Executive Summary

Direction of Chinese Economic Reform and Main Proposals

“Expectations for improving the predictability of the Chinese business environment”

The guiding ideology of the 14th Five-Year Plan Outline (hereinafter referred to as the 14-5 Plan Outline) decided at the 4th meeting of the 13th National People’s Congress (hereinafter referred to as the NPC) in March 2021, states that in order to make a good start toward the full-scale construction of a modern socialist country, the 5 growth philosophies, namely, innovation development, harmonious development, green development, open development, and development that can be enjoyed by all, will be thoroughly implemented. Moreover, it is also emphasized that the focus is on deepening supply-side structural reforms and that innovation is the fundamental driving force for reforms.

In addition, in the 14-5 Plan Outline, as “facilitating the domestic general circulation”, it was indicated that “we will accelerate the formation of a unified large domestic market, benchmark international advanced rules and best practices, promote harmonization and unification of standards, rules and policies of different regions and industries, and break down local protection, monopolies and market divisions.” Furthermore, as “promoting domestic and international dual circulation”, it was included that “based on the domestic general circulation, we will promote the development of a powerful domestic market and the construction of a trading powerhouse in harmony to form a gravitational field attracting the elements and resources of the world, promote domestic and foreign demand, imports and exports, and realize development while attracting foreign capital and investing overseas harmony.” It is hoped that “facilitating the domestic general circulation” will lead to the formation of a unified domestic market and breaking down various barriers, and “promotion of the domestic / international dual circulation” will lead to an increase in business opportunities and further expansion of opening up to the international community due to the expansion of domestic demand.

The Government Activity Report of the 13th NPC 5th Conference in March 2022 stipulated the priority activity missions for 2022. At the top of the mission was “focus on stabilizing the macroeconomic foundation and keeping economic movements within reasonable limits.” In addition, it stated the need to focus on “striving to stabilize market entities and secure employment, and further strengthening the implementation of macro policies” and “expanding high-level opening up to the international community and promoting stable growth of foreign trade and foreign capital”.

Uncertainties in the business of Japanese companies are increasing due to the US-China economic and trade friction, protectionist actions by each country and the Coronavirus Disease 2019 (COVID-19) pandemic. Under such circumstances, it is expected that a system that contributes to “improving the predictability” of the business environment in China will be developed and operated.

Regarding the improvement of predictability, the Foreign Investment Law came into effect on January 1, 2020. Under this Law, the contents that Japanese companies etc. have proposed until now in the “Chinese Economy and Japanese companies White Paper” were included as the following: it is necessary to hear the opinions and proposals of foreign companies when establishing laws and regulations relating to foreign investment (Article 10); ensure fair participation of foreign-affiliated companies in government procurement activities (Article 16), etc. The Law will have a major impact on Japanese companies operating businesses with China, and we hope that the law will be implemented as specified in the provisions stipulated by the law so that the Chinese market can further open up. Also, in the NPC held in May 2020, China’s first “Civil Code” was passed and established. We hope that the enactment of these laws will lead to further “improvement in predictability” for Japanese companies.

With regard to COVID-19, even at the present time, after more than two years have passed since the infection began to spread, strict restrictions for controlling the infection still continue, and the movement of people between Japan and China, which is the foundation of business, is extremely stagnant. For the early recovery of the business environment in the future, we strongly expect efforts such as relaxation of various procedures that restrict prompt issuance of China entry visas and expatriates taking up new posts and business trips, early resumption and increase of flights between Japan and China, and further shortening the post-immigration quarantine period and improving the quarantine environment.

Japanese companies are hoping that the year 2022 will be an important year for deepening the reform that will lead to the development of a “Highly Transparent” business environment, in which “Non-Discriminatory Status is secured” while they are poised to actively contribute through various businesses as the Chinese government is planning to deepen reforms.

In the 14-5 Plan Outline and the 2022 Government Activity Report, the Chinese government indicated that the direction is to deepen its reforms with the aim of constructing a higher-level new open economic system, a first-class business environment, and a high-level market system. On the other hand, the issues facing Japanese companies in the field of Chinese business are summarized as follows from the perspectives of fair competition, opening up to the international community, application and procedures of administrative regulations.

In deepening reforms, we are convinced that many of the constructive ideas are included in this White Paper, which has compiled proposals for analysis and resolution of the issues facing Japanese companies engaging in business in China for a long period of time. We would like to see that something in this White Paper is used as a reference for policy management in the future.

（1）Fair Competition

In the 14-5 Plan Outline, it was emphasised that a high-level market system is to be constructed, the basic system of the market system to be completed, equal entry and fair supervision and management to be maintained, and a domestic unified market with high efficiency, standards and where fair competition takes place is to be formed. This includes breaking down barriers in the system mechanism that constrains high-quality development and organizing and abolishing rules and methods that hinder the national unified market and fair competition. In addition, in the Government Activity Report in March 2022, one of the priority efforts, “Deepening reforms without wavering and further drawing out the intrinsic driving force of market vitality and development,” was incorporated to “continue to promote reforms of ‘administrative simplification and delegation of authority’, ‘combination of deregulation and management’, and ‘optimization of services’ with a focus on improving the business environment that has become marketed, legalized, and internationalized.” In this White Paper, various systems that are obstacles to fair competition will be reviewed in order to fully utilize market principles in line with this direction and we also propose development of highly transparent market economy rules and their proper operation.

**・Investment:**

・Regarding the “Regulations on Unreliable Entity List” that came into effect in September 2020, “danger to the development of China’s national sovereignty, security, and profits”, “violation of normal market trading principles”, and “discriminatory measures” which are presented as acts to be punished are ambiguous concepts. When operating this system by related departments such as the Ministry of Commerce, we propose that these concepts be clarified by subordinate laws and regulations. Moreover, since the US-China friction is also pointed out as the background of the enactment of this regulation, we propose that Japanese companies not be subject to countermeasures between the US and China or arbitrary application. In addition, we propose that the procedures be transparent and fair, and that the opinions of Japanese companies be fully taken into consideration.

・The “Export Control Act” that came into effect in 2020 stipulates “re-exports”, “deemed exports”, and “pursuit of liability by extra-territorial application of laws”. However, it is unclear how these will be applied. Depending on the application, these have a great impact on the existing business model including the supply chain of the industry and the company and can be a major factor that significantly reduces the predictability of the existing business and suppresses new investment. We propose that these be clarified as soon as possible by subordinate laws and regulations, and that the opinions of foreign-affiliated companies, including Japanese companies, be fully taken into consideration when applying them.

・According to the “Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures” which came into effect in January 2021, If the Chinese government determines that “it is in a situation of unjustified extra-territorial application”, the Chinese government can issue a ban on Chinese corporations, etc. from complying with sanctions and regulations of other countries. On the other hand, the concept of “unjustified extra-territorial application” is ambiguous, leading to a significant decline in business predictability. We propose that the criteria for determining when the rules apply be clarified. We also propose that it not to be applied arbitrarily to Japanese companies.

・Regarding the “Measures for the Security Review of Foreign Investment” that came into effect in January 2021, the law expanded the scope of foreign investment review to include green field investment. Moreover, it has been pointed out that there is room for a wide range of interpretations for the review authorities because there is no clear definition of the scope of review. We propose further clarification of the scope of “important infrastructure”, “important technology”, and “important information technology, and Internet products and services” which are the scope of self-reporting.

・**Competition Law**: From the viewpoint of improving the transparency of business combination examination, we propose that the criteria for business combination examination such as the grounds for approval or disapproval, the provisions regarding the grounds for conditional approval, the method of defining the market range, etc., (in particular, the criteria for adding and cancelling the restriction condition of “maintaining the independence of business or assets”) be further clarified through the revision of the law and the application of guidelines.

・Technical Standards/certifications:

・Regarding data-related laws and regulations such as China Cybersecurity Law, many other laws, bylaws, standards, etc. that stipulate the specific contents are gradually being formulated. However, many have not yet been enacted and some are still in the stage of soliciting opinions. We propose that the establishment and application of a system to prevent foreign products from being unfairly discriminated against by taking into account the opinions of related parties including foreign companies in the process of establishing these bylaws, standards, etc. In addition, we propose the provision of necessary advance guidance, ensuring a sufficient response period, and coordination and cooperation among the relevant government departments for smooth enforcement.

・We propose that consideration is given to system design and system operation so that data-related laws and regulations such as the Cyber Security Law do not hinder the development of new businesses such as cloud services, and that foreign companies are not unfairly discriminated against in these businesses.

**・Government Procurement:**

・Currently, China’s government procurement is dominated by domestic products, and there are restrictions and exclusions on imported products. We propose that the contents of the current “Government Procurement Law” that limit the scope of government procurement to domestic goods, projects and services be revised at an early stage, reduce the restrictions on the entry of imported products into the government procurement market, further liberalize the scope of government procurement market, and an environment be created in which imported and domestic products can participate equally in government procurement market competition

・It is appraisable that among the laws and regulations that have already officially come into effect, such as the “Foreign Investment Law”, the “Foreign Investment Law Implementation Ordinance”, and the “Business Environment Improvement Ordinance”, include provisions that guarantee fair participation in government procurement activities by the law of foreign investment companies. Furthermore, the above-mentioned laws and regulations regarding government procurement are all somewhat in principle, but it is welcomed that the “Notice of the Ministry of Finance on Ensuring Equal Treatment of Domestic and Foreign Companies in Government Procurement Activities”, promulgated by the Ministry of Finance in October 2021, clearly stipulates that domestic and foreign companies established in China should be equally treated in government procurement activities. We propose that the relevant provisions of the notification be thoroughly enforced at the local government level at each level to ensure that foreign-affiliated companies participate in truly equal government procurement activities.

・We propose that the existence of a list related to “secure and controllable” or “innovation on informatization and application” and the range of applicable products, the requirements, and standards should be clarified to ensure transparency and predictability of market entry. In particular, there are no clear provisions regarding the criteria and conditions for entry into the information security area, making entry by foreign-affiliated companies virtually impossible. In addition, in order to increase predictability, we propose the disclosure of information on products certified in this case.

・We greatly welcome that according to the “Notice Concerning Implementation of Policy on Equal Treatment of Domestic and Foreign Companies in Government Procurement Activities” published by the Ministry of Finance on October 13, 2021, equal treatment of domestic and foreign-affiliated companies was required for units implementing government procurement. However, at the same time, procurement related to national security is excluded from this principle of internal and external equity. It is unreasonable discrimination to exclude products with high security functions from government procurement by excluding the products of foreign companies only because they are not manufactured by Chinese companies, and it is inconsistent with the opening up policy of the Chinese government. Moreover, especially regarding information security issues, we understand that excluding foreign companies’ products and procuring products developed and manufactured by Chinese companies feels more emotionally safe. However, there is a risk that the Chinese government will narrow down its options and it can even create vulnerabilities when it comes to quickly and optimally defending against evolving hacking and other fraudulent means. In order to ensure the security of information systems in China, it should be opening doors to foreign products.

**・Medical Devices/Pharmaceuticals for in-vitro Diagnostics:** We propose that the procurement product selection process be optimised for foreign products that have been approved for sale in China with advanced functions, performance, specifications, clinical value, etc., so that the target products will be fairly supplied if the aforementioned advantages are clearly indicated in documents for on-site medical needs, etc.

**・Retail:** Currently, the sale of tobacco is not permitted to foreign-affiliated companies under the “Detailed Regulations for the Implementation of Tobacco Monopoly Permit Management Law (National Tobacco Law [2020] No. 205)”. For this reason, many foreign retail stores have a tobacco store as a tenant to meet consumer demands for convenience. In addition to tobacco, medicines, books, etc. are not allowed to be handled by foreign-affiliated companies, and not only in terms of direct sales, but also in terms of attracting customers, it has become a factor that forces unequal competition with domestic companies that can sell them. In order to further enhance the convenience of consumers, we propose the removal and relaxation of restrictions on the handling of tobacco, medicine, books, etc. so that they will be treated in the same way as domestic companies within the same business format.

（2）Opening up to the international community

In the 14-5 Plan Outline, as “construction of a higher-level new open economic system”, the level of opening up to the international community will be raised completely, the liberalization and facilitation of trade and investment will be promoted, the opening up of products and elements will be continuously intensified, and deregulating rules, regulations, management, standards, etc. will be steadily promoted. In January 2022, the “Foreign Investment Negative List (2021 edition)” was enforced, and restrictions and prohibitions on foreign investment were reduced from 33 to 31, and restrictions on foreign ownership in some industries were eased along with efforts that are underway to make China a more open market. On the other hand, there are some fields that are not stipulated in the negative list, but the entry of foreign capital is substantially restricted by other related laws and regulations. In Osaka G20 Summit in June 2019, the head of state, President Xi Jinping announced that it will completely abolish restrictions on foreign capital entry other than the negative list, and we expect that such laws and regulations will be revised in the future.

In addition, since January 1, 2020, the Foreign Investment Law, and the Foreign Investment Law Implementation Regulations, which are the basic laws for foreign-affiliated companies, came into effect. It is expected that related laws and regulations will continue to be revised in the future. We continue to propose further abolition of regulation against the market entry for foreign investment and active efforts of further adoption of global standards.

**・Investment:** While various negative lists are being revised and companies are seeking to enter new fields, although not restricted by the “Special Management Measures on the Entry of Foreign Investment (Negative List) (2021 edition)” and “Negative List for Market Entry (2022 edition)”, other related laws and regulations effectively limit the fields open to foreign capital, hence there are cases where it is difficult to enter the market. In order to respond to such cases so as to realize the major pillars of the Foreign Investment Law, such as “domestic treatment before entry and foreign investment management system based on negative list” and “establishment of a fair competitive environment for foreign investment companies”, we propose that the National Development and Reform Commission and the Ministry of Commerce establish a response window so that they can grasp issues and revise necessary related laws and regulations in cooperation with related departments.

・**Information and communications**: Restrictions on the entry of foreign investment are still being set in value-added telecommunication services such as data centres and cloud services. We propose deregulation so that foreign-affiliated companies can utilize the know-how cultivated in their own countries to develop attractive ICT services in China. Regarding the above, we propose that clear guidelines (practical requirements and procedures necessary for obtaining a license) be presented for foreign-affiliated companies for entering the value-added telecom business.

・**Content**: The key to the development of Chinese content industry is not the protection of domestic companies, but the development of domestic companies and human resources through sound competition. In addition, if there is a market need and restrictions are placed on the market entry of overseas genuine products, it will lead to the result in the spread of counterfeit and pirated content that has not passed the government’s preliminary examination and censorship. Therefore, we propose the followings:

・Remove various restrictions and barriers to entry for imports, production, distribution, sales, etc. of foreign companies and overseas contents.

・We would like to see that foreign-affiliated companies are able to operate music distribution services on the Internet.

・We would like to see relaxation of the pre-screening regulations for animation distribution on the Internet. We would like to see the elimination of the need to submit the entire video sample at the time of the examination, relax and clarify the examination criteria, and speed up the examination.

・In order to promote cultural exchange with overseas markets and further develop the domestic game market, we propose prompt examination for imported games, prompt issuance of edition numbers, promotion of more active approval of high-quality overseas game content and consider related policies.

**・Non-life Insurance:** With the revision of the “Insurance Company Equity Management Law” in March 2018, standardization for shareholders of insurance companies was paid attention to, and shareholders’ conditions and the upper limit of investment ratio (upper limit of 1/3 of registered capital for each insurance company) have been tightened. On the other hand, the options for partners (Chinese non-insurance companies) in foreign joint venture non-life insurance companies have become more limited. In order to promote the opening and sound development of the Chinese insurance market, we propose further relaxation of this provision if foreign insurance companies that meet certain conditions (shareholder governance, financial ability, joint venture purposes, etc.), the upper limit of the investment ratio of the partner be relaxed from 1/3 to approximately 1/2 of the registered capital of insurance companies.

（3）Application and procedures of administrative regulations

In the 14-5 Plan Outline, it was emphasized to deepen “Fang・Guan・Fu Reform”（reform to streamline administration, delegate powers, and improve regulation and services）and to streamline administrative permits. In the NPC Government Activity Report in March 2022, in one of the priority efforts, “Deepening reforms without wavering and further drawing out the intrinsic driving force of market vitality and development,” it was emphasized to “continue to promote reforms such as ‘administrative simplification and delegation of authority’, ‘combination of deregulation and management’, and ‘optimization of services’ with a focus on improving the business environment that is marketed, legalized, and internationalized.” These are what Japanese companies continue to demand in many fields in this white paper, and we propose that they continue to develop more active efforts in the future.

In addition, from 2020 to the present, various measures have been taken by the central and local governments to prevent and control COVID-19, however there are also problems related to it. We propose improvements so that these problems do not occur to the best of ability in the future. The proposals related to COVID-19 will be summarized in the section “The COVID-19 Pandemic and Japanese Companies”.

**・Trade:** When using a free trade agreement (FTA) between China, ASEAN and Latin America, the detailed enforcement regulations stipulate that the HS code stated on the certificate of origin should be the HS code of the importing country. However, for items with different HS codes for importing country and exporting country (China), certificate of origin issuing agencies in various regions of China require to list the HS code for their own country (China). Certificates of origin issued as requested by the issuing agency violate the provisions of the importing country, so FTAs may not be available, or negotiations with issuing agencies may take time and delays in using FTAs may occur. This issue was raised in this 2016 White Paper, and they have not been resolved since then, and similar issues have been occurring recently. Therefore, we strongly propose that thorough guidance be given so as not to make requests that are inconsistent with the FTA’s provisions or that are not stated in the text.

**・Energy Saving and Environment:** When formulating policies, laws and plans related to energy-saving and the environment at the Ministry of Ecological Environment, etc., it is necessary to continue exchanging information with related industries, including foreign-affiliated companies, and coordinating with the government agencies of related countries, while developing regulations such as detailed implementation rules, clarifying their interpretations, and clarifying the contact point for inquiries. In addition, we propose ensuring that the GB (national standard) and DB (local standard) for each region and bureaus are unified. Regarding application to existing equipment, we propose necessary consideration such as setting a grace period and transitional measures while considering the capabilities of each company.

“Main items that showed improvement from the proposals of 2021 White Paper”

The main items that showed improvement from the proposals of 2021 White Paper are as follows. In these items, we believe that improvements have been made along the direction of the proposals, and we appreciate the Chinese government for the efforts to improve the business environment. However, some of these still require further improvement. In addition, there are still many other areas where improvement is expected, and we hope that improvement efforts will be continued.

1. Decrease in restrictions and prohibition clauses in foreign investment（2021 edition of White Paper p44, “Investment” Proposal ③）

It is welcomed that, in the “Special Management Measures for Foreign Investment Entry (Negative List) (2021 Edition)”

that came into effect in January 2021, the restrictions and prohibitions have been reduced from 33 items in the 2020 edition to 31 items, and some relaxation has progressed. However, we propose the National Development and Reform Commission and the Ministry of Commerce further reducing the restrictions and prohibitions clauses.

2) Extension of personal income tax incentives（2021 edition of White Paper p58, “Taxation and Accounting” Proposal ⑥）

　At the time of the 2019 revision of the Personal Income Tax Law, tax exemption allowances for housing allowances for foreign employees, language training expenses, and child education were to be abolished at the end of December 2021 after a three-year transition period. Since it is expected that the tax burden on foreign employees will increase significantly if the tax exemption allowances disappear, we proposed that the current preferential treatment be continued. After that, an additional notification was promulgated at the end of 2021, and it was clarified that the tax exemption allowance measures could be applied continuously until the end of 2023. Japanese companies have welcomed the continued application.

3) The transition period of the old and new registration certificate and the validity of the old registration certificate（2021 edition of White Paper p160/162, “Medical Devices/Pharmaceuticals for in-vitro Diagnostics” Proposal “3. Optimization of renewal application”）

　 According to “Medical Device Registration and Filing Management Law (No. 47, 2021)” and “In-vitro Diagnostic Reagent Registration and Filing Management Law (No. 48, 2021)”, it is clearly stated that If the new registration certificate is issued by the expiration date of the old registration certificate, the new registration certificate will be valid from the day after the expiration date of the old registration certificate, and the validity period of the new registration certificate and the old registration certificate was clarified.

4) Simplification of registration notification application（2021 edition of White Paper p168, “Cosmetics” proposal “5．Request for reduction and simplification of excessive document request at the time of registration notification”）

　 The “Cosmetics Registration and Notification Document Management Regulations Document Code” implemented from May 1, 2021, shows that the specific cosmetics application process under the new ordinance was shown, and animal tests in general cosmetics product safety tests became exempted. The “Cosmetics Manufacturing Permit Certificate” issued by the Ministry of Health, Labour and Welfare of Japan is now accepted as a valid document as the “qualification certification related to the production quality control system issued by the administrative department of the country (district) where the company is located”.

5) Travel between Japan and China（2021 edition of White Paper Proposals related to “Labour”, “Air Transportation”, etc.）

　 On June 17, 2022, the Chinese Embassy in Japan announced that no invitation letter was required to apply for visas for expatriates and their families. The visa issues for expatriates' families, which had been a major problem for about two years, has been resolved. After that, on July 1, it was announced that no invitation letter would be required for all visa applications, including visas for short-term business travellers. In addition, on June 28, 2022, the State Council announced that it would shorten the quarantine period required for foreign visitors from 14 days to 7 days, and in major cities such as Shanghai, Dalian, Qingdao, and Tianjin, the quarantine period was shortened accordingly. Furthermore, from July 2022, direct flights from Beijing to Narita were resumed, although it was a one-way weekly flight. However, we propose immediate improvement in the following situations: 1) if the final destination is Beijing, it is still demanding quarantine for 14 days or more, and 2) the resumption of direct round-trip flights between Tokyo and Beijing, the capitals of both countries, especially in this year when the 50th anniversary of the normalization of diplomatic relations between Japan and China is celebrated and the revival of human exchange between Japan and China will be one of the most important issues.

“Contribution of Japanese companies to the Chinese economy”

Japanese companies have played a very important role in the past as China has expanded its economic scale while improving growth quality and efficiency. According to statistics from the General Administration of Customs of the People’s Republic of China, Japan is the third largest export destination for China in 2021 by country / region and the third largest import destination, making Japan an important trading partner for China. In addition, when JETRO looked at Japan-China trade in 2021 based on Japan’s Ministry of Finance trade statistics and China Maritime Statistics, the total trade amount increased by 15.1% from the previous year to 391,440.49 million USD for the first time in 10 years since 2011 (378,424.9 million USD)

According to the Ministry of Commerce of China, the amount of investment in China (excluding banks, securities, and insurance) from around the world in 2021 reached a record high of 173,480 million USD, increased by 20.2% from the previous year. On the other hand, according to the “Balance of Payments” of the Ministry of Finance of Japan, Japan’s investment in China decreased by 5.0% from the previous year to 1,049.5 billion JPY for the full year of 2021, continuing to decrease from the previous year. Even though the total amount decreased, the non-manufacturing industry, which accounts for 40% of the total, increased by 6.0% from the previous year.

According to the Ministry of Foreign Affairs of Japan's “Survey on the Number of Japanese Companies Expanding Overseas, 2020 Edition: As of October 1, 2020”, the “number of bases” of Japanese companies in China is 33,341, directly and indirectly creating more than 10 million jobs, and it has made a great contribution to job creation. In addition, according to JETRO's survey (FY2021 Survey on Japanese Companies Expanding Overseas), about 50% of Japanese companies in China (616 companies) have used “almost” or “about half” of their cumulative earnings in China as a source of investment for expanding production and sales capacity in China. It can be seen that many Japanese companies are using the profits from their investments in China to further develop in China.

Furthermore, Japanese companies are contributing to China not only in terms of the economy and employment, but also through various social projects. According to a JETRO survey (FY2021 Survey on Japanese Companies Expanding Overseas), about 40% of Japanese companies in China (639 companies) answered that they are implementing some kind of corporate social responsibility (CSR) business in China. Of these, more than 10% of companies spend more than 1% on social contribution projects in their cumulative revenues in China. By field of social contribution projects, “charity” accounted for the largest percentage at 48.8%, followed by “environment” at 44.7%, followed by “social welfare”, “education”, “disaster measures”, and “international exchange”.

When the Japanese Chamber of Commerce and Industry in China collected examples of what kind of social contribution activities Japanese companies are doing, it became obvious that they are engaging in support activities in a wide range of fields such as the support for impoverished areas, environmental protection, contribution to carbon neutrality, and support for responding to the COVID-19 pandemic, support for people with disabilities, education support, and disaster support (see the table for details), etc.

Table: Major examples of social contributions of Japanese Companies in China

|  |  |
| --- | --- |
| Support for impoverished areas and the impoverished | ・ With the cooperation of the local government, donated the construction cost to hope primary school .  ・ Donated school bags and uniforms to elementary schools in impoverished areas.  ・ Donated clothes to impoverished areas and received a letter of appreciation.  ・ Donated picture books and desks to impoverished children and received a donation certificate.  ・ Support for enrolment of students in impoverished areas. In addition to contributing living expenses subsidies for impoverished students, exchange activities with teachers and students were carried out. As a result, in Shanghai, more than 1,200 students were provided with subsidies by 2020, of which more than 100 went on to university.  ・ Implemented support projects for high school students in impoverished areas via the Ministry of Foreign Affairs.  ・ Established a human resources development fund to support university students who have excellent behaviour and academics but whose families are impoverished. The fund has been in operation for 26 consecutive years, and the total amount of support exceeds 12 million RMB, supporting a total of about 10,000 university students.  ・ IT education support for elementary and junior high schools in impoverished areas.  ・ Donated air conditioners to schools in impoverished areas.  ・ Donated libraries, books and sports equipment. |
| Contribution to environmental protection/  carbon neutrality | ・ Implemented an empty bottle collection projects and promoted the use of refillable products throughout China. Significantly reduced the amount of plastic used.  ・ Implementation of garbage collection activities in parks.  ・ Support for the protection of migratory bird wetlands.  ・ Donations to desert greening activities and tree planting activities by employees.  ・ Garbage collection activities around the factory.  ・ Held a running competition. Converted the mileage of the participants into donation points and donated to a foundation. |
| Support for COVID-19 countermeasures | ・ Donated ECMO (Extracorporeal Membrane Oxygenation).  ・ Donated 2,500 thermometers and 1,250 sphygmomanometers to hospitals.  ・ Provided donations and relief supplies to foundations.  ・ Established a fund in collaboration with a foundation to provide continuous support mainly to women and teenagers.  ・ A total of about 6 million RMB of cash and supplies were donated to support the prevention and management of infectious diseases and to purchase medical protective equipment necessary for medical professionals. In collaboration with major medical websites, free online consultations were held and provided medical support and care to patients other than those infected with COVID-19 who had difficulty going to hospitals or medical consultations.  ・ Donated COVID-19 preventive supplies to children in rural areas.  ・ Donated medical supplies such as special protective clothing and disinfectant alcohol for medical use to infected areas and hospitals, as well as items with health and sterilization effects such as air purifiers and germicidal lamps. Donated a total of nearly 1.5 million yuan.  ・ Fund-raising activities. |
| Support for people with disabilities | ・ Provided support for Chinese private soccer tournaments for people with disabilities.  ・ Employees visited support facilities for children with disabilities and donated food and daily necessities.  ・ The labour union visited welfare facilities for people with disabilities on an irregular basis and purchased flowers used at the facilities.  ・ Provided support for improving the learning environment for hearing-impaired children who usually attend classes.  ・ Provided support for university exchanges for people with visual and hearing impairment between Japan and China.  ・ Provided support for orphans and children with disabilities at the Children's Welfare Institute. |
| Education support | ・ Support for research activities related to Japan.  ・ Awarding scholarships.  ・ Accepting college student internships.  ・ Exchange student scholarship project.  ・ Held vocational guidance and hands-on activities for university students.  ・ Provided support for the Global Youth Innovation Contest.  ・ Provided travel expenses and scholarships for exchange study abroad in Japan. Trainings at companies were also carried out.  ・ Autism youth rehabilitation and educational support.  ・ Collaboration activities with special schools (volunteer activities) and donations of picture books.  ・ Traffic safety experience education activities.  ・ Conducted multiple aviation classes (pilots, flight attendants, mechanics, flight staff and cargo staff).  ・ Provided support for repairing school facilities. Donation of stationery to students.  ・ Students factory tours.  ・ Since 2009, children's environmental education projects have been promoted, and environmental education classes and lectures have been held, eco-science and technology activities and contests in various places were conducted. By the end of March 2021, more than 1.05 million students from all over the country have participated in the project.  ・ Lectures on business trip environmental protection activities for kindergartens and elementary schools.  ・ A collection of Japanese fairy tales is donated every year to the Japanese language department of universities in Beijing. |
| Culture/Sports | ・ Dissemination of knowledge about the Olympics and Paralympics for young people. Developed related courses and teaching materials, and introduced Olympics and Paralympics knowledge to young people in the form of online learning, book donations, school lectures, etc. In 2020, a total of more than 40,000 adolescents participated in the related activities.  ・ Started sponsorship of the Boys and Girls Soccer Tournament (COPA MUFG) held in Shanghai in 2011, and has been the main sponsor since 2012. |
| Disaster support | ・ Donated to flood disasters caused by heavy rains.  ・ After serious flood in Henan Province, we supported donations, purchase of emergency relief supplies, local disinfection, sterilization, infectious disease prevention work, and disaster hygiene management work.  ・ Donated urgently needed medicines to a local hospital after an explosion at a chemical factory in Jiangsu Province. |
| Others | ・ Every year, clothes, daily necessities, toys, etc. that are no longer used are donated to local NGOs that support migrant workers and their families.  ・ Visiting facilities for the elderly. |

Source: Created based on the results of a survey conducted by the Japanese Chamber of Commerce and Industry in China

Japanese companies are striving to develop with China in the future as the economy becomes globalized and supply chains become complicatedly intertwined. On the other hand, it can be seen that the uncertainty of Japanese companies in making important business decisions is increasing due to the effects of US-China economic and trade friction and the COVID-19 pandemic. Japanese companies hope to further expand their businesses in China and continue contributing to the development of China’s economy and society in the future, and for this reason, it is expected that the business environment in China will improve, and the predictability will increase.

【The COVID-19 Pandemic and Japanese Companies】

COVID-19 continues to have a major impact on Japanese companies in China.

Since 2022, the Omicron strain has caused the spread of infection in multiple areas of the country, and from March 28, the city of Shanghai was closed by dividing the city into east and west, and then the entire city was placed under lockdown. In addition, the infection spread in Beijing after the end of April, and lockdown and suspension of work were implemented in some areas. In June, various restrictions were gradually lifted in Shanghai, but on June 2, the Shanghai Japanese Commerce and Industry Club announced the result of survey, namely “Understanding the actual situation regarding the impact of the Shanghai city lockdown on business (3rd)” (The survey conducted between 27-31 May, the number of companies responded were 129), approximately 60% of the companies answered “production of 30% or less” and “production of about half” in terms of factory restrictions and operating conditions, and 14% answered that they were “not operating at all”.

In the above survey, “recovery of logistics” was the highest at 73% in the issues for recovery of the operation rate (multiple answers), and regarding logistics outside Shanghai and in Shanghai City, more than 70% of companies answered that they could only arrange less than half of the required amount. Regarding the arrangement of international logistics, about 60% of the companies answered that they could only arrange less than half of the required amount, and 14% of the companies answered that they could not arrange at all. With regard to the impact on profits in 2022, nearly 90% are expected to be negative, and there are many calls for tax incentives and rent reductions or exemptions. Regarding the impact on investment attitudes in China, “no change” (45%) accounted for about half, but 39% of companies answered they “do not know yet”.

On the other hand, regarding the impact of various regulations implemented in Beijing from April to May 2022 to prevent and control the spread of COVID-19, the Japanese Chamber of Commerce and Industry in China published “the survey of impact of COVID-19 measures on business” (conducted between 19-23 May, the number of companies responded were 85) on May 31. As for the impact of the COVID-19 measures, 15% of companies answered that they had an impact on their investment plans (8% said that “investment was delayed”, and 7% said that “investment amount decreased”), and 54% answered that they “do not know yet”.

In the descriptive answers, “invitation letter for accompanying family members”, “shortening the quarantine period”, and “resuming direct flights between Beijing and Japan” were listed as main issues. In addition, there were some opinions that it may affect the management decisions of the top management in Japan and lead to “withdrawal or reduction of Chinese business”. Moreover, there were many concerns about “additional measures based on the community's own judgment” that overturns the judgments and policies of the central government and city government, such as forced quarantine and additional quarantine after arriving in Beijing from home and abroad. If such additional measures are taken arbitrarily, it may become a major business obstacle in terms of corporate operations, employee life and attendance, and logistics, so we would like to see unified operation.

In addition, on June 17, the Japanese Chamber of Commerce and Industry in China sent a petition for the Chinese government regarding travel between Japan-China to State Councillor, Foreign Minister Wang Yi and Chinese Ambassador in Japan Kong Xuan You. The proposals include: (1) smooth visa issuance (abolition of the invitation letter system including short-term business trip visas, etc.); (2) review of the two-month travel suspension rules for people infected with COVID-19; (3) resumption of direct flights such as Beijing or Shanghai to Japan; (4) securing stable air flights; (5) securing domestic means of transportation to the city of departure; (6) shortening the quarantine period; (7) elimination of additional quarantine measures at the discretion of the community; (8) simplification of travel for corporate and group officers; (9) resumption of issuance of student visas to Japanese students; and (10) resumption of travel for tourism purposes for Chinese.

According to a notice released by the Embassy of the People's Republic of China on June 17, the invitation letter is no longer required for Z visas and accompanying families. We welcome this measure and continue to hope that the other proposals stated in the above petition be fulfilled.

In the following, we will introduce the main proposals related to COVID-19 submitted in this white paper.

【Proposals for travel between Japan and China（①～⑥）】

1. Early resumption of direct flights to Japan and increase of reopened routes

Direct flights between some countries and Beijing have resumed since September 2020 but have not yet resumed with Japan. In view of the importance of Japan-China relations and smooth travel to and from Beijing, we propose allowing Japanese airlines to promptly resume direct flights. In addition, we propose the prompt resumption of direct flights to other cities in China (Shenyang, Wuhan, Chengdu, Xiamen, etc.) that have not yet resumed direct flights of Japanese airlines. Also, especially in Shanghai, where the largest Japanese community in China is located, the only operating direct flights by Japanese airlines is the once-a-week Tokyo to Beijing flight, however, the supply volume between Japanese and Chinese airlines is unbalanced and the supply on the Japanese side is in short supply. We propose an early increase in flights for routes that have already resumed direct flights, including Shanghai.

1. Prompt visa issuance, relaxation of procedures that restrict expatriates taking up new posts and business trips

We propose that all procedures that impose restrictions on expatriates taking up new posts and business trips be eased such as the prompt issuance of visas including family members. Furthermore, from the perspective of developing business human resources between Japan and China, we propose the prompt issuance of student visas.

## ③ Improvement of centralized quarantine environment and shortening of centralized quarantine period

We understand that quarantine after entering China is an unavoidable measure to prevent epidemics, and we thank the local governments in some host areas and the people involved in the quarantine hotels for their devoted efforts. However, not all receiving sites have a good quarantine environment, and it is expected that people who are new to China, who do not understand Chinese, people with small children, etc. are worried during quarantine life. To prevent this from happening, we propose the provision of staff who can speak Japanese, Japanese TV broadcasting, Japanese food and meals for children, rooms with windows that allow the room temperature to be adjusted, and frequent replacement of towels and sheets. Furthermore, we propose that the Wi-Fi environment be improved so that remote working can be performed even during centralized quarantine. For immigrants from Japan, we propose that the centralized quarantine period be shortened and transferred to the home quarantine period, or that home quarantine be applied nationwide in the case of families with small children, on the premise of a negative PCR test performed before entering China.

## ④ Abolition of additional quarantine measures in each city after the end of centralized quarantine

In some cities, after 14 days of centralized quarantine after entry, additional quarantine measures are required under their own rules. In fact, in addition to the 14 days of centralized management, there are cases where an additional 14 days of quarantine is required, which is a major obstacle to business activities. For this reason, we propose that additional quarantine measures by some local cities be abolished and implement health observations only as practiced in many cities.

## ⑤ Early clarification and rationalization of fast-track operation procedures

The operation of the fast-track (business track) started on November 30, 2020, between Japan and China, however, the contents and usage procedures have not been clarified by the Chinese side. When expatriates residing in China travel to Japan and return to China, it is a heavy burden for companies to be required to take centralized quarantine measures, even for two weeks. For this reason, we propose that companies not be overburdened by clarifying the operational procedures for fast-track (business track) as soon as possible and making reasonable content that can be used by companies (e.g., allow movement between home and work for 14 days after returning to China).

## ⑥ Resuming group travel from China to Japan

Japan announced on June 10 that it would lift the ban on short-stay group tours from China. This is an important aspect that not only contributes to the economic recovery between the two countries, but also leads to the further development of Japan-China friendship by promoting mutual understanding. This year marks the 50th anniversary of the normalization of diplomatic relations between Japan and China, and we propose that travel for tourism from China to Japan be resumed as soon as possible.

In addition, in this white paper, the following proposals were mainly made in relation to COVID-19 pandemic.

**・Investment:**

・Among the preventive and control measures against the spread of COVID-19 pandemic, it is not clear when the measures will end after they are promulgated. For example, regarding the measures to prohibit group dinners in Beijing, etc., the end time was not clear, and the response varied depending on the restaurant. We propose that the end time of various measures be clarified.

・In the preventive and control measures against the spread of COVID-19 pandemic, authentication systems based on “health codes” have been introduced in various places. On the other hand, in some areas, the system did not support foreigners even after the start of operation. When introducing such a system, we propose that foreigners be able to use it equally at the start of operation.

・During the epidemic period of COVID-19, there are cases in which mutual inconsistencies in instructions issued at central government level, provincial governments, cities, townships/towns, etc. occurred and there are cases where Japanese companies have had difficulty responding. We propose to local governments at each level that they should avoid oral communication and guidance, publish notifications on the website and thoroughly notify them in official documents. We propose that lower-level administrative bodies should avoid conflicts between mutual notifications and instructions by clearly indicating relevant notifications of higher-level administrative bodies.

・After entering the border from overseas, or when traveling or staying in a city with strict epidemic prevention measures such as Beijing, in some cases, the communities and sub-districts that manage residential apartments for entry personnel and accommodation hotels for business travelers make even higher demands than notification requests at the national, provincial, or municipal level (for example, the quarantine of the last 7 days for the quarantine period of 14 days + 7 days + 7 days after entry). We propose not making higher demands than the regulations of higher-level administrative bodies regarding the operation of terminal regulations such as communities and sub-districts.

**・Labour:**

　As the effects of countermeasures against COVID-19 continue, the administrative procedures required for foreigners to visit and work in China are becoming more difficult. Hence, we would like to submit the following opinions for improvement to the Ministry of Foreign Affairs, the Ministry of Science and Technology and the National Immigration Bureau.

・There are few and inconvenient ways for foreigners planning to visit China to inquire about the conditions for entering and leaving China, necessary procedures, post-entry epidemic prevention measures and quarantine policies. Hence, we would like to see more ways for collecting information. For example, we propose that a platform for inquiries and a dedicated hotline be set up directly at Chinese diplomatic missions abroad, and that the efficiency and accuracy of responses to existing inquiry counters be improved. In addition, we propose that a grace period of at least one week be provided before the enforcement of the new regulations begins, and that the regulations be implemented after sufficient notification.

・Due to the effects of the COVID-19 control measures, it is becoming more difficult for foreigners to obtain certificates such as invitation letters, visas, work permits, residence permits, etc. for business trips to China or work in China. The number of application documents that need to be submitted is increasing. We propose that the processing of various administrative procedures be expedited, make detailed and specific requests for application documents and inform them clearly in advance at one time, and avoid requesting additional submissions and revisions of documents repeatedly.

・In some local government agencies, the situation continues that the issuance of invitations and visas to spouses and minor children of expatriates staying in China has been suspended, and expatriates have been away for a long time without seeing their families. We propose that the policies of invitations and visas for spouses and minor children of foreigners be relaxed.

・Foreigners currently entering China are required to have a valid visa or residence permit. However, when the epidemic of the new coronavirus infection is alleviated and settled in the future, we propose that the visa exemption policy for Japanese staying within 15 days be resumed as soon as possible.

**・Agriculture, Forestry and Fisheries/Food:** Management of imported frozen foods as a countermeasure against COVID-19 pandemic continues to be strengthened, but there is confusion at the site due to the retention of business at the quarantine site and the incomplete notification content. In addition, in on-site inspections at food factories, warehouses, and restaurants, there are cases in which sales and businesses are forced to be suddenly interrupted, which hinders stable business activities. Although full cooperation with epidemic prevention policies is a matter of course, we propose thorough and clarification of the notification in its operational rules.

**・Air Transportation:**

・To prevent the spread of COVID-19 pandemic, airlines are continuing necessary epidemic prevention measures such as compliance with the guidelines of the Civil Aviation Administration of China. When the flow of passengers between Japan and China gradually recovers after the infection is suppressed, shortening the time required for quarantine at the airport and improving the quarantine processing capacity are major issues. For example, at some international departure airports, there are cases where local customs require airlines to limit the start time of safety inspections and to assign passenger guidance personnel at inspection sites. We propose that the local customs deploy an appropriate number of staff and clarify the work to be done as a public service.

・We propose that crew members staying on both passenger and freight flights be exempt from PCR testing when they arrive in China, as in the case of handling in other countries, on the premise of possessing a negative PCR test certificate before departure from Japan and restrictions on going out at accommodation facilities.

・Regarding the prevention of the spread of COVID-19 pandemic, we are fully aware of our responsibility as a private company to comply with various notifications in order for the government, public and private sector to cooperate and take all measures to prevent it thoroughly. However, most of the notifications from the field authorities used the chat function on SNS, and the official written disclosure and standard guidelines were not specified, and the information was sometimes limited to Chinese airlines. Even after the issuance of the notification, there are still cases where there is no grace period for the response. In addition, instructions may differ depending on the judgment of the person in charge of the site, or instructions that clearly go beyond the role of the company may be imposed, which will be a burden on companies and employees working at the site, in particular, there were occasions where safety was threatened when dealing with COVID-19 pandemic. We propose that the notification be issued with sufficient time, that all airlines be equally disclosed when issuing the notification, that a formal written notice be given, and that the operational responsibilities of the field authorities be clarified.

・While the number of international flights is severely restricted, the international passenger flight slots of Japanese airlines are not fully utilized. In an environment where the supply and demand of international logistics is tight due to the COVID-19 pandemic, in order to meet the needs of emergency transportation projects such as supply chain maintenance and vaccine transportation, we propose flexible approval, including cargo flight operations during the daytime, so that Japanese airlines can convert international passenger flight slots to cargo flight slots.

・There are many instructions to spray a large amount of disinfectant by each airport quarantine, and discoloration and deterioration of cabin equipment occur. In some cases, parts replacement costs are incurred. We propose a review of a large amount of disinfectant spraying that exceeds the aircraft manufacturer's designation, and a unified and appropriate spraying method at each airport. Moreover, the number of contractors who can carry out disinfection is limited, in addition to the shortage of workers to carry out the task at some airports, the complicated work process constantly delays the departure of flights. Since it has a large impact on passenger convenience, we propose that the disinfection response be expedited.

・Although the disinfection work used to be carried out mainly by customs, it is now obliged to carry out the disinfection work at the responsibility of the airline company according to the instructions of the State Council, and the process has become complicated, which puts a heavy burden on the airline company. In particular, the disinfection process evaluation and disinfection effect evaluation are required to be conducted by airlines or contractors who can carry out the work. However, there are airports that do not have contractors as well as airlines, so it is very difficult to respond. We propose that the customs office carry out disinfection work and evaluation like they used to do.

・Since the instruction for the special class management by the authorities, there is a shortage of quarantine officers, ground handling staff, mobile bus drivers for crew members, etc., and there are frequent cases of significant delays (4 to 5 hours on average) waiting for these staff members. Hence, we propose relaxation of the conditions for the current special class management work. In particular, regarding aircraft maintenance, in order to ensure safe operation such as dealing with large-scale equipment failures, we propose that it is excluded from the special class quarantine on the premise of certain conditions (e.g., in-flight disinfection + fumigation and wearing protective clothing).

・At some airports, due to the lack of quarantine facilities after entry, there are cases where the city government and the Civil Aviation Administration of China do not give permission to operate even though they have the right to operate within the agreement between Japan and China. We propose the expansion of quarantine facilities because we believe that the maximum utilization of the operating rights we own is indispensable for maintaining the necessary personnel exchanges between Japan and China.

**・Wholesale:** Due to the spread of the COVID-19 pandemic in 2020, the response to imported frozen foods has become stricter, and as a result, the handling of imported frozen foods has been greatly affected. In addition, under the influence of COVID-19, PCR tests and disinfection of imported frozen foods continued in various places in 2021, and as a result, the handling of imported frozen foods has been greatly affected. We propose easier ways for companies to respond by disclosing the test results of the importer, product, discovery site, etc., and from where the virus was found. We propose that the operation does not differ significantly depending on the local government.

**・Retail:** In the event of an outbreak in various regions of the country, strict lockdown control is put in place to prevent the spread of the infection, and measures are often taken to prohibit the entry of foreigners and vehicles into residential compounds in medium and high-risk areas. Road entry may be prohibited. While these measures are expected to be highly effective in containing infections, if they are regulated uniformly regardless of the scale of infection, distribution will be delayed, and it will not be possible to procure products that have been confirmed to be safe. In addition, it will take longer than expected to deliver, the freshness will drop, and the sellable period will be shortened, which will have a great impact on economic activities. We propose the implementation of countermeasures that give consideration to ensuring logistics while putting safety first.

**・Banking:** In January 2017, the People’s Bank of China promulgated the “Notice Concerning Foreign Bonds of Foreign-Invested Companies” (Banking Notice [2017] No. 9) stating that the foreign bond management methods, which allows foreign bonds to be procured by electing either the investment difference method or the macroprudential method, is to be evaluated and finalized according to the implementation status by the authorities after a one-year transition period.

・Since there is a great advantage that foreign-invested companies can choose from multiple foreign bond management methods, we propose highly flexible management that allows them to continue to choose between the two methods.

・In March 2020, the People’s Bank of China and the State Administration of Foreign Exchange promulgated “Notice Concerning Adjustment of Macroprudential Policy Factors for Full-Range Cross-Border Loans” (Banking Notice [2020] No.64) in order to prevent financial deterioration of companies due to the spread of the COVID-19 pandemic, and the macroprudential policy factor was raised from 1.00 to 1.25, which expanded the foreign bond limit from 2.0 times to 2.5 times the net assets.

・However, in January 2021, the People’s Bank of China and the State Administration of Foreign Exchange promulgated the “Notice Concerning Adjustment of Macroprudential Policy Factors for Full-Scope Cross-Border Loans of Companies” (Banking Notice [2021] No. 5), and the macroprudential policy factor has been reduced from 1.25 to 1.00, which cut down the foreign bond limit from 2.5 times to 2.0 times the net assets.

・While the performance and cash flow of foreign-invested companies have not necessarily returned to the levels before the COVID-19 pandemic, the foreign bond limit has been reduced to the level before the COVID-19 pandemic. We propose the expansion of foreign bond limit in order to support the business continuity and development of foreign-invested companies.

**・Travel:** We propose the resumption of entry trips, which are prohibited from operating since January 24, 2020.

“Carbon Neutral and Japanese Companies”

The Chinese government has set a goal of reaching the peak of carbon emission by 2030 and carbon neutrality by 2060, and Japanese companies would like to actively cooperate and contribute to these goals through business activities.

According to JETRO’s survey (FY2021 Survey on Japanese Companies Expanding Overseas), among Japanese companies in China (666 companies), the total of companies that are already working on decarbonization (reduction of greenhouse gas emissions) and companies that are planning to work on it in the future exceeded 60%. By province and city, the percentage of respondents who answered that they are “already working on it” was the highest for Japanese companies in Beijing, which was close to 50%. Looking at the companies that answered “already working on it” by industry, the manufacturing industry (33.2%) exceeded the non-manufacturing industry (29.2%) by 4.0 percentage points. In industries such as chemicals / pharmaceuticals, electrical / electronic device parts, and textiles / clothing, more than 40% of the companies are “already working on it”.

As for the content of efforts for decarbonization, “energy saving / resource saving” was the most common at 60.8%, followed by “procurement of renewable energy / new energy power” at 35.7%, and “development of new environment-friendly products” at 29.4%, “implementation of social contribution activities (environmental activities)” at 24.2%, and “electrification of energy sources” at 17.0%.

As for specific initiatives, while the response that “introduction of solar power generation equipment” stood out, some responded that “there is no specific proposal for initiatives other than the introduction of solar power generation, and it is necessary to consider further initiatives by referring to the cases of other companies”. In the non-manufacturing industry, initiatives such as changing packaging materials to environmentally friendly materials have been seen. In this way, Japanese companies in China are actively considering and implementing initiatives to achieve carbon neutrality.

On the other hand, cost-effectiveness, profitability, cost burden, etc. are mentioned as issues when tackling decarbonization. In the “Chinese Economy and Japanese Companies 2022 White Paper”, there was a proposal for implementation of preferential measures for initiatives of Japanese companies that are highly effective in saving energy and reducing CO2 in order to tackle carbon neutrality. The main proposals related to carbon neutrality submitted in this white paper are introduced as follows.

**・Energy saving / Environment:**

・Against the background of energy consumption control policies aimed at reducing CO2 emissions, production suspension due to a simultaneous power outage without notice, caused major obstacles to corporate activities. We propose early notification in the event of a power outage, visualization of schedules and reduction targets, exemption from restrictions on companies with a high degree of environmental contribution rather than imposing uniform targets, target setting that does not hinder corporate production and economic growth, and a consistent and stable power supply.

・Utilization of renewable energy is important for reducing CO2 emissions. However, in 2018, some subsidies related to the introduction of renewable energy were reduced, making procurement and utilization more difficult than before. We propose various incentives such as tax incentives for companies that will continue to expand the use of renewable energy to promote their utilization. We also propose the expansion of subsidies for generator leasing to meet power restrictions, introduction of renewable energy, and introduction of high-efficiency equipment to improve energy efficiency.

・In order to promote CO2 emission reduction more actively, we propose that a contact window between the government and the corporate alliance to actively promote energy saving, renewable energy, CO2 capture, DX, etc. be set up, and furthermore, consider further promotion of cooperation and collaboration including foreign-affiliated companies.

**・Coal:**

・Introduction of energy-saving and CO2 reduction technologies for coal-burning boilers

　On November 3, 2021, the National Development and Reform Commission and the National Energy Administration announced the “National Coal-Fired Power Generation Unit Remodelling / Upgrade Implementation Plan”. It demanded that the average amount of coal power generation per kilowatt hour in 2025 be 300 grams or less in terms of standard coal. In addition, it was demanded that for coal-fired power generation with coal power generation consumption of 300 grams (standard coal) or more per kilowatt hour, energy-saving remodelling be carried out, and the scale of remodelling during the 14th Five-Year Plan period be 350 million kW. It is very important to work on improving the efficiency of coal-fired power to achieve carbon neutrality in 2060, and it is desirable that energy-saving remodelling is low-cost and effective. Energy-saving remodelling with less on-site work without remodelling existing boilers or additional equipment seems to be even more ideal. For example, we believe that the advanced technology that can realize energy saving and CO2 reduction by improving the combustion condition in the furnace by changing the operating conditions without equipment remodelling or optimizing the boiler control, will be most feasible. If such advanced technology is excellent in energy saving, CO2 reduction effect, and economic efficiency, we believe that it should be considered to introduce the technology regardless of whether it is domestic or overseas. We propose policy support regarding the introduction of energy-saving improvement technologies.

・Consideration of coal-biomass co-firing in coal-burning boilers

　Among the measures to realize carbon neutrality, the technique of co-firing with coal using biomass as fuel in a coal combustion boiler is considered to be effective. The raw material of biomass is plants, and since it absorbs CO2 in the atmosphere by photosynthesis during the growth process, it cancels out the CO2 emitted during combustion, and the CO2 emissions are counted as virtually zero. Therefore, by co-firing biomass in a coal-burning boiler, the amount of coal used is reduced, and CO2 emissions can be reduced accordingly. In Japan, technological development and commercialization of coal-biomass co-firing in coal-burning boilers is being promoted, and semi-carbonized black pellets are becoming widespread as a biomass fuel similar to coal. The production technology and equipment have already been developed, and we have the know-how on solving the problems of the impact of biomass co-firing on boiler equipment and co-firing technology. Biomass co-firing is one of the most effective measures to reduce CO2 and is considered to be able to contribute significantly to China's carbon neutrality. Therefore, we propose policy support for coal / biomass co-firing.

**・Electric Power:** The “1 + N” policy aimed at achieving the “3060 target” declared by China to the international community has been made clearer in the policy documents such as the “Working Guidance for Carbon Dioxide Peaking Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy” and the “Action Plan for Carbon Dioxide Peaking Before 2030”. At the same time, the fact that the public and private sectors have begun concrete initiatives promptly can be highly evaluated as China's major contribution to global environmental issues.

　From the standpoint of electricity users, Japanese companies operating in China strongly hope to play a part in these initiatives being promoted by China.

　Regarding this, in addition to companies working on peak cuts / peak shifts of electric power consumption and demand response, we propose the introduction of merit-giving policies such as reduction of power saving target, exclusion from power supply restrictions/planned power outage, power trading prices (see the note below) and tax incentives for companies that actively cooperate and contribute to form a “system that integrates with and complements functions such as supply, distribution, utilization and power storage” through introducing new power storage equipment including the utilization of storage batteries for electric vehicles (EVs) and installation of privately-owned renewable energy power sources etc. in the electric power field. At the same time, we propose the establishment of a certification system with a green certificate that can prove that electric power users have used carbon-free electric power that can be certified overseas.

Note: “National Development and Reform Commission Pricing Notice No. 1439” (Refer to p138 “Electricity” Proposal ②) states that the trading price in the electricity market is within the range of the standard price ± 20%. However, this upper limit is not applied to energy-intensive industries. For this reason, many companies in the energy-intensive industry are actually forced to procure electricity at a high price of + 20% or more of the standard price. For this reason, for companies in energy-intensive industries that are actively working to reduce carbon by installing private renewable energy power sources, we propose that the upper limit of the price should not be abolished and make trading within the range of the standard price ±20％.