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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

CHINA

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

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SUMMARY

1. During the review period, China remained an important driving force for global economic growth. The economy recovered well from pandemic-related shocks, and China's exports and imports continued to increase. The growth of trade in intermediate goods strongly outpaced the growth of merchandise trade in general, indicating China's further integration into international supply chains. However, the structural change it had previously embarked upon – away from industry and towards services – came to a halt.

2. Over the past few decades, China's market-oriented reforms, economic liberalization, and integration into the global economy have led to strongly improved living standards, the emergence of a large middle class, and the eradication of extreme poverty. Per capita GDP increased from USD 10,144 in 2019 to USD 12,614 in 2023. However, China's strong growth has also been accompanied by high levels of income inequality and strong urban-rural wealth contrasts.

3. China's saving rate continues to be very high by international comparison, mainly due to the importance of precautionary savings. Domestic consumption could be boosted in the long run by reforms in pensions, medical care, and housing, as well as services liberalization. Augmented government debt amounted to 116% of GDP in 2023, up from 99% in 2020.

4. Price stability remains the main goal of China's monetary policy. Inflation rates have stayed low over the past few years, with a maximum of 2.9% in 2019. China has maintained its managed floating exchange rate regime. The exchange rate of the Chinese yuan (CNY) is determined with reference to a publicly known basket of currencies. The People's Bank of China (PBOC) intervenes in the exchange market only to prevent excessive fluctuations in the short term. The CNY is fully convertible for current account transactions and partially convertible for some capital account transactions. As at end-February 2024, officially reported foreign currency reserves stood at USD 3.2 trillion.

5. China's current account surplus substantially increased between 2018 and 2022, when it amounted to 2.24% of GDP, but fell in 2023, to 1.5% of GDP. The increase in the current account surplus up to 2022 mainly reflects a growing surplus in merchandise trade, and a considerable decline in the services balance deficit, caused largely by a drop in outbound tourism. The deficit of the financial account (excluding reserve assets) may reflect capital outflow pressures, caused largely by interest rate differentials with other major economies, concerns about China's growth prospects, and rising geopolitical risks.

6. Merchandise exports increased from USD 2,589 billion in 2020 to USD 3,594 billion in 2022 but fell in 2023, to USD 3,380 billion. The United States and the European Union remain the most important destinations for China's merchandise exports. Merchandise imports also grew significantly, from USD 2,069 billion in 2020 to USD 2,716 billion in 2022, but then fell in 2023, to USD 2,557 billion. Between 40% and 50% of China's imports are sourced in Asia and Oceania. The European Union; the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu (Chinese Taipei); Japan; and the United States are the most important import sources. The machinery and electrical equipment sector occupies an important share of China's total merchandise trade. Agricultural goods only play a minor role in China's exports and make up less than 10% of imports. Services exports also expanded strongly from 2020 to 2022 but fell in 2023, while services imports increased considerably between 2020 and 2023.

7. Foreign investment flows into China decreased from USD 189 billion in 2022 to USD 163 billion in 2023. The manufacturing sector remains the largest recipient of FDI. China's total inward FDI stock amounted to USD 3.8 trillion in 2022 (the latest year for which data were available), up from USD 1.9 trillion in 2020, while China's outward FDI stock amounted to nearly USD 3 trillion in 2022, up from USD 2.6 trillion in 2020.

8. As part of the Five-Year Reform Programme of the People's Courts for 2019-2023, China continued to overhaul its judicial system to, *inter alia*, strengthen property rights enforcement, ensure legal predictability, improve efficiency, and reduce litigation costs. The authorities have primarily pursued these goals by promoting online adjudication and establishing specialized courts (e.g. courts focused on intellectual property, maritime issues, and finance). Additionally, efforts have

been made to improve the business environment for foreign companies by implementing alternative dispute resolution mechanisms, such as arbitration and international commercial jurisdictions.

9. With a view to breaking down local protection and regional barriers within China, several rules and mechanisms were adopted to rigorously review regional administrative measures, aiming to establish a harmonized national market. In 2021, China's 14th Five-Year Plan for Economic and Social Development (2021-2025) was adopted; the Plan outlines several visions regarding the opening of the country's trade and investment framework.

10. The authorities have continued to express their support of a smoothly functioning multilateral trading system. The authorities have emphasized the importance of, *inter alia*, WTO reform, investment facilitation for development, e-commerce, and services domestic regulation. China has also broadened its network of regional trade agreements (RTAs), which it considers as a complement to the multilateral trading system. At the end of 2023, China had signed 22 RTAs involving 29 partners. It also offers unilateral tariff preferences schemes for least developed countries.

11. China has continued to liberalize its foreign investment framework. The 2020 Foreign Investment Law protects, in principle, foreign investors against expropriation, restrictions on cross-border remittances, intellectual property rights (IPR) infringement, and forced transfer of technology. The foreign investment negative lists were narrowed down to 31 items. Furthermore, an increased number of industries have been placed in the country's Catalogue of Encouraged Industries for Foreign Investment, providing them with an opportunity to benefit from designated incentive packages. The current version of the Catalogue reflects the authorities' commitment to upgrading China's position in supply chains in fields such as semiconductors and the clean energy sector.

12. The authorities indicate that customs clearance time for imports and exports was 36.64 hours and 1.74 hours in 2021, and 40.18 hours and 1.26 hours in 2022, respectively; in the first quarter of 2023, they stood at 33.05 hours and 1.05 hours, respectively. On 1 January 2021, the preshipment inspection requirement for imported waste as raw materials was removed, as the import of solid waste was banned. Since the previous Review, there have been no major changes to China's customs valuation rules and procedures. China has ratified the Trade Facilitation Agreement (TFA) and notified its Category A and B commitments. According to the WTO TFA database, China has fully implemented the Agreement. Since its previous Review, China has made no changes to laws or regulations concerning rules of origin.

13. The structure of the tariff has remained largely unchanged since the previous Review. The simple average applied MFN rate in 2024 was 7.0%, compared with 7.1% in 2021. The tariff was higher for agricultural products (WTO definition), at 12.6%. The average applied tariff on non-agricultural products fell to 6.1% (from 6.2% in 2021). The percentage of tariffs that exceeded 15% (international tariff peaks) was 4.3% (compared with 4.5% in 2021). The percentage of tariffs subject to domestic tariff peaks was 1.9% (unchanged since 2021). China imposes universal import tariff quotas on certain products, such as wheat (7 tariff lines), corn (5 lines), rice (14 lines), cotton (2 lines), sugar (7 lines), wool and wool tops (9 lines), and chemical fertilizers (3 lines). China applies preferential tariffs under its preferential trade agreements (PTAs) and RTAs. Hong Kong, China and Macao, China face the lowest average tariff duties, followed by Chile and New Zealand. The share of duty-free tariff lines in China's RTAs ranges between 99.2% (Hong Kong, China and Macao, China) and 23.4% (Chinese Taipei). Data on the utilization of preferential tariffs under RTAs and PTAs were not available. Since the previous Review, there have been no changes to duty exemptions, reductions, or concessions.

14. The current VAT rates are 13%, 9%, 6%, and 3%, unchanged since the previous Review. The consumption tax continues to be levied on products that are deemed harmful to human health, social order, and the environment; luxury goods; high-energy consumption and high-end products; and non-renewable and non-replaceable petroleum products. In November 2022, China introduced a consumption tax on e-cigarettes at a rate of 36% at the production and import stage and 11% at the wholesale stage. Under the 2019 Vehicle Purchase Tax Law, China levies a 10% tax on domestically produced and imported vehicles, unchanged since the previous Review.

15. In August 2023, China announced the suspension of the importation of all aquatic products, including edible aquatic animals, originating in Japan. China notified to the WTO its import

prohibitions for the 2020-22 period; these prohibitions applied to certain toxic substances and wild animal products; certain old/second-hand mechanical and electrical equipment; certain hazardous chemicals, pesticides, persistent organic pollutants, and mercury-added products; solid wastes; ractopamine; certain types of filament lamps; and charcoal imported from Somalia. The latest list of prohibited products was issued in December 2023.

16. In 2024, 24 categories of goods were subject to automatic import licensing requirements implemented by the Ministry of Commerce (MOFCOM), and a further 21 categories of goods were subject to automatic import licensing requirements, implemented by provincial-level local competent commercial departments or local and departmental electromechanical offices, entrusted by MOFCOM. Tetrachlorethylene, polyvinyl chloride, and neoprene were added to the Catalogue of Goods Subject to Automatic Import Licensing during the review period. In 2024, the Catalogue of Import Goods Subject to Licensing listed 149 tariff lines at the HS 10-digit level that were subject to non-automatic import licensing (up from 118 tariff lines at the HS 10-digit level in 2020). During the review period, some adjustments regarding ozone-depleting substances were made in the Catalogue. Imports subject to non-automatic licences mainly include used mechanical and electronic equipment, and substances that deplete the ozone layer.

17. China initiated three anti-dumping investigations from January 2021 to December 2023. As at end-December 2023, China was enforcing 120 definitive anti-dumping measures. The number of China's countervailing investigations initiated and measures in force has gradually declined over the past few years. During the review period, China did not initiate any new safeguard investigations.

18. As of 1 January 2023, 102 tariff lines were subject to statutory export duties, unchanged since 2015, while 67 tariff lines carried interim duties, down from 75 in 2021. The highest tax rate (50%) applies to tin ores and concentrates.

19. Unchanged since the previous Review, China imposes export restrictions and prohibitions on certain items with a view to, *inter alia*, protecting national security and public interest, human health and safety, the life and health of animals and plants, and the environment; preserving natural resources that are in short domestic supply or may be exhausted in the future; maintaining the order of trading; safeguarding particular industries and balance of payments; and fulfilling obligations under international treaties and agreements.

20. The 2023 announcement of the Catalogue of Goods Subject to the Administration of Export Licenses set to be implemented in 2024 contains 43 categories (unchanged since 2020). Most of the contents within these categories have remained unchanged since 2020, while there are newly added products under liquorice and liquorice products, chemicals, certain graphite materials and their products, ozone-depleting substances, certain unmanned aerial vehicles, certain aviation engines, certain gallium- and germanium-related items, sawn timber, and certain automobile categories. China enforces a licence management system for the export of particular dual-use items; during the review period, China imposed export control on items relating to potassium perchlorate, high-pressure water cannons, gallium, and germanium, as well as items related to drones, and made adjustments to the temporary control measures applicable to the export of graphite. The Catalogue of Technologies Restricted or Forbidden for Export was modified in December 2023 by MOFCOM and the Ministry of Science and Technology.

21. In 2023, the 22 Pilot Free Trade Zones (PFTZs) achieved a total import and export volume of CNY 7.67 trillion, a year-on-year increase of 2.7%, accounting for 18.4% of the country's total trade. Benefits available to enterprises operating in PFTZs include a reduced corporate income tax rate of 15% that will be applied for five years from their incorporation and streamlined customs handling for PFTZ imports and exports for enterprises dealing in core products/technologies in key areas such as integrated circuits, artificial intelligence (AI), biomedicine, and civil aviation.

22. In 2022, China Eximbank conducted CNY 1,418.6 billion worth of international settlement, guarantee, and trade finance business (international settlement registered CNY 843.6 billion; guarantee, CNY 88.8 billion; and trade finance, CNY 486.2 billion); the Bank's outstanding balance of foreign trade loans saw a year-on-year increase of 20%. China Eximbank provides loans to support the Belt and Road Initiative (BRI). By the end of 2022, the loan balance to support the BRI amounted to CNY 2.2 trillion, covering more than 130 countries. In 2022, the total amount of export credit insurance was USD 753 billion, a large part of which was short-term export credit insurance. Export

credit insurance provided by China Export & Credit Insurance Corporation in 2021 and 2022 covered 20.3% and 21.0%, respectively, of total exports.

23. China continued to provide financial support and other incentives to different sectors and industries during the review period. In August 2021 and July 2023, China notified its support programmes for the periods 2019-20 and 2021-22, respectively. The notifications contain information on numerous central-level and subcentral-level programmes. The two notifications submitted to the WTO during the review period and the replies provided by China do not enable the Secretariat to have a clear overall picture of China's support programmes. In particular, the Secretariat was not able to gain deeper insight into the levels of financial support for certain highly traded sectors, such as aluminium, electric vehicles, glass, shipbuilding, semiconductors, or steel. Available commercial databases document important levels of public support for companies in key economic sectors, with a strong concentration in manufacturing, and significant increases in support since 2018. So-called "Government Guidance Funds" or "Government Investment Funds" continue to use public resources to make equity investments in industries and activities that the Government considers important. No information on the overall endowment of these funds was provided by the authorities; different estimates produced by academic studies and private equity companies range from CNY 1.89 trillion to CNY 6.51 trillion. The incentives provided by these funds have generally not been notified to the WTO; the authorities state that these funds operate under market principles. While more work is needed in this area to get a clearer picture, the overall lack of transparency on China's government support may also contribute to debates on what is perceived by some as overcapacity in certain sectors.

24. The Standardization Law (1988) and the Regulations for the Implementation of the Standardization Law (1990) are China's main pieces of legislation on standards; they did not undergo any changes during the review period. The State Administration for Market Regulations (SAMR) is responsible for standards development and for law enforcement and market supervision related to product quality, food safety, measurement, certification, accreditation, and standards. The China Standards 2035 plan lays out a blueprint for setting global standards in emerging technologies like 5G Internet, the Internet of Things, and AI. Between January 2021 and February 2024, China submitted 315 TBT notifications, mostly under Article 2.9 of the TBT Agreement. The majority of the technical regulations notified aim to protect human health and safety, ensure quality requirements, or prevent deceptive practices aimed at consumers. Between January 2021 and February 2024, a total of 21 TBT-related specific trade concerns (STCs) were raised by other Members against China. Eight of these STCs were newly raised.

25. In the realm of SPS measures, China aims to establish robust food safety governance as a cornerstone for the development of the food industry. Targeted reform areas included increasing inspections and testing, improving food safety standards and their integration with relevant international standards, upgrading research and testing capacities, and strengthening the enforcement of food safety laws and regulations. From April 2021 to March 2024, China notified 101 SPS measures to the WTO, of which 2 were emergency measures affecting specific Members. Thirteen STCs related to Chinese measures were raised in the WTO SPS Committee during the review period.

26. China's Anti-Monopoly Law was amended in 2022 to include "safe harbour" rules for vertical agreements and strengthen the enforcement regime, including higher penalties for violations. There are also new rules that increase the threshold for merger and acquisition notifications. In 2021, an Anti-Monopoly Administration was established within the SAMR.

27. China's state trading enterprises (STEs) have the exclusive right to import or export the following products: tobacco, crude and processed oil, refined coal, chemical fertilizers, tungsten and tungstate products, antimony and antimony products, and silver. Moreover, non-STEs with registered rights can handle part of the import quota for specific products, e.g. wheat, maize, rice, sugar, and cotton. State ownership remains very important in the economy; even in many commercially oriented sectors, state-owned enterprises (SOEs) still have substantial market shares and account for a large portion of total assets and profits in the sectors. No major privatization took place during the review period; the reform of SOEs proceeded almost exclusively in the context of mixed ownership. The number of SOEs in both the industrial and construction sectors increased over the review period. While SOEs can act as instruments for implementing government policies, supporting national industrial goals, and maintaining state control over critical sectors, the

authorities state that China's SOEs consistently base their actions on commercial considerations and engage in business activities according to market-oriented principles and the rule-of-law.

28. There have been no major changes to China's legal and institutional framework concerning government procurement since the previous Review. The Government Procurement Law and its implementing legislation remain the primary legislation regulating government procurement activities. It does not apply to procurement carried out by SOEs. The total value of government procurement in China was CNY 3.5 trillion in 2022, accounting for 2.9% of GDP. Public tendering is the main method of government procurement. The great majority of procurement took place at the subcentral government level. Limited progress was made during the review period in China's accession to the Agreement on Government Procurement.

29. China undertook several reforms in its IP regime during the review period, including a revision of the Copyright Law that entered into force in June 2021, amendments to the Patent Law, and a new Seed Law that became effective in March 2022. In 2022, more than 1.6 million patents were granted, of which around 155,000 to non-residents. Income derived from IP exports grew strongly during the review period. In terms of enforcement, courts deal with over 500,000 IPR-related cases every year. The SAMR also regularly organizes nationwide actions to destroy infringing, counterfeit, and substandard goods.

30. Various laws related to agriculture were revised or introduced during the review period, such as the Law on the Promotion of Revitalization of Rural Areas (adopted in 2021), the Law on the Protection of Black Soil (adopted in 2022), and the Animal Husbandry Law (revised in 2022). The main agricultural strategy in China is set out in No. 1 Central Document on agricultural and rural development, which is released every year. Agricultural products (WTO definition) are subject to *ad valorem* applied rates, except for some animal products. In 2024, the average applied MFN tariff on agricultural products was 12.6% (12.7% in 2021). The product groups subject to higher-than-average tariff protection included sugars and confectionery (30.6%); cereals and food preparations (20.2%); beverages and tobacco (15.8%); cotton, silk, and wool (14.2%); and coffee, tea, cocoa, and spices (12.7%). China applies an interim rate in the form of a sliding duty to a certain amount of uncombed cotton (HS 5201.00.00) imported out of quota, with the sliding duty rate capped at 40%. Since 2020, the implementation rate of tariff quotas has fluctuated for some products, including wheat, rice, wool, and cotton. The authorities indicate that fluctuating fill rates are due to changes in domestic and international market conditions. China notified to the WTO that export subsidies were not granted to agricultural products during calendar years 2020 and 2022. China provides export financing programmes (i.e. export credit, export credit guarantees, and insurance programmes) covering agricultural goods. China has indicated in its replies to the questionnaire on export competition that it provides export financing programmes (e.g. short-term trade financing support for the export of agricultural products based on invoices, receipts, or credit letters, etc.; working capital loans for suppliers; medium- and long-term export credit insurance; overseas investment insurance; and short-term export credit insurance) covering agricultural products.

31. The simple average tariff on fish and fishery products (WTO definition) was 6.8% in 2024, with tariffs ranging from 0 to 15%. In 2021, the Ministry of Agriculture and Rural Affairs (MARA) issued the 14th Five-Year Plan for National Fishery Development, which specifies that domestic marine fishing output would be limited to 10 million tonnes by 2025. Support to the sector is provided by both the Central Government and local/provincial governments. China's latest notification to the WTO covers the 2021-22 period and contains three incentives/support programmes at the central government level; these relate to a subsidies fund for development of the fishery industry and a general-purpose transfer payment. Of the programmes concerning the fisheries sector that were adopted by local governments during the 2021-22 period, 22 were also notified to the WTO. China formally accepted the Protocol of the Agreement on Fisheries Subsidies by depositing an instrument of acceptance with the WTO on 27 June 2023. In 2021, China removed fuel subsidies.

32. China's priorities in the mining sector include reducing the production of minerals with excess capacity and ensuring the supply of minerals for strategic emerging industries. Trade measures in the sector include an export licence requirement for certain minerals. While foreign individuals or companies are permitted to own mining rights in China, they are prohibited from investing, either directly or indirectly, in the prospecting or exploitation of tungsten, rare earths, and radioactive minerals. While energy consumption remains predominantly reliant on coal, China plans to shift its

energy usage away from this source. The authorities recognize, however, that coal remains crucial for maintaining energy security, particularly during periods of reduced energy availability. The relative importance of coal consumption has been declining in recent years. China continued to improve its energy mix by favouring non-fossil energy sources such as hydropower, nuclear power, wind power, and photovoltaic. To support investment in clean energy, China has implemented mechanisms such as feed-in tariff subsidies.

33. The manufacturing sector contributed between 26% and 28% to GDP over the review period. China has become a major global manufacturing hub in recent decades. This strong performance in manufacturing can be attributed to its increasing integration in global value chains, driven by trade and investment liberalization, abundant and productive labour, a large domestic market, high-quality infrastructure, and innovation. Manufactured goods account for over 95% of China's exports. The Made in China 2025 (or China Manufacturing 2025) Initiative is the main programme to promote the sector. China's manufacturing sector is a significant recipient of grants, research funding, and tax concessions. Some Government Guidance Funds specifically target the manufacturing sector.

34. Trade in telecommunications services continued to expand in recent years, with digital innovation and the increased demand for digital services being the main driving forces. In fixed and mobile telecommunications services, state presence is substantial, though it decreased during the review period. Emerging telecommunications segments, such as Internet data centres, cloud computing, and the Internet of Things, are predominantly operated by private companies. The foreign share ratio for value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centres) is limited to a maximum of 50%. The authorities have recently undertaken a set of cybersecurity measures to mitigate the risk of security challenges brought about by digital transformation. China has also put forward the Global AI Governance Initiative, aiming to promote a balanced approach to AI development and security.

35. The structure of the financial sector continues to display a significant predominance of banks over other types of financial institutions; assets of the six large state-owned banks accounted for 40.8% of the total. Developments in the financial sector were marked by further liberalization to allow for increased foreign participation and attract long-term capital for operations and investments in China. Significant efforts were made to promote green finance in the country. Various policies, including structural monetary policy tools and climate risk stress tests, as well as specific pilot projects, were undertaken in this regard.

36. In the air transport sector, China aims to develop a civil aviation industry that adheres to environmentally friendly practices and high performance standards. Several measures were adopted during the review period to promote the construction of green and smart airports. A working plan was also adopted with a view to further limiting plastic pollution in air transport. The construction and operation of civil airports are to be controlled by Chinese companies, limiting the possibilities for foreign investment. China envisions building a high-quality maritime transport industry by 2035, with special emphasis on modern governance systems, energy savings, and smart processes, with the objective of further consolidating industry competitiveness. While foreign investment is generally allowed in the industry, the controlling stake of domestic water transport companies must be held by a Chinese person or organization.

37. In sum, over the review period, China's importance in the global economy and in trade has been further accentuated. Looking forward, slower but still substantial growth of 4.6% has been projected for 2024 by the IMF, with a further slowdown being possible over the longer term, due to population ageing, decreases in the labour force, and a deceleration of productivity increases. Further downside risks over the coming years include geopolitical tensions, a deeper-than-expected contraction in the property sector, and weaker-than-expected global growth weighing on demand. The role of trade – with continued market-driven structural reforms, economic liberalization, and international integration – is likely to be crucial for China's future growth prospects.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. During the period under review, China maintained its significance as an engine for global economic growth, with a GDP per capita of USD 12,614 in 2023, up from USD 10,144 in 2019. While the economy experienced strong variations in real GDP growth, mainly caused by the COVID-19 pandemic and policies related to it, China remains a significant driving force for global growth.

1.2. China's growth during the review period continued to exceed that of other countries at similar levels of development. Market-oriented reforms, economic liberalization, and integration into the global economy have led to improved living standards, the emergence of a large middle class, and the eradication of extreme poverty. As a result, China has become the world's second-largest economy in US dollar terms, and, according to the World Bank, the largest in purchasing power parity (PPP) terms.[1]

1.3. China's strong growth has traditionally been accompanied by relatively high levels of income inequality and urban-rural wealth contrasts, while the income gap between urban and rural residents has recently been narrowing. According to World Bank data, the Gini coefficient declined to 37.1 in 2020.[2]

1.4. At the end of 2023, China's population stood at 1,410 million. In 2022, it shrank for the first time since 1961, by 850,000. Also in 2022, for the first time since 1949, fewer than 10 million children were born. The birth rate has continued to fall; at end-2022 it stood at 6.77 per 1,000 inhabitants. The share of the population aged 65 years or older increased from 12.6% in 2020 to 13.6% in 2022. More than 65% of the population lives in urban areas; life expectancy is estimated around 78 years in 2021.[3] In this context, the authorities attach great importance to population ageing, which, *inter alia*, implies planned incremental increases in the mandatory retirement age.[4]

1.5. By international comparison, China's saving rates are very high, mainly due to the importance of precautionary savings.[5] Consumption could be boosted in the long run by reforms in pensions, medical care, and housing, as well as services liberalization.[6]

1.6. Under the Belt and Road Initiative (BRI), launched in 2013, the Government seeks to connect nearly 140 countries and regions through major infrastructure projects. In this context, China has lent significant amounts to build infrastructure in developing countries. The authorities indicate that China Development Bank and the Export-Import Bank of China have, respectively, set up special loans for the BRI and a CNY 350 billion financing window, providing marketing and commercialization support for the BRI projects. According to a study, as at end-2023, total expenditure under the BRI amounted to USD 1,053 billion, up from USD 640 billion in 2021.[7] While some studies noted that the BRI may have a negative impact on the debt burden of recipient countries[8], the authorities are not necessarily in agreement with this view.

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[1] World Bank, *GDP, PPP (Current International $) – China*. Viewed at: https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?locations=CN.

[2] World Bank, *Gini Index – China*. Viewed at: https://data.worldbank.org/indicator/SI.POV.GINI?locations=CN.

[3] World Bank, *Life Expectancy at Birth, Total (Years) – China*. Viewed at: https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=CN.

[4] This was first reflected in the National Medium- and Long-Term Plan for Actively Responding to Population Aging, adopted in 2019.

[5] IMF (2024), *People's Republic of China: Staff Report for the 2023 Article IV Consultation*, IMF Country Report No. 24/38.

[6] IMF. Viewed at: https://www.imf.org/en/News/Articles/2024/05/28/pr24184-china-imf-staff-completes-2024-art-iv-mission.

[7] Green Finance and Development Center (2024), *China Belt and Road Initiative (BRI) Investment Report 2023*. Viewed at: https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2023/.

[8] OECD (2019), *OECD Economic Surveys: China 2019*. Viewed at: https://www.oecd-ilibrary.org/docserver/eco_surveys-chn-2019-en.pdf?expires=1714031119&id=id&accname=ocid195767&checksum=95B967FD8115A65BC5CC5AEDA0219253.

1.2 Recent economic developments

1.2.1 Economic growth

1.7. China's economy has generally recovered well from the pandemic-related shocks it experienced in 2020. Following an impressive recovery from the initial impact of the pandemic, with a growth rate of over 8% in 2021, growth slowed to 3% in 2022, which partly reflects the effect of the COVID-19 pandemic (Table 1.1).[9] In 2023, following the post-COVID-19 reopening, real GDP grew at 5.2%, in line with the authorities' growth target of 5%. The primary driving forces of the recovery may include increased private consumption, the relaxation of monetary policy, and tax relief.[10]

1.8. Over the past years, according to the IMF, China's high household savings were to a large extent channelled to the financing of investment in real estate and infrastructure; nonetheless, investment in infrastructure has yielded diminishing returns over time, contributing to slower productivity growth, and consequently increasing internal imbalances (e.g. increasing debt among developers and local governments).[11] Such imbalances and weakening growth prospects as well as slowing productivity and rapid ageing may be increasing vulnerabilities. The authorities, however, consider that the return on infrastructure investment is not the main factor affecting productivity.

Table 1.1 Selected macroeconomic indicators, 2018-23

	2018	2019	2020	2021	2022	2023
Nominal GDP (CNY billion)	91,928.1	98,651.5	101,356.7	114,923.7	120,472.4	126,058.2
Nominal GDP (USD billion)	13,894.9	14,280.0	14,687.7	17,820.5	17,963.2	17,006.3
GDP per capita (CNY)	65,534.0	70,078.0	71,828.0	81,370.0	85,310.0	89,358.0
GDP per capita (USD)	9,905.4	10,143.9	10,408.7	12,617.5	12,662.6	12,614.1
National accounts						
Real GDP (percentage change)	6.7	6.0	2.2	8.4	3.0	5.2
Total domestic demand	7.4	5.3	1.7	6.6	2.0	4.3
Consumption	7.9	6.3	-0.3	9.8	1.6	4.7
Fixed investment	7.3	5.3	3.4	3.5	2.4	4.0
Contribution to GDP growth[a]						
Consumption	4.3	3.5	-0.2	4.9	1.2	4.3
Investment	2.9	1.7	1.8	1.7	1.4	1.5
Net exports	-0.5	0.7	0.6	1.9	0.4	-0.6
Unemployment rate (%)[b]	4.9	5.2	5.5	5.1	5.5	5.1
Prices and interest rates						
Inflation (CPI, percentage change)	2.1	2.9	2.4	1.0	2.0	0.2
Lending rate (%, period average)	4.35	4.19	3.91	3.85	3.69	3.55
Deposit rate (%, period average)	1.50	1.50	1.50	1.50	1.50	..
7-day repo rate (%)	4.6	3.0	2.7	2.2	2.3	1.9
10-year government bond rate (%)	4.6	3.7	3.2	3.0	3.1	2.8
Exchange rate						
CNY per USD (period average)	6.62	6.90	6.901	6.45	6.73	7.05
NEER (percentage change)	1.6	-1.7	0.9	5.4	3.8	-3.4
REER, based on consumer price index[c] (percentage change)	1.4	-0.6	2.0	3.0	-1.2	-8.2
Monetary indicators						
Net domestic credit (percentage change, end-period)	10.3	10.7	13.3	10.3	9.6	9.5
Broad money, M2 (percentage change, end-period)	8.1	8.7	10.1	9.0	11.8	9.7
Fiscal policy[d] (% of GDP)						
Financial deficit	-4.1	-4.9	-6.2	-3.8	-4.7	-4.8
Total revenue	19.9	19.3	18.0	17.6	16.8	18.0
Tax revenue	17.0	16.0	15.2	15.0	13.8	15.0
Total expenditure	24.0	24.2	24.2	21.4	21.5	22.8
General government gross debt	56.7	60.4	70.1	71.8	77.0	..
Saving and investment (Source: National Bureau of Statistics)						
GDP by expenditure approach (CNY billion)	91,577.4	99,070.8	102,562.8	114,528.3	120,247.1	..
Final consumption expenditure (CNY billion)	50,613.5	55,263.2	56,081.1	61,968.8	64,382.8	..
Households	35,412.4	38,718.8	38,718.6	43,801.5	45,046.8	..
Rural	7,675.9	8,205.7	8,310.0	9,293.1	9,656.2	..
Urban	27,736.5	30,513.1	30,408.6	34,508.5	35,390.6	..
Government	15,201.1	16,544.4	17,362.5	18,167.3	19,336.0	..
Gross capital formation (CNY billion)	40,258.5	42,667.9	43,955.0	49,578.4	51,979.3	..

[9] IMF (2024), IMF Country Report No. 24/38.
[10] IMF (2024), IMF Country Report No. 24/38.
[11] IMF (2024), IMF Country Report No. 24/38.

	2018	2019	2020	2021	2022	2023
Net exports of goods and services (CNY billion)	605.3	917.3	2,450.8	2,981.1	3,885.0	..
Savings (CNY billion)	40,963.9	43,807.7	46,481.7	52,559.5	55,864.3	..
Savings (% of GDP by expenditure)	44.7	44.2	45.3	45.9	46.5	..
Investment (% GDP by expenditure)	44.0	43.1	42.9	43.3	43.2	..
Savings-investment gap (% of GDP by expenditure)	0.8	1.2	2.5	2.6	2.4	..
Saving and investment (Source: IMF)						
Gross national savings (% of GDP)	44.1	43.8	44.5	45.3	45.7	44.0
Gross investment (% of GPD)	44.0	43.1	42.9	43.3	43.5	42.5
Savings-investment gap (% of GDP)	0.2	0.7	1.7	2.0	2.2	1.5
External sector (% of GDP, unless otherwise indicated)						
Current account balance	0.2	0.7	1.7	2.0	2.2	1.5
Net merchandise trade	2.7	2.8	3.5	3.2	3.7	3.4
Value of exports	17.4	16.7	17.1	18.0	18.6	17.8
Value of imports	14.7	14.0	13.6	14.9	14.9	14.4
Services balance	-2.1	-1.8	-1.0	-0.6	-0.5	-1.3
Capital account	0.0	0.0	0.0	0.0	0.0	0.0
Financial account (excluding reserve assets)	1.1	0.2	-0.6	-1.2	-1.7	-1.3
Direct investment, net	0.7	0.4	0.7	0.9	0.2	..
Reserve assets	-0.1	0.1	-0.2	-1.1	-0.6	-0.1
Merchandise exports[e] (percentage change)	.1	-1.3	5.2	28.1	4.1	-5.0
Merchandise imports[e] (percentage change)	17.1	-2.1	0.3	32.7	0.9	-4.0
Service exports[e] (percentage change)	9.6	4.6	-6.3	48.3	8.7	-12.4
Service imports[e] (percentage change)	11.4	-3.8	24.5	15.5	4.7	19.8
Gross official reserves[f] (USD billion; end-period)	3,168.0	3,222.9	3,356.5	3,426.9	3,306.5	3,449.7
Foreign currency reserves (USD billion; end-period)	3,072.7	3,107.9	3,216.5	3,250.2	3,127.7	3,238.0
Total external debt (USD billion; end-period)	1,982.8	2,070.8	2,400.8	2,746.6	2,452.8	2,447.5
Debt service ratio[g]	5.5	6.7	6.5	5.9	10.5	7.6

.. Not available.

a Refers to the growth of GDP multiplied by the respective contribution share.
b Surveyed unemployment in urban areas. The publication of registered unemployment rates was discontinued during the review period.
c A positive increase in the REER means an appreciation of the CNY relative to the other major currencies in the index.
d Including central and local governments.
e Growth rates on merchandise and service trade are based on USD.
f Including foreign currency reserves, IMF reserve position, SDRs, and gold.
g Debt service ratio refers to the ratio of the payment of principal and interest of foreign debts to the foreign exchange receipts from foreign trade and non-trade services of the current year.

Source: National Bureau of Statistics, *Yearbook*. Viewed at: https://www.stats.gov.cn/english/Statisticaldata/yearbook/; State Administration of Foreign Exchange, *Data and Statistics*. Viewed at: https://www.safe.gov.cn/en/DataandStatistics/index.html; People's Bank of China, *Money and Banking Statistics*; and IMF, *China: Datasets*. Viewed at: https://www.imf.org/external/datamapper/profile/CHN.

1.9. Growth in general and the post-pandemic recovery specifically have been strongly supported by growing consumption, which is sustained by a middle class that has been increasing both in number and in average income. According to the IMF, total investment has been bolstered by public investment and private manufacturing investment, which have compensated for the shortcomings in real estate investment.[12]

1.10. For 2024, the IMF projects China's GDP growth to slow to 4.6%.[13] For the coming years, economic growth is likely to remain high, but will slow as the population ages, the labour force decreases, and productivity increases decelerate. Hastening market-driven structural reforms, therefore, will be crucial for domestic productivity growth.[14] Downside risks to continued high growth rates include geopolitical tensions, a deeper-than-expected contraction in the property sector, and weaker-than-expected global growth.

[12] IMF (2024), IMF Country Report No. 24/38.
[13] IMF (2024), IMF Country Report No. 24/38.
[14] IMF (2024), IMF Country Report No. 24/38.

1.11. The officially reported unemployment rate remained low during the review period, at around 5%. Nevertheless, youth unemployment remains very high, with rates of over 20% in urban areas.[15] Further *Hukou* reforms[16] were implemented, mostly at the provincial level, while settlement restrictions remain in place in the bigger cities and provincial capitals.

1.12. With regard to the sectoral composition of China's GDP, the previous long-term structural change away from industry towards services came to a halt during the review period (Table 1.2). The contribution of agriculture to GDP remained constant, at between 7.5% and 8%. The share of industry increased slightly after the pandemic, to around 33% in 2022 and then declined slightly to 31.7% in 2023. Services accounted for around 55% of China's GDP in 2023, the same share as in 2020. The fastest-growing services sectors during the review period include information transmission, software, and financial intermediation, while the relative importance of real estate declined.

Table 1.2 GDP by sector, 2018-23

	2018	2019	2020	2021	2022	2023
GDP by industry at constant prices (annual percentage change)						
Agriculture, forestry and fishing	3.6	3.2	3.3	7.1	4.4	4.2
Industry[a]	6.1	4.8	2.4	10.4	2.7	4.2
Manufacturing	6.1	4.6	2.5	11.3	1.7	4.4
Construction	4.8	5.2	2.7	1.1	2.9	7.1
Services	8.0	7.2	1.9	8.5	3.0	5.8
Wholesale and retail trade	6.7	5.6	-0.9	11.0	2.5	6.2
Accommodation and food service activities	6.7	5.5	-16.8	15.6	-2.8	14.5
Transport, storage and communication	8.3	6.5	0.8	15.1	-0.7	8.0
Financial intermediation	4.8	6.6	5.9	4.0	3.1	6.8
Real estate	3.5	2.6	1.3	3.5	3.9	1.3
Information transmission, software and information technology	27.8	21.7	18.3	17.4	12.2	11.9
Leasing and business services	10.9	8.7	-2.5	11.2	4.3	9.3
Other[b]	7.6	6.9	0.9	6.8	4.5	4.2
Share of main sectors in current GDP (%)						
Agriculture, forestry and fishing	7.3	7.5	8.0	7.6	7.7	7.5
Industry[a]	32.8	31.6	30.9	32.6	32.8	31.7
Manufacturing	27.8	26.8	26.3	27.5	27.1	26.2
Construction	7.1	7.2	7.1	6.9	6.7	6.8
Services	52.8	53.8	54.0	53.0	53.4	54.6
Wholesale and retail trade	9.7	9.7	9.5	9.6	9.5	9.8
Accommodation and food service activities	1.8	1.8	1.5	1.6	1.5	1.7
Transport, storage and communication	4.4	4.3	4.0	4.2	4.2	4.6
Financial intermediation	7.7	7.7	8.2	7.9	7.7	8.0
Real estate	7.0	7.1	7.2	6.7	6.1	5.8
Information transmission, software and information technology	3.1	3.4	3.8	3.9	4.1	4.4
Leasing and business services	3.2	3.3	3.2	3.3	3.3	3.5
Other[b]	15.9	16.4	16.5	15.9	16.2	16.3

a Including mining and quarrying, manufacturing, and production and supply of electricity.
b Including scientific research and technical services; management of water conservancy, environment, and public facilities; resident services, repair and other services; education; health care and social services; culture, sports, and entertainment; public management; and social security and social organizations.

Source: National Bureau of Statistics of China. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=B01.

1.2.2 Monetary and exchange rate policy

1.13. Price stability remains the main goal of monetary policy. Under the Law on the People's Bank of China (PBOC), the objective of monetary policy is to maintain the stability of the value of the currency and thereby promote economic growth. Inflation rates have remained very low over the

[15] China stopped publishing youth unemployment rates in June 2023, when they hit a record high of 21.3%. It resumed publication in 2024 with a different methodology. Using this methodology, youth unemployment was 14.9% in December 2023.

[16] *Hukou* is a household registration system. *Hukou* reforms are an important way to expand the social safety net, by allowing migrant workers and their families to access public services and benefits available to urban residents.

past years, with a maximum of 2.9% in 2019 and lower rates in subsequent years. Monetary policy was generally accommodative in the post-pandemic recovery phase.

1.14. Monitoring of the cross-border capital flow by the PBOC and the State Administration of Foreign Exchange (SAFE) may affect the flow of foreign exchange. Companies must report any overseas payment for settling import payments that are scheduled to be made over 90 days from the date shown on the import declaration form to SAFE.

1.15. China has maintained its managed floating exchange rate regime. The exchange rate of the yuan renminbi (CNY) is determined with reference to a basket of currencies with a publicly known composition; the CNY's central parity is determined daily as a "fix". The PBOC intervenes only to prevent excessive fluctuations in the short term.[17] The CNY has depreciated against the US dollar since 2022, with a relatively strong depreciation in 2023 (Table 1.1).

1.16. To date, the CNY is fully convertible for current account transactions and partially convertible for some capital account transactions. Residents and non-residents are permitted to use the CNY for foreign direct investment.

1.17. China has continued its efforts to internationalize the CNY and its use as a reserve currency, for example, according to some academic works, by expanding CNY-denominated loans in their lending to low- and middle-income countries.[18] The authorities, however, state that the destinations of overseas loans are determined by commercial banks independently according to the principle of marketization. The international use of the CNY remains very limited, with about 4% of all global cross-border payments. Since 2014, the PBOC has also been developing a digital currency called the digital yuan (e-yuan, e-CNY).

1.18. As at end-February 2024, officially reported foreign currency reserves stood at USD 3.2 trillion, slightly more than the 2016 value. The management of foreign exchange reserves is governed by SAFE and the PBOC.

1.19. According to the IMF, financial sector vulnerabilities are elevated and increased in 2023 given rising credit risks and declining bank profitability.[19] At the same time, data provided by the authorities indicate that the non-performing loan ratio of commercial banks was 1.59% at the end of the fourth quarter of 2023, a decrease of 0.04 percentage points year-on-year.

1.2.3 Fiscal policy

1.20. During the pandemic, fiscal policy was supportive with a package equivalent to about 3%-4% of GDP. Since 2022, the objective of fiscal policy has been to support post-pandemic recovery through expanded public investment and a series of tax and other relief measures.

1.21. China's tax to GDP ratio amounted to 14% in 2022, compared to 17% in 2018. No information was provided on the contribution of individual tax types to total fiscal revenue.

1.22. China's total debt-to-GDP continued to increase strongly during the review period, following a brief pre-pandemic stabilization. Augmented government debt[20] amounted to 116% of GDP in 2023, up from 99% in 2020.[21] This increase was largely driven by off-budget central government debt and on-budget local government debt. Corporate debt, commanded mostly by SOEs, also increased notably during the review period, while household credit fell slightly. Against the background of rapid debt accumulation since 2008, narrowing fiscal space, and a rapidly ageing population, sustained fiscal consolidation is important in the medium term.[22]

[17] IMF (2024), IMF Country Report No. 24/38.
[18] A. Gelpern et al. (2021), "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments", *Economy Policy*, Vol. 38, Issue 114, pp. 345-416.
[19] IMF (2024), IMF Country Report No. 24/38.
[20] The augmented deficit, as defined by the IMF, includes local government investment vehicles, government-guided funds, and other off-budget activities. IMF (2024), IMF Country Report No. 23/67, p. 54.
[21] IMF (2024), IMF Country Report No. 24/38.
[22] IMF (2024), IMF Country Report No. 24/38.

1.2.4 Structural measures

1.23. Structural reforms since China's previous Review include the removal of restrictions on foreign participation in the telecommunications and financial sectors (Sections 4.4.1 and 4.4.2), the establishment of specialized tribunals to expedite the liquidation of inefficient SOEs (Section 3.3.5), and some moderate tariff reductions (Section 3.1.3).

1.24. Vast state ownership remains an important characteristic of China's economy; even in commercially oriented sectors, SOEs have substantial market shares and dominant market power. During the period under review, the reform of SOEs proceeded almost exclusively in the context of mixed ownership; no substantial privatization took place (Section 3.3.5).

1.2.5 Balance of payments

1.25. China's current account surplus strongly increased between 2018 and 2022, when it amounted to USD 402 trillion, equivalent to 2.24% of GDP (Table 1.3). In 2023, the surplus fell to 1.5% of GDP. Developments behind the increased current account surplus include a strongly growing surplus in merchandise trade, with export growth outpacing import growth most of the time, and a considerable decline in the service balance deficit, caused largely by a drop in outbound tourism. The share of merchandise exports and imports in GDP amounted to 32.2% in 2023, up from 30.5% in 2020, indicating the economy's increased openness.

1.26. The financial account (excluding reserve assets) has posted a deficit since 2020; this may reflect growing capital outflow pressures, such as widening interest rate differentials with other major economies in 2022 and 2023, concerns about China's growth prospects, and rising geopolitical risks. The deficit rose to USD 311 billion in 2022, but fell again to around USD 244 billion in 2023. Direct investment posted a surplus in all recent years. Projects under the BRI continued to play an important role in outward investments.

Table 1.3 Balance of payments, 2018-23

(USD million)

	2018	2019	2020	2021	2022	2023[a]
Current account	**24,131**	**102,910**	**248,836**	**352,886**	**401,855**	**264,200**
Goods and services balance	87,905	131,844	358,573	461,494	576,330	378,600
Trade balance	380,074	392,993	511,103	562,706	668,633	608,000
Exports	2,417,443	2,386,640	2,510,015	3,215,838	3,346,875	3,179,600
Imports	2,037,369	1,993,647	1,998,912	2,653,132	2,678,242	2,571,600
Service balance	-292,168	-261,149	-152,530	-101,212	-92,303	-229,400
Exports	233,567	244,359	228,883	339,393	368,953	323,200
Imports	525,735	505,508	381,414	440,605	461,256	552,600
Income	-61,365	-39,184	-118,192	-124,476	-193,607	-129,600
Credit	268,496	273,514	245,502	327,316	190,246	240,000
Compensation of employees	18,109	14,258	14,714	17,118	20,429	..
Investment income	248,295	257,464	227,941	306,814	165,763	..
Other	2,092	1,792	2,847	3,383	4,054	..
Debit	329,861	312,699	363,695	451,792	383,853	369,600
Compensation of employees	9,946	11,157	14,530	18,501	14,082	..
Investment income	319,616	300,820	348,344	432,632	368,903	..
Other	299	722	820	659	868	..
Current transfers	-2,410	10,250	8,455	15,868	19,132	15,200
Credit	27,757	25,907	36,019	48,794	44,710	37,600
Personal transfers	6,196	4,037	4,162	5,361	5,677	..
Other	21,560	21,871	31,857	43,433	39,033	..
Debit	30,167	15,657	27,563	32,927	25,578	-22,400
Personal transfers	6,602	3,979	3,766	4,457	4,174	..
Other	23,565	11,679	23,797	28,470	21,404	..
Capital account	**-569**	**-327**	**-76**	**94**	**-310**	**-300**
Financial account	**153,795**	**26,598**	**-89,997**	**-218,514**	**-310,989**	**-243,900**
Assets	-362,039	-260,532	-675,185	-894,905	-281,539	..
Liabilities	515,835	287,130	585,188	676,392	-29,450	..
Financial account excluding reserve assets	172,682	7,308	-61,147	-30,288	-211,028	-228,300
Direct investment	92,338	50,260	99,375	165,277	30,475	..
Assets	-143,027	-136,910	-153,721	-178,798	-149,692	..
Liabilities	235,365	187,170	253,096	344,075	180,167	..
Portfolio investment	106,874	57,948	95,539	51,366	-281,113	..
Assets	-53,507	-89,419	-151,236	-125,262	-173,193	..
Equity securities	-17,712	-29,332	-131,383	-84,732	-47,697	..
Debt securities	-35,795	-60,087	-19,852	-40,530	-125,496	..

	2018	2019	2020	2021	2022	2023[a]
Liabilities	160,381	147,366	246,775	176,628	-107,920	..
Equity securities	60,668	44,906	80,335	82,901	34,388	..
Debt securities	99,713	102,460	166,440	93,727	-142,308	..
Financial derivates (other than reserves) and employee stock options	-6,153	-2,355	-10,821	10,237	-5,812	..
Assets	-4,816	1,393	-5,064	17,082	2,698	..
Liabilities	-1,338	-3,748	-5,757	-6,845	-8,510	..
Other investment	-20,376	-98,545	-245,239	-257,168	45,422	..
Assets	-141,803	-54,886	-336,314	-419,701	138,610	..
Other equity	-1,493	-1,491	-494	-555	-201	..
Currency and deposits	-14,999	-101,750	-146,258	-166,149	12,493	..
Loans	-81,830	25,962	-135,190	-139,766	101,091	..
Insurance, pension, and standardized guarantee schemes	-573	-1,168	-3,163	-4,350	-5,568	..
Trade credits and advances	-65,300	36,800	-37,116	-61,086	10,345	..
Other accounts receivable	22,392	-13,240	-14,093	-47,796	20,449	..
Liabilities	121,427	-43,659	91,074	162,534	-93,187	..
Currency and deposits	51,436	-55,734	92,237	66,305	-52,760	..
Loans	32,115	42,540	-18,270	9,575	-17,838	..
Insurance, pension, and standardized guarantee schemes	210	1,803	3,102	3,302	2,455	..
Trade credits and advances	40,800	-28,750	7,816	33,377	-31,415	..
Other accounts payable	-3,135	-3,517	6,189	8,363	6,371	..
Reserve assets	-18,887	19,291	-28,850	-188,226	-99,961	-15,600
Net errors & omissions	**-177,358**	**-129,181**	**-158,763**	**-134,466**	**-90,557**	**-20,000**

.. Not available.

a Preliminary data.

Note: In the financial account, a positive value for assets represents a net decrease, while a negative value represents a net increase. A positive value for liabilities represents a net increase, while a negative value represents a net decrease.

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

1.3 Developments in trade and investment

1.3.1 Trends and patterns in merchandise and services trade

1.27. China's merchandise exports increased significantly from USD 2,589 billion in 2020 to USD 3,594 billion in 2022 but fell in 2023 (Table A1.1 and Chart 1.1). Exports to some regions, such as the Americas and Europe, declined in relative terms, while exports to Africa, the Middle East, and the Russian Federation increased their shares during the period under review, albeit from lower levels. Despite their relative decrease, the United States and the European Union remain the most important single destination for China's merchandise exports. Between 40% and 45% of merchandise exports are destined for Asia and Oceania. Africa and the Middle East make up about 5% of exports, with a slightly growing trend.

1.28. Merchandise imports also experienced a strong increase, to USD 2,716 billion in 2022 from USD 2,069 billion in 2020, but fell in 2023 (Table A1.2 and Chart 1.1). The European Union, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), Japan, and the United States are the most important single geographical sources of China's merchandise imports. Between 40% and 50% of imports are sourced in Asia and Oceania, some 17% in the Americas, about 14% in Europe, around 9% in the Middle East, and some 5% in Africa.

1.29. Machinery and electrical equipment continue to make up a large part of China's exports with a share of over 40% in every year of the review period, with electrical machinery alone having a share of over 26% (Table A1.3 and Chart 1.2). The share of textiles and textile articles continued its declining trend during the review period and amounted to under 9% in 2023. Chemical products maintained their share of between 5% and 7%, while agricultural goods played only a minor role in China's exports.

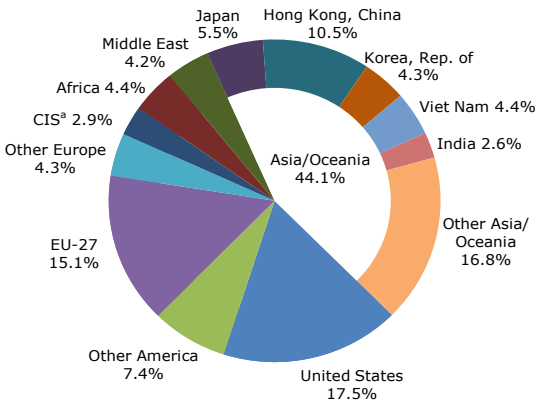
1.30. Machinery and electrical equipment also occupy an important share in China's total imports, although its share fell to under 30% in 2023 (Table A1.4 and Chart 1.2). The share of mineral products in China's merchandise imports increased from 23% in 2018 to over 30% in 2023, attributable mainly to price increases for mineral fuels and oils. Agricultural goods make up less than 10% of imports.

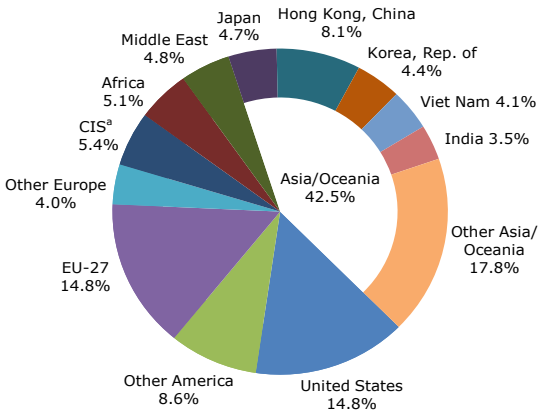
1.31. The growth of trade in intermediate goods strongly outpaced the growth of merchandise trade in general, indicating a further integration of China into international supply chains (Table A1.5). The most important internationally traded intermediate goods are parts, accessories, and other industrial supplies.

Chart 1.1 Direction of merchandise trade, 2020 and 2023

2020 **2023**

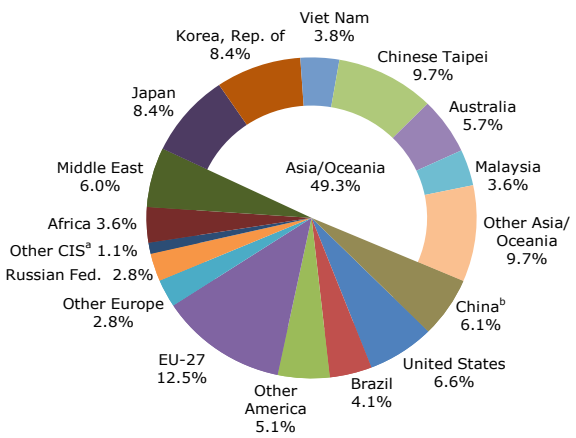
Exports (f.o.b.)

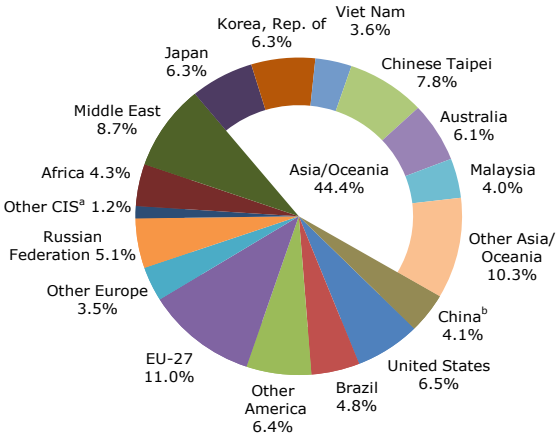




Total: USD 2,589 billion **Total: USD 3,380 billion**

Imports (c.i.f.)





Total: USD 2,070 billion **Total: USD 2.557 billion**

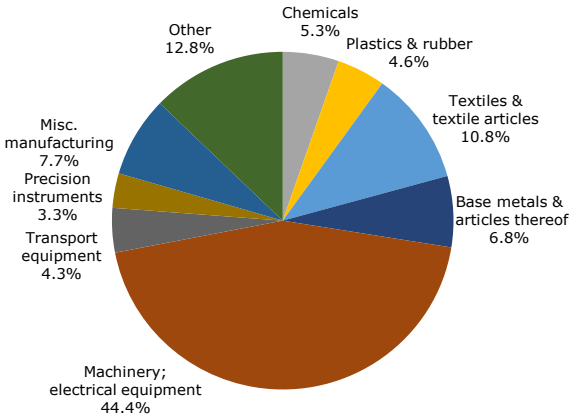
a Commonwealth of Independent States, including certain associate and former member States.
b Includes goods that have been exported from China and thereafter re-imported into China.

Source: WTO Secretariat calculations, based on UN Comtrade database and General Administration of Customs of the People's Republic of China (GACC).

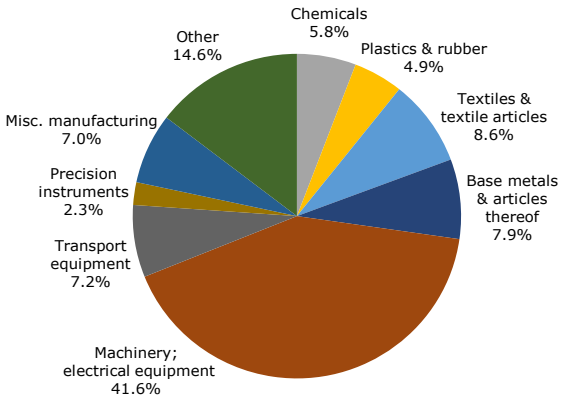
Chart 1.2 Product composition of merchandise trade by main HS sections, 2020 and 2023

2020 **2023**

Exports (f.o.b.)

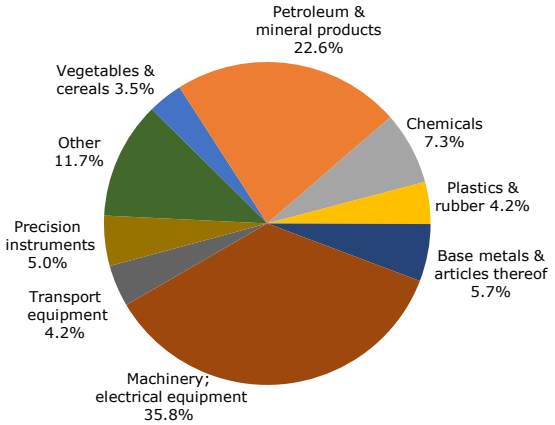


Total: USD 2,589 billion

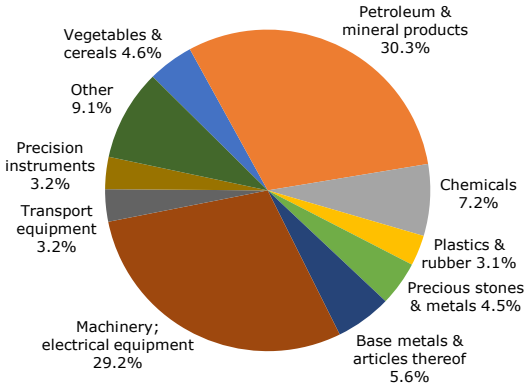


Total: USD 3,380 billion

Imports (c.i.f.)



Total: USD 2,070 billion



Total: USD 2,557 billion

Source: WTO Secretariat calculations, based on UN Comtrade database and the GACC.

1.32. Services exports expanded strongly, from USD 229 billion in 2020 to USD 369 billion in 2022, but fell to USD 323 billion in 2023 (Table 1.4). The increase was particularly marked for transport services, due to strongly growing demand and increasing prices in the sector. China's services imports contracted after 2018, albeit from a high level, and rebounded to USD 553 billion in 2023. The low level of outbound tourism, which started before the pandemic, was an important factor in the decrease of China's services imports between 2020 and 2022.

1.33. China's most important trading partners for services are the United States; Hong Kong, China; Japan; Singapore; and the Republic of Korea.[23]

Table 1.4 International trade in services by sector, 2018-23

	2018	2019	2020	2021	2022	2023
Total credit (USD billion)	233.6	244.4	228.9	339.4	369.0	323.2
	% of total credit					
Manufacturing services on physical inputs	7.5	6.4	5.8	4.2	3.9	4.0
Maintenance and repair services	3.1	4.2	3.4	2.3	2.2	3.1
Transportation	18.1	18.9	24.8	37.9	39.7	26.9
Travel	17.3	14.7	4.3	3.3	2.6	4.9
Construction	5.8	5.9	5.5	4.5	3.9	4.9
Insurance and pension	2.1	2.0	1.3	1.5	1.2	2.1
Financial services	1.4	1.6	2.1	1.3	1.3	1.4
Charges for the use of intellectual property	2.4	2.7	3.7	3.5	3.6	3.4
Communication, computer & information	12.9	14.3	17.0	14.9	15.1	18.0
Other business services	28.3	28.3	30.5	25.6	25.6	30.4
Personal, cultural & recreational services	0.4	0.4	0.4	0.4	0.4	0.4
Government goods and services	0.8	0.6	1.1	0.5	0.5	0.5
Total debit (USD billion)	525.7	505.5	381.4	440.6	461.3	552.6
	% of total debit					
Manufacturing services on physical inputs	0.1	0.1	0.1	0.2	0.2	0.2
Maintenance and repair services	0.5	0.7	0.9	0.9	0.9	1.1
Transportation	20.8	20.8	24.8	33.3	36.6	31.3
Travel	52.7	50.4	34.4	24.8	24.9	35.6
Construction	1.6	1.8	2.1	2.2	1.6	1.4
Insurance and pension	2.2	2.2	3.3	4.4	4.3	2.9
Financial services	0.4	0.5	1.1	1.0	0.8	0.7
Charges for the use of intellectual property	6.8	6.8	9.9	10.6	9.6	7.7
Communication, computer & information	4.5	5.3	8.5	9.1	8.2	7.0
Other business services	8.9	9.9	13.2	12.0	11.4	10.9
Personal, cultural & recreational services	0.6	0.8	0.8	0.7	0.6	0.7
Government goods and services	0.9	0.7	0.9	0.8	0.8	0.5

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

1.3.2 Trends and patterns in FDI

1.34. Foreign investment flows into China remained important during the review period and increased to USD 189 billion in 2022; in 2023, it dropped to USD 163.25 billion.[24] Hong Kong, China is by far the most important source for FDI into China (Table 1.5). Other important sources include Singapore, the British Virgin Islands, the Republic of Korea, Japan, and the Netherlands. According to UNCTAD data, China's inward FDI stock amounted to USD 3.8 trillion in 2022, up from USD 1.9 trillion in 2020.[25]

[23] SAFE, *China Balance of Payment Report*, various years; and World Bank, WITS Data, *China Trade Balance, Exports and Imports by Country 2021*. Viewed at: https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2021/TradeFlow/EXPIMP/Partner/by-country.

[24] Data for 2023 are only available for the total amount of FDI inflows; no breakdowns by sector or source of FDI are available.

[25] UNCTAD, *Foreign Direct Investment: Inward and Outward Flows and Stock, Annual*. Viewed at: https://unctadstat.unctad.org/datacentre/dataviewer/US.FdiFlowsStock.

Table 1.5 Inward foreign direct investment by partner, 2018-22

(USD billion)

	2018	2019	2020	2021	2022	
						% of total FDI
Total	**134.97**	**138.13**	**144.37**	**173.48**	**189.13**	
Hong Kong, China	89.92	96.30	105.79	131.76	137.24	72.6
Singapore	5.21	7.59	7.68	10.33	10.60	5.6
British Virgin Islands	4.71	4.96	5.20	5.28	6.63	3.5
Korea, Rep. of	4.67	5.54	3.61	4.04	6.60	3.5
Japan	3.80	3.72	3.37	3.91	4.61	2.4
Germany	3.67	1.66	1.35	1.68	2.57	1.4
Cayman Islands	4.07	2.56	2.77	2.46	2.42	1.3
United States	2.69	2.69	2.30	2.47	2.21	1.2
United Kingdom	2.48	0.86	0.98	1.20	1.60	0.9
France	1.01	0.79	0.51	0.71	0.76	0.4
Chinese Taipei	1.39	1.59	1.00	0.94	0.66	0.4
Netherlands	1.27	1.80	2.55	1.11	..	..
Macao, China	1.28	1.74	2.20	2.19	..	..
Samoa	1.55	1.19	0.80	0.62	..	..
Switzerland	0.60	0.64	0.65	0.73	..	..
Other	6.64	4.52	3.57	4.05	13.24	7.0

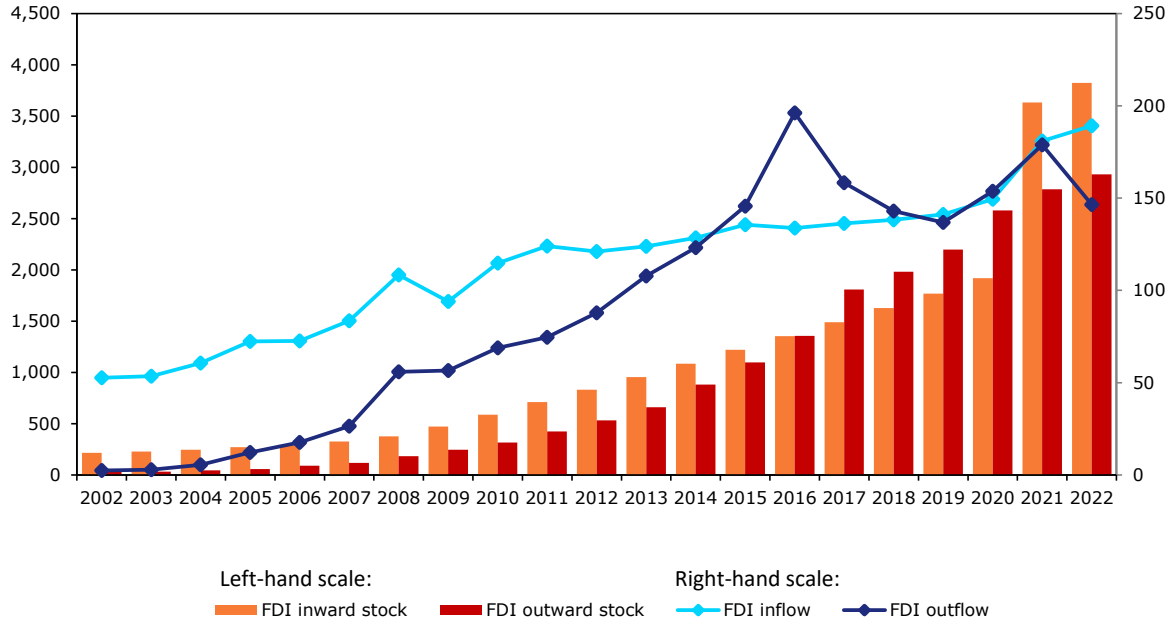
.. Not available.

Note: Figures refer to foreign capital actually used.

Source: WTO Secretariat calculations, based on data from the National Bureau of Statistics of China. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

Chart 1.3 Foreign direct investment, 2002-22

(USD billion)



Source: UNCTAD (2023), *World Investment Report 2023.*

1.35. The manufacturing sector remains the largest recipient of FDI into China, followed by leasing and business services and scientific research and technical services (Table 1.6). Sectors such as agriculture, mining, and construction are of limited importance for FDI.

Table 1.6 Inward foreign direct investment by sector, 2018-22

(USD billion)

	2018	2019	2020	2021	2022	
						% of total FDI
Total	**134.97**	**138.13**	**144.37**	**173.48**	**189.13**	**100.0**
Agriculture, forestry and fishery	0.80	0.56	0.58	0.83	1.24	0.66
Mining	1.23	2.19	0.66	2.58	1.54	0.81
Manufacturing	41.17	35.37	31.00	33.73	49.67	26.26
Electricity, gas and water	4.42	3.52	3.11	3.80	4.15	2.19
Construction	1.49	1.22	1.82	2.27	1.79	0.95
Wholesale and retail trade	9.77	9.05	11.84	16.72	14.56	7.7
Transport, storage and post	4.73	4.53	5.00	5.33	5.32	2.81
Hotels and catering service	0.90	0.97	0.82	1.26	0.52	0.28
Information transmission, computer and software	11.66	14.68	16.43	20.10	23.87	12.62
Financial intermediation	8.70	7.13	6.48	4.54	6.85	3.63
Real estate	22.47	23.47	20.33	23.61	14.15	7.48
Leasing and business services	18.87	22.07	26.56	33.09	33.06	17.48
Scientific research, technical services and geological prospecting	6.81	11.17	17.94	22.75	30.18	15.96
Water conservancy, environment and public facilities	0.47	0.52	0.57	1.32	0.71	0.38
Other	1.46	1.67	1.22	1.56	1.52	0.8

Note: Figures refer to foreign capital actually used.

Source: WTO Secretariat calculations, based on data from the National Bureau of Statistics of China. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

1.36. In terms of outward FDI, China remains an important investor abroad. Following a significant decline in Chinese outward flows of FDI from 2017 to 2019, there were increases in 2020 and 2021, and another decrease in 2022. The primary destinations include Hong Kong, China; the British Virgin Islands; Singapore; the United States; and Indonesia (Table 1.7). Outward FDI focused on four key sectors: leasing and business services, wholesale and retail trade, manufacturing, and financial intermediation (Table 1.8). China's outward FDI stock amounted to nearly USD 3 trillion in 2022, up from USD 2.6 trillion in 2020.

Table 1.7 Outward foreign direct investment by partner, 2018-22

(USD billion)

	2018	2019	2020	2021	2022	
						% of total FDI
Total	**143.04**	**136.91**	**153.71**	**178.82**	**163.12**	**100.0**
Hong Kong, China	86.87	90.55	89.15	101.19	97.53	59.8
British Virgin Islands	7.15	8.68	6.98	13.97	9.12	5.6
Singapore	5.47	-4.36	8.56	10.75	8.30	5.1
United States	6.41	4.83	5.92	8.41	7.29	4.5
Indonesia	7.48	3.81	6.02	5.58	5.76	3.5
Australia	1.86	2.22	2.20	4.37	4.55	2.8
Viet Nam	1.47	1.46	1.38	2.71	3.25	2.0
Germany	1.15	1.65	1.88	2.21	2.82	1.7
Thailand	1.99	2.09	1.20	1.92	2.79	1.7
United Kingdom	1.03	1.10	0.92	1.90	2.13	1.3
Japan	0.74	1.37	1.88	1.49	1.98	1.2
Macao, China	1.56	0.47	0.21	0.93	1.85	1.1
Korea, Rep. of	0.81	0.59	0.83	0.88	1.70	1.0
Cayman Islands	0.47	0.67	0.49	0.76	1.61	1.0
Other	16.70	20.81	25.86	20.41	12.44	7.6

Source: WTO Secretariat calculations, based on data from the National Bureau of Statistics of China. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

Table 1.8 Outward foreign direct investment by sector, 2018-22

(USD billion)

	2018	2019	2020	2021	2022	
						% of total FDI
Total	**143.04**	**136.91**	**153.71**	**178.82**	**163.12**	**100.0**
Leasing and business services	50.78	41.88	38.73	49.36	43.48	26.7
Manufacturing	19.11	20.24	25.84	26.87	27.15	16.6
Financial intermediation	21.72	19.95	19.66	26.80	22.12	13.6
Wholesale and retail trade	12.24	19.47	23.00	28.15	27.17	13.0
Mining	4.63	5.13	6.13	8.41	15.1	9.3
Transport, storage and post	5.16	3.88	6.23	12.23	15.04	9.2
Electricity, gas and water	4.70	3.87	5.77	4.39	5.45	3.3
Scientific research, technical services and geological prospecting	3.80	3.43	3.73	5.07	4.82	3.0
Other	4.49	3.07	0.79	2.26	2.74	1.68
Real estate	3.07	3.42	5.19	4.10	2.21	1.4
Information transmission, computer and software	5.63	5.48	9.19	5.14	1.69	1.0
Construction	3.62	3.78	8.09	4.62	1.45	0.9
Agriculture, forestry and fishery	2.56	2.44	1.08	0.93	0.51	0.3
Water conservancy, environment and public facilities	0.18	0.27	0.16	0.22	0.18	0.1
Hotels and catering service	1.35	0.60	0.12	0.27	0.01	..

.. Not available.

Source: WTO Secretariat calculations based on data from the National Bureau of Statistics of China. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

1.37. According to the authorities, projects under the BRI remain significant recipients of China's outward investment. Data provided by the authorities indicate that in 2023, the non-financial direct investment of Chinese enterprises in BRI countries reached around CNY 224 billion, an increase of 28.4% over the previous year; in terms of foreign contracted projects, the value of new contracted projects signed by Chinese enterprises in the BRI countries was around CNY 1,600.7 billion, an increase of 10.7%.[26] An estimate shows that 34% of China's total FDI stock is invested in projects related to the BRI; these investments are geographically widespread, with a concentration in Central and Southeast Asia, and usually have a focus on infrastructure.[27]

[26] MOFCOM. Viewed at: http://fec.mofcom.gov.cn/article/fwydyl/tjsj/202401/20240103469623.shtml.

[27] Dezan Shira & Associates (2023), "China's Outbound Investment: Recent Developments, Opportunities, and Challenges", *China Briefing*, 13 November. Viewed at: https://www.china-briefing.com/news/chinas-outbound-investment-odi-recent-developments-opportunities-and-challenges/.

2 TRADE AND INVESTMENT REGIMES

2.1 General framework

2.1. China's general legal and institutional framework remained largely unchanged during the review period. The Constitution of the People's Republic of China sets out the roles and responsibilities of the National People's Congress and its Standing Committee (legislative branch); the State Council (executive body and top organ of state administration); and the judiciary, which includes the Supreme People's Court, various levels of local People's Courts, and specialized courts. It also stipulates that state power at the local level is exercised and implemented by local people's Congresses and local people's governments.

2.2. In general, draft laws and regulations are published online in Chinese for a minimum of 30 days to allow for public comments, unless a State Council decision mandates confidentiality for specific laws and regulations. The China Foreign Trade and Economic Cooperation Gazette, issued by the Ministry of Commerce (MOFCOM), publishes China's trade-related laws, regulations, and rules.[1] China also publishes various policies via, *inter alia*, the Chinese government website.[2]

2.3. Except for rulings with respect to businesses affecting national security, administrative decisions may be appealed. Traders can seek judicial review of trade matters with courts. At the time of the previous Review, the authorities indicated that several independent administrative reconsideration commissions had been established on a pilot basis. On 1 September 2023, the revised Administrative Reconsideration Law was promulgated and came into effect on 1 January 2024. Among other things, it is expected to provide for the establishment of administrative reconsideration committees comprising relevant government departments, experts, scholars, and other individuals. These committees will offer advice for handling administrative reconsideration cases and issue opinions on related issues. The authorities indicate that the administrative reconsideration organs of the State Council are in the process of adopting measures governing the composition of the committees and their duties. The authorities indicate that, in the next step, administrative reconsideration committees will be established at the level of local governments.

2.4. During the review period, the main development regarding China's general legal framework concerned the implementation of its judicial reform agenda. The fifth Five-Year Reform Programme of the People's Courts (2019–2023) continues to guide various judicial reforms. This strategic document focuses on, *inter alia*, measures to enhance China's business environment through consistent and predictable application of legal principles.[3] Within this plan, the authorities aim to (i) establish support mechanisms for safeguarding property rights and (ii) bolster enforcement systems, particularly in cases involving enterprises. China's fifth Five-Year Judicial Reform Programme includes the establishment of specialized courts, such as intellectual property courts, maritime courts, and financial courts. These specialized courts are intended to promote functional specialization and improve the application of legal principles in the context of economic and social development. Specialization for certain issues[4], such as those related to e-commerce, was already at an advanced stage during the previous Review, with the establishment of Internet courts in Hangzhou, Beijing, and Guangzhou.[5] The authorities indicate that by fostering specialized adjudication mechanisms and smart supporting tools, Internet courts have significantly contributed to improving efficiency and lowering the cost of litigation. For example, on average, the length of a court trial was 34.13 minutes, and the trial cycle spanned 64.78 days as at the end of 2023, saving a quarter of the time compared to offline litigation. The authorities also note that there are ongoing

[1] Ministry of Commerce (MOFCOM), *China Foreign Trade and Economic Cooperation Gazette*. Viewed at: http://english.mofcom.gov.cn/article/policyrelease/gazette/.

[2] State Council, Government Public Information. Viewed at: https://www.gov.cn/zhengce/xxgk/; and the State Council Bulletin. Viewed at: https://www.gov.cn/gongbao/2024/issue_11206/.

[3] For example, Chemin found that judicial reforms may improve firm productivity and contribute to overall economic development. M. Chemin (2020), "Judicial Efficiency and Firm Productivity: Evidence from a World Database of Judicial Reforms", *The Review of Economics and Statistics*, Vol. 102, Issue 1, pp. 49-64. Viewed at: https://direct.mit.edu/rest/article-abstract/102/1/49/58536/Judicial-Efficiency-and-Firm-Productivity-Evidence?redirectedFrom=fulltext.

[4] Since 2019, intellectual property courts have been established in Beijing, Shanghai, Guangzhou, and Hainan Free Trade Port.

[5] Internet courts' areas of responsibility include mainly cases related to data rights, online transactions, platform management, algorithm application, and personal information protection on the Internet.

efforts to further rationalize the operations of Internet courts, with a view to providing sounder judicial protection for the development of the digital economy and the governance of cyberspace.

2.5. As part of the authorities' efforts to promote international business law, the China International Commercial Court (CICC), in place since 2018, adjudicates international commercial cases. The First International Commercial Court is situated in Shenzhen, Guangdong Province, and the Second International Commercial Court in Xi'an, Shaanxi Province. Cases dealt with by the CICC include international commercial cases of first instance in which the parties opt to subject their case to the jurisdiction of the Supreme People's Court and the amount of the subject matter exceeds CNY 300 million; international commercial cases of first instance with major impact nationally; and international commercial cases that the Supreme People's Court considers necessary to be handled by international commercial courts. According to the authorities, by February 2024, the courts had accepted 34 cases, with the parties involved from 14 entities. The disputes concerned issues such as the distribution of corporate earnings, the determination of shareholders' status, the liability of impairing corporate interest and the transfer of equity.

2.6. In the area of arbitration, the authorities indicate that efforts are ongoing to promote the pilot development of the International Commercial Arbitration Centre, focused on establishing fully functioning international arbitration institutions. A mechanism is in place to ensure integrated functioning of the CICC and mediation and arbitration institutions.[6] This arrangement aims to address certain disputes through alternative methods, when appropriate, instead of resorting to litigation.

2.7. Regarding the legal and institutional framework related to corporate governance, as per China's Company Law, businesses employing members of the Communist Party shall integrate Party organizations into their structure.[7] In September 2020, the Party and the State Council jointly issued an opinion aimed at enhancing informal institutional interactions between the Party and the private sector.[8] According to the authorities, the objective of this initiative was to encourage private businesses to embrace a "modern enterprise system" that aligns with unique "Chinese characteristics" and to manage, serve, and unite Party members, and guide them to abide by laws, regulations, and the code of conduct of enterprises. A similar approach was used in 2016 with regards to SOEs, where Chinese authorities specified that "Chinese characteristics" entailed the integration of the Party's leadership into all facets of SOEs' corporate governance and the clarification of the legal standing of Party organizations within the corporate governance structure.[9]

2.8. The authorities note that the increased interaction between the Party and the private economy entails the promotion of entrepreneurship and providing guidance for private enterprises to navigate stable development amid the evolving risks in the international landscape. They also note that a smoothly operating market, governed by consistent rules, plays a vital role in their vision of a "socialist market economy". Along this line, China implemented measures during the review period to enhance the functionality of its national market. This involved addressing the disparities in trade and investment regulatory frameworks among the country's diverse provinces. This situation, as highlighted during the previous Review, led to some forms of provincial protectionist behaviours by local authorities, with the aim of favouring local trade and investment over those of other provinces. According to the authorities, during the review period, the National Development and Reform Commission (NDRC) established a system to collect and notify cases of violating the Market Access Negative List, with a view to maintaining the coherence of the national market.

2.9. In 2022, the Opinions on Accelerating the Construction of a National Unified Market aimed at "breaking down local protectionism and regional barriers" was adopted, with a view to removing

[6] To date, 10 international commercial arbitration organizations and international commercial mediation organizations have joined that mechanism.

[7] "In a company, an organization of the Communist Party of China shall be established to carry out the activities of the party in accordance with the charter of the Communist Party of China. The company shall provide the necessary conditions for the activities of the party organization." (Article 19, the Company Law).

[8] State Council, "Opinions on Strengthening the United Front Work of the Private Economy in the New Era". Viewed at: https://www.gov.cn/zhengce/2020-09/15/content_5543685.htm.

[9] Speech by the President at the National Conference on Party Building in State-owned Enterprises, 10 October 2016. Viewed at https://www.sohu.com/a/307762296_364628.

administrative hurdles between provinces in China.[10] In alignment with this objective, the authorities indicate that in 2022, local governments and departments reviewed more than 615,000 policy measures including 163,700 newly introduced ones before their adoption, examined 452,000 existing ones, and repealed, revised, and corrected more than 20,000 that were inconsistent with relevant state laws and regulations.

2.10. China's competition policy has also been adjusted to factor in the imperative of "market unification" (Section 3.3.4). The Interim Provisions on Prohibiting the Acts of Eliminating or Restricting Competition by Abuse of Administrative Power were revised, and the Provisions on Prohibiting the Acts of Eliminating or Restricting Competition through Abuse of Administrative Power (State Administration for Market Regulation (SAMR) Announcement No. 64, 2023) were issued, effective on 15 April 2023.[11] They provide additional clarification on instances of abuse of administrative power that impede competition, such as coercing non-local operators into local investments or branch establishment, and excluding or limiting operators from engaging in bidding processes.

2.11. The authorities note that departments in charge of regulating competition now investigate abuses of administrative power that restrict competition, and they have also carried out nationwide rectification on illegal fees and charges on enterprises. All of these efforts are considered by the authorities to have reduced transaction costs in the national economy and created a conducive environment for small and medium-sized enterprises.

2.2 Trade policy formulation and objectives

2.12. The institutional framework governing China's trade policy formulation remained unchanged during the review period. The NDRC and MOFCOM are the main bodies in charge of administering the formulation of trade measures and related regulations. The NDRC coordinates tasks related to China's economic planning, notably objectives and necessary reforms within the framework of the Five-Year Plans for Economic and Social Development, and MOFCOM primarily manages the coordination and enactment of policies and regulations concerning trade, investment, and economic cooperation.

2.13. Various other bodies, notably those in the fields of agriculture, environmental sustainability, telecommunications, finance, industry and technology, and transportation, contribute to trade policy formulation and execution.

2.14. The authorities are aware of the pivotal role trade plays in enhancing the nation's living standards. They note that it is imperative for China to continue to foster extensive openness by bolstering trade in goods and services, advancing digital trade, intensifying international economic and trade collaborations, and consolidating its risk management framework. Furthermore, they advocate for the synchronized advancement of domestic and foreign demand, as well as imports and exports, to help ensure ongoing development.

2.15. One of the most important documents outlining the strategic direction of China's trade and investment policies is the 14th Five-Year Plan for Economic and Social Development (2021–2025), which was adopted by the National People's Congress on 11 March 2021. According to the strategy, China aims to pursue high-level opening of its market and build win-win trade partnerships. The authorities consider that China will continue to open its trade and investment framework, as witnessed through further liberalization of market access for both trade and investment; one example would be the decreasing number of items in the foreign investment negative list (Section 2.4.1).

2.16. China's gradual liberalization of its investment framework is also part of the country's vision to boost foreign participation in its economy. During the 14th Five-Year Period, China seeks to take gradual steps to ease restrictions on foreign investment in all economic sectors, with a special emphasis on services. The full implementation of the Foreign Investment Law is viewed as an

[10] State Council, "The Opinions of the Central Committee of the Communist Party of China and the State Council on Accelerating the Construction of a National Unified Market". Viewed at: https://www.gov.cn/xinwen/2022-04/10/content_5684388.htm.

[11] State Administration for Market Regulation (SAMR) Decree No. 64, 10 March 2023. Viewed at: https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2023/art_b96953818d5a4737a60527c675c1d1cb.html.

opportunity to achieve a fair and impartial market environment by reinforcing its national treatment provisions and strengthening the protection of intellectual property rights (IPRs).

2.17. In their strategic vision, the authorities recall the rising protectionism and unilateralism that challenge the world economy and the various sources of tension that continue to test global supply chains. As a response, they envision continuing to uphold the multilateral trading system and actively participate in the reforms of the WTO with a view to promoting a reasonable and more equitable system for global economic governance.[12]

2.18. China's development zones, including special economic zones (SEZs), economic and technological development zones (ETDZs), high-tech industrial development zones (HTDZs), and Pilot Free Trade Zones (PFTZs), continue to play a significant role, sometimes as a testing ground for nationwide investment and trade liberalization and regulatory streamlining. These zones offer a range of preferential policies to facilitate the import, handling, manufacturing, and export of goods and services. Such policies include tax incentives, the free flow and exchange of capital, and expedited procedures for investment approval.

2.19. In order to meet its goals of reaching peak carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060, China is actively implementing various measures, including the optimization of its energy sources through several trade-related measures (taxes, subsidies, and various regulations) and the establishment of a carbon emissions trading market.

2.20. The authorities indicate that they aim to design long-term, low-carbon development strategies at the national, sectoral, and local levels, and take targeted measures in areas such as carbon finance so as to step up to China's responsibilities as a major contributor to global solutions to climate change. Specific efforts undertaken in recent years include government initiatives (including training programmes) to encourage various entities to formulate standards for green and low-carbon products, and to enhance enterprises' awareness and ability to seek green and low-carbon development. During the review period, the authorities formulated national standards and implemented a national green product certification system for wood-based panels and wooden flooring; paints; sanitary ceramics; architectural glass; solar water heating systems; furniture; thermal insulation; waterproofing and sealing materials; ceramic tile; wood and plastic products; textile products; plastic products; paper and paper products; laundry products; express packaging supplies; refrigerators, air conditioners, and washing machines; tyres; kitchen and bathroom hardware products; and household gas appliances.

2.21. According to the authorities, as of February 2024, the Government had approved 90 certification bodies to carry out green product certifications, and had issued 26,000 green product certificates, involving more than 6,000 certified enterprises. A larger scale certification system is expected in 2025, with a view to supporting China's overall objectives for a carbon peak and carbon neutrality.

2.3 Trade agreements and arrangements

2.3.1 WTO

2.22. The WTO and the multilateral trading system are regarded by China as pivotal to its trade and economic growth. It is widely admitted that since China's accession to the WTO in 2001, its economy has greatly benefited from trade openness under the WTO and the predictability provided by the multilateral trading system.[13] China continues to play a significant role in trade negotiations and acts as a major contributor to the multilateral trading system.

2.23. As China is one of the world's largest trading economies, some WTO Members expect China to continue "to assume more responsibility commensurate to its trade weight to uphold and defend

[12] Chinese People's Institute for Foreign Affairs, *The 14th Five-Year Plan: China Advances High-Level Opening-Up and Brings New Opportunities for the World*. Viewed at: https://www.cpifa.org/en/cms/book/333.

[13] See, for example, WTO document WT/TPR/S/230, 2 June 2010; and WEF (2015), *How Did China's WTO Entry Affect Its Companies?* Viewed at: https://www.weforum.org/agenda/2015/06/how-did-chinas-wto-entry-affect-its-companies/.

WTO principles".[14] The authorities state that the WTO stands as a crucial support for multilateralism and serves as a significant platform for global economic governance. Additionally, they highlight their recent efforts aimed at discussing WTO reform, underscoring China's commitment to openness and its confidence in upholding the multilateral trading system with the WTO as its centrepiece.

2.24. China is involved in the discussions on WTO reform for which it has, in recent years, submitted position papers and proposals.[15] It is a participant in the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), the alternative mechanism for resolving WTO disputes that are appealed by a Member in the absence of a functioning WTO Appellate Body. During the review period, China also worked with other Members to advance discussions on investment facilitation for development, e-commerce, and services domestic regulation. It participates in the informal dialogue on plastics pollution and environmentally sustainable plastics trade, women's economic empowerment, and trade and environmental sustainability.

2.25. During the review period, China submitted several notifications to the WTO (Table A2.1). In terms of disputes, since 13 April 2021, China has been involved in five dispute settlement cases as a complainant and six as respondent (Table A2.2).

2.3.2 Regional and preferential agreements

2.3.2.1 Reciprocal arrangements

2.26. The authorities consider regional trade agreements (RTAs) as a valuable complement to the multilateral trading system and a way of creating a global network of high-standard free trade areas with a view to contributing to an open world economy; agreements are increasingly extensive, mainly with regards to coverage of trade-related topics, allowing China to further deepen trade cooperation and regulatory convergence with trade partners. In pursuing its negotiations of some of its trade agreements, China engages in commitments on narrow packages, for example, merchandise trade liberalization at the initial stage, which is subsequently deepened and expanded to cover areas such as services, competition policy, IPRs, and investment.

2.27. The average preferential tariff is the lowest on the Closer Economic Partnership Arrangements with Hong Kong, China and Macao, China (Table 3.3).

2.28. At the end of 2023, China had signed 22 RTAs involving 29 partners.[16] The most recent was signed on 17 October 2023 between China and Serbia. Once fully implemented, the agreement would zero out tariffs for about 90% of each country's imported goods, i.e. 10,412 Serbian products (tariff lines) and 8,930 Chinese ones. The timeframe for liberalization is within 10 years for most products and 15 years for others. The agreement has not entered into force yet.

2.29. The free trade agreement (FTA) between China and Ecuador was signed in May 2023 after negotiations kicked off in February 2022. While the agreement primarily deals with tariff reduction, it also includes issues such as rules of origin, customs procedures and trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, cooperation for investment, promotion of electronic commerce, competition, transparency, dispute settlement, and economic cooperation. Under the agreement, China and Ecuador will eliminate tariffs on 90% of their products, with about 60% to be eliminated immediately after the FTA comes into force. China and Ecuador are currently proceeding with their respective domestic procedures for the ratification and implementation of the agreement. The timeframe for liberalization is within 10 years for most products and 15–20 years for others.

2.30. On 12 July 2022, Chinese and Nicaraguan authorities signed the Early Harvest Arrangement as a prelude to an FTA. The Arrangement came into force in May 2023 and the authorities jointly announced the beginning of RTA negotiations between the two countries. They also signed a Memorandum of Understanding on the Establishment of a Mixed Commission on Economic, Trade and Investment Cooperation between China and Nicaragua, officially establishing a bilateral intergovernmental mechanism on economic cooperation and trade. Starting on 1 May 2023, some

[14] WTO, *Concluding Remarks by the Chairperson, Trade Policy Review of China*, 22 October 2021. Viewed at: https://www.wto.org/english/tratop_e/tpr_e/tp515_crc_e.htm.
[15] WTO document WT/GC/W/773, 13 May 2019.
[16] MOFCOM, *China FTA Network*. Viewed at: http://fta.mofcom.gov.cn/english/index.shtml.

items from Nicaragua were able to enter China tariff-free, under the Early Harvest Arrangement. Formal RTA negotiations were launched in July 2022, and an agreement was signed on 31 August 2023 before entering into force on 1 January 2024. About 60% of goods in the bilateral trade will be exempt from tariffs upon the agreement taking effect, and the tariffs on over 95% will gradually be reduced to zero (mainly within 10 years, but others are to be liberalized in 15 years).[17] Under the agreement, China, for the first time, is opening cross-border services trade and investment through a negative list.

2.31. During the previous review period, the FTA between China and Cambodia, and the Regional Comprehensive Economic Partnership (RCEP) agreement were signed; both entered into force in January 2022.[18] The FTA signed between China and Mauritius entered into force in January 2021. In addition, the Protocol to Upgrade the Free Trade Agreement between China and New Zealand, which was signed on 26 January 2021, entered into force on 7 April 2022.

2.32. According to the authorities, discussions are ongoing with a view to signing or upgrading the FTAs with Belarus, Honduras, the Gulf Cooperation Council, Iceland, Israel, the Republic of Korea, the Republic of Moldova, Norway, Palestine, Panama, Peru, and Sri Lanka.

2.3.2.2 Unilateral preferences

2.33. China maintains a tariff preference scheme for least developed countries (LDCs), whose coverage was recently expanded in accordance with country-specific diplomatic arrangements. In November 2021, the Chinese President indicated in his keynote speech at the Eighth Ministerial Conference of the Forum on China–Africa Cooperation that China would further expand the scope of products subject to duty-free treatment for exports to China from 44 LDCs that have established diplomatic relations with China.

2.34. The Customs Tariff Commission of the State Council has issued relevant instruments to bring into operation China's updated duty-free scheme, which now covers 98% of tariff lines for products originating from 34 LDCs that have signed bilateral agreements with China. The instruments include the list of products benefiting from preferential treatment and the rules of origin for preferential treatment.

2.35. The preferential tariff treatment became effective on 1 September 2022 for Bangladesh, Cambodia, Chad, Central African Republic, Djibouti, Eritrea, Guinea, Kiribati, Lao People's Democratic Republic, Mozambique, Nepal, Rwanda, Solomon Islands, Sudan, Togo, and Vanuatu; on 1 December 2022 for Afghanistan, Benin, Burkina Faso, Guinea-Bissau, Lesotho, Malawi, São Tomé and Príncipe, Tanzania, Uganda, and Zambia; and on 1 March 2023, for Angola, Burundi, Democratic Republic of the Congo, Ethiopia, Gambia, Mali, Madagascar, Mauritania, and Niger.

2.36. The China International Import Expo (CIIE), launched in Shanghai in 2018, serves as a significant platform geared towards boosting imports into China.[19] Co-hosted by MOFCOM and the Shanghai Municipal Government, it focuses on facilitating Chinese companies' procurement of imported goods. Moreover, Chinese authorities have leveraged the CIIE to offer companies from LDCs a chance to explore opportunities for entering or expanding in the Chinese market. This initiative aims to connect them with potential investors and facilitate business collaborations.

2.37. On 1 January 2024, following its graduation from the LDCs group in December 2020, Vanuatu was removed from the list of the LDCs to which China granted unilateral preferences.

2.3.3 Other agreements and arrangements

2.38. The authorities have indicated their intention to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA). They also note that in the context of ASEAN, a joint feasibility study was completed in 2022

[17] MOFCOM, *China FTA Network: China-Nicaragua FTA*. Viewed at: http://fta.mofcom.gov.cn/topic/ennicaragua.shtml; and the State Council Information Office of the People's Republic of China (2023), "China, Nicaragua Ink Free Trade Deal to Boost Economic Ties", 31 August. Viewed at: http://english.scio.gov.cn/pressroom/2023-08/31/content_110366496.htm.

[18] WTO document WT/TPR/S/415, 22 October 2021.

[19] CIIE, *About Us*. Viewed at: https://www.ciie.org/zbh/en/AboutUs/Inten/.

for the further enhancement of the China-ASEAN FTA (CAFTA 3.0). Upgraded negotiations for CAFTA 3.0 started in 2022 and cover various topics including digital economy, green economy, and supply chains.

2.4 Investment regime

2.4.1 Regulatory framework and market access

2.39. Throughout the review period, barriers to foreign investments continued to fall significantly following the enactment of the Foreign Investment Law (FIL) in 2020. In principle, the Law protects foreign investors against expropriation, restrictions on cross-border remittances, IPR infringement, and forced transfer of technology.

2.40. There can be further room to improve China's investment environment to attract foreign investment. In certain sectors, there remain ownership restrictions and/or requirements that joint ventures be established with local entities. The authorities note that the FIL has established a pre-establishment national treatment and Negative List system, and outside of the Negative List, there are no restrictions on the investment and ownership of foreign investors; the 2021 Negative List has narrowed to 31 items.

2.41. Some foreign companies have raised concerns regarding perceived preferential treatment given to SOEs, particularly in areas such as government procurement and bank lending.[20] As part of the authorities' efforts to improve the foreign investment framework, in August 2023, the State Council released a new set of opinions (the 24 Articles on Foreign Investment) that push for increased tax support for foreign-funded enterprises and improved service for foreign-invested enterprises; it also provides directives to tackle challenges faced by foreign companies in China, including unequal access to government procurement, infringement of IPRs, and cumbersome cross-border data transfer procedures.[21] Several specific measures were adopted to implement the guidance provided under the set of opinions. The authorities note, for example, that the State Intellectual Property Office and the Ministry of Justice issued, on 15 September 2023, the Opinions on Strengthening the Adjudication of Patent Infringement Disputes in the New Era to further improve the administrative adjudication system.[22] In addition, the SAMR issued a work notice to deploy various policies to prevent discrimination against foreign-funded enterprises. According to the authorities, in February 2024, MOFCOM held a roundtable on the implementation of the 24 Articles on Foreign Investment, inviting various foreign business associations in China. The authorities have previously released similar documents on boosting foreign investment and improving the business environment.[23]

2.42. The Cyberspace Administration of China (CAC) continues to regulate the Internet, including certain news and social media platforms, with a view to ensuring their compliance with Chinese laws and regulations. In some cases, these measures tend to cause challenges for online workers and e-commerce enterprises, leading to decreased efficiency. Some point out an economic consequence arising from the inability of domestic users to access foreign websites and online services as potentially leading to information barriers and dampening labour productivity.[24] The authorities state that to regulate the communication of information online and protect the legitimate rights and interests of citizens and organizations, China has formulated, *inter alia*, the Cybersecurity Law (Section 4.4.1.4), which provides that in using the Internet, all individuals and organizations shall comply with the Constitution and other laws, observe public order, and respect social morals, and

[20] European Union Chamber of Commerce in China (2023), *European Business in China Position Paper 2023/2024*.

[21] State Council, *Opinions on Further Optimizing the Foreign Investment Environment and Increasing Efforts to Attract Foreign Investment*, Guo Fa [2023] No. 11. Viewed at: https://www.gov.cn/zhengce/content/202308/content_6898048.htm.

[22] China National Intellectual Property Administration, *Opinions of the State Intellectual Property Office and the Ministry of Justice on Strengthening the Administrative Adjudication of Patent Infringement Disputes in the New Era*, Guozhi Fa Bao Zi [2023] No. 39. Viewed at: https://www.cnipa.gov.cn/art/2023/9/15/art_75_187582.html.

[23] See, for example, the November 2018 Notice of the State Council General Office on Focusing on Enterprises' Concerns and Further Promoting the Implementation of Policies to Optimize the Business Environment.

[24] J. Fan and R. Guan (2023), "Estimating the Cost of Internet Censorship in China: Evidence from a Gamified Remote Platform", *Journalism and Media*, Vol. 4, pp. 413-429.

that they shall not use networks to engage in illegal activities and disseminate illegal information in particular. The authorities state that, with respect to some foreign websites' release or transmission of illegal information in violation of its laws and regulations, China will take technical measures and other necessary means to block such transmission in accordance with, *inter alia*, the Law.

2.43. The FIL and its Implementing Regulations remain the main legislative base for foreign businesses' investment in China. In principle, the FIL grants national treatment to foreign investments, except for those that fall within a specified category outlined in the Negative Lists. This entails receiving treatment on par with domestic companies. The other exception to the pre-establishment national treatment concerns foreign investments that have the potential to impact national security or may have such implications. Such transactions may be subject to a separate national security review.

2.44. In principle, foreign investments not falling into any of the restricted categories (such as those on negative lists or impacting national security) are subject only to record-filing requirements, the same as domestic enterprises. During the previous TPR, the authorities noted that it took less than five working days to establish an enterprise in China; they state that the SAMR has been working with relevant ministries and agencies to shorten the time for the enterprise registration process and streamline the procedures, aiming to shorten the time of establishment of an enterprise to less than three working days. A foreign investor or Foreign Invested Enterprise (FIE) shall submit investment information to the commerce authority through the online company registration system.

2.45. The company registration framework was further simplified during the review period. On 27 July 2021, the State Council published the Administrative Regulation of the People's Republic of China on the Registration of Market Entities, which took effect on 1 March 2022. The Regulation is the first legal document to uniformly regulate the registration and administration of all types of companies.

2.46. The Regulation and its Implementing Rules mandate standardized language for delineating the business scope of companies. This enables companies to proactively review their business descriptions using a designated "Query System" to ascertain whether their operations fall under any licensing requirements. The implementation of this new system anticipates substantial time and efficiency gains compared to the previous approach under which companies were required to describe their business scope and submit it to the authorities without established standards, leading to complexity and prolonged processes.

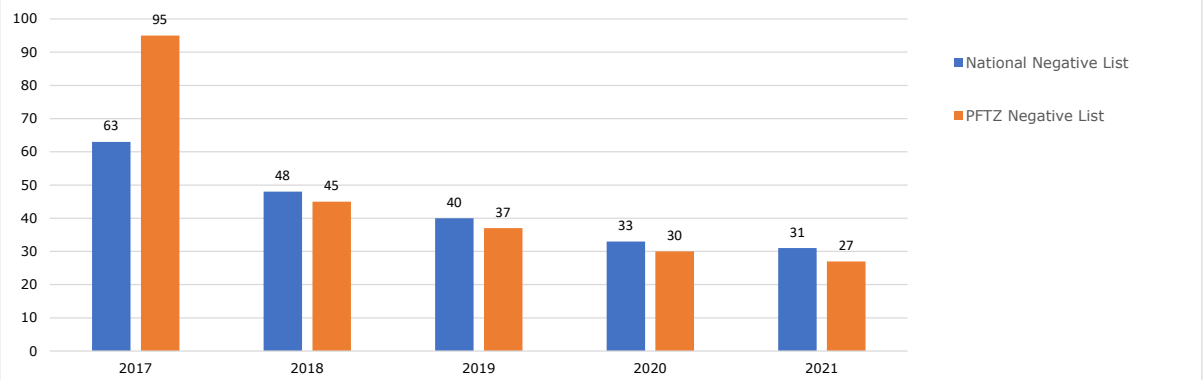
2.47. Before starting a business in China, foreign investors must first review the Market Access Negative List to determine if the sector is open to private investment, whether domestic or foreign. Foreign investors must then review the Special Administrative Measures for Foreign Investment Access (National Negative List) and the Special Administrative Measures for Foreign Investment Access in the Pilot Free Trade Zones (PFTZ Negative List).

2.48. Foreign investments are not allowed in prohibited industries listed in either the National Negative List or the PFTZ Negative List. Foreign investment in a restricted industry included in either list must be examined by the market regulation authority to check investors' compliance with the required administrative measures, such as those for equity shareholding and qualifications for senior management officers.

2.49. The current Market Access Negative List (2022 Version) reduced the number of restricted or prohibited industries from 151 in 2018 (the first year the list existed) to 117. This continues the trend of gradual reductions in restrictions/prohibitions. The revisions predominantly impact the financial sector by lifting restrictions on activities such as stock issuance, mergers, acquisitions of listed companies, and Internet financial information services. Private investors are now exempt from the requirement of obtaining prior approval to engage in these industries. The 2022 Version also incorporates provisions that prohibit non-public capital from undertaking activities such as news gathering, editing, and broadcasting operations.

2.50. Revisions were made to both the National Negative List and the PFTZ Negative List in 2021, which came into effect on 1 January 2022. Overall, the number of restrictive measures in the National Negative List has been reduced annually, from 63 in 2017 to 31 in 2021, while the number of measures in the PFTZ Negative List has declined from 95 in 2017 to 27 in 2021 (Chart 2.1).

Chart 2.1 Number of restrictive measures on access to foreign investment, 2017-21



Source: Special Administrative Measures on Access to Foreign Investment and the Free Trade Zone Special Administrative Measures on Access to Foreign Investment (2017 to 2021 editions).

2.51. The main foreign investment restrictions cover specific activities in the following industries: agriculture, forestry, animal husbandry, and fishing; mining; manufacturing; electric power, heat, gas, and water generation and supply; wholesale trade and retail trade; transportation, warehousing, and postal service; information transmission, software, and information technology service; leasing and commercial services; scientific research and technical services; education; human health and social work activities; and culture, sports, and entertainment. Changes during the review period concerned manufacturing and leasing services (Box 2.1).

Box 2.1 Changes in 2022 to the National and PFTZ Negative Lists

National Negative List
Activities removed
Manufacturing
1. Except for special purpose vehicles, new energy vehicles, and commercial vehicles, the Chinese party (to a partnership) in complete automobile manufacturing shall hold not less than 50% of the shares; a foreign investor may establish two or fewer equity joint ventures in China to manufacture the same type of complete automobile products.
2. Satellite television broadcasting ground receiving facilities and key components production.

PFTZ Negative List
Activities removed
Manufacturing
1. Except for special purpose vehicles, new energy vehicles, and commercial vehicles, the Chinese party (to a partnership) in complete automobile manufacturing shall hold not less than 50% of the shares; a foreign investor may establish two or fewer equity joint ventures in China to manufacture the same type of complete automobile products.
2. Satellite television broadcasting ground receiving facilities and key components production.

Leasing and business service
1. Market surveys shall only be limited to the form of equity joint venture; for radio and television ratings survey therein, controlling stake shall be held by the Chinese party.
2. Investment in social surveys shall be prohibited.

Activities added
Leasing and business service
1. Controlling stake in radio and television ratings survey shall be held by Chinese investors. Chinese investors in social survey services shall hold no less than 67% of shares and the legal representative shall be a Chinese citizen.

Source: Special Administrative Measures on Access to Foreign Investment (Negative List) (2021 Edition), Free Trade Zone Special Administrative Measures on Access to Foreign Investment (Negative List) (2020 Edition), and the Free Trade Zone Special Administrative Measures on Access to Foreign Investment (Negative List) (2021 Edition).

2.4.2 Examination and approval procedures

2.52. The Measures for Security Reviews of Foreign Investments, which were adopted on 19 December 2020, came into effect on 18 January 2021. They provide a general framework for conducting security reviews of foreign investments in China. The new regulation outlines a national security review process through a single legal document, which provides distinct criteria and a

procedural framework for the reviewing agency to follow during the assessment. As discussed in the previous Review, a similar mechanism is also in place within PFTZs in China. In addition, mergers and acquisitions involving a foreign entity and a domestic enterprise may also be subject to a security review pursuant to the Circular on the Establishment of a System for Security Review of Acquisition of Domestic Enterprises by Foreign Investors.

2.53. The "Working Mechanism" of a review body, established to conduct security reviews, targets foreign investment that affects or is likely to affect national security. Sectors that are subject to review include the military industry and its supporting facilities and other areas concerning national defence security, places surrounding military facilities and military industry facilities, as well as agricultural products, energy and resources, equipment manufacturing, infrastructure, transportation services, cultural products and services, information technology and Internet products and services, financial services, technologies, and other areas deemed important from a national security viewpoint.

2.54. If their transactions fall under the purview of the review process, foreign investors are required to submit a review request to the Working Mechanism before implementing the investment. Otherwise, the Working Mechanism retains the authority to request submission from the investor. The initiation of a review can occur before or after the foreign investment is established, provided the Working Mechanism determines that the investment poses a threat to national security. The security review process for foreign investment comprises a general review and a special review, the latter undertaken when a detailed investigation is necessary. Decisions for the general review must be reached within 30 days, while those for the special review must be made within 60 days. As per the FIL, security review determinations made in accordance with legal procedures are considered final.

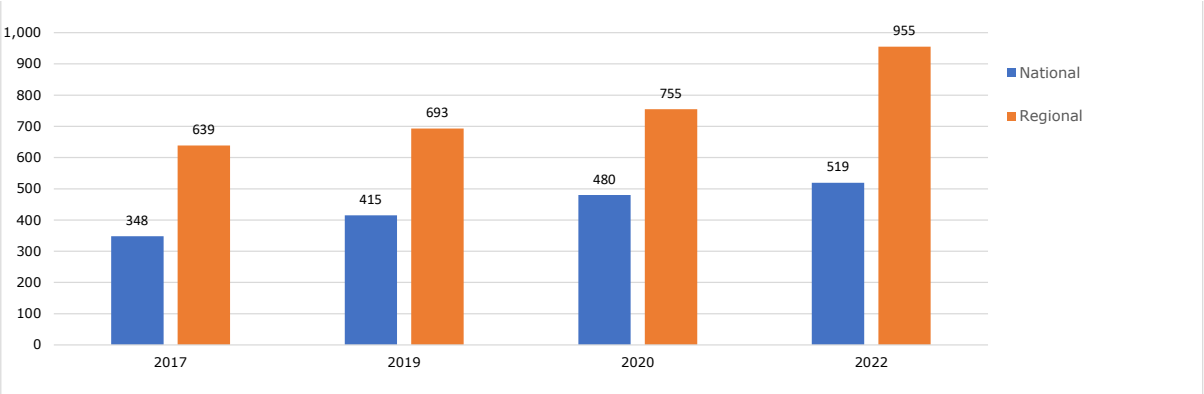
2.55. China also maintains a foreign investment approval system, which is an administrative licensing procedure (distinct from the Working Mechanism). This system applies to foreign investment projects specified in the Catalogue of Investment Projects Subject to Government Approval (2016) and requires approval, based on their value, from entities such as the State Council, the NDRC, or provincial departments.[25] Under the Catalogue, investment projects that require approval are those that involve fixed asset investment in areas such as agriculture, energy, transportation, information technology, raw materials, manufacturing of machinery, light manufacturing, high and new technology, and construction in urban areas. Those not included in it are subject to record-filing (Section 2.4.1). Investment projects are generally assessed against their impact on national security, the environment, or public interest, and if they comply with the relevant laws, regulations, and Catalogues, as well as the national development plans and industrial policies. In cases where conditions to trigger the security review are met, the Measures for Security Reviews on Foreign Investments must apply.

2.4.3 Incentives for foreign direct investments

2.56. The Catalogue of Encouraged Industries for Foreign Investment (2022 Version) (released 26 October 2022 and took effect on 1 January 2023) consists of the catalogue for nationwide FDI-encouraged industries and the catalogue for FDI-encouraged industries in China's central and western regions. Both the national section of the 2022 Encouraged Catalogue and the regional section continue to include increasing numbers of industries (Chart 2.2). The most recent updates to these lists largely reflect China's commitment to promote smart agriculture and upgrade China's industrial and supply chains in fields such as semiconductors and the clean energy sector. The additions to the regional catalogue can also be viewed as part of China's efforts to reduce wealth inequality and balance the level of social and economic development across different regions of the country.

[25] Investments valued at USD 300 million or more require approval from the NDRC, and they are submitted to the State Council for record-filing, provided that the total investment amounts to at least USD 2 billion. Provincial governments may approve projects of up to USD 300 million.

Chart 2.2 Number of encouraged activities, 2017, 2019, 2020, and 2022



Note: No updated Catalogue was issued in 2018 and 2021.

Source: Catalogue of Encouraged Industries for Foreign Investment (2017, 2019, 2020, and 2022).

2.57. Industries such as fully autonomous programming and shale gas equipment manufacturing were removed from the national list of encouraged industries, in accordance with China's economic and social development priorities.

2.58. The favourable treatment in place for FIEs engaged in industries in the Encouraged Catalogue has not changed and mainly consists of tariff exemptions on imported self-used equipment within the total amount of investment unless otherwise determined by relevant regulations[26]; land can be preferentially supplied for encouraged foreign-invested projects with intensive land use; and the minimum price for land transfer can be set at 70% of the national minimum price for industrial land in the specific locations where the transfer occurs. FIEs with business in encouraged industries in the western regions and Hainan Province are eligible for a reduced corporate income tax rate of 15% (the standard rate being 25%).

2.59. During the review period, the authorities further emphasized the importance of research and innovation for China's competitiveness and long-term development. In general, there are diverse channels through which R&D and innovation can impact a country's productivity, trade performance, and economic growth. These pathways include product differentiation, reduction of production costs, and increased competitiveness of exports.[27]

2.60. In April 2021, steps were taken to clarify the conditions for foreign-funded R&D centres to benefit from the import duty exemptions in support of scientific and technological innovation.[28] In January 2023, the authorities proposed 16 policy initiatives in 4 areas to further strengthen support to foreign-invested R&D centres.[29] The authorities contend that their initiatives are intended to support technological innovation and the advancement of industries. Additionally, they aim to foster an environment conducive to both openness and innovation, with the goal of achieving global competitiveness.

2.61. While the above measures are an illustration that foreign R&D has become increasingly pivotal to China's national innovation system, there may be room for improving the positive externality that they generate, notably in the high-tech industry.[30] For example, putting in place active provincial innovation policies could contribute to creating an environment conducive to harnessing the full

[26] The Catalogue of Key Technical Equipment and Products Not Exempted from Import Duties (released on 10 December 2021) and the Catalogue of Imported Merchandises under Foreign-Invested Projects Not Exempted from Import Duties (released on 4 April 2022).

[27] See, for example, P. Ghazalian and W. Hartley Furtan (2007), "The Effect of Innovation on Agricultural and Agri-food Exports in OECD Countries", *Journal of Agricultural and Resource Economics*, Vol. 32, No. 3, pp. 448-461.

[28] Notice of the Import Tax Policies Supporting Scientific and Technological Innovations during the "14th Five-Year Plan" Period (Cai Guan Shui [2021] No. 23).

[29] Several Measures for Further Encouraging Foreign Investment in the Establishment of R&D Centres (Guo Ban Han [2023] No. 7).

[30] Han, X. and Feng, H. (2023), "The Impact of Foreign R&D on the Innovation Performance of China's High-Tech Industry and Its Spatial Spillover Effect", PLoS ONE, Vol. 18, No. 3.

potential of foreign R&D and maximizing its positive impact on domestic innovation and economic growth. [31]

2.62. Pursuant to the Announcement of the Ministry of Finance and the State Taxation Administration on Continuing the Implementation of the Individual Income Tax Policy on Allowances and Subsidies for Foreign Individuals (Ministry of Finance and State Taxation Administration Announcement No. 29, 2023), other incentives available to foreign investors include preferential policies on tax exemptions for foreign individuals with respect to housing subsidies, language training fees, and education allowances for children. These measures will be effective until 31 December 2027.

2.63. Regarding incentive schemes in specific regions, since March 2021, a zero-tariff policy is in place on production equipment imported for own use by eligible enterprises in the Hainan Free Trade Port. Several other incentives, including permission for international vessels to refuel bonded oil in the province, have been implemented with a view to supporting high-quality development of the Hainan Free Trade Port.[32] According to the authorities, the preferential corporate income tax policy continues to be effective in Pingtan Comprehensive Pilot Zone in Fujian and Qianhai Shenzhen-Hong Kong, China Modern Service Industry Cooperation Zone in Shenzhen.

2.4.4 Bilateral investment and tax agreements

2.64. The authorities indicate that China has signed bilateral investment agreements with 135 entities, with 112 such agreements currently in effect. During the review period, the only such agreement was signed with Angola in December 2023.

2.65. During the review period, China signed agreements for the Avoidance of Double Taxation (ADT) with Rwanda, Senegal, and Cameroon; fully revised and signed a new agreement with Norway; and amended those with Brazil, Qatar, and Australia. By the end of 2023, China had signed ADTs with 111 partners, with 105 currently in force. In addition, China has tax arrangements with Hong Kong, China; Macao, China; and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).[33]

[31] A. Spithoven and B. Merlevede (2023), "The Productivity Impact of R&D and FDI Spillovers: Characterizing Regional Path Development", *Journal of Technology Transfer*, Vol. 48, No. 2, pp. 560-590.

[32] State Council (2021), "28 Steps to Boost Hainan FTP", 27 April. Viewed at: https://english.www.gov.cn/statecouncil/ministries/202104/27/content_WS60877509c6d0df57f98d8a4e.html.

[33] For more information on ADTs signed before 2020, see State Taxation Administration, Overview of the State Administration of Taxation. Viewed at: https://www.chinatax.gov.cn/chinatax/n810341/n810770/index.html.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures, valuation, and requirements

3.1. Customs affairs fall under the purview of the General Administration of Customs (GACC). As at end-March 2024, there were 42 Customs Districts, 678 subordinated customs institutions, and 131 subordinated customs offices under the GACC.

3.2. The Customs Law and several other pieces of legislation regulate customs procedures (Table 3.1). Changes made in 2021 to the Customs Law removed administrative licensing requirements for temporary imports and exports. In addition, in December 2022, Article 9 of the Foreign Trade Law was deleted; as a result, for businesses and individuals that are applying for import or export licences and other relevant documents (e.g. technology import or export contract registration certificates, export quotas, and state trading rights), competent authorities no longer require them to file or register as foreign trade operators (Section 2.4).[1] Accordingly, since 30 December 2022, local government departments in charge of commercial affairs have ceased filing and registering foreign trade operators.

3.3. Concerning customs-related measures applicable to Pilot Free Trade Zones (PFTZs), the Measures to Promote Institutionalized Opening-Up of Qualified Free Trade Pilot Zones and Free Trade Port in Accordance with International High Standards[2] and the General Plan for Advancing Institutional Opening-Up of China (Shanghai) Pilot Free Trade Zone in Alignment with High-Standard International Economic and Trade Rules[3], both promulgated in 2023, contain articles on customs-related facilitation measures that are applicable to qualified PFTZs and free trade ports.

Table 3.1 China's legislation related to customs procedures, 2024

Legislation	Date of issuance/amendment
Customs Law	Announcement No. 51, issued in 1987 and revised in 2000, 2013, 2016, 2017, and 2021
Regulations on Import and Export Duties	State Council Announcement No. 392, issued in 2003 and revised in 2011, 2013, 2016, and 2017
Provisions on the Customs Administration of Declarations for the Import and Export of Goods	GACC Announcement No. 103, issued in September 2003 and revised in 2014, 2017, and 2018
Customs Rules on Administration of the Levying of Duties on Imports and Exports	GACC Announcement No. 124, issued in 2005 and revised in 2010, 2014, 2017, and 2018
Law on Import and Export Commodity Inspection	Order No. 14 of the President, issued in 1989 and revised in 2002, 2013, 2018, and 2021
Regulations on the Implementation of the Import and Export Commodity Inspection Law	State Council Announcement No. 447, issued in 2005 and revised in 2013, 2016, 2017, 2019, and 2022
Regulations on the Registration and Administration of Overseas Manufacturers of Imported Food	GACC Announcement No. 248, issued in 2021 and entered into force in 2022
Measures on the Management of Import and Export Food Safety	GACC Announcement No. 249, issued in 2021 and entered into force in 2022
Measures for Credit Management of Enterprise Registered and Filed with the GACC	GACC Announcement No. 251, issued in 2021
Provisions on the Commodity Classification of Import and Export Goods	GACC Announcement No. 252, issued in 2021
Provisions on the Filing of Customs Declaration Entities	GACC Announcement No. 253, issued in 2021
Measures for the Management of Exporters Approved by GACC	GACC Announcement No. 254, issued in 2021
GACC Measures for the Administration of the Origin of Import and Export Goods under the Regional Comprehensive Economic Partnership Agreement	GACC Announcement No. 255, issued in 2021
GACC Measures for Management of Comprehensive Bonded Zones	GACC Announcement No. 256, issued in 2022

[1] MOFCOM. Viewed at: https://www.gov.cn/zhengce/2023-01/03/content_5734884.htm.
[2] Government of China. Viewed at: https://www.gov.cn/zhengce/content/202306/content_6889026.htm.
[3] Government of China. Viewed at: https://www.gov.cn/zhengce/content/202312/content_6918913.htm.

Legislation	Date of issuance/amendment
GACC Measures for the Administration of the Adoption of Inspection Results of Imported and Exported Commodities	GACC Announcement No. 259, issued in 2022
GACC Measures for the Supervision of Transit Goods	GACC Announcement No. 260, issued in 2022
Administrative Measures for the Inspection and Quarantine of Edible Terrestrial Animals Supplied to Hong Kong, China and Macao, China	GACC Announcement No. 266, issued in 2024

Source: Information provided by the authorities.

3.4. The Provisions on the Customs Administration of Declaration for the Import and Export of Goods list documents to be provided for import declarations.[4] No fees are charged for making customs declarations or for the use of the National Single Window (NSW) (see below). The consigners and consignees of import and export goods can declare their goods to the customs authorities either on their own or through a customs declarant authorized to do so.[5] Import declaration forms can be submitted and customs clearance can take place prior to the goods' arrival in China.[6] Import declarations may be filed, and customs clearance may take place, in advance of the goods' arrival.[7] The GACC continues to apply "two-step declaration" for imports, under which enterprises do not need to submit all declarations and documents at one time.[8] According to the authorities, the provisions are currently being revised.

3.5. The single window system continues to allow import declarations to be submitted on paper or in an electronic format. China continues to use a standardized NSW for international trade; it is the main online entry point for traders to submit their customs declarations and associated documents.[9] The authorities consider that single windows have been integrated into the systems of 30 ministries, providing services such as cargo declaration, manifest declaration, means of transport declaration, licence application, certificate of origin application, tax payment, goods customs clearance, bonded processing trade, and cross-border e-commerce. While the use of the NSW remains voluntary, the authorities indicate that in 2023 nearly 100% of imports were declared through the single window.

3.6. The GACC continues to operate an "Internet + Customs" platform, which provides one-stop online access to government customs services, such as pre-declaration information input, export rebates, administrative approval, and registration of intellectual property rights (IPRs).[10] It is separate from the NSW (see above), which provides a single platform for the submission of standardized information and documentation to the relevant authorities. The authorities indicate that during the review period, the GACC continued to improve the overall technical support capability of the platform, and to realize the comprehensive technical alignment, *inter alia*, of the "Internet + Customs" platform and the national government affairs service platform. By the end of September 2023, the "Internet + Customs" platform had received 111.5 million visits.

3.7. Importers are required to comply with the inspection and quarantine requirements of Customs, as stipulated in the Law on Import and Export Commodity Inspection, other related laws and regulations, and the Catalogue of Import and Export Commodities Subject to Compulsory Inspection.[11] During the review period, the Catalogue was amended in 2021 and 2022, involving

[4] GACC, GACC Announcement No. 103. Viewed at: http://english.customs.gov.cn/statics/5822c242-7473-4800-945c-3e8727f72157.html.

[5] GACC, Announcement No. 103.

[6] In accordance with the Provisions on the Customs Administration of Declaration for the Import and Export of Goods, "declaration" means that the consignor and consignee of import and export goods and the agent declaration enterprises declare to Customs the actual situation of the import and export goods and accept the verification of Customs in the specified period and location by tendering electronic or paper declaration forms in accordance with the Customs Law and other relevant administrative regulations and rules.

[7] Provisions on the Customs Administration of Declarations for the Import and Export of Goods, Chapter III.

[8] Under the two-step declaration system, the first step involves making the summary declaration with the bill of lading to pick up the goods, and the second step involves completing the whole declaration process within a specified time.

[9] China International Trade Single Window. Viewed at: www.singlewindow.cn; and WTO document WT/TPR/S/415/Rev.1, 9 March 2022.

[10] GACC. Viewed at: http://english.customs.gov.cn/.

[11] The Catalogue lists commodities as required to protect human, animal, or plant health, and the environment, and to prevent fraud and safeguard national security.

266 items in June 2021, 29 items in October 2021, and 87 in October 2022.[12] Enterprises are classified into different groups based on risk analysis, and transport modes have different risk indexes, for example, relating to sensitive routes and the country of departure.[13] The authorities indicate that no data on the share of imports subject to physical inspection are available.

3.8. During the review period, the GACC issued various administrative measures for the inspection and/or quarantine of specific goods; since 1 December 2022, China Customs has adopted, based on risk assessment, the inspection results of domestic and foreign inspection agencies as the conformity assessment basis for some import and export commodities that need statutory inspection. The authorities indicate that China Customs no longer inspects except for risk monitoring. According to the authorities, China Customs has adopted an "acceptance mode" to conduct customs clearance for imported garments and cement.[14]

3.9. During the review period, China introduced two additional COVID-19-related measures affecting goods: (i) in accordance with the Notice on Circulating Work Plans for Testing and Preventatively Disinfecting Imported, High-risk, Non-cold-chain Container Goods (State Council Announcement No. 277, 2020 issued by the Comprehensive Affairs Group, the Joint Prevention and Control Mechanism of the State Council on 31 December 2020), customs authorities were responsible for conducting spot testing of COVID-19 carried by container goods at ports and also for guiding enterprises importing the container goods or operating entities of the customs-supervised venues to preventatively disinfect the container goods taken as a sample[15]; and (ii) in accordance with the Notice on Circulating Disinfection Work Plans for Inbound Passenger Aircrafts (State Council Announcement No. 100, 2021 issued by the Comprehensive Affairs Group, the Joint Prevention and Control Mechanism of the State Council on 15 September 2021), customs authorities were responsible for quarantining inbound passenger aircraft and personnel, and for supervising the disinfection of high-risk flights and the aircraft carrying inbound passengers who tested positive.[16] These measures were terminated on 8 January 2023.[17]

3.10. Since China's previous Review, there has been no change in the inspection and supervision method of "inspection and release before testing" for imported low-risk minerals such as iron ore, manganese ore, chromium ore, lead ore and its concentrate, and zinc ore and its concentrate.

3.11. In June 2021, the State Council issued a Notice on Deepening the Reform of Separating Permits from Business Licences to Stimulate the Vitality of Market Players[18], which cancelled the licensing matters for the import/export goods inspection and appraisal business for which the GACC was responsible, and transferred partial administrative responsibilities to the State Administration for Market Regulation (SAMR).[19] In this context, the SAMR issued the Specific Conditions for

[12] GACC Announcement No. 39, 2021. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/3731229/index.html; GACC Announcement No. 81, 2021. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/3957218/index.html; and GACC Announcement No. 79, 2022. Viewed at: http://fuzhou.customs.gov.cn/customs/302249/302266/302267/4548521/index.html.

[13] WTO document WT/TPR/S/415/Rev.1, 9 March 2022. An enterprise's credit rating is based on import and export records and whether the enterprise is law-abiding. Enterprises are categorized according to their credit rating into authorized enterprises, enterprises of general integrity, and dishonest enterprises.

[14] "Acceptance mode" means that in the inspection of imported and exported commodities, according to the law, China Customs selects qualified domestic and foreign third-party inspection institutions as "accepted agencies" and publishes the catalogue of accepted agencies along with the standards and requirements for the inspection of relevant commodities. Import and export enterprises can entrust the accepted agencies in the catalogue to conduct inspections as required in advance and provide corresponding inspection reports while declaring customs. During customs clearance, China Customs can adopt the inspection reports issued by third-party inspection agencies as the basis for conformity assessment. Customs clearance based on the acceptance mode is not mandatory.

[15] National Health Commission. Viewed at: http://www.nhc.gov.cn/jkj/s7914/202101/7de3622479294bd3a0a526c323745c32.shtml.

[16] Infection Prevention and Control Studio. Viewed at: https://www.qkqzj.com/zn/1925.jhtml.

[17] On 8 January 2023, the prevention and control measures for the Class A infectious diseases under the Law on the Prevention and Treatment of Infectious Diseases ceased to be applied to COVID-19, and the disease was no longer included for the administration of quarantinable infectious diseases under the Law on the Border Health and Quarantine.

[18] Government of China. Viewed at: https://www.gov.cn/zhengce/content/2021-06/03/content_5615031.htm.

[19] The notice cancelled the market access approval from the GACC for bodies conducting inspection and appraisal of import/export goods. To implement the notice, the SAMR is allowed to formulate the specific

Certification and Qualification Accreditation of Inspection Organizations for Import and Export Goods on 26 May 2022[20], and the GACC issued the Regulation on the Acceptance of Inspection Bodies for Import and Export Goods in September 2022.[21]

3.12. The authorities indicate that customs clearance time for imports and exports was 36.64 hours and 1.74 hours in 2021 and 40.18 hours and 1.26 hours in 2022, respectively; in the first quarter of 2023, they stood at 33.05 hours and 1.05 hours, respectively.

3.13. Regarding China's Authorized Economic Operator (AEO) scheme, in November 2021, the GACC announced Measures for Credit Management of Enterprise Registered and Filed[22], replacing the previous Measures for the Administration of Credit. Under the Announcement, the level of credit ratings is reduced from four to three, and AEOs are attributed to only one category, i.e. advanced certified enterprises. In addition, AEOs are reviewed every five years instead of every three years. As at December 2023, the GACC had signed AEO mutual recognition agreements with 52 countries and regions[23]; there were 5,726 AEOs in China, accounting for 0.28% (0.26% as at end-2021) of enterprises registered with the GACC. In 2023, imports and exports handled by AEOs accounted for 37.2% of total imports and exports in China (35.0% as at end-2021).

3.14. Regarding inter-provincial trade and investment barriers, the Opinions on Accelerating the Construction of a Unified National Market were issued in March 2022 and entered into force in April 2022 with a view to "breaking down local protection and regional barriers". The Opinions prohibit all regions from issuing negative lists for market access on their own; they request the regions to use a unique negative list and to carry out market access assessments.[24] According to the authorities, following the Opinions, local governments conducted self-examinations and started eliminating policies and measures that impeded market unification; relevant departments investigated abuses of administrative power to exclude or restrict competition, notified a number of typical cases violating the negative list for market access, and carried out rectification on illegal fees and charges upon enterprises. In 2022, the SAMR conducted an assessment at the national level for the first time. More than 174 local governments and 1,552 government departments are included in the assessment. According to the authorities, the result of the assessment shows that the ratio of illegal policies and measures to the overall sample declined significantly and the proportion of the people being satisfied with the fair competition review policy increased. In April 2023, the SAMR published the Guideline of Third-party Assessment of Fair Competition Review to enhance the assessment system.

3.15. Unchanged over the review period, about 170 "special customs supervision areas", governed by their own regulations, continued to exist with a view to carrying out bonded processing, logistics, and services.[25] Following the Opinions on Accelerating the Development of New Foreign Trade Formats and Models[26], issued in July 2021, MOFCOM, the Ministry of Ecology and Environment, and the GACC jointly circulated an Announcement on Issuing a Catalogue of Additional Products to be Serviced in Integrated Bonded Areas with a view to supporting enterprises in integrated bonded areas to conduct servicing businesses requiring high technologies, generating high value-added and

requirements on the qualifications of inspection bodies for imports and exports. Inspection bodies for imports and exports that seek to expand, change their business scope, or extend the term of validity of their business permission can submit their application to the central or local market regulation authorities, which must consult the GACC before approval. The GACC is allowed to formulate regulations on the acceptance of inspection bodies for import and export goods and issue the list of accepted inspection bodies.

[20] China Entry-Exit Inspection & Quarantine Association. Viewed at: http://www.ciq.org.cn/xwdt/gnzx1/75499.htm.

[21] GACC. Viewed at: https://www.gov.cn/zhengce/2022-10/11/content_5723491.htm.

[22] GACC. Viewed at: https://www.gov.cn/gongbao/content/2021/content_5651731.htm.

[23] MOFCOM, 26 September 2021. Viewed at: http://asean.mofcom.gov.cn/article/jmxw/202109/20210903202266.shtml; and GACC. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/5340276/index.html.

[24] State Council, Opinions on Accelerating the Construction of a Unified National Market, 25 March 2022, Article 2(5). Viewed at: https://www.gov.cn/zhengce/2022-04/10/content_5684385.htm.

[25] The special customs supervision areas are approved by the State Council and supervised by China Customs. There are six types: bonded zones, export processing zones, bonded logistics parks, bonded ports, comprehensive bonded zones, and cross-border industrial zones. WTO document WT/TPR/S/415/Rev.1, 9 March 2022.

[26] State Council Notice No. 24, 2021. Viewed at: https://www.gov.cn/zhengce/content/2021-07/09/content_5623826.htm.

complying with certain environmental requirements.[27] In January 2022, the Administrative Measures for Integrated Bonded Areas at Customs (GACC Announcement No. 256, 2022) was issued with a view to further standardizing the management of integrated bonded areas at customs.[28] In accordance with MOFCOM, Ministry of Ecology and Environment (MEE), and GACC Announcements No. 16, 2020 and No. 45, 2021, for example, enterprises in the integrated bonded areas may carry out maintenance services for aircraft internal combustion engines, aircraft landing gear, drones, B-type ultrasonic diagnostic instruments, and other products.[29] There are no rules stipulating that such services are only permitted in integrated bonded areas.

3.16. Concerning the systems of administrative reviews related to customs infringement, on 1 January 2024, the revised Law on Administrative Reconsideration entered into force. In addition, the GACC Regulations on the Procedures of Hearing Administrative Reconsideration Cases (GACC Announcement No. 265) entered into force on 1 March 2024, and the GACC Measures for Administrative Reconsideration (GACC Announcement No. 166, modified according to GACC Announcement No. 218) was abolished on the same day.

3.1.1.1 Preshipment inspection

3.17. Preshipment inspection remains required on certain imports, including a specified range of imported old mechanical and electrical products, based on the Law on Import and Export Commodity Inspection. On 1 January 2021, the import of solid waste was banned, and the preshipment inspection of imported waste as raw materials was removed; apart from this, there were no major developments in the preshipment inspection requirements during the review period. As notified to the WTO[30], China's laws and regulations that enabled the Agreement on Preshipment Inspection to come into force include the Law on Import and Export Commodity Inspection (the latest amendment was in 2018)[31]; Regulations on the Implementation of the Law on Import and Export Commodity Inspection (the latest revision was in 2022)[32]; Measures for the Inspection, Supervision and Administration of Imported Old Mechanical and Electrical Products[33]; and the Measures for the Supervision and Administration of Inspection and Quarantine of Imported Solid Waste Which Can Be Used as Raw Materials.[34]

3.1.1.2 Customs valuation

3.18. Since the previous Review, there have been no major changes to China's customs valuation rules and procedures, which are included in GACC Announcement No. 213, 2013.[35] Customs value is determined on the basis of the transaction value and, when it cannot be used, other valuation methods are used in sequential order, as stipulated in the WTO Agreement on Customs Valuation.

3.19. Since 2021, the GACC has accepted 61 new administrative reconsideration cases regarding classification (31), valuation (13), or rules of origin (17). Among them, 56 have been closed. Meanwhile, the GACC has accepted 13 new administrative lawsuit cases, including 10 on classification and 3 on country of origin. Three of these have been closed.

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[27] MOFCOM, Ministry of Ecology and Environment (MEE), and GACC Announcement No. 45, 2021. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcdwmy/202112/20211203233188.shtml.

[28] GACC Announcement No. 256, 2022. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/4123714/index.html.

[29] MOFCOM. Viewed at: http://www.mofcom.gov.cn/article/b/e/202005/20200502965882.shtml; and http://www.mofcom.gov.cn/article/zcfb/zcdwmy/202112/20211203233188.shtml.

[30] WTO document G/PSI/N/1/Rev.5, 18 May 2021.

[31] GACC, Law on Import and Export Commodity Inspection. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2369445/index.html.

[32] GACC, Regulations on the Implementation of the Law on Import and Export Commodity Inspection. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2369666/index.html.

[33] GACC, Measures for the Inspection, Supervision and Administration of Imported Old Mechanical and Electrical Products. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/2371611/index.html.

[34] Government of China, Measures for the Supervision and Administration of Inspection and Quarantine of Imported Solid Waste Which Can Be Used as Raw Materials. Viewed at: https://www.gov.cn/zhengce/2018-11/23/content_5723433.htm.

[35] Government of China. Viewed at: https://www.gov.cn/gongbao/content/2014/content_2620281.htm; and WTO document G/VAL/N/1/CHN/6, 12 April 2018.

3.1.1.3 Trade facilitation

3.20. China has ratified the Trade Facilitation Agreement and notified its Categories A and B commitments.[36] According to the WTO TFA database, China has fully implemented the Agreement.[37] During the review period, China adopted various trade facilitation measures (Box 3.1); China also shared its experience of customs smart governance, digitalization, and single window with the WTO Committee on Trade Facilitation.[38]

Box 3.1 GACC trade facilitation measures

1. Simplification of business registration and help with clearance formalities. In 2020, the GACC issued measures to support the development of bonded areas. These included specifying that the registration, filing, or updating of enterprises resident in the comprehensive bonded areas would be conducted online. In 2020, the GACC issued an Announcement on Temporarily Extending the Time-Frame for Verifying Processing Trade Manuals (Accounts) and on Relevant Registration and Filing Matters (GACC Announcement No. 21, 2020) to specify that priorities would be given to enterprises importing pandemic control and prevention materials in their registration or filing to secure the fast customs clearance of concerned goods. In May 2021, the GACC started to require filing (instead of registering, as previously required) all customs declaration entities online. All entities can lodge their applications for filing purposes at any place across the country by logging on to "the single window for international trade" or the "Internet + Customs" platform, without producing printed materials on the premises of customs authorities. Once filed, entities can print an acknowledgement of receipt online. The authorities state that, as a result, applications were promptly processed online across the country throughout the filing process, requiring no running errands and no costs.

2. Expedited clearance of imported electromechanical equipment and raw materials urgently needed for domestic production. In August 2022, the GACC issued the Announcement on Adjusting the Catalogue of Import and Export Commodities That Must Be Inspected (GACC Announcement No. 79, 2022) and decided to end the statutory import inspection over some commodities involving relatively low quality and safety risks. Among them, seven commodities were imported as urgently needed products for processing equipment of electronics industry.

3. Import facilitation of food and agricultural product imports. The authorities expedited the process to grant market access to more categories of agri-food products from more countries and to register more establishments.

4. Support businesses in export expansion. TBT and SPS notifications issued by WTO Members were published on the website of the WTO TBT-SPS National Notification and Enquiry of China with a view to helping enterprises grasp the latest information and trends of overseas TBT and SPS measures. So far, more than 70,000 notifications have been published. In addition, enterprises can consult on TBT and SPS measures through the "Notification Enquiry" column on the website. On the website of the technical trade measures (http://www.tbtsps.cn/), the early warning information and related analysis reports on the detention of China's export products were released with a view to providing export enterprises with timely access to information and avoid export obstruction. In addition, relying on China's single window, a point-to-point one-stop platform for technical trade measures was developed.

5. Facilitating procedures for processing trade enterprises. On 16 February 2020, the GACC issued 10 measures to support foreign trade enterprises in resuming production and to promote the growth of foreign trade. Under these measures, if processing trade enterprises (including those in areas subject to the special supervision of customs authorities) failed to verify their processing trade manuals (accounts) or declare their operations requiring declaration, such as the transfer of goods for deep processing purposes and the taxation of domestic sales, within a time limit due to a delay in the resumption of production, they could be given a grace period by making a statement to the competent customs authorities and allowed to make submissions later. On 27 October 2023, the GACC launched 16 reform measures, which include extending the time limit for centralized declaration of deep processing transfer, improving the management of returns and exchanges of exported processed products, simplifying the procedures for centralized declaration of domestic sales and relocation of enterprises, reforming the management of unit consumption, expanding the scope of application of enterprise group processing trade supervision mode, and facilitating the procedures for processing trade and promoting the sustained high-quality development of processing trade.

[36] China deposited its instrument of acceptance of the Protocol of Amendment inserting the Agreement on Trade Facilitation into Annex 1A to the WTO Agreement on 4 September 2015. China notified its Category A commitments, which cover the majority of measures, in June 2014, and its Category B commitments in June 2017. China does not have any Category C commitments.

[37] WTO TFA Database. Viewed at: https://tfadatabase.org/members/china.

[38] WTO TFA Database. Viewed at: https://tfadatabase.org/members/china.

6. Simplified verification procedures and reduced field inspection. The GACC handles write-off formalities based on the inventory data provided by enterprises. China Customs authorities will, in light of the production situation and risk supervision at enterprises applying for write-off, conduct field inspections. If feasible, the GACC conducts off-site audits by video or electronic data transmission to minimize interruption to enterprises' production and operation. As part of the GACC's measures issued on 16 February 2020 to help processing trade enterprises address the impact of the pandemic, when a processing trade enterprise applied for the verification of its bonded manuals (account books), the customs authorities would generally not verify them on-site provided that the enterprise properly kept relevant materials. Instead, the customs authorities would use "Internet + Audit", such as remote audit via video conference and e-transmission of documents, provided that the enterprise was able to do so. China Customs authorities have thus far connected to the ERP (WMS) systems of 215 enterprises for the purpose of enabling remote audits. The authorities consider that, by the application of a post-clearance, risk-based approach, China Customs can target the high-risk auditors and improve compliance levels and facilitate trade. According to the authorities, in 2023, the GACC conducted 7,809 auditing works; the audit quantity was reduced 10% compared with the previous year. The GACC has also adopted a voluntary disclosure strategy. In addition, the GACC simplified disclosure through electronic procedures. In 2023, China Customs accepted 3,026 online voluntary disclosure cases. To reduce multiple and repetitive field inspections, multiple verification instructions for the same period and the same verified person are conducted by the same team.
7. Efficiency with support of "Internet + Customs". All customs authorities have adopted paperless customs clearance, and the GACC's service hotline and official website answered questions.

Source: Information provided by the authorities.

3.21. Data provided by the authorities indicate that the import and export of processing trade amounted to USD 1,315.6 billion in 2021 and USD 1,268.4 billion in 2022. Since the previous Review, there has been no change in the processing trade regime; paper products (HS 4801-4816) were eliminated from the Catalogue of Prohibited Commodities in Processing Trade as of 15 June 2021.[39]

3.1.2 Rules of origin

3.22. Since its previous Review, China has made no changes to relevant laws or regulations.[40] China continues to apply preferential and non-preferential rules of origin. All of China's preferential rules of origin are applied in accordance with various RTAs in force, and the criteria used to determine origin have not changed since the previous Review.

3.1.3 Tariffs

3.1.3.1 Applied MFN tariffs

3.23. Unchanged since the previous Review, China's tariff structure is composed of MFN tariff rates, "agreement tariff rates", special preferential tariff rates, general tariff rates, and tariff quota rates. In addition, interim tariff rates, which are usually lower than MFN rates, are applied for a specific period of time (usually one year).[41]

3.24. China's applied MFN tariff in 2024 consists of 8,957 lines at the 8-digit level (HS22). Most tariff lines (99.6%) carry *ad valorem* tariffs. Around 16% of all lines were duty-free.

3.25. The structure of the tariff has remained largely unchanged since the previous Review. The simple average applied MFN rate in 2024 was 7.0%, compared with 7.1% in 2021. The tariff was

[39] MOFCOM. Viewed at: http://www.mofcom.gov.cn/swfgzc/article.shtml?id=20210603070389.
[40] Details of the non-preferential and preferential rules of origin are described in WTO document WT/TPR/S/415/Rev.1, 9 March 2022.
[41] Agreement rates apply to imports from countries and customs territories with which China has preferential trade agreements (Section 2). Special preference duty rates are unilateral preferences applied to imports originating in LDCs with which China has a trade agreement. General rates apply to products whose origin cannot be determined; products from countries or customs territories that do not have a reciprocal trade agreement with China; non-WTO Members; and some territories of EU member States. If a country or customs territory appears in several lists, the most favourable duty rate applies, taking into account the rules of origin. Interim duties are fixed annually by the Customs Tariff Commission, and usually apply from 1 January to 31 December of each year. Interim duties are applied on an MFN basis and replace the MFN duties for the lines that are affected. Interim duty rates are lower than the MFN rates, and in certain instances the interim duty rate applies to just part of a tariff line.

higher for agricultural products (WTO definition), at 12.6% (Table 3.2). The average applied tariff on non-agricultural products fell to 6.1% (from 6.2% in 2021). The percentage of tariffs that exceeded 15% (international tariff peaks) was 4.3% (compared with 4.5% in 2021). The percentage of tariffs subject to domestic tariff peaks was 1.9% (unchanged since 2021).

Table 3.2 Tariff structure, 2017, 2021, and 2024

	MFN applied			Final bound[c]
	2017[a]	2021[b]	2024	
Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0	100.0
Simple average rate	9.3	7.1	7.0	9.6
WTO agricultural products	14.6	12.7	12.6	15.1
WTO non-agricultural products	8.5	6.2	6.1	8.7
Duty-free tariff lines (% of all tariff lines)	9.8	12.6	16.2	10.6
Simple average rate of dutiable lines only	10.3	8.1	8.3	10.7
Tariff quotas (% of all tariff lines)	0.6	0.5	0.5	0.5
Non-*ad valorem* tariffs (% of all tariff lines)	0.4	0.4	0.4	0.0
Domestic tariff "peaks" (% of all tariff lines)[d]	1.8	1.9	1.9	2.0
International tariff "peaks" (% of all tariff lines)[e]	13.9	4.5	4.3	15.3
Overall standard deviation of tariff rates	7.4	6.1	6.2	7.7
Coefficient of variation of tariff rates	0.8	0.9	0.9	0.8
Nuisance applied rates (% of all tariff lines)[f]	3.2	4.3	2.5	2.5
Number of lines	8,547	8,580	8,957	8,957
Ad valorem rates (>0%)	7,669	7,499	7,474	8,012
Duty-free rates	840	1,081	1,449	945
Specific rates	34	34	31	0
Alternate rates	3	3	3	0
Other[g]	1	0	0	0

a As at 1 December.
b As at 1 July. Tariff cuts implemented by the expansion of the Information Technology Agreement are included.
c Bound rates are based on the 2024 tariff schedule.
d Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.
e International tariff peaks are defined as those exceeding 15%.
f Nuisance rates are those greater than zero, but less than or equal to 2%.
g Rates involving either an *ad valorem* rate, if the price is below or equal to a certain amount, or a compound rate, if the price is higher.

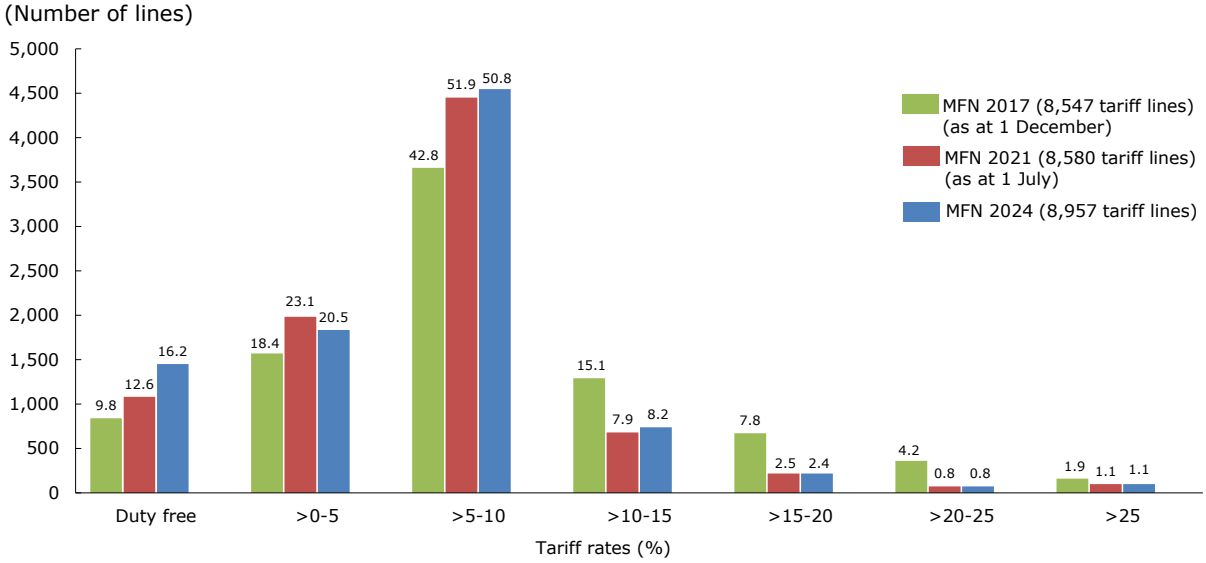
Note: Calculations are based on national tariff line level (8-digit), excluding in-quota rates and including *ad valorem* equivalents (AVEs) for non-*ad valorem* rates provided by the authorities. Temporary duty rates are used for the calculations when fully applied at the 8-digit level (if they are not used, the simple average applied MFN rate will be 7.3% in 2024, for example). The 2017 and 2021 tariffs are based on HS17 nomenclature; the 2024 tariff is based on HS22 nomenclature.

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

3.26. In 2024, China's applied MFN tariff contain 45 different *ad valorem* tariff rates (compared with 50 in 2021). These range from 0-65%, with a standard deviation of 6.2 (Table A3.1). In the same year, 87.4% of all tariffs range from duty-free to 10%, slightly less than in 2021 (87.6%); the small change can be explained by a change in HS nomenclature.

3.27. In 2024, 1.9% of tariff lines had rates of over 20% (Chart 3.1). China's highest tariffs of 65% apply to 20 tariff lines (wheat and meslin; maize, other than seed; rice); wheat and meslin flour; cereal groats, meal and pellets; certain worked cereal grains (of maize and of barley); and vermouth and other wine flavoured with plants (in containers holding more than 2 litres). Rates of 57% apply to six tariff lines (other manufactured tobacco (HS 2403 and 2404)). Rates of 50% apply to 10 tariff lines (7 to cane or beet sugar and chemically pure sucrose in solid form (HS 1701) and 3 to mineral or chemical fertilizers (HS 3102.10, 3105.20, and 3105.30)).

Chart 3.1 Distribution of MFN applied tariff rates, 2017, 2021, and 2024

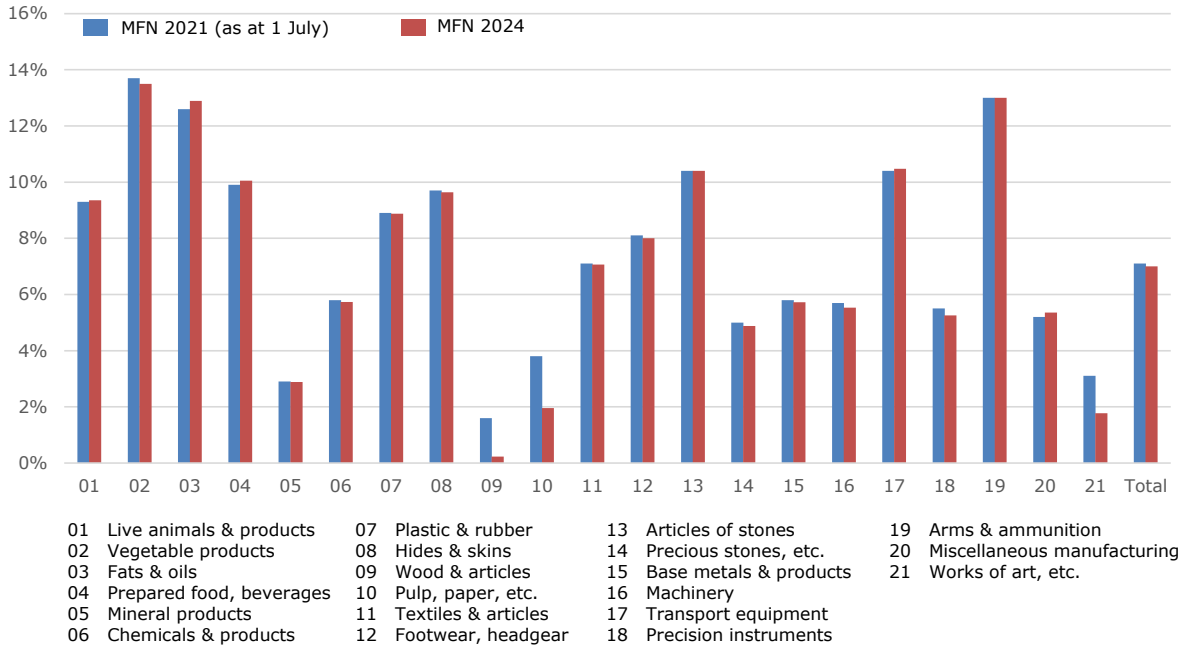


Note: Figures above the bars denote the share of total lines. 2017 and 2021 tariff schedules are based on HS17 nomenclature, and 2024 on HS22.

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

3.28. Between 2021 and 2024, average tariff rates decreased mainly for HS Sections 09 (wood and wood articles), 10 (pulp, paper, etc.), and 21 (works of art). For other HS sections, the decrease is minimal. Some HS sections show an increase, which can be explained by a change in HS nomenclature (Chart 3.2).

Chart 3.2 Average applied tariff rates, by HS section, 2021 and 2024



Note: Excluding in-quota rates and including *ad valorem* equivalents (AVEs) for non-*ad valorem* rates. Interim duty rates are used for the calculations when fully applied at the 8-digit level.

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

3.1.3.2 Tariff rate quotas (TRQs)

3.29. China imposes universal import tariff quotas on such products as wheat (7 tariff lines), corn (5 lines), rice (14 lines), cotton (2 lines), sugar (7 lines), wool and wool tops (9 lines), and chemical fertilizers (3 lines) (Section 4.1.1.4.1). The Import Tariff Quota Certificate for Agricultural Products and the Import Tariff Quota Certificate for Chemical Fertilizers are applicable to imports for general trade, processing trade, barter trade, small-amount frontier trade, and trade for assistance, or donation purposes. Products entering the special surveillance zones of customs from abroad are exempt from the two Import Tariff Quota Certificates. In addition, there are country-specific tariff quotas under bilateral free trade agreements, such as those concerning wool from Australia, wool and wool tops from New Zealand, and sugar from Mauritius and Nicaragua.

3.1.3.3 Bound tariffs

3.30. Upon its entry into the WTO in 2001, China bound 100% of its tariffs at *ad valorem* rates ranging from 0-65% for agriculture (WTO definition) and from 0-50% for non-agricultural products. The simple average final (and current) bound rate is 9.6% (15.1% for agriculture and 8.7% for non-agricultural goods). While all tariffs were bound at *ad valorem* rates, applied MFN tariffs on 31 tariff lines are non-*ad valorem*. The authorities confirm that *ad valorem* equivalents of these non-*ad valorem* lines do not exceed the bound tariff rate in practice, as the lower rate is applied.

3.1.3.4 Preferential rates

3.31. China applies preferential tariffs under its preferential trade agreements (PTAs) and regional trade agreements (RTAs) (Section 2.3.2). Hong Kong, China and Macao, China face the lowest average tariff duties, followed by Chile and New Zealand (Table 3.3). The share of duty-free tariff lines in China's RTAs ranges between 99.2% (Hong Kong, China and Macao, China) and 23.5% (Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)). Data on utilization of preferential tariffs under RTAs and PTAs were not available.

3.32. China also grants preferential tariff treatment to imports from LDCs that have established diplomatic relations with China and completed the exchange of diplomatic notes. By February 2023, China had implemented zero tariffs on 95.4% to 98.4% of tariff lines for these 44 LDCs. Submissions have been made by LDCs and China to the WTO Committee on Rules of Origin regarding utilization rates of LDC exports under China's LDC preferential trade arrangement.[42]

Table 3.3 Summary analysis of the Chinese preferential tariff, 2024

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)
MFN	7.0	16.2	12.6	8.9	6.1	17.3
Agreement tariff rates:						
APTA[b]	6.4	16.4	11.7	9.9	5.5	17.4
ASEAN[c]	0.6	95.4	1.5	93.6	0.4	95.7
Hong Kong, China CEPA[d]	0.04	99.2	0.0	100.0	0.05	99.1
Macao, China CEPA[d]	0.04	99.2	0.0	100.0	0.05	99.1
Chinese Taipei ECFA[e]	6.5	23.5	12.4	10.6	5.5	25.5
Pakistan FTA	3.1	61.8	8.2	33.5	2.2	66.2
Chile FTA	0.3	98.4	1.8	95.0	0.1	99.0
New Zealand FTA	0.3	98.5	1.8	95.0	0.1	99.0
Singapore FTA	4.0	48.5	8.3	44.0	3.3	49.2
Peru FTA	0.8	94.6	2.5	90.3	0.6	95.3
Costa Rica FTA	0.4	97.2	2.4	86.8	0.1	98.8
Iceland FTA	0.5	97.3	2.6	91.4	0.1	98.2
Switzerland FTA	1.2	91.3	3.3	87.0	0.8	92.0
Australia FTA	0.4	97.9	2.4	91.7	0.1	98.8
Korea, Rep. of FTA	2.1	72.8	4.9	63.8	1.7	74.2
Georgia FTA	0.8	95.3	3.3	87.1	0.4	96.6
Mauritius FTA	1.1	87.6	3.3	77.4	0.8	89.2
Cambodia FTA	0.5	97.3	2.2	94.0	0.3	97.8
Nicaragua FTA	4.1	61.3	10.7	31.6	3.0	65.9
RCEP ASEAN	2.8	68.7	6.4	60.0	2.2	70.1

[42] WTO documents G/RO/W/222, 22 May 2023; and G/RO/W/227, 11 October 2023.

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)	Average (%)	Duty-free rates[a] (%)
RCEP Australia	2.9	66.9	6.6	57.6	2.3	68.4
RCEP Japan	5.6	29.9	10.5	16.5	4.9	31.9
RCEP Korea, Rep. of	4.8	42.4	9.8	23.0	4.1	45.4
RCEP New Zealand	2.9	67.2	6.5	59.5	2.3	68.4
Least developed preferential rates						
Special preferential tariff agreement for:						
Bangladesh and Lao People's Democratic Republic (PDR) under APTA	6.9	17.4	12.6	9.0	6.0	18.7
Cambodia	6.4	21.9	10.1	29.6	5.8	20.7
Lao PDR	6.6	19.8	10.9	23.7	6.0	19.1
Myanmar	6.7	20.0	11.8	15.1	5.8	20.7
LDC 98% (34 countries)	0.4	98.4	2.0	94.7	0.1	99.0
LDC 97% (7 countries)	0.6	96.8	2.3	93.6	0.3	97.3
LDC 95% (2 countries)	0.8	95.4	2.6	92.1	0.5	95.9
Memorandum item:						
Bangladesh[f]	0.4	98.4	2.0	94.7	0.1	99.0
Cambodia[g]	0.3	98.4	1.4	94.8	0.1	99.0
Lao PDR[h]	0.3	98.4	1.4	94.8	0.1	99.0
Myanmar[i]	0.5	96.6	1.5	94.6	0.3	96.9
Singapore[j]	0.5	95.5	1.5	93.9	0.4	95.7
Korea, Rep. of[k]	2.0	72.9	4.8	63.7	1.6	74.3
Brunei Darussalam, Indonesia, Malaysia, Philippines, Thailand, Viet Nam[l]	0.6	95.5	1.5	93.6	0.4	95.7
Australia[m]	0.4	97.9	2.4	91.7	0.1	98.8
New Zealand[n]	0.3	98.5	1.6	95.0	0.1	99.0

a Duty-free lines as a percentage of total tariff lines.
b Preferential rates under APTA are applicable to the Republic of Korea, Sri Lanka, Bangladesh, India, and Lao People's Democratic Republic.
c Preferential rates under ASEAN are applicable to Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.
d Closer Economic Partnership Agreement.
e Cross-Straits Economic Cooperation Framework Agreement.
f Based on lowest rates taken among APTA, Bangladesh and Lao People's Democratic Republic under APTA, and LDC 98%.
g Based on lowest rates taken among ASEAN, RCEP ASEAN, Cambodia FTA, special preferential for Cambodia, and LDC 98%.
h Based on lowest rates taken among ASEAN, RCEP ASEAN, APTA, Bangladesh and Laos under APTA, special preferential for Laos, and LDC 98%.
i Based on lowest rates taken among ASEAN, RCEP ASEAN, special preferential for Myanmar, and LDC 95%.
j Based on lowest rates taken among ASEAN, RCEP ASEAN, and Singapore FTA.
k Based on lowest rates taken among APTA, RCEP Korea, Rep. of and Korea, Rep. of FTA.
l Based on lowest rates taken among ASEAN and RCEP ASEAN.
m Based on lowest rates taken among Australia FTA and RCEP Australia.
n Based on lowest rates taken among New Zealand FTA and RCEP New Zealand.

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

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

3.1.3.5 Tariff exemptions or concessions

3.33. Since the previous Review, there have been no changes to duty exemptions, reductions, or concessions, which may apply in accordance with the relevant regulations by the State Council, or on goods imported into designated areas, for specific enterprises for a specific use.[43] Merchandise imports and exports in specific regions, of specific enterprises, or for specific purposes can be subject to reduced or exempted customs duties. The scope and methods of specific tax reductions or exemptions shall be prescribed by the State Council. Various customs duty exemptions in place for

[43] Customs Law, Articles 56-58; Import and Export Tariff Regulations, Articles 45-47; and relevant tax reduction and exemption policies.

the periods 2019-20 and 2021-22 were notified to the WTO Committee on Subsidies and Countervailing Measures.[44] The authorities indicate that there were no available data on revenue forgone from tariff concessions or exemptions over the same period.

3.1.4 Other charges affecting imports

3.34. Other charges affecting imports include the value added tax (VAT), the consumption tax, and the Automobile (Vehicle) Purchase Tax.

3.35. To support COVID-19 prevention and control, companies and individual businesses were exempt from VAT and consumption tax (and various other charges that do not affect imports) for goods self-produced, processed through commissioning, purchased, or donated for the purpose of curbing the spread of COVID-19, through public welfare social organizations, central and local governments and their departments at or above the country level and other state entities, or directly to hospitals undertaking the task of COVID-19 prevention and control. This exemption was effective from 1 January 2020. The Ministry of Finance and the State Taxation Administration Announcement on the Continuation of the Implementation of Some Preferential Tax Policies in Response to the Pandemic (Announcement No. 7, 2021), issued on 17 March 2021, extended the implementation period of the preferential tax policies[45] stipulated in the Ministry of Finance and the State Taxation Administration Announcement on Donation Tax Policy to Support the Prevention and Control of the COVID-19 Pandemic (Announcement No. 9, 2020) to 31 March 2021, when the policies expired. In addition, enterprises producing certain key support materials for pandemic prevention and control could apply on a monthly basis for a full refund of the incremental VAT credit; revenue from the transportation of key support materials for pandemic prevention and control, or from offering public transportation services, or from providing express delivery services of daily necessities for residents is exempt from VAT.[46] According to the Ministry of Finance and the State Taxation Administration Notice on Tax Policies in Support of the Prevention and Control of the COVID-19 Pandemic (Notice No. 8, 2020), enterprises producing certain key support materials for pandemic prevention and control could apply to the competent tax authorities on a monthly basis for a full refund of the incremental VAT credit; revenue from the transportation of key support materials for pandemic prevention and control, or from offering public transportation services, or from providing express delivery services of daily necessities for residents was exempt from VAT. According to the Ministry of Finance and the State Taxation Administration Notice on the Continuation of the Implementation of Some Preferential Tax Policies in Response to the Pandemic (Notice No. 7, 2021), the above preferential tax policies were effective until 31 March 2021, when they expired.

3.1.4.1 Value added tax (VAT)

3.36. In 2022, VAT accounted for 29.2% of total tax revenue (down from 36.8% in 2021); the authorities indicate that they implemented a large-scale VAT credit refund. The beneficiaries include a full refund of tax retained for 13 industries (including 11 categories (i.e. manufacturing; scientific research and technology services; electricity, heat, gas, and water production and supply; transportation, warehousing, and postal services; wholesale and retail; agriculture, forestry, animal husbandry, and fishery; accommodation and catering; residential services, repair, and other services; education; health and social work; culture, sports, and entertainment; information transmission, software, and information technology services under software and information technology services; and water conservation, environmental protection, and public facilities' management under ecological protection and environmental governance)). According to the authorities, the policy was implemented in consideration of, *inter alia*, alleviating financial pressure on enterprises, promoting investment and consumption, improving the VAT system, and reflecting tax neutrality.

[44] WTO documents G/SCM/N/372/CHN, 27 August 2021; and G/SCM/N/401/CHN, 20 July 2023.

[45] Under this scheme, sole proprietors that donate goods produced, consigned, processed, or purchased to fight against the COVID-19 pandemic through public welfare social organizations, local governments at or above the county level and other state organs, or directly to hospitals tasked with epidemic prevention and control, shall be exempt from VAT, excise duties, urban maintenance and construction tax, education surcharge, and local education surcharge.

[46] In April 2022, the Ministry of Finance and the State Taxation Administration issued the Announcement on the VAT Exemption Policy for Express Delivery Services (Ministry of Finance and the State Taxation Administration Announcement No. 18, 2022), which specifies that between 1 May 2022 and 31 December 2022 revenue from providing residents with express delivery services for daily necessities will be exempt from VAT.

3.37. The current VAT rates are 13%, 9%, 6%, and 3%, unchanged since the previous Review. Before 31 December 2023, the VAT rate for certain small-scale VAT payers was temporarily reduced from 3% to 1% or exempted (Ministry of Finance and the State Administration of Taxation Notice on the VAT Reduction and Exemption Policy for Small-scale VAT Payers (Announcement No. 19, 2023)).[47]

3.38. As notified to the WTO, preferential VAT policies existed during the review period, including on (i) science and technology parks of national universities; (ii) integrated utilization of resources; (iii) new-type wall materials; (iv) micro and small enterprises; (v) enterprises that employ disabled people; (vi) imported products exclusively used by people with disabilities; (vii) products for people with disabilities; (viii) anti-HIV-AIDS medicine; (ix) tea sold in the border areas; (x) imported products for the purpose of replacing the planting of poppies; (xi) imports of seeds (seedlings); (xii) integrated circuit industry; (xiii) large passenger aircraft; and (xiv) anti-cancer drugs.[48]

3.39. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Tax Support Policies for Film and Other Industries (Announcement No. 25, 2020), taxpayers were exempt from VAT on income obtained by providing film projection services from 1 January 2020 to 31 December 2021. According to the Notice of the Ministry of Finance and the State Taxation Administration on the Continuation of the Implementation of Some Preferential Tax Policies in Response to the Pandemic (Announcement No. 7, 2021), this policy was extended until 31 March 2021[49], when the policy expired. From 1 January 2019 to 31 December 2022, taxpayers were exempt from VAT on goods donated for poverty alleviation, under certain conditions.

3.1.4.2 Consumption (excise) tax

3.40. In 2022, the consumption (excise) tax (CT) (Table 3.4) accounted for 10% of total tax revenue (up from 8.0% in 2021) (Table 3.5). The CT continues to be levied on products that are deemed harmful to human health, social order, and the environment; luxury goods; high-energy consumption and high-end products; and non-renewable and non-replaceable petroleum products. Tax rates vary depending on the product; they can be *ad valorem*, specific, or compound. In November 2022, China introduced a consumption tax on e-cigarettes at a rate of 36% at the production and import stage and 11% at the wholesale stage.[50] There were no other changes in items subject to the consumption tax or consumption tax rates. Unchanged since the previous Review, tax exemption is available for petroleum products produced with comprehensive utilization of resources and certain refined oil.[51]

Table 3.4 Consumption tax, June 2023

Product	Tax rate
Cigars	36%
Cigarettes	
Production (importation) procedure	
Price equal to or higher than CNY 70 (VAT excluded) per carton	56% plus CNY 0.003/cigarette
Price lower than CNY 70 (VAT excluded) per carton	36% plus CNY 0.003/cigarette
Wholesale	11% plus CNY 0.005/cigarette
Cut tobacco	30%
Electronic cigarettes	
Production (importation) procedure	36%
Wholesale	11%
Alcoholic drinks and liquor	
White spirit distilled from grain, potatoes or grapes	20% plus CNY 0.5/500 g (or per 500 ml)
Yellow rice wine	CNY 240/tonne

[47] For small-scale taxpayers engaging in taxable sales activities, a simplified method of calculating tax payable based on sales amount and tax rate is implemented, and no deduction of input tax is allowed. The VAT rate for small-scale taxpayers is 3%, unless otherwise stipulated by the State Council.

[48] WTO documents G/SCM/N/372/CHN, 27 August 2021; and G/SCM/N/401/CHN, 20 July 2023.

[49] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/2021-03/23/content_5595078.htm.

[50] Ministry of Finance Announcement No. 33, 2022. Viewed at: http://szs.mof.gov.cn/zhengcefabu/202210/t20221025_3847603.htm.

[51] WTO document G/SCM/N/401/CHN, 20 July 2023; and Government of China. Viewed at: https://www.gov.cn/gongbao/content/2012/content_2266921.htm.

Product	Tax rate
Beer made from malt, whose factory price of a value over or equal to CNY 3,000 (VAT excluded) per tonne	CNY 250/tonne
Beer made from malt, whose factory price of a value of less than CNY 3,000 (VAT excluded) per tonne	CNY 220/tonne
Other fermented alcoholic beverages	10%
Luxury cosmetics	15%
Precious jewellery, pearls, jade, and precious stone	
Gold, silver platinum jewellery, and diamonds	5%
Pearls, jade, and precious stones	10%
Firecrackers and fireworks	15%
Gasoline	
Motor gasoline and aviation gasoline	CNY 1.52/litre
Diesel oil	CNY 1.2/litre
Aviation kerosene	CNY 1.2/litre
Naphtha	CNY 1.52/litre
Solvent	CNY 1.52/litre
Lubricants	CNY 1.52/litre
Fuel oil	CNY 1.2/litre
Motorcycles	
Cylinder capacity of 250 ml	3%
Cylinder capacity of more than 250 ml	10%
Motor vehicles	
Passenger vehicles with less than 9 seats with a cylinder capacity of:	
- equal to or less than 1,000 ml	1%
> 1,000 ml, but ≤ 1,500 ml	3%
> 1,500 ml, but ≤ 2,000 ml	5%
> 2,000 ml, but ≤ 2,500 ml	9%
> 2,500 ml, but ≤ 3,000 ml	12%
> 3,000 ml, but ≤ 4,000 ml	25%
- 4,000 ml or more	40%
Middle-size or light passenger vehicles for commercial purposes	5%
"Ultra-luxurious" vehicles (retail)	In addition to the CT for the production (import) based on the above rate, the CT for retail is levied at 10%
Yachts	10%
Luxury watches, with a unit price higher than CNY 10,000	20%
Golf balls and clubs	10%
Solid wood flooring	5%
Wooden disposable chopsticks	5%
Batteries	4%
Paint	4%

Source: Information provided by the authorities.

Table 3.5 Tax revenue, 2020-22

(CNY billion)

	2020	2021	2022
Total government revenue	**18,291.4**	**20,255.5**	**20,364.9**
Central government (%)	45.3	45.2	46.6
Local governments (%)	54.7	54.8	53.4
Tax revenue	**15,421.2**	**17,273.6**	**16,662.0**
Central government (%)	51.6	51.5	54.0
Local government (%)	48.4	48.5	46.0
Indirect taxes (% of total tax revenue)			
Consumption (excise) tax	7.8	8.0	10.0
Value added tax	36.8	36.8	29.2
Consumption tax and VAT collected at the border	9.4	10.0	12.0
VAT and consumption tax rebates for exports	8.8	10.5	9.8
Tariffs	1.7	1.6	1.7

	2020	2021	2022
Direct taxes (% of total tax revenue)			
Enterprise income tax	23.6	24.3	26.2
Individual income tax	7.5	8.1	9.0
Total government expenditure	**24,567.9**	**24,567.3**	**26,055.2**
Central government (%)	14.3	14.3	13.7
Local government (%)	85.7	85.7	86.3

Note: The total government revenue and total government expenditure in the table are the total revenue and expenditure of the general public budget; the revenue and expenditure of government funds and state-owned capital operating budget are not included.

Source: Data provided by the authorities.

3.41. The Ministry of Finance and the State Taxation Administration Announcement on Continuing to Exempt Recycled Waste Mineral Oil Products from Excise Duties (Announcement No. 69, 2023) stipulates that industrial oils such as lubricant base oil, gasoline, and diesel produced by qualified taxpayers using waste mineral oil are exempt from excise duties.[52] The implementation time of the excise duties exemption policy for recycled oil products from waste mineral oil has been extended to 31 December 2027.

3.1.4.3 Vehicle Purchase Tax

3.42. Under the 2019 Vehicle Purchase Tax Law, China levies a 10% tax on domestically produced and imported vehicles, unchanged since the previous Review. The tax is levied by the tax authorities only when the purchase occurs.[53] For domestic production, the tax is applied to the full price paid by the taxpayer to the seller, excluding VAT. For imported vehicles, the taxable price is the duty-paid price plus customs duty and CT.[54] Vehicles for which such tax has already been paid (e.g. used cars) are not subject to dual payment of the vehicle purchase tax.

3.43. In June 2023, China announced the renewal of the exemption: vehicles acquired between 2024 and 2025 will be fully exempted; the tax exemption for each new energy passenger vehicle (NEV) shall not exceed CNY 30,000; vehicles acquired between 2026 and 2027 are subject to a 50% reduction; and the tax reduction for each NEV shall not exceed CNY 15,000.[55] NEVs exempt from or eligible for reduced tax/levy are administered by the Ministry of Industry and Information Technology (MIIT) and the State Taxation Administration through the regularly updated Catalogue of Models of New Energy Vehicles Exempted or Reduced from Vehicle Purchase Tax. Both domestically produced and imported NEVs that meet all the specific requirements (which relate to, *inter alia*, technical requirements and testing and services standards) can apply to be listed in the Catalogue, and all the Catalogue-listed models can enjoy tax exemptions or reductions. As notified to the WTO, other preferential tax rates were applied from 2019 to 2021 to urban public transportation enterprises that purchase electric public buses, NEVs, trailers, and the like.[56]

3.1.5 Import prohibitions, restrictions, and licensing

3.44. China continues to classify imports into three categories: not restricted, restricted, and prohibited. The import of restricted goods is administered through licences or import quotas. The licensing system does not differentiate between the origins of products unless otherwise provided

[52] State Tax Administration. Viewed at: https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214575/content.html.

[53] According to the Law, individuals and entities in China who purchase taxable vehicles (i.e. automobiles, trams, automobile trailers, and motorcycles with an exhaust capacity exceeding 150 mm) within China are taxpayers of the vehicle purchase tax, and must pay the tax in accordance with the Law. Per the law, the term "purchase" refers to the act of obtaining and self-using taxable vehicles through purchase, import, self-production, donation, award, or other means. Taxpayers who purchase taxable vehicles (for their own use) meeting the criteria must pay the vehicle purchase tax as required during the purchase process.

[54] Vehicle Purchase Tax Law, Article 6. The tax does not apply to urban rail vehicles (e.g. subways and light railways), special wheeled machinery vehicles (e.g. loaders, graders, excavators, and bulldozers), cranes, forklifts, and electric motorcycles. Since 2014, the tax has been exempted for certain NEVs.

[55] Ministry of Finance, State Administration of Taxation, and Ministry of Industry and Information Technology Announcement No. 10, 2023. Viewed at: https://www.gov.cn/zhengce/zhengceku/202306/content_6887734.htm.

[56] WTO documents G/SCM/N/372/CHN, 27 August 2021; and G/SCM/N/401/CHN, 20 July 2023.

for in RTAs that entered into force in China.[57] Since 2021, no changes have been made to the laws and regulations governing the administration of import/export licences.[58]

3.1.5.1 Import prohibitions

3.45. According to relevant laws and regulations, import licensing is applied to certain goods subject to import restrictions.

3.46. According to the Foreign Trade Law (last amended in 2022), China may maintain import prohibitions on the grounds of protection of human health or safety, protection of the lives or health of animals and plants, protection of the environment, protection of national security and public interest, fulfilment of legal obligations under international treaties or agreements, or implementation of measures related to the import or export of gold or silver.[59] Import prohibitions also apply to imports originating in specific trading partners (Table A3.2); for example, as notified to the WTO in August 2023, China announced the suspension of the importation of all aquatic products, including edible aquatic animals, originating in Japan.[60] China notified to the WTO its import prohibitions for the 2020-22 period (Table 3.6).[61] These prohibitions applied to certain toxic substances and wild animal products; certain old/second-hand mechanical and electrical equipment; certain hazardous chemicals, pesticides, persistent organic pollutants, and mercury-added products; solid wastes; ractopamine; certain types of filament lamps; and charcoal imported from Somalia. The latest list of prohibited products was issued in December 2023 (MOFCOM's Catalogue of Commodities Subject to Import Prohibition).[62]

Table 3.6 Import prohibitions notified to the WTO for the 2020-24 period

Product	Tariff line code(s) affected, based on HS17	WTO justification and grounds for restriction	National legal basis and entry into force
Certain toxic substances and wild animal products	ex0506, ex0507, ex1302, ex2903	Article XX of GATT 1994	Ministry of Foreign Trade and Economic Cooperation (MOFTEC) Announcement No. 19, 2001
Certain old/second-hand mechanical and electrical equipment	ex7011, ex7311, ex7321, ex7613, ex8402, ex8403, ex8404, ex8407, ex8408, ex8416, ex8417, ex8519, ex8521, ex8528, ex8540, ex9018, ex9022, ex9027	Article XX of GATT 1994	MOFCOM, GACC Joint Announcement No. 106, 2018

[57] WTO documents G/LIC/N/3/CHN/18, 30 January 2020; and G/LIC/N/3/CHN/18/Corr.1, 5 February 2020.

[58] The legal basis of China's import/export licensing system includes the Foreign Trade Law, the Administrative Licensing Law, the Regulation on the Administration of Import and Export of Goods, the Administrative Regulation on Substances that Deplete the Ozone Layer, the Customs Import and Export Tariff Code, the Administrative Measures for Automatic Import Licensing of Goods, the Administrative Measures for Import Licences of Goods, the Administrative Measures for the Import of Mechanical and Electrical Products, the Administrative Measures for the Import of Certain Used Mechanical and Electrical Products, the Measures for Implementing Automatic Import Licensing for Mechanical and Electrical Products, the Administrative Measures for Export Licences of Goods, the Administrative Measures for Goods Subject to Export Quotas, and the Measures for Goods Subject to Export Quotas Bidding.

[59] National People's Congress, *Foreign Trade Law*. Viewed at: https://flk.npc.gov.cn/detail2.html?ZmY4MDgxODE4NjVlZGMxNDAxODY5YjI2MjNiZjE0YTY%3D.

[60] GACC Announcement No. 103, 2023. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/5277845/index.html; and WTO document G/SPS/N/CHN/1283, 31 August 2023.

[61] WTO document G/MA/QR/N/CHN/6, 12 May 2022.

[62] Catalogue of Goods Prohibited from Import (7th Batch), MOFCOM, GACC, and State Environmental Protection Administration (SEPA) Announcement No. 73, 2020. Viewed at: https://www.mee.gov.cn/xxgk2018/xxgk/xxgk10/202101/t20210107_816408.html; 8th Batch, MOFCOM, GACC, and SEPA Announcement No. 21, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblgg/202306/20230603414825.shtml; and 9th Batch, MOFCOM, GACC, and SEPA Announcement No. 63, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcdwmy/202312/20231203463766.shtml.

Product	Tariff line code(s) affected, based on HS17	WTO justification and grounds for restriction	National legal basis and entry into force
Certain hazardous chemicals, pesticides, persistent organic pollutants, and mercury-added products	ex2524, ex2903, ex2908, ex2910, ex2915, ex2918, ex2919, ex2921, ex2924, ex2925, ex2932	Article XX of GATT 1994, the Rotterdam Convention, the Stockholm Convention, the Minamata Convention on Mercury	MOFCOM, GACC, and State Environmental Protection Administration (SEPA) Joint Announcement No. 116, 2005
Certain solid wastes (also including other solid waste of which tariff lines unspecified)	ex0501, ex0502, ex0505, ex0506, ex0507, ex0511, ex1522, ex1703, ex2517, ex2525, ex2530, ex2618, ex2619, ex2620, ex2621, ex2710, ex2713, ex2804, ex3006, ex3804, ex3825, ex3915, ex4004, ex4017, ex4115, ex4707, ex5103, ex5104, ex5202, ex5505, ex6309, ex6310, ex7001, ex7112, ex7204, ex7401, ex7404, ex7602, ex7802, ex8101, ex8102, ex8104, ex8105, ex8106, ex8107, ex8108, ex8109, ex8110, ex8111, ex8112, ex8415, ex8418, ex8450, ex8469-ex8473, ex8508-ex8510, ex8516, ex8517, ex8518, ex8539, ex9504, ex8519-ex8531, ex8532 to ex8534, ex8540 to ex8542, ex8908, ex9018-ex9022, ex84, ex85, ex90, ex2520, ex2524, ex6806	Article XX of GATT 1994, the Basel Convention	Presidential Decree of the People's Republic of China No. 43, 2020
Ractopamine and Ractopamine hydrochloride	29225020	Article XX of GATT 1994	MOFCOM and GACC Joint Announcement No. 110, 2009
Certain types of filament lamps	ex8539	Article XX of GATT 1994	NDRC, MOFCOM, GACC, State Administration for Industry and Commerce (SAIC), and AQSIQ Joint Announcement No. 28, 2011
Charcoal imported from Somalia	ex4402	Article XXI of GATT 1994, United Nations S/RES/2036 (2012)	MOFCOM Announcement No. 27, 2012

Source: WTO document G/MA/QR/N/CHN/6, 12 May 2022; and information provided by the authorities.

3.47. Imports of all solid waste in any form have been banned since January 2021.[63] The dumping, stacking, and disposal of waste products from overseas on China's territory are banned as well. These wastes are listed in the Catalogue of Restrictive Solid Waste (that can be used as raw materials) and the Catalogue of Non-restrictive Solid Waste, formulated by the Ministry of Ecology and Environment.

3.48. In April 2021, the Measures for the Safety Administration of Imported and Exported Food was revised. The revision, *inter alia*, encouraged the utilization of technology and the strengthening of cooperation with international organization.

3.1.5.2 Import licensing requirements

3.49. China's import licensing system, unchanged since 2020, includes automatic and non-automatic import licences. The allocation of customs tariff quotas requires Import Tariff Quota Certificates. In addition, China applies import licences to specific dual-use substances for the purpose

[63] Ministry of Ecology and Environment, MOFCOM, NDRC, and GACC Announcement on Relevant Issues Regarding Complete Prohibition on Imported Solid Waste (Announcement No. 53, 2020). Viewed at: https://www.mee.gov.cn/xxgk2018/xxgk/xxgk01/202011/t20201125_809835.html.

of safeguarding national security and public interest and under relevant international agreements.[64] The authorities indicate that, with a view to facilitating the licensing of dual-use items, China has digitalized the entire process of applying for such licensing. Most automatic import licensing requirements are for products listed in HS Section 17 (transport equipment). Products that require non-automatic import licences mainly include ozone-depleting substances and some used mechanical and electrical products.

3.1.5.2.1 Automatic import licensing requirements

3.50. The main laws and regulations governing non-automatic import licensing remain the Foreign Trade Law, the Regulation on the Administration of Import and Export of Goods, and the Regulation on the Administration of Import and Export of Technologies, unchanged since 2021.

3.51. A Catalogue of Goods Subject to Automatic Import Licensing is issued annually.[65] As before, all commodities listed in the Catalogue can be imported freely; automatic import licences are maintained only for monitoring purposes. In 2024, 24 categories of goods were subject to automatic import licensing requirements implemented by MOFCOM[66], and a further 21 categories of goods[67] were subject to automatic import licensing requirements, implemented by provincial-level local competent commercial departments or local and departmental electromechanical offices, entrusted by MOFCOM. Tetrachlorethylene, polyvinyl chloride, and neoprene were added to the Catalogue during the review period.

3.52. There have been no major changes to the application procedures or terms of automatic import licences since the previous Review.[68] The validity of an automatic import licence is six months; it can be extended in certain cases. Applications can be filed with MOFCOM or its entrusted institutions. Licence applications shall be immediately approved by the issuing authority (or within a maximum of 10 working days under special circumstances). Automatic import licences are not transferable. Enterprises are allowed, and encouraged, to apply for and receive import licences online.

3.1.5.2.2 Non-automatic import licensing requirements

3.53. Products subject to non-automatic licences are listed in the Catalogue of Import Goods Subject to Licensing.

3.54. In 2024, the Catalogue of Import Goods Subject to Licensing listed 149 tariff lines at the HS 10-digit level that were subject to non-automatic import licensing (compared with 118 tariff lines at the HS 10-digit level in 2020).[69] According to the authorities, during the review period, some adjustments regarding ozone-depleting substances were made in the Catalogue as a result of the ratification of Kigali Amendment as well as the Tariff Adjustment Plan of the State Council Tariff Commission for 2022.[70] As noted in previous Reviews, imports subject to non-automatic licences

[64] WTO document G/LIC/N/3/CHN/18, 30 January 2020; and GACC Announcement on the Issuance of the Catalogue of Dual-Use Items and Technologies Subject to Import and Export Licensing (Announcement No. 68, 2019). Viewed at: http://cys.mofcom.gov.cn/article/zcgz/201912/20191202927099.shtml.

[65] Catalogue of Goods Subject to Automatic Import Licensing for the year 2024, MOFCOM Announcement No. 62, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblgg/202312/20231203463866.shtml.

[66] These categories are beef; pork; lamb; fresh milk; milk powder; cassava; barley; sorghum; soybeans; rapeseed; sugar; corn distillers grains; soybean meal; tobacco; crude; refined oil; fertilizer; diacetic acid; fibre tow; tobacco machinery; mobile communication products; satellite, radio, and TV equipment; car products; aircraft; and ships.

[67] These categories are broiler chicken, vegetable oil, iron ore, copper concentrate, coal, refined oil, tetrachlorethylene, fertilizer, polyvinyl chloride, neoprene, steel, construction machinery, printing machines, textile machinery, metal smelting and processing equipment, metal processing machine tools, electrical equipment, car products, aircraft, ships, and medical equipment.

[68] For details regarding the procedure to obtain automatic import licences, see China's last notification under Article 7.3 of the Agreement on Import Licensing Procedures (WTO documents G/LIC/N/3/CHN/18, 30 January 2020; and G/LIC/N/3/CHN/18/Corr.1, 5 February 2020).

[69] Catalogue of Imports Goods Subject to Licensing for the year 2024, MOFCOM and GACC Announcement No. 64, 2023. Viewed at: http://www.mofcom.gov.cn/article/zwgk/gkzcfb/202312/20231203463753.shtml.

[70] On 15 September 2021, the Kigali Amendment entered into force in China. Subsequently, the Ministry of Ecology and Environment, together with MOFCOM and the GACC, revised and released the Import and Export Catalogue of Controlled Ozone Depleting Substances, to which HFCs were incorporated. Starting from

mainly include used mechanical and electronic equipment, and substances that deplete the ozone layer. The procedures to obtain a non-automatic import licence have remained unchanged since the previous Review.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.1.6.1 Anti-dumping measures

3.55. Since its previous Review, China has made no changes to the legislation and administrative rules concerning procedures related to anti-dumping measures.[71] The main legislation related to the conduct of anti-dumping investigations and the application of anti-dumping measures includes the Foreign Trade Law, the Regulations on Anti-Dumping[72], and a number of published Rules, some of them provisional.[73]

3.56. China initiated three anti-dumping investigations from January 2021 to December 2023 (Table 3.7). These investigations related to the following products and trading partners: polycarbonate (Chinese Taipei, November 2022); phthalocyanine (India, March 2022); and propionic acid (United States, July 2023).

Table 3.7 Anti-dumping investigations and measures, January 2021-December 2023

	2021	2022	2023
Investigation initiations	0	2	1
Provisional measures	2	1	1
Definitive measures	2	2	1
Expired/terminated measures	7	5	3

Source: WTO documents G/ADP/N/391/CHN, 28 February 2024; G/ADP/N/384/CHN, 4 September 2023; G/ADP/N/377/CHN, 6 March 2023; G/ADP/N/370/CHN, 16 August 2022; G/ADP/N/364/CHN/Corr.1, 7 July 2022; G/ADP/N/364/CHN, 1 April 2022; G/ADP/N/357/CHN/Corr.1, 6 July 2022; and G/ADP/N/357/CHN, 16 September 2021.

3.57. China's anti-dumping measures on the following products were terminated during the review period: barley (Australia, August 2023); bisphenol-A (Thailand, March 2023); photographic paper and paper board (United Kingdom, March 2023); caprolactam (European Union, United Kingdom, and United States, October 2022); dispersion unshifted single-mode optical fibre (United Kingdom, April 2022); chloroprene rubber (United Kingdom, May 2022); iron-based amorphous alloy ribbon (Japan and United States, November 2021); pure terephthalic acid (Republic of Korea and Thailand, August 2021); grain-oriented flat-rolled electrical steel (United Kingdom, July 2021); unbleached sack paper (United Kingdom, April 2021); and polyamide-6 (United Kingdom, April 2021).[74]

3.58. As at end-December 2023, China was enforcing 120 anti-dumping definitive measures. Imports from 17 countries or territories (counting the European Union as one when measures are applied to all EU member States) were affected. Among all affected trading partners, imports from the United States were subject to the largest number of anti-dumping measures, followed by Japan, the European Union, and the Republic of Korea, reflecting the same trend as in previous years (Table 3.8).

3.59. During the review period, MOFCOM accepted three administrative review cases on trade remedies (two in 2021, none in 2022, and one in 2023); it did not receive any related administrative

1 November 2021, HFCs have been brought under the control of import and export licence system. Subsequently, in line with the Notice of the State Council Tariff Commission on Tariff Adjustment Plan for 2022, MOFCOM and the GACC jointly issued the Catalogue of Import Goods Subject to Licensing (2022) and the Catalogue of Export Goods Subject to Licensing (2022) to adjust the name and customs code of items.

[71] Details of these are described in WTO document WT/TPR/S/415/Rev.1, 9 March 2022.

[72] WTO document G/ADP/N/1/CHN/2/Suppl.3, 20 October 2004.

[73] WTO documents G/ADP/N/1/CHN/2/Suppl.1, 18 February 2003; G/ADP/N/1/CHN/2/Suppl.2, 14 April 2003; G/ADP/N/1/CHN/2/Suppl.4, 1 December 2004; G/ADP/N/1/CHN/2/Suppl.5, 11 January 2007; G/ADP/N/1/CHN/2/Suppl.6, 19 October 2007; and G/ADP/N/1/CHN/2/Suppl.7, 3 October 2018.

[74] WTO documents G/ADP/N/377/CHN, 6 March 2023; G/ADP/N/370/CHN, 16 August 2022; G/ADP/N/364/CHN, 1 April 2022; G/ADP/N/364/CHN/Corr.1, 7 July 2022; G/ADP/N/357/CHN, 16 September 2021; G/ADP/N/357/CHN/Corr.1, 6 July 2022; G/ADP/N/350/CHN, 9 March 2021; G/ADP/N/350/CHN/Corr.1, 6 July 2022; G/ADP/N/342/CHN, 16 October 2020; and G/ADP/N/342/CHN/Corr.1, 6 July 2022.

litigation cases. During the review period, MOFCOM accepted three administrative review cases related to anti-dumping measures (two in 2021, none in 2022, and one in 2023).

Table 3.8 Anti-dumping definitive measures in force, by trading partner, January 2021-June 2023

Trading partner	2021	2022	2023
United States	24	25	25
Japan	20	20	20
European Union	18	17	17
Korea, Republic of	15	16	16
United Kingdom	15	12	11
Chinese Taipei	7	7	7
India	6	5	6
Malaysia	4	4	4
Singapore	3	2	3
Thailand	4	4	3
Brazil	2	2	2
Australia	2	2	1
Indonesia	1	1	1
Russian Federation	1	1	1
Saudi Arabia, Kingdom of	1	1	1
South Africa	1	1	1
Türkiye	1	1	1
Total	**125**	**121**	**120**

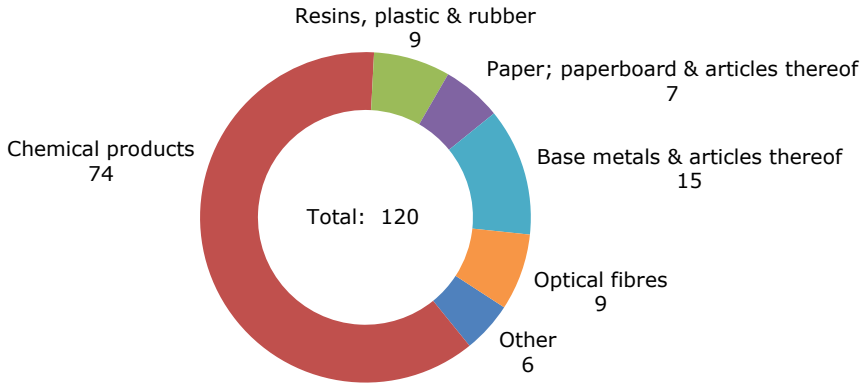
Note: Figures for 2021-22 reflect anti-dumping measures in force on 31 December of each year. Undertakings and duties are considered as separate measures.

Source: WTO documents G/ADP/N/384/CHN, 4 September 2023; G/ADP/N/377/CHN, 6 March 2023; G/ADP/N/364/CHN, 1 April 2022; G/ADP/N/364/CHN/Corr.1, 7 July 2022; G/ADP/N/350/CHN, 9 March 2021; and G/ADP/N/350/CHN/Corr.1, 6 July 2022.

3.60. China's longest-standing anti-dumping measures in force relate to chloroprene rubber from the European Union, Japan, and the United States; dispersion unshifted single-model optical fibre from Japan and the Republic of Korea; potato starch from the European Union; nonylphenol from India and Chinese Taipei; paper for electrolytic capacitors from Japan; and bisphenol-A from Japan, the Republic of Korea, Singapore, and Chinese Taipei.

3.61. Chemical products continue to account for most measures in force at end-June 2023, followed by base metals and articles thereof (Chart 3.3).

Chart 3.3 Anti-dumping measures in force, by product, 31 December 2023



Note: "Other" includes animal products (two measures), prepared foodstuff (three measures), and wine (one measure).

Source: Compiled by the WTO Secretariat, based on WTO notifications.

3.1.6.2 Countervailing measures

3.62. There have been no changes to existing legislation or administrative rules governing countervailing measures or procedures for countervailing investigations in China since the previous Review.[75]

3.63. The number of China's countervailing investigations initiated and measures in force has gradually declined over the past few years (Table 3.9). No countervailing investigation was initiated during the review period. The following measures were reviewed and extended: potato starch (European Union); and distillers dried grains with or without solubles (United States). The following measures were terminated: potato starch (United Kingdom, September 2022); and barley (Australia, August 2023).

3.64. Details of China's RTA provisions on countervailing measures are contained in its previous Reviews.[76]

Table 3.9 Countervailing investigations and measures, 2021-23

	2021	2022	2023
Investigation initiations	0	0	0
Provisional measures	1	0	0
Definitive measures	0	0	0
Expired/terminated measures	0	1	1
Measures in force (end-period)	7	6	4

Source: WTO documents G/SCM/N/414/CHN, 7 February 2024; G/SCM/N/407/CHN, 30 August 2023; G/SCM/N/399/CHN, 1 March 2023; G/SCM/N/392/CHN, 12 September 2022; G/SCM/N/386/CHN, 1 April 2022; G/SCM/N/379/CHN, 23 September 2021; G/SCM/N/371/CHN, 26 February 2021; and G/SCM/N/363/CHN, 16 October 2020.

3.1.6.3 Safeguard measures

3.65. During the review period, China did not initiate any new safeguard investigations.

3.66. Laws and regulations governing safeguard measures in China did not change during the review period.[77] MOFCOM remains in charge of investigating and determining if there has been an increase in imports and if injury has been caused.[78] Investigation procedures did not change during the review period. Details on safeguard provisions in the RTAs to which China is signatory are found in the previous Reviews.[79]

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.67. The general framework of export procedures, including registration and documentation, remained largely unchanged during the review period. Registration formalities for exports of goods for commercial purposes are similar to those for imports and governed by the same regulations; issuing of licences/permits for export of goods is under the responsibility of MOFCOM, and China has digitalized the process of applying for such licensing (Section 3.1.1).

3.68. As part of the export procedure, export declarations must be made on paper or in electronic format. As at the time of the previous Review, declarations can be made either by the consignor, or by a customs declaration enterprise entrusted by the consignor.

[75] Details of these are described in WTO document WT/TPR/S/415/Rev.1, 9 March 2022.
[76] WTO documents WT/TPR/S/415/Rev.1, 9 March 2022; and WT/TPR/S/375/Rev.1, 14 September 2018.
[77] Details are described in WTO document WT/TPR/S/415/Rev.1, 9 March 2022.
[78] If an investigation involves agricultural goods, the investigation and determination must be done jointly with the Ministry of Agriculture and Rural Affairs.
[79] WTO documents WT/TPR/S/415/Rev.1, 9 March 2022; and WT/TPR/S/375/Rev.1, 14 September 2018.

3.69. As stipulated by the Law on Inspection of Import and Export Commodities, exporters must comply with the requirements of the Catalogue of Import and Export Commodities Subject to Compulsory Inspection. The export of commodities that are included in the Catalogue, such as dangerous chemicals, fireworks, lighters, food products, and rare earths, shall be inspected by China Customs. These goods must be inspected where they are produced. The packaging of exports of dangerous goods must also undergo inspection. The Catalogue is regularly amended to add or subtract commodities. In a revised Catalogue that became effective as of 15 October 2021, 29 items such as fertilizers and chemicals were added and became subject to inspection.[80] In a revised Catalogue that became effective as of 1 October 2022, 87 items such as non-hazardous metal materials and processing equipment in the electronics industry were deleted from the Catalogue.[81]

3.70. Under the risk management system, enterprises remain classified into different groups based on risk analysis. As with import procedures, customs inspection and supervision depend upon the enterprise's rating (Section 3.1.1). Goods exported by high-risk enterprises and other high-risk goods (based on risk analysis) are inspected, while other exports are released through fast-track clearance or a "low-risk examination".

3.71. As in the case of imports, for businesses and individuals that are applying for export licences and other relevant documents (e.g. technology export contract registration certificates, export quotas, and state trading rights), competent authorities no longer require them to file or register as foreign trade operators as a result of the deletion of Article 9 of the Foreign Trade Law in December 2022.[82]

3.72. Concerning China's trade facilitation and compliance measures with a view to, *inter alia*, containing COVID-19, maintaining trade flows of medical supplies, and minimizing the disruption caused by COVID-19, since its previous Review, China has issued various announcements to adjust measures in response to changes in the situation of the COVID-19 pandemic.[83] Control measures over the export of COVID-19-related test kits and other medical devices and other COVID-19-related measures ended on 18 August 2023.[84]

3.2.2 Taxes, charges, and levies

3.73. China applies export duties in accordance with the Regulations on Import and Export Duties. Interim tariff rates may be applied to export goods within a certain period.[85]

3.74. Export duties are calculated based on the transaction value of exports, plus transport-related fees, and insurance cost. In 2023, all export duties were *ad valorem*. Certain items are subject to the interim export duties levied at a rate of zero.

[80] The inspection of import and export commodities aims to protect the health and safety of human beings, protect the life and health of animals or plants, protect the environment, prevent fraud, and safeguard national security.

[81] GACC Announcement No. 39, 2021. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/3731229/index.html; GACC Announcement No. 81, 2021. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/3957218/index.html; and GACC Announcement No. 79, 2022. Viewed at: http://fuzhou.customs.gov.cn/customs/302249/302266/302267/4548521/index.html.

[82] MOFCOM (2023), "The Person in Charge of the Foreign Trade Department of the Ministry of Commerce Introduced the Relevant Situation of Cancelling the Registration of Foreign Trade Operators". Viewed at: https://www.gov.cn/zhengce/2023-01/03/content_5734884.htm.

[83] These may include GACC Announcement No. 131, 2023. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/4767730/index.html; GACC Announcement No. 14, 2023. Viewed at: http://www.customs.gov.cn/customs/302249/302266/302267/4855354/index.html; and GACC Announcement No. 57, 2021. Viewed at: http://xian.customs.gov.cn/customs/302249/302266/302267/3769016/index.html.

[84] MOFCOM, GACC, State Administration for Market Regulation, and State Food, and Drug Administration Announcement No. 32 of 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcdwmy/202308/20230803436393.shtml.

[85] The State Council shall establish the Customs Tariff Commission to decide on the goods subject to interim tariff, the tariff rates, and the time limit. The authorities state that main purpose of imposing export tariffs is to protect China's domestic environment, and the effective use and sustainability of scarce resources; interim export tariff rates are adjusted as appropriate based on national economic development considerations.

3.75. In December 2022, the Customs Tariff Commission of the State Council announced the Tariff Adjustment Programme for 2023.[86] The Programme contained an increase in the export duties on aluminium and aluminium alloys to promote transformation and upgrading the industry.[87] On 1 August 2021, export duties on ferrochrome and high-purity pig iron were also raised to 40% and 20%, respectively.[88]

3.76. As of 1 January 2023, 102 tariff lines (at the HS 8-digit level) were subject to statutory export duties, unchanged since 2015, while 67 tariff lines carried interim duties, down from 75 in 2021 (Table 3.10). The highest tax rate (50%) applies to tin ores and concentrates (HS 2609).[89]

Table 3.10 Export duties by type and HS chapter, 2024

HS chapter	Statutory duties		Interim duties	
	No. of lines	Range (%)	No. of lines	Range (%)
Total	102	20-50	67	0-35
03 Fish and crustaceans	1	20	0	n.a.
05 Products of animal origin, n.e.s.	4	40	1	0
26 Ores, slag and ash	7	20-50	2	0-20
28 Inorganic chemicals	3	20-30	0	n.a.
29 Organic chemicals	1	40	1	0
41 Raw hides and skins	2	20	0	n.a.
72 Iron and steel	17	20-40	0	n.a.
74 Copper and articles thereof	32	30	31	0-15
75 Nickel and articles thereof	4	40	4	5-15
76 Aluminium and articles thereof	24	20-30	23	0-15
79 Zinc and articles thereof	4	20	4	0-15
81 Other base metals	3	20	1	5

n.a. Not applicable.

Note: Tariff lines where export duties are only partially applied are included.

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

3.2.3 Export prohibitions, restrictions, and licensing

3.77. Unchanged since the previous Review, China imposes export restrictions and prohibitions on certain items with a view to, *inter alia*, protecting national security and public interest, human health and safety, the life and health of animals and plants, and the environment; preserving natural resources that are in short domestic supply or may be exhausted in the future; maintaining the order of trading; safeguarding particular industries and balance of payments; and fulfilling obligations under international treaties and agreements.[90]

3.78. Export restrictions, including prohibitions and licensing requirements, are in place on a variety of items, as highlighted in China's WTO notification in 2022 on its quantitative restrictions.[91] The list contains items subject to export prohibitions (e.g. toxic substances and wild animal products, hazardous chemicals and pollutants, natural sand, forest litter and turf, and ractopamine) and those subject to export licensing (e.g. live cattle, wheat, maize, rice, coal, oil, cotton, tungsten, rare earths, motorcycles, ozone-depleting substances, dual-use substances and technologies, etc.), some of which include export quotas. In addition, various announcements by MOFCOM indicate temporary export restrictions (including prohibitions) (Table 3.11). According to the authorities, export licensing for dual-use items is not a restriction on the quota or volume of export.[92]

[86] State Council Tax Commission [2022] No. 11, Annex 2023 Tariff Adjustment Plan, 29 December 2022.
Viewed at: http://gss.mof.gov.cn/gzdt/zhengcefabu/202212/P020221229360729702511.pdf.

[87] Ministry of Finance, 12 December 2022. Viewed at: http://gss.mof.gov.cn/gzdt/zhengcejiedu/202212/t20221230_3861744.htm.

[88] State Council Tax Commission [2021] No. 6, 29 July 2021. Viewed at: http://gss.mof.gov.cn/gzdt/zhengcefabu/202107/t20210729_3741558.htm.

[89] State Council Tax Commission [2022] No. 12, 31 December 2022. Viewed at: https://www.gov.cn/zhengce/zhengceku/2023-01/02/content_5734605.htm.

[90] State Council Information Office, China's Export Controls. Viewed at: http://www.scio.gov.cn/zfbps/ndhf/2021n_2242/202207/t20220704_130729.html.

[91] WTO document G/MA/QR/N/CHN/6, 12 May 2022.

[92] The authorities state that, according to the Law on Export Control, dual-use items are goods, technologies, or services that can be used both for civilian purposes and for military purposes or for other

3.79. The authorities indicate that China plans to submit a new notification before the TPRB meeting for the TPR of China in July 2024.

3.80. Restricted exports may be subject to quotas and licences. MOFCOM announces the total export quota of goods before 31 October each year. The latest total quota was provided through MOFCOM Announcement on the Total Export Quotas for Goods (Announcement No. 44, 2023).[93]

3.81. Regarding licensing requirements, MOFCOM issues on a yearly basis the Catalogue of Goods Subject to the Administration of Export Licences.[94] The Catalogue lists goods that are subject to export licensing. The 2023 Announcement, set to be implemented in 2024, contains 43 categories (unchanged since 2020). Most of the contents within these categories have remained unchanged since 2020, while there are newly added products under liquorice and liquorice products, chemicals, certain graphite materials and their products, ozone-depleting substances, certain unmanned aerial vehicles, certain aviation engines, certain gallium and germanium related items, sawn timber, and certain automobile categories. Some goods have been added to the fluorite (fluorspar) and titanium categories. In addition, some goods have had their names changed, but their HS codes remain the same.[95] The Catalogue also lists goods that are subject to export quota, for which there also is a designated catalogue.[96] For exports subject to a quota, the exporter must obtain the quota prior to applying for a licence.

3.82. China enforces a licence management system for the export of particular dual-use items. During the review period, China imposed export control on items relating to potassium perchlorate, high-pressure water cannons, gallium and germanium, and items related to drones, and made adjustments to the temporary control measures applicable to the export of graphite (the authorities note that this is with reference to globally accepted practices). The authorities state that these follow a coordinated approach to development and security, consider the need to adhere to international obligations such as non-proliferation, and safeguard national security and interests. According to the Measures for the Administration of Import and Export Licences for Dual-use Items and Technologies, at the end of each year, MOFCOM will update the Catalogue for the Administration of Import and Export Licences for Dual-use Items and Technologies in collaboration with the GACC. Products in the Catalogue that are subject to the administration of import and export licences for dual-use items and technologies include, *inter alia*, chemicals, missiles, nuclear items, particular commercial password products, and computing items. In addition, export control also applies to military products and nuclear-related items. In December 2022, the 2023 Catalogue for the Administration of Import and Export Licences for Dual-use Items and Technologies was published, revising the 2021 Catalogue.[97] The Catalogue on export licensing contains 11 types of products including chemicals, missiles, nuclear items, and cryptography.

3.83. The authorities state that, with a view to advancing the facilitation of the international trade in crop seeds, starting from 1 July 2021, the requirement for provincial-level review for the import

purposes that are conducive to increasing military potential and particularly conducive to designing, developing, producing, or using mass destruction weapons and their carriers. At present, the dual-use items subject to control include those listed in the Regulation for Export Control of Nuclear Dual-use Items and Related Technologies, the Regulation for Export Control of Biological Dual-use Items and Related Equipment and Technologies, the Regulation for Surveillance of Chemical Products, the Regulation for Export Control of Missiles and Related Items and Technologies, and the Measures for Export Control of Chemicals. The Catalogue of Dual-use Items Subject to Import and Export Licensing gathers both dual-use items and other commodities that are subject to import and export licensing. The Catalogue also includes precursor chemicals that are not subject to the Export Control Law but are imported or exported through such import/export licences. All items in the Catalogue must have the prior approval of competent authorities to be imported or exported.

[93] MOFCOM Announcement No. 44, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblqg/202310/20231003449868.shtml.

[94] MOFCOM and GACC Joint Announcements No. 50, 2021; No. 40, 2022; and No. 65, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcdwmy/202112/20211203233746.shtml, http://www.mofcom.gov.cn/article/zcfb/zcblqg/202212/20221203376706.shtml, and http://www.mofcom.gov.cn/article/zcfb/zcblqg/202312/20231203463828.shtml.

[95] Chemicals, certain graphite materials and products, certain drones, and certain gallium and germanium materials referenced in that catalogue have also been included into the Catalogue for the Administration of Import and Export Licences for Dual-use Items and Technologies (2024).

[96] Export quotas for 2024 are detailed in MOFCOM Announcement No. 44, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zczxzc/202310/20231003449868.shtml.

[97] MOFCOM. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcdwmy/202212/20221203376668.shtml.

and export of crop seeds was abolished, and it is now directly approved by the Ministry of Agriculture and Rural Affairs.

Table 3.11 Products subject to export quotas and licensing (including a licence management system for the export of dual-use items), March 2024

Products	Comment
Products subject to quotas and licensing	
Wheat, maize, rice, cotton, coal, ephedra herbs for medicinal use (cultivated), sawn timber, live chicken (for export to Hong Kong, China), live swine and cattle (for export to Hong Kong, China and Macao, China), crude oil and refined oil (excluding lubricating oil, grease, lubricating base oil, rush and rush products, medicinal granules and their products); liquorice and liquorice products, wheat flour, corn flour, rice flour, mat rush and its products	
Products subject to licensing	
Live cattle and swine (for export to markets other than Hong Kong, China and Macao, China); live chicken (for export to markets other than Hong Kong, China); beef, pork, and chicken; natural sand (including standard sand); bauxite; phosphate rock; magnesia; talc block (powder); fluorite (fluorspar); rare earths; tin and tin products; tungsten and tungsten products; molybdenum and molybdenum products; antimony and antimony products; coke; refined oil (lubricating oil, grease, lubricating oil base oil); paraffin; semi-metals and semi-metal products; disodium sulphate; silicon carbide; substances that deplete the ozone layer; citric acid; silver; platinum or white gold (exported under processing trade); indium and indium products; motorcycles (including all-terrain vehicles) and motorcycle engines and frames; and automobiles (including complete sets of parts) and automobile chassis	
(i) High-purity (purity > 99.9%), high-strength (flexural strength > 30 mPa), high-density (density > 1.73 g/cubic centimetre) artificial graphite materials and their products (HS 3801100030, 3801909010, 6815190020) (ii) Natural flake graphite and its products (including spheroidized graphite, expanded graphite, etc.) (HS 2504101000, 2504109100, 3801901000, 3801909010, 3824999940, 6815190020)	Export prohibition if permission is not obtained (as of 1 December 2023)
Unmanned aerial vehicles whose performance indicators have not reached the existing control indicators but have reached certain other indicators (HS 8806100010, 8806221011, 8806229010, 8806231011, 8806239010, 8806241011, 8806249010, 8806291011, 88062 99010, 8806921011, 8806929010, 8806931011, 8806939010, 8806941011, 8806949010, 8806990010)	Export prohibition if permission is not obtained (as of 1 September 2023)
(i) Aviation engines with a maximum continuous power of more than 16 kilowatts (kW) specially used for specific unmanned aerial vehicles or unmanned airships (HS 8501200010, 8501320010, 8501330010, 8501340010, 8501400010, 8501520010, 8501530010, 8407101010, 8407102010, 8408909230, 8408909320, 8411111010, 8411119010, 8411121010, 8411129020, 8411210010, 8411221010, 8411222010, 8411223010, 8411810002) (ii) Payloads that meet certain technical specifications and are specifically used for specific unmanned aerial vehicles or unmanned airships, including infrared imaging equipment, synthetic aperture radar, and lasers for target indication	Export prohibition if permission is not obtained (as of 1 September 2023)
(i) Gallium related items Metal gallium (element) (HS 8112929010, 8112929090, 8112999000); gallium nitride (including but not limited to wafers, powders, scraps, etc.) (HS 2850001901, 3818009001, 3825690001); gallium oxide (including but not limited to polycrystalline, single crystal, wafer, epitaxial wafer, powder, scrap, etc.) (HS 2825909001, 3818009002, 3825690002); gallium phosphide (including but not limited to polycrystalline, single crystal, wafer, epitaxial wafer, etc.) (HS 2853904030, 3818009003, 3825690003); gallium arsenide (including but not limited to polycrystalline, single crystal, wafer, epitaxial wafer, powder, scrap, etc.) (HS 2853909026, 3818009004, 3825690004); Indium gallium arsenic (HS 2853909028, 3818009005, 3825690005); gallium selenide (including but not limited to polycrystalline, single crystal, wafer, epitaxial wafer, powder, scrap, etc.) (HS 2842909024, 3818009006, 3825690006); gallium antimonide (including but not limited to polycrystalline, single crystal, wafer, epitaxial wafer, powder, scrap, etc.) (HS 2853909029, 3818009007, 3825690007)	Export prohibition if permission is not obtained (as of 1 August 2023)

Products	Comment
(ii) Germanium related items Metal germanium (element, including but not limited to crystals, powders, scraps, etc.) (HS 8112921010, 8112921090, 8112991000); area melted germanium ingots (HS 8112921090); phosphorus, germanium, and zinc (including but not limited to crystals, powders, scraps, etc.) (HS 2853904040, 3818009008, 3825690008); germanium epitaxial growth substrate (HS 8112921090); germanium dioxide (HS 2825600002, 3818009009, 3825690009); germanium tetrachloride (HS 2827399001, 3818009010, 3825690010)	

Source: MOFCOM and GACC Announcement No. 65, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblgg/202312/20231203463828.shtml; MOFCOM Announcement No. 44, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zczxzc/202310/20231003449868.shtml; MOFCOM and GACC Announcement No. 39, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zczxzc/202310/20231003447368.shtml; MOFCOM Announcement No. 28, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblgg/202307/20230703424616.shtml; MOFCOM Announcement No. 27, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblgg/202307/20230703424598.shtml; and MOFCOM Announcement No. 23, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblgg/202307/20230703419666.shtml.

3.84. In order to "maintain foreign trade order", export declarations of certain products continue to be subject to export licensing. According to the authorities, currently the restriction on customs clearance ports is applicable mainly in relation to export quota applications for cultivated herbal ephedra used for medicinal purposes.[98] Export clearance of the product must be conducted at Tianjin Customs.

3.85. In 2021, exports subject to export licences and export quotas accounted for around 2.7% of China's total exports in value.[99] In 2022, they accounted for around 3.5% of the total exports, and in 2023, they accounted for around 4.1%.

3.86. Exporters must apply for a "controlled-item export licence" from the relevant export control authority in order to export any item listed on a control list or subject to temporary controls. Under Article 13 of the Export Control Law, approval or disapproval of exports is based on whether they are endangering national security and interests; being used to design, develop, produce, or use weapons of mass destruction and their means of delivery; or being used for terrorist purposes.[100]

3.87. The Catalogue of Technologies Restricted or Forbidden for Export was modified in December 2023 by MOFCOM and the Ministry of Science and Technology (MOST).[101] Exports of a technology, either by means of transfer or licensing, are prohibited if such technology is classified as a prohibited technology in the Catalogue. With regard to transfer of any technology subject to export restrictions in the Catalogue, approval from a competent commerce authority at the provincial level is required before entering into any substantial transfer negotiation with foreign counterparties,

[98] MOFCOM Announcement No. 88, 2018. Viewed at: http://www.mofcom.gov.cn/article/b/c/201811/20181102804274.shtml. Designated port management of export goods such as magnesia, rare earth, and antimony and antimony products is suspended; there are no longer designated customs clearance ports for exports of these products. MOFCOM Announcement No. 40, 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblgg/202212/20221203376706.shtml.

[99] Data provided by the authorities.

[100] For goods, technologies, and services other than those listed on the export control list and temporarily controlled items, an exporter must apply to the national export control authorities for an export licence, if the exporter knows or should know, or has been notified by the national export control authorities, that the relevant goods, technologies, and services may endanger national security and interests, or may be used for the design, development, production, or use of weapons of mass destruction and their means of delivery, or may be used for terrorism. MOFCOM. Viewed at: http://www.mofcom.gov.cn/article/zwgk/zcfb/202010/20201003008925.shtml.

[101] MOFCOM and MOST, 2023 Catalogue, Notification No. 57/2023, 21 December 2023. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcgfxwj/202312/20231203462079.shtml.

The authorities state that, in accordance with the Regulations on the Administration of Technology Import and Export, in recent years, MOFCOM and MOST have been actively revising the Catalogue in order to adapt to the developments of science and technology and the need to promote international scientific and technological exchanges and cooperation in line with international common practices.

and an export licence issued by the same authority would be also required when completing the technology transfer agreement.

3.88. According to the authorities, China is currently drafting the Regulations on Export Control of Dual-Use Items.

3.2.4 Export support and promotion

3.89. In September 2022, MOFCOM released the Several Policies and Measures to Support the Stable Development of Foreign Trade, which includes support for participation in export exhibitions, enhancement of innovation demonstration zones and cross-border e-commerce comprehensive pilot zones, and improvement of the efficiency of port collection, distribution, and transportation.[102]

3.90. China's most recent notification to the WTO regarding export subsidies was submitted in 2023; China indicated that export subsidies were not granted to agricultural products in 2020, 2021, and 2022.[103]

3.91. Exporters are entitled to VAT rebates. Except for products such as certain endangered animal and plant species, and certain products consuming substantial amount of energy, or emitting substantial pollutants, which are not eligible for export tax rebates, products eligible for export tax rebates are refunded based on the applicable tax rate. The MOF and the State Taxation Administration administer the VAT rebate regime. During the review period, VAT rebate rates on exports were adjusted through the Notice of the MOF and the State Taxation Administration No. 16, 2021 and No. 25, 2021, which eliminated export VAT rebate on iron and steel products. According to the authorities, currently, effective export tax rebate rates are 13%, 9%, 6%, and 0%.[104] To help foreign trade enterprises alleviate their financial stress and promote steady development of the foreign trade, on 13 April 2022, the State Council's executive meeting decided to strengthen policy support for export tax rebates. In order to carry out the decision, 10 State Council departments jointly issued a Notice on Increasing Support for Export Tax Rebate to Promote the Steady Development of Foreign Trade on 20 April 2022.[105] In April 2022, the State Taxation Administration issued the Notice on Further Strengthening Support for Export Tax Refunds and Promoting the Stable Development of Foreign Trade (State Taxation Administration Announcement No. 36, 2022). The Announcement aims to enhance the convenience of export tax refund processing rather than to increase the policy-level emphasis on export tax refunds.

3.92. Beyond their primary role as a test ground for policy reforms, PFTZs have attracted exporting companies. Currently, there are 22 PFTZs, up from 21 zones in 2021, as 1 PFTZ was approved as of 31 October 2023.[106] In 2022, the 21 PFTZs used CNY 222.5 billion of foreign capital, accounting for 18% of the total foreign investment in the country.[107] Benefits available to enterprises operating in PFTZs include a reduced corporate income tax rate of 15% that will be applied for five years from their incorporation and streamlined customs handling for PFTZ imports and exports for enterprises dealing in core products/technologies in key areas such as integrated circuits, artificial intelligence, biomedicine, and civil aviation, and at the same time conducting substantial production, research, or development activities in the Lin-gang Special Area of China (Shanghai) PFTZ.

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[102] MOFCOM Department of Foreign Trade Announcement No. 152, 2022. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcdwmy/202209/20220903351830.shtml.

[103] WTO documents G/AG/N/CHN/58, 16 November 2022; G/AG/N/CHN/59, 16 November 2022; and G/AG/N/CHN/68, 20 September 2023.

[104] The latest export tax rebate rates can be searched at the "export tax rebate rate inquiry" module of the National Government Service Platform. Viewed at: https://app.gjzwfw.gov.cn/jmopen/webapp/html5/chukou/index.html.

[105] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/2022-04/22/content_5686726.htm.

[106] State Council. Viewed at: https://english.www.gov.cn/policies/latestreleases/202310/31/content_WS6540c489c6d0868f4e8e0d2b.html; and Government of China. Viewed at: https://www.gov.cn/xinwen/2021-12/28/content_5664885.htm#:~:text=%E7%89%B9%E5%88%AB%E6%98%AF%E8%BF%91%E5%B9%B4%E6%9D%A5%EF%BC%8C%E4%B8%AD%E5%9B%BD,%E4%BA%AE%E7%9A%84%E5%BC%80%E6%94%BE%E6%88%90%E7%BB%A9%E5%8D%95%E3%80%82.

[107] China Council for the Promotion of International Trade, 6 February 2023. Viewed at: https://www.ccpit.org/a/20230206/2023020668y6.html.

3.93. Since 2021, various measures have been adopted with a view to utilizing PFTZs as a comprehensive experimental platform for reform and trade liberalization. On 3 September 2021, the Several Measures on Promoting the Reform and Innovation of Trade and Investment Facilitation in the Pilot Free Trade Zones were issued to adopt 19 reform and innovation measures and to grant PFTZs greater autonomy in trade and investment facilitation.[108] Other measures included the Guiding Opinions on Strengthening Ecological Environmental Protection and Promoting High-quality Development in the Pilot Free Trade Zones (issued on 28 May 2021).[109] In addition, with a view to continuously improving the opening level of the PFTZs, the Special Administrative Measures for Foreign Investment Access in the Pilot Free Trade Zones (Negative List) (2021 Edition) were issued, which had fewer categories of activities than previously.[110] China also issued in July 2021 the first negative list in the field of cross-border service trade – Special Administrative Measures for Cross-border Service Trade in Hainan Free Trade Port (Negative List) (2021 Edition). The authorities indicate that domestic and foreign services providers not included in the negative list shall be treated equally and have equal access to cross-border trade in services. The Several Measures to Align International High Standards and Promote Institutional Opening-Up in Qualified Pilot Free Trade Zones and Hainan Free Trade Port were issued in June 2023 to (i) promote innovation and development of goods trade; (ii) promote services trade; (iii) facilitate temporary entry of business personnel; (iv) promote the development of digital trade; (v) increase efforts to optimize the business environment; and (vi) improve the risk prevention and control system.[111] In December 2023, China issued the General Plan for Advancing Institutional Opening-Up of China (Shanghai) Pilot Free Trade Zone in alignment with High-Standard International Economic and Trade Rules.[112]

3.94. In 2022, the total foreign trade value related to PFTZs amounted to CNY 7.5 trillion (CNY 4.7 trillion in 2020).[113] In 2023, the 22 PFTZs achieved a total import and export volume of CNY 7.67 trillion, a year-on-year increase of 2.7%, accounting for 18.4% of the country's total trade.

3.95. Export support programmes also include the organization, by MOFCOM's Trade Development Bureau (TDB), of exhibitions in emerging markets and export-oriented training activities.[114] The TDB also maintains the websites of China Trade Promotion and provides, through various service platforms, background information about foreign markets. The Overseas Commercial Complaint Service Centre for Chinese Enterprises, established as a window of MOFCOM in 2006, continues to provide, *inter alia*, local governments and Chinese enterprises with complaint-handling, policy information, consultation, talent base construction, support for start-ups, and guidance to carry out overseas business activities.

3.96. The authorities indicate that several export promotion and assistance activities abroad were implemented during the review period. Owing to the pandemic, in 2021 and 2022, the China Council for the Promotion of International Trade (CCPIT) mainly organized trade-related exhibitions online. Since 2021, the CCPIT has held high-level forums, including the Roundtable on Commercial Law at the 70th Anniversary of the CCPIT. The cross-border trade and investment legal service platform developed by the CCPIT has offered consulting services more than 315,000 times since December 2020, when the service started.

3.97. As of October 2023, the CCPIT had established 393 bilateral and multilateral industrial and commercial cooperative mechanisms with counterparts and related international organizations in over 152 countries and regions. Since 2021, the CCPIT has cooperated with more than 100 trading

[108] Government of China, Guo Fa [2021] No. 12. Viewed at: https://www.gov.cn/zhengce/content/2021-09/03/content_5635110.htm.
[109] Ministry of Ecology and Environment. Viewed at: https://www.mee.gov.cn/xxgk2018/xxgk/xxgk03/202105/t20210531_835481.html.
[110] Government of China, NDRC, and MOFCOM Announcement No. 48, 2021. Viewed at: https://www.gov.cn/zhengce/zhengceku/2021-12/28/content_5664887.htm.
[111] Government of China, Guo Fa [2023] No. 9. Viewed at: http://www.mofcom.gov.cn/article/zcfb/zcblgg/202307/20230703424598.shtml.
[112] Government of China, Guo Fa [2023] No. 23. Viewed at: https://www.gov.cn/zhengce/zhengceku/202312/content_6918914.htm.
[113] China Council for the Promotion of International Trade, 6 February 2023. Viewed at: https://www.ccpit.org/a/20230206/2023020668y6.html.
[114] The TDB, established in 2003, is an organization for policy implementation and foreign trade promotion directly under MOFCOM. It provides public services to promote exchanges and cooperation between Chinese and foreign enterprises by organizing economic and trade exchange activities, domestic and foreign exhibitions, and business training.

partners in holding bilateral and multilateral economic and trade activities, such as the China-ASEAN Business and Investment Summit, the China-Latin America Entrepreneur Summit, the China-Arab States Cooperation Forum Entrepreneur Conference and Investment seminar, and the BRICS Business Forum.

3.2.5 Export finance, insurance, and guarantees

3.98. Export finance[115], insurance, and guarantees continue to be granted by several financial institutions with the mandate to promote foreign trade and cross-border investment. These include the China Export-Import Bank (China Eximbank), which provides export finance, and the state-owned China Export & Credit Insurance Corporation (SINOSURE), which provides export credit insurance and related guarantees. Foreign-owned companies are also eligible for the services of China Eximbank and SINOSURE. China does not participate in the OECD's Arrangement on Officially Supported Export Credits. The authorities indicate that China has always been actively involved in the consultation of the International Working Group on export credits, including its technical working group.

3.99. During the review period, there was no major change in the status of China Eximbank, which primarily offers overseas financing through a range of activities such as export credits, or in its objectives and mandates as a state-owned bank. In 2022, China Eximbank conducted CNY 1,418.6 billion worth of international settlement, guarantee, and trade finance business (international settlement registered CNY 843.6 billion, guarantee CNY 88.8 billion, and trade finance CNY 486.2 billion); at the end of 2022, the Bank's outstanding balance of foreign trade loans saw a year-on-year increase of 20%.[116] China Eximbank provides loans to support the Belt and Road Initiative (BRI). By the end of 2022, the loan balance to support the BRI amounted to CNY 2.2 trillion, covering more than 130 countries.

3.100. The authorities state that since the previous Review, there has been no policy change to export credit insurance provided by SINOSURE. In 2022, the total amount of export credit insurance was USD 753 billion, a large part of which was short-term export credit insurance. Based on information provided by the authorities, SINOSURE's export credit insurance in 2021 and 2022 covered 20.3% and 21.0%, respectively, of total exports.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.101. During the period under review, China continued to provide financial support (including incentives and subsidies) at both the central and local government levels, in a variety of forms to different sectors and industries, focusing mainly on industry, science, and technology.

3.102. Policies and industries identified as priority areas for support are outlined in the Central Government's Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-range Objectives through the Year 2035.[117] With the long-term goal of "modern socialism", the Five-Year Plan highlights innovation-driven development including digitalization, agricultural and rural development, improvement of state-owned enterprises (as well as private enterprises and foreign-invested enterprises), green development, people's well-being, and economic security.[118] It also emphasizes the role of the digital economy and includes the new

[115] The authorities state that this relates only to official export credit.

[116] China Eximbank, *2022 Annual Report*. Viewed at: http://www.eximbank.gov.cn/aboutExim/annals/2021_877/202306/U020230609413828602225.pdf.

[117] 14th Five-Year Plan for National Economic and Social Development and the Long-Term Goals for 2035.

[118] Government of China, *Major Targets in the 14th Five-Year Plan (2021-2025)*. Viewed at: http://english.www.gov.cn/w/14thfiveyearplan/.

government strategy of "dual circulation".[119] The Five-Year Plan highlights financial support in science and technology, high-tech enterprises, patents, and agriculture.[120]

3.103. During the review period, China submitted two notifications on subsidies to the WTO. The notification submitted in August 2021 covers subsidies provided in 2019 and 2020, and the one submitted in July 2023 covers the years 2021 and 2022.[121] The 2021 notification contains 71 central-level programmes that consist of 53 preferential tax policies and 18 financial appropriations, and 374 financial appropriations provided by 36 subcentral governments. The 2023 notification reports 69 central-level programmes that consist of 54 preferential tax policies and 15 financial appropriations. Thirty-six subcentral governments provide 385 financial appropriations.

3.104. The objectives of the notified measures vary and include promoting cutting-edge and traditional industries, supporting SMEs, helping development in rural areas, attracting FDI, protecting the environment, and helping people with disabilities. The subsidies on both the central and subcentral government levels are provided in the form of preferential tax treatments, grants, financial appropriations, and funds for specific objectives. Specifically, financial incentives to promote technology and innovation and support agriculture make up many notified programmes.

3.105. The largest single notified subsidy is a fund for the development of agricultural production of CNY 232,483 million. At the subcentral level, fiscal funds for poverty alleviation and rural revitalization in various provinces are the biggest. Almost all financial appropriations at the central level have data on their amounts in the notifications. However, the amounts of financial appropriations at the subcentral level concerning 54 programmes out of 374 in the 2021 notifications and 37 out of 385 in the 2023 notification are not available; the authorities state that this is due to statistical difficulties. The notifications do not provide any data on subsidy amounts for preferential tax policies, which according to the authorities is due to statistical difficulties.

3.106. During the review period, China continued to provide financial support to its agriculture sector (Section 4.1.1.4.3). China's 2021 and 2023 subsidy notifications also provide information about various programmes in the agriculture sector. China notified its domestic support measures in December 2022.[122] In the fisheries sector, eight programmes at the central government level were notified in 2021, and three programmes in 2023.[123]

3.107. In response to China's 2021 subsidy notification, Members submitted several communications (including questions).[124] These communications seek clarification on China's Government Guidance Funds (GGFs), state-owned banks, non-notified subsidies, funds for resolving overcapacities, and eligibility criteria. In its replies, China provided further details of the notified subsidies; the replies did not provide information on GGFs, state-owned banks, or the amount of non-notified expenditure.[125] In response to China's 2023 subsidy notification, several communications (including questions) were submitted by other Members.[126]

3.108. Overall, the two notifications submitted to the WTO during the review period and the replies provided by China do not enable the Secretariat to have a clear picture of China's support programmes. For example, the notifications do not provide information on expenditure levels in sectors where government support is likely to have global repercussions, such as aluminium, electric

[119] "Dual circulation" is a government strategy referring to a development pattern that prioritizes "domestic consumption while remaining open to international trade and investment". IMF (2023), *Growing Threats to Global Trade*. Viewed at: https://www.imf.org/en/Publications/fandd/issues/2023/06/growing-threats-to-global-trade-goldberg-reed.

[120] Funding and preferential tax treatment provided to encourage enterprises to engage in basic research on science and technology (Chapter 4); tax incentives provided to R&D expenses and high-tech enterprises (Chapter 5); optimization of the patent subsidy and for highly valued patents and patent-intensive industries (Chapter 7); support to develop an environment for private enterprise (Chapter 19); an agricultural subsidy policy (Chapter 25); and financial support to public services (Chapter 46). People's Government of Fujian Province. Viewed at: https://www.fujian.gov.cn/english/news/202108/t20210809_5665713.htm#C46.

[121] WTO documents G/SCM/N/372/CHN, 27 August 2021; and G/SCM/N/401/CHN, 20 July 2023.

[122] WTO document G/AG/N/CHN/63-67, 14 December 2022.

[123] WTO documents G/SCM/N/372/CHN, 27 August 2021; and G/SCM/N/401/CHN, 20 July 2023.

[124] WTO documents G/SCM/Q2/CHN/105, 106, 107, 110, 113, 114, 119, 120, 27 January 202 2–24 January 2023.

[125] WTO documents G/SCM/Q2/CHN/111, 112, 115-118, 121-123, 25 April 2022-26 April 2023.

[126] WTO documents G/SCM/Q2/CHN/124, 125, 126, 22-23 January 2024.

vehicles, solar modules, glass, shipbuilding, semiconductors, or steel. Materials made available to the Secretariat for this Review provide only limited information beyond the two notifications on China's subsidies.

3.109. Information available from commercial databases indicates large amounts of public support for companies in key economic sectors. Two databases, Wind and CSMAR, collect information based on annual balance sheets of companies listed on the three major Chinese stock exchanges. The data on support indicated in these databases exclude tax incentives but include grants and non-monetary assets given free of charge. Figures also exclude support paid to non-listed companies. According to the Wind database[127], China's total public support amounted to over CNY 250 billion in 2022 (Table 3.12). According to the CSMAR database[128], total support amounted to over CNY 245 billion in 2022, with a strong concentration in manufacturing (Table 3.13). Both databases show a large increase of support since 2018.

Table 3.12 Public support based on the Wind database, 2018-22

(CNY million)

Sector	2018	2019	2020	2021	2022
Materials	20,757.7	26,120.1	29,016.8	26,706.6	34,759.2
Telecom services	1,835.3	3,169.1	3,102.2	3,675.4	4,497.3
Real state	2,996.9	3,555.9	5,033.2	4,614.3	4,452.7
Industry	33,636.2	41,054.7	52,612.5	52,205.7	59,850.9
Utilities	4,489.1	5,622.3	5,354.0	7,975.7	7,885.2
Finance	8,420.7	8,682.1	11,043.3	12,970.8	14,150.7
Optional consumption	31,664.8	37,126.0	37,153.7	36,912.4	36,459.5
Energy	12,515.5	11,530.6	14,348.2	7,251.4	8,438.7
Daily consumption	7,397.3	8,292.4	10,726.7	10,311.3	11,116.0
Information technology	31,925.0	38,548.8	43,460.3	46,013.3	52,710.0
Medical insurance	11,084.0	12,614.7	16,177.2	15,521.4	16,266.9
Total	**166,722.4**	**196,316.7**	**228,028.2**	**224,158.3**	**250,587.1**

Source: WTO Secretariat, based on Wind Economic Database and Wind's definition of support and subsidy.

Table 3.13 Public support based on the CSMAR database, 2018-22

(CNY million)

Sector	2018	2019	2020	2021	2022
Mining	12,372.1	11,670.7	14,617.4	7,505.0	9,038.8
Electricity, heat, gas and water production and supply industry	4,062.6	5,417.6	4,960.2	7,777.0	7,700.4
Real estate	2,504.4	2,929.3	4,439.1	3,738.2	3,476.8
Construction	3,991.8	5,634.1	7,047.2	8,359.9	9,427.1
Transportation, storage and postal services	5,887.4	6,117.6	8,768.0	7,892.1	9,763.0
Education	112.1	165.2	218.6	118.6	84.4
Finance	7,343.9	8,243.0	11,031.5	13,132.9	14,252.4
Residential services, repairs and other services	10.2	3.2	2.4	0.0	0.1
Scientific research and technical services	669.5	985.2	1,294.6	1,712.6	2,181.0
Agriculture, forestry, animal husbandry and fisheries	845.2	969.2	1,429.5	1,656.8	1,712.8
Wholesale and retail trade	4,264.9	5,012.6	8,027.8	6,617.7	7,086.4
Water conservancy, environment and public facilities management	862.9	1,282.9	1,768.5	1,788.9	1,777.8
Health and social work	139.6	151.8	271.2	351.9	336.6
Culture, sports and entertainment	1,964.6	2,101.1	2,153.4	1,785.4	1,927.0
Information transmission, software and information technology services	5,188.5	6,920.5	8,099.7	8,953.5	12,885.0
Manufacturing	97,662.2	115,815.8	133,226.7	136,756.2	159,723.3
Accommodation and catering	121.8	158.9	688.0	481.5	160.1

[127] Wind Economic Database is a China-based intelligence company that provides data about China's economy and industries. Viewed at: https://www.wind.com.cn/mobile/EDB/en.html.

[128] CSMAR (China Stock Market and Accounting Research Database) is a China-based research-oriented database focusing on China's economy. Viewed at: https://data.csmar.com/.

Sector	2018	2019	2020	2021	2022
Comprehensive	251.4	596.8	729.5	569.8	610.0
Leasing and business services	2,615.8	2,601.2	2,425.2	2,563.1	2,940.3
Total	**150,871.0**	**176,776.5**	**211,198.8**	**211,761.0**	**245,083.3**

Source: WTO Secretariat, based on CSMAR database and CSMAR's definitions of support and subsidy.

3.110. There are investment funds including Government Investment Funds (GIFs) (or GGFs); they include public-private investment funds with the dual objective to produce financial returns and advance the Government's industrial policy goals, using public resources to make equity investments that the Government considers important.[129] There are 37 national and an estimated 2,100 subnational GIFs/GGFs. Table 3.14 and Table 3.15 provide an overview of major central and subcentral GIFs/GGFs. Most central GIFs/GGFs usually exceed an endowment of CNY 10 billion. No official figures were provided. As noted above, the incentives provided by these funds have generally not been notified to the WTO; the authorities state that these funds operate under market principles.

Table 3.14 Main national investment funds in China (including GIFs/GGFs)

Name	Founding year	Initial endowment (CNY billion)[a]	Policy incentives
National Fund for Technology Transfer and Commercialization	2015	8.74	Scientific and technological development
China SME Development Fund	2020	15.25	SME development
National Emerging Industry Venture Capital Guidance Fund	2016	40	Mass entrepreneurship and innovation
China SOE Structural Adjustment Fund	2016	350	"Supply-side structural reform", central enterprises structural adjustments
China State-owned Capital Venture Capital Fund	2016	200	To implement the national innovation-driven development strategy
Guoxin Guotong Fund	2016	150	To promote Chinese enterprises to participate in the Belt and Road Initiative
Central SOE National Innovation Investment Guidance Fund	2017	150	SOE reform
China Integrated Circuit Industry Investment Fund	2014 (Phase I) 2019 (Phase II)	36 (Phase I) 22.5 (Phase II)	National Integrated Circuit Industry Development Guidelines
China Trade in Service Innovation Investment Fund	2017	30	Investing in areas listed in the "Guiding Catalog for the Key Fields of Service Export" and "Guiding Catalog for the Key Development Fields of the Service Outsourcing Industry"
National Strategic Emerging Industries Development Fund	2018	30 (targeted)	13th Five-Year Plan for Strategic Emerging Industries Development 2016-2020
China Agricultural Reclamation Industry Development Fund ("China Reclamation Fund")	2018	2	Rural Revitalization Strategy
National Manufacturing Transformation and Upgrading Fund	2019	22.5	New materials, new-generation IT, electric power equipment
Advanced Manufacturing Industry Investment Fund	2015	6	Structural reform, upgrade traditional industries, adjust the distribution of key industries
Advanced Manufacturing Industry Investment Fund	2019	50.25	"Made in China 2025"

[129] N. Luong et al. (2021), "Understanding Chinese Government Guidance Funds", Center for Security and Emerging Technology. Viewed at: https://cset.georgetown.edu/wp-content/uploads/CSET-Understanding-Chinese-Government-Guidance-Funds.pdf.

Name	Founding year	Initial endowment (CNY billion)[a]	Policy incentives
Phase II China Cultural Industry Investment Fund	2020	0.5	Promote development of cultural industries such as media integration, and new forms of digital culture
Phase II (Limited Partnership) National Green Development Fund	2020	10.0	Enhancing Eco-environmental Protection
Central SOEs Industrial Investment Fund for Rural Area	2016	33.74	Rural Revitalization
China Public-Private Partnership Investment Fund	2016	180	PPP related initiatives
Modern Seeds Development Fund	2013	1.5	National Plan for Development of the Modern Crop Seed Industry
Guochuang Fund of Funds	2010	60	n.a.
Guoxie Phase I Equity Investment Fund	2016	30	n.a.
Guoxin Central SOE Operation Fund	2017	150	Supply-side structural reform, mixed-ownership reform, restructuring.

n.a. Not applicable.

a Some figures are estimates.

Source: Compiled by the WTO Secretariat, based on various sources.

Table 3.15 Major subnational funds (including GIFs/GGFs)

Name	Founding year	Endowment (CNY billion)	Industries
Shenzhen Guidance Fund	2015	100	Strategic emerging industries, i.e. information technology, healthcare, smart devices, environmental protection
Beijing Science and Technology Innovation Fund	2017	12	Optoelectronics, big data, new materials, clean energy, artificial intelligence, advanced manufacturing, healthcare, information technology, quantum computing
Jiangsu Provincial Government Investment Fund	2015	23.2	Strategic emerging industries, high-tech industries, advanced manufacturing industries
Wuhan Optics Valley Industrial Development Fund	2017	62	Optoelectronic information industry, new energy and environmental protection, high-end equipment manufacturing, high-tech services
Xiamen Industrial Investment Fund	2011	125.1	Displays, computer and telecom devices, healthcare, new material, tourism and exhibitions, logistics, software, finance, culture
Beijing High-Precision Industry Development Fund	2015	4	Information technology, medicine and health, integrated circuits, intelligent connected cars, intelligent manufacturing and equipment, green energy, energy conservation and environmental protection
Guangdong Finance Fund	2016	93.5	Advanced manufacturing, energy conservation and environmental protection, biomedicine
Hefei Venture Capital Guidance Fund	2014	95	Quantum communications, new energy vehicles, gas turbines, precision manufacturing
Qingdao Guidance Fund	2021	38.6	Smart home appliances, rail transit equipment, new energy vehicles, high-end chemicals, marine equipment
Shandong Province New and Old Drivers Conversion Guidance Fund	2018	..	Information technology, high-end equipment, new energy and new materials, smart ocean, medical care and health

Name	Founding year	Endowment (CNY billion)	Industries
Futian Guidance Fund	2015	160	Renewable energy, new material, aviation, healthcare, information technology
Anhui Small and Medium Enterprises Development Fund	2017 (Phase I) 2022 (Phase II)	20 (Phase I) 20 (Phase II)	SMEs in electronic information, high-end equipment, intelligent manufacturing, new materials, biomedicine

.. Not available.

Source: Compiled by the WTO Secretariat based on various sources.

3.111. In the absence of official information, different estimations exist on the cumulative endowment of all GIFs/GGFs, ranging from CNY 1.89 trillion[130] to CNY 6.51 trillion.[131] Central GIFs/GGFs have been sponsored by authorities such as the MST, the State-owned Assets Supervision and Administration Commission (SASAC), the MIIT, and the NDRC, with different investment priorities and policy goals. Table 3.16 lists policy documents governing their management.

Table 3.16 Policy documents managing GIFs/GGFs

Year	Government document	Ministry	Remarks
2008	Guiding Opinions on the Standardized Establishment and Operation of Venture Capital Guidance Funds[a]	NDRC, MOF, MOFCOM	Guo Ban Fa [2008] No. 116
2015	Interim Measures for the Administration of Government Investment Funds[b]	MOF	Cai Yu [2015] No. 210
2016	Interim Measures for the Administration of Government-Sponsored Industrial Investment Funds[c]	NDRC	Guo Fa [2016] No. 2800
2022	Opinions on Further Improving the Policy Environment and Increasing Efforts to Support the Development of Private Investment[d]	NDRC	Guo Fa [2022] No. 1652

a Viewed at: https://www.gov.cn/gongbao/content/2008/content_1139420.htm.
b Viewed at: https://www.gov.cn/gongbao/content/2016/content_5051233.htm.
c Viewed at: https://www.ndrc.gov.cn/xxgk/zcfb/ghxwj/202006/t20200616_1231357.html.
d Viewed at: https://www.ndrc.gov.cn/xxgk/zcfb/tz/202211/t20221107_1340900.html.

Source: WTO Secretariat, compiled from various Chinese government websites.

3.112. With the prevalence of many state-owned enterprises (SOEs), it can be difficult to get a full sense of the degree of government support (Section 3.3.5). The authorities are of the view that SOEs operate on market principles.

3.113. Given the importance of the Chinese economy and the size of government support accorded to individual companies, China's support measures can affect global markets, downstream industries, and individual value chains. Such effects of China's support cannot be quantified in general, as relevant data are not publicly available. No official studies on the impact of China's public support on productivity growth and innovation are available. Nevertheless, several academic papers that discuss the relationship between government support, productivity, and innovation exist.[132]

[130] List of national GGFs in 2023, aggregated by Beijing Private Equity Association. Viewed at: https://mp.weixin.qq.com/s/zlfBfuX3x_efhtFbFozYqw.
[131] China VC/PE Market Review 2022. Viewed at: https://research.pedaily.cn/202302/507620.shtml.
[132] These include L. Branstetter et al. (2022), "Picking Winners? Government Subsidies and Firm Productivity in China", *Journal of Comparative Economics*, Vol. 51, Issue 4, pp. 1186-1199; F. Pan et al. (2021), "State-led Financialization in China: The Case of the Government-guided Investment Fund", *The China Quarterly*, Vol. 247, pp. 749-772; H. Cheng et al. (2019), "Do Innovation Subsidies Make Chinese Firms More Innovative? Evidence from the China Employer Employee Survey", NBER Working Paper 25432; L. Jia et al. (2021), "Impact of Chinese Government Subsidies on Enterprise Innovation", *Sustainability*, Vol. 13, Issue 3, pp. 1288ff; L. Song and Y. Wen (2023), "Financial Subsidies, Tax Incentives and Technological Innovation in China's Integrated Circuit Industry", *Journal of Innovation & Knowledge*, Vol. 8, Issue 3, pp. 100406ff; and S. Zhang et al. (2024), "Do Government Subsidies Promote Enterprise Green Innovation? Evidence from Listed Companies in China", *Applied Economics*, pp. 1-21.

3.3.2 Standards and other technical requirements

3.3.2.1 Overview and trend

3.114. The Standardization Law (1988), amended in 2018, and the Regulations for the Implementation of the Standardization Law (1990) constitute China's main legislation on standards. The Standardization Law lays out the process of formulating and implementing standards. These aim to enhance the quality of products and services; promote scientific and technological progress; ensure human health, security, and property; safeguard national and eco-environmental security; and raise the overall level of economic and social development.[133]

3.115. The SAMR, established in 2018, is responsible for standards development and for law enforcement and market supervision related to product quality, food safety, measurement, certification, accreditation, and standards. Under the SAMR, the Standardization Administration of China (SAC) is responsible for unified supervision and overall coordination of standardization work, and it also represents China in international standardization organizations. The China National Certification and Accreditation Administration (CNCA) is responsible for unified governing, supervision, and coordination of certification, accreditation, inspection, and testing in the field of conformity assessment; it represents China in international conformity assessment organizations. It is also in charge of the implementation and supervision of the China Compulsory Certificate (CCC) scheme.

3.116. New standards-related rules promulgated by the SAMR during the review period include revised Measures on the Administration of National Standards (entry into force 1 March 2023), revised Measures on the Administration of Sector Standards (expected entry into force 1 June 2024), and Measures on the Management of Agricultural and Rural Standardization (expected entry into force 1 July 2024).

3.117. In October 2021, the CPC Central Committee and the State Council issued the National Standardization Development Outline; an action plan for its implementation was issued in July 2022. The Outline establishes "four transformations" on standardization as the goal to be achieved by 2025: (i) equal emphasis on the government and the market; (ii) application to the whole economy and society; (iii) standards mutually promoted by domestic and international perspectives; and (iv) quality and efficiency.[134]

3.118. Based on the Outline, the SAC issued National Standard Project Guidelines in 2022 and 2023, requiring and encouraging the central and subcentral governments and industry associations to work on standards setting.[135] The objectives of the 2023 National Standard Project Guidelines are to promote the development of standardization; strengthen the transformation of scientific and technological outcomes; promote the convergence of standards along the industrial production chain; advance the opening to international standards and systems; and strengthen the effective supply of domestic standards.[136] Major objectives for 2025 include a 50% target for the proportion of standards-related research results in key technologies, and a conversion rate of 85% of international into national standards.

3.119. The China Standards 2035 plan lays out a blueprint for the Government and leading technology companies to set global standards for emerging technologies like 5G Internet, the Internet of Things, and artificial intelligence (AI). It will work in concert with China's other industrial policies – namely Made in China 2025 – as a tool to help China become a global leader in high-tech innovation.

3.120. China is a member of various international organizations related to standards, such as the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), and the International Telecommunication Union (ITU).

[133] Standardization Law, Order No. 78, Article 1.
[134] SAC, Guidelines for Establishing National Standards in 2023, Article 1(2).
[135] State Council, National Standardization Development Outline, 10 October 2021.
[136] SAC, Guidelines for Establishing National Standards in 2023, Article 1(1)-(5).

3.121. The authorities indicate that China has been increasingly active in setting global standards for emerging technologies.[137] The key areas of China's standardization research include AI, quantum information, biotechnology, high-speed railways, NEVs, intelligent networked vehicles, and robots.[138]

3.3.2.2 Standards and technical regulations

3.122. The Standardization Law classifies China's standards into five categories: national, sector, local, association, and enterprise. The national standards include voluntary and mandatory standards; sector and local standards are voluntary.

3.123. As at January 2024, there were 44,332 national standards (2,023 mandatory and 42,309 voluntary), and 601 guiding technical documents.[139] Between 2,000 and 3,000 national standards are adopted every year (Table 3.17). The authorities indicate that over 80% of national standards are aligned to international standards. In key-equipment manufacturing and new-generation information technology, the international standards conversion rate has exceeded 90%; for the standards of key consumer products, the level of consistency with international standards has risen to 95%.

Table 3.17 Standards approved, 2020-23

	2020	2021	2022	2023
National standards	2,252	2,815	2,266	2,902
Mandatory	99	76	82	75
Voluntary	2,153	2,739	2,184	2,827
Sectoral standards (voluntary)	3,474	3,656	2,791	..
Local standards (voluntary)	7,383	8,359	8,010	..

.. Not available.

Source: Information provided by the authorities.

3.124. China adopted a wide variety of new sector- and product-based national standards during the review period. New mandatory standards adopted concerned feed additives, oil tankers, medical electrical equipment, energy consumption, and pollution control. New voluntary standards were adopted on biometric data interchange formats, information security technology, and formats for additive manufacturing. During the review period, China increasingly developed standards related to digitalization and new technology. The authorities indicate that, for example, China adopted more than 10 new standards related to smart cities.

3.125. The Research Center for International Inspection and Quarantine Standards and Technical Regulations under the GACC is China's TBT Enquiry Point and responsible for submitting TBT notifications.

3.126. Between January 2021 and February 2024, China submitted 315 TBT notifications, mostly under Article 2.9 of the TBT Agreement.[140] The majority of the technical regulations notified aim to protect human health and safety, ensure quality requirements, or prevent deceptive practices towards consumers.

3.127. Between January 2021 and February 2024, a total of 21 TBT-related specific trade concerns (STCs) were raised by other Members against China. Eight of these STCs were newly raised.[141]

3.128. Between January 2021 and February 2024, China raised 65 TBT-related STCs against other Members.

[137] State Council, National Standardization Development Outline, 10 October 2021.
[138] SAC, Guidelines for Establishing National Standards in 2023, Article 2(3).
[139] SAMR. Viewed at: https://openstd.samr.gov.cn/bzgk/gb/index.
[140] WTO document G/TBT/N/CHN/ series, 1 January 2021-5 February 2024.
[141] STCs 655, 677, 706, 749, 751, 761, 784, 788, and 804.

3.3.2.3 Product certification

3.129. No major changes have taken place in the legislation and institutional design governing China's certification system. China administers both compulsory and voluntary certification systems, the latter related to management, services, and organic and green products. The compulsory product certification system applies to both domestic products and imports, based on national mandatory standards. According to the SAMR, as of March 2024, 3.824 million certifications have been issued, mainly in the Guangdong, Jiangsu, and Zhejiang provinces.

3.130. In September 2022, the SAMR released its 14th Five-Year Plan for the development of certification, accreditation, inspection, and testing. The Plan contains several tasks related to enhancement of industrial capacity, promotion of industrial and supply chain modernization, manufacturing optimization and upgrading, and enhancement of international cooperation.

3.131. The CNCA is responsible for product certification. Certification and accreditation are regulated by the Product Quality Law, the Import and Export Commodity Inspection Law, and the Regulation on Certification and Accreditation (amended in November 2020), as well as various measures such as Measures for the Administration of Certificate Bodies (amended in November 2020), and the Measures for the Administration of Certification Certificates and Certification Marks. Since June 2022, the China National Accreditation Service for Conformity Assessment (CNAS) offers a new category of accreditation services, for approval and verification purposes. The CNCA has authorized 34 accredited bodies, including 22 accredited certification bodies, 2 accredited Validation and Verification Bodies, 9 accredited laboratories, and 1 inspection body.[142]

3.132. Regulations on the Administration of Compulsory Product Certification and the Measures for the Administration of Compulsory Product Certification Bodies, Inspection Bodies and Laboratories, both amended in 2022, govern China's compulsory certification system and clarify the duties of regulators.[143] The 2022 amendments reflect the shift in responsibility to the SAMR in 2021, without containing any substantial change.

3.133. The purpose of China's compulsory certification system is to protect national security, prevent fraudulent acts, protect human health or safety, protect animal and plant life or health, and protect the environment.[144] Under the system, the relevant domestic products and imports must be certified and marked with the CCC certification before sale. The products subject to compulsory product certification are listed in the Compulsory Product Certification Catalogue (CCC Catalogue), which was last renewed in 2023.[145] There are two types of assessments: third-party assessment and self-declaration. The CCC Catalogue lists 96 products including electronic equipment, machinery, and automobiles; self-declaration is possible for 19 products.

3.3.2.4 Labelling and packaging

3.134. Several laws and regulations establish labelling and packaging rules, mainly on food, drugs, cosmetics, and medical devices. The National Health Commission is responsible for food label standards, while the National Medical Products Administration (NMPA) under the SAMR is responsible for regulations on drugs, cosmetics, and medical devices.

3.135. The Food Safety Law requires domestic and imported pre-packaged food and food additives to have labels in Chinese containing information such as the date of production, ingredients, the name of the producer, and the origin of the food. Prepacked food without correct Chinese labels may not be imported.[146] The Regulations on the Implementation of the Food Safety Law reiterate this requirement.[147] In addition, various rules provide additional details on food labelling and packaging, including the National Safety Standard General Rules for the Nutrition Labelling of Pre-packaged Foods (GB28050-2011), the National Food Safety Standard General Rules for the Labelling of Pre-

[142] The list can be viewed at: https://www.cnas.org.cn/cxzq/697737.shtml.
[143] AQSIQ Announcement No. 117, 2009; and SAMR Announcement No. 6, 2022.
[144] AQSIQ Announcement No. 117, 2009, Article 2.
[145] Implementation rules can be viewed at: https://www.cnca.gov.cn/hlwfw/ywzl/qzxcprz/ssgz/art/2021/art_dc8623c0d4bb4c7fb7790e4b064e212a.html.
[146] Food Safety Law, Articles 67 and 97.
[147] Regulations on the Implementation of the Food Safety Law, Article 40.

packaged Foods (GB7718-2011), and the National Food Safety Standard General Rules for Labelling of Pre-packaged Foods for Special Dietary Uses (GB13432-2013).

3.136. Labelling and packaging requirements for drugs and cosmetics are laid out in the Drug Administration Law, the Regulation for the Implementation of the Drug Administration, the Pharmaceutical Administration Law, the Product Quality Law, and the Regulations on the Supervision and Administration of Cosmetics.

3.137. During the review period, several changes and updates took place, especially on label defects. Regarding food labelling, the Measures of Supervision, Inspection and Administration of Food Production and Operation came into effect in March 2022, clarifying the authority and the criteria for defects in labels.[148] The Measures of Import and Export Food Safety effective from January 2022 require the Chinese label of imported health food and food for special dietary used to be printed on the smallest package.[149]

3.138. The National Food Safety Standard General Rules for the Labelling of Pre-packaged Foods (GB7718-2011) are currently under revision, involving the following changes: requirements for digital and quantitative labelling, and labelling of dates and of allergens in food.

3.139. In May 2021, the MNPA issued the Administrative Measures on Cosmetic Labelling, which requires cosmetic producers to update labelling by May 2023.[150] According to policy interpretation, it aims to unify the previous regulations and standards and to effectively address false and exaggerated claims. The main contents include the definition of cosmetic labels, details of requirements, prohibited label content, and specific circumstances of label defects.[151] In response, some Members raised an STC on the measure.[152]

3.140. In addition, the Provisions for Supervision and Administration of Manufacturing and Marketing of Cosmetics came into effect in January 2022; Articles 35-37 clarify the circumstances of label defects.[153] The Provisions for Supervision and Administration of Online Drug Sales, effective since December 2022, regulate online sales of prescription drugs and prohibit the display of the label and the package of prescription drug on the main web page.[154]

3.3.3 Sanitary and phytosanitary requirements

3.3.3.1 General framework

3.141. The 13th Five-Year Food Safety Plan (2016–2020) has served as China's main guiding document for the recent reforms of its food safety system. The Plan considered sound food safety governance as a pivotal element for the development of the food industry. As indicated during the previous Review, targeted reform areas included increasing inspections and testing, improving food safety standards and their integration with relevant international standards, upgrading research and testing capacities, and strengthening the enforcement of food safety laws and regulations. The 14th Five-Year Plan for the Modernization of Market Regulation takes the same approach and lays out, among other things, several general pillars to guide the authorities' efforts in improving the food and drug safety system.[155] Throughout the duration of the Plan's implementation, China aims to further enhance the quality and safety supervision across the entire food supply chain through a scientifically grounded approach. This entails prioritizing the alignment of general food safety standards, including those for pesticide residues, veterinary drug residues, heavy metals, food contaminants, and pathogenic microorganisms. Additionally, efforts will focus on advancing and

[148] Measures of Supervision, Inspection and Administration of Food Production and Operation, SAMR Announcement No. 49, 2021, Article 37.
[149] Measures of Import and Export Food Safety, SAMR Hai Guan [2021] No. 249.
[150] Administrative Measures on Cosmetic Labelling, MNPA Announcement No. 77, 2021.
[151] Political Interpretation on Administrative Measures on Cosmetic Labelling, NMPA, 31 June 2021.
[152] WTO document G/TBT/M/82, 5 January 2021.
[153] Provisions for Supervision and Administration of Manufacturing and Marketing of Cosmetics, SAMR Announcement No. 46, 2021, Articles 35-37. Viewed at: http://english.nmpa.gov.cn/2022-10/25/c_824567.htm.
[154] Provisions for Supervision and Administration of Online Drug Sales, SAMR Announcement No. 58, 2022, Article 13.
[155] State Council, 14th Five-Year Plan for the Modernization of Market Regulation. Viewed at: https://www.gov.cn/zhengce/zhengceku/2022-01/27/content_5670717.htm.

updating fundamental food safety standards, product specifications, labelling requirements, and inspection methodologies essential for industrial development, while also streamlining enforcement mechanisms. Furthermore, there is a commitment to intensify supervision of imported food safety to effectively mitigate risks associated with imported products.

3.142. China's sanitary and phytosanitary (SPS) framework is mainly regulated through the Food Safety Law (2009, last revised in 2021), the Law on Quality and Safety of Agricultural Products (2006, last revised in 2022), the Law on Animal Epidemic Prevention (1997, last revised in 2021), the Law on the Entry and Exit of Animal and Plant Quarantine (1992, last revised in 2009), the Regulations on Plant Quarantine (enacted in 1983, last revised in 2017), the Law on Inspection of Import and Export Commodities (1989, last revised in 2022), and their implementing measures and regulations. The Biosafety Law was adopted in October 2020 and came into effect on 15 April 2021. The law implemented guidelines covering various aspects including preventing and controlling infectious diseases, regulating biotechnology research and applications, ensuring safety and practices in biological laboratories, safeguarding biological and human genetic resources, preventing the spread of invasive species, conserving biodiversity, and taking steps to counter bioterrorism.[156] These primary laws and regulations continue to serve as the basis for the making and enforcement of the country's health standards for produced and traded animal, plant, and food products.

3.143. The institutional framework did not undergo any significant change during the review period. The National Health Commission is responsible for risk assessment, risk surveillance, and the establishment of national standards for food safety. The SAMR's main role in the SPS framework continues to include policy formulation, the emergency response system, investigation of major food safety incidents, and food safety inspections. The Ministry of Agriculture and Rural Affairs (MARA) deals with, *inter alia*, the safety and quality of agricultural products; early warning in collaboration with relevant international arrangements; and drafting measures administering entry and exit of animals and plants, including quarantine and prohibitions. The GACC is responsible for drafting measures administering entry and exit of animals and plants, including quarantine and prohibitions. It oversees the quarantine and health inspection procedures for the entry and exit of animals, plants, and their products and liaises with MARA to determine and adjust the related catalogues.

3.144. Within the GACC, the SPS Notification and Enquiry Division in the Research Centre for International Inspection and Quarantine Standards and Technical Regulations remains China's WTO SPS Enquiry Point, and the WTO Notification and Enquiry Centre within MOFCOM is its national notification authority.[157]

3.3.3.2 Safety standards for food, animals, plants, and their products

3.145. In accordance with the Food Safety Law, all imported food, food additives, and related products must adhere to China's food safety standards. According to the authorities, during the review period, regulations pertaining to food safety standards in China were adopted by the National Health Commission, MARA, and the SAMR. These include the 2021 regulations establishing the Maximum Residue Limits of Pesticides in Foods (GB2763-2021), the 2022 Maximum Residue Limits of 41 Veterinary Drugs in Foods (GB31650.1-2022), and the 2022 Maximum Residue Limits of 112 Pesticides in Foods (GB2763.1-2022). The authorities note that pursuant to the Food Safety Law, China adopts national food safety standards in accordance with internationally accepted principles. On the safety standards of food, animals, plants, and relevant products, MARA indicated that by end-March 2024, China had cumulatively 13,755 national standards.

3.146. On 12 April 2021, China adopted the Measures for the Administration of Safety of Imported and Exported Food (GACC Announcement No. 249), which entered into force on 1 January 2022. The regulation provides details on the GACC rules on safety inspection and assessment of imported food products and measures to mitigate food safety risks. It also has requirements on labelling of food products (Section 3.3.2.4).

3.147. The Measures require importers to obtain quarantine clearance from the GACC prior to importation, if they intend to export a new type of food to China, or if the food originates from an

[156] Ministry of Ecology and Environment (2021), "Biosecurity Law Goes into Effect", 16 April. Viewed at: https://english.mee.gov.cn/News_service/media_news/202104/t20210416_828952.shtml.

[157] WTO SPS and TBT platform, *Enquiry Points/Notification Authorities*. Viewed at: https://eping.wto.org/en/EnquiryPoint/sps-nna.

entity affected by a notable outbreak of animal or plant disease. This principle is also applicable when the exporting territory experiences substantial alterations to its food safety regulations. In such instances, the Measures empower the GACC to initiate an evaluation of the territory's food safety regulations.

3.148. In cases of high risk, more drastic measures can be taken by the authorities. For instance, if there are food safety incidents in the exporting entity, the GACC might opt, *inter alia*, to (i) intensify inspections on the relevant imported food, or (ii) suspend or ban imports when the exporting entity is experiencing an epidemic affecting plants and animals, or if there is evidence of imported food contaminated by pathogens. The Measures also outline the procedure for termination and extension of such measures.

3.149. The Measures mandate that all foreign food production companies intending to export food to China are required to register with the GACC. Before the Measures, only manufacturers of meat products, aquatic products, dairy products, and bee products were required to register with the GACC. This system was updated by the Measures, which have repealed the Import and Export Food Safety Measures adopted in 2011, and specific measures on exported and imported honey, aquatic products, meat products, and dairy products.[158] The authorities indicate that the registration system is based on science and risk assessment. It also considers the food safety management situation of different countries/regions.

3.150. In the context of the new registration system, the 2021 Regulations on the Registration and Administration of Overseas Manufacturers of Imported Food outline the specific steps and documentation necessary for this registration process.[159] The GACC divided the registration into two models. The first model, under which manufacturers can be registered by the simplified "self-application" mode (direct application by the manufacturer), covers most categories of food. In addition, companies that produce certain categories of food are subject to stricter registration requirements and can only register if they are recommended by the authorities of the territory in which they are located.[160] In this case of "official recommended registration" mode, the competent authorities shall inspect their recommended enterprises and submit the relevant inspection materials confirming that such enterprises have met the requirements. Some of China's trading partners have raised concerns about the rationale of imposing these requirements on all food products, irrespective of their risk profiles. Some have also expressed concern over the Measures for being, *inter alia*, "overly burdensome" and more trade restrictive than necessary.[161] The authorities contend that the GACC has successively issued the interpretation of the Regulations, guidelines, and various supporting documents and forms for registration application. The GACC has also held briefings and training with trading partners, and established a specific contact point for the Regulations.

3.151. The animal and plant health protection framework did not undergo noticeable reforms. The 1997 Law on Animal Epidemic Prevention seeks to administer, prevent, contain, and eradicate the spread of animal diseases, with a view to safeguarding the production and safety of the breeding industry and protecting human health.

3.152. The 2006 Law on Quality and Safety of Agricultural Products administers the safety standards and the supervision and inspection protocols governing agricultural products. It was amended on 2 September 2022, and came into effect on 1 January 2023. The revision aimed to harmonize its

[158] Measures for Inspection, Quarantine, and Administration of Exported Honey, Measures for the Supervision and Administration of Inspection and Quarantine of Imported and Exported Aquatic Products, Measures for the Supervision and Administration of the Inspection and Quarantine of Imported and Exported Meat Products, Measures for the Supervision and Administration of Inspection and Quarantine of Imported and Exported Dairy Products, and Provisions on the Recordation Administration of Enterprises Producing Exported Food.

[159] GACC, Provisions of the People's Republic of China on the Registration and Administration of Overseas Manufacturers of Imported Food. Viewed at: http://jckspj.customs.gov.cn/spj/zcfg18/bmgz91/3979122/index.html?ref=chinatrademonitor.com.

[160] These types of food include meat and meat products, casings, aquatic products, dairy products, birds' nests and birds' nest products, bee products, eggs and egg products, edible oils and fats, oilseeds, stuffed pastry products, edible grains, milled grain industry products and malt, fresh and dehydrated vegetables and dried beans, condiments, nuts and seeds, dried fruits, unroasted coffee beans and cocoa beans, foods for special dietary purposes, and functional foods.

[161] WTO document G/SPS/R/102, 17 September 2021.

provisions with those of the Food Safety Law, in particular with regard to the newly adopted National Food Safety Standard Maximum Residue Limits of Pesticides in Food.

3.3.3.3 SPS measures

3.153. From April 2021 to March 2024, China notified some 101 SPS measures to the WTO (regular and emergency measures), of which 2 were emergency measures affecting specific Members.[162]

3.154. In January 2022, notification was made on emergency measures that establish plant quarantine requirements for imports of pinewood (including logs and sawn timbers) from seven entities (Canada, Japan, the Republic of Korea, Mexico, Portugal, Spain, and the United States) suffering from *Bursaphelenchus lignicolus*.[163] The measures require that pre-export testing be undertaken by the relevant authorities in the exporting country, to ensure log exports are free of *Bursaphelenchus lignicolus* and fumigated subsequently. Sawn timbers must undergo a heat treatment, and pinewood must enter China enter through designated ports.

3.155. In addition, the emergency notification in the Announcement by the GACC on suspending imports of all aquatic products from Japan was made in 2023.[164] The authorities contend that this is an emergency provisional measure, aiming at seeking to fully guard against the risk of radioactive contamination of food products caused by the discharge of nuclear contaminated water from Fukushima in Japan, as well as protecting the health of consumers. They mentioned they have been actively pursuing further information essential for the assessment, yet the outcomes thus far have not met expectations.

3.156. During the review period, 13 STCs, involving Chinese measures, were raised in the WTO SPS Committee (Table 3.18).

Table 3.18 SPS-related STCs raised against China, April 2021–February 2024

STC	Member(s) raising STC, (Members supporting the concern)	Member(s) responding to trade concern	First raised/last raised, (number of times subsequently raised)
Import restrictions on fishery products	Mexico	China	2021, (1)
Restrictions on bovine meat imports	India	China	2021/2022, (3)
Concerns with transparency, delays and due process associated with China's import requirements for agricultural goods	Australia (Russian Federation)	China	2021/2022, (5)
General import restrictions due to bovine spongiform encephalopathy (BSE)	European Union; United States (Canada; Switzerland; United States; Uruguay)	Argentina; Australia; Brazil; China; Colombia; Egypt; Japan; Jordan; Republic of Korea; Malaysia; Philippines; Kingdom of Saudi Arabia; Singapore; South Africa; Chinese Taipei; Thailand; Türkiye; Ukraine; United States; and some other Members	2004/2023, (49)
Import restrictions due to African swine fever (ID 392)	European Union	China	2015/2023, (19)

[162] WTO SPS and TBT Platform, China. Viewed at: https://eping.wto.org/en/Search/Index?domainIds=2&countryIds=C156&distributionDateFrom=2021-04-01&distributionDateTo=2024-02-29.
[163] WTO document G/SPS/N/CHN/1243, 6 January 2022.
[164] WTO document G/SPS/N/CHN/1283, 31 August 2023.

STC	Member(s) raising STC, (Members supporting the concern)	Member(s) responding to trade concern	First raised/last raised, (number of times subsequently raised)
Import restrictions due to highly pathogenic avian influenza	European Union; United States (European Union; United States)	China	2016/2023, (21)
Actions related to COVID-19 that affect trade in food and agricultural products	Australia; Canada; European Union; India; Japan; Russian Federation; Chinese Taipei; United States (Australia; Brazil; European Union; India; Japan; Kenya; Mexico; New Zealand; Norway; Paraguay; Russian Federation; Switzerland; Chinese Taipei; United Kingdom)	China	2020/2023, (10)
Administrative measures for registration of overseas manufacturers of imported food (26 November 2019)	Australia; Canada; European Union; Japan; United States (Canada; European Union; Japan; Kenya; Republic of Korea; Norway; Peru; Philippines; Senegal; Switzerland; Chinese Taipei; Thailand; Uganda; United Kingdom)	China	2020/2023, (11)
Proposed new health certificate format for shrimp imports	India	China	2021/2023, (6)
Delay in approving requests for new listing and reinstatement of export establishments	Australia; Canada; European Union; Japan; United States (Canada; European Union; Norway; United Kingdom; United States)	China	2021/2023, (9)
Import suspension of fresh fruits	Chinese Taipei	China	2021/2023, (7)
Suspension of beef imports due to BSE restrictions	Canada (European Union)	China	2023, (3)
Import restrictions on heat-treated pet food containing poultry ingredients due to highly pathogenic avian influenza	Canada	China	2023, (3)
Import restrictions on aquatic products after the discharge of ALPS treated water	Japan	China; Hong Kong, China; Macao, China; Russian Federation	2023, (1)

Source: WTO SPS Information Management System. Viewed at: http://spsims.wto.org.

3.3.3.4 Inspection and quarantine

3.157. Inspections for the purposes of SPS measures, including quarantine procedures, remained broadly unchanged during the review period. The GACC is in charge of entry/exit inspection as well as administering quarantine. In accordance with the Law on Entry and Exit Animal and Plant Quarantine, the Law on Import and Export Commodity Inspection, and their Implementation Regulations, the Catalogue of Entry-Exit Commodities Subject to Inspection and Quarantine sets out the list of animals, plants, and related products subject to inspection and quarantine upon entry,

exit, or transit through China. The latest revision of the Catalogue was made through GACC Announcement No. 79, 2022. Inspection and quarantine can also be required for some products not listed in the Catalogue but found to carry unexpected issues of concern.

3.158. For imports subject to quarantine, importers must submit their application, together with relevant documents, to the GACC. The GACC is mandated to issue a quarantine permit or notify refusal within 20 working days of receipt. By law, large or medium-sized breeding animals shall be subject to quarantine in animal isolation facilities for 45 days; incoming aquatic animals intended for breeding, cultivation, and ornamental purposes shall undergo a mandatory quarantine for at least 14 days in designated quarantine facilities; and other import animals shall be subject to quarantine for 30 days. If items subject to quarantine fail to pass the quarantine inspection, the GACC will issue a Quarantine Treatment Notice and inform the owner or their representative to carry out necessary treatments such as disinfection.

3.159. According to the authorities, since 2021, 22.74% of large and medium-sized animals failed pre-inspection upon arrival. Appeals can be made in accordance with relevant laws and regulations.

3.160. Exports of animals, plants, and their products listed in the Catalogue must also adhere to the quarantine regulations. Exporters are required to seek quarantine approval from the GACC at the designated port of export prior to shipping the goods.

3.161. In principle, as per the Implementing Regulations for the Law on Inspection of Import and Export Commodity, importers have the option to request re-inspection within seven days of receiving the inspection report if they disagree with the findings.

3.162. Animals, plants, and their products also require sanitary or phytosanitary certificates from the relevant authority of the exporting country or region (except as otherwise provided).

3.163. In April 2023, MARA released the Detailed Rules for the Review of Gene-edited Plants for Agricultural Purposes (Trial Edition) to guide the safety assessment procedures and support research organizations undertaking R&D. The Rules specify the standards of classification and the content of review for gene-edited plants. For gene-edited plants that do not contain exogenous genes, if the data obtained from tests indicate that the plants will not pose an environmental safety risk, the safety certificates necessary for the production of genetically modified plants can be directly applied.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.3.4.1.1 Legislative and institutional framework

3.164. The main legislation related to competition, the Anti-Monopoly Law (AML), contains rules for the following types of anti-competitive conduct: (i) cartels; (ii) abuse of a dominant position; (iii) concentrations (mergers and acquisitions); and (iv) abuse of administrative power. The Law applies to anti-competitive practices conducted in China but also abroad if these "eliminate or restrict competition in China's domestic market".[165] The Law does not apply to "joint or concerted actions taken by agricultural producers and rural economic organizations in business activities such as the production, processing, sale, transportation, or storage of agricultural products".[166]

3.165. The AML also establishes a "fair competition review", based on which state bodies tasked with adoption of legislative acts regulating "economic activities of market entities" shall undergo fair competition review process with the aim of making sure that the proposed legislation will not create entry barriers or harm the competition.

3.166. In 2021, an Anti-Monopoly Administration was created within the scope of the SAMR. The Bureau has "vice-ministerial" status providing it with considerable independence, such as the

[165] Anti-Monopoly Law, Article 2. Viewed at: https://www.chinalawtranslate.com/en/anti-monopoly-law-2022/.

[166] Anti-Monopoly Law, Article 69. Viewed at: https://www.chinalawtranslate.com/en/anti-monopoly-law-2022/.

possibility to receive instructions from the State Council directly, the possibility to interact directly with other state agencies and the power to draft competition-related acts.[167] The three departments within the Bureau are charged with drafting competition-related regulations, enforcing the law against cartels and abuses of dominant position, and conducting merger control.

3.3.4.1.2 Main legislative amendments

3.167. The AML was amended during the review period, and entered into force on 1 August 2022. "Safe harbour" rules were included to address situations where a vertical agreement does not have the effect of eliminating competition or when the market share of an undertaking is below the threshold prescribed by the Provisions on the Prohibition of Monopoly Agreements (below 15%). No safe harbour rules have been introduced for horizontal agreements.

3.168. There are also new rules that increase the threshold for merger/acquisition notifications. The transaction needs to be notified when (i) the combined worldwide turnover of the undertakings is more than CNY 12 billion and the turnover in China of each of at least two of the undertakings is CNY 800 million; or (ii) the combined turnover of the undertakings in China is more than CNY 4 billion and the turnover in China of each of at least two of the undertakings is CNY 800 million. If these thresholds are not met, the merger/acquisition still needs to be notified if the turnover in China of one of the undertakings is more than CNY 100 billion and the other undertaking has a market value of CNY 800 million or more and generates more than one third of its overall turnover in China. Even if the thresholds are not met, the competition authority might require the undertakings to declare such transaction in case it has or can have an anti-competitive effect.[168]

3.169. Even if a merger/acquisition is not prohibited, the competition authority may impose additional restrictive conditions to limit the potential negative effect on competition in the market, such as structural conditions (e.g. divestiture of IPRs); behavioural conditions (e.g. licensing of key technologies and giving access to platforms); or a combination of both.[169] If the undertakings can show that a merger/acquisition will not have an anti-competitive effect or will be in the public interest, such transaction will be allowed.

3.170. In terms of procedures for merger review, new "stop-the-clock" provisions allow the competition authority to suspend the review period if (i) the undertakings did not submit the required documents or material, thus making the review impossible; (ii) major new facts related to the merger/acquisition have emerged; or (iii) a further evaluation of imposed additional restrictive conditions is necessary.

3.171. Under a pilot programme, the provincial competition authorities in Beijing, Shanghai, Chongqing, Shaanxi, and Guangdong may be tasked by the SAMR with the review of simplified merger/acquisition notifications in cases where (i) at least one applicant is domiciled in the relevant region; (ii) undertaking(s) acquire control of another undertaking(s) domiciled in relevant regions; (iii) undertakings set up new joint ventures domiciled in relevant regions; (iv) the geographic market related to the concentration between undertakings is a regional market entirely or mainly located in the relevant region; and (v) other cases for which the review is delegated by the SAMR.[170] Even when provincial competition authorities conduct a review, the SAMR still reviews the reports and recommendations from provincial authorities and takes a decision.

3.172. In terms of abuse of a dominant position, the current AML explicitly recognizes the role of digital tools prohibiting the use of "data or algorithms, technology and platform rules to abuse dominant market position".[171]

[167] A. Xue and H. Jing (2022), "What Was China's National Anti-Monopoly Administration Created For?", *CPI*, 6 January 2022. Viewed at: https://www.pymnts.com/cpi_posts/what-was-chinas-national-anti-monopoly-administration-created-for/.

[168] AML, Article 26.

[169] See Provisions on the Review of Concentration of Undertakings (SAMR Announcement No. 67, 2023).

[170] See the Announcement of the State Administration for Market Regulation on Pilot Delegation of Anti-Monopoly Review of Certain Cases Involving the Concentration of Undertakings (Announcement No. 23, 2022).

[171] AML, Article 22. Viewed at: https://www.chinalawtranslate.com/en/anti-monopoly-law-2022/.

3.173. Additionally, draft amendments to China's Anti-Unfair Competition Law were published in November 2022.[172] To avoid overlap, the AML is designated as the primary legislation dealing with anti-competitive conduct while the Anti-Unfair Competition Law addresses conduct not covered by the AML, e.g. conduct by market players having a comparatively advantageous position that does not amount to a dominant position and thus is not covered by the AML.

3.174. Proposed amendments to the following six regulations were also published in June 2022 for public consultations. The draft Regulations on Filing Thresholds for Concentrations of Undertakings has not been yet approved while the following pieces of legislation are already in force: (i) Provisions on the Prohibition of Monopoly Agreements (SAMR Announcement No. 65, 2023); (ii) Provisions on the Prohibition of Abuse of Dominance (SAMR Announcement No. 66, 2023); (iii) Provisions on the Prohibition of Elimination and Restriction of Competition Through Abuse of Intellectual Property Rights (SAMR Announcement No 79, 2023); (iv) Provisions on the Prohibition of Elimination and Restriction of Competition Through Abuse of Administrative Powers (SAMR Announcement No. 64, 2023); (v) Provisions on Concentration of Undertakings (SAMR Announcement No. 67, 2023), and (vi) Provisions on the Thresholds for Prior Notification of Concentrations of Undertakings (State Council Announcement No. 773, 2024).

3.3.4.1.3 Enforcement

3.175. China's enforcement regime has been strengthened by the amendments to the AML. Private parties can now seek remedies in courts for violations of the AML. The amended AML also allows public prosecutors to file complaints in civil courts against violations of competition law in case such violations harm the public interest. Currently, the Supreme People's Court of China participates in the process of amending the AML to clarify the scope and jurisdiction of such claims given that, so far, the courts in China have not heard competition cases involving the public interest.[173]

3.176. Administrative bodies are also explicitly prohibited from abusing their power and restricting access to markets or treating undertakings unequally and thereby eliminating competition. Also, the competition authority can investigate relevant conduct of administrative bodies, including the suspected abuse of power, restrictions of market access, and unequal treatment of undertakings that eliminate competition. Additionally, personal liability for violations of anti-monopoly laws has been introduced by the AML. It now prescribes criminal penalties for actions that involve, *inter alia*, abuse of authority, obstruction of an investigation, or collusive bidding. Both natural and legal persons can be criminally liable.

3.177. The AML also foresees increased penalties for violations. Violations of the AML are recorded in the credit record of the involved undertaking(s), potentially leading to suspension of operations and exclusion from government procurement and suspension of incentive schemes. Based on the current AML, the following penalties are applicable: (i) for helping other undertakings to conclude cartels – a fine of up to CNY 1 million; (ii) for mergers violating competition law and having the effect of eliminating or restricting competition – a fine of up to 10% of the global sales of the undertaking from the previous year; (iii) for mergers that have not been notified but do not have anti-competitive effects – a fine of up to CNY 5 million; (iv) in case the violation of the AML is considered to be serious, the penalties may be multiplied by two to five times; (v) non-cooperation with official investigations can lead to a fine of up to 1% of the sales for the previous years or up to CNY 5 million if no sales data are available; or (vi) if the legal representative, the person in charge, or the person directly responsible for the undertaking is responsible for the conclusion of the anti-monopoly agreement, they may be fined for up to CNY 1 million.

3.178. A leniency policy is provided for in the AML as well as the Guide of the Anti-Monopoly Committee of the State Council on the Application of the Leniency System to Horizontal Monopoly Agreements Cases.

3.179. Between 2021 and 2023, the authorities dealt with several hundred competition-related cases, most of them related to mergers and acquisitions (Table 3.19).

[172] The amendments are not yet in force.
[173] Information provided by the authorities.

Table 3.19 Competition enforcement statistics, 2021-23

	2021	2022	2023
1. Initiation of case investigations (number)			
(a) Cases concerning anti-competitive agreements	30	18	15
I) Leniency applications	1	0	2
(d) Notifications of mergers and acquisitions	824	867	843
2. Completed cases (number)			
(a) Anti-competitive agreements	11	16	16
(b) Abuse of dominance	11	13	11
(c) Settlements	0	0	0
(d) Mergers and acquisitions (total number of decisions and number of mergers and acquisitions that were not approved)	727 (1 merger was not approved, 4 mergers were approved with restrictive conditions attached)	794 (5 mergers were approved with restrictive conditions attached)	558 (4 mergers were approved with restrictive conditions attached)
3. Infringement penalties	CNY 25.3 billion	CNY 0.74 billion	CNY 2.2 billion
4. Appeals (number of completed judicial review decisions)	0	0	1

Source: Information provided by the authorities.

3.3.4.1.4 International cooperation

3.180. Competition policy provisions are included in several free trade agreements (FTAs) amended or signed by China during the reporting period, with Ecuador, Mauritius, New Zealand, Nicaragua, and Serbia, and in the context of the Regional Comprehensive Economic Partnership Agreement (RCEP).

3.181. Currently, China is negotiating accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA), both of which contain competition-related provisions. China has also advanced negotiations for the conclusion or upgrading of FTAs containing competition-related provisions with Israel, Norway, Honduras, and Peru.

3.182. China is also actively signing cooperation agreements on competition issues. Up until now, it has signed 63 agreements with 35 economies, including the United States, the European Union, and the Russian Federation. In 2021, the SAMR signed Memoranda of Understanding (MoU) with the Competition and Consumer Commission of Singapore as well as with the Eurasian Economic Union. Another MoU was signed in 2023 with the Agency for the Protection and Development of Competition of Kazakhstan. In addition, the heads of the BRICS competition authorities jointly signed the Chengdu Joint Statement in 2021 and the Delhi Joint Statement in 2023.

3.3.4.2 Price controls

3.183. The main law regulating price controls in China, the Price Law of China adopted in 1997, was not amended during the period under review. The following legal instruments are concerned with the regulation of prices:

- Provisions on the Administrative Punishment of Price-related Violations;
- Interim Provisions on Prohibiting Profiteering;
- Interim Measures for Implementing Price Intervention Measures and Emergency Measures in Unusual Times;
- Regulations on Prohibiting Low Price Dumping;
- Provisions on Clearly Marking Prices and Prohibiting Price Frauds; and

- Guiding Opinions of the State Administration for Market Regulation on the Investigation and Punishment of the Illegal Acts of Price Gouging.

3.184. For the current Five-Year Plan (2021–2025), China has enhanced the monitoring of prices of copper, iron, crude oil, and natural gas.[174] Moreover, a minimum purchase price policy currently applies to rice in husk and wheat and is implemented in the major producing provinces of the two crops. With regard to thermal coal, the authorities indicate that there is no price cap.

3.185. The tables of products and services subject to price controls by the Central Government and local governments in China are presented in Table 3.20 and Table 3.21.

Table 3.20 Products and services subject to price controls by the Central Government, 2023

Item	Pricing contents		Remarks
Electricity transmission and distribution	Electricity transmission-distribution price at or above the provincial level		
Oil and gas pipeline transportation	Trans-provincial (autonomous region or municipality directly under the Central Government) pipeline transportation price		Except for the internal pipelines of enterprises
Basic transportation	Railway transportation services	Hard seat and hard sleeper passenger fares of ordinary passenger trains on railways wholly owned or controlled by the Central Government through stockholding	Powered car trainsets and newly built railway-passenger-dedicated lines controlled by social capital investment are not included in the pricing range
		Bulk cargo and baggage transportation prices of the railways wholly owned or controlled by the Central Government through stockholding	The pricing range covers the transportation prices of coal, oil, grains, fertilizers, and other full-car loads of cargos and baggage, except for cargo transportation through newly built railways controlled by social capital investment
	Port services	Service fees of the monopolistic services of the main ports along the coast and the main trunk of the Yangtze River and all the other ports open to vessels of foreign nationality	The pricing range covers the entering and leaving ports, and the berthing and departing of ships, port security, and other services
	Civil aviation services	Passenger fares for domestic civil air routes and domestic sections of international civil air routes not eligible for competition	Except for first-class and business-class fares
		Fees of the monopolistic part of safeguard services for civil aviation	The pricing range covers the service fees of the monopolistic services of civil airports and military and civil dual-use airports, flight inspection service fees of civil airlines, and civil air traffic management service fees
Water supply of major water conservancy projects	Prices for water supplied by trans-provincial (autonomous region or municipality directly under the Central Government) water conservancy projects directly under the Central Government		Except for the prices negotiated voluntarily between suppliers and demanders
Important postal services	Mail delivery fees		Except for competitive fields (including volume weight-calculated packages)
	Postal remittance fees		
	Classified mail correspondence fees		
	Fees for the distribution of newspapers and periodicals prescribed by the State		
	Mailing fees of packages with the single weight of less than 10 kg		
Important professional services	Basic service charges of commercial banks, bank card transaction fees		The pricing range covers the basic services of commercial banks such as transfer and remittance, cash remittance and bills, and bank card transaction services (except for competitive links such as acquiring service fees)

[174] *Reuters* (2021), "China to Strengthen Commodity Price Controls in Five-Year Plan", 25 May. Viewed at: https://www.reuters.com/article/us-china-commodities-idUSKCN2D60A2/.

Item	Pricing contents		Remarks
Special drugs and blood	Special drugs	Prices of narcotic drugs and the first category of psychotropic drugs	
	Blood	Supply prices at blood banks of blood for clinical use by citizens	

Source: Information provided by the authorities.

Table 3.21 Products and services subject to price controls by local governments, 2023

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

Source: Information provided by the authorities.

3.3.5 State trading and state-owned enterprises

3.186. China provided its last full notification on state trading enterprises (STEs) in 2021. The legislation and regulations remained unchanged during the review period. According to the authorities, state trading remains in place to ensure a stable supply and price of the products concerned, ensure food security, protect exhaustible and non-recyclable natural resources and the environment, and achieve the goal of sustainable development.

3.187. STEs in China have the exclusive right to import or export the following products: tobacco, crude and processed oil, refined coal, chemical fertilizers, tungsten and tungstate products, antimony and antimony products, and silver. According to the notification, non-STEs with registered rights can handle part of the import quota for specific products, e.g. wheat, maize, rice, sugar, and cotton, subject to conditions outlined in annual announcements. At the same time, a certain number of non-STEs are permitted to import or export chemical fertilizers, crude oil, and processed oil.

3.188. The authorities indicate that STEs operate with the market mechanism and include the following corporations: COFCO Corporation, China National Sugar and Alcohol Group Corporation Ltd, China Commercial Foreign Trade Corporation, China Tobacco International Inc., Sinochem Group, China International Petroleum and Chemicals Co. Ltd, China National United Oil Corporation, Zhu Hai Zhen Rong Company, China Aviation Oil Imp. & Exp. Co. Ltd, China National Offshore Oil Corporation, China National Agricultural Means of Production Group Co., Chinatex Corporation Ltd, Beijing Jiu Da Textiles Group Cooperation, Tianjin Textiles Industry Supply and Sales Co. Ltd, Shanghai Textiles Raw Materials Co. Ltd, China National Cotton Reserves Corporation, Xinjiang Yin Long International Agricultural Cooperation Co. Ltd, China National Cotton Group Corporation, Xinjiang Jintianlu Agricultural Products Logistics Co. Ltd, Jilin Grain Group Imp. & Exp. Co. Ltd, Beidahuang Group. Co. Ltd, and Beijing Oriental Desheng Grain Import & Export Co. Ltd.

3.189. In China's economy, state ownership of companies coexists with diverse private ownership forms, ranging from wholly SOEs to mixed-ownership structures. The authorities consider that the

state-owned economy is the leading force of the national economy, and the non-public economy is an important component of the socialist market economy. The Government promotes a mixed-ownership economy given the preponderance of public ownership, which the authorities indicate is the core of the "socialist market economy"; mixed-ownership is intended to encourage integration between state-owned, collective, private, and other forms of capital. The private sector dominates industries like clothing, food, and export assembly, while state ownership prevails in sectors such as energy, utilities, transport, and financial and telecom services. SOEs are categorized into commercial and public welfare entities.

3.190. While privatization of SOEs is not planned, various changes have taken place under "mixed-ownership reform". According to the authorities, the three-year action plan (2020-22) of China's SOE reform generally resulted in increased efficiency and market-orientation of SOEs. A new round of SOE reform started in July 2023, with a focus of institutional reorganization, industrial re-layout, and technological innovation.

3.191. The number of SOEs in both the industrial and construction sectors increased over the review period. The percentage of SOEs in the industrial sector slightly increased in contrast to the construction sector (Table 3.22). The profits of industrial SOEs have also grown, with a peak in 2021. The gross output value of SOEs in the construction sector increased steadily, whereas the market share of SOEs fluctuated around 12%. The share of SOEs in total profits has increased over the past years in the construction sector.

3.192. The State-Owned Asset Supervision and Administration (SASAC) oversees the value creation and incrementation of state-owned capital, appoints and assesses heads of enterprises according to law, rewards or punishes them based on their performance, and guides SOE reform and M&A. It acts as a representative of the Central Government as well as an investor, and it is directly subordinated to the State Council. The authorities state that the supervision of central SOEs by SASAC is subject to investor rights rather than administrative power. As at March 2024, the number of SOEs directly under SASAC's authority totalled 97, the same number as in January 2021. SOEs in the financial sector, or central financial enterprises (26 in total), are under the direct administration of the MOF.

3.193. State-owned listed companies (including 441 central state-owned holdings and 910 local state-owned holdings) totalled 1,351 together accounting for 26.6% of total listed companies in 2022. Among the top listed companies with high market value, the proportion of state-owned holdings is particularly high. Many large and formally private companies, including those listed on the stock market, have the State as an important or major shareholder, through direct ownership or state investment vehicles.

Table 3.22 SOEs in China's economy, 2017-22

Sector	2017	2018	2019	2020	2021	2022
Industrial sector[a]						
Number of total enterprises	372,729	378,440	377,815	399,375	441,517	472,009
Number of SOEs[b]	19,022	18,670	20,683	22,072	25,180	27,065
% of SOEs	5.1	4.9	5.5	5.5	5.7	5.7
Total assets (CNY billion)	112,191	113,438	120,587	130,350	146,672	160,193
Total assets of SOEs[b] (CNY billion)	43,962	43,991	46,968	50,046	56,508	60,425
% of SOEs	39.2	38.8	38.9	38.4	38.5	37.7
Total profits (CNY billion)	7,492	6,635	6,580	6,847	9,293	8,416
Total profits of SOEs[b] (CNY billion)	1,722	1,858	1,607	1,535	2,444	2,440
% of SOEs	23.0	28.0	24.4	22.4	26.3	29.0
Construction sector						
Number of enterprises	88,074	96,544	103,805	116,722	128,743	143,446
Number of SOEs	3,453	3,080	3,309	3,746	3,920	4,439
% of SOEs	3.9	3.2	3.2	3.2	3.0	3.1
Gross output value (CNY billion)	21,394	23,509	24,844	26,395	29,308	30,794
Gross output value of SOEs (CNY billion)	2,641	2,626	3,066	3,488	3,763	4,409
% of SOEs	12.3	11.2	12.3	13.2	12.8	14.3

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

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

3.194. Of China's 10 largest SOEs, 7 are under SASAC's supervision (Table 3.23) compared to 3 in 2021. As at end-2023, the number of employees in enterprises under SASAC's supervision is approximately 29.3 million.

Table 3.23 China's 10 largest SOEs, 2023

(USD billion)

Company	Revenue
State Grid[a]	530.0
China National Petroleum[a]	483.0
SINOPEC Group[a]	471.2
China State Construction Engineering[a]	305.9
Industrial & Commercial Bank of China	214.8
China Construction Bank	202.8
Agricultural Bank of China	187.1
Sinochem Holdings[a]	173.8
China Railway Engineering Group[a]	171.7
China National Offshore Oil[a]	164.8

a Controlled by SASAC.

Source: Fortune, *Global 500*. Viewed at: https://fortune.com/ranking/global500/.

3.195. SOEs are an essential element in the Chinese economy; while some view SOEs as key instruments for implementing government policies, supporting national industrial goals, and maintaining state control over critical sectors, thus fostering economic stability and influencing global competitiveness, the authorities state that China's SOEs consistently base their actions on commercial considerations and engage in business activities according to market-oriented and rule-of-law principles. According to the IMF, the productivity of China's listed SOEs is generally low compared with that of privately owned listed companies; reforms could have the potential to equalize the differences caused by resource misallocation. It has been estimated that closing productivity gaps between SOEs and private companies would increase productivity by about 6%.[175]

3.196. The China SOE Structural Adjustment Fund, established in 2016 with an initial endowment of CNY 131 billion, aims to optimize the management and development of SOEs, through the financing of SOE restructuring, and overseas mergers and acquisitions, to enhance industrial integration and improve the efficiency in general. The second phase of the Fund was launched in 2021, with a paid-in capital of CNY 737.5 billion in 2021, aiming to invest in strategic emerging industries and in key areas affecting national security. The authorities state that the Fund is established, invested, and operated in a market-oriented manner.

3.197. SOE debts and deficits can be bailed out through various financing mechanisms backed by the Government. In July 2020, China established a credit safeguard fund for central SOEs, with a fundraising target of CNY 100 billion and an initial endowment of CNY 10 billion to provide emergency funding for SOEs to avoid potential defaults. Since then, 11 provincial-level or municipal governments have also set up credit safeguard funds to bail out the default risks of bonds issued by SOEs. No information was available on the filling rate or disbursements of these funds.

3.198. The overall importance of SOEs in China's economy may affect the functioning of market-oriented policies and practices, with global repercussions. While it has been pointed out by the IMF that SOEs in China may benefit from credits extended by state banks or other forms of financing, implicit guarantees, capital injections, and preferential access to inputs, the authorities object to this statement and indicate that SOEs in China operate under market conditions, with no privileges granted by the Government. In addition, the authorities state that "there is no factual evidence to support claims of implicit guarantees [to SOEs] or preferential access to credit".[176]

[175] IMF (2021), *People's Republic of China: Selected Issues*, IMF Country Report No. 21/12. Viewed at: https://www.elibrary.imf.org/view/journals/002/2021/012/article-A002-en.xml#:~:text=A%20Brief%20Overview%20of%20SOEs,country%20(IMF%20Fiscal%20Monitor).

[176] IMF (2024), *China: Staff Report for the Article IV Consultation* and *Statement by Zhengxin Zhang, Executive Director for People's Republic of China*, IMF Country Report No. 24/38, p. 8.

3.3.6 Government procurement

3.3.6.1 Overview

3.199. According to the authorities, the total value of government procurement in China was CNY 3.5 trillion in 2022 (the latest year for which data were made available), accounting for 2.9% of GDP (Table 3.24). As in previous years, the great majority of procurement took place at the subcentral government level.

Table 3.24 Value of government procurement and share of GDP, 2020-22

(CNY billion and %)

Year	Level	Total value of procurement	Share (%) of GDP	Goods	Construction and engineering services	Other services
2020	Central government	285.3	..	149.4	74.5	61.3
	Subcentral government	3,411.8	..	768.2	1,674.7	968.9
	Other (SOEs, utilities, etc.)	..	..	..	..	..
	Total	3,697.1	3.6	917.6	1,749.2	1,030.2
2021	Central government	296.2	..	156.6	80.2	59.3
	Subcentral government	3,343.7	..	783.3	1,615.9	944.5
	Other (SOEs, utilities, etc.)		..	..	..	..
	Total	3,639.9	3.2	939.9	1,696.1	1,003.8
2022	Central government	329.7	..	188.8	78.3	62.6
	Subcentral government	3,169.7	..	714.0	1,488.1	967.5
	Other (SOEs, utilities, etc.)	..	..	..	..	..
	Total	3,499.3	2.9	902.8	1,566.4	1,030.1

.. Not available.

Source: Information provided by the authorities.

3.3.6.2 Legal and institutional framework

3.3.6.2.1 Existing framework and latest developments

3.200. There have been no major changes to China's legal and institutional framework concerning government procurement since the previous Review.[177] The Government Procurement Law (issued in 2002 and revised in 2014) and its implementing legislation remain the primary legislation regulating government procurement activities in China. It applies to all procuring activities by state organs at all levels, public institutions, and social organizations financed through regular fiscal funds. It does not, however, apply to procurement carried out by SOEs. In addition, the Bid Invitation and Bidding Law (issued in 1999 and revised in 2017) regulates procurement of major construction projects (including large-scale infrastructure and public utility projects). It is, *de facto*, the law governing procurement carried out by SOEs.

3.201. In terms of non-discrimination, Article 16 of the Foreign Investment Law requires that foreign-funded enterprises established in China "can participate in government procurement activities through fair competition", and that "[p]roducts produced and services provided by foreign-funded enterprises within the territory of China shall be treated equally in government procurement". At present, China's government procurement laws and regulations have no non-discriminatory provisions with specific regard to foreign companies. However, Article 18 of the Law stipulates that potential tenderers shall not be excluded through unreasonable conditions, and that procurement shall not discriminate against any potential tenderers. There are possibilities of providing domestic goods, services, and suppliers treatment more favourable than that accorded to imported goods and services and foreign suppliers continue to exist. For example:

- Article 10 of the Government Procurement Law states that procuring entities must procure domestic goods, construction, and other services, except in one of the following situations: (i) where the goods, construction, or other services needed are not available within the territory of China or cannot be acquired on reasonable commercial terms,

[177] For additional details concerning China's legal and institutional framework regarding government procurement, see WTO documents WT/TPR/S/415/Rev.1, 9 March 2022, Section 3.3.6.2; and WT/TPR/S/375/Rev.1, 14 September 2018, Section 3.3.6.2.

even if they are available in China; (ii) where the items to be procured are for use abroad; and (iii) where otherwise provided for by other laws and administrative regulations. Also, the Measures for the Administration of Government Procurement of Imported Products (Cai Ku [2007] No. 119) further require that the conditions that allow procurement of imported products need to be verified by the financial authorities in each specific case.

- Article 9 of the Government Procurement Law states that government procurement must facilitate the achievement of China's policies for economic and social development, including but not limited to environmental protection, assistance to underdeveloped or ethnic minority areas, and the promotion of SMEs. Also, additional measures require that the Chinese authorities provide preferential treatment to domestic SMEs, prison enterprises and enterprises for people with disabilities as well as poverty-stricken areas. Regarding SMEs, and in order to implement the relevant requirements of the Notice of the State Council on a Package of Policy Measures to Stabilize the Economy (Guo Fa [2022] No. 12)[178], the Ministry of Finance issued a Notice on Further Increasing the Support of SMEs in Government Procurement (MOF Announcement No. 19, 2022).[179] The Announcement directs the relevant procuring entities to (i) strictly implement government procurement policies to support SMEs (e.g. MOF Announcement Cai Ku [2020] No. 46, which contains details on the SME set-asides policy); (ii) increase price preferences for SMEs; and (iii) increase the share of set-asides for SMEs. According to the authorities, the portion of procurement undertaken by SMEs is about 75%.[180]

3.202. During the period under review, a number of procurement-related measures were issued to implement the Government Procurement Law and the Bid Invitation and Bidding Law. Table 3.25 provides an overview of the main procurement-related measures issued during the period under review.

Table 3.25 List of government procurement-related measures issued during the period under review

Law/regulation/measure	Promulgation year
Measures for the Administration of Government Purchasing Services	MOF Announcement No. 102, 2020
Measures for the Administration of Government Procurement Requirements	MOF Announcement Cai Ku [2021] No. 21
Announcement of the Ministry of Finance on the Implementation of Relevant Policies on Equal Treatment of Domestic and Foreign-funded Enterprises in Government Procurement Activities	MOF Announcement Cai Ku [2021] No. 35
Classification Catalogue of Government Procurement Items	MOF Announcement Cai Ku [2013] No. 189
Interim Measures for the Administration of the Government Procurement through Framework Agreements	MOF Announcement No. 110, 2022
Announcement on Further Increasing the Support of SMEs in Government Procurement	MOF Announcement No. 19, 2022
State Council's Opinions to Further Optimize the Environment for Foreign Investment and Increase Efforts to Attract Foreign Investment	State Council, Guo Fa [2023] No. 11
Implementation Guidelines for Policies and Projects for Government Procurement to Support Green Building Materials[a]	MOF, Finance Office Library No. 52, 2023
Announcement by the Ministry of Finance, the Ministry of Public Security, and the State Administration for Market Regulation of Carrying out the Special Rectification of "Four Types" of Illegal and Non-compliant Behaviors in Government Procurement in 2023	MOF, Finance Office Library Nos. 243 and 28, 2023

[178] See State Council on the Issuance of a Solid Economic Stabilization, Package of Policy Measures, State Development, No. 12, 2022. Viewed at: https://www.gov.cn/zhengce/content/2022-05/31/content_5693159.htm.

[179] See Ministry of Finance Announcement No. 19, 2022, on Further Increasing Government Procurement to Support SMEs. Viewed at: https://gks.mof.gov.cn/guizhangzhidu/202205/t20220531_3814923.htm.

[180] To benefit from SMEs policies, enterprises must provide the Declaration Letter for Small and Medium-sized Enterprises in accordance with the Administrative Measures for Promoting the Development of Small and Medium-Sized Enterprises through Government Procurement.

Law/regulation/measure	Promulgation year
Announcement of Expanding the Implementation Scope of Policies of Government Procurement to Support Green Building Materials and Promote Building Quality Improvement	MOF, Finance Office Library No. 35, 2022
Announcement of Pilot Work of Government Procurement to Support Green Building Materials and Promote Building Quality Improvement	MOF, Finance Office Library No. 31, 2020
Announcement of Issuing the Government Procurement Demand Standards for Commodity Packaging (Trial) and the Government Procurement Demand Standards for Express Packaging (Trial)	MOF, Finance Office Library No. 123, 2020

a MOF Announcement No. 52, 2023, on Issuance of the Implementation Guidelines for Policies and Projects for Government Procurement to Support Green Building Materials. Viewed at: https://gks.mof.gov.cn/guizhangzhidu/202303/t20230324_3874534.htm.

Source: Information provided by the authorities and complemented by the Secretariat.

3.203. In August 2023, the State Council published opinions[181] aimed at optimizing the business environment for foreign investment in China. These opinions refer to government procurement and clarify that foreign-invested enterprises based in China should be able to participate in government procurement activities, on a non-discriminatory basis, in accordance with the applicable law. They also indicate that (i) complementary policies and measures would be introduced as soon as possible to further clarify the specific criteria of "production in China"; (ii) special inspections would be carried out to ensure fair participation of suppliers in government procurement activities; and (iii) violations of the law, such as differential treatment of foreign-invested companies, would be investigated and dealt with.

3.3.6.2.2 Ongoing revisions of the Government Procurement Law and the Bid Invitation and Bidding Law

3.204. During the period under review, the revision process concerning both the Government Procurement Law and the Bid Invitation and Bidding Law continued.

- The draft amended Bid Invitation and Bidding Law was published online for public comment in December 2019.[182] A further revised draft reflecting comments received was submitted by the National Development and Reform Commission to the State Council for review in July 2020; as at April 2024, the review was still ongoing.

- The draft amended Government Procurement Law was published online for public comments on two occasions, in December 2020 and July 2022.[183] According to the authorities, China's legislative branch was still reviewing the latest version of the draft.

3.205. According to the authorities, the revision of both laws is expected to further align China's procurement framework with international instruments in the area of government procurement, including the Agreement on Government Procurement (GPA 2012) and the UNCITRAL Model Law on Public Procurement, and harmonize the application of the two laws.

3.3.6.3 Procurement methods and e-procurement

3.206. During the review period, only limited changes were made to the existing main procurement methods and procedures.[184] In particular, the MOF issued Interim Measures (MOF Announcement

[181] See State Council, Opinions to Further Optimize the Environment for Foreign Investment and Increase Efforts to Attract Foreign Investment, No. 11, 2023. Viewed at: https://www.gov.cn/zhengce/content/202308/content_6898048.htm.

[182] For further details on the nature and content of the proposed amendments, see WTO document WT/TPR/S/415/Rev.1, 9 March 2022, para. 3.3.

[183] For further details on the nature and content of the proposed amendments, see WTO document WT/TPR/S/415/Rev.1, 9 March 2022, para. 3.4.

[184] The Government Procurement Law, its implementing Regulations, and relevant Administrative Measures provide for six procurement methods: (i) public tendering; (ii) selective tendering; (iii) price inquiry; (iv) competitive negotiations; (v) competitive consultations; and (vi) single-source procurement. For more information on the procurement methods and procedures, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, paras. 3.197-3.207.

No. 110[185]) to introduce the possibility of using framework agreements for frequent and small value procurements.

3.207. According to the authorities, in 2022, procurement through public tendering accounted for 77.2% of total government procurement, selective tendering for 0.8%, price inquiry for 0.9%, competitive negotiations for 2.2%, and single-source procurement for 3.3%. The value under single-source procurement decreased from CNY 1,596 billion in 2020 to CNY 1,153 billion in 2022 (Table 3.26).

Table 3.26 Value of contracts awarded under different government procurement methods at the central and local government levels, 2020-22

(CNY billion and %)

Procurement method		2020	2021	2022
Public tendering	Value	2,931.3	2,825.2	2,702.6
	Ratio	79.3%	77.6%	77.2%
Selective tendering	Value	40.3	37.3	27.3
	Ratio	1.1%	1.0%	0.8%
Price inquiry	Value	40.4	36.7	30.7
	Ratio	1.1%	1.0%	0.9%
Competitive negotiations	Value	119.3	103.3	77.4
	Ratio	3.2%	2.8%	2.2%
Competitive consultations	Value	283.5	352.7	384.1
	Ratio	7.7%	9.7%	11.0%
Single-source procurement	Value	159.6	137.5	115.3
	Ratio	4.3%	3.8%	3.3%
Total	Value	**3,574.3**	**3,492.7**	**3,337.3**
	Ratio	**96.7%**	**96.0%**	**95.4%**

Source: Information provided by the authorities.

3.208. According to the authorities, during the period under review, China continued working on the creation of a single nationwide e-procurement system and preparation of necessary technical standards and data specifications for the entire process of e-procurement. Also, centralized purchasing bodies and government at the central and local levels have established electronic platforms to support procurement made through framework agreements.

3.3.6.4 Domestic review procedure

3.209. The domestic administrative and judicial review procedures in China remained broadly unchanged during the review period.[186] The Government Procurement Law and the Measures for Handling Challenges and Complaints against Government Procurement (MOF Announcement No. 94, 2017) require that the finance authorities at different levels of government review supplier complaints regarding government procurement activities at their respective levels. There were about 11,000 administrative complaints in 2022, the last year for which figures were available (Table 3.27). The authorities indicate that foreign suppliers generally have the option to raise objections and appeals in accordance with relevant regulations.

Table 3.27 Procurement-related complaints at the central and local government levels, 2020-22

	2020	2021	2022
Total number of administrative complaints	10,371	12,307	11,008

Source: Information provided by the authorities.

[185] See Interim Measures for the Administration of Procurement under the Government Procurement Framework Agreement (MOF Announcement No. 110). Viewed at: https://lawinfochina.com/display.aspx?id=38586&lib=law.

[186] For more information about the supplier complaint mechanism, see WTO document WT/TPR/S/375/Rev.1, 14 September 2018, paras. 3.215-3.216.

3.3.6.5 Accession to the GPA 2012 and other international cooperation

3.210. China applied for accession to the GPA 2012 in December 2007, honouring its commitment to initiate GPA accession negotiations, which it had made in the context of its accession to the WTO in 2001. China's latest market access offer, its sixth revised offer, was circulated in October 2019, and its updated Replies to the Checklist of Issues were circulated in June 2020. Limited progress was made during the review period. In its 2023 annual report, the WTO Committee on Government Procurement encouraged China to remain engaged and to circulate a further revised market access offer as soon as practically possible.[187]

3.211. According to the authorities, international high-standard economic and trade rules, including in the field of government procurement (e.g. GPA-style disciplines), are being applied in six PFTZs to provide experience and insights for GPA accession. Procuring entities in these zones are required to provide justification when using single-source procurement.

3.212. China has not included any market access commitments in the area of government procurement in the context of any of its FTAs. A few FTAs signed by China (e.g. the RCEP agreement and its updated FTA with New Zealand) contain provisions on government procurement that are mainly aimed at promoting transparency and cooperation between the signatories.

3.3.7 Intellectual property rights

3.3.7.1 Overview

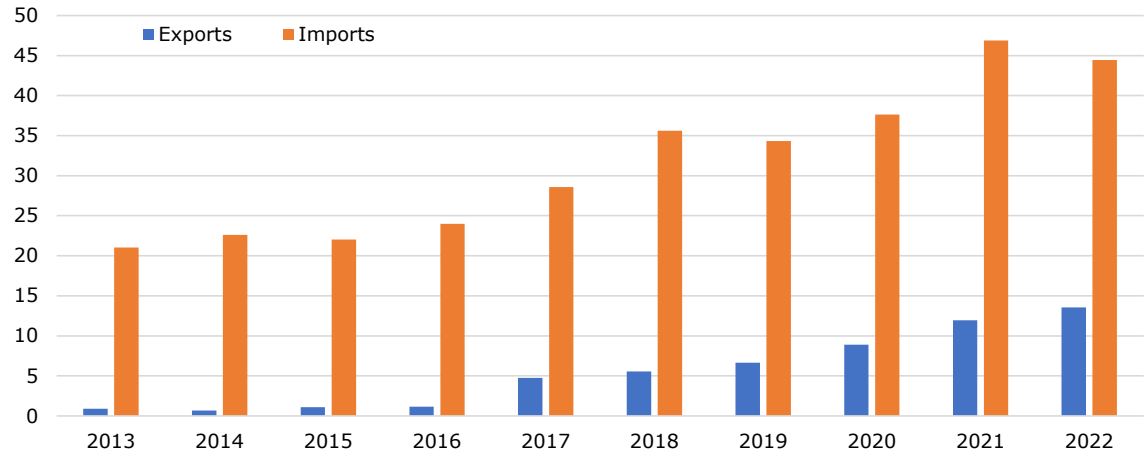
3.213. During the review period, China continued to mainstream intellectual property (IP) into its economy and adjust its domestic regime in response to technological developments and to enhance its effectiveness and compliance with international commitments.

3.214. In 2023, China was ranked as the 12th economy of the 132 featured in the Global Innovation Index.[188] The high ranking underpins the positive evolution of China's IP regime, which achieved the highest count of patents in force at 4.2 million in 2022.[189]

3.215. China's participation in trade in IP has increased, as shown by the growth in total receipts of fees for the use of IP from USD 20 billion in 2013 to nearly USD 45 billion in 2022 (Chart 3.4).

Chart 3.4 Fees related to exports and imports of IP, 2013-22

(USD billion)



Source: WTO Data Portal. Viewed at: https://data.wto.org/.

[187] WTO document GPA/AR/6, 6 December 2023, Section 3.1.2.2.
[188] WIPO (2023), *Global Innovation Index 2023*. Viewed at: wipo.int/edocs/pubdocs/en/wipo-pub-2000-2023-en-main-report-global-innovation-index-2023-16th-edition.pdf.
[189] WIPO (2023), *WIPO IP Facts and Figures 2023*. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo-pub-943-2023-en-wipo-ip-facts-and-figures-2023.pdf.

3.3.7.2 Institutional reforms and IP-related policies

3.216. During the review period, China continued reforming its IP regime, including the enactment of a revised Copyright Law, amendments to the Patent Law, and a new Seed Law, as well as the review of the Trademark Law. An amendment of the Anti-Unfair Competition Law to strengthen the regulation of unfair IPR-related competition is under preparation. This amendment will include prohibitive provisions and corresponding penalties for the sale of goods that knowingly cause confusion.

3.217. In 2023, the CPC Central Committee and the State Council issued the Reform Program of Party and State Institutions, which explicitly states that the administration of IP rights shall be improved. Specifically, the Program requires expediting the process of turning China into a country with competitive IP by comprehensively improving IP creation, utilization, protection, administration, and services. The China National Intellectual Property Administration (CNIPA) was restructured from a national bureau under the administration of the SAMR to an agency working directly under the State Council. Law enforcement in trademarks and patents continues to be executed by the integrated law enforcement team for market supervision and accepts professional guidance from CNIPA.

3.218. The MIIT and the CNIPA jointly released the Action Plan of Intellectual Property for Industrial Innovation and Development (2023-2027)[190], which set the goal to improve the ability to create high-value patents for key manufacturing industries. On 27 July 2023, the CNIPA released the 2023 Outline[191] for Building a Powerful Intellectual Property Country and the Implementation Promotion Plan of the 14th Five-Year Plan. The Plan aims to promote modernization through innovation and technological advancements and promote high-end, intelligent, and green production. Furthermore, it include[s] improving the efficiency of IP public services, strengthening the comprehensive use of IPRs and their judicial protection.

3.3.7.3 International context

3.219. China is a member state of the World Intellectual Property Organization (WIPO) and participates in several international conventions and treaties related to IPRs (Table 3.28). During the review period, China acceded to the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled and the Hague Agreement Concerning the International Registration of Industrial Designs (Geneva Act, 1999), which both entered into force on 5 May 2022.[192]

Table 3.28 Membership in international IPR Conventions, as at March 2024

International organization	International instrument	Status	Date of entry into force or signature
WIPO	Marrakesh VIP Treaty	In force	5 May 2022
	Hague Agreement	In force	5 May 2022
	Beijing Treaty	In force	28 April 2020
	WIPO Copyright Treaty	In force	9 June 2007
	WIPO Performances and Phonograms Treaty (WPPT)	In force	9 June 2007
	Strasbourg Agreement	In force	19 June 1997
	Locarno Agreement	In force	19 September 1996
	Madrid Protocol	In force	1 December 1995
	Budapest Treaty	In force	1 July 1995
	Nice Agreement	In force	9 August 1994
	Patent Cooperation Treaty (PCT)	In force	1 January 1994
	Phonograms Convention	In force	30 April 1993
	Berne Convention	In force	15 October 1992
	Madrid Agreement (Marks)	In force	4 October 1989
	Paris Convention	In force	19 March 1985
	WIPO Convention	In force	3 June 1980
	Marrakesh VIP Treaty	Signed	signed 28 June 2013

[190] Shanghai Patent & Trademark Law Office (2023), *Deepen the Synergy and Linkage between Technological Development and IP Rights: Action Plan of IP for Industrial Innovation and Development (2023-2027) Released*. Viewed at: https://www.lexology.com/library/detail.aspx?g=26f38bfe-4cb3-40f1-9fba-d58104ccc5ca.

[191] Viewed at: https://mp.weixin.qq.com/s/d7HTD6JKGBn4b4b99lwZtg?scene=25#wechat_redirect.

[192] WIPO IP Portal, *WIPO-Administered Treaties: Contracting Parties: China*. Viewed at: https://www.wipo.int/wipolex/en/treaties/ShowResults?code=CN.

International organization	International instrument	Status	Date of entry into force or signature
	Singapore Treaty	Signed	signed 29 January 2007
	Trademark Law Treaty (TLT)	Signed	signed 28 October 1994
	Washington Treaty	Signed	signed 1 May 1990
UPOV	UPOV Convention	In force	23 April 1999
UNESCO	Universal Copyright Convention	In force	30 October 1992

Source: Compiled by the WTO Secretariat.

3.220. China is a party to 23 bilateral trade agreements; it is also a party to 13 RTAs that have an IP chapter. Notably, in January 2022, the Regional Comprehensive Economic Partnership Agreement (RCEP) entered into force for China. Its IP chapter covers a wide range of topics such as copyrights, trademarks, GIs, patents, industrial designs, genetic resources, traditional knowledge and folklore, protection against unfair competition, enforcement, cooperation, transparency, and technical assistance.

3.221. CNIPA has developed an extensive network of Patent Prosecution Highway (PPH) Programmes. Between 2023 and 2024, PPH cooperation agreements were signed with the IP offices of Chile, the Czech Republic, Denmark, Germany, Japan, Norway, the Russian Federation, the Kingdom of Saudi Arabia, and the Eurasian Patent Office.[193]

3.3.7.4 Copyright and related rights

3.222. During the review period, China revised its Copyright Law, which entered into force in June 2021. The Law contains updates that respond to the rapid development of new technologies and the respective enforcement mechanisms. It also implements the Marrakesh Treaty and expanded the scope of reasonable use from "transcribing published works into Braille and publishing the transcription" to "providing published works to those who have a reading disorder in a barrier-free manner perceivable to them".[194]

3.223. The Temporary Provisions on Providing Works for the Visual Disabled in a Barrier-free Manner provide concrete guidelines for the production and delivery of barrier-free formats, and enforce the protection provided for in the Copyright Law and the Marrakesh Treaty.[195]

3.224. The copyright regime also includes the Regulations for the Implementation of Copyright Law, the Regulations for the Protection of Computer Software, the Regulations on Collective Copyright Management, the Regulations on the Protection of the Right of Dissemination via Information Network, and the Interim Measures for the Payment of Remuneration for the Broadcast of Sound Recordings by Radio and Television Stations.

3.225. From the institutional perspective, the National Copyright Administration administers copyright registration. In the case of computer software, the Copyright Protection Center of China registers copyrighted works.

3.226. In April 2021, the National Copyright Administration and the Ministry of Culture and Tourism jointly circulated an Announcement on Maintaining a Good Copyright Market Order in the Karaoke Field to improve the collective management of copyrights; create a sound, scientific, and reasonable copyright protection mechanism in the karaoke area; protect the legitimate rights and interests of copyright holders and users; and promote a regulated development of the copyright industry.[196]

3.227. The procedure of registration under the Copyright Law has remained unchanged since the previous Review. Registration is voluntary and not a requirement for copyright protection.[197] The

[193] CNIPA, *PPH News*. Viewed at: https://english.cnipa.gov.cn/col/col1356/index.html.
[194] Information provided by the authorities.
[195] Information provided by the authorities (Guo Ban Fa [2022] No. 1).
[196] Information provided by the authorities (Guo Ban Fa [2021] No. 1).
[197] The copyright on the works of Chinese citizens, legal entities, or other organizations are automatically protected; this protection also applies to the copyright of foreigners whose works are first published in China. Copyright protection for works published abroad has remained unchanged since the previous Review.

new Copyright Law provides for copyright licensing and transfer of rights. Copyright infringement can be sanctioned with fines.

3.228. The term of copyright protection for natural persons, as well as for certain works[198], is life plus 50 years.[199] Software copyright exists from the date on which its development is completed. The term of protection for typographical designs is 10 years. The term of protection for photographic works is the life of the author plus 50 years, and audiovisual works are protected for 50 years.

3.229. There are five copyright collective management organizations: Music Copyright Society of China; China Audio-Video Copyright Association; China Written Works Copyright Society; Images Copyright Society of China; and China Film Copyright Association (Table 3.29).

Table 3.29 Copyright collective management organizations – fees and membership

Organization	Fees collected (CNY million, 2023)	No. of members (2023)
Music Copyright Society of China	417	12,079
China Audio-Video Copyright Association	454	553 (including unit members and individual members)
China Written Works Copyright Society	20.7	10,520
Images Copyright Society of China	7.2	22,000
China Film Copyright Association	0.0388	104

Source: Information provided by the authorities.

3.3.7.5 Industrial property

3.3.7.5.1 Trademarks

3.230. During the review period, China was in the process of revising the Trademark Law and its regulations to tackle abusive registration and acts that adversely affect trademark registration and set limits on trademark rights. Furthermore, the revision seeks to optimize procedures to grant and verify trademark rights; improve the protection of unregistered well-known trademarks; create a dispute resolution mechanism; strengthen enforcement; and foster collaboration across the different areas to improve public services. The Draft Amendments to the Trademark Law were publicly available for comment from 13 January to 27 February 2023.

3.231. Since the reform of the trademark regime in 2018, the CNIPA has been responsible for the examination of trademark applications, registration, and administration. Registration continues to be a protection prerequisite, and ownership is determined on a first-to-file basis. According to Article 18 of the Trademark Law, foreign businesses are required to appoint a Chinese trademark agent. The period of protection is 10 years. According to the authorities, the request to renew the registration is to be filed 12 months before the date of expiration.

3.232. In December 2022, the SAMR issued the sectoral regulation Provisions on the Supervision and Administration of Trademark Agencies to improve the quality of the services provided by trademark agents and promote a healthy market.[200]

3.233. During the review period, trademark applications and registration continued to increase. In 2022, residents accounted for 97% of trademark applications and 97% of registrations (Table 3.30).

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

[199] In the case of more than one rights holder, protection is granted for 50 years after the death of the last surviving rights holder.

[200] Information provided by the authorities; and SAMR Announcement No. 63.

Table 3.30 Trademark applications and registrations, 2020-22

(Number)

Trademarks		2020	2021	2022
Applications	Resident	9,116,454	9,192,675	7,304,007
	Non-resident	231,114	257,832	211,954
	Madrid System submitted by Chinese applicants	6,721	5,296	5,074
Registrations	Resident	5,576,545	7,545,358	6,001,698
	Non-resident	184,107	193,589	175,472

Source: Information provided by the authorities; and Madrid data from WIPO IP Statistics Data Center (viewed on 27 June 2023).

3.3.7.5.2 Geographical indications

3.234. Geographical indications (GIs) can be protected as certification marks or collective marks under the Trademark Law or by a *sui generis* system contained in the Provisions on the Protection of Geographical Indication Products, administered by the CNIPA. The GI regime aims at promoting the development of specialty industries, assisting with rural vitalization. GIs that have not been officially registered are still protected by the relevant laws, e.g. the Trademark Law, the Anti-Unfair Competition Law, the Food Safety Law, and the Law on Quality and Safety of Agricultural Products.

3.235. On 1 March 2021, the EU-China bilateral agreement to protect GIs entered into force. The agreement protects 200 European and Chinese agri-food names against imitation and usurpation. During the 4 years after it entered into force, the agreement will expand in scope to cover an additional 350 GIs from both sides. These GIs will have to follow the same approval procedure (i.e. assessment and publication for comment) as the 200 names originally covered by the agreement.[201]

3.236. As at June 2022, China had approved 2,493 GI products, certified 6,927 GIs to be registered as collective and certification marks, and authorized about 19,400 market entities to use GI special symbols.[202]

3.3.7.5.3 Patents

3.237. On 17 October 2020, the 22nd session of the 13th National People's Congress Standing Committee adopted an amendment to the Patent Law. The revised Patent Law came into force on 1 June 2021. The new Law set out many concrete measures to protect the rights and interests of patent holders, promote the implementation of patents, and improve the system to grant patents. Such measures include establishing punitive compensation systems, raising the ceiling of statutory compensation, and establishing open licence and patent term extension highlighting the orientation towards enhancing IP protection and encouraging innovation.

3.238. During the review period, several regulations were amended. On 21 December 2023, the CNIPA issued the final version of the revised Implementing Rules for the Patent Law and the Guidelines for Patent Examination, which became effective on 20 January 2024. These changes complete the legislative efforts on changes to China's patent system introduced by the amendment to the Patent Law promulgated in June 2021. These include the patent term extension introduced by Article 42.3 of the Patent Law to compensate for the loss of the effective patent term due to time spent undergoing marketing approval of new drugs.

3.239. The Special Action Plan for Patent Commercialization and Utilization (2023-2025) was approved at an executive meeting of the State Council in October 2023. The objective of the Plan is to increase the patent commercialization of universities and research institutes that together account for 25.3% of all valid invention patents owned by Chinese users.[203]

[201] MOFCOM. Viewed at: http://tfs.mofcom.gov.cn/article/zscq/202009/20200903002354.shtml.

[202] CNIPA (2022), "GIs Offer Win-Win to Both China and Foreign Business", 17 August. Viewed at: https://english.cnipa.gov.cn/art/2022/8/17/art_2829_177354.html.

[203] CNIPA (2023), *A Three-Year Special Action Set to Boost Patent Commercialization and Utilization in China.* Viewed at: https://english.cnipa.gov.cn/art/2023/11/8/art_3090_188462.html.

3.240. The authorities are revising the Detailed Rules for Implementation of the Patent Law and the Patent Review Guide, to improve the patent review system, strengthen the protection of patents, and promote the conversion and application of patents according to the new Patent Law.

3.241. The CNIPA is the authority responsible for receiving and processing patent applications and granting patents. The period of protection for patents is 20 years. Interested legal and natural persons can request a People's Court or administrative authority to settle disputes concerning patents.

3.242. Parallel imports of patented goods are allowed, as provided by Article 75 of the Patent Law. Articles 53-63 relate to compulsory licence provisions. Compulsory licences of patents may be granted in the public interest or in the event of a national emergency or extraordinary circumstances. So far, no compulsory licences have been granted in China.

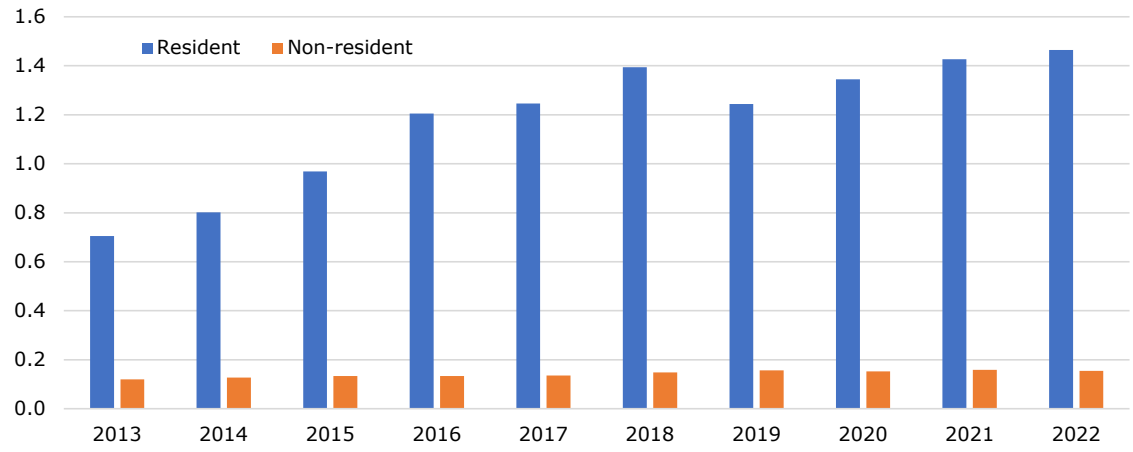
3.243. The National Bureau of Statistics reported that, in 2022, the added value of China's patent-intensive industries reached CNY 15.32 trillion. The new equipment manufacturing generated an added value of CNY 4.17 trillion, accounting for 27.2% of the overall added value in patent-intensive industries. This is followed by the information and communication technology services industry, contributing CNY 3.39 trillion, representing 22.1% of the total. The information and communication technology manufacturing industry generated an added value of CNY 3.18 trillion, constituting 20.8% of the total.[204]

3.244. In 2022, CNIPA was ranked as the top IP office, reaching 46.8% of global patent applications, equivalent to 1.6 million patent applications in 2022 (Chart 3.5). Filings in China grew by 2.1% in 2022, following an increase of 5.9% in 2021 and 6.9% in 2020. Since 2015, CNIPA has received more than a million applications annually. In 2022, China had the highest number of patents in force, i.e. 4.2 million.[205]

3.245. In 2022, a total of 1,619,268 patents were granted: 1,464,605 to residents and 154,663 to non-residents (Chart 3.6).[206]

Chart 3.5 Patent applications, 2013-22

(Million)



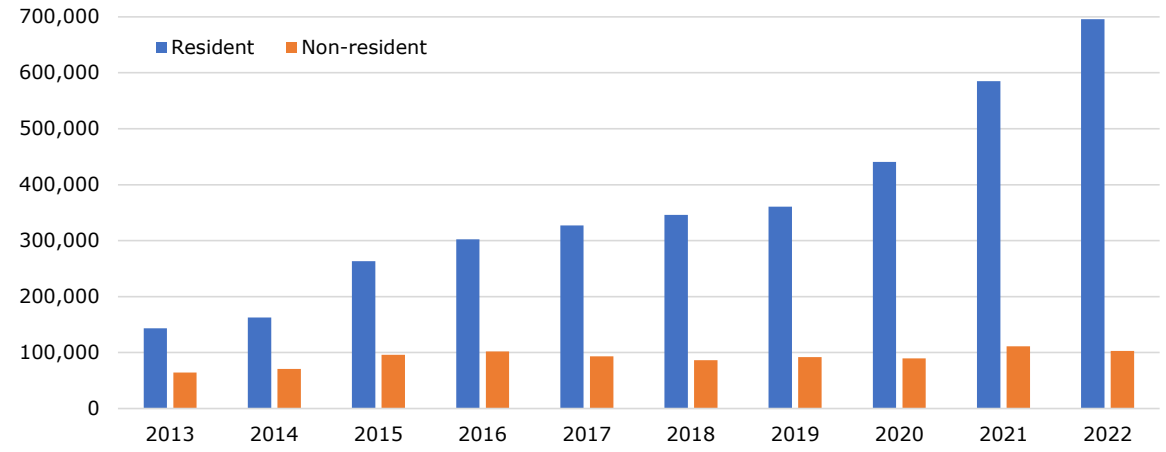
Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.

[204] *China IP Magazine* (2024), "China's Patent-Intensive Industries Achieve Remarkable Growth: Added Value Surpasses 15 Trillion Yuan in 2022, Marking a 7.1% Increase", 1 December. Viewed at: http://www.chinaipmagazine.com/en/news-show.asp?id=12853.

[205] WIPO, *World Intellectual Property Indicators* (2023). Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo-pub-941-2023-en-world-intellectual-property-indicators-2023.pdf.

[206] WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.

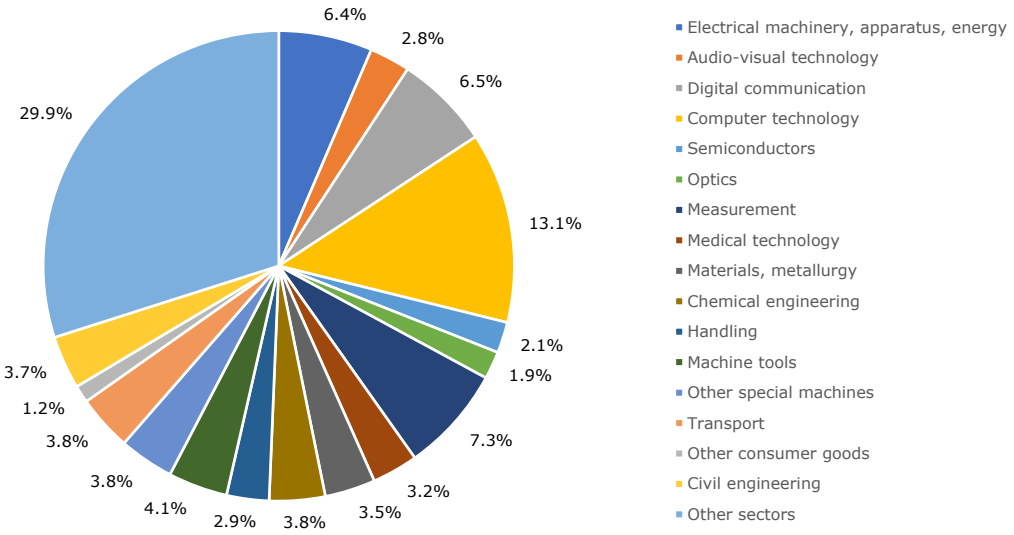
Chart 3.6 Patent grants, 2013-22



Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.

3.246. According to information from WIPO, in 2022, 13% of patents were granted in the field of computer technology, followed by 7.3% in measurement; 6.4% in electrical machinery, apparatus, and energy; and 6.5% in digital communication technologies. Chart 3.7 shows the top 16 fields of technology, as well as the percentage of other sectors.

Chart 3.7 Patent grants by top fields of technology, 2022



Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats/.

3.3.7.5.4 Utility models

3.247. The number of applications and registrations of utility models continued to grow during the review period. Resident applicants represented 99% of applications and registrations (Table 3.31).[207]

[207] WIPO IP Portal, WIPO IP Data Center. Viewed at: https://www3.wipo.int/ipstats/.

Table 3.31 Utility models – Applications and registrations, 2020-22

Utility models		2020	2021	2022
Applications	Resident	2,918,874	2,844,555	2,944,139
	Non-resident	7,759	7,664	6,514
Registrations	Resident	2,368,651	3,111,943	2,796,049
	Non-resident	8,572	8,047	8,106

Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats.

3.3.7.5.5 Industrial designs

3.248. The applications and registrations of industrial designs continued to grow during the review period. Resident applicants represented 97% of total applications and 96% of registrations (Table 3.32).[208]

Table 3.32 Industrial designs – Applications and registrations, 2020-22

Industrial designs		2020	2021	2022
Applications	Resident	752,339	785,857	777,724
	Non-resident	18,023	19,853	18,487
Registrations	Resident	711,559	767,078	709,604
	Non-resident	20,359	18,443	12,400

Source: WIPO IP Portal, WIPO IP Statistics Data Center. Viewed at: https://www3.wipo.int/ipstats.

3.3.7.5.6 Layout-designs of integrated circuits

3.249. Layout-designs of integrated circuits are protected under the Regulations on the Protection of Layout-Designs of Integrated Circuits and under the Rules for Implementing the Regulations on the Protection of Layout-Designs of Integrated Circuits.

3.250. The CNIPA is responsible for the registration of layout-designs of integrated circuits. The authorities state that a layout-design shall no longer be protected 15 years after the date of the completion of its creation, regardless of its registration or commercial exploitation.

3.3.7.5.7 New plant varieties

3.251. On 24 December 2021, the 32nd Session of the Standing Committee of the 13th National People's Congress passed a decision to revise the Seed Law, which became effective on 1 March 2022. This revision mainly aims to strengthen the protection of IPRs in the seed industry by expanding the scope of protection and protective mechanisms for new plant variety rights, establishing the Essential Derivation Variety (EDV) system, improving the rights infringement compensation system, and promoting the establishment of systems that encourage and support propagation innovation.[209]

3.252. In November 2021, China issued a Catalogue of New Plant Varieties under Protection (forest and grass resources) (8th batch), including nine new genera (species) into the catalogue.[210]

3.253. The period of protection of new plant varieties is 20 years from the date of authorization in the case of vines, forest trees, fruit trees, and ornamental trees, and 15 years for other plants.

3.254. MARA and the National Forestry and Grassland Administration (NFGA) are jointly responsible for the protection of new plant varieties. From 2021 to 2023, China received a total of 35,198 applications for new plant varieties (of which 1,294 foreign applications), and 14,978 applications were authorized (of which 964 foreign applications).

[208] WIPO IP Portal, WIPO IP Data Center. Viewed at: https://www3.wipo.int/ipstats/.
[209] MARA, Department of Laws and Regulations (2022), *Seed Law Revised to Strengthen Protection of Seed Industry Intellectual Property Rights*. Viewed at: http://english.moa.gov.cn/datastatistics/202204/t20220408_300834.html.
[210] Information provided by the authorities.

3.3.7.5.8 Undisclosed information and trade secrets

3.255. The regime for the protection of undisclosed information and trade secrets is composed by the Anti-Unfair Competition Law (last amended in 2019), the Administrative Licensing Law (last amended in 2019), the Criminal Law (last amended in 2020), the Labour Law, the Regulations for the Implementation of the Law on Drug Control, and the Regulations on Administration of Agricultural Chemicals.

3.256. In March 2022, the SAMR issued the Announcement of Issuing the Work Plan for the Pilot Program of Innovative Protection of Trade Secrets Nationwide, and conducted national innovation pilot projects for trade secret protection. In July 2022, the first batch of 20 innovative pilot regions was announced, officially launching the innovation pilot project. In April 2023, the SAMR issued a notice to initiate the application process for the second batch.

3.257. Various regions explored ways to address challenges to protect trade secrets. Initiatives such as the establishment of trade secret protection guidance stations (contact points), demonstration enterprises, and demonstration bases were implemented, effectively enhancing enterprise awareness of their rights and government service levels. As of now, market supervision departments at all levels nationwide have established 8,634 demonstration bases, rights protection contact points, demonstration enterprises, and more.

3.3.7.6 Enforcement

3.3.7.6.1 Overview

3.258. The Chinese IP enforcement regime continues to evolve. A specialized trial pattern has emerged, led by the IPR trial department of the Supreme People's Court and demonstrated by four IPR courts. Cases are mainly undertaken by the 27 local intermediate people's courts, and supported by IPR tribunals of the local people's courts at all levels (Table 3.33). On 20 April 2022, the Supreme People's Court issued the Several Provisions on the Original Jurisdiction over Civil and Administrative Cases Involving Intellectual Property document and its supporting measures. The number of grassroots courts with jurisdiction over civil IPR cases in China, including Internet courts, has reached 558.

Table 3.33 IP enforcement, 2021-23

	2021	2022	2023
Cases handled by China Customs at the border	79,253	60,968	..
Cases dealt with by courts			
First-instance civil IPR cases accepted	599,436	521,972	526,027
First-instance civil IPR cases closed	515,861	457,805	460,306
Patent cases accepted	43,800	52,283	60,986
Patent cases closed	30,524	36,060	47,676
Trademark cases accepted	135,454	135,301	147,302
Trademark cases closed	112,566	119,250	132,188
Copyright cases accepted	380,678	294,950	276,424
Copyright cases closed	341,361	270,136	246,032
Technical contract cases accepted	5,033	5,566	7,816
Technical contract cases closed	3,703	4,267	6,286
Unfair competition cases accepted	10,317	12,088	12,761
Unfair competition cases closed	7,518	9,543	10,263
Other IPR cases accepted	24,154	21,784	20,738
Other IPR cases closed	20,189	18,549	17,861
Second instance civil IPR cases accepted	53,533	58,667	46,914
Second instance civil IPR cases closed	45,468	48,614	38,713

.. Not available.

Source: Information provided by the authorities.

3.3.7.6.2 Administrative procedures

3.259. During 2021 and 2022, the SAMR utilized its coordinating functions and organized regular national meetings on combating infringement and counterfeiting, issued annual key points for national efforts to combat infringement and counterfeiting, and clarified the key tasks and

responsibilities of various regions and departments. It has also implemented guidance on Strengthening the Protection of Intellectual Property Rights of Foreign-Funded Enterprises.

3.260. Intending to address trademark and patent-related infringements, the SAMR organized law enforcement efforts and investigated illegal activities. The SAMR also issued the Action Program "Iron Fist" for Investigation and Handling of Cases in the Field of People's Livelihood 2021 and 2023, with a focus on combating trademark infringement. In order to tackle malicious trademark registrations, the SAMR strengthened information sharing with the CNIPA and organized local market supervision departments to carry out more rigorous law enforcement actions.

3.261. In 2021 and 2022, the SAMR organized nationwide actions to destroy infringing, counterfeit, and substandard goods to prevent the circulation of such products. In November 2022, 18 provinces (autonomous regions and municipalities) simultaneously destroyed more than 30 categories and over 100 varieties of infringing, counterfeit, and substandard goods, with a total value of CNY 500 million, effectively protecting the legitimate rights and interests of domestic and foreign-funded enterprises.

3.262. The CNIPA issues the annual National Intellectual Property Administrative Protection Work Plan, which focuses on key areas and high-incidence regions where the public has strong interests and concerns and deploys over 20 specific tasks for special rectification. It also formulates an annual performance assessment plan including rapid coordinated protection, organized inspections, and improved level of law enforcement and case-handling capacity. The CNIPA has also promoted the construction of technical support systems for IP infringement dispute cases, and it issued Interim Provisions on the Participation of Technical Investigators in Administrative Adjudication on Patent and Integrated Circuit Layout Design Infringement Disputes and the Guiding Opinions on Strengthening the Intellectual Property Appraisal.

3.263. In a joint effort with the People's Supreme Court, the People's Supreme Procuratorate, the Ministry of Public Security, and the SAMR, the CNIPA formulated the Opinions on Strengthening the Alignment between Authorities in the Appraisal of Intellectual Property Rights, promoting the professional development of IP appraisal institutions. Additionally, the CNIPA organizes annual training courses for administrative adjudication on patent infringement disputes and training courses to enhance the capability of IP protection for nearly 900 management personnel. It also supports and guides local authorities with over 40 training courses on administrative protection of IP, dispatching 46 lecturers, and training about 3,500 business personnel and grassroots law enforcement officers at the provincial, municipal, county, and village levels.

3.264. Since 2021, the National Copyright Administration has consistently conducted special actions to combat online copyright infringement and piracy, seasonal actions to protect youth copyrights, special campaigns to combat book piracy, and special campaigns to combat unauthorized recording and dissemination of cinema films. It has strengthened key regulations of online copyright and cracked down on copyright infringement and piracy in key online areas, continually enhancing efforts in copyright protection, optimizing the business environment, and promoting high-quality development.

3.3.7.6.3 Judicial measures

3.265. The People's Supreme Court promulgated the Provisions on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Patent Disputes Related to Drugs of Which Applications for Registration Are Filed, Several Provisions on the Specific Application of Law in the Trial of Cases Involving Disputes over Infringement upon Rights of New Plant Varieties, and the Provisions on Several Issues concerning the Application of Law in the Trial of Monopoly Civil Dispute Cases. It has also formulated the Interpretation of Several Issues Concerning the Application of the Anti-Unfair Competition Law of the People's Republic of China to respond to judicial needs in new fields, and promote the formation of fair competition and an open national unified market; the Interpretation on the Application of Punitive Damages in the Trial of Civil Cases of Intellectual Property Infringement to ensure uniform standards for punitive damages; and the Official Reply of the Supreme People's Court on Issues Concerning the Claim of the Defendant for Compensation for Reasonable Expenses on the Ground that the Plaintiff Abuses Rights in the Action of Infringement on Intellectual Property Rights to support claims for reasonable expenses from abusive litigants, and guiding parties to exercise their litigation rights in good faith.

3.266. The People's Supreme Court also carries out comprehensive online mediation work for IP disputes, handling over 20,000 IP dispute cases.

3.3.7.6.4 Customs measures

3.267. The legal framework for IP enforcement at the border is provided by the Customs Law, the Regulations on Customs Protection of Intellectual Property, and the Rules of the Customs for Implementing the Regulations on Customs Protection of Intellectual Property.

3.268. In 2022, China Customs seized 60,900 batches and 77.9 million pieces of goods suspected of infringing IPRs, compared with 79,200 batches and 71.8 million pieces of goods in 2021.

3.269. China Customs has organized special actions such as the "Soaring Dragon Action" for the comprehensive strengthening of IP protection, the "Blue Net Action" targeting postal channels, and the "Net Cleaning Action" focusing on goods transited via a third party. China Customs has also enhanced law enforcement by promoting the application of high-technology equipment in customs protection. It has extensively deployed mobile terminal trademark recognition technology to assist customs officers in identifying infringing counterfeit trademarks online and accelerate the verification of the IPR status of imported and exported goods. China Customs has also provided employees with courses, job exchanges, and on-the-job training to enhance frontline law enforcement capabilities. In 2021 and 2022, a total of 1,260 law enforcement training sessions were conducted, with over 70,000 participants trained.

3.270. In 2020, 61,900 shipments, involving 56.2 million pieces of suspected goods, were seized. For 2021 and 2022, these figures amounted to 79,200 shipments and 60,900 shipments, involving 71.8 million and 77.9 million pieces of suspected goods, respectively. Figures for 2023 were not yet available.

3.3.7.6.5 Criminal procedures

3.271. Since 2021, the Ministry of Public Security has empowered the national public security agencies to fully perform their criminal enforcement duties, crack down on various IP infringements as provided by the law, protect the legitimate rights and interests of IP rights holders, and contribute to creating a first-class business environment. From 2021 to 2022, there was a total of 48,000 cases related to IP infringement and the manufacture and sale of counterfeit goods; major cases were placed under special supervision.

3.272. The Ministry of Public Security coordinates with security agencies in various regions to adhere to a core principle of fairness to protect IP, giving equal protection to various market entities, including SOEs, private enterprises, domestic and foreign companies, and large, medium, small, and micro-sized enterprises. Relying on various bilateral and multilateral international law enforcement cooperation mechanisms, the Ministry collaborated in transnational and cross-border cases. At the invitation of INTERPOL, Chinese public security agencies continue to actively participate in "Operation Opso" against food crimes, "Operation Pangea" against drug crimes, and "Operation Falcon" against Internet IP crimes.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry, and fisheries

4.1. The contribution of agriculture, animal husbandry, forestry, and fisheries to current GDP was 5.9% in 2023, down from 6.4% in 2021. The real growth rate and employment fluctuated year-on-year (Table 4.1).

Table 4.1 Principal indicators for agriculture, animal husbandry, forestry, and fisheries, 2018–23

	2018	2019	2020	2021	2022	2023
Contribution share to the growth of GDP (%)[a]	4.1	3.9	10.4	6.4	10.8	5.9
Share in current GDP (%)	7.3	7.5	8.0	7.6	7.7	7.5
Real growth rate (%)	3.6	3.2	3.3	7.1	4.4	4.2
Employment (percentage of total employment)	25.7	24.7	23.6	22.9	24.1	22.8
Share of gross output value (%)[b]						
Farming	57.1	56.2	54.9	56.3	57.3	58.4
Animal husbandry	26.6	28.1	30.8	28.7	27.6	26.1
Forestry	5.0	4.9	4.6	4.7	4.6	4.7
Fishery	11.3	10.7	9.8	10.4	10.5	10.8

a Figures refer to the primary sector, which does not include services in support of the agriculture, forestry, animal husbandry, and fishery industries.
b Excludes services supporting agriculture, forestry, animal husbandry, and fisheries.

Source: National Bureau of Statistics; and data provided by the authorities.

4.1.1 Agriculture

4.1.1.1 Features of trade in agriculture

4.2. China continues to be a net importer of agricultural products; agricultural imports represented 8.4% of total merchandise imports in 2023. China's main agricultural exports by tariff line (at the HS 4-digit level) continue to be fruits and vegetables. Imports of agricultural products remain dominated by soya beans (Table 4.2).

4.3. Arable land is owned by villagers' collectives, unchanged since the previous Review.[1] The authorities state that farmers and rural collective economic organizations are encouraged to voluntarily raise funds for and contribute labour to programmes for public good, and participate in construction, operation, and management of farmland. They also state that the rural land system shall be improved, and the legal land rights and interests of farmers who have settled down in cities shall be guaranteed. The authorities consider exploring the establishment of a monitoring mechanism for the use of arable land. According to the authorities, under the Pilot Programme for Deepening the Rural Homestead System Reform issued in 2020, the pilot reform of the rural homestead system in 104 counties, cities, and districts and 3 prefectural-level cities has covered 1,719 townships and 25,290 administrative villages. The authorities state that reform involved, *inter alia*, allocation, transfer, approval, and supervision of homestead, and housing guarantees for farmers.

Table 4.2 Agricultural trade, 2018–23

	2018	2019	2020	2021	2022	2023
Exports (USD million)	57,631.5	58,451.4	57,517.4	63,088.9	69,320.5	70,976.1
% of total exports	2.3	2.3	2.2	1.9	1.9	2.1
Growth rate (% change)	5.6	1.4	-1.6	9.7	9.9	2.4
Top 10 exports at HS 4-digit level (% of total agricultural exports)						
2106 Food preparations not elsewhere specified or included	3.2	3.5	4.0	4.4	4.7	5.5
0703 Onions, shallots, garlic, other alliaceous vegetables; fresh or chilled	3.4	4.5	4.6	4.0	3.5	4.3
2008 Fruits and nuts, prepared or preserved	5.1	4.5	4.4	4.3	4.2	4.0

[1] Rural Land Contract Law. Viewed at: http://www.npc.gov.cn/zgrdw/npc/xinwen/2019-01/07/content_2070250.htm.

	2018	2019	2020	2021	2022	2023
2309 Preparations of a kind used in animal feeding	3.7	3.3	3.6	4.2	4.3	3.9
1302 Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products	2.6	2.6	2.8	3.3	4.0	3.3
2103 Sauces; mixed condiments and seasonings	2.1	2.2	2.7	3.3	3.3	3.0
2005 Vegetables preparations n.e.s.	3.8	3.7	3.5	3.4	3.4	2.9
1518 Animal or vegetable fats, oils, fractions thereof	0.7	0.9	1.3	2.1	3.2	2.8
0712 Vegetables, dried; whole, cut, sliced, broken or in powder, but not further prepared	7.0	5.0	3.7	3.5	2.8	2.5
0902 Tea	3.1	3.5	3.5	3.6	3.0	2.5
Imports (USD million)	123,803.2	133,148.0	157,497.6	205,284.9	217,638.4	214,823.2
% of total imports	5.8	6.4	7.6	7.6	8.0	8.4
Growth rate (percentage change)	7.2	7.5	18.3	30.3	6.0	-1.3
Top 10 imports at HS 4-digit level (% of total agricultural exports)						
1201 Soya beans, whether or not broken	30.8	26.5	25.1	26.1	28.1	27.7
0202 Meat of bovine animals, frozen	3.8	6.0	6.2	5.8	7.8	6.3
1005 Maize (corn)	0.6	0.8	1.6	3.9	3.3	4.2
0810 Fruit, fresh, n.e.s. in HS Chapter 08	2.0	2.4	2.6	3.1	2.8	3.9
2106 Food preparations n.e.s.	2.2	2.4	2.4	2.0	2.2	2.5
1511 Palm oil and its fractions, not chemically modified	2.7	3.1	2.6	2.9	2.7	2.4
1901 Food preparations of cereals, flour or milk	4.4	4.4	3.7	2.5	2.4	2.3
1001 Wheat and meslin	0.6	0.7	1.4	1.5	1.7	2.0
0207 Meat and edible offal of poultry, fresh, chilled or frozen	0.9	1.5	2.2	1.7	1.9	1.9
5201 Cotton, not carded or combed	2.6	2.7	2.3	2.0	2.4	1.9

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605 and 2301.20), plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302). Top 10 agricultural exports and imports by HS 4-digit level sorted by the year 2023.

Source: WTO Secretariat calculations, based on trade figures from UN Comtrade database.

4.1.1.2 Legal and institutional framework

4.4. The Ministry of Agriculture and Rural Affairs (MARA) continues to be the main competent ministry in charge of, *inter alia*, arable land policies, agricultural and rural development, and implementation of the rural revitalization strategy. The National Food and Strategic Reserves Administration (NAFRA), under the purview of the National Development and Reform Commission (NDRC), continues to be responsible for (i) organizing and implementing the purchase, storage, rotation, and daily management of the national strategic and emergency reserves in accordance with the overall development plan and the catalogue of national reserves; (ii) constructing and managing related infrastructure; (iii) supervising and inspecting government and enterprise reserves under the management of NAFRA, and the implementation of the reserve policies; and (iv) overseeing industry guidance of grain distribution and administrative management of the central reserves of grain and cotton (Box 4.1). The Ministry of Science and Technology (MOST) is responsible for National Natural Science Foundation of China (NSFC), a public science funding body. MARA, together with, *inter alia*, the NDRC, the Ministry of Finance (MOF), and the Ministry of Commerce (MOFCOM), is in charge of implementing agricultural policy.

Box 4.1 Cotton production in China

Data provided by the authorities indicate that in 2023 cotton-producing areas throughout China totalled 41.82 million mu (1/15 of a hectare), a decrease of 7.1% year-on-year. A production area pattern of "one major area and two secondary areas" (i.e. the cotton area in the northwest inland as the major area and the cotton areas in the Yellow River Basin and the Yangtze River Basin as the secondary areas) has been formed. In 2023, the cotton-producing area in Xinjiang was 35.54 million mu, accounting for 85% of the total area in China. In recent years, the per unit yield of cotton has increased substantially after the promotion and application of new species and new technologies. In 2023, the per unit yield of cotton was 134.3 kg/mu, increased by 1.5 kg/mu year-on-year, an increase of almost 30% compared with that of 2015. In 2023, the total volume of cotton production was 5.62 million tonnes, of which Xinjiang Cotton's volume of production was 5.11 million tonnes, accounting for 91% of the total volume of production. The self-sufficiency rate of China remains around 70%.

Source: Information provided by the authorities.

4.5. Among the central state-owned enterprises (SOEs) and their subsidiaries under the State-owned Assets Supervision and Administration Commission's (SASAC) supervision operating in the agriculture sector and related sectors, such as food processing and the production of seeds, fertilizers, and pesticides, are the China Agriculture Development Group, COFCO Corporation, the China Grain Storage Group, China Salt Industry Group, Sinochem, China National Chemical Group, and the China National Seed Group.

4.6. Key laws in the agriculture sector are set out in Table 4.3. On 29 April 2021, the Law on the Promotion of Revitalization of Rural Areas was promulgated, and it stipulates the overall goals, principles, and requirements of rural revitalization. Under the rural revitalization strategy, the authorities aim at boosting economic development via industrial development, talent support, cultural prosperity, ecological protection, organizational protection, and urban-rural integration.[2] The relevant support measures will include establishing and improving a financial investment guarantee system, establishing a long-term support and assistance mechanism for low-income rural population and underdeveloped areas, improving the capital market, and establishing and improving the rural financial service and agricultural insurance system with a view to enhancing support for rural revitalization.

4.7. The Seed Law was revised on 24 December 2021 and entered into force on 1 March 2022, aiming to strengthen the protection of intellectual property rights in the seed industry. The revision expanded the scope of protection for new plant variety rights, established the Essential Derivation Variety system, improved the rights infringement compensation system, and improved systems that encourage and support propagation innovation (Section 3.3.7).[3] In addition, the Law on the Protection of Black Soil was adopted on 24 June 2022 and entered into force on 1 August 2022 to protect black soil resources and restore and enhance the basic fertility of black soil.[4] The Law on the Protection of Wildlife was revised on 30 December 2022, and entered into force on 1 May 2023 with a view to, *inter alia*, strengthening the protection of wildlife habitats, refining the measures of wildlife population control, and strengthening the prevention and control of alien species. The Yangtze River Protection Law was adopted on 26 December 2020 and entered into force on 1 March 2021 to attain certain ecological priority and green development, and the Yellow River Protection Law was adopted on 30 October 2022 and is to enter into force on 1 April 2024.[5] The revised Animal Husbandry Law was revised on 30 October 2022 and entered into force on 1 March 2023 with a view to, *inter alia*, ensuring the supply of livestock and poultry products, cultivating and promoting excellent breeds of livestock and poultry, revitalizing the livestock and poultry breeding industries, preventing public health risks, and promoting high-quality development of the livestock industry. The Law on Animal Epidemic Prevention was revised on 22 January 2021 and entered into force on 1 January 2023 to strengthen animal epidemic prevention. The Law on Quality and Safety of Agricultural Products was revised on September 2022 and entered into force on 1 January 2023.[6]

[2] Government of China, Rural Revitalization Strategy. Viewed at: https://www.gov.cn/gongbao/content/2018/content_5331958.htm.

[3] MARA, *Seed Law Revised to Strengthen Protection of Seed Industry Intellectual Property Rights*. Viewed at: http://english.moa.gov.cn/datastatistics/202204/t20220408_300834.html.

[4] Government of China. Viewed at: https://www.gov.cn/xinwen/2022-06/25/content_5697698.htm.

[5] The law, *inter alia*, stipulates measures for agricultural water-saving and efficiency enhancement, industrial water-saving and emission reduction, and urban water-saving and loss reduction.

[6] Government of China. Viewed at: https://www.gov.cn/xinwen/2022-09/03/content_5708127.htm.

4.8. The Land Administration Law, the Law on the Organization of Villagers' Committees, the Law on the Entry and Exit Animal and Plant Quarantine, and the Law on Promotion of Agricultural Mechanization have remained unchanged since the previous Review.

4.9. Since China's previous Review, FDI restrictions on agriculture have remained unchanged.

Table 4.3 Main agriculture-related laws, April 2024

Law (date of last amendment)	Coverage
Agriculture Law, 1993 (2012)	Principles for agriculture development, management, and preservation. Agriculture encompasses crop-plantation, forestry, animal husbandry, and fisheries.
Animal Husbandry Law, 2005 (2022)	Provisions on standardizing livestock and poultry production and operation, ensuring the supply and quality safety of livestock and poultry products, protecting and reasonably utilizing livestock and poultry genetic resources, cultivating and promoting excellent breeds of livestock and poultry, revitalizing the livestock and poultry breeding industry, safeguarding the legitimate rights and interests of livestock and poultry production and operation, preventing public health risks, and promoting high-quality development of animal husbandry.
Law on Specialized Farmers' Cooperatives, 2006 (2017)	Regulations on norms and behaviour of specialized farmers' cooperatives.
Law on Animal Epidemic Prevention, 1997 (2021)	Provisions on strengthening the management of animal epidemic prevention activities, preventing, controlling, eliminating, and eradicating animal diseases, promoting the development of animal husbandry, preventing and controlling zoonotic infectious diseases, ensuring public health and human health.
Law on Promotion of Agricultural Mechanization, 2004 (2018)	Provisions on encouraging and supporting farmers and agricultural production and operation organizations in using advanced and applicable agricultural machinery, and promoting agricultural mechanization.
Law on the Contracting of Rural Land, 2002 (2018)	Provisions to stabilize and perfect the two-level operation system that is based on the responsibility system of contracting by households supplemented by unified management, entitling villagers to a long-term and guaranteed right to land use.
Law of Agricultural Engineering Extension, 1993 (2012)	Provisions to strengthen agricultural engineering extension, and advance agricultural scientific research and new technology to ensure agricultural development and modernization.
Land Administration Law, 1986 (2019)	Provisions on the ownership and land use rights, land use planning, protection of cultivated land, land for construction, and supervision and inspection.
Law on the Quality and Safety of Agricultural Products, 2006 (2022)	Provisions on quality and safety standards, origin, production, packing and labelling, and supervision and inspection of agricultural products.
Law on the Organization of Villagers' Committees, 1998 (2018)	Provisions on composition and responsibilities of villagers' committees, election of village committees, villagers' meetings, and democratic supervision and management.
Law on Township Enterprises, 1996	Provisions on supporting and guiding the sustainable and healthy development of township enterprises, protecting the legal rights and interests of township enterprises, and regulating the behaviours of township enterprises.
Law on the Promotion of Revitalization of Rural Areas, 2021	Provisions on the comprehensive implementation of the rural revitalization strategy and the promotion of revitalization of rural industries, talents, culture, ecology, and organizations.
Law on the Mediation and Arbitration of Rural Land Contract Disputes, 2009	Provisions on the fair and timely resolution of disputes over rural land contracting and management, and the protection of the legitimate rights and interests of the parties involved.
Law on the Entry and Exit Animal and Plant Quarantine, 1991 (2009)	Provisions on the prevention of animal infectious diseases, parasitic diseases, plant dangerous diseases, insects, weeds, and other harmful organisms from entering or leaving the country, and the protection of agriculture, forestry, animal husbandry, fishery production, and human health.

Law (date of last amendment)	Coverage
Black Soil Protection Law, 2022	Provisions on the protection of black soil resources and the restoration and enhancement of the basic fertility of black soil.
Seed Law, 2000 (2021)	Provisions on the protecting and rationally utilizing germplasm resources, standardizing variety breeding, seed production, operation, and management practices, promoting scientific and technological research in the seed industry, encouraging breeding innovation, protecting plant variety rights, safeguarding the legitimate rights and interests of seed producers and users, improving seed quality, and developing the modern seed industry.

Source: FAO, FAOLEX Database. Viewed at: https://www.fao.org/faolex/en/; Land Administration Law. Viewed at: http://www.moj.gov.cn/Department/content/2019-09/18/592_3232_173.html; Agricultural Mechanization Promotion Law. Viewed at: http://www.moa.gov.cn/gk/zcfg/fl/202007/t20200716_6348748.htm; Law on Quality and Safety of Agricultural Products. Viewed at: http://www.moj.gov.cn/Department/content/2019-01/17/592_226992.html; Law on the Organization of Villagers' Committees. Viewed at: http://www.moj.gov.cn/Department/content/2019-01/17/592_227048.html; and Rural Contract Law. Viewed at: http://www.npc.gov.cn/npc/c30834/201901/cd063e4c0f19465e9d41946001fe839c.shtml; and information provided by the authorities.

4.10. The authorities consider that e-commerce has brought farmers closer to the market. By the end of 2023, the Internet penetration rate in rural areas reached 66.5%, and the urban-rural gap continues to narrow. In 2023, the national rural online retail sales reached CNY 2.49 trillion, an increase of 12.9% year-on-year. In 2023, the national online retail sales of agricultural products reached CNY 587.03 billion, a year-on-year increase of 12.5%. By the end of 2023, the number of rural online merchants (stores) nationwide reached 18.4 million, a year-on-year increase of 6.3%. By the end of 2023, more than 2,900 county-level e-commerce public service centres and express logistics distribution centres had been built nationwide. The coverage rate of express service in administrative villages nationwide has reached 95%, and in over one third of counties, parcels can be delivered from the county to the village on the same day. Over 100 million parcels come in and out of rural areas every day. In 2023, there were 6.69 million rural livestream e-commerce businesses, accounting for 36.4% of rural e-commerce businesses. Countywide instant retail has developed rapidly, with an average annual growth rate exceeding 50% since 2019, according to industry estimates.

4.1.1.3 Policy objectives and reforms

4.11. The authorities state that, during the review period, China focused on, *inter alia*, (i) strengthening the construction of high-standard farmland, implementing actions to increase grain production capacity by 50 million tonnes, and exploring the establishment of a monitoring mechanism concerning the use of arable land; (ii) modernizing agriculture facilities and infrastructure, with a focus on the comprehensive renovation and improvement of old vegetable facilities; (iii) building a diversified food supply system to coordinate grain, economic crops, and feed crops; integrate agriculture, forestry, animal husbandry, and fisheries; and grow plants, animals, and microorganisms; (iv) strengthening food safety and agricultural product quality supervision; (v) improving the rural land system; and (vi) improving the rural living environment, strengthening rural infrastructure construction, and enhancing basic public service to promote village planning and construction.

4.12. The main agricultural strategy in China includes No. 1 Central Document on agricultural and rural development, which is released every year. The main objective of the No. 1 Central Document issued in 2023 is the acceleration of the building of strong agriculture, and it contains 33 items, such as advancing rural revitalization and strengthening related support.

4.13. Policy objectives in agriculture were also indicated in the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives through the Year 2035, announced in March 2021. In November 2021, the Government issued the Notice of Agricultural and Rural Modernization Planning to promote the 14th Five-Year Plan.[7] To tackle issues related to agriculture, farmers, and rural areas, it sets the following objectives: effectively

[7] Government of China, Guo Fa [2021] No. 25. Viewed at: https://www.gov.cn/zhengce/content/2022-02/11/content_5673082.htm.

guaranteeing grains and other important agricultural products; steadily improving agricultural quality, efficiency, and competitiveness; making progress in rural infrastructure construction; improving rural ecological environment; further enhancing rural governance capacity; increasing the rural residents' income; and consolidating and expanding achievements in poverty alleviation.[8]

4.14. Other strategies include the Digital Agriculture and Rural Development Plan (2019–2025)[9], the White Paper of Food Security in China, the Five-Year Action Plan (2021–2025) for Rural Habitat Improvement, and the Action Plan on Rural Construction.[10]

4.15. A 2020-2025 National Plan for Rural Industrial Development, issued by MARA in July 2020, remains effective[11]; during the review period, provinces introduced their rural industrial development plans following the National Plan.[12]

4.16. The authorities also intend to build modern agricultural industrial parks, industrial towns, and industrial clusters, as well as new industrial formats (e.g. leisure agriculture, rural tourism, and rural e-commerce). Support has been given to establishing modern agricultural industrial parks and townships and industry clusters, and developing new business models (i.e. leisure agriculture, rural tourism, and rural e-commerce); since 2021, 150 national modern agricultural industrial parks, 180 industrial clusters, and 698 strong towns in agricultural industry have been established.

4.17. In recent years, MOFCOM, in conjunction with relevant departments, has promoted the development of rural e-commerce in response to the development trend of the Internet and urbanization to promote agricultural transformation and upgrading, boost rural consumption markets, and increase farmers' income.

4.1.1.4 Policy instruments

4.1.1.4.1 Border measures

4.18. Agricultural products (WTO definition) are subject to *ad valorem* applied rates, except for some animal products.[13] In 2024, the average MFN applied tariff on agricultural products was 12.6% (12.7% in 2021). The product groups subject to higher-than-average tariff protection included sugars and confectionery (30.6%); cereals and food preparations (20.2%); beverages and tobacco (15.8%); cotton, silk, and wool (14.2%); and coffee, tea, cocoa, and spices (12.7%). The simple average tariff for dairy products was the lowest among agricultural products, at 11.1%. In addition, the variability of agricultural tariffs, with a standard deviation (SD) of 11.0, was higher than that of non-agricultural products (SD 4.5). Variability was particularly high for cereals and food preparations (SD 22.0) and beverages and tobacco (SD 16.9), followed by sugar and confectionery (SD 16.2) and cotton, silk, and wool (SD 12.3) (Table A3.1).

4.19. China continues to make use of tariff rate quotas (TRQs).[14] The NDRC and MOFCOM announce public implementing regulations of the Administration of Import TRQs every year. Except for uncombed cotton, in-quota and out-of-quota tariff rates are *ad valorem*. China applies an interim rate in the form of a sliding duty to a certain amount of uncombed cotton (HS 5201.00.00) imported out of quota, with the sliding duty rate capped at 40% (i.e. the bound rate for cotton). Since 2020, the implementation rate of tariff quotas has fluctuated for some products, including wheat, rice,

[8] Guo Fa [2021] No. 25, Section V.
[9] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/2020-01/20/content_5470944.htm.
[10] Government of China. Viewed at: https://www.gov.cn/zhengce/2022-05/23/content_5691881.htm.
[11] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/2020-07/17/content_5527720.htm.
[12] The Plan sets out the goals and revenue targets for rural industrial development, with priorities including upgrading agricultural product processing industries, expanding rural speciality industries, improving agricultural tourism, developing new-type rural service industries, promoting synergies between vertical integration of agriculture and rural industries development, and advancing entrepreneurship and innovation in rural areas.
[13] These products are four tariff lines under HS 0207 – frozen meat and edible offal of fowls of the species *Gallus domesticus* (poultry). Three tariff lines carry alternate/mixed rates under HS 4001 – natural rubber; those three alternate rates are interim duties.
[14] WTO document G/LIC/N/3/CHN/18, 30 January 2020.

wool, and cotton (Table 4.4). The authorities indicate that fluctuating fill rates are due to changes in domestic and international market conditions.

Table 4.4 TRQs on agricultural products and their utilization, 2020-22

Products	Out-of-quota rates	In-quota rates	Tariff quota quantity	In-quota imports		
				2020	2021	2022
	(%)		(tonnes)			
Wheat (7 lines)			9,636,000	8,151,565	9,502,113	9,636,000
Wheat and meslin (4 lines)	65	1				
Wheat or meslin flour (1 line)	65	6				
Groats and meal of wheat (1 line)	65	9				
Pellets of wheat (1 line)	65	10				
Corn (5 lines)			7,200,000	7,200,000	7,200,000	7,200,000
Maize (corn) seed (1 line)	20	1				
Maize (corn) other than seed (1 line)	65	1				
Maize (corn) flour (1 line)	40	9				
Groats and meal of corn (1 line)	65	9				
Rolled or flaked corn (1 line)	65	10				
Rice (14 lines)			5,320,000 [a]	2,911,464	2,536,517	2,797,362
Rice, other than broken (8 lines)	65	1				
Broken rice (2 lines)	10	1				
Rice flour (2 lines)	40	9				
Meal of rice (2 lines)	10	9				
Sugar (7 lines)	50	15	1,945,000	1,945,000	1,945,000	1,945,000
Wool (6 lines)	38	1	287,000	221,000	226,169	230,392
Wool tops and carded wool (3 lines)	38	3	80,000	..	..	..
Cotton (2 lines)	40	1	894,000	894,000	894,000	738,308

.. Not available.

a Tariff rate quota quantity is 2,660,000 tonnes for short- and medium-grain rice combined and 2,660,000 tonnes for long-grain rice.

Note: The number of tariff lines in brackets (HS 8-digit level) refers to the 2024 customs tariff.

Source: WTO documents G/AG/N/CHN/56, 29 June 2021; G/AG/N/CHN/57, 13 September 2022; G/AG/N/CHN/70, 21 September 2023; G/LIC/N/3/CHN/18, 30 January 2020; G/LIC/N/3/CHN/18/Corr.1, 5 February 2020; and WTO Secretariat calculations, based on data provided by the authorities.

4.20. The NDRC is responsible for allocating TRQs for grains and cotton, and MOFCOM allocates the rest. Some products subject to TRQs (i.e. grains, cotton, and sugar) are also subject to state trading. In these cases, one part of the quota is allocated to state trading enterprises (STEs) and the other part to other enterprises. The administration methods of the TRQs as described by China in its notification to the WTO were unchanged.[15] The importation of grain (wheat, maize, and rice), sugar, tobacco, and cotton is subject to state trading (Section 3.3.5).

4.21. In accordance with the State Council Notice Regarding Deepening the Reform of Separating Permits from Business Licenses and Further Increasing the Development Vitality of Market Participants (Guo Fa [2021] No. 7) released on 19 May 2021, MARA eliminated the requirement of having the import and export of crop seeds reviewed by the Department of Agriculture and Rural Affairs of provincial governments on 1 July 2021. Instead, such import and export began to be directly accepted and approved by MARA (Section 3.2). The approval process has been fully digitalized since 1 December 2021 and online applications require no paper material.

4.22. The VAT rate on domestically produced and imported agricultural products stood at 9% in 2023 (unchanged since the previous Review). Self-produced agricultural products sold by agricultural producers are VAT exempt. Tobacco leaf (i.e. sun-dried leaf tobacco and toasted leaf

[15] WTO document G/AG/N/CHN/2, 25 September 2003, Table MA:1.

tobacco) purchased in China is subject to a 20% tobacco leaf tax.[16] The authorities state that this tax is not levied on imported tobacco leaf.

4.1.1.4.2 Measures affecting exports

4.23. China notified the WTO that export subsidies were not granted to agricultural products during calendar years 2020 and 2022.[17] China provides export financing programmes (i.e. export credit, export credit guarantees, and insurance programmes) covering agricultural goods. China has indicated in its replies to the questionnaire on export competition, circulated on 17 January 2020, that it provides export financing programmes (e.g. short-term trade financing support for export of agricultural products based on invoices, receipts, or credit letters, etc.; working capital loans for suppliers; medium- and long-term export credit insurance; overseas investment insurance; and short-term export credit insurance) covering, *inter alia*, agricultural products.[18]

4.24. The authorities state that since the establishment of the Trust Fund for South-South Cooperation with the Food and Agriculture Organization (FAO) in 2009, China has donated a total of USD 130 million and sent many experts and technicians abroad. Under the Global Development and South-South Cooperation Fund, China has cooperated with the FAO and the World Food Programme in implementing around 50 South-South cooperation projects.

4.25. Export taxes are levied on four tariff lines (at the HS 8-digit level) relating to products of animal origin, and two tariff lines on raw hides and skins (Table 3.11).[19]

4.26. According to the authorities, during the review period, laws and regulations regarding import or export licensing remained unchanged. Exports of rice, corn, tobacco, and cotton are subject to state trading.[20] The authorities indicate that, during the review period, there were two newly added cotton export STEs (i.e. Xinjiang Xintianlu Agricultural Products Co. Ltd and China National Cotton Group Corporation). These products, except for tobacco, are also subject to export quotas, which are managed by the NDRC and MOFCOM, and are allocated only to STEs. Wheat is also subject to export quotas (Table 4.5).

Table 4.5 Agricultural products subject to export quotas and licensing, March 2024

Products	Type of licence	Comment
Goods subject to quota and licensing		
Rice, maize, wheat, and cotton	Export quota licence	The quota is allocated by the NDRC and MOFCOM, and the licence is issued by MOFCOM.
Live cattle and swine (for export to Hong Kong, China and Macao, China); live chicken for export to Hong Kong, China; and flour of maize rice and wheat, sawn wood, mat rush, liquorice	Export quota licence	The quota is allocated by MOFCOM.
Goods subject to licensing		
Live cattle and swine (for markets other than Hong Kong, China or Macao, China) and chicken (for markets other than Hong Kong, China) and frozen and chilled beef, pork, and chicken meat	Export licence	A licence is granted if the exporter has the relevant export contract.

Source: Information provided by the authorities.

4.27. Export quotas for maize flour and rice flour decreased between 2020 and 2022; export quotas for wheat flour decreased in 2021 but increased in 2022 (Table 4.6).

[16] Tobacco Tax Law, 2017.
[17] WTO documents G/AG/N/CHN/58, 16 November 2022; G/AG/N/CHN/59, 16 November 2022; and G/AG/N/CHN/68, 20 September 2023.
[18] WTO document G/AG/W125/Rev.12/Add.2, 20 July 2020.
[19] The lines concerned are 0506.10.00 (ossein and bones treated with acid); 0506.90.11, 0506.90.19, and 0506.90.90 (powder and waste of bones); and 4103.90.11 and 4103.90.19 (dried hides and skins of goats).
[20] WTO document G/STR/N/18/CHN, 12 November 2021.

Table 4.6 Export quotas for maize, rice, and wheat flour, 2020-22

(Tonnes)

Product	2020	2021	2022
Maize flour	803	913	412
Rice flour	76	55	18
Wheat flour	181,312	79,553	140,543

Source: Information provided by the authorities.

4.1.1.4.3 Internal measures

4.1.1.4.3.1 Support measures

4.28. Central government support to farmers takes the form of tax incentives (Table 4.7) or fiscal appropriations (Table 4.8). In 2022, China notified the WTO Committee on Agriculture of the support given to the agriculture sector for the year 2017.[21] Support programmes covering the period 2021-22 were notified by China under the Agreement on Subsidies and Countervailing Measures (SCM Agreement).[22] According to the authorities, during the review period, China's support measures for main agricultural products mainly included the minimum purchase prices for rice in husk and wheat, subsidies for rice in husk, corn producer subsidies, soybean producer subsidies, and cotton target price subsidies.

Table 4.7 Central government tax incentives provided to the agriculture sector, 2023

Title *Legal basis*	Objective	Subsidy	Start date
Preferential tax policies for farming, forest, animal husbandry, and fishery products *Law on Enterprise Income Tax, 2007; Regulations for the Implementation of Law on Enterprise Income Tax, 2007; MOF Circular Cai Shui [2008] No. 149; MOF Circular Cai Shui [2011] No. 26*	Support the development of agriculture	Preferential tax treatment. For enterprise income derived from farming, forestry, animal husbandry, and fishery projects, enterprise income tax may be exempted or reduced.	2008
Preferential tax treatment for imported products for the purpose of replacing the planting of poppies *MOF Circular Cai Shui [2000] No. 63*	Support the replacement of the planting of poppies in the border areas of Yunnan Province	VAT and tariff exemption	2000
Preferential tax policies on imports of seeds and breeds *MOF Circular Cai Guan Shui [2021] No. 29*	Introduce and promote improved breeds, strengthen the protection of species resources, and develop high-quality, productive, and efficient agriculture and forestry industries	VAT exemption	2016
Preferential tax treatment for border-selling tea *MOF and SAT Announcement No. 83, 2019; MOF and SAT Announcement No. 4, 2021; MOF and SAT Announcement on Continuing the Implementation of Border-Selling Tea VAT Policy (No. 59, 2023)*	Reduce the costs for ethnic minorities living in border areas to purchase border-selling tea, and ensure the supply of border-selling tea at the border areas inhabited by ethnic minorities	VAT exemption	1994

Source: WTO document G/SCM/N/401/CHN, 20 July 2023.

[21] WTO document G/AG/N/CHN/62, 14 December 2022.
[22] WTO document G/SCM/N/401/CHN, 20 July 2023.

Table 4.8 Central government fiscal appropriations for the agriculture sector, 2023

Title *Legal basis*	Objective(s)	Subsidy	Start date	Budgetary allotments (CNY million)
Fund for the development of agricultural production *MOF Circulars Cai Nong [2020] No. 10, and Cai Nong [2022] No. 25*	Promote agricultural production, optimize industrial structure, promote industrial integration, and improve agricultural efficiency, etc.	Provided mainly to farmers, new types of agri-businesses, and units and individuals undertaking project tasks	2017	2021: 210,303 2022: 232,483
Subsidy fund for agricultural resources and ecological protection *MOF Circular Cai Nong [2020] No. 10; MOF Circular Cai Nong [2022] No. 25*	To be used for agricultural resources conservation, ecological protection, and compensation of interest, etc.	Provided mainly to farmers, herders, fishers, new types of agri-business, and units and individuals undertaking project tasks	2021	2021: 37,189 2022: 44,849
Fund for water conservancy development *MOF Circular Cai Nong [2019] No. 54*	Support the construction of soil and water conservation projects and prevent and control soil erosion	Provided to provincial governments for farmland water and soil conservation projects	1983	2021: 4,500 2022: 5,029
Fund for disaster prevention and relief in agricultural production *MOF Circular Cai Nong [2019] No. 117*	Support the response to agricultural disasters, floods and droughts	Allocated to beneficiaries that are to be determined in accordance with the disaster situation	2019	2021: 7,400 2022: 16,273.5
Subsidy fund for a new round of returning cultivated land to forests and grassland (including an extension grant) *Zi Ran Zi Fa [2022] No. 191; MOF Circular Cai Zi Huan [2022] No. 171*	Promote the construction of ecological civilization and sustainable development	Provided to provincial governments to be distributed to farmers to return cultivated land to forests and grassland	2014	2021: 13,557 2022: 10,730

Note: Forestry-related subsidies are not included in this table, with the exception of those related to turning cultivated land into forest.

Source: WTO document G/SCM/N/401/CHN, 20 July 2023.

4.29. A few subsidy programmes to support farmers at the subcentral government level were also notified to the WTO.[23]

4.1.1.4.3.2 Price controls and market price support systems

4.30. China continues to implement a minimum purchase price policy for rice and wheat in major producing areas. The minimum purchase prices are adjusted in light of factors including production

[23] WTO document G/SCM/N/401/CHN, 20 July 2023. These programmes were (i) fiscal subsidy fund assist to promote rural revitalization (Xinzhou Municipality of Shanxi Province); (ii) reward subsidy for recognition of "Green Food, Organic Food, Geographical Indication of Agricultural Products" of agricultural and livestock products (Alxa League of Inner Mongolia Autonomous Region); (iii) subsidy fund for the development of tobacco industry (Fuling District of Chongqing Municipality); (iv) special fund for provincial-level water conservancy construction (Guangdong Province); (v) provincial financial grant to promote rural revitalization, fiscal subsidy fund assisting to promote rural revitalization, fund for water conservancy development (Guizhou Province); (vi) premium subsidy for tobacco growing insurance (Yunnan Province); (vii) subsidy fund assisting to promote rural revitalization, fund for water conservancy development (Tibet Autonomous Region); (viii) subsidy fund for policy of returning cultivated land to forests (Ningxia Hui Autonomous Region); (ix) subsidy fund assisting to promote rural revitalization (Xinjiang Uygur Autonomous Region); (x) fund for water conservancy development, subsidy fund for farmland construction (Dalian City, Liaoning Province); and (xi) fiscal subsidy fund assisting to promote rural revitalization (Qingdao City, Shandong Province).

costs, market supply and demand, domestic and foreign market prices, and industrial development. During the review period, the minimum purchase prices were increased against the backdrop of a rise in production costs, according to the authorities. The minimum purchase prices for wheat, early indica rice in husk, mid and late indica rice in husk, and japonica rice in husk were all higher in 2023 than in 2021 (Table 4.9).[24]

Table 4.9 Minimum procurement prices, 2020-23

(CNY/tonne)

	2020	2021	2022	2023
Wheat	2,240	2,260	2,300	2,340
Early indica rice in husk	2,420	2,440	2,480	2,520
Mid and late indica rice in husk	2,540	2,560	2,580	2,580
Japonica rice in husk	2,600	2,600	2,620	2,620

Source Information provided by the authorities.

4.31. During the review period, there were no changes to the system of grain reserves of maize, rice, soya beans, and wheat, which are maintained by the Central Government and local governments.

4.1.1.4.3.3 Other measures

4.32. During the review period, the People's Bank of China (PBOC) continuously guided financial institutions to increase credit lending in the agricultural sector. Relevant policy documents included the Opinions on Financial Support for the Consolidation and Expansion of Achievements in Poverty Alleviation to Comprehensively Advance Rural Revitalization (Yin Fa [2021] No. 171), Opinions on Effectively Completing the Key Work of Financial Support for Comprehensively Promoting Rural Revitalization in 2022 (Yin Fa [2022] No. 74), and Guiding Opinions on Financial Support for Comprehensively Promoting Rural Revitalization and Accelerating the Construction of an Agricultural Powerhouse (Yin Fa [2023] No. 97). These documents aim to guide financial institutions to continue increasing credit lending in the agricultural sector. At the end of 2023, the balance of domestic and foreign currency loans for agriculture was CNY 56.6 trillion, an increase of 14.9% year-on-year. The balance of rural (county and smaller) loans was CNY 47.26 trillion, the balance of loans to rural households was CNY 16.86 trillion, and the balance of loans to agriculture, animal husbandry, forestry, and fisheries was CNY 5.83 trillion.

4.33. China also made efforts to expand direct financing channels in the agricultural sector. Banks and financial institutions have been encouraged to issue special agricultural and microfinance bonds, raise funds for agricultural and micro-enterprise loans, increase lending capacity, and broaden sources of available funds. In 2021, the National Association of Financial Market Institution Investors (NAFMII) issued rural revitalization notes based on the experience from poverty alleviation, supporting eligible enterprises to issue rural revitalization bonds and other debt financing instruments to promote rural development. By the end of 2023, 157 companies had been supported in issuing rural revitalization bonds totalling CNY 198.77 billion, and banks nationwide had issued a cumulative total of CNY 2,376.34 billion in special agricultural and microfinance bonds.

4.34. The Central Government and local governments support farmers to participate in insurance programmes; the insurance scheme covers natural disasters such as rainstorms, floods, and droughts. The distribution of financing between the Central Government and local governments varies by crop (Table 4.10). Data on total expenditures were not available. On 31 December 2021, China revised the Measures for the Administration of Premium Subsidies for Agricultural Insurance by the Central Government.[25] Accordingly, the full cost insurance of wheat, rice, and corn has been extended to all major grain-producing counties in China. The authorities indicate that in 2021 and 2022, agricultural insurance premiums amounted to CNY 96.5 billion and CNY 119.2 billion, respectively.

[24] The authorities state that, in general, farmers sell grain at market prices. Only when the market prices of rice and wheat fall below the minimum procurement prices (MPPs) can farmers sell the commodities that meet quality requirements to designated enterprises, so as to reduce losses caused by falling grain prices. These prices, as well as limited total purchase volumes, are set on a yearly basis by the NDRC in consultation with MARA and other government agencies.

[25] Government of China. Viewed at: https://www.gov.cn/gongbao/content/2022/content_5683856.htm.

Table 4.10 Distribution of the financing of the agricultural insurance scheme between central and local authorities

	Crops	Breeding	Non-commercial forestry	Commercial forestry	Tibetan varieties and natural rubber
Central Government	45% in the central, western, and northeast regions; 35% in the eastern region	50% in central and western regions; 40% in the eastern region	50%	30%	40%
Local governments	25%	25%	25%	25%	25%

Source: Information provided by the authorities.

4.35. The authorities indicate that all banks are allowed to provide financing to agricultural projects based on commercial conditions.

4.36. In recent years, the PBOC implemented the decisions and deployments of the CPC Central Committee and the State Council to strengthen guidance on monetary and credit policies; guide financial institutions to observe the marketization and legalization principles; increase resource allocation for rural revitalization and agricultural improvement; and improve the ability and level of financial services for agriculture, rural areas, and farmers. In conjunction with the National Administration of Financial Regulation, the China Securities Regulatory Commission, the MOF, and MARA, the PBOC issued the Guiding Opinions on Financial Support for Comprehensively Promoting Rural Revitalization and Accelerating the Construction of an Agricultural Powerhouse and implemented various policies to strengthen financial support for the sector. The authorities indicate that, at the end of September 2023, the balance of agriculture-related loans reached CNY 55.8 trillion, an increase of 15.1% year-on-year. The PBOC also encouraged expanding the scope of collateral and pledges according to financing needs of agricultural entities and promoting the revitalization of rural assets to support agricultural scale operation and increase farmers' income and wealth. At the end of September 2023, the balance of farmers' loans was CNY 16.7 trillion, an increase of 12.6% year-on-year; the balance of agricultural loans was CNY 5.8 trillion, an increase of 14.6% year-on-year. The PBOC also supported eligible enterprises to issue rural revitalization bills in the interbank market to raise funds for key areas, such as farmers' employment and income increase, agricultural modernization, and infrastructure construction. It also encouraged banks to issue special financial bonds for "agriculture, rural areas and farmers" to raise funds specifically to provide agriculture-related loans. At the end of September 2023, it had supported 147 enterprises in issuing CNY 188.4 billion of rural revitalization bills, and special financial bonds of CNY 136.7 billion for agriculture, rural areas, and farmers were issued. The China Securities Regulatory Commission supports eligible enterprises in issuing rural revitalization bills in the exchange market. The funds raised are used to consolidate poverty alleviation achievements, promote the development of poverty-eradicated areas, and revitalize the countryside. By the end of 2023, 86 enterprises had been supported to issue rural revitalization corporate bills totalling CNY 73.6 billion.

4.37. The National Financial Regulatory Administration (NFRA) has been issuing notices to guide the banking and insurance industries to properly deal with rural revitalization financial work and clarify key goals and tasks each year. As at end-2023, the balance of agricultural loans nationwide reached CNY 56.6 trillion, 15.11% higher than that at the beginning of the year. The balance of inclusive agricultural loans reached CNY 12.59 trillion, 20.34% higher than that at the beginning of the year, and 10.2 percentage points higher than the average growth rate of various loans. The balance of loans in key grain production areas nationwide reached CNY 3.71 trillion, 21.77% higher than that at the beginning of the year. The NFRA also guided banks and insurance institutions to establish branches and extend finance to areas that currently have no such institutions. As of the end of 2023, the coverage rate of rural banking and financial institutions was 97.93%. The Development Bank, the Agricultural Development Bank of China, and six large banks have established internal institutions for serving rural revitalization to provide policy support in internal transfer pricing, personnel allocation, and assessment incentives for agriculture-related loans.

4.1.1.4.4 Levels of support

4.38. In December 2022, China notified its domestic support commitments for calendar year 2020.[26] The notification shows that support under the Blue Box (production limiting schemes) amounted to CNY 89.8 billion in 2020, up from CNY 38.4 billion in 2019. Support notified under the Green Box amounted to CNY 1,256.1 billion in 2020 compared with 1,219.9 billion in 2019. Support under the Amber Box (including *de minimis*) was zero in 2020 (CNY 205.4 billion in 2019).

4.39. The OECD continues to calculate estimates of support to agriculture in China that provide indicators over the review period (with data available up to 2022). According to the OECD, in 2022, the total support estimate was around CNY 2,055.5 billion (1.69% of GDP) compared with CNY 2,075.0 billion in 2021 (1.81% of GDP).[27] Producer support estimates and market price support also decreased during the review period.

4.1.2 Forestry

4.40. The main legislation governing the forestry sector includes the Forestry Law, the Grassland Law, the Law on Wetlands Protection, the Law on the Conservation of Wildlife, the Seed Law, and Law on Prevention and Control of Desertification. During the review period, with a view to strengthening wetlands protection, maintaining the ecological functions and biodiversity of wetlands, and ensuring ecological security, the Law on Wetlands Protection was adopted on 24 December 2021, and entered into force on 1 June 2022. The Law defined wetlands, the management system of wetlands, and the departmental responsibilities, and established, *inter alia*, the classification management and of wetlands, the usage regulation, the rational use, and the restoration of wetlands, providing a more solid legal guarantee for the wetlands protection and management. In addition, the Law on the Protection of Wildlife was amended on 30 December 2022 and entered into force on 1 May 2023. The authorities state that the National Forestry and Grassland Administration is striving to advance the revision relevant legislation including the National Park Law, the Regulations on Nature Reserves, the Regulations on Scenic Spots and Historic Sites, the Regulations on the Implementation of Forestry Law, and the Regulations on the Protection of New Varieties of Plants.

4.41. Tariffs on wood and articles of wood (HS Chapter 44) averaged 0.3% in 2024 (1.0% in 2021). Wood in the rough (HS 4403) was duty-free in 2021 and 2024.

4.42. FDI restrictions in forestry have remained unchanged since the previous Review.

4.1.3 Fisheries

4.1.3.1 Features and market developments

4.43. China is one of the world's largest fish-producing countries. Since 2021, aquaculture production remained relatively stable (Table 4.11). During the same period, fish exports (WTO definition) accounted for around 0.6% of the value of China's total exports. Imports of fish gradually increased from 0.6% to 0.9% of total imports over the same period (Table 4.12). The simple average tariff on fish and fishery products (WTO definition) was 6.8% in 2024, with tariffs ranging from 0–15% (Table A3.1). Export duties are levied on one tariff line for fish and crustaceans, namely live eels, fry (HS 0301.92.10) (Table 3.11).

[26] WTO document G/AG/N/CHN/65, 14 December 2022.

[27] OECD (2023), *Agricultural Policy Monitoring and Evaluation 2023*. Viewed at: https://www.oecd.org/publications/agricultural-policy-monitoring-and-evaluation-22217371.htm. The OECD's annual monitoring and evaluation reports on agricultural policies use a methodology to calculate the value of support that is expressed in a number of indicators, including (i) the Producer Support Estimate (PSE) for gross transfers from consumers and taxpayers to agricultural producers; (ii) the Total Support Estimate (TSE) for transfers to the agricultural sector in general; and (iii) the Single Commodity Transfers (SCT) for transfers to specific commodities. The PSE represents the value of transfers to producers. Therefore, the value of support as notified to the WTO is neither compatible nor comparable with the values calculated by the OECD.

Table 4.11 Fisheries indicators, 2020–22

	2020	2021	2022
Employment	12,395,858	11,846,287	11,779,185
Fishing vessels	563,262	520,845	511,046
(of which motorized fishing vessels)	(374,757)	(356,994)	(342,418)
Marine catch ('000 tonnes)	11,790.7	11,761.1	11,838.3
(of which algae)	(21.7)	(20.3)	(19.4)
Aquaculture production ('000 tonnes)	52,242.0	53,944.1	55,654.6
(of which algae)	(2,621.4)	(2,722.9)	(2,723.9)

Notes: Employment data are based on the indicators for fishery employees in the China Fisheries Statistical Yearbook.
Except for jellyfish, which is measured by the weight after desalting, and various types of algae, which are measured by dry weight, all other aquatic products are measured by the actual weight at the time of capture. The fisheries production data reported by China may differ from the FAO's published data because the Government reports the dry weight of algae, while the FAO reports the wet weight of algae. The FAO derives and publishes production data based on scientifically calculated weights reported by the Government.

Source: Information provided by the authorities.

Table 4.12 Fish and fish products trade, 2018–23

	2018	2019	2020	2021	2022	2023
Exports (USD million)	**21,738.8**	**20,160.8**	**18,587.2**	**21,338.4**	**22,431.7**	**19,877.3**
% of total exports	0.9	0.8	0.7	0.6	0.6	0.6
Growth rate (%)	5.5	-7.3	-7.8	14.8	5.1	-11.4
Top five exports at HS 4-digit level (% of total):						
1605 Crustaceans, molluscs, etc., prepared/preserved	21.3	18.4	18.7	23.1	23.4	23.8
1604 Prepared/preserved fish; caviar and caviar substitutes	16.9	18.6	22.4	23.9	20.7	21.1
0304 Fish fillets and other fish meat, fresh, chilled or frozen	20.6	21.3	18.0	14.8	18.2	16.7
0307 Molluscs, live, fresh, chilled, frozen, salted or in brine	15.1	14.6	14.6	14.6	15.1	12.7
0303 Fish, frozen, excluding fish fillets and other fish meat of heading 0304	13.2	14.1	12.8	11.1	10.1	11.4
Imports (USD million)	**14,371.2**	**18,001.9**	**14,916.1**	**17,255.5**	**22,560.6**	**22,622.1**
% of total imports	0.7	0.9	0.7	0.6	0.8	0.9
Growth rate (%)	34.2	25.3	-17.1	15.7	30.7	0.3
Top five imports at HS 4-digit level (% of total):						
0306 Crustaceans, live, fresh, chilled, frozen, salted or in brine	30.4	39.1	39.6	40.4	42.4	42.3
0303 Fish, frozen, excluding fish fillets and other fish meat of heading 0304	31.7	27.4	26.3	20.3	22.6	21.2
230120[a] Flours, meals and pellets of fish or crustaceans/ molluscs etc.	15.5	11.0	13.1	15.9	13.3	12.9
0307 Molluscs, live, fresh, chilled, frozen, salted or in brine	8.7	8.7	7.9	10.3	8.1	8.7
0302 Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 0304	5.1	4.4	2.8	4.1	3.8	5.2
0304 Fish fillets and other fish meat, fresh, chilled or frozen	3.1	3.6	3.5	2.3	3.3	5.2

a Shown at the HS 6-digit level since only the 6-digit level code 230120 under 2301 is a fishery item.

Note: WTO definition of fish and fish products: HS Chapter 03 plus some selected products (HS 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20). Top five fishery exports and imports by HS 4-digit are sorted by the year 2023.

Source: WTO Secretariat calculations, based on trade figures from the UN Comtrade database.

4.1.3.2 Legal, institutional, and policy framework

4.44. MARA leads the revision of draft laws and regulations related to fisheries, develops departmental rules and regulations, and guides fishery law development. Local governments are in charge of fisheries affairs in their respective administrative areas, including marine fisheries in contiguous sea areas (unless the State Council designates otherwise).

4.45. According to the authorities, there are 11 offshore fishing enterprises that are state-owned.

4.46. The main legislation governing the fisheries sector is the 2005 Fisheries Law, unchanged since the previous Review (last amended in 2013). The Rules for the Implementation of the Fisheries Law also remained unchanged (last amended in 2020).[28] The Provisions on the Administration of Fishing Licences (MARA Decree No. 1, 2018[29]), and certain articles of these Provisions (last amended in 2020) remained unchanged.[30]

4.47. In 2021, MARA issued the 14th Five-Year Plan for National Fishery Development, which specifies that the domestic marine fishing output would be limited to 10 million tonnes by 2025. In 2021 and 2022, the total domestic marine fishing output was 9.52 million tonnes and 9.51 million tonnes, respectively, with no province exceeding the target set for 2020. The Plan also aims to promote high-quality development and modernization of the fishing industry, and has 12 targets in 4 areas – fishing industry development, green ecology, science and technology innovation, and governance capability – to be achieved by 2035.

4.48. Under the Fisheries Law, foreigners and foreign fishing vessels engaging in fishery production in waters under China's jurisdiction must be approved by MARA. If the vessels belong to China's trading partners that have signed relevant treaties/agreements with China, the matters are handled in accordance with these treaties.[31] No changes have been made to the foreign investment regime for fisheries. The Special Administrative Measures for Foreign Investment Access in the Pilot Free Trade Zones (Negative List, 2021 Edition) stipulates that investment in fishing for aquatic products in waters under China's jurisdiction and in inland waters is prohibited. The authorities continue to plan to revise the Fisheries Law.

4.49. MARA, in coordination with the Ministry of Transport, Ministry of Foreign Affairs, and other relevant departments, is in the process of acceding to the Agreement on Port State Measures.

4.50. China is a contracting party to various fishing international conventions and agreements including the International Commission for the Conservation of Atlantic Tunas (ICCAT), Indian Ocean Tuna Commission (IOTC), Western and Central Pacific Fisheries Commission (WCPFC), Inter-American Tropical Tuna Commission (IATTC), North Pacific Fisheries Commission (NPFC), South Pacific Regional Fisheries Management Organization (SPRFMO), South Indian Ocean Fisheries Agreement (SIOFA), and Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR).

4.51. In terms of bilateral agreements related to fisheries, China has signed agreements such as the Fishery Agreement with the Republic of Korea, which entered into force in 2001; the Fishery Agreement with Japan, which entered into force in 2000; and the Protocol on Cooperation in the Border Waters of the Heilongjiang and Ussuri Rivers for Fisheries Resource Protection, Adjustment, and Enhancement, which entered into force in 1994.

4.52. China submitted its acceptance of the Protocol of the Agreement on Fisheries Subsidies to the WTO on 27 June 2023.

[28] Rules for the Implementation of the Fisheries Law (2020), amended through State Council Decree No. 726. Viewed at: http://www.gov.cn/zhengce/2020-12/25/content_5574001.htm.

[29] MARA Decree No. 1, 2018. Viewed at: http://www.yyj.moa.gov.cn/bjwj/201904/t20190419_6197470.htm.

[30] MARA Decree No. 5, 2020. Viewed at: http://www.moa.gov.cn/nybgb/2020/202008/202010/t20201020_6354689.htm.

[31] Fisheries Law, Article 8.

4.1.3.3 Government support to the fisheries sector

4.53. Support to the sector is provided by both the Central Government and local/provincial governments. China's latest notification to the WTO covers the 2021-22 period and contains three incentives/support programmes at the central government level; these relate to a subsidies fund for development of the fishery industry and general-purpose transfer payment (Table A4.1). Of the programmes concerning the fisheries sector that were adopted by local governments during the 2021–22 period, 22 were also notified to the WTO (Table A4.2).

4.54. Since 2015, China has terminated boat construction subsidies. In 2021, the Government eliminated fuel subsidies. In the same year, the MOF and MARA issued the Notice on Implementing Fishery Development Support Policies to Promote High-Quality Development of Fishery (Cai Nong [2021] No. 41), proposing to optimize the structure of the fishery industry and comply with the overall trend of international fishery subsidy negotiations. The Notice also aims to promote the high-quality development of fisheries, implement a new round of fishery development support policies during the 14th Five-Year Plan period, cancel direct cost subsidies, change the subsidy method, and focus on supporting the implementation of major policies and projects introduced and planned by the country through fishery development subsidy funds. The main measures include (i) supporting the construction of national-level marine ranches; and supporting the construction of modern fishery equipment and facilities; (ii) constructing basic public facilities for fisheries[32], including abolishing direct cost subsidies, supporting changing subsidy modes, and focusing on supporting the implementation of major policies and projects China introduced and planned with fishery development subsidies; (iii) supporting the construction of basic public facilities for fisheries, such as coastal fishing port economic zones and offshore fishing bases; (iv) supporting the green and circular development of fisheries, such as the standardized transformation of concentrated inland aquaculture ponds and the standardized treatment of tailwater in the aquaculture industry, as well as the provision of intelligent water quality monitoring and environmental control systems; and (v) supporting fishery resources survey and conservation and international compliance capacity enhancement. These involve, *inter alia,* granting fishery resource conservation subsidies to offshore fishing vessels that comply with the regulations on the conservation of fishery resources with a strictly controlled subsidy intensity. These expenditures are mainly used for offshore fishers to reduce their vessels and switch to production; the green development of aquaculture; the equipping, operation, and maintenance of fishery law enforcement vessels; docks and other equipment; fishery informatization; aquatic products processing and circulation; upgrading and reconstruction of offshore fishing vessels and onboard facilities; and conservation of fishery resources.

4.55. China formally accepted the Protocol of the Agreement on Fisheries Subsidies by depositing an instrument of acceptance with the WTO on 27 June 2023. The authorities state that China has taken into account the general direction of fisheries subsidy negotiations when formulating the existing fisheries subsidy policy; for a small amount of distant-water fisheries subsidies that do not meet the provisions of Article 4.1 or 5.1 of the Agreement on Fisheries Subsidies, China will abide by the Agreement and cancel the relevant subsidies once it comes into effect.

4.56. Participation by fishers in fisheries insurance is voluntary; fisheries insurance focuses on mutually aided insurance.

4.57. According to the authorities, since 2021, the Central Government has provided support for fisheries development through relevant transfer payments: (i) support has been provided for the establishment of the pilot national-level marine ranch to promote the conservation and enhancement of fisheries resources and improve the ecological environment in maritime areas; (ii) support has been extended for the construction of national-level coastal fishing port economic zones as pilot projects to promote high-quality and efficient fisheries, liveable and profitable fishing areas, and the prosperity of fishers; (iii) support has been granted for green and circular development pilot projects in fisheries, where provinces are encouraged to take counties as pilot units, promote standardized renovation of inland aquaculture ponds, and achieve the standardization of tailwater treatment in

[32] These include focusing on supporting the upgrading and transformation of offshore and distant-water fishing vessels as well as facilities and equipment such as anti-pollution and fire-fighting, life-saving and navigation, and production and living facilities. Support shall be provided to the construction of deep-water and far-sea breeding facilities and equipment such as deep-water net boxes and large-scale intelligent breeding equipment, as well as the construction of aquatic product preliminary processing and cold storage and preservation facilities and equipment.

aquaculture; (iv) support has been given to the development of modern fisheries equipment and facilities, with the goal of enhancing the modernization of fisheries facilities and equipment and improving the production capacity of fisheries through the renovation and upgrading of fishing vessels and onboard equipment to reduce energy consumption and pollutant emissions, improve safety of the fishing vessels, and enhance their automation, intelligence, and modernization level; and (v) efforts have been made to enhance international obligation compliance capabilities by providing support to distant-water fishing enterprises that comply with international conventions for the conservation of international fisheries resources, guiding distant-water fishing vessels to engage in responsible fishing and conserve international marine fisheries resources.

4.1.3.4 Fisheries conservation measures

4.58. China continues to be a major player in the distant-water fisheries segment. As indicated by the FAO, China reported about 2.3 million tonnes from its "distant water fishery" in 2020.[33] According to the authorities, the number remained at the same level in 2021 and 2022.

4.59. The authorities state that China has implemented a "zero tolerance" policy against IUU fishing since 2021, by conducting investigations into fishing vessels suspected of violating regulations, as reported by relevant organizations or embassies and imposed penalties on distant-water fishing enterprises and vessels identified with violations. Since 2021, China has cancelled the qualification certificate of one distant-water fishing enterprise and suspended the qualification certificates of four others. Over 70 fishing vessels identified with violations have been penalized, with penalties totalling over CNY 80 million.

4.2 Mining and energy

4.2.1 Mining

4.60. The mining industry continues to be an important driver of economic growth. By providing raw materials, the sector has played an important role in the country's infrastructure development and industrialization. On the other hand, mining activities may have negative environmental impacts. According to the authorities, in China's efforts to encourage environmentally friendly mining practices, they are focused on developing standardized guidelines, and setting strict requirements on mining methods and technologies, as well as pollution prevention.

4.61. At the end of 2021, a total of 173 kinds of mineral resources had been discovered in China, including energy minerals, metallic minerals, and non-metallic minerals (Table 4.13).[34] The country holds a leading position in the production of several important metals and minerals. For example, it dominates global production of rare earth elements (around 60%),[35] which are crucial for many high-tech applications, including electronics and renewable energy technologies. It is also among the top producers of, *inter alia*, copper, cobalt, lithium, graphite, magnesium, manganese, tin, tungsten, and zinc, all of which have important applications in several key industries.

Table 4.13 Main minerals in China, 2021

No.	Minerals	Unit	Reserves
Energy minerals			
1	Coal	Billion tonnes	207.89
2	Oil	Billion tonnes	3.69
3	Natural gas	Billion m^3	6,339.27
4	Coalbed methane	Billion m^3	365.97
5	Shale gas	Billion m^3	544.06
Metallic minerals			
1	Iron ore	Billion tonnes	16.12
2	Manganese ore	Million tonnes	281.69
3	Chromite	Million tonnes	3.09

[33] FAO (2022), *The State of the World Fisheries and Aquaculture 2022*. Viewed at: https://www.fao.org/documents/card/en/c/cc0461en.

[34] Ministry of Natural Resources, *China Mineral Resources* 2022. Viewed at: https://www.mnr.gov.cn/sj/sjfw/kc_19263/zgkczybg/202209/P020230417517901712211.pdf.

[35] International Energy Agency, *Ensuring Supply Reliability and Resiliency*. Viewed at: https://www.iea.org/reports/introducing-the-critical-minerals-policy-tracker/ensuring-supply-reliability-and-resiliency.

No.	Minerals	Unit	Reserves
4	Vanadium	Million tonnes of V_2O_5	7.87
5	Titanium	Million tonnes of TiO_2	223.83
6	Copper	Million tonnes of metal	34.95
7	Lead	Million tonnes of metal	20.41
8	Zinc	Million tonnes of metal	44.23
9	Bauxite	Million tonnes of ore	711.14
10	Nickel	Million tonnes of metal	4.22
11	Cobalt	Million tonnes of metal	0.14
12	Tungsten	Million tonnes of WO_3	2.95
13	Tin	Million tonnes of metal	1.13
14	Molybdenum	Million tonnes of metal	5.85
15	Antimony	Million tonnes of metal	0.64
16	Gold	Tonnes of metal	2964.37
17	Silver	Tonnes of metal	71783.66
18	Platinum-group metals	Tonnes of metal	87.69
19	Strontium	Million tonnes of celestite	24.64
20	Lithium	Million tonnes of Li_2O	4.05
Non-metallic minerals			
1	Magnesite	Million tonnes of ore	579.91
2	Fluorspar	Million tonnes of minerals	67.25
3	Refractory clay	Million tonnes of ore	284.89
4	Pyrite	Million tonnes of ore	1318.71
5	Phosphorite	Billion tonnes of ore	3.76
6	Potash	Million tonnes of KCl	284.25
7	Boron rock	Million tonnes of B_2O_3	11.19
8	Sodium salt	Billion tonnes of NaCl	20.63
9	Mirabilite	Billion tonnes of Na_2SO_4	37.80
10	Barite	Million tonnes of ore	91.55
11	Limestone for cement	Billion tonnes of ore	42.11
12	Glass-making siliceous rock	Billion tonnes of ore	1.65
13	Gypsum	Billion tonnes of ore	2.13
14	Kaolin	Million tonnes of ore	752.40
15	Bentonite	Million tonnes of ore	332.72
16	Diatomite	Million tonnes of ore	170.62
17	Veneer granite	Billion m^3	1.70
18	Veneer marble	Billion m^3	0.53
19	Diamond	Kilogrammes of minerals	183.19
20	Crystalline graphite	Million tonnes of minerals	78.26
21	Asbestos	Million tonnes of minerals	17.90
22	Talc	Million tonnes of ore	71.75
23	Wollastonite	Million tonnes of ore	64.39

Note: The data for oil and gas (oil, natural gas, coalbed methane, and shale gas) reserves are the remaining proved technically recoverable reserves as per *Classifications for Petroleum Resources and Reserves (GB/T 19492-2020)* and those of other minerals are the total of proved reserves and probable reserves as per *Classifications for Mineral Resources and Mineral Reserves (GB/T 17766-2020)*.

Source: Ministry of Mineral Resources, *China Mineral Report*, 2022.

4.62. Between 2018 and 2023, China's trade in mineral products was on an upward trend, though a slump was recorded in both imports and exports in 2020. Exports of mineral products, as a percentage of total exports, fluctuated between 2.1% and 1.4% (Table A1.3). The share of mineral imports in the total is much larger (over 25% on average) and has also been on an increasing trend since 2018, although it fell in 2020 (22.6%) and then caught up in 2021 and over the following years (Table A1.4). Mineral products that are imported in large quantities include crude oil, iron ore, manganese ore, and copper ore. Lead, zinc, tungsten, tin, antimony, rare earths, magnesite, fluorspar, barite, and graphite are among the main exported minerals (Table 4.14).

Table 4.14 Trade in selected minerals, 2018-22

		2018	2019	2020	2021	2022
Imports						
Antimony ores and concentrates	USD million	212.3	139.9	118.2	82.5	124.4
	Tonnes	89,300.2	62,584.2	43,152.4	26,153.3	29,093.3
Barium sulphate (barytes), natural	USD million	2.0	9.5	8.8	4.1	9.0
	Tonnes	15,092.0	118,186.1	87,340.0	34,951.7	79,793.0
Cobalt ores and concentrates	USD million	604.8	183.2	111.8	92.7	140.2
	Tonnes	136,098.3	90,890.7	53,697.8	19,080.6	26,272.3
Fluorspar	USD million	95.1	125.9	125.8	110.4	56.9
	Tonnes	..	..	..	..	..
Graphite, natural	USD million	54.6	99.9	17.5	38.8	120.5
	Tonnes	108,379.5	196,970.8	25,689.2	59,847.3	170,595.3
Helium, lithium	USD million	407.9	300.5	344.3	721.9	6,911.7
	Tonnes	..	29,332.2	50,116.0	81,050.1	136,125.9
Magnesium, unwrought	USD million	0.5	0.6	0.8	0.8	3.1
	Tonnes	..	..	..	..	525.4
Manganese ores and concentrates	USD million	5,811.2	6,356.3	4,884.3	4,901.9	5,752.6
	Tonnes	27,603,573.8	..	..	29,949,573.9	29,889,123.2
Palladium, unwrought or in powder form	USD million	539.6	942.1	2,830.6	1,448.1	1,601.3
	Tonnes	..	..	41.1	19.8	23.7
Rare earth-metals	USD million	1.2	2.0	6.0	21.2	3.1
	Tonnes	7.8	28.4	73.0	210.3	23.0
Tin ores and concentrates	USD million	738.6	660.9	554.7	1,319.4	2,040.2
	Tonnes	221,830.5	178,170.7	158,197.6	184,199.6	243,629.1
Tungsten ores and concentrates	USD million	45.5	17.3	14.5	60.1	65.9
	Tonnes	6,658.0	..	3,024.2	5,802.7	5,901.0
Zinc ores and concentrates	USD million	3,226.2	2,501.0	2,589.1	3,981.1	4,771.9
	Tonnes	2,963,835.1	..	3,824,519.1	..	4,127,948.3
Exports						
Antimony ores and concentrates	USD million	6.3	5.0	5.7	1.8	5.7
	Tonnes	2,057.3	2,193.7	2,804.6	548.0	1,934.0
Barium sulphate (barytes), natural	USD million	158.7	141.6	88.2	139.5	133.1
	Tonnes	1,209,553.0	1,126,145.1	541,293.6	922,677.3	733,036.9
Cobalt ores and concentrates	USD million	0.000	0.011	0.024	0.000	0.001
	Tonnes	0.0	0.1	0.1	0.0	0.3
Fluorspar	USD million	138.5	134.6	64.5	87.6	212.3
	Tonnes	404,045.2	374,127.7	175,860.5	209,445.9	477,851.4
Graphite, natural	USD million	348.3	326.1	327.8	314.8	385.2
	Tonnes	339,713.6	288,885.2	237,567.4	272,648.6	244,757.6
Helium, lithium	USD million	172.0	170.8	75.6	134.5	796.0
	Tonnes	11,135.0	12,934.1	7,489.4	7,843.0	10,443.1
Magnesium, unwrought	USD million	798.1	890.8	758.8	1,482.6	2,259.5
	Tonnes	320,704.4	353,254.4	310,693.1	361,141.9	410,037.9
Manganese ores and concentrates	USD million	12.3	10.1	9.2	6.9	6.8
	Tonnes	51,094.2	52,035.7	38,128.1	15,201.7	16,107.3
Palladium, unwrought or in powder form	USD million	7.4	28.5	172.3	0.1	9.9
	Tonnes	0.2	0.6	2.1	0.0	0.2
Rare earth-metals	USD million	151.2	116.0	80.8	155.6	393.2
	Tonnes	7,385.2	6,850.0	6,192.7	9,443.8	9,139.3
Tin ores and concentrates	USD million	0.6	0.2	0.0	0.0	0.9
	Tonnes	61.2	26.8	0.0	0.0	75.4
Tungsten ores and concentrates	USD million	2.1	0.4	0.0	0.0	0.2
	Tonnes	183.6	43.5	0.0	0.0	19.0
Zinc ores and concentrates	USD million	0.2	0.1	4.6	0.2	0.0
	Tonnes	379.9	40.1	8,256.9	322.2	0.2

.. Not available.

Source: WTO Secretariat calculations, based on UN Comtrade database.

4.63. The authorities' actions in the sector are guided by the National Plan for Mineral Resources (2016-2020). The Plan sets out China's strategic vision for its mineral resources exploration, utilization, and protection for the 2016-20 period.[36] It was designed to serve as the reference document for China's reforms to ensure an orderly economic development of the mining industry. The Plan aims to (i) promote the exploration of minerals that are currently in limited availability; (ii) regulate the amount of minerals with traditional advantages; (iii) reduce production of minerals with excess capacity; and (iv) ensure the supply of minerals in strategic emerging industries. The

[36] International Energy Agency, *National Plan for Mineral Resources (2016-2020)*. Viewed at: https://www.iea.org/policies/15519-national-plan-for-mineral-resources-2016-2020.

Plan does not provide lists of minerals categorized as in limited availability, with traditional advantages, or with excess capacity, and the authorities did not separately publish such lists either.

4.64. While the Plan refers to certain energy minerals[37], ferrous minerals[38], and non-ferrous minerals[39] as strategic, it also emphasized the importance of rare earths and encourages a strict state control over their exploitation, taking into account their levels of exploitation, consumption, and new reserves. Officials indicate that in 2020, China produced 146,600 tonnes of rare earth mineral products. Under the Plan, China also attaches great importance to the diversification of its mineral supply sources, in particular by leveraging the natural resources in entities participating in the Belt and Road Initiative.

4.65. During the review period, there was no significant change to the legal and institutional framework. The 1986 Mineral Resources Law (last amended in 2009), together with its implementing regulations[40], continues to be the main piece of legislation in the mining sector. In recent years, the authorities have been in the process of amending the Law, with a view to further streamlining mining activities. As China's economy and society continue to develop, the authorities consider that new challenges and opportunities have arisen in the mineral resources sector. Therefore, the current Mineral Resources Law is no longer sufficient to address these evolving needs and requires revision to better regulate mineral exploration and extraction, improve ecological restoration in mining areas, and foster domestic efforts to explore and extract mineral resources.

4.66. The Ministry of Natural Resources is the government body in charge of administering the mining industry. Other ministries with significant responsibilities in mining include the Ministry of Ecology and Environment, responsible for environmental protection, and MOFCOM, in charge of regulating imports and exports of mineral products.

4.67. The Catalogue of Commodities subject to the Administration of Export Licences for 2022 was issued by MOFCOM and the General Administration of Customs (GACC) on 31 December 2021. The Catalogue was renewed in 2023 with no major change. Regarding mineral resources, the Catalogue requires exporters of kerosene, crude oil, or refined oil (excluding lubricating oil, grease, and lubricant base oil), natural sand (including standard sand), bauxite, phosphate rock, magnesium sand, talc (powder), fluorspar (fluorite), rare earths, tin and tin products, and tungsten and tungsten products to apply for an export licence (Section 3.2).

4.68. Exporters of certain cerium and cerium alloys (those with particles smaller than 500 microns), tungsten and tungsten alloys (those with particles smaller than 500 microns), zirconium, and beryllium must apply for a dual-use items and technology export licence.

4.69. In addition, on 3 July 2023, the Announcement on the Implementation of Export Control of Certain Items Related to Gallium and Germanium required that exporters must apply to MOFCOM for export permits for certain dual-use (military or civilian use) items before they are allowed to export gallium- and germanium-related products.

4.70. In general, foreign individuals or companies can own mining rights in China. However, under the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Edition), foreign investors are prohibited from investing, directly or indirectly, in prospecting or exploiting tungsten, rare earths, and radioactive minerals. The Special Administrative Measures for the Access of Foreign Investment to Hainan Free Trade Port (PFTZ Negative List) (2020 Edition) removed restrictions on foreign and domestic investment in rare earths, radioactive minerals, tungsten exploration, and mining.

[37] Oil, gas, shale gas, coal, coal bed methane, and uranium.

[38] Iron, chromium, copper, aluminium, gold, nickel, tungsten, tin, molybdenum, antimony, cobalt, lithium, rare earths, and zirconium.

[39] Phosphorus, potash, crystalline graphite, and fluorite.

[40] Rules for the Implementation of the Mineral Resources Law (State Council Decree No. 152, 1994); Regulations for Registering to Explore for Mineral Resources Using the Block System (State Council Decree No. 240, 1998; amended on 29 July 2014); Procedures for Administration of Registration of Mining of Mineral Resources (State Council Decree No. 241, 1998, amended on 29 July 2014); and Measures for the Administration of Transfer of Mineral Exploration Right and Mining Right (State Council Decree No. 242, 1998, amended on 29 July 2014).

4.71. Pursuant to the Catalogue of Industries for Encouraged Foreign Investment (2022 Edition), China encourages foreign investment in the exploration, development, and mine gas exploitation of oil and natural gas (including shale gas and coalbed methane); the development and application of new technologies to improve the utilization rate of tailings and the comprehensive application of ecological restoration technologies of mines; and the exploration, mining, and dressing of precious minerals (such as potash and chromite) (Section 2.4.3).

4.72. In 2023, the average customs duty on non-oil mineral products remained broadly unchanged and stood at 6% (6.1% in 2021). The applied MFN rates ranged from 0 to 21% (Table A3.1). Non-metallic products attract the highest applied tariff rates.

4.2.2 Energy

4.2.2.1 Overview and energy mix

4.73. China is one of the top energy producers and consumers in the world.[41] Energy production and consumption has continued to grow steadily in recent years (Table 4.15). In 2023, the total primary energy production reached 4.83 billion tonnes of coal equivalent, with an energy self-sufficiency rate standing at 84.4%.

Table 4.15 China energy production and consumption 2018-23

	2018	2019	2020	2021	2022	2023
Production (billion tonnes of coal equivalent)	3.79	3.97	4.07	4.27	4.64	4.83
Consumption	4.64	4.86	4.98	5.26	5.41	5.72

Source: Ministry of Natural Resources, *China Mineral Resources Report* (various editions).

4.74. During the review period, to address the country's energy deficit, imports of oil and gas were on an increasing trend and accounted for approximately 20% of the total imports of goods in 2023 (Table A1.4).

4.75. According to the International Energy Agency (IEA), domestic production of oil accounted for 27.5% of China's total crude oil supply in 2021.[42] The difference is imported predominantly from the Kingdom of Saudi Arabia, the Russian Federation, and Iraq (Table 4.16). In March 2022, the 14th Five-Year Plan for a Modern Energy System was adopted. It called for, *inter alia*, maintaining steady oil production at its 2021 level of 200 million tonnes/year.

Table 4.16 China's key trading partners for crude oil imports, 2018-22

('000 tonnes)

	2018	2019	2020	2021	2022
World	461,885.5	505,676.1	542,006.7	512,964.9	508,276.0
Saudi Arabia, Kingdom of	71,491.6	83,329.6	84,928.6	87,567.6	87,488.5
Russian Federation	56,734.3	77,642.4	83,444.5	79,642.1	86,248.1
Iraq	45,050.7	51,798.0	60,114.0	54,079.4	55,486.7
United Arab Emirates	12,196.3	15,279.6	31,155.3	31,937.5	42,770.9
Oman	32,901.8	33,866.4	37,877.7	44,815.4	39,370.1
Malaysia	8,881.5	12,033.6	12,463.0	18,534.8	35,675.9
Kuwait, State of	23,212.2	22,688.8	27,497.5	30,163.4	33,283.3
Angola	47,379.1	47,342.0	41,772.4	39,154.9	30,087.9
Brazil	31,625.2	40,161.4	42,233.9	30,301.5	24,928.6
Colombia	10,768.9	13,113.2	12,380.3	9,461.8	8,653.1
United States	12,280.7	6,348.7	19,756.3	11,472.7	7,890.7
Qatar	1,347.7	858.3	6,199.1	7,850.1	7,705.4
Congo	12,579.6	11,957.8	9,244.0	8,928.0	7,092.6
Norway	895.1	1,018.2	12,716.0	13,189.9	5,975.2
Kazakhstan	2,287.4	2,742.9	3,644.6	4,492.7	5,889.1
Canada	1,218.5	2,150.2	3,222.2	3,898.7	4,005.0

[41] IEA (2016), *China's Engagement in Global Energy Governance*. Viewed at: https://www.iea.org/reports/partner-country-series-chinas-engagement-in-global-energy-governance.

[42] IEA, *China: Oil*. Viewed at: https://www.iea.org/countries/china/oil.

	2018	2019	2020	2021	2022
Libya	8,568.4	9,401.0	1,696.8	6,137.7	3,743.0
Gabon	3,625.5	6,934.0	5,853.1	2,850.0	3,168.9
United Kingdom	7,723.4	12,543.6	5,896.4	7,966.8	2,233.6
Ecuador	1,871.7	2,050.9	4,712.0	4,243.5	2,156.8

Note: Top 20 import partners are sorted by the year 2022.

Source: Compiled by the WTO Secretariat, based on UN Comtrade database.

4.76. In 2020, China announced its updated Nationally Determined Contributions (NDC), pledging to peak carbon dioxide emissions before 2030 and attain carbon neutrality before 2060. In addition, China plans to lower carbon dioxide emissions per unit of GDP by over 65% from the 2005 level, increase the share of non-fossil fuels in primary energy consumption to around 25% by 2030, and increase its total installed capacity of wind and solar power to over 1.2 billion kW by 2030. In this context, in 2021, China published two policy documents, "China's Achievements, New Goals and New Measures for Nationally Determined Contributions" and "China's Mid-Century Long-term Low Greenhouse Gas Emission Development Strategy"[43], that represent the country's plan to fulfil the Paris Agreement.

4.77. While energy consumption remains predominantly reliant on coal, China plans to shift its energy usage away from this source. The country is a net importer of coal, with imports accounting for 7.7% of total coal supply in 2021. In line with the objectives outlined in both the NDC and the 14th Five-Year Plan for Renewable Energy Development (2021–2025)[44], there is a shift anticipated for coal from its current dominant position within the energy system to a supplementary role. This transition is expected to lead to a decline in coal consumption in 2026-30. The Plan does not call for the abandonment of coal, and the authorities acknowledge the importance of coal in safeguarding China's energy security, particularly in addressing basic energy needs in moments of reduced energy availability.[45] The relative significance of coal consumption has been on a decreasing trend in recent years. The authorities indicate that coal consumption lessened and accounted for 56.2% of total energy consumption in 2022.

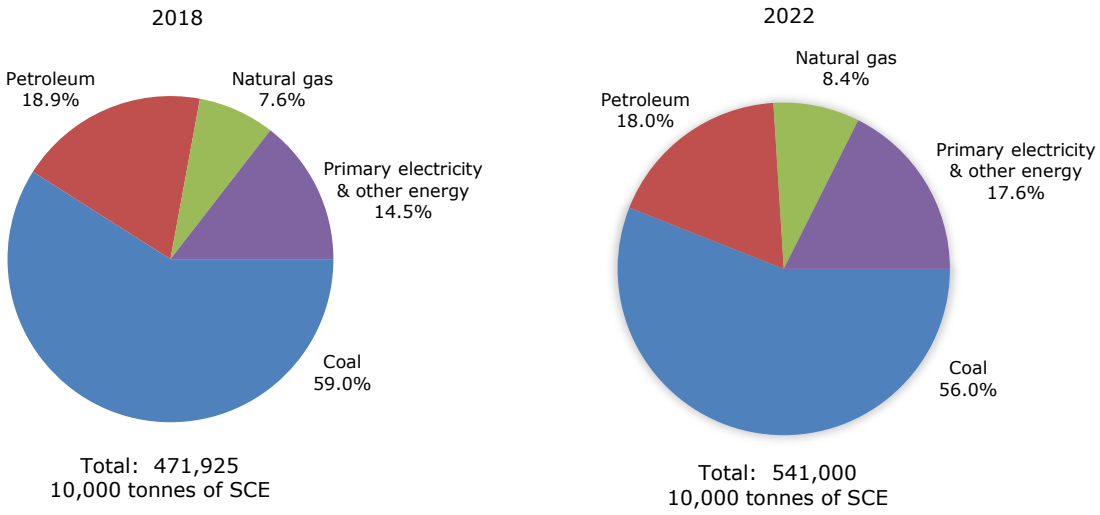
4.78. Over the past few years, China continued to improve its energy mix by favouring non-fossil energy sources such as hydropower, nuclear power, wind power, and photovoltaic. Their shares increased noticeably between 2018 and 2022 (Chart 4.1). In March 2022, the 14th Five-Year Plan for a Modern Energy System was adopted. It targets an increase to about 20% for the share of non-fossil energy in total energy consumption for the 2021-25 period. The Plan also established an 18% reduction target for carbon emissions per unit of GDP and a 13.5% reduction target for energy consumption per unit of GDP. Various specific measures have been taken to address carbon and energy intensity issues, including strengthening the implementation of existing laws and regulations such as the Law on Energy Conservation. As of March 2024, China had also issued 364 national energy conservation standards, aiming at strengthening energy conservation supervision, energy efficiency labelling, and energy conservation management of key energy-consuming units. The authorities note that between 2019 and 2022, China saw reductions in carbon intensity of 4.1%, 1.0%, 3.8%, and 0.8%, respectively compared to the preceding year, with no change in 2023. During the same period, China's energy consumption per CNY 10,000 of GDP was, respectively, 0.55, 0.49, 0.48, and 0.48 tonnes of standard coal/CNY 10,000.

[43] UNFCCC, *China's Achievements, New Goals and New Measures for Nationally Determined Contributions* (unofficial translation). Viewed at: https://unfccc.int/sites/default/files/NDC/2022-06/China%E2%80%99s%20Achievements%2C%20New%20Goals%20and%20New%20Measures%20for%20Nationally%20Determined%20Contributions.pdf.

[44] The 14th Five-Year Plan for Renewable Energy Development (2021–2025) is one of the main policy papers in the energy sector. It was released in June 2022.

[45] IEA (2023), *Electricity Market Report 2023*. Viewed at: https://iea.blob.core.windows.net/assets/255e9cba-da84-4681-8c1f-458ca1a3d9ca/ElectricityMarketReport2023.pdf.

Chart 4.1 Total consumption of energy and its composition, 2018 and 2022



SCE: Standard Coal Equivalent.

Source: National Bureau of Statistics of China, National Data. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

4.79. Pursuant to the Catalogue of Industries for Encouraged Foreign Investment, preferential policies exist for foreign investors investing in certain clean energy technologies, including recycling and processing of wind turbine blades and discarded photovoltaic modules, construction and operation of certain clean coal power generation projects, and low-carbon upgrade of petrochemical chemical raw materials.

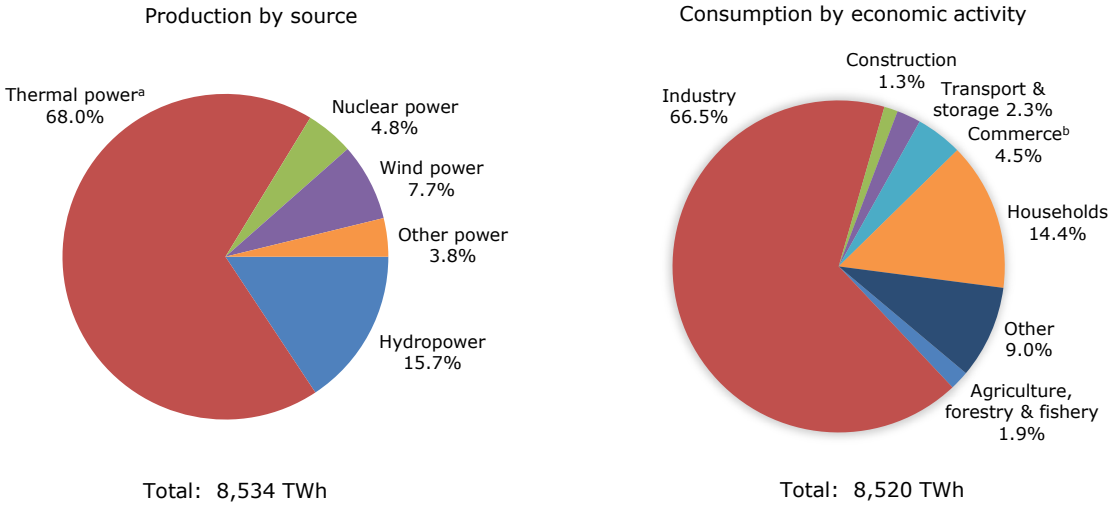
4.80. The institutional framework of China's energy sector remained largely unchanged. The National Energy Commission (NEC) is the coordinating and consultation body. The National Energy Administration (NEA), operating under the NDRC, is responsible for formulating and implementing energy development strategies, plans, and policies; making recommendations on institutional reforms in the energy sector; and performing executive functions as the regulator and as the general office of the NEC.

4.2.2.2 Electricity

4.81. The 1995 Electricity Law (last amended in 2018) continues to be the main piece of legislation in China's electric power industry. In the renewable energy sector, the Renewable Energy Law aims to advance the development and use of renewable energy and sets out the legal framework for China's related preferential policies. China's electricity generation capacity continued to grow steadily during the review period. According to the authorities, at the end of 2022, the total installed capacity was 2,564.05 GW, up from 2,376.92 GW in 2021. In the same year, wind power and solar power contributed 365.44 GW and 392.61 GW, respectively.

4.82. With 68% of total electricity production in 2021 (71.1% in 2018), thermal power continues to dominate China's electricity system, and renewable sources account for some 32% in 2021 (29% for renewable sources in 2018). The industrial sector is the largest electricity consumer (Chart 4.2).

Chart 4.2 Structure of electricity production and consumption, 2021



a Thermal power refers to electricity generated by coal, oil, gas, residual heat, waste incineration, and biomass.
b Commerce refers to wholesale and retail trade, and hotels and catering.

Source: National Bureau of Statistics, National Data. Viewed at: https://data.stats.gov.cn/english/easyquery.htm?cn=C01.

4.83. China's electricity sector is the single largest source of carbon emissions, making it a pivotal leverage point in the authorities' efforts to tackle climate change.[46]

4.84. The 14th Five-Year Plan for Renewable Energy Development (2021–2025) envisions accelerating China's adoption of renewable energy by setting a goal of, *inter alia*, a renewable electricity consumption share of 33%. It also seeks to ensure that renewables make up 50% of China's additional electricity consumption between 2021 and 2025. However, China maintains restrictions on the supply of nuclear energy. In fact, the National Negative List on Foreign Investment requires that foreigners can only invest in the construction and operation of nuclear power plants through a partnership with a Chinese party and the controlling stake shall be held by the Chinese party.

4.85. China implements a set of mechanisms that support investment in clean energy (Section 3.3.1). Feed-in tariff subsidies, which ensure that renewable energy producers receive higher than the electricity market price (coal-fired benchmark), have been the primary policy tool used over the past decade.

4.86. China's feed-in tariff programme operates on a cost-based model. The NDRC, the regulatory body for energy prices, establishes distinct feed-in tariff rates for different renewable projects, aligning with their production costs. In recent years, there has been a gradual reduction in subsidy rates by the NDRC to account for advancements in production technology and declining production costs within the sector.

4.87. The support amount, which equals the difference between the renewable feed-in tariffs and the coal-fired benchmarks, is paid out by the Renewable Energy Development Fund, which is raised from renewable energy tariff surcharge revenue. However, due to rampant growth in the number of renewable projects, various sources have indicated an accumulation of payment delays. Consequently, it would appear that a number of the eligible projects either have not received support at all for several years or have faced payment delays.[47] The authorities note that the NDRC, the

[46] IEA (2020), *China's Net-Zero Ambitions: The Next Five-Year Plan Will Be Critical for an Accelerated Energy Transition.* Viewed at: https://www.iea.org/commentaries/china-s-net-zero-ambitions-the-next-five-year-plan-will-be-critical-for-an-accelerated-energy-transition.
[47] Energy Iceberg (2020), "China's Renewable Power Price and Subsidy: 'New' Design in 2020?" Viewed at: https://energyiceberg.com/china-renewable-power-price/.

MOF, and the NEA are working with relevant departments to actively promote the resolution of renewable energy subsidy arrears.

4.88. In 2021, the authorities determined that feed-in tariffs for photovoltaic and wind power had essentially reached the standards for phasing out subsidies and achieving parity with thermal power. Consequently, they discontinued funding for incremental projects and enforced a parity policy, adjusting feed-in tariffs to match those of thermal power, as the production costs for the two technologies are considered to have converged.[48] Specific categories like offshore wind and concentrating solar power projects are established by provincial price authorities, and those meeting the conditions can retain feed-in tariffs.

4.89. By law, the REDF shall be mainly used to support the following renewable energy development and utilization activities: (i) scientific and technological research, standard formulation, and demonstration projects for the development and utilization of renewable energy; (ii) renewable energy utilization projects for domestic energy in rural and pastoral areas; (iii) construction of independent renewable energy power systems in remote areas and islands; (iv) resource exploration, evaluation, and related information system construction of renewable energy; and (v) promotion of the localized production of renewable energy development.[49] China has maintained the world's largest installed capacity of wind, solar, and hydroelectricity, and its large manufacturing base of wind and solar has played a central role in making these technologies economically viable.

4.90. Feed-in tariff supports are being replaced with a range of policies and market-oriented mechanisms, leveraging the interactions between supply and demand, to encourage green energy market growth. This mechanism aims to reduce the fiscal burden of feed-in tariff subsidies and reduce the incentive of overinvestment in renewable energies.

4.91. In September 2021, China also implemented its pilot national green power trading system, with green electricity certificates (GECs) issued only for wind power and solar power.[50] Wind and solar power generators that do not receive a subsidy from the Government are given priority in selling their generated energy on the green power trading market. On 3 August 2023, the NDRC, the MOF, and the NEA issued a notice on expanding the coverage of GECs to serve as the proof of the environmental premium of renewable energy electricity.[51] Currently, GECs can be traded at the Beijing Power Exchange Centre and the Guangzhou Power Exchange Centre. GECs are mainly requested by enterprises that have requirements (quotas as a share of their total power consumption) for green power consumption.

4.92. China officially operationalized its national carbon market in July 2021, covering some 2,162 thermal power plants. Prior to this, the 2020 Regulations on Carbon Emission Trading (Trial) and the Implementation Plan on National Carbon Emission Trading Quota Determination and Distribution for 2019-2020 (Power Generation Industry) had provided a list of key emission units in the power generation industry that are included in the quota management, as well as the specific requirements for quota allocation and compliance. Emission allowances are allocated free of charge, considering the entity's historical output and the type and origin of energy generated. According to the authorities, in 2022, for enterprises incorporated in the national carbon emission trading market, the carbon emission intensity per unit of thermal power generation decreased by 2% compared to 2018.

4.93. According to the authorities, as of 18 March 2024, the cumulative trading volume of carbon emissions quotas reached 449 million tonnes, with a total turnover of CNY 25.512 billion.

[48] NDRC, Notice on Matters Related to China's Feed-in Tariff Policy for New Energy in 2021. Viewed at: https://www.ndrc.gov.cn/xwdt/tzgg/202106/t20210611_1283089.html?code=&state=123.

[49] State Council, *The Interim Measures for the Administration of the Collection and Use of the Renewable Energy Development Fund*. Viewed at: https://www.gov.cn/gongbao/content/2012/content_2131981.htm.

[50] NDRC (2021), "The Green Power Trading Plan Is Poised to Be Introduced – The Interpretation of the 'Green Power Trading Pilot Work Plan'", 28 September. Viewed at: https://www.ndrc.gov.cn/fggz/fgzy/xmtjd/202109/t20210928_1298058.html?code=&state=123.

[51] NDRC, Notification to Promote the Consumption of Electricity from Renewable Sources. Viewed at: https://gbdy.ndrc.gov.cn/gbdyzcjd/202308/t20230803_1359095.html.

4.94. The iron and steel, non-ferrous metals, cement, flat glass, ceramics, paper, construction, non-ferrous metals, and oil-refining industries are expected to be the next carbon-intensive candidates for coverage by the national carbon trading system.[52]

4.95. In 2022, China approved 106 gigawatts of new coal-fired plant projects and restarted suspended ones.[53]

4.3 Manufacturing

4.3.1 Main features and recent developments

4.96. China has become a major manufacturing hub for the world in recent decades. Today, China's gross production in manufacturing exceeds that of the nine next largest manufacturers combined.[54] Manufacturing is the second largest economic sector in China after services. Over the review period, it contributed between 26% and 28% of GDP, accounted for some 28% of total employment[55], and received around 25% of total FDI. Private manufacturing investment in China's manufacturing sector has traditionally been an important driver of economic growth.

4.97. The authorities consider that China's performance in manufacturing can be attributed to its increasing integration in global value chains, driven by factors including trade and investment liberalization, abundant and productive labour, a large domestic market, high-quality infrastructure, and innovation. However, the long-term sustainability of the sector may face environmental challenges, declining productivity growth, higher labour costs, and excess capacity.

4.98. China's trade in manufactured goods has remained resilient to recent shocks (Table 4.17). Despite the COVID-19 pandemic, exports of manufactured goods showed an upward trend. Exports of components of manufacturing goods have increased, also due to increasing global demand for appliances to allow work from home, while exports of textiles have fallen. Imports of manufactured goods fell slightly in 2019 and 2020 but rose sharply in 2021 before decreasing in 2022 and 2023. Exports of manufactured goods mainly consist of machinery and transport equipment, automobiles, chemicals and related products, textiles and clothing, iron, and steel. In 2023, manufactured products accounted for 95.1% of China's exports (slightly down from 95.4% in 2019) and 57.5% of its imports (down from 66.5% in 2019).

Table 4.17 Trade in manufactures, 2018-23

(USD billion, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023
Exports in manufactures (SITC Rev. 3)	**2,352.0**	**2,360.0**	**2,475.2**	**3,223.9**	**3,424.0**	**3,215.9**
% of total exports	94.6	94.4	95.5	95.8	95.3	95.1
Chemicals and related products	167.5	161.8	169.2	264.3	313.3	260.0
Medical and pharmaceutical products	17.4	17.3	22.1	48.7	35.1	22.3
Iron and steel	62.6	55.1	46.5	84.5	100.9	88.7
Non-ferrous metals	27.5	26.3	23.8	37.4	45.3	36.9
Machinery	1,092.0	1,085.6	1,150.0	1,446.7	1,508.6	1,409.3
Office and automatic data processing machines	219.2	199.7	217.4	259.3	242.1	194.8
Transport equipment	116.1	109.9	108.3	171.6	196.2	238.2
Imports in manufactures (SITC Rev. 3)	**1,434.0**	**1,343.5**	**1,378.5**	**1,710.5**	**1,626.3**	**1,471.4**
% of total imports	67.1	64.7	67.1	63.6	59.9	57.5

[52] NDRC, Notice on the Issuance of the "Implementation Guide for Energy Conservation and Carbon Reduction Transformation and Upgrading in Key Areas of High Energy-Consuming Industries (2022 Edition)". Viewed at: https://www.ndrc.gov.cn/xwdt/tzgg/202202/t20220211_1315447.html.

[53] Centre for Research on Energy and Clean Air, *China Permits Two New Coal Power Plants per Week in 2022*. Viewed at: https://energyandcleanair.org/publication/china-permits-two-new-coal-power-plants-per-week-in-2022/.

[54] R. Baldwin (2024), "China Is the World's Sole Manufacturing Superpower: A Line Sketch of the Rise", 17 January, *VoxEU*. Viewed at: https://cepr.org/voxeu/columns/china-worlds-sole-manufacturing-superpower-line-sketch-rise.

[55] According to the authorities, the secondary industry accounts for approximately 28% to 29% of total employment.

	2018	2019	2020	2021	2022	2023
Chemicals and related products	223.7	218.8	213.3	264.0	266.4	239.0
Medical and pharmaceutical products	29.6	35.7	37.0	44.4	47.6	51.4
Iron and steel	24.2	25.4	39.1	45.6	45.5	38.4
Non-ferrous metals	55.9	48.6	66.2	87.1	84.4	72.4
Machinery	724.7	689.3	742.3	902.3	848.3	747.8
Office and automatic data processing machines	57.2	56.7	59.4	73.9	62.7	55.1
Transport equipment	114.8	97.2	86.3	103.6	93.8	82.9

Source: General Administration of Customs, People's Republic of China (GACC).

4.99. The average applied MFN tariff for the manufacturing sector was 6.8% in 2023, compared to 7% in 2021, and 9.5% in 2017. Due to China's large network of preferential trade agreements, trade in manufactured goods benefits from much lower tariffs with numerous economies.

4.100. China's manufacturing sector is generally open for foreign investment. During the period under review, various FDI restrictions were removed for the production of vehicles and satellites (Section 2.4). In March 2024, China announced the removal of all remaining restrictions on foreign investment in the manufacturing sector.[56] The number of industries for which FDI is encouraged has increased over time, as observed in recent updates to the Catalogue of Encouraged Industries for Foreign Investment. This may reflect China's interest in its production chains in fields such as semiconductors and the clean energy sector. The authorities indicate that there are no provisions requiring foreign companies to transfer technology in the manufacturing sector.

4.101. The Ministry of Industry and Information Technology (MIIT) is the main policy maker for the manufacturing sector. It determines China's industrial planning and policies and monitors the sector. The NDRC is responsible for coordinating industry development and developing industry upgrade strategies. China's policy objectives for the manufacturing sector include the expansion of higher value-added and knowledge-based activities through innovation, but environmental considerations also play an important role, such as reducing energy consumption and pollution.

4.102. The Made in China 2025 (or China Manufacturing 2025) Initiative, launched in 2015, remains the main nationwide strategic initiative to promote the upgrading of the manufacturing sector.[57] The Initiative aims to help China (i) become one of strong manufacturing powers by 2025; (ii) reach the middle level of the world's manufacturing powers by 2035; and (iii) enter the forefront of global leaders in manufacturing by 2050. Industries identified as strategic under the Initiative include aerospace, biotech, information technology, smart manufacturing, maritime engineering, advanced rail, electric vehicles, electrical equipment, new materials, biomedicine, agricultural machinery and equipment, pharmaceuticals, and robotics manufacturing. The authorities indicate that neither the amount of public funding, if any, for industry support under these initiatives nor impact studies on the Made in China 2025 Initiative were available.

4.103. Under the 14th Five-Year Plan, China has issued various plans related to industrial development since 2021. These include the Development Plan for Smart Manufacturing, the Development Plan for the Robotics Industry, and the Development Plan for the New Energy Vehicle Industry. The Plans' general objective is to promote the development of the manufacturing industry or a specific sector. The Plans put forward several specific development targets; the Development Plan for Smart Manufacturing, for example, aims to achieve digitalization and networking in 70% of manufacturing enterprises above certain designated size and foster more than 150 professional providers of smart manufacturing solutions.

4.104. Other measures adopted during the review period include Several Policies for Promoting Steady Growth of Industrial Economy[58], Implementation Plan for Invigorating Industrial Economic Operation and Promoting High-quality Industrial Development[59], Manufacturing Industry Pilot

[56] Government of China. Viewed at: https://www.gov.cn/yaowen/liebiao/202403/content_6939153.htm.
[57] The authorities state that Made in China 2025 is a strategic initiative for industrial development similar in nature to other strategic initiatives released by some developed Members.
[58] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/2022-02/18/content_5674530.htm.
[59] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/2021-12/14/content_5660752.htm.

Innovation Development Implementation Opinions[60], Implementation Plan for Promoting the Renewal of Equipment in the Industrial Field[61], Notice on Carrying Out the Pilot Project of the New Technology Transformation of the Manufacturing Industry[62], Implementation Opinions on Promoting Future Industrial Innovation and Development[63], and Several Regulations on the Production and Management of Civil Unmanned Aircraft.[64]

4.105. Government Guidance Funds (GGFs) play a key role in achieving China's industrial policy goals (Section 3.3.1). Some of the GGFs specifically target the manufacturing sector. Some GGFs are related to the Made in China 2025 Initiative (Table 3.14); the authorities state that such funds are market-oriented equity investment funds, and do not receive subsidies and do not have industrial policy functions. Other GGFs supporting SOEs, SMEs, innovation, or regional development also have important implications for the manufacturing sector.

4.106. China's manufacturing sector is a major recipient of grants, research funding, and tax concessions (Section 3.3.1). China's 2021 and 2023 subsidy notifications refer to numerous policy measures to support the manufacturing sector and technological development in general.[65] According to the CSMAR database, subsidies for China's companies in the manufacturing sector amounted to CNY 160 billion in 2022 (Section 3.3.1). SOEs abound in most subsectors of the manufacturing sector.

4.107. According to the current regulations, remanufactured goods (mechanical and electrical goods) are considered used goods and subject to provisions of the restrictions or prohibitions on the importation of used goods. In July 2023, the State Council of China issued the Notice on Several Measures for Promoting Institutional Opening-up in Qualified Pilot Free Trade Zones and Free Trade Ports to Align with International High Standards with a view to promoting pilot imports of key derivative remanufactured goods in some free trade zones.

4.3.2 Selected subsectors

4.3.2.1 Automobiles, aeronautics, and components

4.108. China is the largest global automobile market, both in terms of demand and production. In 2023, local vehicle production exceeded 30 million units for the first time, compared to 25.3 million in 2020.[66] Exports of motor vehicles amounted to over USD 44 billion in 2022, compared to less than USD 10 billion in 2020 (Table 4.18).

4.109. The MIIT oversees issues such as production licences, fuel efficiency standards, and emissions regulations. In accordance with the Automobile Trade Policy issued in 2005, the importation of used vehicles and parts and components is prohibited. State-owned companies play a significant role in the automotive sector.

4.110. The production of new-energy cars is one of the priorities of the country's industrial policy. China has one of the fastest growing electric vehicles (EV) markets in the world.[67] Exports of EVs have grown strongly over the past years, to over USD 20 billion in 2022, while imports remained

[60] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/202401/content_6927680.htm.
[61] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/202404/content_6944252.htm.
[62] MIIT. Viewed at: https://www.miit.gov.cn/jgsj/ghs/wjfb/art/2024/art_e729e42187d64d61b82f067ebc9fca30.html.
[63] Government of China. Viewed at: https://www.gov.cn/zhengce/zhengceku/202401/content_6929021.htm.
[64] MIIT. Viewed at: https://www.miit.gov.cn/gyhxxhb/jgsj/cyzcyfgs/bmgz/jdcjxl/art/2024/art_60819d411ad149d58ac3b0a03fd05fcb.html.
[65] WTO documents G/SCM/N/372/CHN, 27 August 2021; and G/SCM/N/401/CHN, 20 July 2023.
[66] China Association of Automobile Manufacturers. Viewed at: http://en.caam.org.cn/Index/lists/catid/69.html.
[67] International Energy Agency, *Trends in Electric Cars*. Viewed at: https://www.iea.org/reports/global-ev-outlook-2024/trends-in-electric-cars.

constant between 2017 and 2022 (Table 4.18). In November 2023, China's monthly EV production exceeded 1 million units for the first time.

Table 4.18 Trade in motor vehicles, 2017-22

(USD million)

	2017	2018	2019	2020	2021	2022
Exports	7,176.9	8,627.7	8,633.0	9,927.7	24,389.1	44,687.9
Only electric vehicles	110.0	129.8	438.1	1,578.9	8,596.3	20,088.9
Imports	49,946.1	49,596.4	47,056.8	44,924.0	52,852.7	52,273.9
Only electric vehicles	1,468.9	1,198.5	2,466.8	949.6	797.1	1,445.0

Source: Compiled by the WTO Secretariat, based on UN Comtrade database.

4.111. No information beyond China's subsidies notifications was provided in the context of this Review about subsidization of EV production. According to the authorities, policies at the sub-central level encouraging the purchase of EVs are not directly used to subsidize enterprises; they state that this type of policy is not specific and are not subject to notification requirements.

4.112. China's aeronautics industry is still relatively young. In May 2023, a narrow-body airliner built by the state-owned company COMAC, with a capacity of some 160 passengers, started commercial flights. This aircraft is currently certified only by China. China's 2023 subsidies notification indicates preferential VAT for large passenger aircraft and new regional aircraft, and policies on house property tax and urban land use tax for enterprises designing and manufacturing large passenger aircraft and its engine.[68]

4.3.2.2 Machinery, equipment, electronics, and related industries

4.113. China's exports of machinery amounted to over USD 1.4 trillion in 2023, up from less than USD 1.1 trillion in 2019. Imports stood at some USD 750 billion in 2023, up from USD 690 billion in 2019.

4.114. The authorities indicate that the industrial policy for the machinery subsector aims to pursue innovation-driven development; promote the transformation towards an intelligent, green, and service-oriented machinery industry; promote the optimization of industrial structures; improve product quality; improve the utilization rates of resources and energies; and reduce pollutant emissions.

4.115. In 2023, the MIIT and other government agencies adopted a plan for the development of a robotics industry, which aims to make China a global centre of excellence for robotics technology innovation, advanced manufacturing, and integrated applications by 2025. In 2021, the Ministry of Industry and Information Technology, along with other government bodies, formulated the 14th Five-Year Plan for the Development Plan for Robotics Industry. The Plan proposed that by 2025, China will become a global source for robot technology innovation, a cluster for high-end manufacturing, and a new highland for integrated applications.

4.116. The authorities consider the integrated circuit industry as a strategic industry supporting national development and security. The Made in China 2025 Initiative reiterated China's focus on next-generation IT, particularly semiconductors.

4.117. China relies heavily on the imports of high-end integrated circuits. Most demand for semiconductors reflects the country's specialization in the assembly of electronics, as the majority of chips are not actually consumed in China but instead re-exported to other countries in the form of electronic equipment (e.g. phones, TVs, and tablets). During the period under review, major trading partners have imposed export controls on certain semiconductors and related products to China.

4.118. The China Integrated Circuit Industry Investment Fund and sister funds at the provincial and municipal levels are tasked with injecting equity into China's semiconductor industry (Table 3.14).

[68] WTO document G/SCM/N/401/CHN, 20 July 2023.

A special tax regime applies to companies producing specific semiconductors.[69] These measures have not been notified to the WTO. In August 2020, the State Council issued the Several Policies to Promote High-Quality Development of the Integrated Circuit Industry and Software Industry in the New Era (Guo Fa [2020] No. 8), providing support for the semiconductor industry in terms of finance and taxation, investment and financing, research and development, import and export, and talent.

4.3.2.3 Iron, steel, shipbuilding

4.119. According to the authorities, in 2022, China's crude steel capacity was 1.102 billion tonnes, and the crude steel output was 1.018 billion tonnes; in 2023, the crude steel output of private steel enterprises accounted for about 60% of the national total, while the state-owned enterprises accounted for around 40%, and the top 10 steel enterprises accounted for 41% of the national crude steel output. The industry has several large state-owned groups that are owned via shareholdings by local authorities, provincial governments, and the Central Government.[70]

4.120. The Government is cognizant of overcapacity in the steel industry. Efforts to eliminate production overcapacity are still guided by the Opinions on Reducing Overcapacity in the Steel Industry to Achieve Development by Solving Difficulties (Guo Fa [2016] No. 66), which prohibit the building up of new steel capacity. In April 2021, Implementation Measures for Capacity Replacement in the Iron and Steel Industry (Gong Xin Bu Yuan [2021] No. 46) were issued with a view to further scale down iron and steel overcapacity. The objective of one of the measures in China's last subsidy notification is to reduce overcapacity.[71] In January 2022, the MIIT, jointly with the NDRC and the Ministry of Ecology and Environment, issued the Guiding Opinions on Promoting High-Quality Development of the Iron and Steel Sector. These aim at, *inter alia*, strictly limiting the installation of new iron and steel production capacity.

4.121. Other policies supporting the development of the iron and steel industry include the Implementation Measures for Capacity Replacement in the Iron and Steel Industry (Gong Xin Bu Yuan [2021] No. 46) and the Guiding Opinions on Promoting High-Quality Development of the Iron and Steel Sector (Gong Xin Bu Yuan [2022] No. 6).

4.122. The Made in China 2025 Initiative considers shipbuilding as one of its 10 priority sectors. In recent years, the level of ship design and shipbuilding has improved rapidly and China's civil shipbuilding industry has been marked by a trend towards the construction of more "high-end ship" types, such as large cruise ships and LNG carriers.

4.123. China's last subsidy notification does not contain specific figures on subsidies allocated to the shipbuilding industry. It is, however, indicated that shipping enterprises can benefit from an accelerated depreciation of fixed assets.[72]

4.124. In August 2021, the merger between China's two largest state-owned shipbuilders – the China State Shipbuilding Corp. (CSSC) and the China Shipbuilding Industry Co. (CSIC) – was completed, resulting in the world's biggest ship builder.

[69] China offers full corporate income tax exemptions for companies producing integrated circuits at the 28 nm node or lower for a duration of 10 years. Qualifying companies producing integrated circuits at the 65 nm node or lower can benefit from a five-year full tax exemption followed by a 50% reduction in tax rates in the following five years. Viewed at: https://www.chinatax.gov.cn/eng/c101269/c5160133/content.html.

[70] According to the authorities, private steel enterprises account for more than 60% of crude steel outputs.

[71] Special Reward and Subsidy for Restructuring of Industrial Enterprises in the Guangxi Zhuang Autonomous Region; for 2021 its notified budget was CNY 161 million. WTO document G/SCM/N/401/CHN, 20 July 2023.

[72] WTO document G/SCM/N/401/CHN, 20 July 2023.

4.4 Services

4.4.1 Telecommunications services

4.4.1.1 Overview

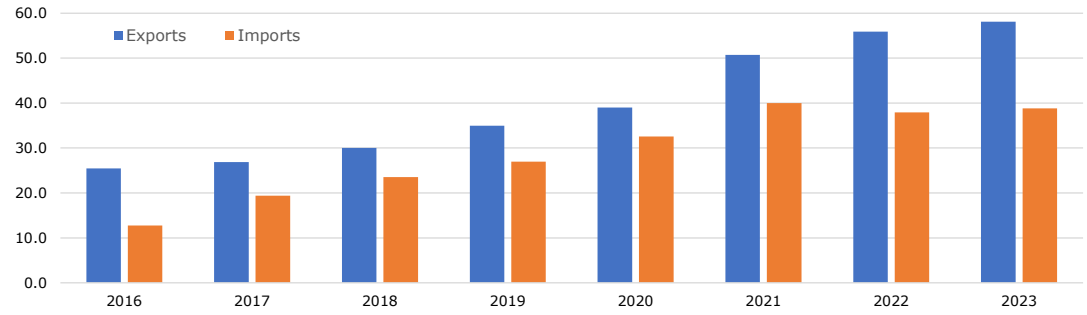
4.125. China ranks among the largest telecommunications markets globally, as evidenced by its number of telephone subscribers (Box 4.2). In 2023, information transmission, software, and information technology accounted for 4.4% of GDP, up from 3.1% in 2019 (Section 1.1).

4.126. Official data indicate that value added by China's telecommunications industry grew by 5.1% in 2022, owing to notable growth in emerging business sectors and the rapid development of new infrastructure. Over the same period, revenue generated by firms in the sector surpassed CNY 1.58 trillion, marking an 8% increase compared to the previous year. The combined revenue from emerging business segments such as Internet data centres, cloud computing, and the Internet of Things surged by 32.4%. Over the same period, investment in the telecommunications sector also saw a notable uptick, rising by 3.3% year-on-year to reach CNY 419.3 billion in 2022.[73]

4.127. Trade in telecommunications services continued to expand in recent years (Chart 4.3). However, imports declined markedly between 2021 and 2022, due to the impact of the COVID-19 pandemic and its related restrictions. The authorities indicate that ongoing digital innovation and the increased demand for digital services have become significant driving forces for China's trade in telecommunications services. They also note that Chinese enterprises engaged in international information technology outsourcing (ITO) saw a 7.9% year-on-year increase in 2023, with the total value reaching USD 60.57 billion. The United States; Hong Kong, China; and the European Union were the top three ITO markets in 2023.

Chart 4.3 Trade in telecommunications, computer and information, 2016-22

(USD billion)



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

4.128. Fixed and mobile telecommunications services are mainly provided by three SOEs (China Telecom, China Mobile, and China Unicom). The State's shares in the three telecom companies decreased between 2020 and 2022.[74] In 2020, China Broadnet, another SOE, became the only company granted with exclusive authorization from the Government to offer mobile, fixed broadband, and cable TV in China. In 2022, the operator joined its three peers in offering 5G services. China continued to record fast development of its 5G networks. According to the authorities, in 2023, there were over 2.73 million 5G base stations (up from 400,000 in 2020 as indicated during the previous Review). Approximately 887,000 of these base stations were

[73] State Council (2023), "China's Telecom Industry Reports Steady Expansion in 2022", 19 January. Viewed at: https://english.www.gov.cn/archive/statistics/202301/19/content_WS63c93615c6d0a757729e5e02.html.

[74] The proportions of state-owned shares of China Telecom, China Mobile, and China Unicom were 82.85%, 72.72%, and 52.10%, respectively.

constructed in 2022 alone. The number of 5G mobile network users stood at 561 million in 2022, accounting for one third of China's mobile phone users.[75]

4.129. Emerging telecommunications segments such as Internet data centres, cloud computing, and the Internet of Things are predominantly operated by private companies.

4.130. The authorities state that telecommunications charges are determined by the market and set out by telecom companies. Telecom prices, in percentage of the gross national income (GNI) per capita, are significantly lower compared to the average prices in Asia and the world (Table 4.19).

Box 4.2 Selected indicators of the telecommunications sector, 2022

Economic data

Total telephone subscribers: 1.776 billion (in 2020)

Penetration rates (2022):
Total telephone subscribers (per 100 inhabitants): 131.95%
Mobile phone subscribers (% total tel. subscribers): 90.4%
Internet users (per 100 inhabitants): 75.6%
Broadband Internet subscribers (per 100 inhabitants): 41.8%

Main actors:
Number of companies providing value-added telecom services: 147,000 companies (April 2023).
Names and market share of leading (fixed and mobile) telecommunication service providers:
In 2022: China Telecom, 28%; China Mobile, 52%; and China Unicom, 20%.
Name and market share of the broadband Internet services:
In 2022: China Telecom, 37.5%; China Mobile, 43.5%; and China Unicom,19%.
Foreign ownership participation in telecom companies:
By April 2023, a total of 1,426 foreign companies had invested in Chinese telecom companies.
State ownership:
In 2022, the proportion of state-owned shares was 75.15% in China Telecom, 70.42% in China Mobile, 51.7% in China Unicom, and 100% in China Broadnet.

Source: Information provided by authorities.

Table 4.19 Telecom prices as a percentage of GNI per capita, 2022

	China	Asia and Pacific	World
Mobile voice prices	0.45	1.1	1.0
Mobile voice and data prices	0.99	2.2	2.3
Fixed-broadband (5 GB) prices	0.45	2.6	2.6

Source: ITU, *ICT Price Baskets (IPB) 2022*. Viewed at: https://www.itu.int/en/ITU-D/Statistics/Dashboards/Pages/IPB.aspx.

4.4.1.2 Policy and regulatory framework

4.131. The authorities state that China's objectives in the telecom sector remained unchanged during the review period. These objectives include guiding and supporting robust and top-tier development of the industry, by enhancing the efficiency of resource allocation and promoting accessibility and affordability of communications services. Among measures in place to improve competition and efficiency, the authorities maintain a number portability programme, which ensures that mobile phone users can shift to a new service provider without changing their current number.

4.132. According to the authorities, the nationwide implementation of the number portability service was completed by the end of 2019. By the end of February 2024, approximately 100 million subscribers had taken advantage of this service.

4.133. The institutional and legal framework did not undergo significant changes. The MIIT continues to be the sectoral regulator. It oversees licensing and sets sectoral standards and administration of access tariffs. At the provincial/local level, this responsibility is assumed by administrative departments in charge of telecommunications services. The 2000 Telecoms

[75] State Council (2023), "China's Telecom Industry Reports Steady Expansion in 2022", 19 January. Viewed at: https://english.www.gov.cn/archive/statistics/202301/19/content_WS63c93615c6d0a757729e5e02.html.

Regulations (last amended in 2016) continue to serve as the main legal basis of the sector. They are supplemented by a large body of implementing regulations, which cover a wide range of matters, including licensing, fee collection, interconnectivity, and foreign participation. The licensing process is guided by the Classified Catalogue of Telecommunications Services 2015 (unchanged during the review period). This document delineates between basic telecommunications services and value-added telecommunications services. Licence holders are strictly authorized to conduct only the activities specified within their respective licences.

4.134. Foreign participation in the telecommunications industry continues to be subject to a handful of restrictions. Such restrictions are spelled out in the market opening commitments made in China's WTO Accession Protocol, the National Negative List, and the PFTZ Negative List (Section 2.4.1). In accordance with these regulations, foreign share ratio for value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centres) shall not exceed 50%. In accordance with the Telecommunications Regulations, the state-owned equity or shares of a company engaged in basic telecommunications business shall not be less than 51%. For investment in domestic virtual private network (VPN) services, the foreign share ratio shall not exceed 50%. As was the case during the previous Review, cloud services are not open to foreign investment.

4.135. The authorities indicate that in 2022 China issued the Decision on Amending and Repealing certain Administrative Regulations and revised the Provisions on the Administration of Foreign-funded Telecommunications Enterprises. The reform removed the requirements for prospective foreign investors to demonstrate strong performance and operational experience in telecommunications ventures. It also provided a legal basis for the authorities to relax and lift the restriction on the ratio of foreign shareholding in the telecommunications industry in certain cases, and reduced the processing time for value-added telecommunications application approvals from 90 days to 60 days.

4.136. According to the authorities, by April 2023, a total of 1,426 foreign companies had invested in Chinese telecom companies (Box 4.2), illustrating a significant increase compared to end-2020, when a total of 395 foreign-invested enterprises had entered China's telecom market.

4.137. The MIIT continues to encourage co-construction and sharing of telecommunications infrastructure, with a view to reducing redundant telecommunications facility development. For example, in May 2023, the MIIT and 14 other departments jointly issued the Implementation Opinions on Further Deepening the Co-construction and Sharing of Telecommunication Infrastructure and Promoting the High-quality Development of "Dual Gigabit" Networks (Gong Xin Bu Lian Tong Xin [2023] No. 59). The "Implementation Opinions" set out various tasks to be undertaken for, *inter alia*, the co-construction and sharing of telecommunications infrastructure, and the promotion of "double gigabit" networks construction, including the support of co-construction and sharing of 5G access networks.[76] According to the authorities, since the inception of the telecommunications facility-sharing policy, the sharing rate of newly constructed towers has risen from 14.3% in 2014 to 83% in 2023. This means that more than over 2.51 million 5G base stations have been jointly constructed and shared. The authorities also note that this increase has led to significant efficiency gains, including 980,000 potential towers being cut, over CNY 176 billion saved, and carbon emissions reduced by 26 million tonnes.

4.4.1.3 Developments in digital economy

4.138. According to the China Academy of Information and Communication Technology (CAICT), the size of the China's digital economy more than doubled between 2016 and 2022, growing from CNY 22.6 trillion to over CNY 50 trillion (over 41% of GDP).[77] Advanced telecommunications infrastructure facilities, including the growing number of 5G base stations and the Big Data industry chain, have played a pivotal role in supporting the growth of China's digital economy.

[76] State Council, the Ministry of Industry and Information Technology and 14 Other Departments Jointly Issued the "Implementation Opinions on Further Deepening the Co-construction and Sharing of Telecommunication Infrastructure and Promoting the High-quality Development of 'Dual Gigabit' Networks". Viewed at: https://www.gov.cn/lianbo/bumen/202305/content_6876197.htm.

[77] CAICT (2022), *White Paper on Global Digital Economy*. Viewed at: http://www.caict.ac.cn/english/research/whitepapers/202303/t20230316_416850.html.

4.139. Large investment in R&D has aided China's digital transformation. WIPO's Global Innovation Index 2023 ranked China 12th among 132 economies. In terms of R&D spending, China ranked 2nd in the world.[78] Furthermore, among the top science and technology innovation clusters in the world, Shenzhen–Hong Kong, China–Guangzhou ranked second, and Beijing ranked fourth.[79] The country is one of the top holders of invention patents in the digital field. By the end of 2023, computer technology management methods, computer technology, and basic communication programmes were the top three contributors to China's growth in invention patents. In addition, official information by the State Council indicates that by the end of 2022, China had 1.6 million invention patents in the core industries of digital economy, with some 80% made by Chinese entities.[80]

4.140. The rapid digitalization of the Chinese economy is expected to lead to a productivity boost, notably in the financial sector, where artificial intelligence (AI) tools can, for example, lower information asymmetry that could make it easier for businesses and individuals to make better financial choices and potentially lower costs.[81]

4.141. According to the authorities, the rise of the digital economy in China has created significant employment opportunities in the services sector. In the e-commerce sector, for example, a large number of SMEs have been created on the back of China's large technological platforms. Employment in the ITC sectors has been also increasing.

4.142. On the other hand, increased automation in the manufacturing sector has led to job loss over the recent years. However, it would appear that the net impact of digitalization on employment is positive.[82]

4.143. For the development of China's digital economy under competitive environment, the authorities have recently taken measures to regulate market competition in economic sectors among these platforms. In 2021, for example, the former Anti-monopoly Commission of the State Council released the Guidelines of the Anti-monopoly Commission of the State Council for Anti-monopoly in the Field of Platform Economy. China has crafted various policies and strategies aimed at fostering sustainable growth in the digital economy. The authorities note that the nation has, in recent years, implemented its national digital economy and Big Data strategy, accelerated the enhancement of digital infrastructure, nurtured new business forms and models, and maximized the potential of data elements, all in pursuit of advancing "digital industrialization and industrial digitalization".

4.144. Several strategies have been implemented to enable growth in the digital industry and enhance the high-quality advancement of the digital economy. These include the 14th Five-Year Plan for Digital Economy Development[83], the Comprehensive Blueprint for Digital China Construction[84], the 14th Five-Year Plan for Big Data Industry Development[85], and the 14th Five-Year Plan for Deepening Informatization and Industrial Integration.[86]

4.145. China's ongoing efforts in its digital policy enhancement have also been directed towards bolstering the regulatory framework for the digital economy. One example is the introduction of the

[78] WIPO (2023), *Global Innovation Index 2023*. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo-pub-2000-2023-en-main-report-global-innovation-index-2023-16th-edition.pdf.
[79] WIPO (2023), *Global Innovation Index 2023*.
[80] The information is based on China National Intellectual Property Administration (CNIPA) statistics.
[81] IMF (2019), *China's Digital Economy: Opportunities and Risks*, IMF Working Paper WP/19/16. Viewed at: https://www.imf.org/en/Publications/WP/Issues/2019/01/17/Chinas-Digital-Economy-Opportunities-and-Risks-46459.
[82] IMF Working Paper WP/19/16, p. 10.
[83] State Council, *Notice of the State Council on Printing and Distributing the 14th Five-Year Plan for the Development of the Digital Economy*. Viewed at: https://www.gov.cn/zhengce/content/2022-01/12/content_5667817.htm.
[84] Central Committee of the Communist Party of China and the State Council, *Overall Layout Plan for the Construction of Digital China.* Viewed at: https://www.gov.cn/zhengce/2023-02/27/content_5743484.htm.
[85] MIIT, Notice of the Ministry of Industry and Information Technology on Printing and Distributing the "14th Five-Year Plan" for the Development of Big Data Industry. Viewed at: https://www.gov.cn/zhengce/zhengceku/2021-11/30/content_5655089.htm.
[86] MIIT, Notice of the Ministry of Industry and Information Technology on Printing and Distributing the "14th Five-Year Plan" for the Deep Integration of Informatization and Industrialization. Viewed at: https://www.gov.cn/zhengce/zhengceku/2021-12/01/content_5655208.htm.

Opinions on Building a Basic Data System[87], aimed at optimizing the utilization of data elements. To augment digital literacy across society and propel digital socio-economic growth, several ministries and commissions collaborated on issuing directives such as the Key Points for Enhancing Digital Literacy and Skills in 2023 and the Key Points for Digital Village Development in 2023.

4.4.1.4 Developments in cybersecurity

4.146. Security challenges brought about by the digital transformation of the Chinese economy remain an issue of concern. The authorities indicate that China has put forward the Global AI Governance Initiative, aiming to promote a balanced approach to AI development and security. They also express readiness to increase global exchanges and dialogues to collectively enhance global AI governance.

4.147. As the pace of digitalization continues to gather momentum and bring efficiency gains for various industries, it also creates a range of new cyber-risks that evolve quickly. The authorities have recently undertaken a set of cybersecurity measures, including policies, laws, regulations, and guidelines to mitigate them. In 2021, for example, the Cyberspace Administration of China (CAC) formulated the Regulations on Protecting the Security of Critical Information Infrastructure to (i) protect key information infrastructure related to, *inter alia*, finance and public services from attacks, intrusions, interference, and destruction; (ii) safeguard the security of critical information infrastructure; and (iii) ensure cybersecurity.

4.148. As indicated during the previous Review, China promulgated the Cybersecurity Law, the Data Security Law, the Personal Information Protection Law, the Regulation on Security Protection of Critical Information Infrastructure, the Measures for Cybersecurity Review, Several Provisions on the Administration of Automobile Data Security (trial version), and the Measures for Security Assessment for Outbound Data Transfer. According to the authorities, these provisions serve as a basis for cybersecurity review, data security management, personal information protection, and security assessment for cross-border data transfer, with a view to safeguarding the security of China's cyberspace.

4.149. China's rules on cross-border data transfer, contained in the Cybersecurity Law, provide that personal information and important data collected and generated by operators of critical information infrastructure in their operations within China shall be subject to a security assessment if it is necessary to provide the information outside the country due to business needs.[88] The Data Security Law and the Measures for Data Export Security Assessments also stipulate that data processors providing important data abroad, operators of critical information infrastructure and data processors handling information concerning a large number of people must carry out a security assessment if they provide personal information outside China.

4.150. The Personal Information Protection Law outlines specific procedures for companies engaged in transferring data across borders. It states that if a personal information processor legitimately needs to send data outside of China for business or other reasons, it can do so through various methods. These methods include conducting a security assessment of the data transfer, obtaining certification for personal information protection, or entering into a standardized contract regarding the transfer with the recipient outside China. Moreover, if international treaties or agreements that China is a party to contain conditions for transferring personal information outside China, those conditions may be followed accordingly. China's requirements on cross-border data transfer have reportedly raised concerns among some foreign enterprises operating in China, due to the potential compliance costs and uncertainties.[89]

4.151. In August 2023, the State Council called for establishing "green channels" for qualified foreign companies to export data, and to set pilot programmes for a list of data that can be freely

[87] State Council, Opinions of the Central Committee of the Communist Party of China and the State Council on Constructing a Basic Data System to Better Play the Role of Data Elements. Viewed at: https://www.gov.cn/zhengce/2022-12/19/content_5732695.htm?eqid=fa4ca900000012d100000004647899c9.

[88] The authorities note that the term "important data" refers to significance from a national perspective.

[89] For example, European Union Chamber of Commerce in China (2023), *Flash Survey: The Impact of China's Data Regulations on European Business*. Viewed at: https://www.europeanchamber.com.cn/en/flash-survey-on-impact-of-china-rsquo-s-data-regulations.

transferred across the border in designated areas, including Beijing, Tianjin, and Shanghai.[90] On 22 March 2024, the CAC promulgated and implemented the Regulations on Promoting and Regulating the Cross-border Flow of Data. The Regulations, *inter alia*, relax conditions for data cross-border flow and narrow the scope of the security assessment for outbound data. Exemptions from reporting security assessments were adopted for the following data transfer activities: international trade and activities (e.g. cross-border shopping, cross-border remittance, air ticket and hotel booking, and visa applications), personal information collected and generated overseas without introducing domestic personal information or important data during processing, cases where providing personal information abroad is necessary for concluding and performing contracts involving individuals, cross-border human resources management, emergency situations, and limited data volume exemption (certain data processors of personal information for fewer than 100,000 people).

4.152. Additionally, the Regulations establish a negative list system in the PFTZs, allowing data processors in the zones to provide data overseas outside the negative list without the need for certain reporting and certification requirements.

4.153. Several legislative measures and Internet technologies restrict access to a large number of websites that disseminate information or materials conflicting with Chinese laws. There is also prohibition or limitation on using a VPN to browse the Internet.[91] While the authorities state that these actions are to ensure citizens and organizations access the Internet lawfully, it has been pointed out that they also may have adverse effects on free flow of information and labour productivity in some cases (Section 2.4.1).

4.154. Several measures, with implications for the tech industry, were adopted during the review period to further regulate Internet services and ensure the safety of cyberspace. For example, on 31 December 2021, the CAC, the MIIT, the Ministry of Public Security (MPS), and the State Administration for Market Regulation (SAMR) issued the Provisions on the Administration of Algorithm-generated Recommendations for Internet Information Services, which came into force on 1 March 2022. The Provisions aim to, *inter alia*, increase transparency regarding algorithm functionality and grant users greater control over the data utilized by companies to fuel these algorithms.

4.155. On 27 June 2022, the CAC announced the Provisions on the Administration of Internet Users' Account Information. On 1 August 2022, the Provisions were given effect and aimed to strengthen the administration of Internet user account information, with a view to, *inter alia*, promoting the healthy development of Internet information services.

4.156. The CAC, the MIIT, and the MPS jointly announced the Provisions on the Administration of Deep Synthesis of Internet-based Information Services on 25 November 2022, which came into effect on 10 January 2023. The provisions establish extensive obligations for providers of deep synthesis services and technical supporters regarding data security, personal information protection, transparency, content management, labelling, and technical security.

4.4.2 Financial services

4.4.2.1 Sectoral performance and policy objectives

4.4.2.1.1 Sectoral performance

4.157. Financial services accounted for 8.0% of GDP in 2022 (compared with 7.9% in 2021), and employed 7.4 million people in 2022 (down from 8.59 million people in 2020, and 8.19 million people in 2021). In recent years, China's trade in financial services experienced notable growth (Chart 4.4). Imports growth was particularly noticeable until 2021. This trend underscores China's further expansion of the opening-up in financial services, such as allowing foreign-invested companies to engage in credit rating services, asset management, pension fund management, and brokerage, as well as the removal of foreign ownership limits on securities companies, futures companies, and

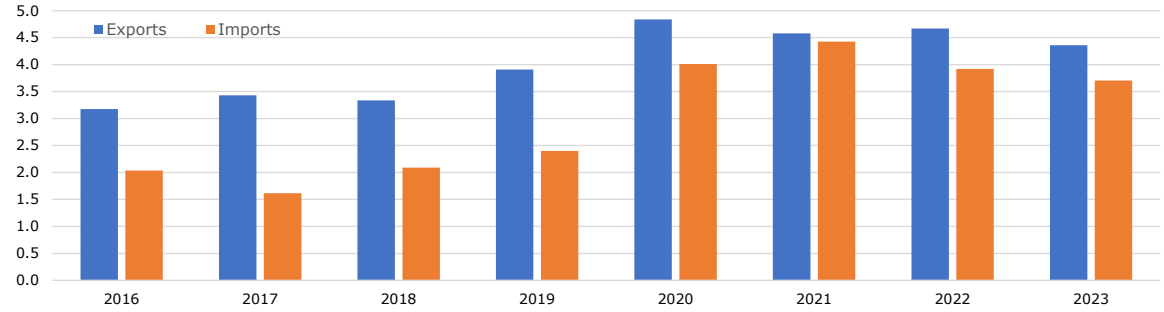
[90] State Council, *Opinions on Increasing Efforts to Attract Foreign Investment*. Viewed at: https://www.gov.cn/zhengce/content/202308/content_6898048.htm.

[91] See, for example, the Circular on Cleaning Up and Regulating the Internet Access Service Market.

fund management companies.[92] China remained a net financial services exporter during the review period.

Chart 4.4 Trade in financial services, 2016-23

(USD billion)



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

4.158. Total social financing[93] stood at CNY 32.0 trillion in 2022, up from CNY 31.3 trillion in 2021. However, the growth rate was below trend due to the economic effects of the COVID-19 pandemic. The share of bank financing in the total credit to the economy decreased from 64.2% to 63.7% over the same period. In the beginning of 2023, new bank lending strongly rebounded in response of the authorities' actions to support the economy. The authorities note that at the end of 2023, the balance of domestic and foreign currency loans was CNY 242.24 trillion, a year-on-year increase of 10.1%.

4.159. The structure of the financial sector continues to display a significant predominance of banks over other types of financial institutions (Table 4.20). Data provided by the authorities suggest continued high concentration in the banking sector. As at end-Q3 of 2023 (the most recent period for which data were available), the assets of China's banking institutions at home and abroad reached CNY 409.8 trillion, up by 9.5% year-on-year.[94] Of those, assets of large commercial banks (the six large state-owned banks) contributed CNY 173.3 trillion, accounting for 40.8% of the total.[95] Assets of joint-stock commercial banks reached CNY 69.6 trillion, and accounted for 17% of the total assets of financial institutions in China. China's banking sector assets accelerated during the review period in response to regulators' renewed call for more credit support to corporate borrowers.[96]

Table 4.20 Assets of the financial institutions in China, 2020-23

(CNY trillion)

Period	Total assets of financial institutions	Of which: banking institutions	Of which: insurance institutions
2020Q1	332.94	302.39	21.72
2020Q2	340.43	309.41	21.98
2020Q3	347.32	315.18	22.44
2020Q4	353.19	319.74	23.3
2021Q1	364.62	329.58	24.26
2021Q2	371.26	336	23.99
2021Q3	375.68	339.36	24.32
2021Q4	381.95	344.76	24.89
2022Q1	396.39	357.90	25.67
2022Q2	407.42	367.68	26.64
2022Q3	413.46	373.88	26.71

[92] WTO document WT/TPR/S/415/Rev.1, 9 March 2022.
[93] A measure of total credit to the economy including bank loans, corporate bonds, entrusted loans, and trust loans.
[94] National Financial Regulatory Administration (NFRA), *Supervisory Statistics of the Banking and Insurance Sectors – 2023 Q3*. Viewed at: https://www.cbirc.gov.cn/en/view/pages/ItemDetail.html?docId=1142474.
[95] The Postal Savings Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, the China Construction Bank, and the Bank of Communications remain China's big state-owned banks, the most important banks in the domestic financial system.
[96] PBOC, Official Statement. Viewed at: http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5033430/index.html.

Period	Total assets of financial institutions	Of which: banking institutions	Of which: insurance institutions
2022Q4	419.64	379.39	27.15
2023Q1	439.33	397.25	28.37
2023Q2	449.21	406.25	29.2
2023Q3	452.82	409.77	29.59

Note: The total assets, total liabilities, and owner equities of financial institutions are the sums of corresponding indicators of banking institutions, securities institutions, and insurance institutions. Banking institutions refer to legal entities (also covering overseas branches), excluding the PBOC. Insurance institutions refer to insurance group (holding) companies, insurance companies, and insurance asset management companies.

Source: Information provided by the authorities.

4.160. Developments in banking were marked by significant risks to financial stability, stemming from a deceleration in economic growth, vulnerabilities in the balance sheets of certain local governments, and stress in the property market (albeit at a limited scale, according to the authorities).[97] The asset quality of commercial banks was somewhat stable over Q3 2023. Compared to the same period in 2022, official figures indicate a 0.01 percentage point drop in non-performing loans (NPLs) ratio to 1.61%. However, in absolute terms, the outstanding balance of NPLs of commercial banks was CNY 3.2 trillion, up by CNY 24.4 billion.

4.161. At the end of 2023, the balance of NPLs of financial institutions in the banking industry was CNY 3.95 trillion, a year-on-year increase of 3.9% and far lower than the growth rate of various loans. The NPLs ratio was 1.62%, down 0.1% year-on-year. At the end of 2023, the capital ratio of China's commercial banks was 15%, and the provision coverage ratio was 205%. The authorities considered the banking sector as in a healthy range of performance, and they maintained that financial risks are generally controllable. They note that adequate resources and conditions are available to address risks. These include more than CNY 50 trillion of capital and provisions of China's banking and insurance industries, and the country's financial stability guarantee funds and various industry guarantee funds.

4.162. The jumps in NPLs for all state-owned banks appear to stem mostly from the construction/real estate sector.[98] In 2023, the banking sector's aggregate loans to the real estate sector (mortgage loans and real estate developer loans combined) slowed down. By contrast, in response to the national priority of carbon neutrality initiative, banks continued to step up their lending to green projects, including renewable energies (Table 4.21).

Table 4.21 Data on bank loans to the real estate sector, and green loans, 2021-23

(CNY trillion)

Year	Loans to the real estate sector	Real estate developer loans	Personal housing loans	Green loans
2021	52.17	12.01	38.32	15.9
2022	53.16	12.69	38.8	22.03
2023	52.63	12.88	38.17	30.08

Source: Information provided by the authorities.

4.163. Regarding the insurance industry, in Q3 2023, cumulative assets of the insurance companies reached CNY 29.6 trillion, an increase of CNY 2.4 trillion and up by 9% from the beginning of the year. Between 2020 and 2023, the annual collective portion of total assets held by the top five insurance companies stood at 47.5%, 49.2%, 49.1%, and 49.5%, respectively.[99]

[97] The authorities state that of the CNY 53 trillion balance of real estate loans, 80% is personal housing loans with limited impact on the banking sector.

[98] *China Banking News* (2023), "China's Big Six State-owned Banks Unscathed by Real Estate Debt Woes According to 2022 Results", 3 April. Viewed at: https://www.chinabankingnews.com/2023/04/03/chinas-big-six-state-owned-banks-unscathed-by-real-estate-debt-woes-according-to-2022-results/; and Nikkei Asia (2023), "China's Top Banks Report Rising Bad Loans as Property Woes Spread", 31 August. Viewed at: https://asia.nikkei.com/Business/Markets/China-debt-crunch/China-s-top-banks-report-rising-bad-loans-as-property-woes-spread.

[99] China Life Insurance Company Ltd; Ping An Life Insurance Company of China; China Pacific Life Insurance Co. Ltd; Taikang Life Insurance Co. Ltd; and New China Life Insurance Co. Ltd.

4.164. As of the end of Q3 2023, the comprehensive solvency ratio of the insurance sector was 194%, and the core solvency ratio was 126%.

4.165. In the pension industry, the authorities indicate that the total premium volume for private pension insurance stood at CNY 5.08 billion over the first quarter of 2023, with 429,000 policies issued (up from 339,000 worth CNY 3.84 billion in 2022).

4.166. China's stock market is the second largest in the world. According to the authorities, by the end of July 2023, 5,251 companies were listed on the stock market of China (Shanghai, Beijing, and Shenzhen) (up from 4,697 in 2021 and 5,079 in 2022), with a total market capitalization of approximately CNY 85 trillion (CNY 92 trillion in 2021 and CNY 79 trillion in 2022).

4.4.2.1.2 Policy objectives

4.167. The aim outlined in the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives is to establish a robust financial system characterized by high competitiveness and inclusivity, and which is sufficiently robust to support the real economy.

4.168. In October 2023, the latest central financial work conference took place in China. This high-level meeting provided guidance that is intended to shape the long-term trajectory of the sector.[100] In the conference, the Government stressed its main commitment of fostering economic and financial stability and development with distinct "Chinese characteristics". Other top priorities include the imperative to draw in additional foreign financial institutions and long-term capital for operations and investments in China. The Government also stressed the significance of maintaining centralized supervision within the financial sector, as demonstrated by the recent restructuring of the nation's supervisory framework (Section 4.4.2.2).

4.169. According to the authorities, China is committed to implementing a range of measures to effectively mitigate and address financial risks. These measures primarily focus on managing the risks associated with local government debt, small and medium-sized financial institutions, illegal financial activities, and keeping the CNY exchange rate basically stable at a reasonable and balanced level through the improvement of macro-prudential management on cross-border capital flows. A key priority is the enhancement of macro-prudential management in the realm of real estate finance.

4.170. In alignment with their strategic vision, the authorities aim to optimize the financing structure of the Chinese economy. This involves leveraging the capital market's pivotal role, promoting the registration-based initial public offering system, fostering diversified equity financing, elevating the quality standards of listed companies, nurturing top-tier investment banks and institutions, and promoting the high-quality development of the bond market.

4.171. In terms of state participation in the financial sector, the authorities expressed their intention to refine the institutional positioning of large state-owned financial institutions. This entails increasing their role in serving the real economy and serving as a cornerstone for financial stability. Simultaneously, the authorities aim to reinforce the role of the insurance industry as a crucial economic shock absorber and stabilizer.

4.4.2.2 Reform of the financial supervision framework

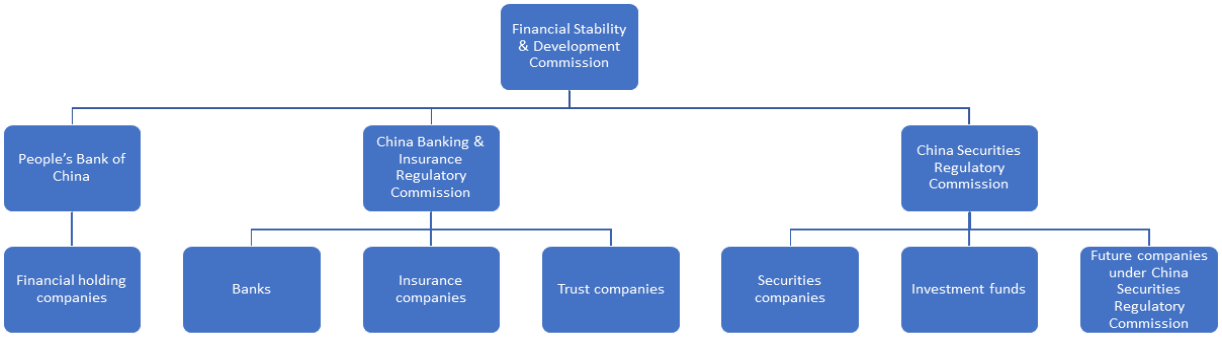
4.172. China's rapidly changing financial sector has recently witnessed the emergence of new types of risks, shadow banking in particular. During the review period, the authorities responded by, *inter alia*, further strengthening the regulators' respective supervision roles to increase their efficiency.

4.173. A reform in 2019 of the financial supervisory architecture aimed to increase coordination among regulators to contain growing risks inherent to shadow banking. It consolidated the regulatory oversight of banking and insurance under the China Banking and Insurance Regulatory Commission (CBIRC). The reform also empowered the PBOC with an enhanced role in overseeing

[100] State Council (2023), "Central Financial Work Conference Is Held", 2 November. Viewed at: https://english.www.gov.cn/news/202311/02/content_WS65430bb8c6d0868f4e8e0e33.html.

the financial sector.[101] In total, China's financial regulatory system consisted of four key bodies: the Financial Stability and Development Commission (FSDC), responsible for coordinating financial supervision; the PBOC; the CBIRC; and the China Securities Regulatory Commission (CSRC) (Chart 4.5).

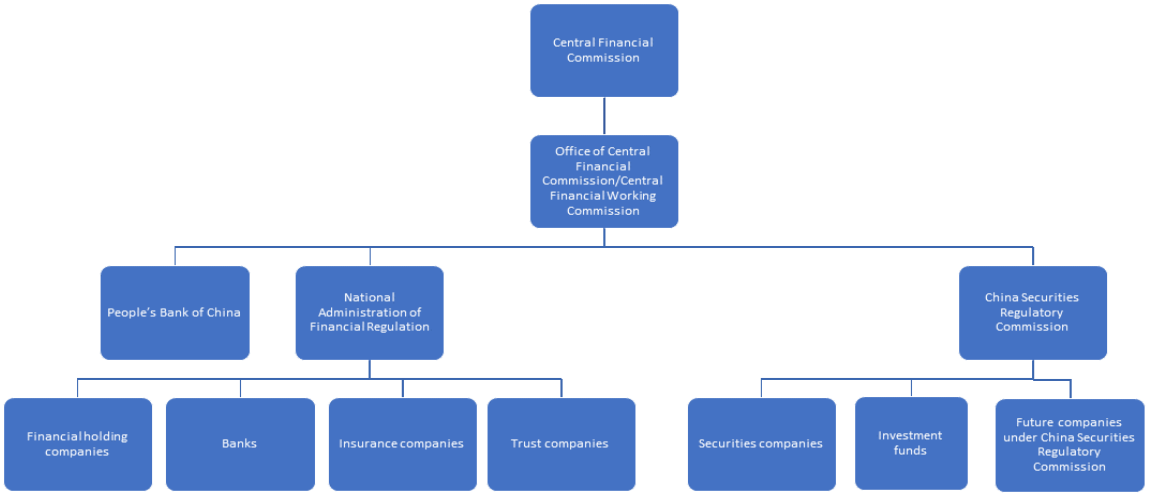
Chart 4.5 China's former financial supervision framework



Source: Information provided by the authorities.

4.174. On 7 March 2023, a new reform was announced, which consolidates these institutions into "one committee, one bank, one administration and one commission" (Chart 4.6). Under the direct supervision of the Central Committee of the Communist Party, the newly established Central Financial Commission (CFC) now assumes the functions previously held by the former FSDC[102], making the CFC the principal entity for financial decision-making and coordination. A Central Financial Working Commission is also expected to be established.

Chart 4.6 China's current financial supervision framework



Source: Information provided by the authorities.

4.175. Under the new structure, the National Financial Regulatory Administration (NFRA) has superseded the CBIRC, and now assumes a more extensive array of responsibilities, including the oversight of financial holding companies, a domain formerly within the purview of the PBOC. Furthermore, the NFRA has been entrusted with the regulatory mandate for financial consumer and investor protection.

[101] WTO document WT/TPR/S/415, 20 October 2021.
[102] The FSDC was acting under the State Council's supervision.

4.176. The PBOC's role in monetary policy and macro-prudential supervision has now been refocused and no longer has authority over financial holding companies. The CSRC's role as the capital market regulator has been enhanced through the inclusion of enterprise bond issuance supervision in its purview, a responsibility that was previously overseen by the NDRC. This consolidation brings about a unified regulatory framework for both enterprise and corporate bond issuance under the auspices of the CSRC. The move reflects the authorities' intention to expand the direct financing market for enterprises, and enterprise and corporate bonds are the financial instruments that the Government wants to strengthen.

4.177. While the reform may improve coordination across supervisory bodies to better manage financial risks on the one hand, the effectiveness of the financial supervisory architecture may suffer from increased state presence in the financial system. In fact, China's financial system is dominated by a handful of large state-owned institutions (Section 4.4.2.1.1), and the top plane of the country's financial activities is now under direct supervision of the Party. While this feature collides with the standard functions of financial regulation, it also tends to favour the emergence of hazard moral issues, leading public financial entities to assume excessive financial risks. However, the authorities state that China is committed to fostering financial innovation and development in a market-oriented environment governed by a sound legal framework.

4.4.2.3 Other regulatory developments

4.4.2.3.1 Developments in the banking industry

4.178. During the review period, certain measures were adopted to further promote foreign participation in China's banking industry. For example, on 2 September 2022, the CBIRC issued the Decision to Amend Certain Administrative Licensing Rules. The Decision lifts the restrictions on the shareholding ratio of foreign banks investing in Chinese commercial banks. Additionally, it stipulates that the approval timeline for the establishment of branches by foreign-funded banks in China must be within a duration of four months.

4.179. A number of requirements are in place to regulate foreign participation in the Chinese financial sector. For example, a foreign entity that invests in a Chinese commercial bank shall be a foreign financial institution, and a foreign entity that invests in a small or medium-sized rural bank shall be a foreign bank. In the case of a wholly foreign-owned bank, the foreign shareholders shall be financial institutions, of which the sole or controlling shareholder shall also be a commercial bank; in the case of a joint Chinese-foreign bank, the foreign shareholders shall be financial institutions, of which the sole or major shareholder shall be a commercial bank.

4.180. Regarding prudential regulations, on 1 November 2023, the NFRA revised the Rules on Capital Management of Commercial Banks, aiming to strengthen banks' risk management approach and improving their ability to better support the domestic economy.[103] The revised Rules took effect in January 2024 and are applicable to all commercial banks.

4.181. The rules establish a differentiated capital supervision system, with higher capital requirements for larger banks (in terms of assets and proportion of overseas businesses). The authorities intend to achieve, through the tiered supervision approach, a balance between improving the resilience of the banking sector debt and limiting the cost of regulatory compliance on smaller banks to allow them to better serve the real economy.

4.182. The authorities consider that rules for the largest banks (those with total assets of over or equal to CNY 500 billon; or with overseas claims and debts more than CNY 30 billion, or Tier 1 commercial banks) are closely aligned with the Basel III supervisory framework, except for more stringent risk weights for certain assets. This specification was designed to increase the risk sensitivity in the banks' capital management practices and allow for the comparability of their capital ratios and public disclosures on a global scale.

4.183. The capital rules for Tier 2 commercial banks (assets over or equal to CNY 10 billion; or overseas claims and debts below CNY 30 billion) are simplified while mostly preserving the existing requirements. The smallest banks (less than CNY 10 billion and zero balance of overseas claims, or

[103] Viewed at: https://www.cbirc.gov.cn/cn/view/pages/rulesDetail.html?docId=1134197.

Tier 3 commercial banks) are subject to the most simplified capital and disclosure standards with a view to facilitating micro and small business financing activities.

4.184. The new rules also require commercial banks to assess and classify credit risk more promptly and prudently and prioritize debtors' ability to meet their obligations over underlying collateral values (Table 4.22).

Table 4.22 Five-category risk classification criteria

Category	Classification guidelines
Normal	Borrower is expected to repay obligations according to the existing terms.
Special-mention	i) Overdue on principle or interest payable (excluding operational or technical overdraft within 7 days); or
	ii) Change in use of funds without prior agreement from banks; or
	iii) Repayment through re-negotiations or rollovers (except for bonds and qualified micro- and small-sized business loans); or
	iv) If a non-retail borrower has non-performing credit exposure at the bank or at other banks
Substandard	**i) Overdue on principle or interest payable for 90+ days; or**
	ii) Actual impairment in the financial assets; or
	iii) Significant downgrades in external debt ratings, resulting in a material deterioration in the borrower's repayment capability; or
	iv) If a single borrower has more than 20% of its total liabilities across all banks overdue by more than 90 days
Doubtful	**i) Overdue on principle or interest payable for 270+ days; or**
	ii) Borrower chooses not to repay on purpose; or
	iii) Actual impairment in the financial assets, with expected losses exceeding 50% of the instrument's face value
Loss	**i) Overdue on principle or interest payable for 360+ days; or**
	ii) Borrower is in bankruptcy/liquidation stage; or
	iii) Actual impairment in the financial assets, with expected loss exceeding 90% of the instrument's face value

Note: Substandard, doubtful, and loss categories are non-performing assets.
Most prominent changes compared to the existing rules are highlighted in bold font.

Source: Fitch Ratings (2023), "China's New Rules on Bank Asset Classification to Reduce Inconsistency", 14 February. Viewed at: https://www.fitchratings.com/research/banks/chinas-new-rules-on-bank-asset-classification-to-reduce-inconsistency-14-02-2023; and China Banking and Insurance Regulatory Commission and People's Bank of China (2023), *Rules on Risk Classification of Financial Assets of Commercial Banks*. Viewed at: http://www.pbc.gov.cn/en/3688253/3689009/4180845/4835368/2023033016333840569.pdf.

4.185. Concerning measures to prevent and resolve major financial risks, in June 2021, the CBIRC issued the Interim Measures for the Implementation of Recovery and Resolution Plans for Banking and Insurance Institutions. Under the Measures, commercial banks and insurance companies with specified amounts of assets are required to formulate their own recovery and resolution plans to address risks in a timely manner in the event of a material risk scenarios.[104]

4.186. According to the authorities, a Financial Stability Bill and amendments to the Law on Commercial Banks and the Banking Regulation Law are under preparation to establish and improve mechanisms for an orderly disposal of financial risks. The Bill aims, among other tasks, to set up a financial stability guarantee fund that provides emergency funding to weak banks, with a view to preserving the country's financial stability.

4.187. Certain measures were adopted to further consolidate the resilience of China's Systemically Important Banks, including recovery and resolution plans and rules to ensure that such banks have sufficient loss absorption and capital restructuring capabilities when entering the resolution stage.[105] On 22 September 2023, the authorities released the latest version of the list of domestic systemically

[104] Depository financial institutions, financial asset management companies, and financial leasing companies with assets of CNY 300 billion or more; and insurance companies with assets of CNY 200 billion or more.

[105] Regulations on Additional Supervision of Systemically Important Banks (Trial), and Regulations on the Management of Total Loss-Absorbing Capacity of Global Systemically Important Banks.

important banks, consisting of 19 banks, in accordance with the Measures for Assessment of Systemically Important Banks.[106]

4.4.2.3.2 Developments in the insurance industry

4.188. During the review period, China adopted some measures with a view to further clarifying foreign participation conditions in the insurance industry. In that regard, the Detailed Rules for the Implementation of the Regulation of the People's Republic of China on the Administration of Foreign-Funded Insurance Companies was amended in March 2021. The new amendment eliminates the restrictive provisions on the ratio of foreign shares in insurance companies.

4.189. In addition, China further clarifies, pursuant to the 2018 Measures for the Administration of Shareholdings in Insurance Companies by Foreign Financial Institutions, that foreign financial institutions other than insurance companies and insurance group companies shall not be either the major shareholders of foreign insurance companies, or the sole foreign shareholders of foreign insurance companies.

4.190. Several other measures were implemented to enhance the efficiency of the insurance sector. Notably, reforms were made in the motor insurance system, enabling it to effectively accommodate EVs. Additionally, the Measures for Regulating the Accident Insurance Business, issued on 13 October 2021, were devised to guide a further development of such businesses.

4.191. In December 2021, the issuance of the Notice on Standardizing and Promoting the Development of Commercial Pension Finance Business was followed by the Notice of Matters Concerning the Private Pension Business Conducted by Insurance Companies in November 2022. These actions aim to improve the multi-pillar pension insurance system through the development of commercial pension finance businesses and personal pension businesses and meet the diversified needs of the people. The objective is to address the prevalence of elevated precautionary savings and weak consumption in the Chinese economy.

4.192. Weak consumption, especially by the rural population, is one of the main risks facing the sustainable growth of the Chinese economy. While various factors constrain the consumption patterns of rural residents, one view is that the absence of an efficient social safety net has led to increased precautionary savings.[107] Along the same line, the economic literature indicates that further expansion and deepening of health insurance, including the coverage of specific health issues (critical illness) in rural areas, significantly promote the daily consumption of rural residents.[108] In this regard, during the review period, the NFRA proceeded with the supply-side structural reform of health insurance, with the implementation of tax-advantaged health insurance policies to promote innovation in health insurance products.

4.193. On prudential regulations, in 2021, the regulator revised and issued the Draft Regulations on the Solvency Management of Insurance Companies, which specify that insurance companies that meet the following three indicators at the same time are companies that meet the solvency standards: core solvency ratio to be not less than 50%; comprehensive solvency ratio to be not less than 100%; and the Integrated Risk Rating, which measures the overall solvency risk of insurance companies (including capitalized and uncapitalized risks), shall not be lower than Class B.

[106] China Minsheng Bank, China Everbright Bank, PingAn Bank, Huaxia Bank, Bank of Ningbo, China Guangfa Bank, Bank of Jiangsu, Bank of Shanghai, Bank of Beijing, China Citic Bank, Postal Savings Bank of China, Shanghai Pudong Development Bank, Bank of Communications, China Merchants Bank, Industrial Bank, Industrial and Commercial Bank of China, Bank of China, China Construction Bank, and Agricultural Bank of China.

[107] M. Chamon and E. Prasad (2010), "Why Are Saving Rates of Urban Households in China Rising?", *American Economic Journal*: Macroeconomics, Vol. 2, No. 1.

[108] See, for example, W. Zhao (2019), "Does Health Insurance Promote People's Consumption? New Evidence from China," *China Economic Review*, Vol. 53, pp. 65-86.

4.4.2.3.3 Developments in pension funds

4.194. Efforts to establish an effective pension system in China can be a credible way to optimize precautionary savings, boost consumption, and spur economic growth.[109] Specifically, in the economic literature, Zheng et al. (2021) explored a large dataset over 2011-18, and found that pension participation and expectations have the potential to boost domestic consumption.[110] In April 2022, China officially launched, on a pilot basis, its private pension scheme (the third pillar of the pension system). The scheme seeks to supplement the basic pension together with enterprise (occupational) annuities. A number of banks, wealth management funds, and insurance companies have received official approval to participate in private pensions in 36 cities across China.[111]

4.195. Regulations were published during the review period to clarify the types of products that can be offered, and the rules and requirements thereof.[112] In November 2022, a tax incentive package was adopted to spur the development of the new system. These are pre-tax deductions of up to CNY 12,000 from the annual taxable income of participants in private pension schemes and a reduction of the tax burden on pension benefits from 7.5% to 3% (at withdrawal). In addition, the returns generated from investments made within pension accounts are exempt from taxation on the individual's personal income.

4.4.2.3.4 Developments in securities industries

4.4.2.3.4.1 Stock markets

4.196. In the securities industry, the authorities seek primarily to further develop a well-regulated, transparent, open, dynamic, and resilient capital market that can support China's overall development goals.

4.197. Steps taken during the review period include the launch of the Beijing Stock Exchange (BSE) on 15 November 2021. Since its establishment, the BSE has emerged as an important platform for China to propel its capital markets reform, catering to the financial needs and growth of innovative SMEs. Some 200 companies are listed on the BSE, which also facilitates securities lending and market-making activities. Foreign investors can engage in the trading of stocks listed on the BSE through programmes such as Qualified Foreign Institutional Investors (QFIIs) or Renminbi Qualified Foreign Institutional Investors (RQFIIs).[113]

4.198. The authorities continue to facilitate foreign participation in China's capital markets. As indicated during the previous Review, restrictions on equity investment in Chinese securities, funds, or futures companies by foreign investors were eliminated in 2020. The authorities note that steps were taken during the current review period to ensure the full implementation of those liberalization measures. For example, by the end of August 2023, 24 partly or wholly foreign-owned securities, funds, or futures companies were allowed to operate in China's capital markets; three subsidiary banks in China of foreign banks were granted the qualifications to serve as fund custodians; and 35 private equity investment fund managers, either wholly owned by foreign investors or in the form of China-foreign joint ventures were registered with the Asset Management Association of China.

4.199. The authorities indicate that the scope of specific futures and options products continued to expand, with 24 futures products, including crude oil, purified terephthalic acid, and iron opened to

[109] International Labour Organization (2022), *ILO Review of the Multi-tier Pension System in China*. Viewed at: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/briefingnote/wcms_877519.pdf.

[110] W. Zheng et al. (2023), "The Impact of Expected Pensions on Consumption: Evidence from China", *Journal of Pension Economics & Finance*, Vol. 22, Issue 1.

[111] Circular of the CBIRC on the Issuance of Interim Measures for the Administration of Personal Pension Business of Commercial Banks and Wealth Management Companies and the Circular of the CBIRC on Matters Relating to the Launching of Personal Pension Business by Insurance Companies specify the conditions for institutions participating in the private pension system.

[112] The Measures for the Implementation of Personal Pensions and the Interim Provisions on the Management of Personal Pension Investment in Publicly Offered Securities Investment Fund Business were released on 4 November 2022.

[113] QFII and RQFII programmes are the certification system that allows licensed professional foreign investors who meet certain qualifications to directly invest in a range of financial products in China's capital market.

foreign investors. On 4 January 2023, foreign banks were allowed to participate in the treasury futures market of China, and 46 futures and options products, including commodity futures, commodity options, stock index futures, and stock index options were open to investors with QFII and RQFII licences.

4.200. Other measures undertaken by China to develop its securities industry include actions to facilitate cross-border investment and financing by Chinese companies. In particular, the operation of the Shanghai–Shenzhen–Hong Kong Stock Connect mechanism, the cross-boundary investment channel, was further improved. The scope of international products available to Chinese investors was also expanded.

4.4.2.3.4.2 Bond markets

4.201. During the review period, China undertook a number of steps to promote foreign participation in the interbank and exchange bond markets. For example, in May 2022, the PBOC, the CSRC, and SAFE jointly issued the Announcement on Issues Concerning Further Facilitating Investment in the Chinese Bond Market by Overseas Institutional Investors, which establishes a unified framework for the opening-up of the bond markets, and unifies and improves the relevant policy requirements for investment in China's bond markets by overseas investors.

4.202. Along the same line, in January 2024, the PBOC and the Hong Kong Monetary Authority (HKMA) included bonds of Bond Connect in the eligible collateral under HKMA's CNY liquidity arrangement to promote bond repurchase business by foreign institutions through direct access to the market and Bond Connect.[114] As of the end of January 2024, a total of 1,129 foreign investors had entered China's bond markets, holding CNY 3.9 trillion in bonds.

4.203. The authorities indicate that foreign participation in the bond market has further improved in recent years. Eight foreign banks currently act as settlement agents in China's interbank bond market. Furthermore, since 2021, the number of foreign financial institutions serving as quotation agencies for Bond Connect has increased to 15, with 4 new additions joining the ranks. Specific measures are in place to streamline foreign institutions' investment processes. In November 2021, for example, the MOF and the State Taxation Administration released the Announcement on Extending the Period of Enterprise Income Tax and Value-Added Tax Exemption Policies for Overseas Institutions Investing in the Domestic Bond Market. This announcement extends China's policy of temporarily exempting foreign institutions investing in China's bond markets from enterprise income tax and value-added tax on interest income earned from bonds until the end of 2025.

4.4.2.3.5 Developments in fintech

4.204. China is at an advanced stage of fintech development. Beyond leveraging Internet technology, the financial sector is increasingly integrating emerging technologies such as Big Data, cloud computing, AI, and blockchain. These technologies continue to reshape the innovation of financial products and services.

4.205. In 2022, the PBOC released the second Fintech Development Plan, covering 2022 to 2025.[115] The plan seeks to further develop China's fintech sector and drive the digital transformation of finance by 2025. It outlines recommendations for the advancement of financial technology, clarifying the overarching concept, developmental objectives, essential tasks, and guarantees for ensuring the successful implementation of digital transformation in the sector.[116]

4.206. As indicated during the previous Review, there is no single comprehensive regulation that governs fintech activities. Regarding the supervisory framework of fintech, the relevant businesses are subject to the supervision of the traditional financial authorities, depending on the characteristics

[114] Bond Connect is a mutual market access programme, fostering trading opportunities for investors from both China and overseas. It establishes a connection between the financial infrastructure institutions of China and Hong Kong, China.

[115] The first plan, the Fintech Development Plan for 2019-2021, was released in 2019.

[116] State Council (2022), *The People's Bank of China issued the "Fintech Development Plan (2022-2025)"*. Viewed at: https://www.gov.cn/xinwen/2022-01/05/content_5666525.htm.

of the services provided. The Fintech Development Plan for 2022-2025 considers improving regulatory supervision of the fintech sector as one of the main tasks.

4.207. The Plan also seeks to protect privacy and data. In addition, it envisions integrating fintech and green financing, and proposes to build green data centres and systems based on advanced technologies. In this regard, the authorities introduced the Three-Year Action Plan (2024-2026) for "Data Elements X", aimed at directing financial institutions in maximizing the use of financial technology tools. Additionally, in 2023, the PBOC issued the Guidelines for Financial Data Center Capacity Building, an industrial standard outlining requirements for adopting new technologies and promoting environmentally friendly practices. This initiative guides financial institutions in bolstering the construction and management of green and intelligent data centres.

4.208. A recent study indicates that the adoption of fintech solutions by banks leads to financial innovation and an improved business model by reducing bank operating costs.[117] Meanwhile, the unregulated growth of the industry may pose significant risks, such as regulatory uncertainties, illicit transactions, and the potential for the abuse of data monopolies. Furthermore, the large exposure of fintech activities to cybersecurity threats can pose significant potential systemic risks to financial stability.[118]

4.209. Against this background, the field of fintech was marked by a series of regulatory measures to better protect the industry. In 2020, China started to scrutinize the Internet finance industry, suspending the IPO of Ant Group. In addition, in 2021, China initiated anti-monopoly actions in the tech industry and strengthened oversight on data collection and privacy protection within the fintech sector. Major players (e.g. Ant Group, Tencent, and Didi) faced investigations and heightened regulatory scrutiny as a result.

4.210. The authorities indicate that in July 2023 China's financial regulators have issued a joint announcement declaring substantial progress in addressing major issues within platform company financial operations.

4.211. Activities involving cryptocurrency are deemed illicit financial activities in China. This prohibition covers services offered by overseas cryptocurrency exchanges to Chinese nationals through online platforms. The authorities contend that cryptocurrency mining has a high energy consumption and significant carbon footprint, while it offers minimal contribution to the real economy. Furthermore, they note that cryptocurrencies have been exploited for illicit purposes such as money laundering, posing substantial risks to anti-money laundering and combating the financing of terrorism efforts, as well as to overall financial integrity. In September 2021, the NDRC, along with 10 other government entities, issued a notice targeting cryptocurrency mining activities. Subsequently, the PBOC, in conjunction with nine other government bodies, released a notice aimed at anticipating and managing the risks associated with cryptocurrency trading and speculation.

4.4.2.3.6 Green finance

4.212. In recent years, various policy initiatives have made China the second-largest green finance system in the world, which is dominated by banks' green lending.[119] Political backing, support from the PBOC, the establishment of green taxonomies, and the implementation of various incentives collectively contributed to this progress. According to the authorities, by the end of 2022, China had issued green bonds totalling USD 352.4 billion. Of this, USD 65.5 billion was issued by banking financial institutions. The IMF indicates that banks' green lending is primarily (71%) used to finance infrastructure and clean energy, while energy saving and environmental protection absorb 14%. In the context of a favourable policy framework, the IMF also notes that the green finance industry tends to generate higher investment returns in China.[120] This phenomenon is driven by an increased

[117] Y. Wang et al. (2021), "Can Fintech Improve the Efficiency of Commercial Banks? An Analysis based on Big Data", *Research in International Business and Finance*, Vol. 55, Issue C.

[118] S. Cevik (2023), "The Dark Side of the Moon?: Fintech and Financial Stability", IMF Working Paper, Vol. 2023, Issue 253. Viewed at: https://www.elibrary.imf.org/view/journals/001/2023/253/article-A001-en.xml.

[119] IMF (2023), *People's Republic of China: Selected Issues*, IMF Country Report No. 23/81. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2023/02/09/Peoples-Republic-of-China-Selected-Issues-529473.

[120] IMF (2023), IMF Country Report No. 23/81.

demand for green assets, complemented by investors' perception of reduced underlying risks associated with such assets.

4.213. China's public sector, mainly SOEs, policy banks, and other major state-owned banks, dominates green finance activities, and the private sector's contribution is marginal and remains concentrated in the solar sector.[121] The authorities note that the contribution of market-based funds from financial institutions and other private sectors to green and low-carbon development is also increasing gradually. The World Bank considers that a more stable regulatory landscape, coupled with enhanced market access and financial opportunities, is deemed essential to empower the private sector in driving market-driven solutions. This could curtail costs and enable technological innovation, ultimately bridging the climate finance gap.[122]

4.214. In some cases, China's standards on green bonds tend to diverge from commonly accepted international standards. The authorities are seeking to improve such standards, which will help to, *inter alia*, ensure that proceeds are used for eligible climate mitigation and adaptation projects. In July 2022, a new China Green Bond Principles document was issued. It requires issuers to use 100% of proceeds on environment-protection projects, up from 70% previously.

4.215. According to the authorities, China aims to achieve carbon peaking and carbon neutrality, requiring significant investment estimated at CNY 150 trillion-CNY 300 trillion.[123] Fiscal funds alone fall short of meeting this demand, necessitating the involvement of market-based funds. To incentivize financial institutions and private sectors to channel more funds into green and low-carbon sectors, China has implemented several policies, including structural monetary policy tools and climate risk stress tests, to guide financial institutions in managing climate-related financial risks effectively. China is also in the process of experimenting with various strategies for green finance in nine cities across different provinces (Table 4.23), through "green finance pilot zones", that mirror distinct economic and developmental contexts. These initiatives are being tested before their broader implementation. This initiative is expected to significantly reduce industrial energy consumption.

Table 4.23 China's green finance pilot zones

Province/ region	Municipality	Priorities
Guangdong	Guangzhou	– Green financial products and services innovation – Green fintech – Green finance capital market development and cooperation in the Greater Bay Area
Zhejiang	Huzhou Quzhou	– Upgrading and transforming traditional industries – Green financing for MSMEs
Guizhou	Gui'an New District	– Optimizing local ecological resources in developing green finance to boost clean and sustainable economic growth – Alleviating poverty – Building sharing infrastructure for Big Data
Jiangxi	Ganjiang New District	– Optimizing local ecological resources in developing green finance to boost economic growth – Upgrading traditional industries
Xinjiang	Hami City Changji Prefecture Karamay City	– Demonstrating role in the Green Belt and Road – Mobilizing green finance to support agriculture modernization, clean energy, and high-end manufacturing related to renewable energy
Gansu	Lanzhou New District	– Developing local green finance system – Promoting electric vehicle and Big Data industries
Chongqing	Chongqing	– Establishing an investment and financing service system that can meet the green and low-carbon development of major industries such as energy, construction, transportation, manufacturing, agriculture and forestry, and supporting the continuous reduction of carbon emission intensity in Chongqing

Source: *Green Central Banking Online News* and PBOC (2022), "Uncovering China's Green Finance Pilot Zones", 1 June. Viewed at: https://greencentralbanking.com/2022/06/01/china-green-finance-pilot-zones-mengwei-sha/.

[121] Climate Policy Initiative (2021), *The Potential for Scaling Climate Finance in China.* Viewed at: https://www.climatepolicyinitiative.org/publication/the-potential-for-scaling-climate-finance-in-china/.

[122] World Bank (2022), *China Country Climate and Development Report*. Viewed at: https://openknowledge.worldbank.org/server/api/core/bitstreams/35ea9337-dfcf-5d60-9806-65913459d928/content.

[123] PBOC, *On Leveraging the Financial Market to Achieve the Goal of Carbon Peaking and Carbon Neutrality*. Viewed at: http://www.pbc.gov.cn/en/3688006/3995557/4272607/index.html.

4.4.3 Transport services

4.4.3.1 Air transport

4.216. The legal and institutional framework of the air transport services remained broadly unchanged during the period under review. The Civil Aviation Law (last amended in 2021) continues to be the main legislation regulating the aviation industry. The Civil Aviation Administration of China (CAAC) is the national aviation authority. It oversees the safety of both airborne and ground operations within civil aviation. This includes tasks such as certifying, supervising, and inspecting civil aviation operators, aircraft products, and maintenance services. Additionally, it handles national aircraft registration, evaluates operational performance, and conducts examinations for civil aircraft. Furthermore, the CAAC plays a pivotal role in devising strategic development plans for the civil aviation industry and managing air traffic, including airspace planning and the establishment of air routes. In 2022, the CAAC granted its approval to Commercial Aircraft Corp of China (COMAC), stating that the domestically manufactured C919 jet had successfully concluded all requisite test flights for securing an airworthiness certificate.

4.217. According to IATA, before the COVID-19 pandemic hit in 2019, China represented a significant portion of global air passenger demand. It represented 9% in international travel and 25% in domestic travel, which dropped to around 1% during the pandemic. Following the reopening in December 2022, China experienced a robust recovery in inbound international flight traffic. However, performance varied among different markets. Between January and April 2023, most of China's top 20 international markets, contributing to 90% of its international flights in 2019, witnessed a substantial increase in their weekly flights to China.[124]

4.218. Based on official figures, by the end of 2022, there were 254 airports in China, with 60 catering to international flights. Among these, 18 airports had an annual passenger throughput exceeding 10 million, collectively representing 52.8% of China's air transport hubs. Airports in Beijing, Shanghai, and Guangzhou, the three major cities, contributed 15% to the total domestic passenger count. Furthermore, 51 airports handled a yearly freight and mail volume surpassing 10,000 tonnes, encompassing 98.5% of all domestic air transport facilities. Among these, airports in Beijing, Shanghai, and Guangzhou accounted for 43.4% of the domestic airport network's freight and mail throughput.

4.219. The 14th Five-Year Plan for the Development of Civil Aviation is the main strategic vision guiding the authorities' actions in the industry over the 2021-25 period.[125] The authorities seek to, *inter alia*, foster the development of a civil aviation industry that operates according to both environmentally friendly and high-performance norms. The 14th Five-Year Specialized Plan for Civil Aviation Green Development, the Action Plan for New Generation of Smart Civil Aviation, the Action Plan for the Construction of Safe, Green, Smart and Humanitarian Airports (2020-2035), and the Guidance on Further Promoting Green Development of Civil Aviation are examples of China's policy documents that aim to ensure the sustainable development of civil aviation.[126] Specifically, there are measures in place to increase the adoption of green airport technologies, promote airline energy-saving systems, and foster control of plastic pollution. For example, in May 2021, the authorities adopted a Working Plan for Plastic Pollution Control in Civil Aviation Industry (2021-2025), which is set to prohibit the use of disposable, non-degradable plastic at airports with annual passenger throughput of 2 million passengers or more and on domestic passenger services.[127]

4.220. China's measures on foreign participation in the aviation sector did not undergo significant changes during the review period. The country maintains foreign investment restrictions on airport ownership. According to the Special Management Measures (Negative List) for the Access of Foreign

[124] IATA (2023), *Air Passenger Outlook: China Reopening*. Viewed at: https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-outlook-china-reopening/.

[125] CAAC, *Circular of the Civil Aviation Administration of China, the National Development and Reform Commission and the Ministry of Transport on the issuance of the "14th Five-Year Plan for the Development of Civil Aviation"*. Viewed at: http://www.caac.gov.cn/XXGK/XXGK/FZGH/202201/t20220107_210798.html.

[126] CAAC (2022), *China Civil Aviation Green Development Policy and Action*. Viewed at: http://www.caac.gov.cn/English/News/TPXW/202305/P020230515369357225251.pdf.

[127] CAAC (2021), *The Work Plan for Control of Plastic Pollution in the Civil Aviation Industry* (2021-2025) Officially Issued. Viewed at: http://www.caac.gov.cn/English/News/202305/t20230515_219528.html.

Investment (2021 Edition), the construction and operation of civil airports shall be controlled by Chinese parties.

4.221. Foreign carriers' participation in aviation services is regulated through the Provisions on Licensing the Operation of Flight Routes by Foreign Air Transport Enterprises. Pursuant to the Regulations, when a foreign airline seeks to operate a specified flight route connecting a foreign destination with a location in China, it must adhere to the bilateral civil air transport agreement. Technical specifications, outlined by the CAAC's guidelines, must also be followed. Scheduled or unscheduled flights between two Chinese locations by foreign airlines are generally prohibited, except for special circumstances such as rescue and relief missions, subject to approval by the CAAC.

4.222. In October 2022, China entered into a bilateral air transport agreement with Guyana.

4.4.3.2 Maritime transport

4.223. The maritime transport industry, including port activities, is central to China's export-led economic development strategy. The authorities note that China envisions building a high-quality maritime transport industry by 2035, with special emphasis on modern governance systems, energy saving, and smart processes, aiming to further consolidate industry competitiveness.

4.224. Maritime transport activities have increased steadily in recent years. In 2022, water freight volume was 8.55 billion tonnes (up from 7.47 billion tonnes in 2019, 7.62 billion tonnes in 2020, and 8.24 billion tonnes in 2021) and freight turnover was 11.56 trillion tonne-km (up from 10.4 trillion tonne-km in 2019, 10.58 trillion tonne-km in 2020, and 12.10 trillion tonne-km in 2021). The authorities indicate that at the end of 2022, the top 10 ports in terms of throughput were in Ningbo-Zhoushan City (1.26 billion tonnes), Tangshan (769 million tonnes), Shanghai (728 million tonnes), Qingdao (658 million tonnes), Guangzhou (629 million tonnes), Suzhou (573 million tonnes), Rizhao (571 million tonnes), Tianjin (549 million tonnes), Yantai (463 million tonnes), and Beibu Gulf (371 million tonnes). In 2022, 15.7 billion tonnes of cargo and 296 million TEUs of containers were shipped from Chinese ports, showing year-on-year increases of 0.9% and 4.7%, respectively. The ownership structure of the various ports is relatively diversified with state, domestic, and foreign private participation.

4.225. To streamline the movement of goods into and out of the country, China has strategically positioned its maritime sector as one of the most advanced globally, boasting some of the world's largest and busiest ports. According to the authorities, in 2022, China owned 8,839 propelled seagoing vessels of up to 1,000 GT and above (up from 6,896 in 2020), representing a total deadweight tonnage (DWT) capacity of 301,997,355 (up from 228,376,872 in 2020). This makes China the second-largest ship-owning country in terms of cargo-carrying capacity (13.4% of global DWT).[128] The number of ships registered outside China is significant in China's total fleet, with around 2,800 ships (59.5% of total in DWT terms).

4.226. UNCTAD's Review of Maritime Transport 2023 also indicates that seven Chinese ports were among the top 25 ports globally in terms of cargo handling performance, considering indicators such as the average time a vessel spends in ports.[129] Furthermore, UNCTAD's Liner Shipping Connectivity Index (LSCI) consistently underscores China's position as the world's most connected economy. This is measured through various factors, including the multitude of companies offering services to and from China's ports, as well as the size of the largest vessels deployed in servicing these ports.[130]

4.227. It is widely recognized in the trade literature that stronger port connectivity tends to lead to lower trade costs, creation of trade opportunities, and higher trade volumes. Such developments are made possible due to increased predictability provided by fixed transport schedules, as well as expanded access to a broader array of export markets. For example, Del Rosal (2024) found that irrespective of a country's level of development, and in a context where agricultural trade is

[128] UNCTAD (2023), *Review of Maritime Transport 2023*. Viewed at: https://unctad.org/system/files/official-document/rmt2023_en.pdf.
[129] UNCTAD (2023), *Review of Maritime Transport 2023*.
[130] UNCTAD, *Liner Shipping Connectivity Index*, *Quarterly*. Viewed at: https://unctadstat.unctad.org/datacentre/dataviewer/US.LSCI.

increasingly containerized, liner shipping connectivity has the potential to boost agricultural trade.[131] In addition, Fugazza and Hoffmann (2017) found that improving transport connectivity can be positively associated with bilateral trade flows.[132]

4.228. The institutional framework remained unchanged. The Ministry of Transport (MOT) is responsible for developing shipping and port policies; the Maritime Safety Administration under the MOT is in charge of maritime safety and marine environment protection. In accordance with the Regulations Governing the Registration of Ships, the Harbour Superintendency Administrations at various ports are the agencies in charge of ship registration.

4.229. China's maritime transport industry is regulated through a large body of laws and regulations, including mainly the Maritime Law, the Port Law, the Regulation on the Administration of Domestic Waterway Transportation, the Provisions on the Administration of Port Operations, the Implementing Rules for the Regulation on International Maritime Transportation (amended in 2023), and the Provisions on the Administration of Domestic Waterway Transportation.

4.230. On 1 September 2021, the Maritime Traffic Safety Law, the primary law regulating maritime traffic safety in China, was revised, placing certain notification requirements on various foreign vessels, including submersibles and ships carrying radioactive materials, bulk oil, chemicals, liquefied gas, and other toxic or harmful substances. The authorities indicate that the Law aims to ensure the safety of and to protect the marine environment, in accordance with relevant international conventions.

4.231. The authorities allow specific operations of "Flag of Convenience" ships complying with certain conditions in China. In accordance with a regulation issued by the GACC in January 2022 and an announcement issued by the MOT in December 2021, foreign ships that are wholly owned or controlled by Chinese-funded shipping companies may also undertake cargo relay services provided that they obtain the relevant approval from the MOT and go through ship registration formalities with China Customs.[133]

4.232. On 20 July 2023, an amendment to the Regulation on International Maritime Transportation removed, with immediate effect, the necessity for Chinese international container transport operators, Chinese international ordinary cargo transport operators, and Non-Vessel Operating Common Carriers to seek approval before conducting their operations. Instead, the amendment stipulates that these operators need only to submit the required records to the relevant authority.

4.233. In general, foreigners can invest in maritime transport activities. However, in accordance with the National Negative List on foreign investments, the controlling stake of domestic water transport companies must be held by a Chinese person or organization. The Catalogue of Encouraged Industries for Foreign Investment encourages foreign investors to invest in the construction and operation of public dock facilities at ports.

4.234. China continues to levy a ship tonnage tax on ships entering its domestic ports. The payable tax is proportional to the net tonnage of the ship and the duration of the tonnage tax licence (Table 4.24). Preferential rates apply to Chinese taxable ships and taxable ships whose country of registry has signed treaties or agreements that mutually grant MFN treatment clauses on ship taxes and fees. According to the authorities, by January 2024, more than 60 nations had entered agreements with China, providing reciprocal MFN treatment.

[131] I. Del Rosal (2024), "Maritime Connectivity and Agricultural Trade", *Journal of Agricultural Economics*, Vol. 75, pp. 153–168. Viewed at: https://doi.org/10.1111/1477-9552.12548.

[132] M. Fugazza and J. Hoffmann (2017), "Liner Shipping Connectivity as Determinant of Trade", *Journal of Shipping and Trade*, Vol. 2. Viewed at: https://doi.org/10.1186/s41072-017-0019-5.

[133] Announcement on Revising Provisions Governing the Transportation of Domestic and Foreign Trade Containers on the Same Vessels and the Cargo Relay Business of International Navigation Ships (Announcement No. 12, 2022); and Announcement of the Ministry of Transport on the Pilot Program for Overseas International Container Liner Companies to Carry out Coastal Cargo Relay Business with Non-five-star Flag Ships on International Voyages (Announcement No. 72, 2021).

Table 4.24 Ship tonnage tax rates, 2024

	Ordinary tax rate according to licence period			Preferential tax rate according to licence period		
	1-year licence	90-day licence	30-day licence	1-year licence	90-day licence	30-day licence
No more than 2,000 net tonnes	12.6	4.2	2.1	9.0	3.0	1.5
2,000-10,000 net tonnes	24.0	8.0	4.0	17.4	5.8	2.9
10,000-50,000 net tonnes	27.6	9.2	4.6	19.8	6.6	3.3
Over 50,000 net tonnes	31.8	10.6	5.3	22.8	7.6	3.8

Source: FAO, *Vessel Tonnage Tax Law of the People's Republic of China*. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC172978/.

5 APPENDIX TABLES

Table A1.1 China's merchandise exports by destination, 2018-23

	2018	2019	2020	2021	2022	2023
Total exports (USD billion)	2,486.4	2,499.2	2,589.1	3,316.0	3,593.6	3,380.0
	(% of total)					
Americas	26.6	24.3	24.9	25.5	24.7	23.4
United States	19.3	16.8	17.5	17.1	16.2	14.8
Other – Americas	7.4	7.5	7.4	8.3	8.5	8.6
Mexico	1.8	1.9	1.7	2.0	2.2	2.4
Brazil	1.4	1.4	1.4	1.6	1.7	1.7
Canada	1.4	1.5	1.6	1.5	1.5	1.3
Europe	17.8	18.6	19.4	19.6	19.4	18.8
EU-27	14.2	14.7	15.1	15.5	15.7	14.8
Germany	3.1	3.2	3.4	3.4	3.2	3.0
Netherlands	2.9	3.0	3.1	3.1	3.3	3.0
Italy	1.3	1.3	1.3	1.3	1.4	1.3
EFTA	0.3	0.3	0.3	0.3	0.4	0.3
Other – Europe	3.3	3.6	4.0	3.8	3.4	3.7
United Kingdom	2.3	2.5	2.8	2.6	2.3	2.3
CIS[a]	3.0	3.2	2.9	3.1	3.5	5.4
Russian Federation	1.9	2.0	2.0	2.0	2.1	3.3
Africa	4.2	4.5	4.4	4.4	4.6	5.1
Middle East	3.9	4.3	4.2	3.8	4.4	4.8
United Arab Emirates	1.2	1.3	1.2	1.3	1.5	1.6
Asia/Oceania	44.5	45.1	44.1	43.6	43.4	42.5
Japan	5.9	5.7	5.5	5.0	4.8	4.7
Other – Asia/Oceania	38.6	39.4	38.6	38.7	38.6	37.8
Hong Kong, China	12.1	11.2	10.5	10.4	8.3	8.1
Korea, Republic of	4.4	4.4	4.3	4.4	4.5	4.4
Viet Nam	3.4	3.9	4.4	4.1	4.1	4.1
India	3.1	3.0	2.6	2.9	3.3	3.5
Malaysia	1.8	2.1	2.2	2.3	2.6	2.6
Singapore	2.0	2.2	2.2	1.6	2.3	2.3
Thailand	1.7	1.8	2.0	2.1	2.2	2.2
Australia	1.9	1.9	2.1	2.0	2.2	2.2
Chinese Taipei	2.0	2.2	2.3	2.4	2.3	2.0
Indonesia	1.7	1.8	1.6	1.8	2.0	1.9
Philippines	1.4	1.6	1.6	1.7	1.8	1.6
Memorandum:						
APEC	64.0	62.3	62.7	61.9	60.3	59.1
ASEAN	12.8	14.4	14.8	14.3	15.8	15.5

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on UN Comtrade database and General Administration of Customs People's Republic of China (GACC).

Table A1.2 China's merchandise imports by origin, 2018-23

	2018	2019	2020	2021	2022	2023
Total imports (USD billion)	2,133.6	2,079.3	2,069.6	2,679.4	2,716.0	2,556.8
	(% of total)					
Americas	16.0	15.2	15.8	16.1	16.7	17.7
United States	7.3	6.0	6.6	6.7	6.6	6.5
Other – Americas	8.7	9.3	9.2	9.4	10.1	11.2
Brazil	3.6	3.8	4.1	4.1	4.0	4.8
Canada	1.3	1.4	1.1	1.1	1.6	1.7
Chile	1.3	1.3	1.4	1.5	1.6	1.7
Europe	15.1	15.3	15.3	14.9	13.9	14.5
EU-27	11.7	12.2	12.5	11.5	10.5	11.0
Germany	5.0	5.1	5.1	4.5	4.1	4.2
France	1.5	1.6	1.4	1.4	1.3	1.5
EFTA	2.0	1.5	1.2	1.8	2.1	2.3
Switzerland	1.8	1.3	0.8	1.4	1.8	2.1
Other – Europe	1.5	1.6	1.6	1.6	1.2	1.2
CIS[a]	3.6	4.1	3.9	3.8	5.3	6.3
Russian Federation	2.8	2.9	2.8	3.0	4.2	5.1
Africa	4.7	4.6	3.6	4.0	4.3	4.3
South Africa	1.3	1.2	1.0	1.2	1.2	1.3
Middle East	7.3	7.5	6.0	7.0	9.8	8.7
Saudi Arabia, Kingdom of	2.1	2.6	1.9	2.1	2.9	2.5
United Arab Emirates	0.8	0.7	0.8	1.1	1.7	1.5
Iraq	1.1	1.2	0.9	1.0	1.5	1.4
Oman	0.9	0.9	0.8	1.1	1.3	1.2
Asia/Oceania	46.5	47.0	49.3	48.3	45.5	44.4
Japan	8.5	8.3	8.4	7.6	6.8	6.3
Other – Asia/Oceania	38.0	38.7	40.9	40.7	38.7	38.1
Chinese Taipei	8.3	8.3	9.7	9.3	8.8	7.8
Korea, Republic of	9.6	8.3	8.4	8.0	7.4	6.3
Australia	5.0	5.8	5.7	6.1	5.2	6.1
Malaysia	3.0	3.5	3.6	3.7	4.0	4.0
Viet Nam	3.0	3.1	3.8	3.4	3.2	3.6
Indonesia	1.6	1.6	1.8	2.4	2.9	2.9
Thailand	2.1	2.2	2.3	2.3	2.1	2.0
Singapore	1.6	1.7	1.5	1.4	1.3	1.2
Other	6.9	6.4	6.2	5.9	4.6	4.1
Free Zone China[b]	6.9	6.2	6.1	5.8	4.5	4.1
Memorandum:						
APEC	65.5	64.2	66.7	66.0	63.6	63.0
ASEAN	12.6	13.6	14.6	14.7	15.0	15.2

a Commonwealth of Independent States, including certain associate and former member States.
b Includes goods that have been exported from China and thereafter re-imported into China.

Source: WTO Secretariat calculations, based on UN Comtrade database and GACC.

Table A1.3 Merchandise exports by HS section and major HS chapter/heading, 2018-23

HS section/chapter/heading	2018	2019	2020	2021	2022	2023
Total exports (USD billion)	2,486.4	2,499.2	2,589.1	3,316.0	3,593.6	3,380.0
	(% of total exports)					
Exports under processing trade	*32.0*	*29.4*	*27.1*	*24.6*	*22.5*	*20.6*
01 Live animals and products	0.7	0.7	0.6	0.5	0.5	0.4
02 Vegetable products	1.0	1.1	1.1	0.8	0.8	0.9
03 Fats and oils	0.04	0.05	0.06	0.07	0.10	0.10
04 Prepared food, beverages and tobacco	1.3	1.3	1.2	1.1	1.3	1.5
05 Mineral products	2.1	2.1	1.4	1.5	2.0	2.0
27 Mineral fuels and oils	1.9	1.9	1.2	1.3	1.8	1.8
2710 Petroleum oils and oils from bituminous minerals, not crude (..)	1.4	1.5	1.0	1.0	1.3	1.4
06 Chemicals and products thereof	5.5	5.2	5.3	6.4	6.9	5.8
29 Organic chemicals	2.4	2.3	2.2	2.5	2.8	2.3
07 Plastics and rubber	4.1	4.3	4.6	4.8	4.9	4.9
39 Plastics and articles thereof	3.2	3.4	3.7	3.9	4.0	3.9
08 Raw hides and skins; leather, furskins and articles thereof	1.4	1.4	1.0	1.0	1.2	1.2
09 Wood, cork, straw	0.7	0.6	0.6	0.6	0.6	0.5
10 Pulp of wood; paper and paperboard	0.9	1.0	0.9	0.8	1.0	1.0
11 Textiles and textile articles	10.7	10.4	10.8	9.1	8.9	8.6
61 Clothing, knitted or crocheted	3.0	2.9	2.4	2.6	2.5	2.4
62 Clothing, not knitted or crocheted	2.9	2.7	2.4	2.1	2.1	2.1
12 Footwear, headgear, etc.	2.5	2.5	2.1	2.2	2.4	2.2
64 Footwear, gaiters and the like	1.9	1.9	1.5	1.5	1.7	1.6
13 Articles of stone, plaster, cement	2.0	2.2	2.2	2.0	2.1	1.9
14 Precious stones and metals	0.8	0.8	0.7	0.9	0.8	0.9
15 Base metals and articles thereof	7.5	7.3	6.8	7.8	8.4	7.9
72 Iron and steel	1.9	1.6	1.3	2.0	2.2	2.0
73 Articles of iron and steel	2.6	2.8	2.7	2.8	3.1	2.9
16 Machinery, electrical equipment	44.0	43.5	44.4	43.3	41.9	41.6
84 Machinery and mechanical appliances, parts thereof	17.3	16.7	17.0	16.4	15.4	15.1
8471 Automatic data processing machines and units thereof (..)	6.2	5.9	6.6	6.2	5.2	4.4
85 Electrical machineries and parts thereof	26.7	26.8	27.4	26.8	26.6	26.5
8507 Electric accumulators, including separators therefor	0.6	0.7	0.8	1.0	1.6	2.1
8517 Telephone sets, including telephones for cellular networks (..)	9.7	9.0	8.6	7.7	6.6	6.5
8541 Diodes, transistors, similar semiconductor devices (..)	1.2	1.4	1.4	1.5	1.8	1.8
8542 Electronic integrated circuits	3.4	4.1	4.5	4.7	4.3	4.0
17 Transport equipment	4.7	4.5	4.3	5.2	5.6	7.2
87 Vehicles, parts thereof	3.0	3.0	2.9	3.6	4.2	5.7
8703 Motor vehicles for the transport of persons	0.3	0.3	0.4	0.7	1.2	2.3
8708 Parts and accessories of motor vehicles of HS 8701 to 8705	1.4	1.3	1.3	1.4	1.4	1.6
18 Precision equipment	3.1	3.2	3.3	3.1	2.2	2.3
90 Optical, photographic, measuring, medical instruments (..)	2.9	2.9	3.1	2.9	2.0	2.1
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	6.8	7.2	7.7	7.7	7.3	7.0
94 Furniture, lighting, signs, prefabricated buildings	3.8	4.0	4.2	4.1	3.6	3.6
95 Toys, games, sports requisites	2.3	2.5	2.8	2.9	2.9	2.6
9503 Tricycles, (..); dolls; reduced-size (scale) models puzzles of all kinds	1.0	1.2	1.3	1.3	1.3	1.2
21 Works of art, etc.	0.01	0.03	0.03	0.07	0.05	0.03
Other	0.2	0.7	1.0	1.1	1.3	2.0

Source: WTO Secretariat calculations, based on UN Comtrade database and GACC.

Table A1.4 Merchandise imports by HS section and major HS chapter/heading, 2018-23

HS section/chapter/heading	2018	2019	2020	2021	2022	2023
Total imports (USD billion)	2,133.6	2,079.3	2,069.6	2,679.4	2,716.0	2,556.8
			(% of total imports)			
Import under processing trade	*22.0*	*20.1*	*19.6*	*18.2*	*16.9*	*15.0*
01 Live animals and products	1.4	2.0	2.5	2.1	2.3	2.2
02 Vegetable products	2.9	3.0	3.5	3.8	4.2	4.6
12 Oil seeds and oleaginous fruit; misc. grains, seeds and fruit	2.0	1.9	2.2	2.2	2.5	2.7
1201 Soya bean, whether or not broken	1.8	1.7	1.9	2.0	2.3	2.3
03 Fats and oils	0.4	0.5	0.5	0.6	0.6	0.6
04 Prepared food, beverages and tobacco	1.2	1.3	1.4	1.2	1.2	1.4
05 Mineral products	23.0	25.1	22.6	25.6	28.6	30.3
26 Ores, slag and ash	6.4	7.9	9.0	10.1	8.3	9.3
2601 Iron ores and concentrates	3.6	4.9	6.0	6.8	4.7	5.3
2603 Copper ores and concentrates	1.5	1.6	1.8	2.1	2.1	2.3
27 Mineral fuels and oils	16.3	16.7	13.2	15.1	19.7	20.2
2709 Petroleum oils and oils obtained from bituminous minerals; crude	11.3	11.7	8.6	9.6	13.5	13.2
2711 Petroleum gases and other gaseous hydrocarbons	2.2	2.5	2.2	2.7	3.3	3.3
06 Chemicals and products thereof	7.3	7.5	7.3	7.1	7.3	7.2
29 Organic chemicals	3.2	2.8	2.2	2.2	2.1	1.9
30 Pharmaceuticals	1.3	1.6	1.7	1.6	1.5	1.7
07 Plastics and rubber	4.3	4.2	4.2	3.8	3.5	3.1
39 Plastics and articles thereof	3.5	3.4	3.4	3.1	2.8	2.4
08 Raw hides and skins; leather, furskins and articles thereof	0.4	0.4	0.4	0.4	0.4	0.4
09 Wood, cork, straw	1.2	1.1	1.0	0.9	0.8	0.7
10 Pulp of wood; paper and paperboard	1.5	1.3	1.3	1.2	1.2	1.3
11 Textiles and textile articles	1.6	1.5	1.4	1.3	1.2	1.2
12 Footwear, headgear, etc.	0.2	0.3	0.3	0.3	0.3	0.3
13 Articles of stone, plaster, cement	0.5	0.5	0.5	0.5	0.4	0.4
14 Precious stones and metals, pearls	3.7	2.9	1.5	2.9	3.8	4.5
7108 Gold, unwrought or in semi-manuf. forms, or in powder form	2.9	2.1	0.6	1.8	2.8	3.6
15 Base metals and articles thereof	5.0	4.6	5.7	5.8	5.9	5.6
72 Iron and steel	1.0	1.1	1.8	1.6	1.6	1.4
74 Copper and articles thereof	2.2	2.0	2.4	2.5	2.5	2.5
16 Machinery, electrical equipment	33.9	33.1	35.8	33.5	31.2	29.2
84 Machinery and mechanical appliances, parts thereof	9.5	9.2	9.3	8.6	7.4	7.7
85 Electrical machineries and parts thereof	24.4	23.9	26.5	24.9	23.7	21.5
8542 Electronic integrated circuits	14.7	14.7	16.9	16.1	15.3	13.7
17 Transport equipment	5.4	4.7	4.2	3.8	3.5	3.2
87 Vehicles, parts thereof	3.8	3.6	3.6	3.2	3.0	2.8
8703 Motor vehicles for the transport of persons	2.3	2.3	2.2	2.0	1.9	1.8
18 Precision instruments	5.0	5.0	5.0	4.3	3.2	3.2
90 Optical, photographic, measuring, medical instruments (..)	4.8	4.7	4.8	4.1	3.0	3.0
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	0.4	0.4	0.3	0.3	0.3	0.2
21 Works of art, collectors' pieces and antiques	0.01	0.04	0.03	0.1	0.1	0.1
Other	0.6	0.7	0.5	0.5	0.3	0.4

Source: WTO Secretariat calculations, based on UN Comtrade database and GACC.

Table A1.5 Merchandise trade of intermediate goods (IG) by category, 2013-23

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total exports of IG (excluding fuels) (USD billion)	909.2	963.1	957.5	882.2	973.6	1,102.8	1,115.8	1,122.6	1,549.8	1,745.2	1,587.9
IG food and beverages	4.4	4.4	4.4	4.4	4.2	4.6	4.6	4.7	5.2	6.3	6.6
IG other industrial supplies[a]	484.0	544.1	534.2	486.2	612.7	698.8	718.7	724.5	1,023.0	1,191.8	1,047.1
IG ores, precious stones	5.7	5.7	6.5	5.2	4.9	5.6	6.8	10.3	15.3	14.3	14.2
IG parts and accessories (excl. transport equipment)	337.3	323.2	328.5	304.8	263.9	295.5	287.2	286.1	369.8	363.2	331.9
IG parts and accessories (transport equipment)	77.7	85.6	83.8	81.6	88.0	98.2	98.5	97.0	136.5	169.6	188.1
Total exports (excl. IG fuels) (USD billion)	2,201.6	2,335.4	2,266.2	2,091.3	2,254.8	2,477.7	2,492.2	2,583.5	3,355.2	3,580.8	3,369.3
Share of IGs exports in total exports (excluding fuels) (%)	41.3	41.2	42.3	42.2	43.2	44.5	44.8	43.5	46.2	48.7	47.1
Total imports of IG (excluding fuels) (USD billion)	1,142.9	1,146.8	1,097.5	1,035.3	1,180.4	1,296.9	1,258.6	1,314.9	1,725.3	1,683.2	1,553.8
IG food and beverages	59.5	61.9	55.9	49.8	57.5	56.1	54.4	64.6	89.3	95.9	97.6
IG other industrial supplies[a]	442.6	438.9	387.8	358.0	684.8	762.1	734.7	782.5	992.1	1,041.5	922.6
IG ores, precious stones	165.6	174.7	188.7	172.5	190.3	212.0	222.2	214.5	343.5	323.5	344.8
IG parts and accessories (excl. transport equipment)	427.8	418.6	419.0	406.3	195.9	209.4	193.9	202.9	243.0	171.8	140.2
IG parts and accessories (transport equipment)	47.4	52.7	46.0	48.8	52.0	57.2	53.4	50.4	57.5	50.4	48.5
Total imports (excl. IG fuels) (USD billion)	1,674.4	1,676.3	1,506.0	1,431.9	1,621.9	1,817.3	1,762.5	1,828.1	2,317.2	2,214.4	2,079.2
Share of IGs imports in total imports (excluding fuels) (%)	68.3	68.4	72.9	72.3	72.8	71.4	71.4	71.9	74.5	76.0	74.7

a "Other industrial supplies" cover a wide range of manufacturing inputs such as metal structures, articles and compounds, electrical conductors, and medical and pharmaceutical products.

Source: WTO Secretariat calculations, based on trade data taken from UN Comtrade database.

Table A2.1 Main notifications under WTO Agreements, 13 April 2021–15 January 2024

WTO Agreement	Description	Latest document symbol and date
Agreement on Agriculture		
Articles 10 & 18.2 – ES:1	Export subsidies	G/AG/N/CHN/58-59, 16 November 2022 G/AG/N/CHN/68, 20 September 2023
Articles 10 & 18.2 – ES:2	Export subsidies – total exports	G/AG/N/CHN/60-61, 16 November 2022 G/AG/N/CHN/69, 20 September 2023
Article 18.2 – MA:2	Tariff quotas – imports	G/AG/N/CHN/56, 29 June 2021 G/AG/N/CHN/57, 13 September 2022 G/AG/N/CHN/70, 21 September 2023
Article 18.2 – DS:1	Domestic support	G/AG/N/CHN/62-65, 14 December 2022
Article 18.3 – DS:2	New or modified domestic support	G/AG/N/CHN/66-67, 14 December 2022
Agreement on the Application of Sanitary and Phytosanitary Measures		
Article 7, Annex B	Regulations:	
	41 in 2021	G/SPS/N/CHN/1207–1242
	20 in 2022	G/SPS/N/CHN/1243–1262
	35 in 2023	G/SPS/N/CHN/1263–1284
Agreement on Rules of Origin		
Article 5, paragraph 4 of Annex II – *ad hoc*	China-Pakistan FTA	G/RO/N/243, 23 September 2022
Agreement on Safeguards		
Article 12.5	Results of consultations under Article 12.3	G/L/1408; G/SG/266, 26 October 2021
Agreement on Subsidies and Countervailing Measures		
Article 25.1 & GATT 1994 Article XVI:1	Subsidies	G/SCM/N/372/CHN, 27 August 2021 G/SCM/N/401/CHN, 20 July 2023
Article 25.11 – *ad hoc*	Countervailing measures	G/SCM/N/382, 15 September 2021 G/SCM/N/389, 8 March 2022
Article 25.11 – semi-annual	Countervailing duty actions	G/SCM/N/379/CHN, 23 September 2021 G/SCM/N/386/CHN, 1 April 2022 G/SCM/N/392/CHN, 12 September 2022 G/SCM/N/399/CHN, 1 March 2023 G/SCM/N/407/CHN, 30 August 2023
Agreement on Technical Barriers to Trade		
Article 2.10	Technical regulations – urgent	G/TBT/N/CHN/1675-76, 26 April 2022 G/TBT/N/CHN/1762-63, 20 September 2023 G/TBT/N/CHN/1772-74, 24 November 2023 G/TBT/N/CHN/1776-77, 4 January 2024
Article 2.9	Technical regulations:	
	63 in 2021	G/TBT/N/CHN/1588–1605; G/TBT/N/CHN/1047/Add.1; G/TBT/N/CHN/1606–1614; 1616–1625; 1628–1647; G/TBT/N/CHN/1425/Add.1; G/TBT/N/CHN/1452/Add.1; 1648-1650
	61 in 2022	G/TBT/N/CHN/1351/Add.1; G/TBT/N/CHN/1461/Add.1; G/TBT/N/CHN/1651–1672; 1677–1680; G/TBT/N/CHN/1145/Add.1; G/TBT/N/CHN/447/Add.1; 1681-1708; G/TBT/N/CHN/262/Rev.1/Add.1; 1709–1712
	59 in 2023	G/TBT/N/CHN/1495/Add.1; G/TBT/N/CHN/1622/Add.1; 1713-1754; G/TBT/N/CHN/447/Add.2; G/TBT/N/CHN/1585/Add.1; 1755; 1758–1761; 1764; 1766; 1768–1771; 1775
	9 in 2024 (until 15/01/2024)	G/TBT/N/CHN/1778–1786
Articles 2.9 & 5.6	Technical regulations and conformity assessment procedures (proposed)	G/TBT/N/CHN/1756–1757, 29 September 2023
Article 5.6	Conformity assessment procedures (proposed)	
	3 in 2021	G/TBT/N/CHN/1615; 1626-27
	4 in 2022	G/TBT/N/CHN/1673–74; 1682; 1699
	4 in 2023	G/TBT/N/CHN/1733; 1539/Add.1; 1765; 1767

WTO Agreement	Description	Latest document symbol and date
Article 5.7	Conformity assessment procedures (urgent)	G/TBT/N/CHN/1787–1792, 5 January 2024
Decision on Notification Procedures for Quantitative Restrictions		
G/L/59/Rev.1 – biennial – complete notification	Market access – quantitative restrictions	G/MA/QR/N/CHN/6, 12 May 2022
GATT 1994		
Article XVII:4(a) & paragraph 1 of the interpretation of Article XVII	State trading	G/STR/N/18/CHN, 12 November 2021
Article XXIV:7(a) of the GATT 1994 – Free trade areas	China-Pakistan FTA	WT/REG237/N/1/Add.1, 16 March 2022
Article V:7(a) of the GATS	China-ASEAN FTA	S/C/N/463/Add.1; WT/COMTD/N/20/Add.2, 9 February 2022
Agreement on Implementation of Article VI of the GATT 1994		
Article 16.4 – *ad hoc*	Anti-dumping actions	G/ADP/N/360, 15 September 2021 G/ADP/N/367, 15 March 2022
Article 16.4 – semi-annual	Anti-dumping actions	G/ADP/N/357/CHN, 16 September 2021 G/ADP/N/364/CHN, 1 April 2022 G/ADP/N/335/CHN/Corr.1; G/ADP/N/342/CHN/Corr.1; G/ADP/N/350/CHN/Corr.1; G/ADP/N/357/CHN/Corr.1; G/ADP/N/364/CHN/Corr.1, 6 July 2022 G/ADP/N/370/CHN, 16 August 2022 G/ADP/N/377/CHN, 6 March 2023 G/ADP/N/384/CHN, 4 September 2023

Note: Hyperlinks to document series link to the first document in that series.

Source: Compiled by the WTO Secretariat, based on information provided by the authorities.

Table A2.2 WTO dispute settlement cases involving China, 13 April 2021–15 January 2024

Title	Respondent/ complainant	Request for consultation received	Status (as of 15 January 2024)	WTO document series
China as respondent				
China – Anti-Dumping Measures on Stainless Steel Products from Japan	China/ Japan	11/06/2021	Panel report adopted	WT/DS601
China – Anti-Dumping and Countervailing Duty Measures on Wine from Australia	China/ Australia	22/06/2021	Panel report adopted	WT/DS602
China – Measures Concerning Trade in Goods	China/ European Union	27/01/2022	Panel suspended in January 2024	WT/DS610
China – Enforcement of Intellectual Property Rights	China/ European Union	18/02/2022	Panel composed	WT/DS611
China – Anti-Dumping and Countervailing Duty Measures on Barley from Australia	China/ Australia	16/12/2020	Mutually agreed solution notified	WT/DS598
China – Measures Concerning the Importation of Canola Seed from Canada	China/ Canada	09/09/2019	Authority for Panel lapsed on 31 August 2023	WT/DS589
China as complainant				
Australia – Anti-dumping and Countervailing Duty Measures on Certain Products from China	Australia/ China	24/06/2021	Panel report circulated	WT/DS603
United States – Safeguard Measure on Imports of Crystalline Silicon Photovoltaic Products	United States/China	14/08/2018	Panel report under appeal	WT/DS562
United States – Measures on Certain Semiconductors and Other Products and Related Services and Technologies	United States/ China	12/12/2022	In consultations	WT/DS615
United States – Countervailing Duty Measures on Certain Products from China	United States/China	25/05/2012	Decision of the Article 22.6 of the DSU Arbitrator circulated	WT/DS437
United States – Certain Measures on Steel and Aluminium Products	United States/China	05/04/2018	Panel report under appeal	WT/DS544

Source: Compiled by the WTO Secretariat, based on information provided by the authorities and the dispute settlement gateway.

Table A3.1 MFN applied tariff summary, 2024

	Number of lines	Average (%)	Range (%)		Standard deviation	Duty-free (%)
			MFN applied	Bound		
Total	**8,957**	**7.0**	**0-65**	**0-65**	**6.2**	**16.2**
WTO agricultural products	1,211	12.6	0-65	0-65	11.0	8.9
Live animals and meat	169	11.4	0-25	0-25	7.9	18.3
Dairy products	26	11.1	2-20	6-20	3.7	0.0
Fruits and vegetables	303	11.4	0-30	0-30	6.7	4.3
Coffee, tea, cocoa and spices	70	12.7	0-30	2-32	5.1	1.4
Cereals and food preparations	109	20.2	0-65	0-65	22.0	7.3
Oilseeds, fats and oils	99	11.3	0-30	0-30	7.4	13.1
Sugars and confectionery	21	30.6	5-50	8-50	16.2	0.0
Beverages and tobacco	70	15.8	0-65	0-65	16.9	1.4
Cotton, silk and wool	40	14.2	1-40	6-40	12.3	0.0
Other agricultural products	304	10.2	0-30	0-30	7.0	13.5
WTO non-agricultural products	7,746	6.1	0-50	0-58	4.5	17.3
Fish and fishy products	350	6.8	0-15	0-23	2.9	8.3
Minerals and metals	1,251	6.0	0-21	0-35	3.7	10.0
Petroleum	20	4.8	0-9	0-9	3.0	15.0
Chemicals	1,541	5.7	0-50	0-50	4.3	9.9
Wood, paper and furniture	471	0.9	0-12	0-20	2.2	83.7
Textiles	859	7.0	2-38	2-38	2.4	0.0
Clothing	287	6.6	5-12	14-25	1.3	0.0
Rubber, leather and footwear	227	10.1	0-25	0-25	4.8	0.4
Mechanical, office and computing machinery	1,015	6.0	0-25	0-30	3.7	18.1
Electrical machinery and electronic equipment	639	4.7	0-20	0-58	4.3	40.8
Transport equipment	516	10.5	0-45	0-45	7.0	2.3
Other manufactures	570	5.8	0-20	0-30	4.9	31.6

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

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

Table A3.2 Measures applied to imports originating in specific trading partner(s) based on the announcements/decrees of the GACC and other relevant ministries and agencies, March 2024

Date	Announcement/Decree	Trading partner(s)	Products	Category of measures	Reason for implementation/ cancellation
10 January 2023	Announcement on Preventing the Spread of African Horse Fever from Nigeria into China (GACC No. 4)	Nigeria	Equine animals and related products	Import prohibition	On 23 December 2022, a case of African Horse Fever broke out in Nigeria. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Nigerian equine animals and related products. The prohibition has not yet been lifted.
25 January 2021	Announcement on the Suspension of imports of poultry and related products from Lithuania (GACC No. 10)	Lithuania	Poultry	Import prohibition	On 25 January 2021, the World Organisation for Animal Health was informed of the outbreak of highly pathogenic avian influenza subtype H5N8 in domestic poultry. In order to prevent the introduction of the epidemic, trade restrictions were imposed on poultry and related products from Lithuanian. The prohibition has not yet been lifted.
9 February 2023	Announcement on Preventing the Spread of Foot-and-mouth Disease from Iraq into China (GACC No. 9)	Iraq	Artiodactyl animals and related products	Import prohibition	On 26 January 2023, a case of Foot-and-Mouth Disease broke out in Iraq. In order to prevent the introduction of the epidemic, trade restrictions were imposed on Iraqi artiodactyl animals and related products. The prohibition has not yet been lifted.
6 July 2023	Announcement on Preventing the Spread of African Swine Fever from Croatia to China (GACC No. 84)	Croatia	Pigs, wild boars, and related products	Import prohibition	On 27 June 2023, a case of African Swine Fever broke out in Croatia. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Croatian pigs, wild boars, and related products. The prohibition has not yet been lifted.
6 July 2023	Announcement on Preventing the Introduction of African Swine Fever from Bosnia and Herzegovina into China (GACC No. 85)	Bosnia and Herzegovina	Pigs, wild boars, and related products	Import prohibition	On 22 June 2023, a case of African Swine Fever broke out in Bosnia and Herzegovina. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Bosnia and Herzegovina's pigs, wild boars, and related products. The prohibition has not yet been lifted.

Date	Announcement/Decree	Trading partner(s)	Products	Category of measures	Reason for implementation/ cancellation
4 August 2023	Announcement on the Review and Ruling on the Application of Anti-dumping Measures and Countervailing Measures to Imported Barley Originating in Australia (MOFCOM No. 29)	Australia	Barley	Anti-dumping duties	On 18 May 2020, MOFCOM issued Announcements No. 14 and No. 15, 2020, deciding to impose anti-dumping and countervailing duties for imports of barley originating in Australia for a period of five years from 19 May 2020. On 14 April 2023, at the request of the China Alcoholic Drinks Association, MOFCOM issued Announcement No. 12, 2023 and decided to review the necessity to continue anti-dumping duties and countervailing duties on imports of barley originating in Australia. After completing its investigation, MOFCOM made a ruling on the review that, in view of the changes in the barley market in China, it is not necessary to continue to impose anti-dumping duties and countervailing duties on imports of barley originating in Australia according to Article 49 of the Anti-dumping Regulations and Article 48 of the Countervailing Regulation on 4 August 2023. Anti-dumping duties and countervailing duties on imports of barley originating in Australia were terminated from 5 August 2023.
24 August 2023	Announcement on the General Administration of Customs of on Suspending Import of all aquatic products from Japan (GACC No. 103)	Japan	Aquatic products	Import prohibition	This is a prevention emergency measure, which complies with WTO/SPS rules. In order to fully guard against the risk of radioactive contamination of food safety caused by the discharge of nuclear contaminated water from Fukushima in Japan, to protect the health of Chinese consumers and ensure the food safety of imported food.
9 February 2022	Notice of the Department of Animal and Plant Quarantine of the GACC on Suspending the Import of Lithuanian Logs into China (DAPQ No. 12, 2022)	Lithuania	Beef, dairy products, alcohol products	Import prohibition	The Chinese expert group was unable to assess and confirm the continued effectiveness of Lithuania's meat and dairy safety management system (beef, dairy products). There were suspicions of fraud and consumer food safety risks (alcohol products). The prohibition has not yet been lifted.
2 September 2023	Announcement on Preventing the Introduction of Foot-and-Mouth Disease from Oman into China (GACC No. 113)	Oman	Artiodactyl animals and related products	Import prohibition	A case of Foot-and-Mouth Disease broke out in Oman. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on artiodactyl animals and related products in Oman. The prohibition has not yet been lifted.
20 September 2023	Announcement on Preventing the Spread of African Swine Fever from Sweden into China (GACC No. 121)	Sweden	Pigs, wild boars, and related products	Import prohibition	A case of African Swine Fever broke out in Sweden on 7 September 2023. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Swedish pigs, wild boars, and related products. The prohibition has not yet been lifted.

Date	Announcement/Decree	Trading partner(s)	Products	Category of measures	Reason for implementation/ cancellation
27 September 2023	Announcement on Preventing the Spread of Sheep Pox and Goat Pox from Bulgaria into China (GACC No. 124)	Bulgaria	Small ruminants	Import prohibition	A case of sheep pox and goat pox broke out in Bulgaria on 16 September 2023. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Bulgarian sheep, goats, and related products. The prohibition has not yet been lifted.
23 October 2023	Announcement on Preventing the Spread of Bluetongue from Belgium into China (GACC No. 139)	Belgium	Ruminants and related products	Import prohibition	A case of bluetongue broke out in Belgium on 10 October 2023. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Belgian ruminants and related products. The prohibition has not yet been lifted.
23 October 2023	Announcement on Preventing the Spread of Bluetongue from Netherlands into China (GACC No. 140)	Netherlands	Ruminants and related products	Import prohibition	A case of bluetongue broke out in Netherlands. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Dutch ruminants and related products. The prohibition has not yet been lifted.
23 October 2023	Announcement on Preventing the Introduction of *La Peste des petits ruminants* from Rwanda into China (GACC No. 141)	Rwanda	Small ruminants	Import prohibition	A case of *la peste des petits ruminants* broke out in Rwanda on 2 October 2023. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Rwandan sheep, goats, and related products. The prohibition has not yet been lifted.
20 November 2023	Announcement on Preventing the Introduction of Sheep Pox and Goat Pox from Greece into China (GACC No. 169)	Greece	Small ruminants	Import prohibition	A case of sheep pox and goat pox broke out in Greece on 27 October 2023. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Greek sheep, goats, and related products. The prohibition has not yet been lifted.
20 December 2023	Announcement on the implementation rules for the administration of tariff quotas for the import of New Zealand wool and wool tops and Australian wool in 2024 (MOFCOM No. 59)	Australia, New Zealand	Wool products	Tariff rate quotas	Regarding the country-specific tariff rate quotas for the import of New Zealand wool and wool tops and Australian wool in 2024, the China-New Zealand Free Trade Agreement and the China-Australia Free Trade Agreement are complied with. In 2024, the country-specific tariff quota for the import of New Zealand wool is 36,936 tonnes; the tariff quota for New Zealand wool tops is 665 tonnes; and the tariff quota for Australian wool is 44,324 tonnes.
22 December 2023	Announcement on Preventing the Spread of *La Peste des petits ruminants* in Türkiye into China (GACC No. 191)	Türkiye	Small ruminants	Import prohibition	A case of *la peste des petits ruminants* broke out in Türkiye on 8 December 2023. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Turkish sheep, goats, and their related products. The prohibition has not yet been lifted.

Date	Announcement/Decree	Trading partner(s)	Products	Category of measures	Reason for implementation/ cancellation
26 January 2024	Announcement on Preventing the Spread of Bluetongue from Iraq into China (GACC No. 8)	Iraq	Ruminants and related products	Import prohibition	A case of bluetongue disease broke out in Iraq on 10 January 2024. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Iraqi ruminants and related products. The prohibition has not yet been lifted.
1 February 2024	Announcement on Preventing the Spread of African Swine Fever from Montenegro into China (GACC No. 16)	Montenegro	Pigs, wild boars, and related products	Import prohibition	A case of African Swine Fever broke out in Montenegro on 17 January 2024. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Montenegrin pigs, wild boars, and their products. The prohibition has not yet been lifted.
6 February 2024	Announcement on Preventing the Spread of Bluetongue from Italy into China (GACC No. 19)	Italy	Ruminants and related products	Import prohibition	A case of bluetongue disease broke out in Sardinia and Tuscany regions of Italy on 26 January 2024. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Italian ruminants and their related products. The prohibition has not yet been lifted.
10 March 2024	Announcement on Preventing the Spread of Albanian African Swine Fever into China (GACC No. 29)	Albania	Pigs, wild boars, and related products	Import prohibition	A case of African Swine Fever broke out in Albania on 26 February 2024. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Albanian pigs, wild boars, and their products. The prohibition has not yet been lifted.
15 March 2024	Announcement on Preventing the Spread of *La Peste des petits ruminants* in Georgia (GACC No. 31)	Georgia	Small ruminants	Import prohibition	A case of *la peste des petits ruminants* broke out in Georgia on 1 March 2024. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Georgian sheep, goats, and their related products. The prohibition has not yet been lifted.
22 March 2024	Announcement on Preventing the Spread of Libya Sheep Pox and Goat Pox into China (GACC No. 34)	Libya	Sheep, goats, and related products	Import prohibition	A case of sheep pox and goat pox broke out in Libya on 11 March 2024. In order to protect the safety of animal husbandry in China and prevent the introduction of the epidemic, trade restrictions were imposed on Libyan sheep, goats, and their related products. The prohibition has not yet been lifted.

Source: Various announcements of relevant authorities, and information provided by the authorities.

Table A4.1 Central government support to fisheries as notified to the WTO

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Revenue forgone/budgetary allocation (CNY million)
Preferential tax policies for farming, forest, animal husbandry, and fishery product projects *Law on Enterprise Income Tax, 2007;* *Regulations for the Implementation of Law on Enterprise Income Tax, 2007;* *MOF Circular Cai Shui [2008] No. 149;* *MOF Circular Cai Shui [2011] No. 26*	Support the development of fishery preliminary processing, among others	Preferential tax treatment. For enterprise income derived from farming, forestry, animal husbandry, and fishery projects, enterprise income tax may be exempted or reduced.	2008	No data on revenue forgone
Subsidy Fund for Development of Fishery Industry *MOF Circular Cai Nong [2021] No. 41;* *MOF Circular Cai Nong [2021] No. 24*	To promote the high-quality development of fisheries and solve the problems of fisheries development. To optimize industrial structures and achieve economic transformation and upgrading. Reduce the intensity of offshore fishing, protect marine fishery resources, and promote the development of aquaculture, aquatic processing industries and other industries. In line with the international trend in fisheries subsidies, direct cost subsidies shall be abolished to guide fishers to conserve fisheries resources and strengthen external cooperation in fisheries.	Grant. Provided to fishers, new business entities, research institutes and universities, and other relevant units that meet relevant requirements and undertake corresponding tasks.	2021	2021: 1. Binding tasks (1,222.5), including national marine pastures (122.5) and fisheries basic public facilities (1,100). 2. Guiding tasks (6,277.5), including modern fisheries equipment and facilities (2,627.5), green and circular development of fishery industry (1,100) and fisheries resources survey and conservation and international compliance capacity enhancement (2,550). (Estimated, and may differ from actual amounts) 2022: 1. Binding tasks (1,137), including national marine pastures (150) and fisheries basic public facilities (987). 2. Guiding tasks (6,363), including modern fisheries equipment and facilities (2,007.9), green and circular development of fishery industry (1,450) and fisheries resources survey and conservation and international compliance capacity enhancement (2,905.1). (Estimated, and may differ from actual amounts)

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Revenue forgone/budgetary allocation (CNY million)
Other general purpose transfer payment of fisheries *MOF Circular Cai Nong [2021] No. 41*	To promote high-quality development of fisheries and solve the problems of fisheries development. To optimize industrial structures and achieve fisheries transformation and upgrading. Reduce the intensity of offshore fishing, protect marine fishery resources, and promote the development of aquaculture, aquatic processing industries and other industries. In line with the international trend in fisheries subsidies, direct cost subsidies shall be abolished to guide fishers to conserve fisheries resources and strengthen external cooperation in fisheries.	Grant. Provided to fishers, new business entities, research institutes and universities, and other relevant units that meet relevant requirements and undertake corresponding tasks.	2021	2021: 16,021 2022: 16,021

Source: WTO document G/SCM/N/401/CHN, 20 July 2023.

Table A4.2 Local government support to fisheries as notified to the WTO

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Budgetary allocation (CNY 10,000)
Liaoning Province				
Fishery Stocks Enhancement and Fish Fries Releasing *Fishery Law, Regulations of Liaoning Province Administration Regulation on Fisheries*	Improve ecological environment of the waters, restore fishery resources, and increase fishers' incomes	Grant. Provided to eligible projects and units.	2019	2021: 540 2022: 350
Jiangsu Province				
Reward and Grant for National Demonstration Farm of Healthy Aquaculture (Nanjing City) *Ning Nong Ji [2021] No. 56; Ning Nong Ji [2022] No. 6*	Transform the development mode of fisheries sector	Grant and reward. Provided/awarded to national demonstration farm for healthy aquaculture.	2019	2021: 50 2022: 100
Subsidy for Renovation and Standardization of Aquaculture Ponds (Wuzhong District, Suzhou City) *Wu Zheng Fa [2017] No. 139*	Improve the production facilities of pond aquaculture	Grant. Provided to eligible units.	2018	2021: 985.5 2022: 485.5
Ecological Transformation of Ponds (Changzhou City) *Su Zheng Ban Fa [2022] No. 51*	Stick to ecology first and green development philosophy	Grant. Provided to Units or large farmers directly undertaking aquaculture pond standardization projects.	2021	2021: 1,000 2022: 1,800
Anhui Province				
Subsidy for Pension Insurance for Fishers Banning and Quitting Fishing Capture in the Yangtze River (Xuanzhou District of Xuancheng City) *Urban and Rural Basic Pension Insurance Implementation Plan for Fishers Quitting Fishing Capture in Xuanzhou District of Yangtze River Key Waters*	Ensure the resettlement of fishers from banning and quitting fishing capture in the Yangtze River	Grant. Provided to fishers who quit fishing capture.	2020	2021: 325.7 2022: 372.2
Fujian Province				
Special Fund For Restructuring Fishery *Min Cai Nong [2019] No. 36*	Promote the transformation, upgrading, green and high-quality development of fishery sector, and encourage innovation and promotion of relevant scientific technology	Grant. Provided to aquatic products processing enterprises, cooperatives, family farms, aquatic products promotion institutions, and scientific research institutes, etc. in Fujian.	2019	2021: 5,500
Special Fund for Marine Service and Fishery High Quality Development *Min Cai Nong [2022] No. 25*	Deepen the environmental protection of fisheries resources and fisheries waters, promote the transformation and upgrade of fisheries and green and high-quality development	Grant. Provided to units under the department of the Provincial Marine Fisheries Service, relevant provincial research institutes, relevant administrative units in cities and counties (districts) and leisure fishery brand business entities.	2022	2022: 15,000

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Budgetary allocation (CNY 10,000)
Special Fund for Marine Economic Development *Measures for the Administration of Special Funds for Marine Economic Development (Min Cai Nong [2020] No. 5)*	Support faster marine economic development	Grant. Provided to cities and counties with marine industry, central and provincial institutions in Fujian.	2020	2021: 12,000 2022: 12,000
Transformation and Upgrading of Marine Farming (Zhangzhou City) *Min Zheng Ban [2021] No. 28*	Achieve quality and efficiency improvement in fisheries and promote green and high-quality development in aquaculture	Grant. Provided to farming subjects with industry and commerce registration.	2021	2021: 4,400 2022: 4,200
Special Fund for Marine and Fishery Development (Xiamen City) *Xia Hai Gui [2020] No. 4*	Promote marine scientific innovation and accelerate economic development	Grant and reward. Provided to eligible enterprises legally engaged in marine activities.	2021	2021: 3,878.91 2022: 5,974.19
Shandong Province				
Insurance for Oyster farming (Rushan, Weihai City) *Ru Fa Gai Zi [2022] No. 3*	Improve risk-resilience of the oyster industry to natural disasters	Grant. Provided to eligible oyster farmers.	2021	2021: 148.62 2022: 150
Guangdong Province				
Allowance for Livelihood and Production for Fishers during Closed Fishing Periods *Yue Hai Yu [2018] No. 25*	Compensate loss in the incomes of fishers due to implementation of fishing moratorium	Grant. Provided to the crew members of local fishing vessels approved by the competent administrative fishery department during closed fishing periods.	2018	2021: 3,358 2022: 3,358
Special Fund for Aquaculture (Zhongshan City) *Zhong Hai Yu [2017] No. 73*	Promote aquaculture technology with improved breeds, improve the quality control of fishing fries and breeds, and promote the sustainable development of fishery sector	Grant. Provided to enterprises with valid licence for aquaculture in water areas and tidal flats, and licence for breeds production.	2021	2021: 60
Subsidy for Livelihood of Fishers during Closed and Banned Fishing Periods (Zhongshan City) *Yue Hai Yu [2018] No. 25*	Conserve fishery resources, promote the sustainable development of fishery	Subsidy for crew members working on board fishing vessels under the closed and banned fishing periods are based on the minimum living standards announced by the civil affairs department for the year.	2013	2021: 630 2022: 690.424
Subsidy for Closed (Banned) Fishing Periods (Guangzhou City) *Sui Nong [2019] No. 117*	Conserve fishery resources, solve life problems for fishers during closed (banned) fishing periods, and to promote the sustainable development of fishery sector	Grant. Provided to the crew members of Guangzhou fishing vessels approved by regional competent administrative fishery department during closed fishing periods.	2019	2021: 1,196.91 2022: 1,245.71
Policy-based Aquaculture Insurance (Guangzhou City) *Sui Nong [2021] No. 19*	Expand agricultural insurance coverage and to enhance the resilience of agricultural production to natural disasters	Grant. Provided to all farmers, enterprises and other business entities eligible for insurance in the city.	2021	2021: 7,579.24 2022: 35,727.20
Allowance for Livelihood and Production for Fishers during Closed Fishing Periods (Dongguan City) *Dong Nong [2021] No. 11*	Compensate loss in the incomes of fishers due to implementation of fishing moratorium	Grant. Provided to the crew members of local fishing vessels during closed fishing periods.	2021	2021: 416 2022: 504.36

Title *Legal basis*	Objective	Subsidy and beneficiaries	Start date	Budgetary allocation (CNY 10,000)
Guangxi Zhuang Autonomous Region				
Offshore Fishers Reduce their Boats and Switch to Other Production *Gui Nong Ting Ban Fa [2022] No. 17*	Reduce fishing intensity, protect marine fishery resources and improve the safety of fishing vessels	Grant. Provided to vessel owners of marine fishing vessels who have declared offshore fishers to reduce their vessels and switch to other production within the scope of implementation.	2021	2021: 3,381 2022: 1,973.95
Hainan Province				
Conservation Subsidy for Fishery Resources of Marine Fishing Vessels Operating on Extended Periods at Sea *Qiong Nong Zi [2022] No. 319*	Alleviate influence of the COVID-19 pandemic on fishers	Grant. Provided to marine fishing vessels that are affected by the epidemic and cannot operate at sea.	2022	2022: 2215.78
Subsidy for Reform in Tax and Fee Reform on Refined Oil (for fishery)	promote high-quality development and modernization of the fishing industry	Grant. Provided to small fishing vessels formerly on the register of the 2014 provincial fishing vessel census.	2021	2021: 2,168 2022: 2,168
Subsidy for Aquatic Farming Projects (Qiongzhong Autonomous County) *Qiong Zhong Yu Zi [2021] No. 29;* *Qiong Zhong Yu Zi [2021] No. 10*	Promote revenue increase for farmers	Distribution of goods. Provided to farming households, village collective fish ponds, cooperatives and poor household registered in the county, etc.	2021	2021: 98 2022: 20
Chongqing Municipality				
Subsidy for Basic Endowment Insurance for Fishers Quitting Fishing Capture (Wushan County) *Wushan Ren She Fa [2021] No. 92*	Ensure life of fishers quitting fishing capture	Grant. Provided to fishers who quit fishing capture.	2020	2021: 213.62 2022: 138.23
Sichuan Province				
Subsidy for Premium Paid by Fishers Quitting Fishing Capture to Participate Endowment insurance (Yibin City) *Yi Ren She Ban Fa [2020] No. 177;* *Yi Ren She Ban Fa [2022] No. 99*	Subsidize fishers quitting fishing capture to participate basic endowment insurance	Grant. Provided to fishers quitting fishing capture and participating in basic endowment insurance.	2022	2021: 462 2022: 1,332

Source: WTO document G/SCM/N/401/CHN, 20 July 2023.