

Minutes of the 4th China-Iceland FTA Joint Committee Virtual Meeting

18 December 2020

The 4th China-Iceland FTA Joint Committee Meeting was held virtually on 18 December 2020.

The Chinese delegation: Chen Ning, Deputy Director General, Department of International Trade and Economic Affairs, MOFCOM; H.E. Jin Zhijian, Ambassador of the People's Republic of China to Iceland; Song Yang, Director, Department of International Trade and Economic Affairs, MOFCOM; Chen Guisheng, Economic & Commercial Counsellor of the Chinese Embassy in Iceland; Wei Qing, Deputy Director, Department of International Trade and Economic Affairs, MOFCOM; Xia Yang, Director, Department of European Affairs, MOFCOM; Yang Xin, Deputy Director, Department of European Affairs, MFA; Zhang Xiao, Deputy Director, Department of International Cooperation, Ministry of Culture and Tourism; Deng Rui, Official, International Taxation Department, State Taxation Administration; Liu Huayu, Official, Department of Chinese Citizens Exit and Entry Administration, National Immigration Administration; Kou Jiantang, Director, Department of Foreign Affairs, State Post Bureau; Chu Yumeng, Official, Department of International Trade and Economic Affairs, MOFCOM.

The Icelandic delegation: Nikul ás Hannigan, Director General, Directorate for External Trade and Economic Affairs, MFA; H.E. Gunnar Snorri Gunnarsson, Ambassador of Iceland to China; Kolbeinn Arnason, Director General, Department of Food Safety and Aquaculture, Ministry of Industries and Innovation; Ingvi Mar Palsson, Director General, Department of Energy, Industry and Business Affairs, Ministry of Industries and Innovation; Thorvaldur Thordarsson, Director, Icelandic Food and Veterinary Authority (MAST); Karl Gudmundsson, Director, Trade and Invest, Promote Iceland; Gudmundur Karason, Deputy Director, Department of Financial Services, Ministry of Finance; Gunnlaugur Helgason, Head of Division, Department of Financial Services, Ministry of Finance; Steinthor Thorsteinsson, Specialist, Office of the Director General of Customs Enforcement, Iceland Revenue and Customs; Nina Jonsdottir, Director, Business Services, Directorate for External Trade and Economic Affairs, Ministry for Foreign Affairs; Andri Juliusson, Counsellor, Directorate for External Trade and Economic Affairs, Ministry for Foreign Affairs; William Freyr Huntingdon, Deputy Head of Mission, Icelandic Embassy in China; Petur Yang, Commercial Counsellor, Icelandic Embassy in China; Thordur Jonsson, Director, Trade Agreements, Directorate for External Trade and Economic Affairs, Ministry for Foreign Affairs.

AGENDA

OPENNING SESSION

- **Opening Remarks**
- **Adoption of the Agenda**

SESSION 1: EXCHANGE VIEWS ON COMBATING COVID-19

SESSION 2: CIFTA IMPLEMENTATION

- **Overview of CIFTA Implementation**
- **Specific Issues**

CONCLUDING SESSION

- **Date and Venue of the Next Meeting**
- **Concluding Remarks**

OPENNING SESSION

- **Opening Remarks**

The delegations firstly reflected on the situation of the COVID-19 pandemic and underlined the severe impact of the pandemic to the economy and bilateral trade and investment. Thanks to the effective measures taken by the Chinese and Icelandic Governments and the mutual support given to each other, the pandemic had been brought under control both in China and Iceland. The delegations highly commended the smooth implementation of China-Iceland FTA (CIFTA), which had provided strong impetus to bilateral economic cooperation. Both sides agreed to strengthen cooperation on the implementation of CIFTA, unswervingly support free trade and multilateralism, and promote economic recovery amid the pandemic.

The Chinese delegation pointed out that the outbreak of the pandemic had posed grave threats to the health and lives of people around the world. International trade and investment had shrunk sharply, and the flow of people and goods had been severely hampered. All the economies, including China and Iceland, were facing severe challenges. The two governments and peoples had stood together and helped each other. The leaders had exchanged letters, and China had promptly shared experiences and donated medical supplies to Iceland to help combat the pandemic, which demonstrated the profound friendship between China and Iceland. At present, both countries had achieved remarkable progress in this fight and the economic outlook was trending towards gradual recovery. Going forward, both sides will continue to strengthen cooperation to fight against the pandemic.

The Chinese delegation underlined that both sides attached great importance to CIFTA. Since its implementation six years ago, trade and investment between China and Iceland had grown rapidly and the economic and trade relations had become closer. The policies of CIFTA were similar to "coupons", bringing benefits to the companies and people of the two countries. However, due to the pandemic, trade and investment between China and Iceland fell in 2020, and traveling between the two countries was halted. Therefore, this meeting was especially crucial. China was willing to work with Iceland to have in-depth exchange of views on the CIFTA implementation, find solutions to existing problems, and develop future cooperation plan, so as to contribute to the stability of bilateral industrial and supply chains and early recovery of the two economies. The Chinese delegation gave three proposals to further release the potential of CIFTA, namely give full play to the CIFTA Joint Committee, forge ahead with great confidence and deepen cooperation in fields to our best advantages.

The Chinese delegation also briefly introduced the recent fifth plenary session of the 19th CPC Central Committee and the comprehensive development plan in the coming 5 years and beyond. As the world's second largest economy, largest manufacturing country and consumer market, China will maintain its economic growth in the years to come, and thus provide unlimited opportunities to Iceland and the rest of the world. Both sides should seize these opportunities, turn them into practical cooperation projects, and further promote bilateral relations by strengthening economic and trade ties.

The Icelandic delegation emphasized that CIFTA was an important agreement for both sides, making China Iceland's largest trading partner in Asia. According to Icelandic statistics, since the entry into force of CIFTA, bilateral trade had increased tremendously, 50% in goods and 70% in service. Iceland was also finding new sectors exporting to China. Regarding the COVID-19 pandemic, Iceland congratulated to China for the latter's quick recovery and positive development growth rate. The Icelandic economy was badly hit by the pandemic, and tourism had fallen by 40%. With the joint efforts of Icelandic government and people, Iceland had the lowest virus infection rate in Europe. Icelandic side was optimistic for the next year, and confident in getting its economy back on track. The Icelandic side was happy to see that Icelandic companies had attended the CIIE and wished to solve problems caused by the pandemic together with China.

➤ **Adoption of the agenda**

Both sides agreed to adopt the agenda, which had been circulated prior to the meeting.

SESSION 1: EXCHANGE VIEWS ON COMBATING COVID-19

The Chinese delegation shared experience and latest situation on combatting the pandemic. The Chinese Government gave top priority to the health and safety of its people, and effectively controlled the disease with concerted efforts of the whole nation. While continuing to advance

epidemic control, China also promoted economic and social development. China's economy had returned to positive growth since the second quarter, and the trade volume in the first 11 months increased by 1.8 percent. The IMF predicted that China would be the only major economy to achieve positive growth this year. These testified to the achievements of fighting against the pandemic.

China had always laid emphasis on strengthening international cooperation in the fight against the pandemic. Many countries provided China with timely support and assistance, while China also did its best to help the international community fight against the pandemic, in spite of the tremendous pressure on pandemic prevention and control at home. The Chinese and Icelandic governments and people had supported each other in overcoming the difficulties amid the pandemic. The leaders communicated with each other to express the willingness and determination to join hands in this fight. The Chinese government had worked hard to facilitate Iceland's procurement and transportation of medical supplies from China, and had shared experiences to combat the pandemic via video. Six Chinese institutions and companies had donated protective equipment such as masks, protective clothing and face shields to Iceland. Just as one famous Icelandic saying goes, the one who has true friends will not fail. The Chinese and Icelandic people are true friends who stand together in times of need.

The Chinese delegation appealed to deeper economic and trade cooperation with Iceland to ease the impact of the pandemic. China proposed the following initiatives: Firstly, firmly supported multilateralism and free trade, and maintained the stability of bilateral and global industrial and supply chains. Secondly, provided necessary convenience to the flow of goods and travelling, and strengthened cooperation between the Customs. Thirdly, it was advised that Iceland lift restrictions on investments from Chinese companies to promote industrial integration between two nations. Fourthly, enhanced coordination and communication to timely resolve the problems in the implementation process.

The Icelandic delegation reviewed its fight against the pandemic. The pandemic influenced Iceland profoundly, with the GDP dropping by 7%. The Icelandic Government had taken serious public health measures and successfully controlled the epidemic. With vaccines around the corner, Iceland was confident in the future, and was expecting a swift and sustainable recovery in 2021. Icelandic Central Bank projected a 3.4% growth annually for the next two years.

The Icelandic delegation appreciated the support from China on combating the pandemic. The two Governments had worked well to ensure the smooth transportation of medical supplies and personal protective equipment from China to Iceland. The Icelandic delegation expressed appreciation to MOFCOM and the two Embassies. Iceland valued the trade relation with China, and looked forward to new trading opportunities to improve trade flows in the established sectors and new sectors. The Icelandic delegation expressed concerns over China's new testing requirements on imported cold chain foods.

SESSION 2: CIFTA IMPLEMENTATION

➤ Overview of CIFTA Implementation

The Chinese delegation gave a full introduction on the achievements of the CIFTA since it came into effect on 1 July 2014. Firstly, trade in goods had increased steadily, and trade structure was more balanced. Bilateral trade volume had increased from 200 million USD in 2014 to 260 million USD in 2019. In terms of product type, China's imports from Iceland in 2019 were mainly agricultural and fishery products, while Iceland's import from China were mainly industrial products. This fully demonstrated that trade in goods between China and Iceland was highly complementary and enjoyed huge potential. China welcomed more high-quality agricultural and fishery products from Iceland. Secondly, trade in service had grown rapidly, Iceland's trade surplus had been expanding year by year, and tourism had made outstanding contributions. According to Icelandic statistics, bilateral service trade volume increased from 6.45 billion in 2014 to 13.4 billion krona in 2019. Tourism had performed impressively and had contributed more than 80 percent to bilateral service trade in 2019. The number of Chinese tourists to Iceland had increased rapidly from 26 thousands in 2014 to 139 thousands in 2019. Thirdly, Icelandic investment to China had gradually increased. China had also started to invest in Iceland, though the scale was still limited. In general, two-way investment between China and Iceland was small in scale and slow in growth.

The Icelandic delegation pointed out that CIFTA was a strong framework for bilateral trade relations and underpinned the steady increase in bilateral trade, both in service and goods. Iceland had been encouraged by the growth and trade opportunities provided by CIFTA. However, Iceland was concerned by the trade barriers related to fishery and agricultural products, which were being addressed through specific SPS protocols, and looked forward to swift conclusion of draft protocols on inspection and quarantine for aquatic products between relevant authorities of both sides. Iceland was keen to see further steps to streamline the application approval process for imports and exports and avoid unnecessary barriers. Considering CIFTA was negotiated a decade ago, the Icelandic delegation expressed the willingness to explore new areas of cooperation, such as digital trade.

Realizing the significance of strengthening free trade cooperation amid the pandemic, both sides would like to further strengthen cooperation in CIFTA implementation, take effective measures to respond to the pandemic, and bring bilateral economic and trade cooperation back on track as soon as possible.

➤ Specific Issues

The Chinese delegation mentioned that there were no urgent issues to be addressed under the CIFTA framework after consultation by both sides, which meant that the implementation of CIFTA was generally satisfactory. China put forward some proposals on further strengthening bilateral

cooperation. First, step up post-pandemic tourism cooperation. Second, encourage Icelandic financial institutions to participate in China's Cross-border Inter-bank Payment System (CIPS). Third, encourage Icelandic institutions to enter China's interbank bond market and issue Panda bonds in China. Fourth, China hoped Iceland could remove unnecessary restrictions on investment, give more publicity to Icelandic investment climate and policies, and provide more facilitations to Chinese investors.

The Icelandic delegation responded positively to China's proposals. For tourism, the two sides had worked well together in bringing Chinese tourists to Iceland, with the amount reaching over 100 thousands last year. Even during the pandemic, China had provided permits for the opening of new Icelandic visa centers in some important Chinese cities. Both sides were also collaborating on the direct flight matter. Iceland was making preparations for tourism cooperation with China after the pandemic and was excited about the future. For financial cooperation, Icelandic authorities expressed interests in participating in CIPS and issuing panda bonds, and asked for further information on the two issues. For investment, the Icelandic delegation explained that, according to domestic laws and regulations, there were some well-defined restrictions on foreign investment within certain categories, such as fishery, energy and aviation. However, there were many opportunities available for foreign investors. Iceland welcomed investments both from and outside the EU, including China.

The Icelandic delegation also expressed concerns on the following issues. First, Customs cooperation. Iceland was concerned about the impact of China's new testing requirements for imported cold chain foods on Icelandic exports and the scientific rationale behind it. The Customs of the two countries had a fruitful meeting on this issue the day before, and were confident to find solutions. Second, Postal service. Reliable postal service was of much importance to both sides, both on e-commerce and correspondence between people of Iceland and China. Postal service had been suspended because of the pandemic. China post and Icelandic post were in direct contact to find solutions. Third, Rules of Origin(ROO). Iceland would like to follow up on the previous discussions regarding an update to the listed rules for silicon, fish oil and related products, and explore the possibility of updating the listed rules outside of a broader modernization practice, with the hope to conduct an expert meeting next year so that a technical change could be made and approved by the Joint Committee. Fourth, Facilitating tourism. Iceland indicated that an important component of the tourism trade was visa facilitation, and wished to get approval from the Chinese Government on setting up four potential visa centers in China. Fifth, Taxation. Carbon Recycling International, an Icelandic company in China, had encountered issues concerning withholding tax for engineering services in China. The issue was being addressed through appropriate channels but still required the written position of the Chinese tax authorities in order to proceed further. Sixth, the Icelandic delegation raised the issue of a trademark case involving the Icelandic dairy product Skyr.

The Chinese delegation responded to Icelandic concerns as follows. First, regarding customs cooperation and trade facilitation, China side was glad to see that the customs authorities from the two countries had a comprehensive and fruitful exchange of views the day before, and reached consensus on major concerns. China hoped that both sides could continue to work closely to further facilitate customs clearance and bilateral trade. Second, since this April, postal services between the two countries had been suspended due to the pandemic and lack of flights. The postal companies in both countries had been in close contact to address the issue. China set great store by bilateral postal cooperation, and would like to work with Iceland to bring postal services back to normal. Third, regarding the rules of origin for silicon and fish oil, the delegation would pass on the request to the Customs for their consideration. Fourth, regarding facilitating tourism and setting up new visa centers, China side would look into these proposals as soon as the global pandemic subsides and international travelling was back to normal. Fifth, regarding the taxation issue, China placed high priority on offering a good taxation climate for cross-border tax payers. If Icelandic companies had any objections to tax payment here, they were encouraged to resort to domestic remedies in China, or apply to the relevant Icelandic authorities to launch the mutual agreement procedure. The written position of the Chinese tax authorities was not the prerequisite for domestic remedies or mutual agreement procedure. Sixth, for the trademark issue, the delegation wished to get more detailed information. The Chinese delegation reiterated that China was willing to keep discussing these issues on other platforms for bilateral cooperation, so as to jointly strengthen bilateral economic ties.

CONCLUDING SESSION

➤ Date and Venue of the Next Meeting

The delegations agreed to hold the 5th JC meeting towards the end of next year.

➤ Concluding Remarks

In the concluding remarks, the delegations commended the fruitful discussions of the meeting, exchanged views on anti-epidemic measures and experiences, reviewed the history and achievements of CIFTA implementation, and dived into key economic and trade issues. They both held the view that, the CIFTA had run smoothly on the whole, and provided strong impetus for bilateral economic and trade cooperation. Looking into the future, under the guidance of important consensus reached by leaders of the two countries, both sides were committed to making the best use of CIFTA, striving to defeat the pandemic as early as possible and achieve sustainable economic growth in both countries. Both sides would follow up the issues brought up by this meeting.