



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. With decades of hard work, on the 40th anniversary of China's adoption of the reform and opening up policy, China has reached a new historic juncture in its development, and socialism with Chinese characteristics has entered a new era. Following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, China will remain committed to the new vision of development and building a new system of an open economy, continue to push forward liberalization and facilitation of trade and investment, and make new ground in pursuing opening up on all fronts.

1.2. China will follow the principle of achieving shared growth through discussion and collaboration, work together with all parties to press ahead with the Belt and Road Initiative, and strive to make the initiative a broad platform for international cooperation keeping up with the historical tide of economic globalization. China will actively participate in global economic governance, firmly safeguard the multilateral trading system and oppose unilateralism and protectionism, promote further the construction of free trade areas (FTAs), and continuously enhance South-South Cooperation. China will spare no efforts in making economic globalization more open, inclusive, and balanced so that its benefits are shared by all.

1.3. China will continue to comprehensively deepen reform, advance law-based governance in every dimension, and keep promoting the modernization of China's governance system and capacity. China will pursue supply-side structural reform as its main task, implement the innovation-driven development strategy, and work hard for better quality, higher efficiency, and more robust drivers of economic growth. While accelerating efforts to improve the socialist market economy, China will improve further the Chinese socialist system of laws, at the heart of which is China's Constitution, and build a socialist country based on the rule of law.

2 NEW ERA, NEW THOUGHT AND NEW VISION

2.1. In 1978, China made the historic decision of reform and opening up, and soon afterwards embarked on the great historic journey of building socialism with Chinese characteristics. The year 2018 marks the 40th anniversary of China's adoption of the reform and opening up policy. With decades of tireless efforts, in particular the hard work in the 40 years of reform and opening up, socialism with Chinese characteristics has crossed the threshold into a new era. The 19th National Congress of the Communist Party of China established the guiding status of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, by which China will be guided to secure a decisive victory in building a moderately prosperous society in all respects and embark on a new journey to fully build a modern socialist country.

2.2. While socialism with Chinese characteristics has entered a new era, the basic dimension of the Chinese context - that China is still and will long remain in the primary stage of socialism - has not changed, and China's international status as the largest developing country in the world has not changed. However, the principal contradiction facing Chinese society, which had been between the growing material and cultural needs of the people and the backward social production, has evolved to be the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life.

2.3. China's economic development has been transitioning from a phase of rapid growth to a stage of high-quality development. It is a pivotal stage for transforming growth model, improving economic structure, and fostering new drivers of growth. Developing a modernized economy is an urgent requirement for getting China smoothly through this critical transition. China will adhere to its overall policy keynote of making progress while maintaining stability, pursue with firmness of purpose the new vision of innovative, coordinated, green and open development that is for everyone, regard supply-side structural reform as its main task, and push ahead in a coordinated way all the work of stabilizing growth, promoting reform, adjusting structure, benefiting the people's livelihood and preventing risks.

2.4. China will remain committed to deepening reform comprehensively and accelerating efforts to improve the socialist market economy. The core issue of further deepening reform is to properly handle the relationship between the government and the market, so that the market plays the decisive role in resource allocation, and the government plays its role better. China will stay

committed to advancing law-based governance, improve the Constitution-centred Chinese socialist system of laws, and promote sound law-making, strict law enforcement, impartial administration of justice, and the observance of law by everyone. Reform of the government administration system and the judicial system will be advanced, and systems for applying checks and oversight over the exercise of power will be further improved.

2.5. China will make all the efforts to build a new system of open economy and make new ground in pursuing opening up on all fronts. Opening up has been indispensable to China's economic growth. In the same vein, high-quality development of China's economy in the future can only be achieved with ever greater openness. China will continue to adhere to the fundamental national policy of opening up, pursue development with the strategy of opening up for win-win results, and develop its open economy aiming at higher standards. China hopes that its development outcomes benefit all countries and regions.

2.6. China will stick to the path of peaceful development and strive to forge a new type of international relations featuring mutual respect, fairness, justice, and win-win cooperation. China will continue to take an active part in the global economic governance systems, work to promote an open world economy and the building of a community with a shared future for mankind. China will firmly support the multilateral trading system, unswervingly advance economic globalization and trade and investment liberalization and facilitation, further the construction of free trade areas. China will take a clear-cut stand in opposing unilateralism and protectionism. Guided by the principle of upholding justice while pursuing shared interests, and the principle of sincerity, honesty, affinity, and good faith, China will continue to strengthen cooperation with other developing countries.

3 APPLYING A NEW DEVELOPMENT VISION AND ESTABLISHING NEW INSTITUTIONS OF AN OPEN ECONOMY

3.1. Based on the new vision of development, China is engaging itself in the development of an open economy in a wider range and more areas, at deeper level and higher standards, and expediting the transition from opening up itself to promoting the opening up of the world. Back in 2015, China released guidelines on establishing new institutions of an open economy. The overall objective is to put in place new mechanisms for market allocation of resources, develop new administration models for economic operation, create a new layout of all-round openness and forge new advantages in terms of international competition and cooperation.

3.1 Setting new mechanisms for sustainable trade development

3.2. In recent years, the underlying impact of the international financial crisis persists, and the international environment and domestic circumstances have undergone complicated and profound changes. Against this background, development of China's trade is facing tremendous difficulties and challenges. China has been actively promoting the optimization of the international market layout and domestic regional distribution, as well as that of commodity structure, business entities and modes of trade. New forms of business and trade models are explored. Innovative developments of processing trade are transferred among regions in gradient. Proactive and effective import policies are implemented. These efforts have resulted in remarkable outcomes in the development of China's trade, with the structure further improved, and the shift of driving forces accelerated. It is now brought back to stability and turns for better, which not only provides countries and regions around the world with broader markets and more opportunities for cooperation, but also makes contributions to global trade growth and economic recovery.

3.1.1 Implementing more proactive import policies

3.3. Since the last review, China has further simplified import administration procedures and lowered import tariffs. By November 2017, interim tariff rates had been applied on 152 tariff lines of consumer goods with an average decrease of 50% from the MFN rates, involving a yearly import value of \$10.9 billion. From 1 December 2017 on, China has further lowered import tariffs on 187 tariff lines of consumer goods at HS 8-digit level. The tariff rates dropped from 17.3% to 7.7% on average, covering food and supplements, drugs, chemical products for daily use, clothing and footwear, hats and caps, household appliances, cultural and recreational goods and etc. This was China's fourth slash of import tariffs within three years, and the tariff lines involved

outnumbered the total of the previous three times. In 2017, China's imports propelled the global imports to grow by nearly 2 percentage points, contributing more than 15% of global imports increase. Its portion in global imports reached 11.1%, touching a record high.

3.1.2 Continuously enhancing trade facilitation

3.4. On 22 February 2017, WTO *Trade Facilitation Agreement* came into force. China has been preparing for the implementation of the Agreement actively. As early as in March 2016, an Inter-Ministerial Joint Committee on Trade Facilitation chaired by a Vice Premier of the State Council was established to promote trade facilitation through enhanced and productive collaboration among relevant government agencies. By the end of 2017, all provinces, autonomous regions and municipalities directly under the Central Government had set up provincial-level joint committees on trade facilitation to push ahead trade facilitation work in the respective localities.

3.5. China implements the obligations under the Agreement seriously. China retains only four Category B measures and its Category A measures accounts for 94.6%. China will honour its promise to implement all Category B measures within the 3-year transition period.

3.6. On 1 July 2017, the integrated Customs clearance reform was rolled out nationwide. National centers for Customs risk prevention and control and for tariff collection and administration were established, and Customs clearance operations began to follow "one-time declaration and phased processing" approach. Meanwhile, construction of Single Window for international trade has been further pushed ahead. Single Window in a standard format is now implemented in all ports of entry in China. To further increase transparency, all Customs in China have introduced the version 1.1 online integrated platform for businesses. The nationwide average import clearance time in 2017 was 15.87 hours, a 36.85% decrease compared with 2016, and the average export clearance time was 1.11 hours, a 38.24% drop from the previous year.

3.7. In addition, China has also taken a series of substantial measures in foreign exchange administration to facilitate trade and investment. Pilot programs were carried out to facilitate foreign exchange payments concerning cross-border E-commerce or via third-party payment agencies. Supporting policies and measures were developed for the Bond Connect, i.e. cross-border bonds transactions and settlement. Prudent macro administration policies for cross-border financing were further improved. Reform of external debts administration through filing for record was pushed forward steadily to meet corporate financing needs. Foreign exchange market was also further opened to allow foreign investors in the interbank bond market to participate in foreign exchange derivatives transactions in China.

3.1.3 Developing new modes of trade and business models

3.8. China has been working hard in replacing driving forces and adjusting structures, and has undertaken and expanded pilots on cross-border e-commerce and market purchase trade mode. 13 pilot zones on cross-border e-commerce in Hangzhou and other cities were promoted. Policy framework conducive to the development of cross-border e-commerce is taking shape.

3.1.4 Promoting the innovative development of processing trade

3.9. In January 2016, China issued guidelines concerning optimizing development environment and promoting innovative development of processing trade. In May of the same year, it was further proposed that movement of processing trade to the central and western regions of China be supported, and examination and approval procedures for engaging in processing trade be cancelled nationwide and replaced with effective operational and post-operational supervision and regulation mechanism.

3.2 Creating more attractive investment environment

3.10. Active utilization of foreign investment has always been an important part of China's fundamental national policy of opening up to the outside world. In 2017, the State Council released two Circulars in this respect, on measures to further open up to foreign investment and to promote foreign investment growth respectively, in a bid to perfect investment environment through enhancing facilitation, sharing international experiences and re-stressing rule of law,

promote domestic and foreign enterprises to compete on an equal footing, and improve both investment quality and quantity.

3.2.1 Improving the filing administration of foreign-invested enterprises establishment and change

3.11. In September 2016, the 22nd Session of the Standing Committee of the 12th National People's Congress adopted the Decision to revise four investment-related laws including the Law on Foreign-Invested Enterprises (FIEs). According to the Decision, for those foreign-invested enterprises not subject to foreign investment access administration, their establishment and change would be administered only through filing for record and no longer need to be examined and approved. This was a significant change brought to the case-by-case examination and approval system for FIEs, which had been in place for over 30 years. In October 2016, the Ministry of Commerce (MOFCOM) released detailed administrative measures for implementation, and it was later amended in July 2017. In the administrative measures, it was further clarified that the filing administration applies also to mergers and acquisitions of non-FIEs and strategic investments in listed companies in China in sectors not subject to investment access administration and involving no related party transactions. Presently more than 96% of the establishment and change of FIEs are processed through filing for record.

3.2.2 Improving the approval administration and filing administration of investment projects

3.12. In December 2016, China revised the Catalogue of investment projects subject to government verification and approval, involving totally 17 items. Among the 17 items, two were replaced with administration through filing for record, and 15 were delegated to be verified and approved by local governments. This was the third revision of the Catalogue after two previous revisions in 2013 and 2014. As a result of the three revisions, the total number of projects subject to verification and approval by the central government has been considerably reduced by 90%. After this revision, in terms of foreign investment, apart from sectors that are prohibited for foreign investment and sectors where the same verification and approval administration for access is applied for both domestic and foreign investment projects, scope of foreign investment projects subject to verification and approval administration is as follows. Projects listed in the restricted category in *Catalogue for the Guidance of Foreign Investment Industries* with a total investment of US\$300 million and above shall be verified and approved at the central government level, in which those with a total investment of US\$2 billion and above shall be filed with the State Council. Projects listed in the restricted category in *Catalogue for the Guidance of Foreign Investment Industries* with a total investment of less than US\$300 million shall be verified and approved at the provincial government level. Other foreign investment projects are subject to administration through filing for record. In February and April 2017, regulation and implementing measures concerning both approval administration and filing administration for investment projects of enterprises were implemented.

3.2.3 Further opening up the manufacturing and services sectors

3.13. In June 2017, China released the lastly revised Catalogue for the Guidance of Foreign Investment Industries (2017 Catalogue). In this revision, sectors previously in the encouraged category but with equity ratio capping and sectors in the restricted and prohibited categories were consolidated into the negative list for market access of foreign investment, and sectors where same access prohibitions and restrictions are applied equally to both domestic and foreign investments were no longer included. Compared with the last 2015 Catalogue, the number of restrictions was reduced from 93 to 63. For sectors not in this negative list, investment access restrictions, or in other words "special administrative measures on foreign investment access" shall in principle not be imposed.

3.14. Compared with the 2015 Catalogue, the main changes in this Revision were as follows. In manufacturing, China lifted access restrictions in sectors such as rail transportation equipment, automotive electronics, battery for new-energy vehicles, motorcycles, edible fat and oil, ethanol fuel, and relaxed access restrictions in sectors such as purely electric-powered vehicles. In mining, access restrictions were removed in sectors such as non-conventional oil and gas, precious metals and lithium mines. In services, access restrictions were eliminated in sectors and areas including

road transport of passengers, ocean cargo tally, credit investigation and rating, accounting and auditing, wholesale markets of agricultural products and etc. In the next step, China will consider rolling out a series of opening measures involving manufacturing of vehicles, ships and aircrafts, resources and energy, infrastructure, transport, commercial distribution, professional services etc.

3.2.4 Further opening up the financial sector

3.15. In the banking sector, in June and July 2017 respectively, the People's Bank of China (PBOC) eased access restrictions of bank card clearing institutions and for financial service suppliers to engage in credit investigation and rating service. In March 2018, PBOC issued policies concerning foreign investment in payment service by non-banking institutions and opened up the sector. In March 2017, the former China Banking Regulatory Commission also relaxed policies and supervisory requirements for foreign-invested banks to engage in such business activities as government bonds underwriting, custody services, financial consultancy etc. In the securities sector, China decided in November 2017 to allow foreign ownership of up to 51% in foreign-invested securities firms, fund management companies and futures companies. This capping will be further removed three years after implementation. In March 2018, the crude oil futures were listed for trading in Shanghai Futures Exchange. It was the first product in China allowing foreign investors to trade in Chinese futures. Next, China Banking and Insurance Regulatory Commission will further consider relaxing equity restrictions on foreign participation in Chinese financial asset management companies, Chinese banks and life insurance companies. Conditions for foreign financial services providers to establish presence in China will be eased, the business scope be expanded, and regulatory rules be optimized.

3.2.5 Continuing to encourage foreign investment in central and western regions of China

3.16. In February 2017, the newly revised Catalogue of Advantaged Industries for Foreign Investment in the Central-Western Regions (2017 revision) was published. This revision contained a total of 639 entries, with 139 entries added compared with the last 2013 revision. Foreign investment projects listed in this Catalogue are regarded encouraged projects as provided for in the Catalogue for the Guidance of Industries for Foreign Investment and therefore are entitled to the same preferential policies. The 2017 revision aimed to promote transformation and upgrading of traditional industries, support development of high and new and applicable technologies, encourage accelerated development of services sectors and labour-intensive industries, and reinforce infrastructure and associated supporting capabilities.

3.2.6 Speeding up the comprehensive pilots on establishing new institutions of an open economy

3.17. In May 2016, China launched the experimental work of comprehensive pilot programs on establishing new institutions of an open economy in 12 cities and areas including Jinan, Nanchang, Tangshan, Zhangzhou, Dongguan, Fangchenggang, Pudong New Area, Liangjiang New Area, Xixian New Area, Dalian-Jinpu New Area, Wuhan Metropolitan Area and Suzhou Industrial Park, in a bid to explore new modes and means of administration of an open economy by promoting various specific reform measures. In April 2017, MOFCOM and National Development and Reform Commission (NDRC) jointly issued guidelines on advancing the comprehensive pilots. Since the launch, 24 effective practices from the pilots have been shared nationwide.

3.18. Thanks to a series of measures to facilitate trade and investment, China's business environment has been further optimized. There is no law or regulation in China requiring foreign enterprises to transfer their technology to Chinese partners. The *Doing Business 2017* by the World Bank indicated that in the past three years, China's global ranking on the ease of doing business had risen by 18, and the ranking on the ease of starting a business had climbed up by 31. In the *Doing Business 2018*, the time needed for paying taxes in China has shortened by 52 hours compared with the previous year, resulting in a moving-up of 32 in the ranking.

3.3 Supporting outbound direct investment cooperation for mutual benefits and win-win with host countries and regions

3.19. China attaches equal importance to attracting foreign investment and going global, and strives to enhance the quality and efficiency of the outbound investment, improve its facilitation and safeguard its legitimate rights and interests.

3.3.1 Advancing the reform of overseas investment administration system

3.20. In January 2018, MOFCOM together with other relevant government agencies issued the interim measures on regular reporting of outbound investment subject to administration of filing for record or administration of verification and approval. The interim measures, on top of the administration system featuring filing for record supplemented by verification and approval which was put in place in 2014, aimed to improve administration of outbound investment through identifying both a negative list and those that are encouraged.

3.21. In August 2017, NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs jointly issued guidelines on directions of overseas investment, signalling to the market the overseas investment activities that are encouraged, restricted or prohibited. In December 2017, NDRC revised and issued the measures on administration of overseas investment projects of enterprises requesting that sensitive overseas investment projects be verified and approved by NDRC, and that non-sensitive projects be subject to administration of filing for record. Projects of enterprises directly under the central government, and those projects with Chinese investment of no less than US\$300 million are to be filed with the NDRC. Projects with Chinese investment of less than US\$300 million are to be filed with the Development and Reform Commission of the provincial level government where the enterprise is registered. In February 2018, NDRC issued the catalogue of sensitive projects. In addition, NDRC and MOFCOM jointly issued in December 2017 the code of conduct for overseas investment and operation of private enterprises.

3.3.2 Promoting the facilitation of overseas investment cooperation

3.22. China believes that enterprises and individuals should go abroad to conduct investment cooperation, undertake engineering projects and provide labour services by demonstrating their own strengths and advantages and at their own risks. They can explore not only direct ways of green field investment and merger and acquisition but also innovative means including securities and portfolio investment. Enterprises with sufficient capabilities are encouraged to conduct overseas cooperation in areas including infrastructure, energy and resources and etc. Agricultural cooperation can be promoted steadily. Technologies and technical standards should go abroad. Chinese investors and entities are also supported in their construction, management and upgrading of overseas economic and trade cooperation zones.

3.4 Strengthening the protection of intellectual property rights

3.23. China has continued to strengthen both the administrative and judicial protection of IPRs and reinforce related long-term mechanisms. Since its establishment, the National Leading Group on Fight against IPR Infringement and Counterfeiting headed by a Vice Premier of the State Council has coordinated its 29 member agencies in an overall manner to advance IPR protection with integrated and enhanced forces. Corresponding leading groups have also been established by governments at provincial, city and even county levels. An effective working mechanism across the country has taken shape.

3.4.1 Strengthening the top-level design for IPR protection

3.24. In November 2016, China issued guidelines on improving property rights system for better protection purposes, stressing intangible properties such as IPRs should be protected on an equal footing with tangible properties. In December 2016, a general scheme of reform for comprehensive administration of IPRs was issued. The scheme aimed to establish an efficient integrated administration system for IPRs, build a convenient and benefiting public service system in terms of IPRs, and improve capabilities to comprehensively utilize IPRs to promote innovation-driven development.

3.25. In December 2016, China issued the plan of protection and utilization of IPRs during the 13th five-year plan period, calling for further deepening reform in the IPR field. In March 2017, the Chinese government, taking into account new developments, gave its guidelines on strengthening the combat against IPR infringements and against manufacturing and sale of counterfeits in the near future. In April 2017, the outline of judicial protection of IPRs in China for 2016-2020 was issued, which specified guiding principles, goals and key measures of judicial protection of IPRs during the 13th five-year plan period.

3.4.2 Steadily advancing legislations on IPR protection

3.26. In March 2017, the First Session of the 13th National People's Congress adopted *the General Provisions of the Civil Law*, in which trade secrets is taken as object of IPR for protection. *The Law against Unfair Competition* amended in November 2017 redefined trade secrets, expanded the scope of the subject infringing on trade secrets and scaled up the administrative penalty on infringers of trade secrets. In addition, the Patent Law and the Copyright Law are also currently undergoing amendment.

3.4.3 Constantly strengthening IPR judicial protection

3.27. Judicial interpretation and case guidance are important ways of the Supreme People's Court to guide the adjudication and enforcement work of courts across the country. To ensure the applicable standards in law are unified, in March 2016, the Supreme People's Court promulgated *the Interpretation on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases (II)* to address such problems as long litigation duration, difficulties in collecting evidences and insufficient compensation in patent litigation. In January 2017, the Supreme People's Court promulgated *the Provisions on Several Issues concerning the Trial of Administrative Cases involving Trademark Authorization and Confirmation*, making further clarifications on issues such as the examination scope of trademark registration and the protection of famous trademarks etc.

3.28. Reform on trial of IPR cases has been further advanced. Since the establishment of IPR courts in Beijing, Shanghai and Guangzhou in 2014, the total number of IPR cases handled has exceeded 60,000. In July 2016, the Supreme People's Court began the reform on trial of IPR cases to have all types of IPR cases, being civil, administrative or criminal, handled by one single division of a court. Since 2017, the Supreme People's Court has approved the establishment of special divisions responsible for IPR cases in People's Courts in Nanjing, Suzhou, Wuhan, Chengdu, Hefei and Ningbo. In February 2018, the Supreme People's Court further instructed that efforts should be accelerated to modernize both the trial system and capacities of IPR cases.

3.29. China has made notable progress in the trial of IPR cases in recent years. Compared with 2016, IPR cases of first instance newly accepted and closed in courts nationwide increased by 46% and 43% respectively in 2017. Judicial protection has become an increasingly important means in IPR protection in China.

3.4.4 Actively carrying out administrative law enforcement in IPR protection

3.30. To crack down on IPR infringements and counterfeits, China launches every year special campaigns targeting particular areas including for examples online trade and import-export transactions. In September 2017, an IPR protection operation for foreign-invested enterprises was organized jointly by 12 government agencies, which focused on fighting illegal acts of violating commercial secrets, infringing upon trademark and patents as well as online piracy. Key areas of hi-technology, e-commerce, food and drug, environment protection as well as key venues of exhibitions etc. were also identified where a special law enforcement campaign named *Thunder* was launched with the concerted efforts of various government agencies to fight against all kinds of infringements on patents.

3.5 Building pilot free trade zones according to high standard

3.31. Establishing Pilot Free Trade Zones (pilot FTZs) is a major movement of the Chinese government to further the reform and opening up under new development circumstances. It aims at accelerating transformation of government functions, searching for innovative modes of

administration and management, promoting trade and investment facilitation, and exploring new ways, means and experience for deepening reform and opening up in an all-round manner. Since 2013, China has successively established pilot FTZs in 11 provinces and municipalities including Shanghai, Guangdong, Tianjin, Fujian, Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan and Shaanxi, and has made positive progress in various reform areas.

3.5.1 Realizing the significant transformation of the FDI administration system

3.32. The Shanghai Pilot FTZ began exploring the foreign investment administration model of pre-establishment national treatment plus negative list and issued the first negative list for foreign investment access in 2013 to replace the traditional model of case-by-case examination and approval. Since then, the negative list of the pilot FTZs has been revised and shortened three times. When the last 2017 revision of the negative list was issued in June 2017, the original 190 items had been reduced to 95.

3.5.2 Putting in place a trade regulatory system in line with international practices

3.33. 38 facilitation measures out of the 40 as provided in the *Trade Facilitation Agreement* of the WTO have been implemented in Shanghai Pilot FTZ. The Single Window for international trade in Shanghai has entered the 3.0 era, covering various functional modules such as cargo declaration, declaration of means of transportation, cross-border e-commerce, logistics information etc., and linking all trade regulatory agencies. In Guangdong Pilot FTZ, 90% of cargo declarations are made through the Single Window. The trade facilitation measures implemented successively by various FTZs have on average improved the clearance efficiency by 40%.

3.5.3 New and creative measures facilitating the real economy development

3.34. The Shanghai Pilot FTZ developed a new model of administration of cross-border capital flow by creating a system of free trade accounts. By the end of 2017, approximate 70,000 free trade accounts had been opened cumulatively in Shanghai Pilot FTZ, covering business transactions of more than 30,000 enterprises home and abroad which had involved over 120 countries and regions. Supporting public services systems in the pilot FTZs are also constantly improved.

3.35. By the end of 2017, the number of newly-established enterprises in the 11 pilot FTZs had exceeded 400,000, of which 25,000 were foreign-invested enterprises, with a total paid-in capital of RMB 261.93 billion. Experience from a large number of reform measures implemented effectively in the pilot FTZs has been introduced nationwide. By the end of 2017, a total of 123 pieces of reform experience from the pilot FTZs including the negative list model for foreign investment had been copied to the whole country. This has greatly optimized the nationwide business environment.

3.6 Latest development of trade and investment

3.6.1 Trade development

3.36. In 2016, China's total import and export of goods amounted to US\$3.6855 trillion, down 6.8% year on year; of which, the export was US\$2.0976 trillion, down 7.7%, and the import was US\$1.5879 trillion, down 5.5%. In 2017, China's total import and export of goods reached US\$4.1070 trillion, up by 11.4% year-on-year, of which, the export was US\$2.2632 trillion, up 7.9%, and the import was US\$1.8438 trillion, up 16.1%.

3.37. The development of trade in goods had the following features. Firstly, the growth of trade in 2017 outpaced expectation by hitting a six-year high, which reversed the trend of negative increase over the previous two consecutive years. Secondly, trade structure continued to be improved. In 2017, the share of foreign-invested enterprises and private enterprises in total exports had gone up to 89.7%. Private enterprises became the largest exporting entity, accounting for 46.3% of the total exports, and contributing nearly 40% of the total imports and exports. Thirdly, the mode of trade further improved. In 2017, the share of general trade in total imports and exports had risen to 56.4%.

3.38. In 2016, China's total imports and exports of services was US\$661.6 billion, growing by 1.1% year on year. Services exports stood at US\$209.5 billion, down 4.2%, and imports amounted to US\$452.1 billion, up 3.8%. Deficit of services imports and exports reached US\$242.6 billion. In 2017, the total imports and exports of services was US\$695.7 billion, showing a year-on-year 5.1% growth. Services exports reached US\$228.1 billion, up 8.9%, and imports registered US\$467.6 billion, up 3.4%. Deficit of services imports and exports reached US\$239.5 billion. The top three traditional service sectors of travel, transportation and construction witnessed a drop by 1.1 percentage points of their share in total imports and exports.

3.6.2 Inward direct investment

3.39. In 2016, 27,900 FIEs were newly established in China with a year-on-year increase of 5%. The paid-in foreign investment (excluding banking, securities and insurance sectors, hereinafter the same) reached US\$126 billion, down 0.2%. In 2017, 35,652 FIEs were newly established in China, up 27.8% year on year. The paid-in capital was US\$131.04 billion, a steady growth of 4%.

3.40. Features of inward direct investment development were as follows. Firstly, the sectoral distribution of foreign investment continued to improve. In 2017, the paid-in foreign investment in hi-tech services sectors reached US\$26.07 billion, which registered a year-on-year growth of 106.4%. Secondly, the regional layout optimized continuously. In 2017, the paid-in foreign investment in the central region was US\$8.31 billion, showing a year-on-year growth of 17.1% which was the highest in the country. Newly-established FIEs in the western region increased by 43.2% over the previous year, and the vitality of various entities in the market was further stimulated. Thirdly, the role of pilot FTZs leading the reform and opening up was further demonstrated. In 2017, there were 6,841 FIEs newly established in the 11 Pilot FTZs, of which 99.2% were by way of filing for record. The paid-in foreign investment reached US\$15.55 billion, up by 14.7% year on year, which was 10 percentage points higher than the average growth rate nationwide.

3.6.3 Outbound direct investment

3.41. In 2016, China's outbound direct investment was US\$196.15 billion, up 34.7% year-on-year. In 2017, the outbound direct investment was US\$124.63 billion, down 32%. Overseas economic and trade cooperation zones have played a positive role in promoting the common development of China and host countries. By the end of 2017, 99 overseas economic and trade cooperation zones developed by Chinese enterprises in 44 countries had taken shape, with an accumulative investment of US\$30.7 billion, and 4,364 enterprises choosing to locate in. Taxes paid to host countries had amounted to US\$2.42 billion, and 258,000 local job opportunities had been created. Among them, new investment in 2017 was US\$5.79 billion, and total output value in 2017 was US\$18.69 billion.

4 ACHIEVING SHARED GROWTH THROUGH DISCUSSION AND COLLABORATION AND BUILDING AN OPEN WORLD ECONOMY

4.1. Since the outbreak of the international financial crisis, China has contributed on average more than 30% of global economic growth annually. China is a beneficiary of economic globalization, but more a contributor. China has always stuck to promoting trade and investment liberalization and facilitation at multilateral, regional, and bilateral levels, and promoting the building of an open world economy.

4.1 Firmly supporting economic globalization and building new platform for international cooperation

4.1.1 Proactively promoting international cooperation over the Belt and Road Initiative

4.2. In the autumn of 2013, President Xi Jinping proposed in Kazakhstan and Indonesia respectively the building of the Silk Road Economic Belt and the 21st Century Maritime Silk Road, known as the Belt and Road Initiative. Later on, China issued an action plan on the proposed Belt and Road Initiative namely the *Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road*, and held the first Belt and Road Forum for International Cooperation in Beijing in May 2017. Today, building the Belt and Road has had the

strong support and active participation of more than 100 countries and international organizations around the world. The Belt and Road Initiative originates in China, but the opportunities and gains it brings belong to the world.

4.3. Under the Belt and Road Initiative, trade connectivity has been greatly increased. Total trade between China and other Belt and Road countries in 2014-2017 has exceeded US\$4 trillion, and China's accumulative investment in these countries near US\$60 billion. Trade and investment facilitation has also been significantly enhanced. For example, for Kazakhstan and other Central Asian countries, Customs clearance time for agricultural produce exported to China has reduced by 90%.

4.4. China advocates the Silk Road spirit characterized by peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit. President Xi Jinping pointed out that the Belt and Road should be built into a road for peace, a road of prosperity, a road of opening up, a road of innovation and a road connecting different civilizations. All parties should join hands to meet the challenges faced by the world economy, create new opportunities for development, seek new development momentum, expand new development space, achieve mutual complementarity and mutual benefit, and continuously move towards the direction of a community with a shared future for mankind.

4.1.2 Preparing vigorously for the first China International Import Expo

4.5. In May 2017, President Xi Jinping announced at the first Belt and Road Forum for International Cooperation that China will host the China International Import Expo starting from 2018. Sponsored by China and participated by countries and regions all over the world, the China International Import Expo invites buyers both at home and abroad and serves as an open platform to buy from the world and sell to the world. The Expo will organize both country and enterprise exhibitions. More than 120 countries, regions and international organizations are expected to participate, and over 150,000 professional buyers will come for purchase. China will facilitate all countries and regions in their participation and offer more preferences to developing countries especially the Least Developed Countries (LDCs). At that same time, China will also host the first Hongqiao International Forum on Trade with the theme of "invigorating the new vitality of global trade and creating a new pattern of opening up and mutual benefit".

4.6. As the world's first large-scale expo focusing on import, the China International Import Expo is a major policy initiative as well as a commitment taken of China's own accord to open up further the Chinese market to the world. It will create new demands for and inject new impetus into the world's economic growth. Through building a new platform that embraces inclusiveness, openness and cooperation and providing public products that promote global inclusive and mutually beneficial development, the Expo will also start a new model of cooperation between China and international organizations. China welcomes and expects the active participation by WTO members and WTO Secretariat in the Expo and the Hongqiao International Forum on Trade.

4.2 Firmly safeguarding the multilateral trading system and striving to contribute Chinese wisdom and strength

4.7. For the multilateral trading system, China is a staunch supporter, an active participant and important contributor. President Xi Jinping pointed out at the 19th National Congress of the Communist Party of China that China will support the multilateral trading system and work to build an open world economy. China believes that trade is a major growth engine, and the WTO rules a critical institutional guarantee safeguarding economic globalization. In light of the serious challenges now facing the multilateral trading system, China calls on all WTO members to stay committed to the basic principles of the WTO, i.e. open, transparent, inclusive, non-discriminatory and rules-based. China calls on all WTO members to safeguard the role of the WTO-centred multilateral trading system as a fundamental stabilizer in global economic governance, and firmly oppose unilateralism and protectionism, so as to contribute to the recovery and growth of the world economy and common development and prosperity.

4.2.1 Participating proactively in the multilateral trade negotiations and discussions and playing a constructive role

4.8. During the past two years, China has made great efforts in the multilateral trade negotiations to facilitate discussions, bridge gaps and advance consensus. China submitted a series of proposals in various fields. China not only was among the first few members to complete national ratification of the *Trade Facilitation Agreement*, but also actively promoted more members to ratify the agreement when hosting the G20 Hangzhou Summit.

4.9. China has actively participated in the negotiations on the remaining issues of the Doha Round. With regard to agricultural domestic support, China holds that the core of the negotiation is to correct the imbalances in international rules in agricultural trade. China does not agree to discuss the reduction of the *de minimis* support in developing members prior to the elimination of the Aggregate Measurement of Support (AMS) in developed countries. Public stockholding for food security purposes has a clear mandate from Ministers. China maintains that an agreement should be reached accordingly as soon as possible. Regarding the negotiation of rules, China holds that the negotiations on fishery subsidies and those on anti-dumping and countervailing rules should all be advanced. China is also willing to work with other members to make progress on non-agricultural market access, service trade and other issues.

4.10. China believes that development being the most outstanding theme of today's world should always be the key task of the WTO work. Although there are differences in economic scales and levels among the developing members, they all face the common challenges of unbalanced and inadequate development, insufficient governance capacity, and lagging-behind social security system. China strongly opposes classification of developing countries. China believes that only those organizations truly focusing on inclusive development will have bright future. As more than two-thirds of WTO members are developing countries, the top priority for the WTO should be to address the existing deficits in rules and in development. This is not just to help developing members to achieve development, but more importantly, to find a way forward for the WTO itself. In this course, China is willing to continue making contributions to promote liberalization and facilitation of global trade and investment, as long as they are commensurate with its development level and its capabilities.

4.11. China believes that the WTO should discuss new issues with development implications such as investment facilitation and E-commerce to respond to the expectations of the business community as well as to maintain its relevance in global governance. The discussions should aim at multilateral results, adhere to the principles of openness, transparency and inclusiveness and mobilize all the membership to participate.

4.12. Investment facilitation benefits all members. China has joined hands with a group of developing members in the establishment of the Friends of Investment Facilitation for Development (FIFD). With the support of Nigeria as the host, the High-Level Forum on Investment Facilitation for Development was successfully held in November 2017. China was particularly glad to facilitate the endorsement by around 70 members of the Joint Ministerial Statement on Investment Facilitation for Development during the 11th Ministerial Conference in Buenos Aires. China will continue support WTO members to engage in dialogues and discussions and promote the incorporation of the investment facilitation issue into the WTO framework at an early date.

4.13. China attaches great importance to and supports the work related to E-commerce within the WTO framework. China participated actively in the discussions, tabled important proposals, and joined the Friends of E-Commerce for Development (FED). During the 11th Ministerial Conference, China made all the efforts for members' final agreement on the *Ministerial Decision on the Work Programme of Electronic Commerce*. In May 2018, a workshop on E-commerce for development under the multilateral trading system was held in China, where more than a dozen of developing members were invited for experience sharing and discussion on the boost of economy and development by E-commerce.

4.2.2 Defending firmly core values of the WTO and opposing resolutely unilateralism and protectionism

4.14. China has always held that an open, inclusive and non-discriminatory multilateral trading system is the critical institutional guarantee that promotes world economic growth and trade liberalization and facilitation. The multilateral trading system represented by the WTO is one of the most important global governance mechanisms ever created by mankind, and a strong and powerful constraint against unilateralism and protectionism. China has repeatedly stressed that trade frictions and disputes should be addressed through dialogues, consultations and communications with mutual respect in accordance with the multilateral trading rules within the WTO framework. China expresses its grave concern over the unilateral and protectionist practices of an individual WTO member which are openly in breach of the fundamental rules and spirit of the WTO. Opposing such practices firmly, China has filed complaints to the dispute settlement body of the WTO and calls for the entire WTO membership to stand in solidarity and maintain vigilance and resistance.

4.2.3 Earnestly honouring obligations and commitments and supporting the daily operation of the WTO

4.15. Since its accession to the WTO, China has faithfully implemented the extensive market access commitments made during the negotiations and seriously fulfilled various obligations as a responsible member. As a result, the openness of the Chinese market has been greatly enhanced and maintained. In formulating and implementing economic and trade policies, China pays great attention to the consistency with WTO rules and has realized transparency, predictability and stability of its trade measures and practices. China's efforts in honouring its commitments and obligations have been well recognized and applauded by members in previous trade policy reviews.

4.16. In recent years, China has made continuous efforts to strengthen the institutional arrangement for transparency of trade policies and measures. The capacities and level of obligations fulfilment have been further improved.

4.17. According to the *Legislation Law* amended in March 2015, draft laws shall be published for public comments for a period of no less than 30 days. According to the *Regulations on Procedures for Formulation of Administrative Regulations* and the *Regulations on Procedures for Formulation of Rules* amended in December 2017, draft administrative regulations of the State Council, draft rules of departments under the State Council and of local governments at the provincial level shall also be published for public comments for a period of no less than 30 days. In March 2018, it is further requested in a circular issued by the General Office of the State Council that, a system of government gazettes for three levels of the government, namely central, provincial and city-level, should be established to be the authoritative platform to publish administrative regulations, rules and other measures.

4.18. The notification obligations under various WTO Agreements applicable to China have generally been fulfilled. In the notification of subsidies where information gathering has long been a tremendous obstacle for China as the largest developing country, positive progress has also been made. While the notification used to cover only subsidies at the central government level, it now has local subsidies included. Next it is planned to cover all administrative regions at the provincial level.

4.19. China joins in the day-to-day work of the WTO seriously. China respects the rulings of the Dispute Settlement Body of the WTO, and participates actively in the negotiations on the reform of the *Understanding on Rules and Procedures Governing the Settlement of Dispute* for progress. China is committed to maintaining the stability and authority of the multilateral trading system through *recourse to and reliance on the WTO Dispute Settlement Mechanism*. China believes that to ensure the proper functioning of the Appellate Body is not only a common obligation of all WTO members, but also in the common interests of the entire WTO membership. In view of the difficulties facing the multilateral trading system, and the heavy dispute settlement workload, any further delay in starting the selection process of the Appellate Body members will undoubtedly damage seriously the interests of the WTO and the entire membership. As one of the main participants in the Dispute Settlement Mechanism, China will work closely with other members to strive for the start of the selection process as early as possible.

4.2.4 Responding positively to the WTO Aid for Trade initiative

4.20. In March and December 2017, China's LDCs and Accessions Program (China Program) sponsored the Fifth and the Sixth Roundtables on LDCs' WTO accession in Cambodia and Argentina respectively. China contributed another US\$1 million to the Program to help more LDCs to join the big family of the WTO. During the 11th Ministerial Conference in Argentina, China signed a memorandum with the WTO on donating US\$1 million to the Trade Facilitation Agreement Facility (TFAF). During the Belt and Road Forum for International Cooperation held in May 2017 in Beijing, China signed an economic cooperation agreement with the WTO, providing US\$8 million to support the research and relevant activities of the WTO with developing countries for capacity building in the international trade field.

4.3 Participating actively in global economic governance and opposing protectionism

4.21. On many occasions including the annual meeting of the World Economic Forum in Davos, the G20 Summit, the BRICS Summit and the Annual APEC Economic Leaders' Meeting, President Xi Jinping stated that China will firmly safeguard the authority and effectiveness of the multilateral trading system, oppose protectionism, guard against beggar-thy-neighbour positions and strive to advocate and promote an open world economy.

4.22. As the G20 presidency, China held the G20 Hangzhou Summit with the theme of "building an innovative, invigorated, interconnected and inclusive world economy" in September 2016. The Summit released the G20 Leaders' *Communiqué, Hangzhou Summit* and adopted 28 outcome documents, including a series of pragmatic action plans. The *G20 Strategy for Global Trade Growth* was devoted to reverse the weakness of the global trade, and the *Guiding Principles for Global Investment Policy* filled in the blanks in global investment governance and was of primary significance to promote transformation of G20 from a crisis response mechanism to a long-term governance mechanism.

4.23. According to the proposal of the Summit, the Global Forum on Steel Excess Capacity (the Forum) was established in Berlin in December 2016. In a constructive and pragmatic manner, China participated in the Forum, shared information and discussed the six principles of proposals on policies and measures. China believes that the Forum should abide by its mandate and adhere to the principle of collective responses to global challenges.

4.24. In September 2017, the 9th BRICS Summit with the theme of "Stronger BRICS Partnership for a Brighter Future" was held in Xiamen China. The BRICS leaders witnessed the signing of the *BRICS Action Agenda on Economic and Trade Cooperation*, and reached the *Outlines for BRICS Investment Facilitation* and a number of other economic and trade cooperation outcomes in support of the multilateral trading system and opposing protectionist actions. The BRICS countries unanimously believed that, under the background of insufficient growth impetus of global economy and rising protectionism, the BRICS countries should further improve cooperation mechanisms, expand cooperation areas, promote industrial and technological upgrading, and give full play to the complementarity and diversity of the BRICS economies to better deal with the various challenges of the globalization.

4.25. In addition, China continued its deep involvement in APEC with the commitment to building an open Asia-Pacific economy and establishing the Free Trade Area of the Asia-Pacific. China pushed for a trade facilitation process in the Shanghai Cooperation Organization and advancement in the ASEM trade and economic cooperation mechanism. China also participated pragmatically in the economic cooperation activities in mechanisms including the Greater Tumen Initiative, Greater Mekong Sub-region Economic Cooperation and Central Asia Regional Economic Cooperation.

4.4 Steadily pushing forward construction of free trade areas (FTAs) and promoting trade and investment liberalization and facilitation

4.26. Since the last review, China has signed FTAs with Georgia and the Maldives. So far, China has signed 16 FTAs with 24 countries and regions, in which more than 90% the tariffs would be reduced to zero. Thirteen FTAs or upgrading negotiations are now going on, namely *Regional Comprehensive Economic Partnership (RCEP)*, *China-Japan-Korea FTA*, *China-GCC (Gulf Cooperation Council) FTA*, *China-Sri Lanka FTA*, *China-Israel FTA*, *China-Norway FTA*, *China-*

Moldova FTA, China-Mauritius FTA, China-Panama FTA, China-Pakistan FTA (second phase), China-Korea FTA (subsequent negotiation), China-Singapore FTA (upgrade) and China-New Zealand FTA (upgrade). In addition, China signed the Investment Agreement under the Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA), with Macao, China. Both have been implemented as of 1 January 2018.

4.5 Upholding justice while pursuing shared interests and enhancing constantly South-South cooperation

4.27. As the largest developing country in the world, China empathizes with developing members in the desire for development. While striving to achieve its own development, China has, guided by the principle of upholding justice while pursuing shared interests and the principle of sincerity, honesty, affinity and good faith, endeavoured within the framework of South-South cooperation, to provide other developing countries, especially the LDCs with assistance in line with its capabilities, development level and national conditions. China has made positive contributions to the development of South-South cooperation, to the implementation of the 2030 Agenda for Sustainable Development and to the building of a community with a shared future for mankind.

4.28. Since September 2015, China has successively announced at the United Nations Sustainable Development Summit, the Johannesburg Summit of the Forum on China-Africa Cooperation, and the Belt and Road Forum for International Cooperation a series of assistance measures including the establishment of the South-South Cooperation Assistance Fund and the pledge to increase the contribution therein to US\$3 billion, grants of RMB 60 billion to Belt and Road countries, and emergency food aid of RMB 2 billion. Taking the needs of the recipient countries into close consideration, China has implemented more than 600 assistance programs in areas such as infrastructure, agricultural development, medical and health care, aid for trade, poverty reduction and capacity building. China has also exempted relevant countries from debts of interest-free loans due at the end of 2015, implemented nearly 200 assistance projects concerning humanitarian assistance and people's livelihood. China is to further improve the connection and synergy between the implementations of the Belt and Road Initiative and the 2030 Agenda for Sustainable Development.

4.29. At the Johannesburg Summit of the Forum on China-Africa Cooperation held in December 2015, President Xi Jinping announced that China will join hands with African countries to roll out ten major China-Africa cooperation plans. In the past two years, major progress has been achieved in the implementation of the ten cooperation plans, which has brought tangible benefits to African countries in industrialization cooperation and infrastructure construction. In September 2018, another Summit of the Forum on China-Africa Cooperation will be held in Beijing. China will continue to support African development and enhance further the solidarity and cooperation with African countries.

4.30. China is one of the most open markets to the LDCs and has continued implementing zero tariffs for 97% of its tariff lines for LDCs' exports to China. By the end of 2017, China had applied the zero-tariff scheme to 36 LDCs WTO members that had exchanged diplomatic note with China, enhancing greatly their exports to the Chinese market. China has long been a major export destination for LDCs since 2008, importing nearly 1/4 of the total exports from LDCs.

5 DEEPENING THE REFORM COMPREHENSIVELY, UPHOLDING RULE OF LAW AND DEVELOPING A MODERNIZED ECONOMY

5.1. China has continued to comprehensively deepen reform and perfect law-based governance, constantly advanced the modernization of China's system and capacity for governance, and endeavoured to develop an economy with more effective market mechanisms, dynamic micro-entities, and sound macro-regulation.

5.1 Furthering supply-side structural reform and strengthening innovation capacity of the economy

5.1.1 Improving supply structure and further exploiting potential of domestic demand

5.2. Since the last review, China has continued to promote the expansion and upgrading of consumption, speed up the reform of the domestic distribution channels. A series of guidelines on expanding consumer demand in services of tourism, culture, health, information and etc. as well as on improving product quality have been issued. China has striven to stimulate private investment, promote the Public-Private Partnership (PPP) model, so as to give play to the critical role of investment in optimizing the supply structure.

5.1.2 Implementing innovation-driven development strategy and making China a country of innovators

5.3. Innovation is the primary force driving development. China has been committed to improving the national innovation system, further reforming the management system for science and technology, promoting innovation in the development of services trade, and inspiring creativity throughout the society. Since the last review, China has continued to promote entrepreneurship and innovation among the public, develop service systems for the general public to innovate and start businesses. Reform experience in such areas as innovation incentives and intellectual property has been rich and shared extensively. New technologies and industries together with new models and forms of business are thriving, and transformation and upgrading of traditional industries are accelerating.

5.1.3 Eliminating vigorously ineffective supply and pushing forward cutting excess and out-dated capacity

5.4. Since 2016, China has issued policy guidelines on eliminating excess and out-dated capacity in steel and coal industries respectively, focused on the key issue of "zombie enterprises", and persisted in scaling down overcapacity through market-oriented, law-based measures. China organized special operations against outdated facilities and projects that violated laws and regulations to strictly control the expansion of production capacity. Meanwhile, China has made tremendous efforts to ensure that laid-off employees were resettled and provided employment, and that enterprise debts were properly handled. Enterprises affected by overcapacity are encouraged to merge, restructure, transform, upgrade, or optimize business distribution. In 2016 and 2017, China dissolved production capacity by over 120 million tons of steel and over 500 million tons of coal.

5.1.4 Resolutely stepping up pollution prevention and control and committing to building ecological civilization

5.5. China has fully realized that lucid waters and lush mountains are invaluable assets, and focused on pollution prevention and control with unprecedented determination and efforts to strengthen ecological and environmental protection. Forceful measures have been taken to tackle air pollution. Encouraging progress has been made in establishing a national market for the trading of carbon emission rights. Energy conservation and emission reduction in key industries have continued to make progress, and energy structures further optimized. China has strengthened the prevention and control of water pollution in key river basins and sea areas, and implemented major ecological protection and restoration projects. From 2013 to 2017, 71% of all the coal-fired power generating units in China achieved ultra-low emissions, and the proportion of coal consumption dropped by 8.1 percentage points, while that of clean energy consumption up by 6.3 percentage points.

5.2 Implementing coordinated regional development strategy, rural vitalization strategy and carrying out targeted poverty alleviation

5.2.1 Coordinating regional development in a more effective manner

5.6. China implements a coordinated regional development strategy, speeding up the development of old revolutionary base areas, areas with large ethnic minority populations, border

areas and poor areas, continuing to advance the large-scale development of the western region, accelerating the revitalization of old industrial bases in the northeast and other parts of the country, promoting the central region to rise by tapping into local strengths, and supporting the eastern region to take the lead in pursuing optimal development. China will drive the coordinated development of the Beijing-Tianjin-Hebei region and explore ways to solve the "big city malaise" by planning and building the Xiong'an New Area. China will facilitate the development of the Yangtze Economic Belt by promoting well-coordinated environmental conservation and avoiding excessive development. China will develop networks of cities and towns based on city clusters, enabling the coordinated development of cities of different sizes and small towns.

5.2.2 Intensifying targeted poverty alleviation and enhancing self-generated impetus for development in poverty-stricken areas

5.7. China has continued to implement targeted poverty reduction and alleviation measures so as to ensure that, by the year 2020, all rural residents living below the current poverty line will have been out of poverty, and poverty is eliminated in all poor counties and regions. From 2013 to 2017, China achieved decisive progress in the fight against poverty. More than 68 million people were lifted out of poverty, including a total of 8.3 million relocated from inhospitable areas, and the poverty headcount ratio dropped from 10.2% to 3.1%.

5.8. It is the solemn commitment of the Communist Party of China that in 2020 impoverished population and poverty-stricken areas will enter the moderately prosperous society in all respects along with the people of the whole country. Based on the achievements made, China will further step up targeted poverty alleviation and intensify efforts to develop local industries, education, healthcare and ecological system. China will strengthen such areas of weakness as infrastructure and public service, pay particular attention to helping people increase confidence in their own ability to lift themselves out of poverty, and ensure that they can access the education needed. China will also crack down corruption in the field of poverty alleviation.

5.2.3 Speeding up the modernization of agriculture and rural areas and fostering new growth drivers of rural development

5.9. Addressing issues relating to agriculture, rural areas, and rural people has always been the centrepiece of the work of the Chinese government. In January 2018, China issued guidelines on implementing the rural vitalization strategy. It is proposed that agricultural supply-side structural reform be pushed forward, and the production-oriented pattern of development be adjusted towards a quality-oriented one highlighting green development. Agricultural science and technology should be enhanced, whole-process mechanization be further promoted, and rural public services and infrastructure be strengthened. China will further deepen the rural reform including the rural land system in a comprehensive approach. Agricultural support policies and measures will continue to be improved to form a mechanism containing both incentives and restraints which is green-oriented and promotes the rational use of agricultural resources and protection of ecological environment.

5.3 Advancing modernization of the system and capacity for governance

5.3.1 Adopting the Amendments to the Constitution

5.10. On 11 March 2018, the First Session of the 13th National People's Congress adopted the *Amendments to the Constitution of the People's Republic of China*. The *Amendments* wrote into the Constitution Xi Jinping Thought on Socialism with Chinese Characteristics in a New Era, together with expressions of "building China into a great modern socialist country that is prosperous, powerful, democratic, civilized, harmonious, and beautiful", "promoting the building of a community with a shared future for mankind" and others. The *Amendments* also established the legal status of the National Supervisory Commission as a state organ. This constitutional amendment is a major move of China to advance law-based governance in all fields. It will further uphold the authority of the Constitution, enhance the people's awareness of the Constitution, ensure effective enforcement of the Constitution and give better play to the role of the Constitution as the fundamental law of governance.

5.3.2 Pressing ahead with restructuring of government institutions

5.11. Deepening reform of Party and government institutions is a profound change to modernize China's system and capacity for governance. It is an important part of the overall reform process, and plays the role of institutional support and guarantee for reforms in other areas. In March 2018, the First Session of the 13th National People's Congress approved the institutional restructuring plan of the State Council. Institutions at the ministerial level and the vice-ministerial level have been reduced by 8 and 7 respectively. After restructuring, the State Council consists of 26 ministries and commissions in addition to the General Office of the State Council. These are Ministry of Foreign Affairs, Ministry of National Defense, National Development and Reform Commission, Ministry of Education, Ministry of Science and Technology, Ministry of Industry and Information Technology, State Ethnic Affairs Commission, Ministry of Public Security, Ministry of State Security, Ministry of Civil Affairs, Ministry of Justice, Ministry of Finance, Ministry of Human Resources and Social Security, Ministry of Natural Resources, Ministry of Ecological Environment, Ministry of Housing and Urban-Rural Development, Ministry of Transport, Ministry of Water Resources, Ministry of Agriculture and Rural Affairs, Ministry of Commerce, Ministry of Culture and Tourism, National Health Commission, Ministry of Veterans Affairs, Ministry of Emergency Management, People's Bank of China, and National Audit Office.

5.12. In addition, the State Council has established State Market Regulatory Administration, State Radio and Television Administration, China Banking and Insurance Regulatory Commission, State International Development Cooperation Agency, State Medical Insurance Administration, State Grain and Reserves Administration, State Immigration Administration, State Forestry and Grassland Administration and State Intellectual Property Office (restructured). The National Council for Social Security Fund is administered by Ministry of Finance instead of directly by the State Council. National and local taxation systems are restructured.

5.3.3 Further streamlining administration and delegating powers and improving government services

5.13. From 2013 to 2017, the number of items subject to approval by ministries, commissions and administrations of the State Council was slashed by 44%, the number of investment items subject to approval at the central government level was cut by 90%, and the requirements for professional qualification licensing and accreditation were significantly reduced. The number of items for which central government set the prices was cut back by 80%, and local government-priced items were cut down by over 50%.

5.14. China has continued to push forward the reform of business system. In business registration, the previous system of a business licence plus an organization code certificate plus a taxation registration certificate was replaced by a unified business licence with a unified social credit code, operating permits required for certain specific sectors were separated from the business licence, simplified de-registration procedures were introduced, and whole-process electronic registration and electronic business licence were promoted. The time taken to start a business has been reduced by over one third.

5.3.4 Striving to create a market environment of fair competition for all types of market entities

5.15. China is now in the process of introducing the negative list for market access nationwide. In March 2016, NDRC and MOFCOM issued the *Draft Negative List for Market Access (Pilot Version)*, which specified sectors, areas and business prohibited or restricted from investment and business operation in China, including 96 items in the prohibited category and 232 items in the restricted category. Pilots to apply the market access negative list were then initiated in 4 municipalities and provinces of Tianjin, Shanghai, Fujian and Guangdong. In 2017, 11 more provinces and municipalities directly under the central government, i.e. Liaoning, Jilin, Heilongjiang, Zhejiang, Henan, Hubei, Hunan, Chongqing, Sichuan, Guizhou and Shaanxi were added to carry out the pilot. In 2018, the negative list for market access will be implemented nationwide. At present, the negative list for market access is being revised with intense efforts.

5.16. Reform of state-owned enterprises has been further advanced. Mixed-ownership reform has been accelerated, corporate governance structure of state-owned enterprises further improved, the system to report to the Standing Committee of National People's Congress on situations of state assets management established, and transparency of state assets management enhanced. At the end of 2016, over 68% subsidiaries of the enterprises supervised by the State-owned Assets Supervision and Administration Commission (SASAC) were already mixed-owned. From 2013 to 2017, 34 enterprises supervised by SASAC were reorganized.

5.17. China has vigorously promoted the development of small and medium-sized enterprises (SMEs) and private businesses. On 1 January 2018, the revised *Law on Promotion of Small and Medium-sized Enterprises* took effect. It aims to safeguard the level playing field for SMEs in line with their development.

5.18. Support to the SMEs, particularly micro-enterprises has been further strengthened. From 1 January 2017 to 31 December 2019, micro and small and medium-sized enterprises that may enjoy preferential enterprise income tax policies have been extended from those with an annual taxable income of no more than RMB 300 thousand to those of no more than RMB 500 thousand, from 1 January 2018 to 31 December 2020, they have been further extended to those having an annual taxable income of no more than RMB 1 million. The preferential income tax policies they are entitled are that only 50% of their income will be calculated as taxable income, and the enterprise income tax rate applied will be 20% instead of 25%.

5.19. In addition to that, from 1 January 2018 to 31 December 2020, small-scale taxpayers of VAT with a monthly sale of no more than RMB 30 thousand will continue to be exempted from VAT. Also, effective from 1 May 2018, small-scale VAT taxpayers that may enjoy the 3% rate have been extended from those of industrial enterprises with an annual taxable sale of no more than RMB 500 thousand and those of commercial enterprises with an annual taxable sale of no more than RMB 800 thousand to both as long as their annual taxable sale is no more than RMB 5 million. Competitive business in the basic telecommunications sector, oil and gas exploration and development, national defense related science and technology and other sectors are also open to private capital.

5.20. China has continued its efforts to safeguard a fair and competitive market system. In June 2016, China issued guidelines on establishing a fair competition review mechanism for the market system, which requires governments and their institutions to conduct fair competition review when formulating policies and measures and avoid adopting policies or measures that eliminate or stifle competition, so as to safeguard a unified, open and competitive market system nationwide.

5.21. In November 2016, the guidelines on improving the property rights protection system and protecting property rights in accordance with the law was published. It requires improving further the property rights protection system with fairness as its core principle to ensure the rights and interests of economic entities under all forms of ownership are subject to law-based protection on an equal footing. In November 2017, *The Law against Unfair Competition* was amended to include new provisions against anti-competition behaviours through technical means on the Internet, and redefined trade secrets.

5.3.5 Speeding up reform of fiscal and tax systems

5.22. Management over local government debts has been tightened. On 1 January 2015, the new *Budget Law* took effect, according to which issuing local government bonds is the only legal way of debt financing by local governments. Debts of local state-owned enterprises are not governmental debts and shall be repaid by the enterprises themselves. Local governments are not responsible for repayment. A capping mechanism was also established to set according to law up-limits to the size of local government debts. Reform of the scheme to share powers and expenditure responsibilities between the central and local governments has also moved forward according to the requirement to establish a fiscal relationship between the central and local governments built upon clearly defined powers and responsibilities, appropriate financial resource allocation, and greater balance between regions.

5.23. Business tax has been replaced with VAT in all sectors, and VAT reform further deepened. On top of the pilot replacement of business taxes with VATs in an all-round way in May 2016, business tax was finally abolished in November 2017. Structure of VAT rates has been further simplified. Starting from 1 July 2017, the VAT rate of 13% has been abolished, and VAT rates have been simplified to three levels of 17%, 11% and 6%. Starting from 1 May 2018, the VAT rate applied to manufacturing and other sectors has been lowered to 16% from 17%, and the rate for transportation, construction, basic-telecommunication and other services sectors as well as for agricultural and other goods has been lowered from 11% to 10%.

5.3.6 Further deepening reform of financial system

5.24. The market-based reform of interest rates continued to deepen. The capital regulation and transmission mechanism of the monetary policy was further enhanced. Improvements were also made to the market-based RMB exchange-rate regime, making the exchange rate more market-oriented and flexible. Large and medium commercial banks were prompted to set up inclusive finance departments, and targeted cut in reserve requirement ratio was implemented for inclusive finance. Efforts were also made to strengthen the function of the deposit insurance system, and to push forward in order the development of private banks.

5.25. China has continued to explore the reform of the multi-tiered capital market, and to speed up the capital accounts opening up. Currently, overseas investors can invest in the Chinese securities market through various channels including QFII, RQFII, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, Bond Connect, and direct investment in the interbank bond market. Overseas entities can also raise capital through issuing RMB bonds in the Chinese securities market.

5.4 New development of China's Economy

5.4.1 Slower but stable economic performance with good growth momentum

5.26. China's GDP in 2016 was RMB 74.4127 trillion, showing a growth of 6.7% over the previous year. GDP in 2017 was RMB 82.7122 trillion, up by 6.9% year-on-year, 0.2% higher than 2016. This is the first time since 2011 that a rise in growth rate was registered, and also the first time that China's GDP hits RMB 80 trillion. In 2017, newly-created jobs exceeded 13 million. Per capita disposable income of urban and rural residents nationwide rose by 7.3% in real terms, higher than the per capita growth of GDP. The registered urban unemployment rate was 4.98%, a new low over the years. From 2013 to 2017, residents' annual income increased by 7.4% on average, outpacing the economic growth and creating the largest middle-income population in the world.

5.4.2 Major changes in economic structure

5.27. In terms of sectoral structure, the tertiary sector or services sector has become a major driving force of the economic growth, upholding China's economic development along with the secondary or industry sector.

5.28. In 2016, the added value of the primary sector reached RMB 6.3671 trillion, up 3.3%; the added value of the secondary sector reached RMB 29.6236 trillion, up 6.1%; the added value of the tertiary sector reached RMB 38.4221 trillion, up 7.8%, and the proportion of the added value of the tertiary sector in total added value was 51.6%.

5.29. In 2017, the added value of the primary sector reached RMB 6.5468 trillion, up 3.9%; the added value of the secondary sector reached RMB 33.4623 trillion, up 6.1%; the added value of the tertiary sector reached RMB 42.7032 trillion, up 8.0%, the proportion of the added value of the tertiary sector in total added value remained at 51.6%, and it contributed 58.8% of the economic growth.

5.30. So far as the demand structure is concerned, China's economic growth, instead of being driven mainly by investment and exports as in the past, is now being fuelled jointly by consumption, investment and exports. In 2017, final consumption expenditure, gross capital formation and net export of goods and services contributed 58.8%, 32.1% and 9.1% to the GDP growth respectively.

6 THE WAY FORWARD

6.1. Currently, continued recovery of the global economy faces risks, and there are many factors that bring instability and uncertainty. The policy changes of major economies and their spill-over effects create uncertainty. China's economy is in a pivotal stage for transforming its growth model, improving its structure, and fostering new drivers of growth.

6.2. China will stick to the new vision of development, continue to explore new methods to improve macro-regulation, and make further headway in supply-side structural reform. China will accelerate the efforts to turn itself into an innovative country, deepen reforms in fundamental key areas, and take tough steps to forestall and defuse major risks, carry out targeted poverty alleviation, and prevent and control pollution. China will vigorously pursue a rural vitalization strategy, and implement the coordinated regional development strategy. China will actively expand consumption, promote effective investment, and strive to ensure and further improve people's wellbeing.

6.3. In the meantime, China will further expand the scope and raise the quality of its opening up, improve the structure, layout, institutions and mechanisms for opening up, so that opening up at a higher level will contribute to the high-quality development.

6.4. Firstly, China will further ease market access. In manufacturing, China has basically opened up the sector only with a small number of exceptions like automobiles, ships and aircraft. These exceptions now are also in a position to open wider. Going forward, China will ease foreign equity restrictions in these industries, automobiles in particular. In services, financial services in particular, China will accelerate the opening up of the insurance industry, relax restrictions on the establishment of foreign financial institutions in China, expand their business scope, and broaden areas of cooperation between Chinese and foreign financial markets.

6.5. Secondly, China will continuously perfect investment environment, strengthen alignment with international practices and increase further transparency. In 2018, China will complete revision of the negative list for foreign investment and implement across the board the management system of pre-establishment national treatment plus a negative list.

6.6. Thirdly, China will continue to encourage normal technology exchanges and cooperation between Chinese and foreign enterprises, and protect the lawful IPRs of foreign enterprises.

6.7. Fourthly, China will take the initiative to expand the imports. In November 2018, the first China International Import Expo will open in Shanghai. China will also significantly lower the import tariffs for vehicles and other products and import more to meet the needs of the Chinese people. China will accelerate the negotiation process to join the *Government Procurement Agreement* of the WTO.

6.8. Since its accession to the WTO and through continuous reform and opening up, China has established an economic and trade system in line with both its national conditions and international prevailing rules and practices. It has greatly contributed to the development of China's open economy and its integration with the world economy. China is now the largest trading partner of over 120 countries and regions. In the next five years, China will import US\$8 trillion of goods, attract US\$600 billion of foreign investment, invest US\$750 billion overseas, and have travel abroad of 700 million person-times. These will provide countries and regions around the world with a bigger market, more capital, more products and more business opportunities.

6.9. Meanwhile, China's per capita income still ranks low, and nearly 30 million people are living under the national poverty line. Despite of the economic achievements, the basic national conditions of China as a large developing country have not changed, and will not fundamentally change in the near future. China in a relatively long period of time still faces arduous development tasks.

6.10. China is closely linked with other countries and shares weal and woe in development. China will remain committed to peaceful development and will engage in global governance proactively, striving to build an open world economy. China will promote coordination and cooperation among countries, deepen the friendship and common development, and enhance further unity and

cooperation with the developing world. China will continue to play its part as a responsible major developing country, and stands ready to work with all other countries and regions to build a community with a shared future for mankind.
