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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

CHINA

This report, prepared for the seventh Trade Policy Review of China, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from China on its trade policies and practices.

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Document WT/TPR/G/375 contains the policy statement submitted by China.

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SUMMARY

1. During the review period, the Chinese economy continued to be a major driver of global economic growth. However, real GDP growth has been moderating as the economy adjusts to the "new normal", which implies more stable, albeit lower, growth rates of around 7% per year in the foreseeable future; growth rebalances from investment to consumption, from external to internal demand, and from manufacturing to services. Real GDP grew by 6.7% in 2016, and is expected to be around 6.8% in 2017. Consumption was responsible for around two-thirds of the growth during the review period. The share of services in GDP exceeded 50% for the first time in 2015. Within services, e-commerce sales and tourism services imports have been particularly strong. In contrast, the share of merchandise trade in GDP has declined. Income inequality and poverty levels have declined. Excess capacity in some energy and manufacturing sectors and implicit assistance to state-owned enterprises (SOEs) have increased over a number of years.

2. The Government has been trying to address these issues by focusing on the quality and sustainability rather than the quantity of growth. Under the 13th Five-Year Plan (2016-2020), the authorities intend to continue the process of structural economic reform, which includes the promotion of private sector participation in the economy, as well as the reform of SOEs, while keeping the preponderance of public ownership. Other measures mentioned in the Plan include the promotion of competition, fiscal reform, financial sector reform to increase private capital participation in banking and expand the provision of financial services, and making the exchange rate and interest rate more market-oriented. Reforms have advanced across many areas, including the introduction of measures to reduce overcapacity, strengthen local government borrowing frameworks, and address financial sector risks.

3. In 2016, the People's Bank of China (PBOC) moved to a more market-based approach of conducting monetary policy. The new approach involves a closer management of liquidity in the banking system through an expanded range of instruments such as repos (or reverse repurchase agreements) and lending facilities to promote better capital allocation and guide market interest rates to more closely match the PBOC's objectives. Under the new system, the PBOC uses a corridor or an interest rate band, where the upper limit is set by its overnight seven-day and one-month standing lending facilities, while the lower rate is the interest paid by the PBOC on excess deposit reserves. China has a managed floating exchange rate regime, which uses a basket of currencies as a reference. During the period under review, the PBOC continued to increase exchange rate flexibility. It also introduced a counter-cyclical factor into exchange rate determination, with a view to better reflecting the fundamentals of the Chinese economy and the changes in the international foreign exchange market, as well as to offset pro-cyclical volatilities and to mitigate the "herding effect" in the foreign exchange market. Inflation, as measured by the consumer price index, increased to 2% in 2016, which is within the PBOC's desired range of 2-3%. In 2017, the inflation rate was 1.6%.

4. During the review period, China continued to pursue a proactive fiscal policy, which was guided by supply-side restructuring and adjusting to the "new normal". In 2016, the fiscal deficit rose to 3.8% of GDP from 3.4% in 2015. The increase was due to declining tax revenue as a share of GDP, which can be attributed to the nationwide implementation of the VAT pilot reforms, which reduced indirect tax revenue significantly.

5. China's current account surplus contracted during the review period. It totalled US$202.2 billion in 2016, and was equivalent to 1.8% of GDP. The lower surplus stems, to a large extent, from a decrease in the merchandise trade surplus, which fell due to a fall in exports. In 2017, the current account surplus was equivalent to 1.3% of GDP. The services deficit continued to widen during the review period.

6. Merchandise trade (imports plus exports) declined from 33.5% of GDP in 2015 to 31.2% in 2016, with both exports and imports falling. Exports continue to be dominated by manufactures, which accounted for 93.7% of total merchandise exports in 2016. Manufactures are also the largest import category, responsible for around 65% of the import bill. In 2017, merchandise trade amounted to 32.3% of GDP. In 2016 (the latest year for which data were available), the main destinations for merchandise exports were the United States; the European Union; Hong Kong, China; Japan; and the Republic of Korea; which combined represented about 60% of total exports. The main sources of China's imports were the European Union; the Republic of

Korea; the United States; the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei); Japan; and ASEAN countries.

7. China continues to be one of the world's largest recipients of FDI. FDI inflows have been growing for a number of years and the trend continued in 2016. Hong Kong, China was the largest investor in China, accounting for over 80% of FDI inflows, followed by the British Virgin Islands, Singapore and the Cayman Islands. Major recipients of investment inflows were manufacturing, real-estate, leasing and business services and wholesale and retail trade. China is a significant overseas investor. Outward FDI has also been trending upwards for a number of years; however, the increase has not been as pronounced as for inward FDI. The main destinations for outward FDI are: Hong Kong, China; the United States; the Cayman Islands; and the British Virgin Islands. The main sectors invested in are leasing and business services, banking, manufacturing and wholesale and retail trade.

8. China is an active Member of the WTO. It is an observer to the Committee on Government Procurement and is in the process of negotiating its accession to the Plurilateral Agreement on Government Procurement (GPA). China is also an observer to the Plurilateral Agreement on Trade in Civil Aircraft, and, as a participant in the Information Technology Agreement (ITA), has agreed to its expansion. During the review period, China was involved in seven cases under the WTO dispute settlement system: in five cases as a respondent and in two as a complainant. It was also involved as a third party in ten cases brought to the Dispute Settlement Body (DSB). During the review period, China submitted to the WTO a number of notifications; nonetheless, some notifications including those on state-trading enterprises, domestic support, and subsidies provided by the central government remain pending.

9. During the period under review, China expanded its RTA network by signing two new agreements with the Maldives and Georgia, bringing the total number to 17. The volume of Chinese trade covered by FTAs remains small; it may rise considerably in the future, should some of the ongoing negotiations on new agreements and on the revision of existing agreements succeed since they involve major trading partners. China continues to grant unilateral trade preferences to LDCs. As of December 2017, duty-free treatment on 97% of tariff lines was granted to LDCs.

10. The Catalogue of Industries for the Guidance of Foreign Investment (Investment Catalogue), which is revised periodically, remains the main instrument used to guide FDI in China. The Catalogue was revised in 2017. Under the Catalogue, foreign investment projects are classified in the encouraged category and in a "Negative List", which contains a list of industries where FDI is restricted or prohibited. Projects that fall outside of the Negative List require record-filing. Projects in the encouraged category are eligible for preferential treatment, for example, customs duty exemptions for the importation of equipment. The 2017 revision of the Catalogue encourages FDI in, *inter alia,* advanced manufacturing, high technology, the energy saving and environmental protection industry, and the modern services industry. According to the authorities, no technology transfer requirements are imposed on foreign investment projects. During the period under review, China continued to encourage FDI in the central and western regions, where projects may benefit from favourable policies. FDI involving investments in Chinese domestic enterprises may be subject to national security reviews if the FDI is related to defence, or is deemed to have an influence on national security. Foreign-invested projects (FIPs) in China are subject to approval or to record-filing. Projects subject to approval are listed in a specific catalogue, while most projects not included in it are subject to record-filing. Approval requires the examination of the investment project, and a number of conditions must be met.

11. The pilot reform of the foreign investment system, which was initiated in 2013 through the establishment of the China (Shanghai) Pilot Free Trade Zone, was expanded to 11 pilot free trade zones during the review period. FDI access to these zones is based on a negative list approach. For industries not included in the negative list, foreign investors are to receive treatment similar to domestic companies with regard to the establishment and approval requirements and process. Except for the incorporation procedures regulated by the Company Law, foreign investors are not subject to government approval, but only to record-filing. The authorities consider that the negative list applicable to pilot free trade zones is more open than the Investment Catalogue applicable nationwide. Pilot free trade zones have become an important tool not only for investment promotion, but also to help increase exports. Companies located in a pilot free trade zone can produce either in bonded or non-bonded areas. Tariff payments by companies located in

bonded areas are suspended and only become effective when final products are sold to the rest of China. Total imports of China (Shanghai) Pilot Free Trade Zone in 2017 amounted to RMB 800 billion, while exports were RMB 600 billion.

12. China continued to make efforts to reform and harmonize its customs procedures. About one third of imports are now declared through single windows. Clearance times of imports were reduced to an average of 16.7 hours in 2017 from over 22 hours in 2016. China accepted the Agreement on Trade Facilitation in September 2015. It notified its Category A commitments, which cover the majority of measures, in June 2014, and its Category B commitments in June 2017. China does not have any Category C commitments. The indicative implementation date for most Category B commitments is February 2020.

13. The simple average applied MFN rate as of December 2017 is 9.3%, slightly lower than in 2013 and 2015. A tariff reform implemented in December 2017 reduced applied MFN tariffs for some 200 consumer products. Almost all (99.6%) tariff lines are *ad valorem*. The average tariff is 14.6% for agricultural products (WTO definition) and 8.5% for non-agricultural products. About 10% of tariff lines are duty-free. Tariff rate quotas apply to 47 tariff lines. All of China's tariffs are bound.

14. Imports, like domestically produced goods, are subject to Value Added Tax (VAT). VAT on goods has two rates: 11% (down from 13% in July 2017) and 17%. A consumption tax is levied on: products that are harmful to human health, social order and the environment; luxury goods; high-energy consumption and high-end products; and non-renewable and non-replaceable petroleum products. Tax rates continue to vary considerably depending upon the product; they can be *ad valorem*, specific or compound. Since 2015, consumption taxes have increased on cosmetics and luxury cars.

15. There have been no major changes in the application procedures and terms of import licences since China's previous Review. A catalogue of goods subject to automatic and non-automatic import licensing is issued annually. In 2017, China subjected 498 tariff lines at the eight-digit level to automatic import licensing and 89 tariff lines to non-automatic import licensing. Since January 2018, China prohibits the importation of 24 kinds of solid waste.

16. The legal framework governing trade contingency measures remained unchanged during the review period. As at mid-2017, China maintained 91 anti-dumping, one safeguard, and five countervailing measures. The total number of measures and investigations has remained relatively constant during the review period. Anti-dumping measures were mostly targeted at Japan, the United States, the European Union and the Republic of Korea. Chemical products and resins accounted for most measures during 2013-17.

17. Clearance times for exports were further reduced during the period under review, to a nationwide average of 1.1 hours in 2017. Export taxes apply mostly on metals and ores. As at October 2017, 102 tariff lines (at the HS eight-digit level) were subject to statutory export duties, the same number as in 2015, while 179 tariff lines carried interim duties, down from 314 in 2015. The number of tariff lines subject to export licensing is 524. In 2017, global export quotas applied to 100 tariff lines. The authorities indicate that China did not maintain or introduce any export subsidies on agricultural products during the review period. Exporters are entitled to VAT rebates, which are usually lower than the VAT paid.

18. To promote exports, the Trade Development Bureau (TDB) of the Ministry of Commerce organizes exhibitions in emerging markets and provides export-oriented training activities. It also maintains the websites of China Trade Promotion and provides, through various service platforms, background information about foreign markets.

19. The China Export-Import Bank (China Eximbank) provides public export finance and the China Export and Credit Insurance Corporation (SINOSURE) provides public export credit insurance. Foreign-owned companies are also eligible for the services of China Eximbank and SINOSURE. Disbursements of both institutions grew during the review period.

20. China submitted to the WTO a number of notifications on its subsidies up to 2014. However, for most projects no information was provided on the total subsidy amount and no subsidies were

notified for the period between 2015 and 2017. Furthermore, the authorities did not provide any information on subsidies that went beyond their notified programmes. Information available from other sources indicates that China has continued to provide substantial support for, *inter alia*, intelligent manufacturing, advanced technologies, new energy vehicles and fisheries. Outlays for these programmes are reported to be considerable.

21. A 2017 amendment to the Standards Law allows the adoption of standards by associations such as chambers of commerce or technology groups. Since 2016, 1,301 standards considered unnecessary have been eliminated. A revised Food Safety Law entered into force in October 2015. During the period under review, China submitted 94 TBT and 21 SPS notifications. Regarding TBT measures maintained by China, 22 specific trade concerns (STCs) were raised; 8 STCs were raised concerning SPS measures maintained by China.

22. Since China's previous Review, a noteworthy legislative development in the area of competition policy has been the amendment to the Anti-Unfair Competition Law, which entered into force on 1 January 2018. The new Law removes overlaps with the Anti-Monopoly Law by, *inter alia,* deleting provisions prohibiting public utility enterprises or monopolistic enterprises from requiring consumers to purchase designated products, and provisions on collusive tendering. Furthermore, the new Law introduces provisions on the prevention of unfair competition activities carried out by technological means on the Internet, such as malicious interference.

23. China applies price controls, both at the central and provincial levels, on commodities and services deemed to have a direct impact on the national economy and people's livelihoods. The commodities and services subject to price controls are listed in a Central Government Pricing Catalogue and in Local Government Pricing Catalogues. In January 2017, price controls were eliminated on certain items including explosive materials, tobacco leaves, certain drugs, and some construction projects.

24. State involvement in the economy remains considerable. According to a notification submitted in 2015, state-trading requirements concerned, *inter alia*: grain, sugar, tobacco, rice, maize, cotton, coal, crude oil, processed oil, chemical fertilizers, tungsten, tea, silk, antimony and silver. The state retains a majority share in all but one of the 100 largest publicly listed companies. No information was provided on public financial support for SOEs.

25. The government procurement legislative and regulatory regime remained largely unchanged during the review period. The total value of government procurement accounted for 3.1% and 4.2% of GDP in 2015 and 2016, respectively. This relatively low ratio may reflect the fact that important infrastructure projects implemented by SOEs are not covered by the Government Procurement Law. The majority of procurement takes place at the sub-central government level.

26. China's main laws concerning intellectual property rights (IPRs) have remained largely unchanged since its previous Review. Enforcement of IPRs continues to be a major challenge for China. China has continued to strengthen its IPR enforcement, both at the administrative and judicial levels. During the review period, the authorities issued various notices and measures with a view to strengthening China's capacity to protect and enforce IPRs, and 11 additional specialized IPR courts were established by the Supreme People's Court in various cities.

27. The value of production in the farming, animal husbandry, forestry and fisheries sector grew during the period 2013-17, albeit at a slower pace than other sectors. Employment in the sector continued to drop from 31.4% in 2013 to 27.0% in 2017. China continues to be a net importer of agricultural products. Imports of agricultural products, which represented 6.3% of total merchandise imports in 2017, declined during the period 2013 to 2016 (before rebounding in 2017); on the other hand, exports of agricultural products increased in 2017.

28. China's latest agricultural strategy is aimed at deepening the supply-side structural reform by improving structures, promoting "green" production, extending the sector's industrial and value chain, boosting innovation and consolidating rural development. China also plans to deepen the reform on pricing mechanisms for major farm products to strengthen the role of market mechanisms and to reform, on a pilot basis, the land management system so as to loosen control on the land operating rights, while maintaining the principle of collective ownership of land. The import and export regimes of agricultural products have remained stable during the review period.

This is not the case of the direct support regime, which is undergoing a complex structural reform. China has not yet completed the regrouping of support programmes into mega programmes or the modification and decentralization of their disbursement procedures (so-called "large special programmes + task list management model"); numerous targeted programmes are being tested in various regions on a pilot basis. Price support mechanisms in China are also undergoing reform; some schemes have been suppressed or reduced in terms of geographical scope or in terms of support prices. Stockpiling has started regressing for some products. China's overall level of support to agriculture continued to increase during the period under review.

29. Regarding the mining sector, the content of the prohibited category in the Investment Catalogue remained unchanged between 2015 and 2017; it includes exploration and exploitation of tungsten, molybdenum, tin, stibium, fluorite, rare earth, and radioactive minerals. Some changes have been made for the encouraged and the restricted categories related to mining. The use of new technologies in mining, particularly for the oil and gas sector, falls within the encouraged category, while exploration and exploitation of special and rare kinds of coal and of graphite as well as smelting and separation of rare earth and smelting of tungsten fall within the restricted category.

30. China is the world's largest energy consumer. China imports between 16% and 18% of its total energy consumption. Exports of energy remain marginal. Coal is a locally abundant and relatively cheap resource. It represents a declining but still very large (62% in 2016) part of its primary energy mix. China's policy based on environmental and overcapacity considerations has been implemented to reduce that share. The short-term objectives are that by 2020: the proportion of non-fossil energies in total primary energy consumption should be around 15%; the proportion of natural gas consumption should reach 10%; and the carbon dioxide emission per unit of GDP should decrease by 40%-45% compared to 2005.

31. Foreign investment in the exploration and development of oil of all types is encouraged; it is limited to Sino-foreign equity/co-operative joint ventures or other forms of Sino-foreign cooperation. These limitations have been abolished for oil shale and oil sand in the 2017 Investment Catalogue. Foreign investment is allowed in oil refining and oil distribution. FDI in shale gas and coal bed methane gas has been liberalized in the 2017 Investment Catalogue. Foreign investment is also allowed in the area of the importation and distribution of gas. Regarding electricity, the construction and operation of transmission and distribution networks fall within the restricted category in the 2017 Investment Catalogue. China is in the process of reforming its electricity market, liberalizing prices for eligible customers, creating trading agencies, liberalizing retail distribution and unbundling distribution from power generation.

32. The Government's main initiatives in recent years to promote manufacturing in China included the adoption of the "China Manufacturing 2025" plan, which was issued in May 2015. In order to implement the plan, China intends to set up pilot projects in cities as well as "national demonstration zones". The authorities state that the plan will apply on an equal basis for all enterprises established in China. Various sector-specific policies were introduced to promote the development of, for example, new energy vehicles, integrated circuits, and robotics. The authorities note that they recognize the issue of excess capacity in some manufacturing sectors, such as iron and steel, and have made efforts to reduce capacity in recent years.

33. In telecommunications, China introduced a new cybersecurity law in November 2016 aimed at, *inter alia*, "ensuring network security, safeguarding cyberspace sovereignty, national security and the societal public interest". This law imposes a number of security protection duties on "network operators" (including users of networks), as well as the certification or the inspection of "critical network equipment and specialized network security products". The law also includes additional obligations for operators of critical information infrastructure as well as data localization requirements. China has also tightened the implementation of the existing legislation regarding the prohibition (for individuals) or the limitation (for foreign companies) on using Virtual Private Networks (VPN) to access the Internet. China has also continued to expand its Mobile Virtual Network Operators (MVNO) pilot scheme and to deploy its LTE 4th generation mobile network.

34. Regarding financial services, in June 2016 and June 2017, China issued two implementing regulations concerning the licencing of foreign bank card clearing institutions. In March 2017, China eased approval requirements for foreign-owned banks to supply certain investment banking services in the country and to invest in domestic banking institutions. China also partially

liberalized rating agencies services in July 2017 and announced in November 2017 that it would abolish restrictions limiting a single foreign investor's stake in a Chinese bank to 20% and capping total foreign ownership of any banking institution at 25%. During the review period, China opened the internet insurance market to both foreign and domestic operators, and allowed foreign insurers to engage in reinsurance in the Shanghai Pilot Free Trade Zone. China has also opened further its interbank bond market.

35. The practice of legal services by foreign firms in China is limited to representative offices, excludes Chinese law, and prevents foreign firms from employing Chinese qualified lawyers unless they relinquish their professional title. Foreigners cannot sit the Chinese national lawyer exam. There are 287 such foreign representative offices present in eleven provinces operating in China.

36. The practice of accounting services in China is allowed only in the form of partnerships or limited liability companies, established and run by Certified Public Accountants (CPAs) licensed by the Chinese authorities. Foreigners can sit the Chinese national accountancy examination. Foreign accounting firms are permitted to affiliate with Chinese firms and enter into contractual agreements with their affiliated firms in other WTO Members. Accounting firms can engage in taxation and management consulting services.

37. The practice of engineering services in China is allowed in the form of wholly foreign-owned enterprises. Foreign suppliers shall be registered architects/engineers or enterprises engaged in architectural/engineering/urban planning services in their home country. The examination for survey and design engineers is not open to foreigners. China has not concluded mutual recognition agreements on qualifications in engineering design with other countries or regions nor has it autonomously recognized engineering design qualifications obtained in other countries or regions.

38. Most of the pipeline trunk network in China belongs to three SOEs, which are listed on the Hong Kong, China stock market and have foreign shareholders. Foreign participation is allowed; the 2017 Investment Catalogue classifies pipelines as an "encouraged industry" and allows wholly foreign-owned pipelines, subject to a national security review. A third party access pilot regime was established in 2014 for a test period of five years.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. The Chinese economy continued to be an important engine of global growth; according to the Chinese authorities, it accounted for around 30% of global economic expansion during the review period.[1] However, growth has been moderating as the economy adjusts to the "new normal"[2], and the main contributors have shifted from investment to consumption, from external to internal demand, and from manufacturing to services. The shift in the structure of development is evident, as services now account for over 50% of GDP and the share of merchandise trade in GDP has declined. The growth has resulted in rising rural incomes; this has resulted in declining income inequality and poverty levels.[3] Consequently, China's GDP per capita has risen to US$8,124 in 2016. Nonetheless, despite the impressive growth and unprecedented poverty reduction, the income gap between the richest and the poorest remains large.

1.2 Recent Economic Developments

1.2. Real GDP growth was 6.9% in 2015 and 6.7% in 2016, lower than in the preceding years (Table 1.1). It is expected that real GDP will have grown by around 6.8% in 2017. During the period under review, consumption contributed to nearly two-thirds of the expansion. The reasons for the consumption-driven growth include strong employment creation, rising incomes and improving coverage of the social safety net. Rising consumption manifests itself in the increasing importance of the services sector, whose share in GDP exceeded 50% for the first time in 2016 (Table 1.2). Within services, e-commerce sales and tourism services imports have been particularly strong.[4] Furthermore, growth of financial intermediation services and wholesale and retail trade has also been buoyant over the past few years.

Table 1.1 Selected macroeconomic indicators, 2013-17

	2013	2014	2015	2016	2017[a]
Nominal GDP (RMB billion)	59,524.4	64,397.4	68,905.2	74,358.5	82,712.2
Nominal GDP (US$ billion)	9,607.3	10,482.3	11,064.7	11,191.0	12,237.8
Real GDP (RMB billion, 2015 prices)	60,073.5	64,457.5	68,905.2	73,514.5	..
Real GDP (US$ billion, 2015 prices)	9,695.9	10,492.1	11,064.7	11,064.0	..
GDP per capita (RMB)	43,852.0	47,203.0	50,251.0	53,980.0	..
GDP per capita (US$)	7,078	7,684	8,069	8,124	..
National accounts					
Real GDP (%age change)	7.8	7.3	6.9	6.7	..
Domestic demand	8.1	7.2	7.2	7.4	..
Consumption	7.2	7.2	8.3	8.4	..
Investment	9.1	7.1	6.1	6.3	..
Fixed	9.3	6.8	6.7	6.7	..
Contribution to GDP growth[b]					
Consumption	3.6	3.6	4.1	4.3	..
Investment	4.3	3.4	2.9	2.8	..
Net exports	-0.1	0.3	-0.1	-0.4	..
Unemployment rate (%)[c]	4.1	4.1	4.1	4.0	..
Prices and interest rates					
Inflation (CPI, %age change)	2.6	2.0	1.4	2.0	1.6
Lending rate (%, period average)	6.00	5.60	4.35	4.35	4.35
Deposit rate (%, period average)	3.00	2.75	1.50	1.50	1.50

[1] The review period is 2016-18, based on data and information available as at end-March 2018.

[2] The "new normal" refers to a statement by Xi Jinping, General Secretary of the Communist Party of China, in 2014, where he stated that China was entering a "new normal". This term has subsequently come to refer to expectations of 7% growth rates for the foreseeable future. It is indicative of the Government's anticipation of moderate but perhaps more stable economic growth in the medium-to-long term.

[3] During 2014 to 2016, per capita disposable income of urban residents in China grew at an average rate of 6.3%, while for rural residents the average per capita disposable income growth was 7.6%, which reflects that the urban-rural income gap is narrowing. Furthermore, the authorities stated that since 2011 more than 60 million people have been lifted out of poverty, thereby reducing the poverty incidence from 10.2% to below 4%. In 2016, the Gini coefficient was 0.465, 0.012 lower than in 2011.

[4] Economic Survey of China 2017. OECD online information. Viewed at: http://www.oecd.org/china/economic-survey-china.htm [23.03.2018].

	2013	2014	2015	2016	2017[a]
Exchange rate					
RMB per US$ (period average)	6.196	6.143	6.227	6.644	6.759
Real effective exchange rate index (%age change)[d]	6.3	3.2	10.7	-5.6	-2.2
Nominal effective exchange rate index (%age change)	5.3	3.1	9.5	-6.5	-2.5
Monetary indicators					
Net domestic credit (%age change)	15.1	16.2	23.7	20.1	11.3
Broad money, M2 (%age change)	13.6	11.0	13.3	11.3	9.0
Required reserve ratio (RRR) (% of bank deposits)	19.5	19.5	17.5	17.0	..
Excess reserve ratio (% of bank deposits)	2.3	2.7	2.1	..	..
Fiscal policy[e] (% of GDP)					
Financial balance	-1.8	-1.8	-3.4	-3.8	..
Total revenue	21.7	21.8	22.1	21.5	..
Tax revenue	18.6	18.5	18.1	17.5	..
Total expenditure	23.6	23.6	25.5	25.3	..
Government total debt	..	..	38.7	36.7	..
Saving and investment (Source: National Bureau of Statistics)					
GDP by expenditure approach (RMB billion)	59,696.3	64,718.2	69,910.9	74,631.5	..
Final consumption expenditure (RMB billion)	30,033.8	32,831.3	36,226.7	40,017.6	..
Gross capital formation (RMB billion)	28,207.3	30,271.7	31,283.6	32,972.7	..
Net exports of goods and services (RMB billion)	1,455.2	1,615.2	2,400.7	1,641.2	..
Savings (RMB billion)	29,662.5	31,886.9	33,684.3	34,613.9	..
Savings (% of GDP by expenditure)	49.7	49.3	48.2	46.4	..
Investment (% GDP by expenditure)	47.3	46.8	44.7	44.2	..
Savings-investment gap (% of GDP by expenditure)	2.4	2.5	3.4	2.2	..
Saving and investment (Source: IMF)					
Gross national savings (% of GDP)	48.8	49.0	47.5	45.9	..
Gross investment (% of GPD)	47.3	46.8	44.7	44.2	..
Savings-investment gap (% of GDP)	1.5	2.2	2.7	1.7	..
External sector (% of GDP, unless otherwise indicated)					..
Current account balance	1.5	2.3	2.7	1.8	1.3
Net merchandise trade	3.7	4.1	5.2	4.4	3.9
Value of exports	22.4	21.4	19.4	17.8	18.1
Value of imports	18.6	17.3	14.2	13.4	14.2
Services balance	-1.3	-2.0	-2.0	-2.2	-2.2
Capital account	0.03	-0.00	0.00	-0.00	-0.00
Financial account	3.6	-0.5	-3.9	-3.7	1.2
Direct investment, net	2.3	1.4	0.6	-0.4	0.5
Balance-of-payments	4.5	1.1	-3.1	-4.0	0.8
Merchandise exports[f] (%age change)	8.9	4.4	-4.5	-7.2	11.4
Merchandise imports[f] (%age change)	7.7	1.1	-13.4	-4.2	16.0
Service exports[f] (%age change)	2.7	5.9	-0.8	-4.1	-0.9
Service imports[f] (%age change)	17.5	30.9	0.7	1.3	6.9
Gross official reserves[g] (US$ billion; end period)	3,849.4	3,869.0	3,405.4	3,097.7	3,253.3
Foreign exchange[h] (US$ billion; end period)	3,821.3	3,843.0	3,330.4	3,010.5	3,139.9
Total external debt (US$ billion; end period)	1,532.8	1,779.9	1,383.0	1,415.8	1,710.6
Debt service ratio[i]	1.6	2.6	5.0	6.1	..

.. Not available.

a Estimates.
b Refers to the growth of GDP multiplied by the respective contribution share.
c Registered unemployment in urban areas.
d A positive increase in the real effective exchange rate means an appreciation of renminbi relative to the other major currencies in the index.
e Including central and local governments.
f Growth rates on merchandise and service trade are based on US$.
g Excluding gold, including SDRs and Reserve Position in the Fund.
h Excluding gold, SDRs and Reserve Position in the Fund.
i Debt service ratio refers to the ratio of the payment of principal and interest of foreign debts to the foreign exchange receipts from foreign trade and non-trade services of the current year.

Source: National Bureau of Statistics online information; State Administration of Foreign Exchange online information; and IMF online information.

Table 1.2 GDP by sector, 2013-17

	2013	2014	2015	2016	2017
GDP by industry at constant prices (annual %age change)					
Agriculture, forestry and fishing	4.0	4.2	4.0	3.5	4.1
Industry[a]	7.7	7.0	6.0	6.0	6.4
Construction	9.7	9.1	6.8	7.2	4.3
Services	8.3	7.8	8.2	7.7	8.0
Wholesale and retail trade	10.5	9.7	6.1	7.1	7.1
Transport, storage and post	6.6	6.5	4.1	6.6	9.0
Restaurants and hotels	3.9	5.8	6.2	7.4	7.1
Financial intermediation	10.6	9.9	16.0	4.5	4.5
Real estate	7.2	2.0	3.2	8.6	5.6
Other	7.5	8.5	9.3	9.4.	10.4
Share of main sectors in current GDP (%)					
Agriculture, forestry and fishing	9.6	9.3	9.1	8.9	8.2
Industry[a]	37.4	36.3	34.3	33.3	33.9
Construction	6.9	7.0	6.8	6.7	6.7
Services	46.2	47.4	49.8	51.1	51.2
Wholesale and retail trade	9.5	9.7	9.6	9.6	9.4
Transport, storage and post	4.4	4.4	4.4	4.4	4.4
Restaurants and hotels	1.7	1.7	1.8	1.8	1.8
Financial intermediation	6.9	7.2	8.4	8.2	7.9
Real estate	6.0	5.9	6.1	6.5	6.5
Other	17.7	18.4	19.5	20.6	21.1

a Including mining and quarrying, manufacturing, production and supply of electricity.

Source: National Bureau of Statistics of China online information.

1.3. Despite the growth, imbalances have accumulated over a number of years. The shift to a more consumption-led expansion pattern has mainly been driven by the deceleration in investment rather than a surge in consumption, as the contribution of consumption to growth has been relatively stable over the past two decades. After peaking at 42.1% in 2010, the household saving rate in China has been declining and was 37.1% in 2015; however, it continues to be high by international standards, resulting in capital accumulation, which in turn has been the driving force behind China's growth for many years.[5] However, this has led to misallocation of capital and falling investment efficiency, and to excess capacity in some manufacturing industries and in the real estate sector, resulting in a declining contribution of total factor productivity to growth. According to the OECD, high enterprise investment was financed by debt, fuelled by interest subsidies and implicit guarantees for state-owned enterprises (SOEs) and other public entities; however, the authorities maintain that credit activities are independent and driven by market conditions and do not involve any government interference. Furthermore, the authorities state that, according to the Commercial Bank Law, Chinese commercial banks operate independently, and are responsible for their own gains and losses, and commercial bank loans should take into account return on net capital gains of an enterprise, debt payment capacity, and integrity and sustainable development. According to the authorities, the difference in interest rates reflects commercial banks' independent activities and is not based on the ownership of the enterprises. Effectively addressing sources of risk, such as excessive corporate leverage, real estate bubbles and leveraged investment in asset markets would help keep growth on a sustainable path.

1.4. The authorities are cognizant of these risks, and are focusing on the quality and sustainability of growth rather than its quantity with a view to encouraging innovation-driven, harmonized, green, open, and inclusive development. China continues to be in a transition to a more sustainable development path and reforms have advanced across many areas, including the introduction of measures to reduce overcapacity (Sections 4.2 and 4.3), strengthen local government borrowing frameworks, and address financial sector risks.

1.5. According to a report by the IMF, China has the potential to sustain strong growth over the medium term, although the reform process to rebalance towards less credit-intensive growth

[5] Economic Survey of China 2017. OECD online information. Viewed at: http://www.oecd.org/china/economic-survey-china.htm.

needs to be accelerated, while using still-sizeable buffers to smooth the transition.[6] The report suggests that the Chinese authorities should: further boost consumption by increasing social spending and making the tax code more progressive; increase the role of market forces by reducing implicit subsidies to SOEs and opening more key sectors to private investment; and further deleverage the private sector with continued regulatory/supervisory tightening, greater recognition of bad assets, and more market-based credit allocation. The Government disagrees with this viewpoint and maintains that the law provides for equal treatment and protection of market players. Furthermore, with regard to subsidy programmes, the authorities state that all enterprises, regardless of ownership, are treated equally and that there are no specific subsidies to SOEs; all enterprises are entitled to receive subsidies if certain requirements are met. Additionally, China has taken a series of measures to help enterprises deleverage. These include *inter alia*: law-based bankruptcy, merger and restructuring, optimization of enterprises' debt structure, and debt-to-equity swaps.

1.6. Furthermore, future growth could also be boosted by the "Belt and Road" (or "One Belt and One Road") Initiative (Box 1), which aims to foster multinational cooperation in trade, investment and finance, bringing much needed infrastructure and connectivity to the region. The authorities expect that the initiative could result in an increase in the trade and development level of the participating countries and achieve an open world economy. However, strong governance of projects to assure that they are financially viable and that the recipient countries have sufficient institutional and macroeconomic capacity to manage them would be required to reap the benefits of this initiative.

Box 1.1 Belt and Road Initiative

China's President Xi Jinping announced the building of the Silk Road Economic Belt and 21st Century Maritime Silk Road in 2013. These two initiatives have since come to be known as the Belt and Road Initiative (BRI, or, alternatively, the One Belt and One Road Initiative (OBOR)).

In 2015, the National Development and Reform Commission (NDRC), the Ministry of Foreign Affairs and the Ministry of Commerce (MOFCOM) jointly issued a roadmap (the Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road) that underlines the five priorities of the initiative: policy coordination (promoting intergovernmental cooperation); facilities connectivity (improving road, energy and information infrastructure); unimpeded trade (removing trade and investment barriers); financial integration (deepening of financial cooperation, expansion of bilateral currency swaps and settlements, establishment of new financial institutions); and people-to-people bonds (promotion of cultural and educational exchanges, enhancing cooperation on tourism and epidemic information). The Initiative also includes strengthening environmental and energy cooperation.

The BRI is to be a network of ports, roads, railways, airports, power plants, oil and gas pipelines and refineries, and free trade zones. It would also incorporate the supporting IT, telecom, and financial infrastructure. For the land part, the BRI follows the ancient silk route connecting Asia with Europe, while for the naval part, a 21st Century Maritime Silk Road would connect eastern China to the Middle East, Africa and Europe. The BRI would encompass over 65 countries.

Furthermore, the BRI aims to increase connectivity between the Asian, European and African continents. The objective of this increased connectivity is to enhance trade flows and spur long-term regional economic growth and development, benefiting all those involved. In this regard, the Government has entered into over 100 intergovernmental cooperation agreements. These agreements reiterate the principle of jointly building through consultation to meet the interests of all concerned parties, as well as, fully aligning with existing multilateral and bilateral cooperation mechanisms and following international best practices.

As envisaged, the BRI would require an enormous financing commitment. Based on certain estimates, the BRI will mobilize up to US$1 trillion of outbound state financing from the Chinese government in the next ten years. Most of this funding will come in the form of preferential debt funding, but some will be in equity. The Government has created a steering group for the BRI, which is responsible for the overall planning, coordination and implementation of the BRI. The office is under the NDRC. Furthermore, specific recently created vehicles are envisaged to help allocate this money to appropriate projects and initiatives. These include, *inter alia*, the recent establishment of a US$40 billion Silk Road Fund (SRF), and the government directing large sums of its foreign exchange reserves and several of its largest state-owned banks to the initiatives; some international organizations, including the Asian Infrastructure Investment Bank (AIIB) and the

[6] IMF Country Report 17/247. IMF online information. Viewed at: http://www.imf.org/en/Publications/CR/Issues/2017/08/15/People-s-Republic-of-China-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45170 [23.08.2018].

New Development Bank (NDB), may be involved in BRI-related projects. Furthermore, China hopes to cooperate with different governments, companies and investment funds, potentially creating opportunities for many shared projects and public-private partnership (PPP) initiatives. It is estimated that thus far projects totalling approximately US$250 billion have either been built already, recently started construction or have been agreed on and signed in relation to the BRI (PWC, *China's new silk route - the long and winding road*. (Viewed at: https://www.pwc.com/gx/en/issues/high-growth-markets/publications/china-new-silk-route.html [23.03.2018].)

From China's perspective, the BRI is intended to promote and build a new platform for international cooperation and create new drivers of shared development. As such, the BRI is seen as an effective and integrated way to stimulate trade and exports within BRI participants.

The authorities consider that the BRI's potential to spur increased trade is enormous: with tariffs at relatively low levels on most products in most markets; it is transportation costs and non-tariff measures that now constitute the principal barriers to trade. The initiative directly targets transportation costs. Nonetheless, it would appear that if governments are to maximize the BRI's contribution towards reaching their growth and development objectives, they will need to accompany the "hard" infrastructure being constructed with "soft" infrastructure: policies and institutions to support entrepreneurs, businesses and trade. Countries are expected to work together to lower non-tariff barriers by simplifying, harmonizing or recognizing each other's technical standards and regulations for goods and services. In this respect, the Chinese government has contributed US$1 million to the WTO's Trade Facilitation Agreement Facility.

One critical factor in determining how the BRI translates into broad-based growth will be whether small and medium enterprises (SMEs) are able to take advantage of the new trade opportunities. Because SMEs account for the vast majority of enterprises and jobs in any country, their ability to become more competitive and succeed in international markets helps ensure the gains from trade are broadly shared across society. For example, China and Pakistan are to jointly build the China Pakistan Economic Corridor (CPEC). Under the CPEC, the two sides are to build a fleet of power plants, construct road and rail links, set up special economic zones where companies are to be accorded tax breaks and other business incentives, and expand the Gwadar port on Pakistan's south coast, which is financed, built and operated by China. Estimates from the Pakistan Business Council suggest the projects could account for 20% of the country's GDP over the next five years and boost growth by about 3 percentage points.

1.2.1 Monetary and exchange policy

1.2.1.1 Monetary policy

1.7. According to the authorities, price stability is the primary but not the only goal of monetary policy. Under the Law on the People's Bank of China (PBOC), the aim of monetary policy is to maintain the stability of the value of the currency and thereby promote economic growth. However, as China is an economy in transition, other objectives such as employment, balance of payments and financial sector stability have to be considered when making monetary policy decisions.[7]

1.8. During the review period, monetary policy was guided by adjusting to the "new normal" and creating a monetary and financial environment that is conducive to supply-side structural reform. As such, during the first half of 2016, monetary policy was slightly loose; in the second half of 2016 and first half of 2017 monetary policy tended to become neutral. The authorities consider their monetary stance to be neutral.[8]

1.9. Starting in 2016, the PBOC moved to a more market-based approach of conducting monetary policy. The new approach involves a closer management of liquidity in the banking system through an expanded range of instruments such as repos (or reverse repurchase agreements) and lending facilities to promote better capital allocation and guide market interest rates to more closely match the PBOC's objectives. Under the new system, the PBOC uses a corridor or an interest rate band, where the upper limit is set by its overnight seven-day and one-month standing lending facilities, while the lower rate is the interest paid by the PBOC on excess deposit reserves. The PBOC focuses on the seven-day inter-bank market rate (M2 growth remains the official intermediate target and is set at 12% for 2017), and influences its position within the corridor by adjusting liquidity in the money markets through repo or reverse-repo agreements.

[7] IMF Country Report 17/247.
[8] IMF Country Report 17/247.

1.10. Major monetary policy decisions on benchmark lending and deposit rates continue to go through the State Council; rates on money market instruments such as repos and SLFs are set by the PBOC. In August 2016, as concerns emerged of a bubble in the debt market caused by investors using cheaper short-term financing (seven-day repos) to invest in longer-dated bonds, the PBOC intervened and started using longer-term instruments, such as 14-day repo agreements and medium-term loan facilities, which have a higher interest rate. This in turn increased the cost of capital for the borrowers and reduced speculative activity. Furthermore, as a result of higher volatility in the money market in the second-half of 2016, the PBOC raised its reverse repos operations bid rate and the rate on its standing lending facilities twice by 10 basis points in the first quarter of 2017. Under the new framework, the PBOC has been able to raise the cost of capital without dampening the growth of the economy. The new approach allows the PBOC to be more proactive and targeted in the implementation of monetary policy. Another advantage of the new approach is that it results in banks using capital more efficiently. Going forward, with inflation rising, the PBOC is expected to maintain a sound and neutral monetary policy.

1.11. In 2016, inflation, as measured by the consumer price index, increased to 2%, which was within the PBOC's desired range of 2-3%.[9] The increase in prices was driven by rising food prices, higher prices of services, as well as higher prices of consumer goods. The authorities consider that growth in consumption was responsible for driving up the prices of services.[10] In the first two quarters of 2017, CPI growth fell to 1.4% due mainly to a fall in food prices and monetary tightening, which resulted in a slowdown in the rise of prices for consumer goods. Nonetheless, the growth of the prices of services accelerated in the first half of 2017.[11] In 2017 as a whole, CPI growth was 1.6%.

1.2.1.2 Exchange rate policy

1.12. China has a managed floating exchange rate regime, which uses a basket of currencies as a reference. During the period under review, the PBOC continued to increase exchange rate flexibility.

1.13. With a view to better reflecting the fundamentals of the Chinese economy and the changes in the international foreign exchange market, as well as to offset pro-cyclical volatilities and to mitigate the "herding effect" in the foreign exchange market, the PBOC introduced a counter-cyclical factor into exchange rate determination.

1.14. The new formation mechanism for the exchange rate is the combination of the previous closing rate, exchange rate movements against a basket of currencies, and the counter-cyclical factor. The counter-cyclical factor is calculated by removing the impact of the currency basket from the movement between the previous closing rates and the central parity, after which the exchange-rate movements mainly reflect market supply and demand. The counter-cyclical factor can be found by adjusting the counter-cyclical coefficient, which is set by the quoting banks based on changes in the economic fundamentals and the extent of pro-cyclicality in the foreign-exchange market.[12] According to the authorities, the counter-cyclical factor of each quoting bank may differ from other banks. All the data and information involved when the counter-cyclical factor is set are either public information from the market or set by respective quoting banks without the intervention of third parties.

1.15. According to the authorities, the new mechanism has effectively contained the herding effect in the foreign-exchange market, enhanced the role of China's macro-economic fundamentals in the formation of the RMB exchange rate, and maintained the basic stabilization of the RMB exchange rate at a reasonable and equilibrium level. At the end of 2017, the central parity of the RMB exchange rate was RMB 6.78 per US dollar, appreciating by 2.51% from the end of the previous year.

[9] IMF Country Report 17/247.
[10] PBOC China Monetary Policy Report Quarter Four 2016. PBOC online information. Viewed at: http://www.pbc.gov.cn/english/130727/130879/3007494/3272842/index.html [24.03.2018].
[11] PBOC China Monetary Policy Report Quarter Two 2017. Viewed at: http://www.pbc.gov.cn/english/130727/130879/3322165/index.html [24.03.2018].
[12] PBOC China Monetary Policy Report Quarter Two 2017.

1.16. According to the IMF, the basket of currencies has not fully replaced the dollar as a reference; the authorities have made progress in reducing the dollar link and increasing market focus on the nominal effective exchange rate. Additionally, tighter enforcement of capital flow management measures, a better growth outlook, and a weaker US dollar have helped reduce intervention in the foreign exchange market and the near-term risk of large outflows. Furthermore, the IMF assesses that the real effective exchange rate is broadly consistent with fundamentals.[13]

1.17. With a view to promoting bilateral trade and investment, the PBOC continued to encourage direct trading between the RMB and other currencies. As such, in 2015-16, direct trading of the RMB against an additional 13 sovereign currencies was introduced on the interbank foreign exchange market.[14]

1.2.2 Fiscal policy and reform

1.18. During the review period, China continued to pursue a proactive fiscal policy, which was guided by supply-side restructuring and adjusting to the "new normal". The authorities consider that fiscal policy has been successfully used as an automatic stabilizer and counter-cyclical regulator, thus helping achieve sustained and steady economic and social development.

1.19. In 2016, the fiscal deficit rose to 3.8% of GDP from 3.4% in 2015. The increase was due to declining tax revenue as a share of GDP; it fell from 18.1% of GDP to 17.5% over the same period. Total expenditure also declined slightly from 25.5% of GDP to 25.3% over the review period. Government total debt declined from 38.7% of GDP in 2015 to 36.7% in 2016.

1.20. The decline in revenue as a share of GDP can be attributed to the nationwide implementation of the VAT pilot reforms, which reduced indirect tax revenue significantly. In May 2016, the transformation of the business tax levied on services into VAT was completed, with financial, construction, real estate and lifestyle service industries also being subject to VAT. The VAT regime is complex, consisting of 3 tax rates (17, 11, and 6%) and two levy rates (5 and 3%); in March 2018, the State Council announced its intention to lower some VAT rates from 1 May 2018. In addition to increasing the neutrality of China's indirect tax system, the tax reform has eased the tax burden on firms. Revenue from VAT is shared between national and sub-national authorities. Other factors affecting revenue collection include the lagged influence of the economic slowdown and the high base of the fiscal revenue from both the financial sector and some non-tax items in 2015.

1.21. On the expenditure front, urban and rural community expenditures, and expenditures in lieu of social welfare and employment, scientific and technological development, medical services, healthcare and family planning, grew considerably.

1.22. The Budget Law issued in 2014 aims to mitigate off-budget spending and consolidate budgets as well as to improve budget management and supervision by establishing and improving a standardized and more transparent budget system. It mandates that state budgets be prepared at each of the five government levels, with the national budget consisting of the central budget and local budgets.[15] The Law also specifies that a local general budget at any level must consist of the budget of the government at the corresponding level and the aggregate general budget at the next lower level. During budget implementation, governments may generally not introduce new measures to increase or reduce revenue or to increase expenditure. If such a policy or measure is deemed indispensable and a budgetary adjustment is required, a request must be submitted to the

[13] IMF Country Report 17/247.

[14] The 13 currencies are: the Canadian dollar, the Danish krone, the Hungarian forint, the Mexican peso, the Norwegian krone, the Polish zloty, the Saudi riyal, the South African rand, the South Korean won, the Swedish krona, the Swiss franc, the Turkish lira, and the UAE dirham.

[15] The five levels are: Central Government; provinces, autonomous regions and municipalities directly under the Central Government; cities divided into districts and autonomous prefectures; counties, autonomous counties, cities not divided into districts, and municipal districts; and townships, nationality townships and towns.

Standing Committee of the National People's Congress at the same level for examination and approval.[16]

1.23. In August 2016, the State Council issued the Guidance on Promoting the Reform of the Distribution of Fiscal Power and Duties of Expenditure between Central and Local Governments (Guo Fa [2016] No. 49).[17] Under the guidance, the Central Government's fiscal power is to be strengthened; greater effort is to be made to ensure that local governments fulfil their fiscal responsibilities; the overlap of central and local governments' fiscal power is to be reduced; a dynamic adjustment system is to be established for power distribution; the expenditure responsibilities of central and local governments are to be made clear; the corresponding expenditure responsibilities of overlapping power are to be also eliminated; and the fiscal power and expenditure responsibilities of governments below the provincial level are to be further divided.[18]

1.24. Furthermore, State Council Document 88, issued in October 2016, created a resolution framework which classifies local government units by risk level and sets corrective measures.[19] Additionally, Joint Circular 50, issued in April 2017, strengthened the ban on off-budget borrowing and asked local governments to correct illegal practices by July 2017. According to an IMF report[20], despite these measures, local government financing vehicles continue to borrow heavily. Additionally, the authorities are increasingly setting up Government Guided Funds (GGFs) and Special Construction Funds (SCFs) to fund public infrastructure. These new financing vehicles are akin to public venture capital funds. GGFs are funded by a mixture of budgetary (a "junior tranche") and non-budgetary financing (a "senior tranche" delivering a steady return) called "social capital", which includes SOEs, local government financing vehicles (LGFVs), banks, and other financial institutions. SCFs are entirely funded by policy banks. GGFs and SCFs continue to raise capital, with end-2016 assets of around 5% of GDP.

1.25. According to the IMF, "augmented" debt, which includes the debt of LGFVs and entities such as government-guided funds, was estimated at 62% of GDP in 2016 and projected to rise to 92% in 2022. The IMF states that such debt-financed spending appears to be mostly non-market based with uncertain returns and by entities that are largely government-controlled. Thus "augmented" debt, according to the IMF, provides a more accurate estimate of the fiscal impulse and potential debt burden on public finances; in 2014, two-thirds of LGFV debt (22% of GDP) was recognized as government obligations. On the other hand, given recent reforms, especially the 2014 Budget Law and subsequent regulations that legally removed government responsibility for such debt, there is now somewhat larger uncertainty regarding the degree to which "augmented" debt will eventually become a burden on public finances. However, the authorities disagree with the "augmented" debt and deficit concepts. According to the authorities, the 2014 Budget Law and subsequent regulations had clarified that LGFVs were standard firms and thus new borrowing was not part of the government sector. All obligations of local governments have been explicitly recognized within official public debt statistics and local governments will not assume any legal repayment responsibility for LGFVs, GGFs, or SCFs in the future. The authorities stated that many LGFV projects were commercial and backed by real assets.[21]

1.26. Other fiscal measures adopted during the review period pertaining to supply-side reform and economic restructuring have included: a RMB 100 billion budget to cut overcapacity in steel and coal (Sections 4.2 and 4.3), the destocking of commercial housing by increasing the proportion of monetary compensation in the renovation of urban rundown areas and encouragement for commercially viable debt-for-equity swaps, the lowering of the contribution rate (premium rate/payment ratio) of the five social insurances and one housing fund temporarily,

[16] Article 68 of the Budget Law of, adopted at the 10th Session of the Standing Committee of the 12th National People's Congress on 31 August 2014.
[17] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2016-08/24/content_5101963.htm [24.03.2018].
[18] Information provided by the authorities.
[19] MOF online information (in Chinese). Viewed at: http://www.mof.gov.cn/zhengwuxinxi/zhengcefabu/201611/t20161114_2457914.htm [11.04.2018].
[20] IMF Country Report 17/248. IMF online information. Viewed at: http://www.imf.org/en/Publications/CR/Issues/2017/08/15/People-s-Republic-of-China-Selected-Issues-45171 [27.03.2018].
[21] IMF Country Report 17/247.

increased resources for poverty alleviation, and the development of more measures to support environmental protection, energy conservation and emissions reduction. Additionally, the fiscal system was reformed to support SOE reforms and social security (Section 3.3.5).[22] Specific measures undertaken include *inter alia*: the special poverty alleviation fund set up for local governments; and a RMB 100 billion special award and subsidy fund also provided to local governments to be used for employees affected by overcapacity reduction (Sections 4.2 and 4.3).

1.2.3 Other structural measures

1.27. Reform of SOEs and the related overcapacity issue are integral parts of the 13th Five Year-Plan and the Supply-Side Restructuring Policy. Against this background, the authorities continued to implement measures to reform SOEs and reduce overcapacity during the review period (Sections 3.3.5, 4.2 and 4.3). In September 2015, China's Guidelines on Deepening SOE Reforms were released. The Guidelines identify priority areas for reform, which include: improvement of the modern enterprise system; improvement of the administration of state-owned assets with a focus on capital management; development of mixed ownership; and strengthening of supervision so as to avoid loss of state-owned assets.

1.28. Mixed-ownership reforms, which allow private capital to be invested in government-run enterprises, have yielded some progress, with 68% of State Asset Supervisory Administrative Commission (SASAC)-controlled central SOEs introducing non-State owners by end-2016. In addition, several troubled SOEs have announced restructuring plans; the focus appears more on mergers and consolidation, rather than operational restructuring. According to the authorities, SOEs in China have taken a series of measures including horizontal consolidation of businesses in the same category, vertical coordination of up- and downstream businesses and professional integration with a focus on key industries; most SOEs have realized their targets after restructuring. Since 2013, 32 central SOEs under SASAC have completed restructuring. In 2016, these 32 central SOEs realized a total profit of RMB 279.9 billion, an increase of 41.5% since 2013. Furthermore, efforts to resolve unviable debt are also underway. According to an IMF report, 20% of identified "unviable" central SOEs' debts were resolved, while SOEs continue to account for 50% of unviable debt outstanding[23]; the authorities do not agree with this. The target of 345 unviable firms to be reorganized (through *inter alia* mergers, debt restructuring, and management reform) or closed by SASAC in the coming three years appears rather modest given that it controls around 40,000 firms and that most unviable firms are SOEs.[24]

1.29. Additionally, in July 2016, the State Council issued a Guiding Opinion on Promoting Structural Adjustment and Restructuring of Central SOEs.[25] It clarifies that: by 2020, central SOEs will have a clearer strategic position; the overall structure will become more rational and state-owned assets will be distributed more efficiently; development quality will improve; and a group of innovative and internationally competitive enterprises will be established.

1.30. Related to the role of SOEs, the overcapacity issue concerns both the public and private sectors and has domestic and international implications. There appears to be overcapacity in at least ten sectors including coal, steel, cement, plated glass, aluminium, chemicals, paper, solar power, shipbuilding, and coal fuelled power. Firms in these sectors are defined by low capacity utilization rates as well as incurring losses. Overcapacity is also damaging as it has an effect on medium-term growth, the environment, and financial stability. Cognizant of these problems, the authorities outlined capacity and employment reduction targets for the coal and steel sectors for 2016-20 (Sections 4.2 and 4.3). According to official data, the authorities met capacity targets in 2016 and are on track to meet 2017 targets, partly due to tighter enforcement of environmental and regulatory standards. Total employment in the two sectors is also 26-27% (around 1.9-2.6 million persons) below 2013 levels. However, it appears that some part of the capacity

[22] Information provided by the authorities.
[23] IMF Country Report 17/247.
[24] IMF Country Report 17/247 and IMF Country Report 17/248.
[25] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2016-07/26/content_5095050.htm [04.04.2018].

reduction came from the closure of already-idle plants, and there is still limited restructuring of overcapacity firms' outstanding debt.[26]

1.31. During the review period, the PBOC continued to use window guidance and credit policies to signal and guide structural adjustments; these policies include: removing excess capacity, reducing stocks, deleveraging, reducing costs, and shoring up weak spots. In this regard, according to PBOC China Monetary Policy Quarter Four 2016 and PBOC China Monetary Policy Quarter One 2017 Reports, banks were encouraged and guided to provide support to build China into a manufacturing power and to continue providing proper financial services for strategic adjustment of industrial structure, infrastructure building, and reform and development in key areas (such as shantytown renovations, underground utility tunnels, shipbuilding, railways, logistics, and energy).[27] In line with the supply-side restructuring policy, banks were encouraged to: drive industrial transformation by focusing on expanding service consumption; guide efforts by financial institutions to innovate organizational arrangements, products, and service modes; and step up financial support to new priorities in consumption, such as retirement services and healthcare. Banks continue to provide preferential financial services for agriculture-related areas and small businesses. During the review period, the PBOC promoted the pilot programme of loans collateralized with contracted land and property operational rights for rural housing; it also encouraged small- and medium-sized enterprises (SMEs) to issue non-financial enterprise debt-financing instruments, and supported eligible financial institutions to issue financial bonds to extend loans to small businesses.[28]

1.32. The PBOC urged banking institutions to implement various policies to provide financial support to address overcapacity issues in the coal and steel sectors (Sections 4.2 and 4.3). It also improved the system of policies to support green finance and stepped up efforts for green financing.

1.33. Additionally, financial support policies were implemented for national strategies, including the Coordinated Development Plan of the Beijing-Tianjin-Hebei Area, the Development of the Yangtze River Economic Belt, the Belt and Road Initiative (BRI), and the Western Region Development Strategy, to improve financial services for coordinated regional development. Specific measures taken by the PBOC pertaining to the Belt and Road Initiative include: a RMB 100 billion injection to the Belt and Road Fund; encouraging financial institutions to carry out overseas RMB fund business with the initial amount estimated to be RMB 300 billion, which will provide capital support to the Belt and Road initiatives; working with the IMF to establish the IMF-China Capacity Building Centre; and promoting a network-oriented distribution of financial institutions and services. Additionally, the PBOC hopes to increase cooperation with the European Bank for Reconstruction and Development and support connection between the Belt and Road Initiative and European Investment Plan. The PBOC will also continue strengthening cooperation with the African Development Bank, International Finance Corporation, Inter-American Development Bank and other international financial institutions in co-financing and other areas to drive investment and construction in related areas.

1.34. The PBOC continued to support policies that were intended to improve financial services related to people's livelihood, such as poverty alleviation, employment, and education. The PBOC also increased financial support for mass entrepreneurship and innovation and actively promoted science- and technology-related financial pilot programmes.[29]

1.2.4 Balance of payments

1.35. China's current account surplus had been increasing since 2013; however, this trend was reversed in 2016, with the surplus declining to US$202.2 billion (1.8% of GDP), mirroring a narrowing of the difference between gross national savings and gross investment (Table 1.3). The decrease in current account surplus continued in 2017.

[26] IMF Country Report 17/247.

[27] PBOC online information. Viewed at: http://www.pbc.gov.cn/english/130721/3272835/index.html [12.04.2018].

[28] PBOC China Monetary Policy Report Quarter Four 2016 and PBOC China Monetary Policy Report Quarter One 2017.

[29] PBOC China Monetary Policy Report Quarter Four 2016.

Table 1.3 Balance of payments, 2013-17

(US$ million)

	2013	2014	2015	2016	2017
Current account	**148,204**	**236,047**	**304,164**	**202,203**	**164,887**
Goods and services balance	235,380	221,299	357,871	255,737	210,728
Trade balance	358,981	435,042	576,191	488,883	476,146
Exports	2,148,589	2,243,761	2,142,753	1,989,519	2,216,458
Imports	1,789,608	1,808,720	1,566,562	1,500,636	1,740,312
Service balance	-123,602	-213,742	-218,320	-233,146	-265,417
Exports	207,006	219,141	217,399	208,404	206,453
Imports	330,608	432,883	435,719	441,550	471,870
Income	-78,442	13,301	-41,057	-44,013	-34,444
Credit	183,973	239,372	223,200	225,818	257,336
Compensation of employees	17,790	29,911	33,105	26,883	21,683
Investment income	166,183	209,462	189,268	198,374	234,920
Other	0	0	826	560	733
Debit	262,415	226,071	264,257	269,831	291,780
Compensation of employees	1,714	4,155	5,718	6,211	6,690
Investment income	260,701	221,916	258,380	263,406	284,833
Other	0	0	158	215	257
Current transfers	-8,733	1,446	-12,649	-9,520	-11,398
Credit	53,162	41,127	35,938	30,900	28,619
Debit	61,895	39,681	48,588	40,420	40,016
Capital account	**3,052**	**-33**	**316**	**-344**	**-97**
Financial account	**-88,331**	**-169,141**	**-91,523**	**27,250**	**57,003**
Assets	-651,666	-580,634	9,454	-231,985	-378,247
Liabilities	563,334	411,493	-100,977	259,579	435,343
Financial account excluding reserve assets	343,048	-51,361	-434,462	-416,070	148,612
Direct investment	217,958	144,968	68,099	-41,675	66,309
China's direct investment abroad	-72,971	-123,130	-174,391	-216,424	-101,914
Direct investment in China	290,928	268,097	242,489	174,750	168,224
Portfolio investment	52,891	82,429	-66,470	-52,271	7,431
Assets	-5,353	-10,815	-73,209	-102,770	-109,387
Equity securities	-2,531	-1,402	-39,679	-38,238	-37,697
Debt securities	-2,822	-9,413	-33,530	-64,531	-71,690
Liabilities	58,244	93,244	6,739	50,499	116,818
Equity securities	32,595	51,916	14,964	23,416	33,954
Debt securities	25,649	41,328	-8,226	27,083	82,864
Financial derivatives (other than reserves) and employee stock options	0	0	-2,087	-5,384	471
Assets	0	0	-3,420	-6,550	1,474
Liabilities	0	0	1,333	1,166	-1,003
Other investment	72,200	-278,758	-434,004	-316,741	74,400
Assets	-141,962	-328,909	-82,465	-349,906	-76,904
Trade credits and advances	-60,266	-68,756	-45,966	-100,800	-19,400
Loans	-31,947	-73,787	-47,464	-110,267	-39,732
Currency and deposits	-7,447	-185,604	-55,010	-64,280	-37,033
Other assets	-42,302	-762	65,976	-74,560	19,261
Liabilities	214,162	50,151	-351,538	33,165	151,304
Trade credits and advances	44,937	-2,079	-62,283	16,200	-1,200
Loans	93,443	-34,329	-166,667	-17,361	49,571
Currency and deposits	75,762	81,379	-122,552	9,062	105,455
Other liabilities	21	5,181	-36	25,264	-2,521
Reserve assets	-431,379	-117,780	342,939	448,681	-92,967
Net errors & omissions	-62,925	-66,873	-212,958	-229,453	-221,889

Source: State Administration of Foreign Exchange online information. Viewed at: http://www.safe.gov.cn/.

1.36. The trade surplus declined from US$576.2 billion in 2015 to US$488.9 billion in 2016. The decline was due mainly to a fall in exports, which declined at a faster rate than imports. The trade surplus declined further to US$476.1 in 2017.

1.37. The services deficit has been rising for a number of years, and the trend continued in 2016, with the deficit rising to US$233.1 billion. The widening deficit is on account of both increasing services payments and declining receipts. Within services, payments in lieu of travel have been rising and accounted for nearly 58% of total services payments in 2016. On the other hand, payments on transport services have declined to around 18% of total services payments

(Table 1.4). Services receipts for other business services, communications, computer and information, and travel rose, while those for transportation, construction, and insurance and pensions declined. In 2017, the services deficit stood at US$265.4 billion.

Table 1.4 Composition of trade in services, 2013-17

	2013	2014	2015	2016	2017
Total credit (US$ billion)	207.0	219.1	217.4	208.4	206.5
	(% of total credit)				
Manufacturing services on physical inputs	11.2	9.8	9.4	8.9	8.8
Maintenance and repair services	0.0	0.0	1.7	2.5	2.9
Transportation	18.2	17.5	17.8	16.2	18.0
Travel	25.0	20.1	20.7	21.3	15.8
Construction	5.2	7.0	7.7	6.1	5.9
Insurance and pension	1.9	2.1	2.3	1.9	2.0
Financial services	1.5	2.1	1.1	1.5	1.6
Charges for the use of intellectual property	0.4	0.3	0.5	0.6	2.3
Communication, computer & information	8.3	9.2	11.3	12.2	13.1
Other business services	27.6	31.4	26.9	27.8	28.4
Personal, cultural & recreational services	0.1	0.1	0.3	0.4	0.4
Government goods and services	0.6	0.5	0.5	0.6	0.8
Total debit (US$ billion)	330.6	432.9	435.7	441.5	471.9
	(% of total debit)				
Manufacturing services on physical inputs	0.02	0.03	0.04	0.04	0.04
Maintenance and repair services	0.0	0.0	0.3	0.4	0.5
Transportation	28.5	22.2	19.6	18.2	19.8
Travel	38.9	52.5	57.3	56.6	54.6
Construction	1.2	1.1	2.3	1.9	1.8
Insurance and pension	6.7	5.2	2.0	2.9	2.4
Financial services	1.1	1.1	0.6	0.5	0.3
Charges for the use of intellectual property	6.4	5.2	5.1	5.4	6.1
Communication, computer & information	2.3	2.5	2.6	2.9	4.1
Other business services	14.3	9.4	9.1	9.8	9.0
Personal, cultural & recreational services	0.2	0.2	0.4	0.5	0.6
Government goods and services	0.4	0.5	0.6	0.7	0.7

Source: State Administration of Foreign Exchange online information.

1.38. The financial account deficit (excluding reserve assets) increased by around 4% to reach US$416 billion at the end of 2016. Direct investment turned from a surplus of over US$68 billion in 2015 to a deficit of nearly US$42 billion in 2016. The reversal was due in part to a significant outward investment on account of Chinese investments in the Belt and Road Initiative.[30] On the other hand, the deficit on the portfolio investment account declined. The decline was due partly to the further liberalization of portfolio flows and the capital account. In 2017, the financial account turned into a surplus of around US$150 billion.

Capital controls

1.39. The RMB is fully convertible for current account transactions and partially convertible for some capital account transactions. Residents and non-residents are permitted to use RMB for FDI. However, with regards to portfolio investment, overseas investors can invest in Chinese securities markets through qualified foreign institutional investors (QFII), Renminbi Qualified Foreign Institutional Investors (RQFII), Shanghai/Shenzhen-Hong Kong Stock Connectivity, Bond Connectivity and direct investment in inter-bank bond markets. For single institutions, there is no transaction limit or total limit on Shanghai/Shenzhen-Hong Kong Stock Connectivity, Bond Connectivity and direct investment in inter-bank bond markets. From May 2016, China began to implement macro and prudent management policy over cross-border financing activities of all categories. Domestic financial institutions and enterprises no longer need prior approval when acquiring foreign loans (both in long and short terms); cross-border domestic/foreign financing can be conducted independently within the upper limit of balance weighted by cross-border financing risks. Based on existing regulations on foreign exchange management, not all domestic institutions

[30] PBOC China Monetary Policy Report Quarter Four 2016 and PBOC China Monetary Policy Report Quarter One 2017.

need to be approved by the State Administration of Foreign Exchange (SAFE) before holding external accounts. For example, when a non-banking institution issues bonds overseas, it can independently open related accounts if the local supervision authority requires it to open accounts to hold the collected capital.[31]

1.40. During the period under review, PBOC and SAFE continued to take measures to move towards further liberalization and convertibility. Measures include the implementation of macro-prudential management policy for full-scale cross-border financing. Financial institutions are now permitted to conduct cross-border financing in both domestic and foreign currencies independently as long as these transactions are within the upper-limit of the institutions' cross-border financing. The upper-limit is based on the firm's capital and net assets.

1.41. During the period under review, the domestic inter-bank bond market was further liberalized to facilitate participation in domestic financial transactions by foreign institutions. Additionally, in May 2016, SAFE cancelled the transaction limit or total limit for single institutions. Foreign institutions now need not to be checked or approved before completing formalities regarding outward capital remittance and settlement and purchasing of exchanges.

1.42. The QFII and the RQFII schemes were also further liberalized in February 2016 and August 2016, respectively. Steps taken include: loosening the upper-limit for investment quota per institution, simplifying the quota approval management and easing the lock-up period restrictions to further facilitate inward and outward remittances. The requirement for RQFIIs for proportion and outward remittances in instalments was cancelled and RQFIIs are now required to use RMB for both inward and outward remittances.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.43. Merchandise exports declined from US$2,273.5 billion in 2015 to US$2,097.6 billion in 2016. Over the same period, merchandise imports also declined from US$1,679.6 billion to US$1,587.9 billion. Based on the balance of payments data, merchandise trade (the sum of imports and exports) declined from the equivalent of 33.5% of GDP in 2015 to 31.2% in 2016.

1.44. Services exports declined from US$217.4 billion in 2015 to US$206.5 billion in 2017, while services imports increased from US$435.7 billion to US$471.9 billion over the same period. Trade in services (the sum of imports and exports) as compared with GDP declined to 5.5% in 2017.

1.45. Exports continue to be dominated by manufactures (93.7% of total merchandise exports in 2016) (Chart 1.1 and Table A1.1). Within manufactures, the shares of *inter alia* iron and steel, clothing, transport equipment, office machines and telecommunication equipment, other semi-manufactures and other consumer goods declined. According to the authorities, exports of iron and steel and other related industries were affected by international trade protectionism, and the decline in the share of clothing was due to rising relative production costs in China. The share of exports under processing trade fell.[32]

1.46. Manufactures remain the largest import category, accounting for nearly 65% of merchandise imports in 2016, a slight increase from 64.2% in 2015 (Chart 1.1 and Table A1.2). Within manufactures, the shares of electronic integrated circuits and micro assemblies, and automotive products rose. The share of imports under processing trade declined as did that of primary products. Within primary products, the share of agricultural imports rose while that of fuels fell. The authorities state that the development, transformation and upgrading of the domestic manufacturing industry resulted in increased demand for imports of integrated circuits,

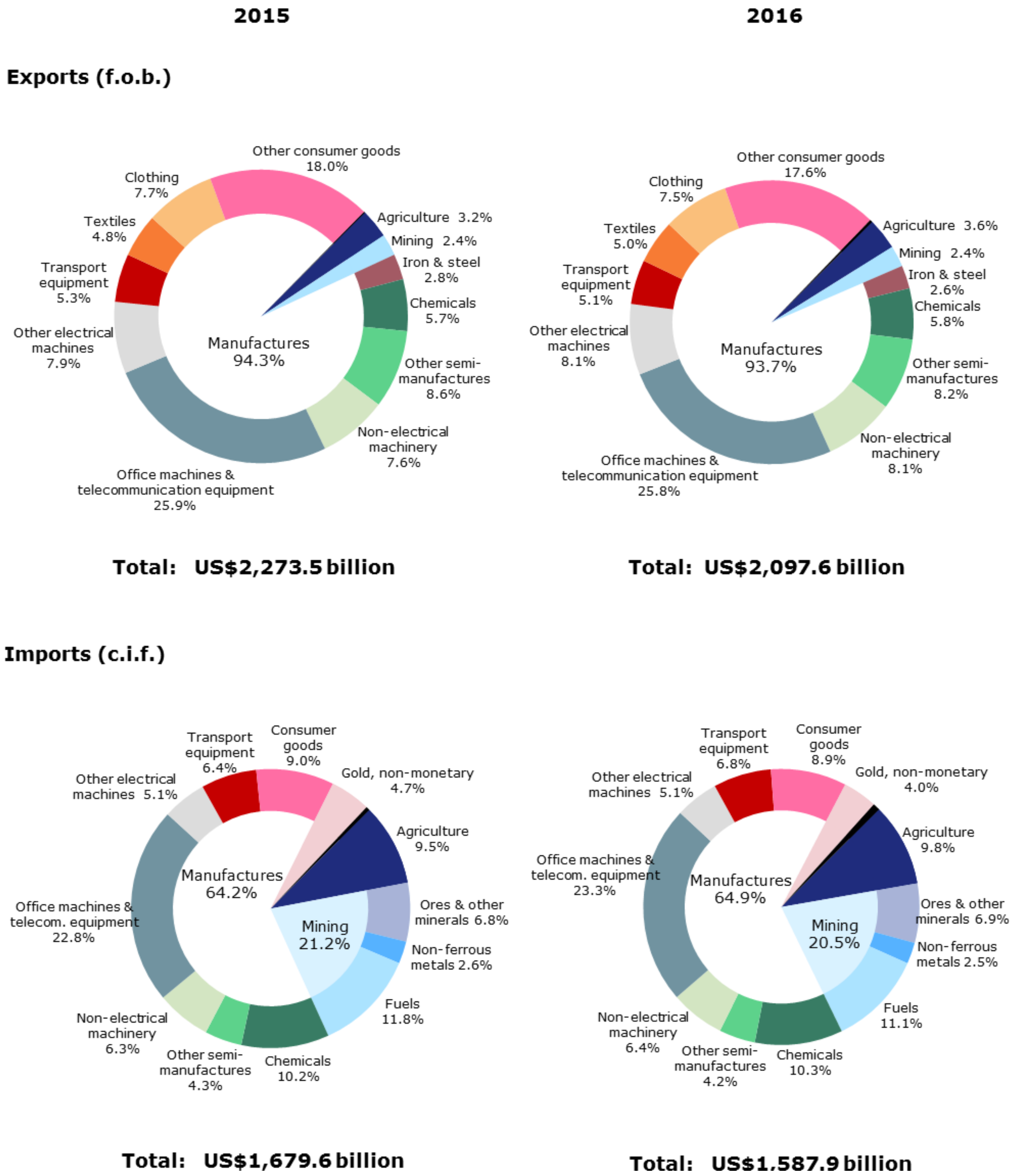
[31] Inward portfolio investment is channelled through QFIIs; it was subject to at least a three-month lock-in period for most shares and had an overall ceiling of US$80 billion. Outward portfolio investment is channelled through QDIIs; it was subject to a ceiling of US$90 billion.

[32] Under processing trade, imported goods are exempt from payment of import duty as long as they are processed and exported within a specific period of time; if the goods are not exported, import duties are collected by Customs.

micromodules and other products in 2016. Increased consumption in China resulted in increased automobiles imports.

1.47. The United States remained the largest destination for China's exports in 2016, followed by the European Union (EU-28) and Hong Kong, China (Chart 1.2 and Table A1.3). The shares of the United States and EU-28 increased during the review period as did the share of Japan. On the other hand, the share of the Middle East and Asia as a whole and Hong Kong, China fell.

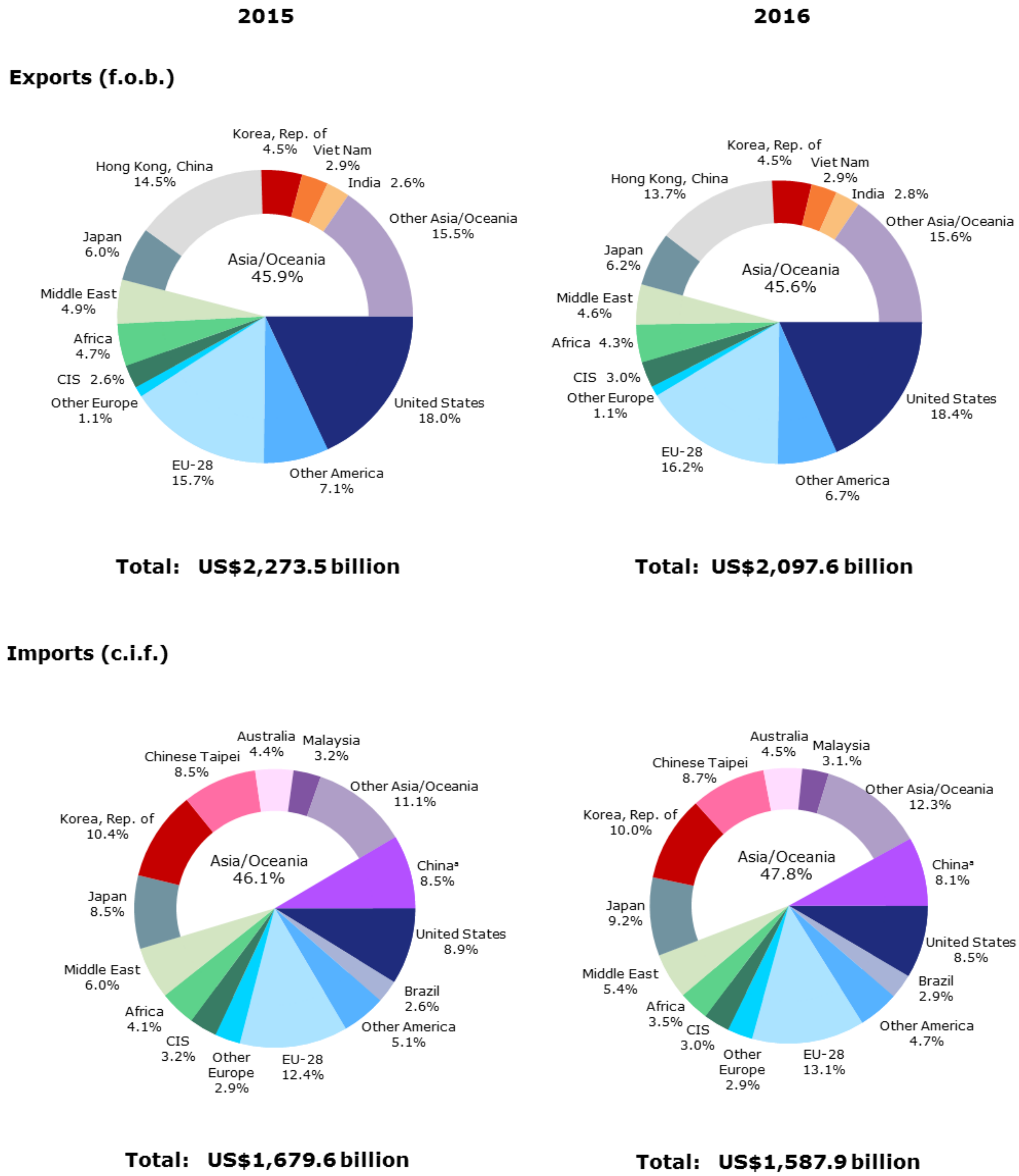
Chart 1.1 Production composition of merchandise trade, 2015 and 2016



Source: UNSD, Comtrade database (SITC Rev.3).

1.48. The main sources of China's imports in 2016 were EU-28, ASEAN and the Republic of Korea (Chart 1.2 and Table A1.4). During the review period, the shares of EU-28, ASEAN and Japan rose, while those of the Republic of Korea, the United States and Middle East declined.

Chart 1.2 Direction of merchandise trade, 2015 and 2016



a Includes goods that have been exported from China and thereafter re-imported into China.

Source: UNSD, Comtrade database.

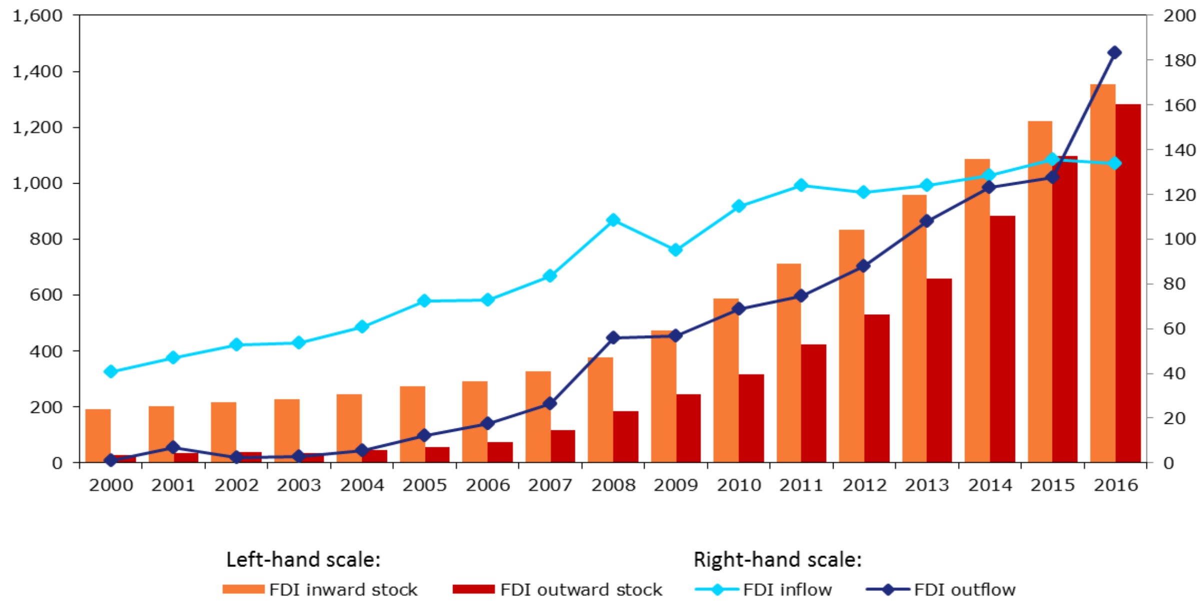
1.3.2 Trends and patterns in FDI

1.49. With a view to encouraging foreign direct investment (FDI), the Government has been gradually removing restrictions on such inflows through the further liberalization of the 11 existing pilot free-trade zones and a number of incentive schemes (Section 2.4). Additionally, the free trade accounts of the Pilot Free Trade Zone, which allow funds to be freely transferred to/from accounts outside mainland China[33], have been further expanded; the scope of qualifications has expanded to cover all technological innovation enterprises in Shanghai, and the cumulative amount financed through free trade accounts has reached RMB 1.1 trillion. The cross-border financing space for the enterprises and financial institutions in the Pilot Free Trade Zone has been further expanded, and the cross-border RMB innovation businesses have developed steadily. According to the authorities, China has implemented an overall macro-prudential management system for nationwide cross-border financing characterized by foreign and domestic currency integration. Reforms in foreign currency management, in areas such as relaxing the control over centralized operation and management of foreign exchange funds by multinational companies and the conditions of participating enterprises, have been pressed ahead with in an orderly manner.

1.50. China continues to be one of the largest recipients of FDI. FDI inflows have been growing for a number of years and the trend continued in 2016 (Chart 1.3). Investment in China was dominated by Hong Kong, China, which accounted for over 80% of FDI inflows, followed by the British Virgin Islands, Singapore and the Cayman Islands (Table A1.5). The major recipients of investment inflows were the manufacturing, real-estate, leasing and business services, and wholesale and retail trade sectors (Table A1.6).

Chart 1.3 Foreign direct investment, 2000-16

(US$ billion)



Source: UNCTAD, World Investment Report 2017 online information.

1.51. China remains a significant overseas investor. Outward FDI has also been trending upwards for a number of years; however, the increase has not been as pronounced as for inward FDI (although still large, outward FDI declined slightly in 2016 from 2015 levels). The main destinations for outward FDI are: Hong Kong, China; the United States; the Cayman Islands; and the British Virgin Islands (Table A1.7). The main sectors invested in are leasing and business services, banking, manufacturing and wholesale and retail trade (Table A1.8).

[33] Transfer of funds between free trade accounts and accounts in China is regarded as cross-border transactions.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. The National People's Congress (NPC) and its Standing Committee exercise the legislative power in China. The structure of the legislative power and the legislation (e.g. relationship between the Constitution and laws) has remained largely unchanged since China's previous Trade Policy Review.[1] The NPC elects the President and Vice-President of China.[2] In accordance with the Constitution, the President, in pursuance of the decisions of the Standing Committee of the NPC, ratifies or abrogates treaties and important agreements concluded with foreign States.[3] The State Council (the Central Government) is the executive body and the highest organ of state administration.[4]

2.2. On 18 August 2017, China established an internet court (E-court) in Hangzhou. The court has jurisdiction over internet-related first instance civil and administrative cases that are within the jurisdiction of the grassroots people's courts within Hangzhou.[5] According to the principle of "online trial of online cases", the court is to conduct prosecution, filing, testifying, court proceedings and referee processes via an online litigation platform so that parties may complete lawsuits without physically going to the court.

2.3. The drafting authorities are generally required to publish administrative laws, regulations, draft rules or relevant descriptions for public comments for at least 30 days, except for those deemed inappropriate by the authorities to be made public.[6]

2.4. All rules, normative documents and other policy measures formulated by various departments of the State Council and/or by local people's governments related to or affecting trade must comply with international trade rules, including the Marrakesh Agreement Establishing the WTO and its follow-up agreements, China's accession protocol and China's Working Party Report.[7] While the Constitution does not contain provisions concerning the relationship between international treaties/agreements and China's domestic legislation, the authorities state that, in practice, China has always abided by treaty obligations and transformed relevant provisions of international treaties into applicable domestic legislation through various means. The Civil Law states that if any international treaty concluded by China contains provisions differing from those in the law of China, the provisions of the international treaty shall apply, unless China has announced reservations on such provisions; international practice may apply to matters for which neither the law of China nor any international treaty concluded by China has any provisions.

2.5. China's trade-related laws, regulations and rules (including drafts published for comments) are published in the China Foreign Trade and Economic Cooperation Gazette, issued by the Ministry of Commerce (MOFCOM).

[1] WTO document WT/TPR/S/342/Rev.1, 12 October 2016.

[2] The President appoints or removes the Premier, Vice-Premiers, State Councillors, Ministers in charge of ministries or commissions, the Auditor-General and the Secretary General of the State Council in pursuance of the decisions of the NPC and its Standing Committee.

[3] The President also promulgates statutes in pursuance of the decisions of the NPC and its Standing Committee.

[4] Led by the Premier, the State Council is composed of Vice Premiers, State Councillors, Ministers in charge of ministries and Ministers in charge of commissions, the Auditor-General and the Secretary-General.

[5] They include: Internet shopping, services, microfinance loans and other contract disputes; Internet copyright ownership and infringement disputes; disputes infringing on the right of personality of others via Internet; Internet shopping product liability infringement disputes; Internet domain name disputes; and administrative disputes arising from Internet administration.

[6] Decision of the State Council on Amending the Regulations on the Procedure of Making the Administrative Laws and Regulations, and Decision of the State Council on Amending the Regulations on the Procedure of Making Regulations and Rules, issued on 22 December 2017 (to enter into force on 1 May 2018). Public comments can be submitted through the website of the Legislative Affairs Office of the State Council.

[7] State Council, Guo Ban Fa [2014] No. 29, Notice of the General Office of the State Council on Further Enhancing the Compliance of Trade Policies.

2.6. Administrative decisions may be challenged within six months by those that deem their legitimate rights to have been damaged.[8] Appeals can be made to a department at a higher level than the one that made the decision. There exist several independent administrative reconsideration commissions, on a pilot programme basis, in, for example, Beijing, Guangdong, Guizhou, Hainan, Heilongjiang, Henan, Jiangsu, and Shandong; the authorities are not aware of the total number of provinces that have established administrative reconsideration committees. Complaints from foreign-invested enterprises (FIEs) are dealt with by the Complaint Coordination Office for Foreign-Invested Enterprises and the National Complaint Centre for Foreign-Invested Enterprises, both under MOFCOM.[9] Between January 2016 and May 2017, seven complaints were filed by foreign investors.

2.2 Trade Policy Framework and Objectives

2.2.1 Institutional framework

2.7. Within the Central Government, the National Development and Reform Commission (NDRC) is in charge of formulating and implementing national economic and social development strategies, medium-to-long term plans, and annual plans. According to the authorities, the NDRC is also responsible for, *inter alia*: guiding, advancing and coordinating economic system reforms; and conducting research on major issues relating to economic system reforms and opening-up to the outside world.;. The responsibility of MOFCOM includes formulating development strategies and policies for domestic and foreign trade and international economic cooperation; drafting laws and regulations and departmental rules for domestic and foreign trade, foreign investment, and foreign economic cooperation; guiding overall work related to foreign investment; and formulating and implementing foreign investment policies and reform plans. The Ministries of: Agriculture, Environmental Protection, Finance, Industry and Information Technology, and Transportation are also involved in the formulation and implementation of trade policy in the areas under their responsibility. In recent years, the National Leading Group for Comprehensive Deepening Reform has lead, *inter alia,* financial and taxation reforms.

2.8. On 17 March 2018, a decision on the institutional restructuring plan of the State Council was adopted by the 13th National People's Congress. The plan states, *inter alia,* that the Ministry of Natural Resources, the Ministry of Ecological Environment, the Ministry of Agriculture and Rural Affairs, the Ministry of Culture and Tourism, and the National Health Commission will be established, and that the Ministry of Science and Technology and the Ministry of Justice will be restructured. Some other organs and functions of the State Council, such as the State Intellectual Property Office and national and local taxation systems, will be restructured, and the 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, and State Immigration Administration will be established.

2.2.2 Trade policy formulation and objectives

2.9. China's economic, trade, investment and development policies are outlined in a number of legal instruments, including the Five-Year Plan for National Economic and Social Development and different Catalogues that provide guidance on the implementation of the overall policies, listing, *inter alia:* those products that are subject to licences or import/export taxes; industries that can benefit from preferential treatment; and sectors in which investment is encouraged, restricted, or prohibited.

2.10. As stated in the 13th Five-Year Plan for Economic and Social Development, China's main trade and investment objectives are: (1) accelerating the optimization and upgrading of trade; (2) improving the utilization of foreign capital; and (3) promoting the steady and healthy development of outward investment.

[8] Administrative Procedure Law (in Chinese). Viewed at: http://www.npc.gov.cn/wxzl/gongbao/2014-12/23/content_1892467.htm [27.03.2018].

[9] MOFCOM Decree 2006/2, 1 October 2006 (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/200609/20060903283275.shtml [18.09.2017].

2.11. China considers that the Multilateral Trading System (MTS) plays a leading role in China's process of opening up, and regional trade agreements (RTAs) are viewed as a complement to the MTS. According to the authorities, the Chinese leadership recently indicated that its economic development had entered into a new stage by shifting "from speed to quality"; China would continue liberalizing its market further, and aim to achieve "more open, inclusive, and balanced" development in which benefits can be shared by all.[10]

2.12. In order to further liberalize the domestic market, China intends to focus on: the modernization of existing industries; the development of clean and knowledge-based industries; and the services sector.

2.13. According to the authorities, China remains concerned about overcapacity in certain industries, energy conservation, and the protection of the environment. In this respect, the 2017 Catalogue for the Guidance of Foreign Investment Industries (Investment Catalogue) encourages foreign investment in those sectors that conform to China's industrial structure adjustment and "China Manufacturing 2025" strategy[11] (Section 4.3).

2.14. Through the expansion of the Pilot Free Trade Zone (PFTZ), launched in Shanghai in 2013, and the establishment of other PFTZs (in Fujian, Guangdong, and Tianjin in 2015 and in Chongqing, Henan, Hubei, Liaoning, Sichuan, Shanxi, and Zhejiang in 2017), China is exploring, *inter alia*, the establishment of a new foreign investment regulatory framework, based on granting pre-establishment national treatment (i.e. no approval required at the time of establishment) to foreign investment in activities not included in a "negative list" (see below), and eventually applying successful experiences nationwide.

2.15. China continues to promote its "Going Abroad Policy", as outward direct investment is considered a way to promote trade, as well as to integrate into global production, value, and logistics chains. The Belt and Road Initiative, announced in 2014, aims at, *inter alia*, promoting connectivity and cooperation through the development of infrastructure among countries on the original Silk Road through Central Asia, West Asia, the Middle East and Europe.[12]

2.16. The 2013 Decision on Major Issues Concerning Comprehensively Deepening Reforms continued to shape China's trade and investment policies during the period under review mainly on judicial reforms.[13]

2.17. More recently, in April 2017, the State Council issued the Priority Tasks on Deepening Economic Reform, which indicate China's intention to deepen economic reforms through supply-side structural reform, particularly in areas such as delegating power, streamlining administration, state-owned enterprises and state-owned assets, fiscal policy, taxation and finance.[14] Furthermore, at the meeting of the Chinese Communist Party's Central Committee (26 June 2017)[15], China's leaders stated their intention to implement a more proactive strategy of opening up and attracting foreign investment and foreign technologies. At the meeting, several "opinions" or "plans" were examined and adopted. These included: (a) Implementation Plan for Restructuring of Central-Government Enterprises; (b) Opinions on Improving the Safety of Overseas Enterprises and Foreign Investment; (c) Plan on the establishment of the Internet Court in Hangzhou; (d) Summary Report on the Progress of China (Guangdong), China (Tianjin) and China (Fujian) Pilot Free Trade Zones.

[10] Xi Jinping, "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Greater Success of Socialism with Chinese Characteristics for a New Era", delivered at the 19th National Congress of the Communist Party of China, 18 October 2017. Viewed at: "http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf [28.03.2018].

[11] Also known as "Made in China 2025".

[12] Chinese Government online information. Viewed at: http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm [20.09.2017].

[13] WTO document WT/TPR/S/342/Rev.1, 12 October 2016.

[14] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2017-04/18/content_5186856.htm [25.08.2017].

[15] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/xinwen/2017-06/26/content_5205603.htm [25.08.2017].

2.18. According to the authorities, there has been no change since the previous review in China's central-provincial relationships in the context of the institutional framework related to trade policy and practices.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.19. China has been a WTO Member since 11 December 2001. China's trade policies have been reviewed six times; the previous Review took place in July 2016. China is an observer to the Committee on Government Procurement and is in the process of negotiating its accession to the Plurilateral Agreement on Government Procurement. China presented its fifth offer to the Committee in December 2014.[16] The country is a participant in the Information Technology Agreement (ITA) and has agreed on the expansion of the ITA.[17] It is an observer to the Plurilateral Agreement on Trade in Civil Aircraft. China deposited its instrument of acceptance of the Protocol of Amendment inserting the Agreement on Trade Facilitation (TFA) into Annex 1A of the WTO Agreement on 4 September 2015. China notified its Category A commitments in June 2014, and its Category B commitments in June 2017. China does not have any Category C commitments (Section 3.1.1).

2.20. At the Eleventh Ministerial Conference, the Chinese delegation remarked that the 19th National Congress of the Communist Party of China (CPC) held in October 2017 established the Chinese leadership's thoughts on socialism with Chinese characteristics for the new era; the report delivered at the National Congress states that China supports the multilateral trading system and promotes the development of an open global economy.

2.21. During the period under review, China submitted to the WTO a number of notifications covering a wide range of agreements (Table A2.1). Nonetheless, some notifications including those on state-trading enterprises, domestic support, and subsidies provided by the Central Government remain pending.

2.22. Under the WTO dispute settlement system, between 1 January 2016 and 31 March 2018, China was involved in six cases as a respondent, and two as a complainant (Table A2.2). China was also involved as a third party in ten cases brought to the Dispute Settlement Body (DSB).

2.3.2 Regional trade agreements and unilateral measures

2.23. The authorities state that the strategy of accelerating the implementation of free trade agreements (FTAs) is an important element of China's new round of trade liberalization. Since 2002, China has signed 16 FTAs with 24 countries or regions, including: ASEAN; Australia; Chile; Costa Rica; Georgia; Hong Kong, China; Iceland; the Republic of Korea; Macao, China; Maldives; New Zealand; Pakistan; Peru; Singapore; Switzerland and Chinese Taipei.

2.24. According to the statistics of the General Administration of Customs of China (GACC), in 2016, the trade volume between China and its FTA partners amounted to 38.8% of the total foreign trade volume of China (including: Chinese Taipei; Hong Kong, China; and Macao, China), and 25.4% (excluding: Chinese Taipei; Hong Kong, China; and Macao, China). In 2016, RMB 42.2 billion of duty was exempted or reduced when Chinese enterprises imported products from the FTA partners. Table 2.1 further details these exemptions or reductions by agreement.

[16] WTO document GPA/ACC/CHN/45, 5 January 2015.
[17] WTO document WT/L/956, 28 July 2015.

Table 2.1 Duty reductions and exemptions under China's respective free trade agreements in 2016

Agreement	Duty reductions and exemptions (RMB 100 million)
China-ASEAN Free Trade Area	256
Economic Cooperation Framework Agreement	50
China-New Zealand Free Trade Agreement	27
China-Australia Free Trade Agreement	23
China-Chile Free Trade Agreement	17
China-Republic of Korea Free Trade Agreement	8
China-Singapore Free Trade Agreement	8
Asia-Pacific Trade Agreement	7
Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)	5
China-Switzerland Free Trade Agreement	4
China-Pakistan Free Trade Agreement	2
China-Peru Free Trade Agreement	2
Zero Tariff Measures for Agricultural Products from Chinese Taipei	1
China-Iceland Free Trade Agreement	0.2
China-Costa Rica Free Trade Agreement	0.1
Mainland and Macao Closer Economic Partnership Arrangement (CEPA)	4.5
Total	411

Source: Information provided by the authorities of China.

2.25. According to the authorities, as the next step, China intends to construct a high-standard FTA network starting with neighbouring countries, extending to the countries participating in the Belt and Road Initiative and opening up to the whole world. China intends, together with free trade partners, to continue to reduce tariff and non-tariff barriers, to mutually open up trade-in-goods and to strive for mutual benefits and win-win outcomes. Meanwhile, China intends to actively open up trade in services and areas of investment, promote facilitation and liberalization of trade in services and investment, and create better market access and investment protection conditions for Chinese investors that "go global".

2.26. New FTAs signed during the period under review are the China-Georgia FTA signed in May 2017 and the China-Maldives FTA signed in December 2017. Table 2.2 provides the main trade data related to these two agreements.

Table 2.2 Summary data of the FTAs between China and Georgia and between China and the Maldives

Summary data of the FTAs involving China				
China-Georgia Free Trade Agreement				
Parties	China and Georgia			
Date of signature/entry into force	13 May 2017/1 January 2018			
Transition for full implementation	**Category**	**% of tariff lines**		**Transition period (upon entry into force)**
		China	**Georgia**	
	A	90.9	96.5	Upon entry into force
	B	3	0	5 years
	C	6.1	3.5	Excluded from liberalization
Main products excluded from liberalization	Durum wheat, maize seed, seed of durum wheat, yellow soya beans, rolled or flaked oats, potato starch, granulated sugar, formula milk powder, cigarettes containing tobacco, cigars, cheroots & cigarillos containing tobacco, etc.			
Merchandise trade (2016)	Imports from Georgia: US$170 million. Exports to Georgia: US$547 million			
Related WTO documents	Not yet notified			
Other subjects covered	Services, IPR, competition, e-commerce, investment, horizontal legal and institutional provisions (including dispute settlement).			
Relevant websites	http://fta.mofcom.gov.cn http://www.mfa.gov.ge/Home.aspx?lang=en-US			
China-Maldives Free Trade Agreement				
Parties	China and Maldives			
Date of signature/entry into force	7 December 2017/Not yet in force			

Summary data of the FTAs involving China				
Transition for full implementation	**Category**	**% of tariff lines**		**Transition period (upon entry into force)**
		China	**Maldives**	
	A	91.1	70.3	Upon entry into force
	B	4.3	20.3	5 years
	C	0	5.0	8 years
	E	4.6	4.4	Excluded
Main products excluded from liberalization	For China: rice, wheat, cotton, edible, oils, sugar, tobacco, wood, papers, etc. For Maldives: fishery products, pig meat products, wines, cigarettes, liquors, etc.			
Merchandise trade (2016)	Imports from Maldives: US$0.24 million Exports to Maldives: US$320 million			
Related WTO documents	Not yet notified			
Other subjects covered	Services, investment			
Relevant websites	http://fta.mofcom.gov.cn http://www.trade.gov.mv/			

Source: WTO Secretariat and information provided by the authorities of China.

2.27. Currently, China is negotiating seven FTAs, namely the Regional Comprehensive Economic Partnership Agreement, the China-Japan-Republic of Korea FTA, the China-Gulf Cooperation Council FTA, the China-Sri Lanka FTA, the China-Israel FTA, the China-Norway FTA and the China-Mauritius FTA. In addition, China is negotiating a second phase for three of its FTAs namely the China-Pakistan FTA, the China-Singapore FTA and the China-New Zealand FTA. Meanwhile, revisions to the China-Pakistan, China-Singapore, China-Chile, China-New Zealand FTAs are under negotiation.

2.28. Regarding the relationship with Hong Kong, China, a new Closer Economic Partnership Arrangement (CEPA) Investment Agreement between the mainland and the Hong Kong Special Administrative Region (SAR) was signed on 28 June 2017; it has been implemented since 1 January 2018. The agreement includes investment access, protection and promotion. In terms of investment access for the areas not included in the CEPA Trade in Services Agreement (such as manufacturing), the mainland is open to the Hong Kong SAR through the negative list with 26 non-conforming measures. Further opening measures are stipulated for ship manufacturing, aircraft manufacturing, resource and energy exploitation and financial market investment vehicles. The Hong Kong SAR will be granted most-favoured treatment in investment areas where the agreement applies. The mainland and the Hong Kong SAR offer each other investment protection in terms of expropriation, compensation and transfer. The agreement includes a specific investor-to-government dispute resolution system.

2.3.3 Other agreements and arrangements

2.29. China continues to grant unilateral preferences to least developed countries (LDCs). According to the authorities, by the end of 2017, China had granted duty-free treatment to 36 LDCs, as per arrangements of diplomatic notes, on 97% of the tariff lines; 3 LDCs on 94% of the tariff lines; and the remaining 1 LDC on 61% of the tariff lines. During the review period, Samoa was removed from the list of the LDCs to which China granted unilateral preferences on 1 January 2017, and Equatorial Guinea was removed from the list on 4 June 2017[18]; The Gambia and Sao Tome and Principe started receiving duty-free treatment in 2017.

2.4 Investment Regime

2.4.1 Regulatory framework and market access

2.30. The main legislation regulating foreign direct investment in China includes: the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures, and the Law on Foreign-Invested Enterprises, as well as their related administrative regulations and rules. Foreign invested enterprises in China are regulated by these laws, regulations and rules as well as the

[18] After the approval of the State Council, the newly graduated LDCs are granted duty-free treatment for three years as a transitional period.

Company Law.[19] According to the authorities, MOFCOM and related departments are in the process of drafting a new law on foreign investment.

2.31. On 3 September 2016, the Standing Committee of the NPC adopted amendments to four laws including the Law on Foreign-Invested Enterprises; the amendment entered into force on 1 October 2016.[20] The amendment concerned the adoption of record-filing administration for foreign-invested enterprises that are not subject to the Special Administrative Measures for Foreign Investment Access (investment negative list) (see below).[21] The investment negative list adopted on 8 October 2016 includes investment classified in the restricted and prohibited categories.

2.32. The Catalogue of Industries for the Guidance of Foreign Investment (Investment Catalogue) continues to serve as the main instrument used to guide FDI in China. The most recent revision to the Catalogue took place in 2017.[22] The 2017 Catalogue contains: (1) a list of industries where FDI is encouraged; and (2) the investment negative list, which contains a list of industries where FDI is, *inter alia,* restricted or prohibited.[23] Projects in the encouraged category are eligible for preferential treatment, for example, customs duty exemptions for the importation of equipment.

2.33. As of October 2016, foreign-invested enterprises (FIEs) investing in projects in the restricted category of the negative list must undergo an examination and approval process. Foreign direct investment in industries and projects that are not specified in the list require record-filing. According to the authorities, the negative list is to be implemented nationwide, in principle; exceptions include measures related to national security and financial prudence. The 2017 Catalogue continues to state that the provisions stipulated in any of the preferential and free trade agreements signed by China shall prevail over the Catalogue. The 2017 Catalogue has been in force since July 2017 and replaced the 2015 Investment Catalogue.

2.34. The main differences between the 2017 Catalogue and the 2015 Catalogue are highlighted in Box 2.1, Table A2.3, and Table A2.4. The 2017 Catalogue removed the requirement that Chinese shareholders must hold a dominant position regarding, *inter alia,* accounting and auditing, foreign shipping tally, manufacturing of power battery for new energy vehicles, processing of edible oil and fats, and production of biological liquid fuels. Certain activities that had been classified under the "encouraged" category entailing certain shareholding and senior management composition requirements in 2015 have been reclassified into the negative list in the 2017 Catalogue. The 2017 Catalogue intends to encourage FDI in, *inter alia,* advanced manufacturing, high technology, the energy saving and environmental protection industry, and the modern services industry. The authorities indicate that items restricted or prohibited for both foreign and domestic investment no longer appear in the 2017 Investment Catalogue; the removal of such items does not mean they are open to foreign investment.

[19] Company Law (Revised in 2013). Invest in China online information. Viewed at: http://www.fdi.gov.cn/1800000121_39_4814_0_7.html [19.09.2017].

[20] National People's Congress online information (in Chinese). Viewed at: http://www.npc.gov.cn/npc/xinwen/2016-09/03/content_1996747.htm [12.09.2017].

[21] On 8 October 2016, the Ministry of Commerce formulated and introduced the Interim Measures for the Establishment and Modification of Registration of Foreign-Invested Enterprises, which *inter alia* provides the details of online filing procedures. MOFCOM online information (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/201610/20161001404974.shtml [13.09.2017]. On 30 July 2017, the Decision on the revision of the Interim Measures for the Establishment and Modification of Registration of Foreign-Invested Enterprises (MOFCOM Order (2017) No. 2) was issued; the order aimed at promoting reforms in the administrative systems of foreign investment and highlighted the orientation of streamlining administration and decentralizing powers. MOFCOM online information (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/201707/20170702617582.shtml [30.01.2018].

[22] MOFCOM and NDRC, Catalogue for the Guidance of Foreign Investment Industries 2017 (2017 Amendment Order), Guo Fa [2017] No. 4 (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/201706/20170602600841.shtml [04.04.2018]. The previous version was issued in 2015. MOFCOM online information. Viewed at: http://www.mofcom.gov.cn/article/b/c/201503/20150300911747.shtml [04.04.2018].

[23] In general, projects in the "encouraged" category (those that the authorities are interested in promoting) are those that use improved technology and are less polluting, while "restricted" industries are those deemed to employ outdated technologies, over-exploit scarce natural resources or harm the environment. The "prohibited" category includes projects that pollute the environment, destroy natural resources or go against social and public interests.

Box 2.1 Summary of main changes in the 2017 Investment Catalogue

Encouraged Category

(1) Activities removed from the encouraged category:

Manufacturing:
1. Manufacturing of equipment for railway transportation (limited to equity joint ventures or contractual joint ventures)
2. Manufacturing of light gas-turbine engine
3. Manufacturing and maintenance of marine engineering equipment (including modules, Chinese part shall hold the majority of shares)
4. Manufacturing of crankshafts of low and mid speed for diesel engine for vessels (Chinese part shall hold the majority of shares)
5. Manufacturing of large pumped-storage aggregate with the nominal power of 350MW or above: pump turbine and speed controller, large speed-variable reversible pump turbines, generator motor and such accessory equipment as excitation and starting device

Services:
1. Accounting and auditing (chief partner must have Chinese nationality)
2. Construction and operation of key water control projects for comprehensive utilization (Chinese partner shall hold the relative majority of shares)

(2) Activities added to the encouraged category:

Manufacturing:
1. Manufacturing of intelligent emergency medical equipment
2. Manufacturing of hydrological monitoring sensor
3. Research, development and manufacturing of virtual reality (VR) and augmented reality (AR) equipment
4. Research, development and manufacturing of key components of 3D printing equipment

Energy:
1. Construction and operation of hydrogen refuelling station

Services:
1. Construction and operation of urban parking facilities

Restricted Category/Restrictive Measures

(1) Activities removed from the restricted category:

Energy:
1. Construction and operation, in small grids, of power plants using coal-fired and steam condensation thermal generator sets with a single generator capacity of 300,000 kW or less, and thermoelectric power stations using coal-fired, steam condensation and extraction thermal generator sets with a single generator capacity of 100,000 kW and less

Services:
5. Construction and operation of large theme parks

(2) Activities removed from the restricted category as a result of removal of access restrictions to foreign investment:

Mining:
1. Prospecting and exploration of unconventional oil resources such as oil shale, oil sand and shale gas (applicable to equity joint ventures or contractual joint ventures)
2. Exploration and mining of noble metals (gold, silver and platinum group)
3. Mining and mine selection of lithium mines

Manufacturing:
1. Production and research and development of automobile electronic network technology, EPS electronic controller (applicable to equity joint ventures)
2. Manufacturing of energy power battery (energy density of 110 Wh/kg or above, cycle life of 2,000 or more times) – requirement that foreign investment should not exceed 50%
3. Manufacturing of equipment for railway transportation (applicable to equity joint ventures or contractual joint ventures)
4. Manufacturing and maintenance of marine engineering equipment (including modules) – requirement that the Chinese part shall hold the majority of shares
5. Manufacturing of crankshafts of low and mid speed for diesel engine for vessels – requirement that the Chinese part shall hold the majority of shares
6. Design and manufacturing of civil satellites, and manufacturing of civil satellites effective payload – requirement that the Chinese part shall hold the majority of shares
7. Processing of edible oil of soybean, rapeseed, peanut, cottonseed, tea seed, sunflower seed, and palm – requirement that the Chinese part shall hold the majority of shares, and processing of rice, flour and raw sugar, and deep processing of corn

8. Manufacturing of biological liquid fuel (fuel ethanol and bio-diesel)
9. Smelting of rare metals including molybdenum, tin (excluding tin compounds), and antimony (including antimony oxides and antimony sulphides)
10. Manufacturing of motorcycles (share of Chinese partner is no less than 50% and the same foreign company can set up equal to or less than two joint ventures manufacturing the same kinds of vehicles (motorcycles) in China)
11. Credit investigation and rating service companies

Services:
1. Accounting or auditing – requirement that chief accounting or auditing partner must have Chinese nationality
2. Construction and operation of key water control projects for comprehensive utilization – requirement that Chinese partner shall hold the relative majority of shares
3. Highway passenger transport companies
4. Construction and operation of large wholesale market of agricultural products
5. Ocean shipping tally companies (limited to Sino-foreign joint equity/cooperative joint venture operations)

Prohibited Category

(1) Activities removed from the prohibited category:

Manufacturing:
1. Processing of traditional Chinese medicines that have been listed in the Regulations on Conservation and Management of Wild Chinese Medicinal Material Resources and Rare and Endangered Plants in China
2. Ivory carving
3. Tiger bone processing

Energy:
1. Construction and management of conventional coal-fired power of condensing steam plants whose unit capacity is not more than 300,000 kW, within a large power grid, and the coal fired power of condensing-extraction steam plants with dual use unit condensation with unit capacity of not more than 200,000 kW

Services:
1. Construction and management of nature reserves and internationally significant marsh land
2. Construction of golf courses and villas
3. Projects that endanger the safety and performance of military facilities

(2) Activities added in the prohibited category:

1. Measurement of ground motion
2. Editing of books, newspapers, periodicals, audio-visual products and electronic publications
3. Broadcast (TV) video on demand services and installation services of signal-receiving facilities
4. Digital news and information services, and Internet public release information service
5. Research institutes of social sciences

Source: Catalogues of Industries for the Guidance of Foreign Investment (2015 and 2017 versions) and information provided by the authorities of China.

2.35. The authorities indicate that the Government has never made, through existing Chinese laws, regulations and policies, technology transfer a precondition for inward FDI, or issued any laws, regulations, or policies obligating investors to transfer their technologies.[24]

2.36. The State Council has also been developing a Market Access Negative List, which applies to both domestic and foreign companies; the latest of such a list was issued on 2 March 2016.[25] The list applies on a trial basis to 15 municipalities and provinces including Tianjin, Shanghai, Fujian and Guangdong. According to the authorities, the list will be applicable throughout the country in 2018. While the investment negative list only applies to foreign investors, the Market Access Negative List applies to both domestic and foreign investors. When investing in China, a foreign investor must first meet the requirements of the negative list in the Investment Catalogue, and then the Market Access Negative List.

[24] Nonetheless, some Members raised concerns about China's reported *de facto* technology transfer requirements. WTO documents WT/TPR/M/342, 26 September 2016 and WT/TPR/M/342/Rev.1, 28 October 2016. Some Members raised concern over China's technology licensing requirements in the Council for Trade in Goods on 26 March. WTO online information. Viewed at: https://www.wto.org/english/news_e/news18_e/good_28mar18_e.htm.

[25] NDRC online information (in Chinese). Viewed at: http://www.ndrc.gov.cn/gzdt/201604/W020160412311161765167.pdf [15.09.2017].

2.37. Concerning measures applicable to foreign-invested firms and projects in Pilot Free Trade Zones, the Special Administrative Measures for Foreign Investment Access to Pilot Free Trade Zones (PFTZs Negative List) was revised in 2017 (Section 3.2.4).[26] The authorities consider that the PFTZs Negative List has significant advantages over the 2017 Investment Catalogue in terms of, *inter alia*, openness and transparency in that the PFTZs Negative List has a higher opening level than the Investment Catalogue in mining, manufacturing, transportation, commercial services and the financial sector.

2.38. FDI in the form of mergers and acquisitions (M&As) is subject to anti-trust reviews[27], which are intended to assess their impact on the market (Section 3.1.6). Guidelines to assess the impact of anti-trust reviews, issued in 2011, are in force.[28] During the period under review, several guiding documents were issued, including the Guiding Opinions on Standardization of Names of Applications of the Concentration of Undertakings[29], issued on 14 February 2017, with a view to providing clear guidance for the parties involved and enhancing the predictability of enforcement.[30] In addition, according to the authorities, procedures for reviews were adjusted in 2015; the case-handling department and office are now respectively responsible for case acceptance and review, aiming at improving the professional level of the review.

2.39. FDI involving investments in Chinese domestic enterprises may be subject to national security reviews if the FDI is related to defence, or is deemed to have an influence on national security (Section 3.3.4). Relevant legislation remained largely unchanged during the period under review. The authorities state that no FDI applications have been denied for approval since 2015.

2.40. China has signed bilateral investment agreements with 131 regions and countries; among these, the bilateral agreement between China and Indonesia was terminated in 2016.[31]

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[26] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2017-06/16/content_5202973.htm [14.09.2017].

[27] The administrative regulations with regard to FDI involving M&As include: Article 31 of the Anti-Monopoly Law, 1 August 2008 (in Chinese) – viewed at: http://www.gov.cn/flfg/2007-08/30/content_732591.htm. [15.09.2017]; Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators, 3 August 2008 (in Chinese) – viewed at: http://www.gov.cn/zwgk/2008-08/04/content_1063769.htm [15.09.2017]; the Regulations on Mergers and Acquisition of Domestic Enterprises by Foreign Investors, 22 June 2009 (in Chinese) – viewed at: http://www.mofcom.gov.cn/article/b/f/200907/20090706416939.shtml [15.09.2017]; Measures on the Examination of Concentrations of Undertakings, 1 January 2010 (in Chinese) – viewed at: http://fldj.mofcom.gov.cn/article/c/200911/20091106639145.shtml [19.09.2017]; Measures on the Notification of Concentrations of Undertakings, 1 January 2010 (in Chinese) – viewed at: http://fldj.mofcom.gov.cn/article/c/200911/20091106639149.shtml [19.09.2017]; and the Provisions on National Security Review of Acquisitions of Domestic Enterprises by Foreign Investors, 1 September 2011 (in Chinese) – viewed at: http://www.mofcom.gov.cn/aarticle/b/c/201108/20110807713530.html [19.07.2017].

[28] The Interim Provisions on the Assessment of the Impact of Concentration of Undertakings on Competition, 5 September 2011. Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zwgk/2011-09/02/content_1939083.htm [18.09.2017].

[29] MOFCOM Anti-Monopoly Bureau online information (in Chinese). Viewed at: http://fldj.mofcom.gov.cn/article/c/201702/20170202514617.shtml [18.09.2017].

[30] In addition, in November 2015, Supervision Trustee Model Text was issued. MOFCOM Anti-Monopoly Bureau online information (in Chinese). Viewed at: http://fldj.mofcom.gov.cn/article/c/201511/20151101196166.shtml [18.09.2017].

[31] These are: Albania, Algeria, Argentina, Armenia, Australia, Austria, Azerbaijan, the Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Brunei Darussalam, Bulgaria, Cabo Verde, Cambodia, Cameroon, Canada, Chad, Chile, Colombia, Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Costa Rica, Croatia, Cuba, Cyprus, the Czech Republic, Denmark, Djibouti, Ecuador, Egypt, Estonia, Ethiopia, Finland, France, Gabon, Georgia, Germany, Ghana, Greece, Guinea, Equatorial Guinea, Guyana, Hungary, Iceland, India, Indonesia, Iran, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, the Democratic People's Republic of Korea, the Republic of Korea, Kuwait, Kyrgyz Republic, Lao PDR, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Madagascar, Malaysia, Mali, Malta, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Myanmar, Namibia, the Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Papua New Guinea, Peru, the Philippines, Poland, Portugal, Qatar, Romania, the Russian Federation, Saudi Arabia, Serbia, Seychelles, Sierra Leone, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Syria, Tajikistan, Tanzania, Thailand, The former Yugoslav Republic of Macedonia, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, the United Arab Emirates, the United Kingdom, Uruguay, Uzbekistan, Vanuatu, Viet Nam, Yemen, Zambia, and Zimbabwe.

2.4.2 Examination and approval procedures

2.41. As described above, the establishment of or changes in foreign-invested enterprises (FIEs) investing in foreign-invested projects (FIPs)[32] that are not specified in the investment negative list are subject to a record-filing procedure via an integrated foreign investment management information system.[33] Foreign investment partnerships are required to register with the Department of Industry and Commerce; no approval is required. Registration requirements with SAIC are the same as those for domestic enterprises, but may vary slightly depending on the activity. Corporations are registered in accordance with the Company Law, while partnerships are registered in accordance with the Partnership Law and other measures.[34] Provisions regarding capital requirements under the Company Law, last amended in 2013, have remained largely unchanged since China's previous review.

2.42. Procedures and requirements for the approval and record-filing of FIPs are stipulated in a 2014 NDRC document.[35] In addition to requirements under the Investment Catalogue, projects subject to approval are those listed in the Catalogue of Investment Projects Subject to Government Approval.[36] To obtain approval, an investment project must be examined, and a number of conditions must be met, including those related to the environmental impact of the project and to land use.

2.43. Record-filing requires an applicant to establish an enterprise; apply for a business licence; register with the authorities concerning, *inter alia,* taxation, customs, foreign exchange and the pertinent regulatory bodies; and submit the required documents to the local government authorities.[37] Record-filing is handled by the competent local authorities. If local authorities consider that a FIP does not qualify for record-filing, the relevant authority must issue a written opinion specifying the reasons for the decision within seven working days.[38] According to the authorities, FIPs are subject to basically the same requirements as domestic investors when filing for an investment project.

2.44. The latest version of the Catalogue of Investment Projects Subject to Government Approval was issued in December 2016. The Catalogue indicates in which instances FIPs are subject to approval and the authorities in charge of undertaking the procedure.[39] Depending on the amount

[32] FIPs are defined as: equity/cooperative joint ventures, wholly foreign owned enterprises and foreign investment partnerships, as well as foreign enterprises merging with domestic enterprises, new investments in a foreign-invested enterprise and reinvestments by foreigners. See Article 2 of the Administrative Measures for the Approval and Record-Filing of Foreign-Invested Projects (FIPs), NDRC [2014] No. 12. Viewed at: http://www.sdpc.gov.cn/zcfb/zcfbl/201405/W020140521524444536751.pdf [18.09.2017].

[33] MOFCOM online information (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/201610/20161001404974.shtml [13.09.2017], and the National People's Congress online information (in Chinese). Viewed at: http://www.npc.gov.cn/npc/xinwen/2016-09/03/content_1996747.htm [01.09.2017].

[34] The Measures for the Administration of the Establishment of Partnership Enterprises in the Territory of China by Foreign Enterprises or Individuals. Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zwgk/2009-12/02/content_1478238.htm [18.09.2017].

[35] The Administrative Measures for the Approval and Record-Filing of Foreign-Invested Projects (FIPs), NDRC [2014] No. 12. NDRC online information (in Chinese). Viewed at: http://www.sdpc.gov.cn/zcfb/zcfbl/201405/W020140521524444536751.pdf [18.09.2017]; and Decision on Revising Certain Articles of the Administrative Measures for the Verification and Approval and Record-Filing of Outbound Investment Projects and the Administrative Measures for the Verification and Approval and the Record-Filing of Foreign Investment Projects, NDRC [2014] No. 20. NDRC online information (in Chinese). Viewed at: http://www.sdpc.gov.cn/gzdt/201501/W020150115586334332592.pdf [18.09.2017].

[36] State Council Circular, Guo Fa [2014] No. 53. Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2014-11/18/content_9219.htm [18.09.2017]. State Council Circular, Guo Fa [2016] No. 72. Chinese Government online information (in Chinese). Viewed at http://www.gov.cn/zhengce/content/2016-12/20/content_5150587.htm [18.09.2017].

[37] These documents include: the description of the project and investors, the supporting documents to register an enterprise; the letter of investment intent; and the relevant resolution of the board of directors in the case of a project to increase capital or an M&A project (Article 18 of NDRC Notice [2014] No. 12).

[38] Article 20 of NDRC Notice [2014] No. 12.

[39] The Catalogue also stipulates the verification requirements for outward investment (Article 11 of the Catalogue of Investment Projects Subject to Government Approval (2016 Version). Guo Fa [2016] No. 72).

invested or location of the project, approval is granted by various agencies (Table 2.3).[40] Under the latest Catalogue, provincial governments may approve restricted projects funded by foreign investment of up to US$300 million (compared with US$100 million previously). The Catalogue also revoked approval requirement for 2 items and delegated approval authority to local governments for 15 items; it lists specific projects that require approval of the Government for both domestic and foreign enterprises in such areas as: agriculture, energy, transportation, information technology, raw materials, manufacturing of machinery, light manufacturing, high and new technology and construction in urban areas. In the case of projects involving "serious" overcapacity, including steel, electrolytic aluminium, cement, sheet glass and vessels, the approval process is outlined in a specific piece of legislation.[41] The authorities state that in accordance with requirements of existing policies, projects designed to expand capacity in any of these sectors are strictly prohibited.

Table 2.3 Foreign direct investment subject to approval, 2017

Investment category	Threshold and ownership requirement	Approving agency
Restricted	Less than US$300 million	Government at the provincial level
	US$300 million or above	NDRC
	US$2 billion or above	NDRC (approval) State Council for record-filing

Source: Guo Fa [2016] No. 72.

2.45. According to the authorities, FIP applications are usually approved as long as they have no negative impact on national security, the environment or public interest, and they comply with the relevant laws, regulations, catalogues, plans and industrial policies.[42]

2.46. The pilot reform of the foreign investment system through the establishment of pilot free trade zones, which was initiated in 2013 through the establishment of the China (Shanghai) Pilot Free Trade Zone (CSPFTZ), was expanded in 2017 to 7 other pilot free trade zones (PFTZ) in Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan and Shaanxi; currently there are 11 FTZs in China. The foreign investment access in all of the eleven FTZs is based on the Special Administrative Measures for Foreign Investment Access to Pilot Free Trade Zones (2017 PFTZs Negative List).[43] The List provides an outline of those sectors in which foreign investment is restricted or prohibited, and replaced the 2015 Negative List.[44] For all industries not listed in this document, foreign investors will receive treatment similar to domestic companies with regard to the establishment and approval requirements and process.[45] Except for the incorporation procedures regulated by the Company Law, foreign investors are not subject to government approval.

2.47. The 2017 PFTZs Negative List enumerates 95 prohibited or restricted areas (compared with 122 in the 2015 PFTZs Negative List). The changes made in the 2017 PFTZs Negative List include reducing the number of sectors that are restricted or prohibited to foreign investors and reducing the number of industries where foreign investors can only participate through a joint venture with

[40] The agencies in charge of approval, as well as the requirements to obtain approval, are listed in the Catalogue.

[41] Guidance Opinions on Resolving Serious Production Overcapacity Conflicts, Guo Fa [2013] No. 41.

[42] Article 16 of NDRC Notice [2014] No. 12. These include the Catalogue for the Guidance of Foreign Investment Industries and the Catalogue of Priority Industries for Foreign Investment in the Central-Western Regions of China.

[43] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2017-06/16/content_5202973.htm [18.09.2017]. 10 entries and 27 measures were eliminated from the previous list and restrictions in some sectors including transportation, commercial services, finance, the manufacturing industry and the mining industry were relaxed.

[44] Notice of the General Office of the State Council on Special Management Measures for the Market Entry of Foreign Investment in the Pilot Free Trade Zone (Negative List), 8 April 2015, Guo Ban Fa [2013] No. 23. Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2015-04/20/content_9627.htm [19.09.2017].

[45] This means that they do not require government approval and, instead, they are subject to a simplified filing procedure, in addition to the incorporation procedure required by the SAIC. Under the new Record-Filing Measures, this procedure must be completed within 30 days of the company's incorporation, or within 30 days of the filing of contracts and articles of association of the foreign-funded enterprise.

a Chinese company or require a minimum amount of Chinese equity participation. Compared with the 2015 PFTZs Negative List, certain provisions have also been removed. These include the prohibition of foreign investors from investing in internet access service establishments, and the requirement that Chinese parties must have a controlling stake in manufacturing of certain diesel engines and crank shafts.

2.48. Since 2013, the State Council has issued three plans for the Shanghai Pilot Free Trade Zone. They are: (1) the 2013 Overall Plan for China (Shanghai) Pilot Free Trade Zone; (2) the 2013 Further Deepening Reform and Open-up Plan for China (Shanghai) Pilot Free Trade Zone; and (3) the 2017 Comprehensively Deepening Reform and Open-up Plan for China (Shanghai) Pilot Free Trade Zone, which was issued on 30 March 2017.[46] These plans are currently all in effect. According to the authorities, the 2017 Plan aims to build the zone in such a way that, *inter alia,* it complies with international standards, featuring rules-based free investment and trade with a favourable business environment.

2.49. The 2015 State Council Circular on Distributing the Trial Measures on National Security Review of Foreign Investment in the Pilot Free Trade Zones continues to be in force with a view to ensuring control over potential national security risks.[47] The Circular clarifies standards for conducting security reviews of foreign investment that may affect national security or involve sensitive investors, as well as acquisition targets, and industries and technology.

2.50. Under the FTZ pilot rules, investments by foreign companies will be strictly reviewed if they involve a controlling stake of businesses related to: the military fields, key agricultural products, energy and resources, infrastructure, transportation, culture, IT products and services, core technology, and equipment manufacturing related to national security. The review applies not only to foreign M&As but to all other types of foreign investment, including leasing, offshore transactions, and reinvestment by FIEs.[48]

2.4.3 Incentives for foreign investment

2.51. Most capital goods imported to be used in projects in sectors listed in the "encouraged" category of the Investment Catalogue may benefit from customs duty exemptions. Goods listed in the Catalogue of Products Imported for Foreign Investment Projects and Not Eligible for Tax Exemption and in the Catalogue of Imported Major Technical Equipment and Products Not Eligible for Tax Exemption (last revised in 2017 and entered into force on 1 January 2018) are excluded from this treatment.[49] According to the authorities, tax incentives offered by the Government aim to encourage the practice of promoting industry upgrading via technological innovation, promote coordinated regional development, enhance environmental protection, provide incentives for energy conservation and emission reduction, support SMEs' development, and achieve sustainable development.

2.52. Projects in sectors listed in the Catalogue of Priority Industries for Foreign Investment in the Central-Western Regions of China (Central-Western Regions Catalogue) benefit from customs duty exemptions on the importation of equipment within the scope stipulated by relevant policies.[50]

[46] The Notice of the State Council on Printing and Distributing the Comprehensively Deepening Reform and Open-up Plan for China (Shanghai) Pilot Free Trade Zone, Guo Fa [2017] No.23. Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2017-03/31/content_5182392.htm [10.04.2018].

[47] Notice of the General Office of the State Council on Printing and Distributing the Trial Measures for the National Security Review of Foreign Investment in Pilot Free Trade Zones, Guo Ban Fa [2015] No. 24. Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2015-04/20/content_9629.htm [19.09.2017].

[48] The review will evaluate the influence of foreign investment on national security, economic stability, social order, morality, Internet safety and the development of key technology concerning State security. However, there are no details in the Circular on how to carry out the evaluation or on the definition of any of these factors. A joint committee with representatives from the NDRC, MOFCOM and other agencies will conduct the reviews.

[49] MOF online information. Viewed at: http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201801/t20180105_2793555.html [10.04.2018].

[50] This includes the No. 43 notice jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation in 2008.

Investors, domestic or foreign, continue to enjoy a reduced enterprise income tax (EIT) rate of 15% provided that they meet certain conditions and engage in encouraged projects in the applicable regions.[51]

2.53. The Central-Western Regions Catalogue was last revised on 17 February 2017 to enlarge its sectoral scope: it now has 639 sectors, 139 more than the previous Catalogue. Newly included sectors were related, *inter alia,* to modern agriculture equipment, high and new technology, services, labour-intensive industries, infrastructure building and automobile and electronics industries. Depending on particular provinces, the 2017 revision of the Catalogue was aimed at, *inter alia*: promoting the transformation and upgrading of traditional industries; supporting industrial development with high and new technology; expediting the development of the services industry; enhancing the development of labour-intensive industries; and strengthening the infrastructure and associated industries.

2.54. China continues to encourage FDI in high-tech enterprises and R&D; "qualified" R&D centres, domestic or foreign, can apply for import duty and VAT exemption for "qualified" imported R&D equipment.[52]

2.55. Preferential tax treatment continues to be provided under the Enterprise Income Tax Law for eligible enterprises. Since 2016, preferential income tax policies for technologically advanced service enterprises have been applied in the pilot areas for innovative development of services and trade[53]; in 2017, personal taxation pilot policies for, *inter alia,* venture investment enterprises were implemented in eight comprehensive innovation and reform pilot areas in Beijing-Tianjin-Hebei, Shanghai, Guangdong, Anhui, Sichuan, Wuhan, Xi'an and Shenyang, as well as Suzhou Industrial Park.[54] Tax preferences remain in place for high-tech enterprises that were established as of 1 January 2008 in a special economic zone or the Pudong New Area of Shanghai. Income earned in any of those zones is exempt from the enterprise income tax for two years including the first year in which income derived from production or operations is earned and the year that immediately follows, and a preferential rate of 50% of the statutory tax rate of 25% is applied between the third and fifth years.

[51] These are Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang Production and Construction Corporation, Xinjiang, Inner Mongolia, Guangxi, Xiangxi Tujia and Miao Peoples' Autonomous Prefecture of Hunan, Enshi Tujia and Miao People's Autonomous Prefecture of Hubei, Yanbian Korea People's Autonomous Prefecture of Jilin, and Ganzhou City of Jiangxi.

[52] SAT Announcement [2017] No. 5 on Management Measures on VAT refund for domestic equipment purchased by R&D centres. SAT online information (in Chinese). Viewed at: http://www.chinatax.gov.cn/n810341/n810755/c2531251/content.html; and Circular Caishui [2016] No. 121. Viewed at: http://www.chinatax.gov.cn/n810341/n810755/c2389878/content.html [18.09.2017].

[53] The Reply of the State Council concerning the Approval of the Pilot Areas for Innovative Development of Service Trade, Guo Han [2016] No. 40, 25 February 2016 (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2016-02/25/content_5046212.htm [26.09.2017].

[54] Notice of Personal Taxation Pilot Policies for Venture Investment Enterprises and Angel Investment, Cai Shui [2017] No. 38, 28 April 2017 (in Chinese). Viewed at: http://www.chinatax.gov.cn/n810341/n810755/c2590818/content.html [26.09.2017].

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. Customs procedures are regulated by several pieces of legislation (Table 3.1). In addition, the General Administration of Customs of the People's Republic of China (GACC) issues administrative customs announcements and decrees to introduce and enforce changes in customs procedures.[1] Between September 2015 and December 2017, it issued 190 announcements and 9 decrees. These were mainly related to: procedures for goods in transit, advancing paperless clearance, promoting the use of single windows (which had covered all ports by 2017), implementing free-trade agreements, authorized operators, e-commerce, and rating enterprises according to their credit history.

3.2. China has continued to make efforts to reform and harmonize customs procedures across its 42 customs areas with a total of more than 200 individual offices. In June 2016, the National Customs Clearance Integration Reform was launched as a pilot phase; it was rolled out nationwide in July 2017. The Reform covers the whole import declaration process and has as a main objective improving the efficiency of clearance procedures. The authorities indicate that nationwide clearance times were reduced to an average of 16.7 hours in 2017, from over 22 hours in 2016. According to the authorities, about one third of imports are now declared through single windows.

Table 3.1 China's legislation related to customs procedures, March 2018

Legislation	Date of issuance/amendment
Customs Law	Order No. 50 issued in 1987, and amended in 2000 and 2013 (in Chinese - last amended on 28 December 2013). Viewed at: http://www.npc.gov.cn/npc/xinwen/2013-12/30/content_1821988.htm [21.03.2018]
Regulations on Import and Export Duties	State Council Decree No. 392, 29 October 2003. Viewed at: http://english.mofcom.gov.cn/aarticle/policyrelease/internationalpolicy/200705/20070504715851.html [21.03.2018]
Provisions on the Customs Administration of Declarations for the Import and Export of Goods	GACC Decree No. 103 of 2004, and amended by No. 218 of 2014 (in Chinese - last amended on 13 March 2014). Viewed at: http://www.customs.gov.cn/publish/portal0/tab399/info265127.htm [21.03.2018]
Customs Rules on Administration of the Levying of Duties on Imports and Exports	GACC Decree No. 124 of 2005 amended by GACC Decree No. 218 of 2014 (in Chinese - last amended on 13 March 2014). Viewed at: http://www.customs.gov.cn/publish/portal0/tab399/info4487.htm [21.03.2018]

Source: Information provided by the authorities of China.

3.3. Importers must register as foreign trade operators with the Ministry of Commerce (MOFCOM) or its authorized bodies before filing customs declarations. Foreign-invested enterprises (FIEs) may register as foreign trade operators; FIEs require a copy of the certificate of "approval of foreign-invested enterprises" to register. Import declarations must be made in paper and electronic format or through the paperless procedure, and can be made either by a natural person or by a customs declaration enterprise.

3.4. Importers are required to comply with the inspection and quarantine requirements of Customs and the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), as stipulated by law and by the Catalogue of Import and Export Commodities Subject to Compulsory Inspection.[2] The Catalogue is amended every year to add or remove commodities as

[1] GACC online information makes available a full list of customs-related laws and regulations in Chinese. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/index.html [21.03.2018].
[2] GACC and AQSIQ Announcement [2014] No. 146 (in Chinese). Viewed at: http://www.aqsiq.gov.cn/xxgk_13386/jlgg_12538/zjgg/2014/201501/t20150106_429636.htm [21.03.2018].

required to protect human, animal or plant health and the environment, and to prevent fraud and safeguard national security.[3]

3.5. Enterprises are classified into different groups based on risk analysis. Customs inspection and supervision, including for exports, depend upon the enterprise's rating (Section 3.2.1). Goods imported by high-risk enterprises are inspected, while other exports are released through fast-track clearance or a "low-risk examination". Enterprises are categorized according to their credit rating into: authorized enterprises, enterprises of general integrity, and dishonest enterprises.

3.6. Some 134 "special customs supervision areas", governed by different regulations, continue to exist, mostly in the pilot free trade zones (Sections 2.4.1 and 3.2.4). China's special customs supervision areas are approved by the State Council and supervised by Customs. There are six different types of these areas: bonded zones, export processing zones, bonded logistics parks, bonded ports, comprehensive bonded zones, and cross-border industrial zones. The authorities indicate that there have been no major changes in their rules and regulations. China also applies different customs procedures to specific areas, in some instances on a trial basis, to assess their functionality.[4]

3.7. China deposited its instrument of acceptance of the Protocol of Amendment inserting the Agreement on Trade Facilitation (TFA) into Annex 1A of the WTO Agreement on 4 September 2015. China notified its Category A commitments, which cover the majority of measures, in June 2014[5], and its Category B commitments in June 2017.[6] China does not have any Category C commitments. The indicative implementation date for most Category B commitments is February 2020, except for provisions under Article 10.9 on the temporary admission of goods, which were implemented in November 2016. Under the TFA, China has notified the following authorities as enquiry points: GACC for customs clearance, AQSIQ for import and export inspection and quarantine, and the Ministry of Transport for traffic in transit.[7]

3.8. There have been no changes in China's customs valuation rules and procedures since its previous review. Customs value is determined on the basis of the transaction value and, when it cannot be used, the other valuations methods are used in sequential order, as stipulated in the WTO's Customs Valuation Agreement.

3.9. Administrative decisions made by Customs may be appealed. According to the authorities, there were 486 administrative review cases and 142 lawsuits between 2015 and 2017, involving issues such as classification, valuation, and the country of origin.

3.1.2 Rules of origin

3.10. China continues to apply preferential and non-preferential rules of origin. There have been no changes in the regulations on those rules since the previous review.[8]

3.11. Preferential rules of origin apply in accordance with the specifications of the various preferential agreements signed by China (Table A3.1). They are also used to grant preferential treatment to imports from LDCs. In general, the criteria used to determine origin include: change in tariff classification, whether the good is wholly obtained in one party, regional value content, processing operation or other requirements. Most FTAs provide for the possibility of bilateral

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[3] Implementing Regulations for the Law on Inspection of Import and Export Commodities, Order of the State Council, No. 447. Viewed at: http://www.asianlii.org/cn/legis/cen/laws/irftlotprocoioiaec1072 [21.03.2018].

[4] GACC Decree No. 209, 27 June 2013, Customs Supervision Measures for Hengqin New Area (in Chinese). Viewed at: http://www.customs.gov.cn/publish/portal0/tab49660/info623256.htm [21.03.2018]; and GACC Decree No. 208, 27 June 2013, China Customs Regulatory Approach to Pingtan Comprehensive Experimental Zone (Trial) (in Chinese). Viewed at: http://www.customs.gov.cn/publish/portal0/tab49660/info623257.htm.

[5] WTO documents WT/PCTF/CHN/1, 1 June 2014 and G/TFA/N/CHN/1/Add.1, 24 November 2017.

[6] WTO documents G/TFA/N/CHN/1, 6 June 2017 and G/TFA/N/CHN/1/Add.2, 14 February 2018.

[7] WTO document G/TFA/CHN/2, 1 November 2017.

[8] Regulations on Places of Origin of Imports and Exports (Order of the State Council No. 416). See also WTO document G/RO/N/132, 7 September 2015.

cumulation. Since China's last TPR, rules of origin of FTAs with Australia and the Republic of Korea were notified to the WTO.[9]

3.12. Non-preferential rules of origin are used to: apply the MFN tariff rate; ensure the origin of goods subject to anti-dumping, countervailing and safeguard measures; ensure that import quotas and tariff quota limits are imposed on specific countries; and determine the origin of imported goods purchased by the Government.

3.1.3 Tariffs

3.1.3.1 Applied MFN tariffs

3.13. China's tariff is comprised of MFN rates, "agreement tariff rates", special preferential tariff rates, general tariff rates, and tariff quota rates. In addition, interim tariff rates, which are usually lower than MFN rates, are applied for a specific period of time (i.e. usually one year).[10]

3.14. China's applied MFN tariff in 2017 consists of 8,547 lines at the eight-digit level in the Harmonized System 2017. Most tariff lines (99.6%) carry *ad valorem* tariffs. 34 tariff lines (0.4% of all lines) carry specific rates. A tariff reform implemented in December 2017 reduced applied MFN tariffs for some 200 consumer products.

3.15. The simple average applied MFN rate in December 2017 was 9.3%, slightly lower than in 2013 and 2015. The tariff was higher for agricultural products (WTO definition), at 14.6%, showing a small decrease compared to 2015 and 2013 (Table 3.2). The average applied tariff on non-agricultural products also fell slightly since 2013, to 8.5%. The percentage of tariffs that exceeded 15% (international tariff peaks) decreased to 13.9%, from 14.4% in 2015, while the percentage of tariffs subject to domestic tariff peaks fell slightly, to 1.8%.

3.16. The distribution of China's applied MFN tariff has not changed substantially since the last Review. In 2017, China's applied MFN tariff contained 78 different *ad valorem* tariff rates (up from 54 in 2015)[11], ranging from 0-65% (Table A3.2). 42.8% of all tariffs ranged from 5-10%, slightly lower than in 2015 (Chart 3.1). The percentage of duty-free lines has increased marginally, while the share of lines with rates higher than 25% has slightly decreased.

Table 3.2 China's tariff structure, 2013, 2015 and 2017

	MFN applied				Current bound[b]	Final bound[b]
	2013	2015	2017	2017[a]		
Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0	100.0	100.0	100.0
Simple average rate	9.4	9.5	9.5	9.3	9.8	9.6
WTO agricultural products	14.8	14.8	14.8	14.6	15.1	15.1
WTO non-agricultural products	8.6	8.6	8.6	8.5	9.0	8.7
Duty-free tariff lines (% of all tariff lines)	9.8	9.7	9.8	9.8	7.5	10.3
Simple average rate of dutiable lines only	10.5	10.5	10.5	10.3	10.7	10.7
Tariff quotas (% of all tariff lines)	0.6	0.6	0.6	0.6	0.6	0.6
Non-*ad valorem* tariffs (% of all tariff lines)	0.5	0.5	0.4	0.4	0.0	0.0
Domestic tariff "peaks" (% of all tariff lines)[c]	2.1	2.2	2.0	1.8	2.1	2.1
International tariff "peaks" (% of all tariff lines)[d]	14.4	14.4	14.6	13.9	15.6	15.4
Overall standard deviation of tariff rates	7.5	7.5	7.5	7.4	7.6	7.7

[9] WTO documents G/RO/N/137 and 138, 11 April 2016.

[10] Agreement rates apply to imports from countries and customs territories with which China has preferential trade agreements (Section 2). Special preference duty rates are unilateral preferences applied to imports originating in least developed countries with which China has a trade agreement. General rates apply to: products whose origin cannot be determined; products from countries that do not have a reciprocal trade agreement with China; non-WTO Members; and some territories of EU member States. If a country appears in several lists, the most favourable duty rate applies, taking into account the rules of origin. Interim duties are fixed annually by the Customs Tariff Commission, and usually apply from 1 January to 31 December of each year. Interim duties are applied on an MFN basis and replace the MFN duties for the lines that are affected. Interim duty rates are lower than the MFN rates and in certain instances the interim duty rate applies to just part of a tariff line.

[11] The increase in the number of tariff rates is due to the implementation of the Information Technology Agreement II.

	MFN applied				Current bound[b]	Final bound[b]
	2013	2015	2017	2017[a]		
Coefficient of variation of tariff rates	0.8	0.8	0.8	0.8	0.8	0.8
Nuisance applied rates (% of all tariff lines)[e]	2.9	2.9	2.9	3.2	2.7	2.5
Number of lines	8,238	8,285	8,547	8,547	8,547	8,547
Ad valorem rates	7,385	7,437	7,671	7,669	7,903	7,666
Duty-free rates	810	806	838	840	644	881
Specific rates	35	34	34	34	0	0
Alternate rates	3	3	3	3	0	0
Other[f]	5	5	1	1	0	0

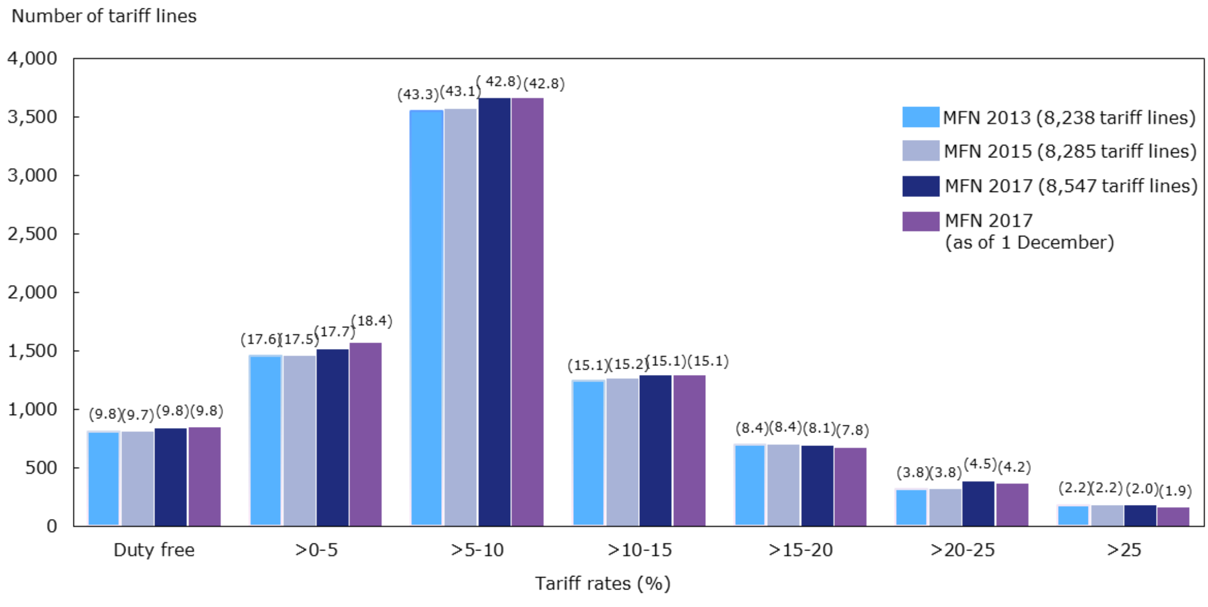
a As of 1 December 2017. Tariff cuts fully applied at the 8-digit level (179 tariff lines) are included.
b Bound rates are based on the 2017 tariff schedule. Final bound rates are to be fully implemented by 2023.
c Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.
d International tariff peaks are defined as those exceeding 15%.
e Nuisance rates are those greater than zero, but less than or equal to 2%.
f Rates involving either an *ad valorem* rate, if the price is below or equal to a certain amount, or a compound rate, if the price is higher.

Note: 2013 and 2015 tariff schedules are based on HS12 nomenclature; 2017 tariff schedule is based on HS17 nomenclature.

Calculations are based on national tariff line level (8-digit); excluding in-quota rates and including AVEs for non-*ad valorem* rates provided by the authorities, as available.
Interim duty rates are used for the calculations when fully applied at the 8-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities of China, and Ministry of Finance online information.

Chart 3.1 Distribution of MFN applied tariff rates, 2013, 2015, and 2017



Note: Figures in parentheses denote the share of total lines. 2013 and 2015 tariff schedules are based on HS12 nomenclature; 2017 on HS17.

Source: WTO Secretariat calculations, based on data provided by the authorities, and Ministry of Finance of the People's Republic of China online information.

3.1.3.2 Tariff rate quotas

3.17. Since China's previous review, there have been no changes to the list of products subject to tariff rate quotas (TRQs), the in- and out-of-quota tariffs, or the allocation system. In 2017, TRQs applied to 47 tariff lines included in HS Chapters 10 (wheat and meslin, maize, rice), 11 (cereal flours other than of wheat or meslin, cereal groats), 17 (cane or beet sugar), 31 (mineral or chemical fertilizers), 51 (wool, carded or combed), and 52 (cotton). All in-quota rates are *ad valorem*. In most cases, the out-of-quota rates are equal to the bound rates. The most recent notification on tariff quota utilization dates from 2014.[12] Fill rates for China's TRQs varied strongly by product (Section 4.1.3.1.1).

3.18. In September 2017, the WTO's Dispute Settlement Body agreed to establish a panel to rule on a complaint filed by the United States regarding China's administration of its tariff rate quotas for certain imported farm goods.[13]

3.1.3.3 Bound rates

3.19. Upon its entry into the WTO, China bound 100% of its tariffs at *ad valorem* rates ranging from 0-65% for agriculture (WTO definition) and from 0-50% for non-agricultural products. The simple average current bound rate is 9.8% (15.1% for agriculture and 9.0% for non-agricultural goods); final bound rates must be implemented by 2023. While all tariffs were bound at *ad valorem* rates, applied MFN tariffs on 38 tariff lines are non-*ad valorem*. The authorities state that in practice *ad valorem* equivalents do not exceed the bound tariff rate, as the lower rate is applied.

3.1.3.4 Preferential tariffs

3.20. China applies preferential tariffs under its bilateral and regional trade agreements. Chile and New Zealand face the lowest average tariff rates, followed by Costa Rica, Iceland, and the ASEAN countries (Table 3.3). The share of duty-free tariff lines in China's FTAs ranges between 9.8% (FTA with Australia) and 95.7% (Iceland). Since 2015, preferential tariffs declined for: Macao, China; Peru; and Switzerland.

Table 3.3 Summary analysis of China's preferential tariff, 2017

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)
MFN	9.5	9.8	14.8	8.0	8.6	10.1
Agreement tariff rates						
APTA[b]	8.9	10.0	13.8	9.0	8.1	10.2
ASEAN[c]	0.8	94.4	1.7	93.6	0.7	94.5
Hong Kong, China CEPA[d]	7.0	31.8	12.3	22.8	6.2	33.3
Macao, China CEPA[d]	7.2	27.3	10.0	36.0	6.8	26.0
Chinese Taipei ECFA[e]	8.8	17.1	14.6	9.3	7.9	18.4
Pakistan FTA	6.0	35.4	11.4	23.6	5.1	37.2
Chile FTA	0.4	97.2	2.0	94.8	0.2	97.6
New Zealand FTA	0.4	97.4	2.0	94.5	0.2	97.8
Singapore FTA	4.7	43.2	8.7	41.9	4.0	43.4
Peru FTA	1.9	73.0	4.5	46.6	1.4	77.2
Costa Rica FTA	0.7	93.8	3.0	85.0	0.3	95.2
Iceland FTA	0.7	95.7	2.9	91.2	0.3	96.4
Switzerland FTA	4.8	23.6	9.2	15.5	4.1	24.9
Australia FTA	9.1	9.8	13.7	8.0	8.4	10.1
Korea, Rep. of FTA	6.7	20.1	11.4	19.1	6.0	20.3
Least developed preferential rates						
Special preferential tariff agreement for:						
Bangladesh and Lao PDR under APTA	9.2	11.1	14.6	8.0	8.4	11.5
Cambodia	8.7	15.9	12.0	29.3	8.2	13.8
Lao PDR	9.0	13.6	12.7	23.0	8.4	12.1
Myanmar	9.0	13.7	13.8	13.9	8.2	13.7
LDC1 (35 countries)	0.7	96.5	2.4	93.4	0.4	97.0
LDC2 (Benin, Timor-Leste, Myanmar)	1.1	94.4	2.9	92.0	0.8	94.8
LDC3 (Bangladesh)	5.1	61.1	9.1	56.4	4.4	61.9
Memorandum item:						
Bangladesh[f]	4.8	61.2	8.6	56.6	4.2	61.9
Cambodia[g]	0.5	97.1	1.5	94.7	0.3	97.5
Lao PDR[h]	0.8	94.5	1.6	94.4	0.7	94.5
Myanmar[i]	0.7	95.7	1.6	94.4	0.6	95.9

[12] WTO document G/AG/N/CHN/30, 2 February 2016.
[13] WTO document series WT/DS/517.

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)
Singapore[j]	0.8	94.4	1.7	93.6	0.7	94.5
Korea, Rep. of[k]	6.7	20.2	11.3	19.5	6.0	20.3

a Duty-free lines as a percentage of total tariff lines.
b Preferential rates under APTA are applicable to the Republic of Korea, Sri Lanka, Bangladesh, India, and Lao PDR.
c Preferential rates under ASEAN are applicable to Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.
d Closer Economic Partnership Agreement.
e Cross-straits Economic Co-operation Framework Agreement.
f Based on lowest rates taken from 2 LDC countries, Bangladesh and Lao PDR under APTA, and APTA preferences.
g Based on lowest rates taken among ASEAN, and special preferences for Cambodia, and 14 LDCs.
h Based on lowest rates taken among ASEAN, special preferences for Lao PDR, Bangladesh and Lao PDR under APTA, and APTA preferences.
i Based on lowest rates taken among ASEAN, and special preferences for Myanmar, and 14 LDCs.
j Based on lowest rates taken among ASEAN, and Singapore FTA.
k Based on lowest rates taken among Korea, Rep. FTA and APTA.

Note: Calculations are based on national tariff line level (8-digit); excluding in-quota rates and including AVEs for non-*ad valorem* rates provided by the authorities, as available. Interim duty rates are used for the calculations when fully applied at the 8-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities of China.

3.21. China also grants preferential tariff treatment to imports from least developed countries. The most far-ranging scheme, which applies to 35 LDCs, provides for an average preferential tariff of 0.7% and a share of duty-free lines of 96.5%.

3.1.3.5 Tariff exemptions and concessions

3.22. Tariff exemptions apply to the following imports: (1) goods in a single consignment on which the duties are estimated to be less than RMB 50; (2) advertising material and samples of no commercial value; (3) goods donated by international organizations or foreign governments; (4) goods damaged prior to customs clearance; (5) fuels and provisions to be used by vessels that are in transit in China; and (6) goods imported for daily use and valued at less than RMB 8,000 per person per day. Tariff concessions can apply to goods that are processed and exported within a specific period of time.

3.23. In addition, duty exemptions and reductions may apply in accordance with the relevant regulations by the State Council and on goods imported into designated areas, for specific enterprises or for a specific use.[14] For instance, imported commodities are exempt from import duties and other taxes when entering special customs supervision areas.

3.24. No information was available on the actual importance of tariff concessions or exemptions, e.g. in terms of government revenue forgone.

3.1.4 Other charges affecting imports

3.25. Imports, like domestically produced goods, are subject to Value Added Tax (VAT). VAT on imports is collected by Customs on behalf of the State Administration of Taxation (SAT) and based on the c.i.f. price plus the import duty. If goods are also subject to the consumption (excise) tax, VAT is calculated including the consumption tax. VAT on goods has two rates: 11% (down from 13% in July 2017) and 17%. The lower rate applies to various food products, agricultural machinery, and books. The list of products that are exempt from VAT has not changed since the previous review. Domestically produced agricultural products sold directly by the producer continue to be exempted from VAT, while imported goods are not. According to the authorities, the main beneficiaries of this provision are small-scale farmers.

[14] Customs Law, Article 57.

3.26. The consumption (excise) tax is levied on: products that are harmful to human health, social order and the environment; luxury goods; high-energy consumption and high-end products; and non-renewable and non-replaceable petroleum products. Tax rates continue to vary considerably depending upon the product; they can be *ad valorem*, specific or compound. Tax rates and the list of products subject to this tax may be modified as required; changes since 2015 have concerned cosmetics and luxury cars (Table 3.4).

Table 3.4 Excise (or consumption) tax, 2015-17

Product	2015	2016	2017 (and early 2018)
Tobacco			
Cigars	36%	36%	36%
Cigarettes:			
Production procedure			
Price higher than RMB 70 per carton	56% plus RMB 0.003 per cigarette	56% plus RMB 0.003 per cigarette	56% plus RMB 0.003 per cigarette
Price lower than RMB 70 per carton	36% plus RMB 0.003 per cigarette	36% plus RMB 0.003 per cigarette	36% plus RMB 0.003 per cigarette
Wholesale	11% plus RMB 0.005/cigarette	11% plus RMB 0.005/cigarette	11% plus RMB 0.005/cigarette
Cut tobacco	30%	30%	30%
Alcoholic drinks and liquor			
White spirit distilled from grain, potatoes or grapes	20% plus RMB 0.5 per 500 g (or per 500 ml)	20% plus RMB 0.5 per 500 g (or per 500 ml)	20% plus RMB 0.5 per 500 g (or per 500 ml)
Yellow rice wine	RMB 240 per tonne	RMB 240 per tonne	RMB 240 per tonne
Beer made from malt, whose factory price of a value over or equal to RMB 3,000 (VAT excluded) per tonne	RMB 250 per tonne	RMB 250 per tonne	RMB 250 per tonne
Beer made from malt, whose factory price of a value of less than RMB 3,000 (VAT excluded) per tonne	RMB 220 per tonne	RMB 220 per tonne	RMB 220 per tonne
Other fermented alcoholic beverages	10%	10%	10%
Certain cosmetics	30%	30%	15%[a]
Precious jewellery, pearls, jade, and precious stone			
Gold, silver platinum jewellery, and diamonds	5%	5%	5%
Pearls, jade, and precious stones	10%	10%	10%
Firecrackers and fireworks	15%	15%	15%
Gasoline			
Motor gasoline and aviation gasoline (containing > 0.013 g of lead per litre)	RMB 1.52 per litre	RMB 1.52 per litre	RMB 1.52 per litre
Motor gasoline and aviation gasoline (containing < 0.013 g of lead per litre)	RMB 1.52 per litre	RMB 1.52 per litre	RMB 1.52 per litre
Diesel oil	RMB 1.2 per litre	RMB 1.2 per litre	RMB 1.2 per litre
Aviation kerosene	RMB 1.2 per litre	RMB 1.2 per litre	RMB 1.2 per litre
Naphtha	RMB 1.52 per litre	RMB 1.52 per litre	RMB 1.52 per litre
Solvent	RMB 1.52 per litre	RMB 1.52 per litre	RMB 1.52 per litre
Lubricants	RMB 1.52 per litre	RMB 1.52 per litre	RMB 1.52 per litre
Fuel oil	RMB 1.2 per litre	RMB 1.2 per litre	RMB 1.2 per litre
Motor vehicles			
Passenger vehicles with less than 9 seats with a cylinder capacity of:			
- less than 1,000 ml	1%	1%	1%
-> 1,000 ml, but < 1,500 ml	3%	3%	3%
-> 1,500 ml, but < 2,000 ml	5%	5%	5%
-> 2,000 ml, but < 2,500 ml	9%	9%	9%
-> 2,500 ml, but < 3000 ml	12%	12%	12%
-> 3,000 ml, but < 4,000 ml	25%	25%	25%
- 4,000 ml or more	40%	40%	40%
Middle-size or light passenger vehicles for commercial purposes	5%	5%	5%
"Ultra-luxurious" vehicles	n.a.	n.a.	10%[b]
Yachts	10%	10%	10%
Luxury watches, with a unit price higher than RMB 10,000	20%	20%	20%

Product	2015	2016	2017 (and early 2018)
Golf equipment	10%	10%	10%
Solid wood flooring	5%	5%	5%
Disposable chopsticks	5%	5%	5%
Batteries	4%	4%	4%
Paint	4%	4%	4%

n.a. Not applicable.

a The excise duty imposed on ordinary cosmetics for beauty preservation and decoration purposes was repealed in October 2016. For "luxurious cosmetics" the tariff rate was revised to 15%.

b Since December 2016, "ultra-luxurious" cars (defined as cars with a price of over RMB 1.3 million excluding VAT) have been subject to a consumption tax of 10%.

Source: Information provided by the authorities of China.

3.1.5 Import prohibitions, restrictions, and licensing

3.27. China classifies imports into three categories: not restricted, restricted and prohibited. The import of restricted goods is administered through licences or import quotas, although the latter have not been applied during the period under review. Non-automatic licences do not differentiate between the origins of products.

3.28. China's import licensing system includes non-automatic and automatic import licences. In addition, licences are used to allocate tariff-rate quotas. Furthermore, China applies import licences to specific dual-use substances for the purposes of safeguarding national security and public interest and under relevant international agreements.[15]

3.29. A Catalogue of Goods Subject to Automatic Import Licensing is issued annually. All the commodities listed in the Catalogue can be imported freely; import licences are maintained only for statistical purposes. In 2017, China subjected 49 categories of goods (comprising 498 tariff lines at the eight-digit level, 102 more than in 2015) to automatic import licensing, including bulk agricultural products, raw material (ores, ashes, fuels, inorganic chemicals, metals), and mechanical and electrical products.[16]

3.30. In addition, the Catalogue of Non-restricted Solid Waste subjects 18 tariff lines that can be used as raw material (same number as in 2015) to automatic import licences.[17]

3.31. There have been no major changes in the application procedures and terms of automatic import licences since the previous TPR.[18] The validity of an automatic import licence is six months; it can be extended in certain cases. Applications can be filed with the Ministry of Commerce or its entrusted institutions. Licence applications shall be immediately approved by the issuing authority. Automatic import licences are not transferable.

3.32. Products subjected to non-automatic licences are listed in the Catalogue of Import Goods Subject to Licensing[19] issued annually, as well as in an additional Catalogue of Restricted Imports for Solid Waste. In 2017, the Catalogue of Import Goods Subject to Licensing listed 89 tariff lines at the HS 8-digit level that were subject to non-automatic import licensing, which was the same as

[15] WTO document G/LIC/N/3/CHN/14, 29 November 2016.

[16] Catalogue Goods Subject to Automatic Import Licensing (2017), MOFCOM GACC Joint Announcement [2016] No. 84 (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/201612/20161202454762.shtml.

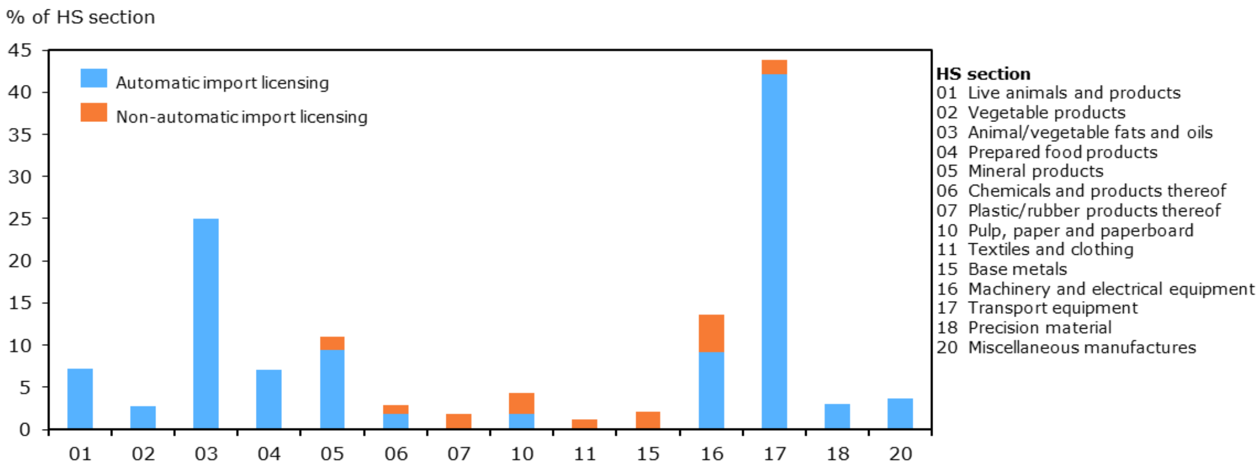
[17] Annex 3 of the Announcement on Amending Catalogues of Imported Wastes Management, MEP MOFCOM NDRC GACC AQSIQ Announcement [2017] No. 39, 10 August 2017 (in Chinese). Viewed at: http://www.zhb.gov.cn/gkml/hbb/bgg/201708/t20170817_419811.htm.

[18] For details regarding the procedure to obtain automatic import licences, see China's last notification under Article 7.3 of the Agreement on Import Licensing Procedures (WTO document G/LIC/N/3/CHN/14, 29 November 2016).

[19] Catalogue of Import Goods Subject to Licensing (2017), MOFCOM GACC AQSIQ [2016] No. 85, 30 December 2016 (in Chinese). Viewed at: http://wms.mofcom.gov.cn/article/zcfb/g/201612/20161202454764.shtml [21.03.2018].

in 2015, while the Catalogue of Restricted Imports for Solid Waste[20] listed 29 lines, compared to 52 in 2015 (Chart 3.2). As in 2015, imports subject to non-automatic licences mainly include used mechanical and electronic equipment, and substances that deplete the ozone layer. The procedures to obtain a non-automatic import licence have remained unchanged since the previous review.

Chart 3.2 Import licensing by HS section, 2017



Note: Calculations are based on the 2018 tariff schedule at 8-digit level.

Source: WTO calculations, based on data provided by the authorities of China.

3.33. According to the Foreign Trade Law, China may maintain import prohibitions on grounds of national security; social interests; public morals; human, animal and plant health; environmental protection; balance-of-payments reasons; and commitments under international agreements. The Catalogue of Commodities Subject to Import Prohibition issued by the MOFCOM lists all prohibited products.[21] In 2015, China's notification listed 365 products (HS 8-digit level) including mainly machinery and transport equipment.[22] In addition, prohibited items related to solid waste are listed in the Catalogue of Prohibited Imports for Solid Waste. On 9 January 2017, the Ministry of Environmental Protection made an Announcement on Adjusting the Catalogue of Wastes Subject to Import Administration (Announcement [2017] No. 3), which moved seven solid wastes from the Catalogue of Solid Wastes Used as Raw Materials and Subject to Import Restriction to the Catalogue of Solid Wastes Subject to Import Prohibition.[23]

3.34. On 18 July 2017, China notified the Catalogue of Solid Wastes Forbidden to Import into China by end-2017, which included 4 classes and 24 kinds of solid wastes (Table 3.5).[24] The authorities consider that this import prohibition does not influence the distribution of goods imported legally.

3.35. Pursuant to the Foreign Trade Law, the authorities may also restrict or prohibit imports in "infant industries" (which is not further defined); agriculture, animal husbandry, and fishery; and the precious metals industry. According to the authorities, this provision was not used during the review period.

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[20] Annex 2 of the Announcement on Amending Catalogues of Imported Wastes Management, MEP MOFCOM NDRC GACC AQSIQ Announcement [2017] No. 39, 10 August 2017 (in Chinese). Viewed at: http://www.zhb.gov.cn/gkml/hbb/bgg/201708/t20170817_419811.htm.

[21] GACC online information (in Chinese). Viewed at: http://www.customs.gov.cn/publish/portal0/tab3400/info5315.htm [22.03.2018].

[22] WTO documents G/MA/QR/N/CHN/1, G/MA/QR/N/CHN/2, and G/MA/QR/N/CHN/3, 24 April 2015.

[23] Announcement on Adjusting the Catalogue of Wastes Subject to Import Administration, the Ministry of Environmental Protection, the Ministry of Commerce, the National Development Reform Commission, the General Administration of Customs and the General Administration of Quality Supervision, Inspection and Quarantine Announcement [2017] No. 3, 9 January 2017 (in Chinese). Viewed at: http://www.zhb.gov.cn/gkml/hbb/bgg/201701/t20170119_395009.htm.

[24] WTO document G/TBT/N/CHN/1211, 18 July 2017.

Table 3.5 Solid wastes forbidden for import into China since end-2017

No.	Category	HS Code	Waste name
1	Household waste plastics	3915100000	Polyvinyl waste and scrap
2			Al compound packing film
3		3915200000	Styrene polymer waste and scrap
4		3915300000	Vinyl chloride polymer waste and scrap
5		3915901000	PET waste and scrap, excluding waste PET beverage bottle (brick)
6			Waste PET beverage bottle (brick)
7		3915909000	Waste and scrap of other plastics, excluding waste disk scrap
8			Waste disk scrap
9	Vanadium slag	2619000021	Vanadium scum and slag generated by steel smelting containing by weight 20% of vanadium pentoxide or more (excluding granulated slag generated by steel smelting)
10		2619000029	Other vanadium scum and slag generated by steel smelting (excluding granulated slag generated by steel smelting)
11		2620999011	Slag, calx and dreg containing other metals and their compounds, containing by weight 20% of vanadium pentoxide or more (excluding those generated by steel smelting)
12		2620999019	Slag, calx and dreg containing other metals and their compounds, containing by weight more than 10% and less than or equal to 20% of vanadium pentoxide (excluding those generated by steel smelting)
13	Unsorted waste paper	4707900090	Other recycled paper or paperboard (including unsorted waste and scrap)
14	Waste textile raw materials	5103109090	Other fallen wool of fine animal fur
15		5103209090	Other fine animal fur waste (including waste yarn, excluding recycled fibre)
16		5103300090	Other coarse animal fur waste (including waste yarn, excluding recycled fibre)
17		5104009090	Other recycled fibre of fine or coarse animal fur
18		5202100000	Waste cotton yarn (including waste cotton thread)
19		5202910000	Recycled fibre of cotton
20		5202990000	Other cotton waste
21		5505100000	Synthetic fibre waste (including bourette, cotton waste and recycled fibre)
22		5505200000	Artificial fibre waste (including bourette, cotton waste and recycled fibre)
23		6310100010	New or unused sorted scrap fabric (including waste thread, rope, cord, cable and their products) made of textile materials
24		6310900010	Other new or unused scrap fabric (including waste thread, rope, cord, cable and their products) made of textile materials

Source: WTO document G/TBT/N/CHN/1211, 18 July 2017.

3.36. In addition, prohibitions applied to imports under processing trade are listed in the Catalogue of Commodities Prohibited under Processing Trade. On 2 December 2015, the MOFCOM and GACC jointly issued the Circular on the Adjustment of Catalogue of Commodities Prohibited under Processing Trade[25], in which three tariff lines (HS 8-digit level), including 26161000 (Silver sand and concentrates), 26179090 (Other sand and concentrates), and 39152000 (Waste and scrap of styrene polymers), have been removed compared with the catalogue in 2014. The other products subject to these prohibitions have remained unchanged since the last Review.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.1.6.1 Anti-dumping measures

3.37. With 91 anti-dumping measures in force as at end-June 2017, the number of measures has remained at a relatively constant level since the previous TPR. In terms of sectors affected by AD measures, chemicals products accounted for 44% of the total number of measures in force as of 30 June 2017. The average length of the application of measures increased slightly, to 6.7 years, from 6.5 years at the time of the previous Review. In this respect, the authorities indicate that anti-dumping measures are normally terminated after a maximum of ten years.

3.38. The legal framework to conduct AD investigations and apply AD measures is provided by the Foreign Trade Law[26], the Regulations on Anti-Dumping (the AD Regulations)[27], and a number of

[25] Circular on the Adjustment of Catalogue of Commodities Prohibited under Processing Trade, Ministry of Commerce and the General Administration of Customs [2015] No. 59, 2 December 2015 (in Chinese). Viewed at: http://www.customs.gov.cn/publish/portal0/tab399/info779914.htm.

[26] WTO document G/ADP/N/1/CHN/2/Suppl.4, 1 December 2004.

published Rules, some of them provisional.[28] There have been no changes in China's institutional and procedural framework and legislation on AD measures since its previous TPR.

3.39. MOFCOM is the agency responsible for initiating and conducting AD investigations, and determining the existence of dumping and of injury, and their causal link. There have been recent internal changes within MOFCOM with respect to the responsibilities assigned to its different bureaux. In April 2014, the Trade Remedy and Investigation Bureau (TRB) was established within MOFCOM. The TRB is responsible for AD, countervailing duty, and safeguards investigations and determinations. The exceptions to this are AD investigations involving agricultural products, where the injury investigation is conducted jointly by MOFCOM and the Ministry of Agriculture.

3.40. The initiation of AD investigations is governed by the Provisional Rules of the Ministry of Foreign Trade and Economic Cooperation on Initiation of Anti-dumping Investigations.[29] The AD investigations may be initiated at the request of an interested party. Petitions on behalf of the domestic industry must be presented to MOFCOM in writing, by natural or legal persons, or organizations, on behalf of the domestic industry. MOFCOM must decide within 60 days of the date of receipt of a petition whether there are valid grounds to initiate an investigation. MOFCOM may also self-initiate an anti-dumping investigation if it has sufficient evidence of the existence of dumping, injury, and causal link.

3.41. MOFCOM provides interested parties access to information. In accordance with the Provisional Rules governing Access to Non-Confidential Information, non-confidential information submitted is accessible to all interested parties, who are permitted to search, read, transcribe and copy the material. According to the Provisional Rules governing the Disclosure of Information in AD Investigations, MOFCOM notifies relevant parties in an AD investigation of the essential data, information, evidence and reasons adopted for establishment of the existence of dumping and the calculation of the dumping margin, within 20 days of the date on which the preliminary determination is announced.

3.42. MOFCOM must make a preliminary determination of dumping, injury, and causation. If the preliminary determination is affirmative, provisional AD measures may be applied, which may take the form of provisional AD duties, or a request to provide deposits, bonds, or other forms of guarantee. The decision to apply provisional AD duties is made by the State Council Tariff Commission (SCTC) on recommendation of MOFCOM, but for other types of measures (deposits, bonds, or other forms of guarantee), the decision is made directly by MOFCOM. Provisional measures may not be applied earlier than 60 days from the date of publication of the investigation initiation decision and may not exceed four months, although under "special circumstances" they may be extended to nine months. According to the authorities, "special circumstances" refer to cases where the investigating authorities are examining whether a duty lower than the margin of dumping would be sufficient to remove the injury to the domestic industry.[30]

3.43. If it has made a preliminary affirmative determination of the existence of dumping, injury and causation, MOFCOM continues the investigation to determine the margin of dumping and injury. An AD investigation must be completed within twelve months of the date on which the decision to initiate is announced (18 months under special circumstances such as technically difficult cases).

3.44. Within 45 days of announcing the preliminary determination, price undertakings can be offered by the exporter or suggested to the exporter by MOFCOM. According to the Provisional Rules Governing Price Undertakings[31], to accept an undertaking, MOFCOM must take into account the injury determined, the possibility of circumvention, and public interest. If the price undertaking is accepted, MOFCOM may suspend or terminate the AD investigation, which may be resumed if the exporter violates the price undertaking, or if MOFCOM considers it necessary for other

[27] WTO document G/ADP/N/1/CHN/2/Suppl.3, 20 October 2004.
[28] WTO documents G/ADP/N/1/CHN2/Suppl.1, 2, 4, 5, and 6.
[29] WTO document G/ADP/N/1/CHN/2/Suppl.1, 18 February 2003.
[30] WTO document G/ADP/Q1/CHN/54/Suppl.1, 2 May 2005.
[31] WTO document G/ADP/N/1/CHN/2/Suppl.1, 18 February 2003.

reasons.[32] Exporters and producers offering a price undertaking may withdraw at any time, but must announce their withdrawal to MOFCOM 30 days in advance.

3.45. In accordance with the Provisional Rules Governing the Sampling[33] (the Sampling Rules), MOFCOM must determine dumping margin separately for each individual responding exporter or producer. However, MOFCOM may make use of a sampling method when the number of exporters or producers is so large that it would be unduly burdensome and prevent the timely completion of the investigation. MOFCOM has the faculty to decide on the selection of exporters and producers for the sample and determines a separate margin of dumping for each individual exporter and producer selected in it. The dumping margin for responding exporters and producers not subject to individual examination is determined on the basis of the weighted average margin of dumping determined for the sampled exporters and producers, calculated excluding zero or *de minimis* (less than 2%) margins of dumping. The investigating authorities generally adopt random sampling, taking into account export volumes. The Sampling Rules also allow MOFCOM to have recourse to the sampling of products if the number of types of product under investigation is too large. The procedures and means of determining dumping are similar to those used for exporter and producer sampling.

3.46. Once it has determined the existence of dumping, injury, and causation, as well as the margin of dumping and injury, MOFCOM submits its findings and provides recommendations to the SCTC, which decides whether to impose AD duties. The final determination is then published. To date, the SCTC has neither rejected nor modified any proposals by MOFCOM.

3.47. AD duties may not exceed the margin of dumping established in the determination. China does not have provisions on the lesser duty rule. Although China's AD regulations do not preclude the imposition of a duty lower than the margin of dumping, the investigating authority does not examine if a duty lower than the margin of dumping is sufficient to eliminate injury.

3.48. The final determination may be appealed by interested parties, which, if not satisfied, may request an administrative reconsideration by the Department of Treaties and Law or may bring the case directly to court. The decision resulting from an administrative reconsideration may also be brought to court. The authorities indicated that, since 2015, there had been one administrative review appeal and one lawsuit. The product involved was grain-oriented flat-rolled electrical steel imported from Japan, South Korea and the European Union. In January 2017, MOFCOM launched an administrative review and maintained the original decision. In February 2017, the applicant filed a lawsuit against the determination and the administrative review decision. As at January 2018, the case was still pending before court.

3.49. According to the Provisional Rules governing Refund of Anti-Dumping, importers may apply for a refund within three months of payment of the duty if they can provide evidence that the AD duty paid was higher than the margin of dumping. Applications are examined by MOFCOM, which makes a proposal for a decision to the SCTC. However, there have been no requests for refunds during the period under review.

3.50. Article 56 of the AD Regulations allows for retaliatory measures when a trading partner "discriminatorily" imposes AD measures on exports from China. The authorities indicate that China has neither applied Article 56 during the period under review, nor planned to revise the provisions.

3.51. MOFCOM may conduct a new shipper review and determine a separate dumping margin for a new exporter who has exported the product in sufficient quantities as to constitute the basis for the determination of the ordinary export price. The applicant for new shipper review must show it is not related to any of the exporters subject to the anti-dumping duty. An interested party may apply for a review only after the final determination of the original investigation has come into force and within three months of an actual export. MOFCOM will decide whether to initiate a new shipper review within 30 working days of receipt of the application, and will complete the review within nine months of initiation. The investigation period for the new shipper review is six months prior to the submission of the application. The authorities indicate that there have been no new shipper reviews since 2015.

[32] WTO document G/ADP/N/2/Suppl.2, 14 April 2003.
[33] WTO document G/ADP/N/1/CHN/2/Suppl.1, 18 February 2003.

3.52. Final AD measures can remain in place for a maximum of five years, but may be extended thereafter following review. China's AD Regulations contain provisions regarding "expiry" (sunset) and "interim" reviews. With respect to sunset reviews, MOFCOM publishes a notice six months before the measure is scheduled to expire, and initiates a review if the domestic industry provides sufficient evidence that expiry would likely lead to a continuation or recurrence of dumping and injury. If there is no petition to conduct a sunset review and MOFCOM decides not to initiate a sunset review on its own, the AD measure is automatically terminated and a public notice is issued. MOFCOM may also initiate an interim review, *ex officio* or upon request of an interested party, provided that a reasonable period of time has elapsed. Both reviews must be conducted within twelve months of the initiation date. The rules governing the interim review are provided in the Provisional Rules of the Ministry of Foreign Trade and Economic Cooperation on Interim Review of Dumping and Dumping Margin; however, there are no specific rules governing sunset reviews.

3.53. China initiated five AD investigations in 2016, down from eleven in 2015, and nine during the first half of 2017. All 16 cases initiated in 2015 and 2016 resulted in provisional measures, compared with 89% in 2013-14. Eleven final AD duty orders were issued in 2016, up from five in 2015 (Table 3.6).

Table 3.6 Anti-dumping investigations and measures, 2013-17, as of 30 June 2017

	2013	2014	2015	2016	2017
Investigation initiations	11	7	11	5	9
Provisional measures	11	5	8	8	4
Definitive measures	8	12	5	11	2
Expired measures	1	23	17	6	6
Measures in force	**113**	**102**	**90**	**95**	**91**

Source: WTO documents G/ADP/N/244/CHN, 17 October 2013; G/ADP/N/252/CHN, 5 February 2014; G/ADP/N/259/CHN, 18 September 2014; G/ADP/N/265/CHN, 23 January 2015; G/ADP/N/272/CHN, 9 October 2015; G/ADP/N/280/CHN, 10 March 2016; G/ADP/N/286/CHN, 7 September 2016; G/ADP/N/294/CHN, 15 March 2017; and G/ADP/N/300/CHN, 4 August 2017.

3.54. As at end-June 2017, China had 91 AD duty orders in effect, down from 95 in 2016. Imports from 14 countries or territories were affected, compared to 13 at the time of the last TPR. Among all trading partners affected, imports from Japan and the United States were subject to the largest number of AD measures, accounting for about 21% of the total in each case, followed by the European Union (19%), and the Republic of Korea (11%), compared to 16% and 12% respectively in 2016 (Table 3.7).

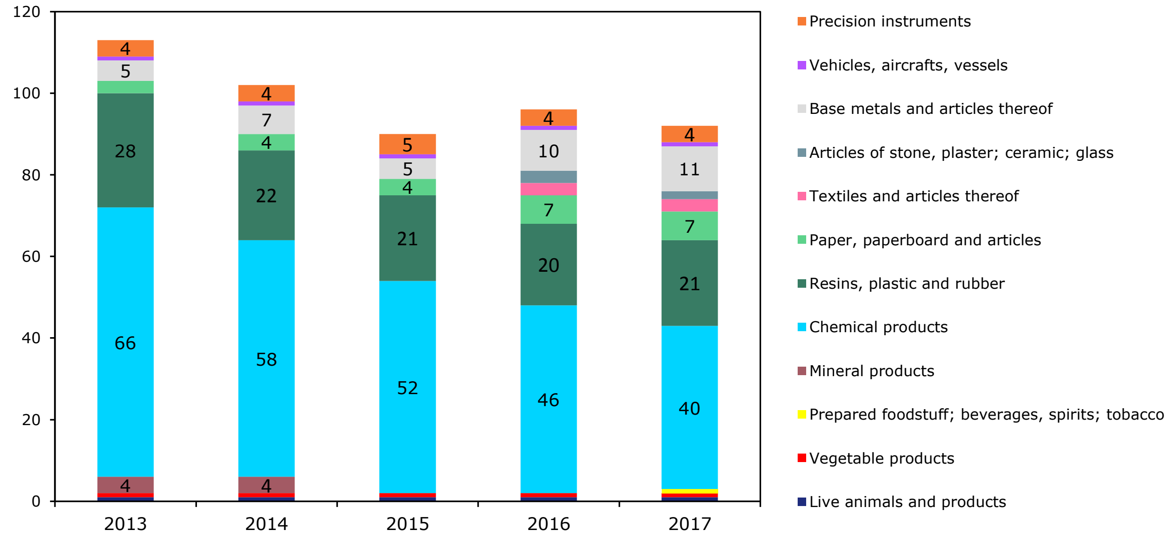
Table 3.7 Anti-dumping measures in force, by trading partner/region, 2013-17, as of 30 June 2017

Trading partner/region	2013	2014	2015	2016	2017
Japan	22	18	18	20	19
United States	20	22	19	20	19
Korea, Republic of	16	11	10	11	10
European Union	15	15	15	17	17
Chinese Taipei	11	10	8	7	7
Russian Federation	6	5	4	3	1
India	4	5	5	5	5
Singapore	4	3	4	4	5
Thailand	3	2	2	3	3
Other America		2	2	2	2
Other Asia (including New Zealand)	8	5	0	1	1
Other Europe	4	4	3	2	2
Total	**113**	**102**	**90**	**95**	**91**

Source: WTO documents G/ADP/N/244/CHN, 17 October 2013; G/ADP/N/252/CHN, 5 February 2014; G/ADP/N/259/CHN, 18 September 2014; G/ADP/N/265/CHN, 23 January 2015; G/ADP/N/272/CHN, 9 October 2015; G/ADP/N/280/CHN, 10 March 2016; G/ADP/N/286/CHN, 7 September 2016; G/ADP/N/294/CHN, 15 March 2017; and G/ADP/N/300/CHN, 4 August 2017.

3.55. Chemical products, resins, plastic, and rubber accounted for most measures during 2013-17 (Chart 3.3). As at end-June 2017, chemical products accounted for 43% of these orders, while 23% involved resins, plastic, and rubber, and 12% involved base metals (Table 3.8). 58% of AD duty orders had been in place for more than five years, down from 60.8% at the time of China's last TPR.

Chart 3.3 Anti-dumping measures in force, by product, 2013-16 (end-period) and as of 30 June 2017



Source: WTO documents G/ADP/N/252/CHN, 5 February 2014; G/ADP/N/265/CHN, 23 January 2015; G/ADP/N/280/CHN, 10 March 2016; G/ADP/N/294/CHN, 15 March 2017; and G/ADP/N/300/CHN, 4 August 2017.

Table 3.8 Anti-dumping measures in force, by product and by origin, as of 30 June 2017

Trading partners	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	Total
Japan	7	4	4	2	1	1	1					20
United States	7	4	2	2			1	1		1	1	19
European Union	8	2	4	1	1				1			17
Korea, Rep. of	5	2	1		1	1						10
Chinese Taipei	4	3										7
India	4				1							5
Singapore	3	2										5
Thailand	2	1										3
Brazil				1								1
Canada				1								1
France		1										1
Italy		1										1
Russian Federation		1										1
Turkey						1						1
Total	**40**	**21**	**11**	**7**	**4**	**3**	**2**	**1**	**1**	**1**	**1**	**92**

Products:

(a) Products of the chemical and allied industries.
(b) Resins, plastics, and articles thereof; rubber and articles thereof.
(c) Base metals and articles thereof.
(d) Paper, paperboard, and articles thereof.
(e) Instruments, clocks, recorders and reproducers.
(f) Textiles and articles.
(g) Articles of stone, plaster; ceramic prod.; glass.
(h) Live animals and products.
(i) Vegetable products.
(j) Prepared foodstuff; beverages, spirits, vinegar; tobacco.
(k) Vehicles, aircraft and vessels.

Source: WTO document G/ADP/N/300/CHN, 4 August 2017.

3.56. Between January 2016 and June 2017, 13 sunset reviews and 8 interim reviews were initiated. All 13 sunset reviews resulted in an extension of AD duties. The results of the interim reviews initiated were still pending as at end-June 2017. Furthermore, 12 orders expired without review.

3.1.6.2 Countervailing measures

3.57. The legal framework governing countervailing measures consists of the Foreign Trade Law, the Regulations on Countervailing Measures (CV Regulations), promulgated in 2001 and amended on 31 March 2004, and a number of published rules.[34] The main laws and regulations have not changed during the review period.

3.58. The procedure of countervailing (CV) investigations is similar to those applied for AD investigations. The main difference is the involvement of the exporting country or territory's government in the investigations, through consultations with MOFCOM prior to the initiation, or by answering questionnaires. If a mutually agreeable solution is found, MOFCOM may decide not to initiate an investigation. Other differences include the lack of published rules governing the use of sampling and price undertakings, and the absence of rules on interim or judicial reviews.

3.59. The number of CV initiations has remained at constant levels during the review period (Table 3.9). Two CV investigations were initiated, involving distillers dried grains from the United States, and ortho chloro para nitroaniline from India, in 2016 and 2017 respectively. The investigation initiated in 2016 concluded that both a subsidy and an injury existed as well as a causal link, and thus resulted in CV duty orders. The case initiated in 2017 is currently under investigation. As at 30 June 2017, five CV measures were in force affecting imports from the European Union and United States (Table 3.10). The longest existing CV measure had been in place for over seven years.

Table 3.9 CV investigations and measures, 2013-17, as at 30 June 2017

	2013	2014	2015	2016	2017
Investigation initiations	1	0	0	1	1
Provisional measures	1	1	0	1	0
Definitive measures	0	2	0	0	1
Expired measures	1	0	1	0	0
Measures in force	3	5	4	4	5

Source: WTO documents G/SCM/N/95/CHN, 16 May 2013; G/SCM/N/267/CHN/Rev.1, 4 March 2014; G/SCM/N/274/CHN, 15 September 2014; G/SCM/N/281/CHN, 28 January 2015; G/SCM/N/281/CHN, 28 January 2015; G/SCM/N/289/CHN, 22 October 2015; G/SCM/N/298/CHN, 17 March 2016; G/SCM/N/305/CHN, 5 September 2016; G/SCM/N/313/CHN, 1 March 2017; and G/SCM/N/321/CHN, 7 August 2017.

Table 3.10 CV investigations initiated during the period under review, as at 30 June 2017

Partners	Product	Initiation	Provisional measures	Final measures	Import volume as % of apparent domestic consumption or as % of total imports
United States	Distillers dried grains with or without solubles	12.01.2016	30.09.2016 10.0%-10.5% All others: 10.7%	12.01.2017 11.2%-11.4% All others: 12%	99.96% of total imports
India	Ortho chloro para nitroaniline	13.02.2017			44% of apparent domestic consumption

Source: WTO documents G/SCM/N/305/CHN, 5 September 2016; G/SCM/N/313/CHN, 1 March 2017; and G/SCM/N/321/CHN, 7 August 2017.

3.60. Under mainland China's RTAs with Hong Kong, China and Macao, China, the parties waived the right to use CV measures. Under China's RTAs with Australia, Chile, Georgia, Iceland, the Republic of Korea, New Zealand, and Pakistan, the parties maintain their rights under the

[34] WTO document, G/SCM/N/1/CHN/1/Suppl.1, 18 February 2003; G/SCM/N/1/CHN/1/Suppl.3, 20 October 2004; and G/SCM/N/1/CHN/1/Suppl.4, 1 December 2004.

Anti-Dumping and Subsidies and Countervailing Measures Agreements. In RTAs between China and ASEAN, Costa Rica, Peru, Singapore and Switzerland, parties abide by their obligations under those agreements.

3.1.6.3 Safeguard measures

3.61. During the period under review, China initiated one safeguard investigation on sugar. The investigation was initiated in September 2016[35]; definitive safeguard measures in the form of an additional *ad valorem* duty of 45% were imposed on 22 May 2017. The duty applies to imports outside the existing quota, and will be reduced to 35% within three years.[36]

3.62. Laws and regulations governing safeguard measures in China have not changed during the review period. The Foreign Trade Law, amended in April 2004[37], the Regulations on Safeguards (SG Regulations), promulgated in 2001 and last amended in October 2004[38], and other published rules provide the regulations on safeguard investigations and the application of measures.[39]

3.63. MOFCOM, specifically the Trade Remedy and Investigation Bureau (TRB), is in charge of investigating and determining if there has been an increase in imports and if injury has been caused. If an investigation involves agricultural goods, the investigation and determination of injury must be done jointly with the Ministry of Agriculture. Investigations may be initiated following the written request of an interested party representing the domestic industry. The application must be accompanied by detailed information with respect to the increase in quantities of the imported product, for a period of at least five years, as well as an analysis of reasons for the increase in imports. MOFCOM may also initiate an investigation *ex officio* if it has sufficient evidence of injury.

3.64. MOFCOM must review the evidence provided by the petitioner and take a decision on whether to initiate an investigation within 60 days of receipt of the written application; this period might be extended in particularly complicated cases. A provisional safeguard measure may be applied for a maximum of 200 days from the effective date of the public notice.

3.65. Final measures may take the form of tariff increases or quantitative restrictions. Based on the findings and recommendations by MOFCOM, SCTC will make the final determination on whether to adopt measures in the form of tariff increases. Decisions to adopt a final measure in the form of a quantitative restriction are made directly by MOFCOM. Final safeguard measures may not remain in place for more than four years; this period may, however, be extended if its continuation is deemed to be necessary to prevent or remedy serious injury. The total period of application of a safeguard measure and any extension cannot exceed ten years.

3.66. MOFCOM must conduct a mid-term review of the safeguard measure when its duration exceeds three years. When the period of application of a safeguard measure exceeds one year, the measure applied must be progressively liberalized at regular intervals during the period of application.

3.67. The RTAs with New Zealand and Singapore provide that a party may exclude imported goods originating from another party from the imposition of a safeguard measure, provided that such imports are non-injurious. In contrast, the RTAs with ASEAN, Australia, Chile, Costa Rica, Georgia, Iceland, the Republic of Korea, Pakistan, Peru and Switzerland provide that the parties maintain their rights under Article XIX of the GATT 1994 and the WTO Agreement on Safeguards. All RTAs preclude the simultaneous imposition of a global and a bilateral safeguard under the relevant RTA.

[35] WTO document, G/SG/N/6/CHN/2.
[36] WTO document, G/SG/N/8/CHN/2/Suppl.1.
[37] WTO document G/SG/N/1/CHN/2/Suppl.4.
[38] WTO document G/SG/N/1/CHN/2/Suppl.3.
[39] WTO document G/SG/N/1/CHN/2/Suppl.2, 15 April 2003.

3.1.7 Other measures affecting imports

3.68. It would appear that there have been no changes to China's other measures affecting imports since its previous review.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.69. Exporters must register as foreign trade operators with the MOFCOM or its authorized bodies before filing customs declarations. FIEs may also register as foreign trade operators; FIEs require a copy of the certificate of "approval of foreign-invested enterprises" to register. Export declarations must be made in paper and electronic format or through the paperless procedure, and can be made either by the consignor, or by a customs declaration enterprise entrusted by the consignor.

3.70. Exporters must comply with the requirements stipulated in the Catalogue of Import and Export Commodities Subject to Compulsory Inspection, which is amended every year. Some items, such as dangerous chemicals, fireworks, lighters, toys and strollers, food products, and rare earths, are subject to export inspection. These goods must be inspected where they are produced. The packaging of exports of dangerous chemicals and other dangerous goods must also undergo inspection and tests.

3.71. Enterprises are classified into different groups based on risk analysis. As with import procedures, customs inspection and supervision depend upon the enterprise's rating (Section 3.1.1). Goods exported by high-risk enterprises are inspected, while other exports are released through fast-track clearance or a "low-risk examination". Under the National Customs Clearance Reform[40], which was announced on 28 June 2017, a number of steps have been taken to facilitate and expedite the clearance of exports. This includes the streamlining of the documentation process, increasing the number of risk prevention centres, and the continued development of single windows. According to the authorities, about one third of exports are now declared through single windows. The authorities also indicate that clearance times for exports have been further reduced during the period under review, to a nationwide average of 1.1 hours in 2017.

3.2.2 Taxes, charges, and levies

3.72. Export duties are based on the Regulations on Import and Export Tariffs. According to the authorities, they are applied to protect the domestic environment and to save energy and scarce resources. The list of goods subject to export duties is issued on a yearly basis. Exports can be subject to "statutory" and interim export duties.[41]

3.73. Export duties are calculated based on the transaction value of exports plus transport, related fees, and insurance cost. In 2017, with the exception of two tariff lines, on fertilizer, all export duties are *ad valorem*. Certain items are exempt from export duties.[42] Duty exemptions or reductions may also be granted under specific circumstances.[43]

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[40] GACC online information (in Chinese). Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/711020/index.html [22.03.2018].

[41] WTO document WT/TPR/S/342/Rev.1, 12 October 2016, Section 3.2.2.

[42] These are: imported goods that are exported from the Customs territory within one year of the date of importation because they are damaged, of poor quality or do not conform to specifications; goods in a single consignment on which the duties are estimated to be not more than RMB 50; advertising material and samples of no commercial value; donated material; and fuels, stores, beverages and provisions to be used by vessels which are in transit.

[43] These include: exports into the special economic zones and other specially designated areas; exports made by specific enterprises such as Chinese-foreign equity joint ventures, Chinese-foreign contractual joint ventures and enterprises with exclusive foreign investment; exports devoted to specific purposes and materials donated for public welfare use; and low-volume border transactions.

3.74. As at October 2017, 102 tariff lines (at the eight-digit level) were subject to statutory export duties, the same number as in 2015, while 179 tariff lines carried interim duties, down from 314 in 2015 (Table 3.11). The reduction in the number of tariff lines subject to export duties was partially due to the implementation of WTO dispute settlement decisions. The highest tax rate (50%) applies to tin ores and concentrates (HS 2609).

Table 3.11 Export duties by type and HS Chapter, 2017

HS Chapters	Statutory duties		Interim duties	
	No. of lines	Range %	No. of lines	Range %
Total	102	20-50	180	0-35
03 Fish and crustaceans	1	20	0	n.a.
05 Products of animal origin, n.e.s.	4 (1)	40	1	0
25 Earths and stone; plastering materials	0	n.a.	8	10-15
26 Ores, slag and ash	7 (2)	20-50	25	0-20
27 Mineral fuels, oil and waxes	0	n.a.	11	3-15
28 Inorganic chemicals	3 (1)	20-30	2	5-10
29 Organic chemicals	1 (1)	40	1	0
31 Fertilizers	0	n.a.	6	5-30
41 Raw hides and skins	2	20	0	n.a.
44 Wood and articles of wood	0	n.a.	6	10-15
47 Pulp of wood, paper or paperboard	0	n.a.	16	10
72 Iron and steel	17 (5)	20-40	38	10-20
74 Copper and articles thereof	32 (32)	30	33	0-15
75 Nickel and articles thereof	4 (4)	40	5	5-15
76 Aluminium and articles thereof	24 (24)	20-30	24	0-15
79 Zinc and articles thereof	4 (4)	20	4	0-15
81 Other base metals	3 (1)	20	0	n.a.

n.a. Not applicable.

Note: Figures in brackets under the column "statutory duties" refer to the number of tariff lines subject to both a statutory and an interim export duty rate. Lines where export duty is only partially applied are included.

Source: Customs Tariff of Import and Exports, 2017.

3.75. Information concerning fiscal income derived from export duties was not made available to the Secretariat.

3.2.3 Export prohibitions, restrictions, and licensing

3.76. The State may restrict or forbid exports to: maintain national security and public morality; protect human, animal and plant health; protect the environment; protect exhaustible natural resources that are in short supply or require "effective protection"; organize "export business management"; comply with China's international commitments; or under any other circumstance as provided for in any law or administrative regulation.

3.77. MOFCOM, in collaboration with other relevant departments, formulates and issues a Catalogue of Goods Restricted or Forbidden for Export; this Catalogue was last updated in 2008.[44] Reflecting this, the products subject to export prohibitions remained unchanged during the period under review. Export prohibitions apply to products such as: archeologic artefacts, bezoar, musk, black moss, certain plants, bones, ivory, natural sands (HS Chapter 25) asbestos, halogenated derivatives of hydrocarbons, organic chemicals (HS Chapter 29), fertilizers (not chemically treated); unprocessed wood and some platinum products.[45]

3.78. China applies export licences to specific dual-use substances for the purposes of safeguarding national security and public interest and performing the obligations under relevant

[44] GACC Announcement [2008] No. 96 (in Chinese). Viewed at: http://www.mofcom.gov.cn/aarticle/b/c/200812/20081205948343.html [22.03.2018].
[45] WTO documents G/MA/QR/N/CHN/2 and G/MA/QR/N/CHN/3, 24 April 2015.

international agreements.[46] The value of exports of goods subject to export licensing in 2016 was US$25.1 billion, equivalent to some 1.2% of China's exports.

3.79. Export restrictions take the form of quotas or licences. China imposes global and destination-specific export quotas. The list of products subject to quotas and the quota volumes for the following year is published in December of each year.[47] Information provided by the authorities shows that, in 2017, global export quotas applied to 100 tariff lines at HS 8-digit level. While no product has been added to this list since 2015, various products have been removed, including talcum lump, magnesia, antimony and products thereof, and indium and products thereof. These goods are now subject to export licences.

3.80. Goods that are subject to restriction are subject to non-automatic export licences. MOFCOM issues on a yearly basis the Catalogue of Goods Subject to the Administration of Export Licences.[48] The Catalogue lists goods that are subject to export quota (licences), export quota bidding (licences), and to general export licensing; the products mentioned therein have not changed during the period under review (Table 3.12). For exports subject to a quota, the exporter must obtain quota access prior to applying for a licence. In addition, to "maintain foreign trade order", export declarations of certain products subject to export licensing (e.g. liquorice, some types of magnesia products, rare earths, antimony and antimony products, and natural sands), when exported to Chinese Taipei; Hong Kong, China; and Macao, China, may be cleared only through designated ports.[49]

Table 3.12 Products subject to export quotas and licensing

Products	Type of management	Comment
Goods subject to quota and licensing		
Rice, maize, wheat, cotton, coal	Export quota (licensing)	The quota is allocated by the NDRC The licence is issued by MOFCOM
Wheat flour; maize flour; rice flour; sawn lumber; live cattle, swine and chicken (for export to Hong Kong, China and Macao, China); live pigs (to Hong Kong, China and Macao, China); crude oil; refined oil; silver; and phosphate rock	Export quota (licensing)	The quota is allocated by MOFCOM
Mat rush and mat rush products, talcum lump (powder), magnesia, liquorice and liquorice products	Export quota bidding (licensing)	The quota is allocated by MOFCOM
Goods subject to licensing		
Live cattle, swine and chicken (for markets other than Hong Kong and Macao SARs); fresh chilled beef, pork and chicken; frozen beef, pork, and chicken; bauxite; rare earth; paraffin; tungsten; carborundum; platinum (for processing trade); some metals and metal products; molybdenum and molybdenum products; natural sand; oil products (oil, grease, lube base oil); citric acid; penicillin industrial salt; vitamin C; sulfuric acid; disodium sulphate; motorcycles (including all-terrain vehicles) and their engines and frames; and motor vehicles (including completely knock-down kits) and their chassis; antimony, indium, tin, and products thereof	Export licence	A licence is granted to the exporter who has signed the relevant export contract
Substances depleting the ozone layer, and alumina, coke, tungsten products, silicon carbide, manganese, and fluorite	Export licence	An export permit is required before applying for a licence

Source: MOFCOM GACC Joint Announcement No. 76 of 2015 (in Chinese). Viewed at: http://wms.mofcom.gov.cn/article/zcfb/g/201512/20151201225345.shtml; and information provided by the authorities of China.

[46] WTO document G/LIC/N/CHN/14, 29 November 2016.
[47] MOFCOM online information. Viewed at: http://www.mofcom.gov.cn/article/b/c/201712/20171202690523.shtml [22.03.2018].
[48] MOFCOM GACC Joint Announcement [2014] No. 94.
[49] For instance, the designated ports to clear export declarations for rare earths are Tianjin Customs, Shanghai Customs, Qingdao Customs, Huangpu Customs, Customs Hohhot, Nanchang Customs, Ningbo Customs, Nanjing and Xiamen Customs.

3.81. In addition to the list of goods subject to export licences under general trade, the Catalogue of Goods Subject to the Administration of Export Licences also lists those export licences that apply to border trade. In January 2018, 44 categories of goods were subject to export licensing under general trade. The number of tariff lines at the HS 8-digit level subject to export licensing in 2018 was 524.

3.2.4 Export support and promotion

3.82. The authorities indicated that China did not maintain or introduce any export subsidies on agricultural products during the years 2013 and 2014.[50] No information has been notified to the WTO for the years 2015 and 2016.

3.83. Exporters are entitled to VAT rebates. The rebate rates vary according to the product. Rebate rates are usually lower than the VAT paid. At present, the rebate rates are: 17%, 15%, 13%, 11%, 9%, 5% and 0%. The two most common rebate rates are: 17%, which applies to some 29% of all tariff lines, and 0%, which applies to 22% of lines. Certain goods are not eligible for a rebate.[51] In terms of the value of exports, over 70% of the exported goods are subject to 17% and 15% rebate rates. Fruits and nuts are generally subject to the rebate rate of 5%, while endangered animals and plants may not benefit from any rebate. According to the authorities, the management of the VAT rebate is used to contribute to environmental protection, energy saving and emission reduction. Thus, rebates are used to discourage the production and export of environment-polluting products. Changes in the rebate system since the last TPR include a resumption of the 13% VAT rebate for exports of processed corn products (including starch and ethanol), from 11% previously, and an increase, from 11 to 13%, for exports of electronic and mechanical products and processed oil.

3.84. There are other forms of export support. The Trade Development Bureau (TDB) of the Ministry of Commerce organizes exhibitions in emerging markets and provides export-oriented training activities. It also maintains the websites of China Trade Promotion and provides, through various service platforms, background information about foreign markets. Since the last Review, TDB has extensively published on foreign trade policies, posted practical information on its websites, and released business information through its WeChat platforms.

3.85. The Overseas Commercial Complaint Service Centre for Chinese Enterprises provides services to Chinese enterprises in the areas of complaint-handling, consulting, talent base construction, and support for start-ups.

3.86. Free trade zones have become an important tool of export and investment promotion, as well as experimenting with policy reforms (Section 2.4.1). The first free trade zone (FTZ) in mainland China, Shanghai Free Trade Zone (SFTZ), was established in August 2013. It was expanded in April 2015 and now covers some 121 square kilometres.

3.87. Companies located in the SFTZ can produce either in bonded or non-bonded areas. Tariff payments by companies located in bonded areas are suspended and only become effective when final products are sold to the rest of China. The SFTZ also features a distinctive mechanism for dispute resolution, with arbitration governed by a separate set of Arbitration Rules issued by the Shanghai International Arbitration Centre. Although it was initially planned to introduce unfiltered access to the Internet in the SFTZ[52], restrictions have not been lifted.

3.88. Total SFTZ imports in 2017 amounted to RMB 800 billion, while exports were RMB 600 billion. Value-added in 2017 was estimated at RMB 800 billion; the estimated number of employees was 2.75 million. Of the 86,000 companies located in the SFTZ in 2017, 34,000 were in bonded areas. The majority of the companies are Chinese-owned.

[50] WTO document G/AG/N/CHN/29, 2 February 2016.

[51] Products not subject to VAT rebate include: high-energy-consuming products, high-polluting products, and those related to the use of resources; and endangered species of fauna and flora.

[52] "China to lift ban on Facebook – but only within Shanghai free-trade zone", South China Morning Post, 24 September 2013. Viewed at: http://www.scmp.com/news/china/article/1316598/exclusive-china-lift-ban-facebook-only-within-shanghai-free-trade-zone [22.03.2018].

3.89. In 2015, further FTZs were established in Guangdong, Fujian and Tianjin. In March 2017, the Government approved the establishment of seven new FTZ, all with different sectoral priorities. They will be located in Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, and Shaanxi.

3.2.5 Export finance, insurance, and guarantees

3.90. Export finance, insurance, and guarantees are granted by at least two public institutions: the China Export-Import Bank (China Eximbank), which provides export finance; and the China Export and Credit Insurance Corporation (SINOSURE), which provides export credit insurance and related guarantees. Foreign-owned companies are also eligible for the services of China Eximbank and SINOSURE.

3.91. China Eximbank provides financing for the importation and exportation of capital goods and services and for Chinese companies that undertake overseas construction and investment projects. It provides both export buyers' credit and export sellers' credit. Export buyers' credit consists of loans extended in RMB or foreign currencies to overseas borrowers, while export sellers' credit consists of loans granted in RMB or foreign currencies to domestic enterprises when exporting vessels, equipment, electromechanical products, agricultural products, cultural products and services. The authorities noted that loans are granted at commercial interest rates. Eximbank also has special lines of credit and different financial instruments for SMEs. The Bank provides two preferential facilities used as Chinese government official development aid to developing countries, namely: government concessional loans and preferential export buyers' credit. Eximbank is the only bank designated by the Chinese Government to implement such facilities.[53] There have been no changes in Eximbank's financing conditions since 2015.

3.92. Since 2015, Eximbank's operations have increased strongly for export seller's and buyer's credit (Chart 3.4).

3.93. State-owned China Export and Credit Insurance Corporation (SINOSURE) is China's official export credit insurance agency. It offers long- and medium-term export credit insurance, overseas investment insurance, short-term export credit insurance, domestic credit insurance, credit guarantees, and reinsurance related to export credit insurance and debt collection services. SINOSURE focuses on the promotion of Chinese exports of goods, technologies and services, especially high-tech and high value-added capital goods, and on assisting national enterprises to invest overseas, by providing insurance against non-payment risks.[54]

3.94. SINOSURE offers short-, medium- and long-term export credit insurance as well as overseas investment insurance. There are several kinds of short-term export credit insurance, of a maximum term of two years: (a) the comprehensive cover insurance, which covers both commercial and political risk; (b) the specific buyer's or specific contract insurance policies, which cover in addition buyer-related risks originated by measures decreed by the buyer's country, such as the imposition of restrictions or prohibitions on imports or the cancellation or non-renewal of an import licence; (c) the insurance policy against buyer's breach of contract, which covers the risk of loss of payment; (d) the SME comprehensive cover insurance, which covers receivable risks of export enterprises on payments made both by L/C and non-L/C means; and (e) the SME easy credit insurance.[55]

3.95. Among the medium- and long-term insurance instruments, the Buyer Credit Insurance Programme insures against the default of payments by the borrower or guarantor under the credit agreement due to certain political and commercial risks.[56] Both Chinese and foreign financial institutions are eligible for the programme, as well as foreign financial institutions with branches in China; they must have total assets of more than US$10 billion and a good cooperation record with

[53] China Eximbank online information. Viewed at: http://english.eximbank.gov.cn/tm/en-TCN/index_640.html.

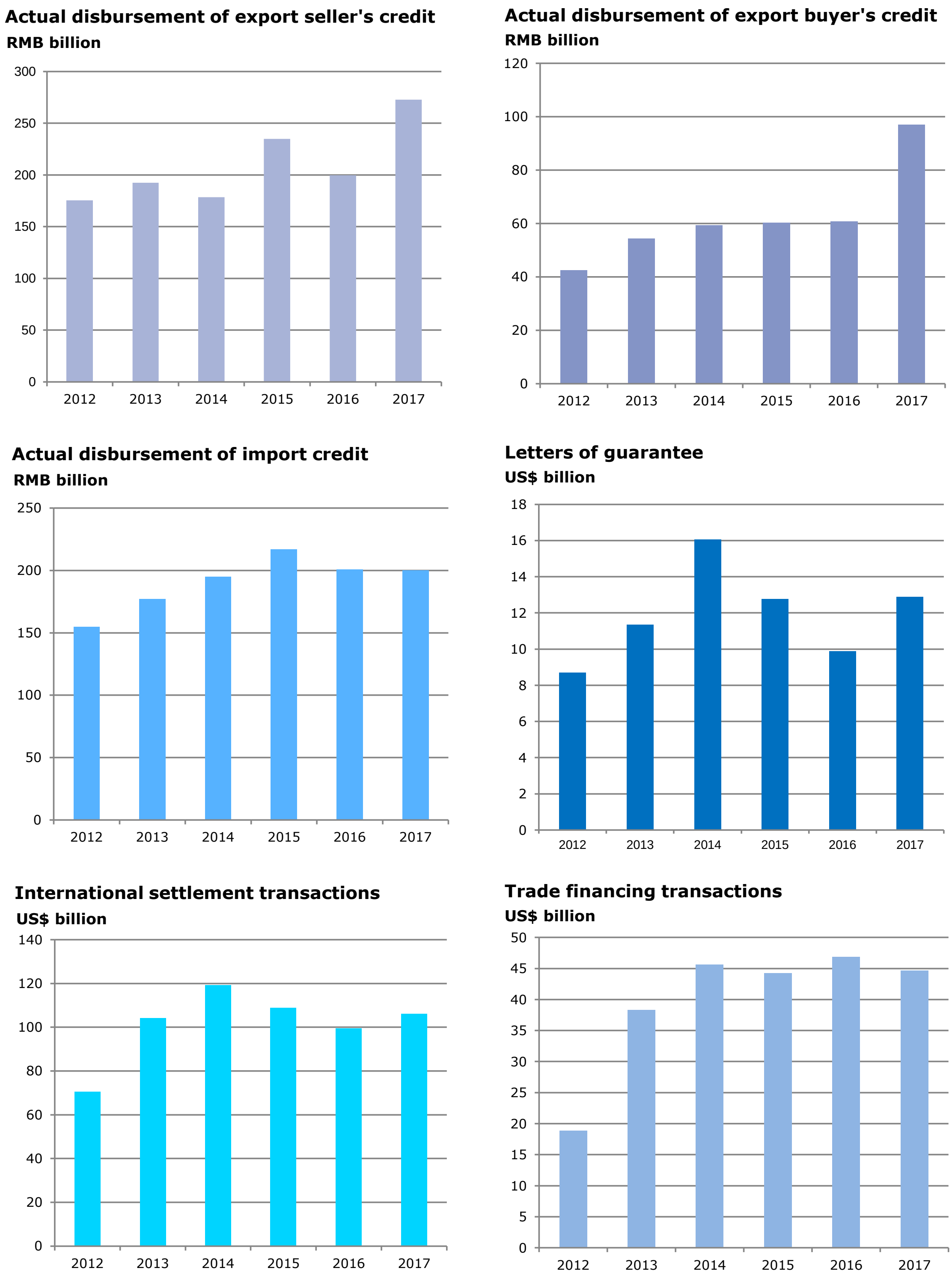
[54] SINOSURE online information. Viewed at: http://www.sinosure.com.cn/sinosure/english/Company%20Profile.html.

[55] SINOSURE online information. Viewed at: http://www.sinosure.com.cn/sinosure/english/products_short.htm.

[56] SINOSURE online information.

export credit agencies. The credit period is generally between two and fifteen years. Similar conditions apply for the Supplier's Credit Insurance Programme, which insures against the bankruptcy or default of importers.

Chart 3.4 Eximbank operations, 2012-17



Source: Export-Import Bank of China online information, and data provided by the authorities of China.

3.96. The Overseas Investment Insurance scheme is designed to encourage investment abroad by Chinese enterprises and financial organizations by underwriting an investor's potential economic losses in overseas investment caused by political risks in the host country. It consists of equity insurance and liability insurance. Direct investments are eligible to benefit from the scheme, which provides insurance against loss of capital and realized earnings or loss of capital and accrued interests directly caused by the insured risks. The insured risks are expropriation, restrictions on transfers and currency conversion, damage or inability to operate due to war and political riot, and breach of undertaking.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.97. During the period under review, China continued to provide a number of financial incentives to different sectors and industries. According to the authorities, these measures are in place to accelerate transformation and upgrading of traditional industries, foster infant industries, stimulate innovation, promote development in remote areas, enhance competitiveness of small and medium enterprises, and attract FDI. Furthermore, support was also granted with a view to protecting the environment, reducing emissions, and conserving energy. Generally, support is granted by the central or local governments through tax preferences, direct transfers, and access to credit.

3.98. Policies and industries identified as priority areas for support are outlined in the central Government's Five-Year Plans. For example, the 13th Five-Year Plan (2016-2020) highlights the importance of innovation capacity.[57] It advocates increased innovation in agriculture, strategic emerging industries (SEIs), intelligent manufacturing, and services. Even though the Plan does not outline any specific measures, it serves as a reference for the design of central or sub-central support policies.

3.99. According to the 13th Five-Year Plan, the development of SEIs is of particular importance. The State Council issued a National Development Plan for Strategic Emerging Industry[58], in which 69 key tasks relating to strategic emerging industries and innovation were identified as key tasks for 2016-20. Industries concerned are the information and technology industry, high-tech equipment and new materials industry, bio-industry, new energy vehicles, energy-conservation and environmental-protection industry, digital creative industry, aerospace and marine areas, and nuclear technology industry.

3.100. In December 2016, the National Development and Reform Commission (NDRC) published new Interim Measures for the Administration of Central Budget Investment Subsidy and Interest Discount Projects.[59] According to the document, investment subsidies and interest discounts can be granted to industries and sectors in social and public services, and public infrastructure; agriculture and rural areas; ecological environment protection and restoration; major scientific and technological areas; and social management and national security.

3.101. The NDRC also promulgated Interim Measures for the Administration of Central Budget Investment (Subsidy) on High-tech Industry Development Projects[60] in December 2016. They establish that the Government can provide investment subsidies and interest discounts to high-tech promotion projects, including innovative capacity building projects, Internet and big data pilot projects, information and technology infrastructure building, and regional industrial concentration and promotion projects. However, details of the specific measures are as yet unknown.

[57] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/xinwen/2016-03/17/content_5054992.htm [22.03.2018].

[58] State Council Circular on Printing and Distributing the National Development Plan for Strategic Emerging Industry, Guo Fa [2016] No. 67. Viewed at: http://www.gov.cn/zhengce/content/2016-12/19/content_5150090.htm (in Chinese).

[59] National Development and Reform Commission Order No. 45. Viewed at: http://www.ndrc.gov.cn/zcfb/zcfbl/201612/t20161208_829543.html (in Chinese).

[60] National Development and Reform Commission Circular on Printing and Distributing the Interim Measures for the Administration of Central Budget Investment (Subsidy) on High-Tech Industry Development Projects, Fa Gai Gao Ji Gui [2016] No. 2514. Viewed at: http://www.ndrc.gov.cn/zcfb/gfxwj/201612/t20161219_830385.html (in Chinese).

3.102. In addition to the Central Government Five-Year Plans, there are also sector-specific five-year plans for individual industries. For instance, NDRC and the National Energy Administration issued the 13th Five-Year Plan for Energy Technology Innovation in December 2016[61], in which China identified five specific areas and a total of 149 key projects that should be developed and supported in 2016-2020. Another example is the 13th Five-Year Plan for the Coal Industry which was issued by the NDRC and the National Energy Administration in December 2016. It stipulates that credit support can be provided to coal producers in different forms.[62] However, these sectoral five-year plans just set policy guidelines and industry policies; they do not provide details of the specific support measures to be applied.

3.103. Authorized by the State Council, more concrete support measures for specific industries may be decided by individual ministries, the People's Bank of China or the NDRC. For instance, the Ministry of Finance increased the subsidy for coalbed methane production utilization from 0.2 yuan per cubic meter to 0.3 yuan per cubic meter in 2016.[63] On 27 July 2015, NDRC, the Ministry of Industry and Information and Technology (MIIT) and the Ministry of Finance (MOF) jointly issued the 2nd Batch of Promotion Catalogue of Energy-Saving and Environment-Friendly Vehicles (Passenger Cars of 1.6 Litres and Below).[64] Consumers who buy automobiles listed in the catalogue (which only contains automobiles produced in China) are provided a subsidy of RMB 3,000 from the Government. The authorities indicate that this policy was terminated in December 2015. Figures on total expenditures under the programme were not available.

3.104. In July 2016, China notified its support programmes maintained at the sub-central level during the period 2001 to 2014.[65] The notification contains 100 different programmes from 19 province administrations. Under these programmes, incentives are provided to: specific industries; "famous-brand" products and enterprises; small and medium enterprises; foreign trade enterprises; foreign-invested enterprises; less developed regions; and rural areas (Table A3.3). Support programmes maintained by 13 provinces are not covered by this notification. The authorities indicate that these would be covered in a forthcoming notification for the years 2015 and 2016.

3.105. For most projects, no information was provided on the total subsidy amount. Furthermore, only 5 programmes were still in force at the time of notification, while 95 programmes had expired. Some of the programmes at the sub-central government level have the same name as projects at the central government level, e.g. the subsidy for electric household appliances.

3.106. A number of communications have been submitted by other Members during the period under review, concerning, *inter alia*, China's notification of central subsidies, its fulfilment of subsidy notification requirements, its preferential tax policies, its notification of sub-central subsidies, its subsidies to the steel sector, and its "Famous Brand" programme.[66] China provided written answers to questions asked in some of these communications.[67] Specifically, China provided further information about the beneficiaries and eligibility criteria of the various programmes. It also indicated that the total amount of expenditure or revenue forgone is frequently not available due to the absence of a statistics system for tax expenditure.

[61] The 13th Five-Year Plan for Energy Technology Innovation, Guo Neng Ke Ji [2006] No. 397 (in Chinese). Viewed at: http://zfxxgk.nea.gov.cn/auto83/201701/t20170113_2490.htm [22.03.2018].

[62] NDRC and National Energy Administration Circular on Printing and Distributing the 13th Five-Year Plan for the Coal Industry, Fa Gai Neng Yuan [2016] No. 2714 (in Chinese). Viewed at: http://www.ndrc.gov.cn/zcfb/zcfbtz/201612/t20161230_833687.html [22.03.2018].

[63] Circular on Subsidy Standards for Coalbed Methane (Gas) Mining and Utilization, Cai Jian [2016] No. 31 (in Chinese). Viewed at: http://jjs.mof.gov.cn/zhengwuxinxi/zhengcefagui/201602/t20160226_1787180.html [22.03.2018].

[64] NDRC online information (in Chinese). Viewed at: http://www.ndrc.gov.cn/zcfb/zcfbgg/201507/t20150728_743103.html [22.03.2018].

[65] WTO documents G/SCM/N/95/CHN/Suppl.1, G/SCM/N/123/CHN/Suppl.1, G/SCM/N/155/CHN/Suppl.1, G/SCM/N/186/CHN/Suppl.1, G/SCM/N/220/CHN/Suppl.1, G/SCM/N/253/CHN/Suppl.1, and G/SCM/N/284/CHN/Suppl.1, 29 July 2016. Support programmes maintained at the central level were notified on 30 October 2015 (WTO document G/SCM/N/284/CHN) and were described in the previous Secretariat Report.

[66] WTO documents G/SCM/Q2/CHN/54-60, and 67-71.

[67] WTO documents G/SCM/Q2/CHN/61-66, and 72-73.

3.107. As at January 2018, no subsidies had been notified for the period 2015 to 2017. The authorities indicated that a notification covering the years 2015 and 2016 would be issued before the TPR meeting.

3.108. In addition to the notified programmes, other programmes are in place to support different industries and attract foreign investment. However, no information on subsidies that extend beyond their notified programmes was provided to the Secretariat.

3.109. Each province or city may also provide a certain amount of financial support to a particular industry for a fixed period, in addition to the support measures granted by the central government. For example, according to some reports, in 2016 more than 15 provinces, autonomous regions, and municipalities provided financial subsidies to projects in the photovoltaic industry.[68]

3.110. China also provides specific support to projects for the revitalization and upgrading of certain regions. According to Opinions of the CPC Central Committee and the State Council on the Overall Revitalization of the Old Industrial Base in Northeast China[69], the 13th Five-year Plan, as well as the 13th Five-year Plan for Revitalizing Northeast China[70], China provides support to projects in Industrial Transformation and Upgrading Demonstration Bases[71] (Table 3.13), in order to accelerate the transformation and upgrading of old industrial cities. Most of these supporting measures are not necessarily limited to old industrial cities or resource-intensive industries.

3.111. Support measures for the Central-Western Region are laid down in the Catalogue of Priority Industries for Foreign Investment in the Central-Western Regions, which was revised in February 2017 (Section 2.4). Projects in sectors listed in the Catalogue are entitled to preferential policies, including exemption from import tariff for equipment and preferential income tax.

3.112. Support is also available for small and medium enterprises. The Plan on Promoting the Development of Small and Medium-sized Enterprises (2016-2020)[72], issued by the Ministry of Industry and Information Technology, points out the objectives and key projects for the promotion of SMEs during the 13th Five-Year Plan. However, no details were provided on the concrete measures taken during the period under review.

3.113. During the period under review, China has continued to provide support for intelligent manufacturing, advanced technologies, new energy vehicles and fishery (Table 3.14). Outlays for these programmes appear to be considerable.[73] Official expenditure figures on these support programmes were, however, not made available.

[68] The Summary of New Subsidy Policies in 2016, 22 March 2016. Viewed at: http://www.ssechina.com/news/24707_for_guangfufadian_text.htm.

[69] Opinions of the CPC Central Committee and the State Council on the Overall Revitalization of the Old Industrial Base in Northeast China. Viewed at: http://www.gov.cn/gongbao/2016-05/10/content_5070739.htm (in Chinese).

[70] The 13th Five-Year Plan for Revitalizing Northeast China. Viewed at: http://www.ndrc.gov.cn/zcfb/zcfbghwb/201612/W020161219594214175674.pdf (in Chinese).

[71] Opinions of supporting transformation and upgrading of Old Industrial Cities and Resource-Intensive Cities, Fa Gai Zheng Xing Gui [2016] No. 1966. Viewed at: http://www.ndrc.gov.cn/zcfb/gfxwj/201610/t20161009_821994.html (in Chinese).

[72] The Plan on Promoting the Development of Small and Medium-Sized Enterprises (2016-2020), Gong Xin Bu Gui [2016] No. 223, 28 June 2016. Viewed at: http://www.miit.gov.cn/n1146285/n1146352/n3054355/n3057527/n3057529/c5060464/content.html (in Chinese).

[73] For example, annual expenditure for fisheries subsidies was estimated at RMB 40.4 billion for 2013 (T.G. Mallory (2016), Fisheries subsidies in China: Quantitative and qualitative assessment of policy coherence and effectiveness. Marine Policy (68), 2016, 74-82).

Table 3.13 Support measures to projects for industrial transformation and upgrading

Supporting policy	Relating measures
Industrial policy	Venture Capital Guiding Fund for National Emerging Industry[a]; National Small and Medium Enterprises Development Fund[b]; Industrial Transformation and Upgrading (China Manufacturing 2025) Special Fund[c]; National Specialized Construction Fund; Preferential Tax Policies for Purchasing and Using Energy-Saving, Environmental Protection and Safe Production Appliances
Innovation policy	National Fund for Technology Transfer and Commercialization[d]; Industrial Investment Fund[e]; Intellectual Property Pledge Financing[f]
Investment policy	Special Fund for Enhancing the Core Competitiveness of the Manufacturing Sector; Special Fund for Fostering and Developing Emerging Industry in Northeast China; Special Subsidy Fund for Major Projects of Northeast Revitalization and Inter-Provincial Co-Operation Projects[g]; Interim Measures for the Administration of Central Budget Investment Subsidy and Interest Discount Projects[h]
Financial policy	Industrial Investment Fund[i]; Diversifying financing channels to support innovative industrial projects

a National Development and Reform Commission: Venture Capital Guiding Fund for National Emerging Industry Will Be Put into Operation Soon, 25 August 2016. Viewed at: http://www.gov.cn/ (in Chinese).
b National Fund Valued 60 trillion RMB to support the Development of Small and Medium Enterprises. Viewed at: http://www.gov.cn/ (in Chinese).
c Ministry of Industry and Information Technology and Ministry of Finance, Gong Xin Ting Lian Gui [2017] No. 53, 24 May 2017. Viewed at: http://www.miit.gov.cn/ (in Chinese).
d Ministry of Finance and Ministry of Science and Technology, Cai Jiao [2011] No. 289, 4 July 2011. Viewed at: http://www.nfttc.gov.cn/ (in Chinese).
e National Development and Reform Commission, Fa Gai Cai Jin Gui [2016] No. 2800, 30 December 2016. Viewed at: http://cjs.ndrc.gov.cn/ (in Chinese).
f State Intellectual Property Office, Guo Zhi Ban Han Guan Zi [2016] No. 145, 18 March 2016. Viewed at: http://www.sipo.gov.cn/ (in Chinese).
g National Development and Reform Commission, Fa Gai Zhen Xing [2015] No. 1102, 19 May 2015. Viewed at: http://www.ndrc.gov.cn/ (in Chinese).
h National Development and Reform Commission Order No. 45, 5 December 2016. Viewed at: http://www.ndrc.gov.cn/ (in Chinese).
i National Development and Reform Commission, Fa Gai Cai Jin Gui [2016] No. 2800, 30 December 2016. Viewed at: http://cjs.ndrc.gov.cn/ (in Chinese).

Source: Information compiled by the WTO Secretariat.

Table 3.14 Various support measures in 2015-17

Sector	Type of support	Legislation
Intelligent manufacturing; Fundamental industrial manufacturing; Eco-manufacturing	Financial appropriations	Circular of the Ministry of Industry and Information Technology Office of the Ministry of Finance on the release of industrial restructuring and upgrading in 2017 (China Manufacturing 2025)[a] (Gong Xin Ting Lian Gui [2017] No. 53)
New energy vehicles	Financial appropriations; Tax exemption	Circular on the Promotion of New Energy Vehicle in 2016-2020[b] (Cai Jian [2015] No. 134); Announcement on Vehicle Purchase Tax Exemption for New Energy Automobiles[c]
Microfinance company	VAT exemption; Income tax preferences	Circular on Tax Policy for Microfinance Companies[d] (Cai Shui [2017] No. 48)
SMEs	Income tax preferences	Circular on Expanding the Scope of Preferential Tax for SMEs[e] (Cai Shui [2017] No. 43)
Large aircraft design and manufacturing enterprises	VAT refund; Tax exemption	Circular on the VAT Policy for Large Airliners and New Arrivals[f] (Cai Shui [2016] No. 141); Circular on Property Tax Policy and Land Urban Land Use Tax Policy for Large Passenger Aircraft and Large Passenger Aircraft Engine Design and Manufacturing Enterprises[g] (Cai Shui [2016] No. 133)

Sector	Type of support	Legislation
Advanced technology services	Income preferences	Circular on Income Tax Policy to Promote Advanced Technology Service Enterprises in Service Trade Innovation and Development Pilot Areas (Cai Shui [2016] No. 122)
Manufacturing	Tax refund	Circular on Increasing Export Tax Rebate for Mechanical and Electrical, and Refined Oil[h] (Cai Shui [2016] No. 113)
Software and integrated circuit industry	Tax preference	Circular on Income Tax Policy for Software and Integrated Circuit Industry[i] (Cai Shui [2016] No. 49)
Renewable energy production	VAT refund	Circular on the VAT Policy for Wind Power (Cai Shui [2015] No. 74)
Fishery	Transfer payment	Circular on Adjusting Oil Subsidy for Domestic Fishery and Aquaculture to Promote the Sustainable and Healthy Development of Fisheries[j] (Cai Jian [2015] No. 499)

a Ministry of Industry and Information Technology and Ministry of Finance, Gong Xin Ting Lian Gui [2017] No. 53, 24 May 2017. Viewed at: http://www.miit.gov.cn/.

b Ministry of Finance, Ministry of Science and Technology, Ministry of Industry and Information Technology and National Development and Reform Commission, Cai Jian [2015] No. 134, 22 April 2015. Viewed at: http://jjs.mof.gov.cn/.

c Ministry of Finance, State Administration of Taxation, Ministry of Industry and Information Technology Announcement [2014] No. 53, 1 August 2014. Viewed at: http://www.chinatax.gov.cn/.

d Ministry of Finance and State Administration of Taxation, Cai Shui [2017] No. 48, 9 June 2017. Viewed at: http://www.mof.gov.cn/.

e Ministry of Finance and State Administration of Taxation, Cai Shui [2017] No. 43, 6 June 2017. Viewed at: http://szs.mof.gov.cn/.

f Ministry of Finance and State Administration of Taxation, Cai Shui [2016] No. 141, 15 December 2016. Viewed at: http://szs.mof.gov.cn/.

g Ministry of Finance and State Administration of Taxation, Cai Shui [2016] No. 133, 28 October 2016. Viewed at: http://szs.mof.gov.cn/.

h Ministry of Finance and State Administration of Taxation, Cai Shui [2016] No. 113, 4 October 2016. Viewed at: http://szs.mof.gov.cn/.

i Ministry of Finance, State Administration of Taxation, National Development and Reform Commission and Ministry of Industry and Information Technology, Cai Shui [2016] No. 49, 4 May 2016. Viewed at: http://szs.mof.gov.cn/.

j Ministry of Finance and Ministry of Agriculture, Cai Jian [2015] No. 499, 25 June 2015. Viewed at: http://jjs.mof.gov.cn/.

Source: Information compiled by the WTO Secretariat.

3.3.2 Standards and other technical requirements

3.3.2.1 Overview

3.114. China has five kinds of standards: national, industry/sectoral, local, enterprise, and association. The first three types can be either voluntary or mandatory (technical regulations). National standards are developed for adoption at the national level, while industry/sectoral standards, which are also applicable nationwide, are developed in the absence of a national standard, where specific conditions must be complied with in a professional field at the national level. Standards may also be developed locally (local standards) when national or industry/sectoral standards do not exist. However, if and when equivalent national standards are developed, these replace local and industry/sectoral standards except in cases where local standards are stricter than national ones. Enterprise standards may be developed for an enterprise when national, industry or sectoral or local standards are not available. Association standards were introduced as a new category by a 2017 amendment to the Standardization Law; these can be adopted for example by chambers of commerce or technology associations.

3.115. The Standardization Administration of China (SAC), under the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ), administers China's standardization system. The SAC is in charge of the overall coordination and unified management of China's national standardization system, as well as of the development of national policies and strategies with respect to standardization. It is also in charge of approving, numbering and issuing national standards, both voluntary and "mandatory" (as technical regulations are referred to in China). The

SAC is assisted in its functions and activities by the NDRC, the State Food and Drug Administration, the China Association of Standards (CAS), a number of ministries, and local and industry standardization associations.[74] The CAS and some non-governmental organizations affiliated to AQSIQ, such as the China National Institute of Standardization (CNIS), support SAC and other institutions in the development of standards through research and international cooperation, to promote the use of best international practices in the development of China's standards.[75] The CAS also disseminates the proper use and application of standards.

3.116. The Ministry of Industry and Information Technology (MIIT) is mainly responsible for the development and revision of standards in the following areas: chemicals, petrochemicals, ferrous metallurgy, non-ferrous metals, rare earths, gold, building materials, machinery, automotives, shipping, aviation, light industry, textiles, packaging, aerospace, ordnance products for civilian use, nuclear products, electronics and communications. The China Electronics Standardization Institute (CESI) under MIIT engages in standardization in the field of electronics. The China Communications Standards Association (CCSA), organized with the approval of the MIIT and registered with the Ministry of Civil Affairs, engages in standardization activities in the field of Information and Communications Technology (ICT). The China Food and Drug Administration (CFDA) prepares standards in accordance with the Drug Administration Law; standards for food are prepared by CFDA and the national Health and Family Planning Commission (NHFPC) in accordance with the Food Safety Law.

3.117. AQSIQ is in charge of national quality, metrology, entry-exit inspection, animal and plant quarantine, certification, accreditation, standardization, and administrative law enforcement. AQSIQ is also the body in charge of ensuring that both imports and exports comply with technical regulations and certification requirements.[76] AQSIQ administers the Certification and Accreditation Administration of China (CNCA). It is also China's TBT Enquiry Point and responsible for submitting TBT notifications.

3.118. The Standardization Law (1988), amended in January 2018[77], and the Regulations for the Implementation of the Standardization Law (1990) constitute the main legislation on standards in China. The authorities indicate that the 2018 amendment should provide for an easier preparation of market-oriented standards, more proactive participation in international standardization activities, and improve the management of the standard-setting process.

3.119. The procedures to formulate national standards are laid down in the Measures on Administration of National Standards, Order No. 10 of 24 August 1990.[78] The formulation process is mainly in public hands, while the respective industry plays a supportive role. The development of national standards is organized by the SAC, through a process that comprises a number of steps: a pre-research stage, project initiation, drafting of the proposed standard, opinion

[74] Both domestic and registered foreign-funded enterprises may participate in China's national standardization activities. They must file an application to participate in the corresponding technical committee, as specified in the Administration Provisions on National Professional Standardization Technology Committee (Guo Biao Wei Ban [2009] No. 3). The Provisions, Registration Form for Members of the National Standardization Technical Committee and relevant information on the technical committee are available at: http://www.sac.gov.cn (WTO document G/TBT/M/300/Add.1, 9 September 2014).

[75] The CAS is a nationwide public association of organizations and individuals engaged in voluntary standardization across China. It is approved by the Ministry of Civil Affairs and led by AQSIQ. Its main activities include: conducting research on policies, laws, and regulations related to standardization; providing certification services; and disseminating knowledge on standardization. The CNIS is a non-profit national research body affiliated with AQSIQ and engaged in standardization research, whose main responsibilities are to conduct strategic and comprehensive research on standardization, to research and develop a range of fundamental standards, as well as to provide authoritative standards information services. China Association of Standards (CAS). Viewed at: http://www.chinacsrmap.org/Org_Show_EN.asp?ID=539; and China National Institute of Standardization. Viewed at: http://en.cnis.gov.cn/faq/201305/t20130527_14361.shtml.

[76] Law on Import and Export Commodity Inspection of 2002. Viewed at: http://www.china.org.cn/english/government/207371.htm; and the Regulations on the Implementation of the Law on Import and Export Commodity Inspection. Viewed at: http://english.mofcom.gov.cn/article/policyrelease/Businessregulations/201303/20130300045852.shtml.

[77] NPC online information (in Chinese). Viewed at: http://www.npc.gov.cn/npc/xinwen/2017-11/04/content_2031446.htm [10.04.2018].

[78] MOFCOM online information (in Chinese). Viewed at: http://tradeinservices.mofcom.gov.cn/article/zhengce/flfg/201710/756.html [10.04.2018].

solicitation, examination of the technical contents, approval, and publication. National standards are published in the Standard Press of China. They are reviewed after five years of implementation to confirm whether they are still valid and required as they stand, or if they need to be amended or annulled. If it is decided that the standard should be annulled, a Notice of Annulment is issued. If it is retained, the results of the review are made public, and any modification to the standard listed in the National Standards Development and Revision Plan.

3.120. Industry or sectoral standards are formulated by the relevant technical committees. The standardization administrations of the competent ministries, with the support of the industry institutes of standardization and technical committees, are in charge of establishing industry or sectoral standard development plans and approving the corresponding standards. Most national and industry or sectoral standards are filed and stored at the National Library of Standards. Local standards are formulated by the standardization authorities of provinces, autonomous regions and municipalities directly under the Central Government in accordance with the Administrative Measures on Local Standards. Industry or sectoral and local standards must also be reviewed within five years of their implementation. The formulation procedures for enterprise standards are determined by the enterprises themselves.

3.121. Chinese standards are divided into "mandatory standards" (technical regulations) and voluntary standards. Technical regulations are mainly related to the protection of human health, personal property and safety, and are usually applied to: medicines, food hygiene, veterinary drugs, and pesticides; labour and transportation safety; construction; environmental emissions; and technical terminology. When a technical regulation is to be developed, it must be stipulated that it will be a mandatory standard. To this end, for national standards, at the project initiation stage, the standardization authority requests an assessment by experts of the need and feasibility of making the proposed standard mandatory. Once this is determined, the procedures to develop and issue a standard and a technical regulation have some differences: at the technical examination stage, mandatory standards must be publicly reviewed by convening meetings and the period for receiving comments cannot be less than two months. Also, according to the authorities, before their approval, mandatory standards with an impact on trade and not resulting from the adoption (without changes) of an international standard must be notified to the WTO. Voluntary standards cannot in principle become mandatory standards since the nature of the standard has been determined at the beginning of its formulation procedures. However, a voluntary standard could be referenced in a technical regulation, making it mandatory. Government agencies, such as the NDRC and the MIIT, have the faculty to approve and promulgate technical regulations that may make reference to voluntary standards, rendering them mandatory.

3.122. As at end-2017, there were a total of 35,081 national standards (2,118 mandatory and 32,597 voluntary standards). According to the authorities, at end-2017 some 74.3% of mandatory standards and some 85.9% of voluntary standards were adoptions or an adaptation of international standards, compared to 74.3% and 75.2% at end-2014. Of the national standards approved in 2017, 2.2% were mandatory, compared to 5.9% in 2015 (Table 3.15).[79] The authorities also indicate that since January 2016, 1,301 standards considered unnecessary (including 414 mandatory standards) have been eliminated, while 1,077 mandatory standards have become voluntary.

Table 3.15 Standards approved, 2015-17

	2015	2016	2017
National standards	1,930	1,763	3,811
Mandatory	113	23	84
Voluntary	1,817	1,740	3,724
Sectoral standards	4,414	3,849	3,990
Mandatory	78	84	84
Voluntary	4,344	3,765	3,912
Local standards	4,004	3,728	4,774
Mandatory	125	80	62
Voluntary	3,879	3,648	4,712

Source: Information provided by the authorities of China.

[79] WTO document G/TBT/M/300/Add.1, 9 September 2014.

3.123. Between January 2016 and November 2017, China submitted 94 TBT notifications, most of them under Article 2.9.[80] The majority of the technical regulations notified were applied to regulate the market and to protect human health, safety and the environment, and were related to medical products, road vehicles, recycling, and electrical and electronic equipment.

3.124. In the Committee of Technical Barriers to Trade, between January 2016 and February 2018, 22 specific trade concerns (STCs) were raised by Members regarding TBT measures maintained or planned by China, including 13 new STCs.[81] These STCs refer to a wide range of issues, including specific product regulations (cosmetics, medical products, furniture, chemicals, vehicles, coal) and new legislation on standards and cybersecurity.

3.125. The amended Law on Prevention and Control of Atmospheric Pollution entered into force in January 2016 with a view to placing tighter controls over the emission of air pollutants and regulating the formulation of environmental protection standards. The Law specifies quality standards for coal, fuels, paints and related products.

3.126. The Law on Traditional Chinese Medicine entered into force on 1 July 2017. The Law provides in Article 50 that the Government will develop a system of standards for traditional Chinese medicine, which will be published online. The Government also promotes the development of an international system of standards for traditional Chinese medicine.

3.3.2.2 Product certification

3.127. No changes have taken place in the laws and regulations governing China's certification system since its previous review. China administers both a voluntary certification system and a compulsory product certification system. The China National Certification and Accreditation Administration (CNCA), under AQSIQ, manages both systems. Certification and accreditation are regulated by: the Product Quality Law; the Import and Export Commodity Inspection Law; the Regulations on Certification and Accreditation; the Regulations on Compulsory Product Certification[82], as well as the Measures for the Administration of Certification Bodies; the Measures for the Administration of Certification Certificates and Certification Marks; the Measures for the Administration of Organic Product Certification; and the Measures for the Administration of Energy-Saving and Low-Carbon-Emission Product Certification.

3.128. China's compulsory product certification system, which applies to both domestic products and imports, was established in 2001 to enforce product compliance with technical requirements. The products subject to compulsory product certification are listed in the Compulsory Product Certification Catalogue (CCC Catalogue); they cannot be sold in China or imported without China's Compulsory Certificates (CCC) and the corresponding CCC marks.[83] The CCC certification system is mainly based on national compulsory standards. The products that have been listed in the compulsory certification directory may only leave the factory, be sold, imported, and used in other business activity after they have been certified and labelled.

3.129. The CCC Catalogue is approved and released jointly by AQSIQ and the CNCA, together with the relevant industrial administrative departments, if approval from the industry regulator is required. Responsibility for the general administration of the compulsory product certification system and its implementation lies with the CNCA. This involves updating the CCC Catalogue, drafting and promulgating the implementing rules for the compulsory certification of products listed in the CCC Catalogue, designing and promulgating certification marks, defining the requirements for CCCs, designating certification bodies, testing laboratories and inspection bodies, carrying out conformity assessment activities for CCC certification, designating the organization that issues CCC marks, and handling complaints and appeals related to compulsory product certification. The CNCA may also authorize local Quality and Technical Supervision Bureaus and Local Entry-Exit Inspection and Quarantine Bureaus as local certification supervision authorities for

[80] WTO documents G/TBT/N/CHN/ series from 1 January 2016 to 30 November 2017.
[81] STCs 294, 296, 428, 456, 457, 466, 477, 489, 490, 493, 597, 508, 509, 526, 527, 533, 534, 536, 537, and 538.
[82] AQSIQ Decree [2009] No. 117. Viewed at: http://www.aqsiqccc.com/en/aqsiq/ccc-5.html.
[83] AQSIQ Decree [2002] No. 5, Administrative Measures for Compulsory Product Certification.

products listed in the CCC Catalogue in areas under their administration. Random conformity sampling tests are conducted on imports that have already acquired a CCC.

3.130. In 2017, the CCC Catalogue listed 170 products including: motor vehicles and safety parts, tyres for motor vehicles, electrical wires, circuit switches, low-voltage electrical apparatus, low power motors, electrical tools, household electrical appliances, audio and video equipment (excluding for broadcasting service), information technology equipment, telecommunication terminal equipment, safety glass, agricultural machinery, fire-fighting equipment, safety protection products, wireless LAN (local area network) products, decoration products, and remodelling products and toys.

3.131. To obtain the CCC mark, an application must be submitted to the authorized accredited certification bodies (ACB) designated by the CNCA, each of which is authorized to provide certification for several products subject to the CCC. In the context of the present Review, the authorities have indicated that there are 25 mandatory certification bodies.[84] The application must be accompanied by supporting material required under the specific product certification rules. A review committee is established by the CNCA, which analyses the application through the examination of files, and the organization of meetings and hearings.[85] The investigation may also include type-testing of product samples through a CNCA-designated test laboratory in China, and factory inspection by representatives of a CNCA-designated certification body. The resulting report will be analysed by the CNCA, which must make a decision within 10 days or 15 days under special circumstances. If a product meets the certification requirements, the CCC is issued and the applicant notified within 90 days of the date of the acceptance of the application. The CNCA's decision is published on its website. After a CCC is issued, certification bodies re-inspect the manufacturing facilities on a regular basis. The frequency depends on the security level and quality stability of the product and the classification status of the producing enterprise. Applications to renew the CCC must be submitted 90 days prior to the expiry of the certificate. CCCs are valid for five years from the date of approval of the application.

3.132. Under certain circumstances, exemptions from the CCC requirement may be granted. Eligible products include: goods used in research and testing to test production lines with the intention of importing technology, and to maintain equipment; goods used to complement factory production lines (excluding office supplies); and goods imported temporarily, spare parts or materials imported under processing trade, parts of machines to be processed and then exported as a complete machine, or goods for exclusive use in commercial exhibitions.

3.3.2.3 Labelling and packaging

3.133. Laws and regulations on labelling, marking, and packaging focus mainly on food, drugs and cosmetics, medical devices, and seeds. No major changes have taken place in these rules since the previous review. The labelling and packaging requirements for food are contained in the Provisions for the Administration of Food Labelling (AQSIQ Decree No. 123), the Provisions for the Supervision and Administration of Production of Food Additives (AQSIQ Decree No. 127), and the Announcement on the Issues Related to the Use of Mark of Corporate Food Production Licence (AQSIQ [2010] Announcement No. 34).

3.134. Imported pre-packaged food or food additives require a label and an instruction manual (if applicable) in Chinese. Such labels and instruction manuals must specify the origin of the product; and the name, address and contact details of the domestic agent importing the food.

3.135. New rules on labelling, marking and packaging are contained in the Regulations for the

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[84] Among which: the China Quality Certification Centre; China Security Technology Certification Centre; China Agricultural Product Quality Certification Centre; China Safety Glass Certification Centre; Product Conformity Assessment Centre; China Certification Center for Fire Products under the Ministry of Public Security; China Automotive Certification Centre (List of mandatory product certification bodies on the website of the CNCA (in Chinese). Viewed at: http://www.cnca.gov.cn/cnca/rdht/qzxcprz/jcjggljg/4731.html [10.04.2018]).

[85] The reviews examine the applicant's technical capabilities and credibility, and undertake a cost-efficiency analysis. They must be completed within 30 working days. CNCA online information. Viewed at: http://www.cnca.gov.cn/bsdt/szxkxm/qzscprzjgsyshjcjgzdsp/201203/t20120320_4448.shtml.

Implementation of the Drug Administration Law of 6 February 2016, the Regulations on the Control of Pesticides of 8 February 2017, and the Regulations for the Supervision and Administration of Medical Devices of 4 May 2017, all of which replaced previous regulations in their respective fields.

3.3.3 Sanitary and phytosanitary requirements

3.136. The main legislation governing China's sanitary and phytosanitary (SPS) requirements has remained unchanged since its previous review. The latest revision of the Food Safety Law entered into force on 1 October 2015. The revision highlighted the following aspects: (1) the management of food safety risks; (2) the management of food safety at the sources; (3) the primary responsibility of food producers and operators in ensuring food safety; (4) the responsibility of local governments in ensuring food safety; (5) the supervision and management of food safety; (6) the social governance of food safety; and (7) the punishment of severe violations of the Food Safety Law.[86]

3.137. Nonetheless, during the period under review, China introduced various regulations related to sanitary and phytosanitary requirements in the form of *inter alia* AQSIQ Decrees. These include: Measures for the Supervision and Administration of Inspection and Quarantine of Entry-Exit Cereals (AQSIQ Decree No. 177 of 2016), Measures for the Administration of Units and Personnel for Entry-Exit Quarantine (AQSIQ Decree No. 181 of 2016), Administrative Measures for Health Licence at Frontier (AQSIQ Decree No. 182 of 2016), Measures for the Supervision and Administration of Inspection and Quarantine of Entry Aquatic Animals (AQSIQ Decree No. 183 of 2016), and Administrative Measures for Quarantine on Entry-Exit Cruises (AQSIQ Decree No. 185 of 2016).

3.138. Four institutions are in charge of the SPS system in China: the National Health and Family Planning Commission, the China Food and Drug Administration (CFDA), the Ministry of Agriculture (MOA), and AQSIQ. The respective responsibilities have remained largely unchanged during the period under review[87]; except for some internal organizational changes in the China Food and Drug Administration (CFDA) in July 2016.

3.139. The Catalogue of Entry-Exit Commodities Subject to Inspection and Quarantine lists all imports and exports subject to statutory inspection by the entry and exit inspection and quarantine authorities prior to their commercialization (or exit) in (from) China. Regarding imports, in November 2017 the Catalogue contained 4,591 tariff lines at the HS 8-digit level. In 2017, regulatory conditions changed for some 200 tariff lines.

3.140. Foreign enterprises that manufacture, import, process and store food must be registered with the CNCA before their food products are imported into China.[88] In addition, the 2015 Food Safety Law stipulates special regulations for certain food or food-related products (e.g. supplements[89], "formula food for special medicinal purposes"[90]; and infant and follow-up formula and other special foods), which are subject to supervision and administration. Enterprises producing these products must fulfil special registration or record-filing formalities, establish a production quality management system, and submit a "self-inspection" report to the food and drug administration of the local government. Pursuant to the Food Safety Law, food importers also must establish a food and food additives import and sales record system to record, *inter alia*: the name of the product, its specifications, quantity, date of production, and production and import batch number; the shelf life of the product and food additives; and the name, address and contact details of the exporter. Registration and record-filing formalities vary according to the product.

[86] WTO, Trade Policy Review of China (2015).

[87] WTO, Trade Policy Review of China (2015).

[88] AQSIQ Decree [2012] No. 145, Provisions for the Administration of the Registration of Overseas Manufacturers of Imported Food. Viewed at: http://www.chinatt315.org.cn/qwfb/2012-3/31/39530.aspx; and the latest Catalogue of Registration of Foreign Manufacturers of Imported Foods (in Chinese). Viewed at: http://www.aqsiq.gov.cn/xxgk_13386/jlgg_12538/zjgg/2013/201305/t20130503_355293.htm [05.04.2018] and https://cdn.chemlinked.com/file/OtherNews/The_Implementation_Catalogue.pdf [05.04.2018].

[89] Importers of supplements imported for the first time must register with the CFDA. Importers of vitamins or minerals do not require registration just record-filing.

[90] For a definition please refer to National Standard GB 29922—2013. Viewed at: http://www.lndoh.gov.cn/zxfw/bjcx/spaqbz/201405/P020140514421230724630.pdf.

3.141. AQSIQ is China's national SPS enquiry point. Between January 2016 and November 2017, China submitted 21 notifications regarding adopted or planned SPS measures.[91] Most of the measures notified refer to human health or food safety; many relate to nutritional fortifiers or food additives. None of the notifications were related to emergency measures.

3.142. During the period under review, eight specific trade concerns (STCs) were raised by Members in the Committee on Sanitary and Phytosanitary Measures regarding SPS measures maintained by China, of which three were raised for the first time. These STCs refer to: lack of transparency for certain SPS measures; import restrictions in response to the Fukushima nuclear power plant accident; measures on bovine meat; quarantine and testing procedures for fish; import restrictions due to African swine fever, Schmallenberg virus, and avian influenza; proposed amendments on GMOs; and an import ban on fresh mangosteen.[92]

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.3.4.1.1 Legislative and institutional framework

3.143. Competition policy in China is governed by the Anti-Monopoly Law (AML), the Anti-Unfair Competition Law, and the Price Law. During the period under review, the Anti-Unfair Competition Law was amended. The amendment removed overlaps with the AML.

3.144. The AML's main objectives are to safeguard fair market competition, and improve economic efficiency, while protecting consumer and public interest. It has jurisdiction over anti-competitive activities that have an effect on the Chinese domestic market, whether they take place within China or abroad. It focuses on preventing, analysing and combating three kinds of monopolistic conduct: monopoly agreements; the abuse of a dominant market position; and concentrations of undertakings that have or are likely to have the effect of eliminating or restricting competition. The AML applies to all sectors of the economy and to all types of enterprises with the exception of associated or concerted conduct by agricultural producers and rural economic organizations in the production, processing, sales, transportation, and storage of agricultural products.

3.145. The AML stipulates that state-owned enterprises (SOEs) that have a controlling stake in industries that affect the lifeline of the national economy and are of importance to national security, as well as those SOEs that have been granted exclusive production and sales rights legally, will have their legitimate business interests protected by the State. In accordance with the AML, the State supervises and regulates these firms' operations and the prices of the goods and services they supply. In this respect, China issued laws and regulations that allow production in certain sectors to be concentrated into monopolies, near-monopolies, or authorized oligopolies, such as the Postal Law (1986), the Railroad Law (1991), the Civil Aviation Law (1995), the Electricity Law (1996), the Regulations on Telecommunication (2000), and the Commercial Bank Law, as amended.

3.146. Since China's previous Review in 2016, a noteworthy legislative development in the area of competition policy has been the amendment to the Anti-Unfair Competition Law, which was adopted on 4 November 2017 and entered into force on 1 January 2018. This is the first amendment to the Law since its introduction in 1993. The new Law removes overlaps with the Anti-Monopoly Law by deleting: (i) provisions prohibiting public utility enterprises or monopolistic enterprises from requiring consumers to purchase designated products, which would preclude other business operators from fair competition; (ii) provisions prohibiting government agencies from abusing their administrative powers to require consumers to purchase designated products, or to restrict cross-regional market entry; and (iii) provisions on collusive tendering.[93] The

[91] WTO documents G/SPS/N/CHN/1042-1060.

[92] STCs 184, 354, 392, 395, 405, 406, and 416.

[93] When the Anti-Unfair Competition Law was first promulgated in 1993, the Anti-Monopoly Law and the Tendering and Bidding Law had not been introduced. Therefore, the Anti-Unfair Competition Law incorporated provisions to regulate certain monopolistic behaviours and collusive tendering, which later overlapped with the

amended Law introduces new provisions on the prevention of unfair competition activities carried out by technological means on the Internet, such as malicious interference.[94]

3.147. An Anti-Monopoly Committee was established by the State Council, according to Article 9 of the Anti-Monopoly Law, to be in charge of organizing, coordinating and guiding anti-monopoly work and to perform duties such as: (i) studying and drafting policies on competition; (ii) organizing investigation and assessment of competition on the market as a whole and publishing assessment reports; (iii) formulating and releasing anti-monopoly guidelines; and (iv) coordinating administrative enforcement of the Anti-Monopoly Law. The Committee is headed by a Vice Premier and its membership consists of ministers or senior officials from relevant ministries and regulatory commissions of the State Council. MOFCOM serves as the General Office of the Committee and is responsible for its day-to-day work.

3.148. Some academics are of the view that the current institutional framework of competition policy enforcement in China is not fully able to ensure the full functioning of competition policy, since: (i) the AML's division of authority across three agencies diminishes coherence in law and policy; and (ii) the lack of autonomy of the three agencies creates the potential that competition policy may be influenced by industrial policies which sometimes conflict with competition policy.[95]

3.149. Different aspects of anti-monopoly regulatory work fall under the respective responsibilities of MOFCOM, the National Development and Reform Commission (NDRC) and the State Administration for Industry and Commerce (SAIC). Specifically, MOFCOM's Anti-Monopoly Bureau is in charge of conducting anti-trust reviews of the concentration of undertakings. The NDRC and the SAIC deal with specific issues related to the surveillance of monopoly agreements, abuse of market dominance, and abuse of administrative powers. The Price Supervision and Anti-Monopoly Bureau of the NDRC has responsibility for investigating and punishing price-related violations of the rules in these areas, while the SAIC's Anti-Monopoly and Anti-Unfair Competition Enforcement Bureau deals with issues regarding monopoly agreements, abuse of dominant market position, and abuse of administrative power to eliminate or restrict competition (other than price-related behaviours). Each authority has issued a series of departmental rules in their own area of responsibility. The main regulations/guidelines concerning competition are listed in Box 3.1.

3.150. The Anti-Monopoly Committee of the State Council is currently drafting Guidelines on Anti-Monopoly by Abusing Intellectual Property Rights. The draft Guidelines were published online for public comments on 23 March 2017. They aim to provide guidance on how the AML is applicable to intellectual property rights violations, as well as to improve the transparency of anti-monopoly enforcement. According to the authorities, the drafting process for the guidelines has been completed, and they have been submitted to the anti-monopoly office of the State Council and are open to public comment. Violations of the AML are subject to administrative penalties, including fines, confiscation of illegal gains, and cease-and-desist orders. These may be applied by MOFCOM, the SAIC or the NDRC, according to the nature of the case. The NDRC may delegate its faculty to relevant provincial Development and Reform Commissions (DRCs) and provincial DRCs may also delegate the case to a lower level. The SAIC may file monopoly cases for investigation by itself, or authorize provincial Administrations for Industry and Commerce (AICs) to file such cases for investigation. For cases that SAIC has filed, it may investigate on its own, or delegate the investigation to relevant AICs at provincial or sub-provincial levels or of municipalities with independent planning status. For cases filed for investigation by an AIC, the provincial AIC may arrange for agencies, including municipal AICs, to carry out investigation and relevant work.

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subsequent Anti-Monopoly Law and Tendering and Bidding Law. The amended Anti-Unfair Competition Law tries to harmonize itself with the other two Laws by deleting those overlaps.

[94] Article 12 of the amended Anti-Unfair Competition Law now stipulates that market operators shall not use technological means to obstruct or damage the normal operation of network products or services lawfully provided by other operators by influencing the choice of users or by other means. These prohibited behaviours may include, but are not limited to: (1) inserting a link or forcing the user to visit another webpage in the network products or services lawfully provided by other operators without their consent; (2) misleading, deceiving, and forcing users to modify, shut down, and uninstall the network products or services lawfully provided by other operators; and (3) maliciously making the network products or services incompatible with the Internet products or services lawfully provided by other operators. A serious violation of these provisions may result in a fine between 500,000 RMB and 3,000,000 RMB.

[95] See William Kovacic, "Competition Policy and State-owned Enterprises in China", *World Trade Review (2017)*.

In addition to these administrative measures, parties injured by violations of anti-monopoly provisions may take their case to the courts. To create an environment more favourable to competition, on 1 June 2016, the State Council issued the Opinions on Establishing a Fair Competition Review System During the Development of Market-Oriented Systems (Guo Fa No. 34, 2016). The Opinions lay out a comprehensive plan for the establishment and implementation of a fair competition review system. Under the Opinions, all policies and measures related to market economic activities shall go through fair competition review before being issued. The NDRC and the SAIC have been taking joint actions with relevant departments to promote the implementation of the Opinions.

Box 3.1 Main regulations/Guidelines dealing with competition policy issues

General Regulations (issued by the State Council/the Anti-Monopoly Committee)

- Guidelines of the Anti-Monopoly Committee of the State Council for the Definition of Relevant Market (24 May 2009)

Regulations on price-related monopoly (issued by the State Council/NDRC)

- Rules on Prohibiting Below-Cost Dumping (SDPC Order [1999] No. 2)
- Rules on Prohibiting Price Frauds (SDPC Order [2001] No. 15)
- Rules on Prohibition of Price Monopoly (NDRC Order [2010] No. 7)
- Rules on the Administrative Procedures for Law Enforcement against Price Fixing (NDRC Order [2010] No. 8)
- Provisions of the State Council on Administrative Punishment of Price-Related Violations (State Council Decree [2010] No. 585)
- Procedural Rules on Administrative Punishment in relation to Prices (NDRC Order [2013] No. 22)

Regulations on non-price related monopoly (issued by the State Council/SAIC)

- Certain Provisions on Prohibiting Unfair Competition in Prize-Attached Sales (SAIC Order [1993] No. 19)
- Certain Provisions on Prohibiting Anti-Competitive Practices in Public Utilities Sectors (SAIC Order [1993] No. 20)
- Interim Provisions on Prohibiting Bid-Rigging (SAIC Order [1998] No. 82)
- SAIC Procedural Provisions on Prohibiting Abuse of Administrative Power to Eliminate or Restrict Competition (SAIC Order [2009] No. 41)
- SAIC Provisions on Investigating and Handling Cases Concerning Monopoly Agreements and Abuse of Dominant Market Positions (SAIC Order [2009] No. 42)
- SAIC Provisions on Prohibiting Monopoly Agreements (SAIC Order [2010] No. 53)
- SAIC Provisions on Prohibiting Abuse of Dominant Market Positions (SAIC Order [2010] No. 54)
- SAIC Provisions on the Suppression of Abuse of Administrative Power to Eliminate and Restrict Competitive Conduct (SAIC Order [2010] No. 55)
- Provisions on Prohibiting Abuse of Intellectual Property Rights to Eliminate or Restrict Competition (SAIC Order [2015] No. 74)

Regulations on mergers (issued by the State Council/MOFCOM)

- Provisions of the State Council on Thresholds for Prior Notification of Concentrations of Undertakings (State Council Decree [2008] No. 529)
- Measures for Calculating the Turnover for the Declaration of Business Concentration in the Financial Industry (MOFCOM, PBOC, CBRC, CSRC and CIRC Order [2009] No. 10)
- Measures on the Notification of Concentration of Undertakings (MOFCOM Order [2009] No. 11)
- Measures on the Examination of Concentration of Undertakings (MOFCOM Order [2009] No. 12)
- Interim Rules on Assessment of the Impact of Concentration of Undertakings on Competition (MOFCOM Announcement [2011] No. 55)
- Interim Provisions on Investigations of Unnotified Concentrations of Undertakings (MOFCOM Order [2011] No. 6)
- Interim Provisions on Standards Applicable to Simple Cases of Concentration of Undertakings (MOFCOM Announcement [2014] No. 12)
- Guiding Opinions on the Notification of Simple Cases of Concentration of Undertakings (Trial) (18 April 2014)
- Guiding Opinions on the Notification of Concentration of Undertakings (18 April 2014, amendment to the previous version issued on 5 January 2009)
- Entrustment Agreement on Supervision (Model Text, non-binding) (27 November 2015)
- Rules on Imposing Additional Restrictive Conditions on Concentration of Undertakings (Trial) (MOFCOM Order [2014] No. 6)
- Guiding Opinions on Regulating Notification Names for Cases of Concentration of Undertakings (14 February 2017)

Source: Information provided by the authorities of China.

3.3.4.1.2 Monopoly agreements

3.151. The AML and its implementing regulations[96] prohibit six types of horizontal agreements: namely, (1) fixing prices; (2) restricting the availability of products; (3) splitting the markets; (4) restricting the purchase or development of new technologies; (5) joint boycotting of transactions; and (6) other agreements confirmed by the authorities; and three types of vertical agreements: (1) fixing the prices of products resold to a third party; (2) restricting the lowest prices of products resold to a third party; and (3) other agreements confirmed by the authorities. The prohibition applies to written or verbal monopoly agreements and to concerted behaviour among firms without explicit written or verbal agreement. In determining monopolistic behaviours, the relevant market can be defined as a commodity scope, a geographic scope or relevant technology market.[97] Trade associations are prohibited from organizing or facilitating monopoly agreements among their members. The NDRC is responsible for price-related monopoly agreements, while the SAIC is responsible for non-price-related monopoly agreements. The detailed implementation rules in this regard are contained in the NDRC Rules on Prohibition of Price Monopoly (NDRC Order [2010] No. 7) and the SAIC Provisions on Prohibiting Monopoly Agreements (SAIC Order [2010] No. 53).

3.152. The AML provides for the application of administrative penalties for concluding and implementing a monopoly agreement, including: issuing an order to discontinue the violation; the confiscation of any unlawful gains; and the imposition of a fine of between 1 and 10% of the sales achieved in the previous year. If the monopoly agreement has not yet been implemented, the fine may not exceed RMB 500,000. Mitigation or exemption from the penalty may be obtained in cases of voluntary collaboration with the investigating authority or by providing material evidence during the investigation.

3.3.4.1.3 Dominant market positions

3.153. The AML and its implementation rules prohibit firms holding dominant market positions from certain types of conduct by abusing their dominant position. For instance, these firms are prohibited from: selling products at unreasonably high prices or purchasing products at unreasonably low prices; without valid reasons, selling products at prices below costs or applying differential prices among counterparts on an equal footing; without valid reasons, refusing to transact with counterparts, or tying the purchase or sale of products; preventing counterparts from accessing essential facilities on reasonable conditions; or imposing unreasonable trading conditions. While the existence of a dominant market position is determined based on a series of factors such as market shares, competitiveness, financial strength and technical conditions, the conclusion that an undertaking holds a dominant market position may also be drawn where: the market share of one undertaking accounts for half of the total relevant market; the joint market share of two undertakings accounts for two thirds of the total; or the joint share of three undertakings accounts for three-fourths of the total. All determinations are made on a case-by-case basis.

3.154. The main implementation rules related to the abuse of dominant market position are contained in the NDRC Rules on Prohibition of Price Monopoly (NDRC Order [2010] No. 7) and the SAIC Provisions on Prohibiting Abuse of Dominant Market Positions (SAIC Order [2010] No. 54). The NDRC's investigation rules are provided by its Rules on the Administrative Procedures for Law Enforcement against Price Fixing (NDRC Order [2010] No. 8) and the SAIC's investigations rules are specified by its Provisions on Investigating and Handling Cases Concerning Monopoly Agreements and Abuse of Dominant Market Positions (SAIC Order [2009] No. 42) and the Rules for the Administrative Penalty Procedures of Administrative Department for Industry and Commerce (SAIC Order [2007] No. 28).

[96] These include the NDRC Provisions on Prohibition of Price Monopoly (NDRC Decree 2010/7), SAIC Provisions on the Prohibition of Monopoly Agreements (SAIC Decree 2010/53), SAIC Provisions on the Prohibition of Abuse of Dominant Market Positions (SAIC Decree 2010/54), and SAIC Provisions on Prohibiting the Abuse of Intellectual Property Rights to Preclude or Restrict Competition.

[97] See: Guidelines of the Anti-Monopoly Committee of the State Council for the Definition of Relevant Market, issued on 24 May 2009. Viewed at: http://www.lawinfochina.com/display.aspx?lib=law&id=7575&CGid.

3.155. The 2015 SAIC Order No. 74 expressly prohibits the abuse of intellectual property rights (IPRs) to eliminate or restrict competition. In addition to prohibition of monopolistic agreements through exercising IPRs[98], the abuse of dominant market positions based on the IPRs is also banned under the Order. Specifically, it prohibits IPR holders with a dominant market position from engaging in any of the following practices that may eliminate or restrict competition: refusal to license essential IPRs; restricting transactions; tying; imposing restrictive conditions; discriminating against unjustified licensees of equal merit. The Order also requires that IPRs be compulsorily licensed if they are considered as an essential facility according to the criteria set out in the Order. It forbids entering into abusive IP standard-setting agreements. "Rule of reason" or case-by-case analysis is generally used in investigations.

3.156. Firms found violating relevant provisions may be subject to the confiscation of any unlawful gains and to fines of between 1 and 10% of the sales achieved in the previous year.

3.3.4.1.4 Mergers and acquisitions

3.157. According to the AML, all concentrations above certain thresholds must be notified to MOFCOM for approval before any activity takes place.[99] Concentrations may take the form of: (a) mergers; (b) acquisition of shares or assets giving control over other business operators; (c) control obtained by business operators over other operators by way of contract etc., or having decisive influence over other operators. In the case of a merger, each participant to it must submit a notification.

3.158. The thresholds were established by the State Council Provisions (State Council Decree [2008] No. 529), and reaffirmed by the 2014 Guiding Opinions on the Application for Concentration of Business Operators. They are: (a) a combined worldwide turnover of all concerned firms exceeding RMB 10 billion in the year preceding the merger, and an individual turnover in mainland China of at least two of the firms exceeding RMB 400 million; or (b) a combined turnover in mainland China of all concerned firms exceeding RMB 2 billion in the year preceding the merger, and an individual turnover in China of at least two operators exceeding RMB 400 million. The MOFCOM Measures on the Notification of Concentration of Undertakings (MOFCOM Order [2009] No. 11) further provide that multiple-concentration activities between the same entities within a two-year period be considered as a single transaction and that the value be the sum of the turnover from the transactions. In this case, even if each individual action is below the threshold, if the total transaction turnover is above the threshold, the concentration activities must be notified for approval. This is also reaffirmed by the 2014 Guiding Opinions. The methods for calculating the turnover in the financial industry were jointly issued by MOFCOM and relevant supervision commissions in 2009.[100]

3.159. Under the 2008 State Council Provisions and the Interim Provisions on Investigation of Unnotified Concentrations of Undertakings (MOFCOM Order [2011] No. 6), MOFCOM may initiate investigations to determine whether non-notified concentration activities should have been notified and made subject to an anti-trust review. Parties to the concentration found at fault may face a fine of up to RMB 500,000 if the investigation finds that the non-notified concentration activity would have required clearance through anti-trust review. MOFCOM may also order that the concentration be reversed.

3.160. The notification documents should include the notification itself, an explanation of the impact of the concentration on competition in the relevant market, the concentration agreement, the financial report of each of the concerned firms in the previous year, and other documents specified by the authorities. After receipt of the notification and supporting materials, MOFCOM conducts a preliminary review of the notification and makes a decision, within 30 days, on whether

[98] A safe harbour based on market share is provided by IPR holders. For competing undertakings, the threshold is: 20% of the market or at least four substitutable technologies are available in the market; and for non-competing undertakings, it is: 30% of the market or at least two substitutable technologies are available in the market.

[99] Apart from MOFCOM, the SAIC and sectoral regulators may be involved in merger reviews.

[100] The methods are contained in the Measures for Calculating the Turnover for the Declaration of Business Concentration in the Financial Industry (MOFCOM, PBOC, CBRC, CSRC and CIRC Order [2009] No. 10).

a further review is needed. Relevant firms shall be informed of the result of preliminary review in writing. Where MOFCOM decides to carry out further review, it should be concluded within 90 days from the date when such a decision is taken. MOFCOM may approve the concentration, reject it, or approve it with conditions. The final decision shall also be sent to the concerned firms in writing. In cases where it is decided not to approve the proposed concentration, the reasons for such decision must be provided to relevant parties. Under some circumstances, MOFCOM may extend the period for the review. However, the extension period must not exceed 60 days.

3.161. According to the AML, MOFCOM shall take into consideration the following factors in the review: (a) the market share of the business operators involved in the relevant market and their controlling power over that market; (b) the degree of market concentration in the relevant market; (c) the effect of the concentration on market access and technological progress; (d) the influence of the concentration on consumers and other business operators; (e) the effect of the concentration on national economic development; and (f) other elements that may have an effect on market competition. The authorities have noted that the same criteria are applied to all businesses, including SOEs.

3.162. To facilitate notification, MOFCOM issued swift review procedures for cases which are defined as "simple cases". The relevant rules are contained in the Interim Provisions on Standards Applicable to Simple Cases of Concentration of Undertakings (MOFCOM Announcement [2014] No. 12) and the Guiding Opinions on the Notification of Simple Cases of Concentration of Undertakings (Trial) (18 April 2014).[101] The simple cases shall be published on the website of MOFCOM for ten days for public comments. According to the authorities, simple cases require simpler documentation and less consultation resulting in higher efficiency and shorter timelines. The authorities stated that in 2017, the average initiation period for a concentrated anti-monopoly review of operators was 29.1 days and the average settlement period was 32.2 days; a decrease of 14% and 4.7% respectively since 2016. Furthermore, among these the settlement rate during the preliminary review stage for simple cases was 97.8% in 2017.

3.163. The MOFCOM Decree No. 6 of 2014 stipulates that MOFCOM may impose additional restrictive conditions to alleviate the adverse impact of a concentration on competition. The Provisions allow for three kinds of restrictive conditions to be applied: (a) structural conditions requiring the disinvestment of tangible assets, IPRs and other intangible assets, or relevant rights and interests, etc.; (b) conditions requiring certain actions to be taken, such as those requiring the business operators participating in a concentration transaction to make available their respective networks, platforms and other infrastructure, license key technologies (including patents, proprietary technologies or other IPRs), terminate exclusive agreements, etc.; and (c) comprehensive conditions that combine structural conditions with conditions requiring actions to be taken.

3.164. The AML also provides that, in cases of acquisition of a domestic enterprise by a foreign investor or when a foreign investor participates in concentrations by other means, a national security review must also be conducted if the authorities consider that the acquisition involves state security. The authorities note that review of the concentration of undertakings and the national security review are two different review systems. MOFCOM is responsible for concentration review, while the national security authorities take care of factors related to national security.

[101] A concentration shall be considered as a simple case when: (a) in the same relevant market, the total market share of all business operators participating in the concentration is less than 15%; (b) an upstream-downstream relationship exists among the business operators participating in the concentration, and the market share of such business operators in both the upstream and the downstream markets is less than 25%; (c) the business operators participating in the concentration are neither in the same relevant market nor do they have any upstream-downstream relationship, and their market share in each market relevant to the concentration is less than 25%; (d) the business operators participating in the concentration intend to establish a joint venture abroad, which will not engage in any economic activities within the territory of China; (e) the business operators participating in the concentration intend to acquire the equity or assets of an overseas enterprise which does not engage in any economic activities within the territory of China; or (f) a joint venture jointly controlled by two or more business operators will be controlled by one or more of the existing business operators after the concentration.

3.3.4.1.5 Administrative monopoly

3.165. The AML generally prohibits administrative monopolies, including designated dealing, obstruction of free circulation of products across regions, restriction in tenders, investment or branch establishment restriction, forcing undertakings to pursue monopolistic conduct, and issuing rules with content excluding or restricting competition. The 2010 SAIC Order No. 55 further elaborates on the prohibitions defined in the AML. The NDRC Provisions on Prohibition of Price Monopoly contain similar provisions with a focus on price-related violations. Under the provisions of AML, remedies against administrative monopoly consist of cease-and-desist orders by the higher authority, together with disciplinary penalties for the officials who have direct responsibility or others directly concerned. Furthermore, anti-monopoly law enforcement authorities can provide suggestions to the higher authority based on law. Administrative remedies to this end are prescribed in the 2011 SAIC Orders No. 53 (SAIC Provisions on Prohibiting Monopoly Agreements) and No. 54 (SAIC Provisions on Prohibiting Abuse of Dominant Market Positions).

3.166. Some commentators consider that administrative monopoly is still a problem in China.[102] It is believed that the Central Government may intervene in resources allocation and market entry while local governments can prohibit the sale of non-local products in order to protect local industries which contribute mostly to local revenue. However, the Chinese authorities disagree with this viewpoint.

3.3.4.1.6 Enforcement

3.167. Since the AML entered into force in August 2008, the NDRC and the competent provincial anti-price-monopoly enforcement authorities have dealt with 150 price monopoly cases, which resulted in the imposition of fines amounting to approximately RMB 11 billion. Between January 2016 and December 2017, the authorities dealt with 44 anti-monopoly cases and imposed fines of nearly RMB 1 billion. These cases concern the following industries: transportation, medicine and health, education, international maritime transportation, automobile and auto parts, tourism, express delivery, construction, etc. The types of monopoly include both monopoly agreements and abuse of dominant market position. The investigated undertakings include SOEs, foreign-invested enterprises, private companies and industrial associations.

3.168. From January 2016 to June 2017, the SAIC and provincial AICs investigated 33 alleged monopoly cases and concluded 23 cases. They involved areas such as water supply, electricity, gas supply, tobacco, salt, telecommunication, banking, insurance, medicines and health care, broadcasting and television, port and maritime transportation, sale of petroleum, furniture, fireworks, auditing services, cryptographic devices, and food packing materials, as well as a variety of business entities and related industrial associations. The administrative penalties applied to the concluded cases are available on the SAIC's website.

3.169. From July 2016 to June 2017, MOFCOM received a total of 386 applications for the approval of the concentration of undertakings, accepted 355 applications and concluded 359 cases (including cases carried over from previous years). Among the closed cases, 356 were unconditionally approved, accounting for about 99%; three were approved with reservations, accounting for 1%; and none was denied. Decisions on the reviews are published online. MOFCOM also investigated cases where suspected concentrations had not been notified and imposed penalties in seven of them. MOFCOM also supervised the implementation of twenty cases that had previously been approved with reservation.

3.170. Additionally, the SAIC has created industrial, commercial as well as market supervision departments so as to carry out special law enforcement campaigns to deal with competition restriction and monopoly in the public utilities sectors in a centralized manner, with key areas including *inter alia:* the supply of water, power and gas, public transportation, and the funeral industry. The campaigns have dealt with illegal acts of unauthorized charging, forced transaction, forced service, adding unreasonable trading conditions and setting industrial barriers to exclude competition in the public utilities sectors. From 2016 to 2017, a total of 1,510 cases concerning unfair competition in the category of competition restriction were dealt with.

[102] See William Kovacic, "Competition Policy and State-owned Enterprises in China", World Trade Review (2017).

3.3.4.1.7 International cooperation

3.171. China participates in competition policy-related activities in the context of APEC, the OECD, and UNCTAD. It continues international cooperation on competition policy issues with the competition authorities of other countries or groups of countries. The authorities stated that since 2016, China has signed a memorandum of understanding on bilateral anti-monopoly cooperation with the United Kingdom, Brazil, and Spain. Additionally, China has also signed the Memoranda of Understanding on Competition Laws and Policy Cooperation with BRICS countries. In the China-Korea FTA, the two countries agreed to carry out comprehensive cooperation and coordination in the implementation of competition policies. The China-Australia FTA recognizes the importance of competition policy and agrees to strengthen technical cooperation in this regard. The China-Iceland and China-Switzerland FTAs also agree to conduct necessary consultations, information sharing and technical cooperation in competition policy enforcement. According to the authorities, in recent years the SAIC has also participated in negotiations between China, Japan and Korea, between China and the Eurasian Economic Union, between China and Singapore (Upgrading), between China and New Zealand (Upgrading), between China and Chile, between China and Peru (Upgrading), between China and Norway, and the China-EU Investment Agreement. China is not a member of the International Competition Network and, as was reported in the previous Review, there is no clear timeline for China to consider joining the network.

3.3.4.2 Price controls

3.172. The Price Law of the Peoples Republic of China allows for government-set or guided prices for a small number of commodities or services.[103] Article 18 of the Price Law authorizes the competent authorities to carry out, when necessary, price controls over: (i) products that have significant bearing on the national economy and people's livelihoods; (ii) a limited number of rare products; (iii) products of natural monopoly; (iv) key public utilities; and (v) key public services. Laws and regulations on specific industrial/service sectors may also contain provisions on price administration in their sectors, which reaffirm that relevant business operators or service providers should follow the principles and rules set out by the Price Law. These laws and regulations include, among others, the Pharmaceutical Administration Law, the Railway Law, the Postal Law, the Compulsory Education Law, the Notary Law, the Decision of the Standing Committee of the National People's Congress on the Administration of Judicial Authentication, the Civil Aviation Law and the Commercial Bank Law. Laws and regulations related to price controls are summarized in Table 3.16.

Table 3.16 Department rules related to price controls, 2017

Laws/regulations	
Central Government Pricing Catalogue	NDRC Order [2015] No. 29
Regulations on Government Pricing	NDRC Order [2017] No. 7
Measures on Monitoring and Auditing the Costs in Government Pricing	NDRC Order [2017] No. 8
Measures on Hearings in Government Pricing	NDRC Order [2008] No. 2
Regulations on Prohibiting Low Price Dumping	State Planning Commission Order[a] [1999] No. 2
Regulations on Prohibiting Price Fraud	State Planning Commission Order [2001] No. 15
Regulations on Implementing Marked Prices on Commodities and Services	State Planning Commission [2000] No. 8
Administrative Measures on the Criteria of Levies on Pollutant Discharge (Nullified on 1 January 2018)	Order of the State Planning Commission, Ministry of Finance, Ministry of Environmental Protection, and State Economic and Trade Commission [2003] No. 31
Provisions on Price Monitoring	NDRC Order [2003] No. 1
Administrative Measures on the Price of Water Supplied by Conservancy Projects	NDRC and the Ministry of Water Resources Order [2003] No. 4

a The State Planning Commission is the predecessor of the National Development and Reform Commission and was replaced by the latter in 2008 in the internal reorganization of the State Council.

Source: Information provided by the authorities of China.

[103] MOFCOM online information. Viewed at: http://english.mofcom.gov.cn/article/policyrelease/Businessregulations/201303/20130300046121.shtml [11.04.2018].

3.173. Price controls take two forms: "government-set prices" or "government-guided prices". Government-set prices are fixed prices set by the competent authorities, while government-guided prices are prices set by business operators within a range of prices set by the competent pricing departments or other related government departments, within which the real price is allowed to fluctuate. The commodities and services subject to price controls are listed in a Central Government Pricing Catalogue and in Local Government Pricing Catalogues compiled by the provinces, autonomous regions and municipalities, and approved by the State Council. The current Central Government Pricing Catalogue was issued by the NDRC on 8 August 2015 (NDRC Order [2015] No. 29) and came into effect on 1 January 2016.[104]

3.174. The determination of government-set prices or government-guided prices varies in accordance with the type of product or service. The criteria used in their formulation include: the market situation, average social costs, as well as economic, regional and seasonal factors, and development and social needs. Adjustments to the prices of concerned products are announced by the State Council or relevant local authorities.

3.175. Following the liberalization of price controls over explosive materials, military goods, tobacco leaves, certain drugs, some competitive services in railway transportation, certain postal services, some construction projects, the price of common salt and the charges for authenticating citizens' identities have been removed from the Central Government Pricing Catalogue and are no longer subject to government pricing since January 2017. Currently, products subject to government-set/guided prices include electricity, water supplied by conservancy projects, refined oil products, natural gas, special medicine, important postal business charges, basic services of commercial banks, railway transportation, passenger fee rates of domestic civil air routes and the domestic section of international civil air routes (except for competitive areas), monopolistic port services, etc. Currently less than 3% of the economy is covered by price controls (Table 3.17).

Table 3.17 Products/Services subject to price controls by the Central Government, 2017

Product	Coverage/rationale
Government-set prices	
Electricity	Coverage of government pricing includes the prices for power transmission and distribution of the power grids at the provincial level or above and feed-in and users' sales tariffs when there is no market competition. Rationale: public utilities and natural monopoly. The authorities expect these prices to be gradually liberalized. Currently, 25% of electricity power is provided at prices determined by the market.
Water supplied by conservancy projects	The price of water supplied by conservancy projects directly under the Central Government or cross-province (cross-district or cross-city) conservancy projects is set by the Government. Rationale: public utilities and natural monopoly.
Commercial bank basic services and credit enquiry service charges, bank card transaction fees	Charges for remittance transfers, cash remittances, cash withdrawals, notes and other basic services of commercial banks are set by the Central Government; bank card transaction and credit enquiry service fees are subject to prices set or guided by the Government. Rationale: lack of effective competition in these types of business which are of a monopolistic nature.
Charges for authenticating academic credentials, academic degree certificates	The charges for authenticating academic credentials and academic degree certificates are set by the Government. Rationale: public services.
Important postal business charges	The prices of letter mailing, mailing of packages with a single weight of no more than 10 kg, postal remittance and postal distribution of newspapers and periodicals are set by the Government. Rationale: the postal business is closely linked to people's livelihoods and is of a public service nature; and some postal enterprises conduct exclusive business operations.
Special medicines and blood	The maximum ex-factory price and the maximum sales price of narcotic drugs and the first category of psychotropic drugs and the price of clinical blood supplied by blood stations are set by the Government. Rationale: the business is economically important, affects people's livelihoods and public interests, and lacks full market competition.

[104] The Central Government Pricing Catalogue (in Chinese). Viewed at: http://jgs.ndrc.gov.cn/zcfg/201510/W020151021286335139043.pdf [05.04.2018].

Product	Coverage/rationale
Government-guided prices	
Refined oil products	The retail price of refined oil products is guided by the Government. It is determined based on the price of the crude oil in the international market and a processing fee, taxes and transportation costs in China. Rationale: lack of market competition.
Natural gas	The gate station price of some types of onshore natural gas in all provinces and the price for cross-province long-distance pipeline transportation are guided or set by the Central Government. The distribution price and sale price of pipeline gas are regulated by local governments and are generally subject to government pricing. Rationale: natural gas is of vital importance to the public and that the natural gas system needs to be reformed comprehensively before prices are liberalized.
Railway transportation prices	Railway passenger fares and cargo and baggage transportation prices are mainly guided or set by the Government (except when there is competition). Rationale: public utilities and natural monopoly.
Monopolistic port service fees	The charges of the monopolistic services at fishing ports and main ports along the coast, the main trunk of Yangtze River, and all the other ports open to vessels of foreign nationality are subject to prices guided by the Government. Rationale: public utilities and natural monopoly.
Passenger fee rates of domestic civil air routes and the domestic section of international civil air routes	The passenger fares of the domestic civil air routes are subject to prices guided by the Government (except for competitive areas). Airlines are permitted to raise the fare by no more than 25% of a benchmark fare, but there is no limit for the bottom fare. Rationale: lack of competition and natural monopoly of airports and related services.

Source: Information provided by the authorities of China; NDRC online information; and the 2016 Catalogue of Central Determined Prices (NDRC Order [2015] No. 29).

3.176. Products and services subject to prices set/guided by local governments remained unchanged during the review period (Table 3.18). The Government also maintains its minimum procurement price policy for unhusked rice and wheat in their main production areas.

Table 3.18 Products/Services subject to price controls by local governments, 2017

Product	Type of control/rationale	Regulation
Environment protection charges	The compensated use and trading of pollutant discharge right and hazardous wastes disposal charges are subject to local government pricing regulation. Rationale: public utilities.	Measures for the Administration of Collection Standards for Pollutant Discharge Fees[a]
Urban household garbage disposal charges	Urban household waste charges are subject to local government pricing regulation. Rationale: public utilities.	Circular on Implementing Urban Household Garbage Disposal Charges and Promoting Garbage Disposal Industrialization[b]
Sewage disposal charges	Sewage disposal charges are subject to local government pricing regulation. Rationale: public utilities.	Measures for the Administration of Collection Standards for Pollutant Discharge Fees
Real estate prices and charges of related services	Economical housing, low-price house rental and property service charges are subject to local government-guided prices. Rationale: public service.	Administrative Measures on Economical Housing[c] Administrative Measures on Low-price House Rental[d]
Entrance to sightseeing sites	Prices are subject to regulation of local government pricing or local government-guided prices. Rationale: public service.	Tourism Law[e]

a National Development and Plan Committee, Ministry of Finance, State Administration of Environment Protection, National Economy and Trade Committee Decree No. 31, 28 February, 2003. Viewed at: http://www.chinalaw.gov.cn/.
b Ji Jia Ge [2002] No. 872, 7 June 2002. Viewed at: http://www.mohurd.gov.cn/.
c Jian Zhu Fang [2007] No. 258, 19 November 2007. Viewed at: http://www.gov.cn/.
d Fa Gai Jia Ge [2005] No. 405, 14 March 2005. Viewed at: http://www.sdpc.gov.cn/.
e Chairman Decree No. 3, 25 April 2013. Viewed at: http://www.gov.cn/.

Source: Information provided by the authorities of China.

3.3.5 State trading, state-owned enterprises, and privatization

3.177. China provided its last full notification on state trading enterprises (STEs) in 2015.[105] The authorities indicate that a new notification is under preparation. The legislation regulating state trading has not changed since 2014, nor have the reasons for maintaining this practice or the products subject to it. According to the authorities, state trading remains in place to: ensure a stable supply and price of the products concerned; safeguard food security; and protect exhaustible and non-recyclable natural resources, and the environment.

3.178. STEs in China have the exclusive right to import or export the following products: grain, sugar, tobacco, rice, corn, cotton, coal, crude oil, processed oil, chemical fertilizers, tungsten, tea, silk, antimony and silver (Section 4.2). The authorities indicate that state trading enterprises operate following the market mechanism, with no government interference.

3.179. During the period under review, China replied to the questions asked in the Working Party on State Trading Enterprises. Questions were asked by Australia, the European Union, and the United States.[106] In the Working Party, a Member submitted a counter-notification on Chinese STEs in December 2017, listing seven companies that it thinks should be considered as STEs.[107]

3.180. In China's economy, public ownership coexists with diverse forms of private ownership. State participation varies from wholly state-owned enterprises and majority state-ownership to the State acting as another shareholder among others. The private sector is dominant in industries such as clothing, food, and assembly for export, while companies are predominantly state-owned in sectors such as energy; utilities; and transport, financial, telecom, education, and health care services. SOEs are divided into commercial entities and public welfare entities.

3.181. The number of state-owned industrial enterprises has roughly remained constant during past years, whereas their share in total assets and profits has decreased (Table 3.19). SOEs and their subsidiaries with mixed ownership also play an important role on the stock markets. By end-2016, the number of SOE subsidiaries with mixed ownership accounted for 61% of total assets of all companies listed.

3.182. The State-Owned Asset Supervision and Administration (SASAC), as a representative of the Government, is in charge of contributing capital to and appointing top managers in SOEs under its management. In January 2018, the number of SOEs under SASAC's authority totalled 98 (down from 106 in January 2016) of which 82 are listed on national or international stock exchanges. The decline in the number of enterprises under SASAC's supervision is due to the ongoing restructuring of SOEs. As at mid-2017, the companies controlled by SASAC had some 11 million employees; their total assets amounted to some RMB 50 trillion in 2016. No information was available on the total amount of capital injections.

3.183. Of the ten largest SOEs, five are under SASAC's supervision (Table 3.20). The State remains a majority shareholder in all but one of the 100 largest publicly listed Chinese companies.

3.184. During the period under review, SOE reforms have continued based on the Guiding Opinion on Deepening the Reform of SOEs issued by the Central Government and State Council in August 2015.[108] Pursuant to this document, the Government shall promote a shareholding system for commercial SOEs and encourage private investment, while at the same time maintaining the leadership in SOE governance. The Guiding Opinion calls for a policy environment

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[105] WTO documents G/STR/N/10-15/CHN, 19 October 2015, and G/STR/N/10-15/CHN/Corr.1, 2 December 2016. The notifying period is 2003-14.

[106] WTO documents G/STR/Q1/CHN/3-8, 10 March 2016-16 March 2017.

[107] WTO documents G/STR/Q1/CHN/9 and G/C/W/749, 13 December 2017. According to the document, the following companies should be listed as STEs: China National Tobacco Import & Export Co. (later renamed China Tobacco International Inc.), China National Offshore Oil Corporation, Sinochem Group, China International Petroleum and Chemicals Co. Ltd., China National Agricultural Means of Production Group Co., Chinatex Corporation, and Xinjiang Yin Long International Agriculture Cooperation Co. Ltd.

[108] The Central Government and State Council, the Guiding Opinion on Deepening the Reform of SOEs, 13 September 2015. Viewed at: http://www.gov.cn/zhengce/2015-09/13/content_2930440.htm.

conducive to SOE reforms without, however, providing details regarding how this is to be achieved.

Table 3.19 SOEs in China's economy, 2009-16

Sector	2011	2012	2013	2014	2015	2016
Industrial sector[a]						
Number of total enterprises	325,609	369,813	377,888	377,888	383,148	378,599
Number of SOEs[b]	17,052	18,574	18,808	18,808	19,273	19,022
% of SOEs	5.2	5.0	5.0	5.0	5.0	5.0
Total assets (billion RMB)	67,580	87,075	95,678	95,678	102,340	108,587
Total assets of SOEs[b] (billion RMB)	28,167	34,399	37,131	37,131	39,740	41,770
% of SOEs	41.7	39.5	38.8	38.8	38.8	38.5
Total profits (billion RMB)	6,140	6,838	6,815	6,815	6,619	7,192
Total profits of SOEs[b] (billion RMB)	1,646	1,592	1,451	1,451	1,142	1,232
% of SOEs	26.8	23.3	21.3	21.3	17.2	17.1
Construction						
Number of enterprises	72,280	78,919	81,141	81,141	80,911	..
Number of SOEs	4,642	3,847	3,753	3,753	3,603	..
% of SOEs	6.4	4.9	4.6	4.6	4.5	..
Gross output value (billion RMB)	11,646	15,931	17,671	17,671	18,076	..
Gross output value of SOEs (billion RMB)	2,044	2,616	2,207	2,207	2,177	..
% of SOEs	17.5	16.4	12.5	12.5	12.0	..

.. Not available.

a Including mining, manufacturing, and production and supply of electricity, gas, and water.
b Numbers referring to SOEs including state-holding enterprises.

Source: National Bureau of Statistics China, *Statistical Yearbook (various issues).*

Table 3.20 China's ten largest state-owned enterprises, 2016

Company name	Revenue (billion US$)
1. China National Petroleum[a]	263
2. Industrial and Commercial Bank of China	148
3. China State Construction Engineering[a]	144
4. China Construction Bank	135
5. Agricultural Bank of China	117
6. Bank of China	114
7. China Mobile Communications[a]	107
8. China Life Insurance	105
9. China Railway Engineering[a]	97
10. China Railway Construction[a]	95

a Under SASAC.

Source: Fortune Global 500.

3.185. In 2017, NDRC issued Opinions on the Key Work of Deepening Economic System Reform.[109] It stipulated that China would keep a system of corporate, shareholding and mixed ownership, promote the M&A of the central enterprises, but also slim down supersized SOEs, so as to improve the efficiency and quality of SOEs. Furthermore, China Securities Regulatory Commission also expresses its support to the M&A of state-owned enterprises. In 2016, 678 M&A deals were concluded among state-owned listed companies, with a transaction volume of RMB 1.02 trillion, accounting for 43% of total M&A volume.[110]

3.186. The authorities indicate that SOEs are subject to the same tax rates as private companies. The authorities also indicate that SOEs do not have preferential access to certain inputs such as electricity, land, raw materials, or credit.

[109] Opinions on the Key Work of Deepening Economic System Reform in 2017 (in Chinese), Guo Fa [2017] No. 27, 13 April 2017. Viewed at: http://www.gov.cn/zhengce/content/2017-04/18/content_5186856.htm [10.04.2018].
[110] Xinlang online news, 15 August 2017. Viewed at: http://news.sina.com.cn/c/2017-08-15/doc-ifyixipt1836540.shtml.

3.187. Many SOEs continue to receive financial support. In 2016, around 3,000 companies listed in the Shanghai and the Shenzhen Stock Exchanges received government support, totalling RMB 123.215 billon[111] (up from RMB 89.421 billon in 2014). Seven of the top 10 companies that received support in 2016 were SOEs, compared to nine in 2014 (Table 3.21). Companies that received financial support are mainly from chemical, automobile, excavation, and steel industries. Companies in the car manufacturing industry received an increasing amount of support, while the amount received by companies in steel industries decreased.

Table 3.21 Top 10 companies listed in SSE/SZSE that received public support in 2016

	Company	Government grant (RMB million)	Industry	State-owned
1	Petro China	5,779	Petroleum	Yes
2	China Petroleum & Chemical Corp.	3,987	Petroleum	Yes
3	SAIC Motor Corp. Ltd	2,547	Automobile	Yes
4	BOE Technology Group Co Ltd	1,915	Semiconductor	Yes
5	Midea Group	1,330	Household appliances	No
6	CRRC Corp. Ltd	1,325	Transportation equipment	Yes
7	TCL Corp.	1,112	Electronics	No
8	Offshore Oil Engineering Corp. Ltd	1,060	Excavation	Yes
9	Yili Industrial Group Ltd	1,058	Food and beverage	Yes
10	Focus Media	1,037	Information service	No

Source: Collected by the WTO Secretariat based on various sources (Caixin Media, iFinD database) which base their information on annual reports and financial statements of the concerned companies.

3.188. The China Structural Reform Fund, set up by ten SOEs in September 2016, aims at optimizing the management of central government enterprises, through the financing of SOE restructuring, overseas M&A, and capacity adjustment. With this Fund, China expects to enhance industrial integration, and improve the performance and efficiency of capital operations. The paid-in capital of the Fund was RMB 65 billion in January 2018.

3.189. The Anti-Monopoly Law (AML) allows SOEs to exercise exclusive activities in sectors considered vital for China's economy and to safeguard national security (Section 3.3.4). Exclusive production and sales rights may also be granted in accordance with Article 7 of the AML.

3.3.6 Government procurement

3.3.6.1 Overview

3.190. According to data provided by the Chinese authorities, the total value of government procurement in China was RMB 2.11 trillion in 2015 and RMB 3.11 trillion in 2016 (the latest year for which data were made available), accounting for 3.1% and 4.2% of GDP, respectively (Table 3.22). This relatively low ratio may reflect the fact that important infrastructure projects implemented by SOEs are not covered by the Government Procurement Law. The majority of procurement takes place at the sub-central government level. Procurement by local entities accounted for 95% of China's total value of government procurement in 2016; in the same year, procurement by the Central Government accounted for 5%.[112]

Table 3.22 Government procurement by type of purchase, 2014-16

(RMB billion)

	2014	2015	2016
TOTAL	**1,730.5**	**2,107.1**	**3,109.0**
Goods	**523.0**	**657.1**	**724**
Central government entities	30.2	75.8	97.3
Local government entities	492.8	581.3	626.7
Construction and engineering services	**1,014.1**	**1,115.5**	**1,363.1**
Central government entities	24.3	26.1	35.4

[111] Caixin online information, 2 May 2017. Viewed at: http://datanews.caixin.com/2017-05-02/101085363.html.

[112] The top 10 local procuring entities are, among the 31 provincial-level governments that report procurement data to the Central Government, the provinces/municipalities of Guangdong, Jiangsu, Shandong, Zhejiang, Henan, Guangxi, Anhui, Chongqing, Shanghai and Jiangxi.

	2014	2015	2016
Local government entities	989.8	1,089.4	1,327.7
Other services	**193.4**	**334.4**	**1,021.9**
Central government entities	8.4	14.0	22.8
Local government entities	185.0	320.4	999.1
Total procurement by the Central Government	**62.9**	**115.9**	**155.5**
Total procurement by local government entities	**1,667.6**	**1,991.1**	**2,935.5**

Source: Information provided by the authorities of China.

3.3.6.2 Legal and institutional framework

3.191. There have been no major changes to China's legislative and regulatory regime concerning government procurement since its previous review. The Government Procurement Law (last amended in 2014[113]) and its Implementing Regulations (enacted on 1 March 2015) remain the primary legislation regulating government procurement activities in China. The legislation sets out the general principles of government procurement, roles of parties involved in procurement activities, procurement methods and procedures, contracting rules, the bid challenge mechanism, procurement supervision and monitoring duties of relevant government bodies, and the legal liability. Procurements either listed in the Centralized Procurement Catalogue or valued above the threshold[114] are subject to the Law. The Law and its related regulations are applied to state organs, public institutions and social organizations financed through regular fiscal funds; consequently, procurements by SOEs are not covered. The Law also provides that the following are not subject to its provisions: procurement conducted with loans from foreign governments or international organizations; emergency procurement for natural disasters or procurement related to national security; procurement activities under the agreement reached between the lender and/or fund provider that have no specific requirement for procurement; and military procurement.

3.192. The Tendering and Bidding Law (implemented on 1 January 2000, three years prior to the introduction of the Government Procurement Law) is, *de facto*, the law governing procurement by SOEs. Specifically, it provides that all construction works below the threshold value (including big infrastructure projects, public utility projects, projects fully or partially financed by the State or the State's financing programme, and projects financed by international organizations and foreign governments by means of loans and aided funds) should be subject to the Tendering and Bidding Law. The Implementing Regulations of the Government Procurement Law reaffirm that where tendering is used in the procurement of construction works, the Tendering and Bidding Law shall apply with regard to tendering procedures. The Implementing Regulations of the Tendering and Bidding Law, which came into effect on 1 February 2012, are currently under amendment with a view to facilitating the use of e-tendering and reflecting other developments in tendering practices. Proposed amendments were published by the NDRC for public comments on 29 August 2017.[115]

[113] The 2014 amendment cancelled the qualification accreditation system for government procurement agencies. A new registration system was established to replace the previous accreditation system, which simplifies the access requirements in this sector.

[114] There are no uniform thresholds across the country. The State Council publishes the thresholds for procurement at the central government level to which the Government Procurement Law shall apply, while different provinces, municipalities and autonomous regions promulgate their own thresholds. For example, for 2017 and 2018, the thresholds at the central government level, issued by the General Office of the State Council on 21 December 2016, are RMB 1 million for goods and services, and RMB 1.2 million for construction works. The threshold for 2017, issued by the Tianjin Municipality Government on 30 August 2016, is RMB 200,000 thousand for all goods, services and construction services. The threshold for decentralized procurement in 2017, issued by the Tianjin Municipality Government on 30 August 2016, is RMB 200,000 for all goods, services and construction works.

[115] The main proposed amendments to the Tendering and Bidding Law and its Implementing Regulations include, among others: (1) encouraging the use of electronic means in tendering and bidding; and recognizing the equal legal validity of electronic documents and data with that of paper documents; (2) allowing inclusion of requirements on innovation, energy preservation and environment protection in tender documents; (3) adjusting the time-period for submitting tenders from no-less-than 20 days to no-less-than 10 days when conducted online; (4) clarifying that the lowest price criterion should only be used in tender evaluation where the concerned product is of common technical/performance standards or the procuring entity does not have special technical/performance requirements on the products; and (5) introducing a requirement on the publication of information on contract performance by the tenderer and bidder.

Other laws with a possible impact on government procurement include the Budget Law, the Contract Law, the Product Quality Law, the Price Law, and the Anti-Monopoly Law.

3.193. The Ministry of Finance has also issued a series of administrative measures on different aspects of government procurement in order to put in practice the principles and rules set out by the Government Procurement Law and its Implementing Regulations. The main measures include: (i) the Administrative Measures on Tendering and Bidding for Government Procurement of Goods and Services (MOF Order No. 18, 2004 as amended by MOF Order No. 87, 2017); (ii) the Administrative Measures on Non-Tendering Government Procurement Methods (MOF Order No. 74, 2013, issued on 19 December 2013 and came into force on 1 February 2014); (iii) the Administrative Measures on Release of Government Procurement Information (MOF Order No. 19, 2004, issued on 11 August 2004 and came into force on 11 September 2004); and (iv) the Regulations on Procurement Questioning and Complaining Mechanism (MOF Order No. 94, 2017, issued on 26 December 2017 and came into force on 1 March 2018).[116]

3.194. During the review period, the Administrative Measures on Tendering and Bidding for Government Procurement of Goods and Services was amended in 2017 to: (i) clarify the role of procuring entities in different stages of procurement in order to enhance their performance or responsibility, their discretion in procurement and the overall transparency of the procurement system; (ii) improve integrity, efficiency and application of the best-value-for-money principle in government procurement; and (iii) reduce suppliers' costs in participating in government procurement. The amended Administrative Measures (MOF Order No. 87, 2017) came into force on 1 October 2017.

3.195. The authorities have also been promoting the use of public-private partnerships (PPP) in the area of government procurement in recent years in order to motivate private funds' engagement in the Government's provision of public goods and services. On 31 December 2014, the Ministry of Finance published the Administrative Measures on Government Procurement of Public-Private Partnership Projects (MOF Circular Caiku No. 215, 2014). According to the authorities, these Administrative Measures mainly apply to the process of selection of private partners by procuring entities. The measures were based on international best practices, in particular the UNCITRAL Model Legislative Provisions on Privately Financed Infrastructure Projects. The detailed rules for PPP projects are similar to those for conventional procurement. Meanwhile, they introduced higher requirements on transparency and monitoring in the procurement process.

3.196. According to relevant legislation, the MOF and the finance departments at different sub-central levels of government are the authorities responsible for supervising government procurement at their respective levels, including making relevant implementation rules, supervising procurement activities and handling suppliers' complaints. The SASAC and local state-owned assets supervision and administration departments at different levels are responsible for making rules for and supervising procurement by SOEs.

3.3.6.3 Procurement methods and procedures

3.197. Procurement can be centralized or decentralized depending on whether or not it is included in the Centralized Procurement Catalogues. Centralized procurement is mandatory for goods, services and construction works specified in the Centralized Procurement Catalogues. The items included in the Catalogues are usually goods or services with unified technological standards. The purpose of centralized procurement is to reduce the cost through large-scale procurement. There is no uniform catalogue or threshold across the country. The State Council publishes and updates a single Centralized Procurement Catalogue for procurement at central-government level, while the governments at provincial level publish their own Centralized Procurement Catalogues for procurement at provincial and local levels. Purchases of items listed in Centralized Procurement Catalogues must be carried out by designated agencies. The Procurement Law mandates that these agencies procure quality goods and services, at a lower-than-average-for-the-market price. For goods, services and construction works not included in the Catalogues, the procuring entities may conduct the procurement by themselves or through professional procuring agencies following the rules set by the Government Procurement Law or the Tendering and Bidding Law. In 2015,

[116] MOF online information. Viewed at: http://tfs.mof.gov.cn/zhengwuxinxi/caizhengbuling/201801/t20180102_2791704.html [03.04.2018].

China adopted a national registration system for professional procuring agencies to be included in the list which can be used by procuring entities when decentralized procurement is conducted. Based on the provisions of the Interim Measures on Managing Agencies of Government Procurement (Cai Ku [2018] No. 2), to be included in the list, procuring agencies should submit their information at the provincial portal (of the province where they have completed commercial and industrial registration procedures) of the Chinese Government Procurement website. By end-November 2017, more than 9,800 procuring agencies had registered online.[117] According to data from related departments, 52.3% of the procurement amount was completed through centralized procurement from 2015 to 2016.

3.198. The Government Procurement Law retained its "buy-domestic" (Article 10) provision when it was amended in 2014. The provision requires that procuring entities purchase domestic goods, construction projects and services, except in circumstances where: (i) the goods, construction, or services required are unavailable in China or, if available, cannot be procured on reasonable commercial terms; (ii) the goods, construction, and services are procured for use abroad; or (iii) where otherwise provided for by other laws and administrative regulations. While there have not been official criteria for defining domestic products, the authorities' state that the Government adopts the same rules when treating domestic and foreign-invested enterprises, and in practice China provides non-discriminatory and equal treatment to all products manufactured in China regardless of the degree of foreign affiliation or ownership of producers.[118] The Administrative Measures on Government Procurement of Imported Products (issued by the Ministry of Finance, 27 December 2017) require pre-approval for procurement of imported products.[119] The authorities state that there are no data on actual government procurement, including goods, services and construction services that are sourced domestically.

3.199. The Government Procurement Law, its Implementing Regulations and relevant Administrative Measures provide for six procurement methods, namely: (i) public tendering; (ii) selective tendering; (iii) price inquiry; (iv) competitive negotiations; (v) competitive consultations; and (vi) single-source procurement. The authorities' state that these methods are used both at the central and local levels. Detailed procedural rules related to public tendering and selective tendering are contained in the amended Administrative Measures on Tendering and Bidding for Government Procurement of Goods and Services (MOF Order No. 87, 2017) and rules for the other four methods are specified by the Administrative Measures on Non-Tendering Government Procurement Methods (MOF Order No. 74, 2013) and the Interim Measures for Administration of Competitive Consultation Method in Government Procurement (MOF Circular, Caiku No. 214, 2014).

3.200. Public tendering means a procurement method whereby the procuring entity invites, through tender notice, non-specified suppliers to participate in a tender. It is the main procurement method, and is mandatory for procurement valued above the specific amount set forth in the Government Circulars.[120] For instance, at the central government level in 2017-18, the value for public tendering of goods and services is RMB 2 million (up from RMB 1.2 million before); the value for construction works remained at RMB 2 million. Adopting methods other than public tendering for procurement valued above the specific amount requires approval from relevant finance authorities.

[117] The website is: http://www.ccgp.gov.cn.

[118] The Ministry of Finance published draft Administrative Measures on Government Procurement of Domestic Products for public comments on 21 May 2010. The Draft Measures intended to define domestic products as products manufactured within the customs territory of China, the domestic contents of which should exceed 50% of the total cost. There have been no further developments in this regard since then.

[119] The authorities confirmed that no changes have taken place to the procurement policies with regard to imported goods and services. To facilitate procurement of imported products, the General Office of the Ministry of Finance issued the Circular on Matters Related to Simplifying and Optimizing the Modification of Procurement Methods and the Pre-Approval and Review of Imported Products by Centrally Financed Procuring Entities (MOF Circular Caibanku No. 416, 2016). The authorities do not have data on the percentage of imported goods and services in the total government procurement amount.

[120] The values for mandatory public tendering are not uniformly defined across the country but are dependent upon the finance source. For procurements at the central level, the value is specified by the State Council; at sub-central and local level, it is specified by the provincial authorities. Below those values, procuring entities may use any procurement method at their discretion.

3.201. Selective tendering means that the procuring entity selects, by random, no less than three suppliers from qualified suppliers and then sends invitation letters to those selected suppliers asking them to participate in a tender. It may be used when the goods or services to be procured are special and can only be obtained from a limited number of suppliers or when the cost of holding a public tender represents an excessive proportion of the total value of the procured items. The procuring entity can either conduct a pre-qualification check of suppliers by itself or through a procuring agency based on the criteria specified in the published pre-qualification check notice, or it may select suppliers from the multi-use list of qualified suppliers already established by the finance authorities. The procuring entity can also recommend qualified suppliers in writing. When the multi-use list or the list of recommended suppliers is used, the number of suppliers in the list should be no less than twice the number of suppliers to be selected by random.

3.202. According to the 2017 Administrative Measures on Tendering and Bidding for Government Procurement of Goods and Services, the tender notice and the pre-qualification notice should be published in media designated by the finance authorities above provincial level. The publication period should be no less than five working days. The time period from the publication of tender/pre-qualification notices to the deadline for acquiring tender/pre-qualification documents should also be no less than five working days. The amended Administrative Measures do not provide for the minimum time period that should be observed for suppliers to submit their tenders or pre-qualification materials.[121] There should be no less than three qualified suppliers/tenders competing for a tender. Where there are less than three qualified suppliers or tenders, the tendering shall be terminated.

3.203. The Measures allow for two types of tender evaluation methods: the lowest price method and the comprehensive rating method. The performance-price comparison method was abolished in the amendment. According to the lowest price method, among tenders that meet all the substantive requirements set out in the tender notice, the one with the lowest price will win the contract. This method applies to the procurement of goods or services of standard technical specifications. According to the comprehensive rating method, factors other than price, such as technology level, capability of fulfilling the terms of the contract, and after-sale service, are also taken into consideration when ranking the tenders. Under this method, the weight of price in the total score should be no less than 30% for goods and no less than 10% for services. The tender with the highest score will win the contract.

3.204. Non-tendering methods can be used when the procurement value is below the thresholds for the mandatory use of open tendering. In addition, they can also be used for procurement above the thresholds under particular circumstances with the pre-approval of the relevant finance authorities. The competitive negotiation method can be used under circumstances where: (i) after attempting a tendering process, no supplier has submitted an offer or no tender meets the tender requirement, or when a second tendering process has been attempted but has failed; (ii) there is urgency and the tendering method cannot meet the time requirement; (iii) it is infeasible to formulate the specifications or requirements due to the technical complexity or special nature of the goods and services to be procured, or (iv) the total value of the goods or services to be procured cannot be determined in advance. Under this method, the negotiation team shall choose no fewer than three suppliers from among all qualified suppliers to participate in the negotiation. When the negotiation is concluded, the negotiation team shall request all participating suppliers to quote their final offering prices within a specified time limit. The supplier meeting the procurement needs at the lowest price will win the contract.

3.205. The competitive consultation method was introduced by the Interim Measures for Administration of Competitive Consultation Procurement Method in Government Procurement on 31 December 2014 (Circular of MOF, Caiku [2014] No. 214). This method is similar to the competitive negotiation method in most aspects except the evaluation criteria. The competitive consultation method uses a comprehensive score criterion instead of the lowest price criterion. The Interim Measures require that at least three suppliers be invited to participate in the competitive consultation. The weight of price in the total score should be between 30 and 60% for the procurement of goods and between 10 and 30% for the procurement of services. This method can be applied to: (i) the procurement of services; (ii) procurement for which detailed specifications or

[121] The 2004 Administrative Measures provided for a minimum period of 20 days for suppliers to submit their tenders.

specific requirements cannot be determined due to their technical complexity or special nature; (iii) procurement for which the price cannot be calculated in advance; (iv) the procurement of artistic works, patents, and proprietary technologies; (v) scientific research projects for which market competition is not sufficient; (vi) or construction projects not subject to bidding under the Tendering and Bidding Law and its implementing regulations.

3.206. The price inquiry method may be used for the procurement of goods with specifications and standards that are uniform and which are readily available on the spot at prices that fluctuate little. A price inquiry team is set up to inquire with qualified suppliers about prices. No less than three suppliers from the qualified suppliers should be contacted. The supplier offering the lowest price will win the contract.

3.207. Recourse to the single-source procurement method may be made when goods or services can be procured from only one supplier, when they cannot be procured from other suppliers due to an unforeseeable emergency, or when procurement of additional items or services from the same supplier is required to ensure consistence of products or services. To ensure transparency, information regarding the projects that cannot be subject to the standards for public tendering should be published for public comments and submitted to relevant finance authorities for approval before conducting single-source procurement.

3.208. According to data provided by the authorities, procurement through public tendering accounted for 64.1% of total procurement in 2016, competitive negotiations for 4.2%, and selective tendering for 1% (Table 3.23).

Table 3.23 Government procurement by procurement method, 2014-16

(RMB billion)

Year	Total	Procurement method					
		Public tendering	Selective tendering	Competitive negotiations	Competitive consultations	Price inquiry	Single-source procurement
2014	1,730.5	1,462.1	45.8	72.1	..	63.5	52.2
2015	2,107.1	1,641.4	40.1	121.1	..	78	122.3
2016	3,109.0	1,992.9	31.1	130.6	..	..	..

.. Not available.

Source: Information provided by the authorities of China.

3.209. To enhance transparency and achieve effective public monitoring of government procurement, in addition to the Administrative Measures on Release of Government Procurement Information (MOF Order No. 19, 2004), the Ministry of Finance issued the Circular on Making Efforts to Accomplish the Work of Government Procurement Information Disclosure (MOF Circular, Cai Ku No. 135, 2015). The Circular requires that procuring entities publish government procurement and tendering information in media designated by the Ministry of Finance in a timely, comprehensive and standard manner.[122] It sets out the scope, contents and requirements for the publication of information. The published information includes: (i) laws, regulations, administrative measures and rules related to government procurement; (ii) information related to a specific procurement procedure, such as the procurement notices, procurement documents, budget value of a specific procurement procedure, contract award notices, contracts, etc.; and (iii) information related to monitoring and penalties, such as decisions on tender challenges, penalty decisions made in procurement monitoring and supervision, results of the performance evaluation of appointed agencies for centralized procurement, records of illegal or dishonest behaviours, etc. The contract award decisions should be published in designated media within two working days of being made.

[122] The media designated by the Ministry of Finance for publishing government procurement information include: the China Finance and Economic News, the China Government Procurement Newspaper, the China Government Procurement Magazine and the China State Finance Magazine. Nonetheless, to facilitate access to government procurement information by interested parties, all information published in other media should be published on the China Government Procurement Website at the same time. Sub-central governments may designate their own media for publishing government procurement information. For procurement above RMB 5 million by sub-central government, the procurement information should be published on the main part of the China Government Procurement Website simultaneously.

3.210. To improve efficiency in government procurement, China promotes the use of information technology and the gradual adoption of e-procurement. China is also promoting the standardization of government procurement, as well as stepping up efforts to exercise supervision and inspection.

3.3.6.4 Other policy considerations in government procurement

3.211. Article 9 of the Government Procurement Law provides that government procurement shall be carried out to facilitate the realization of the economic and social development policy goals of the State, including environmental protection, assistance to underdeveloped or ethnic minority regions, and promoting the development of SMEs.

3.212. The Interim Measures on Promoting the Development of Small and Medium Enterprises through Government Procurement (MOF Circular Caiku No. 181, 2011) specify detailed policies in favour of SMEs, including set-aside, price preference and encouraging joint bidding and sub-contracting. The set-aside policy requires that budgetary authorities reserve no less than 30% of their annual procurement amount for SME suppliers. Among the reserved part, the share for small and micro enterprises should be no less than 60%. Under the price preference policy, small and micro enterprises are eligible for a 6-10% price preference in tender evaluation.[123] When small and micro enterprises and other enterprises submit a tender as a consortium and the small and micro enterprises' share in the total value of the tender exceeds 30%, the consortium will be eligible for a 2-3% price preference. Large enterprises with government procurement contracts are also encouraged to sub-contract to SMEs.[124]

3.213. With regard to environmental protection, China adopts policies to provide more favourable treatment to energy-saving products and environmentally friendly products in government procurement. The detailed policies are contained in the Circular of the General Office of the State Council on Establishing a Regime for Mandatory Government Procurement of Energy-Saving Products (Guobanfa No. 51, 2007) and the Opinions of the Ministry of Finance and the General Administration of Environmental Protection on Implementing Government Procurement of Environmental Labelling Products (MOF Caiku No. 90, 2006). Relevant authorities issue and update the separate lists of energy-saving products and environment-friendly products regularly. Desktop computers and some other products must be placed on these lists if they are to be procured. Procurement of other energy-saving products and environmentally friendly products is prioritized.

3.214. The authorities noted that since 2015, no conditions have been attached to government procurement regarding "indigenous innovation".

3.3.6.5 Suppliers complaint mechanism

3.215. The Government Procurement Law requires that the finance authorities at different levels of government be responsible for reviewing suppliers' complaints regarding government procurement at their respective levels. Bidders may question the procuring entity's decision, complain to the finance departments, or bring a case to court. The detailed complaint procedures are set out in the Measures on Handling Complaints of Government Procurement Suppliers (Order No. 20 of the Ministry of Finance, 11 August 2004).

3.216. According to the Law and the Rules, where a supplier believes that the procurement documents, proceedings or final results are detrimental to its own interest, it can make inquiries to the procuring entity or the procuring agency. If the supplier is not satisfied with the response or if there is no response, the supplier may make a complaint to the finance authority at the same level as that of the procuring entity. The finance authority shall investigate the complaint and make its decision within 30 working days of receiving the complaint. If unsatisfied with the decision of the finance authority or if the finance authority does not make a decision within the prescribed period, the complainant may apply for administrative review or file judicial litigation.

[123] In tender evaluation, the tender submitted by a small or micro enterprise will compete with other tenders based on a price 6-10% lower than the original price offered by this enterprise. When the contract is delivered, this enterprise will be paid the full original price.

[124] There is no price preference policy for encouraging sub-contracting. Nonetheless, the amount of sub-contracts will be counted when calculating set-asides.

3.217. In 2015 (the latest year for which data were made available), the finance authorities at various levels all over China accepted 2,629 government procurement complaints raised by suppliers. The authorities noted that the finance authorities at various levels have continued to improve the complaint handling mechanism since the last Review, establishing a multi-departmental cooperation and coordination mechanism and an offence-disclosing mechanism.

3.3.6.6 Accession to the GPA and other international cooperation

3.218. China became an observer to the GPA in 2002. It initiated its GPA accession negotiation in 2007 and has subsequently submitted six market access offers offering gradually enlarged market opening commitments. Discussions dedicated to China's accession have taken place on multiple occasions during 2008-17. China's fifth revised offer, which was submitted on 23 December 2014[125], covers entities and projects of all types and makes improvements in the areas of key concern to various parties. For example, more local entities have been added, all construction services covered, and SOEs included for the first time in the offer. Nonetheless, significant gaps remain between this offer and certain GPA Parties' expectations, especially in terms of the coverage of non-sensitive military procurements, sub-central government entities and SOEs. The Chinese delegation indicated in the course of several GPA Committee meetings held in 2017 that it would submit a further revised offer in due course to address GPA Parties' remaining concerns.[126] The GPA Committee has mentioned several times its belief that China's GPA accession, on the right terms, will bring important advantages both to China itself and to the multilateral system.

3.219. China has not included or been negotiating any market access terms on government procurement in its free trade agreements with trading partners. According to the authorities, it remains China's priority to conclude its GPA accession before liberalizing its government procurement market through bilateral/reginal tracks.

3.3.7 Intellectual property rights

3.3.7.1 Overview

3.220. In 2016, the State Council approved the establishment of the system of Inter-Ministerial Joint Conference for Implementing National Intellectual Property Strategy composed of 31 departments (previously 28 departments).[127] Under the leadership of the State Council, the Conference is responsible for overall planning and coordination of the implementation of the national IP Strategy.[128] The Conference is convened by the Commissioner of the State Intellectual Property Office (SIPO), which is under the State Council.[129] In December 2016, the State Council issued the 13th National Five-Year Plan on Intellectual Property Protection and Utilization (Plan 2016), which set out ten goals to be achieved in IP protection and utilization by 2020.[130] In accordance with the Action Plan 2014-2020, the Opinions 2015 and the Plan 2016, the Conference issued the new annual Promotion Plan for the year 2017[131] in April 2017.

[125] WTO document GPA/ACC/CHN/45, 5 January 2015.

[126] See the 2017 Annual Report of the GPA Committee: GPA/145, 16 November 2017.

[127] The Outline of the National Intellectual Property Strategy was issued on 5 June 2008. In November 2014, the General Office of the State Council issued the Action Plan for Deepening the Implementation of the National IP Strategy (2014-2020). SIPO online information. Viewed at: http://english.sipo.gov.cn/news/ChinaIPNews/2015/201501/P020150114538677226855.pdf [14.12.2017]. In December 2015, the State Council issued the Several Opinions on Accelerating the Construction of the Nation with Strong IP Competence under the New Situation. SIPO online information. Viewed at: http://english.sipo.gov.cn/news/ChinaIPNews/2015/201512/P020151230397526248167.pdf [29.03.2018].

[128] Chinese Government online information. Viewed at: http://www.gov.cn/zhengce/content/2016-03/30/content_5059662.htm [14.12.2017].

[129] Information on China's intellectual property strategy at the national, regional, and industrial level can be found on the Office's website (in Chinese) at: http://www.nipso.cn. SIPO's website also provides information concerning China's IPR policies (http://english.sipo.gov.cn).

[130] SIPO online information. Viewed at: http://english.sipo.gov.cn/news/ChinaIPNews/2017/201701/P020170125311344929064.pdf, and http://www.sipo.gov.cn/tz/201708/t20170823_1317997.html.

[131] SIPO online information (in Chinese). Viewed at: http://211.157.104.86:8080/ogic/view/govinfo!detail.jhtml?id=3485 [11.04.2018].

3.221. The "China Manufacturing 2025" strategy highlights the importance of IP protection and enforcement, in particular in Sections 2.4 and 4.3.

3.222. Furthermore, on 15 March 2017, the 5th Plenary Session of the 12th National People's Congress adopted General Provisions of Civil Law, as a development of the PRC General Principles on Civil Law enacted in 1986. The Provisions entered into force on 1 October 2017; according to the authorities, the Provisions are the first piece of Chinese legislation to explicitly mention GIs and other IP subject matters.[132]

3.223. China's main laws and the respective amendments concerning IPR have remained largely unchanged since its previous Review (Table 3.24).[133]

Table 3.24 Summary of IPR legislation in China, 2017

Form	Main legislation	Coverage	Duration
Patents	The Patent Law (last amended in 2008)	Inventions and utility models for which patent rights are to be granted shall be ones which are novel, creative and of practical use.	20 years from the date of filing
Trademarks	The Trademark Law (last amended in August 2013)	An application may be made to register a mark as a trademark; such a mark includes any word, device, letter of the alphabet, number, three-dimensional symbol, colour combination, sound or any combination thereof that identifies and distinguishes the goods of a natural person, legal person or other organization from those of others.	10 years since the day the registration is approved
Copyright and related rights	The Copyright Law (last amended in 2010)	Works of literature, art, natural sciences, social sciences, engineering and technology, which are created in any of the following forms: (1) written works; (2) oral works; (3) musical, dramatic, quyi, choreographic and acrobatic works; (4) works of the fine arts and architecture; (5) photographic works; (6) cinematographic works and works created by a process analogous to cinematography; (7) graphic works such as drawings of engineering designs and product designs, maps and sketches, and model works; (8) computer software; and (9) other works as provided for in laws and administrative regulations.	The term of copyright protection for natural persons is life plus 50 years; Works of a legal entity or other organization, cinematographic and photographic works are protected for 50 years; Software copyright exists from the date on which its development is completed; Audio and video productions, broadcasting, and public performances are granted protection for 50 years from the first day of production, broadcasting, or performance; Typographical designs are protected for 10 years.
Layout-designs of integrated circuits	Regulations on the Protection of Layout-Designs of Integrated Circuits (promulgated in 2001)	Any layout-design which is original in the sense that the layout-design is the result of the creator's own intellectual effort, and is not commonplace among creators of layout-designs and manufacturers of integrated circuits at the time of its creation.	15 years after the date of the completion of its creation.
New plant varieties	The Regulations on the Protection of New Varieties of Plants (last amended in 2014)	Artificially cultivated plant varieties, or ones developed from discovered wild plants, which possess novelty, distinctness, uniformity and stability, and which are duly named.	20 years from the date of authorization in the case of vines, forest trees, and ornamental trees, and for 15 years for other plants.

Source: Information provided by the authorities of China.

3.224. China is a member of the World Intellectual Property Organization (WIPO), and participates in a number of international conventions and treaties related to intellectual property rights (Table 3.25).

[132] Article 123, the Provisions.
[133] WTO document, IP/N/1/CHN/P/2, IP/N/1/CHN/P/3, IP/N/1/CHN/C/1 (2001 Version), IP/N/1/CHN/L/1/Rev.1, IP/N/1/CHN/9 (2013 Amendment).

Table 3.25 China's membership of international intellectual property rights conventions, as of mid-2017

International Organization	Convention	Status	Date of accession (or signature, ratification)
WIPO	WIPO Copyright Treaty	In force	09 June 2007
	WIPO Performances and Phonograms Treaty (WPPT)	In force	09 June 2007
	Strasbourg Agreement	In force	19 June 1997
	Locarno Agreement	In force	19 September 1996
	Madrid Protocol	In force	01 December 1995
	Budapest Treaty	In force	01 July 1995
	Nice Agreement	In force	09 August 1994
	Patent Cooperation Treaty (PCT)	In force	01 January 1994
	Phonograms Convention	In force	30 April 1993
	Berne Convention	In force	15 October 1992
	Madrid Agreement (Marks)	In force	04 October 1989
	Paris Convention	In force	19 March 1985
	WIPO Convention	In force	03 June 1980
	Beijing Treaty	Ratified	(ratified 9 July 2014)
	Marrakesh VIP Treaty	Signed	(signed 28 June 2013)
	Singapore Treaty	Signed	(signed 29 January 2007)
	Trademark Law Treaty (TLT)	Signed	(signed 28 October 1994)
	Washington Treaty	Signed	(signed 1 May 1990)
UPOV	UPOV Convention	In force	23 April 1999
UNESCO	Universal Copyright Convention	In force	30 October 1992

Source: WIPO online information. Viewed at: http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=38C.

3.3.7.2 Industry property

3.3.7.2.1 Patents

3.225. SIPO remains responsible for receiving and processing patent applications and granting patents. Local IPR administrative offices deal with hearing and settling disputes with respect to patents.

3.226. The legislative and regulatory framework of patent protection for inventions, utility models, and industrial designs is provided in the Patent Law and the Rules for Implementation of the Patent Law.[134]

3.227. The process to follow for patent application and registration, under the Patent Law, has not changed since the previous review. A substantive examination may be initiated by SIPO upon request of the applicant within three years of the date of filing (or the priority date), failing which the application is considered to have been withdrawn. The average time required to complete a substantive examination for an invention patent was 21.8 months in 2014. Decisions regarding patent applications may be re-examined by the Patent Re-Examination Board. Where an applicant requests SIPO to conduct a substantive review of his/her invention patent application, the request must be submitted within three years of the application date (or the priority date), otherwise the application shall be deemed to be withdrawn. In 2016, the Patent Re-Examination Board accepted 13,107 requests for re-examination, 17,623 of which were conducted.

3.228. Parallel imports of patented goods are allowed, in accordance with Article 69 of the Patent Law.

[134] Other regulations dealing with patents include the Measures for the Filing of Patent Exploitation Licence Contracts; the Measures for Compulsory Licensing for Patent Implementation; the SIPO Rules on Administrative Reconsideration; the Administrative Measures on Prioritized Examination of Invention Patent Applications; and the Measures for Patent Administrative Enforcement. WTO documents IP/N/1/CHN/3, 15 December 2010; IP/N/1/CHN/P/2, 21 December 2010; IP/N/1/CHN/4, 24 August 2011; and IP/N/1/CHN/P/3, 26 August 2011.

3.229. Compulsory licences of patents may be granted in the public interest, or in the event of a national emergency or any extraordinary state of affairs.[135] As of January 2018, China has never granted any compulsory licences.

3.230. During the period under review, SIPO formulated and revised several departmental rules (Table 3.26).

Table 3.26 Recent changes in patent-related regulations, 2017

Department rules	Main amendments	Date of entry into force
Administrative Measures on Prioritized Examination of Patent	1. Extending the scope of the prioritized examination 2. Improving the conditions for the priority review 3. Simplifying the processing of prioritized examinations 4. Optimizing the examination process	1 August 2017
Provisions on Regulating Patent Application Activities	1. Increasing the types of behaviour classified as non-normal patent applications 2. Strengthening the non-normal patent application action measures	1 April 2017
Patent Examination Guidelines	1. Modifying "Function Module" to "Programme Module" 2. Programme may be included into components of an explicit device (hard and soft) 3. Clarifying the meaning of "computer programme per se" 4. Deleting "Case 9" in Section 3	1 April 2017
SIPO Measures for Developing and Regulating Normative Documents	Strengthen the management of normative documents	1 February 2017
Measures for Patent Administrative Law Enforcement	1. Emphasizing the principles of rule of law 2. Standardizing law enforcement procedures 3. Modifying related provisions to adapt to the development of Internet	1 July 2015
Measures for the Administration of Patent Agency	1. Abolishing the funding requirements for setting up a patent agency 2. Improving the patent agency information management 3. Strengthening regulations on the patent agency	1 May 2015

Source: Information provided by the authorities of China, and Chinese Government and SIPO online information. Viewed at: http://www.gov.cn/zhengce/2017-07/12/content_5209847.htm, http://www.gov.cn/xinwen/2017-03/09/content_5175542.htm, http://www.sipo.gov.cn/zcfg/zcjd/201703/t20170331_1309157.html, http://www.sipo.gov.cn/zwgg/jl/201612/t20161216_1306658.html, http://www.sipo.gov.cn/zcfg/zcjd/201506/t20150609_1128705.html, and http://www.sipo.gov.cn/zcfg/zcjd/201505/t20150518_1118734.html.

3.231. In 2016, SIPO issued the Implementation Plan for Patent Quality Improvement Projects. The Plan identified four key areas with respect to quality improvement: patent application, patent agency, patent examination, and patent protection and utilization.[136]

3.232. During the period under review, patent applications and grants continued to increase rapidly. In 2016, Chinese citizens filed 1,204,981 patent applications for inventions, among which 302,136 were granted; 631,949 patent application for industrial designs, among which 429,710 were granted; and 1,468,295 applications for utility models. The number of patent applications filed by Chinese citizens through the Patent Cooperation Treaty increased from 30,548 in 2015 to 44,992 in 2016 (Table 3.27).

[135] A compulsory licence may also be granted if the patent owner, without justification, refused the requests for authorization to exploit its patents on reasonable conditions, and has failed to sufficiently exploit the patent rights for three years or uses the rights in a manner that eliminates or restricts competition through the abuse of the IPR granted by the patent (WT/TPR/S/342/Rev.1).

[136] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/xinwen/2017-03/09/content_5175542.htm; and SIPO online information (in Chinese). Viewed at: http://www.sipo.gov.cn/mtsd/201711/t20171129_1320536.html and http://www.gov.cn/xinwen/2017-06/09/content_5201134.htm.

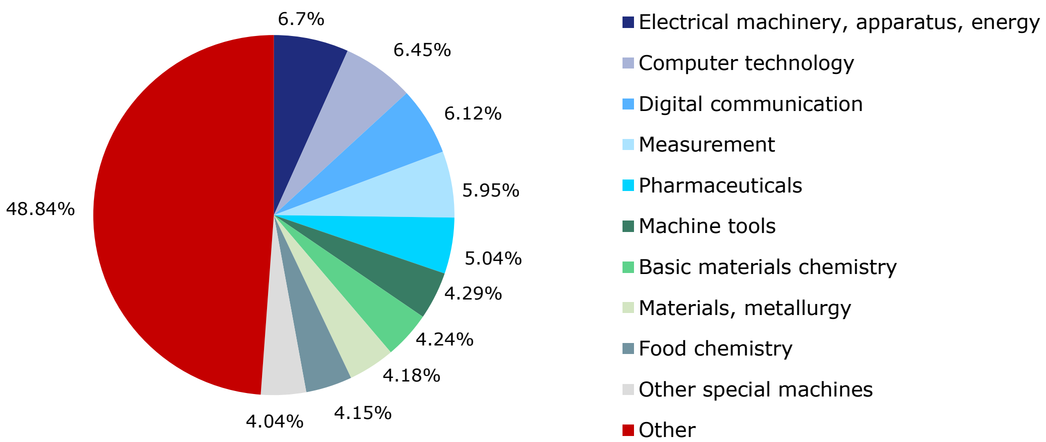
3.233. According to information from WIPO, there were 1,772,203 patents for inventions in force in China in 2016, thus China ranked 3rd among WIPO members. The main fields of patent applications for inventions received by SIPO during the period 2000-16 were: electrical machinery, apparatus, energy (6.7% of the total); computer technology (6.45%), digital communication (6.12%); measurement material (5.95%); pharmaceuticals (5.04%); and metallurgy (4.18%), among others. Applications were spread widely across the different fields of technology, as witnessed by the fact that no individual field reaches 10% of the total and the category "others" represented 48.84% of the total[137] (Chart 3.5).

Table 3.27 Recent changes in patent-related regulations, 2014-16

	2014	2015	2016
Patent (inventions) applications			
Resident	801,135	968,251	1,204,981
Non-resident	127,042	133,613	133,522
International applications PCT system	26,169	30,548	44,992
Patents (invention) granted			
Resident	162,680	263,436	302,136
Non-resident	70,548	95,880	102,072
Industrial design applications			
Resident	548,428	551,481	631,949
Non-resident	16,127	17,578	18,395
Industrial design registrations			
Resident	346,751	464,807	429,710
Non-resident	14,825	17,852	16,425
Utility model applications			
Resident	861,053	1,119,714	1,468,295
Non-resident	7,458	7,863	7,682

Source: Data provided by the authorities of China; and WIPO online information. Viewed at: http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=CN.

Chart 3.5 Patent applications by top fields of technology, 2002-16



Source: WIPO online information. Viewed at: http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=CN.

3.3.7.2.2 Trademarks

3.234. The agency responsible for the examination of trademark applications, registration and administration remains the Trademark Office (TMO) under SAIC. Local enforcement authorities are responsible for the administration of trademarks at the provincial level and below. The settlement of disputes regarding trademarks is the responsibility of the Trademark Review and Adjudication Board, which is also responsible for reviewing decisions made by the TMO and ruling on disputed cases on trademarks. The authorities indicate that it takes about eight months from the

[137] WIPO online information. Viewed at: http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=CN.

acceptance of an application to the notification of issuance of a certification, and the review period in trademark disputes is about 12 months.

3.235. The legal basis for trademark registration and protection remains the Trademark Law, its Implementing Regulations and various rules issued by SAIC.[138] During the review period, no amendments were made to the Trademark Law.[139]

3.236. Registration with the TMO is a prerequisite for protection under the Trademark Law. Foreign applicants must file applications on the basis of reciprocity between their country of origin and China, or of any international treaty to which both are parties unless an agreement has been concluded between their country of origin and China. Registration may be rejected if the mark involves a copy, imitation, or translation of well-known brands that have not been registered in China for the same or similar goods and services, or if the mark involves a copy, imitation, or translation of well-known brands that have been registered in China for goods and services that are not deemed identical or similar to the goods and services in question. Prior right-holders or relevant stakeholders have a five-year period to contest the registration of a trademark and request its revocation to the Trademark Review and Adjudication Board. This timeframe limitation does not apply in cases of abusive registration.

3.237. If the TMO refuses to register a trademark, the applicant may appeal the decision before the Trademark Review and Adjudication Board; the appeal must be presented within 15 days of receipt of the notification of the decision. The newly amended Trademark Law specified time limits within which the Board must make its decision. If the Board upholds the TMO's decision, the applicant may take the case to court within 30 days of notification.

3.238. China's Trademark Law and Implementing Regulations of the Trademark Law currently contain no regulations/rules on issues related to parallel imports.

3.239. Trademark protection in e-commerce is granted through a number of circulars or other type of measures, including SAIC's Circular of Opinions on Extending Cross-Provincial Enforcement to Commodities Trading on the Internet and its Related Services (Gong Shang Shi Zi 2011/11), issued on 27 May 2011, and amended Measures on Administration of Trading on the Internet, promulgated by SAIC in January 2014, as well as a judicial interpretation issued by the Supreme People's Court on the liability of Internet intermediaries (Rules of Supreme People's Court on Several Issues Concerning the Application of Law in Adjudication of Civil Disputes Related to Infringement of the Right of Communication through Information Networks), effective 1 January 2013. The authorities indicate that since 2014, the SAIC, together with other competent authorities, has conducted a series of special supervision campaigns to investigate such illegal acts as abusing, infringing or counterfeiting highly reputed trademarks, and foreign trademarks, and to crack down on online trademark infringement crimes, with priority given to online trading platforms, online trademark infringements and the sale of counterfeited or shoddy products.

3.240. During the period under review, several amendments were made to the regulations/rules with a view to further strengthening trademark protection. The Supreme People's Court issued a Judicial Interpretation concerning the adjudication of administrative cases on authorization and affirmation of trademark related rights[140], which entered into force on 1 March 2017. The Interpretation concerned the adjudication of administrative cases on trademark authorization and affirmation, including judgments of trademark's distinctiveness, and the protection of well-known trademarks.

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[138] The rules related to trademark administration in China. Trademark Office online information (in Chinese). Viewed at: http://sbj.saic.gov.cn; The Implementing Regulations of the Trademark Law, State Council Decree No. 651 (in Chinese). Viewed at: http://www.gov.cn/zhengce/2014-04/30/content_2670953.htm [05.04.2018].

[139] The Trademark Law was last amended in August 2013, entering into force in May 2014. The Regulations on the Implementation of the Trademark Law were also revised in April 2014, and the Rules for Trademark Review and Adjudication were revised in accordance with SAIC No. 65 of 28 May 2014. See WT/TPR/S/342/Rev.1 for details.

[140] Provisions of the Supreme People's Court on Several Issues Concerning the Adjudication of Administrative Cases on Authorization and Affirmation of Trademark-related Rights, the text of the Judicial Interpretation. Viewed at: http://www.court.gov.cn/zixun-xiangqing-34732.html.

3.241. Article 13 of the Trademark Law provides that the holder of a trademark well known by the relevant public may file a request for its protection under the Law if he/she believes that there is any infringement. According to the authorities, in accordance with the Law, "cross-class protection" may be provided for relevant goods and services for well-known trademarks registered in China; if a trademark not registered in China is a well-known one, protection may be provided to similar goods.

3.242. The Chinese authorities noted that, during the period under review, the priority was to facilitate trademark registration. On 14 July 2016, SAIC released Opinions on Strongly Promoting the Reform of Trademark Registration Facilitation[141], aimed at simplifying the trademark registration procedures. On 4 January 2017, the TMO and the Trademark Review and Adjudication Board (TRAB) issued revised Examination and Trial Standards.[142] On 30 March 2017, the TMO and TRAB issued the Announcement on Adjusting the Charging Standard of Trademark Registration, which announced that the trademark registration fees would be lowered by 50%.[143] On 14 November 2017, SAIC issued Opinions on Deepening the Reform of Trademark Registration Facilitation and Effectively Promoting Efficiency of Trademark Registration[144] to further optimize the examination process and improve examination efficiency. The TMO has been developing an online system, which aims to, *inter alia,* enable online trademark application, inquiry, and announcements.

3.243. During the review period, trademark applications and registration continued to increase. In 2017, Chinese citizens filed 5,538,980 trademark applications (Table 3.28). By the end of January 2016, TMO published 45 applications for sound marks since the sound mark was introduced into the Trademark Law in 2014.

Table 3.28 Trademark applications and registrations, 2015-17

	2015	2016	2017
Applications			
Resident	2,699,156	3,526,827	5,538,980
Non-resident	116,687	112,347	141,951
Madrid system	60,205	52,191	67,244
Registrations			
Resident	2,077,037	2,119,032	2,656,039
Non-resident	99,852	97,497	97,147
Madrid system	49,552	38,416	41,886

Source: Data provided by the authorities of China; and WIPO online information. Viewed at: http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=CN.

3.3.7.2.3 Geographical indications

3.244. In addition to the General Provisions of Civil Law, SAIC, AQSIQ and the Ministry of Agriculture provide protections for GIs of different types under their respective laws and regulations.[145] SAIC protects GIs in the form of collective marks and certification marks in accordance with the Trademark Law, the Implementing Regulations of the Trademark Law, and Procedures for the Registration and Administration of Collective Marks and Certification Marks.[146] AQSIQ provides protection of GI products in accordance with the Provisions on the Protection of

[141] SAIC online information (in Chinese). Viewed at: http://sbj.saic.gov.cn/zcfg/sbxzgz/201607/t20160726_232871.html [11.04.2018].

[142] China Industry and Commerce, Annual Development Report on China's Trademark Strategy of 2016. Viewed at: http://sbj.saic.gov.cn/tzgg/201712/W020171208360338316693.pdf [11.04.2018].

[143] SAIC online information (in Chinese). Viewed at: http://sbj.saic.gov.cn/tzgg/201703/t20170330_261012.html [02/03/2018].

[144] SAIC online information (in Chinese). Viewed at: http://sbj.saic.gov.cn/tzgg/201711/t20171117_270420.html [11.04.2018].

[145] WTO document WT/TPR/S/342/Rev.1, 12 October 2016.

[146] In addition, Measures for the Administration of Special Signs of Geographical Indication Products, issued by SAIC on 30 January 2007, identifies the specific signs of GIs granted by SAIC. SAIC online information (in Chinese). Viewed at: http://sbj.saic.gov.cn/zcfg/sbgfxwj/200702/t20070206_232898.html [14.12.2017].

Geographical Indication Products[147] and Implementing Rules for the Protection of Geographical Indication Products.[148] The GIs of agricultural products may be registered at the Ministry of Agriculture in accordance with the Measures on the Administration of Geographical Indications of Agricultural Products.[149]

3.245. On 28 March 2016, AQSIQ promulgated Measures for the Protection of Foreign Geographical Indications (Measures) on 28 March 2016[150], with a view to enhancing the protection and management of foreign geographical indications. The Measures regulate, *inter alia,* the application, examination and revocation of foreign GIs seeking protection in China. The protection of GIs is granted on the basis of reciprocity, i.e. to products that originate from a country that has established the corresponding communicative and cooperative relationship with China.[151] AQSIQ also issued Special Action Plans for the Protection and Quality Enhancement of National Geographic Indications, with the aim of improving GI protection and promoting cross-regional and international cooperation.[152]

3.246. Since 2016, in order to implement the Opinions of the State Commission Office of Public Sectors Reform on Perfecting the GI Protection and Administration Regime, SAIC has undertaken relevant research, convened industry-wide coordination meetings and consulted with other competent authorities including the Ministry of Agriculture and the AQSIQ to discuss and establish a joint GI certification mechanism.

3.3.7.3 Copyright and related rights

3.247. During the period under review, some notices were introduced regarding copyright protection of online works; these include the Notice on Strengthening the Administration of Copyrights in Online Literature, which entered into force on 11 November 2016.[153] The Notice contains requirements on the strengthening of the administration of copyrights in cyber literature.[154] In September 2017, the NCAC issued an Action Plan on IPR Protection in Foreign-Funded Enterprises.[155]

3.248. The NCAC continues to administer copyright on a national scale; copyright registration and administration is also carried out by the respective local copyright administration offices at the provincial level.

3.249. The legislative and regulatory framework of copyright protection is provided in the Copyright Law and relevant regulations including the Regulations for the Implementation of Copyright Law, the Regulations for the Protection of Computer Software, the Regulations on Collective Copyright Management, the Regulations on the Protection of the Right of Dissemination

[147] AQSIQ online information (in Chinese). Viewed at: http://www.aqsiq.gov.cn/xxgk_13386/jlgg_12538/zjl/20052006/200610/t20061027_239289.htm [11.04.2018].

[148] AQSIQ online information (in Chinese). Viewed at: http://kjs.aqsiq.gov.cn/dlbzcpbhwz/zcfg/zxzcxx/201011/t20101115_168661.htm [11.04.2018].

[149] MOA online information (in Chinese). Viewed at: http://www.moa.gov.cn/zwllm/tzgg/bl/200801/t20080109_951594.htm [11.04.2018].

[150] AQSIQ online information (in Chinese). Viewed at: http://kjs.aqsiq.gov.cn/dlbzcpbhwz/zcfg/zxzcxx/201604/t20160413_464279.htm [12.04.2018].

[151] Article 6, Measures for the Protection of Foreign Geographical Indication Products.

[152] AQSIQ online information. http://www.aqsiq.gov.cn/xxgk_13386/tzdt/zztz/201609/t20160921_474373.htm.

[153] NCAC online information (in Chinese). Viewed at: http://www.ncac.gov.cn/chinacopyright/contents/483/308182.html. In July 2015, the Notice on Prohibiting the Dissemination of Unlicensed Music Work by Internet Music Service Providers entered into force. NCAC online information (in Chinese). Viewed at: http://www.ncac.gov.cn/chinacopyright/contents/483/255725.html [14.12.2017]. NCAC also issued the Notice on Regulating the Order of Copyright of Online Disk Service issued on 14 October 2015 with a view to strengthening the copyright management of online information storage services. NCAC online information (in Chinese). Viewed at: http://www.ncac.gov.cn/chinacopyright/contents/483/266843.html [14.12.2017].

[154] NCAC online information. Viewed at: http://www.ncac.gov.cn/chinacopyright/contents/483/308182.html [29.03.2018].

[155] MOFCOM online information. Viewed at: http://www.mofcom.gov.cn/article/ae/ai/201709/20170902645803.shtml [29.03.2018].

via Information Network, and the Interim Measures for the Payment of Remuneration for the Broadcast of Sound Recordings by Radio and Television Stations. Copyright covers: authorship; revision; integrity; reproduction; distribution; rental; exhibition; performance; presentation; broadcasting; network communication; cinematography; adaptation; translation; compilation; and other rights held by copyright owners. Copyright owners or owners of related rights may authorize collective non-profit copyright administration organizations to exercise their rights.

3.250. The procedure of application under the Copyright Law has remained unchanged since the previous review of China. The term of copyright protection for natural persons as well as certain works[156] is life plus 50 years.[157] Software copyright exists from the date on which its development is completed. The term of protection for typographical designs is 10 years.

3.251. Registration is voluntary and is not a requirement for copyright protection.[158] The Copyright Law provides for copyright licensing and transfer of rights, unchanged since the previous review of China. The breaching of copyright is punished with fines (also unchanged from the previous review).[159]

3.252. The 2010 Interim Measures for the Payment of Remuneration by Radio and Television Stations for Broadcasting Sound Recordings continue to mandate that broadcasting organizations pay remuneration to copyright owners for broadcasting musical works. With the support and coordination offered by the NCAC, the Music Copyright Society of China carries out actions intended to safeguard its legal rights against the radio and television stations that have failed to pay remunerations for the works broadcast.

3.253. As of January 2018, there were five collective copyright management organizations in China[160], among which the Images Copyright Society of China is the largest one (by number of members) with more than 14,000 members. In 2017, the Music Copyright Society of China, with 8,907 members, received the highest annual income (licensing revenue) of RMB 200 million, followed by China Audio-Video Copyright Association, with 177 members, which collected about RMB 186 million. The China Written Works Copyright Society, with more than 9,260 members, received RMB 5.2 million of royalties for written works in 2017, and the China Film Copyright Association has 86 members, with an annual income of RMB 160,000 in 2016.

3.3.7.4 Other IPRs

3.3.7.4.1 Layout-designs of integrated circuits

3.254. Layout-designs of integrated circuits are protected under the Regulations on the Protection of Layout-Designs of Integrated Circuits and under the Rules for Implementing the Regulations on the Protection of Layout-Designs of Integrated Circuits, unchanged since the previous review of China. SIPO is the agency responsible for the registration of layout-designs of integrated circuits. The term of protection is 10 years from the date of filing or the date of first commercial exploitation anywhere in the world, whichever is earlier. A layout-design is protected up to 15 years after the date of the completion of its creation, irrespective of whether it has been registered or commercially exploited. In special circumstances, or to remedy unfair competition practices, a "non-voluntary" licence may be issued to exploit a layout-design. No "non-voluntary" licences have been issued to date.

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[156] These include: works of a legal entity or other organization; works created in the course of employment and the copyright of which is held by a legal entity or other organization; and cinematographic and photographic works. Audio and video productions, broadcasting, and public performances are also granted protection for 50 years from the first day of production, broadcasting, or performance.

[157] In the case of more than one right holder, protection is granted for fifty years after the death of the last surviving right holder.

[158] The copyright on the works of Chinese citizens, legal entities or other organizations are automatically protected; this also applies to the copyright of foreigners whose works are first published in China. Copyright protection for works published abroad has remained unchanged since the previous review.

[159] WTO document WT/TPR/S/342/Rev.1, 12 October 2016.

[160] The Music Copyright Society of China, the China Audio-Video Copyright Association, the China Film Copyright Association, the China Written Works Copyright Society, and the Images Copyright Society of China.

3.3.7.4.2 New plant varieties

3.255. The legal basis for the protection of new plant varieties in China is provided in a number of laws or regulations (Table 3.29), largely unchanged since its previous review.[161] Among these, the Regulations on the Protection of New Varieties of Plants govern the application and protection of new plant varieties; the Regulations provide for a period of protection of twenty years from the date of authorization in the case of vines, forest trees, and ornamental trees, and of fifteen years for other plants. The Implementation Rules (Agriculture Part) and the Implementation Rules (Forestry Part) stipulate rules for protection of new plant varieties in agriculture and forestry respectively, and Rules for the Review Board on New Plant Varieties regulate the review procedures for the authorization of new plant varieties.

Table 3.29 General regulatory framework of new plant varieties protection, 2017

Laws/Regulations	Issuing authority	Latest amendment
Regulations on the Protection of New Varieties of Plants	State Council	29 July 2014
Implementing Rules for the Regulations of the Protection of New Varieties of Plants (Agriculture Part)	Ministry of Agriculture	25 April 2014
Implementing Rules for the Regulations of the Protection of New Varieties of Plants (Forestry Part)	Ministry of Forestry	25 January 2011
Administrative Execution Measures of the Protection of New Varieties of Forestry Plants	Ministry of Forestry	30 December 2015
Rules for the Review Board on New Plant Verities	Ministry of Agriculture	13 February 2001
Interpretation of the Supreme People's Court concerning Some Issues on Disputes of Trial of Cases over New Plant Verities	The Supreme People's Court	5 February 2001
Interpretation of the Supreme People's Court on Some Issues Concerning the Application of Law in the Trial of Cases Involving the Disputes over Infringement upon the Rights of New Plant Varieties	The Supreme People's Court	12 January 2007
Seed Law	National People 's Congress Standing Committee	4 November 2015
Provisions on Infringement Cases of New Plant Varieties in Agriculture	Ministry of Agriculture	12 December 2002

Source: Information provided by the authorities of China.

3.3.7.4.3 Undisclosed information and trade secrets

3.256. There are no specific laws or regulations governing the protection of undisclosed information and trade secrets. A number of laws and regulations provide related provisions for the protection of undisclosed information and trade secrets, including the Anti-Unfair Competition Law, the Criminal Law, the Labour Law, the Regulations for the Implementation of the Law on Drug Control, and the Regulations on Administration of Agricultural Chemicals. An amendment to the Anti-Unfair Competition Law was issued by the National People's Congress Standing Committee on 4 November 2017 and entered into force on 1 January 2018.[162] A number of amendments were made to the Law with a view to strengthening the protection of trade secrets, such as redefining trade secrets, identifying more infringement behaviours, and increasing penalties for trade secret infringement. The authorities state that the amendment: improved the definition of trade secrets; added "fraud" to improper access to trade secrets; added a provision that the supervisory inspection departments and their employees shall have an obligation to keep confidential trade secrets known in their investigations; and strengthened administrative punishment of infringement of trade secrets and other acts of unfair competition by, for example, raising the amount of penalties.

[161] Changes in recent years include an amendment to the Regulations on the Protection of New Varieties of Plants, issued by the State Council on 29 July 2014; it stipulates that the application for a new plant variety in a foreign country must be made to the agriculture or forestry administrations at the provincial level. The Amendment of the Seed Law, which entered into force on 1 January 2016, included an additional chapter on the "Protection of New Varieties of Plants", amending provisions on violation penalties and increasing the compensation for and penalties against infringements of the rights of new varieties of plants.

[162] NPC online information (in Chinese). Viewed at: http://www.npc.gov.cn/npc/xinwen/2017-11/04/content_2031432.htm [12.04.2018].

3.257. The Regulations for the Implementation of the Law on Drug Control, last amended in February 2016[163], protects test data and other data that are self-obtained, undisclosed, and submitted by manufacturers or sellers to obtain approval to manufacture or sell a drug that contains new chemical entities. Such undisclosed test data and other data may not be used for improper commercial purposes. The protection term for the manufacturer or seller is six years from the approval to manufacture or sell the drug. During this period, the authorities are mandated to deny approval to other applications using the same data. A similar protection term is granted for undisclosed data on agro-chemicals under the Regulations on Administration of Agricultural Chemicals, which was last amended in March 2017.[164]

3.258. The SAIC is responsible for the administrative enforcement of the law or regulations related to undisclosed information and the protection of trade secrets. The Ministry of Public Security is in charge of criminal investigations.[165] In addition, the Courts may handle both civil and criminal cases.

3.3.7.5 Enforcement

3.3.7.5.1 Overview

3.259. Enforcement of IPRs continues to be a major challenge for China. In China, enforcement of IPRs is conducted at the administrative and judicial levels whereby administrative enforcement is conducted by the responsible governmental agencies, while judicial enforcement is conducted through the public security authorities, procuratorial organs, and the courts.[166] According to regulations, all public security authorities above the prefecture and city levels in China have IPR crime coordinating activities and lead organizations to arrange and coordinate action to crack down on infringement and counterfeiting activities. The Ministry of Public Security has also concluded coordination and cooperation agreements with other agencies, including Customs, to facilitate the timely reporting of IPR infringements and prompt intervention by the public security authorities. Table 3.30 gives an overview of enforcement actions taken by the authorities during the period under review.

Table 3.30 Intellectual property enforcement, 2014-17

	2014	2015	2016	2017
Cases dealt with by governmental agencies (administrative level)				
Patents				
Number of disputes	24,479	35,844	48,916	..
Copyright				
Number of disputes /administrative penalties	4,728	3,477	3,065	..
Imposition of fines (RMB million)	13.49	9.75	134.1	..
Cases transferred to judicial agencies	366	160	189	..
Businesses inspected	1,063,061	846,140	878,013	..
Illegal operation units banned	8,686	9,340	6,243	..
Underground dens detected	482	392	325	..
Trademarks				
Number of disputes	37,200	30,700	28,000	26,985
Cases transferred to judicial agencies	300	164	203	172
Value of fine (RMB million)	490	501	350	443
Cases handled by Customs at the border	23,860	23,227	17,496	..
Cases dealt with by courts				
First instance civil IPR cases accepted	95,522	109,386	136,534	201,039
First instance civil IPR cases closed	94,501	101,324	131,813	192,938
Patent cases accepted	9,195	11,607	12,357	..
Patent cases closed	9,174	10,182	11,738	..
Trademark cases accepted	23,272	24,168	27,185	..

163 Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/gongbao/content/2016/content_5139391.htm [14.12.2017].

164 Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2017-04/01/content_5182681.htm [12.04.2018].

165 In addition, the People's Courts may try both civil and criminal cases related to undisclosed information and the protection of trade secrets.

166 See WTO document WT/TPR/S/342/Rev.1 for details.

	2014	2015	2016	2017
Trademark cases closed	22,358	22,289	26,692	..
Copyright cases accepted	51,351	66,690	86,989	..
Copyright cases closed	52,254	62,822	84,129	..
Technical contract cases accepted	949	1,480	2,401	..
Technical contract cases closed	908	1,292	2,004	..
Unfair competition cases accepted	1,302	2,181	2,286	..
Unfair competition cases closed	1,195	1,802	2,234	..
Other IPR cases accepted	2,304	3,260	5,316	..
Other IPR cases closed	2,211	2,937	5,113	..
Second instance civil IPR cases accepted	11,957	15,114	20,793	..
Second instance civil IPR cases closed	11,553	15,025	20,334	..

.. Not available.

Source: Information provided by the authorities of China.

3.3.7.5.2 Administrative enforcement

3.260. The National Leading Group on the Fight against IPR Infringement and Counterfeiting (NLG) has the responsibility for organizing the campaign against IPR infringement and counterfeit goods, as well as studying and formulating relevant policies and measures.[167] The NLG supervises the implementation of work by various regions and relevant departments, as well as the handling of major cases involving IPR infringement and counterfeit goods. In September 2017, NLG published its Report on the Latest Development in IPR Protection and Business Environment in China[168], which summarized the work and experience of IPR protection in recent years.

3.261. During the review period, the authorities issued various notices and measures with a view to strengthening China's capacity to protect and enforce IPRs. These include the Opinions on Strict Protection of Patents issued by SIPO in November 2016; Opinions on Strengthening Work on Fighting IPR Infringements and Making and Sales of Counterfeit and Fake Commodities under the New Situation issued on 9 March 2017[169]; and the National Key Points in Fighting Infringements on Intellectual Property and Manufacturing and Sales of Counterfeit and Fake Commodities (2017)[170], announced on 15 May 2017, which identified key issues in combating infringement for the next period.

3.262. In September 2017, NGL issued the Action Plan for the Protection of Intellectual Property Rights Owned by Foreign-Invested Enterprises, which focused on, *inter alia*, fighting against infringements of trade secrets for foreign-invested enterprises, protecting foreign trademarks, and combating internet piracy and other copyright violations.[171]

3.263. In August 2017, a special campaign of "Qingfeng Action on Silk Road" was launched by NLG to combat IP infringement and counterfeiting, involving 10 provinces and municipalities across the "Silk Road Economic Belt" region.[172] According to the authorities, between July and November 2016, the NCAC, the National Internet Network Information Office, the MIIT, and the Ministry of Public Security (MPS) carried out a special action (Swordnet 2016) to crack down on unauthorized transmission of cyber literature, news, films and television and other infringement and piracy; between July and November 2017, they carried out Swordnet 2017 to rectify copyright issues in films and television, news, software application stores, and e-commerce platforms. According to the authorities, during Swordnet 2017 actions, the local authorities inspected over

[167] The NLG is chaired by the Vice Premier of the State Council; it is comprised of the Supreme People's Court and Supreme People's Procuratorate and 30 agencies including the State Council ministries and organs in charge of IPRs, quality supervision, market regulation and crime crackdown.

[168] NLG online information (in Chinese). Viewed at: http://www.ipraction.gov.cn/article/xxgk/wj/201709/20170900156759.shtml [11.04.2018].

[169] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2017-03/22/content_5179592.htm [11.04.2018].

[170] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2017-05/31/content_5198504.htm [12.04.2018].

[171] MOFCOM online information (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/ae/ai/201709/20170902645803.shtml [12.04.2018].

[172] NLG online information. Viewed at: http://english.ipraction.gov.cn/article/TopNews/201708/20170800152006.shtml [11.04.2018].

60,000 websites, closed down over 2,500 infringing or pirating websites, deleted more than 700,000 infringing or pirating links, took over more than 2.7 million infringing and pirated products, filed and investigated more than 500 infringing cases, and solved, together with public security departments, over 50 criminal cases. The authorities consider that the local authorities focused on the key areas, such as source regulation, use management, examination and assessment, improved the long-term mechanism, and enhanced the use of licensed software.

3.264. SIPO provides guidance on administrative enforcement concerning patents across the whole country. In recent years, SIPO adopted a number of policies and measures to strengthen its own capacity to enforce IPR protection. During the review period, SIPO continued the special "convoy" campaign, which aimed at carrying out intensive inspections and the rectification of law enforcement measures with respect to the circulation, production, import and export of patent infringing goods. In 2016, SIPO issued a Notice on Deepening Collaborative Mechanism of Patent Law Enforcement in E-commerce, as the guidance for local intellectual property offices to establish a patent protection mechanism in e-commerce. SIPO also established the Collaborative Centre (Zhejiang) of Patent Law Enforcement in E-commerce responsible for collaborating with law enforcement organizations in cases of patent protection complaints among e-commerce platforms in Zhejiang.

3.265. Regarding copyright, NCAC is the agency responsible for administrative enforcement. In 2015, NCAC issued the 2015 National Work Plan of Cracking Down on Copyright Infringement and Counterfeiting in the Sector of Press and Publishing (Copyright) with provisions to fight counterfeiting as well as privacy and copyright violations.[173] NCAC has continued to conduct the "Network Sword Campaign" through which cases of online copyright infringements and piracies were investigated by the local copyright authorities. According to the authorities, the 2017 Network Sword Campaign focused on maintaining the order of online copyright.[174]

3.266. Under TMO's direction, industry, commerce and market regulatory departments at various levels engage in administrative enforcement on trademarks. The authorities indicate that these departments in China investigated and dealt with 26,985 cases of trademark infringement and counterfeiting involving RMB 333.5 million, confiscated RMB 443.1 million, and transferred 172 criminal cases to judicial organs in 2017.

3.267. On 20 September 2017, the TMO launched a campaign of "Traceability" to combat trademark infringement. The campaign focused on the protection of well-known trademarks, GIs, foreign-related trademarks, and trademarks of time-honoured brands. The authorities consider that the campaign has effectively prevented and contained the regional and industrial risks of trademark infringement.

3.3.7.5.3 Judicial enforcement

3.268. During the review period, China continued its efforts to strengthen the capability of judicial enforcement of IP protection. In July 2016, the Supreme People's Court issued Opinions of the Supreme People's Court on Promoting the "Three in One" Trial of Civil, Administrative and Criminal Cases Involving Intellectual Property Rights in Courts Nationwide[175] with a view to optimizing the allocation of judicial resources and improving the overall effectiveness of judicial protection. "Three in One" Trial refers to the unified trial of criminal, civil and administrative cases by the special tribunal for IPR. As of December 2017, 11 special tribunals for IPR were established by the Supreme People's Court in the cities of Nanjing, Suzhou, Wuhan, Chengdu, Hefei, Ningbo, Hangzhou, Jinan, Qingdao, Fuzhou, and Shenzhen.[176]

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[173] NCAC online information (in Chinese). Viewed at: http://www.ncac.gov.cn/chinacopyright/contents/483/252445.html [12.04.2018].

[174] NCAC online information (in Chinese). Viewed at: http://www.ncac.gov.cn/chinacopyright/contents/10873/346912.html [12.04.2018].

[175] Supreme People's Court online information. Viewed at: http://gongbao.court.gov.cn/Details/8622d4b6e92256eb4cdfb4dcdd6585.html [12.04.2018].

[176] The dates on which the 11 tribunals were established are as follows: Nanjing (19 January 2017), Suzhou (19 January 2017), Wuhan (22 February 2017), Chengdu (9 January 2017), Hefei (30 August 2017), Ningbo (8 September 2017), Hangzhou (8 September 2017), Jinan (28 September 2017), Qingdao (30 September 2017), Fuzhou (28 September 2017), and Shenzhen (26 December 2017).

3.269. In 2016, the Supreme People's Court issued the Outline of the Judicial Protection of Intellectual Property in China (2016-2020). The Outline defined the principles for the judicial protection of intellectual property and proposed a number of measures focusing on establishing a coordinated and open intellectual property judicial protection policy system. According to the authorities, this is the first time that the Supreme People's Court has formulated and issued a protection outline targeted at the adjudication of IP cases. The Supreme People's Court continued issuing several annual reports regarding IP cases and the judicial enforcement of IPRs, including the Judicial Protection of Intellectual Property by Chinese Courts, Ten Major Cases and Fifty Model Cases on Intellectual Property Rights in Chinese Courts, and the Annual Report of the Supreme People's Court on Intellectual Property Cases.

3.270. The Supreme People's Court promulgated a number of provisions and measures for the operation of the IPR courts. These include: the Guidance of Election for Technical Ombudsman of IPR Courts (Trial); the Interim Provisions of the Supreme People's Court on Several Issues concerning the Participation of the Technical Investigators of Intellectual Property Courts in Legal Proceedings; and Opinions on Selecting and Appointing Judges for Intellectual Property Right Courts (Trial).

3.3.7.5.4 Customs law enforcement

3.271. China Customs is in charge of IPR enforcement at the border in accordance with the Customs Law, the Regulations on Customs Protection of Intellectual Property, and Rules of the Customs for Implementing the Regulations on Customs Protection of Intellectual Property. Right holders of trademarks, copyrights, copyright-related rights, and patent rights protected under the laws and regulations and related to the import or export of goods may apply to Customs for the detention of suspected infringing goods. Where the rights have been recorded with the General Administration of Customs, Customs have the authority to suspend the infringing goods involving such rights by ex officio action.

3.272. GACC issued the Implementing Rules on the Disclosure of the Information about Administrative Penalty Cases Concerning the Import and Export of Products Infringing Intellectual Property Rights by China Customs in Accordance with the Law (Trial) in April 2014; the Rules required the disclosure of information regarding administrative penalty cases concerning IPR on the web portal of China Customs. In 2015, China Customs disclosed information regarding more than 1,000 administrative penalty cases concerning IPR, and this figure reached 1,900 in 2016.[177]

3.273. With a view to encouraging enterprises to file with Customs for IPR protection, GACC has cancelled the customs filing fee for IPR protection (RMB 800/piece) since 1 November 2015.

3.274. Since 2015, Customs have been conducting the special campaign of "QingFeng" to combat IPR infringement at the border to intensify risk analysis and control on key commodities, such as food, pharmaceuticals, automobile parts, mechanical and electrical products, mobile phones and parts, and medical equipment, as well as on key shipping routes and ports, so as to combat IPR infringement in a more focused and targeted way.[178] Between 2015 and 2017, China Customs seized about 53,300 shipments of infringing goods, valued at around RMB 520 million. According to the authorities, with a view to further combatting cross border infringement, China Customs conducted, in 2016-17, four special operations with US Customs, two special operations with Russia Customs, as well as over ten special operations with "Hong Kong Customs" and "Macao Customs"; China Customs has also finalized an Action Plan concerning EU-China Customs Cooperation on Intellectual Property Rights (2018-2020) with EU Customs, and discussed a bilateral cooperative document with Kazakhstan Customs.

3.275. In July 2016, a High-Level Conference on Intellectual Property for Countries along the Belt and Road was held.[179] The 48 countries that attended the conference adopted the Common Initiatives for Strengthening Cooperation between Countries along the "Belt and Road" in the field

[177] Information and data provided by China authorities.
[178] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2015-04/09/content_9585.htm [12.04.2018].
[179] SIPO online information. Viewed at: http://english.sipo.gov.cn/specialtopic/tbar [11.04.2018].

of Intellectual Property.[180] In May 2017, the SIPO and the World Intellectual Property Organization (WIPO) signed an Agreement on Enhancing "Belt and Road" Intellectual Property Cooperation between the Government of the People's Republic of China and WIPO to share information and experience on IPR protection and raise the awareness of IPR protection among the enterprises of the countries concerned.[181]

[180] SIPO online information. Viewed at: http://english.sipo.gov.cn/specialtopic/tbar/headlines/201607/t20160727_1282731.html [11.04.2018].

[181] WIPO online information. Viewed at: http://www.wipo.int/about-wipo/en/offices/china/news/2017/news_0001.html [11.04.2018].

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1.1 Features and market development

4.1. Although the value of production in the farming, animal husbandry, forestry and fisheries sector grew during the period 2013-17, it was at a slower pace than other sectors; as a percentage of GDP, it declined from 9.6% in 2013 to 8.2% in 2017 (Table 4.1). At the same time, employment in the sector continued to drop from 31.4% in 2013 to 27.0% in 2017.

Table 4.1 Principal indicators for agriculture, animal husbandry, forestry and fisheries, 2013-17

	2013	2014	2015	2016	2017
Contribution to current GDP (%)	9.6	9.3	9.1	8.9	8.2
Real growth rate (%)	4.0	4.2	4.0	3.5	4.1
Employment (percentage of total employment)[a]	31.4	29.5	28.3	27.7	27.0
Share of gross output value (%)[b]					
Farming	55.1	55.7	56.1	55.3	56.5
Forestry	4.2	4.3	4.3	4.3	4.6
Animal husbandry	30.4	29.5	29.0	29.6	27.6
Fishery	10.3	10.5	10.6	10.8	11.3

a Percentage of employment of the primary industry in total employment including mining; employment data for employment in agriculture, forestry, animal husbandry and fisheries, respectively, were not available.
b Including auxiliary services.

Source: National Statistics of China online information.

4.2. The value of production of agricultural basic products continued to increase during the period 2013-16, reaching RMB 10,055 billion in 2016 (Table 4.2). The comparative evolutions of volume and value during the period varied considerably depending of the product (Charts 4.1 and 4.2). For pigs, the increased value was due to higher prices, while production slightly declined from its peak in 2014. In the case of corn, the volume remained largely stable since 2013, while the value of production increased steadily. In the case of cotton, the value fell more than the volume. No data were made available by the authorities on the volume of production of cereals, fruits and nuts, and vegetables.

Table 4.2 Agricultural production, 2013-17

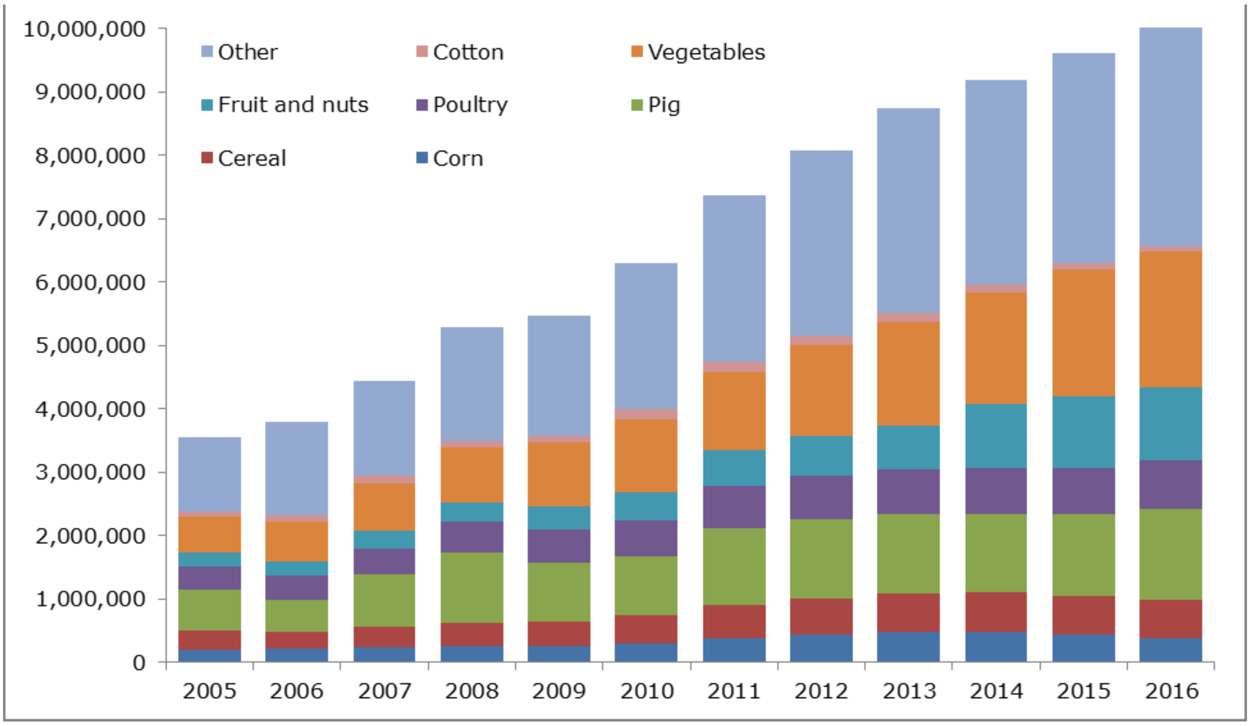
	Value of production of agriculture, forestry, animal husbandry and fishery	Corn	Cereals	Pigs	Poultry	Fruits and nuts	Vegetables	Cotton
RMB 1 million								
2013	8,736,069	475,520	601,460	1,256,060	703,221	696,898	1,626,247	142,203
2014	9,189,183	479,173	619,302	1,229,759	739,378	1,011,947	1,757,014	130,934
2015	9,617,574	431,493	612,906	1,285,965	739,547	1,115,353	2,009,154	104,142
2016	10,054,073	372,268	608,911	1,439,154	761,912	1,150,096	2,141,818	93,049
1,000 tons								
2013	..	218,489	..	54,930	17,984	..	..	6,299
2014	..	215,646	..	56,714	17,507	..	..	6,178
2015	..	224,632	..	54,865	18,263	..	..	5,603
2016	..	219,552	..	52,991	18,882	..	..	5,299
2017	..	215,891	..	53,401	18,972	..	..	5,486

.. Not available.

Source: Information provided by the authorities.

Chart 4.1 Value of production

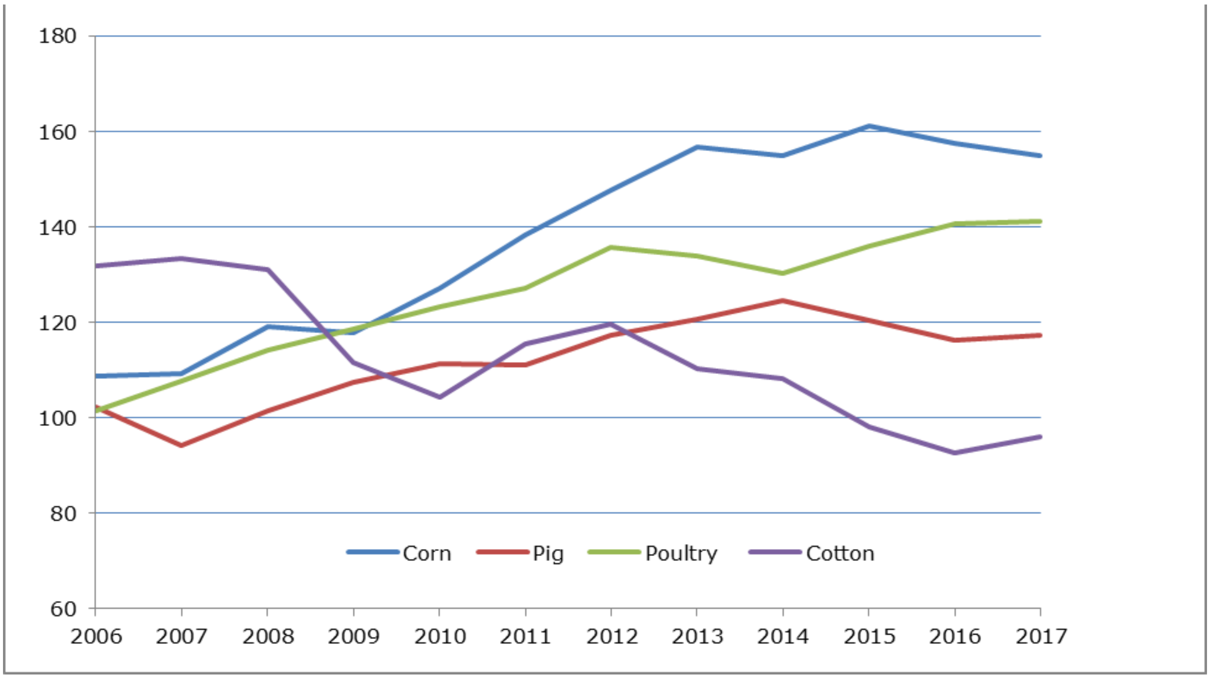
(RMB million)



Source: Data provided by the authorities.

Chart 4.2 Volume of production

(2005 = 100)



Source: Data provided by the authorities.

4.3. China continues to be a net importer of agricultural products, although imports of them represented only 6.3% of total merchandise imports in 2017, and the value of imports (in US dollar terms) declined during the period 2013-16 (before rebounding in 2017). The top five agricultural exports by tariff lines (at HS four-digit level) were fruits and vegetables; they represented less than 30% of all agricultural exports. For imports, soya beans represented about one third of all imports of agricultural products, and the next four tariff lines combined only one eighth (Table 4.3).

Table 4.3 Main agricultural exports and imports of China, 2013-17

	2013	2014	2015	2016	2017
Exports					
Agricultural products (US$ million)	47,625.4	50,440.5	50,585.9	52,646.3	54,689.2
Top five exports at HS 4-digit level (% of total):					
0712 Dried vegetables	4.8	4.8	5.6	6.2	7.3
0703 Onions	3.8	3.8	4.7	6.0	5.0
2008 Fruit, nuts, preserved, n.e.s.	5.6	5.3	5.1	4.8	5.0
2005 Other prepared/preserved vegetables	3.6	3.7	3.7	3.8	3.9
0808 Apples, pears and quinces, fresh	2.9	2.7	2.9	3.7	3.7
Agricultural products (% of total exports)	2.2	2.2	2.2	2.5	2.4
Agricultural products (growth rate, %)	7.2	5.9	0.3	4.1	3.9
Fishery (US$ million)	19,434.6	20,867.7	19,569.6	19,999.6	20,408.9
Fishery (% of total exports)	0.9	0.9	0.9	1.0	0.9
Fishery (growth rate, %)	7.2	7.4	-6.2	2.2	2.0
Imports					
Agricultural products (US$ million)	112,483.8	114,731.2	109,407.0	103,574.6	116,418.5
Top five imports by HS 4-digit level (% of total):					
1201 Soybeans	33.8	35.1	31.8	32.8	34.0
1901 Food preparations of cereals, flour or milk	1.8	1.8	2.6	3.3	3.8
0203 Meat of swine	1.0	0.9	1.3	3.1	1.9
1511 Palm oil and its fractions	4.4	3.8	3.4	2.8	3.0
0206 Edible offals (excluding poultry)	1.4	1.3	1.2	2.4	1.9
Agricultural products (% of total imports)	5.8	5.9	6.5	6.5	6.3
Agricultural products (growth rate, %)	6.3	2.0	-4.6	-5.3	12.4
Fishery (US$ million)	6,182.4	6,827.8	6,556.2	7,086.9	8,285.4
Fishery (% of total imports)	0.3	0.3	0.4	0.4	0.4

Source: Information provided by the authorities.

4.1.2 Policy objectives and administration

4.4. The Government is responsible for establishing the general agricultural policy framework and the rules for its implementation. The Ministry of Agriculture, together with other institutions, *inter alia*, the NDRC, the Ministry of Finance, and MOFCOM, are in charge of implementing agricultural policy. The legal framework regulating the sector has not undergone any major changes since the previous Review.

4.5. The broader policy goals stated in the 12th Five-Year Plan (2011-2015) and the 13th Five-Year Plan (2016-2020) of accelerating modernization in the sector to improve farmers' well-being was reiterated in the CPC Central Committee No. 1 Document of 2017. This document calls for deepening the supply-side structural reform in agriculture, by improving structures, promoting "green" production, extending the sector's industrial and value chain, boosting innovation and consolidating shared rural development. In that context, national grain security must be guaranteed. China plans to deepen the reform on pricing mechanisms for major farm products to strengthen the role of market mechanisms, so as to assure that farmers sell their harvest at reasonable prices. A key goal is to increase the output of high-quality products based on green and innovative production. To achieve that goal, China is to maintain its zero increase in the usage of pesticides and fertilizers, vigorously control water usage in the sector, and enhance research. The reform also aims to refine the quality supervision and standards system for farm produce, control soil pollution and encourage agricultural businesses to gain international certifications. China plans to promote the export of competitive farm produce and the cross-border operation of agricultural enterprises.

4.6. Rural development and continuous income increases for farmers are also key goals of agricultural policy. The Government intends to increase fiscal spending, and loans for farmers and for the development of agriculture and the countryside. Migrant workers, from rural to urban areas, are encouraged to return to rural areas and start businesses, while training for professional farmers, including professional agricultural managers, is to be stepped up. The authorities are to offer favourable taxation policies for business start-ups in rural areas, in addition to support with financing, land use and social insurance. Local governments are encouraged to start business parks and incubators for the returnees.

4.7. During the period under review, China's land management system has remained unchanged[1], except for the charging of a land user fee since 2015. However, Central Document No. 1 of 2017 indicates that a rural land reform is to be implemented based on pilot programmes and experiences.[2] This reform is aimed at ensuring the separation of collective ownership, contracting rights of farmer households, and operating rights of rural land, thereby allowing farmers to earn more by transferring their land rights to individuals or conglomerates.[3]

4.1.3 Policy instruments

4.1.3.1 Border measures

4.1.3.1.1 Measures affecting imports

4.8. Agricultural products (WTO definition) are, with the exception of some animal products, all subject to *ad valorem* applied rates.[4] In 2017, the average tariff on agricultural products remained unchanged, at 14.8%. The product groups subject to higher-than-average tariff protection included sugars and confectionary (30.9%); cereals and preparations (23.3%); cotton (22.0%); beverages, spirits and tobacco (21.8%); and coffee and tea (14.9%). The simple average tariff for oilseeds, fats, and oils (including soybeans, one of China's major imports) was the lowest among agricultural products, at 10.5% (Table A3.2). In addition, the variability of agricultural tariffs, with a standard deviation of 11.3, was higher than non-agricultural products (standard deviation of 6.3), and variability was particularly high for: cereals and preparations (standard deviation 20.6); and sugars and confectionary (standard deviation 16.7). In 2017, the simple average applied MFN tariff for wood and forestry[5] was 0.6%, and for fish and fishery products it was 10.1%.

4.9. China continues to make use of tariff rate quotas (TRQs). Since its previous Review, there have been no substantial changes regarding the products subject to TRQs, the tariff rates applied, or the system to allocate them (Table 4.4). In-quota and out-of-quota rates have not changed; they are all *ad valorem*, with the exception of the out-of-quota rate for one type of cotton (HS 52.01.00.00). Out-of-quota imports of this type of cotton may be subject to a sliding duty that depends upon the price of cotton, but that cannot exceed 40% (i.e. the bound rate for cotton). Under this system, China fixes a threshold price (RMB 15/kg in 2015). If the price of imports is equal to or higher than the threshold price, a specific duty of RMB 0.57/kg is levied, and if the

[1] Farmland is owned by village collectives, which extend contracts to individual households, currently for "at least 30 years". Within the period of the contract, individual farmers are guaranteed the right to occupy, use and profit from the tenure of the land (WTO (2014), *Trade Policy Review – China*).

[2] Based on the "Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Improving the Measures for Separating Rural Land Ownership from Contracted Management Right" of October 2016. While maintaining the principle of the collective ownership of land, the reform is to loosen the control on land operating rights. The owners of land operating rights shall be entitled to occupy, cultivate and seek profits from the land within a certain period. The land operating rights obtained through transfer contracts shall be protected equally to ensure stable operating revenues, provided that the ownership of collective and contracting rights of farmers are protected according to law. In addition, the reform is to clarify numerous issues occurring after the expiration of contracts, encourage the exploitation of land at an appropriate scale, and prevent land division through the encouragement of land transfers, share purchases, trusteeships and withdrawals.

[3] Conglomerates are defined as "corporate or unincorporated bodies that are independently involved in production and operating activities that conform to provisions of Chinese laws and regulations".

[4] These products are six tariff lines of HS Chapter 02 (meat and edible offal of poultry) and one tariff line of HS Chapter 05 (products of animal origin).

[5] This includes HS 4401, 4402, 4403, 4406, 4407, 4409, 4501, 4502, and 47.

import price is lower than the threshold price, an *ad valorem* rate based on the formula applies).[6] Out-of-quota rates for other products are, in most cases, equal to bound rates.

Table 4.4 Tariff rate quotas on agricultural products and their utilization, 2015-16

Products	Out-of-quota rates	In-quota rates	Tariff quota quantity	In-quota imports 2015	In-quota imports 2016
	(%)		(tonnes)		
Wheat (7 lines)			9,636,000	5,535,000	3,004,000
Wheat and meslin (4 lines)	65	1			
Wheat or meslin flour (1 line)	65	6			
Groats and meal of wheat (1 line)	65	9			
Pellets of wheat (1 line)	65	10			
Corn (5 lines)			7,200,000	3,266,000	2,599,000
Maize (corn) seed (1 line)	20	1			
Maize (corn) other than seed (1 line)	65	1			
Maize (corn) flour (1 line)	40	9			
Groats and meal of corn (1 line)	65	9			
Pellets of corn (1 line)	65	10			
Rice (14 lines)			5,320,000	2,271,000	2,579,000
Rice (10 lines)	65	1			
Rice flour (2 lines)	40	9			
Meal of rice (2 lines)	10	9			
Sugar (7 lines)	50	15	1,945,000	1,945,000	1,945,000
Wool, not carded or combed (6 lines)	38	1	287,000	287,000	287,000
Cotton (2 lines)	40	1	894,000	894,000	894,000

Note: The number of tariff lines in brackets refers to the 2015 tariff schedule.

Source: WTO document G/AG/N/CHN/30, 2 February 2016; and Ministry of Finance (2015), *Customs Tariff of Imports and Export of the People's Republic of China*, 2015.

4.10. The NDRC is responsible for allocating TRQs for grains and cotton, and MOFCOM allocates the rest. Some products subject to TRQs (i.e. grains, cotton, and sugar) are also subject to state trading. In these cases, one part of the quota is allocated to state-trading enterprises and the other part to other enterprises. The administration methods of the TRQs as described by China in its notification to the WTO (MA:1 G/AG/N/CHN/2) have remained unchanged.

4.11. The importation of grain (wheat, maize, rice), sugar, tobacco and cotton is subject to state trading.[7]

4.12. The VAT rate on agricultural domestic and imported goods stood at 11% in 2017.[8] However, agricultural goods produced and sold directly by farmers remain exempt from VAT. Tobacco leaf (i.e. sun-dried leaf tobacco and toasted leaf tobacco) purchased in China is subject to a 20% tobacco leaf tax.[9] The authorities state that this tax is not levied on imported tobacco leaf.

4.13. There have been no major changes to China's import licensing regime on agricultural products since 2015.[10]

[6] The variable rate is calculated according to a formula, which may be viewed in: Ministry of Finance (2015), *Customs Tariff of Import and Export of the People's Republic of China 2015* (The Legal Texts), Beijing, p. 442.

[7] See WTO documents G/STR/N/10-15/CHN, 19 October 2015, and G/STR/N/10-15/CHN/Corr.1, 2 December 2016. The notifying period is 2003-14.

[8] The State Administration of Taxation, together with the Ministry of Finance, issued the Circular on Policies for Simplifying and Consolidating Value-added Tax (VAT) Rates (Cai Shui [2017] No. 37), which reduced the applicable tax rate from 13% to 11% for agricultural products.

[9] State Council Decree No. 464 [2006], Interim Regulations on Leaf Tobacco Tax. Viewed at: http://www.gov.cn/zwgk/2006-05/10/content_277505.htm.

[10] MOFOM and GACC Announcement No. 34 [2015]. Viewed at: http://www.mofcom.gov.cn/article/b/c/201508/20150801078101.shtml [05 April 2018].

4.1.3.1.2 Measures affecting exports

4.14. China does not maintain, and has not introduced, export subsidies on agricultural products. In addition, China has indicated in its reply to the questionnaire on export competition, circulated on 31 October 2016[11], that it provides export financing programmes (i.e. export credit, export credit guarantees and insurance programmes) covering, *inter alia,* agricultural products.

4.15. The authorities stated that China did not provide food aid in 2015. In 2016, in response to the appeal of the United Nations or at the request of recipient countries, China provided food aid to a total value of US$12.5 million through the World Food Programme (WFP) and the International Committee of the Red Cross (ICRC) to Ethiopia, Jordan, Lebanon, Somalia and Syria. The types of food provided were decided by the WFP and the ICRC in order to meet the nutrition needs of the recipient countries. All food aid was provided in cash and re-exports were not allowed.

4.16. In general, exports of agricultural goods are not subject to export taxes. In 2018, for agricultural products, 5 eight-digit tariff lines are subject to export tax. These products are not subject to export tax reimbursement.[12]

4.17. Exports of cotton, rice, maize, and tobacco are subject to state trading. These products, except for tobacco, are also subject to export quotas, which are managed by the NDRC, and are allocated only to state trading enterprises. Wheat is also subject to export quotas.

4.18. Destination-specific quotas remain in place for exports of live cattle, swine, and chicken to the Hong Kong SAR and the Macao SAR. These quotas are distributed through an export licensing system. From 2013 to 2017, annual quotas for live cattle were 1,882,400 heads, live swine, 57,200 heads, and live chickens, 6.4 million. There are other products subject to export quotas and other restrictions, which are also administered through licences (Table 4.5). In 2017, export licensing applied to 73 tariff lines (71 in 2013) at the HS eight-digit level covering agricultural products; these accounted for 19% of total goods subject to export licences (15.8% in 2013).[13]

Table 4.5 Agricultural products subject to export quotas and licensing in 2017

Products	Type of licence	Comment
Goods subject to quota and licensing		
Rice, maize, wheat and cotton	Export quota licensing	The quota is allocated by the NDRC, and the licence is issued by MOFCOM
Live cattle, swine and fowl (for export to Hong Kong, China; and Macao, China); and maize, rice and wheat	Export quota licensing	The quota is allocated by MOFCOM
Goods subject to licensing		
Live cattle, swine and fowl (for markets other than Hong Kong, China; or Macao, China); and frozen and chilled beef, pork and chicken meat	Export licence	A licence is granted if the exporter has the relevant export contract

Source: MOFCOM GACC Decree [2017] No. 88. Viewed at: http://www.mofcom.gov.cn/article/b/c/201712/20171202690523.shtml.

4.19. Table 4.6 describes the size of the quotas for corn flour, wheat flour and rice flour from 2013 to 2017

[11] Document G/AG/W/125/Rev.7/Add.2.

[12] Namely, 03019210 (eel fry), 05061000 (acid-treated ossein and bones), 05069011 (bone meal and bone waste with the content from cattle and sheep), 05069019 (other bone meal and bone waste), and 05069090 (other bone and horn).

[13] The Catalogue of Goods Subject to Export Licence of 2015, MOFCOM GACC Decree [2014] No. 94. Viewed at: http://www.mofcom.gov.cn/article/b/c/201412/20141200854859.shtml; and the Catalogue of Goods Subject to Export Licence of 2016, MOFCOM GACC Announcement [2015] No. 76. Viewed at: http://wms.mofcom.gov.cn/article/zcfb/g/201512/20151201225345.shtml, http://www.mofcom.gov.cn/article/b/c/201412/20141200854859.shtml, and http://wms.mofcom.gov.cn/article/zcfb/g/201512/20151201225345.shtml.

Table 4.6 Size of the export quotas for corn flour, rice flour and wheat flour, 2013-17

(Tonnes)

Product	2013	2014	2015	2016	2017
Corn flour	25,000	25,000	6,400	1,000	1,050
Rice flour	25,000	23,300	1,050	1,000	700
Wheat flour	403,300	394,700	470,000	248,000	258,400

Source: Information provided by the authorities.

4.20. In 2017, general export prohibitions continued to apply to eight agricultural products[14], while others may not be exported if processed "under processing trade".[15]

4.1.3.2 Internal measures

4.1.3.2.1 Support measures

4.21. In 2015, China made a notification to the WTO Agriculture Committee regarding the support given to the agriculture sector before 2010.[16] Support programmes covering the period 2009 to 2014 were notified by China under the SCM Agreement (Table 4.7).[17]

Table 4.7 Legal basis for support to agriculture, forestry, and fisheries, 2009-14

Description	Starting year	Form of subsidy	Legal basis
Subsidy for promoting superior strains and seeds	2002	Financial appropriations	MOF Circulars Cai Nong Nos. 16 and 17 of 2004 MOF Circular Cai Nong No. 440 of 2009
Comprehensive subsidies for agricultural inputs	2006	Financial appropriations	General Office of the State Council Circular Guo Ban Fa No. 16 of 2006 MOF Circular Cai Jian No. 1 of 2009 [2009]1
Direct subsidy to farmers	2004	Financial appropriations	State Council Circular Guo Fa No. 17 of 2004
Subsidy for purchasing agricultural machinery and tools	2004	Financial appropriations	MOF Circular Cai Nong No. 11 of 2005
Comprehensive Agricultural Development	1988	Financial appropriations	MOF Decree No. 84
Fund for specialized economic cooperatives of farmers	2003	Financial appropriations	MOF Circular Cai Nong No. 87 of 2004 MOF Circular Cai Nong No. 156 of 2013
Fund for subsidizing the training of the rural migrant labour force	2004	Financial appropriations	MOF Circular Cai Nong No. 18 of 2005
Subsidy fund for transforming agricultural scientific achievements and promoting technical services	1999	Financial appropriations	MOST Circular Guo Ke Ban Cai Zi No. 417 of 2001 MOF Circular Cai Nong No. 81 of 2004 MOF Circular Cai Nong No. 31 of 2014
Subsidy fund for small farmland water conservancy facilities, and key national construction projects on water and soil conservation	1983	Financial appropriations	MOF Circular Cai Nong No. 335 of 2009 MOF Circular Cai Nong Zi No. 54 of 2012
Subsidy for disaster prevention and relief in agricultural production	2001	Financial appropriations	MOF Circular Cai Nong No. 232 of 2001 MOF Circular Cai Nong No. 3 of 2013
Subsidy for prevention and control of pests and disease in forestry	1980	Financial appropriations	MOF Circular Cai Nong No. 44 of 2005
Subsidy fund for agricultural resources and ecological protection	1984	Financial appropriations	MOF Circular Cai Nong No. 139 of 2004 MOF Circular Cai Nong No. 32 of 2014

[14] These products are: bezoar, black moss, bones, ivory, musk, some plants used to make perfumes (2 HS tariff lines), and some plants for medicinal use (WTO (2014), *Trade Policy Review – China*, Geneva).
[15] These products are: some products of animal origin, beverages (e.g. mineral water and alcoholic spirits), raw fur skins, and silk-worm cocoons (WTO (2014), *Trade Policy Review – China*, Geneva).
[16] China's most recent notification regarding domestic support covers the period 2009-10 (WTO document G/AG/N/CHN/28, 6 May 2015).
[17] WTO documents G/SCM/N/220/CHN, G/SCM/N/253/CHN and G/SCM/N/284/CHN, 30 October 2015.

Description	Starting year	Form of subsidy	Legal basis
Reductions or exemptions of corporate income tax for enterprises engaged in agricultural, forestry, animal and fishery projects meeting the relevant standards	2008	Enterprise income tax exemption and reduction	Law of the People's Republic of China on Enterprise Income Tax (2007) Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax (2007) MOF Circular Cai Shui No. 149 of 2008 supplementary notice on scope of agricultural products preliminary processing enjoying preferential policies for corporate income (Cai Shui No. 26 of 2011)
Preferential tax policies for the imports of China Grain Reserves Corporation	2009	Import VAT exemption	Circular on Export Taxation Policy of State Grain and Oil During the 13th Five-Year Plan by the Ministry of Finance, General Administration of Customs and State Administration of Taxation (Cai Guai Shui [2016] No. 12).
Preferential tax treatment for tea sold in the border areas	1994	VAT exemption	MOF Circular Cai Shui No. 60 of 1994 MOF Circular Cai Shui No. 71 of 2001 MOF Circular Cai Shui No. 103 of 2006 MOF Circular Cai Shui No. 141 of 2009 MOF Circular Cai Shui No. 89 of 2011 MOF Circular Cai Shui No. 73 of 2016
Preferential tax treatment for imported products for the purpose of replacing the planting of poppies	2000	Tariff and import VAT exemption	MOF Circular Cai Shui No. 63 of 2000
Preferential tax policies on imports of seeds (seedlings), breeding stock (fowl), fish fries (breeds) and wild animals and plants kept as breeds during the period of the "11th Five-Year Plan" and the "12th Five-Year Plan"	2006	Import VAT exemption	Circular on Provenance Taxation Policy of Imported Seeds During the 13th Five-Year Plan by Ministry of Finance State Administration of Taxation (Cai Guai Shui [2016] No. 26)

Source: WTO documents G/SCM/N/220/CHN, G/SCM/N/253/CHN and G/SCM/N/284/CHN, 30 October 2015, and information provided by the authorities.

4.22. The subsidy for promoting superior strains and seeds, the direct subsidy to farmers (rice, wheat and corn), and the comprehensive subsidy for agricultural inputs were combined, on a pilot basis, into a new "agriculture support and preservation subsidy". The pilot phase took place in 2015 in five provinces: Anhui, Zhejiang, Hunan, Shandong and Sichuan. The aims of the reform were the preservation of farmland productivity and the appropriate realization of economies of scale in the management of arable land. Subsidy criteria were formulated according to local conditions. Subsidy amounts were linked to the cultivated land area contracted by farmer households, and not to product varieties. In 2016, this reform was extended nationwide by the Ministry of Finance, along with other departments such as the Ministry of Agriculture, based on the results of the pilot phase.

4.23. In 2017, 19 "special transfer payment programmes" were combined into 10 programmes. The "large special programmes + task list" management model will be explored and implemented. According to the authorities, the aims of the reform are to regroup programmes under large umbrella programmes, to disperse funds once rather than by instalments, and to delegate execution to local governments through the establishment of "tasks lists", allowing local governments to adapt policies to local conditions, while improving budgeting performance management mechanisms, and to change the modalities of certain policies so as to switch them from a WTO point of view from the amber box to the green one. No information was made available regarding how the subsidies schemes notified to WTO (described above in Table 4.7) would be converted and regrouped into these new programmes. However, based on the successive budgets allotments for agricultural programmes for 2014-17, the Secretariat has compiled the evolution of the programmes and the amount allotted to each programme. These data may, however, not be fully exhaustive. This information is detailed in Table 4.8.

Table 4.8 Support programmes and budget outlays, 2014-17

(RMB 100 million)

2014	2014	2015[a], 2016	2015[b]	2016[c]	2017[d]	2017[e]
Agriculture						
Subsidy fund for insurance premium of agriculture and forestry	119.83	Subsidy fund for insurance premium of agriculture and forestry	125.30	135.67	Subsidy fund for insurance premium of agriculture and forestry	146.70
Comprehensive Agricultural Development Fund	341.00	Comprehensive Agricultural Development Fund	365.00	383.00	Comprehensive Agricultural Development Fund	365.00
Subsidy fund for agricultural resources and ecological protection	179.85	Subsidy fund for agricultural resources and ecological protection	199.92	230.42	Subsidy fund for agricultural resources and ecological protection	218.60
Fund for subsidizing the prevention of animal epidemics	50.18	Fund for subsidizing the prevention of animal epidemics	59.27	60.06	Fund for subsidizing the prevention of animal epidemics	60.11
Fund for disaster prevention and relief in agricultural production	31.71	Fund for disaster prevention and relief in agricultural production	34.67	34.53	Fund for disaster prevention and relief in agricultural production & the Control of Super-large Flood and the Relief of Super-large Drought (a new programme)	73.00
The Control of Super-large Flood and the Relief of Super-large Drought	28.45	The Control of Super-large Flood and the Relief of Super-large Drought	28.60	37.50		
Fund for the Development of Modern Agricultural Production	130.10	Fund for the Development of Modern Agricultural Production	201.70	198.50	Fund for the Development of Agricultural Production (This fund is designed to cover several previous subsidies and funds.)[f] (a new programme)	1,913.10
Subsidy for purchasing agricultural machinery and tools	227.55	Subsidy for purchasing agricultural machinery and tools	227.55	228.09		
Subsidy fund for transforming agricultural scientific achievements and promoting technical services	126.14	Subsidy fund for transforming agricultural scientific achievements and promoting technical services	152.45	152.30		
Fund for supporting livestock development	39.83					
Fund for supporting the training of farmers	11.62					
Fund for Specialized Economic Cooperatives of Farmers	20.00					
Comprehensive subsidies for agricultural inputs	1,077.15	Agriculture Support and Preservation Subsidy (According to the reform of "the three	1,434.91	1,404.91		
Subsidy for promoting superior	207.23					

2014	2014	2015[a], 2016	2015[b]	2016[c]	2017[d]	2017[e]
strains and seed		subsidies", the Subsidy for Promoting Superior Strains and Seeds, the Direct Subsidy to Farmers (rice, wheat and corn), and the Comprehensive Subsidy for Agricultural Inputs were combined into the Agriculture Support and Preservation Subsidy.)[g]				
Direct subsidy to farmers (rice, wheat and corn) (*This subsidy belonged to another special transfer programme, expenditures on grain and oil material reserve, thus was not included in the 19 agricultural special transfer programmes. It was added here to illustrate the reform of the three subsidies.)	..					
Loan-oriented subsidies to rural financial institutions	26.19	Special fiscal fund for inclusive financial development[h]	157.74	162.74	Special fiscal fund for inclusive financial development	152.50
Incremental incentives for financial institutions engaged in agriculture loans at county level	26.03					
Subsidy fund for small farmland water conservancy facilities and key national construction projects on water and soil conservation	228.08	Subsidy fund for farmland water conservancy facilities and key national construction projects on water and soil conservation	436.06	392.43	Fund for the development of water conservancy[i]	651.53
Special fiscal fund to alleviate poverty	424.55					
Fund for subsidizing local water resources						
		Subsidy for target prices	356.84	538.49	Subsidy for target prices	603.68
		Subsidy funds for the confirmation, registration and issuance of certificates on the right to contracted management of rural land	45.80	60.00	Subsidy funds for the confirmation, registration and issuance of certificates on the right to contracted management of rural land	54.36
Forestry and water conservancy						
Fund for subsidizing forestry	301.90	Fund for subsidizing forestry	350.55	418.37	Fund for the reform and development of forestry	464.23

2014	2014	2015[a], 2016	2015[b]	2016[c]	2017[d]	2017[e]
Fund for the comprehensive renovation of river and lake reservoirs	322.84	Fund for the comprehensive renovation of river and lake reservoirs	288.86	182.80	Fund for the development of water conservancy[j]	651.53
Fund for the prevention and control of nationwide flood disasters	40.14	Fund for the prevention and control of nationwide flood disasters	41.06	14.50		
Fund for large and medium-sized reservoir resettlements	34.00	Fund for large and medium-sized reservoir resettlements	36.40	36.40	Fund for large and medium-sized reservoir resettlements	36.40
					Fund for the ecological protection and restoration of forestry	410

.. Not available.

a 2015 Government budget, http://yss.mof.gov.cn/2015czys/201503/t20150324_1206399.html (in Chinese).
b http://yss.mof.gov.cn/2015js/201607/t20160713_2354962.html (in Chinese).
c http://yss.mof.gov.cn/2016js/201707/t20170713_2648693.html (in Chinese).
d 2017 government budget, http://yss.mof.gov.cn/2017zyys/201703/t20170324_2565746.html (in Chinese).
e Figures for 2017 are drawn from the proposed budget for 2017.
f http://www.mof.gov.cn/zhengwuxinxi/caizhengwengao/2017wg/wg201706/201708/t20170818_2676160.html, http://www.mof.gov.cn/zhengwuxinxi/caizhengwengao/wg2016/wg201608/201612/t20161215_2483056.html (in Chinese).
g Http://www.moa.gov.cn/zwllm/zcfg/qnhnzc/201604/t20160426_5108762.htm (in Chinese).
h Http://jrs.mof.gov.cn/zxzyzf/phjrfzzxzj/201612/t20161229_2508630.html (in Chinese).
i Http://www.mof.gov.cn/zhengwuxinxi/caizhengwengao/201708/t20170814_2672544.html (in Chinese).
j Http://www.mof.gov.cn/gp/xxgkml/nys/201612/t20161212_2512266.html (in Chinese).

Source: Information compiled by the WTO Secretariat.

4.24. In addition, a series of new programmes were set up during the period under review, and experimented in various provinces or agricultural zones. Table 4.9 describes the main features of those new programmes and the corresponding budgetary outlays.

Table 4.9 New subsidies programmes experimented during the period under review

Programme	Objective	Pilot/target regions/zones	Surface area concerned	Tools/ mechanisms	Budgetary allotments
The Plan for the Exploration and Implementation of Trials of Crop Rotation and Fallow Systems	- To promote the rehabilitation of cultivated land and agricultural sustainable development - To resolve disparities between grain supply and demand - To stabilize farmers' income	- Northeast cold/cool areas - Northern agro-pastoral transitional zones (including the Inner Mongolia Autonomous Region, Liaoning Province, Jilin Province and Heilongjiang Province) - Groundwater funnel areas, areas contaminated with heavy metals - Areas suffering severe ecological degradation, including the Heilonggang groundwater funnel area in Hebei Province and the Changzhutan	2016: 15 million mu[a] 2017: 3.6 million mu	Subsidies in the form of compensation mechanisms ensuring that farmers undertaking crop rotation or fallow do not incur loss of revenues - Prescribed time periods and prescribed regions will be decided on the Government's instructions but there shall be local differentiations and coercion will be avoided	..

Programme	Objective	Pilot/target regions/zones	Surface area concerned	Tools/ mechanisms	Budgetary allotments
		Heavy Metal Polluted Area in Hunan Province - Southwest rocky desertification areas (Guizhou Province and Yunnan Province) - Northwest areas of severe ecological degradation (Gansu Province)			
Pilot project of the integrated development of primary, secondary, and tertiary industries in rural areas. (Guiding Opinions of the General Office of the State Council on Facilitating the Integrated Development of Primary, Secondary and Tertiary Industries in Rural Areas (Guo Ban Fa [2015] No. 93)	- To increase farmers' income - To extend the agricultural industry chain	E.g. Meitan county tea project		Subsidies and incentives for scientific research institutions, industry associations, and leading enterprises Incentives and subsidies for financial institutions	From 2015 to 2017: RMB 5.7 billion
New round of grassland ecology conservation subsidy and reward policies (Circular on Issuing the General Plan for a New Round of Returning Cultivated Lands to Forests by the National Development and Reform Commission, the Ministry of Finance, the State Forestry Administration, the Ministry of Agriculture and the Ministry of Land and Resources) (2016)	- To increase vegetation cover - To decrease water and soil loss and the hazards of sand storms	Areas with large grassland in Zhangjiakou City and Chengde City, so as to build and strengthen the ecological barrier for the integrated development of Beijing and Tianjin	From 2014 to 2017: 42.4 million mu	Compensation schemes to offset the loss of revenue incurred by herdsmen as a consequence of grazing prohibitions and restrictions	RMB 1,500 per mu for forest and RMB 800 per mu for grasslands, raised in 2016 to RMB 1,000 per mu for grasslands, and in 2017 to RMB 1,600 per mu for forest
Subsidy fund for farmland water conservancy facilities and water and soil conservation (Circular of the Ministry of Finance and the Ministry of Water Resources on Printing and Distributing the Administrative Measures for the Use of the Subsidy Fund for Farmland Water Conservancy Facilities and Water and Soil Conservation (Cai Nong [2015] No. 226))	- To support the construction of farmland water conservancy projects – To improve farmland irrigation and drainage conditions			In 2017, the Subsidy Fund for Farmland Water Conservancy Facilities and Water and Soil Conservation was incorporated into the Water Conservancy Development Fund. Administrative measures for the Fund are set forth in the Circular of the Ministry of Finance and the Ministry of Water Resources on Printing and	2016: RMB 39.997 billion

Programme	Objective	Pilot/target regions/zones	Surface area concerned	Tools/ mechanisms	Budgetary allotments
				Distributing the Administrative Measures for the Use of the Water Conservancy Development Fund (Cai Nong [2016] No. 181).	
Improvement of fiscal policies for a new round of efforts to return cultivated land to forests and to grassland		No regional differentiations	From 2014 to 2017: 3.72 million mu		2017: RMB 21.1 billion The subsidy was raised from RMB 800 per mu to RMB 1,000 in 2016, and was to be raised from RMB 1,500 to RMB 1,600 in 2017.

.. Not available.

a 1 mu = 0.06 hectare.

Source: Information provided by the authorities.

4.1.3.2.2 Price controls and market price support systems

4.25. With effect from 1 January 2016, agricultural products (grains, cotton, edible vegetable oil, sugar, and silk) and tobacco leaf were removed from the list of products subject to price controls.[18]

4.26. Although price controls on tobacco leaf have been removed, the State continues to hold the monopoly for administering the right to produce, manufacture, sell, transport, and import and export tobacco and tobacco products. Private entities may import or export these products under a licence issued by the State Tobacco Monopoly Administration/China National Tobacco Corporation. The purchase of tobacco leaf and the allocation of tobacco leaf and re-dried tobacco leaf amongst the provinces and other jurisdictions take place according to a plan designed by the planning department of the State Council. The total annual production of cigarettes and cigars by each province and other jurisdiction is also determined by a plan.

4.27. Apart from the list of products subject to price controls, minimum purchase prices remain in place for rice and wheat in major producing areas (Table 4.10).[19] These prices are set on a yearly basis by the NDRC in consultation with the Ministry of Agriculture and other government agencies. In 2015, after several years of incremental increases, the minimum purchase price for rice was not raised compared to the previous year, and reductions were applied in the years that followed. Similarly, the minimum purchase price for wheat was reduced for 2018, after four years at RMB 2,300 per tonne. The state-owned company Sinograin is required to purchase grains at the

[18] NDRC Document [2015] No. 29, 8 October 2015. Viewed at: http://www.sdpc.gov.cn/zcfb/zcfbl/201510/t20151020_755152.html [05 April 2018].

[19] I.e. for wheat, the 6 provinces of Hebei, Jiangsu, Anhui, Shandong, Henan and Hubei; for early long-grain non-glutinous rice, the 5 provinces/regions of Anhui, Jiangxi, Hubei, Hunan and Guangxi; and for medium-late rice (including late long-grain non-glutinous rice and round-grained non-glutinous rice), the 11 provinces/regions of Liaoning, Jilin, Heilongjiang, Jiangsu, Anhui, Jiangxi, Henan, Hubei, Hunan, Guangxi and Sichuan. The total acreage and output of these wheat- and rice-producing areas account for around 70-80% of the nationwide figures.

minimum purchase price when the market price falls below the minimum price for three consecutive days. Sinograin may also entrust other state-trading entities to do so.[20]

Table 4.10 Minimum purchase prices 2012-18

(RMB/tonne)

Minimum purchase price (RMB/tonne)	2012	2013	2014	2015	2016	2017	2018
Wheat	2,040	2,240	2,360	2,360	2,360	2,360	2,300
Rice - early long grain non–glutinous	2,400	2,640	2,700	2,700	2,660	2,600	..
Rice - late long-grain non-glutinous	2,500	2,700	2,760	2,760	2,760	2,720	..
Rice - round-grained non-glutinous	2,800	3,000	3,100	3,100	3,100	3,000	..

.. Not available.

Source: Information provided by the authorities; and FAO Food Policy and Market Developments. Viewed at: http://www.fao.org/giews/food-prices/food-policies/en/ [December 2017].

4.28. Grain reserves of maize, rice, soya beans and wheat maintained by the central and local authorities are used to regulate the supply and demand of grains, stabilize the grain market, and cope with major natural disasters or other emergencies.[21] The criteria used to set and adjust the level of the stocks include population, output, consumption, and import and export. For the Government's grain stocks, the total rotation amounts to around 30% of the total stocks each year.

4.29. Regarding cotton, in 2014, China stopped the procurement price system and the stockholding programme. They were replaced, on a pilot basis, in the Xinjiang Autonomous Region, by a mechanism that sets a target price for cotton. In 2014, the target price for cotton was RMB 19,800 per tonne; in 2015, it was RMB 19,100; and in 2016 and 2017, it was RMB 18,600. Through the new mechanism, if the market price falls below the target price, the central Government provides a subsidy to cotton farmers. During the pilot reform on target cotton prices, the market price for cotton fell to below that of the target price, a situation which triggered the subsidy mechanism. Data on the corresponding expenditures were not made available at the time of writing of the present report. As of 2017, a limit was set whereby only 85% of the national cotton production benefits from the mechanism. At this stage, there is no plan for the generalization of this pilot scheme, and there are no measures to specifically support cotton production in other regions.

4.30. A similar subsidy programme was put in place, in 2014, for soya beans in four provinces: Inner Mongolia, Liaoning, Jilin and Heilongjiang. In 2014, 2015 and 2016, the target price for soya beans was RMB 4,800/tonne. In 2017, the policy of target prices for soya bean was cancelled. In 2016, it was reported that the temporary stockpiling scheme for maize was to be discontinued.[22]

4.31. It has been reported that relatively high levels of domestic production, imports and the operation of minimum purchase price and inventory systems resulted in significant stockpiles of some products (Chart 4.3). The wheat stockpile was estimated to have reached 111 million tonnes, and the milled rice stockpile, 86.5 million tonnes, at the start of the 2017/18 marketing year. On the other hand, the stockpiles of cotton and maize have declined from the peaks in 2015/16 and 2016/17, respectively.[23] Furthermore, the minimum support prices for rice and wheat have been reduced, while the reform of the systems of collection, storage, and price-formation of agricultural products will continue.[24]

[20] OECD (2013), Agricultural Policy Monitoring and Evaluation 2013 – OECD Countries and Emerging Economies, OECD publishing, Paris, p. 123. Viewed at: http://dx.doi.org/10.1787/agr_pol-2013-en [December 2017].

[21] Temporary stockpiling procurement price schemes for rapeseed, potatoes, highland barley and pigs have all been abolished.

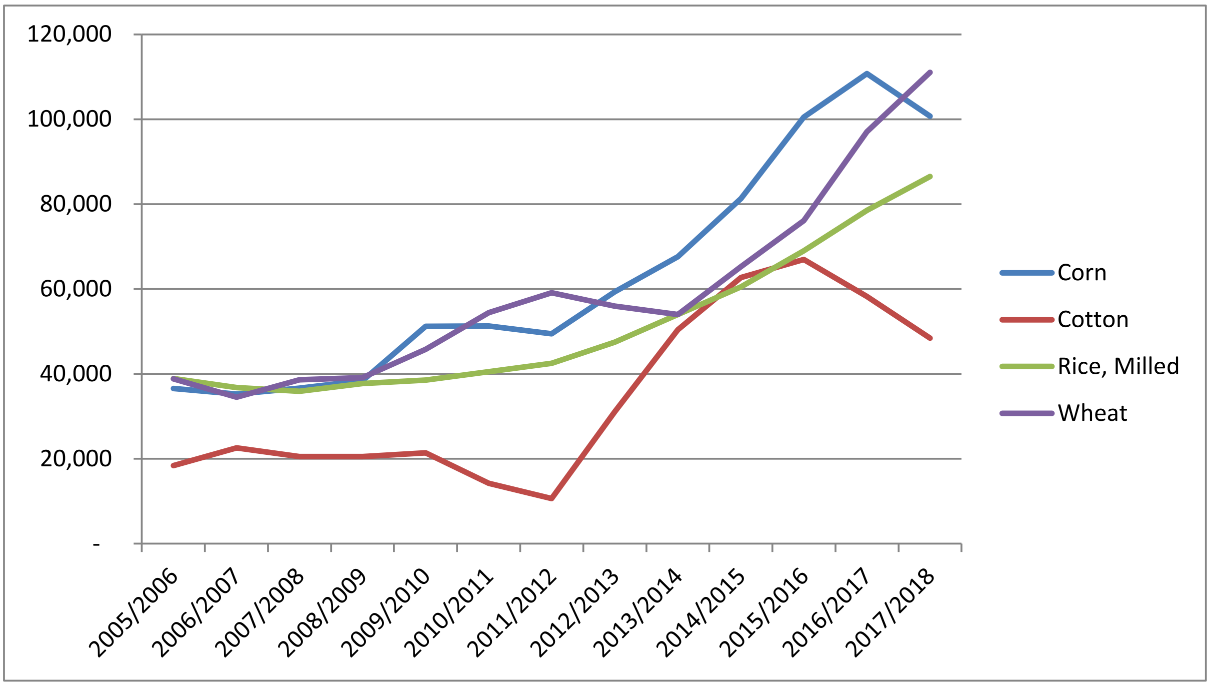
[22] FAO Food Price Monitoring and Analysis online information. Viewed at: http://www.fao.org/giews/food-prices/food-policies/detail/en/c/409952/ [December 2017].

[23] USDA Foreign Agricultural Service. Online PS&D database. Viewed at: https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery [March 2018].

[24] The 2018 No. 1 Document of the CCCPC and the State Council, 4 February 2018.

Chart 4.3 Stocks of selected commodities at beginning of marketing years 2005/06 – 2016/17

'000 tonnes, except cotton ('000 480 lb bales)



Source: Https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery [March 2018].

4.1.3.2.3 Other measures

4.32. Under a subsidized agricultural insurance scheme, insurance premiums are subsidized by the central and local governments, so that farmers pay only a balance of 20-30% of the premium. The insurance scheme covers natural disasters such as rainstorms, floods and droughts, but not income or levels of production. The distribution of the financing between the central Government and local governments varies according to the crop (Table 4.11).

Table 4.11 Distribution of the financing of the agricultural insurance scheme between central and local authorities, and total public expenditures on the scheme

	Crops	Breeding	Non-commercial forestry	Commercial forestry	Tibetan varieties & natural rubber	Total expenditures
Central Government	40% in central and western regions; 35% in the eastern region	50% in central and western regions; 40% in the eastern region	50%	30%	40%	2015: RMB 14.73 billion 2016: RMB 15.83 billion
Local governments	25%	30%	40%	25%	25%	n.a.

n.a. Not available.

Source: Information provided by the authorities.

4.33. In addition to the support granted to rural households through access to insurance, the People's Bank of China (PBOC) has continued to take measures to increase financial deepening in rural areas by promoting innovation of rural financial products and services. The outcome of these and other policies has been that agriculture-related loans have increased. In 2014, agriculture-related loans accounted for 28% of the total loans of the banking system (26.5% in 2015), amounting to RMB 23.6 trillion (RMB 26.3 trillion in 2015), an increase of 13% year-on-year.[25] In addition, the PBOC has set benchmarks on new deposits granted by financial institutions at the county level. Financial institutions will have more flexibility in restructuring and writing off non-performing agro-linked loans. As a result, in 2014, the PBOC reduced by 0.5 percentage points the reserve requirement for commercial banks that met its prudential requirements and that reached a certain ratio in their lending to agriculture, rural areas and farmers.[26]

4.34. Regarding rural development, in 2016, the Government increased the lending capabilities of rural financial institutions by granting targeted financial subsidies for financial institutions, and setting up three special transfer payment funds for guaranteeing interest rate subsidies. In addition, new government and social capital cooperation (PPP) projects were integrated into subsidized funds, and special funds for inclusive financial development were set up.

4.1.3.3 Levels of support

4.1.3.3.1 WTO notifications

4.35. The most recent notification on domestic support from China covered the calendar years 2009 and 2010.[27] This notification showed no support under the Blue Box (production limiting programmes), and that support notified under the Green Box had fallen to RMB 534 billion from a peak of RMB 593 billion in 2008 (Chart 4.4). General services were the biggest category of support, representing between 47% and 61% of total support notified under the Green Box, and under general services, infrastructure services was the biggest category of support.

4.36. Support notified under the Amber Box (including *de minimis*) had continued to increase, reaching RMB 123 billion in 2010, and in no case was the administered price less than the fixed representative price – as had been the case for some products in earlier years. In addition, while some food grains (wheat, rice, maize and soya beans) and cotton had been covered by programmes in the early 2000s, they were joined by rapeseed (in 2005), pigs (2007), potatoes (2009), and peanuts and barley (2010).

4.1.3.3.2 OECD estimates of support

4.37. Compared to the methodology used to calculate the level of support provided under the Amber, Blue, and Green Boxes in the WTO, the OECD's annual monitoring and evaluation reports on agricultural policies in OECD countries use a different methodology to calculate the value of support which is expressed in a number of indicators, including: the Producer Support Estimate (PSE) for gross transfers from consumers and tax payers to agricultural producers; the Total Support Estimate (TSE) for transfers to the agricultural sector in general; and the Single Commodity Transfers (SCT) for transfers to specific commodities. As previously noted, the PSE represents the value of transfers to producers, unlike support under the Amber, Blue and Green Boxes which measure compliance with WTO commitments. Therefore, the value of support as notified to the WTO is neither compatible nor comparable with the values calculated by the OECD.[28]

4.38. According to the OECD, total support to agriculture increased steadily from RMB 807 billion in 2011 to RMB 1,727 billion 2015, and then declined to RMB 1,641 billion in 2016. Most of the total support to agriculture is from market price support arising from tariff protection, government purchases and other programmes (Chart 4.5). As a result, domestic prices are, in general, greater than import prices, particularly for wheat and milk where the producer nominal protection co-efficients (the ratio of the price received by producers to the border price) were 1.78 and 1.73,

[25] Guo, Pei (2015), Agriculture Finance for Sustaining Food Security. Viewed at: http://www.fao.org/fsnforum/sites/default/files/files/120_FSN_APEC/Sep_9a.pdf; and information provided by the authorities.

[26] People's Bank of China (2015), *Annual Report 2014*. Viewed at: http://www.pbc.gov.cn/eportal/fileDir/image_public/UserFiles/english/upload/File/20146.15.pdf.

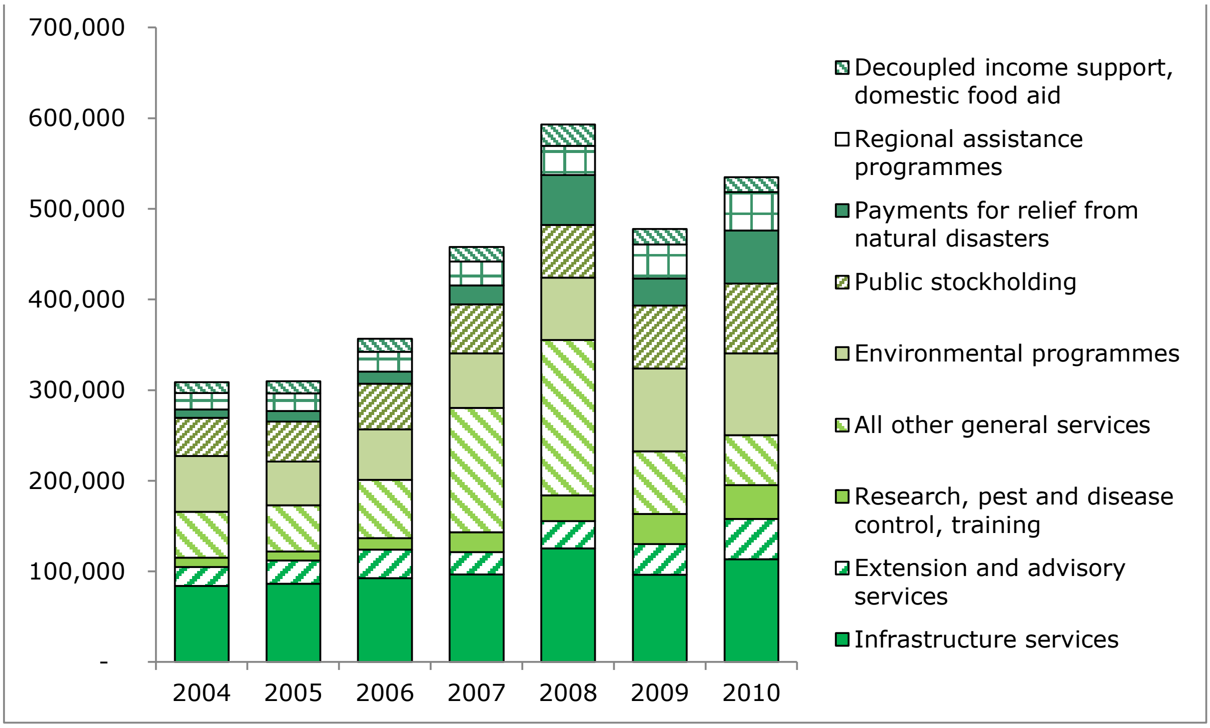
[27] WTO document G/AG/N/CHN/28, 6 May 2015.

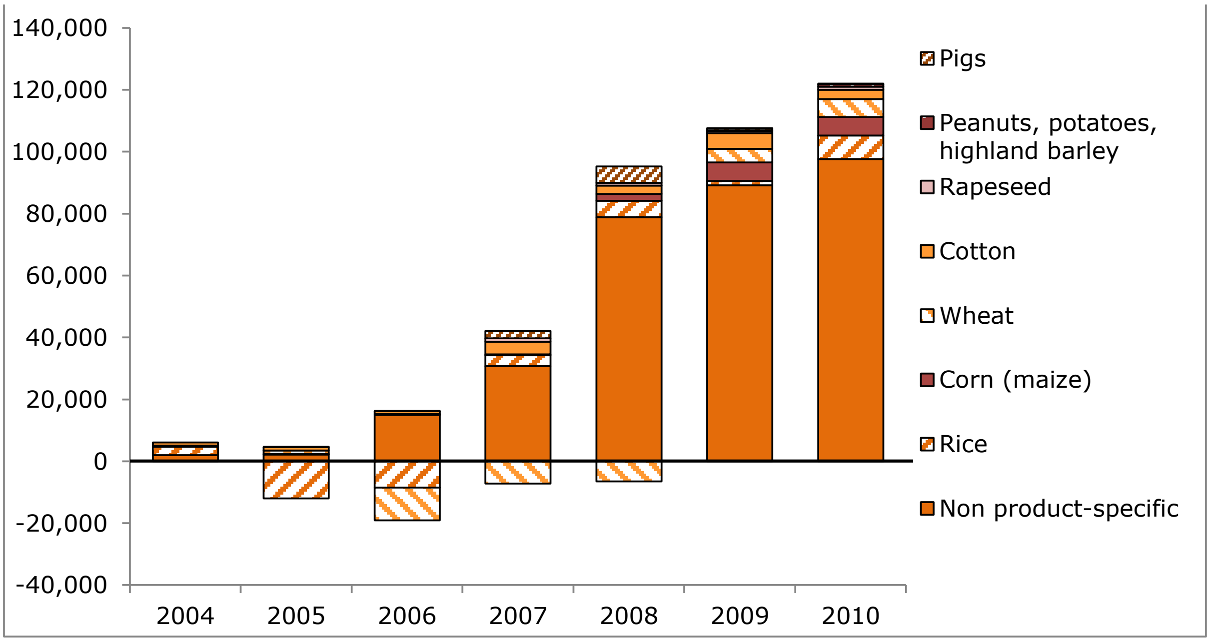
[28] OECD (2017), *Agricultural Policy Monitoring and Evaluation 2017*, OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/agr_pol-2017-en [December 2017].

respectively. The producer support estimate (PSE) was 14.5% of gross farm receipts in China, compared to 18.8% for OECD countries as a whole.

4.39. The extent to which public policy has been used to reduce price fluctuations can be seen from the evolution of the producer NPC, which was 0.99 in 2008 when commodity prices were relatively high, indicating that domestic prices were below import prices for that year. Furthermore, Market Price Support (MPS) and Single Commodity Transfer (SCT) were negative for several products, including milk, soya beans, rice, and maize, implying that policy measures reduced producers' incomes in some years (Table 4.12).

Chart 4.4 Green and Amber Box support, 2004-10

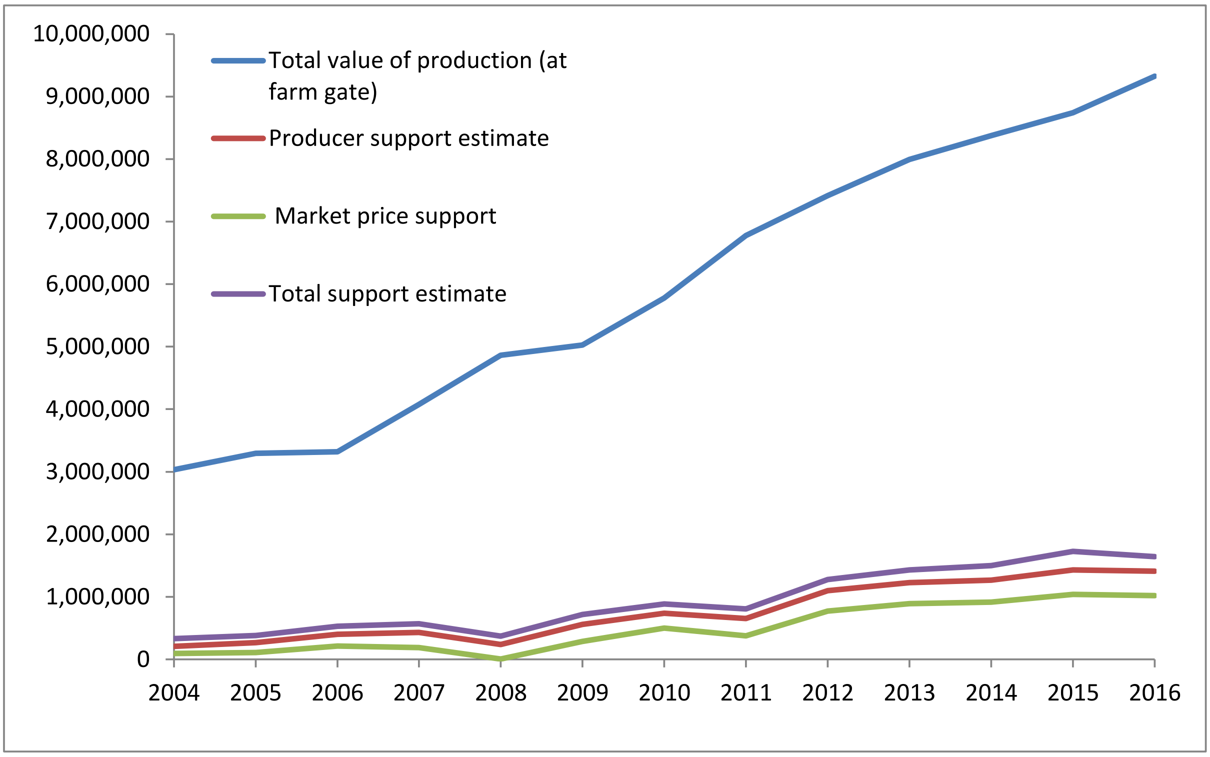




Source: WTO Secretariat based on notifications

Chart 4.5 OECD measurement of support 2004-16

(RMB million)



Source: OECD PSE database. Viewed at: http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm [December 2017].

Table 4.12 OECD indicators for support to agriculture in China, 2007-16

(RMB million, except NPC)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total value of production	4,078.4	4,862.8	5,024.6	5,776.7	6,775.9	7,413.0	7,993.3	8,372.8	8,741.6	9,327.3
TSE	568.4	370.4	719.2	884.7	806.7	1,276.4	1,431.4	1,500.6	1,727.3	1,640.8
PSE	430.8	235.2	559.1	738.0	654.6	1,096.1	1,228.6	1,267.7	1,431.7	1,409.9
MPS	187.5	3.1	284.6	499.0	376.0	772.1	888.6	914.9	1,037.8	1,018.8
Producer NPC	1.05	0.99	1.06	1.09	1.05	1.12	1.13	1.13	1.14	1.12
Wheat										
Value of production	166.0	186.2	212.8	228.1	244.1	262.2	287.3	304.4	303.1	282.3
SCT	55.3	64.5	65.2	64.4	34.8	78.7	82.4	103.2	109.2	123.7
MPS	55.3	64.5	65.2	64.4	34.8	78.7	82.4	103.2	109.2	123.7
Producer NPC	1.50	1.53	1.44	1.39	1.17	1.43	1.40	1.51	1.56	1.78
Maize										
Value of production	191.5	232.8	248.2	314.4	405.7	466.3	472.8	473.7	450.7	382.4
SCT	32.9	-36.1	40.5	50.0	6.6	64.2	110.4	125.4	143.3	107.9
MPS	32.9	-36.1	40.5	50.0	6.6	64.2	110.4	125.4	143.3	107.9
Producer NPC	1.21	0.87	1.19	1.19	1.02	1.16	1.30	1.36	1.47	1.39
Rice										
Value of production	315.3	365.0	386.6	462.0	540.8	564.0	555.9	580.8	591.7	581.0
SCT	-2.3	-240.4	-168.6	-2.3	-56.3	162.1	176.3	185.2	210.8	168.4
MPS	-2.3	-240.4	-168.6	-2.3	-56.3	162.1	176.3	185.2	210.8	168.4
Producer NPC	0.99	0.60	0.70	1.00	0.91	1.40	1.46	1.47	1.55	1.41

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Soya beans										
Value of production	43.5	55.3	52.4	55.9	57.8	60.9	54.0	51.0	41.0	45.9
SCT	3.7	-4.7	12.2	10.1	7.3	14.5	12.6	11.2	16.6	17.2
MPS	3.7	-4.7	12.2	10.1	7.3	14.5	12.6	11.2	13.6	14.3
Producer NPC	1.09	0.92	1.30	1.22	1.15	1.31	1.30	1.28	1.50	1.45
Milk										
Value of production	75.9	95.1	97.6	111.5	124.5	136.7	143.5	154.9	147.1	142.0
SCT	-22.0	-21.2	32.7	16.2	24.3	45.1	42.3	46.8	73.2	58.1
MPS	-22.5	-21.9	32.0	16.2	24.3	45.1	42.3	46.8	73.2	58.1
Producer NPC	0.78	0.81	1.52	1.18	1.25	1.51	1.44	1.46	2.05	1.73
Beef and veal										
Value of production	109.5	156.3	165.9	184.8	225.9	300.7	346.8	341.5	330.5	334.1
SCT	-1.9	1.8	19.8	23.8	29.9	38.5	44.1	43.4	41.4	42.3
MPS	-1.9	1.8	19.8	23.8	29.9	38.5	44.1	43.4	41.4	42.3
Producer NPC	1.00	1.00	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Pig meat										
Value of production	907.2	856.1	722.3	798.4	1,155.3	1,069.0	1,092.1	1,024.3	1,132.4	1,214.0
SCT	-2.6	134.7	100.1	99.5	158.8	112.3	109.3	101.6	111.0	132.2
MPS	-7.8	126.4	89.6	99.5	158.8	112.3	109.3	101.6	111.0	132.2
Producer NPC	1.00	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Poultry meat										
Value of production	286.1	281.2	283.2	331.2	363.9	375.0	374.8	386.3	387.0	398.5
SCT	41.5	42.2	40.8	43.7	52.8	47.6	45.0	49.2	48.0	51.7
MPS	41.5	42.2	40.8	43.7	52.8	47.6	45.0	49.2	48.0	51.7
Producer NPC	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.18	1.18	1.18

Source: OECD PSE database. Viewed at: http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm [December 2017].

4.2 Mining and Energy

4.2.1 Mining

4.40. China's main mining production is described in Table 4.13.

Table 4.13 China's main mining production, 2014-16

Mineral products	2014	2015	2016
Crude oil (million tonnes)	211	215	200
Natural gas (billion m^3)	130.2	134.6	136.9
Shale gas (billion m^3)	1.247	4.425	7.882
Coal (billion tonnes)	3.87	3.75	3.41
Ferrous metals (billion tonnes)	1.523	1.386	1.287
of which iron ore (billion tonnes)	1.514	1.381	1.281
Non-ferrous metal (million tonnes)	325	323	291
Precious metal (million tonnes)	134	125	122
Rare elements, rare earth elements and scattered elements (million tonnes)	31	20	23
Metallurgical auxiliary materials (e.g. cannonite) (million tonnes)	103	106	105
Chemical materials (million tonnes)	262	258	263
Construction materials and other non-metal mineral (billion tonnes)	3.924	3.587	3.627
Underground water and mineral water (million tonnes)	13	14	13

Source: Information provided by the authorities of China.

4.41. The main laws and regulations related to mining are: the Mineral Resources Law (amended on 27 August 2009); the Law on the Exploration and Development of Resources in Deep Seabed Areas (effective as of 1 May 2016); the Rules for the Implementation of the Mineral Resources Law (Decree No. 152 of the State Council, 26 March 1994); the Regulations for Registering to Explore for Mineral Resources Using the Block System (Decree No. 240 of the State Council, 12 February 1998; amended on 29 July 2014); the Procedures for Administration of Registration of

Mining of Mineral Resources (Decree No. 241 of the State Council of 12 February 1998; amended on 29 July 2014); the Measures for the Administration of Transfer of Mineral Exploration Right and Mining Right (Decree No. 242 of the State Council of 12 February 1998; amended on 29 July 2014); the Regulation on the Exploitation of Continental Petroleum Resources in Cooperation with Foreign Enterprises (Decree No. 131 of the State Council of 7 October 1993, amended on 18 July 2013); the Regulations on the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises (amended on 18 July 2013); and the Provisional Regulations on Resource Tax of 25 December 1993 (amended on 30 September 2011, and implemented from 1 November 2011).

4.42. Under the laws and regulations, exploration permits or licences are issued to licensees by the central or the provincial Bureau of Land and Resources, with a validity of three years, except exploration licences for petroleum and/or gas, which are valid for seven years.[29] Exploration licensees have a priority to obtain the "mining right" within the area under the exploration right upon discovery of mineral resources[30]; the holder of such permit may transfer the exploration permit subject to approval and compliance with the conditions for transfer.

4.43. The obligations of exploration permit holders include committing scheduled minimum exploration expenditure and paying scheduled exploration permit fees.[31] The holder must also commence and complete the exploration work within the term of the exploration permit subject to authorized extension.[32]

4.44. In applying for the exploration right, the applicant shall submit the implementation scheme of its exploration and survey as well as the appended maps and other relevant data for examination by local authorities. After completing the survey of the major minerals, a preliminary comprehensive assessment shall be made on the industrial perspective of the mineral deposits in the explored area.[33]

4.45. Extraction activities require the granting of a mining right. The mining right holder is called a "concessionary". The duration of a mining licence is determined according to the size of the mine: 30 years for large-sized mines, 20 years for medium-sized mines and 10 years for small-sized mines. The definition of large, medium and small size mines varies according to the minerals and the technologies of extraction concerned.[34] The concessionaries can sell the mineral products on the Chinese internal market. Exports of coal, crude oil, processed oil, tungsten, antimony and silver are subject to state trading requirements (Section 3.3.5).[35] Export quotas on rare earth have been removed and replaced by an export licensing regime (Section 3.2.3); rare earth and related products remain subject to export inspection and interim export duties.[36]

[29] If the exploration licensee seeks an extension of the period of exploration, it shall, within 30 days prior to the expiration of the exploration licence, file for such an extension with the licensing authorities. Extension of the exploration licence shall not exceed two years each time.

[30] The basic geographical unit for exploration and survey is an area of 1' longitude x 1' latitude. The maximum size for an exploration and survey project is of 40-basic units for metal minerals, non-metal minerals and radioactive minerals and of 2,500-basic units for petroleum and natural gas minerals.

[31] The fee is currently set at RMB 100 per sq. km per annum (pa) for the first three years, which will increase by an additional RMB 100 per sq. km pa from the fourth year onwards. The maximum fee is capped at RMB 500 per sq. km pa.

[32] The exploration work should be carried out in accordance with the exploration plan. The holder must ensure that no unauthorized mining activities are carried out in the designated exploration areas.

[33] In conducting exploration for fragile non-metallic minerals, fluid minerals, combustible, explosive and soluble minerals or minerals containing radioactive elements, the permit holder must use methods prescribed by the relevant departments and install necessary safety equipment. Exploration results and statistics of reserves of various kinds of minerals shall be subject to centralized management, and shall therefore be collected or compiled for submission to the competent authorities. Prospecting reports on mineral deposits and other exploration data shall be provided for use to the authorities without compensation. During the period of validity of the permit, the holder of the permit may sell geological data to private users against payment at a price negotiated by the parties.

[34] The mining right holder may seek an extension of its licence by applying to the registration department concerned 30 days prior to the expiration of the validity of the mining licence.

[35] See WTO documents G/STR/N/10-15/CHN, 19 October 2015, and G/STR/N/10-15/CHN/Corr.1, 2 December 2016. The notifying period is 2003-14.

[36] WTO document WT/TPR/S/342/Rev.1, 12 October 2016.

4.46. Additional and alternative specific conditions apply to the oil and gas sectors. For instance, in order to apply for an exploration licence for petroleum and/or gas, the applicant must also present a document by the State Council approving the establishment of a petroleum company or approving the exploitation of petroleum or natural gas, as well as a certificate attesting the legal person status of the mining enterprise. Currently, the petroleum companies approved by the State Council for oil and/or gas exploitation include China National Petroleum Corporation (CNPC), China Petrochemical Corporation (SIONPEC), China National Offshore Oil Corporation (CNOOC) and Shaanxi Yanchang Petroleum (Group) Co., Ltd.

4.47. In May 2017, the State Council issued "Several Opinions on Deepening Oil and Gas System Reform", which allow, in principle, "qualified market actors" that satisfy access requirements (to be defined) to participate in conventional oil and/or gas exploitation. According to the authorities, the aim of the reform is to gradually move away from an exploitation system led by large state-owned oil/gas companies towards the participation of multiple economic actors in the sector. The precise modalities of this opening to the private sector are now under study.

4.48. China implements a mineral resource royalty system. The main applicable taxes include the resources tax, mining rights occupying fees and mining rights transfer gains. Currently, a 5-10% resource tax is levied on the exploitation of crude oil and natural gas on the basis of the sales amount.

4.49. Table 4.14 describes the investment regime applicable to the mining sector during the period under review and its recent partial liberalization.

4.50. There is no specific mining investment regime for Pilot Free Trade Zones (PFTZs); extraction of mineral resources outside the territory of a PFTZ by a mining company based in the PFTZ shall comply with the laws and regulations on the extraction of mineral resources and relevant administration policies. A company cannot extract oil and gas resources outside the territory of a PFTZ under the conditions applicable within the PFTZ.

4.51. China allows foreign companies, enterprises and other economic organizations as well as individuals to invest in exploration and exploitation of the mineral resources within its territory and sea areas under its jurisdiction. Foreign direct investment and foreign participation are present in the exploration and exploitation of minerals.

4.52. International oilfield service companies are providing conventional and unconventional services and technical equipment relating to oil-gas exploration and development. Foreign oil and gas companies are not entitled to independent exploration and development of domestic oil and gas blocks. Instead, they are required to sign Production Sharing Contracts (PSC) with domestic oil and gas enterprises. Multinational corporations have entered the upstream oil and gas market in China through this legal vehicle.

4.53. Coal is the object of a specific policy of capacity reduction (Section 1.1). During the period under review, the State Council issued on 1 February 2016 the "Guidelines on Addressing Overcapacity in the Coal Industry" (Guo Fa [2016] No. 7). The guidelines specify that, in addition to obsolete production capacities already eliminated, efforts will be made as of the beginning of 2016 to eliminate another approximately 500 million tonnes of production capacity. In addition, they stipulate that further reductions will be achieved through a restructuring and mergers process. As of October 2017, a reduction of around 440 million tonnes of production capacity had been achieved (Table 4.15). The goal of another 150 million tonnes of capacity reduction for 2018 was set in the Annual Report on the Work of the Government delivered in March 2018.[37]

[37] *2018 Annual Report on the Work of the Government*. Viewed at: http://www.gov.cn/zhuanti/2018lh/2018zfgzbg/zfgzbg.htm (in Chinese).

Table 4.14 Mining industry investment regime, 2015 and 2017

	2015	2017
Encouraged	Exploration and exploitation of oil and natural gas (including unconventional oil gas, such as oil shale, oil sand, shale gas and coal-bed gas) and utilization of mine gas (limited to Chinese-foreign equity or contractual joint ventures)	Exploration and exploitation of oil and natural gas as well as utilization of mine gas
	Improvement in enhanced oil recovery (in the form of engineering services) as well as development and application of related new technologies	Improvement in enhanced oil recovery (in the form of engineering services) as well as development and application of related new technologies
	Development and application of new technologies for oil exploration and exploitation in areas such as geophysical prospecting, drilling, well logging, mud logging, and down-hole operation	Development and application of new technologies for oil exploration and exploitation in areas such as geophysical prospecting, drilling, well logging, mud logging, and down-hole operation
	Development and application of new technologies for enhancing utilization rate of mine tailings and the comprehensive application of ecological restoration technology in mining areas	Development and application of new technologies for enhancing utilization rate of mine tailings and the comprehensive application of ecological restoration technology in mining areas
	Exploration and exploitation of mines in short supply in China (such as mines of sylvite and chromite) and mineral separation	Exploration and exploitation of mines in short supply in China (such as mines of sylvite and chromite) and mineral separation
Restricted		Exploration and exploitation of oil and natural gas (including coal-bed gas and excluding oil shale, oil sand, shale gas and so on) (limited to Sino-foreign equity or contractual joint ventures)
	Exploration and exploitation of special and rare kinds of coal (with Chinese party as the controlling shareholder)	Exploration and exploitation of special and rare kinds of coal (with Chinese party as the controlling shareholder)
	Exploration and exploitation of graphite	Exploration and exploitation of graphite
	Smelting and separation of rare earth (limited to Sino-foreign equity or contractual joint ventures); smelting of tungsten	Smelting and separation of rare earth (limited to Sino-foreign equity or contractual joint ventures); smelting of tungsten
	Exploration and exploitation of noble metals (gold, silver, the platinum family)	
	Mining and ore dressing of lithium	
	Smelting of molybdenum, tin (except for tin compounds), antimony (including antimony oxide and antimony sulfide) and other rare earths	
Prohibited	Exploration and exploitation of tungsten, molybdenum, tin, stibium and fluorite	Exploration and exploitation of tungsten, molybdenum, tin, stibium and fluorite
	Exploration, exploitation and ore dressing of rare earth	Exploration, exploitation and ore dressing of rare earth
	Exploration, exploitation and ore dressing of radioactive minerals	Exploration, exploitation and ore dressing of radioactive minerals

Source: MOFCOM and NDRC, Catalogue for the Guidance of Foreign Investment Industries 2017 and 2015, (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/201706/20170602600841.shtml, and http://www.mofcom.gov.cn/article/b/c/201503/20150300911747.shtml.

Table 4.15 Coal capacity reduction, 2016-18

(Million tonnes)

	Objectives	Actual implementation
2016	250[a]	290[a]
2017	150[b]	150[c]
2018	150[d]	..

.. Not available.

Source: a: National Development and Reform Commission online information. Viewed at: http://www.ndrc.gov.cn/524_848401.html (in Chinese); b: Attachment 2, *2017 Coal Production Capacity Reduction Plan*. Viewed at: http://www.chinatax.gov.cn/n810341/n810755/c2665717/content.html (in Chinese); c: According to the authorities, as of October 2017, the goal for 2017 of reducing 150 million tonnes of capacity production was achieved. Viewed at: http://finance.people.com.cn/n1/2017/1213/c1004-29702767.html or http://www.stats.gov.cn/tjsj/sjjd/201801/t20180118_1575270.html (in Chinese); d: *2018 Annual Report on the Work of the Government*. Viewed at: http://www.gov.cn/zhuanti/2018lh/2018zfgzbg/zfgzbg.htm (in Chinese).

4.2.2 Energy

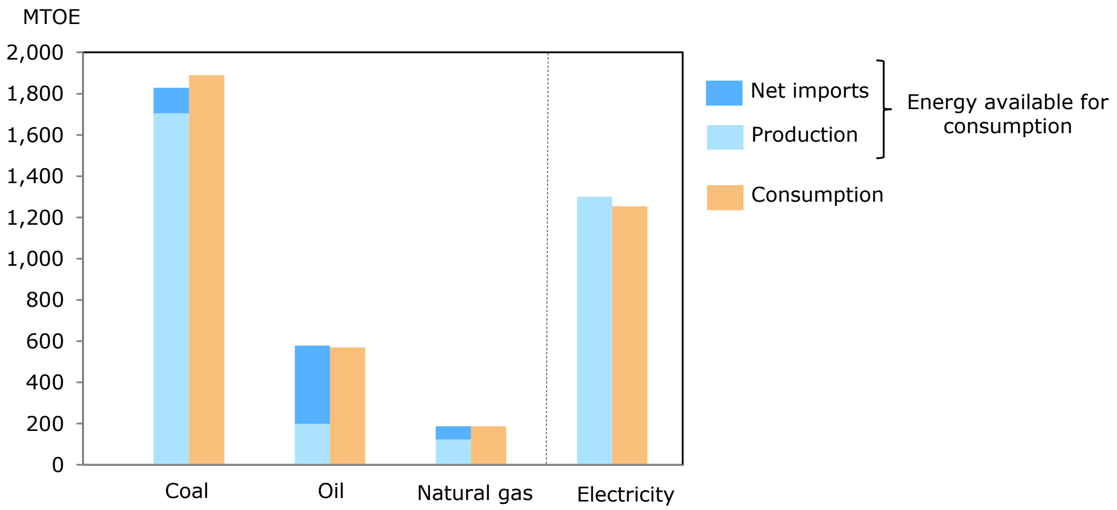
4.2.2.1 Overview including environmental policy

4.54. China is the world largest consumer of energy. Total energy consumption reached 3 billion kilotonnes of oil equivalent (KTOE) in 2016 and is forecasted to grow to 3.3 KTOE by 2021. While China's per capita energy consumption is about half of that of Japan and one third of that of the United States, it is steadily growing.

4.55. In 2016, China's net energy imports amounted to 544 million tonnes of oil equivalent, net energy exports hit 84 million tonnes of oil equivalent, and total energy consumption amounted to 3,051 million tonnes of oil equivalent. Chart 4.6 describes in more detail the net imports, production and consumption of energy by source in 2016.

4.56. Chart 4.7 describes the energy mix of the total primary supply of energy in China, and its consumption by type of users.

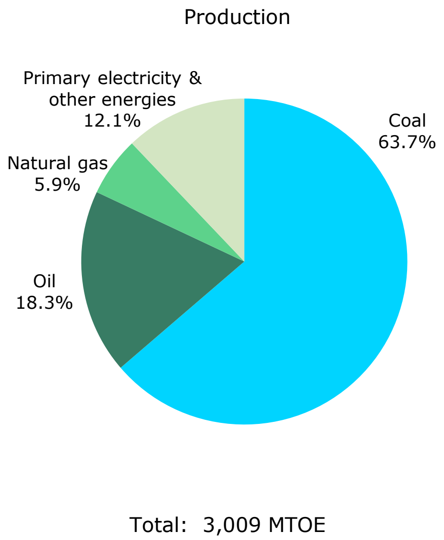
Chart 4.6 Net imports, production and consumption of energy, 2016

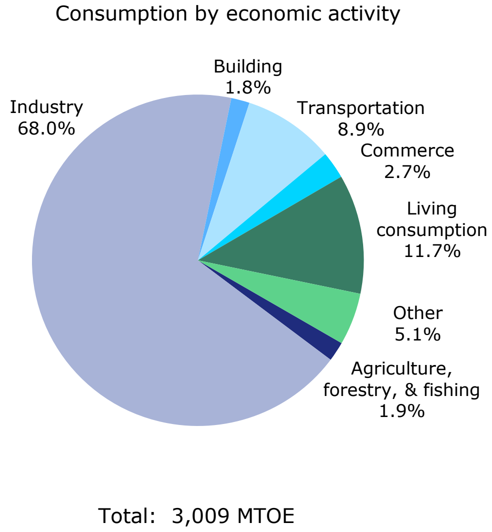


Note: Net imports of electricity equal -2.8 MTOE.

Source: WTO calculations, based on data provided by the authorities of China.

Chart 4.7 Structure of energy production and consumption, 2015





Source: WTO calculations, based on data provided by the authorities.

4.57. Coal, an abundant and relatively cheap resource in China, represents a declining but still large part of this primary energy mix. Its share was 62% in 2016 (down from 63.7% in 2015) thereby achieving the target set in 2013 by the Air Pollution Prevention and Control Action Plan to decrease it to less than 65% by 2017. The same plan sets a target of 13% for non-fossil energy's share in China's energy mix for 2017.

4.58. Similarly, the Law on the Prevention and Control of Atmospheric Pollution, amended in 2015, contains specific measures on the prevention and control of atmospheric pollution caused by burning coal and other energy. It stipulates *inter alia* that central and local authorities shall adopt measures to improve energy structure; optimize the utilization of coal so as to make it cleaner and more effective; and gradually reduce the proportion of coal in primary energy consumption. One of the concrete measures stemming from the law was the prioritization of power plants using clean energy for electricity dispatch.[38]

4.59. The Government has also taken voluntary measures to reduce coal production capacities and has adopted, through the five-year plan for energy 2016-2020 issued in January 2017, a series of measures aimed at diminishing the share of coal in China's energy mix. These measures include: encouragement at city-cluster level for a shift from coal to natural gas consumption; a toughening of air quality standards; and the suspension of the development of over 100 coal-fired plants already planned. From 2014 to 2016, China closed outdated coal-fired power generators with high levels of power consumption and pollution amounting to a reduction of 15 million kWh. A Working Plan was issued to promote the transformation of coal-fired generators for low emission and energy-saving purposes. By the end of 2017, China had completed the transformation of generators amounting to 700 million kWh, accounting for 71% of the total installed capacity of coal-fired generators.

4.60. The wider objectives set by the plan are that by 2020, the proportion of non-fossil energies in total primary energy consumption should be around 15%, the proportion of natural gas consumption should reach 10%, and the carbon dioxide emission per unit of GDP should decrease by 40%-45% as compared to 2005.[39]

4.61. China is actively pursuing a policy of decoupling of economic growth and energy consumption through increased energy efficiency. For the 13th Five-Year Plan period (2016-2020), the national objective for the reduction of energy consumption per unit of GDP is 15%, and intermediary objectives are set on an annual basis. In 2015, energy consumption per unit of GDP dropped by 5.6%, surpassing the objective of 3.1%, and in 2016 it dropped by 5% (objective of 3.4%). In the first three quarters of 2017, energy consumption per unit of GDP dropped by 3.8%.

4.62. In December 2017, the NDRC issued the Carbon Emission Trading Market Construction Scheme (Power Generation Industry). This emission trading scheme defines the guiding principles for the construction of a unified carbon market in China in order to effectively control and gradually reduce carbon/greenhouse gas emissions in China, and to promote green and low-carbon development. The guiding principles foresee that the Scheme shall be market-oriented, government-led, and based on a step-by-step approach, unified standards, extensive participation, equality and transparency. It mandates the launch of a national carbon emission trading system for the power generation industry, and the construction of a carbon market in three steps.[40]

[38] Other measures include: enhanced supervision and monitoring of the environmental performances of eight provinces and municipalities in Beijing-Tianjin-Hebei, the Yangtze River Delta and Pearl River Delta, and 28 key cities along the Beijing-Tianjin-Hebei atmospheric pollution transmission channel; the elaboration of a scheme to prevent waste heat supply by residents; and a programme to encourage the development and utilization of geothermal energy in particular in the northern part of China.

[39] By 2030, the proportion of non-fossil energy consumption should be about 20%; the proportion of natural gas consumption should be around 15%; the carbon dioxide emission per unit of GDP should decrease by 60%-65% over 2005; carbon emission should reach its peak by around 2030, and best efforts will be made to realize the target earlier.

[40] The Scheme also set requirements for carbon emission monitoring, reporting and checking system, key emission units quota management system, market trading-related systems, carbon emission data reporting system, carbon emission right registration system, carbon emission trading system and carbon emission trading settlement system.

4.63. On 29 December 2016, the NDRC and the National Energy Administration issued a strategy document with a wider time horizon and even vaster objectives: the Energy Production and Consumption Revolution Strategy (2016-2030). The document plans the advent of an "energy revolution" in China and put forward the strategic goal of building a green, low-carbon and highly efficient modern energy system.[41]

4.2.2.2 Coal

4.64. As described above, coal is an essential part of the primary energy mix as well as of the electricity mix of China. Its consumption is nearly equally split between industrial uses (notably in the cement, fertilizer and steel industries) and electricity generation. Hence most of the energy-related environmental measures are geared at diminishing its overall production and its relative share in the various energy mixes of China. The legal framework for foreign investment in the coal industry is described in the mining section of the report.

4.2.2.3 Oil

4.65. China is the world's second largest consumer of oil after the United States and the world's largest importer. Transportation is one the main drivers of oil demand.

4.66. In 2016, Russia overtook Saudi Arabia to become the largest oil exporter to China. In 2017, China imported 59,538 million tonnes of crude oil from Russia, an increase of 13.5% year on year. Saudi Arabia and Angola ranked respectively in second and third place after Russia, exporting 52,181 million and 50,418 million tonnes, up 2.3% and 15.3% on a year-on-year basis. The three countries accounted for 38.7% of China's total oil imports in 2017. Among the top-ten oil exporters to China, Iran, Oman and the United Arab Emirates have respectively seen a decrease in their exports to China, down 0.5%, 11.6% and 16.6% respectively as illustrated by Table 4.16.

Table 4.16 China's key trading partners for oil imports, 2017

Ranking	Trading partners	Quantities (10,000 tonnes)	Year-on-year growth rate (%)	Value (US$100 million)	Year-on-year growth rate (%)
1	Russia	5,953.8	13.5	237.8	40.8
2	Saudi Arabia	5,218.1	2.3	205.2	31.8
3	Angola	5,041.8	15.3	199.1	43.6
4	Iraq	3,681.6	1.7	138.1	29.5
5	Iran	3,115.4	-0.5	119.3	27.5
6	Oman	3,100.7	-11.6	122.6	9.9
7	Brazil	2,309.3	20.6	90.2	49.3
8	Venezuela	2,176.3	8.0	65.5	42.8
9	Kuwait	1,824.3	11.7	70.7	46.4
10	UAE	1,015.9	-16.6	41.5	7.3
	Total	41,947.5	10.1	1,629.0	39.6

Source: Information provided by the authorities of China.

4.67. The government policy on oil is defined in the 13th Five-Year Plan for Energy (2016-2020). The aims of the Plan are to increase crude oil reserves and the recovery efficiency of traditional oil fields as well as to speed up the development of shale oil and oil sand and to extend the corresponding pipeline network for crude oil and refined products. To encourage these developments, the 2013 Catalogue of Investments Projects subject to the Approval of the Government has suppressed the preliminary approval by the State Council for oil and gas development projects by companies possessing concession rights and replaced it with an obligation to file the project with the relevant government institutions.

[41] It links the goal of the construction of an "ecological civilization" with that of the "energy revolution". It contains 13 strategic energy actions to that effect, namely the Nation of Energy Savers Initiative, the Total Energy Consumption and Strength Control Initiative, the Near-zero Carbon Emissions Zone Demonstration Initiative, the electricity Demand Side Management Initiative, the Coal Clean Utilization Initiative, the Natural Gas Promotion and Utilization Initiative, the Non-fossil Energy Leaping Development Initiative, the Rural Area Renewable Energy Initiative, the Energy Internet Promotion Initiative, the Energy Key and Core Technology and Equipment Breakthrough Initiative, the Energy Supply Side Structural Reform Initiative, the Energy Standard Improvement and Upgrade Initiative and the "Belt and Road" Energy Cooperation Initiative.

4.68. Foreign investment in the exploration and development of oil is encouraged; it is limited to Sino-foreign equity/co-operative joint ventures or other forms of Sino-foreign co-operation, including Production Sharing Contracts (PSC) – a legal institution allowing China to retain exploration rights and where foreign parties may manage the exploration, development and production as partners. These limitations were abolished for oil shale and oil sand by the 2017 Investment Catalogue.

4.69. A few SOEs dominate the upstream conventional oil and gas market sector. Foreign capital can only participate in the conventional upstream market by entering into production sharing contracts (PSCs) with those companies. Only the China National Petroleum Corporation (CNPC), China Petrochemical Corporation (SINOPEC) and China National Offshore Oil Corporation (CNOOC) are authorized to co-operate with foreign investors in onshore and offshore oil exploitation. Under the PSC structure, the Chinese partners hold the exploration and exploitation rights while the foreign partners serve as the operator managing the exploration, development and production of the venture. Conventional oil and gas PSCs entered into between SOEs and their foreign partners do not require MOFCOM approval.

4.70. In 2013, China's domestic downstream refining capacity was 14 million barrels/day, of which 11 million barrels/day were produced by SOEs. Foreign investors can participate in refining projects and are not subject to limitations in terms of legal forms. Some foreign investors are present in this sector.

4.71. Distribution of gasoline/petrol is mostly controlled by the China National Petroleum Corporation (CNPC) and the China Petroleum and Chemical Corporation (SINOPEC). Foreign investors can participate in the retail distribution sector. A single foreign investor cannot establish more than 30 gasoline station branches. If the same foreign investor sets up a chain of gasoline stations with more than 30 branches that sell different types and brands of processed oil from a number of suppliers, the construction and operation of the gas stations should be controlled by the Chinese party. Some foreign investors are present in this sector.

4.2.2.4 Gas

4.72. China is the world's third largest gas consumer; while the share of gas in electricity generation currently stands at 6%. In 2015, the volume of gas used for power generation accounted for 16% of the total gas consumption, and increased to 17% in 2016. In addition to power generation, gas is mainly used for urban heating and cooking, transport, as well as the manufacturing of chemical raw materials and chemicals. In 2015, the production of liquefied natural gas (LNG) was 6.378 million tonnes of oil equivalent, the imported volume was 24.13 million tonnes of oil equivalent and the exported volume was null. The production of liquefied petroleum gas (LPG) was 35.21 million tonnes of oil equivalent, the imported volume was 14.29 million tonnes of oil equivalent and the exported volume was 1.73 million tonnes of oil equivalent. In addition to its LPG and LNG production, China has considerable potential in unconventional gases, i.e. shale gas and coal bed methane gas. Foreign investment requirements were liberalized in 2017 in these areas so as to encourage their development.

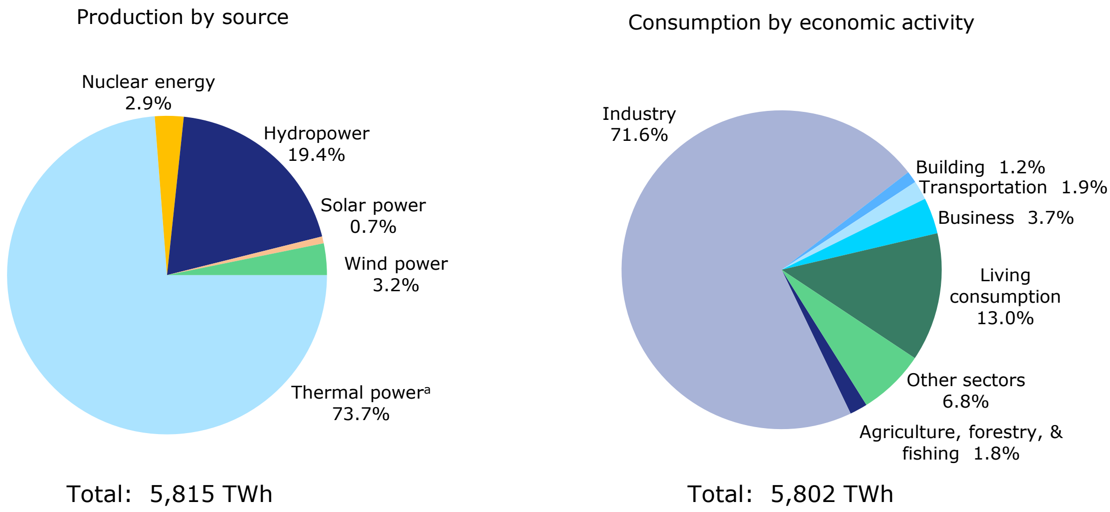
4.73. Distribution of natural gas is mostly controlled by the China National Petroleum Corporation (CNPC) and the China Petroleum and Chemical Corporation (SINOPEC), while private companies play a more substantial role in the gas retail sector. Investors from other WTO Members, notably from Hong Kong, China, are present in both the importing segment and in the urban gas retail distribution segment.

4.2.2.5 Electricity

4.74. Chart 4.8 describes electricity production, by source of primary energy, and electricity consumption, by type of economic activity, in 2015.

4.75. Chart 4.9 describes the installed generation capacities by type of source for 2015 while Table 4.17 describes the investment in generation capacity by type of source for 2015 and 2016.

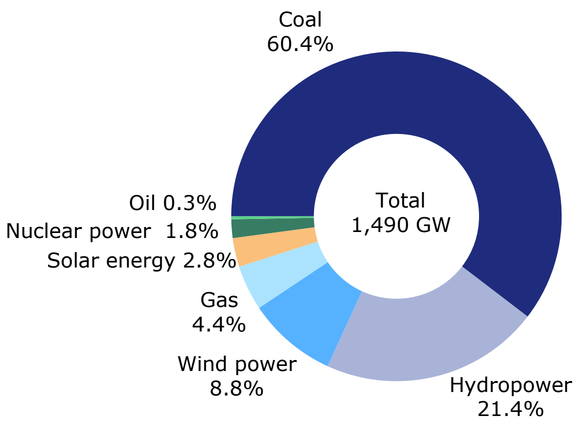
Chart 4.8 Structure of electricity production and consumption, 2015



a Thermal power includes coal, oil, natural gas, and biomass fuel.

Source: WTO calculations, based on data provided by the authorities of China.

Chart 4.9 Installed generation capacities by type of primary energy, 2015



Source: NBS (2016).

Table 4.17 Investment in power generation capacity by type of source, 2015 and 2016

Indicator		Unit (million RMB)	2015	2016
Investment in power generation capacity	Hydropower	100	789	612
	Thermal power	100	1,163	1,174
	Nuclear power	100	565	506
	Wind power	100	1,200	896
	Solar power generation	100	218	..

.. Not available.

Source: Information provided by the authorities of China.

4.76. The present and future investment policy in electric plants is geared at raising the share of non-fossil (including nuclear) and renewable energies. Newly installed capacity accounts for around 40% of the world's total, and the installed capacities of hydropower, wind power and photovoltaic power under construction continued to rank first in the world.

4.77. The foreign investment regime in the electricity sector is determined by the 2017 Investment Catalogue, which stipulates that the construction and operation of grids falls within the restricted category and should be controlled by China. The "grid" in this context includes both transmission and distribution networks. Foreign investors can participate in the construction and operation of grids through partnerships with Chinese companies, but the grids should be controlled by China. Currently, Chinese grid companies include State Grid Corporation, China Southern Power Grid, Inner Mongolia Power (Group) Co., Ltd. as well as a number of provincial grid enterprises.

4.78. Table 4.18 describes in more detail the foreign investment regime in the electricity sector and its recent developments.

Table 4.18 Investment regime for electricity, 2015 and 2017

	2015 Catalogue	2017 Catalogue
Encouraged	Construction and operation of ultra-supercritical unit power station with the capacity of a single unit of 600,000 kilowatt or more	Construction and operation of ultra-supercritical unit power station with the capacity of a single unit of 600,000 kilowatt or more
	Construction and operation of back-pressure (extraction type) combined heat and power stations, combined cooling, heating and power stations, and combined heat and power stations with capacity of 300,000 kilowatt or more	Construction and operation of back-pressure combined heat and power stations, combined cooling, heating and power stations, and combined heat and power stations with capacity of 300,000 kilowatt or more
	Construction and operation of large air cooling unit power stations with the capacity of a single unit of 600,000 kilowatt or more in water-deficient areas	Construction and operation of large air cooling unit power stations with the capacity of a single unit of 600,000 kilowatt or more in water-deficient areas
	Construction and operation of integrated gasification combined cycle power generation and other clean coal power generation projects	Construction and operation of integrated gasification combined cycle power generation and other clean coal power generation projects
	Construction and operation of power generating projects of a single unit of 300,000 kilowatt or more by using fluidized bed combustion bolters and coal gangue and coal slime, etc.	Construction and operation of power generating projects of a single unit of 300,000 kilowatt or more by using fluidized bed combustion bolters and coal gangue and coal slime, etc.
	Construction and operation of hydropower stations for the primary purpose of power generation	Construction and operation of hydropower stations for the primary purpose of power generation
	Construction and operation of nuclear power stations (with Chinese party as the controlling shareholder)	Construction and operation of nuclear power stations
	Construction and operation of new energy power stations (including but not limited to solar energy, wind energy, geothermal energy, tidal energy, tidal current energy, wave energy, and biomass energy	Construction and operation of new energy power stations (including but not limited to solar energy, wind energy, geothermal energy, tidal energy, tidal current energy, wave energy, and biomass energy
	Construction and operation of power grid (with Chinese party as the controlling shareholder)	Construction and operation of power grid
	Seawater utilization (direct utilization of seawater or seawater desalination)	Seawater utilization (direct utilization of seawater or seawater desalination)
	Construction and operation of water supply plants	Construction and operation of water supply plants
	Construction and operation of renewable water	Construction and operation of renewable water
	Construction and operation of sewage treatment plants	Construction and operation of sewage treatment plants
	Construction and operation of vehicle charging stations and battery replacement stations	Construction and operation of vehicle charging stations and battery replacement stations
		Construction and operation of hydrogen refuelling stations
Restricted		Construction and operation of nuclear power stations (with Chinese party as the controlling shareholder)
		Construction and operation of power grid (with Chinese party as the controlling shareholder)

	2015 Catalogue	2017 Catalogue
Prohibited	Construction and management of conventional coal-fired power of condensing steam plants whose unit installed capacity is 300,000 kW or below, and coal-fired power of condensing-extracted steam plants with dual use unit cogeneration whose unit capacity is 100,000 kW within the small power grid	
	Construction and operation of pipeline networks for gas, heat, and water supply and sewage in cities with a population of more than 500,000 (with Chinese party as the controlling shareholder)	Construction and operation of pipeline networks for gas, heat, and water supply and sewage in cities with a population of more than 500,000 (with Chinese party as the controlling shareholder)
	Construction and management of conventional coal-fired power of condensing steam plants whose unit capacity is not more than 300,000 kW, within the large power grid, and the coal-fired power of condensing-extraction steam plants with dual use unit cogeneration with unit capacity of not more than 200,000 kW	

Source: MOFCOM and NDRC, Catalogue for the Guidance of Foreign Investment Industries 2017 and 2015, (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/201706/20170602600841.shtml, and http://www.mofcom.gov.cn/article/b/c/201503/20150300911747.shtml.

4.79. In March 2015, the CPC Central Committee and the State Council issued the document "Several Opinions on Further Deepening the Reform of the Electric Power System" (Zhong Fa [2015] No. 9).[42] This document aims at liberalizing power generation and utilization, according to market-oriented principles while taking due account of public interest.[43]

4.80. The reform liberalizes electricity prices (notably industrial ones) except for transmission and distribution (T and D) and for public welfare purposes (i.e. residential, agricultural, and important utilities uses, and other public welfare purposes determined by the government). Transmission and distribution tariffs (T and D) are to be set according to the principle of "cost + reasonable profit" at different voltages. In 2017, the State completed the approval of the transmission and distribution tariffs of the totality of the 33 provincial grids thereby cutting a total of RMB 48 billion of grid access fees for industrial and commercial enterprises. Under the reform, large industrial and commercial consumers (for the time being over 110 KW of consumption) are encouraged to buy electricity from generation companies based on direct electricity purchase agreements at negotiated prices; cross subsidies are to be reduced, and a real time electricity trading platform is to be tested.

4.81. The "Management Rules for Entry and Exit of Electric Power Companies and Management Rules for Orderly Liberalizing of Power Distribution Businesses" issued by the NDRC and the NEA in October 2016 (Fa Gai Jing Ti No. 2120 of 2016) have opened the retail market to non-state owned investors.[44] As at the end of 2017, there were about 3,000 electric power companies registered with the power trading agency of China. The minimum assets required to set up an electric power company are RMB 20 million. The five existing distribution companies were also allowed to set up their own retail companies.

4.82. To link the grids and the retail distribution companies and to trade electricity on a market basis, trading agencies have been established in all provinces. Two national trading agencies (Beijing Trading Centre and Guangzhou Trading Centre) and a National Coalition of Power Trading

[42] NDRC online information (in Chinese). Viewed at: http://tgs.ndrc.gov.cn/zywj/201601/t20160129_773852.html [06.04.2018].

[43] The orientations of the reform were subsequently elaborated by six Supportive Documents for Electricity Mechanism Reform issued by the NDRC and the National Energy Administration (Fa Gai Jing Ti No. 2752 of 2015) as well as by numerous implementing regulations and pilot projects. Notably: the Notice of NDRC and NEA on Standardizing the Pilot for Incremental Power Distribution Reform (Fa Gai Jing Ti No. 2480 of 2016), the Reply of NDRC General Office and NEA General Affairs Division on Agreeing with the Establishment of Incremental Power Distribution Reform Pilot in Ningdong (Fa Gai Ban Jing Ti No. 570 of 2017) and the Notice of NDRC and NEA on Standardizing the Second Batch of Pilot for Incremental Power Distribution Reform of 21 November 2017.

[44] NEA online information (in Chinese). Viewed at: http://www.nea.gov.cn/2016-10/11/c_135746081.htm [06.04.2018].

Agencies have also been created. In addition, eight provinces or autonomous regions, such as Yunnan and Shanxi, have set up joint-stock trading agencies. Except for those eight cases, power trading agencies are public, not-for-profit entities. They provide open and transparent power trading services for the market actors under the regulatory supervision of the Government. The trading agencies are mainly responsible for the construction, operation and management of trading platforms, the organization of market trading, the provision of settlement evidence and relevant services, the registration of bilateral contracts signed by the power users and generation companies, the registration and management of market actors, and the disclosure and release of market information. In 2017, the volume of market-oriented power trading in China reached 1,630 TWh, an increase of 45% over the previous year, accounting for 26% of the total power consumption.

4.83. The trial of "pilot spot markets", where trading of electricity takes place on a spot basis instead of a medium- to long term contracts, began in August 2017, in Guangdong, Zhejiang, Shanxi, Shandong, Fujian, Sichuan and Gansu.

4.3 Manufacturing

4.3.1 Recent developments

4.84. According to the China Statistical Yearbook 2017, manufacturing[45] in China accounted for around 33.3% of its GDP in 2016, compared with 34.3% in 2015; its share in employment in urban areas was around 27.3% in 2016, compared with 28.0% in 2015.[46]

4.85. The Government's main initiatives in recent years to promote manufacturing in China included the adoption of the "China Manufacturing 2025" plan, which was issued on 8 May 2015[47]; it is a 10-year national plan aimed at comprehensively upgrading China's manufacturing sector. The authorities state that the plan includes strategies for various industries including "strategic emerging industries", which had been announced previously.[48] The plan identified a three-step strategy, nine priority tasks[49], ten key sectors[50] and five major projects.[51] Its guiding principles are for manufacturing to be innovation-driven, emphasize quality over quantity, achieve green development, optimize the structure of Chinese industry, and nurture human talent. The three-step strategy aims at China: becoming a strong manufacturing country by 2025 (step 1); being able to compete with develo2ped manufacturing powers by 2035 (step 2); and becoming a leading manufacturing power by the year 2049 (step 3). In order to implement the strategy, China plans to set up pilot projects in cities and city clusters as well as national demonstration zones for the implementation of the "China Manufacturing 2025" plan. China also plans, *inter alia,* to launch a special project to increase diversity and improve quality. The authorities state that the plan will be implemented on an equal basis for all enterprises established in China. At the time of writing this report, no pilot projects or other policy measures had been implemented yet.

4.86. The authorities recognize the issue of excess capacity in some manufacturing sectors, such as iron and steel, and have made efforts to reduce capacity in recent years.

[45] Categorized as "industry" in the Yearbook.
[46] National Bureau of Statistics online information, China Statistical Yearbook. Viewed at: http://www.stats.gov.cn/tjsj/ndsj/2017/indexeh.htm [15.03.2018].
[47] Chinese Government online information (in Chinese), China Manufacturing 2025. Viewed at: http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm [15.03.2018].
[48] NDRC online information (in Chinese). Viewed at: http://www.ndrc.gov.cn/zcfb/zcfbgg/201303/t20130307_531611.html [15.03.2018].
[49] The nine priority tasks are: improving manufacturing innovation; strengthening the industry base; enforcing green manufacturing; advancing restructuring of the manufacturing sector; internationalizing manufacturing; integrating information technology and industry; fostering Chinsese brands; promoting breakthroughs in the key sectors; and promoting services-oriented manufacturing and manufacturing-related service industries.
[50] These are: new information technology; numerical control tools and robotics; aerospace and aeronautical equipment; ocean engineering equipment and high-tech ships; modern railway equipment; energy saving and new-energy vehicles; power equipment; agricultural machinery; new materials; and biological medicine and medical device.
[51] These are: construction project of manufacturing innovation centre (industrial technology research base); intelligent manufacturing project; industrial foundation improvement project; green manufacturing project; and high-end equipment innovation project.

4.87. China is a participant in the Information Technology Agreement (ITA) and has agreed on the expansion of the ITA.[52]

4.88. In 2016 (the latest year for which data were available), manufactures accounted for 93.7% of China's exports and 64.9% of its imports. The simple applied MFN tariff for manufactures (ISIC 3) was 9.5% in 2017.

4.89. China promotes Research and Development (R&D). When calculating taxable income tax, 150% of real R&D expenditure used to develop new technologies, products and techniques can be deducted in the same year if tangible assets are not included in the current profit and loss; if tangible assets are formed, 150% of the cost of intangible assets will be amortized within a period of not less than ten years. In addition, for expenditure in R&D activities of technology-oriented SMEs, if tangible assets are yet to be included in the current profit and loss, another 75% of the actual real R&D expenditure will be deducted before tax. If tangible assets are formed, 175% of the cost of intangible assets will be amortized before tax during the above period.

4.90. Deduction from the tax base for R&D cost is available with a view to supporting R&D activities in China. Data on the amount of revenue foregone as a result of the tax deduction were not available at the time of completion of this Report.

4.91. The MIIT is the main regulator for the manufacturing sector; it is responsible for developing industrial strategies, making industry plans and standards, and monitoring the operation of the industry. The DNRC is also responsible for coordinating industry development, promoting the use of key technology and equipment, and developing industry upgrade strategies. The Ministry of Science and Technology (MOST) is also involved in industrial policies for high-tech manufacturing.

4.3.2 Selected subsectors

4.3.2.1 Automobiles, automotive parts, and components

4.92. In 2016, the prime operating revenues of large automobile manufacturers amounted to RMB 8,134.7 billion, compared with RMB 7,106.9 billion in 2015.[53] Importation of certain automobiles is subject to an automatic import licence requirement.[54] In accordance with the Automobile Trade Policy issued in 2005, the importation of used vehicles and parts and components is prohibited.[55]

4.93. The production of automobiles, including "new-energy cars", is subject to approval by the NDRC and the MIIT. The MIIT issued Provisions on the Access Administration of New Energy Vehicle Manufacturers and Products (Access Provisions) on 6 January 2017; the Provisions entered into force on 1 July 2017.[56] The Provisions require manufacturers of new energy vehicles to master the technologies necessary for the development and manufacture of new energy vehicles. The Provisions apply equally to all firms operating in China, whether domestic or foreign. According to the authorities, there is no provision requiring foreign companies to transfer technology. On 27 September 2017, the MIIT issued the Administrative Measures for Implementing Parallel Policies including Calculation of Passenger Vehicles' Corporate Average Fuel Consumption and New Energy Vehicle Points.[57]

[52] WTO document WT/L/956, 28 July 2015.

[53] National Bureau of Statistics online information, China Statistical Yearbook. Viewed at: http://www.stats.gov.cn/tjsj/ndsj/2016/indexeh.htm and http://www.stats.gov.cn/tjsj/ndsj/2017/indexeh.htm [20.03.2018].

[54] Catalogue of Goods Subject to Automatic Import Licensing (2017), MOFCOM GACC Joint Announcement [2016] No. 84 (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/b/c/201612/20161202454762.shtml [19.03.2018].

[55] MOFCOM online information, Automobile Trade Policy (in Chinese). Viewed at: http://www.mofcom.gov.cn/article/swfg/swfgbh/201101/20110107348825.shtml [19.03.2018].

[56] MIIT online information. Viewed at: http://www.miit.gov.cn/n1146290/n4388791/c5466114/content.html [15.03.2018].

[57] MIIT online information. Viewed at: http://www.miit.gov.cn/n1146295/n1146557/n1146624/c5824932/content.html [29.03.2018].

4.94. On 2 June 2015, the Provisions on the Administration of Newly Established Pure Electric Passenger Vehicle Enterprises (Order No. 27 of the NDRC and the MIIT) were issued.[58] The Provisions include conditions for obtaining government approval to establish a company producing electric passenger vehicles. For example, relevant Chinese- and foreign-funded enterprises are required to have sufficient R&D experience for pure electric passenger vehicles and to master relevant technologies and abilities in order to apply for investment projects in the establishment of pure electric passenger vehicle manufacturers or production of pure electric passenger vehicles.

4.95. In March 2017, China announced a plan to promote vehicle power battery industry development.[59] The plan aims, *inter alia,* to: establish a Power Battery Innovation Centre and implement a Power Battery Upgrade Project.

4.96. In April 2017, China announced an automobile mid- and long-term development plan. The plan aims, *inter alia,* to: improve the innovation system and enhance the motivation for independent development; strengthen the basic capabilities through an industrial chain system; achieve a breakthrough in key areas, such as New Energy Vehicles, smart network cars, and energy saving cars.[60]

4.97. In the 2017 Foreign Investment Catalogue, the production of complete automobiles was categorized in the "restricted" category (Section 2.4).[61] Since July 2017, foreign-funded enterprises investing in joint ventures producing complete pure electric vehicle products are no longer limited by a provision that an FIE can only establish up to two joint ventures producing complete vehicles (in which the Chinese party shall hold no less than 50% of shares).

4.3.2.2 Electronics and information technology (IT)

4.98. Data provided by the authorities indicate that SOEs and FIEs accounted for 0.5% and 58.7% (in 2015) and 0.5% and 53.5% (in 2016) of the electronics and IT sector's main business income. In "China Manufacturing 2025"[62], the IT industry was classified in one of ten key sectors highlighted as a development priority.

4.99. On 9 February 2015, a revised Circular on Enterprise Income Tax Policies for Further Encouragement to Development of Integrated Circuit Industry was issued by the Ministry of Finance (MOF) and State Administration of Taxation (SAT) (MOF & SAT 2015 No. 6)[63], which expanded the scope of beneficial enterprises receiving preferential tax treatment, such as income tax exemptions and reductions, as previously described by a previous Circular issued on 20 April 2012 (MOF & SAT 2012 No. 27).[64] On 4 May 2016, the authorities released the Circular on Enterprise Income Tax Policies for Software Industry and Integrated Circuit Industry (MOF & SAT 2016 No. 49), which redefined the four types of enterprises in MOF & SAT 2012 No. 27.[65] For enterprises producing integrated circuits with a line width of, or less than, 0.8μ, a preferential period was calculated from the profitable date to 31 December 2017. Corporate income tax is

[58] MIIT online information. Viewed at: http://www.miit.gov.cn/n1146295/n1146557/n1146624/c4446472/content.html [15.03.2018].

[59] MIIT online information (in Chinese). Viewed at: http://www.miit.gov.cn/n1146285/n1146352/n3054355/n3057585/n3057589/c5505312/content.html [19.03.2018].

[60] MIIT online information (in Chinese). Viewed at: http://www.miit.gov.cn/n1146290/n4388791/c5600433/content.html [19.03.2018].

[61] In the 2017 Catalogue, manufacturing of automobile whole vehicles and special-use vehicles is classified in the "restricted category".

[62] Chinese Government online information. Viewed at: http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm [19.03.2018].

[63] State Administration of Taxation online information (in Chinese). Viewed at: http://www.chinatax.gov.cn/n810341/n810765/n1465977/n1466052/c1677269/content.html [20.03.2018].

[64] The circular specified four types of enterprises in software industry and integrated circuit industry which could be accorded respective preferential tax treatment. State Administration of Taxation online information (in Chinese). Viewed at: http://www.chinatax.gov.cn/n810341/n810765/n812151/n812421/c1083639/content.html [20.03.2018].

[65] Ministry of Finance online information (in Chinese). Viewed at: http://www.mof.gov.cn/zhengwuxinxi/caizhengwengao/wg2016/wg201607/201611/t20161129_2469122.html [20.03.2018].

exempted from the first to the second year; from the third to the fifth year, half of the 25% statutory corporate income tax is collected.[66]

4.100. The authorities state that the Government provides no subsidies specific to the electronics and IT sector. The Development Fund for Electronics, which was established in 1986 with a view to supporting R&D activities in software, integrated circuits and other IT industries[67], was abolished in early 2015.

4.101. The Outline for Promoting the Development of the National Integrated Circuit Industry was published on 24 June 2014[68], which identified the goals of: raising revenue of the integrated circuit industry to over RMB 350 billion by 2015; an annual rate of revenue growth of over 20% by 2020; and becoming the leading power in the integrated circuit industry. The Outline also highlighted priority tasks, including the establishment of the National Leading Group for the Development of Integrated Circuits Industry, the initiation of the National Integrated Circuit Industry Investment Fund, and the promotion of safe and reliable hardware and software. In accordance with the Outline, the National IC Industry Investment Fund was established on 24 September 2014 to finance the IC industry.[69] The authorities state that the Fund is a private equity fund, and the goal of the Fund is to deliver profits for shareholders; investment decisions are accountable to shareholders.

4.102. The State Council issued the Guidelines on Actively Promoting the Actions of Internet Plus on 4 July 2015.[70] According to the Guidelines, "Internet Plus" referred to the deep integration of the Internet and other economic and social areas, with the aim of promoting technological innovation and enhancing economy productivity. The Guideline identified 11 key initiatives that would be integrated with the Internet, including manufacturing, modern agriculture, intelligent energy, inclusive finance, logistics, e-commerce, artificial intelligence, entrepreneurial innovation, social services, transportation, and green ecology. On 20 May 2016, the Guidelines on Deepening the Integrated Development of the Manufacturing Industry and the Internet were issued by the State Council with a view to deepening the integration of manufacturing and the Internet.[71] According to the authorities, manufacturing is the key industry for economic development and thus among the "Internet Plus" initiatives, the integration of manufacturing and Internet was set as a priority. The Guidelines for Manufacturing and Internet specified goals and main tasks for the initiatives of Internet Plus Manufacturing with the purpose of establishing a manufacturing power.[72]

4.103. The State Council issued the Outline of National Informatization Development Strategy on 28 July 2016[73], to guide the development of national informatization in the next ten years. According to the authorities, the Outline sets the overall goal of building an Internet power with three steps: core technologies reaching international advanced level by 2020; the establishment of mobile communications network to be completed by 2025; and national informatization to be fully accomplished, making China an Internet power by the middle of the century. On 15 December 2016, the State Council issued the 13th Five-Year Plan for the National

[66] Enterprises are required to pay 15% of the corporate income tax if they produce integrated circuits with a line width of less than 0.25μ or if the total investment is more than RMB 8 billion, after being certified. For enterprises with an operation period of more than 15 years, the preferential period is calculated from the profitable date to 31 December 2017. Corporate income tax is exempted from the first to the fifth year; from the sixth to the tenth year, half of the 25% statutory corporate income tax is collected.

[67] Ministry of Finance online information (in Chinese). Viewed at: http://www.mof.gov.cn/zhengwuxinxi/caizhengwengao/caizhengbuwengao2008/caizhengbuwengao20081/200805/t20080519_29013.html [19.03.2018].

[68] MIIT online information (in Chinese). Viewed at: http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757021/c3758335/content.html [20.03.2018].

[69] Ministry of Finance online information (in Chinese). Viewed at: http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201410/t20141014_1149902.html [19.03.2018].

[70] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2015-07/04/content_10002.htm [20.03.2018].

[71] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2016-05/20/content_5075099.htm [20.03.2018].

[72] Guidance of the State Council on Actively Promoting "Internet Plus" Actions, State Council No. 40, 01.07.2015.

[73] Xinhuanet online information (in Chinese). Viewed at: http://news.xinhuanet.com/info/2016-07/28/c_135546104.htm [20.03.2018].

Informatization[74], which identified the specific goals for national informatization, including raising the Internet penetration rate to 70%, and e-commerce sales to over RMB 38 trillion.

4.104. Guided by the above policies, the authorities promulgated a set of action plans for IT and its sub-sectors from 2016 to 2020 (Table 4.19).

Table 4.19 Action plans for IT and its sub-sectors for the period between 2016 and 2020

Plans	Goals (by 2020)	Date of issue
Information Industry Development Guide	Revenue of the information industry will reach RMB 26.2 trillion (up 8.9% from 2015); Exports of electronic information products will account for 30% of the industry exports (up 4.5% from 2015)	16 January 2017
Plan for the Development of the Information and Communication Industry (2016-2020)	ICT revenue will reach RMB 3.5 trillion (up 15.5% from 2015)	17 January 2017
Plan for the Development of the Software and Information Technology Services (2016-2020)	Revenue of software and IT will reach RMB 8 trillion, with an annual growth rate of 13%, accounting for 30% of the information industry. Exports of software products will exceed US$ 68 billion	17 January 2017
Plan for the Development of the Large Data Industry (2016-2020)	Revenue of large data-related products and services will exceed RMB 1 trillion, with an annual growth rate of 30%	17 January 2017
Three-Year Action Plan for the Development of Cloud Computing (2017-2019)	By 2019, cloud the computing industry will reach RMB 430 billion	30 March 2017
Three-Year Action Plan for the development of Industrial Electronic Commerce	E-commerce purchases will amount to RMB 9 trillion and e-commerce sales to RMB 11 trillion	25 September 2017
Information Industry Development Guide	Revenue of the information industry will reach RMB 26.2 trillion (up 8.9% from 2015); Exports of electronic information products will account for 30% of the industry's exports (up 4.5% from 2015)	16 January 2017

Source: Information provided by the authorities of China.

4.3.2.3 Machinery and equipment

4.105. The Ministry of Agriculture issued the 13th Five-Year Plan for the Agricultural Mechanization Development on 29 December 2016, which identified the goal of increasing the mechanization rate in main crop planting and harvesting to 70% by 2020.[75] In China Manufacturing 2025, agricultural machinery was highlighted as one of the ten priority sectors.[76]

4.106. On 26 April 2016, the authorities issued the Robotics Industry Development Plan for 2016-2020.[77] The plan proposed policy measures in six areas: (1) strengthening overall planning and resources integration; (2) increasing financial support; (3) expanding financial channels; (4) building a good market environment; (5) reinforcing the development of talent; and (6) expanding international exchanges and cooperation. According to the authorities, these policies treat domestic and foreign-invested enterprises equally. The purpose of these policies is to guide enterprises in developing robots efficiently and promoting healthy and orderly development of the industry. The Plan identified the specific goals of producing 100,000 robots per year and increasing the market share of key components to 50% by 2020.

[74] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2016-12/27/content_5153411.htm [20.03.2018].
[75] Ministry of Agriculture online information. Viewed at: http://www.moa.gov.cn/zwllm/ghjh/201701/t20170105_5424545.htm [20.03.2018].
[76] Chinese Government online information (in Chinese), China Manufacturing 2025. Viewed at: http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm [20.03.2018].
[77] NDRC online information (in Chinese). Viewed at: http://www.ndrc.gov.cn/zcfb/zcfbghwb/201604/t20160427_799898.html [20.03.2018].

4.107. On 17 October 2017, the MIIT issued the Guiding Opinions on Accelerating the Development of Environmental Protection Equipment Manufacturing Industry.[78] The Opinions set the goal of reaching a production value of RMB 1 trillion for environmental equipment manufacturing by 2020.

4.108. On 31 October 2017, the MIIT issued the Action Plans for High-End Smart Remanufacturing (2018-2020)[79], which*, inter alia,* identified the goal of setting up standards concerning high-end intelligent remanufacturing management, technology, equipment and evaluation.

4.109. On 8 December 2017, the Plan of Intelligent Manufacturing Development (2016-2020) was issued by MIIT and MOF with a view to guiding the development of intelligent manufacturing.[80] The Plan, *inter alia,* sets the goal of completing the digitalization of traditional manufacturing sectors by 2020; and establishing the intelligent manufacturing support system by 2025.

4.3.2.4 Iron and steel

4.110. According to data provided by the authorities, in 2016, China exported 108 million tonnes of steel materials (including steel billets) and imported 13.5 million tonnes, with net crude steel exports of 98.55 million tonnes, accounting for 12.2% of China's total crude steel output.

4.111. The iron and steel sector in China has continued to be characterized by excess capacity over recent years. According to the Global Forum on Steel Excess Capacity (GFSEC)[81], the country "plays an important role in global efforts to reduce overcapacity". Cognizant of the situation, the authorities have been making efforts to, *inter alia,* reduce production capacity, such as setting targets to reduce domestic crude steel capacity and implementing policies to limit capacity additions in the iron and steels sector. According to a report for the GFSEC, in 2016, China's crude steelmaking capacity amounted to 1,073 million tonnes, registering a decline since 2014 (Table 4.20).[82] China accounts for the largest share of capacity within the GFSEC (52.8%) in 2016.

4.112. The main measures adopted by China have been to: (1) set clear goals for reducing excess capacity, i.e. to reduce crude steel capacity by 100-150 million tonnes between 2016 and 2020; (2) adopt market-based and legal means to reduce capacity through facilitating the exit of capacities that do not meet the legal and administrative requirements on environmental protection, energy consumption, quality, safety and technology standards, and encouraging the exit of inefficient capacities based on market principles; and (3) take a series of policy measures, such as: establishing an inter-ministerial joint mechanism comprising of 25 ministries and agencies, eliminating obsolete capacity and projects violating laws and regulations, allocating RMB 100 billion to a special fund to relocate workers affected by capacity reduction in the steel (and coal) sectors, enhancing supervision and inspection to prevent reopening of shut-down capacity, and prohibiting new capacity investments violating laws and regulations.[83]

[78] MIIT online information. Viewed at: http://www.miit.gov.cn/n1146290/n4388791/c5874413/content.html [20.03.2018].
[79] MIIT online information. Viewed at: Http://www.miit.gov.cn/n1146290/n4388791/c5901644/content.html [20.03.2018].
[80] MIIT online information. Viewed at: http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757018/c5406111/content.html [20.03.2018].
[81] The Global Forum was established by G20 Leaders at their Hangzhou summit in September 2016. It consists of 33 Members.
[82] G20 Germany 2017, Report - Global Forum on Steel Excess Capacity, 30 November 2017. Federal Ministry for Economic Affairs and Energy online information. Viewed at: http://www.bmwi.de/Redaktion/EN/Downloads/global-forum-on-steel-excess-capacity-report.pdf?__blob=publicationFile [06.03.2018].
[83] G20 Germany 2017, Report - Global Forum on Steel Excess Capacity, 30 November 2017.

Table 4.20 Figures for crude steelmaking capacity in selected GFSEC steel producers, 2014-16

(1,000 tonnes)

	2014	2015	2016
China[a]	1,128,510	1,126,880	1,073,330
European Union[b]	235,351	227,951	223,569
Japan	132,636	131,532	129,940
India	109,851	121,971	126,331
United States	113,950	111,775	113,225
Russia	87,369	87,369	87,869
Korea	79,964	80,244	80,744
Turkey	50,213	50,439	51,506
Brazil	47,412	47,457	51,450
Mexico	26,555	29,105	29,505
GFSEC total	**2,075,140**	**2,077,470**	**2,031,416**

a Aggregate capacity figures provided by China are based on companies whose revenues are above 20 million RMB.
b The European Union's figure includes the capacities of all European Union Member States.

Source: *Global Forum on Steel Excess Capacity Report*, 30 November 2017. Viewed at: http://www.bmwi.de/Redaktion/EN/Downloads/global-forum-on-steel-excess-capacity-report.pdf?__blob=publicationFile [27.03.2018].

4.113. According to the authorities, between 2010 and 2015, China's production capacity was reduced by 90.89 million tonnes for iron and 94.86 million tonnes for steel. In 2016, around 65 million tonnes of crude steel capacity was eliminated; crude steel capacity decreased by 4.8% compared to the previous year, while the production of crude steel increased by 0.5% on a year-on-year basis. In 2015 and 2016, the production of crude steel was 804 million tonnes and 808 million tonnes, respectively. Between 2014 and 2016, China's new additions of crude steel capacity amounted to 42.1 million tonnes (51.2% of the total new additions among the GFSEC member economies) (Table 4.21); 90% of total newly installed capacity involved blast furnace (BF) and basic oxygen furnace (BOF) technology. On the other hand, among the 137 million tonnes of capacity closed across all the GFSEC member economies between 2014 and 2016, 82.6% took place in China (Table 4.22).

Table 4.21 New capacity additions in GFSEC selected steel producers, 2014-16

(1,000 tonnes)

	2014	2015	2016	Total	% of total
China	22,580	19,480	..	42,060	51.2
India	7,591	12,120	4,360	24,071	29.3
Brazil	..	..	4,200	4,200	5.1
Indonesia	150	180	3,050	3,380	4.1
Turkey	974	298	1,242	2,514	3.1
Korea	..	1,100	700	1,800	2.2
United States	..	..	1,450	1,450	1.8
Saudi Arabia	200	250	600	1,050	1.3
Russian Federation	..	..	500	500	0.6
Japan	..	350	..	350	0.4
GFSEC total	**31,812**	**34,016**	**16,282**	**82,110**	**100.0%**

.. Not available.

Source: *Global Forum on Steel Excess Capacity Report*, 30 November 2017. Viewed at: http://www.bmwi.de/Redaktion/EN/Downloads/global-forum-on-steel-excess-capacity-report.pdf?__blob=publicationFile [27.03.2018].

4.114. According to the authorities, China intends to adhere to the working concept of "capacities cut instead of production cut, with the production decided by the market". According to a GFSEC report, 94% of China's existing production capacity uses the BF and BOF technology. Within the GFSEC economies, BF and BOF capacities are mainly concentrated in China, as the share of China's installed BF/BOF capacity relative to the total BF/BOF installed capacity of all GFSEC members combined amounted to around 67% in 2016, compared with China's total share of crude steel capacity among GFSEC member economies (52.8%). Regarding the electric arc furnace (EAF) process, in 2016, China accounted for 13.7% of all EAF facilities among GFSEC member economies.

Table 4.22 Permanent capacity closures in GFSEC selected steel producers, 2014-16

(1,000 tonnes)

	2014	2015	2016	Total	% of total
China	31,130	17,060	65,000	113,190	82.6
European Union	1,685	7,400	4,382	13,467	9.8
Korea	4,700	820	200	5,720	4.2
United States	450	2,175	0	2,625	1.9
Japan	296	0	484	780	0.6
South Africa	0	1,000	0	1,000	0.7
Brazil	0	0	210	210	0.2
GFSEC total	**38,261**	**28,455**	**70,276**	**136,992**	**100.0%**

Note: The economies listed in the table reported capacity closures. Other GFSEC members indicated that they did not have capacity closures.

Source: *Global Forum on Steel Excess Capacity Report*, 30 November 2017. Viewed at: http://www.bmwi.de/Redaktion/EN/Downloads/global-forum-on-steel-excess-capacity-report.pdf?__blob=publicationFile [27.03.2018].

4.115. In October 2013, the State Council issued Guidelines on Eliminating Production Overcapacity (Guo Fa [2013] No. 41). The Guidelines indicated that China should curb the blind expansion of industries with excess capacity (including the iron and steel industry) and eliminate production capacity that is built in violation of rules, and phase out outdated capacity. For new iron and steel projects, there must be a capacity swap plan to ensure that the total capacity does not increase. In February 2016, the State Council issued the Opinions on Reducing Overcapacity in the Steel Industry to Achieve Development by Solving Difficulties (Guo Fa [2016] No. 6). The Opinions prohibit building up of any new steel capacity and aim at further eliminating excess capacity.[84] At the same time, the authorities intend to strictly enforce all laws, regulations, and industry policies on environmental protection, energy consumption, quality, safety, and technologies; steel capacity that fails to meet standards or requirements shall be eliminated according to relevant laws or regulations. China also intends to encourage enterprises to eliminate part of their steel capacity through, *inter alia*: proactive capacity elimination; mergers and acquisitions and restructuring; transformation and conversion of production lines; relocation and reconstruction; and global cooperation in production capacity. China plans to cut additional crude steel capacity by 100-150 million tonnes between 2016 and 2020; this would be a reduction of between 9% and 13% to 977-1,027 million tonnes, resettling around 500,000 workers, and bringing capacity closer to consumption.[85]

4.116. With a view to facilitating restructuring, China has adopted policies to facilitate enterprises in meeting their social obligations in the case of closure of plants, provide incentives to assist steel workers and promote re-employment. Regarding policies and measures related to steel-specific corporate restructuring measures, China adopted measures to facilitate changes in ownership structure.[86] China has also adopted policy measures related to the sector's upgrading and innovation, such as those related to the encouragement of product specialization and initiatives aimed at upgrading workers' skills.

4.117. The authorities indicate that China's state-owned steel enterprises[87] are subject to the same reporting requirements as listed private enterprises and there are explicit guidelines or

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[84] Chinese Government online information (in Chinese). Viewed at: http://www.gov.cn/zhengce/content/2016-02/04/content_5039353.htm [20.03.2018].

[85] Global Forum on Steel Excess Capacity Report, 30 November 2017. Viewed at: https://www.bmwi.de/Redaktion/EN/Downloads/global-forum-on-steel-excess-capacity-report.pdf?__blob=publicationFile [29.03.2018].

[86] Global Forum on Steel Excess Capacity Report, 30 November 2017. Viewed at: https://www.bmwi.de/Redaktion/EN/Downloads/global-forum-on-steel-excess-capacity-report.pdf?__blob=publicationFile [29.03.2018].

[87] The legal definition of SOEs in China is provided in Article 5 of the Law on the State-owned Assets of Enterprises, which stipulates that the state-invested enterprises refers to a wholly state-owned enterprise or company with the state being the sole investor, or a company in which the state has a stake, whether controlling or non-controlling. Global Forum on Steel Excess Capacity Report, 30 November 2017. Viewed at: https://www.bmwi.de/Redaktion/EN/Downloads/global-forum-on-steel-excess-capacity-report.pdf?__blob=publicationFile [29.03.2018].

targets for the disbursement of dividends by state-owned steel companies; they must earn a rate of return comparable to private enterprises.[88]

4.4 Services

4.4.1 Telecommunications

4.4.1.1 Statistical overview

4.118. The main economic characteristics of the telecommunications sector in China and its recent evolution are described in Box 4.1, while Table 4.23 provides average telecom prices in 2016 in China computed by the International Telecommunication Union (ITU) as a percentage of the gross national income per capita.

Box 4.1 Economic characteristics and evolution of the telecommunications sector

Penetration rates (2016)
Telephone subscribers (total and per 100 inhabitants): 1,569.9 million households (113.5 sets/100 inhabitants)
Mobile phone subscribers (total and % of total telecom subscribers): 1,363.28 million households (86.8%)
Internet users: 731 million
Broadband Internet subscribers: 324.6 million households

Main actors
Number of companies providing value-added telecom services: 30,547
Names and market shares of the leading companies for fixed telecom services (2016):
China Telecom: 63.8%, China Unicom: 32.2%, China Mobile: 4%
Name and market shares of the leading companies for mobile telephones services (2016):
China Mobile: 63.3%, China Unicom: 19.1%, China Telecom: 14.6%
Name and market shares of the leading companies for broadband Internet services (2016):
China Telecom: 44.7%, China Mobile: 24.1%, China Unicom: 23.3%
Foreign ownership participation in telecom companies:
- In the basic telecommunications sector, respectively 17.15%, 27.28% and 25.64% of the public shares of China Telecom, China Mobile and China Unicom are held by institutions overseas.
- In the value-added telecommunications sector, there are 78 foreign-invested enterprises having obtained the business certificate for telecommunications business, with foreign investment ranging from 7% to 100%. Foreign investment mainly comes from countries and regions such as: Hong Kong, China; the United States; Europe (Ireland, Finland); and Japan

State ownership:
The state owns 82.85%, 72.72% and 61.94% of the shares of China Telecom, China Mobile and China Unicom, respectively.

Establishment of new companies, mergers or closures since the last Review
In May 2016, a fourth basic telecom licence was granted by the Ministry of Industry and Information Technology (MIIT) to the state-owned broadcaster China Broadcasting Network (CBN). CBN will not provide voice-calling services but only domestic data transmission services on Internet nationwide and domestic communications facility services. The aim is to promote the integration of three networks（telecom, radio and TV and Internet).

Source: Information provided by the authorities of China.

Table 4.23 Telecom prices in China as a percentage of the gross national income per capita

	China	Asia and Pacific	World
Mobile-cellular prices (% GNI per capita)	0.6	3.2	5.2
Fixed-broadband prices (% GNI per capita)	2.4	14.5	13.9
Mobile-broadband prices, 500 MB (% GNI per capita)	0.7	2.7	3.7
Mobile-broadband prices, 1 GB (% GNI per capita)	1.1	5.4	6.8

Source: ITU (as of June 2017).

[88] Global Forum on Steel Excess Capacity Report, 30 November 2017. Viewed at: https://www.bmwi.de/Redaktion/EN/Downloads/global-forum-on-steel-excess-capacity-report.pdf?__blob=publicationFile [29.03.2018].

4.4.1.2 Regulatory framework

4.119. The regulatory framework for telecommunications services in China has been described in detail in recent Trade Policy Review reports and has only marginally changed since the last Review.[89] The main changes concern the following areas: foreign investment regime, classification of telecom services, cybersecurity regulation and virtual private network use rules (limitations and prohibitions) enforcement.

4.120. The regulations governing foreign investment in telecommunications services in China are stipulated in *inter alia* the Catalogue of Industries for the Guidance of Foreign Investment (2017 Revision) (Table 4.24).[90]

Table 4.24 Telecom services opened to foreign investment

Telecom investment regime according to 2017 Investment Catalogue		Exceptions according to other notices or regulations
Encouraged industries	No telecom service in this category	No exception
Restricted industries (Limited to telecom services under WTO commitments)	For basic telecom services, foreign shareholding cannot exceed 49%	No exception
	For value-added telecom services (VATS), foreign shareholding cannot exceed 50%, except for electronic commerce[b]	In the China (Shanghai) Pilot Free Trade Zone (CSPFTZ)[a], five sub-sectors allowed foreign capital participation up to 100% (a) Store and forward services (b) Information services (Application store services only) (c) Call centre services (d) Internet access services for Internet users (B2C) (e) Domestic multiparty communications services (Note: (a) and (b) were previously included in WTO commitments as up to 50% of foreign capital participation; (c), (d), (e) are newly liberalized sectors.) A one sub-sector, which was not included in the WTO commitments, is now open to foreign investment in CSPFTZ, with foreign shareholding ratio not exceeding 50%: CSPFTZ - Domestic Internet Protocol Virtual Private Network (IP-VPN) Services
		Nationwide, one sub-sector allowed foreign shareholding up to 100%: Online data processing and transaction processing services (operational electronic commerce)

[89] Notably in 2016: WT/TPR/S/342/rev.1, paragraphs 4.29 to 4.43; in 2014: WT/TPR/S/300/Rev.1, paragraphs 4.37 to 4.47; in 2012: WT/TPR/S/264/Rev.1, paragraphs 165 to 204; and 2010: WT/TPR/S/230/Rev.1, paragraphs 83 to 98.

[90] NDRC online information (in Chinese). Viewed at: http://www.ndrc.gov.cn/zcfb/zcfbl/201706/t20170628_852857.html.

Telecom investment regime according to 2017 Investment Catalogue		Exceptions according to other notices or regulations
Prohibited industries	Internet news information services, online publishing services, online audio and video programmes, business premises for Internet-access services, Internet cultural business (excluding music), and online public information publishing services	No exception

a Opinions on Further Liberalization of the Value-Added Telecommunication Services in China (Shanghai) Pilot Free Trade Zone, 6 January 2014 (in Chinese). Viewed at: http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757020/c3764637/content.html.

b There exists however no precise definition yet of electronic commerce as the E-commerce Law of China is under development.

Source: Information provided by the authorities of China.

4.121. An amended Catalogue of Telecommunications Services was released in December 2015.[91] Compared with the 2003 Catalogue, the 2015 Catalogue: (1) tracks the basic structure laid down in the 2003 Catalogue; (2) re-defines the sub-categories under the value-added telecommunications services ("VATS", including Type I VATS and Type II VATS) so that Type I VATS are now services based on facilities and resources, and Type II VATS are services based on public application platforms; (3) defines "content distribution network services" and "coding and protocol conversion services", and refines the categories of Internet data centre services, call centre services and information services; (4) removes three sub-categories, i.e. public telegraph and user telegraph services, analogue trunking communication services, and wireless data transmission services. Enterprises that had obtained the corresponding licences were allowed to continue providing these services.

4.122. The correspondences between China's GATS commitments in telecommunication services and the new telecom catalogue are described in Table 4.25.

Table 4.25 China's GATS commitments in telecommunication services and their correspondence in the new telecom catalogue

WTO Schedule of commitments	2015 Classification catalogue 2015
1. Basic telecom services	
- Mobile voice and data services	A12. Cellular mobile communication service
- Domestic services	
(a) Voice services (c) Circuit-switched data transmission services (f) Facsimile services	A11-1 Fixed network for local communication services A11-2 Fixed network for domestic long-distance communications services
(b) Packet-switched data transmission services	A24 The second type of data communications services
(g) Domestic private leased circuit services	A26 Facilities services for domestic communications
- International services	
(a) Voice services (c) Circuit-switched data transmission services (f) Facsimile services (g) International closed user group voice services	A11-3 Fixed network for international long distance communication services
(g) International closed user group data services (based on Internet)	A14-1 Internet international data transmission
(g) International closed user group data services (based on international private leased circuit)	A14-4 International data communication services
(b) Packet-switched data transmission services	A14-1 Internet international data transmission A14-4 International data communication services

[91] MIIT online information (in Chinese). Viewed at: http://www.miit.gov.cn/n1146295/n1652858/n1652930/n4509627/c4564595/content.html [06.04.2018].

WTO Schedule of commitments	2015 Classification catalogue 2015
2. Value-added telecom services	
(h) Electronic mail (i) Voice mail (l) Enhanced/Value-added facsimile services (including store and forward, store and retrieve)	B23. Store and forward services
(j) Online information and database retrieval	B25. Information services
(k) Electronic data interchange (n) Online information and/or data processing (including transaction processing)	B21. Online data processing and transaction processing services
(m) Code and protocol conversion	B26. Coding and protocol conversion services

Source: WTO document GATS/SC/135, 14 February 2002; Catalogue of Telecomm Services Classification (2015 Version), 28 December 2015 (in Chinese). Viewed at: http://www.miit.gov.cn/n1146295/n1652858/n1652930/n4509627/c4564595/content.html [05.04.2018].

4.123. On 3 July 2017, the MIIT issued the Administrative Measures on Operating Licensing of Telecommunications Business (MIIT Decree No. 42.), which entered into force on 1 September 2017. The Administrative Measures on Operating Licensing of Telecommunications Business (Decree No. 5), issued by MIIT on 5 March 2009, were simultaneously abolished. The amended version mainly deals with the application, approval, utilization, change, monitoring and examination, and legal responsibility of telecommunications business operating licences.

4.124. The main amendments brought about by the new licensing regulation are the following: (1) the abolition of a series of filing/licensing requirements concerning, *inter alia*: licensing of basic telecommunications business and cross-region value-added telecommunications business; the submission of a financial statement and qualification report and the submission of a "Quasi Approval Report of Company Name" when applying for an operating licence; and the stipulation that the telecommunications business operating licence is the prerequisite for registering changes of information with industrial and commercial authorities; (2) the establishment of an online system for the application, approval and management of operating licences as well as for information announcement, search and sharing; (3) the establishment of a credit rating, performance-based mechanism as part of the supervision system of telecommunications operators; (4) the establishment of an annual information report and publicity system for all telecom operators, under which they will be held responsible for the authenticity of the information contained in their annual reports, and the annual operating licence examination system will take into account this information; (5) the establishment of a sanction system whereby telecommunications operators that were subject to administrative sanctions by the competent administrative authorities or failed to submit an annual report on time will be placed on a bad-performing operators list[92]; (6) the improvement of the on-the-spot and *post facto* supervision system by creating a random inspection system to examine information in annual reports, daily operating activities, and implementation of regulations by telecommunications operators[93]; and (7) the alleviation, or the abolition, of restrictive requirements on the approval of shareholder and shareholding changes and, on approval, on the calculation of shareholding ratio and authorized operation of value-added telecommunications business so as to facilitate investment and financing in the value added telecom sector.

4.125. Regarding the transition between the old and the new licensing systems, the telecommunications business licences issued previously remain valid within the original scope and period of the licence. If an enterprise needs to change the licence within the validity period of the original licence, a new telecommunications business licence can be issued upon application. According to the Provisions on Administration of Telecommunication Enterprises with Foreign Investment (Decree No. 534 of the State Council), a foreign-owned company is required to obtain the Approval of Telecommunication Services with Foreign Investment and the Approval Certificate of Foreign-Invested Enterprises prior to application for a telecommunications business licence.

[92] Operators having received orders to stop business for internal rectification, having had their operating licence revoked or facing other sanctions by the MIIT will be included in a defaulters list. Operators listed in the defaulters list cannot apply for telecommunications operating licences.

[93] It sets out detailed inspection methods, including inspection of written materials, on-the-spot inspection and online supervision with corresponding sanctions in case of breaches of regulations.

4.126. There has been no change during the period under review regarding the fixed interconnection regime.

4.127. Following earlier local pilot experiences held in 2010 and 2104, the number portability experimental programme now extends, as at end-June 2017, to five provinces and cities and 790,000 users. On facility sharing, the MIIT has continued to promote the co-construction and sharing of basic telecommunications facilities, requiring basic telecommunications enterprises, to carry out construction, including the construction of pole line and pipeline on local ring roads, in accordance with the requirements of sharing or co-construction when applicable.

4.128. As far as universal service is concerned, there have been no changes to the legal framework since the previous review of China. In terms of results for rural areas of China, as of the end of 2016, the reachability of telephones and broadband has been achieved in every township; the same goes for the reachability of telephones in all administrative villages. In addition, 95% reachability of broadband in all administrative villages has been achieved; 81% reachability was achieved for optical fibre. The next target is to achieve a 98% reachability of optical fibre by 2020.

4.129. Regarding Mobile Virtual Network Operators (MVNO), China has pursued its pilot scheme of mobile communication resale business initiated in May 2013. At present, 42 private enterprises in total have obtained a pilot approval. As at the end of 2016, the cumulative number of users exceeded 43 million. In addition, the pilot scheme now allows private firms to buy mobile telecom services (self-checking and self-correcting, standardization and rectification services for real-name registration, junk short messages, and unwanted calls) from incumbent operators and sell them to end users.

4.130. China and its operators have continued the deployment of the LTE/4G network. As of April 2017, the number of 4G users in China reached 849 million; the number of LTE base stations in China exceeded 2.6 million, accounting for over 60% of world capacity. The LTE network is evolving into an LTE-Advanced network. Regarding broadband access speed, the target for 2017 is that over 85% of fixed broadband users will be able to use broadband access services with a speed of more than 20 Mbps, and over 50% of users will be able to use broadband access services with a speed of more than 50Mbps.

4.131. China cancelled the long distance roaming fees for domestic mobile phone calls in 2017.

4.132. In recent years, China's cloud service market has developed rapidly. In order to strengthen and improve the regulation and the management of the cloud service market, following a wide consultation process, the MIIT is in the process of formulating a new legal framework for these services (the "notice on standardizing cloud service market and facilitating the sound development of the industry"). There is no schedule established yet for the publication of the notice.

4.133. According to the authorities, the notice, while instituting new access thresholds and adding other restrictions, is in line with China's existing laws and regulations and its WTO commitments. Foreign-funded enterprises will be allowed to carry out technical cooperation with Chinese enterprises with relevant licence qualifications provided they abide by the regulation.

4.134. In recent years, big data and the three types of internet services as classified by China - Internet Data Centre (IDC), Internet Access Service (ISP) and Content Distribution Network (CDN) – have also been experiencing rapid development. However, according to the authorities, illegal practices such as unlicensed business activities, sub-letting and illegal self-building of network infrastructures have emerged. Therefore, the MIIT released the "MIIT Notice on Cleaning Up and Regulating the Internet Access Service Market" (MIIT Telecom. Dept. Doc. No. [2017] 32, dated 17 January 2017 and released on 22 January 2017, hereinafter referred to as "the Notice"), which draws on the earlier "Measures on Administration of International Communication Import and Export Board" (Decree No. 22 of the former Ministry of Information Industry of 2002).

4.135. The provisions of the Notice dealing with cross-border business activities target enterprises or individuals that rent international private lines or VPN and carry out cross-border telecommunications business activities without the authorization or the approval of the Chinese telecommunications authorities and without the qualifications for practicing international telecommunications business. The notice stipulates that foreign trade enterprises and multinational enterprises, due to their demands for special lines for cross-border networking, may rent VPN services from a telecommunications services operator recognized by law by the International Communication Import and Export Board. According to the authorities, their normal operation will not be affected by the provisions of the Notice. In that regard, differing views have been expressed, notably by foreign business associations established in China and by other WTO Members in the Council of Trade in Services.[94]

4.136. On 7 November 2016, a new cybersecurity law was adopted. This law entered into force on 1 June 2017. Its aims, as enunciated by its article 1, are "to ensure network security, to safeguard cyberspace sovereignty, national security and the societal public interest, to protect the lawful rights and interests of citizens, legal persons and other organizations, and to promote the healthy development of economic and social informatization." This law applies to "the construction, operation, maintenance and usage of networks, as well as to the network security supervision and management (article 2), and to the 'network operators' which involve 'network owners, managers and network service providers' (article 76-3)".

4.137. A key provision of the cybersecurity law is article 21, which institutes a "tiered system of network security protection" in which network operators are required to perform a certain number of security protection duties "to ensure that the network avoids interference, damage or unauthorized visits, and to prevent network data leaks, theft or falsification". These include: (1) formulating internal security management systems and operating rules, determining persons responsible for network security, and implementing network security protection responsibility; (2) adopting technological measures to prevent computer viruses, network attacks, network intrusions and other actions endangering network security; (3) adopting technological measures for monitoring and recording network operational statuses and network security incidents, and following relevant provisions to store network logs for at least six months; (4) adopting measures such as data classification, back-up of important data, and encryption; and (5) abiding by other obligations established by law or administrative regulations.

4.138. Another key provision of the law is its article 23 whereby "critical network equipment and specialized network security products shall follow the national standards and technical regulations and be security certified or tested by a qualified establishment, before being sold or provided". Article 23 also stipulates that "the state network information departments, together with the relevant departments of the State Council shall formulate and release a catalogue of critical network equipment and specialized network security products, aimed at promoting reciprocal recognition of safety certifications and security inspection results and at avoiding duplicative certifications and inspections". This Catalogue was released in June 2017.[95]

4.139. In its article 31, the law stipulates that the "state implements key protection of public communication and information services, power, traffic, water infrastructure, finance, public service, electronic governance and other critical information infrastructure that if destroyed, losing functions or leaking data might seriously endanger national security, national welfare and the people's livelihood, or the public interest, on the basis of their tiered protection system". The same article indicates that the State Council will formulate the specific scope and security protection measures for critical information infrastructure. These measures have been subject to a public consultation process and are now in the final drafting phase.

4.140. The network operators of critical information infrastructure are subject to reinforced obligations. In particular: (1) they are required to set up specialized security management bodies and persons responsible for security management, and conduct security background checks on those responsible persons and personnel in critical positions; periodically conduct network security education, technical training and skills evaluations for employees; conduct disaster recovery backups of important systems and databases, formulate emergency response plans for network security incidents, and periodically organize drills (article 34 of the law); (2) critical information infrastructure operators purchasing network products and services that might impact national

[94] See WTO documents S/C/W/376, 23 February 2018, and S/C/M/134, 5 April 2018.
[95] MIIT online information (in Chinese). Viewed at: http://www.miit.gov.cn/newweb/n1146290/n4388791/c5679459/content.html [06.04.2018].

security are required to go through a national security review organized by the State network information departments and relevant departments of the State Council (article 35); and (3) at least once a year, they are required to conduct an inspection and assessment of their networks' security and risks that might exist, either personally, or through retaining a network security services establishment, and submit a network security report on the circumstances of the inspection and assessment as well as improvement measures to the relevant department responsible for critical information infrastructure security protection efforts (article 38). In addition, they will be subject to spot testing of critical information infrastructure security risks by the competent authorities (article 39.1).

4.141. Another key provision of the law is its article 37 relating to data localization whereby "personal information and other important data gathered or produced by critical information infrastructure operators during operations within the mainland territory of China shall be stored within mainland China. Where due to business requirements it is truly necessary to provide these data and information outside the mainland, they shall follow the measures jointly formulated by the State network information departments and the relevant departments of the State Council to conduct a security assessment; but where laws and administrative regulations provide otherwise, they shall follow those provisions".

4.142. Detailed and heavy fines are foreseen by the law in case of breach of its provisions. Article 58 of the law stipulates that "to fulfil the need to protect national security and social public order, and respond to major social security incidents, the State Council, or the governments of provinces, autonomous regions and municipalities, with the approval of the State Council, may take temporary measures regarding network communications in certain regions, such as restricting them". In the Council of Trade in Services, other WTO Members have made comments on the potential implications of that new legislation.[96]

4.4.2 Financial services

4.143. The financial services regime in China has been described in detail in previous Trade Policy Review reports, notably in 2016, 2014, 2012 and 2010[97], and has remained largely unchanged. The description will therefore focus on the regulatory developments that have occurred during the period under review.

4.4.2.1 Market overview

4.144. The main economic characteristics of China's financial services sector are described in Box 4.2.

Box 4.2 Financial services: statistical overview

General
Share of financial services in GDP: 8.4% in 2015 (of which insurance[a]: 3.53%); 8.3% in 2016 (of which insurance: 4.16%)
Share of financial services in total employment: 2015: 6.068 million; 2016: 6.652 million (of which insurance: 2.672 million)
Banking services
Number of financial institutions with legal personality: 2014: 4,089; 2016: 4,399 Number and type of commercial banks (excluding policy banks and small financial institutions in rural areas – end-2016): 5 large-scale commercial banks, 3 policy-based banks, 12 stock-holding banks, 134 city commercial banks, 1,114 rural commercial banks, 40 rural cooperative banks, 1,443 rural banks, 1 postal savings bank, and 39 foreign-invested banks and 121 branches of foreign banks.

[96] See WTO documents S/C/W/374 and S/C/M/133 and 134.

[97] See WT/TPR/S/342/Rev.1, paragraphs 4.44 to 4.84; WT/TPR/S/300/Rev.1, paragraphs 4.48 to 4.84; WT/TPR/S/264/Rev.1, paragraphs 96 to 164; and WT/TPR/S/230/Rev.1, paragraphs 47 to 82.

Concentration/share of the various types of banks in the total balance sheet for banks (2016): Total assets of the banking system: RMB 232.3 trillion. Total debts of the banking system: RMB 214.8 trillion - large-scale commercial banks: 37.3% of the assets and 37.2% of the debts - joint-stock commercial banks: 18.7% of the assets and 19% of the debts - city commercial banks: 12.2% of the assets and 12.3% of the debts - rural commercial banks: 12.9% of the assets and 12.9% of the debts - foreign-invested banks (including foreign-controlled banks and branches of foreign banks): 1.3% of the assets and 1.2% of the debts of which: - foreign-controlled banks: 1.06% of the assets and 1,02% of the debts - branches of foreign banks: 0.24% of the assets and 0.18% of the debts
Securities activities (securities, holding bonds, and stocks by commercial banks): 2014: RMB 20.52 trillion; 2015: RMB 25.29 trillion, 2016: RMB 30.5 trillion 2014
Insurance
Number of insurance companies (2015): - Chinese-owned insurance companies: 11 groups of companies, 49 life insurance companies (4 health insurance companies, 6 pension insurance companies), 52 property insurance companies, 3 reinsurance companies and 20 asset management companies[b]. - Foreign-owned insurance companies: 28 life insurance companies, 22 property insurance[c] companies, 6 reinsurance companies and 1 asset management company.
Total balance sheet of the insurance sector (end-2016): RMB 15.12 trillion, among which life insurance accounts for 82%, property insurance 16%, and reinsurance 2%.
Concentration: (cumulative market share of the top 5 companies, 2016): 49.32% of the life insurance market, and 73.68% of the property insurance market
Pensions funds
Number of qualified institutions to manage enterprise annuity: 35, of which 22 with foreign investors.
Stock exchange and securities
Capitalization of the companies listed: 2015: RMB 53,146.27 billion, accounting for 77.13% of GDP 2016: RMB 50,824.51 billion, accounting for 68.30% of GDP Gross value of publicly issued bonds: 2015: RMB 619.86 billion, of which, foreign borrowers issued RMB 1.5 billion (panda bonds) 2016: RMB 1.370,19 trillion, of which, foreign borrowers issued RMB 82.1 billion (panda bonds) Securities turnover on the Stock Exchange (secondary market): 2015: the share turnover of Shanghai and Shenzhen Stock Exchange (secondary market) was RMB 253.25 trillion (of which, A-share turnover was RMB 252.88 trillion, and B-share turnover was RMB 0.37 trillion); bond (cash bond and repurchase) turnover was RMB 131 trillion; gross turnover of primary market fund (including closed-end fund, ETF, LOF, transactional money fund) was RMB 15.27 trillion. 2016: the share turnover of Shanghai and Shenzhen Stock Exchange (secondary market) was RMB 127.38 trillion (of which, A-share turnover was RMB 127.24 trillion, and B-share turnover was RMB 0.15 trillion); bond (cash bond and repurchase) turnover was RMB 239 trillion; gross turnover of primary market fund was RMB 11.14 trillion.

a Measured by the share of premiums income in GDP.
b i.e. managing assets for other insurance companies.
c Both life insurance companies and property companies offer short-term health care insurance.

Source: Information provided by the authorities of China.

4.4.2.2 Regulatory developments for banking services

4.145. Since 2015, there have been no significant changes in general qualification requirements, additional qualification requirements for foreign banks, the licensing authority, the statutory maximum delay to process licence applications, the validity of licences, restrictions on banks selling or transferring licences, minimum capital requirements for obtaining a licence, or other licensing aspects.

4.146. In May 2015, the State Council approved the "three-year pilot programme of the city of Beijing to further open up a number of services sectors". Regarding banking, this pilot programme allowed foreign financial institutions to establish foreign banks and set up joint-venture banks with Chinese private capital. In a second phase, all types of capital fulfilling the relevant entry conditions were allowed to create non-bank financial institutions such as consumer finance companies, auto finance companies and financial leasing companies. Additional measures were also taken to facilitate the establishment of branches of foreign banks in Beijing as well as of joint-venture banks between Chinese private enterprises and foreign banks.

4.147. On 8 June 2016, the Administrative Measures for Bank Card Clearing Institutions (Order No. 2 of 2016 of the People's Bank of China and the China Banking Regulatory Commission) became effective. These administrative measures constitute the implementing regulations of the Decision of the State Council on the Market Access Administration of Bank Card Clearing Institutions (Guo Fa No. 22 of 2015).[98] They stipulate that, in principle, an overseas institution that only provides bank card clearing services in foreign currencies for cross-border transactions (hereinafter referred to as the "overseas institution") is not obligated to establish a bank card clearing institution within the territory of China.

4.148. However, the administrative measures also stipulate that if the overseas institution exerts significant impact on the sound operation of the domestic bank card clearing system or public payment confidence, it shall establish a legal entity within the territory of China and obtain a bank card clearing business permit pursuant to the relevant regulations. The criteria that will be used for assessing the existence of such an impact for a given provider are notably the development of its cross-border business, its business scale, its market share, the guarantees it can provide in terms of risk prevention and information security, its implementation of anti-money laundering and anti-terrorist financing measures, as well as the protection it grants to the rights of card holders and merchants. So far, no individual decision has been taken.

4.149. An overseas bank card clearing institution wishing to engage in RMB-denominated bank card clearing business shall apply for a licence to establish a bank card clearing institution within the territory of China pursuant to the law. Domestic and foreign investors applying to establish bank card clearing institutions are equally treated and subject to uniform requirements in terms of establishment conditions, application procedures and business.

4.150. These administrative measures were complemented in June 2017 by the PBOC "Guidelines on Providing Bank card Clearing Services", which contain provisions on the opening, operation and termination of bank card clearing services, as well as on the application process, materials to be submitted, deadlines, licensing procedures and rights and obligations of applicants.

4.151. The Circular of the General Office of China Banking Regulatory Commission (CBRC) on Matters Concerning the Operation of Certain Businesses by Foreign-invested Banks, dated 10 March 2017, eased approval requirements for foreign-owned banks to supply certain investment banking services in the country and to invest in domestic banking institutions in China. Approval from the CBRC is no longer required for foreign-invested banks (which include foreign-invested legal entity banks and onshore branches of foreign banks) to provide the following services: underwriting of treasury bonds, custodian services, and financial advisory and consultancy services (beyond those services only related to traditional banking). Instead, foreign-invested banks are now only required to report to the CBRC within five days upon commencement of the relevant business, subject to the administrative approval of other regulatory authorities where applicable. In addition, the Circular allows foreign-invested banks to make onshore investments in domestic banks. The general equity restrictions (i.e. the limitation of a single foreign investor stake in a Chinese bank to 20% and of aggregate foreign ownership of any banking institutions to 25%) continue to apply to those investments. The qualification requirements to be allowed to make such an investment are the following: first, the total assets of the investor should be no less than US$10 billion; second, it should be recognized as having a good rating for the last two years by the international rating agencies recognized by the PBOC; third, it should have recorded a profit in the last two years; fourth, the capital adequacy ratio for the bank should reach the average level of the place of registration or a least no less than 10.5%;

[98] WTO, Trade Policy Review – China (2016).

and fifth, the total assets for non-banking institutions should be no less than 10% weighted risk asset volume.

4.152. The 2017 version of the Investment Catalogue does not contain any changes, as compared to the 2015 version regarding foreign shareholding ratio for banks. It contains however a new provision whereby the foreign investors and sole or controlling shareholders of foreign bank branches, wholly foreign-funded banks and Chinese-foreign joint-venture banks may only be foreign commercial banks, while other foreign financial institutions can only hold non-controlling shares.

4.153. In June 2017, the State Council released the 2017 Negative List/Catalogue for Free Trade Zones, replacing the catalogue issued in 2015.[99] This 2017 FTZ Negative List extends the geographical scope of the FTZ regime from 4 FTZs (Shanghai, Guangdong, Tianjin, and Fujian) to 11 FTZs in total, by adding 7 new FTZs: Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan and Shaanxi (Section 2.4.1). In addition, the 2017 FTZ catalogue contains in the field of banking services, the following liberalization measures: (1) branches of foreign banks are now allowed to engage in agent issuing, agent cashing and underwriting of governmental bonds' activities; (2) foreign banks do not anymore have to meet a minimum operating period requirement for operating in RMB; and (3) foreign investors are no longer required to meet the requirement of having a certain total asset value for investing in a financial asset management company.

4.154. Through the PBOC Announcement No. 7/2017, dated 3 July 2017, China allowed foreign institutions to operate rating agencies and permitted foreign-based agencies to provide rating services for the domestic market. Under the previous framework, global rating agencies could only have minority stakes in joint venture operations and could not issue ratings on local bonds.

4.155. In November 2017, China announced that regulators would abolish restrictions limiting a single foreign investor stake in a Chinese bank to 20% and capping total foreign ownership of any banking institutions to 25%. No schedule was however indicated.

4.156. The prudential regulations of China were assessed in October 2017 by the IMF and the World Bank in the context of the Financial Sector Assessment Program (FSAP).[100] The main conclusions of this report are that the China Banking Regulatory Commission (CBRC) has maintained its momentum in regulation and supervision in the face of the exceptional growth in scale and increasing complexity of the banking system and has achieved a high degree of compliance with the Basel Core Principles for Effective Banking Supervision (BCPs). The IMF and the World Bank also state that although market entry to new products and business lines is tightly controlled, widening of financial groups and cross sectoral activities present the most significant challenges to the CBRC's effectiveness. They finally consider that while the CBRC has performed well, in terms of evolving its regulatory standards to meet the growing complexity of the system, several dimensions of credit risk, including treatment of problem assets, concentration risk and related party exposures remain challenges.

4.157. Regarding anti-money laundering, the PBOC has issued further rules, regulations and normative documents to further improve surveillance. In particular, in December 2016, the PBOC revised and issued the "Measures for Report Administration of Large-amount Transactions and Suspicious Transactions of Financial Institutions" (PBOC Decree [2016] No. 3) and a series of supporting normative documents, which require financial institutions to establish a sound transaction supervision standard to address money laundering and the risk of terrorist financing, to enhance the automatized detection and analysis of abnormal transactions, to report suspicious transactions based on "reasonable suspicion", and to improve the effectiveness of reporting work of large-amount transactions and suspicious transactions.

4.158. In January 2017, the PBOC issued the "Measures for Administration of Anti-Money Laundering Classification Rating by Legal Person Financial Institution (Trial)" (YF [2017] No. 1) to further improve the evaluation of compliance and effectiveness of anti-money laundering work

[99] State Council online information. Viewed at: http://english.gov.cn/policies/latest_releases/2017/06/16/content_281475687826506.htm [11.12.2017].

[100] See: http://documents.worldbank.org/curated/en/596881512550833789/pdf/121862-WP-P157065-PUBLIC-ADD-FSAP-SERIES-Financial-Sector-Assessment-Program-FSAP-China-FSAP-2017-DAR-BCP.pdf.

carried out by financial institutions, to further put legal person supervision principles into practice, and effectively implement the anti-money laundering supervision carried out by financial institutions.

4.159. Recently, the PBOC and the members of inter-ministerial joint conference of anti-money laundering drafted the "Opinion on Improving the Supervision System and Mechanism of Anti-money Laundering, Anti-terrorist Financing, and Anti-tax Evasion", which has been approved by the ministries and agencies concerned, and is to be published and issued in the form of a joint regulation. The Opinion contains significant guidance material for the establishment of China's anti-money laundering, anti-terrorist financing, and anti-tax evasion mechanisms.

4.4.2.3 Regulatory developments for insurance services

4.160. Subject to the Insurance Company Mergers and Acquisitions Regulations, issued by the China Insurance Regulatory Commission (CIRC), and entered into force on 1 June 2014, the purchaser of an insurance company may control two insurance companies operating similar businesses upon completion of the acquisition with the approval of the CIRC. While the regulations present opportunities for foreign investors, foreign investors who will hold more than 25% of the equity or shares in a target insurance company following an acquisition or merger will still need to comply with the existing qualification requirements under the Administrative Regulations of Foreign-Invested Insurance Companies. The requirements are that: (1) the foreign investor has been operating in the insurance business for at least 30 years; (2) the foreign investor has established a representative office within China for at least 2 years; (3) the total assets of the foreign investor as at the end of the previous year are not less than US$5 billion; (4) the country or region from which the foreign investor originates has a sound insurance regulatory system and the investor is subject to effective regulation under relevant competent authorities; (5) the foreign investor meets the solvency standards of its country or region of origin; (6) the competent authorities of the country or region from where the foreign investor originates has consented to the filing of the M&A transaction in China; and (7) the foreign investor satisfies any other prudential requirements prescribed by CIRC. In addition, foreign investors will need to comply with all relevant foreign investment rules, including the current limitation against owning more than 50% of a domestic life insurer.

4.161. In 2015, the CIRC submitted a draft revision to the Insurance Law to the State Council. This draft law is under review.

4.162. On 22 July 2015, the CIRC released the "Interim Measures for Regulating the Internet Insurance Business", which took effect on 1 October 2015. The measures allow both domestic and foreign insurance companies to engage in Internet insurance business. In addition, for selected insurance products (e.g. accident insurance, some life insurance policies, home property insurance, liability insurance, credit insurance, and property insurance) the measures allow insurers to expand their operations to provinces without the need to establish a licensed branch office.

4.163. The 10 July 2017 Special Administrative Measures (Negative List) for Foreign Investment Access to Pilot Free Trade Zones (2017 Revision)[101] of the State Council abolished the restrictions preventing foreign insurance companies from engaging in reinsurance with affiliated enterprises.

4.4.2.4 Regulatory developments for stock markets

4.164. Regarding the trading of shares, on 17 August 2016, the China Securities Regulatory Commission (CSRC) and the Securities and Futures Commission of the Hong Kong Special Administrative Region announced the creation of the "Shenzhen and Hong Kong Stock Connectivity" scheme, which is in addition to the Shanghai-Hong Kong stock connect scheme.[102] It opened officially on 20 September 2016. This new scheme does not set a maximum amount of overall transactions. The same decision of the CSRC also abolished the limit on the maximum amount of overall transactions for the Shanghai-Hong Kong Stock Connectivity scheme.

[101] Viewed at: http://www.scmp.com/news/china/economy/article/2098807/beijing-cuts-list-restrictions-foreign-direct-investment-free.

[102] WTO (2016), Trade Policy Review – China.

4.165. Regarding the bond market, the PBOC issued in June 2015 the "Circular on Engagement of Offshore RMB Clearing Banks and Offshore Participating Banks in Bond Repurchase Business in the Inter-bank Bond Market" in order to further open up the domestic bond market. The Circular, which is part of China's efforts to encourage greater global use of the renminbi, provides, *inter alia*, that foreign banks allowed to engage in the bond repurchase business must be approved by the PBOC to enter the inter-bank bond market and must fall into one of the following categories: (1) The offshore RMB clearing banks authorized by the PBOC, which engage in the RMB clearing business in the overseas regions (including Hong Kong, China; Macao, China; and Chinese Taipei) with established overseas RMB clearing arrangement; and/or (2) the foreign participating banks, i.e. the offshore commercial banks (including in Hong Kong, China; Macao, China; and Chinese Taipei) which carry out the cross-border RMB settlement business in line with the relevant provisions.

4.166. Furthermore, the "Announcement on Issues relating to Investment by Foreign Institutional Investors in Interbank Bond Market" (Announcement No. 3, the "2016 PBOC Announcement), dated 17 February 2016, broadened the scope of foreign investors qualified to invest in the Chinese Interbank Bond Market (CIBM), and removed quotas. Most types of foreign institutional investors (including "commercial banks, insurance companies, securities firms, fund management companies and other asset management institutions, pension funds, charity funds, endowment funds" and "other mid-term or long-term institution investors recognized by PBOC") are now allowed to invest in the CIBM as "Foreign Institutional Financial Investors".

4.167. Prior to the Announcement, access to the CIBM was limited to foreign Central Bank-type institutions (including foreign central banks or monetary authorities, international financial organizations and sovereign wealth funds), clearing banks for RMB business, foreign participating banks for RMB settlement of cross-border trade, foreign insurance companies in some regions, qualified foreign institutional investors (QFIIs) and RMB qualified foreign institutional investors (RQFIIs). Foreign Institutional Financial Investors must be "mid-term or long-term investors recognized by PBOC", and are not subject to investment quotas.

4.4.2.5 Regulatory developments for mutual funds and asset management

4.168. Since the previous TPR of China, the regulatory framework of mutual funds/asset management has remained largely unchanged. The only notable development concerns the licensing procedure. On 15 July 2016, the CSRC decided to adjust the procedure for examination and approval of the establishment of publicly offered funds management companies from an *a posteriori* approval system to an *a priori* approval system; previously, the applicant set up a company which was then approved after an on-site examination by the CSRC. With the new system, the establishment is first approved by the CSRC and only then can the applicant set up a company and start business after an on-site examination by the CSRC.

4.4.2.6 Regulatory developments for pension funds

4.169. The main regulation regarding pension funds is the Interim Measures on Qualification Recognition of Fund Management Institution of Enterprise Annuity (Decree No. 24 of the Ministry of Human Resources and Social Security, issued on 31 December 2004). This regulation was revised in April 2015, in technical areas such as the requirements for the registered capital of the trustee, the account manager and the investment manager, as well as the accounting and auditing rules applying to the firm.

4.170. In terms of market access, the situation remains unchanged; all financial institutions with their places of registry within the territory of China and having obtained the approval of the financial regulation authority, including commercial banks, securities companies, securities investment fund management companies and insurance companies, can apply for the qualification of "enterprise annuity fund management institution" on the basis of the relevant regulations of qualification. The qualification requirement for enterprise annuity management is non-discriminatory. Several institutions holding the enterprise annuity management qualification do have foreign shareholding.

4.4.2.7 Regulatory developments concerning e-payments

4.171. The first regulation on electronic payments in China was the Electronic Payment Guidelines (Announcement No. 1/23 of the PBOC), issued on 26 October 2005. These guidelines define electronic payment, as well as the norms on initiation and acceptance of the electronic payment order, safety controls and error handling. They were followed by the "Administrative Measures for the Online Payment Services of Non-banking Payment Institutions" (Announcement No. 4/43 of the PBOC, issued on 28 December 2015). These measures set rules on: the management of customers, activities and risks; the protection of customers' rights; the supervision of non-banking payment institutions engaged in online payment services; and the legal liabilities of these institutions.

4.172. None of these two regulations stipulate market access conditions for foreign operators. In that regard, the Administrative Measures for the Payment Services Provided by Non-Financial Institutions indicate that "the business scope of the payment institutions invested by the foreign operators, qualifications and ratio of investments for the foreign investors shall be separately stipulated by the PBOC, and submitted to the State Council for approval". The PBOC is presently preparing the relevant regulations.

4.4.3 Legal services

4.173. Since the beginning of the open door policy in the eighties, legal services, which were virtually entirely state owned, have emerged as one of the major professional services indispensable to the functioning of a dynamic market, whose legal framework is in constant evolution and whose judicial system is developing. There are at present 340,000 Chinese qualified lawyers practicing in 27,600 firms, 1,270 of which (i.e. 4.6%) are state owned. The number of Chinese qualified lawyers is in constant progression, increasing by about 20,000 persons a year on average, with a record increase of 30,000 persons in 2016.

4.174. The basic legislation on legal services is the Lawyers Law of 26 October 2012. The national judicial examination is open only to applicants with Chinese nationality and to permanent residents of the Hong Kong Special Administrative Region and the Macao Special Administrative Region. China has not concluded mutual recognition agreements on qualifications in legal services nor has it autonomously recognized legal qualification obtained in other countries or regions.

4.175. The 2012 law, echoing the GATS commitments, prohibits the employment of Chinese qualified lawyers by foreign firms, unless those lawyers relinquish their right to practice. In addition, the 2001 regulations on the administration of Foreign Law Firms' Representatives Offices in China, which came into force on 1 January 2002, stipulate that Chinese supporting staff in foreign law firms cannot provide legal services to clients.

4.176. In 2017, there were 244 foreign representative offices employing 594 foreign lawyers. Their total turnover in 2016 reached RMB 6,373 million. China has allowed foreign lawyers to be hired as foreign legal consultants by Chinese law firms in Beijing, Shanghai and Guangdong, a measure which is still in a pilot stage. At present, no foreign lawyers have served as legal consultants for Chinese law firms.

4.177. The business scope of foreign representative offices of law firms in China is defined by Article 15 of the Regulation on Administration of Foreign Law Firm's Representative Offices in China. This article stipulates that "a representative office and its representatives may only conduct the following activities that do not encompass Chinese legal affairs[103]: (1) providing clients with consultancy on the legislation of the country where the lawyers of the law firm are permitted to

[103] "Chinese legal affairs" being in turn defined by Article 32 of this regulation as "(1) participating in litigious activities as a lawyer within Chinese borders; (2) providing observations or proofs to specific issues that are subject to Chinese laws in terms of contracts, agreements, regulations and rules or other written documents; (3) providing observations and proofs to behaviours or incidents that are subject to Chinese laws; (4) providing agency opinions regarding the applicability of Chinese laws as an agent in arbitration activities and (5) representing the bailor to go through the processes of registration, alteration, application, filing and other formalities with government authorities or other organizations authorized by laws and regulations with the function of public administration".

engage in lawyer's professional work, and on international conventions and international practices; (2) handling, when entrusted by clients or Chinese law firms, legal affairs of the country where the lawyers of the law firms are permitted to engage in lawyer's professional work; (3) entrusting, on behalf of foreign clients, Chinese law firms to deal with the Chinese legal affairs; (4) entering into contracts to maintain long-term entrustment relations with Chinese law firms for legal affairs; and (5) providing information on the impact of the Chinese legal environment". Representative offices may directly instruct lawyers in the entrusted Chinese law firms, as agreed between both parties. A representative office and its representatives shall not conduct any legal service activities or other for-profit activities other than those set forth in the first paragraph and the second paragraph of this Article.

4.178. The regime for legal services bound by China in its GATS commitments stipulates no restrictions for WTO/CPC 861 legal services (excluding Chinese law practice) for cross border delivery and consumption abroad. As far as commercial presence is concerned, the only legal form allowed is representative offices. A representative office can engage in profit-making activities. The business scope bound for representative offices is based on the status quo since it reflects that of the applied regime described above.

4.179. This regime has not been liberalized *erga omnes* since the entry into force of the commitments. The applied regime corresponds therefore to the multilaterally bound regime, except in three cases: the two Closer Economic Partnership Arrangements (CEPAs) with the Hong Kong SAR and the Macao SAR, and within the China (Shanghai) Pilot Free Trade Zone.

4.180. As far as the CEPAs with the Hong Kong SAR and the Macao SAR are concerned, law firms in the Hong Kong SAR and the Macao SAR may establish partnership operations with mainland law firms. Residents of the Hong Kong SAR and the Macao SAR with Chinese citizenship may take part in the uniform national legal qualification examinations. Law firms of the Hong Kong SAR and the Macao SAR can engage in partnership with law firms in mainland China. Chinese citizens among Hong Kong SAR and Macao SAR permanent residents can take the uniform national legal professional qualification examination and those who pass the examination can apply to practice as lawyers in mainland China. The representatives of the representative offices of law firms from the Hong Kong SAR and the Macao SAR operating in mainland China are not limited in regard to the time of residence.

4.181. Two liberalization measures were taken in January 2014 in the China (Shanghai) Pilot Free Trade Zone. They are to allow legal firms to: (1) enter into an agreement with a Chinese law firm to mutually dispatch lawyers to the other firm; and (2) set up a joint operation in the FTZ with a Chinese law firm whereby they would provide legal services to Chinese and foreign clients based on the Chinese and foreign laws in accordance with the rights and obligations stipulated in their agreements, if the firms have already established representative offices in China.

4.182. Like for the establishment of domestic firms, the establishment of representative offices of foreign firms must be approved by judicial administrative authorities. The Regulations on Administration of Representative Office of Foreign Legal Firm in China (Decree No. 338 of the State Council) stipulate the procedures and conditions for representative offices set up in China by foreign legal firms.

4.183. Every representative in the representative office must: be a practicing lawyer and a member of the lawyers' association of the country where he/she acquired his/her practice qualification; have practiced as a lawyer for no less than two years outside the territory of China; and not have been punished due to a violation of lawyers' professional ethics or practice disciplines. Among the representatives, the chief representative shall have practiced as a lawyer for no less than three years outside the territory of China, and shall be a partner of the foreign law firm or a person holding the same post. There shall be an actual need for such a firm. However, according to the authorities, so far, China has never rejected an establishment application of a representative office on the basis of "actual needs".

4.184. Foreign representative offices must have three years of presence in one location before being allowed to open a second office in another city.

4.185. In terms of procedure, a foreign law firm shall, when applying to establish a representative office in China, submit application documents to the judicial administration department of the government of the province, autonomous region or municipality directly under the Central Government where the proposed representative office is to be domiciled. The judicial administration department of the government of a province, autonomous region or municipality directly under the Central Government shall, within three months of receiving the application documents, complete the examination, and submit the examination opinion and the documents to the judicial administration department under the State Council for examination. The judicial administration department of the State Council shall render a decision within six months; and shall grant a law practice licence to the representative office that has been approved and a law practice certificate to its representative.

4.4.4 Accounting, auditing and bookkeeping services

4.186. Accounting services emerged in China as a professional services sector in the eighties as a consequence of the open door policy and of its encouragement of foreign investment, as joint ventures needed an international type of accountancy. This type of accountancy was then generalized to the whole of the Chinese economy and adapted to the specific characteristics thereof, hence fostering the development of the accountancy profession, institutions, studies and standards.

4.187. There are at present more than 8,500 accounting firms (including branches) in total in China, with approximately 110,000 professional Certified Public Accountants (CPA), among which there are about 20 professional CPAs of foreign nationality. These foreigners having obtained the occupational qualification of CPA of China are mainly distributed in Beijing, Jiangsu, Shanghai, Fujian, and Sichuan. Although major large-scale accounting firms have joined international accounting networks, they are Chinese entities independent in law and do not have a relationship of subordination with foreign accounting firms. The total revenues of the sector were estimated at US$11.6 billion in 2016, US$8.2 billion of which stemmed from audit activities. In 2016, the total revenue of the whole industry was 15.4% higher than in 2015, with an average growth rate of 11.5% from 2011 to 2016.

4.188. The basic legislation and regulations for the profession are: the Accounting Law (2017), the Certified Public Accountants Law (2014), the Measures for the Licensing, Supervision and Administration of Accounting Firms (Decree No. 89 of MOF, 2017), the Measures for the Administration of Accounting Archives (Decree No. 79 of MOF, 2015), and the Measures for the Administration of Agency Bookkeeping (Decree No. 80 of MOF, 2016). Unlike for legal services, there is no specific legislation regarding foreign accountancy firms, whose status is hence governed by the general legislation.

4.189. There are no state-owned accounting/auditing/bookkeeping firms. As enshrined in the additional commitments section of China's GATS commitments, foreigners can sit the Chinese national CPA examination and, if they pass, will be granted national treatment in terms of issuance of licences. As mentioned above, there are at present twenty such foreign holders of the Chinese CPA qualifications. Up to now, China has not concluded mutual recognition agreements on qualifications in accounting services or autonomously recognized accounting qualifications obtained in other countries or regions.

4.190. As far as foreign accounting auditing and bookkeeping firms are concerned, the regime bound by China in its GATS commitments is the following: for cross-border and consumption abroad, there are no restrictions; and commercial presence partnerships and incorporated accounting firms are limited to Certified Public Accountants (CPAs) licensed by the authorities of China.

4.191. In China, accounting firms can take two legal forms: partnership (including the general and special partnerships) and limited liability companies (i.e. the "incorporated accounting firms" mentioned in China's GATS commitments). According to current laws and regulations, all accounting firms must be initiated and established by a natural person having obtained the practicing qualification of CPA of China and having two years of practice. There are no restrictions on the nationality of these natural persons since the Chinese CPA qualification is open to foreigners. The above-mentioned regulations on legal forms of the accounting firms are applicable to both domestic and foreign-funded accounting firms. There are no restrictions on the number of service providers, the value or quantity of services, the number of employees, or on capital for the foreign funded accounting firms.

4.192. China has also subscribed additional commitments whereby: (1) foreign accounting firms are permitted to affiliate with Chinese firms and enter into contractual agreements with their affiliated firms in other WTO Members; (2) issuance of licences to those foreigners who have passed the Chinese national CPA examination shall be accorded national treatment and applicants will be informed of results in writing no later than 30 days of submission of their applications; (3) accounting firms providing services can engage in taxation and management consulting services without being subject to the legal form limitations applicable to these services; and (4) existing contractual joint venture accounting firms are not limited only to CPAs licensed by the authorities of China.

4.193. Regarding the latter additional commitments (the so-called "big four grandfathering"), the situation has evolved since the accession of China. First the "big four" changed their legal form in 2012 from Chinese-foreign cooperative organizations to that of "general partnership". Second, the notion of Sino-foreign cooperative accounting firm/organization was removed from the law on CPA in 2014. Third, in accordance with the "Scheme for the Localization Restructuring of Chinese-Foreign Cooperative Accounting Firms" jointly issued by five departments, the "big four" have progressively lowered the proportion of partners not holding a Chinese CPA qualification: as of 31 December 2017, this proportion cannot exceed 20%.

4.194. Additionally, during the period under review, new autonomous liberalization measures were decided; the nationality clause stipulating that "the person whose principal partner of a special general partnership with an accounting firm (or performs other duties of the highest administrative duties) shall be of Chinese nationality" was deleted in the newly issued Special Management Measures for Foreign Investment in Pilot Free Trade Zone (Negative List) (2017 edition) and on the whole Chinese territory by the Guidance Catalogue of Foreign-invested Industry (2017 revision).

4.195. There is no specific preferential treatment regarding accounting services in China's FTAs including in the CEPAs with Hong Kong, China and Macao, China.

4.196. Foreign firms, in particular the "big four", dominate the market of the audits of Chinese companies listed on international stock exchanges, whereas local firms dominate that of companies listed on local stock exchanges. The total annual business revenue of the "big four" accounting firms was about US$2.1 billion in 2016, accounting for about 18.5% of the total revenue of China's CPA industry. Although the major large accounting firms have already joined or created international accounting networks, they are legally separate entities, and are not subordinate to any foreign accounting firms or part of any foreign accounting firms.

4.197. The procedures and conditions for licensing accounting firms are the same for all accounting firms. The conditions for establishing firms are defined by the Measures for the Practice Licensing and Supervision and Administration of Accounting Firms.[104]

4.198. The provincial finance departments are responsible for licensing. A licence is obtained usually within 30 workdays of the date of acceptance of an application. In terms of supervision and regulation, China combines administrative regulation and self-discipline; the financial department of the State Council and the provincial finance departments are responsible for the administrative supervision. The Chinese Institute of Certified Public Accountants and the provincial institute of Certified Public Accountants are responsible for self-discipline.

[104] For "ordinary partner accounting firms", the conditions are that there shall be: (1) more than two partners, (2) a written partnership agreement, and (3) an available business site. For "special ordinary partner accounting firms", the conditions are that there shall be: (1) more than 15 partners, (2) more than 60 Certified Public Accountants; (3) a written partnership; and (4) an available business site. For "accounting firms with limited liability" the conditions are that there shall be: (1) more than five shareholders, (2) a registered capital of no less than RMB 300,000, (3) articles of incorporation jointly formulated by shareholders, and (4) an available business site.

4.4.5 Taxation services

4.199. The development of taxation services in China has largely followed the same paths as that of legal services and accounting services to which it is deeply linked. Since, like in all jurisdictions, it is a less tightly regulated sector than the other two and an activity often practiced in conjunction with those two, relatively less information on firms and markets are available on it.

4.200. The basic legislation and regulations governing the sector are the Administrative Law on Tax Revenue Collection of 28 April 2001, last amended on 24 April 2015, the Enforcement Regulations of Law on Tax Revenue Collection of 7 September 2007, last amended on 6 February 2016, and the Regulations on Tax-Related Professional Services (under trial implementation). These regulations open the taxation services market, with a harmonized regulation, to a whole series of actors namely certified tax agencies, accounting firms, legal offices, accounts keeping agencies, tax agencies, and financial and taxation consulting companies. Their regulatory system is based on post–fact evaluation. The "trial implementation" status of the regulations means that they can further be revised and adapted to realities in the future rather than being implemented on a pilot basis in limited regions.

4.201. China's taxation service market is open to all legal persons and individuals including foreign ones. There are no access restrictions. Foreign firms providing taxation services are not obliged to employ uniquely qualified Chinese nationals. No licences are required for either individuals or firms.

4.202. The regime bound by China in its GATS commitment is liberal: for cross-border and consumption abroad, there are no restrictions; and for commercial presence, there are no restrictions either, as six years after China's accession, foreign firms were permitted to establish wholly foreign-owned subsidiaries. The applied regime corresponds to the multilateral bound regime.

4.203. China has not concluded mutual recognition agreements on qualifications in taxation services nor has it autonomously recognized taxation qualifications obtained in other countries.

4.4.6 Engineering and integrated engineering services

4.204. Engineering services are among the key professional services for China as they are a decisive input for manufacturing and for construction[105], two major components of China's GDP and exports.

4.205. Engineering services are defined in the present context in a narrow sense, as engineering activities provided on a fee or contract basis, as engineering as a whole, including in-house/own account engineering, is a much vaster universe. In 2015, the revenue estimations available for those two groups of activities stood at US$30 billion (with 550,000 employees and 68,000 companies) for engineering on fee or contract basis[106] and US$1,161 billion for mechanical engineering as a whole.[107] Using a narrower definition of "engineering survey and design enterprises", in 2016, there were 21,983 qualified enterprises (including 219 from other WTO Members) employing 348,520 registered professionals. Foreign-invested enterprises are present in 21 provinces.

4.206. The basic laws and regulations governing the sector are the following: the Construction Law of 1 March 1998, the Law on Tendering and Bidding of 1 January 2000, the Rules on Registered Architect of 23 September 1995, the Regulations on Quality Management of Construction Project of 30 January 2000, the Regulations on Survey and Design Management of Construction Project of 25 September 2000 and the Regulations on Management of Safe Production of Construction Project of 1 February 2004, the Interim Provisions on Management of Foreign Enterprises Engaged in Design Activity of Construction Engineering within the Territory of

[105] The regime of construction services in China was described in detail in the 2014 Report WT/TPR/S/300/Rev.1, dated 7 October 2014, Section 4.2.3.2.

[106] https://www.ibisworld.com/industry-trends/international/china-market-research-reports/scientific-research-technical-service-geologic-prospecting/engineering-services.htm.

[107] https://www.statista.com/statistics/263269/size-of-the-chinese-market-for-mechanical-engineering/.

the People's Republic of China (JS [2004] No. 78) and the Regulations on the Law on Tendering and Bidding of 1 February, 2012). The scope of this legislation extends well beyond construction and corresponds to the WTO/CPC definition of engineering services (CPC 8672).

4.207. Appropriate qualifications are required for companies providing engineering design services within the territory of China. These qualifications are of a non-discriminatory nature. They relate notably to personnel, technical equipment, and enterprise performance. They are granted by the housing and urban-rural development departments at provincial level. The legal audit period is 20-35 workdays starting from the day of acceptance (excluding the expert review period). The result must be published within 10 workdays of the day on which a decision is made. All the applicants that qualified after the audit shall be approved. The rejection ratio is unavailable.

4.208. As far as Chinese nationals are concerned, only survey and design engineers that have passed the national examination may work on engineering investigation, design and relevant business activities after registration. The examination is not open to individuals from other WTO Members except for Hong Kong, China; Macao, China; and Chinese Taipei. The examination is held by the Ministry of Human Resources and Social Security once a year. The registration and approval authority is the Ministry of Housing and Urban-Rural Development. The registration certificate is valid for three years. The survey and design engineer professional qualification examination consists of a basic examination and a professional examination, and those who pass both parts can apply for a registered practice. Foreign engineers can work in China but cannot sign professional documents or be legally responsible for works undertaken. These tasks require the presence of a Chinese qualified engineer.

4.209. China has not concluded mutual recognition agreements on qualifications in engineering design with other countries or regions, nor has it autonomously recognized engineering design qualifications obtained in other countries or regions.

4.210. As far as foreign engineering services providers are concerned, according to China's GATS commitments, for cross-border services, cooperation with Chinese professional organizations is required except for scheme design.[108] This mode 1 restriction is reflected in the applied regime.[109]

4.211. There are no restrictions for consumption abroad. For commercial presence, wholly foreign owned enterprises are allowed and foreign services suppliers shall be registered architects/engineers, or enterprises engaged in architectural/engineering/urban planning services in their home country. The bound regime corresponds to the applied regime, which has not been liberalized further by any of the FTAs signed by China, including the CEPAs with Macao, China and Hong Kong, China. However, the requirement that foreign services suppliers shall be registered architects/engineers, or enterprises engaged in architectural/engineering/urban planning services in their home country, which is reflected in China's WTO commitments, has been waived in the context of the Shanghai Pilot Free Trade Zone.

4.212. As mentioned above, foreign companies providing engineering services are subject, like Chinese companies providing the same services, to a non–discriminatory qualification and registration procedure.

4.4.7 Pipeline services

4.213. The total length of the pipeline network in China was 112,000 km in 2015, of which 64,000 km was for gas, 27,000 km for crude oil, and 21,000 km for refined oil. In July 2017, the

[108] Defined by the "Detailed Regulations on Construction Engineering Design Document Preparation", (JZH [2016] No. 247). As "the design specification, the general plan and related construction design drawings, design commission or perspective, aerial view, models, etc. stipulated in the design contract".

[109] In accordance with the provisions specified in the Interim Provisions on Management of Foreign Enterprises Engaged in Design Activity of Construction Engineering within the Territory of the People's Republic of China (Jian Shi (2004) No. 78), a foreign enterprise, which undertakes design (except scheme design) of construction engineering within the territory of the People's Republic of China, must choose at least one Chinese design enterprise with the design qualification for construction engineering issued by a competent administrative authority of construction, to cooperate as regards design, and undertake design business within the scope permitted in the qualification of the chosen Chinese design enterprise.

NDRC and the National Energy Administration (NEA) unveiled a plan to expand the network of oil and gas pipelines, under which the network should reach 169,000 km by 2025, of which 104,000 km for natural gas, 32,000 km for crude oil and 33,000 km for refined oil. One of the plan's targets is to connect all Chinese cities with a population of at least 1 million people to a pipeline for refined oil and to connect all cities with more than 500,000 residents to a gas pipeline so as to achieve another target: an increase in the share of natural gas in China's energy mix from 6.5% in 2017 to 10% by 2020.

4.214. The Chinese pipeline network is connected to various pipeline networks in Russia, Central Asian countries, and Myanmar. China is also a party to ongoing international pipeline projects and new interconnection projects with foreign pipeline networks. These international pipelines involve both Chinese state-owned companies and Chinese private companies and are managed under commercial and conventional terms with the country(ies) partners' operators. They are subject to third-party access in case of excess capacity.

4.215. Currently, not all the pipelines for oil and gas are state owned. Pipeline assets are diversified and the main owners of pipeline assets are central enterprises, local state-owned enterprises, private capital and foreign enterprises. Foreign participation in pipelines for oil and gas is encouraged by the 2017 Catalogue on Guidance of Foreign Investment.

4.216. The sector is highly concentrated with only 52 companies and with the top four players accounting for nearly 90% of the revenues. The revenue forecast of the sector for 2017 is US$13.5 billion, with an annualized revenue growth of 8.7% over the last five years. Profit is estimated at 14.6% of the revenues. The sector employed 543,241 persons in 2017.[110] The B2B/trunk/wide-diameter/high-pressure pipelines are largely dominated by three state-owned enterprises.[111] These state-owned enterprises have subsidiaries listed in stock markets; there is a certain degree of foreign ownership through foreign shareholders.

4.217. Regarding the regulatory regime of the sector, China did not undertake any GATS commitments regarding pipeline transport services at the time of its WTO accession, nor did it make an offer on the sector in the context of the Doha Development Agenda.

4.218. The applied regime contains no restrictions on investment in pipeline projects. However, according to the provisions of the Catalogue of Investment Projects subject to Government Approval (2016 version), cross-border and inter-provincial pipeline projects for oil and gas are examined and approved by the State; other pipeline projects are examined and approved by local governments. In such cases, the authority for examining and approval can be further decentralized. The examination and approval process applies to all investors. Regarding existing pipelines, when a foreign investor acquires pipelines for oil and gas from a domestic enterprise, a safety review shall be conducted by the State.

4.219. According to the authorities, there are no limitations on the volume or value of services, or on assets detained or legal forms. There are no subsidies or tax rebates reserved for nationals, no nationality or residency requirements, no discriminatory licensing and qualification requirements, no discriminatory registration requirements or authorization requirements, no technology transfer or training requirements, and no ownership of property or land requirements applicable only to foreigners.

4.220. Regarding participation of foreign capital, the 2017 Investment Catalogue classifies pipelines as an "encouraged industry" and allows wholly foreign-owned pipelines. This acquisition is subject to a national security review if it falls within the scope of the Notice of the General Office of the State Council on Establishing Security Check Mechanism for Foreign Investors to Merge with

[110] The "Detailed Regulations on Construction Engineering Design Document Preparation", (JZH [2016] No. 247).

[111] These are China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation/Petrochina (CNPC), and China Petrochemical Corporation/Sinopec (CPCC)). They are dominant in all three sub-segments i.e. for crude oil (where of a total length of 25,300 km, CNPC owns 18,100 km and CPCC 7,200 km), for refined oil (where of a total length of 21,200 km, CNPC owns 10,000 km, CPCC 10,800 km and CNOOC 300 km) and for natural gas (where of a total length of 58,700 km, CNPC owns 50,800 km, CPCC 7,200km and CNOOC 700 km).

or Acquire Domestic Enterprises (Guo Ban Fa [2011] No. 6).[112] However, in the case of the construction and management of gas, heating, water supply and sewage pipeline networks of cities with populations above 500,000, the Chinese party shall control the company.

4.221. In 2014, China created a third-party access regime through the promulgation of the Management Measures of Natural Gas Infrastructure Construction and Operation (NDRC Decree [2014] No. 8), and the Measures for the Supervision and Management of the Fair Opening of Pipeline Facilities for Oil and Gas (Trial) (Guo Neng Jian Guan [2014] No. 84). These measures are a trial version with a validity period of five years.[113]

4.222. The measures provide that pipeline and facility operators must open in a fair and impartial manner pipeline networks and associated facilities to third parties and provide transportation, storage, gasification, liquefaction and compression and other services, if they have surplus capacity. Excess capacity is measured through daily notification of capacity utilizations to the National Energy Administration (NEA) and through their daily publication on the website of the operator concerned. Users can also complain that excess capacity is not offered on a third party basis, in which case the NEA will instruct and adjudicate the complaint. In order to do so, a natural gas infrastructure operator shall, in accordance with the regulations, publish the conditions for the provision of services, the procedures for obtaining services and the excess capacity. The facilities to be opened include not only trunk pipelines and branch pipelines for crude oil, refined oil and natural gas (including the pipeline networks within the province with transportation functions), but also the relevant associated facilities including ports, receiving terminals, and liquefaction, compression and storage facilities.[114] Eligible upstream and downstream users must be enterprises registered in China. Where there are multiple users of the pipeline networks and associated facilities, operators must open access to users on an equal basis without discrimination, but giving priority to contracts in place (and where there is more than one, based on the date of signing chronologically).

4.223. As far as pricing is concerned, applicable rules are: the Circular of National Development and Reform Commission on Printing and Issuing the Measures for the Management of Natural Gas Pipeline Transportation Prices (Trial) and the Measures for the Supervision and Examination of the Pricing Cost of Natural Gas Pipeline Transportation (Trial) (NDRC Pricing Rule [2016] No. 2142), the Guiding Opinions on Strengthening Supervision and Control over the Price of Gas Distribution (NDRC Pricing [2017] No. 1171). They are based on the principle of "allowing cost plus reasonable profits". They define the methods and procedures of price formulation and adjustment, based on some core indicators (detailed provisions of permissible rate of return, load rate, etc.). They require that the costs of transportation of natural gas pipelines be separately calculated and checked, and define the specific standards for the major indicators that constitute the cost of pricing such as employee compensation, management fees and sales expenses.

4.224. In terms of rate of return, the Management Methods on Transportation Price of Natural Gas Pipeline (Trial) set the after-tax rate of return on full investment of trans-provincial long-distance pipeline at 8%, while requiring a pipe load rate of no less than 75%. The Guidance Notes on Enhancing Gas Distribution Price determine that the after-tax rate of return on full investment of municipal gas distribution shall not be higher than 7% in view of the lower risks involved.

[112] This regulation defines the relevant scope as "mergers or acquisitions by foreign investors of domestic military enterprises and their affiliates, enterprises surrounding key and sensitive military facilities, as well as other enterprises concerning national defence security; domestic enterprises concerning agricultural products, energy and resources, basic infrastructure, transportation service, technology and manufacturing among other areas of key significance, in which the actual control may be acquired by foreign investors."

[113] Lexology online information. Viewed at: https://www.lexology.com/library/detail.aspx?g=6d54b447-a503-4175-b075-5aaafb663c1c [04.04.2018].

[114] This should apply also in the medium term to crude oil and refined oil pipelines, for which, for the time being, there is less demand for third-party access.

4.225. The May 2017 joint guidelines by the State Council and the CPC central committee "measures for deepening the reform of the oil and gas sector" set eight "tasks" to reform the oil and gas industry, including a detailed plan to reinforce sanctions in case of denial of open access and an unbundling strategy whereby midstream pipeline owners would be "encouraged" to split gas sales from pipeline transportation business, so as to avoid the formation of a monopoly and to channel more capital into the construction of pipelines. The legal modalities of this planned unbundling are still under discussion.

5 APPENDIX TABLES

Table A1.1 China's merchandise exports by group of products, 2013-16

	2013	2014	2015	2016
Total exports (US$ billion)	2,209.0	2,342.3	2,273.5	2,097.6
	(% of total)			
Exports under processing trade	39.0	37.8	35.1	34.1
Total primary products	5.9	5.9	5.6	6.0
Agriculture	3.2	3.2	3.2	3.6
Food	2.7	2.7	2.8	3.2
Agricultural raw material	0.5	0.5	0.4	0.4
Mining	2.7	2.7	2.4	2.4
Ores and other minerals	0.2	0.2	0.1	0.1
Non-ferrous metals	1.0	1.1	1.0	1.0
Fuels	1.5	1.5	1.2	1.3
Manufactures	94.0	94.0	94.3	93.7
Iron and steel	2.5	3.1	2.8	2.6
Chemicals	5.4	5.7	5.7	5.8
Other semi-manufactures	8.1	8.2	8.6	8.2
Machinery and transport equipment	47.1	45.8	46.7	47.0
Power generating machines	1.2	1.2	1.2	1.3
Other non-electrical machinery	6.2	6.4	6.4	6.8
Office machines & telecommunication equipment	26.9	25.4	25.9	25.8
7643 - Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound-recording or reproducing apparatus	4.3	5.0	5.5	5.5
7522 - Digital automatic data-processing machines, containing in the same housing at least a central processing unit and an input and output unit, whether or not combined	5.2	4.8	4.1	3.9
7649 - Parts and accessories suitable for use solely or principally with the apparatus of division 76	2.8	2.6	2.8	3.0
7764 - Electronic integrated circuits and microassemblies	4.0	2.7	3.1	3.0
7611 - Television receivers, colour (including video monitors and video projectors), whether or not incorporating radio-broadcast receivers or sound- or video-recording or reproducing apparatus	1.0	1.1	1.1	1.2
7599 - Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with the machines of subgroups 751.1, 751.2, 751.9 and group 752	1.3	1.3	1.3	1.2
7763 - Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices (including photovoltaic cells, whether or not assembled in modules or made up into panels); light-emitting diodes	1.1	1.2	1.3	1.2
7527 - Storage units, whether or not presented with the rest of a system	0.8	0.7	0.7	0.8
Other electrical machines	7.7	7.7	7.9	8.1
7712 - Other electric power machinery; parts of the electric power machinery of group 771	1.2	1.0	1.0	1.0
7731 - Insulated (including enamelled or anodized) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables made up of individually sheathed fibres, whether or not assembled with	0.9	0.9	0.9	1.0
7758 - Electrothermic appliances, n.e.s.	0.8	0.8	0.8	0.9
Automotive products	2.1	2.2	2.2	2.3
7843 - Other parts and accessories of the motor vehicles of groups 722, 781, 782 and 783	1.2	1.2	1.2	1.3
Other transport equipment	3.0	2.9	3.1	2.8
7932 - Ships, boats and other vessels (other than pleasure craft, tugs, pusher craft, special-purpose vessels and vessels for breaking up)	1.0	0.8	0.9	0.9
Textiles	4.8	4.8	4.8	5.0
Clothing	8.0	8.0	7.7	7.5
8453 - Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	0.9	0.9	0.9	0.8

	2013	2014	2015	2016
Other consumer goods	18.2	18.5	18.0	17.6
8131 - Lamps and lighting fittings (including searchlights and spotlights), n.e.s.	0.9	1.3	1.5	1.4
8719 - Liquid crystal devices, n.e.s.; lasers (other than laser diodes); other optical appliances and instruments, n.e.s.	1.7	1.5	1.5	1.4
8211 - Seats (other than those of heading 872.4), whether or not convertible into beds, and parts thereof	1.0	1.0	1.0	1.0
8513 - Footwear, n.e.s., with outer soles and uppers of rubber or plastics	1.0	1.1	1.1	1.0
8942 - Children's toys	0.6	0.6	0.7	0.9
Other	0.1	0.1	0.1	0.3

Note: Data for 2017 not available at the time of finalization of this report.

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.2 China's merchandise imports by group of products, 2013-16

	2013	2014	2015	2016
Total imports (US$ billion)	1,950.0	1,959.2	1,679.6	1,587.9
	(% of total)			
Imports under processing trade	25.5	26.8	26.6	25.0
Total primary products	36.4	35.6	30.7	30.3
Agriculture	8.5	8.7	9.5	9.8
Food	5.1	5.4	6.1	6.3
2222 - Soya beans	1.9	2.1	2.1	2.1
Agricultural raw material	3.4	3.3	3.4	3.5
Mining	27.9	26.9	21.2	20.5
Ores and other minerals	9.1	8.2	6.8	6.9
2815 - Iron ore and concentrates, not agglomerated	5.2	4.6	3.3	3.6
2831 - Copper ores and concentrates	1.0	1.1	1.1	1.3
Non-ferrous metals	2.6	2.5	2.6	2.5
6821 - Copper, refined and unrefined; copper anodes for electrolytic refining; copper alloys, unwrought	1.5	1.5	1.4	1.4
Fuels	16.2	16.2	11.8	11.1
3330 - Petroleum oils and oils obtained from bituminous minerals, crude	11.3	11.7	8.0	7.3
Manufactures	58.2	60.2	64.2	64.9
Iron and steel	1.1	1.1	1.2	1.2
Chemicals	9.7	9.8	10.2	10.3
5112 - Cyclic hydrocarbons	1.2	1.1	1.0	1.0
Other semi-manufactures	2.8	4.1	3.1	3.1
Machinery and transport equipment	36.4	37.0	40.7	41.5
Power generating machines	0.7	0.8	0.8	0.8
Other non-electrical machinery	5.1	5.4	5.6	5.5
7284 - Machinery and mechanical appliances specialized for particular industries, n.e.s.	1.0	1.2	1.3	1.5
Office machines & telecommunication equipment	20.2	19.3	22.8	23.3
7764 - Electronic integrated circuits and microassemblies	11.9	11.1	13.7	14.3
7649 - Parts and accessories suitable for use solely or principally with the apparatus of division 76	2.5	2.4	2.9	3.1
7763 - Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices (including photovoltaic cells, whether or not assembled in modules or made up into panels); light-emitting diodes	1.1	1.2	1.3	1.3
7527 - Storage units, whether or not presented with the rest of a system	1.0	1.0	1.0	1.1
7599 - Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with the machines of subgroups 751.1, 751.2, 751.9 and group 752	0.9	1.0	1.0	0.8
Other electrical machines	4.8	4.8	5.1	5.1
7725 - Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (e.g. switches, relays, fuses, surge suppressors, plugs, sockets, lamp-holders, junction boxes) for a voltage not exceeding 1,000	0.7	0.8	0.8	0.9
7722 - Printed circuits	0.7	0.7	0.7	0.6
Automotive products	4.0	4.8	4.3	4.8
7812 - Motor vehicles for the transport of persons, n.e.s.	2.4	3.0	2.6	2.8
7843 - Other parts and accessories of the motor vehicles of groups 722, 781, 782 and 783	1.2	1.4	1.4	1.6
Other transport equipment	1.7	2.0	2.1	2.0
7924 - Aeroplanes and other aircraft, mechanically-propelled (other than helicopters), of an unladen weight exceeding 15,000 kg	1.0	1.3	1.4	1.2
Textiles	1.1	1.0	1.1	1.1
Clothing	0.3	0.3	0.4	0.4
Other consumer goods	6.8	6.7	7.5	7.4
8719 - Liquid crystal devices, n.e.s.; lasers (other than laser diodes); other optical appliances and instruments, n.e.s.	2.8	2.6	2.8	2.4
Other	5.4	4.2	5.1	4.8
9710 - Gold, non-monetary (excluding gold ores and concentrates)	0.0	0.0	4.7	4.0

Note: Data for 2017 not available at the time of finalization of this report.

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.3 China's merchandise exports by destination, 2013-16

	2013	2014	2015	2016
Total exports (US$ billion)	2,209.0	2,342.3	2,273.5	2,097.6
	(% of total)			
Americas	24.1	24.0	25.1	25.1
United States	16.7	17.0	18.0	18.4
Other America	7.4	7.1	7.1	6.7
Mexico	1.3	1.4	1.5	1.5
Canada	1.3	1.3	1.3	1.3
Europe	16.5	17.0	16.8	17.3
EU-28	15.4	15.8	15.7	16.2
Germany	3.0	3.1	3.0	3.1
Netherlands	2.7	2.8	2.6	2.7
United Kingdom	2.3	2.4	2.6	2.7
Italy	1.2	1.2	1.2	1.3
France	1.2	1.2	1.2	1.2
EFTA	0.3	0.3	0.3	0.3
Other Europe	0.8	0.9	0.9	0.9
Commonwealth of Independent States (CIS)	3.8	3.7	2.6	3.0
Russian Federation	2.2	2.3	1.5	1.8
Africa	4.1	4.4	4.7	4.3
Middle East	4.4	5.0	4.9	4.6
United Arab Emirates	1.5	1.7	1.6	1.4
Asia	47.1	45.8	45.9	45.6
Japan	6.8	6.4	6.0	6.2
Other Asia	40.3	39.4	39.9	39.5
Hong Kong, China	17.4	15.5	14.5	13.7
Korea, Republic of	4.1	4.3	4.5	4.5
Viet Nam	2.2	2.7	2.9	2.9
India	2.2	2.3	2.6	2.8
Singapore	2.1	2.1	2.3	2.1
Chinese Taipei	1.8	2.0	2.0	1.9
Malaysia	2.1	2.0	1.9	1.8
Australia	1.7	1.7	1.8	1.8
Thailand	1.5	1.5	1.7	1.8
Indonesia	1.7	1.7	1.5	1.5
Philippines	0.9	1.0	1.2	1.4
Other	0.0	0.0	0.0	0.1
Memorandum:				
APEC	65.0	63.8	63.7	63.8
ASEAN	11.0	11.6	12.2	12.2

Note: Data for 2017 not available at the time of finalization of this report.

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.4 China's merchandise imports by origin, 2013-16

	2013	2014	2015	2016
Total imports (US$ billion)	1,950.0	1,959.2	1,679.6	1,587.9
	(% of total)			
Americas	15.6	15.9	16.5	16.1
United States	7.9	8.2	8.9	8.5
Other America	7.8	7.7	7.7	7.6
Brazil	2.8	2.6	2.6	2.9
Chile	1.1	1.1	1.1	1.2
Canada	1.3	1.3	1.6	1.2
Europe	14.6	15.0	15.3	16.0
EU-28	11.3	12.5	12.4	13.1
Germany	4.8	5.4	5.2	5.4
France	1.2	1.4	1.5	1.4
United Kingdom	1.0	1.2	1.1	1.2
EFTA	3.1	2.3	2.7	2.7
Switzerland	2.9	2.1	2.5	2.5
Other Europe	0.3	0.2	0.2	0.2
Commonwealth of Independent States (CIS)	3.6	3.4	3.2	3.0
Russian Federation	2.0	2.1	2.0	2.0
Africa	5.9	5.8	4.1	3.5
South Africa	2.5	2.3	1.8	1.4
Middle East	8.0	8.2	6.0	5.4
Saudi Arabia, Kingdom of	2.7	2.5	1.8	1.5
Asia	43.8	44.1	46.1	47.8
Japan	8.3	8.3	8.5	9.2
Other Asia	35.5	35.8	37.6	38.6
Korea, Republic of	9.4	9.7	10.4	10.0
Chinese Taipei	8.0	7.8	8.5	8.7
Australia	5.1	5.0	4.4	4.5
Malaysia	3.1	2.8	3.2	3.1
Thailand	2.0	2.0	2.2	2.4
Viet Nam	0.9	1.0	1.8	2.3
Singapore	1.5	1.6	1.6	1.6
Indonesia	1.6	1.2	1.2	1.3
Philippines	0.9	1.1	1.1	1.1
Other	8.3	7.5	8.6	8.1
Free Zone China[a]	8.1	7.4	8.5	8.1
Memorandum:				
APEC	63.4	62.7	67.3	60.1
ASEAN	10.2	10.6	11.6	12.4

a Includes goods that have been exported from China and thereafter re-imported into China.

Note: Data for 2017 not available at the time of finalization of this report.

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.5 Inward foreign direct investment, 2013-16

(US$ billion)

	2013	2014	2015	2016	
					% of total FDI
Total	**117.59**	**119.56**	**126.27**	**126.00**	
Hong Kong, China	78.30	85.74	86.39	81.47	64.7
British Virgin Islands	..	..	7.39	6.74	5.3
Singapore	7.33	5.93	6.90	6.05	4.8
Cayman Islands	..	..	4.03	5.15	4.1
Korea, Rep. of	3.06	3.97	3.20	4.75	3.8
Japan	7.06	4.33	2.09	3.10	2.5
Germany	2.10	2.07	1.99	2.71	2.2
United States	3.35	2.67	1.56	2.39	1.9
Chinese Taipei	5.25	5.18	1.54	1.96	1.6
Luxembourg	..	..	1.44	1.39	1.1
United Kingdom	1.04	1.35	1.22	1.35	1.1
Samoa	..	..	0.89	0.87	0.7
Other	10.10	8.32	7.63	8.08	6.4

.. Not available.

Note: Figures refer to foreign capital actually used.

Source: Data provided by the authorities of China.

Table A1.6 Inward foreign direct investment by sector, 2013-16

(US$ billion)

	2013	2014	2015	2016	
					% of total FDI
Total	**117.59**	**119.56**	**126.27**	**126.00**	**100.0**
Agriculture, forestry and fishery	1.80	1.52	1.53	1.90	1.5
Mining	0.36	0.56	0.24	0.10	0.1
Manufacturing	45.55	39.94	39.54	35.49	28.2
Electricity, gas and water	2.43	2.20	2.25	2.15	1.7
Construction	1.22	1.24	1.56	2.48	2.0
Wholesale and retail trade	11.51	9.46	12.02	15.87	12.6
Transport, storage and post	4.22	4.46	4.19	5.09	4.0
Hotels and catering service	0.77	0.65	0.43	0.37	0.3
Information transmission, computer and software	2.88	2.76	3.84	8.44	6.7
Financial intermediation	2.33	4.18	14.97	10.29	8.2
Real estate	28.80	34.63	28.99	19.66	15.6
Leasing and business services	10.36	12.49	10.05	16.13	12.8
Scientific research, technical services and geological prospecting	2.75	3.25	4.53	6.52	5.2
Water conservancy, environment and public facilities	1.04	0.57	0.43	0.42	0.3
Other	1.56	1.65	1.68	1.11	0.9

Note: Figures refer to foreign capital actually used.

Source: Data provided by the authorities of China.

Table A1.7 Main destinations of outward foreign direct investment, 2016

Destination	Value (US$ billion)
Total	**170.12**
Hong Kong, China	86.20
United States	19.50
Cayman Islands	17.68
British Virgin Islands	10.38
Singapore	4.21
Australia	3.68
Germany	2.95
Canada	2.28
Indonesia	1.62
United Kingdom	1.21
India	1.06
Thailand	0.83
Netherlands	0.82
Korea, Rep. of	0.78
New Zealand	0.68
Malaysia	0.67
Iran	0.63
Viet Nam	0.59
Bermuda Islands	0.58
Laos	0.58
Other	13.17

Source: Data provided by the authorities of China.

Table A1.8 Outward foreign direct investment by sector, 2015

Destination	Value (US$ billion)
Total	**145.67**
Agriculture, forestry and fishery	2.57
Mining	11.25
Manufacturing	19.99
Electricity, gas and water	2.14
Construction	3.74
Wholesale and retail trade	19.22
Transport, storage and post	2.73
Hotels and catering service	0.72
Information transmission, computer and software	6.82
Banking	24.25
Real estate	7.79
Leasing and business services	36.26
Scientific research, technical services and geological prospecting	3.35
Water conservancy, environment and public facilities	1.37
Other	3.49

Source: Data provided by the authorities of China.

Table A2.1 Main notifications under WTO Agreements (1 January 2015-31 March 2018)

Agreement	Requirement/content	Document symbol and date of latest notification
Agreement on Agriculture		
Articles 10 and 18.2	Table ES:1 – Export subsidies for 2013 and 2014	G/AG/N/CHN/29, 02/02/2016
Article 18.2	Table MA:2 – Tariff quotas	G/AG/N/CHN/30, 02/02/2016
Article 18.2	Table DS:1 – Domestic support	G/AG/N/CHN/28, 06/05/2015
Article XXIV of GATT 1994		
Article XXIV:7(a) of GATT 1994 and Article V:7(a) of GATS	Free Trade Agreement between Australia and China	WT/REG369/N/1-S/C/N/858, 27/01/2016
Article XXIV:7(a) of GATT 1994 and Article V:7(a) of GATS	Free Trade Agreement between Republic of Korea and China	WT/REG370/N/1-S/C/N/854, 02/03/2016
Enabling Clause		
Enabling Clause – LDCs	Duty-free treatment for LDCs	WT/COMTD/N/39/Add.2, 21/11/2016
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping)		
Article 16.4	Semi-annual reports of anti-dumping actions (taken within the preceding six months)	G/ADP/N/265/CHN, 23/01/2015; G/ADP/N/272/CHN, 09/10/2015; G/ADP/N/280/CHN, 10/03/2016; G/ADP/N/286/CHN, 07/09/2016; G/ADP/N/294/CHN, 15/03/2017; G/ADP/N/300/CHN, 04/08/2017
General Agreement on Tariffs and Trade (GATT) 1994		
Article XVII:4(a)	Notification under the Understanding on the Interpretation of Article XVII, on state trading for the period 2003-2014	G/STR/N/10/CHN-G/STR/N/11/CHN-G/STR/N/12/CHN-G/STR/N/13/CHN-G/STR/N/14/CHN-G/STR/N/15/CHN, 19/10/2015 G/STR/N/10/CHN/Corr.1-G/STR/N/11/CHN/Corr.1-G/STR/N/12/CHN/Corr.1-G/STR/N/13/CHN/Corr.1-G/STR/N/14/CHN/Corr.1-G/STR/N/15/CHN/Corr.1, 02/12/2016
General Agreement on Trade in Services		
Article V:7(a) of GATS (already referred to)	Notification of RTA – China and the Republic of Korea	S/C/N/854, 02/03/2016
Article V:7(a) of GATS (already referred to)	Notification of RTA – Australia and China	S/C/N/858, 27/01/2016
Services LDC waiver	Notification of China's preferential treatment to services and services suppliers of least developed countries	S/C/N/809, 23/07/2015
Agreement on Import Licensing Procedures		
Article 7.3	Replies to questionnaire on import licensing procedures	G/LIC/N/3/CHN/14, 29/11/2016
Article 7.3	Replies to questionnaire on import licensing procedures	G/LIC/N/3/CHN/15, 12/01/2018
Quantitative Restrictions		
QR - (G/L/59) - biennial	Notification of quantitative restrictions	G/MA/QR/N/CHN/1, 24/04/2015; G/MA/QR/N/CHN/2, 24/04/2015; G/MA/QR/N/CHN/3, 24/04/2015
Agreement on Rules of Origin		
Article 5 and Paragraph 4 of Annex II	Notification of preferential rules of origin for least developed countries Preferential and non-preferential rules of origin	G/RO/LDC/N/CHN/1, 10/07/2017; G/RO/N/132, 07/09/2015 G/RO/N/137, 11/04/2016; G/RO/N/138, 11/04/2016
Agreement on Safeguards		
Article 12.1(a)-(c)	Safeguard investigations, findings, and decisions	G/SG/N/6/CHN/2, 26/09/2016; G/SG/N/8/CHN/2, 27/04/2017; G/SG/N/8/CHN/2/Suppl.1, G/SG/N/10/CHN/2, G/SG/N/11/CHN/2, 23/05/2017
Agreement on the Application of Sanitary and Phytosanitary Measures		
Article 7 and Annex B	Notifications in 2017 = 7	G/SPS/N/CHN/1062-1069
Article 7 and Annex B	Notifications in 2017 = 8	G/SPS/N/CHN/1054-1061
Article 7 and Annex B	Notifications in 2016 = 12	G/SPS/N/CHN/1042-1053
Article 7 and Annex B	Notifications in 2015 = 339	G/SPS/N/CHN/703-1041

Agreement	Requirement/content	Document symbol and date of latest notification
Agreement on Subsidies and Countervailing Measures		
Article 25.1	Programmes granted or maintained at the central government level during the period from 2001 to 2014	G/SCM/N/220/CHN/Suppl.1 – G/SCM/N/253/CHN/Suppl.1 – G/SCM/N/284/CHN/Suppl.1, 29/07/2016; G/SCM/N/220/CHN – G/SCM/N/253/CHN – G/SCM/N/284/CHN, 30/10/2015
	Programmes granted or maintained at the sub-central government level during the period from 2001 to 2014	G/SCM/N/95/CHN/Suppl.1 G/SCM/N/123/CHN/Suppl.1 G/SCM/N/155/CHN/Suppl.1 G/SCM/N/186/CHN/Suppl.1 G/SCM/N/220/CHN/Suppl.1 G/SCM/N/253/CHN/Suppl.1 G/SCM/N/284/CHN/Suppl.1, 29/07/2016
Article 25.11	Semi-annual report on countervailing duty actions	G/SCM/N/321/CHN, 07/08/2017
Agreement on Technical Barriers to Trade (TBT)		
Article 2.10	Diesel fuels for motor vehicles Gasoline for motor vehicles Formaldehyde emission limit of wood-based panels and finishing products Plastic waste	G/TBT/N/CHN/1190, 08/02/2017; G/TBT/N/CHN/1191, 08/02/2017; G/TBT/N/CHN/1201, 29/05/2017; G/TBT/N/CHN/1211, 18/07/2017
Article 2.9	Notification of technical regulations:	
	Notifications in 2018 = 9	G/TBT/N/1247-1252, 1254, 1258, 18/01/2018; G/TBT/N/CHN/1259, 31/01/2018
	Notifications in 2017 = 56	G/TBT/N/CHN/1189-1220, 04/01/2017-13/10/2017; G/TBT/N/CHN/262/Rev.1, 17/02/2017 G/TBT/N/CHN/1222, 03/11/2017; G/TBT/N/CHN/1224-1245, 15/11/2017-30/11/2017; G/TBT/N/1236/Corr.1, 05/12/2017
	Notifications in 2016 = 33	G/TBT/N/CHN/1162-1188, 07/01/2016-05/12/2016; G/TBT/N/CHN/1152/Rev.1, 08/01/2016 G/TBT/N/CHN/45/Rev.2, 28/04/2016; G/TBT/N/CHN/228/Rev.1, 28/04/2016; G/TBT/N/CHN/690/Rev.1, 28/04/2016; G/TBT/N/CHN/391/Rev.1, 30/09/2016; G/TBT/N/CHN/683/Rev.1, 03/10/2016
Article 5.6	Smart mobile terminals Drugs Light-duty vehicles Medical devices Drugs Vehicle emissions Drugs Medical devices Medical devices Medical devices Medical devices Medical devices Drugs Biological products Helmets for motorcyclists Electrically heating blankets, etc. Drugs Drugs Food Drugs Drugs Drugs Drugs, medical devices Drugs	G/TBT/N/CHN/1171, 07/04/2016; G/TBT/N/CHN/1173, 13/05/2016; G/TBT/N/CHN/1178, 07/07/2016; G/TBT/N/CHN/1179, 07/07/2016; G/TBT/N/CHN/1180, 14/09/2016; G/TBT/N/CHN/930/Rev.1, 03/10/2016; G/TBT/N/CHN/1182, 12/10/2016; G/TBT/N/CHN/1183, 28/11/2016; G/TBT/N/CHN/1184, 28/11/2016; G/TBT/N/CHN/1185, 30/11/2016; G/TBT/N/CHN/1186, 30/11/2016; G/TBT/N/CHN/1024/Rev.1, 30/11/2016; G/TBT/N/CHN/1192, 10/01/2017; G/TBT/N/CHN/1198, 27/02/2017; G/TBT/N/CHN/1213, 28/07/2017; G/TBT/N/CHN/1214, 28/07/2017; G/TBT/N/CHN/1221, 03/11/2017; G/TBT/N/CHN/1223, 08/11/2017; G/TBT/N/CHN/1246, 09/01/2018; G/TBT/N/CHN/1253, 18/01/2018; G/TBT/N/CHN/1254, 18/01/2018; G/TBT/N/CHN/1255, 18/01/2018; G/TBT/N/CHN/1258, 18/01/2018; G/TBT/N/CHN/1257, 18/01/2018

Agreement	Requirement/content	Document symbol and date of latest notification
Agreement on Trade-Related Aspects of Intellectual Property Rights		
Article 63.2	Replacement or consolidation of the Trademark Law	IP/N/1/CHN/5; IP/N/1/CHN/T/3, 02/12/2016
	Regulations for the Implementation of the Trademark Law	IP/N/1/CHN/6; IP/N/1/CHN/T/4, 02/12/2016
	Regulations for the implementation of the copyright law	IP/N/1/CHN/7; IP/N/1/CHN/C/4, 19/10/2017
	Regulations on computer software protection	IP/N/1/CHN/8; IP/N/1/CHN/C/5, 19/10/2017; IP/N/1/CHN/9
	Regulations on protection of new varieties of plants	IP/N/1/CHN/P/4, 19/10/2017
Trade Facilitation Agreement		
Trade Facilitation Agreement	Notification of category A commitments under the TFA	WT/PCTF/CHN/1, 01/06/2014;
	Notification of category B commitments under the TFA	G/TFA/N/CHN/1, 06/06/2017;
	Notification under Article 1.4 of the TFA	G/TFA/N/CHN/2, 01/11/2017;
	Notification of category A commitments under the TFA	G/TFA/N/CHN/1/Add.1, 24/11/2017;
	Notification of category B commitments under the TFA	G/TFA/N/CHN/1/Add.2, 14/02/2018
	Notification under Article 1.4 of the TFA	G/TFA/N/CHN/2/Rev.1, 19/13/2018

Source: WTO Secretariat.

Table A2.2 WTO dispute settlement cases involving China, 1 January 2016 - 31 March 2018

Subject	Respondent/ complainant	Request for consultation received	Status (as at 11 December 2017)	WTO document series
China as respondent				
Certain Measures Concerning the Protection of Intellectual Property Rights	China/ United States	23/03/2018	In consultations	WT/DS542
Subsidies to Producers of Primary Aluminium	China/ United States	12/01/2017	In consultations	WT/DS519
Tariff Rate Quotas for Certain Agricultural Products	China/ United States	15/12/2016	Panel established	WT/DS517
Domestic Support for Agricultural Producers	China/ United States	13/09/2016	Panel composed	WT/DS511
Duties and other Measures concerning the Exportation of Certain Raw Materials	China/ European Union	19/07/2016	Panel established	WT/DS509
Export Duties on Certain Raw Materials	China/ United States	13/07/2016	Panel established	WT/DS508
China as complainant				
Measures Related to Price Comparison Methodologies	United States/ China	12/12/2016	In consultations	WT/DS515
Measures Related to Price Comparison Methodologies	European Union/ China	12/12/2016	Panel established	WT/DS516

Source: WTO Secretariat.

Table A2.3 Industries in which FDI was/is restricted, 2015 and/or 2017

2015	2017
Agricultural, forestry, livestock and fishery industries	
Selection and cultivation of new varieties of crops, and production of seeds (with Chinese parties as the controlling shareholders)	Selection and cultivation of new varieties of crops, and production of seeds (with Chinese parties as the controlling shareholders)
Mining industries	
	Exploration and development of oil and gas (including coalbed methane, but excluding oil shale, oil sands or shale gas) (limited to Sino-foreign equity/cooperative joint venture operations)
Exploration and mining of special and rare kinds of coal (with Chinese parties as the controlling shareholders)	Exploration and mining of special and rare kinds of coal (with Chinese parties as the controlling shareholders)
Exploration and mining of noble metals (gold, silver and platinum group)	
Exploration and mining of graphite	Exploration and mining of graphite
Mining and mine selection of lithium mines	
Manufacturing industries	
Processing of edible oils and fats from soybean, rapeseed, peanut, cottonseed, camellia seed, sunflower seed, palm (with Chinese parties as the controlling shareholders), processing of rice, flour and crude sugar, and deep processing of corn	
Production of biological liquid fuels (fuel ethanol and biodiesel) (with Chinese parties as the controlling shareholders)	
Printing of publications (with Chinese parties as the controlling shareholders)	Printing of publications (with Chinese parties as the controlling shareholders)
Smelting of rare metals including tungsten, molybdenum, tin (excluding tin compounds), antimony (including antimony oxides and antimony sulphides)	
Smelting and separation of rare earth (limited to Sino-foreign equity/cooperative joint venture operations)	Smelting and separation of rare earth (limited to Sino-foreign equity/cooperative joint venture operations), smelting of tungsten
Manufacturing of automobile whole vehicles, special-use vehicles and motorcycles: Chinese parties shall hold at least 50% of the shares. One foreign investor may establish two or less equity joint ventures in mainland China to manufacture the same category of whole vehicle products (i.e. the category of passenger cars, the category of commercial vehicles or the category of motorcycles), provided that the foregoing restrictions on the maximum of two joint ventures are not applicable if the same foreign investor engages in the merger of other domestic auto manufacturers jointly with its Chinese joint venture partners	Manufacturing of automobile whole vehicles and special-use vehicles: Chinese parties shall hold at least 50% of the shares. One foreign investor may establish two or less equity joint ventures in mainland China to manufacture the same category of whole vehicle products (i.e. the category of passenger cars or the category of commercial), provided that the foregoing restrictions on the maximum of two joint ventures are not applicable if the same foreign investor engages in the merger of other domestic auto manufacturers jointly with its Chinese joint venture partners or produces pure electric car whole vehicles
Repair, design and manufacture of vessels (including sections) (with Chinese parties as the controlling shareholders)	Repair, design and manufacture of vessels (including sections) (with Chinese parties as the controlling shareholders)
	Design, manufacture and maintenance of mainline and regional aircraft, design and manufacture of the helicopter for 3 ton and above, design of ground and surface effect aircraft, and design and manufacture of the UAV and float (with Chinese parties as the controlling shareholders)
	Design, manufacture and maintenance of general aircraft (limited to Sino-foreign equity/cooperative joint venture operations)
Production of satellite telecasting ground receiving facilities and key components	Production of satellite telecasting ground receiving facilities and key components
Industries of production and supply of power, thermal power, gas and water	
Construction and operation, in small grids, of power plants using coal-fired and steam condensation thermal generator sets with a single generator capacity of 300,000 kW or less, and thermoelectric power stations using coal-fired, steam condensation and extraction thermal generator sets with a single generator capacity of 100,000 kW or less	
	Construction and operation of nuclear power station (with Chinese parties as the controlling shareholders)
	Construction and operation of state grid (with Chinese parties as the controlling shareholders)

2015	2017
Construction and operation of pipeline networks for gas, heat, water supply and sewage in cities with a population over 0.5 million (with Chinese parties as the controlling shareholders)	Construction and operation of pipeline networks for gas, heat, water supply and sewage in cities with a population over 0.5 million (with Chinese parties as the controlling shareholders)
Transportation, storage & warehousing and postal services industries	
	Construction and operation of the railway network (with Chinese parties as the controlling shareholders)
Railway passenger transport companies (with Chinese parties as the controlling shareholders)	Railway passenger transport companies (with Chinese parties as the controlling shareholders)
Highway passenger transport companies	
Water transport companies (with Chinese parties as the controlling shareholders)	Domestic water transport companies (with Chinese parties as the controlling shareholders), international maritime transport companies (limited to Sino-foreign equity/cooperative joint venture operations)
	Construction and operation of the civil airport (with Chinese parties as the relative controlling shareholders)
	Public air transport company (with Chinese parties as the controlling shareholders, the investment ratio of a foreign enterprise and its affiliated enterprises shall not exceed 25%, and the legal representative shall be of Chinese nationality)
General aviation companies for business flights, air sightseeing tours, photography, prospecting and industrial purposes (with Chinese parties as the controlling shareholders)	General aviation companies (the legal representative shall be of Chinese nationality). The general aviation companies for agricultural, forestry and fishery industries are limited to Sino-foreign equity. In other cases, Chinese parties shall be the controlling shareholders
Information transmission, software and information technology service industries	
Telecommunications companies: value-added telecommunications services (with the proportion of foreign investment not exceeding 50%, excluding e-commerce); basic telecommunications services (with the proportion of foreign capital not exceeding 49%)	Telecommunications companies: limited to the business that has already achieved the WTO commitments, value-added telecommunications services (with the proportion of foreign investment not exceeding 50%, excluding e-commerce); basic telecommunications services (with Chinese parties as the controlling shareholders)
Wholesale and retail industries	
Purchase of grains, wholesale of grains and cotton, and construction and operation of large-scale agricultural products wholesale markets	Purchase and wholesale of rice, wheat and corn
Vessel agencies (with Chinese parties as the controlling shareholders) and ocean shipping tally companies (limited to Sino-foreign equity/cooperative joint venture operations)	Vessel agencies (with Chinese parties as the controlling shareholders)
Construction and operation of gas stations (in the case of those having established more than 30 chain gas stations funded by the same foreign investors and selling product oil of different varieties and brands from multiple suppliers, the Chinese parties shall be the controlling shareholders)	Construction and operation of gas stations (in the case of those having established more than 30 chain gas stations funded by the same foreign investors and selling product oil of different varieties and brands from multiple suppliers, the Chinese parties shall be the controlling shareholders)
Finance industries	
Banks (a single overseas financial institution and the affiliated parties under its control or joint control are only allowed to invest in not more than 20% of the shares of a single Chinese-funded commercial bank as promoters or strategic investors; multiple overseas financial institutions and the affiliated parties under their control or joint control are only allowed to invest in a total of not more than 25% of the shares of a single Chinese-funded commercial bank as promoters or strategic investors; and, overseas financial institutions investing in rural small and medium-sized financial institutions shall be banking financial institutions)	Banks (a single overseas financial institution and the affiliated parties under its control or joint control are only allowed to invest in not more than 20% of the shares of a single Chinese-funded commercial bank as promoters or strategic investors; multiple overseas financial institutions and the affiliated parties under their control or joint control are only allowed to invest in a total of not more than 25% of the shares of a single Chinese-funded commercial bank as promoters or strategic investors; overseas financial institutions investing in rural small and medium-sized financial institutions shall be banking financial institutions; and, foreign investors, the unique or controlling shareholders establishing foreign bank branches, foreign-funded banks and Sino-foreign joint venture banks must be foreign commercial banks. The non-controlling shareholders can be foreign financial institutions)
Insurance companies (in the case of life insurance companies, the proportion of foreign investment shall not exceed 50%)	Insurance companies (in the case of life insurance companies, the proportion of foreign investment shall not exceed 50%)

2015	2017
Securities companies (at the time of establishment, it is limited to engaging in the underwriting and sponsorship of ordinary RMB-dominated shares, foreign shares, treasury bonds and corporate bonds, the brokerage of foreign shares, and the brokerage and proprietary trading of treasury bonds and corporate bonds, and may apply for expanding its business scope two years after establishment if it satisfies relevant conditions. The proportion of foreign investment in a securities company shall not exceed 49%), and securities investment fund management companies (with the proportion of foreign investment not exceeding 49%)	Securities companies (at the time of establishment, it is limited to engaging in the underwriting and sponsorship of ordinary RMB-dominated shares, foreign shares, treasury bonds and corporate bonds, the brokerage of foreign shares, and the brokerage and proprietary trading of treasury bonds and corporate bonds, and may apply for expanding its business scope two years after establishment if it satisfies relevant conditions with Chinese parties as the controlling shareholders), and securities investment fund management companies (with Chinese parties as the controlling shareholders)
Futures companies (with Chinese parties as the controlling shareholders)	Futures companies (with Chinese parties as the controlling shareholders)
Leasing and commercial services industries	
Market investigations (limited to Sino-foreign equity/cooperative joint venture operations; specifically, Chinese parties shall be the controlling shareholders for survey of television and radio programme ratings)	Market investigations (limited to Sino-foreign equity/cooperative joint venture operations; specifically, Chinese parties shall be the controlling shareholders for survey of television and radio programme ratings)
Credit investigation and rating service companies	
Scientific research and technological services industries	
Surveying and mapping companies (with Chinese parties as the controlling shareholders)	Surveying and mapping companies (with Chinese parties as the controlling shareholders)
Education	
Institutions of higher learning (limited to cooperation led by the Chinese side (i.e. the president of the key administrative personnel shall have the Chinese citizenship, and Chinese people shall be no less than half in the board of trustees, board of directors, or joint management committee of the Sino-foreign joint ventures education institutions))	Pre-school education institutions/Ordinary senior high schools/Institutions of higher learning (limited to cooperation led by the Chinese side (i.e. the president of the key administrative personnel shall have the Chinese citizenship, and Chinese people shall be no less than half in the board of trustees, board of directors, or joint management committee of the Sino-foreign joint ventures education institutions))
Ordinary senior high schools (limited to Sino-foreign cooperative joint venture operations led by Chinese parties)	
Pre-school education institutions (limited to Sino-foreign cooperative joint venture operations led by Chinese parties)	
Health and social work	
Medical institutions (limited to Sino-foreign equity/cooperative joint venture operations)	Medical institutions (limited to Sino-foreign equity/cooperative joint venture operations)
Cultural, sports and entertainment industries	
Production of radio and television programmes and movies (limited to Sino-foreign cooperative joint venture operations)	Production of radio and television programmes and movies (limited to Sino-foreign cooperative joint venture operations)
Construction and operation of cinemas (with Chinese parties as the controlling shareholders)	Construction and operation of cinemas (with Chinese parties as the controlling shareholders)
Construction and operation of large theme parks	
Performance agency institutions (with Chinese parties as the controlling shareholders)	Performance agency institutions (with Chinese parties as the controlling shareholders)

Source: Catalogue of Industries for the Guidance of Foreign Investment (2015 Revision) and Catalogue of Industries for the Guidance of Foreign Investment (2017 Revision).

Table A2.4 Industries in which FDI was/is prohibited, 2015 and/or 2017

2015	2017
Agricultural, forestry, livestock and fishery industries	
Research and development, breeding and planting of China's rare and special varieties, and production of relevant breeding materials (including quality genes in planting industry, husbandry and aquaculture)	Research and development, breeding and planting of China's rare and special varieties, and production of relevant breeding materials (including quality genes in planting industry, husbandry and aquaculture)
Seed selection of the genetically modified varieties of crop seeds, breeding livestock and poultry, and aquatic fingerlings, and the production of their genetically modified seeds (seedlings)	Seed selection of the genetically modified varieties of crop seeds, breeding livestock and poultry, and aquatic fingerlings, and the production of their genetically modified seeds (seedlings)
Fishing in the sea area and inland waters under China's jurisdiction	Fishing in the sea area and inland waters under China's jurisdiction
Mining industries	
Exploration and mining of tungsten, molybdenum, tin, stibonium and fluorite	Exploration and mining of tungsten, molybdenum, tin, stibonium and fluorite
Exploration, mining and selection of rare earth elements	Exploration, mining and selection of rare earth elements
Exploration, mining and selection of radioactive minerals	Exploration, mining and selection of radioactive minerals
Manufacturing industries	
Processing of traditional Chinese medicinal materials listed in the Regulations on the Administration for Protection of Wild Medicinal Resources and the Catalogue of China's Rare and Endangered Plants under Protection	
Application of such processing techniques as steaming, stir-frying, moxibustion, and calcination for making small pieces of ready-for-use traditional Chinese medicines; and production of traditional Chinese patent medicine of secret prescriptions	Application of such processing techniques as steaming, stir-frying, moxibustion, and calcination for making small pieces of ready-for-use traditional Chinese medicines; and production of traditional Chinese patent medicine of secret prescriptions
Radioactive mineral smelting and processing, and nuclear fuel production	Radioactive mineral smelting and processing, and nuclear fuel production
Manufacturing of weapons and ammunition	Manufacturing of weapons and ammunition
Ivory carving	
Tiger bone processing	
Production of Xuan paper and Chinese ink ingot	Production of Xuan paper and Chinese ink ingot
Power, thermal power, gas and water production and supply industries	
Construction and operation, within large grids, of power plants using coal-fired and steam condensation thermal generator sets with a single generator capacity of 300,000 kW or less, and thermoelectric power stations using coal-fired, steam condensation and extraction thermal generator sets with a single generator capacity of 200,000 kW or less	
Transportation, storage & warehousing and postal services industries	
Air traffic control	Air traffic control
Postal companies; domestic express delivery service of mail	Postal companies; domestic express delivery service of mail
Wholesale and retail industries	
Wholesale and retail of tobacco leaves, cigarettes, re-dried tobacco leaves and other tobacco products	Wholesale and retail of tobacco leaves, cigarettes, re-dried tobacco leaves and other tobacco products
Leasing and commercial services industries	
Social investigations	Social investigations
Consulting on Chinese legal affairs (excluding the provision of information on the environmental impact of Chinese laws)	Consulting on Chinese legal affairs (excluding the provision of information on the environmental impact of Chinese laws)
Scientific research and technological services industries	
Development and application of human stem cell and genetic diagnosis and treatment technology	Development and application of human stem cell and genetic diagnosis and treatment technology
Geodetic surveying, marine charting, aerial photography for surveying and mapping purposes, administrative boundary surveying and mapping, compilation of topographic maps, maps of world political zones, national administrative divisions and administrative divisions at and below the provincial level, national teaching maps, local teaching maps and true three-dimensional maps, compilation of electronic maps for navigation purposes, regional geological mapping, mineral geology, geophysics, geochemistry, hydrogeology, environmental geology, geological disasters, geological remote sensing and other surveys	Geodetic surveying, marine charting, aerial photography for surveying and mapping purposes, Ground motion management, administrative boundary surveying and mapping, compilation of topographic maps, maps of world political zones, national administrative divisions and administrative divisions at and below the provincial level, national teaching maps, local teaching maps and true three-dimensional maps, compilation of electronic maps for navigation purposes, regional geological mapping, mineral geology, geophysics, geochemistry, hydrogeology, environmental geology, geological disasters, geological remote sensing and other surveys
Water conservancy, environmental, and public facilities management industries	
Construction and operation of natural reserves and internationally important wetlands	
Development of wild animal and plant resources originated in and protected by China	Development of wild animal and plant resources originated in and protected by China

2015	2017
Education	
Compulsory education institutions, education institutions in military affairs, police, politics and other special fields, and party schools	Compulsory education institutions
Cultural, sports and entertainment industries	
News organizations	News organizations (including, but not limited to news agency)
Publishing of books, newspapers, and periodicals	Editing and publishing of books, newspapers, and periodicals
Publishing and production of audio-visual products and electronic publications	Editing and publishing and production of audio-visual products and electronic publications
All radio stations, television stations, radio and television channels (frequencies), radio and television transmission and coverage networks (transmitting stations, relay stations, radio and television satellites, satellite uplink stations, satellite receiving and transmitting stations, microwave stations, monitoring stations, and cable radio and television transmission and coverage networks) at all levels	All radio stations, television stations, radio and television channels (frequencies), radio and television transmission and coverage networks (transmitting stations, relay stations, radio and television satellites, satellite uplink stations, satellite receiving and transmitting stations, microwave stations, monitoring stations, and cable radio and television transmission and coverage networks) at all levels, broadcast (TV) video on demand services and installation services of signal-receiving facilities
Radio and television programme production and operating companies	Radio and television programme production and operating (including import business) companies
Movie production companies, distribution companies and cinema chains	Movie production companies, distribution companies and cinema chains
Operation of news websites, online publication services, online audio and video programme streaming services, business premises for Internet access services, and Internet cultural business (excluding music)	Digital news information services, online publication services, online audio and video programme streaming services, business premises for Internet access services, internet cultural business (excluding music), and internet public release information service
Auction houses and cultural relics shops engaging in the auction of cultural relics	Auction houses and cultural relics shops engaging in the auction of cultural relics
Construction of golf courses and villas	
Other industries	
Projects endangering the safety and performance of military facilities	
Gambling and lottery industry (including horse race tracks for gambling purposes)	
Pornography industry	
Other industries prohibited by state laws and regulations or by international treaties china has concluded or acceded to	
	Humanities and social sciences research institute

Source: Catalogue of Industries for the Guidance of Foreign Investment (2015 Revision) and Catalogue of Industries for the Guidance of Foreign Investment (2017 Revision).

Table A3.1 China's preferential rules of origin, 2017

Agreement/Party	Rules
APTA	Wholly obtained or produced in the country; or the value of non-originating parts or components used in the manufacture must not exceed 55% of the f.o.b. value of the product (or 65% for LDCs); or cumulation allowed, i.e. cumulation in terms of materials and components between the parties must be no lower than 60% of the f.o.b. value of the product (50% for LDCs); and the country of origin is defined as the country where the last manufacturing operation takes place. Requirements on direct consignment must be complied with.
ASEAN	Wholly obtained or produced in ASEAN countries; or the content of products originating in any one of the ASEAN countries must be no less than 40% of total content; or the value of the non-originating parts or components used in the manufacture of the products must be no more than 60% of the f.o.b. value of the product. The country of origin is defined as the country where the last manufacturing operation takes place, or in accordance with product-specific rules. Requirements on direct consignment must be complied with.
Australia	Wholly obtained or produced in one party; or, exclusively from originating materials; or produced entirely in a party using non-originating materials. Bilateral cumulation is allowed.
Least developed countries	Wholly obtained or produced in the beneficiary country; or the non-originating parts must have undergone substantial transformation. "Substantial transformation" means change of tariff heading or the value of non-originating parts used in the manufacture of the good does not exceed 60% of the f.o.b. value of the product; or in accordance with product specific rules. The final stage of processing must be in the country of origin, and requirements on direct consignment must be complied with.
Hong Kong, China	Wholly obtained or produced in Hong Kong, China, or the non-originating parts must have undergone substantial transformation. "Substantial transformation" is defined in product specific rules, which includes the following criteria: 1. change of tariff heading; 2. a regional value content of equal to or more than 30% of the f.o.b. value of the product; 3. specific process or production; 4. other criteria; or 5. combination of the above criteria. The final stage of processing must be carried out in Hong Kong, China. Goods must enter China directly.
Macao, China	Wholly obtained or produced in Macao, China, or the non-originating parts must have undergone substantial transformation. "Substantial transformation" is defined in product specific rules, which include the following criteria: 1. change of tariff heading; 2. a regional value content of equal to or more than 30% of the f.o.b. value of the product; 3. specific process or production; 4. other criteria; or 5. combination of the above criteria. The final stage of processing must be carried out in Macao, China. Goods must enter China directly.
Chile	Wholly obtained or produced entirely in the territory of one party; or produced entirely in the territory of one or both parties exclusively from originating material; or produced in the territory of one or both parties, using non-originating materials that conform to a regional value content not less than 40%, except for the goods listed in product specific rules, which must comply with the requirements specified therein; or product specific rules. Bilateral cumulation is allowed. Tolerance rule: for tariff classification change criterion, non-originating materials can represent a maximum of 8% of the f.o.b. value of product. Requirements on direct transport must be complied with.
Republic of Korea	Wholly obtained or produced in one party; or produced in one party, exclusively from originating materials; or produced entirely in a party using non-originating materials in conformity with Annex 3A of the Agreement.

Agreement/Party	Rules
New Zealand	Wholly obtained or produced in the territory of one party; or produced entirely in the territory of one or both parties exclusively from originating materials; or product specific rules: - wholly obtained or entirely produced in New Zealand; or - a change of tariff classification applies (at HS 2-digit, 4-digit or 6-digit level); - regional value content of 30%, 40%, 45%, or 50% applies to some products; or - specific process. Bilateral cumulation is allowed. Tolerance rule: for tariff classification change criterion, non-originating materials can represent a maximum of 10% of the f.o.b. value of product. Requirements on direct consignment must be complied with.
Pakistan	Wholly obtained or produced in Pakistan, or the content of the product originating in Pakistan must be no less than 40% of total content; or the non-originating parts must have undergone substantial transformation as defined in Product Specific Rules. Bilateral cumulation is allowed. No tolerance rule is applied. The final stage of processing must be carried out in Pakistan. Requirements on direct consignment must be complied with.
Singapore	Wholly obtained or produced in Singapore, or a regional value content of no less than 40%, except for the goods listed in product specific rules, which must comply with the requirements specified therein; or product specific rules. Bilateral cumulation is allowed. Tolerance rule: for tariff classification change criterion, non-originating materials can represent a maximum of 10% of the f.o.b. value of product. Requirements on direct consignment must be complied with.
Peru	Wholly obtained or produced in Peru; or produced entirely in the territory of one or both Parties exclusively from originating material; or product specific rules. Bilateral cumulation is allowed. Tolerance rule: for tariff classification change criterion, non-originating materials can represent a maximum of 10% of the value of product (pursuant to regional value content). Requirements on direct transport must be complied with.
Switzerland	Wholly obtained in a party; or produced exclusively from originating materials; or non-originating materials have undergone substantial transformation.
Iceland	Wholly obtained in a party; or produced exclusively from originating materials; or non-originating materials have undergone substantial transformation.
Georgia	Wholly obtained or produced entirely in a party; or produced exclusively from originating materials from one or both parties; or produced in one or both parties using non-originating materials with a regional value content of less than 40%; or non-originating materials used have undergone substantial transformation in one of the parties.
Costa Rica	Wholly obtained or produced in Costa Rica; or produced entirely in the territory of one or both parties exclusively from originating material; or product specific rules. Bilateral cumulation is allowed. Tolerance rule: for tariff classification change criterion, non-originating materials can represent a maximum of 10% of the f.o.b. value of product (pursuant to regional value content). Requirements on direct transport must be complied with.

Source: Information provided by the authorities of China.

Table A3.2 Summary of China's MFN applied tariff, 2017

	Number of lines	Average (%)	Range (%) MFN applied	Range (%) Bound	Standard deviation	Duty free (%)
Total	**8,547**	**9.5**	**0-65**	**0-65**	**7.5**	**9.8**
HS 01-24	1,410	13.7	0-65	0-65	10.4	8.7
HS 25-97	7,137	8.6	0-50	0-50	6.5	10.0
By WTO category						
WTO agricultural products	1,171	14.8	0-65	0-65	11.3	8.0
Animals and products thereof	170	12.7	0-25	0-25	7.5	18.2
Dairy products	21	12.1	2-20	6-20	3.8	0.0
Fruit, vegetables, and plants	391	13.8	0-30	0-30	7.5	6.1
Coffee and tea	31	14.9	2-32	8-32	7.2	0.0
Cereals and preparations	127	23.3	0-65	0-65	20.6	7.9
Oils seeds, fats, oil and their products	108	10.5	0-30	0-30	7.0	12.0
Sugars and confectionary	19	30.9	8-50	8-50	16.7	0.0
Beverages, spirits and tobacco	66	21.5	0-65	0-65	14.6	1.5
Cotton	5	22.0	10-40	10-40	14.7	0.0
Other agricultural products, n.e.s.	233	12.0	0-38	0-38	7.9	6.4
WTO non-agricultural products	7,376	8.6	0-50	0-50	6.3	10.1
Fish and fishery products	348	10.1	0-23	0-23	4.3	8.3
Minerals and metals	1,256	7.5	0-50	0-50	6.3	8.8
Chemicals and photographic supplies	1,421	6.2	0-47	0-47	3.8	5.3
Wood, pulp, paper and furniture	421	3.9	0-20	0-20	3.9	40.6
Textiles	521	9.6	2-38	2-38	3.9	0.0
Clothing	299	15.6	7-25	14-25	2.5	0.0
Leather, rubber, footwear and travel goods	226	12.4	0-25	0-25	6.0	0.4
Non-electric machinery	1,040	7.5	0-35	0-35	5.1	13.6
Electric machinery	467	8.1	0-35	0-35	7.6	26.8
Transport equipment	412	15.1	0-45	0-45	9.7	0.2
Non-agricultural products, n.e.s.	615	10.6	0-35	0-35	7.4	14.1
Petroleum	20	4.8	0-9	0-9	3.0	15.0
By ISIC sector						
ISIC 1 - Agriculture, hunting and fishing	670	10.5	0-65	0-65	9.7	21.9
ISIC 2 – Mining	123	1.7	0-6	0-8	1.7	40.7
ISIC 3 – Manufacturing	7,753	9.5	0-65	0-65	7.3	8.3
Manufacturing excluding food processing	6,931	8.8	0-50	0-50	6.4	9.0
ISIC 4 - Electrical energy	1	0.0	0	0	0.0	100.0
By stage of processing						
First stage of processing	1,186	9.2	0-65	0-65	9.5	20.4
Semi-processed products	2,611	7.0	0-65	0-65	5.6	5.7
Fully processed products	4,750	10.9	0-65	0-65	7.5	9.4
By HS section						
01 Live animals and products	529	11.4	0-25	0-25	6.0	12.5
02 Vegetable products	515	14.1	0-65	0-65	12.9	10.9
03 Fats and oils	56	12.6	2-30	5-30	5.9	0.0
04 Prepared food, beverages and tobacco	310	17.3	0-65	0-65	11.5	0.3
05 Mineral products	201	3.0	0-11	0-12	2.6	27.4
06 Chemicals and products thereof	1,345	6.3	0-50	0-50	4.7	5.6
07 Plastics, rubber, and articles thereof	279	9.2	0-25	0-25	4.3	0.4
08 Raw hides and skins, leather, and its products	106	11.7	3-20	5-23	5.2	0.0
09 Wood and articles of wood	235	3.9	0-20	0-20	4.2	42.1
10 Pulp of wood, paper and paperboard	161	5.2	0-7.5	0-7.5	3.1	21.7
11 Textiles and textile articles	1,147	11.3	1-40	3-40	5.0	0.0
12 Footwear, headgear, etc.	73	17.1	10-25	10-25	5.8	0.0
13 Articles of stone, plaster, cement	204	13.0	0-28	0-28	5.4	0.5
14 Precious stones and metals, pearls	90	10.0	0-35	0-35	12.5	38.9
15 Base metals and articles thereof	770	7.0	0-30	0-30	4.3	3.1
16 Machinery, electrical equipment, etc.	1,542	7.7	0-35	0-35	6.2	18.5
17 Transport equipment	427	14.9	0-45	0-45	9.7	0.2
18 Precision equipment	335	9.0	0-30	0-30	6.4	10.1
19 Arms and ammunition	21	13.0	13-13	13-15	0.0	0.0
20 Miscellaneous manufactured articles	191	10.5	0-25	0-25	8.9	35.1
21 Works of art, etc.	10	7.1	0-14	0-14	5.6	20.0

Note: Calculations are based on national tariff line level (8-digit); excluding in-quota rates and including AVEs for non-*ad valorem* rates provided by the authorities of China.
Interim duty rates are used for the calculations when fully applied at the 8-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities of China.

Table A3.3 Sub-central subsidy programmes notified to the WTO in 2016

Provincial-level administrative division	Programme	Forms of subsidy	Authority for the subsidy	Period/ Validity
Beijing	1. Special fund for the design, research and development of integrated circuit	Financial appropriations		2001-2014
	2. Incentive for projects transformed from high and new technological achievements	Financial appropriations		2002-2011
	3. Support fund for corporate financing	Financial appropriations	Beijing Zhongguancun Science and Technology Park	13.09.2011 - 01.01.2015
	4. Support fund for the credit loans of science and technology SMEs	Financial appropriations	Beijing Zhongguancun Science and Technology Park	2011 - 01.01.2015
	5. Support fund for trade financing	Financial appropriations	Beijing Zhongguancun Science and Technology Park	30.01.2010 - 01.01.2015
	6. Support fund for equity pledge loans	Financial appropriations	Beijing Zhongguancun Science and Technology Park	01.09.2011 - 01.01.2015
	7. Subsidy for intermediary services for enterprise mergers and acquisitions (M&As)	Financial appropriations	Beijing Zhongguancun Science and Technology Park	15.08.2011 - 01.08.2014
	8. Subsidy for the restructuring and listing of enterprises	Financial appropriations	Beijing Zhongguancun Science and Technology Park	15.08.2011 - present
Fujian	9. Subsidy for the sale of household electric appliances in rural areas	Financial appropriations		February 2011 - 31.01.2015
	10. Subsidy for automobile trade-in	Financial appropriations		01.06.2009 - 31.05.2010
	11. Incentive fund for famous-brand products	Financial appropriations	Nanping	2007-2008
	12. Incentive fund for famous-brand products	Financial appropriations	Fengze District, Quanzhou	09.03.2008 - 18.03.2009
	13. Incentive fund for key enterprises	Financial appropriations	Fengze District, Quanzhou	2009
	14. Incentive fund for famous-brand products	Financial appropriations	Xiamen	2007-2008
	15. Support fund for key export enterprises	Financial appropriations	Xiamen	2006-2007; 2008-2009
	16. Subsidy for household electric appliances trade-in	Financial appropriations	Xiamen	01.06.2010 - 31.12.2012
	17. Subsidy for the sales of household electric appliances in rural areas	Financial appropriations	Xiamen	01.02.2009 - 31.01.2013
Gansu	18. Incentive fund for famous-brand products	Financial-appropriations		2007; 2009-2012
Guangdong	19. Fund for the development of outward-oriented private enterprises	Financial appropriations		2004-2012
	20. Special fund for the training of migration and employment of rural labour force	Financial appropriations		2008-present
	21. Incentive for enterprise innovation and R&D	Financial appropriations	Nanhai District, Foshan	2007-2008; 2009-2011
	22. Incentive fund for famous-brand products	Financial appropriations	Nanhai District, Foshan	2007-2008; 2009-2011
	23. Incentive for establishment of enterprise standards	Financial appropriations	Nanhai District, Foshan	2007-2008; 2009-2011
	24. Incentive for establishment of headquarters and listing of enterprises; Incentive for establishment of headquarters and being listed	Financial appropriations; Financial appropriations	Nanhai District, Foshan	2009-2010; 2011-2013
	25. Incentive fund for measurement and testing systems of enterprises	Financial appropriations	Nanhai District, Foshan	2007-2008; 2009-2011

Provincial-level administrative division	Programme	Forms of subsidy	Authority for the subsidy	Period/ Validity
	26. Incentive fund for the establishment of trading companies overseas	Financial appropriations	Shunde District, Foshan	2012-2013
	27. Governmental subsidy for participation in trade exhibitions by enterprises	Financial appropriations	Shunde District, Foshan	2011-2013
	28. Special fund for technical development	Financial appropriations	Shunde District, Foshan, Guangdong	2002-2007
	29. Support fund for the development and application of new products and new technologies	Financial appropriations	Shunde District, Foshan	2002-2009
	30. Support fund for the development and application of new products and new technologies	Financial appropriations	Shunde District, Foshan	2002-2009
	31. Support fund for high and new technology projects	Financial appropriations	Huadu District, Guangzhou	2002-2007
	32. Incentive fund for famous-brand projects	Financial appropriations	Shenzhen	2008
	33. Incentive fund for mechanical, electronic, high and new technology products	Financial appropriations	Shenzhen	2008
	34. Incentive fund for famous-brand products	Financial appropriations	Futian District, Shenzhen	2007-2008
	35. Incentive fund for technological centres of enterprises	Financial appropriations	Futian District, Shenzhen	2007-2008
Guangxi	36. Incentive fund for famous-brand products	Financial appropriations		2007-2008
Hainan	37. Incentive fund for famous-brand products	Financial appropriations		2007-2009
	38. Incentive fund for famous-brand products	Financial appropriations		2007-2008
Henan	39. Fund for using whole village's resources to develop financial support to the poor	Financial appropriations		2014-present
	40. Subsidy for the sale of household electric appliances in rural areas 40.1 Special fund for the development of foreign trade and economic co-operation; 40.2 Special fund for the development of foreign trade and economic co-operation	Financial appropriations Financial appropriations Financial appropriations		01.12.2008 - 30.11.2011; 2007-2008; 2009
	41. Special fund for the training of rural migrant labour force	Financial appropriations	Zhengzhou	2004-present
Heilongjiang	42. Incentive fund for famous-brand products	Financial appropriations		2008
Hunan	43. Special fund for renewable energy resources	Financial appropriations		2007-2012
	44. Special fiscal fund to alleviate poverty	Financial appropriations		2012-present
	45. Subsidy for household electric appliances trade-in	Financial appropriations		01.06.2009 - 31.05.2010
Jiangsu	46. Incentive fund for famous-brand products	Financial appropriations	Nanjing	2005-2008
	47. Incentive fund for famous-brand products	Financial appropriations	Suzhou	2003-2004; 2005; 2006
	48. Incentive encouraging innovations	Financial appropriations	Suzhou	2006-30.04.2009
	49. Incentive fund for famous-brand products	Financial appropriations	Yandu District, Yancheng	2007-2008
	50. Incentive fund for famous-brand products	Financial appropriations	Yangzhou	2007
	51. Incentive fund for famous-brand products	Financial appropriations	Zhenjiang	2007
Jiangxi	52. Support fund for the development of foreign trade	Financial appropriations		2007
	53. Support fund for the development of foreign trade	Financial appropriations	Nanchang	2007-2008
	54. Incentive fund for famous-brand products	Financial appropriations	Xinyu	2002-2008

Provincial-level administrative division	Programme	Forms of subsidy	Authority for the subsidy	Period/ Validity
Liaoning	55. Fund for interest discount of loans for the export of high and new technology products and products of the equipment manufacturing industry	Financial appropriations		2005-2007
	56. Fund for interest discount of loans for the "five points and one line" coastal economic belt park	Financial appropriations		2007-2013
	57. Special fund for energy conservation	Financial appropriations		2010-2014
	58. Development fund for SMEs	Financial appropriations		2005-2014
	59. Northeast old industrial base foreign trade development fund in Liaoning province	Financial appropriations		2004-2008
Shandong	60. Support fund for the development of foreign trade	Financial appropriations		2003; 2004; 2005; 2006; 2007
	61. Special fund for technology R&D of the environmental protection industry	Financial appropriations		2007-2012
	62. Special fiscal fund supporting the development of high and new technology industries	Financial appropriations		2011-2013
	63. Subsidy for the sale of household electric appliances trade-in rural areas	Financial appropriations		December 2007 - November 2011
	64. Subsidy for household electric appliances trade-in	Financial appropriations		June 2009 - December 2011
	65. Incentive fund for foreign trade enterprises	Financial appropriations	Shouguang	2010-2012
Shanxi	66. Subsidy for the sale of household electric appliances in rural areas	Financial appropriations		01.02.2009 - 31.01.2013
	67. Subsidy for household electric appliances trade-in	Financial appropriations		30.07.2010 - 30.07.2011
Shanghai	68. Fund for promoting the trade of light industry and textile products	Financial appropriations		2009-2012
	69. Special fund for the development of software and integrated circuit industries	Financial appropriations		2008-2012
	70. Supporting fund for enterprises	Financial appropriations	Pudong Town, Minhang District	2010-2014
Sichuan	71. Incentive fund for famous-brand products	Financial appropriations		2008
Tianjin	72. Incentive fund for famous-brand products	Financial appropriations		2008
Zhejiang	73. Special fund for technological innovation	Financial appropriations		2004-2012
	74. Incentive fund for famous-brand products	Financial appropriations		2005; 2006-2008; 2012
	75. Support fund for foreign-invested enterprises	Financial appropriations	Hangzhou	2001-2007
	76. Incentive fund for famous-brand products	Financial appropriations	Hangzhou	2005; 2006; 2007; 2008; 2009; 2012-2013
	77. Incentive fund for Jinlong award	Financial appropriations	Hangzhou	2007-2008
	78. Incentive fund for the export of textile products with self-owned brands	Financial appropriations	Hangzhou	2004-2005
	79. Incentive fund for products with trademark or patent		Changxing Country, Huzhou	2005
	80. Incentive fund for famous-brand products	Financial appropriations	Wuxing District, Huzhou	2006

Provincial-level administrative division	Programme	Forms of subsidy	Authority for the subsidy	Period/ Validity
	81. Incentive fund for famous-brand products	Financial appropriations	Deqing Country, Huzhou	2008
	82. Incentive fund for enterprise innovation	Financial appropriations	Jiaxing	2005-2011
	83. Incentive fund for famous-brand products	Financial appropriations	Jinhua	2006-2007
	84. Incentive fund for famous-brand products	Financial appropriations	Jindong District, Jinhua	2006
	85. Incentive fund for famous-brand products	Financial appropriations	Wuyi Country, Jinhua	2004
	86. Incentive fund for famous-brand products	Financial appropriations	Ningbo	2006
	87. Incentive fund for famous-brand products	Financial appropriations	Cixi, Ningbo	2007
	88. Incentive fund for exporting enterprises	Financial appropriations	Xiangshan, Ningbo	2007
	89. Incentive fund for famous-brand products	Financial appropriations	Yinzhou District, Ningbo	2006-2007
	90. Special fund for energy conservation	Financial appropriations	Yinzhou District, Ningbo	2008
	91. Incentive fund for famous-brand products	Financial appropriations	Quzhou	2007-2008
	92. Incentive for enterprise technology centres and fund for export brands	Financial appropriations	Quzhou	2007-2009
	93. Incentive fund for famous-brand products	Financial appropriations	Shaoxing	2007
	94. Incentive for the use of foreign investment	Financial appropriations	Shaoxing	2007-2008
	95. Incentive for science and technology funds	Financial appropriations	Wenzhou	2006-2010
	96. Support fund for high and new technology industries	Financial appropriations	Wenzhou	2006-2010
	97. Incentive for inventions and innovations	Financial appropriations	Wenzhou	2007
	98. Incentive for high and new technology incubators	Financial appropriations	Wenzhou	2006-2008
	99. Incentive fund for famous-brand products	Financial appropriations	Wenzhou	2006-2008
Chongqing	100. Incentive fund for famous-brand products	Financial appropriations		2008

Source: WTO document G/SCM/N/95/CHN/Suppl.1, G/SCM/N/123/CHN/Suppl.1, SCM/N/155/CHN/Suppl.1, G/SCM/N/186/CHN/Suppl.1, G/SCM/N/220/CHN/Suppl.1, G/SCM/N/253/CHN/Suppl.1, and G/SCM/N/284/CHN/Suppl.1, 29 July 2016.