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.