

POLICY TAKEN FOR BOOSTING EXPORTS BY CHINA

China's trade policies are driven by four priorities, including **indigenous innovation**, **self-sufficiency**, **national security**, and **market reform and opening**. These priorities manifest in the mix of the sustained strong state support for indigenous high-tech industries and the government's elevated commitment to easing restrictions on foreign investment and protecting IP.

Key policy drivers

Push for indigenous innovation:

As the traditional growth model led by debt and investment reaches its sustainable limits, the government has been undertaking supply-side structural reform and pushing for a transition towards an innovation-led growth model. Since the mid-2000s the promotion of "indigenous innovation" has been an important component of China's industrialization efforts, particularly in advanced manufacturing of goods ranging from high-end equipment to biotechnology. Most recently, the 14th five-year plan (FYP) outline, proposed and released by the CCP in November 2020, further emphasized the achievement of free-standing and self-strengthening science and technology as the strategic mainstay of the country's development. [10]

Drive for self-sufficiency:

Intertwined with the push for indigenous innovation over the past two decades has been a drive for self-sufficiency, particularly in industries essential to national security—such as agriculture and energy—or choke points where China is reliant on imports, such as semiconductors. Most recently, deteriorating diplomatic and trade relations with the US and other Western countries have intensified the Chinese government's calls for greater economic self-sufficiency. Since May 2020 Chinese policymakers have been discussing a "dual-circulation model," which identifies the domestic market—rather than external markets—as the mainstay of the Chinese economy and encourages a drive towards self-sufficiency.

Enhancing national security:

National security and, in turn, industrial and trade policymaking have been increasingly linked to China's drive for innovation and self-sufficiency. One manifestation of this priority is the military-civil fusion strategy, a policy first elevated by China's president, Xi Jinping, in 2014 that embodies the philosophy of developing dual-use technology that boosts both economic growth and national security. Moreover, in 2015 China passed the National Security Law, mandating a security review for certain areas of foreign investment. Furthermore, the latest "dual-circulation model" is another signal of the government prioritizing national security in its economic and trade policies.

Market reform and opening:

In 2013 the Chinese government pledged to give the market a “decisive role” in the allocation of resources by 2020, suggesting willingness to pare back the state’s direct control of the economy. However, associated reforms have since been underwhelming, and the government has in fact moved to solidify the role of the state in the economy. Nevertheless, the market has been given a greater role in certain areas, partly a result of growing external pressure amid the recent US-China trade conflicts. China has eased restrictions on FDI over the past several years, especially in certain areas such as financial services. The new FIL, which came into effect in January 2020, further addresses some key concerns of foreign investors related to technology transfer and trade secret protection as key focuses for industrial development in each new FYP. In 2018 the catalog of SEIs was updated to include the digital creative sector and the sector that provides IP right (IPR), R&D and other related services to SEIs.¹² The new catalog also added products and services under existing sectors, such as artificial intelligence under next-gen information technology and robots under high-end equipment manufacturing. In light of the economic slowdown amid the covid-19 pandemic, in September 2020 the National Development and Reform Commission (NDRC) issued a set of guidelines to expand investment in SEIs in order to cultivate new growth momentum.

Product Code	Product Description	Sectors
666	Pottery	Primary
813	Lighting fixtures and fittings, n.e.s.	Manufactured
658	Made-up articles, wholly or chiefly of textile materials, n.e.s.	Manufactured
763	Sound recording or reproducing apparatus; video recording or reproducing apparatus; whether or not incorporating a video tuner	Service
697	Household equipment of base metal, n.e.s.	Manufactured
894	Baby carriages, toys, games and sporting goods	Manufactured
653	Fabrics, woven, of man-made textile materials (not including narrow or special fabrics)	Manufactured
655	Knitted or crocheted fabrics (including tubular knit fabrics, n.e.s., pile fabrics and openwork fabrics), n.e.s.	Manufactured

652	Cotton fabrics, woven (not including narrow or special fabrics)	Manufactured
261	Silk	Manufactured
752	Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s.	Manufactured

