



Why Businesses Should Pay Attention to China's Government Inspections

By Alexander Chipman Koty, China Briefing, Dezan Shira & Associates

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On July 6, China announced a campaign to inspect local governments and departments, signaling the central government's resolve to implement core policies.

The [announcement](#), detailed in the State Council's *Circular about the Launch of Inspection Program for Departments and Local Governments*, outlines the scope of the inspection campaign and how it will be carried out.

The inspection campaign will increase pressure on local governments to implement core policies, as they work to avoid censure from inspectors. For businesses, this may mean quickened introduction and enforcement of new regulations and policy initiatives.

According to the circular, the inspection will cover government implementation of six core policies:

- Carrying out the "three major battles": [financial and debt derisking](#), [poverty alleviation and rural revitalization](#), and the [fight against pollution](#);
- Promoting [innovation-driven development](#), new industries, and the upgrading of traditional industries;
- [Streamlining business administration](#) and upgrading service quality;
- [Expanding domestic demand](#);
- [Promoting high-quality openness](#); and
- [Safeguarding and improving people's livelihood](#).

Local governments and government departments will have to undergo comprehensive self-examinations to audit their policy implementation, and report their progress directly to the State Council, China's cabinet.

Further, from late August, the State Council will deploy teams to conduct on-the-spot inspections of local governments.

The policies laid out in the circular are not new – they largely reflect the policies outlined at last October's [19th Party Congress](#) and the [Two Sessions](#) meetings held this March.

However, the inspection campaign signals that China is serious about carrying out its core policies and reducing [implementation discrepancies](#) between central and regional governments.



In fact, China has been active this year, releasing various laws and measures to bring these core policies into fruition.

For example, in February, China released the “No. 1 Central Document”, which presented a roadmap for rural revitalization all the way up to the year 2050.

Targeting the more immediate term, China released a three-year action plan to improve rural living, as well as various other guidelines, like encouraging the use of [Big Data](#) and the [Internet of Things](#) in rural areas.

Some policies have already been more widely implemented than others. For example, in support of the campaign to improve China’s business environment, by June 30, local governments adopted a “[One Window, One Form](#)” policy to [simplify business registration](#) for foreign investors.

What the inspection campaign seeks to rectify, therefore, is uneven implementation of reforms on-the-ground. And local governments found to be non-compliant may face swift punishment.

Recently, China’s new [Ministry of Environment and Ecology](#) announced that 4,305 officials had been held to account for failing to rectify environmental violations uncovered during last year’s inspections, with hundreds facing jail time.

While this round of inspections targets local governments rather than private businesses, it is another measure that will increase pressure on local governments to implement central government policies.

Foreign businesses in China will invariably be affected by these policies, whether it’s positively via streamlined business administration or negatively through the sudden enforcement of regulations that were previously ignored at the local level.

Regardless, businesses in China should [conduct reviews](#) to identify how they may be affected by the government’s policy priorities and how they must adapt to more stringent regulatory enforcement.

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