



**TRADE POLICY REVIEW**

REPORT BY

CHINA

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

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## **1 INTRODUCTION**

1.1. Following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, China pursues high-quality development as the main theme, grounds its efforts on the new development stage, applies the new development philosophy, and fosters a new development paradigm. In this process, China has been continuously enhancing the liberalization and facilitation of trade and investment, and pursuing a new pattern of opening-up on all fronts. As always, China is committed to developing new systems for an open economy, building a community of a shared future for mankind, and making significant contributions to the world economic recovery.

1.2. China proposes to accelerate efforts to foster a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. China commits itself to deepening reform across the board, advances supply-side structural reform as the main task, and expands domestic demand as a strategic move. China adheres to harnessing innovation as the key source of momentum, ensures better alignment between an efficient market and a well-functioning government, and is committed to creating a market-oriented, law-based, and internationalized business environment. Meanwhile, China upholds the strategy of mutually beneficial opening up, comprehensively improves the level of opening up, explores new prospects for win-win cooperation, and creates more opportunities for all countries to share in the high-quality development of China's economy.

1.3. In 2020, the sudden COVID-19 pandemic ravaged the world and the global economy fell into a deep recession. China has fully supported global cooperation on combating COVID-19. It has made contributions to maintaining the stability of the global industrial chains and supply chains, and building a global health community for mankind. China has been upholding the principle of pursuing shared benefits through consultation and collaboration, and promoting Belt and Road cooperation with all parties. China actively participates in global governance, firmly supports the multilateral trading system, and resolutely opposes unilateralism and protectionism. China further advances the building of free trade areas, continuously improves the level of South-South cooperation, and makes economic globalization more open, inclusive, beneficial to all, balanced, and win-win.

## **2 GROUNDING ITS EFFORTS IN THE NEW DEVELOPMENT STAGE, APPLYING THE NEW DEVELOPMENT PHILOSOPHY, AND FOSTERING A NEW DEVELOPMENT PARADIGM SO AS TO PROMOTE HIGH-QUALITY DEVELOPMENT**

### **2.1 Grounding its Efforts in the New Development Stage**

2.1. In 1978, China made its historic decision of reform and opening up. After more than 40 years of reform and opening up, China has embarked on a new journey towards fully building a modern socialist country. China aims to coordinate the overall great rejuvenation strategy of the Chinese nation and the profound changes unseen in the world for a century. China draws up the Outline for *the 14<sup>th</sup> Five-Year Plan for Economic and Social Development and Long-range Objectives through the Year 2035*, and embarks on a new journey towards the second centenary goal, which marks that China has entered into a new development stage. China's economy has shifted from a stage of high-speed growth to a stage of high-quality development. The basic national condition that China is still in the primary stage of socialism and will remain so for a long time has not changed. China's international status as the world's largest developing country has not changed.

### **2.2 Applying the New Development Philosophy**

2.2. China unswervingly upholds the concept of innovative, coordinated, green, open and shared development. It adheres to the general principle of pursuing progress while ensuring stability, sets high-quality development as the main theme, and intensifies supply-side structural reform as the main task. China harnesses reform and innovation as the primary driving force in endeavours to meet the fundamental goals of satisfying people's growing needs for a better life, and expedites the building of a modern economic system.

### **2.3 Fostering a New Development Paradigm**

2.3. China proposes to accelerate efforts to foster a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. The

new development paradigm is not a development loop behind closed doors. By fully tapping the potential of domestic demand, the new development paradigm serves to better connect the domestic and international markets, makes better use of both international and domestic markets and resources, and achieves stronger and more sustainable development. The potentials of vast market and domestic demand of China's 1.4 billion people and more than 400 million middle-income population will be fully unleashed. In the process of building a new development paradigm, China will further improve its level of opening up, develop a new system for a higher-standard open economy, and create more demand for the world, while providing broad markets and more development opportunities for all countries.

## **2.4 Macroeconomic and Trade Environment during the Review Period**

### **2.4.1 Macroeconomic performance**

**2.4. First, China carried out COVID-19 prevention and control and pursued economic and social development in a coordinated way, and achieved continuous and stable recovery of the economy.**

2.5. In 2018, the GDP reached RMB 91,928.1 billion, an increase of 6.7% over the previous year. In 2019, the GDP stood at RMB 98,651.5 billion, an increase of 6.0%. In 2020, the GDP amounted to RMB 101,598.6 billion, an increase of 2.3%, and the total economic output crossed RMB 100 trillion threshold. In 2020, 11.86 million new jobs were created; the disposable income per capita of urban and rural residents grew by 2.1% in real terms, which was basically in line with economic growth; and the registered urban unemployment rate was 4.2%.

**2.6. Second, China continues intensifying supply-side structural reforms and takes new steps in industrial structure adjustment.**

2.7. China takes solid steps in promoting the development of high-quality manufacturing, firmly promotes the development of modern service industry, and safeguards the food security and supply of agricultural and sideline products. In 2018, the added value of the primary sector stood at RMB 6,474.5 billion, an increase of 3.5%; the added value of the secondary sector reached RMB 36,483.5 billion, an increase of 5.8%; and the added value of the tertiary sector was RMB 48,970.1 billion, an increase of 8.0%. In 2019, the added value of the primary sector equalled to RMB 7,047.4 billion, an increase of 3.1%; the added value of the secondary sector represented RMB 38,067.1 billion, an increase of 4.9%; and the total added value of the tertiary sector reached RMB 53,537.1 billion, an increase of 7.2%. In 2020, the added value of the primary sector reached RMB 7,775.4 billion, an increase of 3.0%; the added value of the secondary sector reached RMB 38,425.5 billion, an increase of 2.6%; and the added value of the tertiary sector totalled RMB 55,397.7 billion, an increase of 2.1%. In terms of demand structure, in 2018, the contribution rate of final consumption expenditure to GDP growth was 64.0%, the contribution rate of gross capital formation stood at 43.2%, and the contribution rate of net export of goods and services was -7.2%. In 2019, the contribution rate of final consumption came to 58.6%, the contribution rate of capital formation reached 28.9%, and the contribution rate of net export of goods and services stood at 12.6%.

### **2.4.2 Foreign trade**

**2.8. First, the import and export of goods reached a record high.**

2.9. In 2018, China's total import and export of goods stood at USD 4,622.44 billion, a year-on-year increase of 12.5%. To be specific, exports reached USD 2,486.70 billion, an increase of 9.9%; and imports reached USD 2,135.75 billion, an increase of 15.8%. In 2019, China's total import and export of goods was USD 4,577.89 billion, dropped by 1.0% year on year. To be specific, exports reached USD 2,499.48 billion, an increase of 0.5%, and imports reached USD 2,078.41 billion, dropped by 2.7%. In 2020, China's total import and export of goods was USD 4,652.45 billion, a year-on-year increase of 1.6%. Exports reached USD 2,590.26 billion, an increase of 3.6%; and imports reached USD 2,062.19 billion, 8.5 folds as compared to 2001. China has maintained its position as the world's second largest importer of goods for 12 consecutive years, and accounted for 11.5% of global imports in 2020.

2.10. In 2020, the import and export of private enterprises increased by 10.8%, and the proportion of import and export of private and foreign-invested enterprises in total foreign trade increased to 85.2%, up 4.9% year on year. The import and export of the state-owned enterprises accounted for 14.3% in the total import and export.

**2.11. Second, stable and improved performance of services trade.**

2.12. China is the second largest importer of services trade in the world. According to the data released by the WTO, in 2018, China's total import and export of services stood at USD 786 billion. Services exports recorded USD 265 billion, a year-on-year increase of 17%; and services imports recorded USD 521 billion, a year-on-year increase of 12%. In 2019, China's total import and export of services came to USD 779 billion. Services exports recorded USD 282 billion, a year-on-year increase of 4%; and imports reached USD 497 billion, dropped by 5% year on year.

### 2.4.3 Investment

**2.13. First, the inflow of foreign investment increased despite the global declining trend.**

2.14. In 2018, the paid-in foreign investment was USD 138.31 billion, a year-on-year increase of 1.5%. In 2019, the paid-in foreign investment reached USD 141.23 billion, a year-on-year increase of 2.1%. In 2020, the paid-in foreign investment stood at USD 149.34 billion, a year-on-year increase of 5.7%.

2.15. In 2020, inward direct investment had the following features. First, the scale reached a record high. Despite a sharp decline in global direct investment, China's inward direct investment maintained the rising trend, achieving progress in total FDI amount, growth rate and its global share. Second, the sectoral distribution of foreign investment has been further optimized. The FDI in the services sector reached USD 117.26 billion, up 13.6% year on year. The FDI in high-tech industries reached USD 42.76 billion, up 9.5% year on year, accounting for 28.6% of total FDI. Third, major FDI sources remained stable. The investment from top 15 FDI sources grew by 4.7% year on year. Fourth, the leading role of regional development has been better leveraged. Foreign investment in the eastern regions increased by 7.1%, and the pilot free trade zones attracted 17.9% of China's total FDI.

**2.16. Second, outbound direct investment expanded employment and tax revenue of host countries.**

2.17. In 2018, 2019 and 2020, the flows of outbound direct investment reached USD 143.04 billion, USD 136.91 billion and USD 132.94 billion respectively. The investment of Chinese enterprises in host countries expanded local employment and tax revenue. In 2019, overseas Chinese enterprises contributed a total of USD 56 billion in taxes revenue to the invested countries or regions. By the end of 2019, overseas Chinese enterprises employed 2.266 million foreign employees, accounting for 60.5% of the total overseas employees.

## 3 PURSUING HIGH-LEVEL OPENING UP AND EXPLORING NEW PROSPECTS FOR WIN-WIN COOPERATION

3.1. China keeps opening up more sectors and broader fields in a more thorough manner, and relies on the advantages of the vast domestic markets to promote international cooperation and achieve mutual benefits and win-win. China strives to promote the common opening-up of the world by making efforts on its own opening-up. China commits itself to comprehensively advancing opening up to higher levels and promoting the liberalization and facilitation of trade and investment.

### 3.1 Promoting the High-Quality Development of Trade

3.2. Facing the complicated and profound changes in domestic and international environment, in November 2019, China issued *the Guiding Opinions on Promoting the High-quality Development of Trade*, which called for speeding up the transformation from the opening up based on flows of goods and factors of production to the opening up based on rules and related institutions, vigorously optimizing trade structure, enhancing the balanced and coordinated development of trade, and

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promoting orderly and free flow of production factors, efficient allocation of resources and in-depth integration of domestic and international markets to realize the high-quality development of trade.

### **3.1.1 Implementing a more proactive import policy**

3.3. Since the last review, China has further streamlined import administration procedures and continuously lowered import tariffs. In November 2018, China lowered the import duties on 1,585 tariff lines covering mechanical and electrical equipment, parts and raw materials, etc. In each January from 2019 to 2021, China implemented interim import tariff rates, which are lower than the MFN tariff rates of over 700 items of goods, including some advanced equipment, spare parts, resource products and pharmaceutical raw materials. In each July from 2019 to 2021, China actively fulfilled its commitments on concessions for tariff reductions in the Information Technology Agreement (ITA) expansion, and implemented the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> round of tariff reduction for certain information technology products. By 2010, China had fulfilled all of its WTO accession commitments for tariff reduction, reducing the average tariff level to 9.8%. After further self-initiated tariff reduction, China's average tariff level stood at 7.5% at the beginning of 2021.

3.4. On 4 November 2020, China set up ten demonstration zones on import promotion, including Shanghai Hongqiao Central Business District and Jinpu New Area in Dalian, Liaoning, covering the eastern, central, western regions as well as the old industrial base in Northeast China. These zones include sea, land and air ports, reflecting the dynamism and potential of China's import. The demonstration zones are designed to play an important role in four aspects. First, facilitating import and tapping import potential through innovation and reduction of institutional costs. Second, expanding the import of technical equipment and raw materials and promoting the deep integration of imports and industries. Third, increasing the supply of domestic high-quality goods, and leading and creating domestic demand with high-quality supply. Fourth, focusing on the import distribution centres as conditions permit and giving play to the exemplary role of the centres to surrounding areas.

### **3.1.2 Continuously improving trade facilitation**

3.5. In January 2020, China notified measures implementing *the Trade Facilitation Agreement (TFA)* to the WTO ahead of schedule, including measures like "Exchange of Information", "Provision of Information" and "Establishment and Publication of Average Release Times". So far, China has fully implemented the measures stipulated in the TFA.

3.6. Since the last review, China has continued vigorously promoting paperless application for import and export licences and customs clearance. Since 15 October 2018, paperless application for import licences and customs clearance has been implemented nationwide for goods subject to automatic import licence administration and goods subject to import licence administration (except for ozone-depleting substances). Since 1 January 2020, paperless application for export licences and customs clearance has been implemented nationwide for goods under export restriction administration nationwide.

3.7. Since 2018, China Customs has integrated the enterprises' qualifications for customs declaration and inspection, and removed the validity period of the registration of customs declaration enterprises and their branches. Meanwhile, the inspection and quarantine operations have been integrated into the overall framework and procedures of national customs clearance integration, realizing the "five unifications" (namely, unified declaration documents, unified operation system, unified risk assessment, unified issuing of instructions, and unified on-site law enforcement). By the end of 2018, China Customs had successfully completed full integration of national customs declaration and inspection. In March 2021, the overall customs clearance time for imports nationwide was 37.12 hours, reduced by 61.9% compared with that of 2017; and the overall customs clearance time for exports nationwide was 1.67 hours, reduced by 86.4% compared with that of 2017.

3.8. In addition, China has continuously deepened the reform of China Compulsory Certificate (CCC) scheme. 62 products with relatively standardized industry development and lower risks were removed from the CCC catalogue. Enterprises self-declaration assessment mechanism was introduced to the CCC scheme, applying to 19 products. Certification process was optimized and the certification period was reduced by more than 30%.

### **3.1.3 Actively cultivating new forms and new models of foreign trade and promoting innovative development of trade in services**

3.9. China actively promotes well-regulated, healthy and sustainable development of cross-border e-commerce and other new forms and modes. China has established 105 cross-border e-commerce pilot zones in five batches, guided the local authorities to build test grounds, promoted business model innovation, and created a fair, open and transparent development environment. Meanwhile, in view of the characteristics of small transaction volume with high frequency of cross-border e-commerce, China explored and formed a number of experiences and practices by using new technologies and tools, which have been replicated and adopted nationwide. On 1 January 2019, *the E-commerce Law* came into effect. The standards of the e-commerce sector have been continuously improved and the integrity and trustworthiness of the sector have been further deepened.

3.10. In August 2020, China issued *the Overall Plan for Deepening the Pilot Programme of the Innovative Development of Trade in Services* to promote the transformation, upgrading and high-quality development of foreign trade. According to the Plan, Beijing, Tianjin, Shanghai and other 25 provinces/cities/regions are designated as pilot zones, which will comprehensively explore eight pilot tasks within the three-year pilot period. In the key areas of services trade under full competition or limited competition, and competitive elements of services trade under natural monopoly, China promoted the cancellation or relaxation of restrictions on services trade, guided by the principles of full removal, substantial relaxation and orderly liberalization correspondingly.

3.11. With the development of modern information and communication technology, digital trade thrives and becomes a new engine for the development of trade in services. China is committed to fostering an open, fair and non-discriminatory digital trading environment, and establishing basic regimes and standards for property rights, transaction circulation, cross-border transmission and security protection of data resources. China hopes to deepen cooperation with other members on the basis of mutual respect and jointly build a fair, reasonable, safe and orderly international rules-based system for digital trade.

## **3.2 Building a Highland for Foreign Investment**

3.12. China unswervingly promotes opening up, improves the legal system for foreign investment, continuously liberalizes foreign investment market access, and expands the encouraged categories for foreign investment. It improves the service system of foreign investment, steps up to protect the legitimate rights and interests of foreign investment, and constantly optimizes the foreign investment environment. Since the last review, China has promulgated *the Foreign Investment Law* and its implementing regulations. China has also issued *the Circular on Certain Measures for Actively and Effectively Utilizing Foreign Investment to Promote Quality Economic Development*, *the Opinions of the State Council on Further Effectively Utilizing Foreign Investment* and *the Opinions of the General Office of the State Council on Further Stabilizing Foreign Trade and Foreign Investment*, building a policy system for foreign investment in the new era and effectively improving quality and level of foreign investment in China.

### **3.2.1 Fully implementing the Foreign Investment Law and its implementing regulations**

3.13. On 15 March 2019, the Second Session of the 13<sup>th</sup> National People's Congress deliberated and adopted *the Foreign Investment Law of the People's Republic of China*, which came into effect on 1 January 2020. On the basis of reviewing the practical experience of the previous legal system for foreign investment (namely, the "Three Laws on Foreign Investment", which include *the Law on Foreign-owned Enterprises*, *the Law on Sino-foreign Equity Joint Ventures*, and *the Law on Sino-foreign Cooperative Joint Ventures*), the new *Foreign Investment Law* unifies the regulations on foreign investment activities, and establishes the basic framework of the legal system for foreign investment in the new era.

3.14. In terms of investment promotion, the new Law requires improving the transparency of foreign investment policies, ensuring that foreign-invested enterprises participate in market competition on an equal footing, strengthening services for foreign investment, as well as encouraging and guiding foreign investment in accordance with laws and regulations. In terms of investment protection, the new Law requires strengthening the protection of property rights of foreign-invested enterprises, reinforcing the constraints on the formulation of normative documents

related to foreign investment, encouraging local governments to keep their commitments, and establishing a complaint mechanism for foreign-invested enterprises. In terms of investment administration, the new Law requires that foreign investment shall be subject to an administrative system of pre-establishment national treatment plus negative list. Foreign investment in sectors not included in the Negative List shall be supervised and managed in accordance with the principle of same treatment for domestic and foreign investment. The approval and record-filing of the establishment and changes of foreign-invested enterprises by the authorities in charge of commerce shall be removed. The foreign investment information reporting system shall be fully implemented. In addition, the new Law clearly stipulates that forced technology transfer through administrative means is prohibited.

3.15. To ensure the effective implementation of *the Foreign Investment Law*, the State Council promulgated *the Regulations on the Implementation of the Foreign Investment Law of the People's Republic of China* in December 2019, which came into effect on 1 January 2020, simultaneously with *the Foreign Investment Law*. The Regulations provides implementation details for the major legal systems established by *the Foreign Investment Law*, and develops specific operable rules. In order to effectively implement *the Foreign Investment Law*, the State Council promulgated *the Decision on Amending and Rescinding Some Administrative Regulations* on 29 November 2020, overhauled administrative regulations inconsistent with *the Foreign Investment Law*, revised provisions of 22 administrative regulations, including *the Regulations on the Administration of Commercial Performances*, and rescinded *the Administrative Measures for the Establishment of Partnership Enterprises within China by Foreign Enterprises or Individuals*.

### **3.2.2 Actively expanding market access for foreign investment**

3.16. China significantly shortened the negative list for foreign investment access. In June 2020, China issued *the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 edition)*. China has revised the negative list for foreign investment access four times since 2017. Compared with the 2017 edition, the items of the latest national negative list have been reduced from 63 to 33. The main amendments in previous revisions are as follows. First, in the services sector, removing the restriction on foreign shareholding ratio in railway passenger transport companies, international shipping agents and international maritime transport companies; and lifting the regulatory requirements that the Chinese side shall hold the controlling majority of shares in the joint ventures regarding the construction and operation companies of gas, heat and water supply and drainage networks in cities with a population of more than 500,000, and cinemas and performance brokerage institutions. Second, in the manufacturing sector, removing the restriction on foreign shareholding ratio in companies manufacturing special vehicles, new energy vehicles and commercial vehicles; and lifting the prohibition of foreign investment in radioactive minerals production and processing and nuclear fuel production. Third, in the agriculture and forestry sector, removing the restrictions on foreign investment in the purchase and wholesale of rice, wheat and corn; and lifting the prohibition of foreign investment in wildlife animal and plant resources development.

3.17. China further opens up its financial services. First, as for the banking sector, in 2018, the cap of foreign investment shareholding ratio in Chinese commercial banks was lifted and the unified equity investment ratio rules for both domestic and foreign investment were implemented. *The Regulations on the Administration of Foreign-invested Banks* and *the Detailed Rules for the Implementation of the Regulation on the Administration of Foreign-invested Banks* were revised in October and December 2019 respectively, which removed the total assets requirement of USD 10 billion for foreign banks to set up foreign-invested legal person corporate banks in China and the total assets requirement of USD 20 billion for foreign banks to set up branches in China. The restrictions on Chinese shareholders of Sino-foreign joint venture banks were eased as well, and the requirement that the sole or major Chinese shareholder must be a financial institution was also lifted. Second, as for the securities sector, on 1 April 2020, the cap of foreign investment shareholding ratio in securities companies and fund management companies was removed nationwide. Eight foreign-holding securities companies, including UBS Securities Co. Limited, have been approved. From 1 January 2020, the cap of foreign investment shareholding ratio in futures companies was removed, and JP Morgan Chase Futures Co., Ltd. was approved as the first foreign wholly-owned futures company. Third, as for the insurance sector, as of the end of 2019, the requirements of operating business for 30 years and operating a representative office for 2 consecutive years before the establishment of a foreign insurance institution were lifted nationwide, and foreign insurance group companies were allowed to invest in the establishment of

insurance institutions. From 2020, the cap of foreign investment shareholding ratio in life insurance companies was eased to 100%. Fourth, as for other sectors, overseas financial institutions have been allowed to establish and invest in pension management companies. Financial institutions in trust, financial leasing, auto finance, money brokerage, and consumer finance have been encouraged to introduce overseas professional investors with unlimited shareholding cap.

### **3.2.3 Expanding the scope of encouraged foreign investment**

3.18. In June 2019, China issued *the Catalogue of Encouraged Industries for Foreign Investment (2019 edition)*, with a total of 1,108 items. This Catalogue combined the encouraged items in *the Catalogue for the Guidance of Foreign Investment Industries* with the items in *the Catalogue on Industries Advantageous to Foreign Investment in the Central and Western Regions of China*, significantly expanding the scope of encouraged foreign investment. In December 2020, *the Catalogue of Encouraged Foreign Investment Industries (2020 edition)* was published with 1,235 items, an increase of 127 compared with the 2019 edition. The main feature of the revision is to further encourage foreign investment in advanced manufacturing, modern services and advantageous industries in central and western regions.

### **3.2.4 Promoting the innovation-driven development of national economic and technological development zones**

3.19. As of May 2021, China has set up 217 national economic and technological development zones in 31 provinces/autonomous regions/municipalities, with 107 in the eastern region, 63 in the central region and 47 in the western region. These Development Zones contribute more than 10% of national GDP and fiscal revenue. They also take up 20% of national industrial added value, total value of import and export and utilization of foreign investment. In May 2019, the State Council issued *the Opinions on Advancing Innovation in National Economic and Technological Development Zones and Building a New Highland for Reform and Opening-up* and offered 22 supportive measures in five aspects: improving the quality of open economy, granting greater autonomy in reform, building a modern industrial system, improving the functions of domestic and foreign cooperation platforms, and strengthening guarantees for productive factors and intensive use of resources.

## **3.3 Pursuing Innovative Cooperation in Outbound Investment and Achieving Mutual Benefits and Win-Win with the Host Countries**

3.20. China gives priority both to FDI attraction and outbound investment. China strives to improve the quality and level of facilitation for outbound investment. China continuously improves, promotes and guarantees the policy and service system for outbound investment. Committed to maintaining the stability of global industrial chains and supply chains, China has brought new dynamics into the recovery of the world economy.

### **3.3.1 Advancing the reform of outbound investment administration system and improving the public service system for outbound investment**

3.21. In January 2018, the Ministry of Commerce and relevant ministries and departments jointly issued *the Interim Measures for the Reporting of Outbound Investments Subject to Record-filing or Approval*. In March 2018, the National Development and Reform Commission implemented *the Measures for the Administration of Outbound Investments of Enterprises* to facilitate outbound investment. In May 2019, the Ministry of Commerce issued *the Rules for the Implementation of the Reporting of Outbound Investment Subject to Record-filing or Approval*. In addition, the Ministry of Commerce provides public service annually to help enterprises understand the business environment of host countries and better comply with the laws and regulations of host countries. These efforts include the formulation and publication of *the Guide for Countries and Regions on Overseas Investment and Cooperation* and *the Report on Development of China's Outward Investment and Economic Cooperation*.

### **3.3.2 Promoting the facilitation of outbound investment and cooperation**

3.22. In recent years, China has issued *the Decision on Eliminating a Number of Administrative Licenses*, revised *the Regulations on Contracting Foreign Projects* and other administrative regulations, and removed two items subjects to administrative approval. To be specific, these

two removed items were the approval of business qualification for contracting foreign projects and the approval of bidding tendering (bid negotiation) for contracting foreign projects. These efforts have facilitated Chinese enterprises' cooperation with their partners in overseas infrastructure. Since 2015, the Ministry of Commerce has implemented paperless management of record-filing of enterprises' outbound investments. In March 2020, the Ministry of Commerce issued *the Notice on Improving Paperless Management of Record-filing (Approval) of Outbound Investments* to further facilitate outbound investment.

### **3.4 Building a Global-Oriented Network of High-Standard Free Trade Areas and Promoting the Liberalization and Facilitation of Trade and Investment**

3.23. Since the last review, China has signed free trade agreements (FTAs) with Mauritius and Cambodia respectively, signed protocols on upgrading FTAs with Singapore and New Zealand respectively, and signed Protocol of the Second Phase of FTA with Pakistan. China-Mauritius FTA came into effect on 1 January 2021, which is the first FTA signed between China and an African country. The protocol upgrading China-Chile FTA came into effect in March 2019. In addition, in December 2018, the Mainland of China signed the Agreement on Trade in Goods under the Closer Economic Partnership Arrangement (CEPA) with the Hong Kong Special Administrative Region and the Macao Special Administrative Region respectively. In November 2019, the Mainland of China signed the Agreement Concerning Amendment to the CEPA Agreement on Trade in Services with the Hong Kong Special Administrative Region and the Macao Special Administrative Region respectively.

3.24. In November 2020, China signed *the Regional Comprehensive Economic Partnership Agreement (RCEP)* with the ten ASEAN countries, Japan, Republic of Korea, Australia and New Zealand. RCEP is a modern, comprehensive, high-quality large-scale regional free trade agreement that delivers mutual benefits. In terms of trade in goods, over 90% of products will eventually enjoy zero tariff. The principle of regional accumulation is adopted to deepen the industrial chains and value chains within the region. In terms of services and investment, the overall level of openness of all parties is significantly higher than their WTO commitments. The RCEP adopts a negative list approach to investment liberalization. It also covers modern rules on issues such as intellectual property rights, e-commerce, competition policy, government procurement, conformity assessment procedures, etc.

3.25. Up to now, China has signed 19 free trade agreements with 26 countries or regions, in which over 90% of China's tariff lines are or will reduce to zero. Currently, there are 12 ongoing negotiations for new FTAs or upgrading existing ones, including China-Japan-Republic of Korea FTA, China-Gulf Cooperation Council FTA, China-Sri Lanka FTA, China-Israel FTA, China-Norway FTA, China-Republic of Moldova FTA, China-Panama FTA, China-Palestine FTA, the Second Phase of China-Republic of Korea FTA, the upgrading of China-Peru FTA, and the follow-up talks for the upgraded China-Singapore FTA, and the China-Belarus Agreement on Trade in Services and Investment.

3.26. China continues enhancing liberalization of trade and investment with its trading partners. In October 2019, *the Agreement on Trade and Economic Cooperation between China and Eurasian Economic Union* came into effect. In December 2020, the leaders of China and Europe jointly announced the conclusion of negotiations on *China-EU Comprehensive Agreement on Investment*. Review and translation of the texts are now in process, with a view to signing the Agreement and bringing it into effect promptly. In the meantime, China favorably considers joining *the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)* and has made informal contacts with relevant CPTPP signatories.

### **3.5 Developing High-Standard Pilot Free Trade Zones and Free Trade ports**

#### **3.5.1 Promoting high-quality development of pilot free trade zones**

3.27. Developing pilot free trade zones is an important strategic measure of China to voluntarily advance reform and opening up, which is a milestone for China's reform and opening up. Since 2018, China has successively set up 10 pilot free trade zones in Hainan, Shandong, Beijing and other regions, added Lin-gang New Area to Shanghai Pilot Free Trade Zone, and expanded Zhejiang Pilot Free Trade Zone. Currently, a total of 21 pilot free trade zones in China have yielded positive results on further reform and opening up in terms of promoting liberalization and facilitation of trade and

investment, enabling financial services to boost real economy and transforming government functions.

**3.28. Further increasing efforts of exploration and testing of opening up.**

3.29. For the last three years since 2018, China has been shortening the negative list for foreign investment access in pilot free trade zones. The number of special administrative measures has been reduced from 95 in 2017 to 30 in 2020. The market access has been continuously enhanced in manufacturing and service industries, creating a much more open and transparent market.

**3.30. Promoting the level of trade liberalization and facilitation.**

3.31. China improves the Single Window for International Trade through innovations such as blockchain platforms for public services in Fujian Pilot Free Trade Zone. The functions of the Single Window have been further optimized with better service capabilities. The pilot free trade zones introduced a series of facilitation measures, such as establishing central warehouses for the return of imported goods sold via cross-border e-commerce businesses, and enabling paperless digital services for the entire procedure from enterprises' customs registration to port access. These measures have greatly accelerated customs clearance, enhanced supervision efficiency and reduced business costs. Currently, 98% of customs clearance is completed digitally at Shanghai Port, lowering direct costs by more than RMB 400 million each year.

**3.32. Promoting openness and innovation of the financial sector, with a view to serving the real economy.**

3.33. Market Access for foreign-invested financial institutions has been substantially liberalized. The free trade account system introduced in Shanghai Pilot Free Trade Zone is now expanding to pilot free trade zones in Hainan, Guangdong and Tianjin. Reform measures explored in pilot free trade zones are replicated and promoted across China, such as allowing foreign-invested enterprises to voluntarily settle their foreign exchange capital and providing financing and settlement of railway documentary L/C. By making corporate financing easier, these measures have given a strong boost to the real economy.

3.34. In 2020, a total of 393,000 new enterprises were established in the first 18 pilot free trade zones, including 6,472 foreign-invested enterprises. The paid-in foreign investment was RMB 176.38 billion and total imports and exports reached RMB 4.7 trillion. At the end of 2020, 260 outcomes of institutional innovation were put in place in pilot free trade zones and then introduced to the rest of the country, continuously improving the business environment and effectively boosting market vitality.

**3.5.2 Promoting the vigorous development of Hainan free trade port**

3.35. In June 2020, China issued *the Master Plan for Hainan Free Trade Port*. The plan makes institutional arrangements regarding trade, investment, cross-border capital flow, personnel entry/exit, convenient transportation, as well as safe and orderly flow of data. In the area of trade in goods, the liberalization and facilitation arrangements are implemented with zero-tariff as the basic feature. In the area of trade in services, the liberalization and facilitation measures focus on both market access and business operations. A negative list for cross-border services trade is adopted. In the area of investment liberalization, market access is significantly expanded with less prohibitions and restrictions, highlighting the principle of "entry unless on the list". In the area of investment facilitation, the Single Window for International Investment is set up in Hainan to provide investors with all-in-one package service and convenient investment environment.

3.36. Since the release of *the Master Plan for Hainan Free Trade Port* last year, the policies and measures to liberalize market access as well as the negative list for foreign investment access have taken effect. Market entities have been instantly attracted to Hainan. The offshore duty-free shopping policy has been improving. And the Yangpu Port has witnessed significant growth in terms of throughput.

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## **4 BUILDING AN OPEN WORLD ECONOMY AND PROMOTING THE CONSTRUCTION OF A COMMUNITY WITH A SHARED FUTURE FOR MANKIND**

4.1. China is always committed to safeguarding world peace, contributing to global development and upholding international order with a view to making economic globalization more open, inclusive, beneficial to all, balanced, and win-win, and promoting the construction of a community with a shared future for mankind.

### **4.1 Fully Supporting Global Cooperation on Combating COVID-19 with Concrete Actions**

4.2. During the COVID-19 outbreak when people's safety and health were seriously endangered, China mobilized maximum efforts and resources within the shortest period of time to contain the spreading of the pandemic. With arduous efforts, China made major strategic achievements in fighting against the pandemic and took the lead in resuming work and production. The complete industrial chains and strong support systems in China play a positive role in boosting the recovery of the world economy. As combating the pandemic is the most urgent task facing the international community, President Xi Jinping is promoting international cooperation and calling for building a global health community for mankind, strengthening bilateral and multilateral cooperation, and jointly addressing the challenges posed by the pandemic. China has been actively fulfilling its international obligations and made significant contribution to the global cooperation on combating COVID-19.

### **4.3. China is sharing information and experience in fighting against the pandemic with the international community.**

4.4. After the outbreak, China immediately took the initiative to share the information on pandemic with the WHO, as well as other countries and regional organizations including the whole coronavirus genome sequence and the specific primers and probes for detecting the coronavirus. China regularly notified the WHO and relevant countries of information of the pandemic. China compiled the documents of COVID-19 prevention and control plans and treatments, which were translated into three languages, and shared with more than 180 countries, as well as over 10 international and regional organizations.

### **4.5. China is providing humanitarian assistance to the international community.**

4.6. China launched the largest global emergency humanitarian operation since the founding of the People's Republic of China. China has been actively sending medical assistance overseas, donating medical supplies to 150 countries and regions and 12 international organizations, and sending 36 medical teams to 34 countries. China provided the WHO with two donations totaling USD 50 million in cash for fighting the pandemic. In May 2020, President Xi Jinping announced at the opening ceremony of the 73<sup>rd</sup> World Health On-line Assembly that China would donate USD 2 billion in the coming two years supporting the international community to combat COVID-19.

### **4.7. China is making every effort to improve the accessibility of vaccines.**

4.8. China firmly believes that COVID-19 vaccines are first and foremost a global public good, and has taken the lead in committing that all vaccines developed shall be considered as public goods. China has been working hard to improve the accessibility and affordability of vaccines to developing members. China is working with over 10 countries in vaccine R&D and production. China has participated in the WHO-initiated COVAX and committed to donating a first batch of 10 million vaccine doses to developing countries in urgent need. China is now donating vaccines to 85 developing members and 4 international organizations, and exporting vaccines to more than 40 countries. In May 2021, President Xi Jinping announced at the Global Health Summit that China would provide an additional USD 3 billion in international aid over the next three years to support combating COVID-19 as well as economic and social recovery in other developing countries. Up to now, China has supplied 350 million doses of vaccines to the whole world. And China supports for waiving intellectual property rights on COVID-19 vaccines, and hopes to see a consensus on this issue be reached in the WTO and other international organizations soonest possible.

### **4.9. China is promoting the export of pandemic control supplies in an orderly manner.**

4.10. As the largest manufacturer of anti-pandemic supplies, China spares no effort in providing supplies to the rest of the world, while meeting the domestic needs. By May 2021, China had provided over 280 billion masks, over 3 billion protective suits and 4 billion testing kits to more than 200 countries and regions, providing strong support to other countries in their fight against COVID-19.

**4.11. China is taking trade facilitation measures during the pandemic.**

4.12. In order to facilitate the compulsory product certification process, China encourages and advises certification bodies to provide online training for enterprises, carries out virtual inspections on manufacturers, opens fast tracks and green lanes, and issues electronic certificates. In 2020, a total number of 142,000 expired CCC certificates at home and abroad were renewed. In so doing, China recognized and accepted the conformity assessment results of the mutual recognition systems established through multilateral or bilateral channels.

## **4.2 Firmly Supporting the Multilateral Trading System with the WTO at its Core**

4.13. The multilateral trading system with the WTO at its core is the cornerstone of economic globalization and free trade. However, the system at present is facing unprecedented challenges. At the World Economic Forum Virtual Event of the Davos Agenda held in January 2021, President Xi Jinping pointed out in his special address that it was necessary to build an open world economy and firmly safeguard the multilateral trading system, push forward the WTO reform and protect the development rights and policy space of developing members.

4.14. This year marks the 20<sup>th</sup> anniversary of China's accession to the WTO. China has always been a staunch supporter, active participant and major contributor to the multilateral trading system. China calls on the WTO members to maintain a rules-based, transparent, non-discriminatory, open and inclusive multilateral trading system, and to oppose unilateralism and protectionism. China also calls on the WTO members to discard discriminatory or exclusionary standards, rules or regimes, and to take down barriers to trade, investment and technological exchanges. China has fully participated in the various work of the WTO, actively participated in reform of the WTO, and committed itself to supporting the WTO's greater role in further opening up and enhancing development, and strengthening the authority and efficacy of the multilateral trading system.

### **4.2.1 Actively participating in reform of the WTO, and opposing unilateralism and protectionism**

4.15. In China's view, the WTO is facing severe challenges: unilateralism and protectionism are currently spreading; the dispute settlement mechanism has been undermined; the multilateral negotiation process is slow; and COVID-19 has dealt a heavy blow to the global economy. As President Xi Jinping emphasized on several occasions, China supports necessary reform of the WTO and firmly safeguards the multilateral trading system.

4.16. In November 2018, the Chinese Government issued *China's Position Paper on WTO Reform*, which outlined three basic principles and five suggestions on WTO reform. The three basic principles are: the reform shall preserve the core value of the multilateral trading system; safeguard the development interests of developing members; and adhere to the practice of decision-making by consensus. The five suggestions are: the reform should uphold the primacy of the multilateral trading system; the priority of the reform is to address the existential problems faced by the WTO; the reform should address the imbalance of trade rules and respond to the latest developments of the times; the reform should safeguard the special and differential treatment for developing members; and the reform should respect members' development models. In May 2019, China submitted its *Proposal on WTO Reform* to the WTO, putting forward ideas on four areas for action and 12 topics, such as suggestions on tightening the disciplines to curb unilateral measures inconsistent with WTO rules, and rectifying the inequity in rules on agriculture.

4.17. China believes that reform of the WTO should aim to restore the normal operations of the Organization soonest possible. In particular, members must break the impasse of the Appellate Body, curb unilateralism and protectionism, and address as a priority the long-standing and unsolved inequity in rules on agriculture. In this regard, pressing issues include high AMS entitlement enjoyed by developed members, and legitimate requests of developing members about public stockholding

programmes for food security purposes. In light of the gaps and ambiguities in the multilateral trade remedy rules, the countervailing and anti-dumping rules should be further clarified and improved in order to prevent the abusive use and misuse of trade remedies. Meanwhile, the WTO rules need to keep pace with the times, and strive to achieve outcomes in regard to new issues such as investment facilitation, e-commerce, services domestic regulation, and MSMEs.

4.18. China is fully engaged in reviving the WTO Appellate Body. China, together with 120 members, submitted joint proposals to initiate the appointment process of the Appellate Body members. China is one of the 42 members that submitted the proposal on the Appellate Body reform. Moreover, China co-established the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) with 24 members to restore the functioning of the dispute settlement mechanism.

4.19. China always believes that unilateralism and protectionism are undermining the rules-based, free and open international trade order, harming the interests of WTO members, especially developing members, and damaging the authority and efficacy of the WTO. China expressed its serious concern and strong opposition to the unilateral and protectionist actions that specific members have taken, which are in serious violation of the fundamental rules and spirit of the WTO. China brought the case against the United States with respect to the Section 301 tariff measures, and the Panel fully supported China's claim. China raised concerns regarding the abusive use of national security and economic sanctions by certain members in the WTO subsidiary bodies. China calls on all members to maintain open markets, and promote trade liberalization and facilitation. Trade frictions between members should be resolved in the framework of the WTO according to multilateral trade rules, and based on mutual respect.

#### **4.2.2 Deeply and fully participating in multilateral negotiations and discussions, and earnestly fulfilling the obligations as a WTO Member**

4.20. China has been actively participating in the WTO negotiations on all issues. Our aim is to establish international trade rules that respond to the development of the times and needs of the industries, and take full consideration of members' economic development level and capability. China has participated in the regular meetings of WTO councils and committees in a constructive way and raised issues of its concern. China has earnestly fulfilled its commitments to the WTO, implemented the commitment to open goods and services markets, and strengthened the protection of intellectual property rights. In addition, China has taken initiatives to further opening up, making contribution to build an open world economy. China strictly abides by the WTO rules when making and implementing economic and trade policies, so as to ensure the stability, transparency and predictability of those policies.

4.21. China actively participates in the WTO negotiations on fisheries subsidies, putting forward proposals to prohibit certain forms of subsidies which contribute to overcapacity and overfishing and to eliminate subsidies that contribute to IUU fishing. By making these efforts, China will contribute to the timely completion of the negotiations and realization of *the UN 2030 Agenda for Sustainable Development*. China's newly adopted fishery policies for 2021 to 2025 will further promote high-quality development and modernize the fisheries sector. The direction of adjustment of these new policies is in line with the direction of the WTO negotiations in fisheries subsidies. These new policies incorporate fishery management element into subsidy policies, promote the transformation of the fisheries industry and provide guidance to the fishermen to conserve the fishery resources.

4.22. Investment facilitation is an issue benefiting all WTO members and attracts increasing attention from business communities. Multilateral rules on investment facilitation will facilitate cross-border investment, enhance trade capacity and achieve the development goals. In November 2019, 92 members issued *the Joint Ministerial Statement on Investment Facilitation for Development* during the Informal WTO Ministerial Meeting in Shanghai. In 2020, the Investment Facilitation for Development proceeded into negotiating stage. Together with over 100 members, China is fully participating in the process. With joint efforts, the participants are working towards an early integration of investment facilitation into the multilateral framework, and an outcome that benefits all WTO members.

4.23. China values and supports the e-commerce related work in the WTO. China has actively participated in relevant discussions, submitted concrete proposals, and joined the "Friends of E-Commerce for Development". In January 2019, China, together with other 75 WTO Members,

confirmed their intention to commence WTO negotiations on trade-related aspects of e-commerce. Since then, China has submitted four proposals, pushing the negotiations forward together with other participants. China also supports the work related to services domestic regulation within the WTO framework. In December 2017, 59 Members, including China, announced the initiation of the plurilateral negotiation on services domestic regulation. The negotiation has made substantial progress following three years of intensive consultations.

4.24. China has fully fulfilled its obligations of notification under all WTO agreements. As the largest developing member, China has made significant progress in subsidy notification, which is the most difficult exercise in terms of data collection process. In 2019, China submitted *the New and Full Subsidy Notification* at the central and sub-central government level during the period from 2017 to 2018. The notification covers 79 subsidy programmes at central level and 420 ones at sub-central level (31 provinces/autonomous regions/municipalities and 5 cities directly designated by the State Council). Programmes in all provincial administrative regions and local governments at the provincial, city and county levels are included. And it was the first time that China notified fisheries subsidies in a separate chapter. The number of notified programmes reached a new high record of China's notifications.

### 4.2.3 Supporting a bigger role of the WTO

4.25. In November 2019, China successfully hosted the Informal WTO Ministerial Meeting in Shanghai. The ministers or representatives from 33 members attended the meeting and reached broad consensus. On that occasion, the ministers exchanged ideas on issues of safeguarding the multilateral trading system, working towards a successful 12<sup>th</sup> Ministerial Conference (MC12) and supporting the necessary reform of the WTO. During the Second China International Import Expo, China and the WTO jointly released *the World Trade Report 2019 (Chinese Version)*.

4.26. China is actively participating in preparing the MC12 outcomes. China believes that MC12 will be a testimony to Members' confidence in the multilateral trading system. China is willing to work with other Members to build consensus, to support the new Director-General's work, and to achieve outcomes on issues such as fisheries subsidies, fighting COVID-19 pandemic, agriculture, investment facilitation, services domestic regulation, e-commerce, and the Appellate Body reform.

4.27. China is working hard to enable the WTO to play an important role in pandemic prevention and control and economic recovery. China would continue its active participation in WTO discussions on trade liberalization for medical products, vaccine's intellectual property rights waiver, and other trade and health-related issues. These efforts will help safeguard global public health and promote world economic recovery. As a member of the WTO Informal Working Group on MSMEs, China has always actively participated in relevant consultations. In this regard, China strongly supports cooperation among WTO members on MSMEs issues such as information exchange, sharing best practices and trade facilitation. After the outbreak of COVID-19, China and other Members of the Working Group issued a joint statement in May 2020 to support MSMEs in response to COVID-19. At the end of 2020, a package of six proposals was adopted as the WTO joint statement initiative, marking a major step forward in terms of supporting MSMEs to overcome the pandemic crisis through trade.

4.28. China actively participates in the WTO's "Aid for Trade" initiative, fully supports the integration of developing Members into the multilateral trading system, and advocates a bigger role of the WTO. China's LDCs and Accessions Programme (the "China Programme") was set up to help the LDCs join the WTO. By the end of 2020, China had contributed a total of USD 4.2 million to the "China Programme". This Programme provides technical assistance and capacity-building to the acceding parties, supports the accession work of the WTO, and enhances the representativeness of WTO membership, contributing to strengthening the multilateral trading system. In September 2018 and December 2019, the 7<sup>th</sup> and 8<sup>th</sup> China Round Table meetings took place in Kazakhstan and Russian Federation respectively. In December 2020, the 9<sup>th</sup> China Round Table meeting was held virtually as one of the events to celebrate the 25<sup>th</sup> anniversary of the WTO. In March 2021, China shared its experience in joining the WTO with other acceding parties online.

4.29. At the same time, China also signed an economic and technical cooperation agreement with the WTO through the South-South Cooperation Assistance Fund, pledging to provide USD 8 million to the WTO for designing or implementing research-related projects regarding Aid for Trade and

other areas. In May 2019, the WTO launched the project of "Improving Access To Trade and Market Access Statistics and Developing Trade In Value-Added Databases" with USD 1.1 million from the above-mentioned fund, helping developing members collect detailed official trade statistics. This project is of vital importance to building a real global computing system of trade in value-added and global value chains, and provides capacity-building to those members in Asia and Africa.

4.30. In addition, China is constructively participating in discussions on issues such as women's economic empowerment, trade and health, and trade and environment. China co-sponsored the Trade and Health initiative to update the WTO rules to keep pace with the times.

### **4.3 Promoting Fairer and More Equitable Global Economic Governance System**

4.31. Since the last review, China has continued its constructive participation in economic and trade cooperation agenda of G20, BRICS, and APEC. In this process, China put forward plans and suggestions on the liberalization and facilitation of trade and investment, and building of an open world economy.

4.32. China actively supports the G20's role as a major forum for international economic cooperation. With joint efforts of all G20 members, the G20 successfully adopted Leaders' Summit Declarations from 2018 to 2020. These declarations include commitments on upholding the multilateral trading system, supporting the necessary reform of the WTO, keeping the market open, and creating a free, fair, inclusive, non-discriminatory, transparent, predictable, and stable trade and investment environment. Facing the grave challenges posed by the outbreak and spread of COVID-19, the G20 held two leaders' summits and one trade ministerial meeting in 2020. A number of outcome documents were adopted, such as *the Extraordinary G20 Leaders' Summit Statement on COVID-19*, *the Rome Declaration* and *G20 Actions to Support World Trade and Investment in Response to COVID-19*. G20 members were able to reach consensus on strengthening international cooperation in combating COVID-19 and stabilizing the global industrial chains and supply chains. These efforts have boosted the world's confidence and motivation in revitalizing international trade and investment and building an open world economy.

4.33. China contributes constructively to the economic and trade cooperation of the BRICS countries. With other members, China actively facilitated the release of the joint communiqués of Meetings of BRICS Trade Ministers from 2018 to 2020. The BRICS trade ministers reached consensus on supporting the multilateral trading system; opposing unilateralism and protectionism; promoting the Model E-Port Network; and making progress in terms of trade and investment facilitation, e-commerce, services trade, intellectual property rights, technical specifications and standardization, and MSMEs. These documents laid solid foundation for the BRICS leaders to deliver economic and trade outcomes. Since the outbreak of the pandemic, the BRICS countries have reached consensus on wide-ranging issues. In the field of economic cooperation and trade, the BRICS countries decided to strengthen the coordination of combating COVID-19, and jointly safeguard the stability of the industrial chains and supply chains. This sends a strong message to the world that the BRICS countries are resolute in jointing hands and rising to the external challenges. *The Strategy for BRICS Economic Partnership 2025* adopted at the 12<sup>th</sup> BRICS summit maps out the key areas of economic and trade cooperation and the way forward for the next five years.

4.34. China has deeply participated in APEC economic and trade cooperation, and is committed to building an Asia-Pacific community with a shared future. With other economies, China contributed to *the APEC Putrajaya Vision 2040*, which envisages the cooperation of the next two decades. Facing the pandemic, China contributed to the two Statements made by APEC Ministers Responsible for Trade in 2020 on combating COVID-19, and *the Declaration on Facilitating the Movement of Essential Goods*. China helped to build consensus among the APEC economies on supporting the multilateral trading system, promoting regional economic integration, and enhancing regional trade and investment liberalization and facilitation. China put forward nearly 30 initiatives in such fields as inclusive trade and investment, digital economy, interconnectivity, trade facilitation, and the green economy. China supported the 23 ports from 13 economies to join the Asia-Pacific Model E-Port Network, completing the APEC TIVA Database.

4.35. In addition, China promotes the Asia-Europe Meeting (ASEM) economic and trade cooperation mechanism with a pragmatic approach. China successfully hosted the 19<sup>th</sup> intergovernmental and

ministerial Meeting of the Greater Tumen Initiative (GTI) Consultative Commission in 2019. Economic cooperation in the Greater Mekong Sub-region has been carried out in a practical way.

#### **4.4 Building International Platforms for Opening Up and Cooperation**

##### **4.4.1 Promoting high quality cooperation for the Belt and Road Initiative**

4.36. In April 2019, the Second Belt and Road Forum for International Cooperation was held in Beijing, delivering a series of cooperation outcomes. By the end of February 2021, a total of 171 countries and international organizations had signed cooperation documents with China on the joint construction of the Belt and Road. China will provide better path for the joint construction of the Belt and Road and bring more opportunities to partners of this Initiative. China is willing to work with all parties to ensure stable and resilient cooperation in the high-quality construction of the Belt and Road, so as to provide strong impetus for building a community with a shared future for mankind.

4.37. From 2018 to 2020, China has made new achievements in economic and trade cooperation with countries along the Belt and Road, totalling USD 4 trillion in trade and over USD 55 billion in accumulated investment. In these countries, trade facilitation has been promoted and investment environment has been improved. Since 2020, facing the grave impact of the COVID-19, China has reinforced international cooperation to combat the pandemic, and advocated for *Health Silk Road*, *Information Corridor* and *Digital Silk Road*. With greater cooperation on green energy, green infrastructure and green finance, a Green Silk Road is being built.

##### **4.4.2 Hosting China International Import Expo (CIIE) with a view to benefiting all**

4.38. Hosting the CIIE is an important and significant decision made by China to promote a new round of high-level opening up, a major policy measure of China to further open its market to the world. Since 2018, China has successfully hosted three sessions of the CIIE. During the past three years, the CIIE has become a major platform featuring four areas of activities: international procurement, investment promotion, cultural and people-to-people exchanges, as well as opening up and international cooperation. The CIIE greatly contributes to building an open world economy and a community with a shared future for mankind.

4.39. In November 2020, the third CIIE was convened at a special time. During the COVID-19 pandemic, all countries and regions suffered huge losses and the global economy was hit hard. China sought common development with the rest of the world, advocating for open market, close cooperation and mutual benefits. This global trade event was held successfully under the precondition of ensuring pandemic control and safety. It demonstrated China's sincerity in sharing its development opportunities with the world and contributing to the global economic recovery. The Expo, with a total exhibition area of nearly 360,000 square meters, received nearly 400,000 registered visitors and over 3,000 journalists from home and abroad. The accumulative value of tentative deals reached USD 72.62 billion, with a year-on-year increase of 2.1%.

##### **4.4.3 Innovatively holding the Canton Fair, China International Fair for Trade in Services, China International Consumer Products Expo and China International Fair for Investment & Trade**

4.40. In addition to the CIIE, China Import and Export Fair (Canton Fair), China International Fair for Trade in Services (CIFTIS), China International Consumer Products Expo (CICPE) and China International Fair for Investment & Trade (CIFIT) are also important exhibition platforms for China to put forward its opening up measures.

4.41. In 2020, to mitigate the impact of COVID-19 on the international trade, China held two sessions of Canton Fair online, which was the first time that such a large-scale international economic and trade exhibition could be completely held online. These efforts helped to keep industrial chains and supply chains in smooth operation, and demonstrated China's proactive response to the pandemic and its support for the multilateral trading system as a major country. Buyers from more than 200 countries and regions registered for both two sessions of the Canton Fair.

4.42. The CIFTIS is the first international and comprehensive fair for trade in services at the national level in the world, covering 12 services sectors as defined by the WTO. In September 2020, the CIFTIS was successfully held in Beijing, attracting 22,000 enterprises and institutions from 148 countries and regions. As the first major international economic and trade event held both online and offline by China since the COVID-19 outbreak, the CIFTIS demonstrated China's remarkable achievements in pandemic control and in economic and social development. It fully showed China's firm confidence in furthering opening up to the world.

4.43. In May 2021, China hosted the first CICPE in Hainan Province, attracting 1,505 enterprises from 70 countries or regions. Foreign brands accounted for 52% of all participating brands, covering 75% of the exhibition area. Over 30,000 professional buyers and over 240,000 visitors joined the event. As a global platform of displaying and trading high-end consumer products, the CICPE helps all countries share market opportunities of China, boosting the global economic recovery and growth. It also enables China to offer the world more quality consumer products. China is willing to deepen bilateral, multilateral and regional cooperation, with comprehensive reforms and the highest level of openness being experimented in Hainan Free Trade Port. China is committed to working with all parties to create a better future for mankind.

4.44. In September 2018, the 20<sup>th</sup> CIFIT was held in Xiamen City, Fujian Province, featuring the theme of "Implementing New Development Philosophy, Integrating the Belt and Road Initiative, and Promoting Two-way Investment". This event included more than 80 forums such as meetings with transnational corporations, symposiums on investment facilitation and development, and international symposiums on overseas economic and trade cooperation zones. Altogether 1,005 industrial and commercial groups, about 5,000 enterprises and more than 120,000 businessmen from 128 countries and regions attended the event. More than 1,900 investment projects with a total investment amount of more than RMB 500 billion were signed at the CIFIT. International organizations including the WTO, the Organization for Economic Co-operation and Development (OECD) and the World Association of Investment Promotion Agencies (WAIPA) participated in the Fair.

## **4.5 Continuously Strengthening the South-South Cooperation**

4.45. As the largest developing country, China resonates with other developing members regarding the need for development. While pursuing its own development, guided by the principle of upholding justice while pursuing shared interests and the principle of sincerity, real results, affinity, and good faith, China offers assistance to other developing members, especially the least-developed countries (LDCs), within the framework of South-South cooperation. China keeps promoting the South-South cooperation, implementing *the UN 2030 Agenda for Sustainable Development* and building a community with a shared future for mankind.

### **4.5.1 Implementing practical measures for the South-South cooperation**

4.46. Since the last review, China has fulfilled its responsibility as a major country and taken practical measures to make further contribution to global development. At the Second Belt and Road Forum for International Cooperation held in 2019, President Xi Jinping announced a series of important measures. Among other things, these measures include: to implement *the Belt and Road South-South Cooperation Initiative on Climate Change*; to deepen cooperation in agriculture, health, disaster mitigation and water resources; to invite 10,000 representatives to visit China; to encourage and support extensive cooperation on public well-being projects among social organizations of participating countries; and to continue the Chinese government scholarship Silk Road Programme and other important measures. From 2013 to 2018, China cancelled 98 due interest-free loan debts (totalled RMB 4.184 billion) of the LDCs, heavily indebted poor countries, landlocked developing countries and small island developing countries.

4.47. At the Forum on China-Africa Cooperation (FOCAC) Beijing Summit held in September 2018, President Xi Jinping stated that China would launch eight major initiatives in the next three years and beyond. These initiatives focus on industrial promotion, infrastructure connectivity, trade facilitation, green development, capacity building, health care, cultural and people-to-people exchanges, and peace and security. At the Extraordinary China-Africa Summit on Solidarity Against COVID-19 held in June 2020, President Xi Jinping declared that China would continue fully supporting Africa's response to COVID-19, and working with Africa to accelerate the follow-ups to the FOCAC

Beijing Summit. Priority would be given to cooperation on public health, work and production resumption, and people's well-being, building an even stronger China-Africa community with a shared future.

4.48. China is one of the countries that provide maximal market access to the LDCs. It provides zero-tariff to products under 97% of all tariff lines exported to China from the LDCs that have established diplomatic relations with China. Up to now, China has provided the above-mentioned treatment to 42 LDCs that have exchanged diplomatic notes, boosting greatly the exports from the LDCs to China. Since 2008, China has been the major export market for the LDCs, importing about one fourth of their total exports.

#### **4.5.2 Contributing to the implementation of UN 2030 agenda for sustainable development**

4.49. China has made positive contributions to the implementation of *the UN 2030 Agenda for Sustainable Development* through international development cooperation, especially the South-South cooperation. A large number of cooperation projects, through *China-UN Peace and Development Fund* and *South-South Cooperation Assistance Fund*, have been carried out to assist other developing members to implement *the UN 2030 Agenda for Sustainable Development*. China has helped other developing countries reduce poverty by providing assistance in the construction of rural public facilities, sharing experiences in the conservation of agriculture and forestry, and offering technology transfer. China helped other developing members ensure food security by assisting agriculture development in light of local conditions. To improve medical and health care services, China has helped them improve local public health systems. In addition, China has also helped other developing members promote education by building schools, training teachers, and providing scholarships. Moreover, China attaches great importance to helping promote women's development and economic empowerment. To strengthen environmental protection and combat climate change, China has helped other developing members by building public facilities and energy infrastructure and supporting wildlife protection.

#### **4.5.3 Supporting capacity-building for home-grown development of other developing countries**

4.50. China adheres to the principles of "teaching one how to fish rather than giving him fish" and "providing the means for home-grown development". In carrying out international development cooperation, China has always taken into full consideration the resources, development level and needs of other developing countries and helped them build the capacity for home-grown development to achieve diversified, independent and sustainable development. China has sent 39 senior consultants to assist other developing countries to make development plans. By holding seminars and academic degree programmes, China has shared its practices and experiences in national governance. China has also shared its scientific and technological outcomes with other developing countries through training programmes, including those on space and satellite applications, 3D printing technology, metering technology, and marine biotechnology. Transnational technological transfer centres were founded to promote transfer of advanced applicable technologies and their applications through technology bridging, demonstration and training.

### **5 DEEPENING REFORM ACROSS THE BOARD AND BUILDING A HIGH-STANDARD MARKET SYSTEM**

5.1. China firmly commits itself to comprehensively deepening reform, fully leverages the decisive role of the market in allocating resources and gives better play to the role of government to ensure better alignment between an efficient market and a well-functioning government. China endeavours to generate new demand with innovation-driven development and high-quality supply. China promotes the domestic circulation, while facilitates the "dual circulation" of domestic and international circulations. Consumer spending is boosted across the board, and the potential for investment is unleashed. China promotes coordinated regional development and rural revitalization strategy. China is committed to energizing initiatives of all market entities, improving macroeconomic governance, modernizing fiscal, taxation, and financial systems, building a high-standard market system, and accelerating the transformation of government functions.

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## **5.1 Generating New Demand Through Innovation-Driven Development and High-Quality Supply**

### **5.1.1 Improving the quality and efficiency of the supply system and further unleashing consumption potential**

5.2. China expands domestic demand as a strategic move. Together with the supply-side structural reform, China accelerates the establishment of a comprehensive system of domestic demand. Since the last review, China has issued *the Several Opinions on Improving and Enhancing Consumption Systems and Mechanisms to Further Tap the Potential of Residential Consumption* and a three-year action plan, so as to support the development of new types of consumption generated by new forms and models of business and to promote the development of international consumption centre cities. The pilot projects of culture and tourism consumption and information consumption are in progress. Services consumption with regard to the aged and child care have been improved. E-commerce for rural areas is applied extensively. Meanwhile, the reform of the investment approval system allows capital to play a greater role. The revised *Catalogue for Guiding Industry Restructuring* and the guidelines on high-quality infrastructure development support private capital to move into major projects. The rapid development of a modern circulation system has reduced systemic transaction costs in the circulation sector.

### **5.1.2 Pursuing innovation-driven development, and optimizing and upgrading the industrial structure**

5.3. China has continuously strengthened innovation as the core of the modernization drive. Innovation platforms are established with a rapid pace. Enterprises as the main innovation driving force are encouraged to increase R&D input, while the government provides policy incentives that apply to all. New types of infrastructure, including 5G, data centres, cloud computing, and the industrial Internet are making steady progress. The industrial sector is upgraded with digital and smart technologies. National-level pilot zones of digital economy for innovation-driven development are under construction. Actions are taken to foster new forms of digital economy businesses. Since the last review, China has made efforts to promote business start-ups and innovation nationwide. The experiences of innovation and reform are replicated and applied nationwide. China has held the National Mass Entrepreneurship and Mass Innovation Week. And Innovation and Entrepreneurship demo centres are under construction.

### **5.1.3 Dissolving excess production capacity and improving the quality of supply**

5.4. Since the last review, China has continued reducing capacity through market-oriented, law-based, systematic and structural approaches. Further efforts have been made to consolidate the progress achieved. Resettlement of employees has been steadily carried out. In the iron and steel sector, China has continuously deepened the supply-side structural reform, implemented capacity replacement and improved the filing requirement of iron steel projects. In the coal sector, China has eliminated out-dated production capacity, improved the quality of the supply system, and optimized the coal production capacity layout. Meanwhile, China has been addressing "zombie enterprises". From 2018 to 2020, over 500 million tons of out-dated coal production capacity had been dissolved. From 2016 to 2018, China had reduced more than 150 million tons of crude steel production capacity, meeting the target of the 13<sup>th</sup> Five Year Plan two years ahead of schedule.

### **5.1.4 Intensifying efforts to prevent and control pollution, and upholding the concept that clear waters and green mountains are as valuable as mountains of gold and silver**

5.5. Bearing in mind the concept that "clear waters and green mountains are as valuable as mountains of gold and silver", China has been strengthening ecological and environmental protection. Ecological and environmental quality has been improved substantially. China has made great efforts in keeping skies blue, waters clear, and lands pollution-free. *The Three-year Action Plan for Blue Skies* was issued and implemented. Main initiatives include *Comprehensive Response to Air Pollution in Key Areas in Autumn and Winter*, and *Ozone (O<sub>3</sub>) Pollution Prevention and Control in Summer*. As a result, statistics show that in cities at and above the prefectural level across the nation, the number of days with excellent or good air quality accounts for 87% of days in a year. China accelerates the establishment of a modern environmental governance system, and ensures that the emission permit system covers all fixed pollution sources in the country. China actively

promotes a market-oriented and diversified mechanism for ecological compensation. It has launched pilot projects of energy-use rights trading, and made steady progress in building a national carbon emissions trading market. China has intensified its efforts in energy saving and emissions reduction. Energy consumption per unit of GDP and carbon dioxide emissions per unit of GDP have been on the decline. The share of non-fossil fuels energy in the total energy consumption reached 15.9%.

## **5.2 Promoting Coordinated Regional Development and Rural Revitalization**

### **5.2.1 Accelerating the implementation of major regional strategies and coordinated regional development strategies, and improving the layout of development among regions**

5.6. China pays greater attention to regional comparative advantages and promotes integrated urban-rural development. China moves forward the coordinated development of the Beijing-Tianjin-Hebei region, the high-standard and high-quality planning and construction of Xiongan New Area, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, and the integrated development of the Yangtze Economic Belt. China continues its drive to promote large-scale development in the western region, new breakthroughs in the revitalization of northeast China, high-quality development of the central region, and accelerated modernization of the eastern region. At the same time, China has been supporting old revolutionary base areas and ethnic minority areas in speeding up development, and strengthening the development of border areas.

### **5.2.2 Attaining a complete victory in the fight against poverty and making significant contribution to the global poverty reduction**

5.7. China has won a complete victory in the fight against poverty. By the end of 2020, 98.99 million rural residents living below the current poverty line had all been lifted out of poverty, and 832 registered poor counties and 128,000 villages had been removed from the poverty list. China has eliminated regional poverty and completed the arduous task of eradicating extreme poverty. According to the World Bank's poverty standard, the number of Chinese population lifted out of poverty accounted for more than 70% of that of the world's total for the same period. China has met the target of eradicating poverty set by *the UN 2030 Agenda for Sustainable Development* 10 years ahead of schedule, which highlights China's contribution to the community with a shared future for mankind. Guided by the strategy of targeted poverty alleviation, China has taken development as the fundamental way of poverty alleviation, and changed its approach from "blood transfusion" to "blood regeneration".

### **5.2.3 Fully implementing the rural revitalization strategy and steadily modernizing agriculture and rural areas**

5.8. Since the last review, China has further advanced the supply-side structural reform in agriculture. The irrigation and water conservation infrastructure has been continuously improved. Scientific and technological equipment support for agricultural development has been strengthened. The quality and the performance have been gradually improved. The development of processing and distribution of agricultural products has accelerated, with industrial and value chains extended. The production, processing, and sales of agricultural products have been significantly integrated. The multiple functions of the agriculture sector have been further enhanced. Meanwhile, China commits itself to improving agricultural subsidy policies. Its agricultural subsidy system, as well as relevant incentive and disincentive mechanism, is green-oriented and aims at promoting rational utilization of agricultural resources and protection of ecological environment. After the victory in the fight against poverty, the focus of "Agriculture, Rural Areas and Rural People" has been shifted to promoting comprehensive rural revitalization. In January 2021, *the Opinions on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization* was issued to fully implement the rural revitalization strategy. China is committed to aligning efforts to consolidate and expand the achievements in poverty alleviation with efforts to promote rural revitalization, accelerating agricultural modernization, and vigorously carrying out rural development initiatives. In February 2021, the National Administration for Rural Revitalization was formally established.

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### 5.3 Committed to Creating Market-Oriented, Law-Based and Internationalized Business Environment

#### 5.3.1 Further improving the top-level design of the business environment

5.9. Guided by *the Implementation Outline for Building a Rule of Law Government (2015-2020)*, China has transformed government functions, streamlined administration and delegated powers, and strictly followed administrative rules and regulations. In October 2019, the State Council issued *the Regulation on Improving the Business Environment* to ensure that all market entities have equal access to various production factors and support policy. It promulgated institutional regulations on shortening the time needed to start a business, ensuring equal access to the market, and promoting credit supervision. Inspection has been conducted through the "random selection of both inspectors and inspections targets and the prompt release of inspection results". In addition, China has also promoted the "Internet Plus Regulation".

#### 5.3.2 Further strengthening intellectual property rights protection

5.10. In November 2019, China issued *the Opinions on Strengthening Intellectual Property Rights Protection*, which clearly requires people to firmly establish the concept that protecting intellectual property rights (IPRs) is to protect innovation. China adheres to the principles of strict protection, overall coordination, key breakthroughs and equal protection. IPR protection system has been continuously reformed and improved in a multi-pronged approach. This includes legal, administrative, economic, technological means and social governance, aiming to enhance the overall protection capabilities and level.

5.11. First, China steadily pushes forward the legislation on IPR protection. *The Civil Code*, officially implemented on 1 January 2021, provides an important institutional basis for strengthening IPR protection. *The Copyright Law*, amended in November 2020, improves the concepts and systems related to works and rights, and scales up the penalty on infringement. *The Trademark Law*, amended in April 2019, effectively regulates bad-faith trademark registration and applications that are not for use, and strengthens the protection of the exclusive right to trademark use. *The Patent Law*, amended in October 2020, increases the compensation for infringing patents, improves the burden of proof, and establishes the patent term compensation system, so as to further strengthen patent protection. In addition, *the Anti-unfair Competition Law*, amended in April 2019, introduces the punitive compensation system for infringement of trade secrets to further strengthen the protection of trade secrets.

5.12. Second, China continuously strengthens judicial protection of IPRs. Since the last review, great breakthroughs have been made in the intellectual property trial system and mechanism. On 1 January 2019, the Intellectual Property Court of the Supreme People's Court officially began to operate, hearing technology-related intellectual property appeal cases nationwide. The intellectual property trial system has been established. The Supreme People's Court plays a leading role. The intellectual property courts in Beijing, Shanghai, Guangzhou and Hainan Free Trade Port serve as the models. The intellectual property courts of 22 local courts have been identified as key players, and the intellectual property courts of senior and intermediate people's courts and a number of primary-level courts are the supporting bases. In addition, the "three-in-one" reform of intellectual property trials is making solid progress, and the technical fact-finding mechanism continues to be improved. In 2020, the number of new cases handled and concluded by people's courts increased by 9.1% and 10.2% respectively compared with the data in 2019.

5.13. China ensures that the applicable standards of laws are uniform. The Supreme People's Court issues judicial interpretation and case guidance. It is an important way for the Supreme People's Court to provide guidance. The Supreme People's Court issues judicial interpretations and judicial policies, such as *the Provisions on Evidence in Civil Litigation of Intellectual Property Rights* and *the Opinions on Increasing Penalties of IPR Infringement Acts according to Law*, which refines the standards of adjudication and unifies the severity of punishment. The Supreme People's Court issues *the Annual Report on IPR Cases* and other documents as standards of adjudication with general guiding significance.

5.14. Third, China actively carries out law enforcement actions to protect IPRs. China organizes special law enforcement actions for IPR protection, focusing on key areas such as e-commerce, food

and drug, and software, as well as key places such as exhibitions and imports and exports. Since 2018, six government departments have been jointly launching campaigns targeting counterfeit and shoddy food in rural areas. In 2019, China National Intellectual Property Administration issued *the 2019 Action Plan for Special Actions on IPR Protection* to guide local law enforcement. The State Administration for Market Regulation and China National Intellectual Property Administration jointly issued *the Iron Fist Action Plan for Intellectual Property Enforcement 2019*, which cracked down hard on violations of trademarks, patents and geographical indications, and investigated and dealt with more than 70,000 illegal cases.

5.15. Fourth, China continuously improves the transparency of IPR protection. The Office of the National Leading Group on the Fight against IPR Infringement and Counterfeits organizes the drafting and publication of *the Report on Latest Development in IPR Protection and Business Environment in China* (both in Chinese and English) annually. Press conferences are held to brief the Report. The full texts are available on the website of the Campaign Against IPR Infringements and Counterfeits and the official website of State Administration for Market Regulation for reading and download.

### **5.3.3 Implementing the Negative List for Market Access system across the board**

5.16. In December 2018, based on the experience from pilot projects, China revised and improved the pilot list, and issued *the Negative List for Market Access (2018)* to comprehensively implement the negative list for market access nationwide. Since then, the list has been revised annually. The contents of the list have been continuously improved. Market access has been further liberalized and regulated. *The Negative List for Market Access (2019)* and *the Negative List for Market Access (2020)* were issued in November 2019 and December 2020 respectively. In 2020, the listed items were cut from 131 to 123, and greater market access has been provided.

### **5.3.4 Improving the property rights system and promoting the market-based allocation of production factors**

5.17. China is committed to improving the property rights system and market-based allocation of production factors. In November 2016, China issued opinions on improving the property rights system and protecting property rights in accordance with the law, strengthening the equal protection of economic property rights of all forms of ownership in accordance with the law, so that people shall have peace of mind when they possess property. With fairness as the core principle of the property rights protection system, *the Civil Code* establishes complete rules for the real rights protection and relief. It clearly stipulates that the real rights of the State, the collectives, individuals, and other right holders shall be equally protected by law, and shall not be infringed upon by any organization or individual. In March 2020, *the Opinions on Improving the Systems and Mechanisms for Market-based Allocation of Factors of Production* was issued, for the purpose of establishing modern factor markets, especially new factor markets. This document calls for promoting market-oriented allocation of land and capital factors, accelerating the development of technology factor markets and data factor markets, carrying out market-oriented reform of factor prices, and guiding the rational and orderly flow of labour factors.

### **5.3.5 Improving the performance of state-owned assets and state-owned enterprises (SOEs) reforms**

5.18. China is committed to pushing forward the reform of State-owned Enterprises. Since the last review, the SOE reform has been extensive and intensive, making significant achievements. The reform to convert SOEs into standard companies has basically been completed and the corporate legal person governance structure has been further improved. China has reorganized and set up state-owned capital investment and operation companies to effectively promote the reform of the authorized management system of state-owned capital, and further improve the supervision system of state-owned assets. China promotes the market-oriented reform of the competitive links in such industries as energy, railway, telecommunications and public utilities. China steadily advances the reform of mixed ownership, promotes the mixed ownership reform of enterprises in fully competitive industries and fields, and steadily explores the mixed ownership reform in key sectors such as electricity, oil, natural gas, railways, civil aviation, telecommunications and military industry. In 2020, China officially launched three-year action plan of SOE reform, starting a new boom in SOE reform. As of January 2021, the total number of central enterprises directly supervised by

State-owned Assets Supervision and Administration Commission of the State Council was 97, among which more than 70% were mixed ownership enterprises. Listed companies have become the major player in the mixed ownership reform of central SOEs. The total assets and the profits of listed companies controlled by central SOEs accounted for 67% and 88% respectively of the total amount of central SOEs.

### **5.3.6 Fostering an enabling environment for the development of small and medium-sized enterprises and private businesses**

5.19. Since the last review, China has further promoted the development of small and medium-sized enterprises and private businesses. Market entities other than power grid enterprises are allowed to set up electric power sales enterprises to engage in competitive electric power sales business. Restrictions on private enterprises investing in nuclear power construction have been gradually relaxed. Meanwhile, qualified private enterprises are allowed to import crude oil through non-state trading. Restrictions on oil and gas exploration and exploitation have been removed. Private enterprises may engage in mobile communication resale business under guidance. In addition, the long-term work mechanism is further improved, so that commercial banks are confident, willing, and able to lend to private enterprises. Efforts have been made to simplify procedures of MSMEs' deregistration.

5.20. From 1 January 2019 to 31 December 2020, as for the annual taxable income of small and low-profit enterprises that is not more than RMB 1 million, 25% of which shall be calculated as taxable income, and the applicable enterprise income tax rate shall be 20%; and as for the annual taxable income of small and low-profit enterprises that is more than RMB 1 million but not more than RMB 3 million, 50% of which shall be calculated as taxable income, and the applicable enterprise income tax rate shall be 20%. From 1 January 2019 to 31 December 2021, small-scale VAT taxpayers with monthly sales of less than RMB 100,000 shall be exempted from VAT. In order to further support small and micro enterprises, from 1 January 2021 to 31 December 2022, as for the annual taxable income of small low-profit enterprises that is not more than RMB 1 million, the enterprise income tax shall be halved while still eligible for current preferential treatment. From 1 April 2021 to 31 December 2022, small-scale VAT taxpayers with monthly sales of less than RMB 150,000 shall be exempted from VAT.

### **5.3.7 Improving the system for fair competition**

5.21. In June 2016, the State Council issued *the Opinions on Establishing the Fair Competition Review System in the Development of the Market System*. It maintains order for fair competition and ensures that various market entities utilize production factors on an equal footing, participate in market competition fairly and are equally protected by law, so as to stimulate market vitality. The fair competition review system has been implemented by governments at national, provincial, city and county levels. By April 2019, China had basically established the fair competition review system nationwide. In March 2021, the State Council issued *the Action Plan for Building a High-standard Market System*, which requires comprehensive improvement of the fair competition system, including strengthening the binding force of the fair competition review system, intensifying and improving anti-monopoly and anti-unfair competition law enforcement, and eliminating regional segmentation and local protection.

5.22. Since 2018, China's anti-monopoly law enforcement agencies have continuously improved the anti-monopoly legal system, amended *the Anti-monopoly Law*, and promulgated and implemented departmental rules such as *the Interim Provisions on Prohibiting Monopoly Agreements* and *the Interim Provisions on Prohibiting Abuse of Dominant Market Positions* to strengthen anti-monopoly law enforcement. From 2018 to 2020, the anti-monopoly authorities investigated and concluded 243 cases of market monopoly, 49 cases of illegal implementation of concentration of business operators, 171 cases of administrative power abuse to exclude and restrict competition, and 1,406 cases of concentration of business operators. These efforts have effectively ensured fair competition in the market and safeguarded consumers' rights and interests.

### **5.3.8 Deepening reforms in fiscal, taxation, financial and other key areas**

5.23. Since the last review, China has further deepened reforms in fiscal, taxation, financial and other key areas. China has implemented the reform to define the respective fiscal powers and

expenditure responsibilities of central and local governments in fields such as ecological environment, public culture, natural resources and emergency rescue, and improved the local tax system. *The Catalogue of Pricing by the Central Government* was revised, cutting pricing items by nearly 30%. Continued efforts have been made to deepen pricing reforms in key areas such as electricity, oil and gas, public utilities and agricultural products.

5.24. In August 2019, the People's Bank of China decided to reform and improve the loan prime rate (LPR) mechanism, and deepened reforms to strengthen the market's role in setting interest rates. The amendment to *the Securities Law*, which came into effect on 1 March 2020, implements a public offering system based on the registration system to replace the current securities issuance approval system. In addition, China has steadily facilitated cross-border investment and financing, and introduced a series of reform measures, such as lifting the restrictions on the upfront costs of FDI, deepening the reform of capital account settlement and payment facilitation, and delegating pilot banks to register foreign debt cancellation.

5.25. In November 2020, China combined the qualifications rules and institutional rules of Qualified Foreign Institutional Investors (QFIIs) and RMB Qualified Foreign Institutional Investors (RQFIIs). First, access conditions were relaxed. Application paperwork was simplified and the review and approval period shortened. Simplified administrative licensing procedures were implemented. Second, China expanded the scope of investment in a steady and orderly manner. QFIIs and RQFIIs could invest in National Equities Exchange and Quotations listed securities, private equity funds and financial derivatives that meet the requirements.

5.26. Due to a series of measures taken by the Chinese government, China's business environment has been further improved. According to the *Doing Business 2019* released by the World Bank, China implemented a record number of reform measures to improve the business environment for SMEs in the previous year, and its global ranking jumped from 85<sup>th</sup> to 46<sup>th</sup>. According to the *Doing Business 2020*, due to vigorous implementation of the reform agenda, China ranks among the top ten economies with the greatest improvement in the global business environment for two consecutive years. China's global ranking advanced further from 46<sup>th</sup> to 31<sup>st</sup> in 2020. China is the most improved economy in terms of global business environment.

## 6 THE WAY FORWARD

6.1. Currently, the global industrial chains and supply chains are hampered, trade and investment activities remain sluggish, and the momentum of global economic recovery is rather unstable. Facing the harsh and complicated international situation and the arduous tasks of domestic reform, development, and stability, especially under the severe impact of COVID-19, China will uphold its belief in openness, cooperation, and unity for achieving win-win outcome, stay committed to expanding all-round opening up and exploring more efficient ways to connect domestic and foreign markets, and share production factors and resources. The aim is to turn the market of China into a market for the world, a market shared by all, and a market accessible by all and bring more positive energy to the international community. China is committed to promoting mutual opening up featuring shared benefits, shared responsibilities, and shared governance and building an open world economy.

6.2. China will pursue high-quality development through higher-standard opening-up. First, it will promote the innovative development of foreign trade. China is the most promising major market in the world, and a major trading partner of more than 120 countries and regions. Its accumulative value of goods imports of the next ten years is expected to exceed USD 22 trillion. Providing open platforms including the CIIE, it will support foreign companies in exploring business opportunities in China, and accelerate the development of new business forms and models such as cross-border e-commerce. China will also shorten *the Catalogue of Technologies Prohibited or Restricted from Import* so as to create a sound environment for the free cross-border flow of technological factors. Second, China will continue improving its business environment by promoting the institutional opening-up of rules, regulations, administration and standards. The negative list for foreign investment access will be further shortened to treat all enterprises registered in China on an equal footing. China will continue strengthening intellectual property protection, and safeguarding the legitimate rights and interests of foreign investors. Third, China will build a new highland for opening up by using the pilot free trade zones and free trade ports as leading examples. *The Negative List for Cross-border Trade in Services* will be introduced, and reform and innovation in trade and investment liberalization and facilitation will be deepened.

6.3. China will uphold and practice multilateralism, and join efforts with other members to tackle global challenges and build a community with a shared future for mankind. China will continue sharing its useful experience in pandemic prevention and control with other countries, and try its best to assist countries and regions with difficulties to fight against the pandemic. China will actively participate in the WTO reform, improve global governance, and promote high-quality Belt and Road cooperation. China will further implement *the United Nations Framework Convention on Climate Change* and *the Paris Agreement* to address climate change. Moreover, China will strive to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060 to promote sustainable development. As a developing member, China will continue deepening South-South cooperation and contributing to poverty eradication, debt relief, and economic growth of developing members.

6.4. There is only one Earth and one shared future for humanity. China stands ready to join hands with other members and march on together, letting the torch of multilateralism light up the way forward to a community with a shared future for mankind.

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