



**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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## **1 INTRODUCTION**

1.1. Since the last trade policy review in 2012, China has been facing complex and volatile external environment, as well as new circumstances and developments in domestic economy. The Chinese Government has adhered to its general work guideline of making progress while maintaining stability. It has taken pains to bring forth new approaches in the adjustment of its macro economy, and accelerated the transformation of economic development pattern. China has also made great efforts to adjust its economic structure, deepen the reform in a comprehensive fashion, and pushed forward proactively a new round of opening up. While taking all the challenging factors of stabilizing growth, restructuring industries, promoting reform and benefiting the people's livelihood into its policy making consideration, China has managed to accomplish the huge task of securing a stable development of national economy during the past years, and accordingly made important contributions to the recovery and development of world economy.

1.2. The Chinese Government has driven and expanded its opening up to new degree of depth, while comprehensively deepening its domestic reform. It has committed itself to building a new type of open economy and starts to accelerate its steps in building new advantages in international competition. It promotes the balanced development of trade and investment from a strategic perspective, and actively explores the feasibility of a new system of rules and regulation patterns for cross-border trade and investment through establishing the China (Shanghai) Pilot Free Trade Zone. While continuing to implement the strategy of "Going Global", China proposed the vision of "Silk Road Economic Belt" and "Maritime Silk Road" and opened inland and border areas wider to the outside world with a view to forming a new pattern of all-round opening up.

1.3. The Chinese Government continued to develop its foreign economic and trade relations in an all-round way. China insists that multilateral trade system should play the central role in trade and investment liberalization, and supports the mutually enforced development and cooperation through bilateral, regional, sub-regional and multilateral channels. China together with other WTO members reached the "early harvest" of the Doha Round in 2013, which restored the credibility of the multilateral trade system and injected impetus for the comprehensive conclusion of the Doha Round. China will continue to be a staunch player in promoting economic globalization, undertaking trade and investment liberalization and facilitation, formulating international rules, safeguarding common interests of the international communities, and building a harmonious world. It will continue to play a positive role in responding to various challenges to global economy and trade, and promoting common development across the world.

## **2 ECONOMIC AND TRADE ENVIRONMENT AND MACROECONOMIC POLICY DIRECTION**

### **2.1 Economic and Trade Environment**

#### **2.1.1 International economic environment**

2.1. Since the last review in 2012, China's economic and trade development has faced complicated external economic environment. The world economy still lingers in the in-depth adjustment period after the financial crisis. Vulnerability and uncertainty have become the key features in the development of world economy. Globally, industrial production and trade were weak, price level dropped, and international financial market kept on fluctuating.

2.2. Major developed economies have modestly strengthened growth momentum while the growth of emerging and developing economies slowed down. The complexity and relevance between various economies intensified. With insufficient aggregate demand, developed countries reduced remarkably their import from developing countries, which caused significant impact on the latter's economy. The adjustments in the "quantitative easing" of some major countries brought about uncertainty to the world economy.

#### **2.1.2 Domestic economic situation**

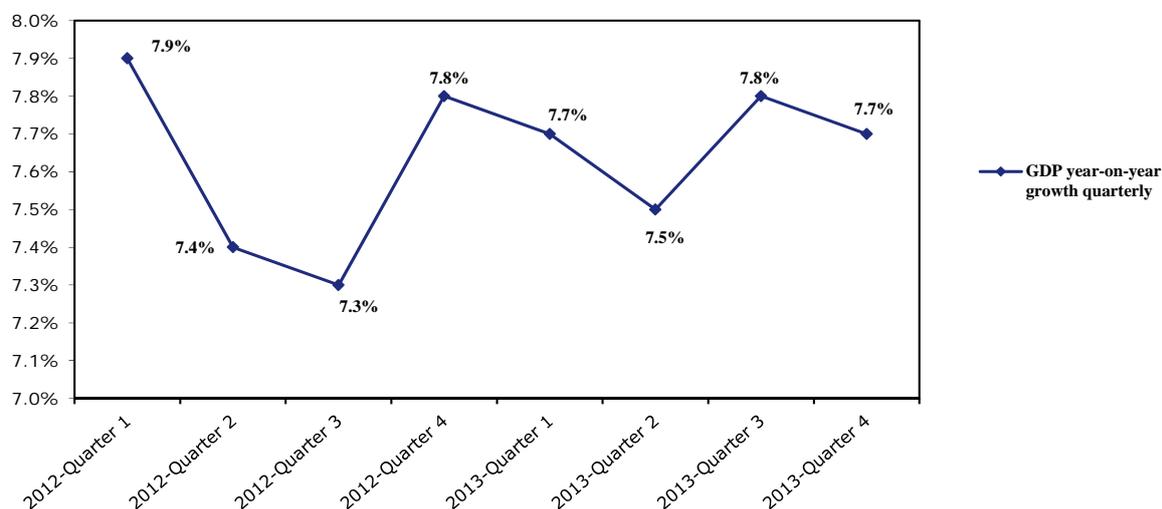
2.3. In the past two years, China's economic development has progressed and improved steadily. There were successive bumper harvests, industrial production grew steadily, fixed assets investment increased at a faster pace, market sales rose steadily, and import and export growth saw certain recovery. Consumer prices were basically stable, personal income continued to

increase, the supply of money and credit grew steadily, employment stayed at a generally stable level, and the balance of payment in current account has maintained basic equilibrium.

2.4. China's economy still confronts many difficulties and problems, while maintaining a generally stable development trend. Economic growth was under downward pressure, overcapacity remaining a prominent problem, and enterprises, particularly small- and medium-sized enterprises facing difficulty in business operation. China's economy has come to a key period of transformation and upgrading. Deep-seated problems that have been accumulated over time, are being relieved, and the foundation for economy turnaround is being consolidated.

2.5. During 2012 and 2013, China's gross domestic product (GDP) achieved stable growth while its growth rate slowed down. Its GDP in 2012 was RMB 51,947.0 billion yuan. Calculated at comparable prices, it showed a growth of 7.7% in comparison with the previous year. The year-on-year increase of GDP in 2012 by quarter was respectively 7.9%, 7.4%, 7.3% and 7.8%. Its GDP in 2013 were RMB 56,884.5 billion yuan, calculated at comparable prices, showing another 7.7% growth in comparison with last year. The year-on-year increase of GDP in 2013 by quarter was respectively 7.7%, 7.5%, 7.8% and 7.7%.

**Chart 2.1 China's year-on-year GDP growths by quarter, 2012-13**



Source: National Bureau of Statistics of China.

2.6. China's consumer price index (CPI) dropped steadily in the first half of 2012. Although experiencing slight rise from the second half of 2012 to 2013, CPI stayed within a stable range. The overall level of consumer prices increased by 2.6% in both 2012 and 2013 on the year-on-year basis. The CPI rate of 2012 was 2.8 percentage points lower than that of 2011.

2.7. In terms of labor cost, there were altogether 25 provincial authorities nationwide that adjusted their minimum wage standards in 2012. The average increase of minimum monthly wage was 20.2%. In 2013, 27 provincial authorities adjusted minimum wage standards with an average increase in the monthly minimum wages by 17%. Thanks to the adjustment, the minimum wage in Shanghai City was the highest nationwide, at RMB 1,620 yuan in 2013. The highest minimum hourly wage was RMB 15.2 yuan in Beijing City and Xinjiang Uygur Autonomous Region. The average monthly income of migrant workers was RMB 2,290 and 2,609 yuan respectively in 2012 and 2013, showing a year-on-year increase respectively of 11.8% and 13.9%.

## 2.2 Macroeconomic Policy

### 2.2.1 New thinking on macroeconomic policy

2.8. The newly-elected Chinese Government was fully aware that, in face of the complex internal and external environments, and the dilemma in macroeconomic adjustment, although it might be

possible to drive up economic growth with short-term stimulation policy, it would not help resolve issues at the deeper level. Therefore, the government took comprehensively in-depth reform and opening up as the fundamental development policy. It implemented reform across all spectrum of the economic and social development, with an aim to promote development, transformation and to improve people's livelihood with reform, and accordingly to advance healthy and sustainable economic and social development.

2.9. The Chinese Government proposed new thinking on and ways of conducting macro-control and clearly defined a proper range within which the economy is expected to perform. When growth and employment do not fall below the prescribed minimum level and the inflation does not rise above the projected ceiling, the government will concentrate its efforts on improving the growth model and making structural adjustments. In the same vein, the Government would shun short-term stimulation measures, deficit expansion or over issue of currency. It would adhere to the general keynote of seeking progress in stability and carry out centralized planning to stabilize growth, adjust structure, promote reform, and benefit the people's livelihood. It would implement proactive fiscal policy and prudent monetary policy, increase effective supply, release potential demand, calmly respond to short-term market fluctuation, and ensure that the running of economy would not slip out of its reasonable range.

### **2.2.2 Fiscal policy**

2.10. The Chinese Government continued to implement a proactive fiscal policy and retain the continuity and consistency of its fiscal policy. In 2012 and 2013, financial deficits accounted for 1.5% and 2.1% of the GDP respectively. The outstanding balance on government debts in the central budget amounted to RMB 7,756.57 billion yuan at the end of 2012, and RMB 8,675.046 billion yuan at the end of 2013, which accounted for 14.9% and 15.3% of the GDP respectively. In 2012 and 2013, the government deficit and national debt were increasing along with the growth in the whole economy, but fiscal deficit rate remained at less than 2.1%.

2.11. Fiscal expenditure continued to favor weakly funded areas that would help promote people's livelihood, energy conservation, emission reduction, and ecological environment and so forth. In 2013, the central government spent RMB 657.175 billion yuan in social security and employment, an increase of 14.2% than 2012 ; RMB 258.812 billion yuan in medicine and health, a surge of 26.4%; RMB 388.391 billion yuan in education, a rise of 2.7%; RMB 53.155 billion yuan in culture, sports and media, a leap of 7.5%. Structural reduction of tax was improved together with the implementation of taxation system reform. The pilot programme of replacing business tax with value-added tax has been rolled out. Furthermore, tax incentives have also been introduced for small enterprises with low profits.

### **2.2.3 Monetary policy**

2.12. In 2012 and 2013, the Chinese Government continued to adhere to a prudent, stable and consistent monetary policy. It also endeavored to make the policy more targeted, flexible and forward-looking. As China carried out timely and moderate pre-emptive adjustments and fine tuning of its monetary policy, its financial reform was broadened along new horizons and provided the structural adjustment, economic transformation and upgrading with a stable monetary and financial environment. It also helped drive the Chinese economy onto a more sustainable path of development.

2.13. In 2012, the People's Bank of China strengthened pre-emptive adjustment and fine tuning in a prospective manner, in response to changes of economic situation. It employed comprehensively monetary policy instruments, and prudential macro policy instruments such as open market operation, interest rate adjustment, and deposit reserve ratio to exercise two-way and flexible regulation over the liquidity in the banking system. These measures have promoted the reasonable and appropriate growth of credit and loan as well. Since 2013, given the complex and volatile internal and external economic and financial situation, the People's Bank of China has endeavored to explore new thinking on and fresh pattern of governance, retained administrative calmness and took decisive action with accuracy. For instance, the central bank does not ease or tighten up monetary policy. Furthermore, while continuing to apply traditional monetary policy instruments and prudential macro-control instruments, it has newly created and established liquidity management instruments, such as standing lending facility and short-term liquidity

regulation operations, so as to properly control the master safety valve of liquidity, and duly retain the reasonable and moderate growth of both monetary loan and public financing.

### **2.3 Adjusting Economic Structure and Transforming Development Pattern**

2.14. China is now at such a crucial stage that without transformation and upgrading, we will not be able to achieve a sustained economic growth. The Chinese Government will continue to follow the path of transformation of the development pattern, focusing on adjusting and optimizing economic structures. In this regard, what is essential is to advance reform and innovation, tap into the potentials of domestic demand, and unleash innovation and reform dividends in order to invigorate the market, form internal driving force for growth and upgrade Chinese economy.

#### **2.3.1 Adhering to expanding domestic demand**

2.15. Expanding domestic demand represents the major driving force for China's economic growth, which is also the most important aspect in structural adjustment. The Chinese Government continues to bring into play the fundamental role of domestic consumption and the crucial role of investment and has committed itself to building a long-term mechanism for expanding domestic demand.

2.16. The Chinese Government takes promoting consumption, particularly the household consumption, as the focal point in expanding domestic demand. From March 2009 to January 2013, it implemented direct consumption stimulus programmes nationwide such as programmes for rural residents to purchase home appliances and motor vehicles and motorbikes, for people to trade in old motor vehicles and home appliances for new ones (Among them, the programmes for rural residents to purchase motor vehicles and motorbikes were implemented from March 2009 to December 2010, and the programme for people to trade in old motor vehicles for new ones was implemented from 2009 to December 2010, and the programme for people to trade in old home appliances for new ones was implemented from 2009 to December 2011). The Chinese Government continues to make efforts to increase the income of urban and rural residents and improve their capacities for consumption, by the means of increasing spending on agriculture, rural areas and farmers, implementing structural taxation reduction and expanding employment.

2.17. The Chinese Government continues to push forward the construction of social security network in an all-round way. Basic pension insurance and basic medical insurance now fully cover both urban and rural residents in general. The standards of urban and rural subsistence allowances were raised respectively by 13.1% and 17.7% in 2013. The standards of basic pension for enterprise retirees were raised by 10% on 1 January 2013 and 2014 respectively, benefiting more than 74 million enterprise retirees. In 2013, construction of 6.6 million government-subsidized housing units was started and 5.44 million such housing units were basically completed. Thanks to these efforts, over ten million people with housing difficulties moved to new homes.

2.18. China's domestic consumer market continued to grow rapidly over the past two years. Its total retail sales of consumer goods reached RMB 21.03 trillion yuan and RMB 23.78 trillion yuan respectively in 2012 and 2013, showing nominal year-on-year growths of 14.3% and 13.1%. After adjustment for price changes, the increases in real terms were 12.1% and 11.5% respectively. The pattern of consumption of Chinese residents also accelerated its upgrading. By the end of 2012, the average per capita housing area in urban and rural areas were 32.9 m<sup>2</sup> and 37.1 m<sup>2</sup> respectively, showing increases of 2.8 m<sup>2</sup> and 5.5 m<sup>2</sup> in comparison with 2007 respectively. Every one hundred households of urban residents possessed 21.5 automobiles, representing an increase of 15.5 automobiles in comparison with 2007. A number of new forms and areas of consumption were very vigorous, the trade volume on the market of e-commerce exceeded RMB 10 trillion yuan with an increase of over 25% in 2013. Significant improvement is also shown in the consumption of service areas such as tourism, information and culture.

2.19. Consumption is both the key difficulty and the potential to the expansion of domestic demand. In the current stage, it cannot be underestimated that the role of investment plays in promoting economic growth. China has both investment capability and investment demand, but the key is to invest in the proper sectors, optimize the investment structure, and improve its performance and returns. Investment growth is conducive to promoting the economic restructuring and the transformation of development patterns, to boosting domestic demand and expanding

employment, and to strengthening the basis for the economic and social development in the long term.

2.20. At present, priorities of public investment arranged in the central budget of China include low-income housing, infrastructure in the areas of agriculture, water conservancy, and railway, people's livelihood projects such as those in social services, and also energy conservation, emission reduction, and ecological environment. In 2012, China's total social fixed assets investment amounted to RMB 37.47 trillion yuan with an increase of 20.3%. Private investment, excluding rural households, increased by 24.8% and its proportion to total investment grew to 61.4% with an increase of 2 percentage points in comparison with last year. In 2013, total fixed assets investment reached RMB 44.71 trillion yuan with a year-on-year increase of 19.3%. Private investment (excluding rural households) increased by 23.1% and its proportion to total investment grew to 63%.

2.21. In 2012 and 2013, China's GDP both showed a growth of 7.7% on a year-on-year basis. Final consumption contributed 55% and 50% to the growth, capital formation contributed 47.1% and 54.4%, and net export contributed minus 2.1% and minus 4.4%.

### **2.3.2 Accelerating the development of the service sector**

2.22. Accelerating the development of the service sector is a major task for China to promote the adjustment of economic structure and the optimization and upgrading of industrial structure. It serves as not only an effective approach to strengthen comprehensive national power under the new situation in reform and opening up and to but also an inherent requirement in expanding channels of employment and satisfying the growing demand of the people in their material and cultural life. Since the last review, the Chinese Government has continued to encourage non-government investors to increase their investment in the service sector, taken various actions to deepen the reforms, and released the guiding opinions on promoting the development of information services, culture, elderly care, health and other service industries. The Chinese Government has focused on promoting the development of emerging industries such as energy conservation and environment protection, and endeavored to strengthen a policy and institutional environment conducive to the development of the service sector.

2.23. Since the "Twelfth Five Year Plan", China's trade in service has grown at a fast pace. In 2012 and 2013, the total volume of import and export in service increased by respective 12.3% and 14.7% on a year-on-year basis. However, compared with trade in goods, service in trade develops at a relatively slow pace, with an imbalanced structure in import and export. In 2012 and 2013, service trade accounted respectively for 10.8% and 11.5% in China's total foreign trade volume, the figures being about half of the world's average standard. Service trade deficits were respectively USD 89.7 billion and USD 118.46 billion.

2.24. In December 2012, the Chinese Government formulated the "Twelfth Five Year Plan" on the development of the service sector and proposed the goals of increasing the proportion of the service sector, improving the standard of the service sector, pushing forward the reform and opening up in the sector, and enhancing its capacity of creating jobs and attracting employment. The Chinese government strives to increase another 4 percentage points on the proportion of the added value of the service sector in GDP by 2015 on top of the 43.2% in 2010, making it the largest contributor to GDP, and to promote the formation of an industrial structure mainly composed of service economy in mega-cities. The proportion of employed population in the service sector to the total employed population will also be increased by 4 percentage points at the time in comparison with 34.6% in 2010.

### **2.3.3 Pursuing innovation-driven development and protecting intellectual property rights**

2.25. China has been pursuing a long-term development strategy that pivots to innovation. Constant innovation is deemed as a genuine power for adjusting and upgrading economic structure. It is of great significance for China to highlight the importance of innovation at this epochal period of reform and transformation. The Chinese Government is committed to further promoting synergy between scientific innovation and economic development, expediting the establishment of a new technological innovation system that is business-centered, market-oriented

and facilitates the combination of industry, academia and R&D institutions. China will continue to relentlessly promote the protection of intellectual property rights and make great efforts to foster a favorable market environment and an effective system that drives China's innovation.

2.26. Since its last review, the Chinese Government has continued to strengthen its law enforcement in the IPR protection and the construction of a long-term mechanism. China's newly-elected government retained the National Leading Group on the Fight Against IPR Infringement and Counterfeiting headed by a vice premier of the State Council. The government is also pushing forward the initiative to incorporate the outcomes of IPR protection against infringements and counterfeits into government performance evaluation system at different administrative levels. Thanks to China's constant and highly aggressive law enforcement, IPR infringements and the manufacturing or selling of counterfeiting commodities have been effectively suppressed.

2.27. On 1 January 2013, the *Regulations on Several Issues Concerning the Laws Applicable to the Trial of Civil Cases of Dispute on the Infringement of the Right of Communication through Information Network* promulgated by the Supreme People's Court took effect. China also amended a series of laws, regulations and rules concerning intellectual property rights such as the *Trademark Law*, the *Regulations on the Protection of Computer Software*, the *Regulations on the Implementation of the Copyright Law*, the *Regulations on the Protection on the Right of Communication through Information Network*, and the *Regulations on the Protection of New Plant Varieties*. The amount of compensation for IPR infringements has been raised, which is to the benefit of strengthening the administrative sanction and criminal punishment against IPR infringements.

2.28. In addition, the Chinese Government continues to proactively carry out the public legal education on IPR across community and society. It organizes publicity and educational activities on special observance days such as the World Intellectual Property Day and the National Law System Publicity Day. News media is encouraged to cover typical cases on IPR infringement and counterfeiting activities in order to be responsive to concerns of the general public. The court trials of IPR cases are broadcast online, and the relevant information on those cases are publicized in accordance with legal requirements and procedures. These efforts will effectively involve the entire society to participate in IPR protection, meanwhile, law enforcement and judicial actions will be subject to public scrutiny. Thus, those proactive efforts are conducive to help maintain a fair and competitive market order.

### **2.3.4 Advancing energy conservation, pollution reduction and industrial restructuring**

2.29. The Chinese Government attaches great importance to conserving resources, protecting environment and addressing climate change. China is vigorously promoting energy conservation, emission reduction, and pollution prevention and control, through proactively curbing excess and outdated production capacity in certain industries. All these tasks are important component of China's efforts in adjusting industrial structure and transforming its economic development pattern. In particular, tackling severe production overcapacity is our priority in pushing forward the industrial restructuring now and in the years to come.

2.30. Since the last review, the Chinese Government continues to carry out the work to close down excess and outdated production capacity in the industries of high consumption and high emission such as steel, cement and electrolytic aluminium. It has further strengthened the comprehensive treatment and control of air pollution caused by industrial enterprises, and accelerated the implementation of the transformation projects using clean production technologies. China raised market access criteria for certain industries, and strengthened compliance enforcement with regard to industrial standards for admittance into technology, energy consumption, environment protection and safety. The Government also carried out clean production reviews in key industries such as steel, cement, chemistry, and nonferrous metal metallurgy.

2.31. From 2008 to 2012, China accumulatively closed down backward production capacities of 117 million tonnes in iron-making, 78 million tonnes in steel production, and 775 million tonnes in cement. Accordingly, China's energy consumption per GDP unit lowered by 17.2% and chemical oxygen demand and total sulfur dioxide emission respectively dropped by 15.7% and 17.5% respectively. In 2013, the energy consumption per GDP unit dropped by another 3.7%. Chemical

oxygen demand and emissions of sulfur dioxide, ammonia nitrogen, nitrogen oxides dropped respectively by 2.9%, 3.5%, 3.1% and 4.7% respectively.

### **2.3.5 Consolidating and strengthening the foundation for the development of agriculture and rural areas**

2.32. Agriculture is a key industry in terms of expanding domestic demand and adjusting economic structure. It is of great significance for the long-term stability and sustainable development of China's economy and society. The Chinese Government unwaveringly considers the issues of agricultural and rural development as well as the farmers' wellbeing as the top priority, in bid to safeguard food security, to increase farmers' income, to promote agricultural modernization and to move forward rural development.

2.33. Since the last review, the Chinese Government has further increased investment for the development of agriculture, rural areas and farmers' wellbeing. It has accelerated technical innovation and extension on agriculture, vigorously advanced agricultural mechanization, and intensified infrastructure construction including high-standard farmland, irrigation systems, power grids, highways, and safe drinking water projects. The Government has also moved forward the rural reform by guiding the orderly transfer of rural land contracted land-user rights, developing large-scale agricultural businesses of various types and meticulously launching rural poverty alleviation and development. The Chinese Government has also actively and steadily pressed ahead with the integrated development of urban and rural areas and orderly granted urban residency to rural people who have moved to cities.

2.34. In 2012 and 2013, the per capita net income of rural residents in China saw continuous and fast increase and reached RMB 7,917 and RMB 8,896 yuan respectively, showing the year-on-year growth in real terms of 10.7% and 9.3%, which had been higher than the growth rate of per capita disposable income of urban residents for four consecutive years. The gap between the income of urban and rural residents continued to narrow. From 2010 and 2012, impoverished rural population reduced by nearly 67 million nationwide, rural poverty incidence dropped from 17.2% to 10.2%. On 31 October 2013, the Tibetan Medog County Highway, 117.3 kilometers long in total, with a total investment of RMB 1.6 billion yuan was officially completed and opened to traffic after four and half years of construction. Medog County was no longer the only administrative county in China with no highway connection.

## **2.4 Continuing to Deepen the Reform Steadfastly**

2.35. Reform is a basic state policy that the Chinese Government adheres to over the long run. After China's newly-elected government assumed their positions collectively, they made decisions on comprehensively deepening reform that they would set the reform of economic system as priority, collaboratively pushed forward the reform in other areas, and formed a joint force with the reforms in various areas. The core of economic system reform is to handle well the relationship between government and market and to let the market play the decisive role in the allocation of resources and bring the role of the Government into better play. At present, various specific work items of reform have already been carried out comprehensively.

### **2.4.1 Reform of the administrative system**

2.36. Speeding up the transformation of government functions and streamlining administration and delegating powers to lower levels are among the top priorities of the newly-elected Chinese Government. The institutional reform of the State Council, which took place in March 2013, centered round transforming functions and rationalizing the relationship between duties and responsibilities. In the reform, China has steadily pushed forward the super-ministry reform, separated the government functions from enterprise management in the railway system, and integrated the administrative authorities responsible for affairs concerning health and family planning, food & drugs, press & publication, radio, film & television, ocean and energy. After the reform, the State Council further reduced four subordinate ministerial authorities, two of which were ministries or commissions directly under the State Council. The State Council now has 25 ministries and commissions apart from the General Office after the reshuffle.

2.37. The Chinese Government has made a great stride in the reform of the administrative approval system, as it cut down investment items requiring administrative approval, slashed approval requirements in production and operating activities, and reduced qualification requirements as well as administrative and institutional fees and charges. During its first year in office, the newly-elected Chinese government has abolished or delegated to lower level governments 416 items previously subject to State Council's examination and approval in batches.

2.38. The State Council in December 2013 released the *Catalogue of Investment Projects Subject to Government Verification (2013 Edition)* as an important part of the reform in the administrative approval system and investment regime. An enterprise is required to report to relevant authorities for verification only when it invests in fixed assets projects listed in the *Catalogue*. All the other investment projects not listed in the *Catalogue* will be subject to filing procedures. The new *Catalogue* revised the original edition in July 2004, slashing items requiring administrative verification, and delegating verification power to lower levels. The new *Catalogue* abolished, delegated or transferred totalling 49 verification powers, including repealing 19 verification requirements and changing them into by filing requirements, delegating 20 verification powers to local governments, and transferring 10 verification powers from the National Development and Reform Commission to the competent industrial authorities under the State Council. After the revision, the number of projects subject to the central-level verification decreased by about 60%.

#### **2.4.2 Reform of the business registration system**

2.39. On 28 December 2013, the Sixth Session of the Standing Committee of the Twelfth National People's Congress adopted the resolution on the Amendment of the *Corporate Law*. The Amendment, which came into force on 1 March 2014, revised the registered capital requirements and other business registration issues. After that, the State Council promulgated in February 2014 the *Notice on Printing and Distributing the Plan on the Reform of Registered Capital Registration System* and correspondingly abolished or revised the administrative regulations and rules related to the company registered capital registration system. This reform significantly lowered the registered capital threshold for enterprises. With a few exceptions, the minimum registered capital requirements, which was RMB 30,000 yuan for a limited liability company, RMB 100,000 yuan for a one-person limited liability company and RMB 5,000,000 yuan for a joint stock limited company have been removed; no more minimum first installment of capital injection is required and no cash is required to be paid as capital contribution upon the incorporation of a company, and the system of paid-in capital is replaced by a subscribed capital system. A series of other specific measures are also adopted to facilitate the registration of enterprises so as to provide optimized business environment for their development.

2.40. Encouraged by the favorable news of the reform of business registration system, the number of newly-registered private enterprises reached 2,327,300 in 2013, showing a year-on-year increase of 30% and accounting for 93.0% of all the newly-registered enterprises. By the end of December 2013, there were in total 15.278 million enterprises nationwide, among which 12.539 million were private. The total number of private enterprises showed a year-on-year growth of 15.5%, and its proportion rose from 79.4% in the end of 2012 to 82.1% in the end of 2013.

#### **2.4.3 Reform of state-owned enterprises and development of the non-public sector**

2.41. In order to promote the joint development of economic entities regardless of their forms of ownership, the Chinese Government has constantly enhanced its support to SMEs, particularly small enterprises with low profits. Effective from 1 August 2013, for the enterprises or non-enterprise entities which are small-scale taxpayers of Value-Added Tax ("VAT") with monthly sales not more than RMB 20,000 yuan, the VAT shall be temporarily exempted; and for the enterprises or non-enterprise entities which are taxpayers of Business Tax ("BT") with a monthly turnover not more than RMB 20,000 yuan, the BT shall be temporarily exempted. The government sweetened further its preferential fiscal policy on small enterprises with low profits, effective from 1 January 2014 to 31 December 2016. As long as the annual taxable income of small enterprises with low profits is not more than RMB 100,000 yuan, its income shall be accrued as taxable income with a 50% deduction, and its enterprise income tax shall be paid with a reduced tax rate of 20%.

2.42. In May 2010, the State Council promulgated *Several Opinions on Encouraging and Guiding the Healthy Development of Private Investment* and specifically proposed that private capital would be encouraged to enter industries and sectors that were not explicitly prohibited by laws, regulations and rules. By the end of June 2012, the formulation of 42 specific implementing rules has completed and thus enabled private capital to enter into relevant sectors in a legal and feasible fashion.

2.43. Thanks to years of reform, China's state-owned enterprises have integrated themselves into market economy. The steps in the next phase of reform will include optimizing the distribution and structure of state-owned economy and ensuring the state-owned capital increases its input into public-welfare enterprises. In natural monopoly industries in which state-owned capital continues to be the controlling shareholder, China will carry out reform focusing on separation of government administration from enterprise management, separation of government administration from state assets management, franchise operation, and government oversight, and will separate networks from operations and decontrol competitive businesses based on the characteristics of different industries. China will also accelerate the development of mixed-ownership economic entities, allowing non-state capital to participate in a number of projects in the areas such as banking, petroleum, electric power, railway, telecommunication, resource exploitation and public utilities. Corporate governance structure that features coordinated operation and effective check and balance will be further established and improved. Professional manager system will be established and the role of entrepreneurs will be brought into better play. China will continue to improve budgeting for state capital operation and raise the percentage of earnings from state capital turned over to public finance by central government-owned enterprises.

2.44. As of 2013, the number of state-owned enterprises for which the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) performed the responsibilities of an investor was 113, further decreased from 117 since the last review. By the end of June 2013, there were altogether 353 listed companies controlled by central enterprises and their subsidiaries. 55.8% of the total assets of central enterprises, 59.1% of their net assets and 60.8% of their operating revenue came from listed companies. From the publishing of *Several Opinions on Encouraging and Guiding the Healthy Development of Private Investment* in 2010 to the end of 2012, there were 4,473 cases of the transaction of the state-owned property right of various kinds of enterprises in which private investment participated as transferee, accounting for 81% of the total of the transactions. The value of such cases totalled RMB 174.9 billion yuan, accounting for 66% of the total value of the transactions. Since the last review, the reform of operating budget of state-owned capital also continued to be pushed forward. From the year of 2014, the proportion of the state-owned capital earnings, those central government-owned enterprises should turn over to public financial authorities, will be raised by another five percentage points on the basis of the present level.

#### **2.4.4 Reform of fiscal and taxation systems**

2.45. In recent years, the Chinese Government vigorously pushed forward fiscal system reform. A framework of a government budget system was formulated, consisting of public finance budget, government fund budget, budget for state capital operations and budget for social security fund. Fiscal transparency has also been constantly improved. In the area of taxation system, the taxation systems previously applied separately to the Chinese and foreign-invested enterprises are unified into a single system, the transformation of value-added tax was realized, the pilot programme of levying value-added tax in lieu of business tax was implemented, and resources tax system was improved. The reform of fiscal and taxation system continuously contributed to accelerating the transformation of the pattern of economic development.

2.46. Since the last review, the Chinese Government focused on pushing forward the pilot programme of levying value-added tax in lieu of business tax, gradually expanding the scope of coverage of the pilot programme. The pilot programme was firstly implemented in Shanghai on 1 January 2012 in six service sectors, including transportation (excluding railway transportation), R&D and technology, information technology, cultural and creative industry, logistics and auxiliary industries, tangible movable property leasing, and authentication and consultancy. On 1 September 2012, Beijing, Jiangsu, Anhui, Fujian, Xiamen, Guangdong, Shenzhen, Tianjin, Zhejiang, Ningbo and Hubei were included into the pilot programme. On 1 August 2013, the pilot programme was rolled out nationwide and the production, publishing and broadcasting of radio

and television works were also included. From 1 January 2014, railway transportation and postal service were included into the pilot sectors.

2.47. The reform of levying value-added tax in lieu of business tax is a priority in China's deepening reform of the financial and taxation system. By the end of 2013, about 2.7 million enterprises were covered by the pilot programme with an increase of 1.67 million in comparison with the last year, or an increase by 1.6 times. Enterprises applicable to the pilot programme enjoyed tax reductions and, at the same time, their downstream enterprises had also benefited from tax reductions in general because of the increase of creditable VAT. In 2013, the overall size of tax reduction exceeded RMB 140 billion yuan. In the next step, the Chinese Government will further expand the pilot programme to cover other service industries such as telecommunications, life services, construction, real estate and finance. To a certain extent, this reform resolves the issue of double taxation, alleviated the tax burdens of the enterprises, and optimized taxation system. The reform also accelerated the development of the service industries, boosted innovation and transformation in the manufacturing industries, and increased enterprises' competitiveness in the export sector.

#### 2.4.5 Reform of the financial system

2.48. At the time of the last review in June 2012, the People's Bank of China maintained only an upper limit on deposit rates and a lower limit on loan rates for the RMB business of financial institutions, while interest rates in monetary market and bond market as well as those of foreign currency deposits and loans had already been liberalized. On 20 July 2013, the People's Bank of China further lifted the limit on loan rates of financial institutions. On 25 October 2013, the Loan Prime Rate Centralized Quote and Publish Mechanism was in full operation. On 9 December 2013, the *Interim Measures on the Administration of Interbank Negotiable Certificates of Deposit* was implemented. The interest rates liberalization reform has made new steps forward and is advancing in a steadily and orderly manner.

2.49. Market-based RMB exchange rate formation mechanism was further improved. The weight of market force in determining exchange rate was increased, the RMB's elasticity to exchange rate fluctuation was enhanced and the basic stability of RMB's exchange rate was retained at a reasonable and balanced level. By the end of 2013, the central parity rate of RMB against USD reached RMB 6.0969 yuan and appreciated by 3.09% in comparison with the exchange rate at the end of the last year. From the reform of the RMB exchange rate formation mechanism in 2005 to the end of 2013, the exchange rate of RMB against USD accumulatively appreciated by 35.75%. According to the calculation of the Bank for International Settlements, the nominal effective exchange rate of RMB appreciated by 32.05% and its real effective exchange rate appreciated by 42.15%, both on a year-on-year basis. On 15 March 2014, the People's Bank of China declared that, since 17 March, the range of fluctuation of the exchange rate of RMB against USD on interbank foreign exchange spot market would be expanded to 2%. This is the third expansion of the range of fluctuation of RMB exchange rate after 2007 and 2012, which indicates that the marketization reform of the RMB exchange rate formation mechanism is moving forward.

2.50. The process of RMB convertibility under capital account advanced steadily. On 19 November 2012, the State Administration of Foreign Exchange published the *Notice on Further Improving and Adjusting the Policy on the Administration of Foreign Exchange in Foreign Direct Investment* and announced that the administration of foreign exchange in foreign direct investment would be greatly simplified from 17 December 2012. Among 50 items subject to administrative examination and approval, 35 were removed and 14 were simplified and combined. The foreign exchange in foreign direct investment was generally convertible. The Chinese Government further improved the system for the administration of qualified foreign institutional investor (QFII), accelerated the examination of the QFII investment quota, and positively pushed forward and improved the administration of RMB qualified foreign institutional investor (RQFII). In March, 2013, the Chinese Government published the revised *Measures for the Pilot Projects on the Investment in Domestic Securities by RMB Qualified Foreign Institutional Investor* and further expanded the range of RQFII institutions and the scope of investment. By the end of March 2014, altogether USD 53.578 billion domestic securities investment quota was approved to 241 QFII institutions and accumulatively RMB 200.5 billion yuan investment quota was approved to 62 RQFII institutions. In the beginning of May 2013, the State Administration of Foreign Exchange published the *Measures for the Administration of the Registration of Foreign Debts* to further simplify the administration of foreign

debts and establish the framework for the administration of foreign debts, of which foreign debts registration system is the core.

2.51. The reform of financial institutions advanced further. In December 2012, the People's Insurance Company (Group) of China Limited was listed in Hong Kong. In December 2013, the China Cinda Asset Management Co., Ltd. was also listed in Hong Kong and became the first listed national financial assets management company. In the same month, China Everbright Bank was also listed in Hong Kong. The pilot project on the first batch of five private banks would also be carried out in Tianjin, Shanghai, Zhejiang and Guangdong.

#### 2.4.6 Other reform measures

2.52. Since the last review, breakthrough was achieved in China's reform of the railway system and the separation of administrative functions from enterprise operations was realized. In the institutional reform of the State Council in 2013, the administrative functions and duties of the original Ministry of Railway in drawing up plans and policies on development of railway were reassigned to the Ministry of Transport. Other administrative functions and duties of the original Ministry of Railway were undertaken by the newly-established National Railway Administration, which was under the Ministry of Transport. China Railway Corporation was established to take over the enterprise functions of the original Ministry of Railway. In August 2013, the State Council promulgated the *Opinions on the Reform of the Railway Investment and Financing System and the Acceleration of Railway Construction* to fully open up the market of railway construction, to encourage social capital to invest in building railways, to push ahead the market-oriented reform of railway transport pricing, and to require China Railway Corporation to stick to market-oriented business operations as an enterprise and accelerate the construction of modern corporate system. In 2013, the mileage of railways in operation in China exceeded 100,000 kilometers, in which high-speed railways reached 11,000 kilometers, ranking the first place in the world.

2.53. The Chinese Government continued to push forward comprehensively the construction of social security system. In 2012, the new rural pension insurance programme and the pension insurance programme for urban residents, which were launched successively in 2009 and 2011, were implemented nationwide. This indicated the establishment of a basic pension insurance system that covered all the people in China. Up to the end of 2013, the total population who participated in the new rural pension insurance and the urban resident pension insurance reached 498 million. Among them, 138 million urban and rural senior citizens received pension benefits by month. Under these two programmes and the basic old-age insurance system for urban workers, the total population participating in pension insurance nationwide has reached 820 million, with 218 million people among them receiving the benefits of basic pension insurance. In February 2014, the State Council issued the *Opinions on Establishing a Unified Basic Pension Insurance System for Urban and Rural Residents* and decided that the new rural pension insurance and the urban resident pension insurance be merged in implementation and that a unified basic pension insurance system for both urban and rural residents be established nationwide.

2.54. The reform of medical and healthcare system continued to be deepened. The Chinese Government is promoting proactively the construction of basic medical insurance systems for the whole population. On top of stabilizing the participation percentage of the basic medical insurance schemes for non-working urban residents, urban workers and the new rural cooperative medical care system as well as improving the insurance benefits, it is vigorously promoting the establishment of social security mechanisms against major and critical diseases and also assistance mechanisms for medical care. The national system for essential drugs and the mechanism for its functioning at grassroots levels are being consolidated. A comprehensive reform of public hospitals is being advanced. The Chinese Government has also sped up the opening-up of the medical services market and promoted participation of social resources in medical facilities. Since the last review, coverage of the three basic medical insurance schemes has been stably over 95%, the essential drug system has covered over 80% of village clinics, 28 provincial authorities have put in place pilot projects providing urban and rural residents with insurance against major and critical diseases, and the standard for financing urban and rural residents for their basic medical insurances has been further raised. The breakthroughs that China has achieved in medical and healthcare and social security systems have played a positive role in improving people's livelihood and taking up the challenge of population aging and are of great significance in expanding domestic demand and accelerating the transformation of the economic development pattern.

### 3 TRADE AND INVESTMENT DEVELOPMENT AND RELATED POLICIES

3.1. In views of China, opening up and reform have been launched as integral parts of the same initiative as they are mutually reinforcing. China's new leadership put forward that one of the key tasks in deepening economic system reform by centering on the decisive role of the market in allocating resources is to speed up improving an open economic system. To adapt to the new trend of economic globalization, China continuously promotes domestic openness together with the outside world, better integrate the "bring in" and "go global" strategies, facilitates the orderly and free flowing of international and domestic factors of production, highly efficient resource allocation and in-depth market integration, and fosters new advantages in participating in and leading international economic cooperation and competition at a faster pace so as to promote reform through opening up.

#### 3.1 Trade and Investment Development

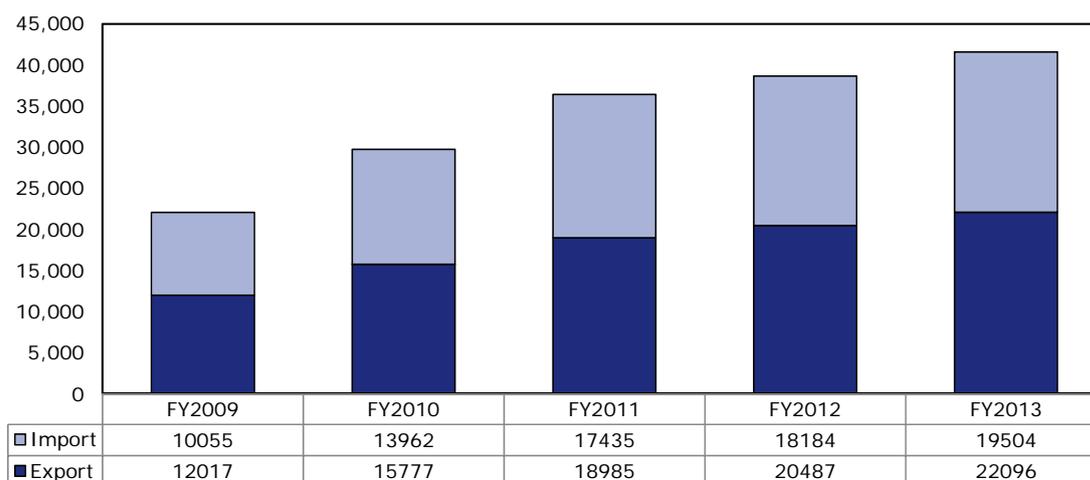
##### 3.1.1 Trade development

3.2. In 2012 and 2013, China's total merchandise imports and exports reached USD 3,867.1 billion and USD 4,160 billion, up 6.2% and 7.6% year-on-year respectively, of which, export values were respectively USD 2,048.7 billion and USD 2,209.6 billion, both showing year-on-year growth of 7.9%, and import values were USD 1,818.4 billion and USD 1,950.4 billion, up 4.3% and 7.3% year-on-year respectively.

3.3. China's merchandise trade continues to grow and its global market share has been further increased. In 2012, under the circumstance that global merchandise trade volume only grew by 0.2%, China's merchandise trade volume still ranked the second place in the world and its share on the global market was further increased. Of these figures, China's export accounted for 11.2% of the global total, showing an increase of 0.8% in comparison with last year, and ranked the first place in the world for four consecutive years. China's import amounted to 9.8% of the global total, showing a rise of 0.3% in comparison with the last year, and ranked the second place in the world for four consecutive years. In 2013, China became the world's largest trading power in goods. In this area, its export retained its top place on the globe and took up 11.8% of the global total, showing an increase of 0.6% in comparison with last year. Its import was still the second place on the globe and amounted to 10.3% of the global total, showing an increase of 0.5% in comparison with last year.

**Chart 3.1 Import and export value in China's goods trade, 2009-13**

Unit: 100 million (USD)



Source: Statistics of the China Customs.

3.4. In the past two years, China's merchandise trade has shown following characteristics: First of all, imports grew continually and China's surplus in trade in goods stayed within a reasonable range. In 2012 and 2013, China's surpluses in trade in goods were USD 230.3 billion and

USD 259.2 billion, showing year-on-year increases of 48.7% and 12.6% respectively and accounting for 5.96% and 6.23% of its total imports and exports.

3.5. Second, the growth speed of processing trade dropped and its share in total exports and imports showed an obvious trend of decline. In 2012 and 2013, the total imports and exports under processing trade were respectively USD 1,344 billion and USD 1,357.8 billion, respectively showing year-on-year increases of 3% and 1%, and accounted for 34.8% and 32.6% of total imports and exports, down 1 percentage point and 2.2 percentage points year-on-year respectively.

3.6. At the same time, general trade achieved steady growth. In 2012 and 2013, the total import and export value under general trade reached USD 2,009.8 billion and USD 2,197.3 billion, showing year-on-year growths of 4.4% and 9.3%, and accounted for 52.0% and 52.8% of total imports and exports respectively. Of these figures, the exports under general trade accounted for 48.2% and 49.2% respectively of the total exports, and the imports under general trade accounted for 56.2% and 56.9% respectively of the total imports.

3.7. In addition, China's trade partners became more diversified. The imports and exports with its three traditional major trade partners including the United States, the European Union and Japan retained growth but their shares has been falling. The trade with the ASEAN and other emerging markets maintained fairly faster growth trend. In 2012 and 2013, the total bilateral import and export values between China and the United States, and the trade value between China and the European Union together with that between China and Japan, are respectively USD 1,360.2 billion and USD 1,392.6 billion, showing year-on-year increases of 0.3% and 2.3% respectively, and accounted for 35.2% and 33.5% of total import and export value. During the same period, the total import and export value between China and ASEAN reached USD 400 billion and USD 443.6 billion respectively, showing year-on-year increases of 10.2% and 10.9%, and its proportion to total import and export value rose from 10.3% to 10.7%.

3.8. Private enterprises saw a trade growth rate significantly faster than the overall level. In 2012, the private enterprises exported USD 769.9 billion, an increase of 21% and 13.1 percentage points higher than overall exports growth, and their import value reached USD 451.1 billion, an increase of 17.1% and 12.8 percentage points higher than overall imports growth. In 2013, the private enterprises exported USD 916.7 billion, an increase by 19.1% and 11.2 percentages points higher than overall export growth, and their import value USD reached 576.3 billion, an increase of 27.8% and 20.5 percentage points higher than overall import growth.

3.9. Trade in services developed rapidly but services trade deficit continued to expand. In 2012 and 2013, China's total imports and exports of services reached USD 470.6 billion and USD 539.6 billion respectively, showing a year-on-year growth of 12.3% and 14.7%. The total values of service export were USD 190.4 billion and USD 210.6 billion in 2012 and 2013 respectively, showing a year-on-year growth of 4.6% and 10.6%, which indicated a quickened growth in serviced trade. The total values of service imports were respectively USD 280.1 billion and USD 329.1 billion respectively, showing a year-on-year growth of 18.2% and 17.5%, which was notably higher than that of service exports, and thus leading to the expansion of deficit in services trade. In 2013, services trade deficit expanded from USD 89.7 billion (2012) to USD 118.46 billion, mainly attributing to the increases in the sectors such as tourism, transportation, royalties for using proprietary rights and franchise royalties, and etc.

3.10. The export of high value-added services showed fairly significant growth and became an important driving force for restructuring China's trade in services. In 2012, the export of consultancy, computer and information services, advertising, financial service, and royalties for using proprietary rights and franchise royalties grew by 17.8%, 18.6%, 18.2%, 122.5% and 40.1% respectively in comparison with last year. In 2013, the export of consultancy, computer and information service, financial service and insurance service grew by 6.8%, 21.2%, 54.2% and 20% respectively in comparison with last year.

### **3.1.2 Inward and outbound direct investment**

3.11. The foreign direct investment in China rose steadily. In 2012, the foreign investment around the globe dropped by 18%. The foreign investment in China only dropped slightly and China

remained the second largest country in terms of attracting global foreign investment. In 2012, China saw the incorporation of 24,925 new foreign-invested enterprises, with a year-on-year drop of 10.1%. The total realized value of foreign investment reached USD 111.72 billion, showing a year-on-year drop of 3.7%. In 2013, the foreign investment in China showed steady recovery and China retained the second place in the world. In 2013, the number of newly approved foreign-invested enterprises was 22,773 in China, with a year-on-year drop of 8.63%. On the other hand, the realized amount of foreign investment reached USD 117.586 billion yuan, showing a year-on-year growth of 5.25%.

3.12. The sectorial distribution of foreign investment was further optimized, and the proportion of the service sector FDI continued to exceed that of the manufacturing sector. In 2012, the realized value of foreign investment in the service sector reached USD 53.84 billion, showing a year-on-year drop of 2.6%. Accounting for 48.2% of China's total foreign direct investment, the services sector's share was 4.5 percentage points higher than that of manufacturing sector. In 2013, the realized value of foreign investment in the service sector reached USD 61.451 billion, showing a year-on-year increase of 14.2%, and accounted for 52.3% of the total foreign direct investment in China, 5.6 percentage points higher than that of the manufacturing sector.

3.13. The proportion of foreign investment in the central and western regions in China expanded steadily. In 2012, the realized values of foreign investment in the eastern regions and that in the central and western regions reached respectively USD 92.51 billion and USD 19.21 billion, respectively accounting for 82.8% and 17.2% of the total foreign investment in China. In 2013, the realized values of foreign investment in the eastern regions and that in the central and western regions, reached respectively USD 96.878 billion and USD 20.7 billion, respectively accounting for 82.4% and 17.6% of the total foreign investment in China.

3.14. China's outbound direct investment showed expansion of scope and strong trend of growth. In 2012, the non-financial direct investment made by investors from mainland China went to 4,425 enterprises located in 141 countries and regions. Accumulatively, non-financial direct investment with the total amount of USD 77.73 billion was realized, showing a year-on-year increase of 13.3%. In 2013, investors from mainland China made non-financial overseas direct investment in 5,090 enterprises in a total of 156 countries and regions. Accumulatively, non-financial direct investment with the total amount of USD 90.2 billion was realized, showing a year-on-year increase of 16.8%. Guangdong, Shandong, and Jiangsu ranked the top three places of overseas foreign direct investment.

3.15. China's outbound direct investment involves various sectors in national economy. In 2012 and 2013, the top four sectors attracting investment included leasing and business services (USD 26.74 billion, accounting for 30.4% in 2012; USD 29.54 billion, accounting for 32.7% in 2013), mining (USD 13.54 billion, accounting for 15.4% in 2012; USD 20.16 billion, accounting for 22.4% in 2013), wholesale and retail (USD 13.05 billion, accounting for 14.8% in 2012; USD 13.67 billion, accounting for 15.2% in 2013), and manufacture (USD 8.67 billion, accounting for 9.9% in 2012; USD 8.68 billion, accounting for 9.6% in 2013).

## **3.2 Promoting Balanced and Sustainable Development of Trade and Investment**

3.16. Developing foreign trade and participating in international division of labor played an irreplaceable role in China's economic development. Since 2012, global trade continues to be in the doldrums and China faced multiple challenges, such as the rising costs of business operation and the slowdown of growth in external demand. Confronted with new situation, the Chinese Government has continued the efforts to enhance coordination and sustainability of foreign trade development. It has proactively endeavors to transform the development pattern of foreign trade, to restructure the foreign trade and to strengthen pragmatic cooperation with its trading partners, in order to achieve mutual benefit, and common development.

### **3.2.1 Striving to balance growth of imports and exports**

3.17. The Chinese Government adheres to coordinated development of import and export and strives for trade balance. Since 2012, the Chinese Government continues to integrate import with domestic demand expansion, improve import promotion policies, broaden import channels, optimize the structure of trade balance, and keep trade surplus within a proper range.

3.18. The Chinese Government continues to implement interim tariff rates on certain imported products which were lower than the applied MFN rates. In 2013, the commodities with lower annual interim import tariff increased from over 730 products at HS 8-digit level in 2012 to over 780 products at HS 8-digit level. The average tariff rate was about 4.4% and, in comparison with the applied MFN rate, the margin of preference reached 56%. In 2014, the number of imported goods with lower interim tariff rates was lowered to over 760 HS items, but the average margin of preference rose to 60%. Thus import was further increased to satisfy people's consumption needs and to meet the needs required in the agriculture and husbandry production and in the domestic adjustment of industrial structure.

3.19. The Chinese Government continued to implement the policy of exempting import tariffs and import VAT for key components and spare parts of major technical equipment and products and related raw materials so as to expand import and enhance the adjustment and upgrading of industrial structure. On 1 March 2014, the newly adjusted catalogue concerning major technical equipment and products, and their imported key components, spare parts and raw materials took effect.

3.20. The Chinese Government further simplified import administration procedure. In July 2012 and September 2013, the Ministry of Commerce respectively removed the automatic import licensing administration of 27 products and 130 products at HS 10-digit level. The online license application is now moving forward smoothly.

3.21. In addition, the Chinese Government has actively carried out trade promotion activities, made efforts to enhance multilateral and bilateral communication and cooperation, and to improve the public service. It has entrusted trade promotion institutions to organize import procurement and support various industries and enterprises to carry out trade promotion activities abroad. It has also encouraged those well-known exhibitions and fairs to expand their functions into import field, and to attract trading partners to China for holding exhibitions and carrying out business negotiations. The Chinese government has built public service platforms for foreign trade promotion and strengthened information disclosure, trade policy introduction, information consultation, trade barrier complaint and intellectual property right protection. At the end of 2013, the Chinese import promotion website [www.import.org.cn](http://www.import.org.cn) started its trial operation.

### **3.2.2 Accelerating the transformation of foreign-trade development patterns**

3.22. In order to adapt to the change of international economic situation and the pattern of domestic economic development, the Chinese Government has continued to promote the adjustment of the pattern of foreign trade, centering around the goals of stabilizing trade growth, adjusting the foreign trade, and promoting trade balance. It also has endeavored to promote the shift of foreign trade from relying on the advantages of cost and price to utilizing overall competitive advantages. It guided the transformation and upgrading of processing trade and moved "Made in China" up towards the high end of global value chain, expanded the pilot projects in cross-border e-commerce, accelerated the development of trade in service and service outsourcing, and adhered to the coordinated development of trade in goods and trade in services.

3.23. The Chinese Government has accelerated promoting the transformation and upgrading of processing trade, and encouraged processing trade enterprises to extend industry chain and value-added chain, and increased the added value of products. Since the last review, the Chinese Government has revised several department rules regarding processing trade, respectively concerning the domestic distribution of bonded goods, the supervision and administration on processing trade goods, and the third place processing trade, etc. It also streamlined the regulatory policies regarding processing trade in the special customs supervision areas. In October, 2012, the State Council issued the *Guiding Opinions on Promoting the Scientific Development in the Special Customs Supervision Areas*. The existing Special Customs Supervision Areas in various forms including export processing zone, bonded logistics park, cross-boundary industrial zone, bonded port and qualified bonded zones will be gradually integrated into comprehensive bonded zones so as to improve the diversified function of such areas including bonded processing, logistics and service, and to guide processing trade to concentrate in such areas.

3.24. China explored policies and measures on accelerating the development of cross-border e-commerce and made endeavors to push forward the construction of the supporting systems of logistics, payment, supervision and administration, and credit. In May, 2012, the General Administration of Customs led in implementing the pilot programmes of cross-border e-commerce business service in the cities of Shanghai, Chongqing, Hangzhou, Ningbo and Zhengzhou. On such basis, the State Council circulated in August 2013 the *Opinions on Implementing Relevant Policies on Supporting Cross-Border E-Commerce Retail Export* formulated by the Ministry of Commerce with other departments, proposed supportive policies on the construction of relevant system in the areas of customs regulation and control, export inspection, foreign exchange collection and settlement, cross-border payment service, taxation and credit system, which was implemented in the regions with proper conditions on 1 October 2013. The cross-border e-commerce business is vital to expand foreign trade increments, transform the pattern of economic development, reduce the trading cost and strengthen the international competitiveness of the enterprises, and bring new opportunities to more enterprises, particularly SMEs and small enterprises with low profit.

3.25. China advanced the strategy of "win by good quality" and further imposed more requirements on quality and safety of exported goods. The Chinese Government actively carried out relevant activities such as the "Year of Enhancing Goods Quality in Foreign Trade" and the special campaigns to crack down on the counterfeit and fake goods and products with infringement of intellectual property rights exported to Africa so as to enable the enterprises to focus on the quality of their products, and thus improve the quality of goods.

3.26. China vigorously developed service outsourcing and promoted the rapid development of service trade. Since 2012, the Chinese Government has released guiding documents concerning trade in services, such as *The Outline for the Development and Planning of China's International Service Outsourcing Industry (2011-2015)* and *The Opinions on Accelerating the Development of Foreign Culture Trade*, and has implemented relevant policies on the pilot programme of levying Value-Added Tax on certain service sectors in lieu of Business Tax, and has established and improved supporting system to enhance service trade development in order to help the enterprises for trade in service to explore new market and prevent market risks.

### 3.2.3 Improving trade facilitation

3.27. Since the last review, the RMB settlement business for cross-border trade and investment retained stable and orderly growth. In June 2012, the RMB settlement business for cross-border trade was implemented for all kinds of transactions. All import and export enterprises could select RMB for quotation, settlement and payment. In July 2013, the procedure of cross-border RMB business settlement was further simplified and the efficiency was further improved. In 2013, the RMB settlement amount for cross-border trade reached RMB 4.63 trillion yuan accumulatively and grew by 57% in comparison with the figure of 2.94 trillion yuan last year. The RMB settlement business for direct investment amounted to 533.7 billion and grew by 90% compared with the figure of 280.2 billion last year.

3.28. The People's Bank of China continued to sign bilateral local currency swap agreements with the central banks or currency authorities in certain countries and regions. Up to October 2013, the People's Bank of China has established currency swaps with 23 central banks or currency authorities with the total size of the swap facility exceeding RMB 2.5 trillion yuan.

3.29. The facilitation of border procedures such as customs and quality inspection saw further improvement. The General Administration of Quality Supervision, Inspection and Quarantine and the General Administration of Customs adjusted the catalogue on the entry and exit commodities subject to *entry-exit* inspection and quarantine. Effective from 15 August 2013, 1,507 general manufactured industrial goods at HS 10-digit level are no longer subject to export commodity inspection. Among which, 1,420 commodities at HS 10-digit level are removed from the *Catalogue of the Entry-exit Commodities Subject to the Inspection and Quarantine by Entry -exit Inspection and Quarantine Institution*.

3.30. Reform on cross-region clearance was further strengthened. Started from 1 November 2013, China has deepened the reform on the cross-region clearance among the customs nationwide. The clearance model of "declaration and release in registered custom" would be applied to AA-grade enterprises, which means such enterprises may choose to the local

customs authorities where they are registered, for export/import declaration and release. For B-grade manufacturers that meet certain conditions, the clearance model of "declaration in registered custom and release at port" will gradually be applied. At the same time, China has accelerated the implementation of paperless customs clearance. These measures will further improve the efficiency of customs clearance and enhance trade facilitation.

### 3.3 Increasing Utilization of Foreign Investment and Outbound Foreign Investment

3.31. Active utilization of foreign investment has always been an important part of China's basic state policy of opening up to the outside world. Boom in outbound foreign investment represents a new significant feature in China's development of an open economy in recent years. Under the new circumstances, standing at a height of building an open economic system, the Chinese Government will promote the reform of the administration system regarding the utilization of foreign investment and outbound foreign investment on a full scale, maintain the steadiness, transparency and predictability of foreign investment policies, as well as liberalize the market access for foreign investment in an orderly way and give further play to the comprehensive effects of the utilization of foreign investment. Meanwhile, China will fundamentally recognize enterprises and individuals as players in outbound foreign investment, and permit them to carry out cooperative investment projects overseas by exerting their own strengths and assuming risks themselves and enhance their capabilities of participating in the integration of the global value chain and carrying out internationalized operation.

#### 3.3.1 Optimizing the utilization of foreign investment through further opening-up

3.32. On 10 June 2013, the *Catalogue for the Guidance of the Advantageous Industries in Central and Western Regions for Foreign Investment (2013 Amendment)* (hereinafter "the Verification Catalogue") came into force, which was the third amendment since its first promulgation in 2000. The Catalogue consists of 500 items, 173 more than those included in the original version. The foreign investment projects listed in the Catalogue are entitled to the same preferential policies as encouraged foreign investment projects. The new Catalogue encourages foreign investors to invest in labor-intensive industries complying with environmental protection requirements in central and western China, and to promote the initiatives of saving and comprehensive utilization of resources and improve the development of the service sector.

3.33. Under the *Catalogue of Investment Projects Subject to Governmental Verification (2013)* promulgated in December 2013, the universal requirement that all foreign investment projects shall be subject to verification is changed to the requirement that foreign investment projects are subject to either verification or filing based on different circumstances. That means only foreign investment projects in the restricted category, or foreign investment projects in the encouraged category requiring Chinese party as the major shareholder (including comparatively controlling shareholders) shall be still subject to verification. Other foreign investment projects, as domestic investment projects, shall be subject to either verification or filing in accordance with the general provisions.

3.34. Since June 2012, China has further opened up its service sector and manufacturing sector. In July 2012, the Ministry of Commerce promulgated the *Notice on the Pilot Program of Commercial Factoring*, permitting foreign investors to set up commercial factoring companies in Binhai New District in Tianjin and Pudong New District in Shanghai; and thereafter the pilot programme was gradually extended to some regions in Chongqing Municipality, Jiangsu Province and Guangdong Province. In October 2012, the Chinese Government raised the cap on the permissible foreign stake in joint-venture securities companies from 33% to 49% and shortened the minimum operating years necessary for joint-venture securities companies to apply for expanding of business scope from 5 years to 2 years. China has devoted to promote the opening-up of finance, education, culture, medical and other similar service sectors in an orderly manner, and to ease the market access restrictions for foreign investment in such service fields as child care, care for the elderly, architecture design, accounting and auditing, trade and logistics, e-commerce, etc. Further liberalization has been achieved in general manufacturing industries.

3.35. In September 2013, the State Council issued the *Framework Plan for China (Shanghai) Pilot Free Trade Zone*. The establishment of China (Shanghai) Pilot Free Trade Zone is a significant measure to advance China's reform and opening up under the new circumstances, with a view to

promoting reform and development by opening up. Through pilot tasks, China would like to accelerate the transformation of government function, actively explore the feasibility of a new management model, facilitate trade and investment, as well as create a regulatory system for cross border investment and trading in line with international practices and the rule of law, and explore new approaches and accumulate new experience for deepening all-round reform and expanding opening up. China (Shanghai) Pilot Free Trade Zone is comprised of four Special Customs Supervision Areas, namely Shanghai Waigaoqiao Bonded Zone, Waigaoqiao Bonded Logistics Park, Yangshan Bonded Port and Shanghai Pudong Airport Comprehensive Bonded Zone.

3.36. Then, the People's Government of Shanghai Municipality promulgated the *Special Administrative Measures of China (Shanghai) Pilot Free Trade Zone for Admittance of Foreign Investments (Negative List) (2013)* and temporarily adjusted 11 administrative examination and approval items regulated by three laws including the Law of the People's Republic of China on *Wholly Foreign-owned Enterprise*, and 32 administrative examination and approval items or special administrative measures for admittance of foreign investment regulated by 15 administrative regulations and three administrative measures issued by the State Council within the free trade zone. China carried out reforms in current approach of approval and examination for foreign investment projects and explored the management model of "Pre-establishment National Treatment (PENT) with a Negative List was introduced" as authorized by the 4<sup>th</sup> Session of the Standing Committee of the 12<sup>th</sup> National People's Congress and determined by the State Council. The foreign investment projects which are not covered in the Negative List will, according to the principle of treating domestic and foreign investors on an equal basis, be subject to the filing instead of verification (except verifications retained for domestically invested projects as stipulated by the State Council), and the contracts and articles of association of foreign invested enterprises are subject to filing instead of examination and approval. By March 2014, newly established and changed foreign investment subject to filing administration, which are not covered in the negative list amounted to 93% of all applications for foreign investment, thus a filing-based foreign investment administration system has taken shape initially.

### 3.3.2 Improving competitiveness through "going global"

3.37. For the purpose of facilitating enterprises in outbound foreign investment, the National Development and Reform Commission promulgated the *Administrative Measures on Approval and Filing of Overseas Investment Projects* in April 2014 in accordance with the *Catalogue of Investment Projects Subject to Governmental Verification (2013)* promulgated by the State Council in December 2013. Projects are subject to filing rather than verification, except those under the following circumstances: i) projects involving the states without diplomatic relations with China or subject to international sanctions, or the states and regions suffering from wars or civil strife; ii) the projects related to basic telecommunications operation, cross-border water resources exploitation and utilization, large-scale land exploitation, main grid of power transmission, and news and media; iii) the projects in which Chinese investment exceeds USD 1 billion. In addition, the Ministry of Commerce is amending the *Administrative Measures on Overseas Investment Projects* promulgated in 2009.

3.38. For the purpose of regulating foreign labor cooperation, protecting legitimate rights and interests of contracted workers and promoting healthy development of foreign labor cooperation, the State Council promulgated the *Regulation on the Administration of Foreign Labor Cooperation* in August 2012. China is engaged in labor cooperation with relevant states and regions under the framework of bilateral economic and trade cooperation. It also dispatches labors overseas where the demand on local labor fails to be satisfied in an orderly manner, in accordance with the principle of "mutual benefit and win-win result" to realize mutual cooperation and complementary advantage. China does not seek exporting labor overseas. Upon the expiry of their service term overseas, foreign labor cooperation enterprises will organize the Chinese labors to return to China.

3.39. In 2013, the Chinese Government proposed the vision of establishing a "Silk Road Economic Belt" and a "Maritime Silk Road" as well as the initiative of developing the Bangladesh-China-India-Burma Economic Corridor and the China-Pakistan Economic Corridor. This helps China implement a new round of opening up and building a new system of an open economy, advance the growth of inland and border areas and the coordinated development of relevant regions, create a favorable surrounding environment and usher in a new phase of mutually beneficial and win-win opening up.

3.40. Currently, the Chinese Government is working on such issues from following four aspects: firstly, China pushes forward trade and investment facilitation and enhances the cooperation in the areas of investment, economy and technology so as to boost bilateral trade; secondly, China strengthens inward-outward investment and upgrades the level of bilateral economic and technological cooperation through setting up cross-border economic cooperation zones and overseas economic and trade cooperation zones; thirdly, China proactively speeds up infrastructure connectivity, accelerates its logistics and transportation cooperation with the countries along the "Silk Road Economic Belt" and the "Maritime Silk Road"; and fourthly, China supports the economic and trade cooperation between western regions in China and the regions in Central Asia with a view to promoting westward opening-up.

### **3.4 Constructing Economic and Trade Partnerships Based on Mutually Beneficial and Win-Win Principle**

3.41. China has been committed to developing all-round foreign economic and trade relations and promoting the global economic and trading system that is open, cooperative and mutually beneficial. China has always been upholding the WTO-based multilateralism system as the main channel, actively exploring regional trade arrangements in various forms and resolutely opposing trade and investment protectionism.

#### **3.4.1 Committed to advancing the Doha Development Agenda**

3.42. China firmly believes that in the context of uncertainties encountered by the global economy, the early conclusion of the DDA will bring more trade, investment and employment opportunities, foster a more stable and open external environment, further enhance the role of the multilateral trading system in global governance and promote the global economic recovery and steady growth.

3.43. The Chinese Government attaches high importance to the DDA negotiation. In accordance with the consensuses at the Eighth WTO Ministerial Conference, in the past two years, China work together with other Members, in accordance with the Doha mandate and based on the progress already made, to explore feasible approaches and making breakthrough in areas that are politically less controversial and technically more mature such as trade facilitation, certain agricultural issues and development issues.

3.44. President Xi Jinping called on all WTO members to show necessary flexibilities, narrow differences and reach a positive and balanced outcome at the Ninth WTO Ministerial Conference (MC9) to lay the foundation for the completion of the DDA negotiation on various occasions including the Group of Twenty (G20) Summit, Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting and the BRICS Summit. Premier Li Keqiang has also explicitly expressed on occasions including East Asia Summit that China would render its support to achieve an "early harvest" at MC9 and restore the parties' confidence in the multilateral trading system.

3.45. China has actively participated in the "early harvest" negotiation on various areas with a constructive role of "facilitate the discussions, bridging the gaps and advancing the deal", and has been always showing flexibilities in the course of reaching agreements. In the negotiations on trade facilitation, China takes the lead in expressing that it will refrain from requesting for aid, leave resources to other developing members and provide supports to fellow developing members through "South-South Cooperation" within its capacity. On agriculture, China proposes the "peace clause" as the middle ground of the interim solution of food security, which was ultimately accepted by all Members, paving the way for achieving the "early harvest". On development issues, China has adopted substantial measures to address the concerns of LDCs, in particular on the issues of "DFQF" and cotton. During the MC9, China announced to provide further assistance to "Cotton Four" countries from Africa. China has played an active and constructive role in ensuring the success of MC9 held in Bali, Indonesia, at the end of 2013.

3.46. After MC9, the important tasks lay before the WTO Members to implement the "Bali package" and prepare the "Post-Bali" work programme. China will advance the implementation of "Bali Package", especially the *Trade Facilitation Agreement* in accordance with the timetable set out in the *Bali Ministerial Declaration*. Along with other WTO members, China will spare no efforts

in developing the "Post-Bali" work programme and continue to advance the discussions on other issues in the Doha Round as mandated by the *Bali Ministerial Declaration*.

3.47. China believes that the "Post-Bali" work programme shall be designed for the complete conclusion of the Doha round, with a focus on the development dimension and due respect on Doha mandate and the results achieved so far. The work programme should be pragmatic, balanced, feasible and beneficial to all Members, which should bring the developing members and the LDCs in particular more development opportunities. The discussions on "post-Bali" work programme should be member-driven, transparent and inclusive to ensure the effective participation of all the parties.

#### **3.4.2 Safeguarding the multilateral trading system with concrete actions**

3.48. China is an active participant, firm supporter and important contributor to the multilateral trading system. Since its accession to WTO, China has fully honored its extensive commitments of the WTO accession and made important contributions to safeguarding the multilateral trading system. China has earnestly and actively participated in the daily operation of the WTO and respected the decisions of the Dispute Settlement Body concerning the trade disputes between China and its trading partners. Since the outbreak of the international financial crisis, China has supported the WTO in launching the monitoring and surveillance of trade measures, playing a crucial role in curbing protectionism.

3.49. In the course of developing and implementing economic and trade policies and measures, China has attached great importance to their consistency with the rules and its obligations in the multilateral trading system. China has endeavored to make reference to practices of other WTO members and take into account possible impacts on the external world to formulate steady, transparent and predictable trade policies.

3.50. China has actively responded to the Aid for Trade initiative of the WTO. China continues to provide assistances bilaterally to the best of its ability to other developing members, and has begun to make contributions to the Aid for Trade initiative under the multilateral framework of WTO since 2008. In 2011, China established "China's LDCs and Accessions Program" (China Program) to help LDCs effectively participate in and benefit from the multilateral trading system and to help accelerate the accession process of those LDCs applying for WTO membership. In 2012 and 2013, China contributed USD 800,000 to "China Program" and held a LDCs round-table on WTO accession in Beijing, laying a basis for the *Guidelines for Accessions of Least-Developed Countries* reached by the Members later. During the MC9, China's Minister of Commerce Gao Hucheng and WTO Director-General Azevêdo concluded the third memorandum on "China's LDCs and Accessions Program" and China contributed another USD 400,000 to the programme.

3.51. China has actively responded to the WTO's "Made in the World" Initiative, proactively boosted the adjustment, transformation and upgrading of foreign trade structure based on the concept of a global value chain, actively participated in accounting of global value chain and value-added trade, combined theoretical research and policy application and promoted the concepts and practice of global value chain to better support the multilateral system. China has made a great quantity of researches, developed an accounting database of global value chain and Chinese value-added trade and thoroughly improved relevant research methods. In October 2013, China submitted the *Research Report on Accounting of Global Value Chain and Chinese Value-Added Trade* to the secretariat of WTO.

3.52. China has also actively participated in other negotiations within the WTO framework on rules making and market access. China has been engaging in the negotiation on the product expansion of the *Information Technology Agreement (ITA)*. Currently the negotiation is at a stalemate, China is willing to jointly work with other parties to push the negotiation towards the right direction, with a view to finding a solution and reaching an agreement at an earlier date.

3.53. China has always been an active participant and has played constructive role in the Trade and Environment negotiation under WTO framework. In January 2014, China joined the initiative on environment goods negotiation with other 13 WTO Members in Davos, Switzerland, with a view to further discussion on reduction of tariffs of environment goods. China believes that trade and

environment negotiation should aim to realize triple-win among trade, environment and development, and contribute to the multilateral trading system.

3.54. China has been continuously pushing forward its accession negotiation to the *Agreement on Government Procurement (GPA)*. Since last review, China has submitted its fourth and fifth revised offers which included certain sub-central entities. Meanwhile China conducted in-depth consultations with GPA parties. China will endeavour to achieve an earlier accession to the GPA and commit to submit another revised offer by 2014.

#### **3.4.3 Promoting bilateral and regional cooperation**

3.55. While committing to the multilateral trade system and rules as the cornerstone of its foreign economic and trade relations, China continues to promote trade and investment liberalization and facilitation through regional, sub-regional and bilateral opening up and cooperation, strives to expand the interest convergence with various states and regions with a view to achieving a mutual benefits and win-win situation. China is of the view that in the global trade development, the major role of the multilateral trade system and the complementary role of bilateral and regional liberalization could stay in parallel and help each other forward.

3.56. China is accelerating its steps in negotiating free trade agreements. By the end of 2013, China has entered into 12 free trade agreements or closer economic partnership arrangements with 20 countries and areas, with 10 of them implemented. Free trade agreements with Iceland and Switzerland are under domestic legislative procedures. Currently, China is negotiating on 6 free trade agreements with 22 countries and regions.

3.57. China continues to be an active participant in the Asia-Pacific Economic Cooperation, the Association of Southeast Asian Nations (ASEAN) meetings with China, Japan and the Republic of Korea, the East Asia Summit, Forum on China-Africa Cooperation, Greater Mekong Sub-region Economic Cooperation Committee, Central Asia Regional Economic Cooperation Committee, Greater Tumen Initiative, and other regional and sub-regional economic cooperation mechanisms.

3.58. In 2014, China will be the host of the APEC meetings. The theme of this APEC Chinese year has been determined as "Shaping the Future through Asia-Pacific Partnership". The three topics around this theme are as follows: Advancing Regional Economic Integration, Promoting Innovative Development, Economic Reform and Growth, and Strengthening Comprehensive Development in Connectivity and Infrastructure. In the area of economy and trade, China will focus on following four aspects: supporting the multilateral trading system and opposing protectionism; advancing the work towards Asia Pacific free trade zone; boosting cooperation on global value chains and supply chains; and strengthening economic and technical cooperation.

#### **3.4.4 Enhancing South-South cooperation**

3.59. China is still a developing country with numerous and heavy development tasks to address. However, China is striving to shoulder development responsibilities in line with its national situation and development phrase while achieving its development goals. China is actively advocating and participating in international development cooperation, rendering economic and technical assistance to the best of its capability to other developing countries, especially the LDCs, under the framework of "South-South Cooperation", and helping them better participate in global value chain, integrate themselves into the process of globalization, improve the people's livelihood and promote their economic and social development by means of enhancing infrastructure construction, upraising the level of capability building and granting zero-tariff treatment.

3.60. China is one of the developing countries granting the biggest market access to LDCs. Since 1 January 2014, China had granted zero-tariff to 95% of tariff items (according to China's tariff items) from 35 LDCs which had diplomatic ties with China. In March 2013, President XI Jinping announced at the BRICS Leaders-Africa Dialogue Forum that China would accomplish its goal by 2015 of granting zero-tariff treatment to 97% of the tariff items of exports to China from the LDCs which have diplomatic ties with China.

3.61. The phased implementation of the zero-tariff arrangements has greatly boosted the exports of the LDCs to China since 1 July 2010. Thanks to zero-tariff arrangements for the LDCs,

26 beneficiary countries have exported USD 2.25 billion worth of goods, resulting in tariff exemption worth of RMB 1.34 billion yuan by April 2013. For five consecutive years, China has become the largest export market for the LDCs and export to China from the LDCs account for approximately one-quarter of the total export of such countries. By honouring its commitment, China expects other developing countries and developed countries to join hands to improve the market access treatment to the LDCs.

#### 4 THE WAY FORWARD

4.1. Since 2014, China's economy has witnessed a stable and good start. Urban employment continues to increase, resident's income, corporate profits and fiscal revenue register steady growth. The overall consumer prices remain at a stable level, and structural adjustment shows positive dynamics. Although China has to face the emergence of profound challenges due to the complex global economic environment as well as the changes in respect of the productive factors that have been bolstering China's development for decades, it is widely recognized that China will continue to enjoy a development period full of opportunities. China will accelerate its progress in advancing its new-type industrialization, IT application, urbanization and agricultural modernization. There is considerable potential for regional development in China as well as the outlook of the Chinese market. China is well-endowed with favorable conditions and solid base to ensure its sustained and stable growth in the long run. In the years to come, China will endeavor to keep its economy growing within a proper range, which is both a target of China's macro policies at the current stage, but also a policy orientation in a medium and long-term.

4.2. The Chinese Government has launched a new round of reform in a most profound and comprehensive fashion. It has made public its explicit goals and concrete tasks. The economic system is the priority subject of China's deepened and comprehensive reform. The core issue is to better address the relationship between government and market, namely, to allow market to play a decisive role in allocating resources, while leaving the government better play its due role at the same time. The Chinese Government will promote market-oriented reform of great width and depth, in an active and orderly manner, further push ahead the transformation of government functions, and promote resources allocation by respecting market rules, market prices and market competition to maximize the benefits and optimize the efficiency. The main responsibility and role of the Government is to maintain the stability of the macro-economy, improve public services, safeguard fair competition, strengthen oversight of the market, maintain market order, promote sustainable development and common prosperity, and intervene in situations where market failure occurs.

4.3. Continuing to promote opening up is an important task of China's new round of reform. The Chinese Government will push forward a new round of high standard opening-up, particularly in areas of services sector, which include capital market liberalization. China will also focus on unifying laws and regulations on domestic and foreign investments, exploring a regulatory model based on negative list approach, and creating a fair and competitive business environment for both domestic and foreign investors. China will further open up inland and border areas, seize the opportunity presented by global industry restructuring, promote coordinated development of trade, investment and technological innovation in inland and border areas, accelerate the construction of infrastructure connecting China with neighboring countries and regions, and work hard to build a Silk Road Economic Belt and a Maritime Silk Road, so as to form a new pattern of all-round opening. The Chinese Government will accumulate useful experiences through the development of the China (Shanghai) Pilot Free Trade Zone and roll it out to other areas.

4.4. Since its accession to the WTO, China has largely established an economic and trading system both in line with its national conditions and in conformity with international rules. China's continuous reforms and opening up have contributed greatly to the achievements of building an open economy, and the eventual integration of China's economy into the world economy. Currently, China is the largest trading partner of more than 120 countries and regions, and has become one of the major driving forces of world economic growth. It is expected that China will realize USD 10 trillion worth of imports and USD 500 billion outbound investments, and more than 500 million person-times outbound tourism in the next 5 years. Meanwhile, China is still a developing country with relatively low level of per capita personal income. By the end of 2012, China had yet nearly 100 million persons living under the poverty line. The Chinese Government is fully aware that the basic national conditions of China, as a large developing country, have not

changed fundamentally, though great achievements have been made in economic development. China will be subject to the great challenges of onerous development tasks for a long run.

4.5. Being a large developing country, China develops and upholds its own positions in international economic and trade affairs, and will also shoulder the responsibilities in line with the level of its development. The Chinese Government is of the view that economies at different development levels and phases should embrace the spirit of solidarity in difficult times, discard zero-sum practices, work together to tackle common challenges and open up a new prospect of economic globalization featuring win-win cooperation. Developed and emerging economies should bring out their respective strengths to drive global economic growth by acting as the "double engines" of the global economy, reinforcing and benefiting each other. In this way, we will open up a new prospect of economic globalization featuring win-win cooperation. China will continue to develop its economic and trade relations with various countries and regions based on the principles of mutual benefits and win-win; and proactively participate in global economic governance and exert its influence as a major developing trading power. China suggests giving full play to the leading role of the WTO-based multilateral trading system, supports Doha Round negotiation, promotes the development of a "balanced, general preferential and win-win" multilateral trading system, explores regional trade arrangements of various forms, further raises the level of trade and investment liberalization and facilitation, and firmly opposes trade and investment protectionism.

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