SUMMARY

1. Since China's previous Trade Policy Review in 2018, the country's economy has been a major driver of global growth. Real GDP growth rates fell from just under 7.0% in 2016-18 to 6.0% in 2019 and 2.3% in 2020. Growth is projected to reach 6.0% again in 2021, as economic activities are expected to normalize. China's GDP per capita was USD 11,710 in 2020, up from USD 9,976 in 2018. The long-term structural changes in China's economy, away from agriculture and industry towards services, continued during the review period. Services now make up some 55% of GDP. Remarkable progress on poverty alleviation has been achieved over the past decades, resulting from high GDP growth rates and market-oriented reforms.

2. The outbreak of the COVID-19 pandemic in early 2020 had a major impact on output and employment. At the beginning of 2020, China's economy contracted by 6.8%. Virtually all sectors were severely hit by the pandemic, with the notable exceptions of financial services and information technology. Starting in mid-2020, the economy began to recover, mainly driven by public investment and international trade. Swift fiscal and monetary policy reactions helped mitigate the economic impact of the COVID-19 pandemic, but as a result of the Government's stabilizing measures, financial stability risks may have increased.

3. Price stability remains the main goal of monetary policy. Inflation rates remained low during the review period, fluctuating between -0.5% and 3.8%. China has a managed floating exchange rate regime. The exchange rate of the Chinese yuan (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". Officially reported foreign exchange reserves held steady during the review period, at around USD 3.1 trillion. Regulations on capital movements remain in place on inflows and outflows. China's bilateral lending to the rest of the world, notably to African countries, has increased over the past years. The CNY is fully convertible for current account transactions and partially convertible for some capital account transactions. China continued its efforts to further internationalize the CNY. As at mid-2020, about 2% of global payments were conducted through the CNY.

4. China's current account surplus contracted between 2016 and 2018, but grew again in 2019, to USD 102.9 billion. Available information for 2020 indicates a widening of the surplus, to USD 273.9 billion (1.9% of GDP), while for 2021, the authorities predict a narrowing of the current account surplus. The financial account (excluding reserve assets) posted a strong deficit in 2015, a surplus between 2016 and 2019, and a deficit in 2020. Direct investment was in surplus in all recent years except for 2016. The portfolio investment account was in deficit until 2016 and has posted a surplus since 2017. China's merchandise trade surplus declined between 2016 and 2018, which was a major driver of its narrowing current account surplus. In 2019 and 2020, the trade surplus grew again. China's balance of trade in services has traditionally posted a deficit, which grew between 2015 and 2018, but fell in 2019 and 2020.

5. China's merchandise exports increased every year during the review period, to attain a peak of nearly USD 2.6 trillion in 2020. Exports fell in the first half of 2020 due to the COVID-19 pandemic, but grew strongly afterwards due to China being the first manufacturing power to resume operations after the first wave of global shutdowns, and its role as leading supplier of protective health equipment and electronics related to working from home. At over 44%, machinery and electrical equipment continue to represent a very large and rising share in China's merchandise exports. The United States and the European Union remain China's main destinations for merchandise exports. Asia remains the most important region for China's merchandise exports, with a share of over 44% in 2020. Within Asia, Japan and the Republic of Korea are the most important trading partners. Africa and the Middle East received between 4% and 5% of China's exports, while the share for Latin America fluctuated around 6%.

6. China's merchandise imports increased sharply between 2016 and 2018, but fell in 2019 and 2020. At about 35%, machinery and electrical equipment make up an important and stable share of China's imports, followed by mineral products (some 25%). The European Union remains the most important supplier of goods, while the share of the United States in China's imports fell, from nearly 9% in 2015 to 6.6% in 2020. The share of imports originating in Asia fluctuated at around 47% between 2016 and 2019, but increased to over 49% in 2020. Africa, Australia, and the Middle East account for about 4%, 5%, and 7% of China's merchandise imports, respectively.

7. China's services exports grew from USD 217 billion in 2015 to USD 244 billion in 2019, but fell to USD 235 billion in 2020. They are mostly composed of various business services, transportation, and travel. Services imports grew from USD 436 billion in 2015 to USD 506 billion in 2019, but fell to USD 380 billion in 2020. Travel is traditionally by far the most important individual category.

8. Annual foreign direct investment (FDI) inflows into China continued to grow between 2016 and 2019, although at a much slower pace than in previous periods. Outward FDI, after lagging behind for many years, overtook inward FDI in 2015. It peaked in 2016 and has fallen sharply every year since. Manufacturing remains by far the largest sector of FDI inflows into China. The most important sectors for China's FDI abroad are leasing and business services, and manufacturing. Investment under the Belt and Road Initiative accounts for some 13% of China's recent outward FDI; it is mostly concentrated in Central and South East Asia, with a focus on infrastructure projects.

9. During the review period, China continued to aim at expanding international trade and investments, as outlined in Five-Year Plans and various Administrative Measures. Efforts to address climate change issues were also noticeable within China's trade policy framework. The main ongoing actions in this regard included industrial restructuring, energy structure optimization, energy conservation and efficiency, and the establishment of a carbon emissions trading market.

10. In pursuit of its trade policy objectives, China accords a leading role to the multilateral trading system and regional trade agreements (RTAs) in which it participates. China is an active Member of the WTO; it is an observer to the Committee on Government Procurement, and has been negotiating its accession to the Plurilateral Agreement on Government Procurement since 2007. China is also an observer to the Plurilateral Agreement on Trade in Civil Aircraft, and a participant in the Information Technology Agreement. It also participates in Joint Statement Initiatives on e-Commerce; investment facilitation for development; micro, small, and medium-sized enterprises; and domestic regulation in services. Between 2018 and mid-April 2021, China was involved in 10 trade disputes as a complainant and 11 as a respondent. During the review period, China signed new RTAs with Mauritius, Cambodia, and 14 other countries within the framework of the Regional Comprehensive Economic Partnership (RCEP) Agreement. By the end of February 2021, China had signed 19 RTAs with 26 countries and territories. China submitted various notifications to the WTO during the review period. Nevertheless, some notifications, including those on state trading enterprises and domestic support, remain outstanding.

11. A new Foreign Investment Law was adopted, with the aim of, *inter alia*, improving China's business environment for foreign investors and ensuring that they participate in market competition on an equal basis. The legislation stipulates that investors are protected against expropriation, restrictions on cross-border remittances, IPR infringement, and forced transfer of technology.

12. Various negative lists and the Catalogue of Encouraged Industries for Foreign Investment, which are revised periodically, remain the main instruments used to guide FDI in China. The 2020 version of the Special Administrative Measures on Access to Foreign Investment (National Negative List) further reduced the number of restrictive measures from 63 in 2017 to 33 in 2020. FDI in the Pilot Free Trade Zones (PFTZs) is guided by another negative list (PFTZ Negative List). In 2020, three PFTZs were established, bringing the total to 21. FDI is not allowed in prohibited industries that are included in either the PFTZ Negative List or the National Negative List; for those in a restricted industry, investors must comply with the required administrative measures. Projects in the encouraged category are eligible for preferential treatment. In 2018, China issued the Market Access Negative List, which lists industries that are prohibited or subject to licensing for investment and operation within China by market participants of any kind, including state-owned, private, domestic, or foreign-invested enterprises. Certain FDI projects may be subject to national security reviews if they are deemed to have an influence on national security. Examination and approval are required for foreign-invested projects involving fixed asset investment and projects involving "serious" overcapacity.

13. Various tax incentives are available to foreign-invested enterprises (FIEs) to promote sectors deemed beneficial to the development of China's economy. Furthermore, several relief measures were recently taken or announced for foreign investors, as a response to the COVID-19 pandemic.

14. China has taken various trade-facilitating measures with respect to import registration, documentation, and inspection requirements, as well as in response to the COVID-19 pandemic. Its national single window for international trade was extended and, reportedly, the overall customs clearance time for imports nationwide was reduced.

15. China's simple average applied most-favoured nation (MFN) rate decreased from 9.3% in 2017 to 7.1% in 2021, with tariff-rate reductions in nearly all product categories. The percentage of tariff lines bearing rates higher than 15% (international tariff peaks) was 4.5% in 2021, significantly lower than the 13.9% in 2017. Applied MFN tariffs ranged from 0%-65%; the highest tariffs of 65% apply to 20 agricultural tariff lines. China applies lower tariffs under its preferential trade agreements (PTAs) and RTAs. The share of duty-free tariff lines in China's RTAs ranges between 0.04% (RTAs with Hong Kong, China and Macao, China) and 6.6% (Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)). Duty-free lines accounted for 12.6% of all lines. China also grants preferential tariff treatment to imports from least developed countries (LDCs) that have established diplomatic relations with China and completed the exchange of diplomatic notes. By February 2021, China had implemented zero tariffs on 97% of tariff lines for these 41 LDCs.

16. Other charges affecting imports are the value added tax (VAT), the consumption tax, the Automobile Purchase Tax, and (until recently) port construction fees. During the review period, some VAT rates were reduced. Port construction fees levied on imported and exported goods were permanently abolished in January 2021.

17. Some changes were made in the import regime on prohibition and licensing. Since 1 January 2021, imports of all solid waste products have been prohibited, and the previous regime for allowing imports of certain wastes under licensing conditions has been terminated. Certain recycling materials for brass, iron-steel materials, copper, and cast aluminium alloys may be imported if they meet the required standards. Automatic import licensing requirements, in place for monitoring purposes have been removed on certain items and non-automatic import licensing requirements were removed for some used mechanical and electrical products.

18. Changes in legislation concerning anti-dumping measures during the review period included the adoption of the Ministry of Commerce's (MOFCOM) Rules on Interim Review of Dumping and Dumping Margins (Interim Review Rules) in April 2018 and the entering into force of the Rules on Questionnaires in Anti-Dumping Investigations and the Rules for Hearing of Anti-Dumping and Anti-Subsidy Investigations in May 2018. Other than these, the laws and regulations governing anti-dumping, countervailing, and safeguard measures in China remained largely unchanged during the review period. Between January 2018 and December 2020, China initiated 34 anti-dumping investigations and 8 countervailing investigations; it did not initiate any new safeguard investigations. As at end-December 2020, China was enforcing 113 anti-dumping definitive measures affecting imports from 16 countries or territories and 6 countervailing measures. Chemical products continue to account for most anti-dumping measures in force at end-December 2020, followed by products made of resin, plastic, and rubber.

19. Regarding the export regime, in the wake of the COVID-19 pandemic, the authorities took steps to further streamline customs procedures, including inspections and quarantine, and reduce port charges for exporters of medical devices. To ensure the quality of exported medical devices, reinforced quality control measures were also put in place for enterprises involved in the export of COVID-19-related test kits and other medical devices.

20. China charges export taxes on certain products. As at January 2021, 102 tariff lines (at the 8-digit level) were subject to statutory export duties, while 75 tariff lines carried interim duties. Prohibitions and restrictions are also in place on a variety of export items. Restricted exports may be subject to quotas or licences. During the review period, 23 new items were added to the list of technologies subject to export restrictions, while 4 items that were subject to export prohibition and 5 items that were subject to export restriction were removed.

21. During the review period, a new Export Control Law was adopted; it provides for the establishment of a single framework for restricting exports of controlled items, i.e. dual-use items (with both civilian and military applications); military products; nuclear products; and goods, technologies, and services that are related to the maintenance of national security and interests and the implementation of international obligations such as nuclear non-proliferation.

22. The authorities indicate that China did not maintain or introduce any export subsidies on agricultural products during the review period. All exporters are generally entitled to VAT rebates. To promote exports, the Trade Development Bureau of MOFCOM organizes exhibitions in emerging markets and provides export-oriented training activities. It also maintains the websites of China Trade Promotion and provides, through various service platforms, background information about foreign markets.

23. China continued to provide incentives and financial support to different sectors and industries during the review period. In June 2019, China notified its support programmes for the period 2017-18. The notification contains information on 79 central-level and 420 subcentral-level programmes, many of which, however, had expired by the time of the notification. No information was provided by the authorities on how many of the programmes were still active as at April 2021. The notifications submitted to the WTO and the replies provided by China to questions asked by other Members did not enable the Secretariat to have a clear overall picture of China's support programmes. In particular, the notifications do not contain information on expenditure levels in certain critical sectors, such as aluminium, electric vehicles, glass, shipbuilding, semiconductors, or steel. Information on subsidies going beyond the 2019 notification was not made available to the Secretariat. In addition to the notified programmes, numerous other initiatives are reported to be in place to support different industries and attract foreign investment. So-called "government guidance funds" use public resources to make equity investments in industries that the Government considers important, while numerous policy-related funds finance direct investments to support a particular policy initiative. Many of these funds seem to be endowed with sums over CNY 100 billion. According to the authorities, the incentives provided by these funds do not constitute subsidies and are not required to be notified under the Agreement on Subsidies and Countervailing Measures (SCM Agreement).

24. Since its previous Review, China introduced or revised various laws and regulations related to standards and other technical requirements. On 1 January 2018, the revised Standardization Law entered into force and included new provisions such as those on association standards. According to the authorities, at end-2020, among the national standards that correspond to the relevant international standards, 92.4% of mandatory standards (technical regulations) and 91.4% of voluntary standards were adoptions or adaptations of international standards, compared with 74.3% and 85.9% at end-2017. Between January 2018 and mid-April 2021, China submitted 344 technical barriers to trade (TBT) notifications. During this period, in the TBT Committee, 25 specific trade concerns were raised by Members regarding TBT measures maintained or planned by China.

25. During the review period, there was a substantial reorganization of the agencies responsible for sanitary and phytosanitary (SPS)-related issues. The main change to the legal framework for SPS-related issues was the entry into force of the Implementing Regulations of the 2015 Food Safety Law 2019. During the review period, 13 specific trade concerns were raised in the SPS Committee on SPS measures maintained by China, of which 8 were raised for the first time. Between 1 January 2018 and mid-April 2021, China submitted 165 notifications to the SPS Committee.

26. In 2018, the State Administration for Market Regulation (SAMR) was established as the national administrative body for regulating market-related issues, including competition. The previous functions and personnel of the National Development and Reform Commission (NDRC), the State Administration for Industry and Commerce (SAIC), and MOFCOM in their respective fields of competition policy merged into the SAMR. A new Anti-Monopoly Bureau and a new Price Supervision and Anti-Unfair Competition Bureau were established as the competition agencies within the SAMR. The State Council also established an Anti-Monopoly Committee to organize, coordinate, and guide the anti-monopoly work across the country. In 2019, the Anti-Unfair Competition Law was revised to strengthen the protection of trade secrets. There were no changes to the legislation concerning price controls during the review period.

27. China's state trading enterprises have the exclusive right to import or export the following products: wheat, maize, sugar, tobacco, rice, cotton, crude and processed oil, refined coal, chemical fertilizers, tungsten and tungstate products, antimony, and silver. State ownership remains very important in China's economy, even in non-strategic, commercially oriented sectors, with state-owned enterprises (SOEs) still having large market shares. No privatization took place during the review period; reform of SOEs proceeded almost exclusively in the context of mixed ownership reform.

28. There have been no major changes to China's legislative and regulatory regime concerning government procurement since the previous Review, while modifications to relevant laws are currently under consideration. The total value of government procurement in China was CNY 3.3 trillion in 2019 (the latest year for which data were made available), accounting for 3.3% of GDP; important infrastructure projects implemented by SOEs are not covered by the Government Procurement Law. The majority of procurement takes place at the sub-Central Government level.

29. During 2018 and 2019, China undertook wide-ranging reforms that included its intellectual property (IP) regime; the infrastructure of IP courts; and amendments to the Trademark Law, the Patent Law, and the Anti-Unfair Competition Law, which govern trade secrets. As part of these reforms, in 2018, the State Intellectual Property Office became the China National Intellectual Property Administration under the SAMR. The IP enforcement regime continued to evolve in response to the challenges posed by the shift from brick-and-mortar stores to virtual marketplaces and the implementation of international agreements. For example, copyright surveillance of large-scale video, music, and literature websites, as well as online storage service providers, was strengthened.

30. While the overall value of production of agriculture and animal husbandry increased steadily over the review period, China continues to be a net importer of agricultural products. China is pursuing a rural revitalization strategy. Rural reform initiatives have included amending the Law on the Contracting of Rural Land to legally upgrade the institutional arrangements on the land management right on rural contracted land, and steps have been taken to extend a similar approach to rural homesteads. As part of the Government's restructuring in 2018, the Ministry of Agriculture (MOA) was renamed the Ministry of Agriculture and Rural Affairs (MARA), and its responsibilities were expanded, a National Food and Strategic Reserves Administration was created, and the State Administration of Grain was dissolved. In 2021, the average MFN applied tariff on agricultural products was 12.7% (14.8% in 2017). China continues to make use of tariff-rate quotas on wheat, corn, rice, sugar, wool, wool tops, and cotton, which are administered through import licences; fill rates have fluctuated and were under 50% for wheat, rice, and wool tops in 2019. Little up-to-date information was available on current government support to the agriculture sector, given that China's most recent domestic support notification to the WTO covers the period up to 2016, and its SCM notification to 2018. China continues to implement a minimum purchase price policy for rice and wheat, with certain price reductions reported in recent years. Likewise, China continues to maintain reserves of maize, rice, soya beans, and wheat, as well as a subsidized agricultural insurance scheme providing coverage for natural disasters.

31. China is one of the world's largest fish-producing countries, particularly in aquaculture, and is a net importer of fish. The simple average MFN tariff on fish and fishery products (WTO definition) was 6.8% in 2021, with tariffs ranging from 0%-15%. Since 2018, China has revised its fishing licence rules. No updated data were available on fisheries subsidies from 2019, and on fuel subsidies to the fisheries sector over the whole review period. However, the authorities indicate that the Government will shortly issue a new policy to terminate fuel and boat construction subsidies, with the last of these pay-outs being made at end-2020. Reportedly, the Government has taken measures to monitor and control fishing vessels, enhance its international compliance capability, and prevent illegal, unreported, and unregulated fishing activities, and it is taking first steps to introduce a total allowable catch system.

32. During the review period, some liberalization steps were taken in the mining sector to allow increased foreign participation; foreign investment prohibitions and restrictions on the exploration and development of a number of mining products were removed. Foreign investment in the exploration, exploitation, and processing of rare earths, radioactive minerals, and tungsten is prohibited. The average MFN applied tariff on mining products was 1.7% in 2021, unchanged since 2017.

33. China continues to reduce its proportion of coal consumption, in line with objectives set for green and low-carbon energy development in the 13th Five-Year Plan for Energy Development. Other measures regarding the promotion of clean energy included the authorities' efforts to fully operationalize China's carbon emission trading framework, set renewable electricity consumption quotas as a share of total power consumption in each province, and implement a new environmental tax policy. The energy sector was further opened to foreign investments during the review period, through several liberalization measures, such as the removal of the restrictions on the exploration and development of oil and natural gas (except for oil shale, oil sands, and shale gas).

34. The Made in China 2025 (or China Manufacturing 2025) initiative (launched in 2015) and the Internet Plus initiative (launched in 2015) remain China's main initiatives to promote its manufacturing sector. The authorities undertook a series of market-opening measures, such as lifting of restrictions on the shareholding ratio of foreign investment in commercial vehicle manufacturing, with a view to promoting the sector's competitiveness. Furthermore, some manufacturing activities were added to the list of encouraged industries, mainly certain items for integrated circuits, chip packaging equipment, cloud computing devices, key components of industrial robots, new energy vehicles, and intelligent vehicles. The average MFN applied tariff on manufactured products was 7% in 2021 (9.7% in 2017).

35. During the review period, China continued to liberalize its financial sector to allow increased foreign participation. A new supervision framework was established to address new types of financial risks, such as shadow banking. Foreign shareholding ratio limits were lifted for commercial banks, life insurers and insurance asset management companies, securities companies, futures companies, and fund management companies. Furthermore, foreign investors were allowed to participate in various segments of China's financial sector, including bond rating and private pension fund management.

36. In the telecommunications sector, China granted 5G licences to its three major telecom operators and a broadcasting company. At the same time, the authorities put in place strategic plans for an integrated development of 5G and industrial Internet. Several regulations, administrative measures, and technical specifications were adopted or published for public comment, with a view to fully implementing the 2017 Cybersecurity Law. The E-commerce Law was passed during the review period to regulate business activities of selling goods and/or providing services through information networks such as the Internet.

37. The State continues to have major presence in maritime and air transport. Developments in the maritime transport sector since 2018 have included continued measures to encourage qualified Chinese-funded international "Flag of Convenience" ships to return to China and a lifting of restrictions on foreign investment in international shipping and international shipping agency services in China. As is the case for other economies, the COVID-19 pandemic has had a big impact on the air transport sector, with international and domestic passenger flights dropping dramatically from February 2020; only the domestic passenger flight segment has recovered. China has taken various measures to support the air and maritime sectors in the wake of the COVID-19 outbreak.