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TRADE POLICY REVIEW

Report by

CHINA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by China is attached.

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I. INTRODUCTION

1. Since WTO's first Trade Policy Review of China in May 2006, the international trade environment has taken on new features. The world economy has been on the alert of a recession; WTO Doha Round negotiations have been making only limited progress; and trade protectionism has been on the rise.

2. The risk that the spill-over effect of the US sub-prime mortgage crisis may lead to global economic recession manifests the ever-deepening interdependence among economies of the world. Therefore, it is the common responsibility of all WTO Members to adopt pro-trade policies with a view to maintaining economic growth and to facing up to the looming threat of world economic recession.

3. Against such backdrop, the success of Doha Round is particularly crucial. China hopes strongly that all Members, especially the developed ones, to demonstrate sufficient political will and exercise maximum flexibility so as to bring the negotiations to an early conclusion with a balanced outcome.

4. The Chinese Government will continue to take measures including policy incentives to stimulate domestic demand and to work out policies featuring broader scope and higher level of opening up so as to ensure stable economic growth.

5. The Chinese Government believes that sustainable and coordinated economic development can only be achieved by following the path that is pro-innovation, resource-conserving and environmental-friendly, and by striving to build a harmonious society that enables its entire people to share the benefits of development.

6. The Chinese Government always supports the multilateral trading system and puts it on top of its trade policy agenda. China emphasizes the importance of maintaining and strengthening the central role of WTO in coordinating trade policies of Members and supports the advancement of trade and investment liberalization and facilitation worldwide through multilateral trade negotiations. Meanwhile, China regards bilateral and regional free trade arrangements as a necessary supplement to multilateral trade liberalization.

7. China upholds the principle of seeking mutual benefit and win-win result in fostering its economic and trade relations, and works for shared benefits of economic globalization with other countries by capitalizing on our respective comparative advantages. Being a developing country itself and faced with numerous challenges for development, China fully understands the difficulties confronting other developing countries in their pursuit towards economic development and prosperity and has all along committed itself to providing assistance, to the best of its capability, to other developing countries, especially the LDCs.

II. GENERAL ECONOMIC ENVIRONMENT AND MACROECONOMIC POLICIES

(A) ECONOMIC GROWTH AND ADJUSTMENT OF MACROECONOMIC POLICIES

(i) Continued Steady Growth of China's Economy

8. In 2006 and 2007, China's economy continued its fast and steady growth, with GDP increasing by 11.1% and 11.4% respectively. For five consecutive years, the growth rate of China's economy reached 10% or above.

9. In 2006 and 2007, the per capita disposable income of urban residents, adjusted by price factors, grew by 10.4% and 12.2% respectively and the per capita disposable income of rural residents, also adjusted by price factors, grew by 7.4% and 9.5% respectively over the previous year. The net income rise of both urban and rural residents in the past two years accelerated markedly.

10. On employment, in 2006 and 2007, 11.84 million and 12.04 million people were able to get newly employed in the urban areas, while the registered urban unemployment rate was 4.1% and 4.0% respectively.

11. It is worth noting that in 2007, the contribution of consumption, investment and net exports to GDP growth was 4.5%, 4.4% and 2.5% respectively. It was the first time in seven years that the contribution of consumption to GDP growth exceeded that of investment. In turn, this has changed the underlying mechanism for economic growth from mainly relying on investment and export to an approach that coordinates consumption, investment and exports as an integrated force for growth.

(ii) Adjustment of Macroeconomic Policies

12. As China continues to enjoy rapid economic growth, the rise in prices has also exerted mounting pressure on the heavily-populated country. CPI rose by 1.5% in 2006 and 4.8% in 2007. The increase in the overall level of consumer prices reached a record high of recent years, with the biggest jump in food prices. At present, the risk is still real that China's economy may change from relatively fast growth to overheating. In this context, China will continue to adopt a prudent fiscal policy and gradually tighten up its monetary policy.

13. Since the second half of 2007, the People's Bank of China, considering the prevailing situation in macroeconomic performance, has begun to strengthen liquidity management in order to maintain aggregate balance; intensify regulatory measures on credit policies and optimize credit structure, so as to guide the rational growth of money supply and credit as well as investment.

14. In 2006, against the background of excessive investment growth, overwhelming trade surplus and excessive supply of money and credit, the People's Bank of China undertook a series of measures including reinforcing open market operations, raising RMB deposit reserve ratio and foreign exchange deposit reserve ratio, and raising saving and loan interest rates of financial institutions.

15. Since the beginning of 2007, China's economy has been facing heightened pressure of CPI increase. The People's Bank of China adopted a moderately tighter monetary policy, further strengthened liquidity management, continued to consolidate open market operations; raised the RMB deposit reserve ratio for 10 times successively; raised foreign exchange deposit reserve ratio for the second time; raised saving and loan interest rates of financial institutions for 6 times; and further strengthened the credit risk warning system and provided guidance to over-heating industries such as the real estate.

16. With regard to the public finance, during 2006-2007, China's fiscal revenue continued to score rapid growth, increasing by 22.5% and 32.4% in 2006 and 2007 respectively. The ratio of fiscal revenue to GDP rose to 20.8% in 2007 from 18.4% in 2006. The Central Government's budget deficit declined year by year, from Y299.962 billion in 2005 down to Y274.9 billion in 2006, and further down to Y200 billion in 2007.

17. In recent years, the Chinese Government gradually changed its fiscal policy from being proactive to prudent. Alongside the decrease of budget deficit year by year, the issuance of treasury bond for long-term construction projects has also decreased year by year, from Y80 billion in 2005 to Y60 billion in 2006, and further down to Y50 billion in 2007.

18. In 2006 and 2007, the Chinese Government adopted an integrated approach that incorporates a variety of fiscal policy instruments to ensure structural optimization and promote system innovation so as to respond to the needs of social and economic development, and to achieve a well coordinated functioning of the economic and social sectors. These policies include: to expand the public finance to cover the three issues concerning "agriculture, rural areas and farmers" with a view to balancing the development of both urban and rural areas; to increase the investment for social undertakings such as education, science, public health and social security so as to promote the coordinated development for both economic and social sectors; to increase central government transfer payment earmarked to the interior regions of central and western China so as to achieve coordinated development of different regions; and to promote resource conservation and environment protection through increased budget allocations.

(B) CHALLENGES AND DIFFICULTIES CONFRONTED

19. While maintaining rapid growth, China's economy has been confronted with both internal and external challenges. On the national front, the persistent imbalances of economic growth remain unaddressed. For example, consumption as a contributing factor to economic growth is still relatively insignificant; the economy has been excessively dependent on investment and exports; imbalance in industrial structure remains with service industries accounting for a small proportion of the economy; the extensive growth pattern is exerting heavy pressure on the environment; the income gap between urban and rural areas keeps widening and disparities of development among regions remain. On the international front, the spill-over effects of the US sub-prime mortgage crisis and the chronic price hike of oil and other commodities add to the uncertainty of the world economy and international financial market; the rise of trade protectionist measures, such as the abusive use of trade remedies and technical barriers to trade by some WTO Members, particularly the major developed ones, has affected negatively China's effort to engage in fair competition in the international market.

20. The Chinese Government has set forth the major policy directions for resolving imbalances in economic development. On the one hand, the mode of economic development will be further optimized with a view to achieving sustainable growth where domestic demand serves as the main driving force while there will be less dependence on investment and exports. Further more, greater emphasis will be given to building a resource-saving and environmental-friendly society so as to remove the environmental and resource bottlenecks that constrain economic development. On the other hand, readjustment to economic policies will be further carried out so that the fruit of development can be broadly shared by the entire society.

III. DOMESTIC POLICY DEVELOPMENT AND REFORM

(A) TRANSFORMATION OF ECONOMIC DEVELOPMENT MODE

21. In recent years, the Chinese Government has been paying more attention to the transformation of economic development mode and following a path of pro-innovation, resources-saving and environmental-friendly economic development. The main measures include: policy incentives for the development of new and high-tech industries, energy-saving and environmental-friendly industries and service sectors; restrictions on resource and energy-intensive industries as well as high-emission industries; more efforts on energy conservation and emission reduction, development of a circular economy, reinforcement of environmental protection measures and so on.

22. China's policy towards foreign investment has also been updated accordingly. The new "2007 Industrial Catalogue for the Guidance of Foreign Investment" has added entries to encourage foreign investment in the development of clean production, renewable energy and ecological

environmental protection, and to encourage foreign investment in industries featuring comprehensive utilization of resources for multiple purposes. Meanwhile, the newly promulgated Catalogue also restricts or prohibits foreign investment projects which involve high energy consumption and/or high emission.

23. Over the past few years, China has been intensifying its efforts on environment protection. The "11th Five-Year Programme" sets energy saving and emission reduction as targets to be achieved by governments of all levels. In 2006-2007, the Comprehensive Work Plan for Energy-saving and Emission Reduction was drafted and put on track of implementation. Over the past two years, the Chinese Government has established energy-consumption and environmental standards which require strict compliance. All new projects must undergo energy consumption appraisal and environmental impact assessment. Projects that fail to meet the energy-saving and environmental protection standards are not entitled to start operation. Enterprises whose on-going projects fail to meet the standards have to suspend their production and even shut down altogether if the failure continues after rectification. The obsolete production capacity featuring high energy-consumption and high pollution is to be eliminated through resolute actions. Furthermore, the Chinese Government has reformed the pricing system for resource-poor commodities, emission charge system, resources taxation system and the system of compensation for the use of mineral resources.

24. These efforts have achieved preliminary results. The energy consumption per unit of GDP which had increased by 4.9%, 5.5% and 0.2% respectively in the previous three years decreased by 1.33% in 2006. The total emission increment of major pollutants has slowed down. Thanks to the latest measures on energy-saving and emission reduction taken by the Chinese Government in 2007, energy consumption per unit of GDP declined by 3.27% compared with the previous year. For the first time in recent years, there was a concurrent decline in both chemical oxygen demand and total sulphur dioxide emission, a reduction by 3.14% and 4.66% over the previous year respectively.

(B) DEVELOPMENT OF SERVICE INDUSTRIES

25. The proportion of service sector in China's total output has been relatively low and it has gone down further in recent years. In 2006, the service sector output accounted for 39.5% of the GDP, a decline of 0.5% from the level of 2005; the number of employees was 246 million, accounting for 32.2% of the total. Service sector output in 2007 increased by 11.4% over 2006, yet the share to GDP decreased to 39.06%.

26. To accelerate the development of China's service sector, the Outline of the 11th Five-Year Plan for National Economic and Social Development adopted in 2005 sets out the following targets: by 2010, the share of value added service sector in GDP should increase by 3% as opposed to the year of 2005, the share of service sector employment should increase by 4%, and the total volume of trade in services should reach US\$400 billion; large cities where conditions permit should focus more on service sector.

27. In March 2007, "Opinions of the State Council on Accelerating the Development of the Service Sector" (hereinafter referred to as "Opinions") was promulgated by the State Council, which sets out the direction as well as policy considerations for the development of China's service sector. The "Opinions" regards the accelerated development of the service sector as an important way to promote the rationalization of economic structure, transform the economic development mode and the foreign trade development mode, effectively remove the bottleneck posed by energy shortage, and to improve efficiency in the use of resources as well as to create job opportunities.

(C) ESTABLISHMENT OF THE SOCIAL SECURITY SYSTEM

28. Through development efforts of the past ten years or so, an initial form of social security system has taken shape in China. The evolving social security system covering both urban and rural residents will comprise basic services such as social insurance, medical care and support as well as social welfare with emphasis on provision of basic pension insurance, basic health insurance and subsistence allowance supplemented by charity and commercial insurance programmes.

29. The social security fund was set up to reinforce the development of social security system, a fund established to operationalize the social security system. As the most important component of the social security fund, China's social insurance fund mainly consists of basic pension fund for employees, unemployment insurance fund, basic health insurance fund for urban workers, basic health insurance fund for urban residents, and insurance fund for work-related injury and maternity leaves. Among all these, the pension fund is the largest and plays a pivotal role in the entire social insurance system.

30. In 1995, the Ministry of Labor and Social Security (MOLSS, restructured to the Ministry of Human Resources and Social Security in 2008) was established by the State Council, and mandated to oversee all social security affairs.

31. From 2003 to 2007, the accumulative national fiscal expenditure on social security amounted to Y1.92 trillion, an increase of 1.04 times compared to the previous five-year period. By 2007, the number of participants in the urban basic pension system had exceeded 200 million; the number of participants in the basic medical insurance for urban workers had reached 180 million; the newly established rural cooperative medicare system had covered 86% of the counties nationwide benefiting 730 million rural residents. In 2007, the amount of accumulative national social security fund reached Y414 billion, Y289.8 billion more than that of 2002. Concurrent with continuous improvement of the subsistence allowance system for urban residents is the incremental increase of the threshold of subsistence allowance and amount of government assistance. In 2007, the subsistence allowance system was established in rural areas nationwide, covering 34.519 million rural residents.

(D) ANTI-MONOPOLY LAW AND REAL RIGHT LAW

32. The Anti-Monopoly Law coming into force on August 1, 2008, marks the birth of a basic framework of China's competition policies. This framework mainly consists of the Law against Unfair Competition and the Anti-Monopoly Law. The Anti-Monopoly Law was enacted to prevent and restrain monopolistic conducts, protect fair competition in the market, improve the efficiency of economic performance, and safeguard the interests of consumers as well as the general public. "Monopolistic conduct" is defined in the law as: monopolistic agreements between businesses; abuse of dominant market positions by businesses; concentration of businesses to the effect that excludes or restricts competition. The implementation of the Anti-Monopoly Law will substantially contribute to regulating and promoting market competition.

33. The Real Right Law implemented since October 1, 2007, is a basic civil law governing property relationships which aims to regulate the civil relationships arising from ownership and appropriation. The Real Right Law makes it clear for the first time that "the real right of the state, collective, individual or any other right holders shall be protected by law, and shall not be infringed by any organization or individual." The implementation of the Real Right Law is of significant importance to boosting economic development and promoting rule of law.

(E) FINANCIAL SECTOR REFORM AND ADJUSTMENT OF FOREIGN-EXCHANGE POLICY

(i) Capital Market Development

34. In May 2005, China Securities Regulatory Commission launched the reform of the split share structure of listed companies, aimed at realizing the circulation of non-tradable shares. By now, 99% of the listed companies have completed the reform.

35. The reform of the split share structure represents a major transformation of China's capital market. It has resolved the long standing legacy that had impaired the healthy development of the capital market. The reform puts behind the history when two different shares and prices coexisted, creating a level playing field for all kinds of shareholders, and set the basis to improve the pricing and resource-allocation functions of the capital market, and to enhance the capacity of the listed companies in exercising corporate governance, and to further push forward innovation and development of the capital market.

36. Since 2006, a multi-level capital market system has taken its initial shape with the rapid development of China's main board and SMEs board markets, and further expansion of corporate bond market. By now, preparatory work for the GEM board and financial futures has been completed. With public offerings of such large-scale corporations as Industry and Commercial Bank of China (ICBC) and Sinopec in the domestic market, the structure of listed companies has been optimized, the efficiency of market financing significantly enhanced, and the market capitalization rapidly expanded. In 2007, Y772.8 billion was raised through domestic stock market, of which Y459.5 billion was raised through Initial Public Offering (IPOs). The number of listed companies in the SME board reached 202. With the establishment of a corporate bond issuance system based on information disclosure and market-orientation, the corporate bond market was further improved.

(ii) Financial Sector Reform

37. Breakthrough has been achieved in the reform of the Stock System of the State-owned Commercial Banks. In late 2003, shareholding reform of the state-owned commercial banks was formally launched. In the past 4 years, Industry and Commercial Bank of China, Bank of China, Construction Bank of China and Bank of Communications have completed their shareholding reform in succession, and have been listed in domestic and/or overseas stock markets. Profound changes have taken place in both corporate governance and managerial concept of these commercial banks. As a result, their overall strength, asset quality and management skills have been further enhanced.

38. In recent years, the reform of China's Rural Credit Cooperatives has been making continuous progress. Bearing in mind their specific local conditions, the Rural Credit Cooperatives throughout the country have explored different new modalities of ownership such as shareholding system and cooperative stock system, and has on a trial basis established rural commercial banks and rural cooperative banks. After years of reform and development, the financial strength of Rural Credit Cooperatives has been significantly improved, and their operational risks have been mitigated. Meanwhile, new pilot rural financial institutions have been established. Presently, pilot programmes of micro-credit enterprises are being promoted in Shanxi, Sichuan, Inner Mongolia, Shannxi and Guizhou provinces/ autonomous regions where 7 such enterprises have been set up and started operation. By the end of 2007, the pilot micro-credit enterprises had been operating well, cumulatively providing Y392,345 million of credit. Furthermore, by the end of 2007, 31 new rural financial institutions had been approved to start operation. Among these institutions, 19 are rural commercial banks, 4 are loan subsidiaries and the other 8 are rural mutual cooperatives. The development of new rural financial institutions has stimulated the development of the local rural

financial markets, contributed to the improvement of rural financial system, and enhanced the quality of financial services in rural areas.

(iii) Adjustment of Foreign Exchange Policy

39. The Chinese Government continued to carry out with great care the reform of RMB exchange rate regime since it was inaugurated in July, 2005, giving full play to the role of market demand and supply, and enhancing the exchange rate flexibility. Main measures include: introducing the negotiated transaction and market maker mechanism, so as to improve the way the middle price of RMB exchange rate is formed; expanding the daily floating band of RMB exchange rate and increasing its flexibility. Starting from May 21, 2007, the maximum daily floating band permitted of the middle price of RMB against dollar in the inter-bank market was expanded from $\pm 3\%$ to $\pm 5\%$.

40. After several years of reform, the flexibility of RMB exchange rate has increased markedly. From July 2005 when China introduced the managed floating exchange rate system to the end of 2007, RMB had appreciated by 13.3% against USD, and 14.06% against YEN. Bank for International Settlements (BIS) estimated that nominal effective exchange rate of RMB has appreciated by 5.34%, while the real effective exchange rate has appreciated by 10.68%. RMB appreciation has accelerated since 2008. As of April 10, 2008, the middle rate of RMB against USD dropped to 6.992.

41. In regard to the foreign exchange management, systemic equilibrium management system of foreign exchange outflow and inflow has been gradually implemented in recent years with the objective of achieving the basic balance of international payment. On the current account management, opening of foreign exchange account for current transfers is no longer subject to approval. Businesses are entitled to retaining the foreign exchange income from current transfers and the documents and procedures have been simplified for sale and payment of foreign exchange for trade in services. Starting from 2007, individuals in China are entitled to purchase a maximum amount of US\$50,000 per person per year, largely satisfying the needs of individuals. On the capital account management, in 2007, in order to meet the legitimate demand of Chinese individuals and institutions for overseas financial investment and asset management, the Chinese residents are entitled to invest in foreign security markets via qualified domestic institutional investors (QDII). Meanwhile, the upper limit was also elevated for qualified foreign institutional investors (QFII) to invest in the Chinese domestic security market.

(F) CHANGES IN TAXATION POLICY

42. In March 2007, "The Law of the People's Republic of China on Enterprise Income Tax" was adopted by the Fifth Session of the Tenth Session of the National People's Congress, and came into effect on January 1, 2008. The implementation of the law ended the coexistence of two tax systems applicable to foreign-invested enterprises and Chinese domestic enterprises separately and put in place a uniform enterprise income tax law; the new Enterprise Income Tax Law has lowered the statutory income tax rate from 33% to 25%, unified the methods and standards of pre-tax deductions; and consolidated tax policy incentives.

43. The pilot programme of reform on the transformation of VAT has made steady progress. From July 1, 2007, taking the stock of experiences of the VAT reform pilot programmes undertaken in the old industrial bases of Northeast of China, the VAT conversion pilot programmes were extended to cover power, mining and other 8 industries in 26 old industrial base cities in the six central provinces.

44. On April 1, 2006, China began to reform its consumption tax system, with a view to promoting both environmental protection and resource conservation, and to guiding rational

consumption and indirectly adjusting income distribution. The reform consisted of two parts: first, adjustment to taxable items subject to consumption tax, increasing the number of taxable items from 11 to 14; and second, adjustment to tax rates of certain number of taxable items.

45. In view of the continued rapid economic growth, changes in personal income and expenditure, as well as changes in consumer prices, significant changes have been made in personal income tax policy in recent years. First, the income tax threshold was raised from Y800/person/month to Y2,000 /person/month after two rounds of changes. Second, the personal income tax rate for deposit interest was reduced from 20% to 5%.

46. On January 1, 2006, China abolished "The Interim Regulations on the Agricultural Tax of the People's Republic of China" and terminated the agricultural tax nationwide.

(G) PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

47. In order to step up law enforcement on intellectual property right protection, the State Council formulated "the Outline of IPR Protection Actions (2006-2007)" in 2006, the National Working Group on IPR protection issued the annual action plans for China's IPR protection in March 2006 and March 2007 respectively, which gave detailed instructions on 438 specific tasks and supporting measures in areas such as law enforcement, special targeted actions, international cooperation, consultancy and education and so on. By now, most of these planned tasks have been completed on time.

48. During the past two years, China has enacted a number of rules and regulations, further improving the legal system for IPR protection. In 2006, the State Council promulgated "the Regulations on the Protection of the Right of Communication through Information Network", the Supreme People's Court promulgated the "Decision of the Supreme People's Court on Amending the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network (II)"; the Supreme People's Procuratorate, Ministry of Public Security, National Copyright Administration, the State Administration for Industry and Commerce and Customs General Administration of China promulgated four legal instruments to accelerate transfer from executive enforcement to criminal justice; The Ministry of Commerce and other agencies promulgated the rules on IPR protection in exhibitions; The State Intellectual Property Office issued "Guidelines for Patent Examination" and "Measures for the Reduction or Postponement of the Payment of Patent Fees"; the Supreme People's Court and the Supreme People's Procuratorate specified the threshold of conviction and penalty for IPR infringement relating to counterfeiting and piracy of audio-visual products.

49. In 2007, Supreme People's Court and Supreme People's Procuratorate jointly issued "Interpretation II of the Supreme People's Court and the Supreme People's Procuratorate Concerning Some Issues on the Specific Application of Law for Handling Criminal Cases of Infringement upon Intellectual Property Right", which lowered substantially the criminal law enforcement threshold. In addition, the Supreme People's Court promulgated "Interpretation of the Supreme People's Court on Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition", and "Regulation Regarding Certain Laws To Be Applied in Adjudicating Disputes Relating to Plant Variety Rights Infringement Disputes".

50. In order to further strengthen the law enforcement of IPR protection, various Chinese law enforcement agencies and authorities carried out in the past 2 years a series of special nationwide campaigns to crackdown on all kinds of infringement activities.

51. The Chinese Government adopted various means to extend education and training programmes to enhance the public awareness on IPR protection. Every year, activities of various forms are organized, such as IPR Week to commemorate the "World Intellectual Property Day (April 26)". Special training courses on IPR have been conducted by the Chinese Government tailored for senior officials including ministers, director-generals and provincial and municipal governors, as well as law enforcement officials and judicial personnel. Meanwhile, the Central Government has also set up 32 IPR education and research institutions and has incorporated IPR courses into primary and secondary school curricula.

52. Since April 2006, China has established nation-wide IPR complaint service network consisting of IPR reporting and complaint service centers in fifty large and medium-sized cities. The Chinese court system has set up 172 IPR courts, and 140 collegiate Panels specializing in IPR issues.

53. On December 29, 2006, China decided to join the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. On June 9, 2007, the two Treaties formally came into force in China. China has also completed the domestic legal procedure for acceptance of the Protocol on Revising the Agreement on Trade-Related Aspects of Intellectual Property Rights.

IV. TRADE POLICY DEVELOPMENTS

(A) TRADE EXPANSION AND PROBLEMS CONFRONTED

(i) Rapid Growth of Merchandise Trade

54. During the period 2005 to 2007, China's merchandise trade continued to register rapid growth, and total trade reached US\$1.4, US\$1.7 and US\$2.1 trillion respectively, representing an average annual increase of 23.6%. Meanwhile, trade surplus increased year by year, reaching US\$101.88 billion, US\$177.47 billion and US\$262.21 billion respectively. During the same period, imports also increased rapidly, with growth rates year on year reaching 17.7%, 20.0% and 20.7% respectively.

2005-2007 China's Total Merchandise Trade (Unit: billion USD)

	2007	2006	2005
Total Amount	2,173.02	1,760.69	1,422.12
Export	1,217.20	969.07	762
Import	955.82	791.61	660.12
Balance	261.38	177.46	101.88

55. As of the end of 2007, China's top three trading partners were the EC, the United States and Japan with bilateral trade volumes of US\$352.81 billion, US\$302.08 billion and US\$236.02 billion respectively. Meanwhile, China has become the second largest trading partner of the United States and the EC, and the largest trading partner of Japan. Trade between China and ASEAN, Russia, India, Brazil, Korea and Australia also maintained rapid growth. Take ASEAN for example, between 2005 and 2007, bilateral trade in goods between China and ASEAN reached US\$130.37 billion, US\$160.84 billion and US\$202.51 billion, an year increase of 23.1%, 23.3% and 25.9% respectively. Trade between China and African countries has recorded an even faster rate of growth. Between 2005 and 2007, trade volume between China and African countries reached US\$39.75 billion, US\$55.46 billion and US\$73.31 billion, an increase of 34.9%, 39.5% and 32.1% respectively.

(ii) Services Trade Deficits Continue Expanding

56. In recent years, China has also seen rapid growth in its services trade. In 2006, China's services import and export amounted to US\$191.75 billion, an increase of 22.1% over the previous year. In a breakdown, export stood at US\$91.42 billion, and import reached US\$100.33 billion, representing an increase of 23.7% and 20.6% over the previous year. In the first half of 2007, the total value of China's services import and export was US\$114.2 billion, an annual increase of 33.1%. In a breakdown, its services exports amounted to US\$55.53 billion, an increase of 38.7%, while imports amounted to US\$58.67 billion, an increase of 28.3% over the previous year. In contrast with merchandise trade, China's trade in services is of a smaller scale and has long been in deficit. From 2002 to 2006, the services trade deficit amounted to US\$6.699 billion, US\$8.477 billion, US\$9.546 billion, US\$9.263 billion, and US\$8.906 billion respectively.

(iii) Problems Confronting China's Foreign Trade Development

57. The export structure needs to be further rationalized. In terms of China's exports, products of energy-intensive, high emission and resource-intensive nature take up a high proportion, while the proportion of technology-intensive products and services remains relatively low. Such a structure for export not only added shortage on China's resources and energy, but also exerted pressure on the environment.

58. Now that China's exports still overly concentrate on a few markets, further efforts should be made to further diversify the markets.

59. Rising trade protectionism among some WTO Members, particularly some major developed ones, has large negative impact on China's exports.

60. For 13 consecutive years from 1995 to 2007, China has been subject to the largest number of anti-dumping actions in the world. While China's merchandise exports only accounted for 6% of the world's total, the proportion of anti-dumping cases against China accounted for 15.6% of all the antidumping measures by WTO Members. From 2006 to 2007, the number of antidumping actions against China was as high as 126. During the same period, 10 countervailing investigations were also initiated against China, making China the largest target of countervailing measures as well.

61. In recent years, numerous technical standards and sanitary and phytosanitary measures have become major obstacles to China's exports. According to a survey by the Ministry of Commerce in 2007 on influence of foreign standard measures on China's foreign trade, 15.22% of China's export enterprises were affected by TBT measures in 2006. Amongst all the 22 major categories of China's exports, 21 categories suffered direct losses from standard measures with a total value of US\$75.8 billion, accounting for 7.82% of the total export in 2006. The additional production costs to Chinese enterprises for compliance with the newly proposed technical standards reached US\$26.2 billion in 2006. Trade opportunities lost for China's export enterprises due to foreign technical barriers amounted to US\$143.7 billion, accounting for approximately 14.83% of the total export of China in 2006.

62. The appreciation of RMB and the rising labor costs have also brought challenges to China's exports, especially for labor-intensive products. A few years ago, shortage of labor already occurred in some coastal areas, the heartland of China's export industry.

63. In recent years, China's trade surplus has risen continuously as its trade volume increased. While reasons for the trade surplus are multifaceted, the changing pattern of international division of labor and the relocation of global manufacturing activities is one of the major elements. China's

economic reform and opening-up in the past 30 years and its accession to the WTO has brought about a continued improvement of its legal system, enhanced transparency of its economic and trade policies, and a much better environment for business and investment. These together with overall labor quality improvement and low labor costs have resulted in a steady relocation of manufacturing activities into China, which in turn has led to a shift in trade patterns: i.e., a significant part of the direct exports originated from some Asian countries and regions to the U.S. and Europe have become indirect exports to U.S. and Europe via China, thus contributing to China's substantial trade surplus. The fact that foreign-invested enterprises account for over 57% of China's total exports makes people understand better the nature of interdependence. Meanwhile, it should be pointed out that the unnecessary control of high-tech exports to China by some major developed WTO Members has always been an important cause of China's trade surplus with those Members.

64. It is worth noting that while China is in trade surplus vis-à-vis some WTO Members, China also has major trade deficit with a number of other WTO Members. The Chinese Government always believes that excessive trade surplus would bring about adverse impact on China's economy and aggravate excessive domestic liquidity, creating difficulties for China to implement monetary policy. Therefore, the Chinese Government has never single-mindedly pursued trade surplus and has been doing everything possible to reduce trade surplus through comprehensive measures including those to boost domestic demand.

(B) TRANSFORMATION OF FOREIGN TRADE DEVELOPMENT MODE

65. Transformation of trade development mode is crucial in addressing the problems affecting China's foreign trade. Specific measures include: promote the upgrading of processing trade, reduce exports with energy-intensive, high-emission and resource-poor products; increase export of high-tech and new technology products and services; and increase import of advanced technology and equipments, energy-saving and environmental protection equipments with key parts and components.

66. From 2006 to 2007, China made a series of policy adjustments relating to processing trade, with a view to improving the structure of export commodities, discouraging the excessive exports of low value-added and low technology content products, promoting the transformation and upgrading of processing trade, and to encouraging the relocation of processing trade activities to the central and western parts of China. To this end, on April 5, 2007, the government issued the Prohibited Commodities Catalogue for the Processing Trade and on July 23, 2007, and issued the Restricted Commodities Catalogue for the Processing Trade. On December 21, 2007, the second batch of Prohibited Commodities Catalogue for the Processing Trade was issued. Products covered by these catalogues mainly include some chemical, smelting and other energy-intensive, high emission and resource-poor products and labor-intensive products such as plastics and textiles.

67. In order to reduce the production, consumption and export of high energy-intensive, high emission and products of exhaustible resource, the Chinese Government adjusted the export VAT rebate policy on July 1, 2007, covering 2,831 commodities, which accounted for 37% of the total number of export commodities. To be specific, China cancelled export tax rebates for 553 commodities and lowered such rebates for 2,268 commodities.

68. Development of trade in services. The Outline of the 11th Five-Year Programme for National Economic and Social Development put forward the objectives that by 2010, China's trade in services should reach US\$400 billion. To this end, efforts have been undertaken in China to further develop a services export promotion system, including those to improve the statistics system of trade in services, to set up outsourcing bases for services and to encourage the participation of foreign investment in software development, the cross-border outsourcing and logistics industries.

(C) INWARD FOREIGN DIRECT INVESTMENT AND OUTWARD DIRECT INVESTMENT

(i) Inward Foreign Direct Investment

69. In 2006, foreign investment inflows to China reached US\$69.468 billion, down 4.06% from 2005, making China the fourth largest destination in the world and the largest destination among developing countries. FDI attracted by China in 2006 accounted for 6.72% of global foreign direct investment flows, 1.5 percentage points lower than that of 2005. In 2007, foreign direct investment in China amounted to US\$78.339 billion, slightly above the figure for 2006.

70. Over the past two years, in particular in 2007, China conducted a series of policy adjustments related to foreign investment, mainly including: unifying the income tax of domestic and foreign-funded enterprises; upgrading processing trade by prohibiting and restricting the processing trade of certain products; adjusting the export valued added tax rebate policy by reducing the rate of export tax rebates on energy-intensive, high emission and resource-poor products; adjusting land use policy; promulgating and implementing the Labor Contract Law; and revising the Industrial Catalogue for the Guidance of Foreign Investment. The objective of these policy adjustments was to create a more equitable and normal market environment, and to guide the enterprises to accelerate industrial upgrading to adapt to the ever-changing world economy and the Chinese economy.

71. In order to redirect foreign investment, the Chinese Government encourages foreign capital in industries such as high-tech and new technology, modern service industries, high-end manufacturing sectors, infrastructure and environmental protection. Meanwhile, transnational corporations are encouraged to set up regional headquarters, R&D centers, as well as procurement and training centers in China.

(ii) Outward Direct Investment

72. China encourages and supports domestic enterprises with sufficient capacities to conduct international operations and diversified forms of economic and technical cooperation, particularly in developing countries and least-developed countries. As early as 1998, China called on the Chinese businesses to "go-global", and encourages enterprises to engage in activities such as: setting up production facilities, research and development centers as well as sales networks; conducting processing trade; engaging in contracted projects and providing skilled labours; engaging in consulting services; getting listed in overseas capital markets; and conducting cross-border merger and acquisitions. Enterprises "going-global" are also encouraged to make utmost contributions to development of local communities and the improvement of the livelihood of the local people.

73. China's overseas direct investment grew rapidly in recent years. In 2006, China's non-financial overseas direct investment amounted to US\$16.13 billion, an increase of 31.6% over 2005; in 2007, China's non-financial overseas direct investment reached US\$18.72 billion, up 6.2% over 2006.

(D) TRADE FACILITATION MEASURES

74. Customs clearance and transit reform. Over the past few years, China has been pushing forward reform on regional customs regime of clearance and transit goods. The reform include measures to make better use of information technology, integrate the inland customs' management resources with those of the port customs; simplify the transit customs clearance; carry out customs clearance mode of "declaring goods at dependency while inspecting and clearing goods at ports" for inter-customs imports and exports and apply "cross-border express clearance" between Hong Kong,

Macao and Guangdong customs. These practices have improved the efficiency of customs clearance in China.

75. Custom Valuation. The current valuation principles and procedures employed by the Chinese customs to imported goods are fully in line with the requirements of the WTO "Customs Valuation Agreement". China's customs authorities act according to the Decision on the Treatment of Interest Charges in Customs Value of Imported Goods and the Decision on the Valuation of Carrier Media Bearing Software for Data Processing Equipment adopted by the WTO Committee on Customs Valuation. Starting from 2005, the Customs has applied the transaction valuation method to more than 95% of imported goods in determining the customs value of imported goods each year. For those imported goods whose transaction prices are not used in determining the customs value, the Customs would re-assess the customs value strictly in accordance with the regulations that are in line with the principles and procedures stipulated in the WTO Customs Valuation Agreement.

76. Inspection and Quarantine. After the last Trade Policy Review of China, the Chinese Government added 88 new items to the Catalogue of Import and Export Commodities Subject to Inspection and Quarantine by the Import and Export Inspection and Quarantine Authorities, with a view to better protecting the interests of consumers at home and abroad. Meanwhile, the Chinese Government has never stopped efforts to improve the efficiency of inspection and quarantine procedures, and to enhance bilateral and multilateral cooperation in this regard.

77. Standards and Conformity Assessment. To further improve the national standardization system, the Chinese Government has committed to reforming the relevant working mechanism, keeping existing standards and technical regulations up to date, encouraging enterprises to participate more actively in the development and revision of standards and technical regulations. Efforts have been made to facilitate adoption of international standards and advanced foreign standards with a view to adapting to the swift development of science and technology, and enhancing international competitiveness of domestic industries. In order to promote compliance with standards and technical regulations, the Chinese Government has established a unified conformity assessment system.

78. Certification and Accreditation. The Chinese Government has established a unified and standard certification and accreditation system which applied equally to domestic and foreign enterprises, and has effectively implemented the compulsory certification system, thus virtually eliminating the double authentication existed prior to China's accession to the WTO. With a view to reducing obstacles to and facilitating the conduct of international trade, the Chinese Government has always been actively participating in the activities of international and regional certification and accreditation organizations, and has been actively carrying out international mutual recognition of product certification.

(E) CHINA AND THE MULTILATERAL TRADING SYSTEM REPRESENTED BY WTO

(i) Fulfillment of the WTO Accession Commitments

79. In 2006 and 2007, China further lowered its tariff rate, increased market access to trade in services, and enhanced the transparency of its trade policy.

80. In 2006-2007, China reduced the tariff rate of 187 items in accordance with its accession commitments. Until January 1, 2008, China's overall tariff level had been reduced from 15.3% at the time of accession to 9.8%, among which the average tariff rate of industrial products had been cut from 14.8% to 8.95%, and the rate of agricultural products from 23.2% to 15.2%. It should be pointed out that 100% of China's tariffs are bound at the applied level.

81. On January 1, 2006, in accordance with its accession commitments, China eliminated tariff quotas of 10 items including soya oil, palm oil, and rapeseed oil.

82. Since the last trade policy review, the Chinese Government has also established a set of new rules and regulations to promote further opening up of its service sectors. These rules and regulations mainly included: Provisions on the Administration of Foreign-invested Construction Engineering Service Enterprises, Detailed Rules for the Implementation of Administrative Regulations on Foreign-funded Construction Engineering Design Enterprises, Decision of the State Council on Amending the Regulation of the People's Republic of China on Sino-foreign Cooperation in the Exploitation of Continental Petroleum Resources, Regulation on Administration of Commercial Franchise, Measures for the Administration of the Refined Oil Market, Measures for the Administration of the Crude Oil Market, Supplementary Provisions II on the Measures for the Administration on Foreign Investment in Commercial Fields, Detailed Rules for the Implementation of the Regulations on the Administration of Foreign-funded Banks of the People's Republic of China, Measures for the Information Disclosure of Commercial Banks, Measures for the Administration of Trust Companies, Measures for the Administration of Finance Leasing Companies, Measures for the Overseas Investment with Insurance Funds, Administrative Measures for Insurance Licenses, Measures for the Administration of Foreign Stock Exchanges' Representative Offices in China, and etc.. These laws and regulations not only embody China's WTO commitments but also incorporate measures of autonomous liberalization, demonstrating China's positive stand towards opening up its trade in services.

83. The Provisions on the Disclosure of Government Information promulgated on April 5, 2007 was put into effect on May 1, 2008, has set out even more operational and specific requirements to ensure transparency of government actions. As a designated publication of the Chinese Government to make public trade-related laws and regulations, China Foreign Economic and Trade Gazette has made public more than 3,300 laws, regulations and specific measures by the end of 2007. In 2006, China submitted the first comprehensive notification on subsidies after its accession to the WTO. At present, China is in the process of collecting information to prepare for the next comprehensive notification on subsidies.

(ii) Participation in Multilateral Trade Negotiations

84. The Chinese Government believes that the multilateral trading system plays an irreplaceable role in maintaining world economic stability and promoting global trade liberalization. A fairer and more equitable multilateral trading system would be conducive to building confidence among Members and preventing trade protectionism. As a top priority in its trade policy, China has committed to pushing forward the Doha Round negotiations to an early and successful conclusion. In this regard, China has actively participated in all the negotiations under Doha Development Agenda and played a constructive role. China has submitted a large number of proposals on agriculture, NAMA, services, rules, trade facilitation etc which contribute to the development objectives of the negotiations.

85. In China's view, the multilateral trade negotiations should ensure an outcome benefiting all Members, particularly the developing ones. Under the mandate of placing development at the heart of the Round, more attention should be paid to the interests of developing Members throughout the DDA negotiations. The negotiations on specific issues should take into full consideration of the development level and capacity of developing countries, and enable them to gain tangible benefits through Special and Differential treatment. Therefore the special concerns of G20, G33, NAMA 11, the LDCs, the SVEs, the Cotton 4, the ACP Group, the African Group, RAMs and other developing country groupings should be effectively addressed in this Round.

86. Since China's entry into WTO, eight cases involving China have been brought to DSB, among which China is the complainant for two cases, and respondent for the other six. Meanwhile, China, as a third party, also participated in another 62 cases.

(F) CHINA'S AND REGIONAL TRADE ARRANGEMENTS

87. While multilateral trading system remains the priority, China believes that regional trade arrangements established on the basis of openness and non-discrimination can play a supplementary role to the multilateral trading system. Guided by this principle, China has conducted bilateral and regional trade arrangement negotiations with a number of trading partners.

(i) China's Participation in Regional Trade Arrangements

88. To date, a total of 12 regional trade arrangements involving 29 countries and regions have been either signed by China or still in the process of negotiations.

89. On 1st September, 2006, outcome of the third round negotiation of the Asia Pacific Trade Agreement (APTA, formerly known as the Bangkok Agreement) came into force. On 26th October, 2007, the second session of the Ministerial Council of APTA was held in Goa, India. The Council adopted the Ministerial Declaration and Procedures for the Issuing and Verification of Certificates of Origin, and launched the fourth round negotiation on tariff concessions.

90. In June 2006, the Mainland of China signed Supplement III to Closer Economic Partnership Arrangement (CEPA) with Hong Kong, China and Macao, China respectively. Supplement IV to CEPA with Hong Kong, China and Macao, China was signed on 29th June and 2nd July 2007 respectively.

91. China-ASEAN Free Trade Agreement: On 14th January, 2007, China signed Free Trade Agreement on Trade in Services with ASEAN.

92. China-Chile Free Trade Agreement: China-Chile Free Trade Agreement on Trade in Goods formally came into force on 1st October 2006. The Agreement on Trade in Services was signed on 13th April, 2008.

93. China-Pakistan Free Trade Agreement: On 24th November 2006, China and Pakistan signed China-Pakistan Free Trade Agreement on Trade in Goods, which came into force on 1st July, 2007. Negotiation of Agreement on Trade in Services is underway.

94. China-New Zealand Free Trade Agreement: On 7th April 2008 China and New Zealand concluded negotiations and signed Free Trade Agreement that covers a number of fields including trade in goods, trade in services, investment, and cooperation in intellectual property protection.

95. China-Gulf Cooperation Council Free Trade Agreement: By the end of 2007, China and Gulf Cooperation Council had conducted four rounds of Free Trade Agreement negotiations with positive progress.

96. China-Australia Free Trade Agreement: The negotiations on China-Australia Free Trade Agreement were launched in April 2005, and are still underway.

97. China-Singapore Free Trade Agreement: In August 2006 China-Singapore Free Trade Agreement negotiations were launched and are still underway.

98. China-Iceland Free Trade Agreement: The negotiations on China-Iceland Free Trade Agreement were launched in December 2006, and are still underway.

99. China-Peru Free Trade Agreement: On 7th September 2007, during the APEC leaders' informal meeting in Sydney, Chinese President Hu Jintao and Peruvian President Garcia jointly launched China-Peru Free Trade Agreement negotiations which are still underway.

(ii) Other Regional Cooperation Mechanisms

100. In November 2007, the 11th ASEAN and China, Japan, and Korea (10+3) Summit was held in Singapore. The Summit adopted the second Joint Statement on East Asia Cooperation and the ASEAN and China, Japan, and Korea Cooperation Work Plan (2007-2017). China gives strong support to advance the regional trade agreement and cooperation in fiscal and financial sector; to conduct in-depth study on "10+3" ASEAN Free Trade Agreement; to speed up multilateral process of "Chiang Mai Initiative"; and to establish "10+3" regional foreign exchange reserves as early as possible. In 2007, China also increased its funding support worth US\$15 million to "Special Funds for Asia Regional Cooperation".

101. China has actively participated in trade and investment liberalization under the framework of the APEC and Asia-Europe Meeting (ASEM) and promoted a pragmatic approach in cooperation. China hosted the ASEM Meeting Forum & Exhibition on Tourism Investment and Cooperation in October 2006 and the ASEM SMEs Ministerial Meeting, ASEM Trade & Investment Fair on SMES in October, 2007. China is now preparing for the 7th ASEM Summit to be held in Beijing in October 2008, and is ready to intensify efforts on investment promotion under the ASEM Framework.

102. The Great Mekong Sub-regional Cooperation (GMS), aimed at enhancing economic cooperation, alleviating poverty and promoting development, was initiated in 1992 by 6 Members namely China, Cambodia, Laos, Myanmar, Thailand and Vietnam. On 31st March, 2008, at the Third Summit of GMS held in Vientiane, Laos, a programme of action was adopted for the sub-regional development of GMS from 2008 to 2012.

103. Forum on China-Africa Cooperation (FOCAC) has been a platform on which China and African countries hold collective dialogue as a new mechanism to promote South-South cooperation. The FOCAC Beijing Summit and the 3rd Ministerial Conference was held from 3rd to 5th November 2006, in Beijing. China and 48 African countries attended the Summit and the Ministerial Conference. The Forum adopted the Declaration of the Beijing Summit of FOCAC and the Beijing Action Plan (2007-2009). China announced 8 new measures for Sino-African cooperation including those on duty-free market access and debt relief programmes for African LDCs.

104. China and the other Members of Shanghai Cooperation Organization are working out concrete terms for a number of cooperation projects in the fields of energy, transportation, and telecommunication, etc.

(G) AID FOR TRADE

105. As a developing country, China's per capita GDP ranked behind more than 100 other countries in the world and has 135 million people living on less than US\$1 a day. As a result, China shares the same sentiment for the difficulties encountered by other developing countries in their economic development. China's foreign aid programme dates back to 1950s. Over more than 50 years, China has provided assistance to more than 160 countries in Africa, Asia, East Europe, Latin America and South Pacific Regions in forms of grants, interest-free loans, and preferential loans. Through these assistance programmes, the Chinese Government helped recipient countries build

nearly 2,000 projects covering agriculture, transport, communication, culture and education, health care, and social public facilities, all of which closely related to the production activities and daily life of the local people.

106. Aside from providing assistance to infrastructure development, China also attaches great importance to helping recipient countries strengthen capacity for economic development, especially to improving the trade-related capacity building. To date, nearly 100 thousand officials and management and technical personnel from recipient countries have attended training and research activities in China. Meanwhile, the Chinese Government has also promoted the trade-related production capacity building in the recipient countries through increased direct investment.

107. To promote exports of the least-developed countries to China, by the end of 2007, the Chinese Government had granted duty-free treatment to 41 least-developed countries having diplomatic relations with China for most of products they have the ability to export, accounting for 97.9% of their total export volume to China in 2007.

108. China fully supports and participates in Aid for Trade initiative of the WTO and has been very active on bilateral basis. In February 2008, the Chinese Government pledged a donation to WTO for the first time on multilateral basis to support other developing countries to enhance their capacity to participate in international trade.

V. OUTLOOK

109. The next two years are the last two years for China's implementation of its 11th Five-Year Programme. The Chinese Government will endeavor to maintain a stable and relatively rapid economic growth and avoid dramatic fluctuations. As factors driving price increase are still active, significant pressure to push up the prices will remain. Therefore, China is yet to take on an arduous task to rein in inflation. Meanwhile, a number of other developments may also bring about adverse impact on China's economic development, including: the worsening situation in terms of persistent imbalances in global economy; the slow-down of global economic growth; the spill over effect of the U.S. sub-prime mortgage crisis; the continuing depreciation of the US dollar which increases the risks in the international financial markets; and continued rise in prices of oil and other commodities in the international market.

110. The national economic and social development targets expected to be reached by the Chinese Government in 2008 are: the GDP is projected to grow by about 8% on the basis of further economic structural reform, improved productivity, enhanced energy efficiency and better environmental protection; the CPI is to be checked at around 4.8%; ten million new jobs remain to be created in urban areas; registered urban unemployment rate to be kept at around 4.5%.

111. The primary task for the macroeconomic regulation in 2008 is to maintain stable and relatively rapid economic development while preventing the relatively fast economic growth from becoming overheated, and to keep structural price increase from developing into serious inflation. To this end, in 2008, the Chinese Government will continue to follow a stable fiscal policy combined with a tightened monetary policy. According to the central government's plan, the deficit for the central government budget and the investment via the issuance of treasury bonds will be further reduced, with the deficit for the central government budget in 2008 projected at Y180 billion, Y65 billion less than 2007, and investment via the issuance of treasury bonds projected at Y30 billion, Y20 billion less than 2007. The decision to follow a tightened monetary policy is based on the following considerations: the growing pressure of a rebound in fixed asset investment, continued excessive money supply and credit, the unsolved problem of excessive liquidity, and considerable

pressure of price increases. For these reasons, China needs to intensify regulation of its financial sectors in order to keep in check the excessive growth in money supply and credit.

112. The main orientation of China's economic structural reform in the next few years will still be to change the economic development mode. Adhering to the policy of boosting domestic demand especially the consumption-led demand, the Chinese Government will make every effort to change the underlying mechanism for economic growth from solely relying on investment and export to an approach that coordinate consumption, investment and exports as an integrated force for growth; from relying mainly on the manufacturing industry towards a combination of agriculture, manufacturing and service industries, and from relying on increasing consumption of material resources towards making headways in scientific and technological progress, as well as in the improvement of the labor quality, and innovation in management.

113. The Chinese government will further enhance product quality and safety. In 2008 alone, the Chinese Government will complete the formulation or modification of more than 7,700 national safety standards on food, drugs and other consumer goods. In addition, it will further improve the system of safety standards on consumer goods.

114. Other important reform and development measures to be taken in the next few years include: reform of resource tax system to improve the system of compensation for the use of resources and the compensation mechanism for damage to ecological environment; expansion of the pilot programmes for the reform of VAT system and research on a possible scheme to expand the reform nationwide; continuation of the reform of the banking sector focusing on the shareholding reform of the Agricultural Bank of China and the reform of the State Development Bank, and the introduction of the deposit insurance system and reform of the medical and healthcare system. An initial programme has already been drawn up which will be circulated to solicit public comment; further improvement of the social security system, and the establishment of housing guarantee system.

115. In 2008, several important laws including the Enterprise Income Tax Law, the Labor Contract Law, the Real Right Law and Anti-Monopoly Law will come into force, which will have significant impact on China's economy and social life.

116. China is committed to strengthening the multilateral trading system and is willing to make joint efforts with other members to bring the Doha Round negotiations to an early and successful conclusion.

117. The Chinese government will continue to strengthen bilateral and regional economic and trade cooperation in pursuance of its opening-up policy and on the basis of mutual benefit to achieve a win-win outcome. China will implement in earnest the agreements to which China is a signatory.
