.3%. In the central and western regions, the percentages are lower at 75.4% and 72.9% respectively.

The evaluation scores of the three regions decrease in order from the eastern (4.14 points), central (4.06 points), to the western (3.97 points) regions.

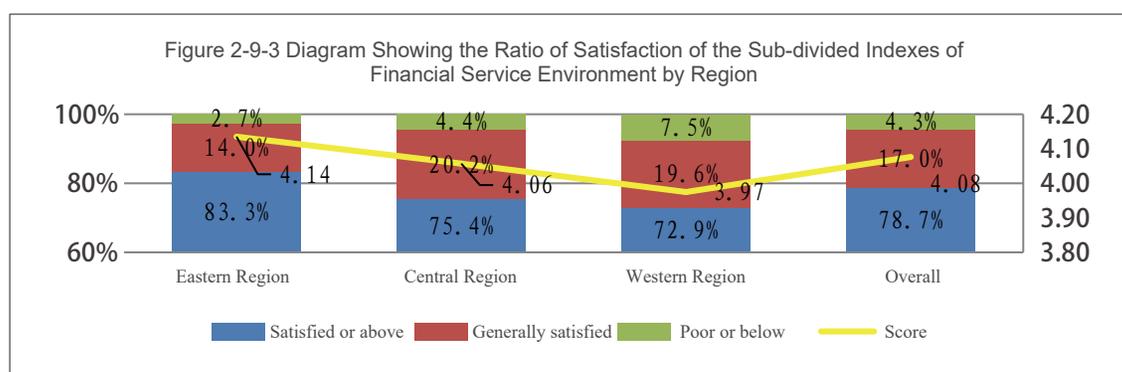


Table 2-9-1 Comprehensive Evaluation of Financial Service Environment in Each Region

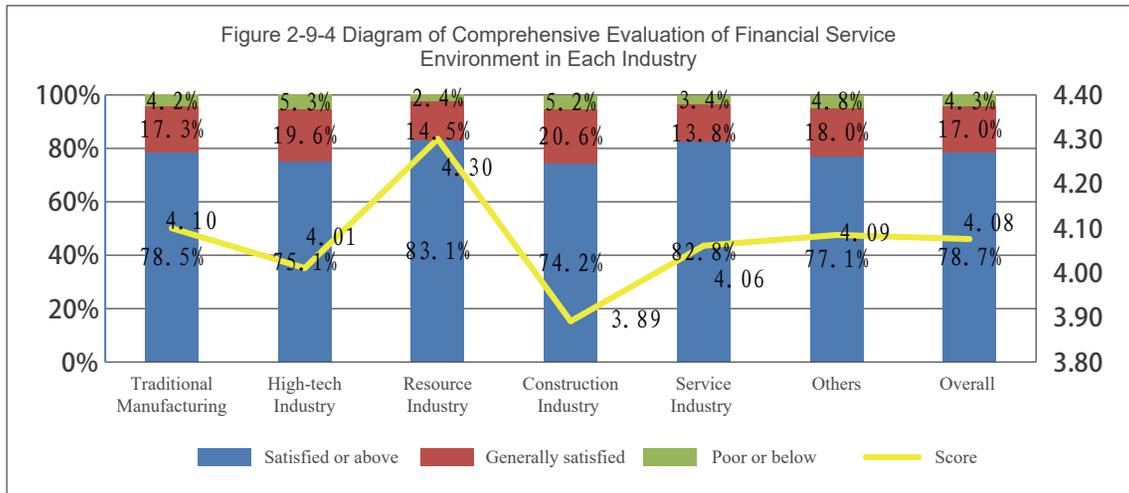
SEQUENCE	Financing accessibility		Percentage of labor cost	
	Region	Increase	Region	Percentage
1	Central Region	8.45	Central Region	33.17
2	Western Region	7.58	Western Region	28.02
3	Eastern Region	6.89	Eastern Region	25.25

The scores on the two indexes in the eastern region are 4.12 and 4.15 points, respectively, ranking first; the scores on two indexes in the central region are 4.07 and 4.04 points, respectively, on the middle level; the scores on two indexes of the western region are 3.97 and 3.98 points, respectively, ranking third.

Table 2-9-2 List of Financing Cost Rates in Each Region

RAN KING	Mean		Maximum		Minimum	
	Region	Financing cost rate	Region	Financing cost rate	Region	Financing cost rate
1	Western Region	4.13	Western Region	4.20	Central Region	4.01
2	Central Region	4.08	Eastern Region	3.97	Western Region	3.92
3	Eastern Region	4.08	Central Region	3.93	Eastern Region	3.90
Overall	13.05		100.00		100.00	

The national average cost of financing is 13.05% in 2020. The western region has seen the highest financing cost of 16.87%, followed by the central region (14%), while the eastern region has the lowest financing cost (10.94%).



### (III) The overall rating of financing across industries is not high

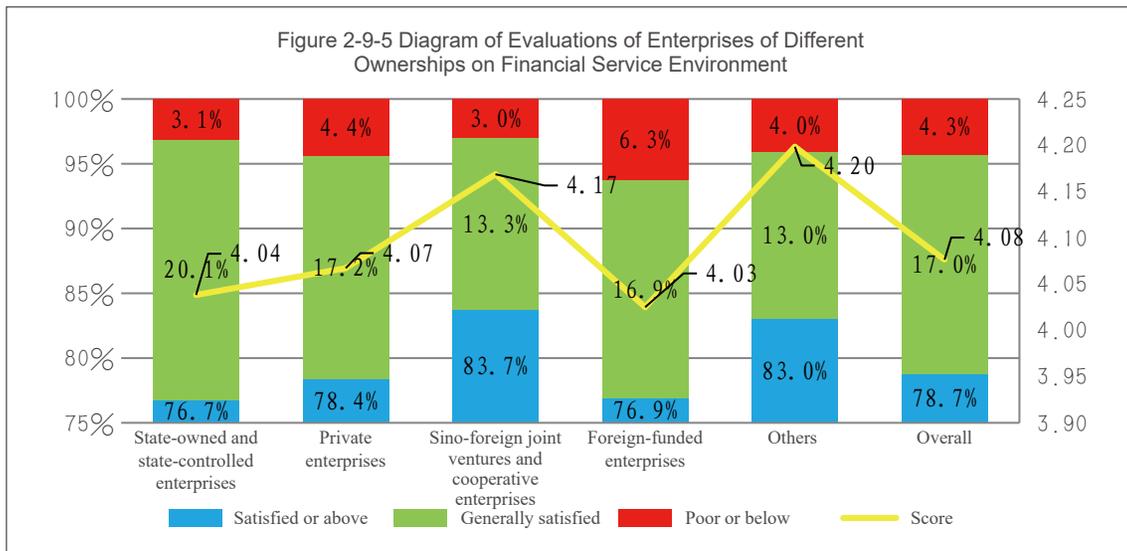
Among those giving Satisfied or above ratings, the resource industry accounts for the highest proportion (83.1%), followed by the service industry (82.8%); the percentage for other industries has not exceeded 80%.

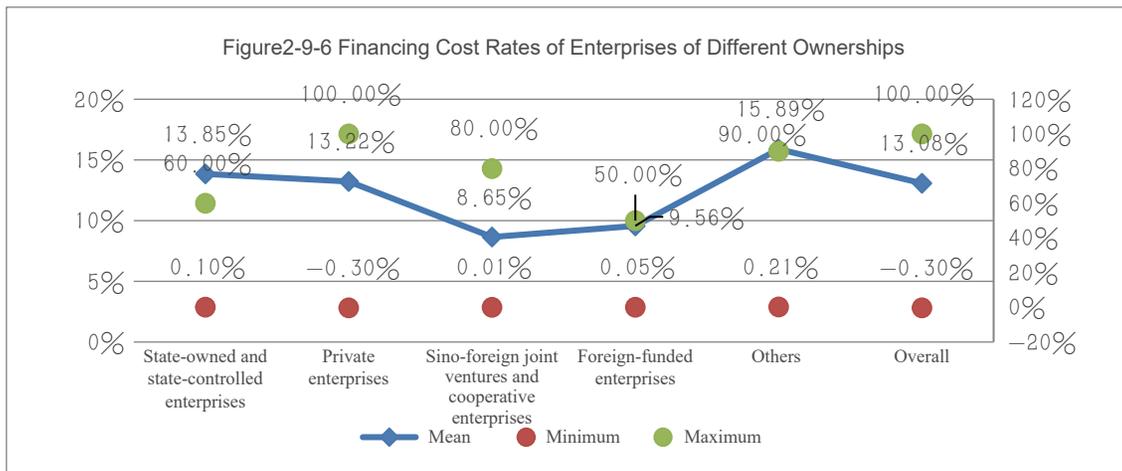
From the perspective of evaluation score, the resource industry has the highest result of 4.30 points on financial service environment, followed by the traditional manufacturing with 4.10 points; the lowest score is 3.89 points appearing in the construction industry. The difference between the highest score and the lowest score is 0.21 points.

The resources industry has the highest average cost of financing (20.82%), traditional manufacturing has the lowest (9.39%), and the percentage of the remaining industries are between 10%-20%.

**(IV) The satisfaction of Sino-foreign joint ventures and cooperative enterprises is high, while the cost of financing of different types of enterprises varies greatly**

From the perspective of satisfaction, Sino-foreign joint ventures and cooperative enterprises have the highest percentage of Satisfied or above (83.7%) ratings, while state-owned enterprises account for a low percentage (76.7%).





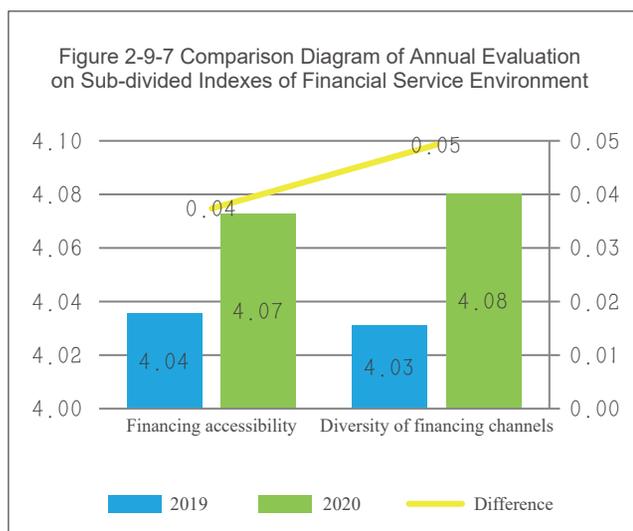
In terms of evaluation score, enterprises of other type have the highest rating (4.20 points), followed by Sino-foreign joint ventures and cooperative enterprises (4.17 points), and foreign-funded enterprise have the lowest (4.03 points).

There are large differences in financing cost rates among enterprises different ownerships. Among them, Sino-foreign joint ventures and cooperative enterprises have the lowest financing cost rate (8.65%), and other enterprises have the highest (15.89%).

### (V) The overall rating in 2020 is similar to that of 2019, and some areas have experienced decline

In 2020, the overall score on financial service environment is 4.08 points, seeing an increase of 0.04 points from the 4.04 points in 2019, remaining stable with an increase of around 1%.<sup>①</sup>

<sup>①</sup> Note: Since the index "Profit Repatriation Freedom" is not included in the 2020 questionnaire, the Institute recalculated the score of the 2019 financial service environment index according to the 2020 questionnaire structure. Therefore, it is different from the financial service environment score in the 2019 *China Business Environment Research Report*.



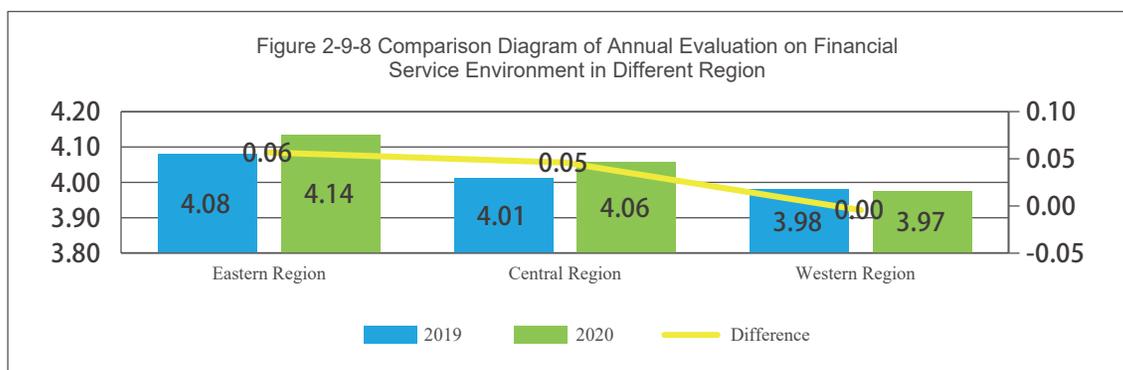
1. The scores on sub-divided indexes have improved in general.

From 2019 to 2020, the score on financing accessibility has increased from 4.04 points in 2019 to 4.07 points by 0.03; and that of diversity of financing channels has increased from 4.03 points in 2019 to 4.08

points by 0.05. The scores of the two second-level indexes both have increased slightly, with financing accessibility by 0.74% and diversity of financing channels by 1.24%.

2. The scores of the eastern and central regions have improved, while that of the western region declined.

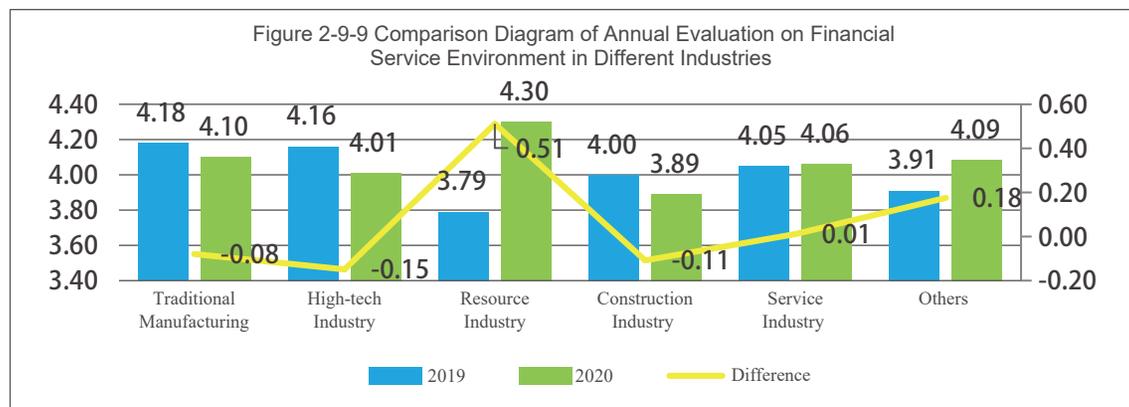
During 2019-2020, the scores on financial service environment of the eastern and central regions has improved significantly, with the eastern region rising to 4.14 points (by 0.06 points) and the central region to 4.06 points (by 0.05 points). The score on financial service environment of the western region has dropped to 3.97 points (by 0.01 points). Compared with 2019, the increase rates of the eastern and



central regions are 1.47% and 1.25% respectively, while the western region has decreased by 0.25%.

3. The score of the resources industry have increased significantly, while that of multiple industries declined.

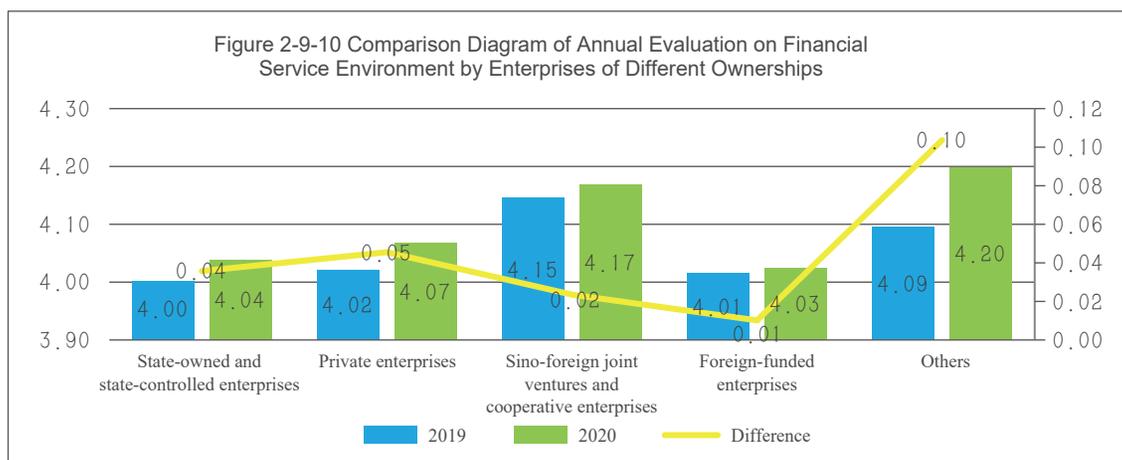
Compared with 2019, the score of the resources industry increased the most by 0.51 points, or 13.46%, followed by other industries with an increase of 0.18 points, or 4.6%; that of the high-tech industry has



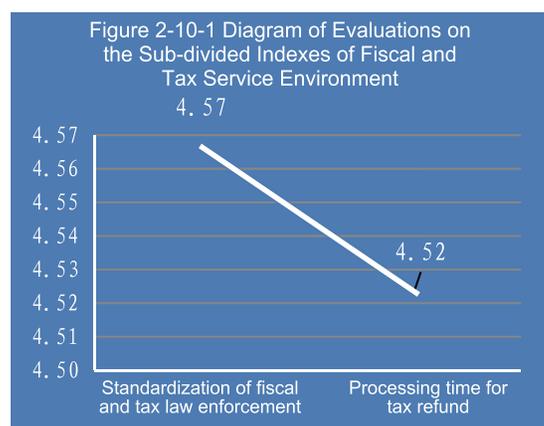
dropped significantly by 0.15 points, followed by the construction industry with a decrease of 0.11 points. The service industry's score is basically the same as in 2019, only increasing by 0.01 points.

4. The ratings from enterprises of other ownership is higher, and the evaluation of foreign-funded enterprise is lower.

Compared with 2019, the evaluation score of enterprises of other ownership has increased the fastest by 0.11 points, or 2.69%, followed by private enterprises with an increase of 0.05 points, or 1.24%; the scores of state-owned enterprises, Sino-foreign joint venture, cooperative enterprises and foreign-funded enterprise have also experienced different increase rates: 1%, 0.48%, and 0.50% respectively.



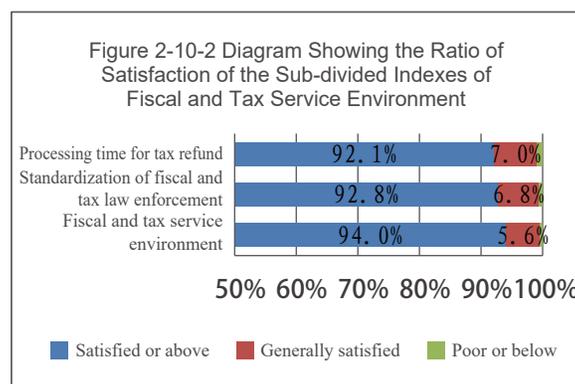
## X. Fiscal and Tax Service: The Highest Ratings among the Overall Indexes, but the Fee Rate & Tax Rate Rating Has Decreased



Fiscal and tax service environment is sub-divided into two second-level indexes: standardization of fiscal and tax law enforcement, and processing time for tax refund. In 2020, the overall fiscal and tax service index has improved significantly, overtaking the port service environment to top the list of the 12 first-level indexes.

### (I) The rating of fiscal and tax service is very high

The score on fiscal and tax service environment in 2020 is 4.55 points, ranking first among the 12 first-level indexes, and it is the only one rated "Very Satisfied". In terms



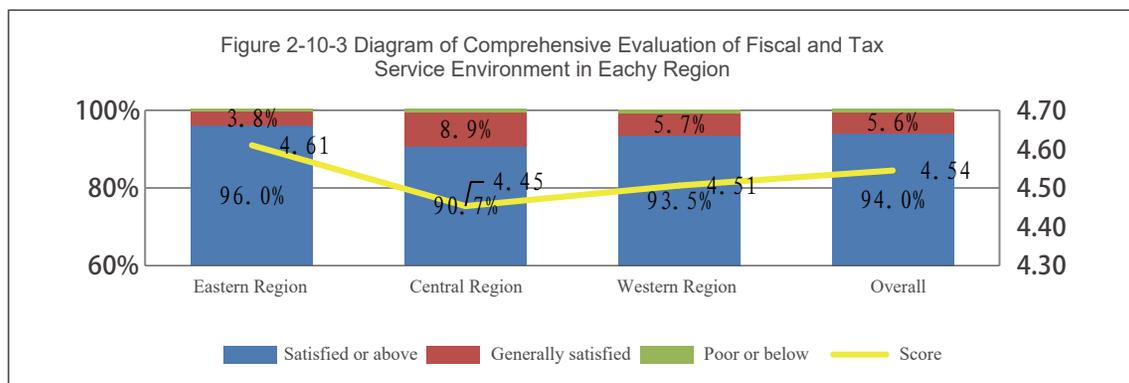
of sub-divided indexes, the scores on standardization of fiscal and tax law enforcement and processing time for tax refund are 4.57 and 4.52 points respectively.

More than 90% of the surveyed enterprises have rated the fiscal and tax service environment Satisfied or above.

## (II) The number of tax payments has decreased, but the total charge rate and total tax rate have increased

According to the completed survey questionnaire, in 2020, the average number of tax payments of the surveyed enterprises is 15.83, the average time spent on tax payment is 12.63 hours, the total fee rate (the percentage of the fee to the profit) is 22.07%, and the total tax rate (the percentage of the tax to the profit) is 34.33%.

Compared with 2019, the average time it takes for the surveyed enterprises to pay taxes and fees in 2020 has decreased by 30.27% from 18.14 to 12.63 hours; the number of tax payments has increased from 15.23 to 15.83 times per year, indicating a slight increase; the total fee rate and total tax rate in 2020 has increased from 9.76% and 10.62% in 2019 to 22.07% and 34.33% respectively.



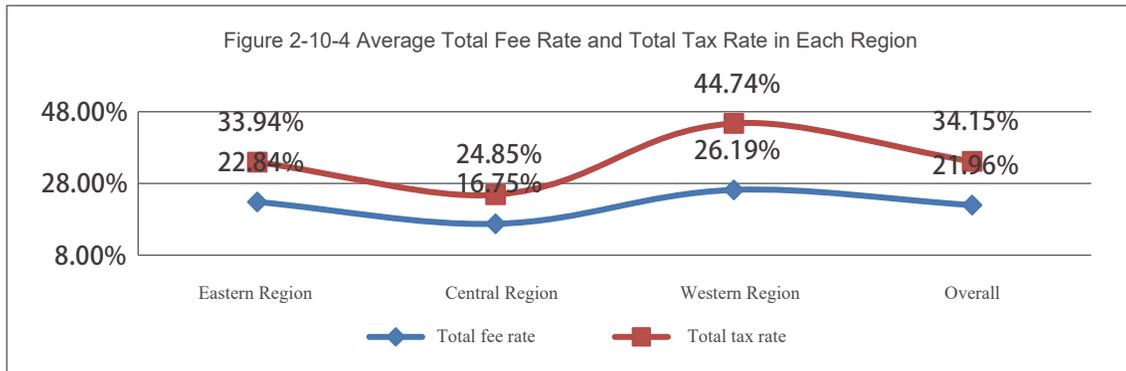
### (III) All regions have received 90% or more of Satisfied or above ratings, while the total tax rate and total fee rate vary largely

Satisfaction with the fiscal and tax service environment in all regions is at a high level. The eastern region enjoys the highest rating, with a score of 4.61, and 96% of the feedbacks are Satisfied or above, followed by the western region with a score of 4.51 and a Satisfied or above percentage of 93.5%; the central region has a score of 4.45, and the Satisfied or above ratings account for 90.7%.

Table 2-10-1 Scores on Sub-divided Indexes of Fiscal and Tax Service Environment in Each Region

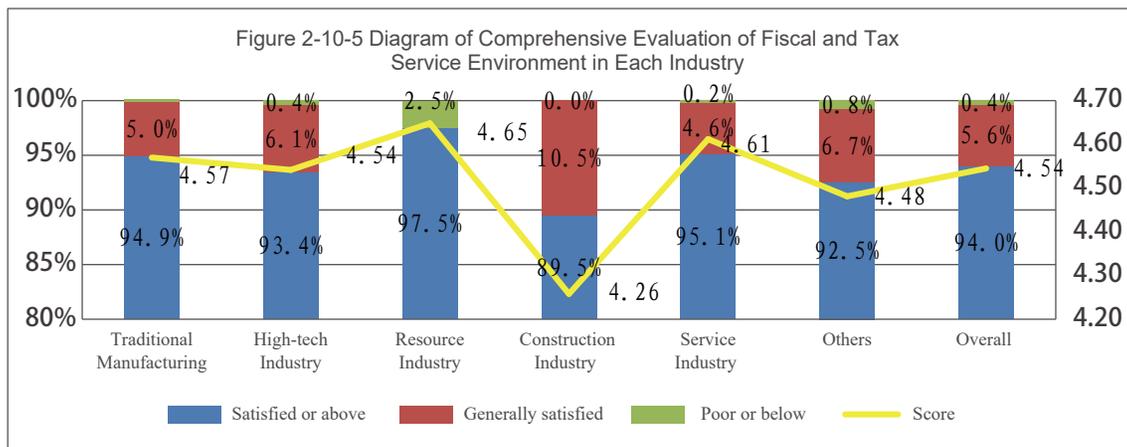
SEQUENCE	Standardization of fiscal and tax law enforcement		Processing time for tax refund	
	Region	Score	Region	Score
1	Eastern Region	4.63	Eastern Region	4.59
2	Western Region	4.55	Western Region	4.47
3	Central Region	4.46	Central Region	4.45

The scores on the sub-divided indexes of the fiscal and tax service environment in various regions show that the eastern region enjoys a high rating for its fiscal and tax service environment, and the score of standardization of fiscal and tax law enforcement (4.63 points) and that of processing time of tax refund (4.59 points) are higher than those of the western and central regions. In the two second-level indexes, there is a certain difference in the ratings of the standardization of fiscal and tax law enforcement in difference regions, resulting in a difference of 0.17 points between the highest score and the lowest score. The difference between the highest score and the lowest score on tax refund processing time is 0.14 points.



There is a noticeable difference between the total fee rate and the total tax rate in various regions. The total fee rate and total tax rate in the western region, i.e., 26.19% and 44.74%, are both at the highest level; the total fee rate and total tax rate in the central region, i.e., 16.75% and 24.85%, are both at the lowest level; and the eastern region has a total fee rate and tax rate of 22.84% and 33.94%.

#### (IV) The construction industry is subject to excessive numbers of payment and high tax rate, the high-tech industries subject to long payment time, and the service industry subject to high fee rate



From the perspective of industry, the resources industry gives the highest rating, with a score of 4.65 points and 97.5% of Satisfied or above feedbacks, followed by the service industry, with more than 95% of Satisfied or above feedbacks and a score of 4.61 points. The construction industry has a relatively low rating for the fiscal and tax

service environment (4.26 points), and Satisfied or above feedbacks are less than 90%.

Among the scores on the sub-divided indexes of fiscal and tax service environment by various industries, the peak scores are the ratings of the resources industry and the service industry for the standardization of fiscal and tax law enforcement, which are 4.67 and 4.66 points respectively. The lowest score is the rating of the construction industry on the processing time of tax refund, which is 4.22 points. On the whole, the rating for standardization of fiscal and tax law enforcement is higher than that for processing time for tax refund.

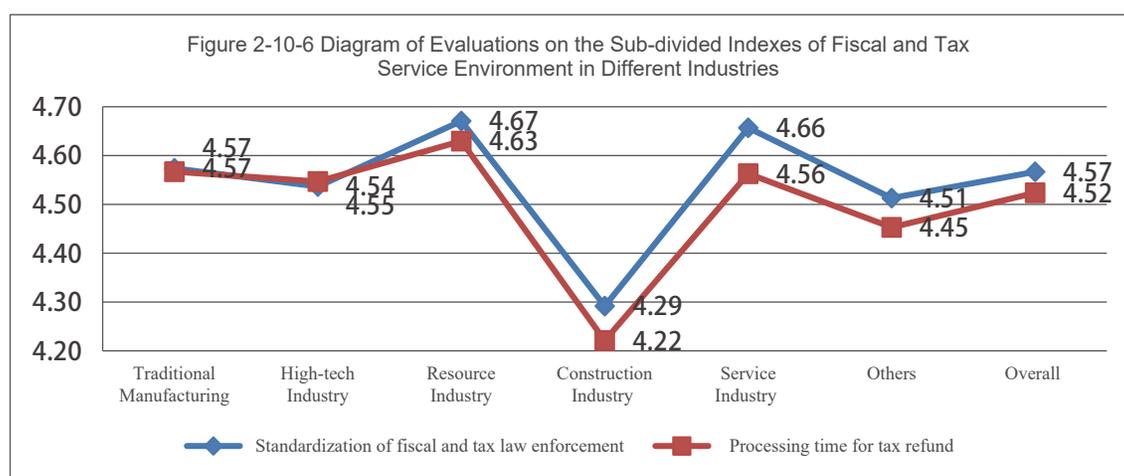
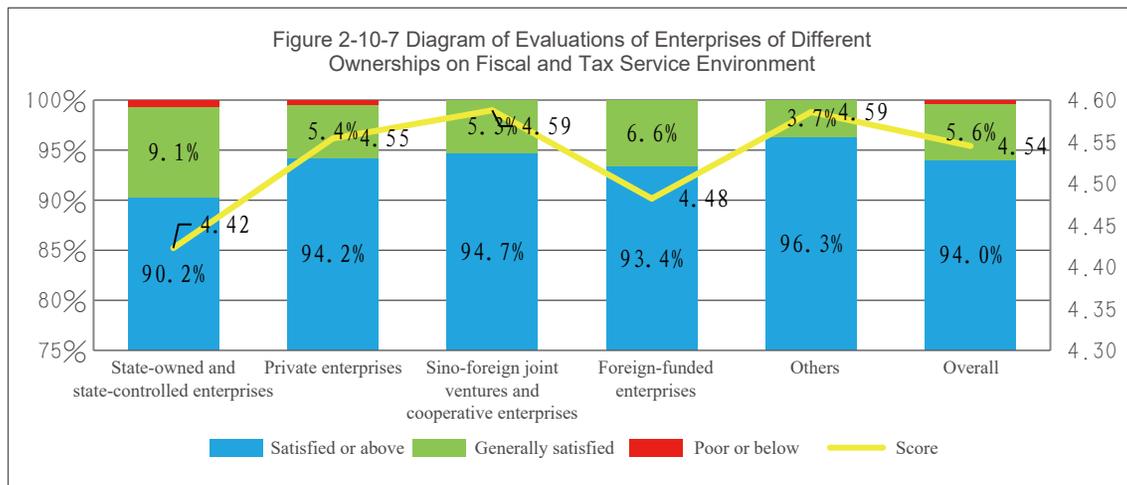


Table 2-10-2 Tax Payments of Enterprises in Different Industries

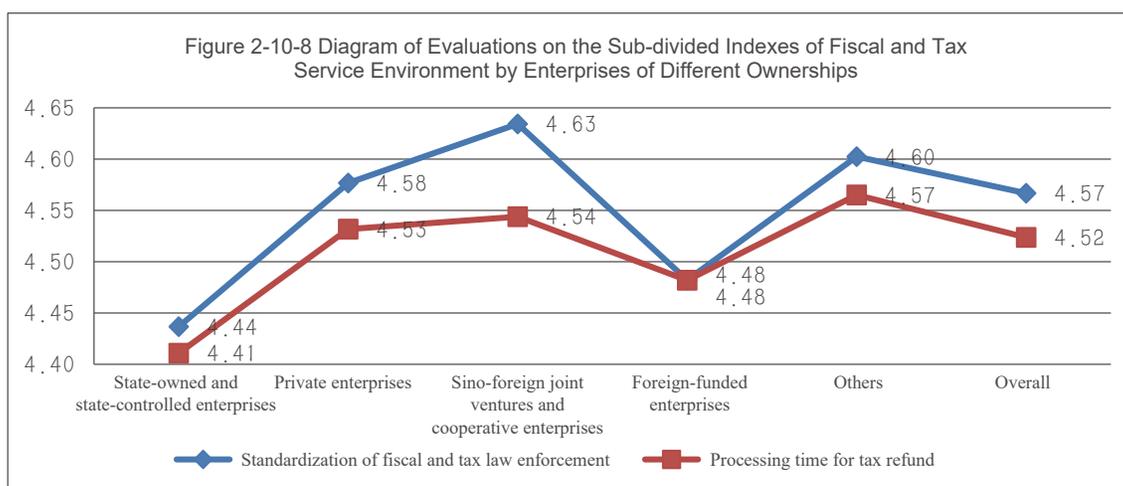
Industry	Number of tax payments (times/year)	Tax payment time (hours)	Total fee rate (% of fee to profit)	Total tax rate (% of tax to total profit)
Traditional manufacturing industry	16.94	10.78	22.78	40.00
High-tech industry	24.88	25.95	24.41	34.43
Resources industry	16.00	16.09	15.16	20.00
Construction Industry	33.43	6.69	18.81	53.74
Service industry	9.09	9.55	28.73	29.35
Others	11.38	9.60	18.31	29.26

The number of tax payments indicates that the construction industry has the highest number of payments per year, i.e., 33.43 times, while the service industry has the least, i.e., 9.09 times per year. In terms of tax payment time, the high-tech industry is subject to the longest payment time of 25.96 hours on average; the construction industry enjoys the shortest payment time of 6.69 hours on average; in terms of total fee rate, the service industry tops the list with a total rate of 28.73%, while the resources industry enjoys the lowest rate of 15.16%. In terms of total tax rate, the construction industry is subject to the highest total tax rate, with an average tax rate of 53.74%; the resources industry enjoys the lowest average tax rate, i.e., 20%.



**(V) For the foreign-funded enterprise, the number of payments is many, the total tax rate is high, while the time consumption for payment of the private enterprise is long**

From the perspective of enterprises of different ownerships, the scores of Sino-foreign joint ventures and cooperative enterprises and enterprises of other ownerships were the highest, with 4.59 points for all. The ratings from state-owned enterprises and foreign-funded enterprises are relatively low, with 4.42 points and 4.48 points respectively. All types of enterprises with satisfied or above evaluations was higher than 90%, and that of enterprises of other ownerships with satisfied or above evaluations was highest at 96.36%.



From the perspective of sub-divided indexes, except for the foreign-funded enterprise, the evaluation of all types of enterprises on the normative index for fiscal and taxation law enforcement was higher than the evaluation on the processing time of tax refund application, with the peak value being 4.63 points for the evaluation of the Sino-foreign joint ventures and cooperative enterprises on the normative index for fiscal and taxation law enforcement and the valley value being 4.48 points for the evaluation of the foreign-funded enterprise on the normative index for fiscal and taxation law enforcement and the processing time of tax refund application.

Table 2-10-3 Tax Payment of Enterprises of Different Ownerships

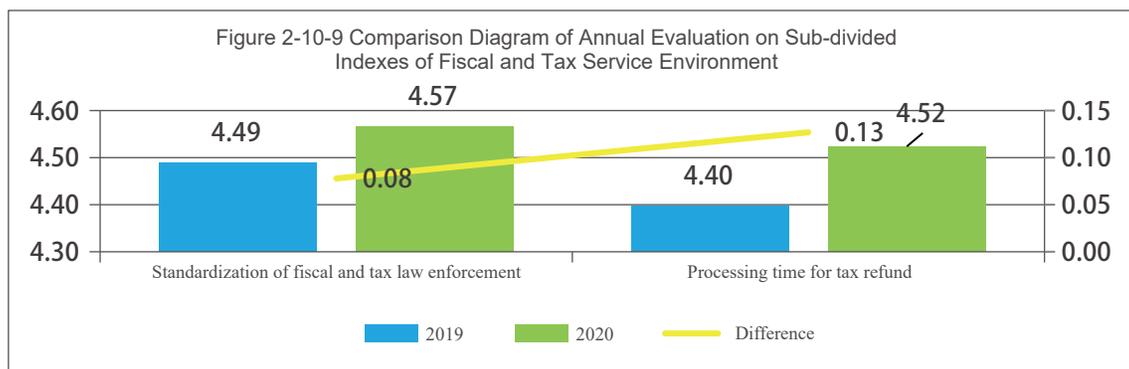
Nature of enterprise	Number of tax payments (times/year)	Tax payment time (hours)	Total fee rate (% of fee to profit)	Total tax rate (% of tax to total profit)
State-owned and state-controlled enterprises	15.16	35.11	46.35	95.16
Private enterprises	10.04	8.27	20.64	31.02
Sino-foreign joint ventures and cooperative enterprises	13.25	16.87	28.38	45.22
Foreign-funded enterprises	44.87	22.11	15.94	30.94
Others	62.95	18.32	17.04	15.01

The number of tax payments of the foreign-funded enterprise is the most, with an average of 62.95 times per year; while that of enterprises of other ownerships is the least, with an average of 10.04 times per year. From the perspective of time consumption for taxes and dues payment, that of the private enterprise is longest with 35.11 hours; while that of the foreign-funded enterprise is the shortest with only 8.27 hours. The total rate for enterprises of other ownerships is the highest at 46.35%; while the total rate for the Sino-foreign joint ventures and cooperative enterprises is the lowest at 16.94%. The total tax rate for the foreign-funded enterprise is the highest at 95.16%; while the total tax rate for the Sino-foreign joint ventures and cooperative enterprises is the lowest at 15.01%.

## (VI) The evaluation of enterprises improved, and the score of service industry improved by more than 7%

Compared with 2019, the evaluation of enterprises on fiscal and tax service increased from 4.43 points in 2019 to 4.54 points in 2020, with an increase of 2.7%.

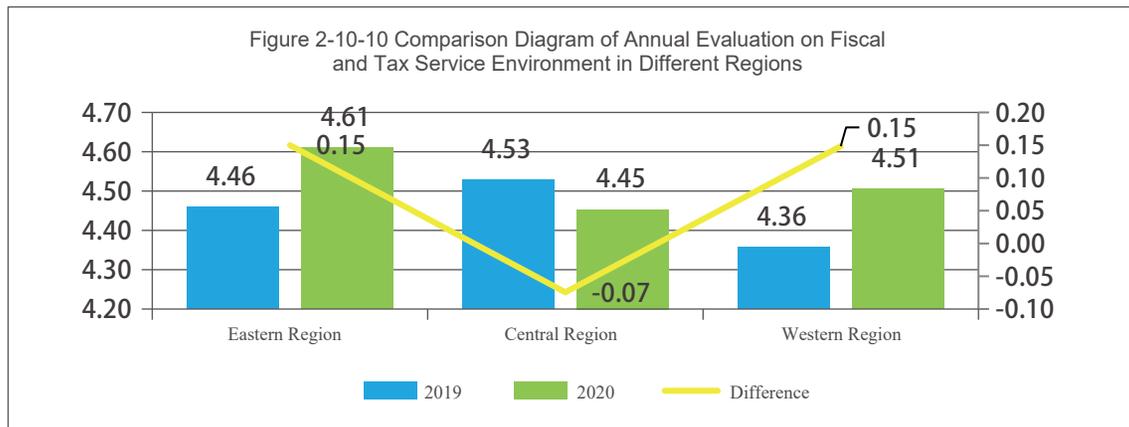
### 1. The sub-divided indexes significantly improved.



Both second-level indexes improved, and index for tax refund application sees greater growth than the normative index for fiscal and taxation law enforcement. Compared with 2019, the evaluation score

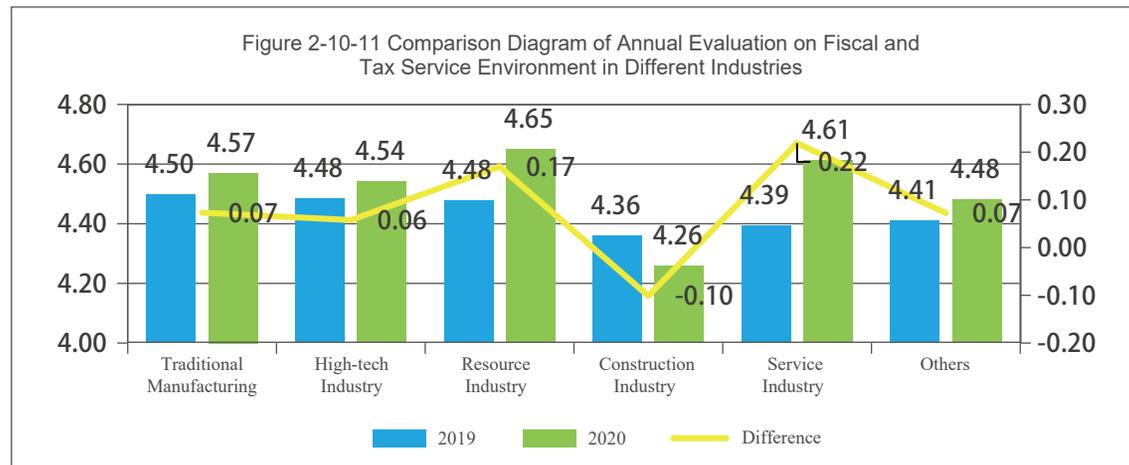
on the processing time of tax refund application in 2020 increased by 0.13 points with an increase of 2.95%; while that on the normative index for fiscal and taxation law enforcement increased by 0.08 points with an increase of 1.78%.

2. The ratings in the western region improved rapidly while that in the central region declined.



Compared with 2019, the evaluations on fiscal and tax service environment in the eastern and western regions increased by 0.15 points in 2020 with an increase of 3.44% in the western region and 3.36% in the eastern region. The ratings from the central region decreased by 0.07 points with a decrease of 1.5%.

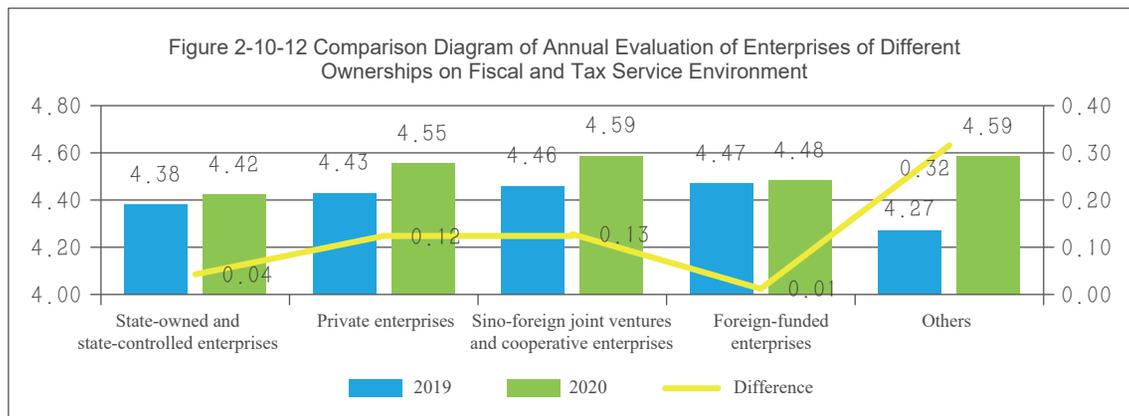
3. The evaluation in service industry increased significantly, while that in construction industry decreased.



Compared with 2019, the evaluation on the fiscal and tax service in the service industry increased the most in 2020, increasing from 4.39 points to 4.61 points, followed by the resources industry, increasing from 4.48 to 4.65; while the evaluation score in construction industry decreased by 0.1 points with a decrease of more than 2%.

4. The ratings from all types of enterprises generally increase, while the increase of enterprises of other ownerships exceeds 7%.

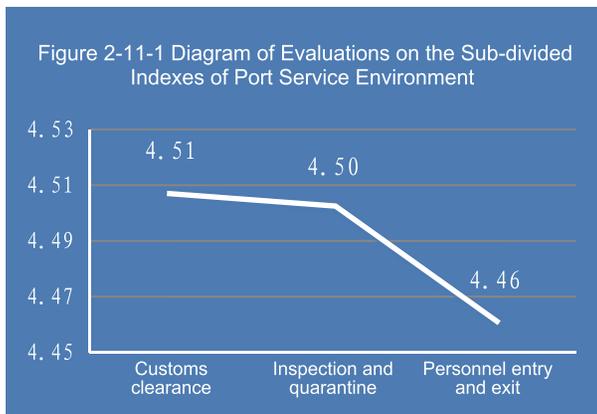
Compared with 2019, the evaluation of all types of enterprises on fiscal and tax service environment increased in 2020; among them, the evaluation of enterprises of other ownerships increased largest by 0.32 points with an increase of 7.5%; and the that of the private enterprise and Sino-foreign joint ventures and cooperative enterprises increased by 0.12 points and 0.13 points respectively; the evaluation of the foreign-funded enterprise improved less by 0.01 points.



## XI. Port Services: Satisfaction of Customs Clearance and Inspection and Quarantine is high, while Ratings for Personnel Entry and Exit is Low

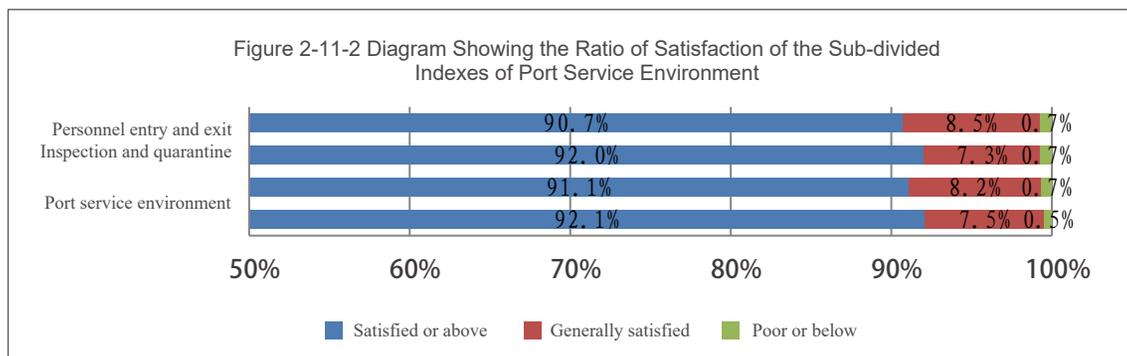
The port service environment is sub-divided into three second-level indexes: customs clearance, inspection and quarantine, and personnel entry and exit. In 2020, the evaluations of the surveyed enterprises on the port service environment are relatively high, with the score ranking second among the 12 primary indexes.

### (I) The evaluation on customs clearance is higher than that on personnel entry and exit

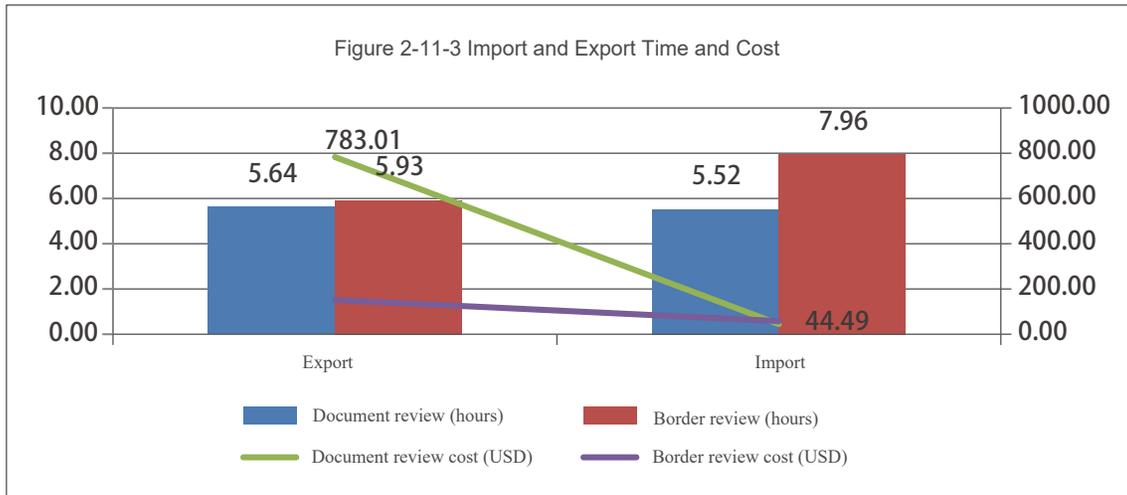


In 2020, the evaluation on port service environment was 4.49 points, ranking second among the 12 primary indexes, close to "Very Satisfied". Among them, the ratings on customs clearance and inspection and quarantine are relatively high, with 4.51 points and 4.50 points

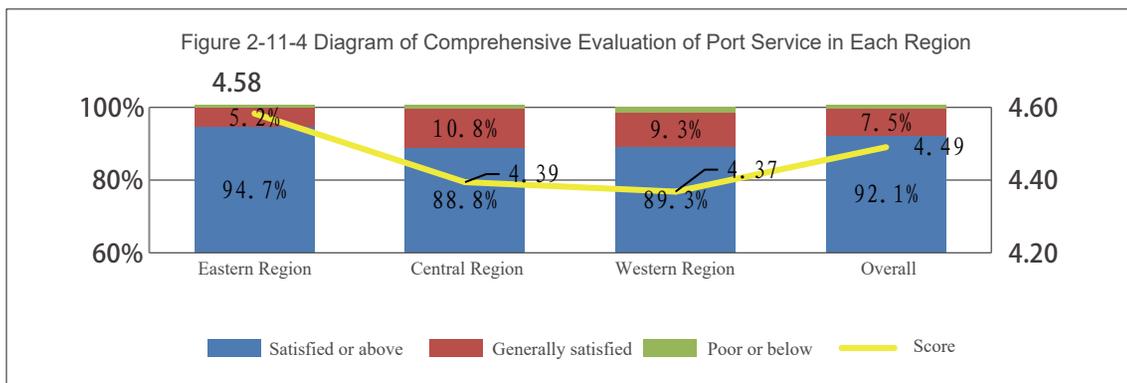
respectively, reaching the "very satisfactory" evaluation range. The ratings on personnel entry and exit are slightly lower at 4.46 points.



From the perspective of satisfaction evaluation, the proportion of satisfied or above evaluations on the entirety and each second-level index of the port service environment exceeded 90%, of which the proportion of inspection and quarantine was the highest at 92%; while the proportion of the personnel entry and exit was slightly lower at 90.7%.



From the perspective of import and export time and cost, the export cost is generally higher than the import cost, and the border review time is generally longer than the document review time. Among them, the import border review time is the longest, with an average of 7.96 hours; the import document review time is the shortest, with an average of only 5.52 hours.



## (II) There were great differences between different regions in border review and document review

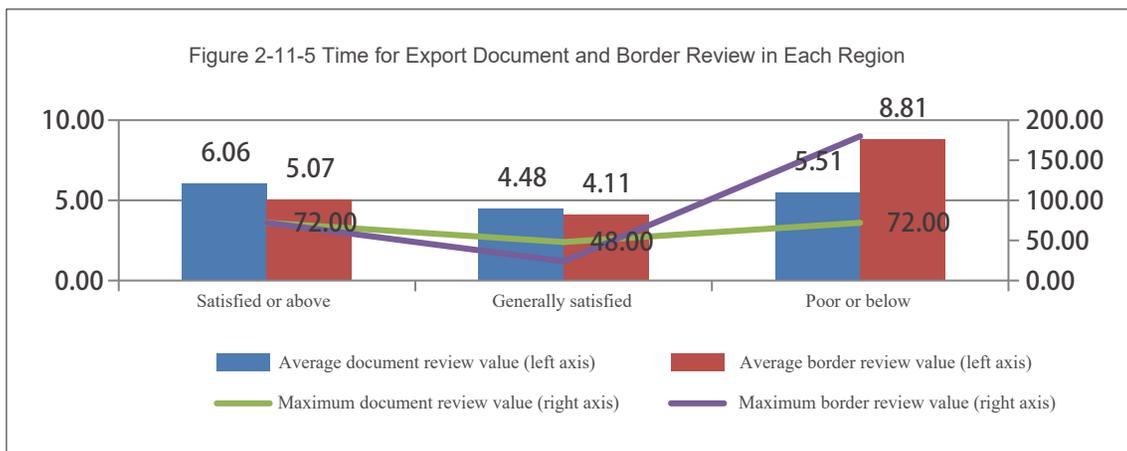
The eastern region had the highest overall ratings on the port service index, with the satisfied or above evaluations accounting for 94.7% and the score of 4.58 points, which was in the category of "very satisfactory". The proportion of satisfactory and above evaluations in the central and western regions was close to 90%, with evaluation scores of 4.39 points and 4.37 points respectively.

From the perspective of the sub-divided indexes, the evaluation on each sub-divided indexes in the eastern region was higher than that in the central and western regions. The regional differences of evaluation on customs clearance index were the greatest, with the difference between the highest score (4.61 points in the east) and the lowest score (4.36 points in the west) being 0.25 points; the regional differences of evaluation on the inspection and quarantine index were the smallest, with the difference between the highest score (4.59 points in the east) and the lowest score (4.40 points in the central) being 0.19 points.

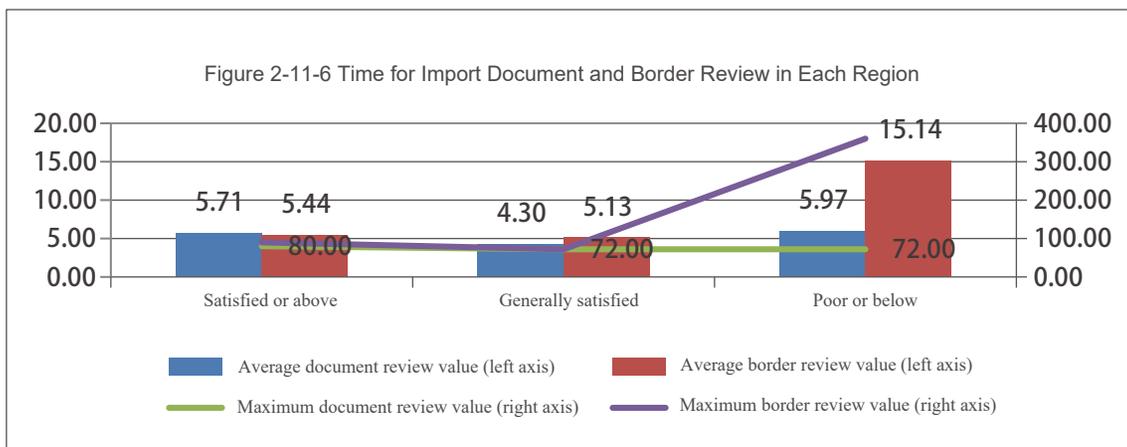
Table 2-11-1 Scores of the Sub-divided Indexes of Port Service Environment in Each Region

RANKING	Customs clearance		inspection and quarantine		Personnel entry and exit	
	Region	Score	Region	Score	Region	Score
1	Eastern Region	4.61	Eastern Region	4.59	Eastern Region	4.55
2	Central Region	4.41	Western Region	4.41	Central Region	4.37
3	Western Region	4.36	Central Region	4.40	Western Region	4.33

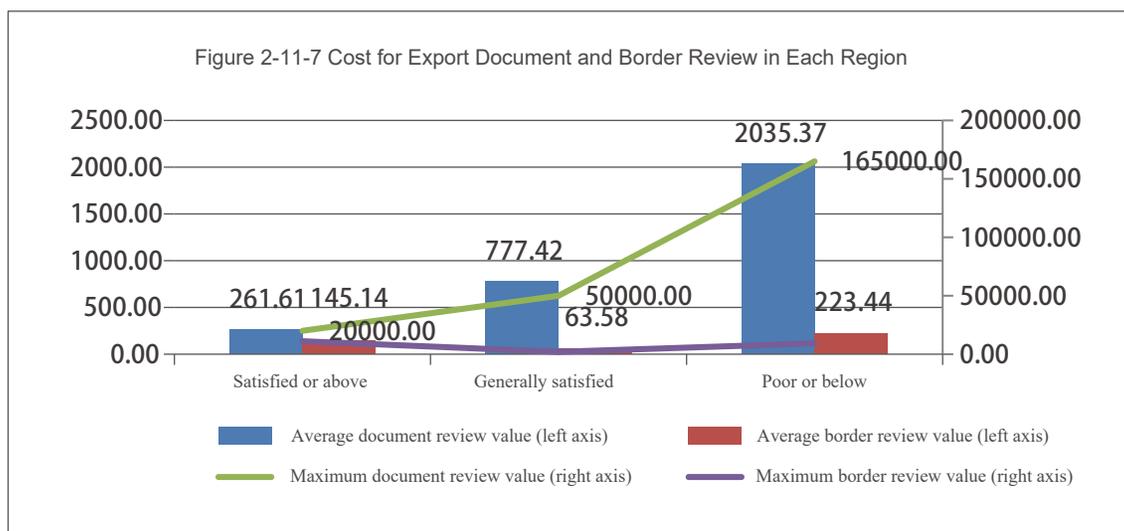
From the perspective of export document and border review time of each region, the overall time consumption in the central region is relatively short, with the average time consumption for border review



being 4.11 hours and the average time for document review being 4.48 hours. The region with the longest time for document review is the eastern region, with an average time of 6.06 hours. The region with the longest time consumption for border review is the western region, with an average time of 8.81 hours.

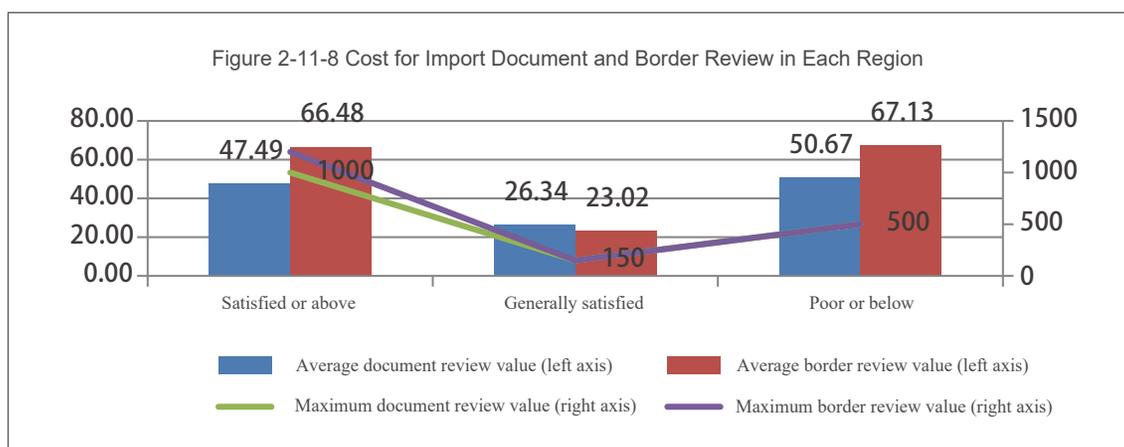


From the perspective of time for import document and border review of each region, the overall time consumption in the central region is the shortest, with an average time consumption for document review being 4.30 hours and an average time consumption for border review being 5.13 hours. The time consumption for the border review and that for document review in the western region were the highest, with 15.14 hours and 5.97 hours respectively. The time consumption for review in the eastern region was in the middle place.



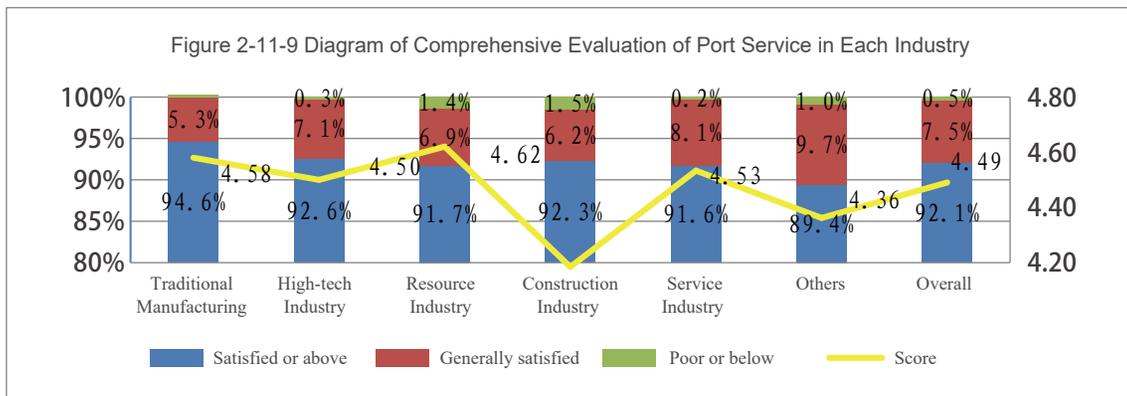
From the perspective of the cost for export document and border review of each region, the cost for border review in the central region is the lowest with USD 63.58; while the cost for border review in the western region is the highest with an average of USD 223.44. The cost for document review in the eastern region is the lowest with USD 261.61; while the cost for document review in the western region is the highest, with an average of USD 2,035.37.

From the perspective of the cost for import document and border review of each region, the average costs for border and document review in the central region are the smallest with USD 23.02 and USD 26.34 respectively; while the average costs for border and document review in the western region are the largest with USD 67.13 and USD 50.67 respectively.



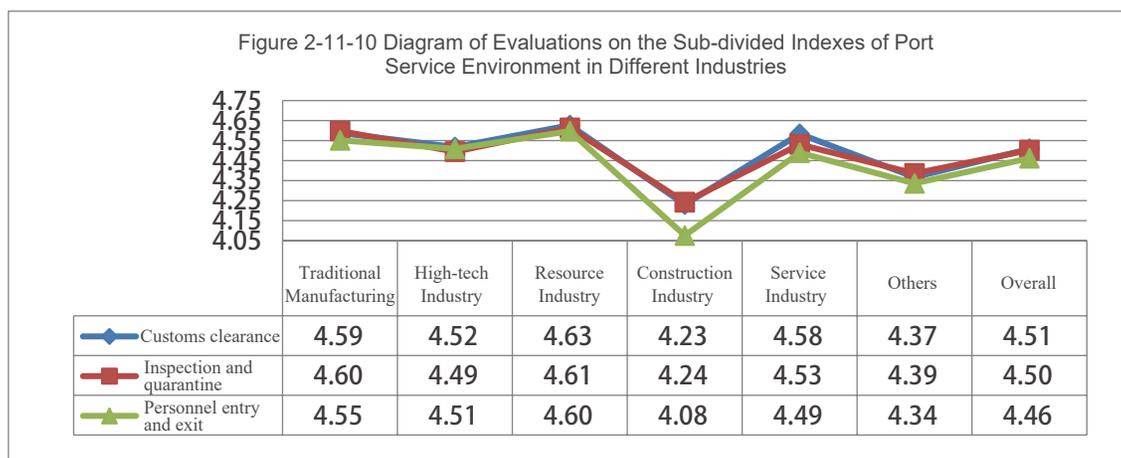
### (III) The ratings from the resources industry on port service is high, while that of the construction industry is low

By industry, the score of resources industry on port service is highest with 4.62 points, followed by the traditional manufacturing industry and the service industry, with 4.58 points and 4.53 points respectively. The scores of other industries and the construction industry on the port service environment were lower, at only 4.36 points and 4.18 points respectively, with a large gap between industries.

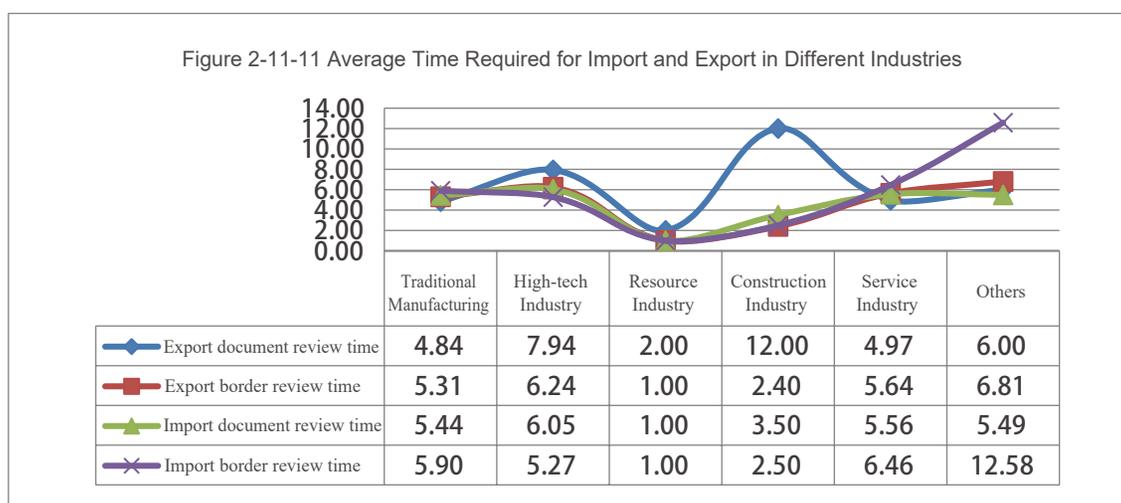


From the perspective of satisfaction, the proportion of traditional manufacturing and high-tech industry with satisfied or above evaluations was relatively high, at 94.6% and 92.6% respectively. The proportion of other industries with satisfied or above evaluations was relatively low, at only 89.4%.

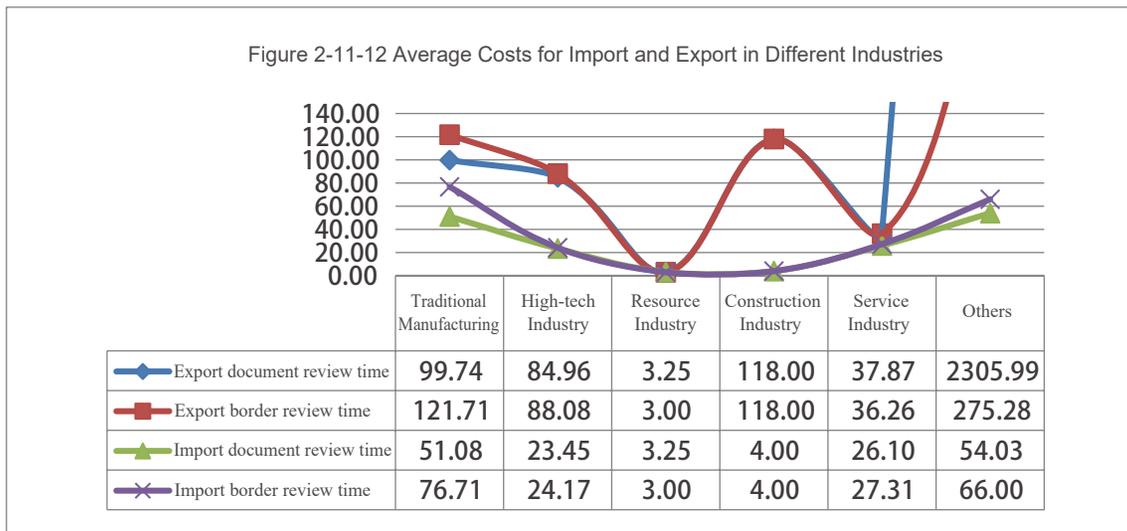
From the perspective of sub-divided indexes, the scores of personnel entry and exit indexes in various industries are relatively low. The highest score is 4.63 points for the evaluation on inspection and quarantine by the resources industry; while the lowest score is given to personnel entry and exit indexes by the construction industry (4.06).



From the perspective of the export review time, the time consumption of document review in the construction industry is the longest with 12 hours. The time consumption for export border review is generally shorter than that for export document review, and the average time for export border review in other industries is the longest, requiring 6.81 hours.

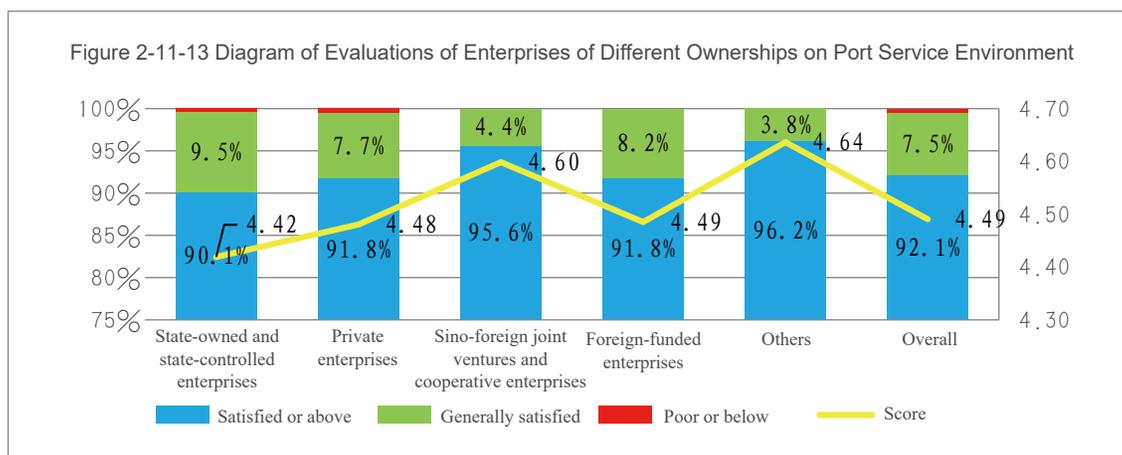


From the perspective of import review time, the industry with the longest time consumption for import border review is other industries, generally requiring 12.58 hours. Except other industries, the time consumption for import document review is not much different from that for import border review, and the average time consumption in the high-tech industry is the longest—6.05 hours.



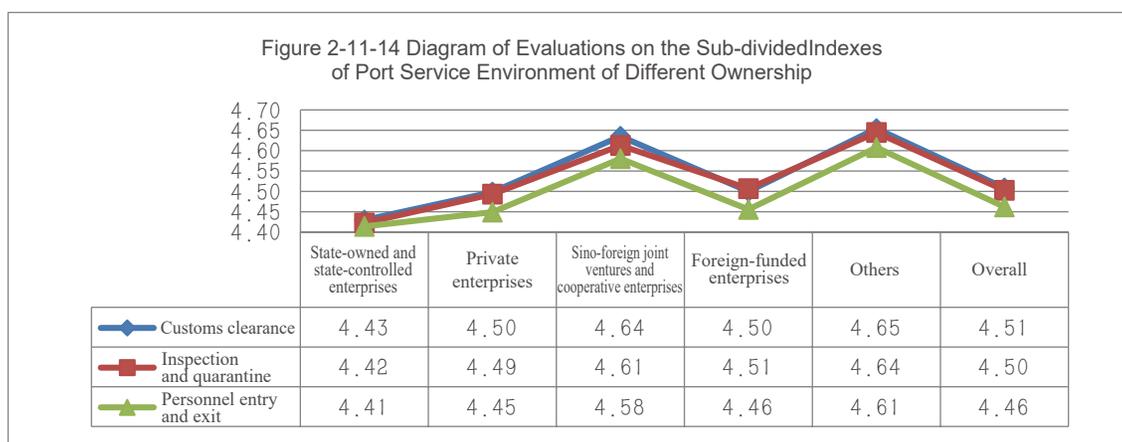
From the perspective of cost, in various industries, the export cost is generally higher than the import cost. The cost for export document review in other industries is greatly affected by the outlier values, with an average review cost exceeding USD 2,000, followed by the construction industry, with an average cost for document review of USD 118. Except other industries, the highest cost for export border review is in traditional manufacturing industry, with an average cost of USD 121.71, followed by the construction industry, with an average of USD 118.

The average costs for import in various industries are similar, and the cost for import border review is generally higher than that for the document review. The highest cost for import border review is in traditional manufacturing industry, with an average cost of USD 76.71 US, followed by other industries, with an average cost of USD 66. The highest cost for import document review is in other industries, with an average cost of USD 54.03 US, followed by the traditional manufacturing industry, with an average cost of USD 51.08.



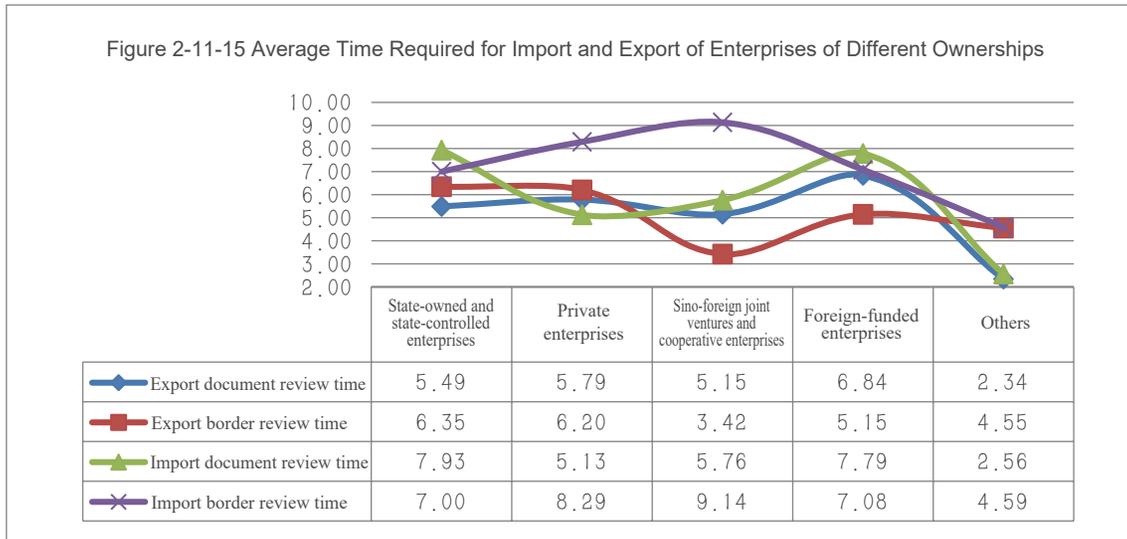
**(IV) The ratings from all types of enterprises are generally high, and the export cost in the construction industry is significant**

From the perspective of different types of enterprises, enterprises of other ownerships give the highest ratings on the port service index, with the score of 4.64 points and the satisfied or above evaluations accounting for 96.2%. The state-owned enterprise had a relatively low evaluation on the port service environment, with the satisfied or above evaluations accounting for 90.1% and the score of 4.42 points.



The ratings on personnel entry and exit was at a relatively low level. The highest value of sub-divided indexes is given to customs clearance by enterprises of other ownerships, 4.65 points, followed

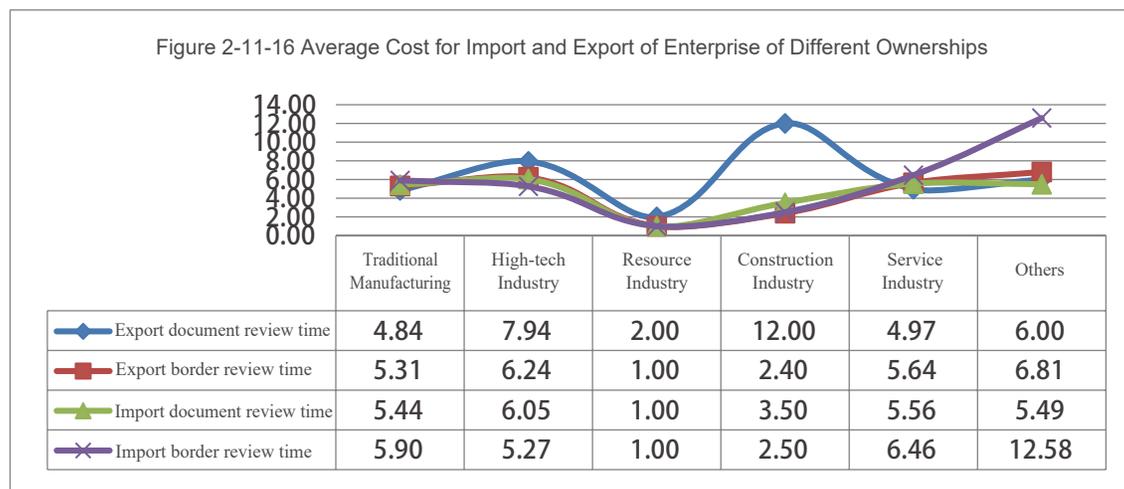
by the evaluation of the Sino-foreign joint ventures and cooperative enterprises on customs clearance, with 4.64 points. The evaluation of the state-owned enterprise on the personnel entry and exit was the lowest, with 4.41 points.



The overall time for export document review is relatively low. The time needed for the export document review for foreign-funded enterprises is the longest with 6.84 hours; while the time for enterprises of other ownerships for the export document review is the shortest with 2.34 hours. The export border review time of private enterprise is relatively long, with an average of 6.20 hours; while the average time consumption of the Sino-foreign joint ventures and cooperative enterprises is relatively short with 3.42 hours.

From the perspective of cost for export, the cost for export document review is generally higher than that for export border review. The cost for document review in construction industry was the most expensive, with an average cost of USD 12.09, followed by the high-tech industry, with an average cost of USD 7.94. The cost of enterprises of other ownerships for export border review was the most expensive with USD 6.81, followed by that in the high-tech industry, with an

average of USD 6.24.



Except for the enterprises of other ownerships, there is little difference in costs for import among various types of enterprises. The cost for import document review in high-tech industry was the highest with USD 6.05. The cost of enterprises of other ownerships for import border review was the highest with USD 12.58.

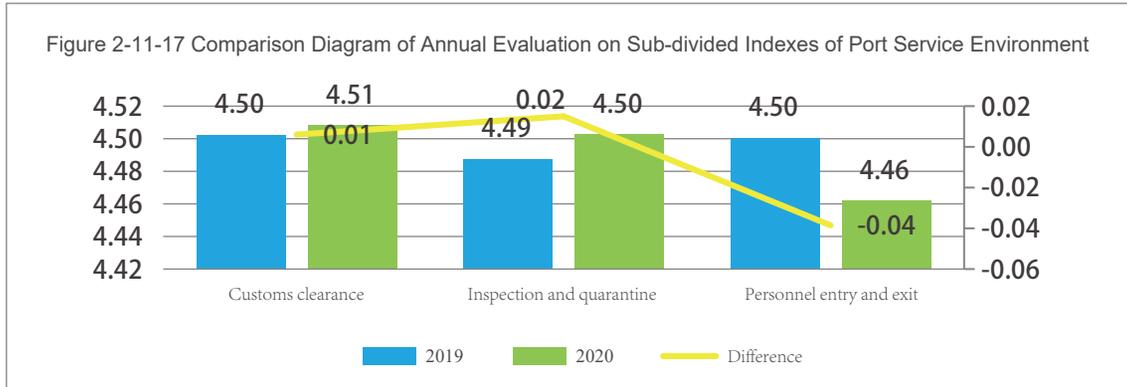
**(V) The evaluations in 2020 are generally more positive than those in the previous year, but the ratings on personnel entry and exit are lower**

The overall port service index in 2020 was 0.01 points higher than that in 2019.

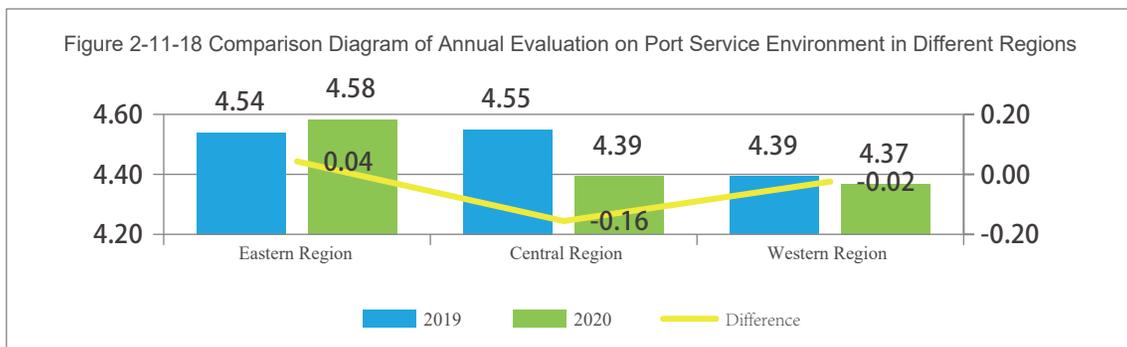
1. The customs clearance and inspection and quarantine indexes are relatively unchanged, and the personnel entry and exit scores have decreased slightly.

In 2020, the evaluations on customs clearance and inspection and quarantine had increased by 0.01 points and 0.02 points respectively compared with 2019, and the evaluations on personnel entry and exit have decreased by 0.04 points on average.

2. The score in the eastern region rose steadily, while that in the western region declined greatly.

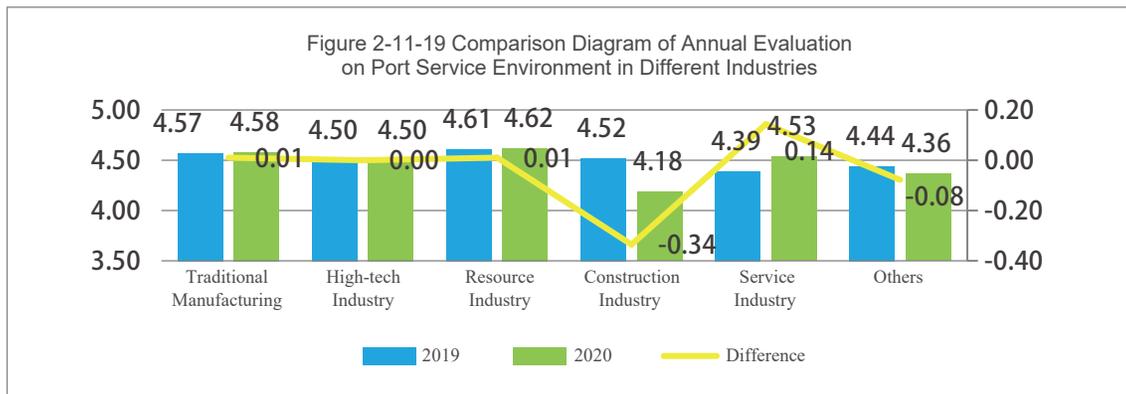


Compared with 2019, the evaluation in the eastern region increased by 0.04 points; that in the western region decreased by 0.02 points; and the score in the central region decreased by 0.16 points, with a decrease of more than 3%.



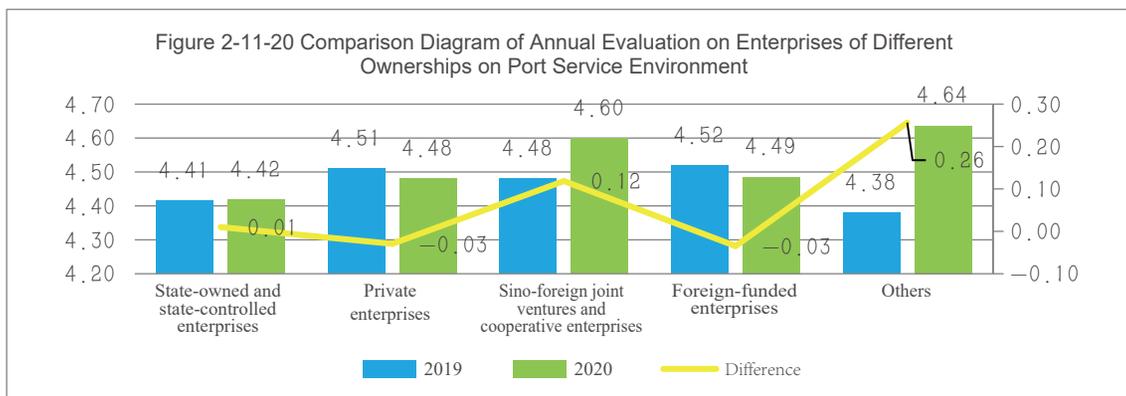
3. The evaluation in various industries increased and decreased, while that in the construction industry decreased greatly.

Compared with 2019, the evaluation of port service environment in various industries increased and decreased in 2020, with the scores in service industry increasing a lot, by 0.14 points. The score in other industries decreased slightly, by 0.08 points compared with 2019. Compared with 2019, the score in the construction industry decreased a lot, by 0.34 points, with a decrease of more than 7.52%.



4. The evaluation of different types of enterprises decreased and increased variously, while the evaluation of the foreign-funded enterprises decreased.

From the perspective of different ownership compared with 2019, the evaluation of enterprises of other ownerships in 2020 improved the most, by 0.26 points, followed by the Sino-foreign joint ventures and cooperative enterprises, by 0.12 points. The evaluation of state-owned and state-controlled enterprise was the same as that in 2019; while the evaluation of foreign-funded enterprise and private enterprise decreased, by 0.03 points compared with 2019.

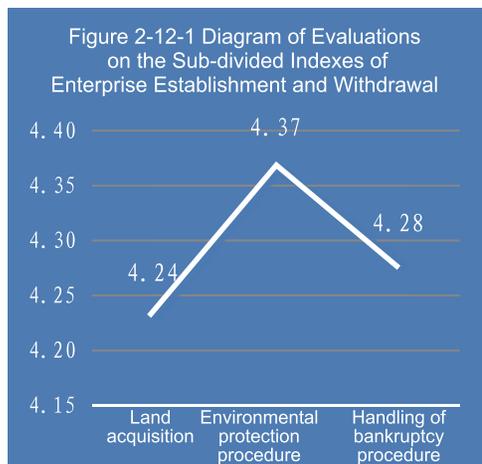


## XII. Enterprise Establishment and Withdrawal: the Evaluation on Environmental Protection Procedures was high, and the Satisfaction of Land Acquisition was Low

The environment of enterprise establishment and withdrawal is subdivided into three secondary indexes: land acquisition, environmental protection procedure and bankruptcy procedure. In 2020, the evaluation of the surveyed enterprises on the environment of enterprise establishment and withdrawal ranked 9th out of 12 indexes, which was at a lower-middle level.

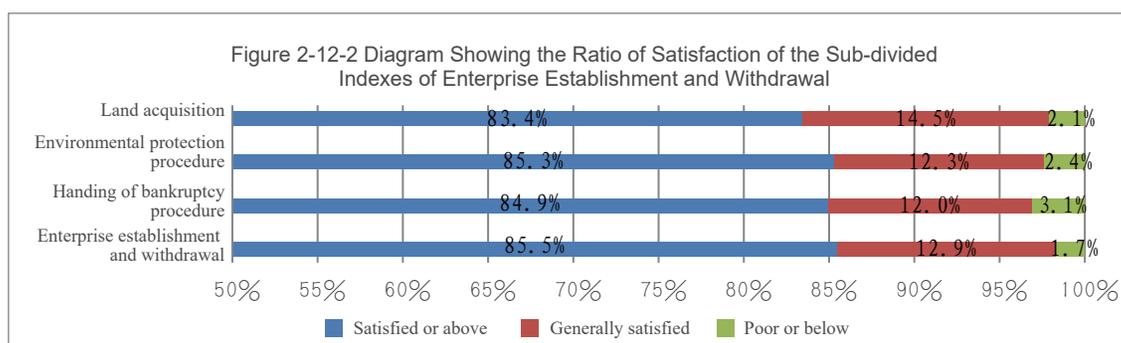
### (I) The proportion of “relatively satisfactory and above” evaluations accounted for about 85%

In 2020, the surveyed enterprise’s score of evaluation on the environment for enterprise establishment and withdrawal was 4.30,



slightly lower than the comprehensive score of China's business environment (4.34 points). From the perspective of sub-divided indexes, the evaluation on the environmental protection procedure was the highest, with 4.37 points; while the evaluation on land acquisition was the lowest, with only 4.24 points. The evaluation on bankruptcy procedures was in the middle, with 4.28 points..

From the perspective of satisfaction evaluation, the proportion of satisfied or above evaluations on enterprise establishment and withdrawal was about 85%; the satisfaction with environmental protection procedure was relatively high, with the satisfied or above evaluations accounting for 85.3%; the satisfaction with bankruptcy procedure was relatively low, with satisfied or above evaluations accounting for 83.4%.

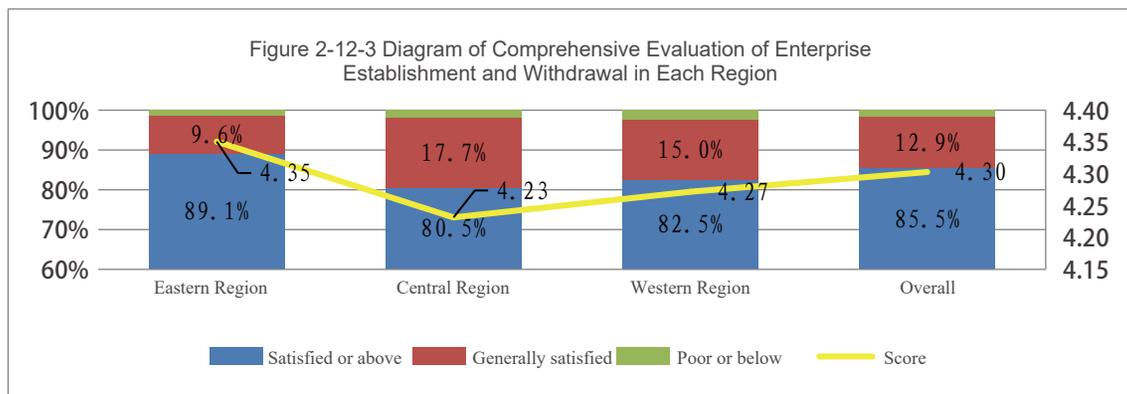


According to the enterprise questionnaire survey in 2020, the average values of procedures, time, and rate for starting up businesses are 4.33 items, 6.97 working days, and 12.21%, respectively; That of the procedures, time limit and rate to handle the construction permit are 5.11 items, 7.97 working days and 6.04% respectively; for the property right registration procedures, time limit and rate, the numbers are 4.61 items, 7.59 working days and 6.86% respectively; the handling procedures, application materials and time limit of accessing to credit loans are 4.93 items, 5.27 items and 9.25 working days respectively; the handling procedures, application materials, and time limit for accessing to electricity are 3.71, 3.76 items and 6.77 working days respectively; the handling procedures, application materials and time limit to report the installation of water and gas are 3.27, 3.58 items and 5.39 working days respectively; the material, cost, procedure and time limit of the enterprise cancellation are 4.23 items, RMB 340.38, 4.18 and 9.77 working days respectively; In regard to the bankruptcy liquidation, the average litigation cost rate is 4.55% and the liquidation recovery rate is 11.09%.

Table 2-12-1 Overall Situation of Sub-divided Indexes for Environment of Enterprise Establishment and Withdrawal

Item		Mean	Item		Mean
Starting a business	Procedure (Item)	4.33	Registration of property rights	Procedure (Item)	4.06
	Time (Working day)	6.97		Time limit (Working day)	6.42
	Rate (% per capita income)	12.21		Rate (% of property value)	14.65
Construction permit	Procedure (Item)	4.61	Access to credit	Procedure (Item)	4.93
	Time limit for handling (Working day)	7.59		Application material (Item)	5.27
	Handling cost rate (%)	6.86		Time limit for handling (Working day)	9.25
Access to electricity	Handling Procedure (Item)	3.71	Enterprise cancellation	Material (Item)	4.23
	Application material (Item)	3.76		Cost (Yuan)	340.38
	Time limit for handling (Working day)	6.77		Procedure (Item)	4.18
Report for installation of water and gas	Handling Procedure (Item)	3.27	Bankruptcy litigation expense ratio (%)	Time limit (Working day)	9.77
	Application material (Item)	3.58		Bankruptcy litigation expense ratio (%)	4.55
	Time limit for handling (Working day)	5.39	Liquidation recovery rate (%)	11.09	

## (II) The evaluations on environmental protection procedures and bankruptcy procedures in the eastern region were high, while the evaluation on land acquisition in the western region was high



By region, the evaluation on enterprise establishment and withdrawal in the eastern region was relatively high at 4.35 points, with the proportion of satisfied or above evaluations accounting for 89.1%. The scores of evaluation on the environment of enterprise establishment and withdrawal in the central and western regions were 4.23 points and 4.27 points respectively, with the proportions of satisfied or above evaluations accounting for 80.5% and 82.5% respectively.

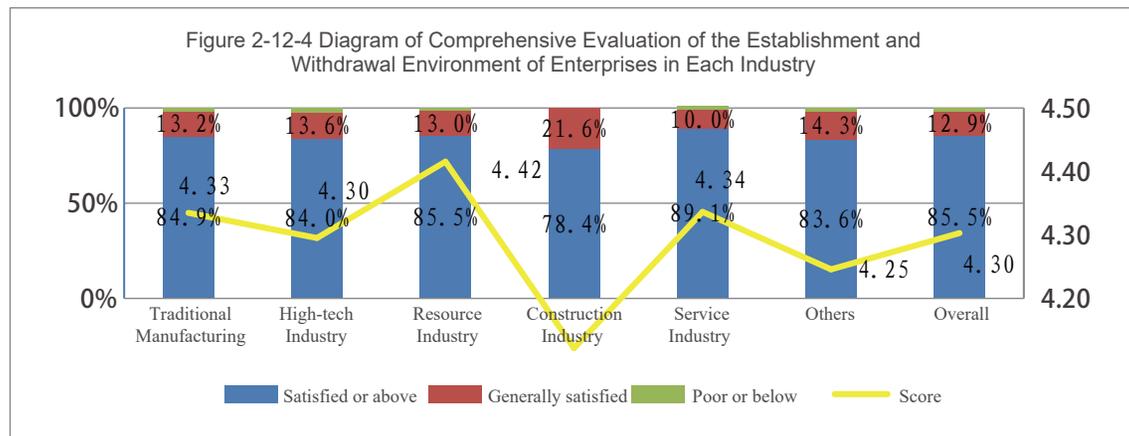
Table 2-12-2 Score of the Sub-divided Indexes for Enterprise Establishment and Withdrawal Environment in Each Region

Ranking	land acquisition		environmental protection procedure		Handling of bankruptcy procedure	
	Region	Score	Region	Score	Region	Score
1	Western Region	4.29	Eastern Region	4.47	Eastern Region	4.32
2	Eastern Region	4.24	Western Region	4.33	Western Region	4.26
3	Central Region	4.18	Central Region	4.22	Central Region	4.21

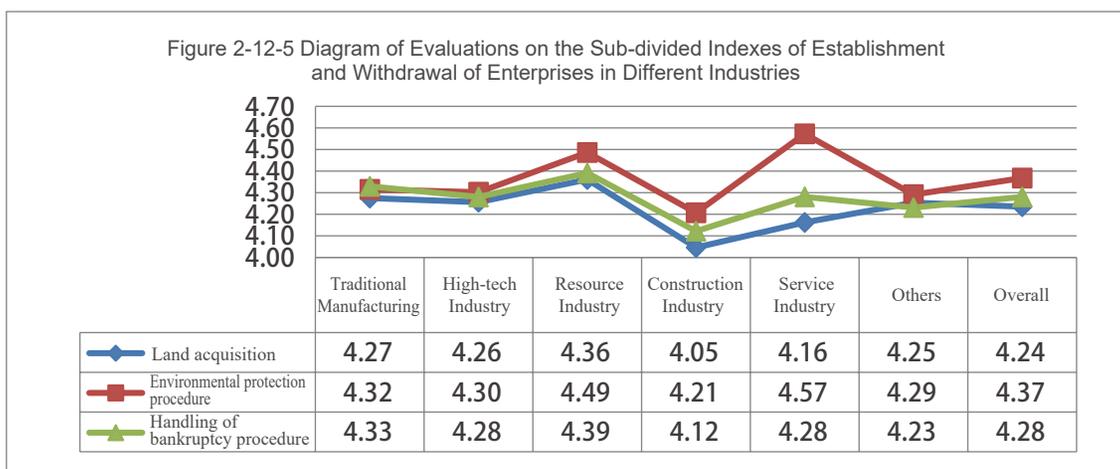
From the perspective of sub-divided indexes, the score of evaluation on land acquisition in the western region was higher than that in the central and eastern regions, with 4.29 points. The evaluations on the environmental protection procedure and bankruptcy procedure in the eastern region were highest, with 4.47 and 4.32 points respectively. Among the three sub-divided indexes, the scores of environmental protection procedure differed the most among regions, with the difference of 0.25 points between the highest score in the eastern region and the lowest score in the central region.

### (III) Resources industry is highly rated, and the inter-industry evaluation and the rate vary sharply.

The evaluation of different industries varies sharply. The establishment and withdrawal of enterprises in the resource industry tops the rating with a score of 4.42. The fairly satisfied and higher ratings account for 85.5%. The establishment and withdrawal of enterprises in the construction industry has the lowest score – 4.12. The fairly satisfied and higher ratings account for 78.4%.

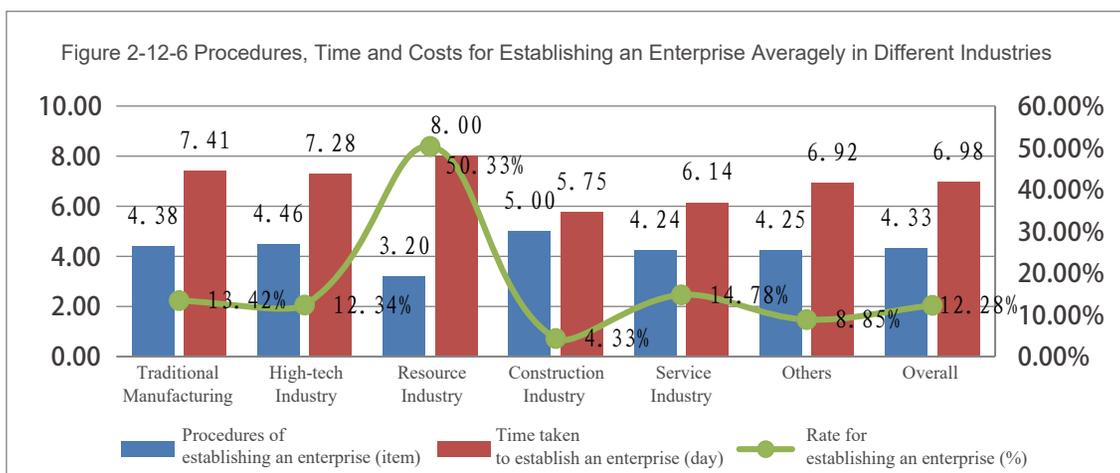


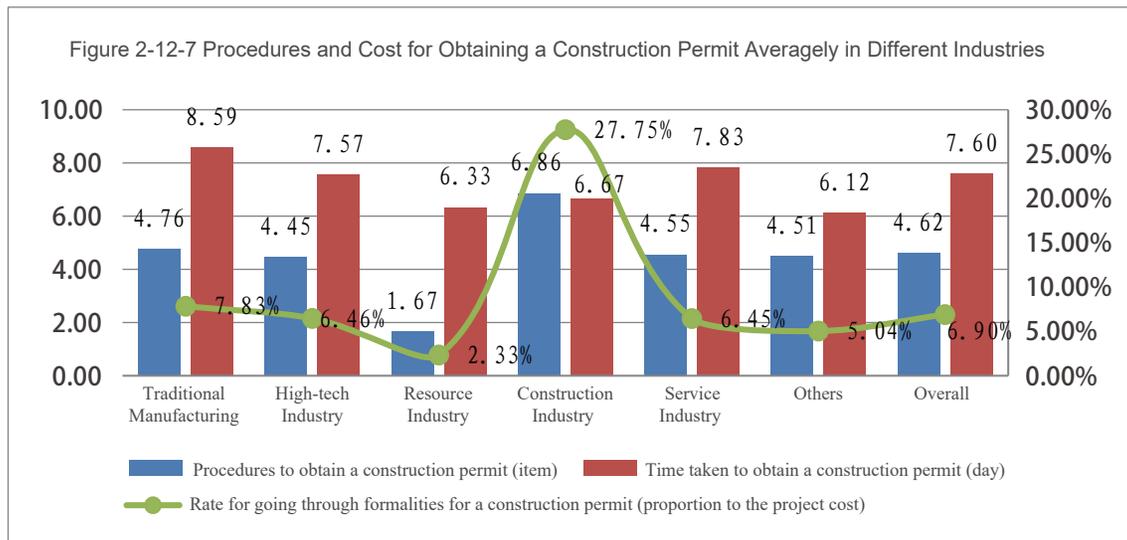
According to the sub-divided indexes, environmental protection formalities in different industries are generally highly rated. The highest score is the rating of environmental protection formalities in service industry, which is 4.57. The lowest score is the rating of land acquisition in the construction industry, which is 4.05. There is a sharp difference between the two.



1. It takes more time but fewer formalities to establish a resource enterprise, while it takes less time but more formalities to establish a construction enterprise.

In terms of enterprise establishment, resource enterprises need to complete 3.20 procedures in average, which is the simplest, while construction enterprises need to complete 5 procedures, which is the most cumbersome process. It takes the longest time – 8 days in average- to establish a resource enterprise, while it takes the shortest time to establish a construction enterprise - 5.75 days in average. In terms of the average establishment rate, it is the highest to establish a resource enterprise, which is 50.33%, while it is the lowest to establish a construction enterprise, which is 4.33%.





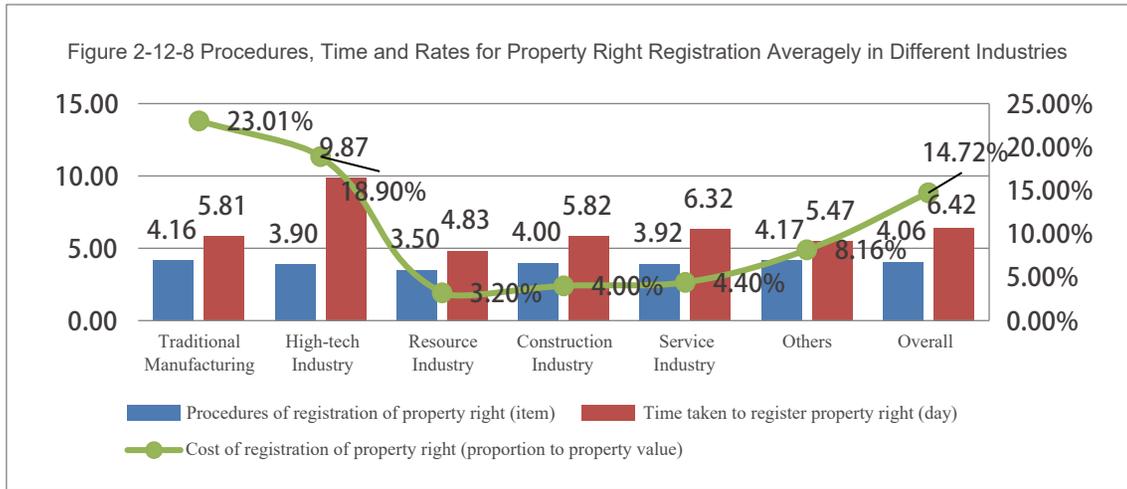
2. The rate for obtaining a construction permit is the highest in building industry. It takes the longest time to apply for a construction permit in traditional manufacturing industry.

In terms of construction permit formalities, the process is the shortest in resources industry with 1.67 procedures required in average, while the process is the longest in construction industry with 6.86 procedures required in average. It takes the longest time – 8.59 days averagely - to obtain a construction permit in traditional manufacturing industry, while it takes the shortest time – 6.12 days averagely – to obtain a construction permit in other industries. The rate for going through construction permit formalities in resources industry is the lowest – 2.33%, while it is the highest in construction industry – 27.75% averagely.

3. Cost for registration of property right in traditional manufacturing industry accounts for the highest proportion of total cost, while it accounts the lowest proportion in resources industry.

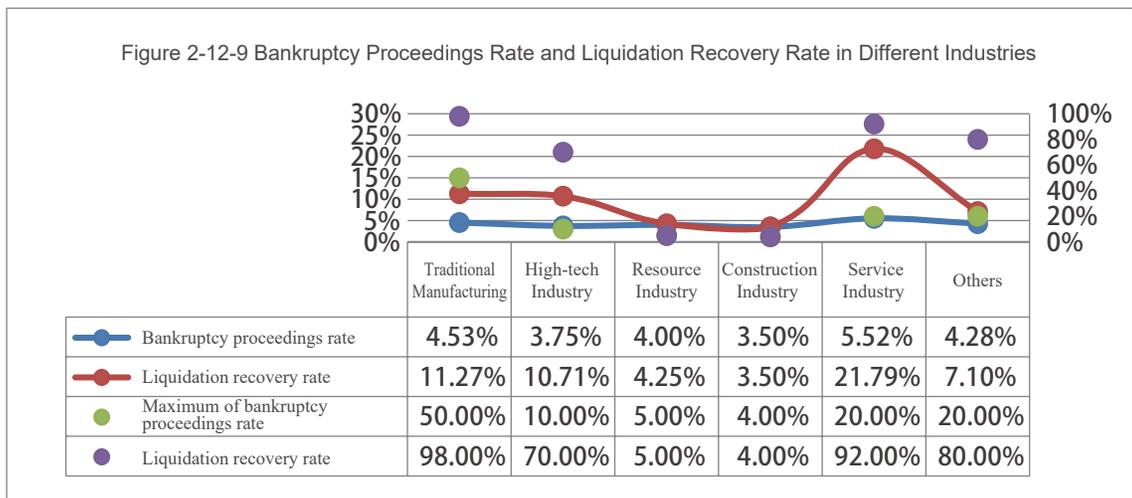
In terms of registration of property right, the procedures required are similar in number among all the industries. The registration procedures in resources industry contain 3.50 items in average, while the registration procedures in other industries contain 4.17 items. It takes longer time to register property right in high-tech industry – 9.87

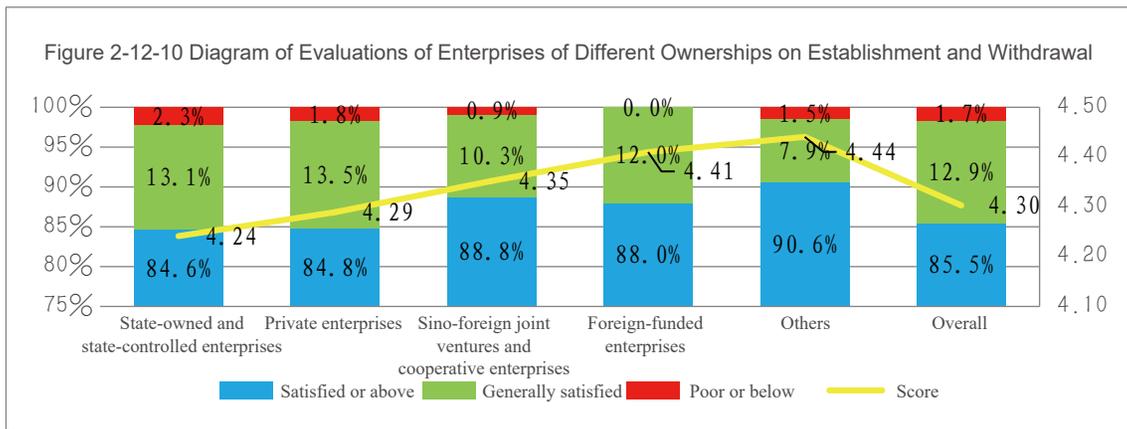
days averagely, while it takes shorter time to register property right in resources industry – 4.83 days averagely. The registration rate in traditional manufacturing industry is the highest – 23.01% averagely, while it is the lowest in resources industry - 3.2%.



4. The rate of bankruptcy liquidation and proceedings cost in service industry is at a high level, while the rate of bankruptcy proceedings cost in building industry is the lowest.

The liquidation recovery rate in service industry is the highest, being 21.79% averagely, while that in the construction industry is the lowest, being 3.5%. The bankruptcy proceedings rate in the service industry is the highest (5.52%), while it is the lowest in the construction industry (3.5%).

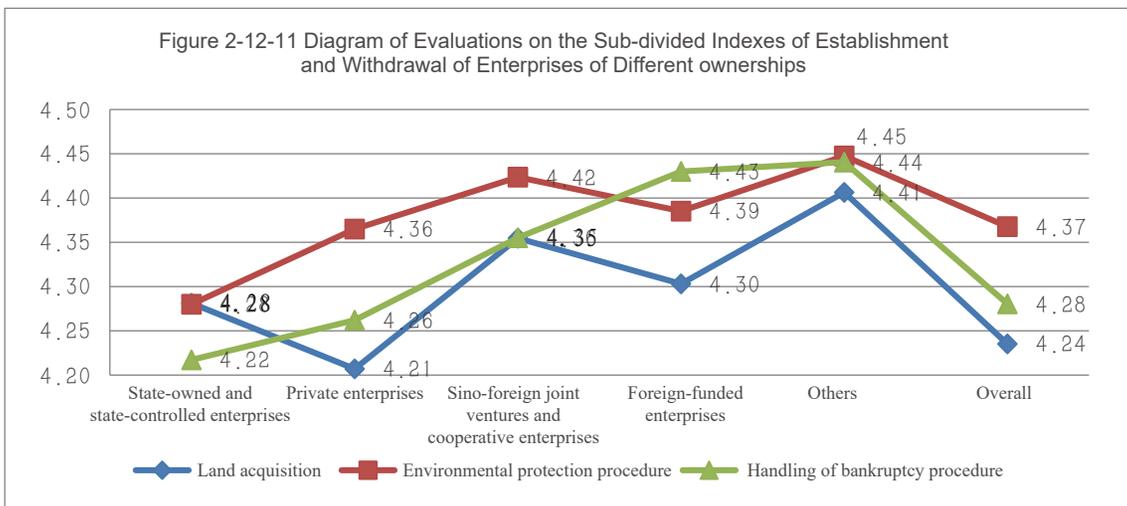




**(IV) It is difficult to establish a state-owned business, while enterprises of other ownership are highly rated.**

In terms of different ownerships, the highest score – 4.44 - goes to the enterprises of other ownership with the “Satisfied or above” rating accounting for 90.6%, while the lowest score – 4.24 – goes to state-owned enterprises with the “Satisfied or above” rating accounting for less than 85%.

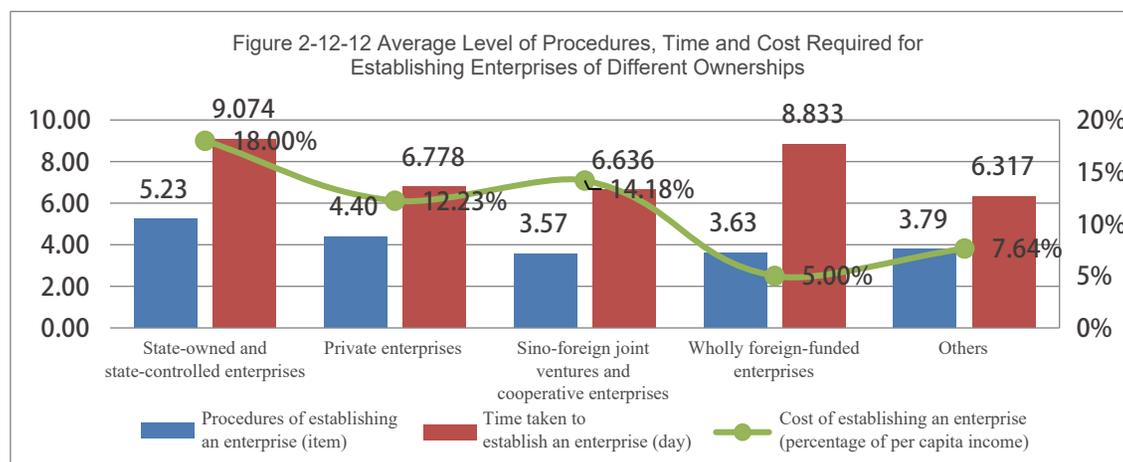
According to the secondary indicators, the environmental protection formalities index is generally highly rated by enterprises, but wholly foreign-funded enterprises tend to give high scores in the bankruptcy procedures handling index. Enterprises of other ownership give the highest rating to environmental protection formalities (4.45) among



sub-divided indexes, while private enterprises give the lowest rating of land acquisition (4.21) among sub-divided indexes.

1. The formalities required to establish a state-owned enterprise are most cumbersome; the cost to establish a wholly foreign-funded enterprise is the lowest.

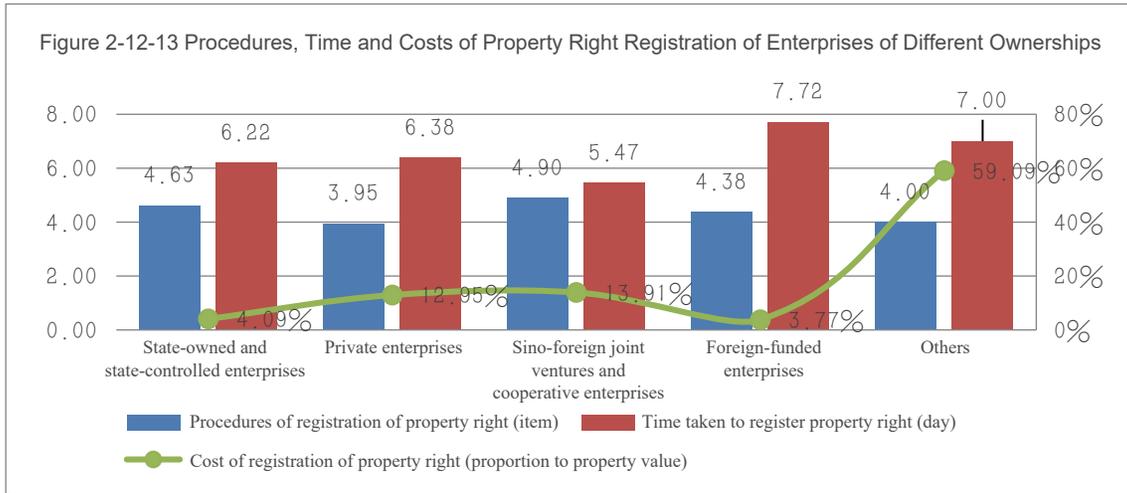
In terms of enterprise establishment, it takes the most cumbersome procedures (5.23 items), the longest time (9.07 days) and the highest rate (18%) to establish a state-owned enterprise, while it takes least amount of procedures (3.57 items) to establish a Sino-foreign joint venture or cooperative enterprises, the shortest time (6.32 days) to establish an enterprise of other ownership, and the lowest rate (5%) to establish an exclusive foreign-owned enterprise.



2. Property right registration for a foreign-funded enterprise takes long time and has a low rate.

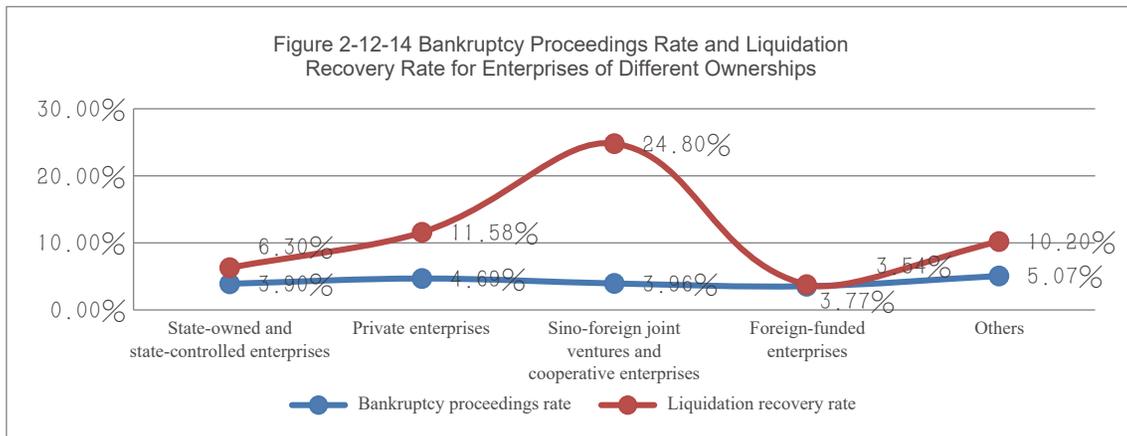
In terms of property right registration, the registration procedures for Sino-foreign joint ventures and cooperative enterprises are the most cumbersome (4.90 items), while the procedures for private enterprises are the simplest (3.95 items). It takes the longest time (7.72 days) to register property right for a wholly foreign-funded enterprise, while it takes the shortest time (5.47 days) to register property right for a Sino-foreign joint venture or cooperative enterprises. The rate of property

right registration cost for an enterprise of other ownership is the highest - 59.09%, while it is the lowest for a wholly foreign-funded enterprise - 3.77%.



3. The bankruptcy and liquidation recovery rate of Sino-foreign joint ventures and cooperative enterprises are the highest. The liquidation recovery rate varies little among different industries.

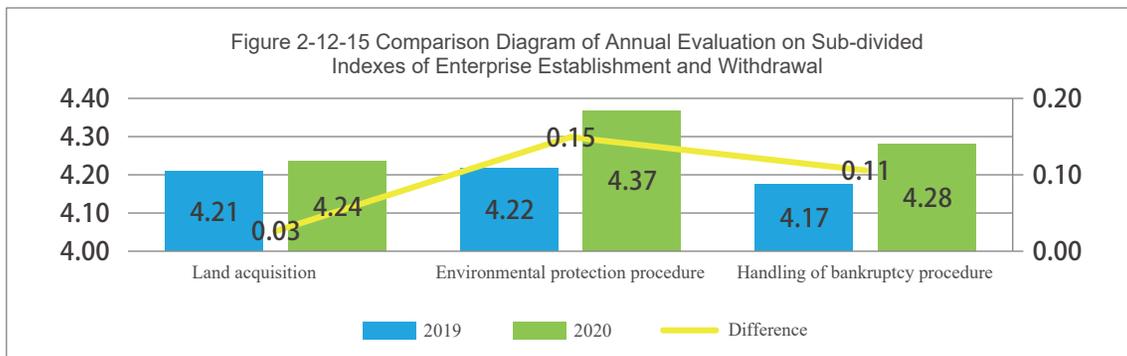
The liquidation recovery rate is the highest (24.8%) for Sino-foreign joint ventures and cooperative enterprises and is the lowest (3.54%) for wholly foreign-funded enterprises. The bankruptcy litigation fee rate demonstrates limited variance among different industries, with the highest being 5.07% for enterprises of other ownership and the lowest being 3.77% for wholly foreign-funded enterprises.



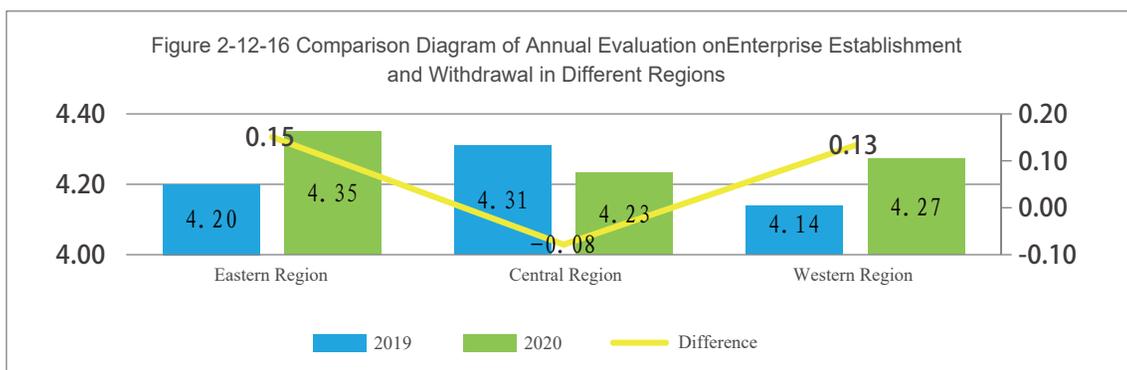
**(V) The rating of service industry has increased by nearly 8% and it has increased quickly in the eastern and western regions**

In terms of year-on-year change, the rating of environment for enterprise establishment and withdrawal increases from 4.27 in 2019 to 4.30 in 2020. The growth rate ranks the sixth among the twelve indexes.

**1. Ratings of environmental protection formalities and bankruptcy procedures have increased remarkably.**



According to the sub-divided indexes, all three secondary indexes have better scores, and ranking from high to low are 0.15 for environmental protection formalities, 0.11 for bankruptcy procedures and 0.03 for land acquisition.

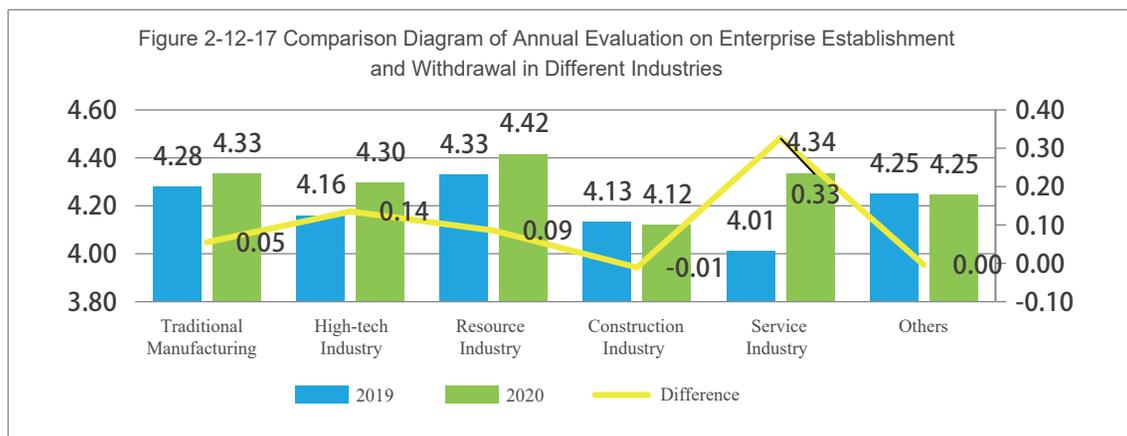


**2. The change in regional rating varies sharply. The eastern and western regions see the largest increase, while the central region sees a negative growth.**

The change in annual regional rating varies sharply. Comparing to

2019, the rating in the eastern region has increased by 0.15 in 2020, representing a growth of 3.57%, and the rating in the western region has increased by 0.13, representing a growth of 3.14%. In the central region, the overall rating has decreased by 0.08.

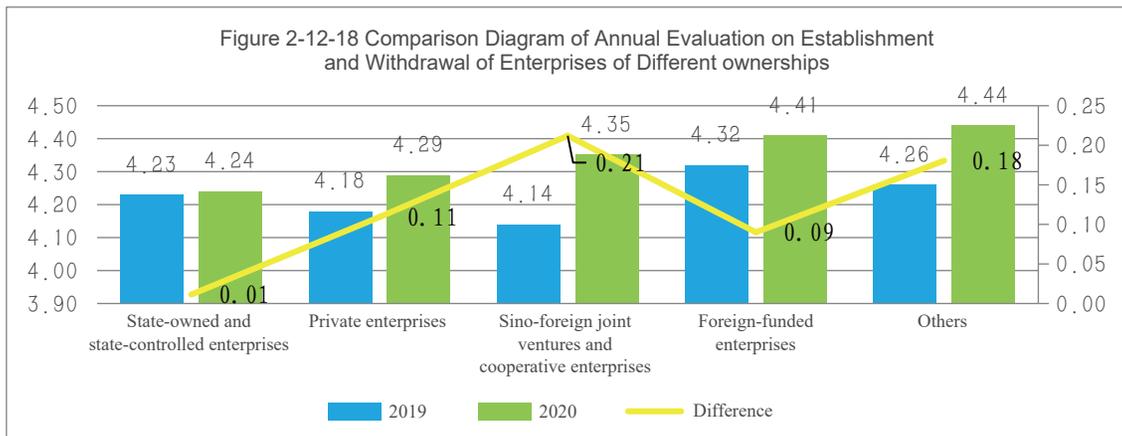
3. Most of the industries maintain stable in the rating. The rating of service industry has increased remarkably.



Comparing to 2019, the rating of enterprise establishment and withdrawal in service industry has increased by 0.33 in 2020, representing a remarkable growth of 8.23%. Being second to it, the rating of that in high-tech industry has increased by 0.14, representing a growth of 3.37%. The rating of that in building industry decreased by 0.01.

4. The ratings of Sino-foreign joint ventures and cooperative enterprises have increased remarkably, while the rating of state-owned enterprises has decreased.

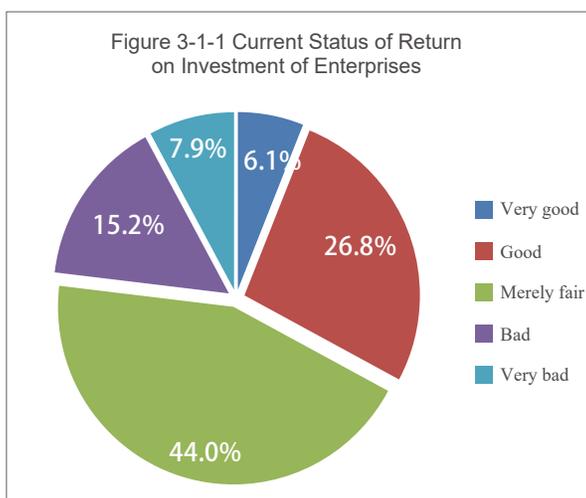
Comparing to 2019, the rating of environment for the establishment and withdrawal of Sino-foreign joint ventures and cooperative enterprises has increased by 0.21 in 2020, representing a growth of nearly 5%. Significant increase has also been seen for enterprises of other ownership, which is 0.18. The environment ratings of wholly foreign-funded enterprises and private enterprises have increased by



0.09 and 0.11 respectively. The environment rating of state-owned enterprises has increased by 0.01.

## Chapter III Operation and Investment Status of Chinese Enterprises

### I. Over 70% of Enterprises Enjoy Positive Revenue Growth

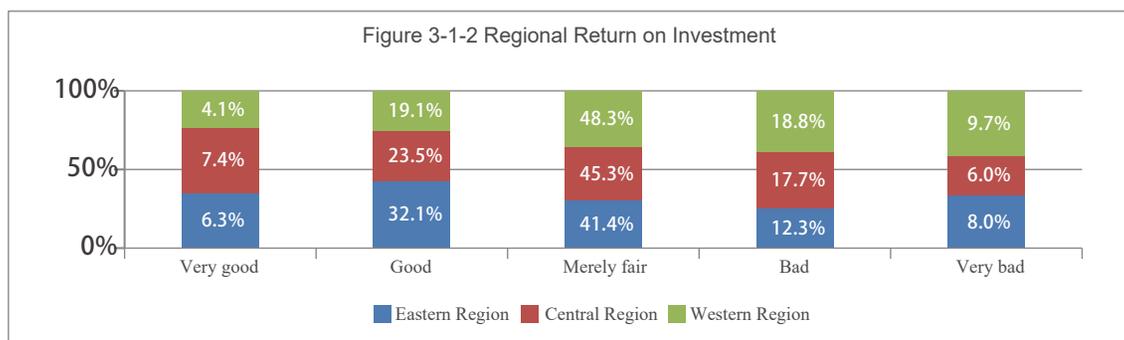


In 2020, due the influence of COVID-19 pandemic along with other factors, only 76.9% of enterprises achieved the revenue level at “merely fair or above,” which is lower than that in 2019 (90.2%). Slightly over 30% of enterprises maintained a good and above level of revenue (32.8%). Only 6.1% of enterprises have over

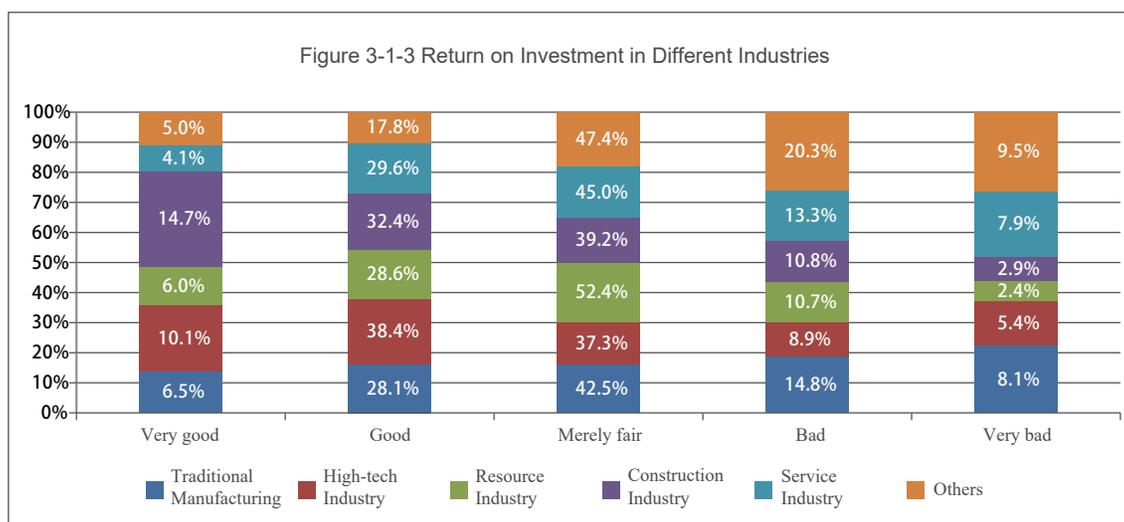
10% of operation revenue increase is, which is greatly lower than that in 2019. About 26.8% of enterprises have operation revenue increase between 5% and 10%, which is slightly lower than that in 2019. The enterprises having merely “fair” revenue (increase of 1%-5%) account for the largest proportion (44.0%), which is slightly higher than that in 2019. The enterprises having decreased revenue account for 23.8% - remarkably higher than that in 2019 – 7.9% of which decreased over more than 10%, and 15.2% of which decreased less than 5%.

**(I) More than 50% of enterprises in central region have revenue level at “good or above,” while less than one-fourth of enterprises in the western region achieve such a level.**

The return on investment varies from region to region. Enterprises in the eastern region that have “very good” or “good” revenue are 6.3%

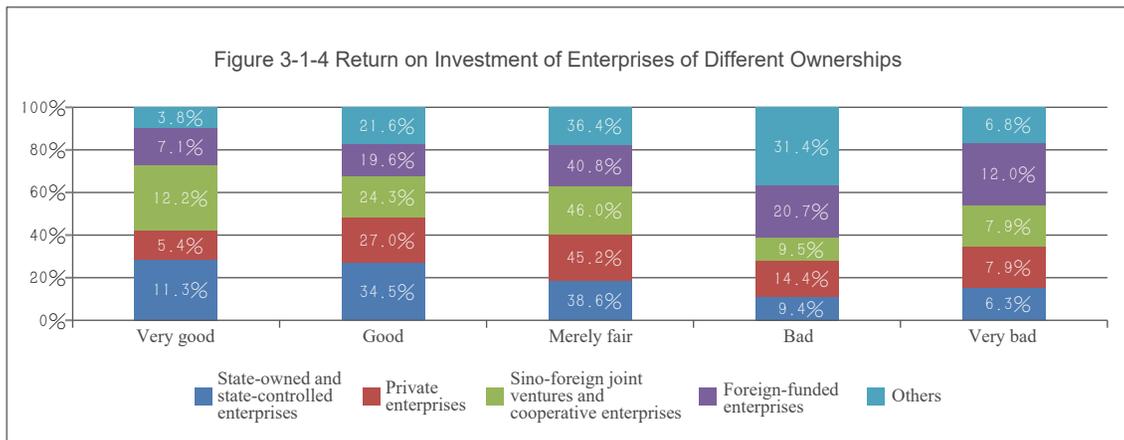


and 32.1% respectively, both higher than the national average level. Enterprises having “very good” or “good” revenue in central region account for the largest proportion (54.70%). Enterprises having “very good” or “good” revenue in western region account for the smallest proportion - only 23.2%. Enterprises having a merely fair and above level of revenue in east, central and western regions all account for over 70% - 79.8%, 76.3% and 71.5% respectively.



## (II) Nearly 50% of enterprises have a good and above level of revenue in high-tech industry

The return on investment varies from industry to industry. About 48.5% of enterprises in high-tech industry have a “good” or above level of revenue, 47.1% of enterprises in construction industry reach such level, and only 22.8% of enterprises in other industries obtain

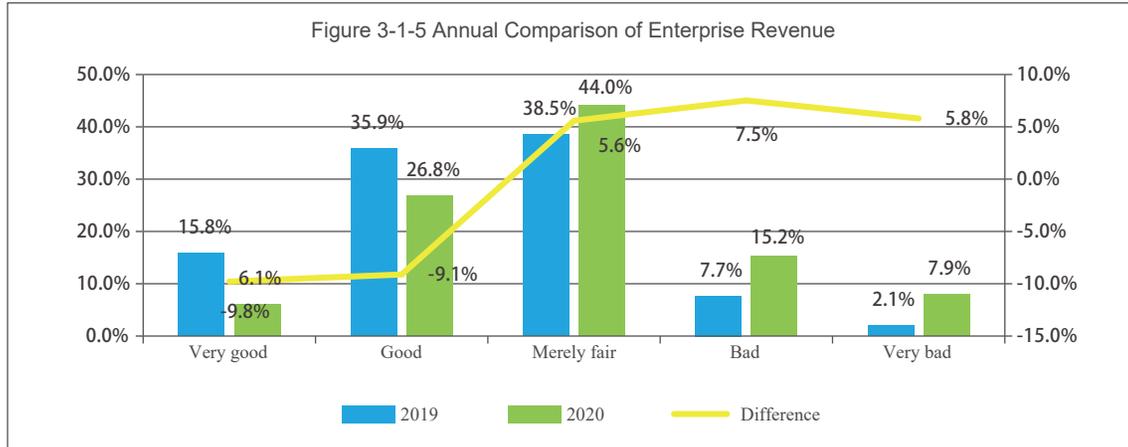


such level of revenue. In high-tech industry, “very good” and “good” levels of revenue account for the largest proportions (10.1% and 38.4% respectively). In construction industry, enterprises having positive revenue (“merely fair” and above level) account for the largest proportion (86.9%). More than 50% of enterprises have a “merely fair” level of return on investment in resources industry, accounting for the largest proportion (52.4%). The enterprises in traditional manufacturing industry that have over 10% of revenue decline account for the largest proportion (8.1%). The enterprises have a “very bad” level of revenue in both resources industry and in construction industry account for less than 3%.

### **(III) State-owned enterprises perform well in terms of return of investment. foreign-funded enterprises have large decline in revenue.**

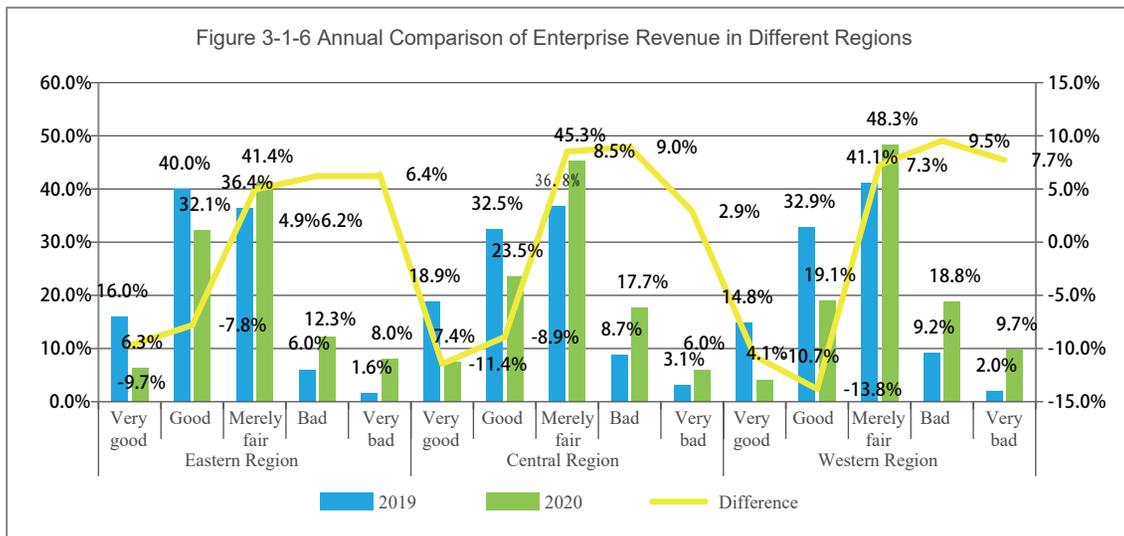
The return on investment of enterprises for different ownerships varies sharply. Among the enterprises having “very good” return of investment, Sino-foreign joint ventures and state-owned-and-controlled enterprises account for 12.2% and 11.3% respectively. The state-owned enterprises having a “very good” and “good” level of return on investment account for the largest proportion (45.8%), and the second and third largest proportions (36.5% and 32.4%) belong to Sino-foreign joint ventures and private enterprises respectively. The wholly foreign-funded enterprises having “good” return on investment

account for the smallest proportion (19.6%), and in other industries, the proportions of enterprises having “good” return on investment are between 20% and 40%.



#### (IV) The proportion of enterprises having positive revenue decreases remarkably comparing to the previous year

The enterprises having positive revenue decreases from 90.2% in 2019 to 76.9% in 2020. The proportion of enterprises having “merely fair” return on investment increases slightly (5.6%); the proportion of enterprises having a “good” and above level of return on investment decreases from 51.7% in 2019 to 32.8% in 2020, in which the proportion of enterprises having very good return on investment decreases to 9.8% in 2020 comparing to over 10% in 2019. The



second-largest decrease (-9.1%) belongs to the enterprises having “good” return on investment. The proportion of enterprises having a “bad” and even lower level of return on investment increased by 13.3% over the previous year.

1. Declines are seen in enterprises with growing return on investment in all regions with the largest decline observed in the western region.

Enterprise revenue fluctuates drastically in all regions. In 2020, the revenue has declined remarkably in all the regions over the previous year. Despite of the decline, the proportion of enterprises having “very good” revenue in central region remains the largest (7.4%), but its decline is also the sharpest (11.4%).

The proportions of enterprises having good revenue have all decreased with the largest decline (13.8%) in the western region. The proportions of enterprises having “merely fair” revenue have all increased with the largest growth (8.5%) in the central region. The proportions of enterprises having positive revenue are all lower than those in 2019. The declines in the east, central and western regions are 12.6%, 11.9% and 17.3% respectively.

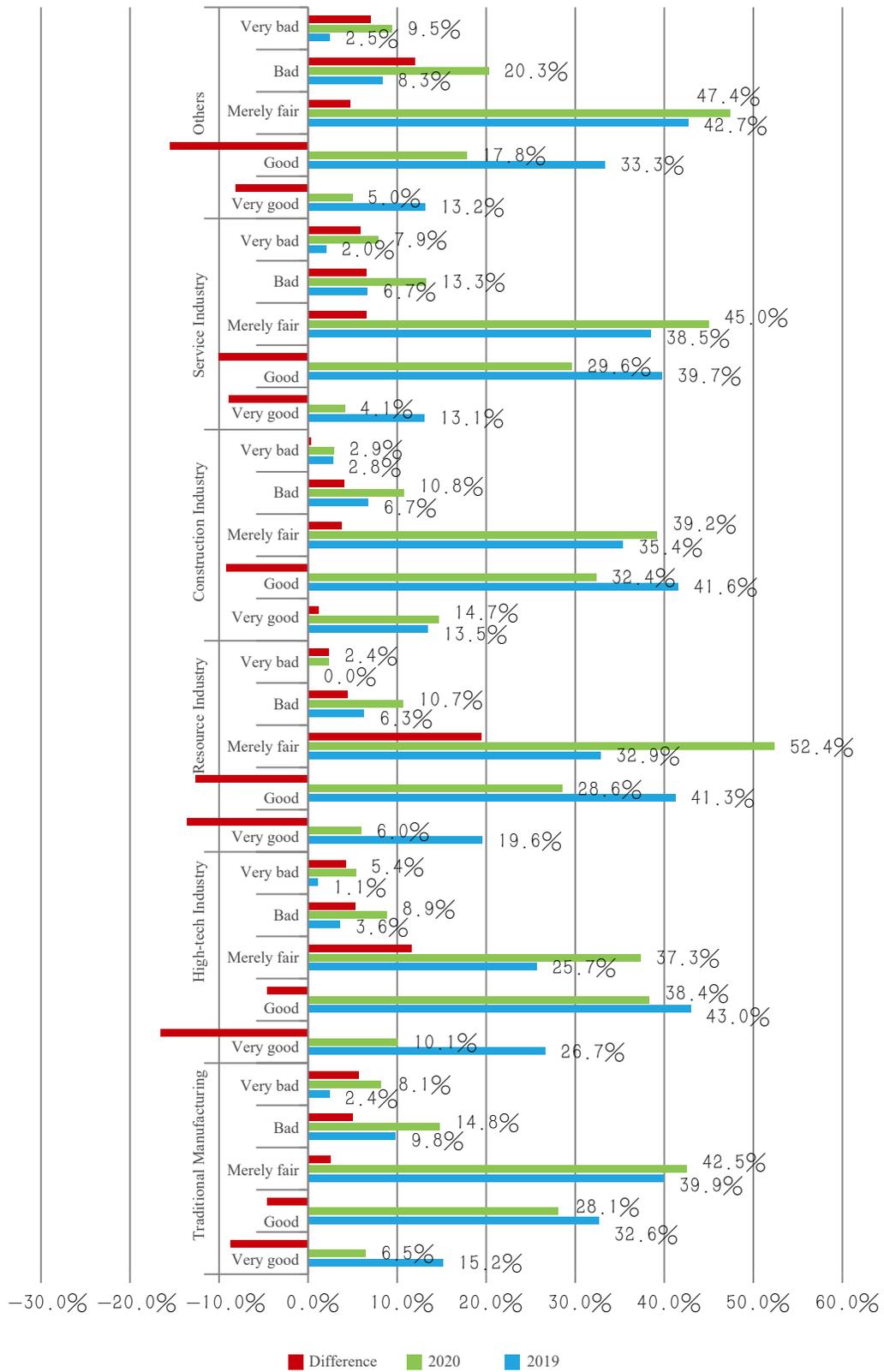
The proportions of enterprises having negative revenue have increased in all regions with the largest growth (28.5%) in the western region.

2. The proportions of enterprises having positive revenue declined in all industries with the slightest decline in the construction industry.

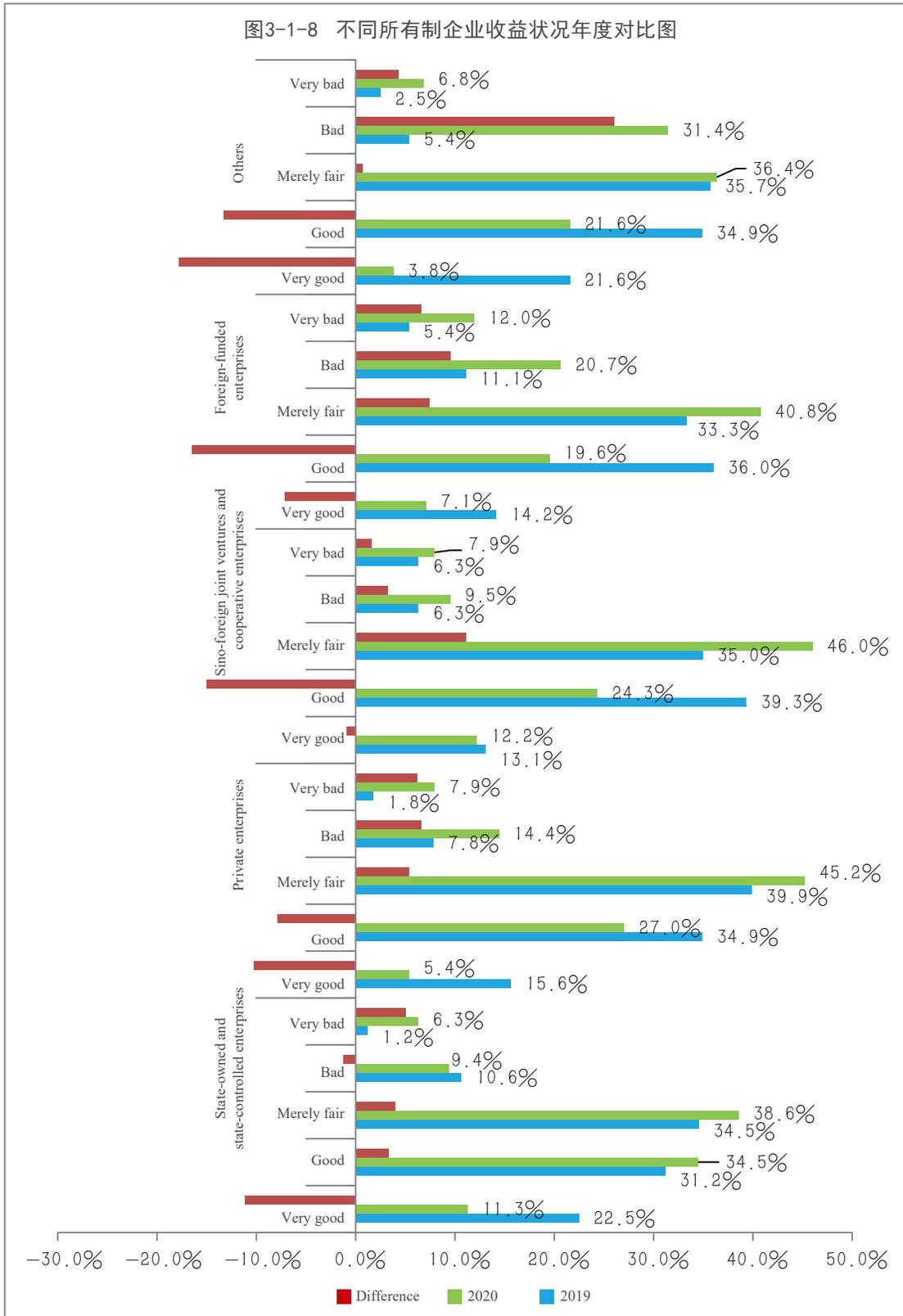
In 2020, the proportions of enterprises having positive revenue in all kinds of industries have declined remarkably over the previous year. In most of the industries, the proportions of enterprises having “very good” revenue have declined, of which the sharpest decline (16.6%) happens in the high-tech industry. The only growing proportion is observed among enterprises in the construction industry, in which the proportion of enterprises having “very good” revenue increased from 13.5% in 2019 to 14.7% in 2020. The proportions of enterprises

having “bad” revenue have increased to different extent among different industries. The smallest increase (4.2%) is that of enterprises having “bad” and “very bad” revenue in the construction industry.

Figure 3-1-7 Annual Comparison of Enterprise Revenue in Different Industries

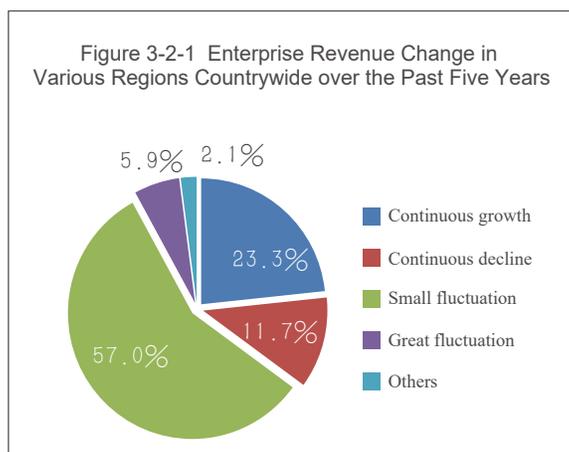


### 3. The revenue of state-owned enterprises increased slightly, and that of other enterprises declined in 2020



The proportions of enterprises having positive revenue have declined to different extent for all kinds of ownership over the previous year. The slightest decline (3.8%) goes to state-owned enterprises and the sharpest decline (30.4%) goes to enterprises of other ownership, among the five types of ownership. Despite of declines in all other types of ownership, the proportion of state-owned enterprises having “good” revenue increased.

## II. The Proportion of Enterprises Having Continuous Revenue Declines Has Increased over the Past Five Years

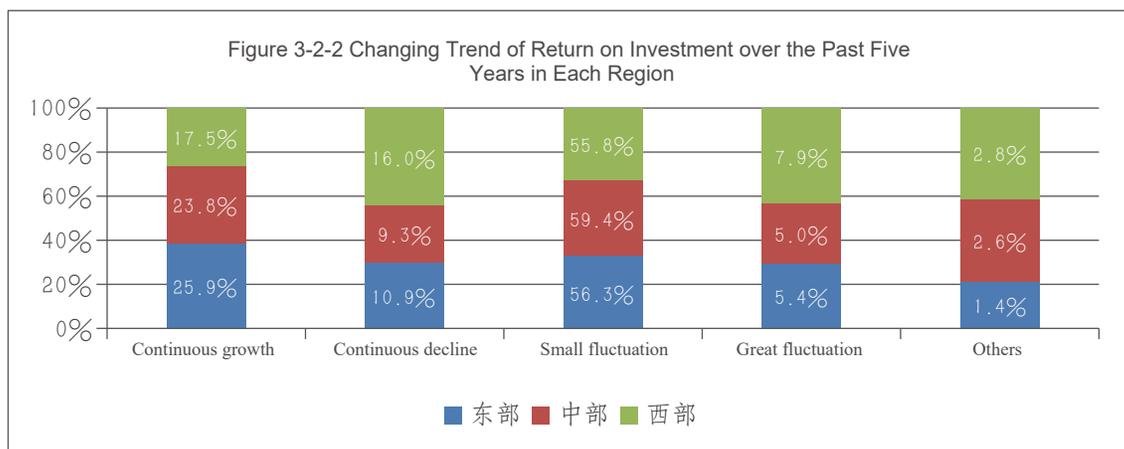


In 2020, 23.3% of enterprises have maintained continuous growth of their revenue over the past five years, which is lower than that percentage in 2019 (31.2%). 11.7% of enterprises have reported continuous decline of their revenue over the past five years, which is higher than that percentage in

2019 (8.6%). Most of the enterprises experience small fluctuations in revenue change over the past five years (57.0%) and 5.9% of the enterprises had significant fluctuations. These two categories also have increased by 3% and 3.1% respectively over the previous year. Due to the pandemic, the return on investment of enterprises has generally declined in 2020.

### (I) Over 50% of enterprises have small fluctuation in revenue in various regions over the past five years and only less than 10% have drastic fluctuation

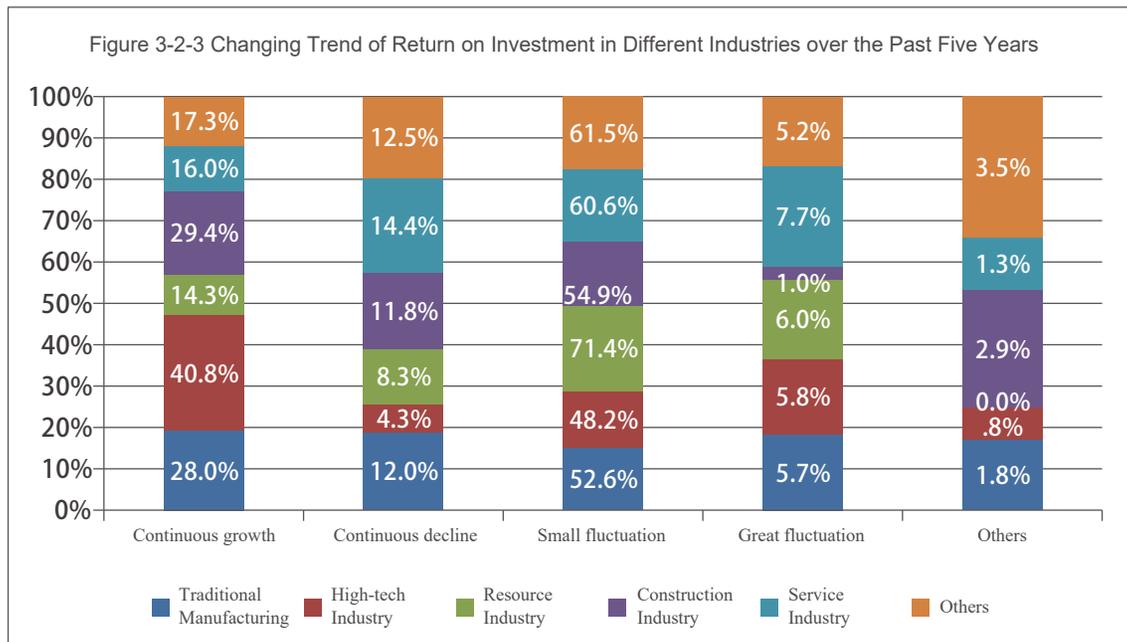
Over the past five years, the return on investment has fluctuated slightly across different regions and the proportions of enterprises having small fluctuation have exceeded 50% in all regions. The



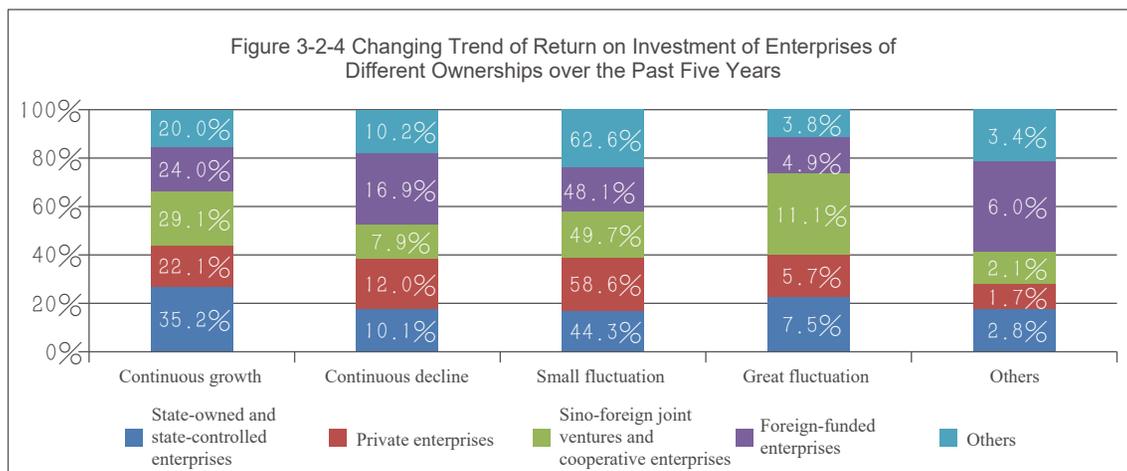
highest proportion lies in the central region (59.4%) and the lowest proportion lies in the western region. The proportion of enterprises having continuous growth is the largest in the eastern region (25.9%). The proportion of enterprises having continuous decline is the highest in the western region (16.0%) and is the lowest in central region (9.3%). It is hardly seen – the percentages are lower than 10% in all regions - that enterprises’ return on investment fluctuated greatly.

**(II) Over 40% of enterprises in the high-tech industry have continuous growth of revenue over the past five years and the enterprises having small fluctuations in resources industry account for a relatively large proportion**

Enterprises having small fluctuations in revenue have all accounted for a large proportion in all industries over the past five years. In the resource industry, 71.4% of enterprises have small fluctuations of revenue, representing the largest proportion. In the high-tech industry, enterprises having continuous growth of revenue over the past five years account for the largest proportion (41.2%) while those in the resource industry account for the lowest proportion (14.3%). Enterprises having continuous revenue decline in the service industry over the past five years account for the largest proportion (14.4%) while those in the high-tech and resource industry account for the lowest and second lowest proportions (4.3% and 8.3% respectively).



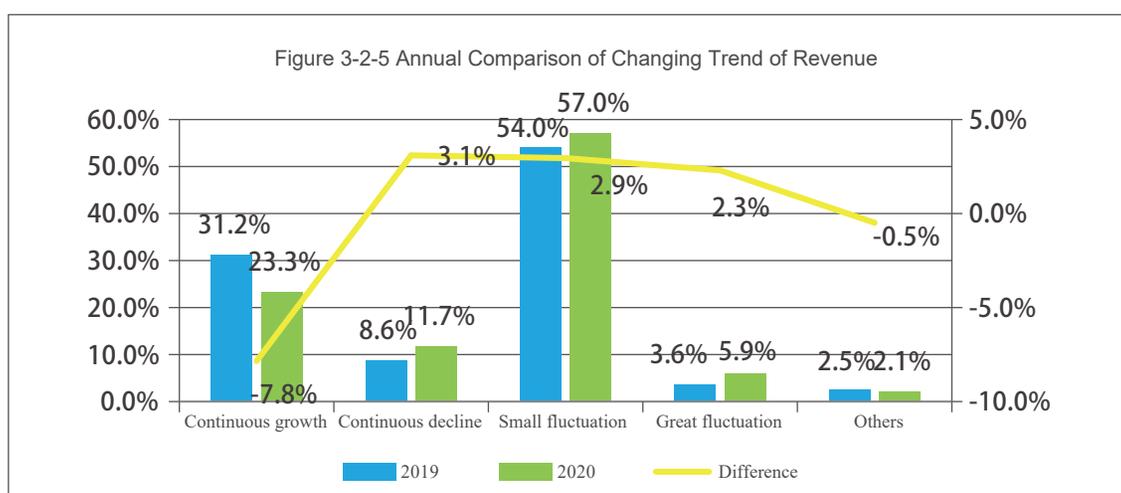
### (III) State-owned enterprises having continuous revenue growth over the past five years account for a large proportion, and wholly foreign-funded enterprises having continuous revenue decline account for a large proportion



In terms of ownership types, state-owned enterprises having continuous revenue growth over the past five years account for the largest proportion (35.2%) and that proportions of enterprises of other ownership types are between 20% and 30%. Sino-foreign joint ventures and cooperative enterprises having continuous revenue decline account for the smallest proportion (7.9%), and wholly

foreign-funded enterprises having continuous revenue decline account for the largest proportion (16.9%). Over 60% of enterprises of “others” ownership have small fluctuations in revenue. Sino-foreign joint ventures having significant fluctuations in revenue account for the largest proportion (11.1%), and the proportions of enterprises of all other ownership types having great fluctuations in revenue are lower than 10%.

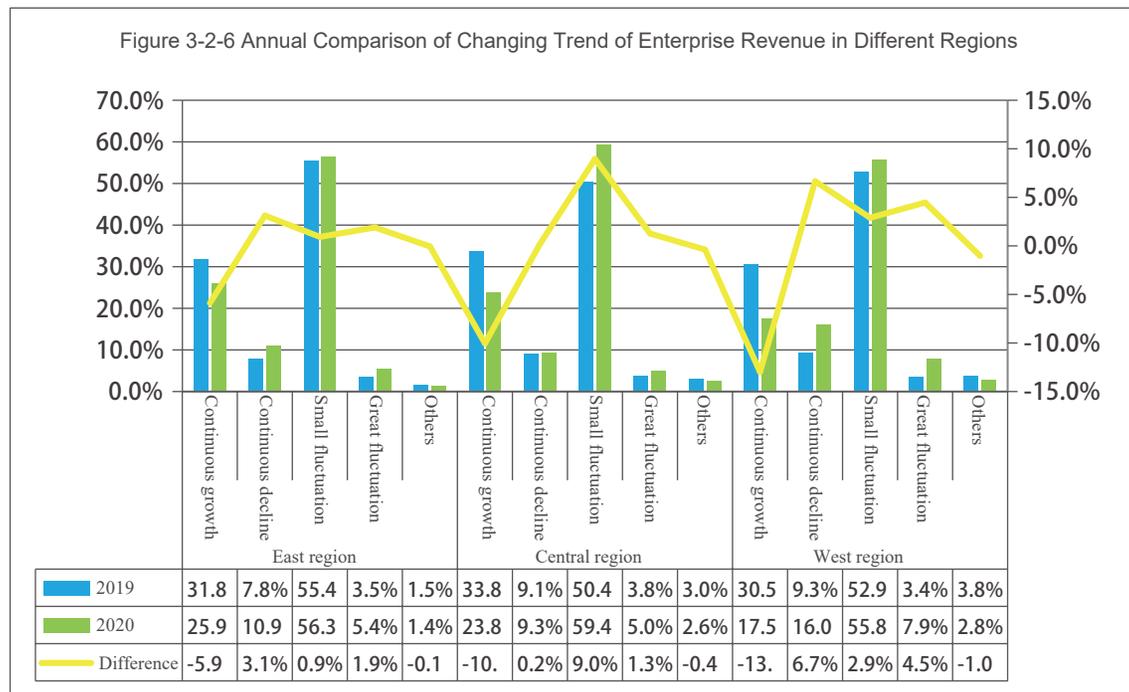
#### (IV) The proportion of enterprises having continuous growth of revenue over the past five years has declined



Comparing to 2019, the year 2020 has seen slight positive growths in the proportions of most types of revenue change over the past five years, except for the decline in the proportion of enterprises having continuous growth and the proportion of enterprises experiencing “others” type of revenue change. The proportion of enterprises having continuous growth of revenue fluctuates most significantly, which decreased by 7.8% over the previous year. In 2020, the proportion of enterprises having continuous revenue decline has increased by 3.1% over 2019; the proportion of enterprises having small fluctuations in revenue has increased by 2.9%; and the proportion of enterprises having great fluctuations in revenue has increased by 2.3%.

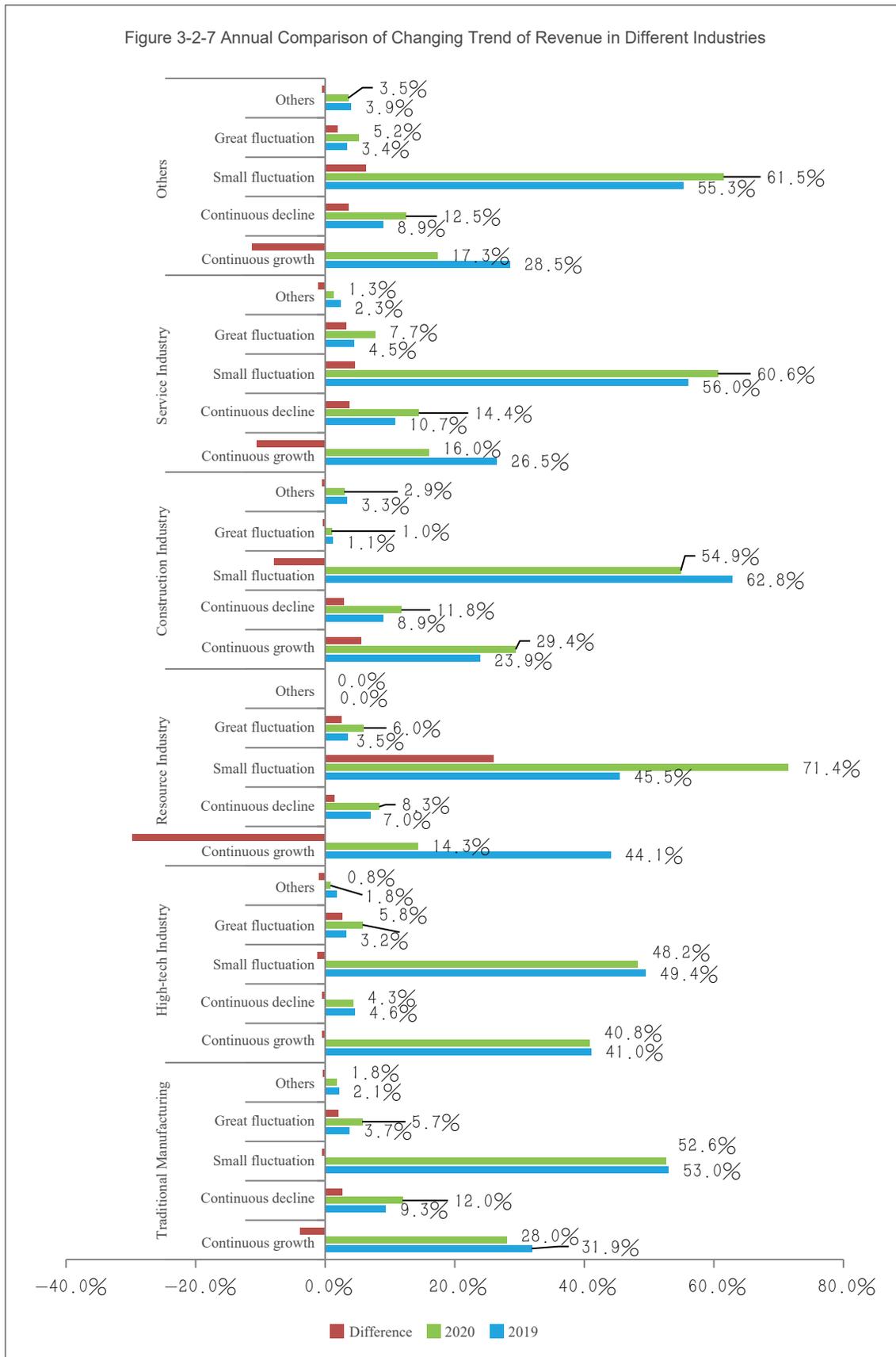
1. The proportion of enterprises having continuous growth of operation revenue declines and the proportion of enterprises having continuous decline in operation increases across different regions.

The overall change in enterprise revenue over the past five years varies among different regions. In general, the proportions of enterprises having great fluctuations and continuous decline have increased, while the proportions of enterprises having continuous growth and enterprises of “others” status have declined. Comparing to 2019, there are obvious declines of the proportion of enterprises having continuous growth in the central region in 2020. This proportion has decreased in the western region as well, from 30.5% in 2019 to 17.5% in 2020. The largest (6.7%) and smallest (0.2%) increase in the proportion of enterprises having continuous decline have been observed in the western region and the central region respectively. In the central region, the largest increase belongs to the proportion of enterprises having small fluctuations in revenue over the past five years (9.0%), and the smallest increase goes to the proportion of enterprises having great fluctuations in the revenue over the past five years (1.3%).



2. Enterprises in the resource industry account for the largest increase in the proportion of small fluctuations in revenue, also accounting for the largest decline in the proportion of continuous growth in revenue.

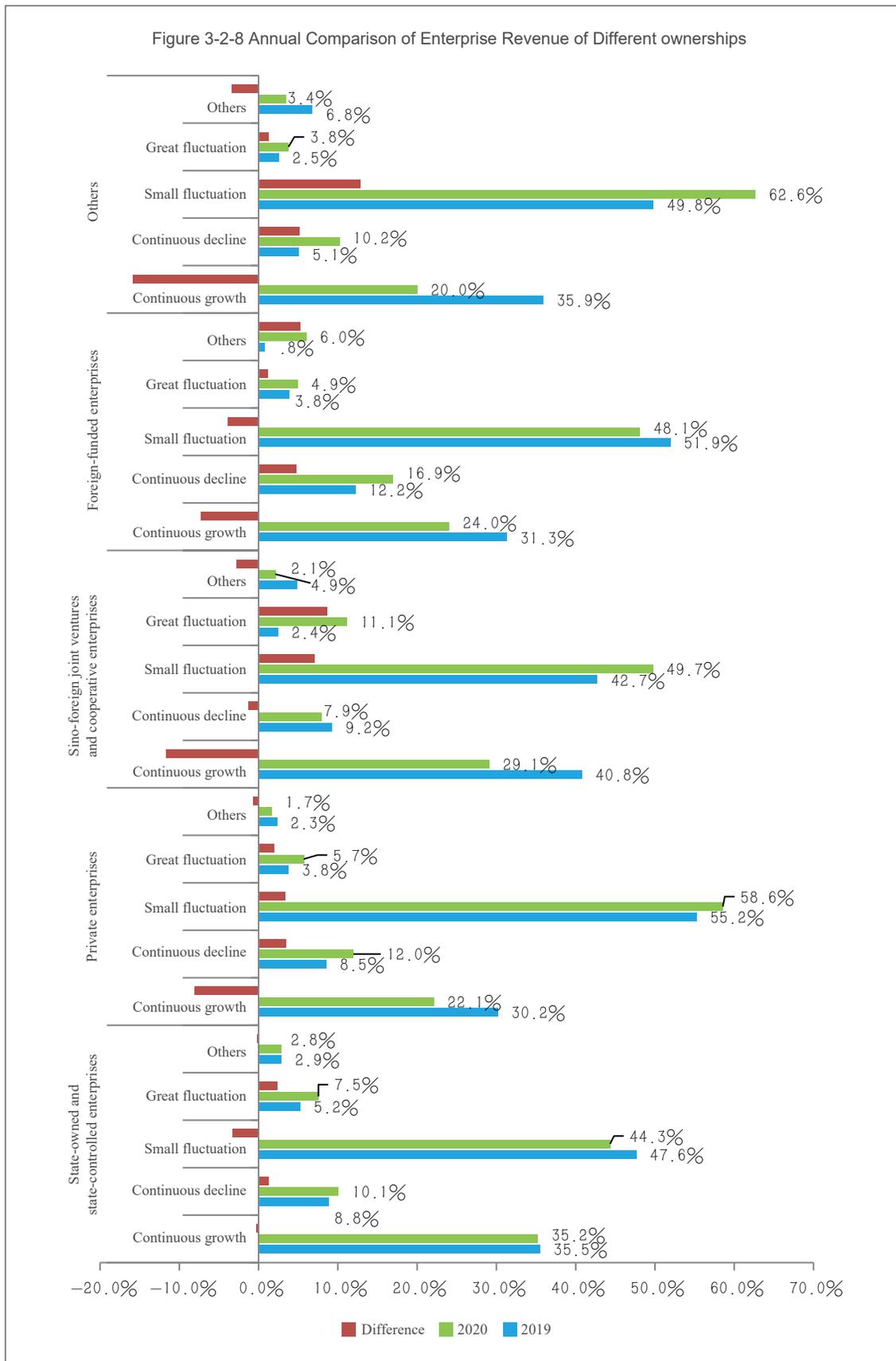
Figure 3-2-7 Annual Comparison of Changing Trend of Revenue in Different Industries



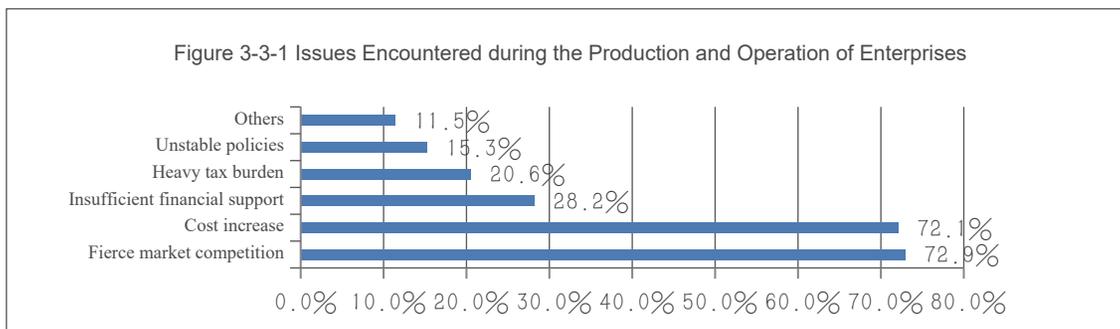
The change of proportion of enterprises having continuous revenue growth over the past five years varies among different industries in 2020. The only growth (5.5%) is observed in the construction industry. The largest decline in the proportion of enterprises having continuous growth (29.8%) is in the resource industry. The largest increase in the proportion of enterprises having continuous decline over the past five years has been seen in the service industry –from 10.7% in 2019 to 14.4% in 2020. The only decline (0.2%) has been seen in the construction industry. The proportion of enterprises having small fluctuations in revenue in the resource industry increased by 26.0% over the previous year, while that proportion of other industries have fluctuated by less than 10%. The proportions of enterprises having great fluctuations in revenue have increased in all industries but no more than 4%.

### 3. The proportions of enterprises having continuous growth have declined for all types of ownerships.

The proportions of enterprises having continuous growth have all declined regardless of their ownership types, but to different extents in 2020. The largest decline has been seen in enterprises of the “others” type (15.9%). As for the proportion of enterprises having continuous decline, slight increase has been seen for all other kinds of enterprises over the previous year, except for Sino-foreign joint ventures (decline of 1.3%). The largest increase (12.9%) has been spotted in the proportion of enterprises of “others” ownership type having small fluctuations. Among those having great fluctuation, the largest increase (8.7%) is in the proportion of Sino-foreign joint ventures and positive growth has been seen for all other kinds of enterprises.

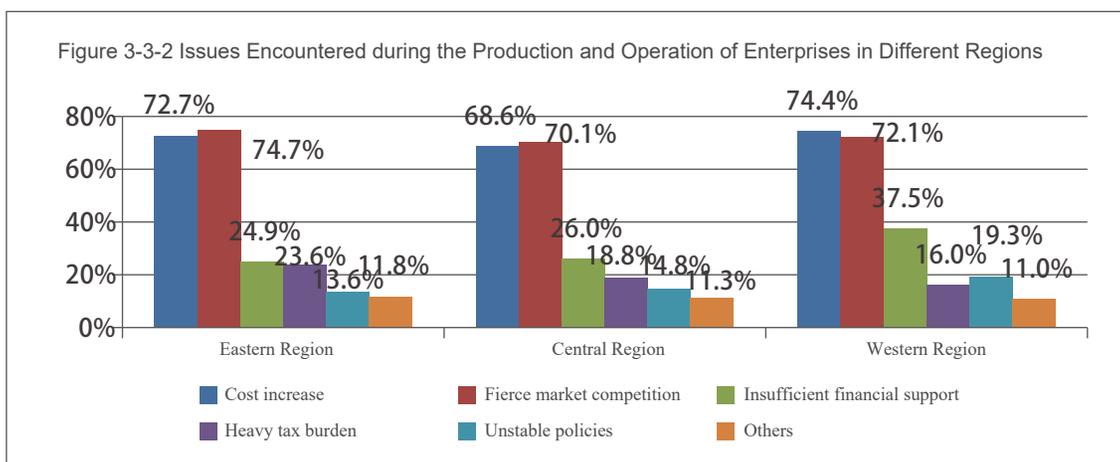


### III. Increasing Costs and Fierce Market Competition Become Prominent Issues



During the investigation, the most prominent issues reported by enterprises are fierce market competition and increasing costs, with respectively 72.9% and 72.1% of surveyed enterprises claim encountering such problems. In addition, issues such as insufficient financial support (28.2%), heavy tax burden (20.6%) and unstable policies (15.3%) are also prominent.

Over 70% of enterprises have paid attention to the fierce market competition issue in all regions, among which enterprises in the eastern region have paid the greatest attention (74.7%). Over 60% of enterprises have paid attention to the cost increase issue in all regions, of which enterprises in the western region have paid the greatest attention (74.4%). Additionally, over 20% of enterprises in all regions have reported the issue of insufficient financial support, particularly



among the enterprises of the western region (37.5%).

The major issue in the production and operation of enterprises is the increasing costs, which is true for traditional manufacturing, resource, , construction and high-tech industries. The percentages that the problem has been identified in these industries are 80.1%, 77.9%, 67.6%, and 57.1% respectively. The major issue in the service industry and industries in the “others” category is the fierce market competition, with 72.6% and 75.5% of enterprises identified it as a problem, respectively. In all kinds of industries, insufficient financial support is considered as the third important issue, which is given the highest attention in the construction industry. The heavy tax burden is of the greatest concern for the construction industry (23.5%), while unstable policies is of the greatest concern for the service industry (24.0%).

Table 3-3-1 Major Issues Encountered during the Production and Operation of Enterprises in Different Industries

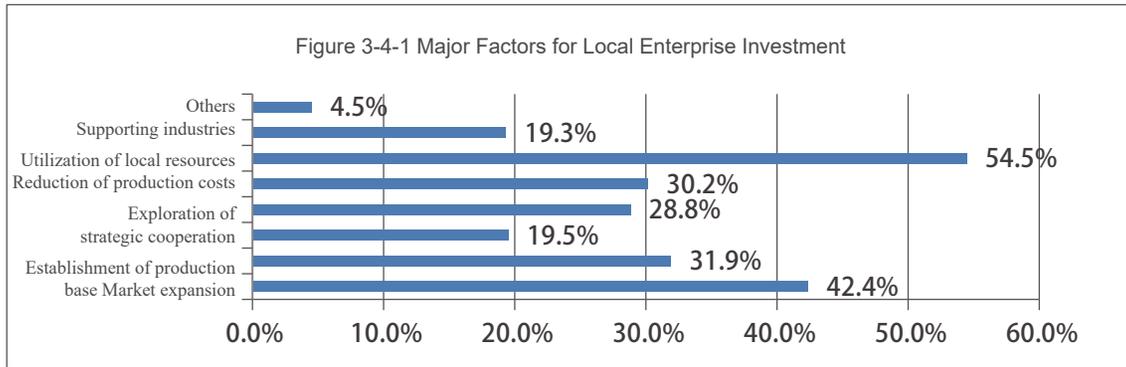
Traditional Manufacturing	High-tech Industry	Resource Industry	Construction Industry	Service Industry	Others
Cost increase 80.1%	Cost increase 77.9%	Cost increase 57.1%	Cost increase 67.6%	Fierce market competition 72.6%	Fierce market competition 75.5%
Fierce market competition 73.5%	Fierce market competition 69.5%	Fierce market competition 52.4%	Fierce market competition 67.6%	Cost increase 61.2%	Cost increase 71.1%
Insufficient financial support 25.1%	Insufficient financial support 35.5%	Insufficient financial support 26.2%	Insufficient financial support 41.2%	Insufficient financial support 27.8%	Insufficient financial support 28.4%
Heavy tax burden 22.6%	Heavy tax burden 20.8%	Heavy tax burden 19.0%	Heavy tax burden 23.5%	Unstable policies 24.0%	Unstable policies 17.6%
Unstable policies 8.1%	Unstable policies 11.1%	Unstable policies 15.5%	Unstable policies 14.7%	Heavy tax burden 23.3%	Heavy tax burden 16.0%
Others 7.1%	Others 6.6%	Others 6.0%	Others 11.8%	Others 16.0%	Others 14.9%

In terms of different ownership types, increasing costs is the major issue faced by state-owned enterprises, wholly foreign-funded enterprises, as well as Sino-foreign joint ventures and cooperative enterprises who pay the highest attention (82.0%). Fierce market competition is the major issue faced by private and enterprises of “other” ownerships (73.1% and 79.6% respectively). Insufficient financial support is considered as the third important issue by most of the enterprises, to which the highest attention (29.3%) is given by private enterprises. However, wholly foreign-funded enterprises and enterprises in “other” industries consider heavy tax burden and other issues together as the third important issue.

Table 3-3-2 Major Issues Encountered during the Production and Operation of Enterprises of Different ownerships

State-owned and state-controlled enterprises	Private enterprises	Sino-foreign joint ventures and cooperative enterprises	Foreign-funded enterprises	Other
Cost increase 71.9%	Fierce market competition 73.1%	Cost increase 82.0%	Cost increase 78.3%	Fierce market competition 79.6%
Fierce market competition 68.8%	Cost increase 72.2%	Fierce market competition 72.0%	Fierce market competition 67.9%	Cost increase 59.2%
Insufficient financial support 28.1%	Insufficient financial support 29.3%	Insufficient financial support 28.6%	Heavy tax burden 22.8%	Others 27.5%
Heavy tax burden 20.6%	Heavy tax burden 21.1%	Heavy tax burden 15.3%	Insufficient financial support 16.8%	Insufficient financial support 23.0%
Unstable policies 18.8%	Unstable policies 15.7%	Unstable policies 10.6%	Others 10.9%	Heavy tax burden 15.8%
Others 9.4%	Others 10.7%	Others 7.4%	Unstable policies 8.7%	Unstable policies 13.2%

## IV. Utilization of Local Resources and Market Expansion Are Major Reasons for Enterprise Investment

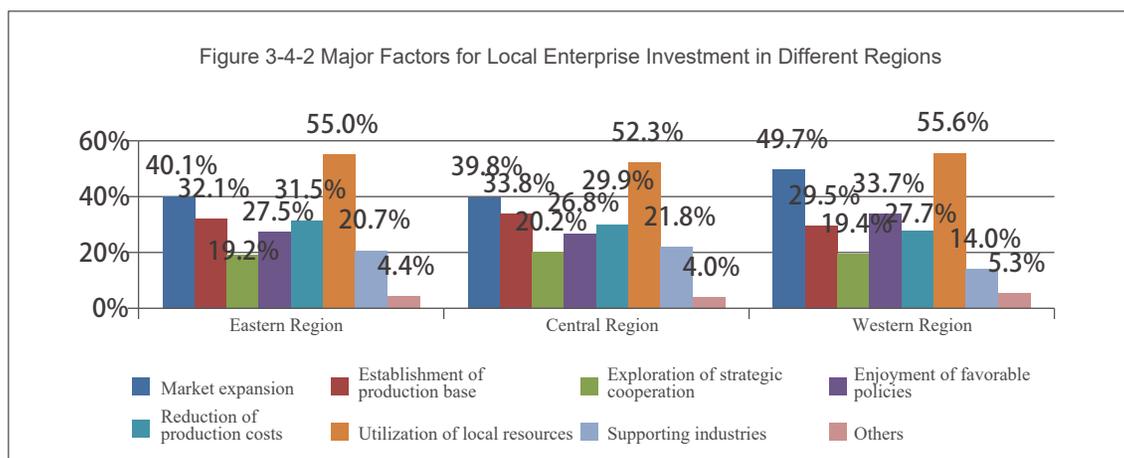


### (I) Over 50% of enterprises consider the utilization of local resource as the primary reason for investment

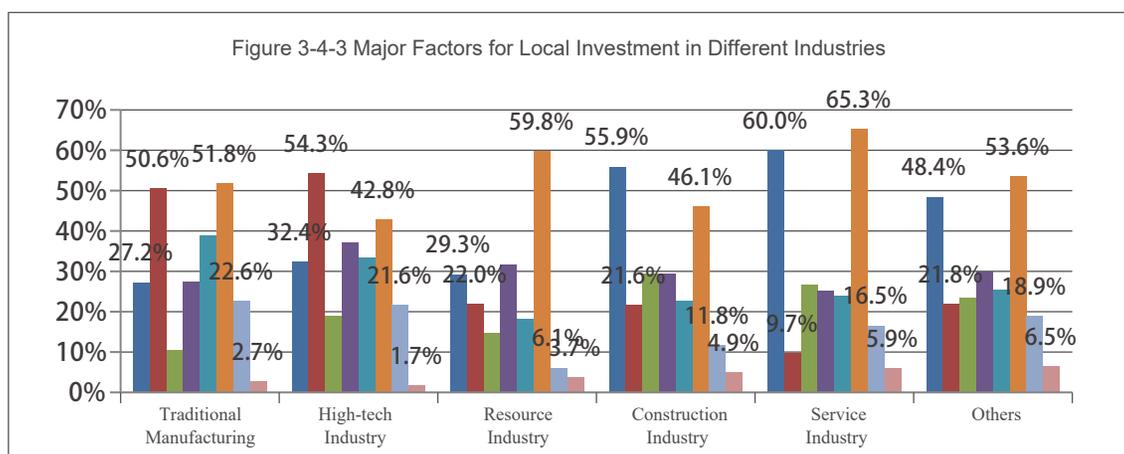
54.5% of enterprises consider the utilization of local resources as the principal reason for their investment, and, second to it, 42.4% of enterprises consider market expansion as the principal reason for investment. Over 30% of enterprises consider establishment of production base and reduction of production costs as investment factors – the percentages are 31.9% and 30.2% respectively. Benefiting from favorable policies, reduction of production costs, supporting industries, and strategic cooperation are also often taken into consideration.

Reasons for enterprise investment are different in each region. Over 50% of enterprises, wherever the region is, consider the utilization of local resources as the principal factor for local investment. Market expansion is considered as the second principal factor. In the eastern and the central regions, the third principal factor for investment is establishment of production base, while it is benefitting from favorable policies in the western region.

Over 50% of enterprises in traditional manufacturing, resource, service and “other” industries consider utilization of local resources as the

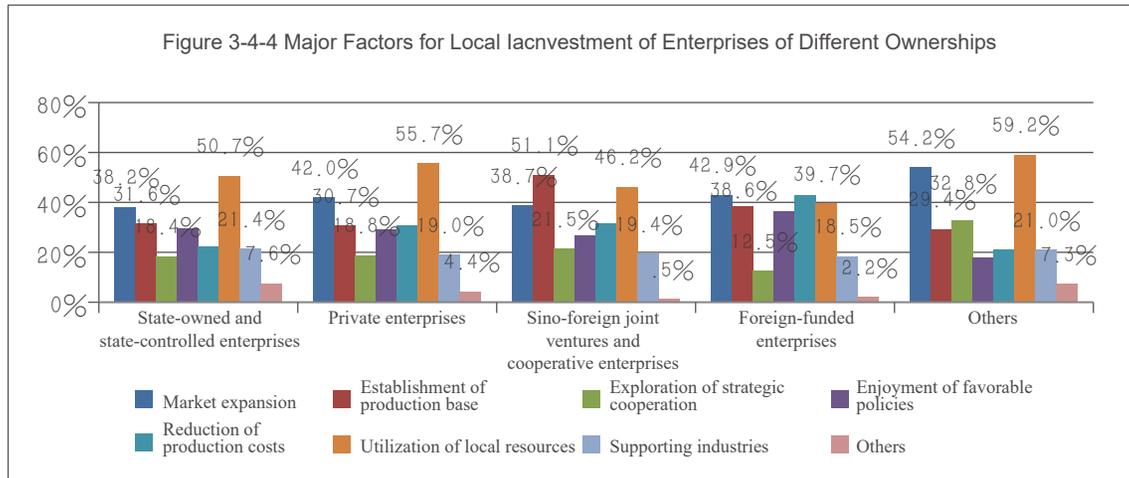


principal factor, of which the highest percentage is in service industry (65.3%). High-tech enterprises consider establishment of production base as the principal factor for investment. Enterprises in service industry, building industry and “other” industries focus more on market expansion, and the percentages are 60.0%, 55.9% and 48.4% respectively.

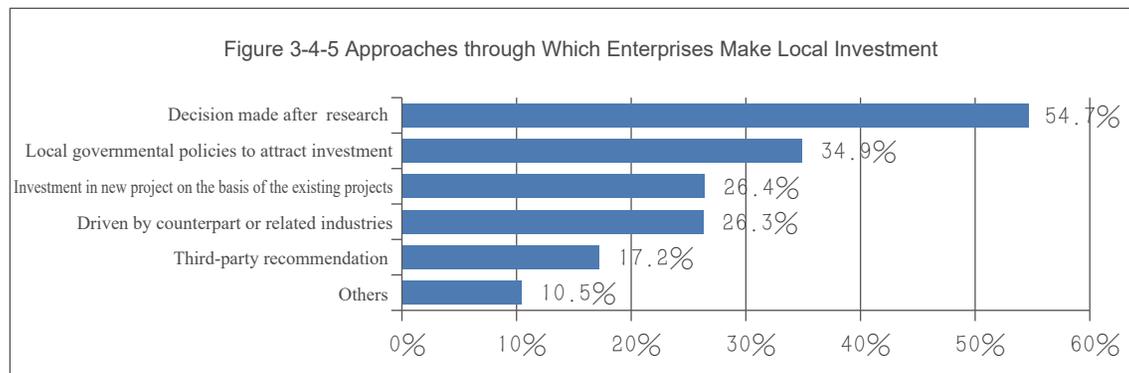


State-owned enterprises, private enterprises and enterprises of the “other” type of ownership prioritize the utilization of local resources - with percentages being 50.7%, 55.7% and 59.2% respectively – as the principal factor, and market expansion is second to it - percentages being 38.2%, 42.0% and 54.2% respectively. Establishment of production base tops the ranking of major factors for investment

of Sino-foreign joint ventures and cooperative enterprises – the percentage being 51.1% - and utilization of local resources is second to it – the percentage being 46.2%. Market expansion and reduction of production costs are considered most important by wholly foreign-funded enterprises, and the percentage is 42.9%.



## (II) Enterprises investment relies on their own research and local governments' implementation of measures to attract investment



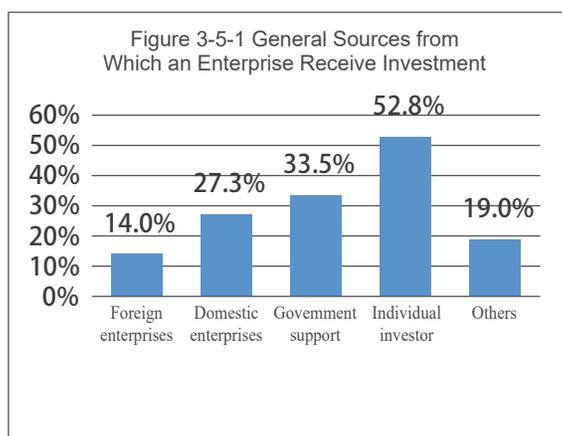
Over 50% (54.7%) of enterprises make their decisions on local investment through their own research, and over 30% (34.9%) of enterprises make investment as attracted by local governmental policies. The percentages of investment in new project on the basis of existing projects and investment driven by counterpart or related

industries are 26.4% and 26.3% respectively. The percentages of investment through third-party recommendation or miscellaneous approaches are at a low level, being 17.2% and 10.5% respectively.

## V. Individual Investors are the Major Source of Investment

### (I) Individual investors are still the major source for capital inflow to an enterprise

Among the enterprises that have received investment, 52.8% of



them reported that their major investors are individuals, 33.5% of them reported that the source of capital is government support and 27.3% of them reported that they receive capital from domestic enterprises. 14% of them receive capital from foreign enterprises and 19% of them received capital from fund

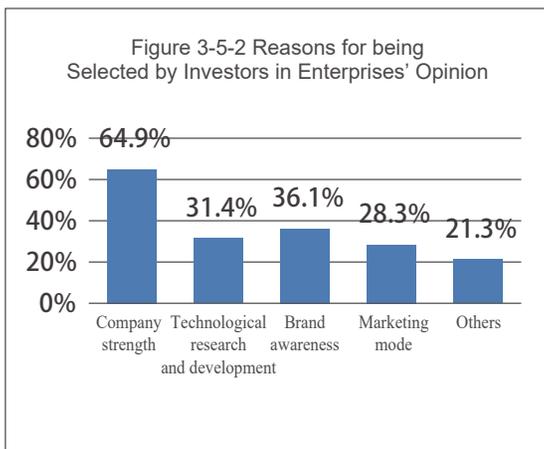
companies and other shareholders.

The major source of capital come from individual investor in all industries except for the construction industry. The capital inflow of individual investors in the service industry accounts for the largest proportion (59.9%). The second major source of capital in all industries is government support and domestic enterprise investment, of which domestic enterprise investment in the high-tech industry accounts for a large proportion (46.3%), and government supporting investment in the traditional manufacturing industry accounts for a large proportion (36.0%). Domestic enterprise investment in the construction industry accounts for the largest proportion (45.3%) and individual investor is second to it (34.0%).

Table 3-5-1 Sources of Investment Received by Enterprises in Different Industries

Traditional Manufacturing	High-tech industry	Resource Industry	Construction Industry	Service Industry	Others
Individual investor 51.3%	Individual investor 47.1%	Individual investor 47.8%	Domestic enterprises 45.3%	Individual investor 59.9%	Individual investor 53.3%
Government support 36.0%	Domestic enterprises 46.3%	Domestic enterprises 43.5%	Individual investor 34.0%	Government support 30.0%	Government support 33.3%
Domestic enterprises 26.1%	Government support 35.5%	Government support 30.4%	Government support 30.2%	Foreign enterprises 23.3%	Others 24.9%
Others 17.6%	Others 13.2%	Others 13.0%	Foreign enterprises 15.1%	Domestic enterprises 18.6%	Domestic enterprises 24.2%
Foreign enterprises 12.9%	Foreign enterprises 13.2%	Foreign enterprises 8.7%	Others 11.3%	Others 17.1%	Foreign enterprises 9.6%

## (II) The strength of a company is the major reason for being invested

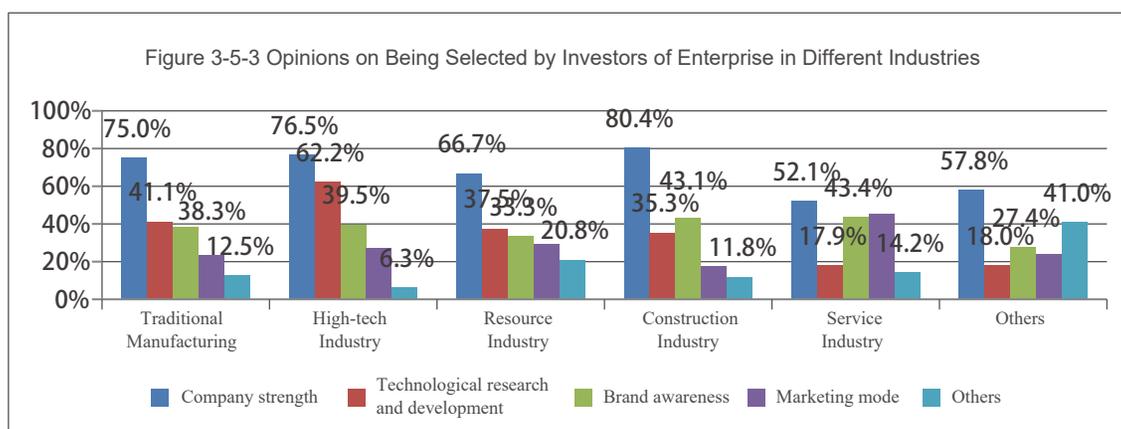


In the survey, 64.9% of the enterprises that have received investment consider company strength as the major reason for being selected by investors, 36.1% of them consider brand awareness as the major reason and 31.4% of them consider technological research and development as the major reason. Marketing mode is also

considered as one of the reasons as 28.3% of the surveyed enterprises choose it, and 21.3% of the surveyed enterprises choose other reasons.

A large proportion of the enterprises consider company strength as the principal reason for being selected by investors. The highest

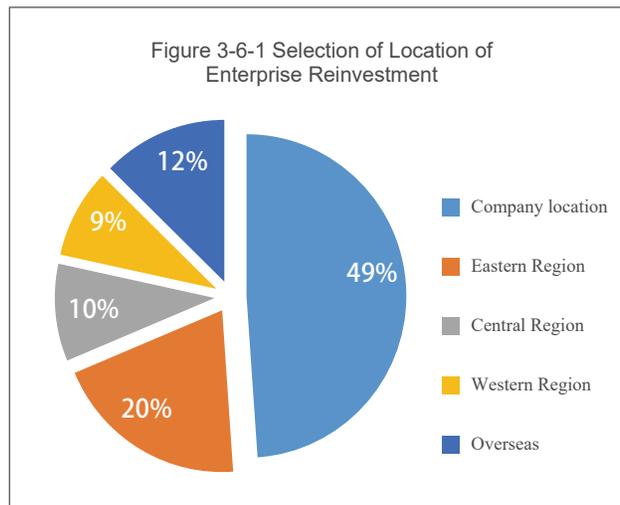
proportion (80.4%) goes to enterprises in the construction industry, the second and third highest proportions (76.5% and 75% respectively) go to enterprises in the high-tech industry and traditional manufacturing industry. The second principal reason for being selected by investors varies from industry to industry. A large proportion of the enterprises – 62.2% in high-tech industry, 41.1% in traditional manufacturing industry and 37.5% in resources industry – consider technological research and development as the second principal reason; 43.1% of enterprises in the construction industry consider brand awareness as the second principal reason; 45% of enterprises in the service industry consider marketing mode as the second principal reason.



## VI. Company Location Is An Important Determinant for An Enterprise to Choose Where to Reinvest

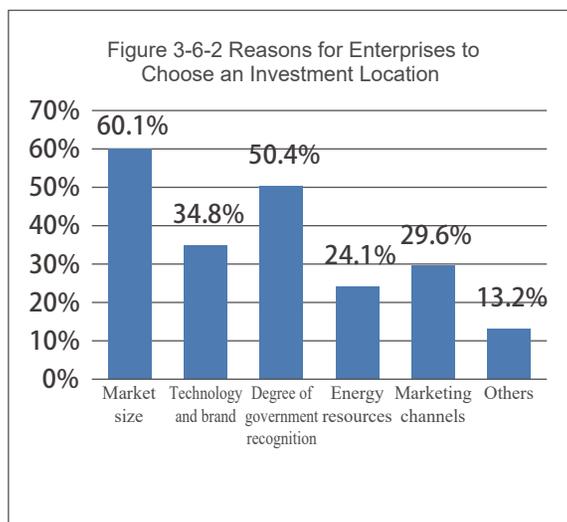
### (I) Nearly 50% of enterprises choose the company location as the location for their reinvestment

Among the enterprises that have made reinvestment, 49% of them choose to locate their reinvestment in the company location, 20% of them choose eastern cities for reinvestment, and 12% of them choose to reinvest overseas. In addition, 10% and 9% of them hope to reinvest in central or western regions respectively.



## (II) Market size is the major consideration for enterprise reinvestment

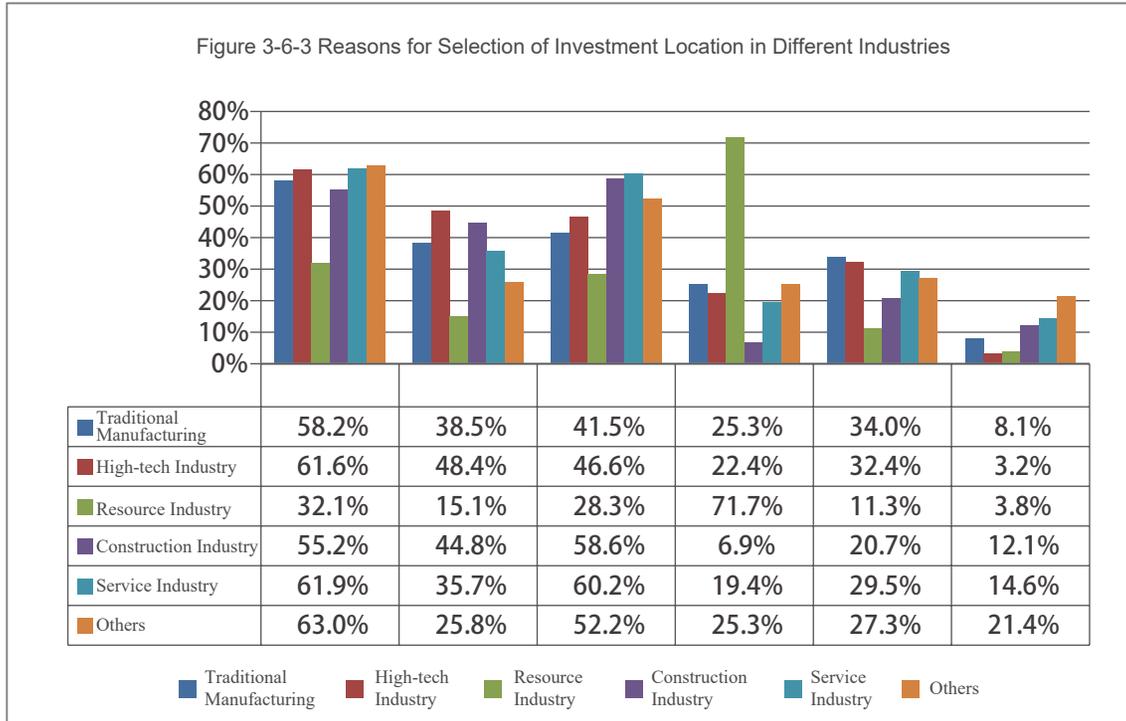
Market size is considered as an important factor by a large proportion of enterprises (60.1%) to choose investment location and the degree



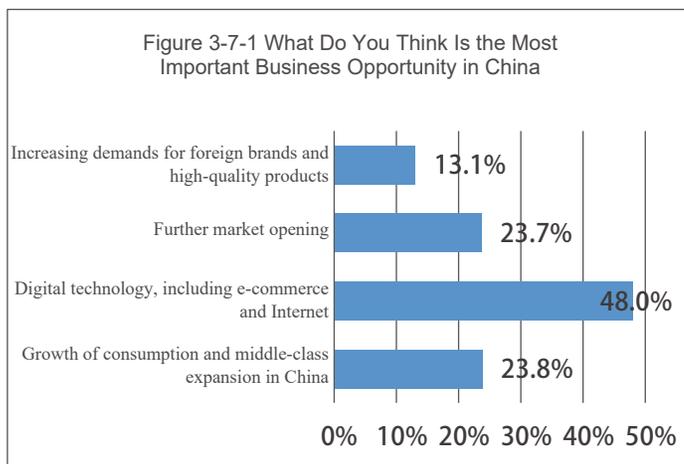
of government recognition is considered important by 50.4% of enterprises. In addition, technology and brand, marketing channels and energy resources are also mentioned by 34.8%, 29.6% and 24.1% of enterprises.

Enterprises in all the industries attach great importance to market size with over 55% of enterprises, in all the industries except for the resource industry, choosing market size as an important factor, and the highest proportion (61.9%) goes to the service industry. Enterprises in the resource industry attach great importance to energy and resources – 70% of them choose energy resources. A large proportion of Enterprises in the high-tech industry (48.4%) attach great importance to technology and brand; a majority of enterprises in the

service industry (60.2%) value the degree of government recognition; some enterprises in traditional manufacturing industry (34.0%) value marketing channels.

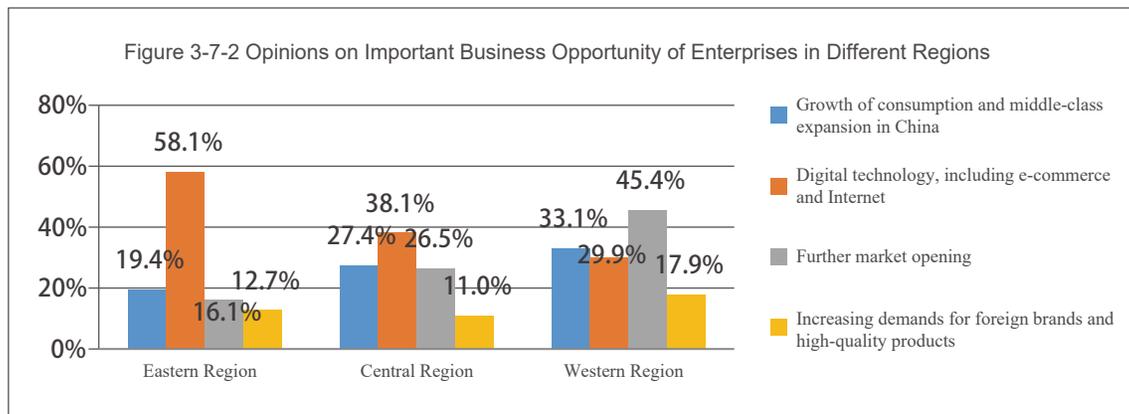


## VII. Digital Technology Has been the Most Important Business Opportunity in China



According to 48.0% of the surveyed enterprises, the most important business opportunity in China is digital technology, including e-commerce and Internet. It is the first time that digital technology

overtakes market opening as the most important business opportunity. Additionally, 23.8% of the surveyed enterprises regard growth of consumption as the most important business opportunity in China, and 23.7% of them regard middle-class expansion and further market opening as the most important business opportunity in China.

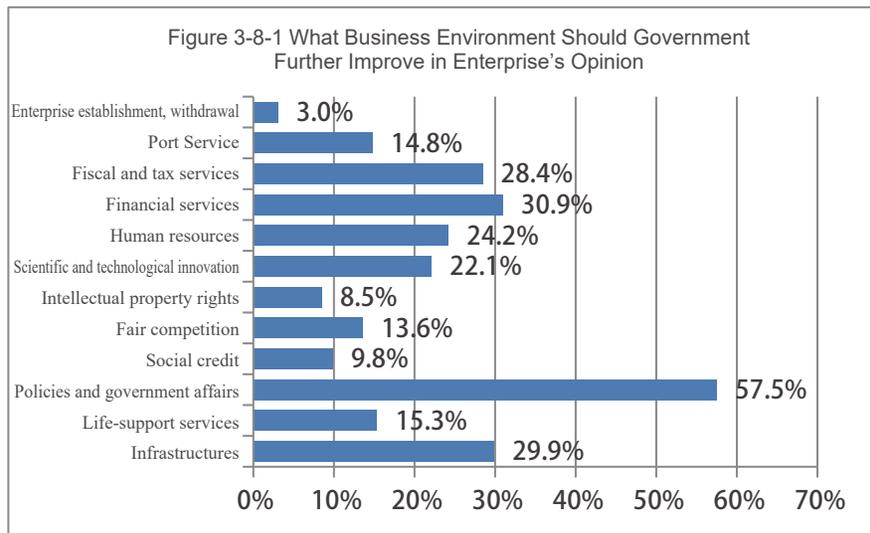


Digital technology is considered as the most important business opportunity by 58.1% and 38.1% of the surveyed enterprises in eastern and central regions respectively. The second important business opportunity is the growth of consumption and middle-class expansion, according to 19.4% and 27.4% of the surveyed enterprises in the eastern and central regions. In the western region, further market opening is considered as the most important business opportunities by 45.4% of the surveyed enterprises, growth of consumption and middle-class expansion is second to it (33.1%) and digital technology follows (29.9%).

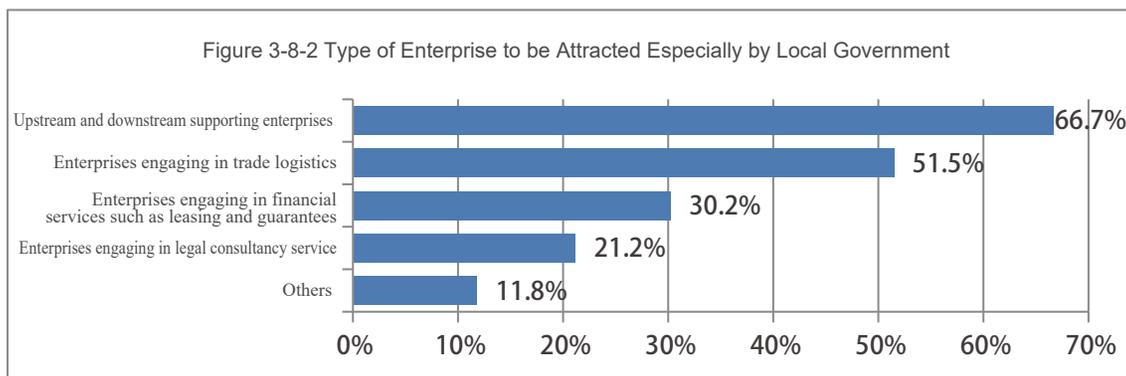
## VIII. Enterprises Hope for Further Optimization of Business Environment

### (I) Policy environment is of great concern among enterprises

According to the research, most of the enterprises (57.5%) hope that the government continues improving the policy and government administration environment; 30.9% of them hope that the government



improves financial service environment; 29.3% of them hope that the government improves infrastructure environment, and 28.4% of them hope that the government improves fiscal and tax environment. The surveyed enterprises expressed their satisfaction of the environment improvement of establishment and withdrawal of enterprises, intellectual property rights and social credit. Only 3.0%, 8.5% and 9.8% of the surveyed enterprises hope to give top priority to improvement in these aspects respectively.

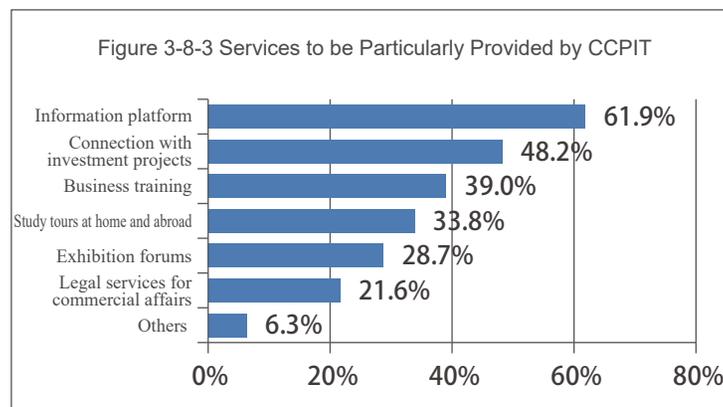


## (II) Enterprises have high requirements for constructing regional industry chain

According to the survey results, 66.7% of interviewees hope that local governments attract upstream and downstream supporting enterprises; 51.5% of interviewees hope that local governments attract enterprises engaging in trade logistics; 30.2% and 21.1% of interviewees hope that local governments attract enterprises engaging in financial services including leasing and guarantees and enterprises engaging in legal consultancy services respectively. Another 11.8% of interviewees hope that local governments attract other types of enterprises.

### **(III) Enterprises hope the China Council for the Promotion of International Trade (CCPIT) to make a special effort to improve information platform construction**

61.9% of interviewees hope that CCPIT establish an improved information platform and 48.2% of interviewees hope that CCPIT can establish connections with investment projects. Additionally, 39.0%, 33.8%, 28.7% and 21.6% of the surveyed enterprises request respectively for business training, study tours at home and abroad, exhibition forums and legal services for commercial affairs. Another 6.3% of the surveyed enterprises propose other services.



## Chapter IV Business Environment Construction in the Context of COVID-19

As a global pandemic that broke out in early 2020, COVID-19 has caused a major public health emergency with its fastest spreading speed, highest infection rate, and most difficult in prevention and control in all countries in the past century. It not only had serious impacts on global productions, livelihoods, and socioeconomic development, but also posed a tremendous challenge for China's business environment. Under the leadership of the CPC Central Committee and the State Council, the whole country has implemented the general requirements of “strengthening confidence, helping each other in times of difficulty, taking scientific and targeted measures to prevent and control the disease, and carrying out precise implementation of policies”. The central government promptly introduced 90 policy measures in 8 areas to coordinate the advancement of COVID-19 prevention and control and socioeconomic development, achieving world-renowned achievements.

As a special chapter of the *China Business Environment Research Report* series, this part includes a systematic summary and analysis of the impact of COVID-19, the Chinese government's response and achievements, insufficiency of the response, and policy recommendations and suggestions based on the result of the questionnaire survey and field investigation.

### I. More Than Half of the Enterprises Have Suffered Severe Impact

An unexpected new coronavirus epidemic raided Wuhan and spread rapidly across the country at the beginning of 2020, and the number

of infections and deaths rose rapidly. On January 30, the WHO announced that the new coronavirus epidemic was listed as a public health emergency of international concern. From January 20 to February 20, the number of new cases increased rapidly nationwide, making prevention and control extremely challenging. On February 12, the number of reported new infections reached 44,653, including 15,152 new confirmed cases<sup>①</sup>, reaching a record high. Measures that aimed at containing the spread of the virus such as lockdown, halt of economic activities, and quarantine have put the country and the world into a state of "Great Blockade"..

Under the impact of the global spread of COVID-19 and the increasing pressure of decline, the world economy has experienced a severe recession, many production and supply chains has been interrupted or even broken, international trade and investment have shrunk, and the commodity market has been volatile. The world has seen the strongest economic recession since the Great Depression in the 1930s.

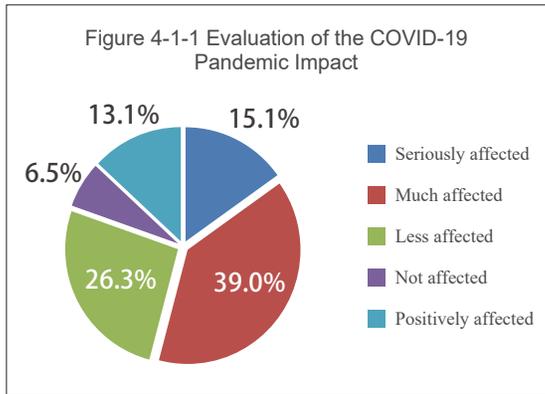
Under the combined effects of the dual factors: COVID-19 and global economic downturn, the production and operation of Chinese enterprises have been severely affected. Domestic consumption, investment, and exports have declined, and pressure on employment has increased significantly. Traditional manufacturing and construction enterprises have been more severely affected by COVID-19. Risks have accumulated in the financial sector, while grassroots fiscal budget problems have intensified. According to the questionnaire survey conducted by CCPIT, more than 80% of enterprises have been affected by COVID-19, among which more than 54% have been severely impacted; all regions, industries, and enterprises of various ownerships have been affected to varying degrees.

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① National Health Commission. The updates of COVID-19 as of 24:00 on November 27 [EB/OL].[http://www.nhc.gov.cn/xcs/yqtb/list\\_gzbd.shtml](http://www.nhc.gov.cn/xcs/yqtb/list_gzbd.shtml),2020-11-28.

**(I) Most enterprises were negatively affected, but differences in impact evaluation remain across different industries.**

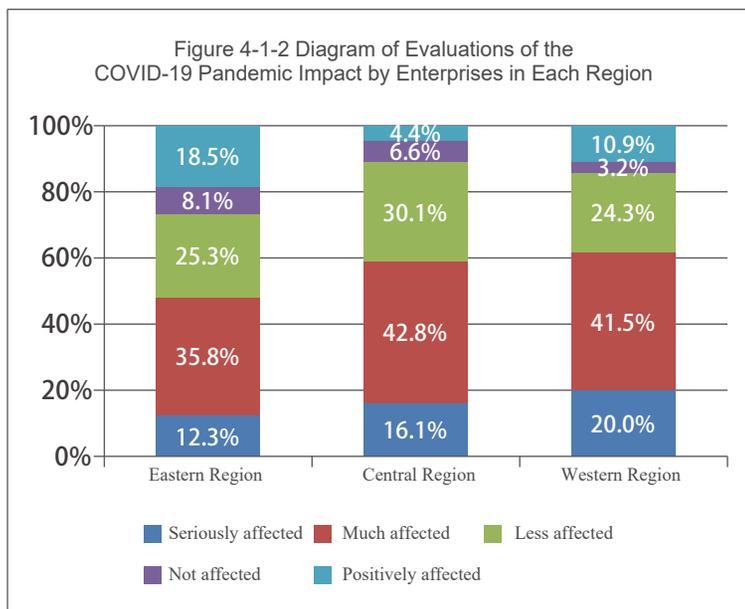
1. Most of the surveyed enterprises were negatively affected by the COVID-19 Pandemic, while nearly 20% of the surveyed enterprises were not affected or were positively affected.



39.0% of the surveyed enterprises were negatively affected by the COVID-19 Pandemic, accounting for the highest proportion; 15.1% of the surveyed enterprises were seriously affected by the COVID-19 Pandemic; 26.3% of the surveyed enterprises were less affected by the COVID-19

Pandemic; only 6.5% of the surveyed enterprises were not affected by the pandemic, and according to 13.1% of the surveyed enterprises, the COVID-19 Pandemic had a positive influence on them.

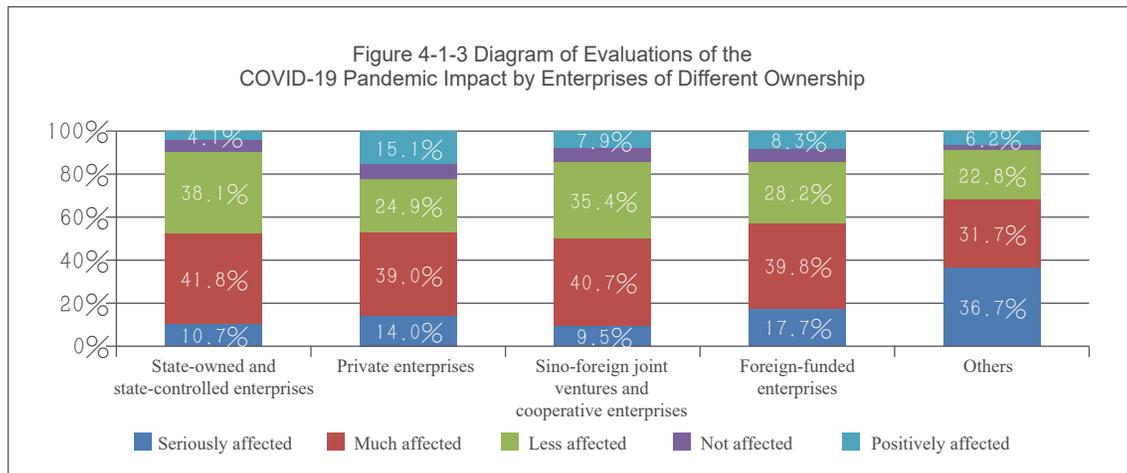
2. Enterprises in the central and western regions were more affected while those in the eastern region were less affected.



Regionally, enterprises in the western region were much more negatively affected as a whole. Among them, 20% were seriously affected and 41.5% were much affected by the COVID-19 Pandemic.

Followed by enterprises in the central region, 16.1% of the surveyed enterprises were seriously affected and 42.8% of the surveyed enterprises were much affected by the pandemic; enterprises that were not affected and those that were positively affected accounted for the least among enterprises in the three regions, with 6.6% not affected and 4.4% positively affected during the COVID-19 Pandemic.

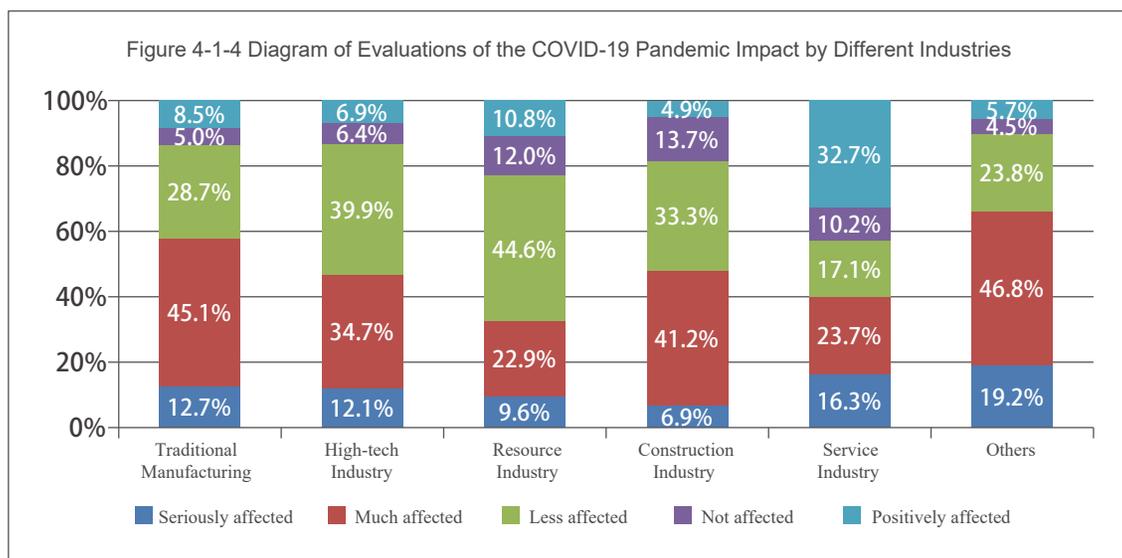
The enterprises in the central region follow in terms of the extent of impacts. 16.1% of the surveyed enterprises were seriously affected and 42.8% of the surveyed enterprises were affected by the pandemic; enterprises that were not affected and those that were positively affected accounted for the least among enterprises in the three regions, with 6.6% not affected and 4.4% positively affected during the COVID-19 Pandemic.



3. Wholly foreign-funded enterprises and enterprises of “other” ownership were much affected by the COVID-19 Pandemic, while a large proportion of private enterprises were not affected or positively affected.

Among the surveyed enterprises of “other” ownership, those seriously or much affected by the COVID-19 Pandemic represented the largest proportions, respectively being 36.7% and 31.7%, followed by wholly foreign-funded enterprises, among which, those seriously or much affected by the COVID-19 Pandemic separately accounted for 17.7%

and 39.8%. Large proportion of surveyed private enterprises were not affected or were positively affected, separately being 7.0% and 15.1%.



4. The impact on service industry was significantly polarized, and the traditional manufacturing industry and construction industry were much affected.

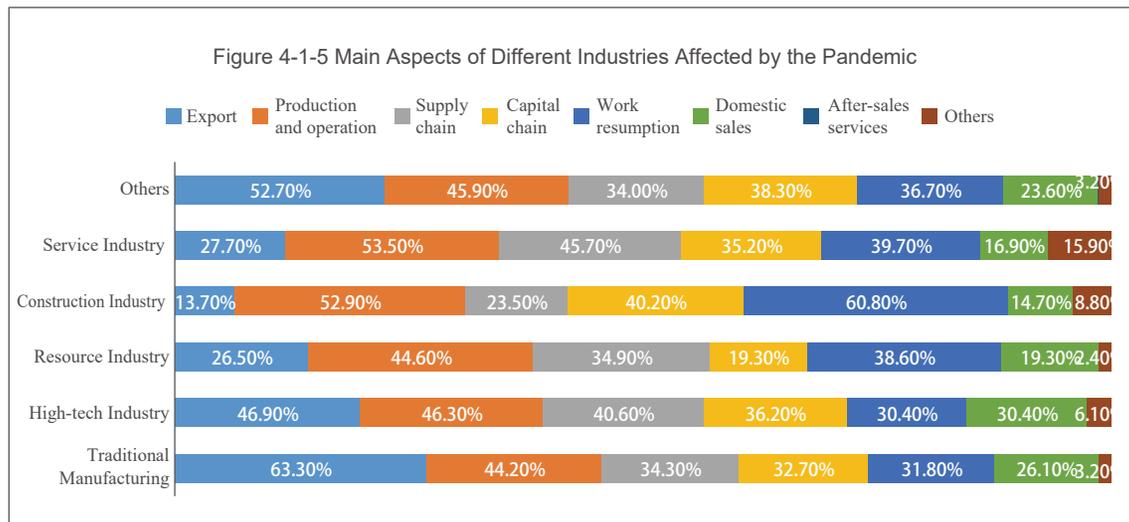
The surveyed enterprises in the service industry experienced a highly differentiated impact of the COVID-19 pandemic: among them, 32.7% were positively affected while 16.3% were seriously affected. Both categories accounted for the highest proportion among enterprises in different industries, showing significant polarization within the service industry. The traditional manufacturing industry and construction industry had high proportions of enterprises much affected by the COVID-19 Pandemic, 45.1% and 41.2% respectively. The resource industry was less affected as a whole, with 44.6% of enterprises less affected and more than 10% of enterprises not affected or positively affected.

## (II) Enterprises were affected in aspects such as export and production and operation

Nearly half of the enterprises were affected in export (48.28%)

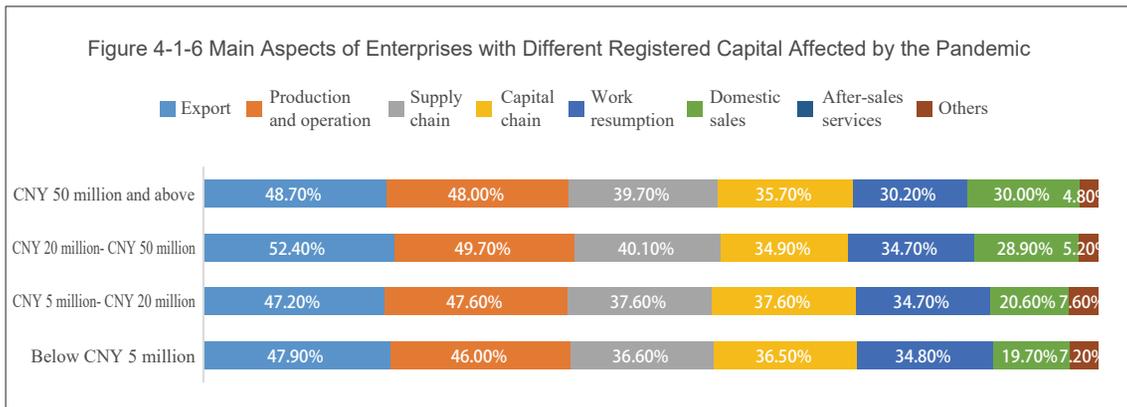
and production and operation (47.30%), accounting for the highest proportions; 37.38% of the surveyed enterprises' supply chains were affected, 35.71% were affected in work resumption, and 35.09% were affected in the cash flow. Overall, enterprises in after-sales services were least affected, with only 0.02% of the surveyed enterprises mentioning that they were affected.

The two most urgent challenges that confront the traditional manufacturing industry, high-tech industry and “other” industries were export and production and operation. however, they do not share the third aspect being affected: enterprises in the traditional manufacturing industry (34.3%) and high-tech industry (40.6%) considered supply chain disruption to be a big problem, while enterprises in “other” industries encountered more cash flow problems, accounting for 38.3%. Among the rest of the industries, enterprises in the resource industry (44.60%) and the service industry (53.5%) considered the production and operation problems to be the most serious, and enterprises in the construction industry considered the work resumption to be the most serious problem (60.8%)..

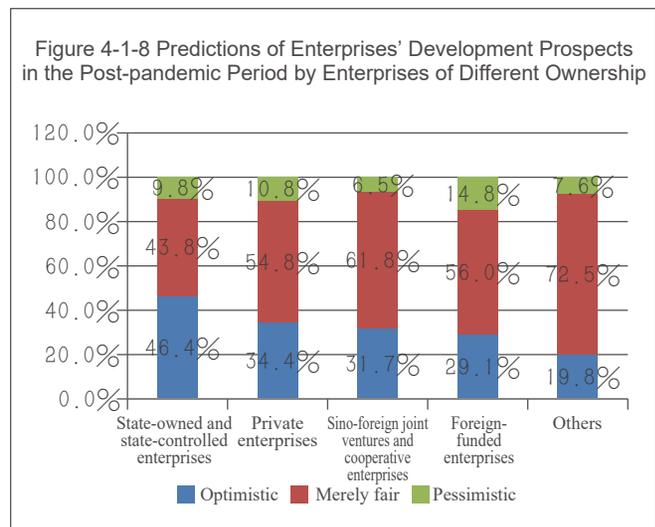
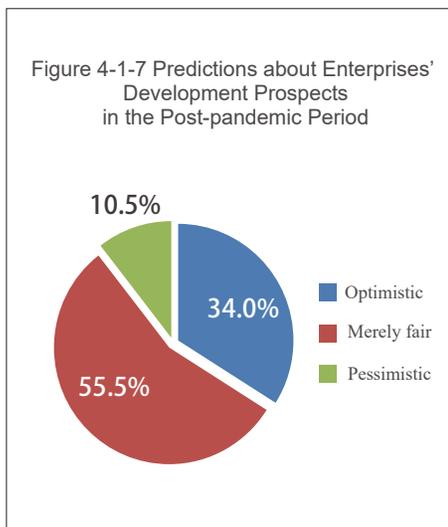


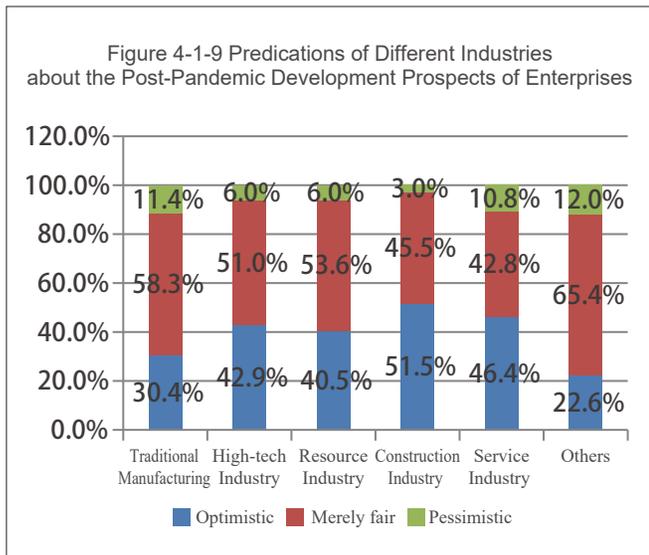
Enterprises with different amounts of registered capital were affected differently. Micro and small enterprises with registered capital less than CNY 5 million and super large enterprises with registered capital of more than CNY 50 million were most affected in the aspects of

export, production and operation, supply chain, and work resumption and believed that their export and production and operation were affected by nearly 50%. According to large enterprises with registered capital of more than CNY 20 million but not more than CNY 50 million, their export (52.4%) and production and operation (49.7%) were the two aspects most affected, followed by cash flow problems (40.1%). According to medium-sized enterprises with registered capital of more than CNY 5 million but not more than CNY 20 million, their production and operation (47.6%) were most affected, followed by export (47.2%), and then the cash flow problems (37.6%).



### (III) Enterprises mostly hold a neutral or optimistic attitude towards the post-pandemic era

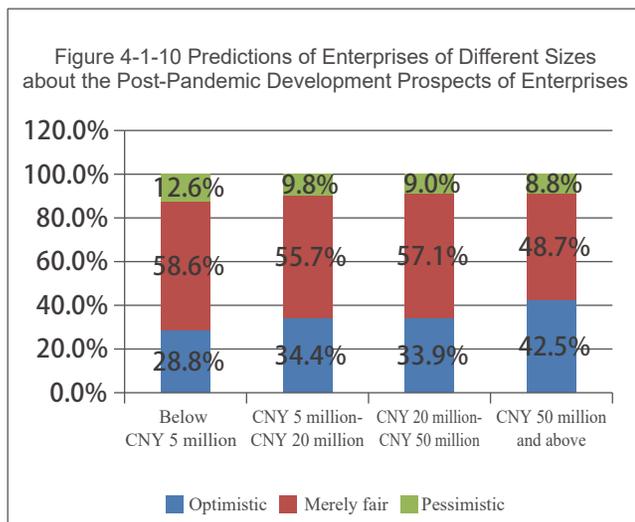




Overall, the expectation of enterprises in the post-pandemic era is promising, with 34.0% of enterprises being optimistic about the development prospect, 55.5% of enterprises holding a neutral attitude, and only 10.5% of enterprises being pessimistic. Enterprises

of different ownership types have basically the same development prospects for the post-pandemic era. State-owned enterprises holding an optimistic attitude account for a large proportion (46.4%), and only a small proportion holds negative attitude (9.8%); foreign-funded enterprises holding an optimistic attitude account for a smaller proportion comparing to state-owned enterprises (29.1%), and such type of enterprises holding a pessimistic attitude accounted for a larger proportion (14.8%).

The construction industry has the most optimistic expectations for the post-pandemic era, with only 3% of the surveyed enterprises being

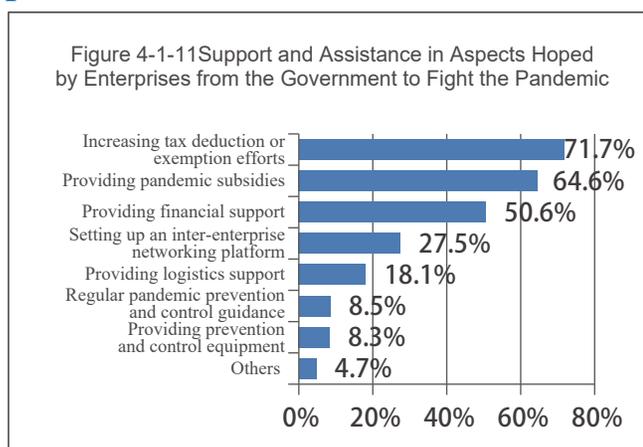


pessimistic about the post-pandemic era, followed by the resource and high-tech industry, both with only 6% of enterprises being pessimistic. Other industries were much affected, in which the surveyed enterprises holding an optimistic

attitude account for the lowest proportion (22.6%), and the surveyed enterprises holding a pessimistic attitude account for the highest proportion (12.0%).

Overall, the larger the enterprises are, the better their outlook for the post-pandemic era is. Among large enterprises with registered capital of more than CNY 50 million, 42.5% were optimistic, accounting for the highest proportion, while only 8.8% were pessimistic, accounting for the lowest proportion. Among micro and small enterprises with registered capital under CNY 5 million, only 28.8% were optimistic about the future, accounting for the lowest proportion, while 12.6% were pessimistic, accounting for the highest proportion.

#### (IV) What enterprises hope most was that the government would promote further tax deductions or exemptions



Enterprises hope that the government could provide support and assistance in many aspects to fight the pandemic. The demand for increasing tax deductions or exemptions account for the highest proportion of 71.7%. Furthermore,

more than half of the enterprises hope that the government could provide pandemic subsidies (64.6%) and financial support (50.6%). 27.5% of enterprises hope that the government could set up an inter-enterprise networking platform and 18.1% hope that the government could provide logistical support. Pandemic prevention guidance and equipments provided by the government were not so helpful to enterprises. And 4.7% of enterprises mentioned other measures that could potentially be beneficial.

## II. Government taking strong measures to respond to the COVID-19 Pandemic

In response to the serious impacts of the pandemic on the economy and the society, and to continue to deepen the reforms of streamlining administration and delegating power, improving regulation, and upgrading services and further optimizing the business environment, governments at all levels have introduced a series of policies on pandemic prevention and control and work resumption according to local conditions, timing, industries and enterprises concerned to focus on solving bottlenecks affecting the production and operation of enterprises, strengthening services for market players, and striving to help enterprises, especially micro, small and medium-sized enterprises to overcome the difficulties.

### (I) Streamlining the approval of and conditions for the production and operation of enterprises

#### 1. Taking Full Advantages of the National Integrated Government Service Platform

The General Office of the State Council released the *Circular on Further Streamlining Approval Items, Improving Services and Promoting Resumption in Enterprises' Production and Institutions' Operation with Precision and Steadiness* (GBFMD [2020] No. 6), which requires taking full advantages of the “Column of Micro and Small Enterprises and Individual Industrial and Commercial Households” of the National Integrated Government Service Platform so that enterprises can easily know the policies and handle services on a one-stop basis; The goals also include timely sorting out relevant pro-business policies, measures, and online civil services and connecting them to the National Integrated Government Service Platform, continuing to improve the content of the service column, encouraging and guiding micro and small enterprises and self-employed individuals in the industrial and commercial market

to obtain relevant services promptly, and effectively expanding the coverage of policy benefits; The document requires accepting government affairs data sharing requests uniformly by utilizing the National Integrated Government Service Platform, optimizing the data sharing processes, and, according to the principles of “satisfying urgent needs, promoting in groups, sharing of groups of data whenever they are proven informing”, accelerating the sharing of government affairs data urgently needed by localities and departments involved in the pandemic prevention and control and work resumption.

## 2. Reducing approval time and implementing notification-promise system

The State Administration for Market Regulation, the National Medical Products Administration, and the State Intellectual Property Administration jointly issued the Ten Policies and Measures to Support the Resumption of Work and Production (GSJZ [2020] No. 30), which requires that for enterprises resuming or switching production and their products, the time to issue production permits and compulsory certificates needs to be reduced; for enterprises that are qualified for production but unable to submit required materials for the time being, production permits shall be issued on the spot if they promise to submit the relevant materials within a given time.

### **(II) Promoting the reduction of production and operation costs of enterprises**

#### 1. Reducing tax burdens on enterprises in distress

The Ministry of Finance and the State Taxation Administration issued the *Announcement on Tax Policies Concerning the Support for COVID-19 Prevention and Control* (No. 8 of 2020), The Ministry of Finance and the State Taxation Administration issued the *Announcement on Tax Policies Concerning the Support for COVID-19 Prevention and Control* (No. 8 of 2020), which requires

that the relevant equipment—— as newly purchased by manufacturers of key emergency supplies for the prevention and control of the COVID-19 Pandemic for the purpose of expanding production capacities——is tax deductible on a one-off basis before the payment of enterprise income tax, and manufacturers of key emergency supplies for the prevention and control of the pandemic shall be refunded the incremental excess input value-added tax (“VAT”) credit in full amount; the maximum carry-forward period for losses among enterprises in the transport, catering, accommodation, and tourism industries much affected by the pandemic in 2020 can be extended from five years to eight years; The incomes that are derived from the provision of public transport services, life services to taxpayers, and delivery of essential living supplies to residents are exempted from VAT. To stabilize the development of processing trades and reduce the burdens on enterprises, the Ministry of Finance released the *Notice on Temporary Exemption of Tax-deferred Interest on Domestic Sales Tax for Processing Trade Enterprises* (CGS [2020] No. 13), which specifies that the temporary exemption of tax-deferred interest on domestic sales tax for processing trade enterprises takes effect from April 15 to December 31, 2020.

## 2. Temporarily reducing and exempting social insurance premiums payable by enterprises

The Ministry of Human Resources and Social Security, the Ministry of Finance, and the State Taxation Administration released the *Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises* (RSBF [2020] No. 11), which mentions that all provinces may, based on how enterprises are affected by the pandemic and the affordability of funds, exempt micro, small and medium-sized enterprises from employers’ contributions to the premiums of basic pension insurance, unemployment insurance, and work-related injury insurance for no more than five months; enterprises with serious difficulties in production and operation as

affected by the pandemic may apply for deferred payment of social insurance premiums for a period no more than six months in principle, and late payment fees will be exempted during the deferral period.

### 3. Implementing temporary support for housing provident funds

The Ministry of Housing and Urban-Rural Development, the Ministry of Finance, and the People's Bank of China released the *Notice on the Proper Response to the COVID-19 Pandemic and Implementation of the Temporary Support Policy for Housing Provident Funds* (JJ [2020] No. 23), which proposes that enterprises affected by the COVID-19 Pandemic may apply for deferred payment of housing provident funds before June 30, 2020, and the payment time will be calculated continuously during the deferral period and will not affect the employees' normal drawing of and applying for housing provident fund loans; in regions identified to be seriously and very seriously affected by the COVID-19 Pandemic, enterprises may voluntarily deposit housing provident funds before June 30, 2020 on the premise of full consultation with employees.

### 4. Reducing the production costs of enterprises

The Report on the Work of the Government in 2020 mentions that the policy of reducing electricity price for general industrial and commercial businesses by 5% will be extended to the end of the year; the rates for broadband and dedicated internet access services will be cut by 15% on average; rents for state-owned premises will be lowered or exempted, and all other types of property owners are encouraged to also reduce, waive, or defer rent payments, and they will receive policy support from the government in doing so. The National Development and Reform Commission released the *Notice on the Temporary Reduction of Electricity Costs for Enterprises to Support the Resumption of Work and Production of Enterprises* (FGJG [2020] No. 258) and *Notice on the Temporary Reduction of Gas Costs for Non-Residents to Support the Resumption of Work and Production of Enterprises* (FGJG [2020] No. 257), which mention that from

February 1 to June 30, the electricity prices will be reduced by 5% for enterprises other than those in high energy-consuming industries, a supportive two-tier electricity pricing policy will be implemented, the off-season natural gas price policy will be implemented in advance, and more favorable prices will be offered by the end of June. The Ministry of Industry and Information Technology released the *Notice on Responding to the COVID-19 Pandemic and Supporting Small and Medium-sized Enterprises in Resuming Work and Production and Weathering Hard Times* (GXMD [2020] No. 14), which mention that from February 1 to June 30, the electricity price will be reduced by 5% for enterprises except those in high energy-consuming industries, and a supportive two-tier electricity pricing policy will be implemented; the off-season natural gas price policy will be implemented in advance, and more favorable price discounts will be implemented during the deferral period. The State Administration for Market Regulation, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Human Resources and Social Security, the Ministry of Commerce, and the People's Bank of China issued the *Guiding Opinions on Strengthening the Support for Individual Businesses in Response to the Pandemic* (GSJZ [2020] No. 38), which requires reducing the operating costs of individual businesses, reducing or exempting the rents for individual businesses, and encouraging localities to, according to specific conditions, reduce or exempt the rent for individual businesses that rent the building assets of administrative institutions, entrepreneurship parks, incubators, commodity markets and entrepreneurship bases established by the government, and business premises rented out by state-owned enterprises.

## 5. Improving the port charge policies

The National Development and Reform Commission, the Ministry of Finance, the Ministry of Transport, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission,

the General Administration of Customs, and the State Administration for Market Regulation issued the *Action Plan for Sorting out and Regulating Marine Port Charges* (FGJGG [2020] No. 1235) to extend the 20% reduction in port charges for goods and security of facilities to December 31, 2020, reduce and merge port charge items, and study the incorporation of port facility security charges into the port operation fees. The plan involves targeted reduction of the pilotage charges at coastal ports and further expand the range of vessels that can use tugboats for at owners' discretion; it also extends the exemption period of construction fees for import and export ports to December 31, 2020.

### **(III) Optimizing the business environment for foreign trade and foreign-funded enterprises**

#### **1. Streamlining the administrative procedures for foreign trade**

Enterprises will be guided to apply for paperless import and export licenses in order to establish a completely paperless application systems for certification of end users and purposes and speed up the handling processes of applications for materials concerning pandemic prevention and control. Cross-departmental electronic countersigning of import and export licenses for dual-use items and technologies will be conducted. Paperless applications for the registration of technology import and export contracts will be promoted, and no efforts will be spared to launch the process of digitizing licenses. Paperless management of foreign investment filing (approval) will be implemented as soon as possible to achieve online handling of the whole process.

#### **2. Stabilizing the confidence of foreign-funded enterprises**

The Ministry of Commerce released the *Notice on Effectively Stabilizing Foreign Trade and Foreign Investment and Promoting Consumption in Response to the COVID-19 Pandemic* (SZF [2020] No. 30), which proposes to guide foreign-funded enterprises to fully utilize the supporting policies and measures in response to the

pandemic, to treat domestic and foreign-funded enterprises without discrimination, to realize the alleged effects of complaint mechanisms for foreign companies, and to ensure that supporting policies apply to foreign-funded enterprises equally; The notice suggests that it is necessary to strengthen the contacting mechanisms with foreign-funded enterprise associations and foreign chambers of commerce, to promptly understand the production and operation and investment trends of member enterprises, and to strengthen services and guidance that target individual member's needs, especially providing service supports for leading enterprises and enterprises at key links of the supply chain.

### 3. Strengthening the service support for large foreign investment projects

The Ministry of Commerce released the *Notice on Proactively Responding to the COVID-19 Pandemic and Strengthening the Services for Foreign-Funded Enterprises and Investment Attraction*, which requires closely tracking the progress of large foreign investment projects that are under negotiation, promptly understanding the progress of decision-making by foreign investors, strengthening communication, proactively promoting investment cooperation, and promoting the signing of contracts and implementation of projects as early as possible; It also requires promoting the construction of large foreign investment projects in progress, optimizing governmental services online, establishing efficient channels for governmental services, coordinating with relevant departments to strengthen the protection in guaranteeing land use, employment, and water and electricity supply, and, among others, to ensure that enterprises make investments as planned to minimize the impacts of the pandemic; It also includes establishing and improving the communication mechanisms for key large foreign investment projects, creating no trouble and giving more assistance, keeping abreast of project progress in a timely manner, providing whole-process coordination services, and proactively coordinating the solution of the prominent difficulties encountered during project construction.

#### 4. Increasing the efficiency of import and export customs clearance

The General Office of the State Council issued the *Implementation Opinions on Further Optimizing the Business Environment and Better Serving Market Participants* (GBF [2020] No. 24), which requires the implementation of “advance declaration” for the import and export of goods, suggesting that enterprises need to handle declaration procedures in advance, and the customs should perform goods inspection and release procedures right after they arrive at the workplaces of customs supervision; the customs clearance mode of “two-step declaration” for import needs to be optimized, by which enterprises are permitted to pick up the goods after conducting “summary declaration” and the customs completing risk investigation and treatments; pilot work of “direct pick-up beside the ship” of imported goods and “direct shipment upon arrival at port” of exported goods shall be conducted at eligible workplaces under supervision; the monitoring and record keeping of the inspection work shall be implemented throughout the whole process, and eligible localities are permitted to give enterprises the choice to select whether to accompany the inspection to reduce burdens on enterprises; ports are prohibited from simply taking unreasonable measures such as restricting traffic on single days or controlling customs declaration.

#### 5. Supporting domestic sales of goods originally produced for export

The General Office of the State Council issued the *Implementation Opinions on Supporting Domestic Sales of Goods Originally Produced for Export* (GBF [2020] No. 16), which requires that foreign trade enterprises shall be guided to meet the upgraded consumption needs of the domestic market, taking advantage of their quality, R&D and other advantages, employing big data, industrial internet and other technologies, and developing marketable products for domestic sale through customization and flexible production, creating their own brands, cultivating and developing new consumption hotspots, and promoting the recovery of consumption; The document encourages foreign trade enterprises to make full use of new modes of sale promotion such as online sales, live-streaming marketing, and scene

experience to propel the integrated development of the online and the offline.

#### **(IV) Continuing the increasing support for job stabilization and employment**

1. Promote the resumption of work and production in the entire industrial chain.

The Central Leading Group for Response to COVID-19 Pandemic and the General Office of the State Council issued *Guiding Opinions on Actively and Orderly Promoting Resumption of Work and Production while Effectively Preventing and Controlling Epidemic Situation* (GFMD [2020] No.13), *Guidelines on Prevention and Control Measures for Resumption of Work and Production of Enterprises and Public Institutions*, *Guidelines on Prevention and Control Measures for Resumption of Work and Production of Enterprises and Public Institutions in Areas with Different Risks throughout the Country*, and *Circular on Further Streamlining Approval Items, Improving Services and Promoting Resumption in Enterprises' Production and Institutions' Operation with Precision and Steadiness* (GBFMD [2020] No. 6), requiring relevant institutions to strengthen the protections for factors of production, to help solve the problems regarding employment, capital, raw material supply and work resumption of major projects promptly, to support the core enterprises in the supply chain to drive the resumption of work of the upstream and downstream enterprises, especially the complementary small and medium-sized enterprises, and to ensure the production and export of enterprises and key products that have important influences in the global industrial chain. It also requires strengthening the cross-regional linkage to help enterprises coordinate and solve problems such as upstream and downstream coordination, to encourage local governments to establish service insurance systems for key enterprises, and to guide enterprises to go through procedures for the resumption of work and production.

## 2. Increase efforts into burden alleviation and job stabilization.

The General Office of the State Council issued the *Opinions on the Implementation of Measures of Strengthening Employment Stabilization in Response to the Impact of COVID-19 Pandemic* (GBF [2020] No.6) to increase the return of unemployment insurance for job stabilization. For micro, small and medium-sized enterprises that reduce layoffs or do not lay off workers at all, the return standard can be raised to up to 100% of the unemployment insurance premiums paid by enterprises and their employees last year; For insured enterprises with temporary difficulties in production and operation and are expected to recover, and if they insist on not laying off workers or reducing staff, the criteria for determining the post stabilization and return policy shall be relaxed accordingly, with affirmative judgements towards enterprises affected by the pandemic. The return standard can be determined according to the local monthly unemployment insurance per capita and the number of insured employees for no more than 6 months, or according to the social insurance premiums payable by enterprises and their employees for no more than 3 months.

## 3. Increase the return of unemployment insurance for job stabilization.

The Ministry of Human Resources and Social Security, the Ministry of Education, the Ministry of Finance, the Ministry of Transport, and the National Health Commission issued the *National Health Commission issued the Notice on Doing a Good Job in Employment during the Epidemic Prevention and Control* (RSBMD [2020] No. 2) to relax the layoff rate standard of the unemployment insurance policy for micro, small and medium-sized enterprises from no higher than the registered unemployment rate in cities and towns in the overall planning area last year to no higher than the unemployment rate control target of the national urban survey last year. For enterprises with less than 30 insured employees (inclusive), the layoff rate can be relaxed to no more than 20% of the total number of employees in the enterprise.

#### 4. Reasonably share the cost for job stabilization of the enterprise.

The Ministry of Human Resources and Social Security, the All-China Federation of Trade Unions, the China Enterprise Confederation/China Enterprise Directors Association and the All-China Federation of Industry and Commerce issued *Opinions on Stabilizing Labor Relations and Supporting Enterprises' Resumption of Work and Production during the Prevention and Control of COVID-19 Pandemic* (RSBF [2020] No. 8), requiring to make good use of return policy for job stabilization of the unemployment insurance, and relax the layoff rate standard for micro, small and medium-sized enterprises that do not lay off workers or lay off fewer workers to benefit more enterprises that are affected by the pandemic. It urges the appropriate implementation of the training fee subsidy policy and the expansion of the scope of subsidy training according to regulations to include the enterprises affected by the pandemic that organize employees to participate in various online or offline vocational training during the shutdown and recovery period under the condition of ensuring public health safety. It proposes to make good use of the supporting policy of labor union expenditure for micro and small enterprises, and to return the full amount of labor union expenditure for micro and small enterprises that meet the conditions for being affected by the pandemic; the membership fees of the enterprise organization must be dealt with appropriately, and it is required to return a certain proportion of the membership fees to the eligible enterprises affected by the pandemic. It is important to make good use of the special funds of the labor union for epidemic prevention, and increase condolences to front-line workers, effectively mobilizing the workers' enthusiasm to participate in epidemic prevention and control.

### **(V) Strengthen the financial support for small and medium-sized enterprises**

#### 1. Reduce the financing cost of enterprises in distress.

The China Banking and Insurance Regulatory Commission issued notices such as *Notice on Further Strengthening Financial Support for the Prevention and Control of COVID-19 Pandemic* and *Notice on the Implementation of Temporary Deferred Repayment of Principal and Interest for Loans to Micro, Small and Medium-sized Enterprises*, clearly requiring not to blindly withdraw, cut off or defer loans to wholesale and retail, accommodation and catering, logistics and transportation, cultural tourism and other industries greatly affected by the pandemic, as well as enterprises with development prospects but temporarily struggle with hardship. It also requires strengthening credit support in key areas such as manufacturing, micro and small enterprises, and private enterprises, maintaining loan growth rate, and earnestly implement the requirements for overall financing cost reduction. It also includes the requirements that the banking institution to defer the loan interest to be paid by micro, small and medium-sized enterprises between January 25 and June 30, 2020 to June 30, 2020 at the latest, according to the enterprises' application. The General Office of the National Development and Reform Commission issued the *Notice on Doing a Good Job in Corporate Bond during the Epidemic Prevention and Control* to encourage enterprises with good credit to issue the credit-enhancement collective bonds of micro and small enterprises; The Ministry of Industry and Information Technology issued the *Notice on Responding to the COVID-19 Pandemic and Supporting Small and Medium-sized Enterprises in Resuming Work and Production and Weathering Hard Times*, requiring the utilization of emergency refinancing funds and the development funds for small and medium-sized enterprises so as to mobilize social capital to expand the scale of equity financing for small and medium-sized enterprises.

## 2. Increasing loan delivery.

The China Banking and Insurance Regulatory Commission issued the *Notice on Further Improving Financial Services for Epidemic Prevention and Control* (YBJBF [2020] No. 15), requiring to increase

loan delivery in the manufacturing industry and strengthen the financial services for supply chains; It urges for the provision of relief assistance to micro and small clients with good development prospects but temporarily troubled by the pandemic through adjusting repayment and interest payment arrangements, moderately reducing loan interest rates, and improving the transitional situations in extension and renewal of loans to increase the "rate for first loan" and the proportion of credit loans for micro and small enterprises. The People's Bank of China issued the *Notice on Further Strengthening Financial Support for the Prevention and Control of COVID-19 Pandemic* (YF [2020] No. 29), supporting development-oriented and policy-oriented banks in increasing the credit support, requiring the National Development Bank, the Export-Import Bank and the Agricultural Development Bank to rationally adjust the credit arrangements, and further support the production, research and development, the import and purchase of medical supplies and the supply of important living supplies of epidemic prevention units and enterprises with difficulties in market-oriented financing.

### 3. Strengthening credit support for upstream and downstream enterprises.

The China Banking and Insurance Regulatory Commission issued the *Notice on Strengthening the Financial Services for the Collaboration of Industrial Chain and Resumption of Work and Production* (YBJBF [2020] No. 28), requiring banking financial institutions to solve the problem of fund occupation under the mode of "delivery before payment" for upstream enterprises through financing methods such as accounts receivable and bills receivable; to carry out order financing based on the orders obtained by upstream enterprises to meet the business turnover needs of upstream enterprises. In addition, it is also mentioned in the document of increasing financial support to essential enterprises during the epidemic prevention and control, and appropriately increasing the proportion of the accounts receivable, bills receivable or order financing for upstream enterprises of core

enterprises; More to be done is increasing the proportion of advance payment financing or inventory and warehouse receipt pledge financing for the downstream enterprises of core enterprises.

#### 4. Increasing supports for re-loan and re-discount.

The People's Bank of China issued the *Notice on Matters Related to Issuing Special Re-loan to Support the Prevention and Control of COVID-19 Pandemic* (YF [2020] No. 28) and the *Notice on Increasing Re-loan and Re-discount Support to Promote Orderly Resumption of Work and Production* (YF [2020] No. 53), setting up a special re-loan quota of RMB 300 billion, supporting relevant banking institutions to provide loans with discounted interest rate to enterprises on the national epidemic prevention and control key guarantee list, with the special re-loan interest rate of 1.55% and banking institutions to provide relevant enterprises with the loan interest rate ceiling up to 3.05%, and the central government will provide a discount of 50% of the loan interest rate actually obtained by enterprises, so that the loan interest rate ceiling ultimately born by the enterprise is 1.525%. It also includes increasing the special quota for re-loan and re-discount by RMB 500 billion, with the quota for supporting agriculture and supporting small loans being RMB 100 billion and RMB 300 billion respectively, and the quota for re-discount being RMB 100 billion, and lowering the interest rate for supporting agriculture and supporting small loans by 0.25 to 2.5% percentage points. The Ministry of Finance issued the *Notice on Supporting Financial Strengthening Services and Doing a Good Job in the Prevention and Control of COVID-19 Pandemic* (CJ [2020] No. 3) and the *Urgent Notice on Winning Battle of Epidemic Prevention and Control and Strengthening Financial Support for the Key Guarantee Enterprises of Epidemic Prevention and Control* (CJ [2020] No. 5), requiring the central government to give the support of interest subsidies to enterprises enjoying the special re-discount by the People's Bank of China, with a subsidy of 50% of the actual loan interest rate actually obtained by the enterprises, the period not exceeding 1 year and the actual loan cost of

the enterprises with discounted interest not exceeding 1.6%.

### 5. Strengthen export credit insurance support.

The Ministry of Commerce issued the *Notice on Stabilizing Foreign Trade, Stabilizing Foreign Investment and Promoting Consumption in Response to COVID-19 Pandemic* (SZF [2020] No. 30), requiring to strengthen cooperation with Sinosure's local business organizations, giving full play to the role of export credit insurance, further expanding the coverage of export credit insurance, reasonably reducing short-term insurance rate, increasing support to enterprises affected by the epidemic, and helping enterprises cope with risks such as cancellation of orders and rejection of taking the delivery. It includes the plan to open up a green channel for settlement of claims, relaxing the conditions for claim settlement according to real situations of trade, and making fair and quick compensation, actively carrying out cooperation among the government, banks, and insurance companies to expand the scale of policy financing.

## III. China has Made Remarkable Achievements in Fighting the Epidemic

### (I) The national epidemic prevention and control become a norm

Under the unified decision-making and deployment of the CPC Central Committee and the State Council, with the joint efforts of governments at all levels and enterprises in various industries, the whole country quickly started the people's war, the general war and the war of blockage to prevent and control the epidemic, and it only took more than 1 month to effectively contain the initial spread of the virus, about 2 months to maintain the daily domestic new cases count below 10, and about 3 months to achieve decisive results in the war

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① The State Council Information Office of the People's Republic of China. Chinese action against COVID-19 pandemic[R]. Beijing, China, June 07, 2020.

defending Wuhan and Hubei[The State Council Information Office of the People's Republic of China. Chinese action against COVID-19 pandemic[R]. Beijing, China, June 07, 2020.], then successively fought several battles for eliminating local outbreaks, thus achieved major strategic results in the national anti-epidemic struggle. At present, the COVID-19 pandemic has been effectively controlled in China. The overall epidemic situation in China can be considered as sporadic. Clustered epidemic situations caused by sporadic cases have only occurred in some local areas. Imported cases from abroad basically have been controlled. The positive changes in epidemic control is becoming increasingly certain. The epidemic prevention and control in the country has entered a period normalization. Up until 24:00, November 27, 2020, a total of 31 provinces, autonomous regions, municipalities directly under the Central Government, and Xinjiang Production and Construction Corps had reported 93,225 confirmed cases, 87,496 cured and discharged cases and 4,749 death, with a recovery rate of 93.9% and a death rate of 6.1%.<sup>①</sup>

## **(II) The national economy stopped falling and recovered**

China's resumption of work and production has made significant progress. In the first three quarters of 2020, China's economic growth rate has changed from negative to positive, the relationship between supply and demand has gradually improved, the market regained vitality, employment and people's livelihoods have become more stable, and the national economy has continued to recover steadily, mainly reflected in:

### 1. The economic aggregate rises steadily.

In the first three quarters, the gross domestic product was RMB 7,227.86 billion, demonstrating an increase of 0.7% year-on-year at

<sup>①</sup> National Health Commission. The updates of COVID-19 as of 24:00 on November 27[EB/OL].[http://www.nhc.gov.cn/xcs/yqtb/list\\_gzbd.shtml](http://www.nhc.gov.cn/xcs/yqtb/list_gzbd.shtml),2020-11-28.

<sup>②</sup> National Bureau of Statistics. In the first three quarters, economic growth changed from negative to positive[EB/OL]. <http://www.stats.gov.cn/>,2020-10-19.

comparable prices. Quarterly, it decreased by 6.8% year-on-year in the first quarter, it increased by 3.2% in the second quarter, and it increased by 4.9% in the third quarter. <sup>②</sup>

## 2. Industrial and service industries have recovered steadily.

In the first three quarters, the industrial added value on a national scale and above increased by 1.2% year-on-year and decreased by 1.3% in the first half of the year. The third quarter saw a year-on-year increase of 5.8%, a growth 1.4 % faster than the second quarter. <sup>①</sup>

In the third quarter, the added value of the service industry increased by 4.3%, a growth 2.4 % faster than that in the second quarter. In the first three quarters, the added value of modern service industries such as information technology and finance increased by 15.9% and 7.0% respectively, an increase of 1.4% and 0.4% respectively comparing to the first half of the year. The national service industry production index decreased by 2.6% year-on-year, with a decrease of 3.5 % comparing to the first half of the year. <sup>②</sup>

## 3. Foreign trade operation and domestic market sales has returned to stability

In the first three quarters, China's foreign trade returned to stability, which was better than expected, reflected in the increase in both scale of trade and international market share. In the first three quarters, China's import and export as well as export scale reached a record high for the same period, with a total import and export volume of RMB 23.12 trillion, increased by 0.7%. Among them, the export volume was RMB 12.71 trillion, an increase of 1.8%, while the export volume was RMB 10.41 trillion, declined by 0.6%. Horizontally, the international market share has increased steadily. According to the

<sup>①</sup> Stable recovery of industrial production and continuous reinforcement of growth momentum from ational Bureau of Statistics.[EB/OL]. <http://www.stats.gov.cn/>, October 19, 2020.

<sup>②</sup> National Bureau of Statistics. The service industry has recovered steadily and new momentum has developed rapidly[EB/OL]. <http://www.stats.gov.cn/>, October 19, 2020.

data from the World Trade Organization, in the first half of this year, our export growth rate was 7.8 % higher than the global average, and the international market share increased by more than 1 percentage point over the same period last year, reaching a record high for the same period.<sup>①</sup>

In the first three quarters, the total retail sales of consumer goods reached RMB 273.34 billion, a decline of 7.2% comparing to the same period of last year, with a decrease of 4.2 % comparing to the first half of the year; the growth rate in the third quarter was 0.9%, and the quarterly growth rate became positive for the first time in the year.<sup>②</sup>

4. The growth rates of fixed assets investment and resident income became positive

In the first three quarters, the national fixed asset investment (excluding farmers) reached RMB 436.53 billion, an 0.8% year-on-year increase, with the growth rate changing from negative to positive for the first time in the year, and that rate for the first half of the year was a decrease of 3.1%.<sup>③</sup>

In the first three quarters, 8.98 million new jobs were created in cities and towns across the country, equivalent to 99.8% of the objective for the whole year.<sup>④</sup> In the first three quarters, the disposable income of residents

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① Ministry of Commerce. The head of the Foreign Trade Department of the Ministry of Commerce talked about China's foreign trade operation from January to September 2020 [EB/OL]. <http://www.mofcom.gov.cn/article/i/jyj/1/202010/20201003008311.shtml>, October 16, 2020.

② National Bureau of Statistics. The consumer market continued to recover steadily and the quarterly growth rate became positive for the first time in the year[EB/OL]. <http://www.stats.gov.cn/2020-10-19>.

③ National Bureau of Statistics. The growth rate of investment changed from negative to positive, maintaining a gradual recovery trend\ [EB/OL]. <http://www.stats.gov.cn/>, October 19, 2020.

④ National Bureau of Statistics. The employment situation was generally stable and the surveyed employment rate declined[EB/OL]. <http://www.stats.gov.cn/>, October 19, 2020.

⑤ National Bureau of Statistics. The actual growth rate of resident income changed from negative to positive, and the resident consumption expenditure recovered steadily[EB/OL]. <http://www.stats.gov.cn/>, October 19, 2020.

per capita nationwide was RMB 23,781, a nominal increase of 3.9% over the same period of last year, with the real increase being 0.6%, becoming positive for the first time in the year, since that growth rate was negative 1.3% in the first half of the year.<sup>⑤</sup>

## **IV. Inadequate business environment during the pandemic**

The COVID-19 pandemic, as a public health emergency of international concern, is a great pressure test for the business environment and especially for the policy environment of various governments, presenting new challenges and higher requirements for the policy response, execution, and enterprise services provided by the local governments. In general, the development of business environment in some fields and regions has had new problems and demands.

### **(I) Compromised effects of policy implementation due to improper publicity for the supportive policies**

Five ministries and commissions including State Administration for Market Regulation and Ministry of Commerce jointly issued the *Guiding Opinions on Strengthening the Support for Individual Businesses in Response to the Pandemic* (GSJZ [2020] No. 38), but most micro and small-sized franchises (mainly individual businesses) do not have a clear understanding of it and, after being informed of it, still have many questions and difficulties: 1. Many relevant businesses do not know how to request for the details of those policies and whether they are eligible or not; 2. Local governments do not have any detailed rules for the execution of those national policies or set too high a threshold; small and medium-sized enterprises do not have the ability or energy to deal with relevant procedures, which has impacted the actual effects of the supportive policies and the sense of gain of the enterprises.

### **(II) Improper preconditions for work resumption in some regions**

When the pandemic prevention and control gained a periodical success and entered the stage of precise prevention and control and supporting the work resumption of enterprises, some cities have set improper preconditions concerning the permit for work resumption, slacking in supporting the enterprises. According to some enterprises, their cities have set or added processes of permission, approval, regulation, and registration and various preconditions to make it harder for enterprises, especially individual businesses, to reopen.

### **(III) Inconsistency and difficulties in execution due to the lack of detailed rules**

Some supportive policies issued during the pandemic have undefined or inconsistent standards and requirements, as well as overly complex procedures. For example, as for the most concerned fiscal and tax support, some enterprises reported that policies like *Notice on Optimizing Tax Payment Services and Cooperating for COVID-19 Prevention and Control*, *Announcement on the Administration of Tax Collection in Support of COVID-19 Prevention and Control*, and *Announcement on Relevant Tax Policies Supporting the Prevention and Control of the COVID-19 Pandemic* are all lacking in detailed local rules or have complicated procedures. The Notice on Optimizing Tax Payment Services and Cooperating for COVID-19 Prevention and Control issued by State Taxation Administration has extended the reporting period and allowed online tax payment during the pandemic, but, during the execution, has various problems as inconsistent standards in various regions, excessive amount of materials for approval, and undefined requirements. For examples, various regions have different requirements on prepayment and its verification; some regions require materials that are hard to obtain on time by enterprises, such as a certificate for the closing of the building; and whether or not the value added tax invoice platform can continue the service is highly uncertain, which all impact the execution and the timely and convenient access of enterprises to the supportive policies.

#### **(IV) Policy support fail to reach some seriously impacted enterprises**

According to enterprises, the Emergency Notice on Winning the Battle of Pandemic Prevention and Control and *Enhancing the Financial Support for Key Enterprises* issued by the Ministry of Finance provides greater support among other policies, but it fails to benefit most chain enterprises. The main reason is that chain enterprises have the operation mode of unified management, and accounting and the structure of head office and branches are not applicable to the preferential policies for micro, small, and medium-sized enterprises, and thus some chain enterprises seriously impacted by the pandemic are excluded by the supportive policies.

For example, the *Emergency Notice on Winning the Battle of Pandemic Prevention and Control and Enhancing the Financial Support for Key Enterprises by Ministry of Finance, National Development and Reform Commission, Ministry of Industry and Information Technology, People's Bank of China, and National Audit Office* (CJ [2020] No. 5) proposes to “strengthen the credit aid provided by financial institutions through special re-loans” and “reduce the financing cost of enterprises by interest subsidies from the central budget” for listed enterprises within the scope of support, but does not include catering enterprises.

#### **(V) Some administrative staffs do not take enough responsibilities**

During the work resumption, some enterprises reported that certain staffs from some administrative departments set up barriers for work resumption and defer its progress because they didn't want to take responsibility. According to some enterprises, some staffs of the industry and commerce, city management, taxation, and food supervision departments are afraid that they may be held responsible or that there is no regulating laws, so that they are slow in responding to, or simply ignore, some reasonable demands of enterprises.

## **V. Policy recommendations and suggestions**

For the problems above, the following measures are suggested to enhance the achievements of pandemic control and respond to the reasonable demands of enterprises.

### **(I) Enhance the publicity of policies**

Various supportive policies should be better communicated through but not limited to internet platforms, industry associations, and enterprise training in order to substantially benefit every small and medium-sized enterprise.

### **(II) Expand the coverage of supportive policies**

Supermarkets and convenience stores responding to the “Secure an adequate supply, keep a stable price, and continue to operate” initiative of NDRC and Ministry of Commerce as well as the “Three Secures” campaign of State Administration for Market Regulation should be included into the list of key enterprises for relevant policy support and aid; seriously impacted catering and accommodation enterprises should be included into the “list of enterprises eligible for concessional credit” to prevent secondary impact on these industries in the normalization period.

### **(III) Enhance direct subsidies**

Micro, small, and medium-sized enterprises as well as individual businesses have been seriously impacted by the pandemic, and they are vital for stabilizing employment. Besides, as they are loosely connected, they have limited ability to obtain detailed information about or utilize the supportive policies of the government. It is suggested that, using overseas enterprise aids as reference, the existing mode of subsidies should be changed from application to direct aid for all eligible enterprises, so as to provide convenient and concrete aid

for them.

#### **(IV) Further reduce the social security premium**

Although China reduced the social security premium of enterprises during the pandemic, it still has a relatively high total premium of basic pension insurance worldwide. It is suggested that the social security premium, especially the most concerned basic pension insurance, be reduced longer or permanently. The social security gap caused thereby can be filled by state-owned equity.

#### **(V) Further increase the ratio of handling government affairs online**

It is suggested that, by referencing the experience of cities like Beijing and Shanghai, the construction of “Internet plus government affairs service” should be vigorously promoted to increase the ratio of government affairs service provided online, ensuring “one visit at most” and trying to realize “zero visit” and “common access throughout the city”. Particularly, online tax payment and online real-name authentication of foreigners should be completed as soon as possible.

#### **(VI) Enhance policy execution**

By learning from the pilot experience and practice of Shanghai and Shenzhen, schemes such as the responsibility list and exemption list of administrative staffs and the mechanism of “acceptance with a lack of materials” should be established and perfected to serve enterprises in a creative way, so as to completely prevent administrative staffs from avoiding reasonable and lawful demands of enterprises due to the fear for “taking responsibility,” enabling them to better serve the enterprises in practice, thus enhancing policy execution and its effects.

## Chapter V China's Achievements in Business Environment Construction

The CPC Central Committee and the State Council have paid significant attention to the construction of business environment in recent years. According to Doing Business 2020 issued by the World Bank, China ranked among the Top 10 economies with greatest improvement in business environment for the second time after 2019, with the composite score advancing by 15 positions among the 190 economies, ranking the 31st, which was a new record. Therein, the scores of the convenience of “Getting a builder’s license” and “Protecting minority investors” enjoyed a notable year-on-year increase of 12.1% and 10% respectively. In 2020, China has continued to deepen the reforms to streamline administration and delegate power, improve regulation, and upgrade services to stimulate the enthusiasm and creativity of market entities and has made positive achievements in building a market-oriented, law-based, and world-class business environment.

### **I. Advancing the reforms to streamline administration and delegate power, improve regulation, and upgrade services, with great improvement in law-based and information-based administration**

According to the statistics of enterprise survey conducted by the China Council for the Promotion of International Trade, the policy and government administration environment of China in 2020 scored 4.43, higher than the total score of national business environment (4.34), increased by 0.07 compared with 2019.

#### **(I) Deepening the reforms to streamline administration and delegate power, improve regulation, and upgrade services**

## 1. Reducing administrative intervention and serving the market entities

On March 27, 2020, the *Decision of the State Council on Amending and Abolishing Certain Administrative Laws and Regulations (Order 726 of the State Council)* decided to amend some articles within 7 sets of administrative laws and regulations, to abolish 10 sets of administrative laws and regulations, and to reduce administrative intervention in matters that can be adjusted by the market mechanism. On July 8, 2020, the executive meeting of the State Council pointed out that a market-oriented, law-based, and world-class business environment should be built through reforms, and the market entities should be better motivated. The guiding principles include: 1. Enhancing the services for market entities: specifically, there is need to accelerate the promotion of online approval for construction projects, to actively explore “operation with one permit” and “one permit across regions” for relevant industries, to delegate the power of industrial product production certificate administration to the provincial level, and to reduce the review period for trademark registration to less than 4 months on average. 2. Making employment and entrepreneurship more convenient: this includes the improvement of tolerant and prudent regulations on new types of businesses, guiding platform enterprises to reduce commission, barcode payment commission, among other fees, promoting flexible employment, eliminating unreasonable access conditions in fields including but not limited to education, health care, and sports, and realizing online title information verification by next June. 3. Optimizing the foreign investment and trade environment: it includes authorizing prefecture-level and above cities to register foreign-invested enterprises and handle the import and export regulation certificates with “a single window” in principle.<sup>①</sup>

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① Li Keqiang convened an executive meeting of the State Council to further arrange for flood prevention and disaster relief and to promote the construction of major water conservancy projects. Website of Central People’s Government of People’s Republic of China: [http://www.gov.cn/premier/2020-07/09/content\\_5525345.htm](http://www.gov.cn/premier/2020-07/09/content_5525345.htm)

## 2. Comprehensively promoting the notification-promise system

The General Office of the State Council issued the *Guiding Opinions on Comprehensive Promotion of Notification-Promise System for Certification and Enterprise-related Licenses* (GBF [2020] No. 42),

requiring that, under the principle of being as convenient to the public as possible, the execution of notification-promise system should be specific, especially for frequent certification affairs that are closely related to the production and life of enterprises and the public, or ones that are hard to handle, especially in aspects such as household registration, business permit, qualification test, social insurance, social assistance, physical examination, and legal service.

As of July 2020, the “separation between permit and license” reform had been fully experimented in 18 pilot free trade zones; the period for establishing an enterprise had been reduced to less than 5 workdays nationwide; “unified online transaction” and collaboration between multiple departments had been promoted for enterprise deregistration; production permits for industrial products had been reduced from 24 categories to 10 categories, and compulsory certification would no longer be required for 31 products, and 27 products would only require self-declaration; permission for special equipment production had been greatly simplified and merged; and the period for special food permission had been greatly reduced.<sup>①</sup>

### Case 1: “Snail Award” of Jinyun County, Lishui City, Zhejiang Province<sup>②</sup>

At the 2020 Project Promotion Review Meeting of Jinyun County, Lishui City, Zhejiang Province on August 14, 2020, the water administration section of the county water conservancy bureau was

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① Routine Briefing of the State Council Policies (07/22). Website of Central People’s Government of People’s Republic of China: <http://www.gov.cn/xinwen/2020zccfh/16/index.htm>

② Two Units in this County in Zhejiang Given “Snail Award” due to Their Low Work Efficiency. Sina Zhejiang: <http://zj.sina.com.cn/news/2020-08-23/detail-iivhuipp0131022.shtml>

given the “Snail Award” for their slow promotion of the internal “one visit at most” reform. The person in charge of the county water conservancy bureau declared at the meeting that they would vigorously promote the said reform while focusing on the government’s overall plan of digital transformation.

Between 2019 and August 2020, the discipline inspection department of Jinyun County had examined 89 relevant clues in total, and quite a few slow projects had been rectified in a short time.

### Case 2: Jiangsu Province Expands Its Pilot Area for “Separate Permit and License”<sup>①</sup>

Jiangsu Province carried out the “separate permit and license” reform in its expanded pilot areas since May 2020 and lowered the threshold for 355 enterprise-related licenses by cancelling the approval process, replacing the approval by registration, carrying out the notification-promise system, or optimizing the approval process.

Based on the reform measures and enhanced in-process and after-process regulation measures published by the State Council, relevant departments of Jiangsu Province carried out greater reforms on multiple issues. Therein, the approval period for “certification of safe production testing and inspection institutions” and “certification of safety evaluation institutions” was reduced from 20 workdays to 10 workdays; and the expert evaluation of “social institutions for art level appraisal” was reduced from 3 months to 1 month in pilot free trade zones and to 20 workdays in expanded pilot areas.

## **(II) The establishment of legal system for business environment has entered a new stage**

In 2020, the *Regulation on Optimizing Business Environment and the Foreign Investment Law of the People's Republic of China* (the

<sup>①</sup> Jiangsu Executes “Separate Permit and License” in Expanded Pilot Areas to Motivate Enterprises. Xinhua Daily: [http://www.js.xinhuanet.com/2020-05/14/c\\_1125981911.htm](http://www.js.xinhuanet.com/2020-05/14/c_1125981911.htm)

"Foreign Investment Law") were officially implemented, marking a new stage in the legal system construction for business environment in China.

### 1. The Regulation on Optimizing Business Environment consolidates and further promotes the improvements in the business environment.

On October 8, 2019, the *Regulation on Optimizing Business Environment* was adopted at the 66th executive meeting of the State Council. The Regulation incorporates effective policies, experiences and practices of various regions and departments in optimizing the business environment in recent years, and transform them into the realm of laws and regulations. While promoting the reform of business environment to be further systematized and standardized, it also enhances authority, timeliness, legal binding effect, defines the goal of improving government services, and underpins the further reform of business environment on an institutional level..

In addition, the Regulation on Optimizing Business Environment embodies the importance that China attaches to the construction of business environment and its firm will and determination to continuously optimize the business environment, which are conducive to creating a stronger business environment, boosting the confidence of market entities and stimulating the market vitality.

### 2. The Foreign Investment Law boosts the confidence of foreign-funded enterprises.

On March 15, 2019, the *Foreign Investment Law* was adopted at the Second Session of the Thirteenth National People's Congress. On December 26, 2019, the *Decree of the State Council of the People's Republic of China (No. 723)* was signed by Premier Li Keqiang, and the Regulations on the Implementation of the Foreign Investment Law will be implemented simultaneously with the Foreign Investment Law from January 1, 2020.

The *Foreign Investment Law* will then replace the *Law of the People's Republic of China on Foreign-funded Enterprises*, the *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and the *Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures* and become the overarching law in the field of foreign investment. The law clearly embodies the principle of "equal treatment and fair competition", highlights the main theme of "actively expanding opening-up and promoting foreign investment", strengthens the foreign investment promotion and protection, regulates the foreign investment management, and explicitly stipulates major issues of concern to foreign investors. The Associated Press, the Financial Times, the Nikkei, the Nouvelles d'Europe and other foreign media commented that the promulgation of the *Foreign Investment Law* further protects the legal rights and interests of foreign investors in China and helps China attract more overseas investment.

### 3. Measures are introduced by various fields and regions to optimize the business environment.

Regulations and measures for optimizing the business environment have been upgraded or issued by relevant central authorities, such as the State Administration for Market Regulation, the Ministry of Justice, and the Ministry of Industry and Information Technology, provinces, municipalities directly under the Central Government and autonomous regions, such as Beijing, Shanghai, Tianjin, Shaanxi, Fujian, Guangxi, and pilot free trade zones in Jiangsu, Henan, Shenzhen, Hainan and other provinces and regions in succession. While being in line with the *Regulation on Optimizing Business Environment*, these regulations and measures emphasize the combination between the industry and local social conditions and using the demand of market entities as guidance to reduce the production and operation costs of enterprises, and effectively promoting the improvement of business environment in various fields and regions.

Table 5-1 Documents Related to Optimizing the Business Environment of Some Provinces and Cities in Recent Years

Province (municipality/ autonomous region)	Title
Beijing Municipality	<i>The Regulations of Beijing Municipality on Optimizing the Business Environment, and the Key Tasks for Deepening A New Round of Reform to "Streamline Administration and Delegate Power, Improve Regulation, and Upgrade Services"</i>
Shanghai Municipality	<i>The Implementation Plan of Shanghai Municipality on Comprehensively Deepening the Construction of a World-class Business Environment</i>
Tianjin Municipality	<i>The Regulations of Tianjin Municipality on Optimizing the Business Environment</i>
Chongqing	<i>The Work Plan of Chongqing Municipality on Business Environment Optimization and Improvement</i>
Heilongjiang Province	<i>The Regulations of Heilongjiang Province on Optimizing the Business Environment, and the Implementation Plan of Heilongjiang Province on the Key Tasks of Continuously Optimizing the Business Environment in 2020</i>
Shaanxi Province	<i>The Focal Points for Deepening the Reform to "Streamline Administration and Delegate Power, Improve Regulation and Upgrade Services" to Optimize the Business Environment in 2020</i>
Hebei Province	<i>The Implementation Plan on Replicating and Learning from Reform Initiatives of Beijing and Shanghai to Optimize the Business Environment</i>
Hubei Province	<i>The Several Measures of the CPC Hubei Provincial Party Committee and Provincial People's Government on More Efforts to Optimize the Business Environment and Invigorate the Market</i>
Guangxi Zhuang Autonomous Region	<i>The Implementation Plan on Optimizing the Business Environment Across the Region in 2020, and the Regulations of Guangxi Zhuang Autonomous Region on Optimizing the Business Environment</i>
Ningxia Hui Autonomous Region	<i>The Compilation of Foreign Investment Policies of Ningxia</i>
Tibetan Autonomous Region	<i>The Work Plan of Tibetan Autonomous Region on Optimizing the Business Environment in 2020</i>

### (III) The construction of information service platform speeds up.

1. The framework of a national "Internet plus " platform has taken shape.

On April 22, 2019, the "Internet Plus Supervision" Exposure Platform

and its WeChat applet of State Council were put into use. On May 7, a notification was issued on the platform for the first time — "Report on the Supervision and Inspection of the Arrears of Medical Insurance Fee of Medical Insurance Institutions Due to Designated Retail Drugstores in Datong City, Shanxi Province". As of April 2020, State Council inspectors have successively visited more than 120 prefectures and cities in 31 provinces, regions and municipalities for on-site inspections; more than 7 million messages have been received on the platform, with 12 batches of 54 typical issues notified, nearly a hundred typical issues exposed through the central media, and a number of illegal charges and unreasonable charges worth about CNY 500 million were withdrawn.<sup>①</sup>

On May 31, 2019, a national integrated government service platform, and its PC, mobile applications, and WeChat applet were put into trial operation. As of July 2020, the platform has directly connected 1,142 service items of 43 departments of the State Council and more than 3.29 million government service items of 31 provinces (autonomous regions and municipalities directly under the central government) and Xinjiang Production and Construction Corps, covering a total of 3.39 million implementation lists and involving more than 550 million government service items.<sup>②</sup>

2. The construction of "Unified Online Transaction" platform in various provinces has entered an acceleration period.

At the executive meeting of State Council held on June 24, 2020, all provinces were required to implement the "Unified Online Transaction" platform by the end of 2020, to realize the online "filling and reporting in one form" for all procedures, and the offline

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① "Shortcut to Social Circumstances and Public Opinions with All Efforts to Effectively Implement Policies — A Summary of the Work of the State Council's "Internet + Supervision" Platform in the Past Year since Its Launch", Xinhua News Agency, April, 24, 2020.

② Data Sources: The website of National Government Service Platform: <http://gjzfwf.www.gov.cn/>.

"reception at one time" of all necessary materials from "one window". At the same time, under the premise of strengthening supervision and ensuring safety, the application of electronic business licenses will be promoted, which will become a legal and effective identification and electronic signature for enterprises for handling such businesses as online business registration, official seal engraving, tax-related services, social insurance registration, and opening up bank accounts. According to a survey conducted by the E-Government Research Center of the Party School of the Central Committee of C.P.C., the number of registered users of the national integrated platform reached 339 million at the beginning of 2020. Among the 904 million netizens across the country, one out of every three netizens became a user of the national integrated platform.<sup>①</sup>

### Case 3: “Unified Online Transaction” of 66 services across provinces in the Yangtze River Delta

In order to implement the deployment requirements of the Secretary Bureau of the General Office of the State Council on Printing *and Distributing the Pilot Work Plan for the "Unified Online Transaction" of Government Services in the Yangtze River Delta (GBMH [2019] No. 15)* in combination to the requirements of the Notice of the Secretary Bureau of the General Office of the State Council on *Further Advancing the Work Related to “Unified Online Transaction” of Government Services (GBJH [2019] No. 30)*, the “Unified Online Transaction” platform of the Yangtze River Delta was launched on May 22, 2019.

As of June 2020, 66 service items can be handled across provinces through the "Unified Online Transaction" platform of the Yangtze River Delta, and more than 2,684,500 items have already been handled

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<sup>①</sup> The Report on the Survey and Evaluation of Online Government Service Capability ("Favorable and Negative Reviews") of Provincial Governments and Key Cities (2020), the E-Government Research Center of Party School of the Central Committee of C.P (National Academy of Governance).

online through the entire process (including more than 302,000 legal person items and more than 2.382 million individual items), 2,463 items have been handled through offline special window, and 16,700 times of consultation and guidance services have been provided.<sup>①</sup>

#### Case 4: "Unified Online Transaction" and "One-click Approval" for business starting in Beihai, Guangxi

Since 2020, Beihai City has adopted an independently developed "7 in 1" unified online transaction plus intelligent approval system for business establishment. The "7 in 1" refers to the unified online transaction of seven matters involved in starting a business, including registration, seal engraving, invoice application, social insurance registration, medical insurance filing and registration, account opening registration for housing provident fund deposit, and bank account opening, while ensuring easy login and one-click approval. The formalities to start a business have been streamlined from four steps into one step, with the duration being shortened from 0.5 working days to a few seconds.

## II. Tax and fee cuts exceed CNY 2 trillion to help companies tide over difficulties

The World Bank's Paying Taxes 2020 stated that the World Bank has positively evaluated the effects of "tax and fee cuts" implemented by China in recent years. China's "total tax and contribution rate" indicators have been significantly reduced and overall performance has steadily improved.

In 2019, China's tax and fee reduction policies are unprecedented in scale. From January to October 2019, the country achieved a reduction in taxes and fees of CNY 1,968.94 billion, in which tax cuts were

<sup>①</sup> "Unified Online Transaction" of 66 Services across Provinces in the Yangtze River Delta", available at the website of the National Development and Reform Commission: [https://www.ndrc.gov.cn/fggz/dqjj/zdzt/202006/t20200622\\_1231653.html](https://www.ndrc.gov.cn/fggz/dqjj/zdzt/202006/t20200622_1231653.html).

CNY 1,647.326 billion and social insurance charges were reduced by CNY 321.568 billion. The annual tax and fee cuts will exceed CNY 2 trillion, accounting for more than 2% of GDP, which is significantly higher than other countries in the world. After the deepening of the value-added tax reform, the higher-level value-added tax rate has dropped from 16% to 13%, which is at a lower-middle level among the G20 countries and lower than some developed countries and emerging markets.<sup>①</sup>

According to the *Report on the Work of the State Council in 2020*, China will continue to implement the policy of lowering the value-added tax rate and corporate pension insurance rate introduced last year, and to increase tax and fee cuts by about CNY 500 billion. In addition, the implementation period of a number of tax reduction and exemption measures has been extended, which is expected to reduce the burden of enterprises by CNY 2.5 trillion throughout the year. From January to April 2020, a total of CNY 906.6 billion will be reduced in taxes and fees across the country, of which CNY 485.7 billion will be contributed by the tax and fee preferential policies introduced in 2020 to support epidemic prevention and control and socioeconomic development.<sup>②</sup>

On April 7, 2020, the fiscal and financial policy linkage was proposed at the executive meeting of State Council to extend some of the expired tax preferential policies until the end of 2023. To be specific, The interest income of loans of CNY 1 million or less as issued by financial institutions to micro and small businesses, individual businesses and farmers is exempted from value-added tax; the interest

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① "Report of the State Council on Tax and Fee Reduction", available at the website of National People's Congress: <http://www.npc.gov.cn/npc/c30834/201912/b2439c028fc9443d9033ac2c4fa23ca3.shtml>.

② "Effective Implementation of Tax and Fee Reduction to Bring Further Beneficial Achievements", available at the website of Economic Information Daily: [http://www.gov.cn/xinwen/2020-06/22/content\\_5521180.htm](http://www.gov.cn/xinwen/2020-06/22/content_5521180.htm).

income of loans of CNY 100,000 or less to farmers, and the premium income from the insurance business provided for the planting and breeding industry are included in the taxable income of income tax at 90%; the interest income of loans to farmers of CNY 100,000 or less by small loan companies is exempted from value-added tax, and is included in the taxable income of corporate income tax at 90%; the loan loss reserve of 1% of the loan balance is allowed to be deducted before income tax, so that market entities and the people in need have an equal access to the “real money” of the policy universally.

In addition, China has also implemented a substantial reduction in administrative charge and service charges in natural monopoly industries, and has further cleaned up and regulated the charges of industrial associations and chambers of commerce to relieve the burden of existing market entities. On June 24, 2020, the *Notice of the General Office of the State Council on Further Regulating the Charges of Industrial Associations and Chambers of Commerce* (GBF [2020] No. 21) was adopted at the executive meeting of the State Council, which requires a complete clean-up and cancellation of illegal charges by industrial associations and chambers of commerce, further increases the standardization and transparency of charges by industrial associations and chambers of commerce, and establishes and improves a long-term regulation mechanism for industrial associations and chambers of commerce to promote the healthy and orderly development for both.<sup>①</sup>

### Case 5: Tax and fee cuts in the first quarter exceeded CNY 32 billion in Sichuan<sup>②</sup>

In the first quarter of 2020, the tax system of Sichuan Province

① Li Keqiang “Burden Reduction Policy for Enterprises to be Followed by Deeds”, available at the website of the Central People’s Government of the People’s Republic of China: [http://www.gov.cn/premier/2020-06/25/content\\_5521802.htm](http://www.gov.cn/premier/2020-06/25/content_5521802.htm).

② “Tax and Fee Cuts Exceeded CNY 32 billion in Sichuan to Help Enterprises Fight against COVID-19 and Resume Production”, available at the website of Xinhua News Agency: [http://www.xinhuanet.com/2020-04/29/c\\_1125924687.htm](http://www.xinhuanet.com/2020-04/29/c_1125924687.htm).

implemented the tax and fee reduction of CNY 14.7 billion in total; from February to March, the human resources and social security departments of Sichuan Province implemented various social security support policies with a total fee reduction of nearly CNY 18 billion, benefiting over 440,000 market entities of various types. As of April 28, the tax authorities at all levels in Sichuan Province have processed 10,800 deferred declaration approvals, 2,805 deferred payment approvals, and deferred taxes of CNY 3.73 billion to support taxpayers affected by the pandemic to tide over the difficulties; the quota was adjusted and reduced for 35,800 individual businesses, and the tax adjustment and reduction amounted up to CNY 34.2216 million, actively supporting the resumption of work and production of individual businesses.

### **III. The negative list system is fully implemented, and the reform of the pilot zone continues to expand**

Affected by COVID-19 pandemic, the world economy was in a deep recession in 2020, exchanges and cooperation between countries were significantly reduced, and international trade and investment declined significantly. According to the forecast of the International Monetary Fund, the world economy would decline by 4.9% in 2020; and the World Bank predicted that the global economy would decline by 5.2%, the worst economic recession since World War II. The World Trade Organization predicted that global trade in goods would drop by 13% to 32%; the United Nations Conference on Trade and Development estimated that global trade in goods would drop by 20%. Some countries have directly or indirectly introduced trade protection policies, intensifying the international trade barriers. In this context, China is unswervingly deepening reform and opening-up, promoting two-way opening-up, expanding foreign cooperation, and striving to stabilize the economic fundamentals. According to customs statistics, in the first three quarters of 2020, China's total import and export

value in trade of goods was CNY 23.12 trillion, an increase of 0.7% over the same period last year, of which the exports were CNY 12.71 trillion, representing an increase of 1.8%, and the imports were CNY 10.41 trillion, a decrease of 0.6 %, which meant that it was relatively effective to open up to the world economy in the context of COVID-19 pandemic.

A questionnaire survey conducted by the Academy of China Council for the Promotion of International Trade in 2020 shows that companies generally higher ratings in the level of fair competition. Among them, the scores of Sino-foreign joint ventures and cooperative enterprises increased by 0.14 points, and the scores of wholly foreign-funded enterprises increased by 0.07 points, an increase of 3.27% and 1.62% respectively over the previous year.

### **(1) The negative list system for market access is fully implemented**

On November 22, 2019, the Negative List for Market Access (2019 Edition) was issued by the National Development and Reform Commission and the Ministry of Commerce. This is the first annual revision since the negative list system for market access has been fully implemented. Dynamic adjustments were made on the basis under the same framework. The *Negative List for Market Access* (2019 Edition) has 20 items less than the *Negative List for Market Access* (2018 Edition), a reduction about 13%. Among them, there are a total of 5 prohibited items, a total of 126 permitted items, 105 items involving 18 national economic industries, 10 items from the Catalogue of Investment Projects Subject to Governmental Verifications, and 7 items from the Catalogue of Prohibited and Permitted Items for Internet Market Access, and 4 other items such as credit supervision.<sup>①</sup>

<sup>①</sup> “Another 20 Items Removed from the Negative List for Market Access (2019 Edition)”, available at the China Economic Net-"Economic Daily" [http://www.ce.cn/xwzx/gnsz/gdxw/201911/23/t20191123\\_33684427.shtml](http://www.ce.cn/xwzx/gnsz/gdxw/201911/23/t20191123_33684427.shtml).

The adjustment of list once again urges for full implementation, adding two columns of "Item Code" and "Competent Department" to the original edition, clearly listing the competent department of each measure. At the same time, relying on the national integrated online government service platform, each item is given a unique identification code, which lays the foundation for the substantiation of the "clear at a glance, unified online transaction" of the list items.

In addition, in order to prevent the negative list from being rampant and irresponsibly implemented, the adjustment has increased the efforts in integration, canceling 23 negative lists for market access which were compiled and released by local governments, making the "national unified list" system more complete.

On June 23, 2020, the National Development and Reform Commission and the Ministry of Commerce jointly issued Decrees No. 32 and No. 33, namely the *Special Management Measures for Foreign Investment Access (Negative List) (2020 Edition)* and *Special Management Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (2020 Edition)*. This revision further reduces the negative list for foreign investment access. The national negative list has been reduced from 40 entries to 33 entries, a reduction ratio of 17.5%, with two entries being partially opened; the negative list for the pilot free trade zone has been reduced from 37 entries to 30 entries, a reduction ratio is 18.9%, with one entry partially opened.<sup>①</sup>

## **(II) The reform of pilot free trade zone is expanded and deepened**

With the release of Beijing, Hunan, and Anhui pilot free trade zones in September 2020, the number of free trade zones increased to 21. Since the establishment of the China (Shanghai) Pilot Free Trade Zone

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① "Opening-up to Fully Implement the Negative List for Foreign Investment Access", available from the client of Xinhua News Agency, September 7, 2019.

in September 2013, China has successively established 21 pilot free trade zones. On November 15, 2020, the "Regional Comprehensive Economic Partnership (RCEP) Agreement was officially signed among China, the ten ASEAN countries, Japan, South Korea, Australia and New Zealand. In addition, China will speed up negotiations on the China-Japan-ROK Free Trade Zone to promote regional economic integration, and, by taking advantages such as strong complementarity, frequent economic and trade exchanges, complete industrial structure, and deep integration of interests, further reduce tariffs, remove barriers, promote free trade and investment, open up markets to each other, and recover eastern Asian economic growth as soon as possible.

On June 1, 2020, the State Council issued the *Overall Plan for the Construction of Hainan Free Trade Port*, proposing to initially establish a free trade port policy system focusing on liberation and facilitation of trade and investment by 2025, to make it a new highland of China's open economy by 2035 and, to build it into a high-level free trade port with strong international influence in all aspects by the middle of the 21st century.

In addition, the construction of cross-border e-commerce comprehensive pilot zones is gradually increasing. On March 7, 2015, China (Hangzhou) Cross-border E-commerce Comprehensive Pilot Area became the first cross-border e-commerce comprehensive pilot zone in China. Soon afterwards, China has successively added 58 cross-border e-commerce comprehensive pilot zones from 2017 to 2019. On May 6, 2020, the State Council issued the *Official Reply on Approving the Establishment of Cross-border E-commerce Comprehensive Pilot Zones in 46 Cities and Regions including Xiong'an New Area*. introducing supporting policies, such as exempting the verification and collection of value-added tax, consumption tax, and corporate income tax for cross-border e-commerce retail goods exported from the comprehensive pilot zone, studying the inclusion of qualified cities where the comprehensive

pilot zone is located into the scope of cross-border e-commerce retail import pilot regions, supporting enterprises to jointly build and share overseas warehouses, and helping foreign trade enterprises overcome difficulties with new forms of cross-border e-commerce.

### Case 6: "On the Cloud" Business Invitation from Guangxi Free Trade Zone<sup>①</sup>

On June 6, 2020, the "On the Cloud" Promotion, Business Invitation and Contract Signing Event of China (Guangxi) Pilot Free Trade Zone were held in Nanning, Guangxi Province. This was the first global large-scale investment promotion event in China (Guangxi) Pilot Free Trade Zone. More than 20,000 domestic and foreign companies were invited to enter the online conference hall to watch the live broadcast with an online traffic of 359,000 person-times. The event led to the signing of 31 projects, which covered construction of production base, green agriculture, smart and intelligent industrial parks, e-commerce, and logistics and transportation, with a total investment of more than CNY 8 billion.

### Case 7: Lanzhou New Area insists on opening up and creating a first-class business environment.

In recent years, the Lanzhou New Area has been insisting that "everything is permitted as long as not forbidden by law". It has conducted quick trials in terms of concepts, systems, mechanisms, policies and procedures, establishing a modern management system, and streamlined the establishment of 20 departments and public security organizations, and completely eliminated managerial institutions. It has vigorously implemented the "commitment system, zero fee, informatization, agency system" and simplified approval of "regional assessment, multiple assessments in one, multiple drawings in one, and multiple inspections in one", explored the commitment

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① "On the Cloud' Business Invitation of Guangxi Free Trade Zone", available at the website of Xinhuanet: [http://www.xinhuanet.com/local/2020-06/07/c\\_1126084555.htm](http://www.xinhuanet.com/local/2020-06/07/c_1126084555.htm).

and acceptance of deficiency tolerance, under which the company may start the project by merely signing the commitment. The approval and start-up time of enterprise investment projects in the New Area are respectively 1/4 and 1/8 of the objectives set by the State Council. The “zero enterprise-related administrative fees” have reduced the initial cost of project by 70%. The trial land supply methods such as flexible transfer, leasing or rent-and-transfer have shortened the listing time to 21 days, and reduced the cost of production and operation factors by more than 20%. For such reasons, Lanzhou has become one of the regions with the highest management efficiency, lowest operating cost and best service quality in the country.

#### **IV. The customs clearance process is continuously simplified, and the cost is further reduced**

In recent years, the General Administration of Customs has realized the integration of national customs clearance. Enterprises may declare at any customs in the country and go through customs at any port; the customs clearance process in series has been changed to be in parallel; the reform of the declaration mode has been implemented so that enterprises only need to declare at least 9 items to pick up goods; the upgrading and development of comprehensive bonded zones have been promoted and innovations have been made to customs supervision systems in pilot free trade zones; the supervision of new trade formats has been optimized, such as cross-border e-commerce, market procurement, and comprehensive foreign trade services. The expansion of imports has been promoted; the International Mutual Recognition Cooperation Agreement of Authorized Economic Operator (hereinafter referred to as "AEO") has been signed with 42 countries and regions; the level of "single window" application for international trade has been continuously improved, achieving full coverage of ports across the country, providing 16 major functions including customs declaration, logistics, tax rebate, finance, and cross-

border e-commerce, being aligned with 25 departmental systems in the "headquarter to headquarter" manner.

According to the *Doing Business 2020* released by the World Bank, China has made significant progress in cross-border trade facilitation for two consecutive years and moved up to 56th in the ranking of trade facilitation. The total compliance cost of exports has dropped from USD 568.7 in 2017 to USD 330, a 42% drop in two years; the total compliance cost of imports has declined from USD 915.9 in 2017 to USD 318, a drop of 65.3% in two years.

### **(I) The customs clearance time is significantly reduced**

According to the data released by the General Administration of Customs on January 13, 2020, the overall customs clearance time for imports in China was 36.7 hours in December 2019, a 62.3% reduction from 2017; the overall customs clearance time for exports was 2.6 hours, a 78.6% reduction from 2017. China has completed the goal of cutting customs clearance time by half compared with 2017 ahead of the schedule as put forth in the *Work Plan on Optimizing the Port Business Environment and Promoting the Cross-border Trade Facilitation of State Council*.

### **(II) The customs clearance fee is further reduced**

In 2019, China's port charges were explicitly marked, using information disclosure to force the standardization of charges; the operating service charges by ports were reduced from 15 items to 11 items; some charges based on government pricing and government guidance pricing were lowered, the rate standards of cargo dues, port security charge, pilotage dues, and towage dues for domestic route vessels were reduced by 15%, 20%, 10%, and 5% respectively, which may save about CNY 1.8 billion each year for foreign trade

enterprises.<sup>①</sup>

### (III) The import and export declaration items are simplified

In 2019, the General Administration of Customs combined the original inspection-related requirements, documents, certifications, filled-in items with the original customs declaration items, and the import and export declaration data of enterprises was simplified from the original 229 items to 105 items. On the basis of reducing the import and export supervisory documents to 46 types in 2018, two more supervisory documents, namely the *License Certificate for New Food Raw Materials* and the *Standards for the Temporary Application of Imported Foods Without National Food Safety Standards*, were removed from the port verification process. Except for 4 types of supervisory documents for safety and confidentiality, the remaining 40 types can all be declared and handled online, and online verification and automatic comparison were achieved in the port verification procedures; 118 automatic import licenses for mechanical and electrical products including auto parts were cancelled, and the number of automatic import licenses issued for mechanical and electrical products throughout the country were reduced by more than a half in a year-on-year comparison; the conditions and procedures for exemption from compulsory product certification were greatly simplified, and some imported auto parts that were exempted from certification were allowed to be “declared first and verified later”.<sup>②</sup>

### (IV) Deepening the reform of import and export process

① “In 2019, the overall customs clearance time of China Customs shorten by more than half, and the ranking of cross-border trade facilitation continuously improved”, available at the website of CCTV: <http://news.cctv.com/2020/01/13/ARTIkd7yje0luXBOWXSQmtaO200113.shtml>.

② “Optimization of Port Business Environment Promotes the Stability and Quality Improvement of Foreign Trade”, available at the website of International Business Daily: <http://epaper.comnews.cn/xpaper/news/250/3272/16367-1.shtml>.

In 2019, the customs promoted the application of "advance declaration" mode, in which cargos that were not under surveillance and inspection could be released and picked up right after they arrive at the port; as of July 2020, the "single window" was able to provide more than 600 service items, basically satisfying the needs of enterprises to handle import and export trade related businesses through a platform at "one-stop", realizing the full coverage of ports across the country, providing 16 major functions such as customs declaration, logistics, tax rebate, finance, and cross-border e-commerce, and being aligned with 25 departmental systems in "headquarter to headquarter" manner. The cumulative number of registered users of the international trade "single window" has reached more than 3.3 million, the daily declarations have reached 10 million, and the application rate of the three main businesses of cargo, manifest and transportation has reached 100%.

Furthermore, China Customs has further promoted the reform of customhouse bonds insurance. During the pilot period in 2019, companies purchased 25,007 insurance policies and guaranteed taxes of CNY 137.05 billion; five low-risk mineral products such as imported iron ore were eligible to "release first and inspection later", reducing the average release time from 17.93 days to 2.75 days;

In addition, three "green channels" for fast customs clearance of agricultural and sideline products were opened between China and Kazakhstan, Mongolia, and Vietnam.<sup>①</sup>

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① "Optimization of Port Business Environment Promotes the Stability and Quality Improvement of Foreign Trade", available at the website of International Business Daily: <http://epaper.comnews.cn/xpaper/news/250/3272/16367-1.shtml>.

## **V.The intellectual property right protection system is continuously improved and enforcement of relevant laws is strengthened**

It is specially mentioned in the Part IV of the Report on the Work of the Government 2020 to "energize market entities through reform and strengthening new potentials of growth" in order to solidify international cooperation in science and technology and to strengthen the protection of intellectual property rights. According to a questionnaire survey conducted by the Academy of China Council for the Promotion of International Trade, the increase in the score of intellectual property right indicator in 2020 ranked second among 12 primary indexes, increasing by 1.8%, an increase of 0.08 points from 2019. The score of intellectual property right protection environment given by the service industry increased by 0.30 points.

### **(I) Continuous improvements of the intellectual property right protection system**

Since January 2020, a number of new regulations concerning the intellectual property right protection have been implemented, and China's intellectual property right protection system has been continuously optimized.

Table 5-2 Some New Regulations of China on Intellectual Property Rights in 2020

Implementation time	Legal Document	Content
January 1	<i>Regulation on Optimizing Business Environment</i>	The Article 15 of Chapter II provides that: The state shall establish a punitive compensation system for the infringement of intellectual property rights, promote the establishment of a rapid and collaborative protection mechanism for intellectual property rights, improve the diversified settlement mechanism for disputes over intellectual property rights and the mechanism of assistance for the protection of intellectual property rights, and strengthen the protection of intellectual property rights. The state shall continue to deepen the reform of trademark registration and patent application facilitation, and improve the efficiency of trademark registration and patent application examination.
January 1	<i>Foreign Investment Law of the People's Republic of China</i>	The Article 23 provides that: The state shall strengthen punishments for infringements of intellectual property rights, continue to strengthen the enforcement of intellectual property rights, promote the establishment of a rapid and coordinated protection mechanism for intellectual property rights, improve the diversified settlement mechanism for disputes over intellectual property rights, and equally protected the intellectual property rights of foreign investors and foreign-funded enterprises.
January 1	<i>Notice on Carrying out the Patent Certificate Pick-up Service at Representative Office</i>	The China National Intellectual Property Administration shall send relevant patent certificates to various representative offices in accordance with regional divisions. The patent agency shall pick up the patent certificate from the representative office and deliver the certificate to the innovation entity.
January 1	<i>Regulations of Beijing Municipality on Promoting the Commercialization of Scientific and Research Findings</i>	The national and local legislation shall take the lead in making relevant institutional arrangements, explicitly stipulating that universities and research institutions may give all or part of the intellectual property and related rights in their legally obtained professional scientific and research findings to the person who has completed the scientific and research findings, and agree on the distribution method of the income from the commercialization of the findings between both parties.
January 1	<i>Measures of Liwan District of Guangzhou Municipality for the Management of Special Patent Funds (Trial) (LFG [2018] No.3)</i>	It is conducive to the in-depth implementation of intellectual property right strategies, strengthening the patent work in Liwan District, and promoting independent innovation.
February 1	Modifications to <i>Guidelines for Patent Examination</i> made by the China National Intellectual Property Administration	In order to fully implement the decision and deployment of the CPC Central Committee and the State Council on strengthening the protection of intellectual property rights, and respond to the needs of innovation entities to further clarify the examination rules for patent applications in new formats and fields such as artificial intelligence, the International Intellectual Property Office has modified the <i>Guidelines for Patent Examination</i> .

Implementation time	Legal Document	Content
February 1	Provisions of Jiangsu Province on Heavy Punishment for Serious Violations in the Field of Market Supervision	According to Article 4, heavy punishments shall be applied to serious infringement of intellectual property rights in the field of market supervision.
March 3	<i>Announcement on Matters Related to the Electronic Patent Certificate and Notification and Electronic Seals for Electronic Patent Application (No. 349)</i>	The China National Intellectual Property Administration will directly issue electronic patent certificates, and will no longer issue paper patent certificates unless specifically requested by users.
January 2020—December 2021	<i>Notice of the Office of China National Intellectual Property Administration on Determining Pilot Sites for the Approval of the Use of Special Marks for Products Protected by Geographical Indications</i>	The China National Intellectual Property Administration will set pilot sites in 11 provinces and cities including Beijing and Hebei Province to approve the use of special marks for products protected by geographical indications.

## (II) Judicial protection is enhanced<sup>①</sup>

All relevant departments have performed their duties in accordance with the law, further intensified intellectual property right protection, continued to promote governance in key areas, and strengthened normalized judicial protection.

### 1. Focus on the trials of civil cases about intellectual property rights.<sup>②</sup>

In 2019, local people's courts across the country received nearly 400,000 new first-instance civil cases about intellectual property rights, and concluded approximately 395,000 cases, representing a year-on-year increase of 40.79% and 44.02% respectively. Among

<sup>①</sup> *The Intellectual Property Protection in China 2019* issued by China National Intellectual Property Administration

<sup>②</sup> *The Intellectual Property Protection in China 2019* issued by China National Intellectual Property Administration

them, there were 22,000 new patent cases, a year-on-year increase of 2.64%, 65,000 trademark cases, a year-on-year increase of 25.41% and 290,000 copyright cases, a year-on-year increase of 49.98%. Local people's courts across the country received nearly 50,000 new second-instance civil cases about intellectual property rights, and concluded approximately 48,000 cases, representing a year-on-year increase of 79.95% and 85.29%.

## 2. Focus on the trials of administrative cases about intellectual property rights.

In 2019, local people's courts across the country received nearly 16,134 new first-instance administrative cases about intellectual property rights, and concluded 17,938 cases (including those not concluded in the past year), representing a year-on-year increase of 19.11% and 89.74%. Local people's courts across the country received 7,304 new second-instance administrative cases about intellectual property rights, concluded 5,942 cases, changed the original sentence of 1,026 cases, remanded 4 cases for retrial, withdrew 613 cases, and rejected 132 cases. The Supreme People's Court accepted 1,066 new administrative cases about intellectual property rights and concluded 884 cases, a year-on-year increase of 70.83% and 52.15% respectively.

## 3. The ratification of arrest and prosecution shall be strictly carried out according to law.

In 2019, 4,346 arrests involved in the infringement of intellectual property rights were approved across the country, with a total of 7,430 persons, and 5,433 prosecutions approved, with a total of 11,003 persons. From the prosecution data, trademark infringement cases accounted for 90.5% of the total, copyright infringement cases accounted for 4.2% of the total, and trade secret infringement cases accounted for 0.8% of the total.

### (III) The administrative enforcement is strengthened

The China National Intellectual Property Administration, in conjunction with the Cyberspace Administration of China, the Ministry of Industry and Information Technology, the Ministry of Public Security, the State Food and Drug Administration and other departments, has carried out a number of special enforcement actions for the protection of intellectual property rights to effectively protect corporate intellectual property rights on the administrative enforcement level.

Table 5-3 Summary of Main Special Enforcement Actions and Results of Intellectual Property Rights in 2019

SN	Action name	Content	Results
1	"Iron Fist" Special Action	It focuses on e-commerce, key commodity trading markets, and foreign investment fields, strictly investigates and deals with infringement and counterfeiting acts with respect to trademarks, patents, geographical indications and others.	It effectively increased the cost of infringement and counterfeiting of intellectual property rights, dispatching more than 280,000 law enforcement officers, and investigating 31,900 trademark cases and more than 7,300 patent counterfeiting cases.
2	"Sword Net 2019" Special Action	It is aimed to promote the integration of media development, special protection for the internet copyright of films released theatrically, focus on rectifying internet infringement and piracy in streaming media and pictures, and strengthen the copyright governance on platforms such as short videos streaming services, audiobooks, knowledge sharing and webcasts.	A total of 1.1 million infringement and piracy links were deleted, 10.75 million infringement and pirated products were confiscated, 1,405 pirated websites were closed, 450 internet infringement and piracy cases were investigated and dealt with, and 160 criminal cases were investigated and handled accordingly, with a total amount of CNY 524 million involved in profits gained from infringement.
3	"Sword Net 2019" Action	To strictly crack down on illegal activities in the network market and continuously cleanse the environment of network market.	Online inspections of websites (online stores) were conducted 1.811 million times, 182,000 pieces of illegal product information were deleted, 37,000 websites were ordered to be rectified, 11,021 websites were requested to be closed, 25,000 online stores were ordered to stop platform services, and 32,000 illegal cases were investigated and dealt with.

① The *Intellectual Property Protection in China 2019* issued by China National Intellectual Property Administration

SN	Action name	Content	Results
4	Special enforcement actions against unfair competition	It is targeted at current key industries and fields for special enforcement actions against unfair competition, with close attention paid to investigations.	In the whole year, 10,256 unfair competition cases of various types were investigated and dealt with, with a total value involved in cases being CNY 3.155 billion and a fined and confiscated amount over CNY 401 million.
5	Special action for law enforcement and protection of new forestry plant species	It is to carry out special action of law enforcement and protection of new forestry plant species on a national scale.	Illegal infringements of new species of forestry plants were cracked down on a national scale.
6	Right protection and anti-counterfeiting activities for crop seeds on site	They are to crack down illegal infringements of the new species right of agricultural plants.	Twenty acres of infringing corn seed field were destroyed on site.
7	Geographical indication special action	The special rectification for the use of geographical indications during the Spring Festival of 2019, the protection of spring tea geographical indications, and the special action of geographical indications in the fall were carried out, as well as the special rectification of geographical indications of agricultural products in key areas.	It further regulated the use of special marks for geographical indications and effectively cracked down on infringements of geographical indications.
8	"Rising Dragon 2019" Action	It is to deploy national customs to carry out special action for the protection of intellectual property rights.	A total of 45,000 batches of suspected infringing goods were seized, involving 17.45 million infringing goods, with a total value involved in cases being CNY 107 million.

#### (IV) The number of intellectual property approvals is stable <sup>①</sup>

##### 1. Patent applications for utility models and designs grow year on year.

In 2019, the number of invention patent applications was nearly 1.401 million, a year-on-year decrease of 9.2%; the number of utility model patent applications reached 2.268 million, a year-on-year increase of 9.5%; the number of design patent applications was nearly 712,000, a year-on-year increase of 0.4%.

<sup>①</sup> The *Intellectual Property Protection in China 2019* issued by China National Intellectual Property Administration

## 2. There is a significant increase in trademark registrations.

In 2019, a total of 7.837 million trademark registration applications were received, a year-on-year increase of 6.3%. The number of trademark registered was 6.406 million, a year-on-year increase of 27.9%. By the end of 2019, the number of valid trademark registrations reached 25.219 million. On average, every 4.9 market entities have a valid trademark.

## 3. The copyright registrations increase by more than 20% year-on-year.

In 2019, the total number of copyright registrations reached 4.187 million, a year-on-year increase of 21.09%. Among them, 2.701 million works were registered, a year-on-year increase of 14.86%; the number of computer software copyright registrations reached 1.484 million, a year-on-year increase of 34.36%.

## 4. Geographical indications, special marks and official marks have become more popular.

In 2019, five products of geographical indication were recognized, 301 companies were approved to use the special mark for geographical indications, 462 geographical indication trademarks were approved to be registered, and 255 geographical indications of agricultural products were registered. By the end of 2019, a total of 2,385 products of geographical indication have been approved, 8,484 companies have been approved for using special marks, and a total of 5,324 geographical indication trademarks have been registered.

## **VI. The continued improvement of public security and effective protection of corporate rights and interests**

The public security in China has been improving continuously. According to a survey conducted by the Academy of China Council for the Promotion of International Trade, the public security score in

2020 increased by 0.07 points as compared to 2019, ranking third in the sub-divided indexes of the environment of life-supporting services, and ranking first for the overall score (4.52 points).

### **(I) The level of national political security and social stability has been improved**

From May 2019 to May 2020, China's inspection authorities at all levels implemented the overall national security concept and strictly punished crimes such as secession and espionage in accordance with the law. More efforts were exerted to punish telecommunication network fraud, online gambling, and the disclosure of personal information along with other crimes, prosecuting 71,765 people, a year-on-year increase of 33.3%.<sup>①</sup> At the same time, serious violent crimes were punished, frequent property-related crimes such as theft and other crimes were punished in accordance with the law, crimes in the field of production safety such as major liability accidents were highlighted, and the social security situation continued to improve.

### **(II) Strong promotion of “battles against gang crimes”**

From May 2019 to May 2020, the inspection system developed eight guiding documents together with the related departments, directly supervised 107 cases of serious offense, prosecuted 30,547 syndicate-related criminals and 67,689 gang criminals, up by 194.8% and 33.2% in year-on-year comparison. There were 9,007 cases transferred by organs of investigation as syndicate-related and gang crimes for review and prosecution but not identified by procurator organs according to law. There were 2,148 cases transferred by organs of investigation not as syndicate-related and gang crimes but identified by procurator organs according to law. With persistent efforts, 1,385 "protection umbrellas" that shelter gang crimes were prosecuted, an increase of

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<sup>①</sup> *Report on the Work of the Supreme People's Procuratorate in 2020*

295.7% year-on-year.<sup>①</sup>

### **(III) Guarantee of rights and interests according to law**

Organs of inspection continued to implement eleven procurator policies serving private economy, making sure that careful actions were taken during arrest and prosecution, and publicize typical cases to provide stronger guidance. From 2019 to 2020, 1,971 persons in charge of private enterprises who may not to be detained further according to law were suggested for bail, pending trial with restricted liberty of moving. Through a special action sorting out the long-stalled cases neither to be withdrawn nor to be transferred for review and prosecution, 2,687 cases were sorted out, 1,181 of which were closed under supervision. In Xiangtan, Hunan Province, 57 private enterprises suspected of false issuance of VAT invoices were investigated. This case has been stalled for six years due to unclear facts and insufficient evidence, posing financing and operating difficulties on the enterprises involved. Procurator organs issued the supervision opinions and the 57 cases were all withdrawn with goods distrained being returned. Procurator organs in Shanghai, Jiangsu, Zhejiang and Anhui Province introduced policies jointly with judiciary and administrative organs, allowing enterprise staffs who are serving community service orders to engage in nonlocal production and operation activities.<sup>②</sup>

### **(IV) Promotion of fight against corruption**

Supervisory organs and procurator organs coordinated with and balance-checked each other in handling offenses. In 2019, 24,234 people being suspected of work-related crimes were transferred by supervision commissions of the government at all levels, an increase of 50.6% in year-on-year comparison. There were 18,585 people being

<sup>①</sup> *Report on the Work of the Supreme People's Procuratorate in 2020*

<sup>②</sup> *Report on the Work of the Supreme People's Procuratorate in 2020*

prosecuted, which increased 89.6% year-on-year, and 704 people were not prosecuted. The cases returned for supplementary investigation involved 7,806 person-times. The rate of nonprosecution and the rate of returned cases increased by 1.1% and 16.3% respectively comparing to 2019. Public prosecution was initiated against 16 former officials at ministerial and provincial-level including Qin Guangrong and Chen Gang. The requests for confiscating illegal gains of the escaped and dead suspects in 13 bribery and corruption crime cases were granted. 871 judiciary staffs were investigated for infringing civil rights and impairing judicial justice.

## **VII. Traditional infrastructure construction and new infrastructure construction advanced hand in hand, and infrastructures continues to improve**

In recent years, China's railway, highway and aviation infrastructures reached a new peak of development, and infrastructural connectivity with neighbors has produced significant results, providing more convenient, efficient, favorable, and faster infrastructural environment for business activities. In 2020, China has put into operation of railways of 140,000km in total, including 35,000km of high-speed railways, ranking the first in the world.

### **(I) Rail transit grows rapidly**

In accordance with the Medium- and Long-term Railway Network Plan, China's railway network is expected to reach 150,000km by the end of 2020, including 30,000km of high-speed railway, covering over 80% of large cities. From January to April 2020, National Development and Reform Commission (NDRC) and the development and reform commissions at provincial and municipal level have approved 14 railway projects with the total length of route being 2,497km and total investment worth of CNY 485.4 billion. China's investment in railway projects from January to April 2020 was nearly

three times of the investment during the same period in the previous year.

Table 5-4 Important Construction Projects Related to Rail Transportation in Different Provinces in 2020<sup>①</sup>

Region	Investment plan
Beijing	Among the 100 infrastructure projects planned, there are 21 suburb railway and rail transportation projects.
Tianjin	Construction of Tianjin-Shijiazhuang Highway and three high-speed railway projects – Beijing-Binhai Railway, Beijing-Tangshan Railway and Tianjin-Daxing Railway – as well as eight subway lines will be accelerated. Station area planning and construction of Beichen Station on Beijing-Binhai Railway and Baodi railway hub station will be launched.
Hebei Province	There are a total of 11 railway projects.
Shanxi	Efforts will be made to promote Taiyuan-Zhengzhou High-speed Railway construction, enabling commissioning by the end of the year. The construction of Jining-Datong-Taiyuan High-speed Railway and Xiong'an-Xinzhou High-speed Railway will commence. A new round of planning adjustment for urban rail transportation construction in Taiyuan will be launched.
Inner Mongolia	Make every effort to construction and pre-project works for railways connecting Erdos to Yulin, Tongliao to Tsitsihar, Tsitsihar, Hailar to Manzhouli, and Xilinhot to Taizicheng. Jitong Railway electrification will be boosted.
Liaoning	The completion of Beijing-Shenyang High-speed Railway will be promoted. Other planned projects include: Shenyang Subway Line 3 project, Dalian Subway Line 5 project, locomotive project of Dalian Locomotive Lvshun Base, westward extension project of tramcar in Shenyang District, and Shenyang-Tonghua-Baihe railway project.
Jilin	The construction of Shenyang-Baihe high-speed railway that requires a total investment of CNY 72,29 million will commence and the construction of Dunhua-Baihe Railway will be accelerated.
Heilongjiang	The construction of Mudanjiang-Jiamusi High-speed Railway and Jiamusi-Hegang High-speed Railway reconstruction projects will be continued. Harbin-Yichun High-speed Railway project and Bei'an-Heihe Railway upgrading project will be implemented.
Shanghai	The Construction of Rail Transit Airport Link Line, Chongming Line and Line 14 will be accelerated, involving a total of 172km railways. Line 10 Phase II, Line 15 and sections of Line 18 will be completed, involving a total of 67km railways.
Jiangsu	Five continued construction of railway projects, six new projects planned to commence, two railway reserve projects and six rail transportation construction projects are progressing.

<sup>①</sup> Sources: Analysis on Development Status and Trend of China's Rail Transit Industry in 2020: The Two Sessions' (NPC and CPPCC) Decision to Increase Railway Construction Investment Amounting to CNY 130 million <http://www.chyxx.com/industry/202006/870159.html>

Region	Investment plan
Zhejiang	Preparatory works for Hangzhou-Lishui Railway, Nantong-Suzhou-Jiaxing-Ningbo High-speed Railway, Shanghai-Suzhou-Huzhou High-speed Railway and Hu Zha Hang High-speed Railway will be accelerated. western Hangzhou Railway Station and Xiaoshan International Airport integrated transportation hub will be promoted. Progress of Shanghai-Jiaxing-Ningbo High-speed Railway, Ningbo-Yiwu Railway, Jinhua-Jiande Railway, Hangzhou-Quzhou Railway, Quzhou-Lishui Railway, Wenzhou-Ji'an-Wuyishan Railway, and Ningbo-Zhoushan Railway will be accelerated. Shangqiu-Hefei-Hangzhou High-speed Railway and Jin Tai Railway projects will be built.
Anhui Province	Shangqiu-Hefei-Hangzhou High-speed Railway will be completed and open to traffic. The construction of Fuyang-Huaibei and Lu'an-Anqing Railways will commence. The new railway length put into operation will be 255km in total. The construction of Chuzhou, Ma'anshan intercity railway connecting to Nanjing intercity railway will be boosted, and rail transportation construction in Hefei metropolitan area will be accelerated.
Fujian	The construction of ongoing projects including Fuzhou-Pingtai Railway, Quzhou-Ningbo Railway, Fuzhou-Xiamen-Zhangzhou High-speed Railway, Xingguo-Quanzhou Railway, Xiamen Metro Line 6 extension to Jiamei Town of Zhangzhou City, and Shachengwan Cross-sea Highway will be accelerated. Preparatory works of Zhangzhou-Shanwei High-speed Railway, Wenzhou-Ji'an-Wuyishan Railway and Wenzhou-Fuzhou Railway will be accelerated.
Jiangxi	The construction of Nanchang-Jingdezhen-Huangshan High-speed Railway, Ganzhou-Shenzhen High-speed Railway, Anqing-Jiujiang High-speed Railway, Xingguo-Quanzhou Railway and Nanchang-Jiujiang Railway will be accelerated. Preparatory works of Changsha-Ganzhou High-speed Railway will be boosted.
Shandong	There is plan to invest CNY 184.2 billion in the integrated transportation construction.
Henan	The section of Zhengzhou-Taiyuan High-speed Railway in Henan will be built. Construction works for section of Zhengzhou-Jinan High-speed Railway in Henan will be boosted.
Hubei	The construction of Shiyan-Xi'an High-speed Railway, Wuhan-Yichang section of high-speed railways along the Yangtze River, Xiangyang-Jingmen section of Hohhot-Nanning High-speed Railway, and Jingmen-Jingzhou Intercity Railway will commence. Faster actions will be taken to launch the two projects - Wuhan railway hub intercity line and Wuhan-Hefei section of high-speed railways along the Yangtze River.
Hunan	Efforts will be made to accelerate construction of rail access to every city in the province and construction of Zhangjiajie-Jishou-Huaihua High-speed Railway, Changde-Yiyang-Changsha High-Speed Railway and Chongqing-Huaihua Railway.
Guangdong	Nansha Port Railway, Guang Shi Railway and Guangzhou-Qingyuan Intercity Railway Phase I will be built. Shantou Metropolitan Area Intercity Railway construction will be launched.
Guangxi	The special railway line entering Tieshan Port at berth 1 to 4 in Beihai City will be built. Huangtong-Baise Railway, Hengyang-Liuzhou Railway upgrading, Hepu-Zhanjiang Railway and Liuzhou Railway hub reconstruction projects will commence. The construction of Cenxi-Luoding Railway will resume.
Chongqing	There are 60 projects related to rail transportation, including 32 important projects and 28 important projects in their early planning and research phase.
Sichuan	There are 5 projects related to railways: Xining-Chengdu Railway, Chengdu-Nanchong-Dazhou-Wanzhou High-Speed Railway, rail transit connecting Dujiangyan and Four Girls Mountain area, the upgrading of the Longxu section of Longchang-Huangtong Railway and Chongqing-Kunming High-speed Railway.

Region	Investment plan
Guizhou	Anshun-Liupanshui Railway will be built. Tongren-Jishou Railway construction will commence. Panzhou-Xingyi Railway construction will be accelerated.
Yunnan	Seven projects under construction will be boosted. Chongqing-Kunming High-speed Railway construction will commence. Lijiang-Shangri La Railway construction will be completed.
Tibet	Cooperation will be provided to enable commencement of Sichuan-Tibet Railway construction. Lhasa-Linzhi Railway construction will be accelerated. Cooperation will be provided to carry out the demonstration of feasibility study for the China-Nepal cross-border railway.
Shaanxi	Continuous effort will be made to boost Xi'an metro construction and Xi'an-Yan'an Railway, Yan'an-Yulin Railway, Wuhan-Xishi Railway and Chongqing-Xi'an Railway construction. Yinchuan-Xi'an High-speed Railway will be put into commissioning.
Gansu	The construction of Xi'an-Yinchuan High-speed Railway, Yinchuan-Lanzhou High-speed Railway, Zhongchuan Airport-Wuwei section of Lanzhou-Zhangye No.3&No.4 Line High-speed Railway, Jiuquan-Dongfeng section of Jiuquan-Ejin Railway and Lanzhou rail transit line 2 phase I will be completed.
Qinghai	The construction of important projects such as Xining-Chengdu Railway will commence. Pre-project works for Xichang Railway, Golmud-Chengdu Railway and rail transit from Xining to Qinghai Lake will be carried out.
Ningxia	Great efforts will be put into important transportation projects such as Baotou-Yinchuan High-speed Railway, Yinchuan-Lanzhou High-speed Railway, Baoji-Zhongwei Railway Zhongning-Guyuan section upgrading, and Taiyangshan-Pengyang section of Yinchuan-Kunming High-speed Railway.
Xinjiang	The upgrading of Wu Jiang Railway with additional line 2 and Xinhe-Baicheng resource railway by-line will commence. Golmud-Korla Railway, Alay-Fuyun-Zhundong Railway, and Southern Xinjiang Railway Korla-Aksu-Kashgar section upgrading will be completed.

## (II) Total length of highway continues to increase, and proportion of investment in highway projects increases remarkably<sup>①</sup>

According to statistics of Ministry of Transport, the total mileage of highway in China has increased constantly since 2010. As by the end of 2019, the total highway mileage was 5,012,500 km, increased by 166,000 km over the previous year. The highway density was 52.21 km/100 sq km, increased by 1.73 km/100 sq km. In 2019, a total of CNY 2,189.5 billion of investment in road construction was made, an increase by 2.6% in year-on-year comparison. The growth rate also increased comparing to that in the previous year. Among all the

<sup>①</sup> *Analysis 2020 on Development Status of China's Highway Construction Industry – Total Mileage in Operation Exceeds 500,000,000km* by Forward (Qianzhan) Industry Research Institute

investments, a total of CNY 1,150.4 billion was invested in highway construction, an increase by 15.4% year-on-year.

### **(III) Airport construction continued to progress and the number of general airports has reached 500 nationwide**

By the end of 2020, there have been 500 general airports nationwide and the total number of general aviators has exceeded 7,000. In January 2020, the Civil Aviation Administration of China prepared and issued Action Outline for Construction of China's Civil Aviation Airports Which Is Safe, Green, Intelligent and Humanistic (2020-2035), which proposed on building safe, green, intelligent and humanistic airports from 2021 through 2030, a period of holistic advancement of airport construction. At the first stage, airport guarantee capacity, management level, operation efficiency and green development ability will be improved greatly, and shortage in development of feeder airports and general airports will be remedied, creating a more balanced airport system. Pilot projects will play an exemplary role, with the aim of building many world-leading model airports.

### **(IV) New infrastructure construction progresses at a faster pace**

The meeting of the Standing Committee of the Political Bureau of the CPC Central Committee on March 4, 2020 further required the increase of input in public health services and emergency supply system and the acceleration of the progress of new infrastructure construction including 5G network and data centers. In November 2020, the *Recommendations of the CPC Central Committee for Formulating the 14th Five-Year Plan for Economic and Social Development and the Long-Range Goals for 2035* required for developing emerging strategic industries, accelerating digitization, and specifying the goals for new infrastructure construction.

According to the prediction by Bank of China Research Institute, the

total investment in new infrastructure construction in 2020 will be CNY 120 billion including CNY 250-300 billion in 5G base stations and the related equipment, CNY 80-100 billion in extra-high voltage facilities (including power grid informatization), CNY 20-30 billion in charging stations for new-energy automobiles, CNY 60-80 billion, CNY 30 billion and CNY 50-100 billion in big data centers, artificial intelligence and industrial internet respectively, as well as CNY 600-650 billion in intercity railways and urban rail transportation system. Investment in areas related to new infrastructure construction may grow at a rate above 10% and investment in certain specialized areas may grow at an even higher rate.<sup>①</sup>

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① Development Direction of and Policy Suggestions for New Infrastructure Construction under the Influence of COVID-19, Issue 10 of Macro-Observation 2020 by Bank of China Research Institute