CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
Global Business Division

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■ BIWEEKLY DIGEST

[Economy]

- **IMF Annual Assessment of China's Economy Says "No Foreign Exchange Intervention by the Chinese Government Found"**
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- **Housing Prices in July for 70 Medium- and Large-Sized Cities: Month-on-Month (MoM) Growth in 60 Cities, YoY Growth in All 70**

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- **China's Fourth Round of Tariffs on the U.S. Immediately Ignites U.S. Countermeasures**
- **July Inward Foreign Direct Investment Increases 4.1% YoY**
- **Japan-China Agreement on Social Security to Become Effective on September 1**

[Economy]

◆IMF Annual Assessment of China's Economy Says "No Foreign Exchange Intervention by the Chinese Government Found"

On August 9, the International Monetary Fund (IMF) released its annual assessment of China's economy.

The IMF expressed its view that the People's Bank of China (PBOC) has made almost no intervention in RMB exchange rates. However, it stated that PBOC's exchange rate policies would need more flexibility and transparency. IMF's view differed from that presented earlier by the U.S. government, which labelled China a "currency manipulator."

The IMF forecasted that the Chinese economy as a whole would slow down, affected by sluggish foreign demand and U.S.-China trade friction, adding that its GDP growth rate would decrease from 6.6% last year to 6.2% in 2019. Amid uncertainties over the continued trade friction, IMF saw the Chinese economy faced with downward risk, commenting that if the trade friction were to further intensify, the government would need to stabilize its economic growth by coming up with additional economic stimulus measures primarily related to fiscal policy.

The growth rate of China's debt balance in the non-financial sector slightly decreased from up 11.0% YoY in 2017 to up 10.4% YoY in 2018. IMF highly rated efforts by the Chinese financial authorities to reduce the amount of leverage. However, IMF pointed out that the growth rate was 8.8% higher than that of the nominal GDP, and that the nominal GDP ratio against the debt balance in the non-financial sector was at a high level of 257%. Given these facts, IMF said that the Chinese financial sector is still very vulnerable and the government should not stop its efforts to deleverage.

◆August Manufacturing PMI at 49.5, Down 0.2 Point Month-on-Month (MoM)

On August 31, the National Bureau of Statistics (NBS) and the China Federation of Logistics & Purchasing (CFLP) announced that the August manufacturing PMI was 49.5 (Fig. 1). It decreased by 0.2 point month-on-month (MoM) and remained below 50, the benchmark for judging the economy, for the fourth consecutive month.

By item, production, despite coming in above 50, decreased by 0.2 point MoM to 51.9. New orders fell by 0.1 point MoM to 49.7, continuing a poor showing by staying below 50 for the fourth consecutive month.

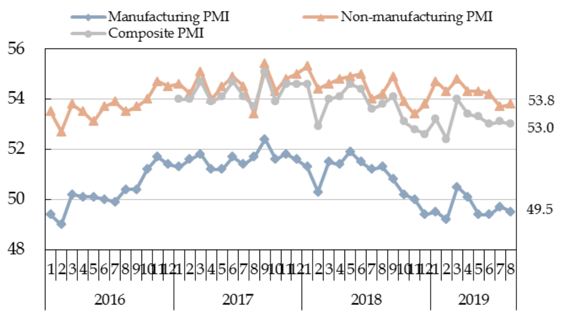
Regarding exports and imports, new export orders showed an improvement of 0.3 point MoM to 47.2, while the index for imports weakened to 46.7, down 0.7 point from the previous month.

Moreover, the expected production and business activities index, which indicates future business confidence, dropped to 53.3, down 0.3 point from the previous month (Fig. 2).

Manufacturing PMI by company size was 50.4 for large companies (down 0.3 point MoM), while the index was 48.2 for medium-sized companies (down 0.5 point MoM), and 48.6 for small companies (up 0.4 point MoM). Although small companies saw some improvement from the previous month, the index for medium and small companies remained below 50.

Meanwhile, the non-manufacturing PMI for August slightly increased from the previous month by 0.1 point to53.8 (Fig. 1). By industry, construction leapt 3.0 points MoM to 61.2, while services decreased by 0.4 point MoM to 52.5, falling for the third consecutive month.

[Fig. 1] PMI Trends



Source: Created based on data released by the NBS and the CFLP
Note: Composite PMI has been released since 2017.

[Fig. 2] Trends of Major Components in the Manufacturing PMI

		Manufacturing PMI	Production	New orders	New export orders	Raw materials prices	Imports	Employment	Expected production and business activities
2018	Jan	51.3	53.5	52.6	49.5	59.7	50.4	48.3	56.8
	Feb	50.3	50.7	51.0	49.0	53.4	49.8	48.1	58.2
	Mar	51.5	53.1	53.3	51.3	53.4	51.3	49.1	58.7
	Apr	51.4	53.1	52.9	50.7	53.0	50.2	49.0	58.4
	May	51.9	54.1	53.8	51.2	56.7	50.9	49.1	58.7
	Jun	51.5	53.6	53.2	49.8	57.7	50.0	49.0	57.9
	Jul	51.2	53.0	52.3	49.8	54.3	49.6	49.2	56.6
	Aug	51.3	53.3	52.2	49.4	58.7	49.1	49.4	57.0
	Sep	50.8	53.0	52.0	48.0	59.8	48.5	48.3	56.4
	Oct	50.2	52.0	50.8	46.9	58.0	47.6	48.1	56.4
	Nov	50.0	51.9	50.4	47.0	50.3	47.1	48.3	54.2
	Dec	49.4	50.8	49.7	46.6	44.8	45.9	48.0	52.7
2019	Jan	49.5	50.9	49.6	46.9	46.3	47.1	47.8	52.5
	Feb	49.2	49.5	50.6	45.2	51.9	44.8	47.5	56.2
	Mar	50.5	52.7	51.6	47.1	53.5	48.7	47.6	56.8
	Apr	50.1	52.1	51.4	49.2	53.1	49.7	47.2	56.5
	May	49.4	51.7	49.8	46.5	51.8	47.1	47.0	54.5
	Jun	49.4	51.3	49.6	46.3	49.0	46.8	46.9	53.4
	Jul	49.7	52.1	49.8	46.9	50.7	47.4	47.1	53.6
	Aug	49.5	51.9	49.7	47.2	48.6	46.7	46.9	53.3

Source: Created based on data released by the NBS and the CFLP

The composite PMI, a weighted average of the manufacturing and non-manufacturing PMIs that reflects the overall economic sentiment in China, decreased 0.1 point MoM to 53.0 (Fig. 1).

◆20 Measures to Boost Consumption: Easing of Regulations on Car Purchases, Activating of New Consumer Markets

On August 27, the General Office of the State Council issued their opinions on accelerating the development of distribution systems and promoting commercial consumption (Guobanfa [2019] No.42). The opinions are seen as an attempt to boost consumption to prop up the Chinese economy amid downward pressure caused by the increasing likelihood of prolonged U.S.-China trade friction.

The opinions consist of 20 measures including requesting certain major cities to gradually ease or eliminate existing limits on car purchases and encouraging electronics retailers to give customers discounts when they replace home appliances using recycling systems. They also encourage the development of the “night-time economy” as an effort to stimulate the consumer market by cultivating new realms of consumption.

<Summary of the Opinions on Accelerating the Development of Distribution Systems and Promoting Commercial Consumption>

1. Promote the development of new lines of business and new business models for the distribution sector	11. Support the replacing of home electriconics with green/smart models
- Promote e-commerce using big data, etc.	- Encourage distribution companies to provide trade-in discounts for the recycling of old home appliances and electronics
2. Promote innovation /upgrading of conventional distribution companies	12. Activation of the "night-time economy" (late-night business market)
- Introduce new business philosophies, technologies, etc. with an eye on new styles of consumption	- Create late-night business zones that offer unique cultural, tourist-oriented, and recreational attractions - Promote late-night service at restaurants and convenience stores, while improving transportation, safety and the environment
3. Upgrade of commercial pedestrian zones	13. Increase holiday spending
- Improve the infrastructure, traffic facilities, and information platforms	- Utilize public areas to launch vehicle-free streets on holidays, to hold open-air markets, and to hold cultural/sports events
4. Promote advanced convenience chain stores	14. Establish marketing platforms for brand-name products
- Simplify the procedures for obtaining official permits for opening new stores	- Establish a consumer market for brand-name products and raise people's awareness of brands - Keep pace with the global market in terms of the release dates and prices of global branded products, and carry on and develop Chinese traditional brands
5. Upgrade the facilities for each residential area to improve the convenience for local residents	15. Reduce costs for distribution companies
- Develop online platforms for public services - Upgrade service facilities for education, culture, medical care, nursing care, housekeeping agencies, sports, etc.	- Lower electric power charges for industrial and commercial use
6. Facilitate the development of distribution systems in rual areas	16. Encourage distribution companies to engage in research and development and innovation
- Expand home delivery and internet connection services in rural areas - Develop leisure and tourism industries in rural areas leveraging local scenery and resources	- Promote the import of leading-edge logistics equipment which is difficult to manufacture domestically
7. Expand distribution of agricultural products	17. Ease restrictions on access to the refined oil market
- Accelerate the development of cold-chain logistics systems for agricultural products	- Delegate the authority to permit retailers to engage in the refined oil business to local governments
8. Develop domestic sales channels for export-based companies' products	18. Provide financial support to play a leading role in expanding consumption
- Create in-house brands and develop domestic sales channel for companies with export-oriented business models	- Conduct planned use of dedicated central government funds, etc. to develop service industries
9. Meet consumers' needs for high-quality products from overseas	19. Strengthen financial support
- Expand the regions eligible for preferential customs clearance procedures for cross-border retail e-commerce - Expand the list of items eligible for preferential tax treatment for cross-border imports via cross-border e-commerce.	- Strengthen support for consumer finance for purchasing new energy vehicles and environmentally-friendly home electric appliances
10. Explore untapped, potential consumer needs for automobiles	20. Improve the market circulation environment
- Request that local governments in regions that have set limits on car purchases gradually ease and abolish the restrictions in line with local circumstances - Request that local governments that fulfill certain conditions subsidize the purchases of new energy vehicles - Request that local governments ensure the abolishment of restrictions on the registration of used cars	- Enhance consumer credit systems, strengthen control over sales of counterfeit goods and false advertising

Source: Created based on the opnions issued by the General Office of the State Council.

[Industry]

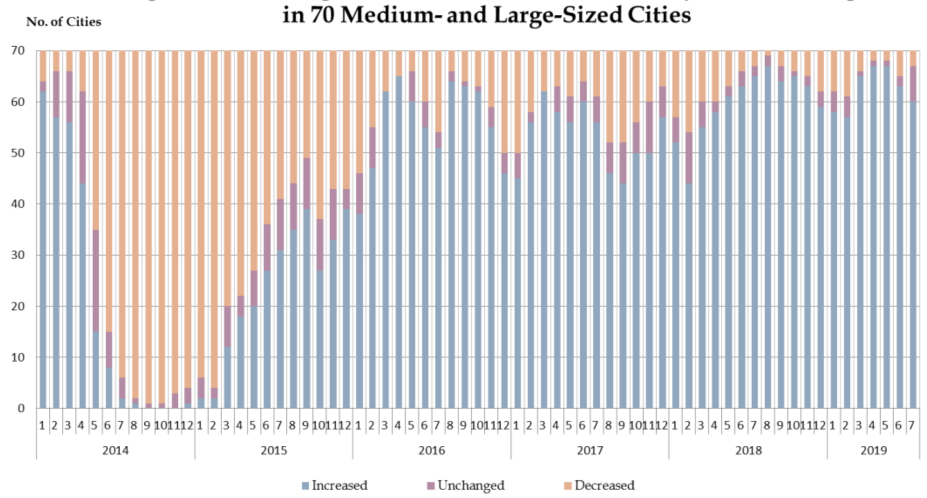
◆Housing Prices in July for 70 Medium- and Large-Sized Cities: Month-on-Month (MoM) Growth in 60 Cities, YoY Growth in All 70

On August 15, the National Bureau of Statistics (NBS) announced the housing price indices for 70 medium- and large-sized cities for July.

Sale prices for newly constructed residential buildings rose on a MoM basis in 60 cities, which is three cities fewer than in June and a decrease for two consecutive months (Fig. 1). On a YoY basis, prices increased in all 70 cities for the fifth month in a row (Fig. 2).

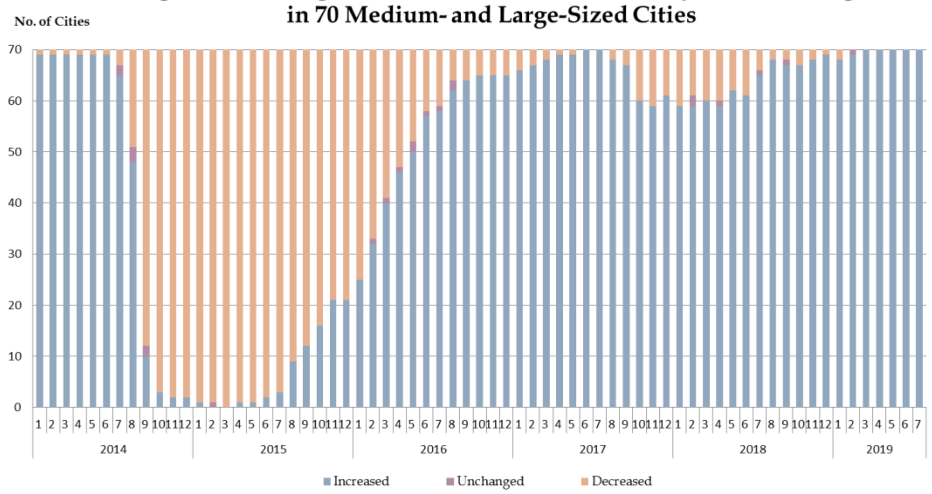
Cities that saw considerable MoM price increases include Pingdingshan (Henan) at 1.6%, Dali (Yunnan) at 1.5% and Xi'an (Shaanxi) at 1.4%. The cities in which prices fell were Tianjin and Nanchong (Sichuan) at 0.3% each, and Shanghai at 0.1%. The cities with the largest YoY rises include Xi'an at 25.3%, Dali at 22.7%, and Hohhot (Inner Mongolia) at 20.3%.

[Fig. 1] MoM Changes in Commercial Prices of Newly-Built Housing in 70 Medium- and Large-Sized Cities



Source: Created based on data published by the NBS

[Fig. 2] YoY Changes in Commercial Prices of Newly-Built Housing in 70 Medium- and Large-Sized Cities



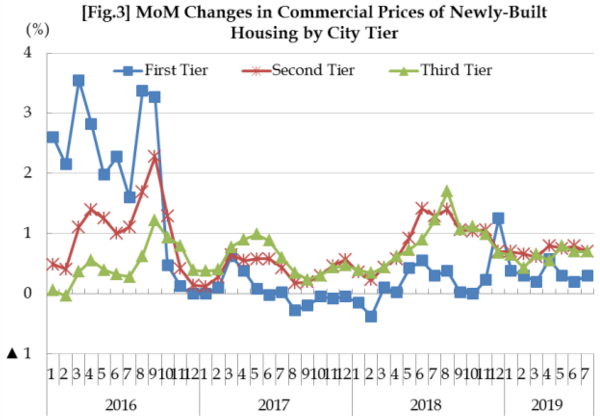
Source: Created based on data published by the NBS

Comparing MoM growth by the size of the cities, first-tier cities* showed an increase from 0.2% to 0.3%, while growth in second-tier cities* shrunk from 0.8% to 0.7%. Third-tier cities* growth remained unchanged from the previous month at 0.7% (Fig. 3). YoY growth for first-tier cities (from 4.4% to 4.3%), second-tier cities (from 11.4% to 10.7%), and third-tier cities (from 10.9% to 10.2%) decreased across the board (Fig. 4).

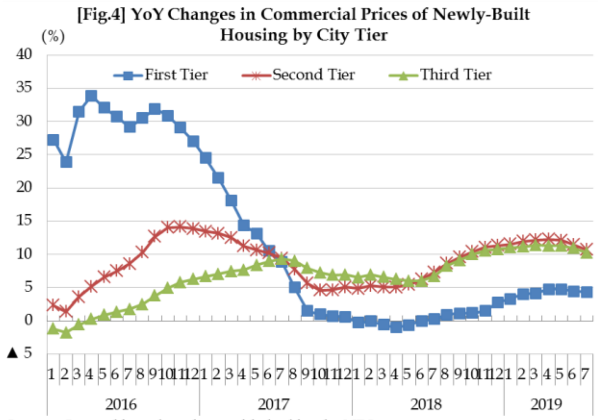
Note: First-tier cities: Beijing, Shanghai, Guangzhou, and Shenzhen

Second-tier cities: 31 cities including provincial capitals and sub-provincial cities

Third-tier cities: The 35 remaining cities of the 70, excluding the above first- and second-tier cities



Source: Created based on data released by the NBS



Source: Created based on data published by the NBS

At the Central Politburo held at the end of July, the Communist Party of China emphasized that it would not use real estate as a means to stimulate the economy, even if there is increasing downward pressure on the economy. Meanwhile, the People's Bank of China (PBOC) announced its policy of keeping the pace of housing loan increases at a reasonable level and imposing stricter control of money flowing through the real estate market, revealing the government's stance of emphasizing the stable growth of the real estate market.

[Trade/Investment]

◆China's Fourth Round of Tariffs on the U.S. Immediately Ignites U.S. Countermeasures

On August 23, China's Customs Tariff Commission of the State Council announced the fourth round of retaliatory tariffs on the U.S. in response to the fourth round of punitive tariffs on China announced earlier by the U.S. government.[1] According to the announcement, additional tariffs of 5% or 10% will be imposed on a total of 5,078 items from the U.S. worth approximately USD 75 billion, including products already subject to Chinese retaliatory tariffs. These additional tariffs will be implemented separately on September 1 and December 15, 2019. The commission also indicated that it would reinstate the additional tariffs on U.S.-made automobiles and automobile components which had been frozen since January 2019 on December 15.[2]

Following China's announcement, the United States Trade Representative (USTR) immediately struck back with countermeasures.[3] On the same day, the USTR announced that it would raise the additional rate of the first to third rounds of punitive tariffs currently imposed on China from 25% to 30% on October 1, adding it would start inviting public comments on August 28 and receive comments until September 20.[4] The USTR also officially announced in its notice dated August 28 that it has decided to raise the additional rate of the fourth round of punitive tariffs on China from the initially planned rate of 10% to 15% on September 1 and December 15.[5]

The items listed in China's fourth round of tariffs against the U.S. (Fig. 2) include soybeans and crude oil in the September 2019 batch, and corn, cotton, fisheries products, automobiles and automobile components in December 2019. Most of the items subject to tariffs in December are agricultural products, while crude oil appears on the list of items subject to tariffs for the first time. As in the preceding rounds, the USTR says that it will exclude some of the items from the fourth round of tariffs and announce the detailed procedures later.

[1] Original press release of China's Customs Tariff Commission of the State Council on the fourth round of retaliatory tariffs on the U.S. (list of items subject to the fourth round of tariffs attached)

http://gass.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823_3372928.html

[2] Original press release of China's Customs Tariff Commission of the State Council on the reinstatement of the retaliatory tariffs on U.S.-made automobiles and automobile components

http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823_3372941.html

[3] Original USTR press release dated August 23

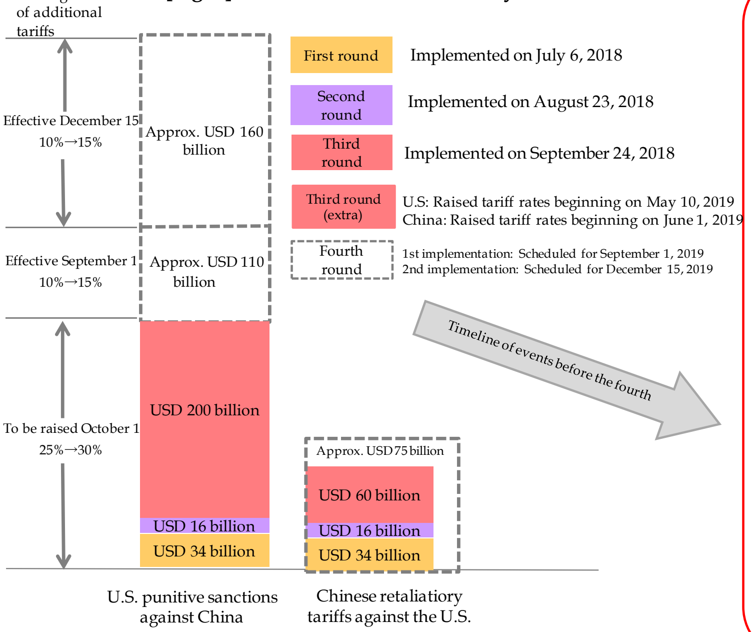
https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/ustr-statement-section-301-tariff

[4] Original USTR press release dated August 28 on request for public comments

http:ustr.gov/sites/default/files/enforcement/301Investigations/Request_for_Comments_Concerning_Proposed_Modification.pdf

5 USTR notice dated August 28
https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_of_Modification%E2%80%93August_2019.pdf

[Fig. 1] Additional Tariffs Levied by the U.S. and China



Source: Created based on materials from the U.S. and Chinese governments

・USTR (May 13, 2019)
Announced the (draft version of) the fourth round of punitive tariffs on China that would impose a 25% additional tariff on products from China worth approx. USD 300 billion.

・U.S.-China Summit (June 29, 2019)
The two countries agreed to postpone the U.S. fourth round of punitive tariffs on China.

・U.S. President Trump (August 1, 2019)
Announced a 10% tariff rate to be imposed on September 1 in the fourth round of punitive tariffs .

・USTR (August 13, 2019)
Announced some of the items would be excluded from the targets or become subject to the fourth round of punitive tariffs on December 15 later than initially planned.

・China's Customs Tariff Commission of the State Council (August 23, 2019)
Announced the fourth round of retaliatory tariffs against the U.S. Additional tariffs of 5% or 10% will be imposed on products from the U.S. worth approximately USD 75 billion. The additional tariffs are to be implemented on September 1 and December 15, 2019.

・USTR (August 23, 2019)
Announced it would raise all the tariff rates, both already implemented and to be implemented, for imports from China as a countermeasure to China's fourth round of retaliatory tariffs on the U.S. (please see the figure to the left for details).

[Fig. 2] Summary of Additional Tariffs Imposed by the U.S. and China

	U.S. tariffs levied on Chinese goods		Chinese tariffs levied on U.S. goods	
First round of tariffs, effective July 6, 2018 (USD 34 billion)	Additional 25% tariff on 818 types of Chinese products worth USD 34 billion		Additional 25% tariff on 545 types of U.S. products worth USD 34 billion	
	HS code (Headings)	Product description	HS code (Headings)	Product description
	8536	Relays for switching, protecting or making connections to or in electrical circuits	1201	Soybeans
	8413	Pumps for liquids, liquid elevator	8703	Passenger motor vehicles
	8431	Parts suitable for use with construction machinery, machine tools	1007	Grain sorghum
	8703	Passenger motor vehicles and other motor vehicles	0206	Edible meat offal
	8471	ADP disk drive units, storage units (storage units)	2303	Residues of starch or sugar manufacture
	8541	Semiconductor devices, light-emitting diodes		
	8544	Insulated wires and cables, optical fiber cables		
	8421	Centrifuges, filtering or purifying machinery, cleaning machines		
	8501	Motors and generators		
	8481	Cocks, valves and similar appliances		
Second round of tariffs, effective August 23, 2018 (USD 16 billion)	Additional 25% tariff on 279 types of Chinese products worth USD 16 billion		Additional 25% tariff on 333 types of U.S. products worth USD 16 billion	
	HS code (Headings)	Product description	HS code (Headings)	Product description
	8542	Electronic integrated circuits	4707	Waste and scrap paper
	8543	Electrical devices with specific functions	2711	Petroleum gases
	8541	Semiconductor devices, light-emitting diodes	9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences
	7308	Iron or steel structures and parts	7404	Scrap copper
	8486	Machines and apparatus for manufacture of semiconductor devices or electronic integrated circuits	7602	Scrap aluminum
	8501	Motors and generators	8536	Lamp holders, plugs, sockets
	8536	Relays for switching, protecting or making connections to or in electrical circuits	8703	Passenger motor vehicles
	8503	Parts suitable for use solely or principally with electric motors and generators		
	3920	Plastic sheets and film (not reinforced)		
	3921	Other plastic sheets and film		
Third round of tariffs, effective September 24, 2018 (U.S.: USD 200 billion, China: USD 60 billion)	Additional 10% tariff on 5,745 types of Chinese products worth USD 200 billion (raised to 25% from May 10, 2019)		Additional 5% or 10% tariff on 5,207 types of U.S. products worth USD 60 billion (changed to an additional 5%, 10%, 20%, or 25% tariff on 5,140 types of U.S. products from June 1. 2019)	
	HS code (Headings)	Product description	HS code (Headings)	Product description
	8418	Refrigerators, freezers and other refrigerating or freezing equipment	2711	Liquefied natural gas (LNG)
	8415	Air-conditioning machines	2603	Copper ores and concentrates
	8528	Monitors and projectors; reception apparatus for televisions	8479	Machines and mechanical appliances
	9403	Other furniture and parts thereof	9031	Measuring or checking instruments, appliances and machines
	9405	Lamps and lighting fittings and parts thereof	7003	Cast glass and rolled glass, in sheets or profiles
	4202	Trunks, suitcases, other cases, pouches, bags	9013	Lasers; other optical appliances and instruments
	3926	Other plastic articles and articles of other materials	4703	Chemical wood pulp, soda or sulfate
	8708	Motor vehicle parts and accessories	9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences
	0302	Fish, fresh or chilled, excluding fish fillets and other fish meat		
Fourth round of tariffs, scheduled to be implemented on September 1 and December 15, 2019 (U.S.: USD 270 billion, China: USD 75 billion)	September 1, 2019 - Additional 15% tariff on 3,243 types of Chinese products worth approximately USD 111.4		September 1, 2019 - Additional 5% or 10% tariff on 1,717 types of U.S. products	
	HS code (Headings)	Product description	HS code (Headings)	Product description
	8517	Landline telephones, wearable devices, and parts for communication devices	0201	Beef
	8528	Monitors, video projectors, TV receivers	0303	Frozen fish
	8443	Printing equipment, printers, copy machines, fax machines	0801-0813	Edible fruits
	6403	Footwear (leather upper type)	1201	Soybeans
	8523	Devices, semiconductor storage devices, smart cards	2709	Crude oil
	6110	Jerseys, sweaters, cardigans, vests	2805	Rare earth
	December 15, 2019 - Additional 15% tariff on 555 types of Chinese products worth approximately USD 156		December 15, 2019 - Additional 5% or 10% tariff on 3,361 types of U.S. products	
	HS code (Headings)	Product description	HS code (Headings)	Product description
	8517	Mobile phones and wireless phones	1001	Wheat
	8471	PCs (including laptops and tablets) and memory devices	1005	Corn
	9503	Wheeled toys, toys, models	1604	Fisheries products
	9504	Video games, table game machines, indoor game equipment	4407	Timber
	8516	Water heaters, heating equipment, hair dryers, electric irons	5205	Cotton
	6402	Footwear (ski shoes, sneakers, sports shoes)	8703	Passenger motor vehicles
	9505	Entertainment products, Christmas products	8708	Motor vehicle parts

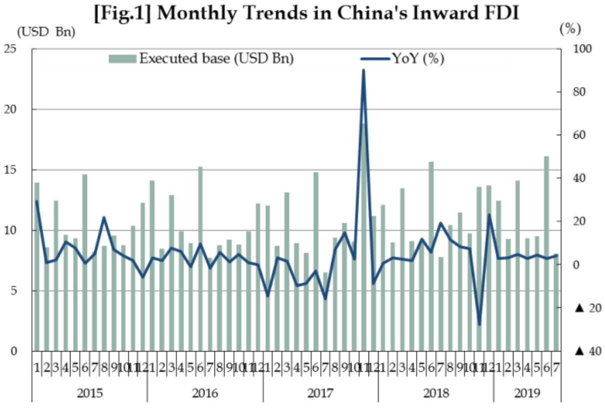
Source: Created based on materials from the U.S. and Chinese governments

◆July Inward Foreign Direct Investment Increases 4.1% YoY

<Inward FDI>

According to the announcement of the Ministry of Commerce (MOFCOM) on August 15, inward foreign direct investment (FDI) increased 4.1% YoY (June: up 3% YoY) to USD 8.07 billion in July, showing improved growth from the previous month (Fig. 1). However, the number of newly-founded foreign companies decreased 30.6% YoY to 3,919 companies, which is fewer than the number the year before. Direct investment for the January-July period increased 3.6% (January-June: up 3.5% YoY) to USD 78.8 billion, while the number of newly-founded foreign companies for the same period decreased 31.8% to 24,050 companies.

[Fig.1] Monthly Trends in China's Inward FDI



Source: Created based on data published by the MOFCOM

Looking at countries and regions, investment from Japan for the January-July period increased 8.0%* YoY to USD 2.7 billion, with a smaller growth rate than in the January-June period (up 8.8%* YoY). However, Japan's investment amount in July of USD 720 million* attained the highest level for a single month since June 2013 (USD 1.28 billion*) (Figs. 2, 3).

Meanwhile, investment from the U.S. for the January-July period dropped off 3.4%* YoY to USD 2.01 billion, slowing its rate of decrease from the January-June period (down 16.4%* YoY). The momentum of investment growth has not been lost in both South Korea and Germany, whose investment rose 63.1% YoY* to USD 4.06 billion and 62.5% YoY* to USD 1.17 billion respectively. On the other hand, less investment was made by Taiwan (down 12.3%*) and the U.K. (down 18.6%*), both of which continue a double-digit decline (Fig. 2).

By industry, investment in manufacturing fell 1.5% YoY to USD 22.81 billion, while services increased 5.8% YoY to USD 54.99 billion. * Calculated by MUFG Bank based on data published by the MOFCOM.

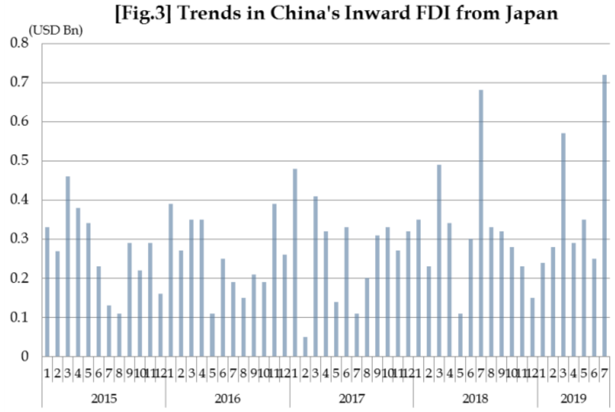
[Fig. 2] Top 10 Countries/Regions Contributing to China's Inward FDI for Jan-July 2019

Rank	Country/Region	Investment Amount (USD Bn)	YoY (%)
1	Hong Kong	55.37	1.1
2	South Korea	4.06	63.1
3	Singapore	3.77	4.1
4	Taiwan	2.71	▲12.3
5	Japan	2.70	8.0
6	USA	2.01	▲3.4
7	UK	1.44	▲ 18.6
8	Germany	1.17	62.5
9	Macao	0.95	10.5
10	The Netherlands	0.82	7.9

Source: Created based on data published by the MOFCOM

Note: YoY calculated by MUFG Bank based on data published by the MOFCOM

[Fig.3] Trends in China's Inward FDI from Japan



Source: Created based on data published by the MOFCOM

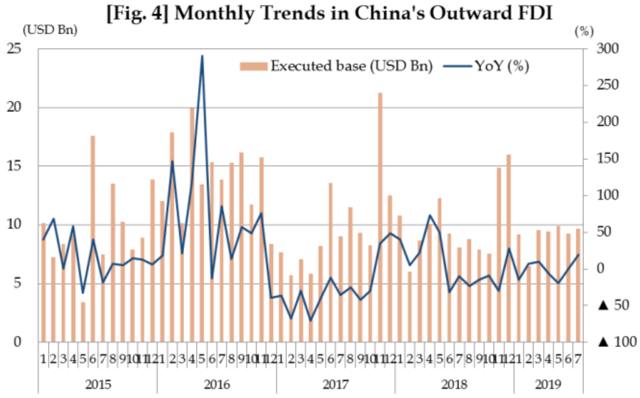
<Outward FDI>

According to the announcement of the Ministry of Commerce (MOFCOM) on August 15, outward foreign direct investment increased 19.8%* YoY to USD 9.69 billion* in July (Fig. 4). Direct investment for the January-July period decreased 5.6%* YoY to USD 61.61 billion.

* Calculated by MUFG Bank based on data published by the MOFCOM. RMB investments are expressed in USD.

By industry, investment for the January-July period in communications software and IT services increased 24.1% YoY and in manufacturing, by 11.4% YoY, both of which showed steady growth.

[Fig. 4] Monthly Trends in China's Outward FDI



Source: Created based on data published by the MOFCOM

Note: YoY calculated by MUFG Bank based on data published by the MOFCOM

◆Japan-China Agreement on Social Security to Become Effective on September 1

On September 1, the Japan-China Agreement on Social Security (the "Agreement on Social Security between the Government of Japan and the Government of the People's Republic of China") will take effect. After September 1, Japanese and Chinese expatriates will no longer have to make contributions to the country they have been assigned to work in for a period of five years from their first day at work there. This agreement will resolve the issue of double pension payments, which had been caused by the fact that Japanese and Chinese expatriates were obligated to participate in the pension systems of both Japan and China, and reduce the burden on both employers and employees.

In order to be entitled to this agreement, expatriates from Japan who are working in China are required to request a Japan Pension Service (JPS) office in Japan to issue a "Certificate of Coverage," after which their employer in China will submit the "Certificate of Coverage" to a collector of social insurance premiums in China. The JPS started accepting applications for the "Certificate of Coverage" on August 1 and will issue certificates to applicants in turn after September 1. If expatriates began working in China before the agreement takes effect, they are regarded as assigned to China on the effective date of the agreement. Therefore, they will not be obligated to participate in the Chinese pension system for five years from the effective date of the agreement.

* For further details, please see the official JPS website.

https://www.nenkin.go.jp/service/kaigaikyoju/shaho-kyotei/kunibetsu_info/china.html

The Chinese social insurance system consists of not only pension programs, but also medical, unemployment, workers' compensation and maternity insurance programs. However, this agreement only covers pension programs. The other types of social insurance programs require foreign workers in China to pay premiums, but it is unclear whether Japanese expatriates will be forced to participate in the other types of insurance as well, as rules differ from region to region.