

JESA INVESTMENT & MANAGEMENT CO., LTD.

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Chinese Cosmetic Watershed



Since June 29th, when Cruelty Free International signed an agreement with Chinese authorities that will allow foreign cosmetics companies to sell their products in China under a pilot program, without having to undergo animal testing on their products. All of this happened four years after the lifted animal testing requirement aimed at products manufactured inside the Mainland.

Now, both the inside and the outside of Chinese cosmetics market are safe from such cruelty. The problem was mainly connected to the Chinese legal system that required mandatory animal testing for all the physical cosmetic products that were sold in China by foreign companies. The issue inevitably constrained the market and its potential worth of 26+ billion dollars, given the unwillingness of several com-

panies to undergo such treatment to animals. Some other companies instead, among which Chanel, Dior and Burberry (Suzana Rose, 2018), are currently selling their products in China, making them the opposite of cruelty-free companies in China. Luckily, there is now the chance for those companies to change for good.

Cruelty Free International helped the overall condition of several species of animals and at the same time provided the chance to open the Chinese market to the eyes of several international players in the cosmetics market. The China Food and Drug Administration (CFDA) launched in the beginning of 2018 a non-animal testing laboratory named Institute for In Vitro Sciences, in order to find better ways to test cosmetics. It is noteworthy to remember that just one year before Erin Hill, president of the US-based Institute of In Vitro Sciences, reported that “they [*China, ndr*] are just completely behind the curve in learning about the new science” (Sophia Yan, 2017). According to these words, it must be the case that to date Chinese people increased their level of awareness and know how in the sector such to make the government legislation modifies its structure regarding animal testing. What was considered as a cruel exception to be made for many foreign companies is now a chance to exploit a changed environment that provides different solutions.

In addition, it was found by Matthew Clark, writer of the paper *A big data approach to the concordance of the toxicity of pharmaceuticals in animals and humans* that “adverse reactions in animal tests are also likely to occur in humans, but often not in a similar manner. However, we believe this difference means animal tests cannot be considered particularly consistent or reliable.” This is to further prove to customers and national authorities that animal testing is detrimental

under different points of view, including social, economic and human fairness.

On one hand, thanks to the signing, proposed valuable alternatives different from animal testing will enable foreign companies to enter China, creating greater competition for the good of consumers, reducing all the costs related to such tests increasing pace of production, and on the other hand they will help Chinese local cosmetics companies to forego different internationalization strategies in developed countries or zones, like the European Union, that would never welcome companies keen on animal testing. It sounds like a great deal for both sides, especially for animals.

It can be more than expected now that the cosmetic market in China will be far from staying quiet. In this case, the government decided to actively intervene to change the landscape of the unpleasant cosmetic market, acting as the main character of a big step towards a sector that is more and more criticized for its cruel practices over animals. All can be driven by social reasons, environmental reasons and surely economic reasons.

Yes, because this move helped China to gain access in other markets, as well as for other markets to gain access to China, increasing the amount opportunities and potentially speaking cosmetic market exposure. Nevertheless, in the end the real winners are the animals, as previously noted, since they have been finally recognized as an innocent third party in the game of what we call "business".

Le opportunità per l'Italia nella Cina di domani

La Cina sta entrando in una fase cruciale di transizione della sua storia, animata dall'ambizione di passare da inseguitrice dei più potenti paesi al mondo a prima potenza indiscussa nella scena economica e politica internazionale.

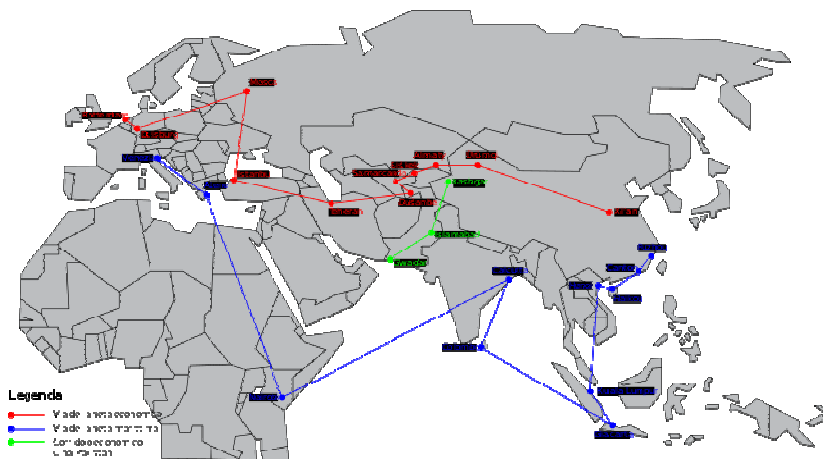
Il paese guidato da Xi Jinping ha individuato nell'innovazione e nell'alta tecnologia la chiave per realizzare i propri obiettivi. La Cina ha fretta di ottenere gli ambiziosi risultati programmati e, per riuscire in questo, è consapevole della necessità di partnership ispirate a qualità e concretezza, pena la dilatazione dei tempi originariamente previsti. Ed è proprio in questa cornice che l'Italia è chiamata a sfruttare le interessanti opportunità offerte dallo sviluppo cinese dei prossimi anni.

Il percorso di transizione per la Cina si svilupperà su due piani: in ambito interno l'ambizione è una crescita economica più sostenibile nei confronti dell'ambiente e dei propri cittadini, cioè non soltanto quantitativa, ma anche qualitativa, mentre sul piano esterno l'obiettivo è estendere l'influenza cinese a livello mondiale.

Quattro sono le principali aree interessate dalle riforme di Pechino: progressiva apertura del mercato cinese alle imprese straniere nel settore finanziario, bancario e assicurativo, con misure favorevoli anche in alcuni comparti manifatturieri; adozione di misure per migliorare il funzionamento e l'attrattività del mercato, con particolare riferimento a *rule of law economica*, disciplina antitrust, competitività e diritti di proprietà; rafforzamento del regime di tutela dei diritti di proprietà intellettuale; lancio di iniziative per il soddisfacimento della domanda interna anche attraverso l'aumento delle importazioni.

Come sottolineato da Ettore Sequi, ambasciatore italiano a Pechino, le nuove opportunità connesse al cambiamento in corso in Cina sono strettamente legate a due progetti di grande impatto mediatico lanciati dal governo cinese: la **Belt and Road Initiative (BRI)**, il grande progetto di connettività eurasiatica, ed il **Made in China 2025**, il programma di ristrutturazione del sistema industriale cinese che punta a trasformare il Paese in una potenza manifatturiera globale di avanguardia.

termini di cooperazioni triangolari, ovvero iniziative commerciali, industriali e infrastrutturali da realizzarsi con partner cinesi in Paesi terzi.



La BRI offre nuove opportunità all'Italia, che può a pieno titolo accreditarsi come partner privilegiato per lo sviluppo dell'asse marittimo e di quello terrestre, diventando *hub* strategico nelle rotte commerciali tra Europa e Cina, grazie agli evidenti vantaggi comparati in termini di infrastrutture portuali, ferroviarie e logistiche. Il progressivo sviluppo della Bri presenta inoltre nuove prospettive per le imprese italiane in

Made in China 2025, che ha evidenti affinità con le iniziative Industrie 4.0 adottate da diversi Paesi occidentali, ne estende raggio di azione, obiettivi, e limiti temporali, identificando dieci settori chiave, tra cui ICT, robotica, veicoli verdi, biopharma, in cui ridurre il gap tecnologico rispetto ai principali competitor e in cui concentrare le future attività di sviluppo. Nel quadro di MiC2025 le imprese italiane possono senz'altro sviluppare collaborazioni tecnologiche reciprocamente vantaggiose con soggetti cinesi, rafforzando la nostra economia e rendendoci protagonisti in Cina e, dunque, sullo scenario globale.

Saro Capozzoli, fondatore e General Manager di Jesa, ritiene che siano quattro i settori di maggior interesse per l'Italia: robotica e automazione, aereospaziale e biomedicale.

L'énfasi su robotica e automazione va letta anche nella prospettiva di una classe media che, nei prossimi 10-15 anni, sarà composta da 500 milioni di consumatori con un reddito di livello occidentale. Sarà un mercato che vorrà nuovi prodotti, che guarda, per esempio, all'IoT delle abitazioni, che utilizza sempre di più l'e-commerce, che viaggia e studia.

Per spiegare l'importanza della robotica, bisogna tenere in considerazione la demografia: nel lungo periodo la Repubblica popolare soffrirà di un calo irreversibile della popolazione; le macchine dovranno quindi contribuire a sostituire i lavoratori che già oggi iniziano a scarseggiare.

2018 Special Administrative Measures for Foreign Investment Access in China: Shortened Negative List



The National Development Reform Commission and Ministry of Commerce released "Special Administrative Measures for Foreign Investment Access (Negative List) 2018" (hereinafter "Negative List

2018") on June 28th, 2018. The document stated that, from July 28th, 2018, the restrictions on 22 investment fields will be cancelled. This includes banking, financial securities, automobile manufacturing, power grid construction, railway mainline network construction and gas station chain construction.

Compared to the Negative List 2017, the articles in Negative List 2018 have been reduced from 63 to 43.

- Reduced restrictions in the service industry:

- ✧ In the financial sector, the government has decided to cancel the limitation of share ratio of foreign investment in banking. Foreign investors are allowed to occupy 51% in financial securities companies, fund management companies, futures companies, and life insurance companies. Furthermore, by 2021, all limitations of share-ratio of foreign investment in financial sectors will be cancelled.
- ✧ In the transportation industry, all restrictions of foreign investment on railway passenger transportation companies, agency of international marine transportation and international shipping are cancelled.
- ✧ In the trading and distribution industry, the restrictions of foreign investment in gas station chains and the purchase of wholesale grain will be cancelled.
- ✧ In the culture and entertainment field, regulations that prohibit investing in the internet café will be voided.

- Reduced restrictions in the manufacturing industry:

- ✧ In the automotive industry, the limitation of share-ratio of foreign investment in special vehicles and new energy vehicles

will be cancelled. Moreover, the limitation of share ratio of foreign investment in commercial vehicles will be cancelled in 2020 and the limitation of share ratio of foreign investment in passenger vehicles will be cancelled in 2022.

- ✧ In the shipping industry, the restriction of foreign investment in design, manufacturing and repairing is cancelled.
- ✧ In the aircraft industry, the restriction of foreign investment in mainline aircraft, regional aircraft, general aircraft, helicopters, drones and aerostats is cancelled.

- **Reduced restrictions in the agricultural and energy-resource fields:**

- ✧ In the agriculture industry, no restrictions of foreign investment in the production of crop seeds, excluding wheat and corn.
- ✧ In the energy industry, no restrictions of foreign investment in coal mining.

In the primary sector, no restriction of foreign investment in graphite mining, rare earth smelting and separation and tungsten smelting.

PRC Individual Income Tax Reform – Release of the Proposed Amendments

On June 19, 2018 the draft amendment to the Individual Income Tax Law has been submitted to the National People’s Congress Standing Committee for reviewing.

On 19 June 2018, during the Thirteenth National People’s Congress of the PRC the proposed draft amendments to the PRC Individual Income Tax (“IIT”) Law were submitted.

Jesa will keep you informed about the further development of the tax reform and its eventual implementation procedure. Though the IIT reform is still in deliberation, it is intended to reduce the tax burden, deepen transformation of the income distribution system by raising the IIT threshold, aggregate income in the similar nature, and introduce additional special deductible expenses.



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