

## China's Bogor Goals Progress Report (as at 13 August 2012)\*

### Highlights of Achievements and Areas for Improvement

- Tariffs in five items were reduced or eliminated unilaterally on 1 January 2010. Tariff reductions are also being implemented as result of bilateral trade agreements.
- Perception that certain distortions related to the export regime have not fallen at the same pace as those related to the import regime.
- Reforms are being widely implemented. For instance, measures to reduce restrictions or facilitate economic activities are seen in many services sectors.
- The threshold of foreign investment projects requiring central government approval was raised to USD 300 million for the 'encouraged' & 'permitted' categories.
- 68 percent of China's standards are aligned with international standards. China is participating actively in international standardization activities.
- Concerns related to the process, cost and time to obtain the Compulsory Certification Scheme in order to sell certain products in China's domestic market.
- China is building a Modern Customs Comprehensive Management system in its efforts to achieve paperless trading. Also, China is adopting risk management techniques to improve the Customs Control System and facilitate trade.
- Improving regulations in areas such as government procurement, intellectual property rights and competition policy. Progress in the implementation and enforcement of regulations. Increased transparency.
- However, some concerns remain related to initiatives in government procurement framework to encourage buying local products.

### Summary of Updates

#### Tariff

China reduced MFN tariffs on five tariff lines on 1 January 2010 and China applied tariff quotas on eight imported goods (45 HS 8-digit tariff lines).

China's progress in reducing tariffs is largely under tariff schedules of eleven Free Trade Agreements in force comprising several economies. In addition, China unilaterally applies special preferential tariff rates on certain products originated from 41 Least Developed Economies, under which 4788 tariff lines (HS 8-digit level) enjoyed a zero-tariff rate in 2011.

#### Non-Tariff Measures

Since 2010, due to concerns on public health, security and safety, as well as environmental sustainability, used mechanical and electronic products and ozone layer depleting substance are subject to import licensing.

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\* This brief report was prepared with information from China's submission of 2012 APEC Individual Action Plan (IAP) template and the minutes of the meeting of China's WTO Trade Policy Review from May 2010

It is perceived that certain aspects of the export regime, such as restrictions, licensing, quotas, export taxes and partial tax rebates have not been reduced or eliminated at the same pace as those for imports.

### **Services**

In general, China has made substantial progress in the liberalization of services sectors, by having already liberalized more than 100 services sectors on a unilateral basis. The current depth of services liberalization in China goes further than its services commitments in WTO.

China has further liberalized financial services. Since 2009, foreign-funded corporate banks are allowed to underwrite the financial bonds issued in the inter-bank bond market; issue financial bonds in the inter-bank bond market in China; and issue financial bonds in Renminbi in Hong Kong, China. In addition, China promulgated measures on 1 October 2011 to facilitate insurers to exit from the market. New regulations related to securities were issued to allow certain financial activities/products and protect investors.

Regarding other sectors, 25 applications had been granted operating licenses for telecommunications services by the end of November 2011. In audiovisual services, China reported that the procedures of examination and approval for foreign investment in film industry have been streamlined since 2011. In health-related and social services, 10 Sino-foreign joint venture medical institutions have been approved since 25 January 2011 by provincial health departments. In tourism services, three pilot travel agencies have been allowed to operate the outbound travel business in China. Finally, in the legal sector, foreign law firms have obtained licenses for establishing representative offices.

### **Investment**

The threshold of foreign investment projects requiring central government approval was raised to USD 300 million under the ‘encouraged’ & ‘permitted’ categories from the Catalogue for Guidance of Foreign Investment Industries. The Central Government has delegated the approval right on foreign investments to local level in most of service sectors except financial sector and telecommunication sector. An online licensing and administration system was set up to streamline the approval process of foreign investment.

To further promote foreign investment, China now allows foreign investors to invest offshore with Renminbi and facilitates re-investment of foreign investment companies. In 2011, China promulgated the Regulation on National Security Review Relating to Mergers & Acquisitions by Foreign Investors and revised the Catalogue for the Guidance of Foreign Investment Industries, which aimed at improving understanding and transparency of investment regulation policies.

### **Standards and Conformance**

68% of China’s standards are aligned with international standards. China participates actively in international standardization activities at international bodies, such as the International Electrotechnical Commission and the International Organization for Standardization, and became Category A member of the IEC in October 2011, which is given to members that participate actively and make effective contributions to the work in technical committees and subcommittees.

In 2011, China notified 73 domestic mandatory standards to WTO Technical Barriers to Trade Committee, and two Administrative Measures on Certification Bodies and on Registration of Overseas Manufacturer of Import Food. To increase transparency of standards and conformance requirement, China has developed the electronic reading system of Chinese National Mandatory Standards to make easy search for and improve understanding of the domestic standards.

Some concerns remain with regards to the process, cost and time to obtain the Compulsory Certification (CCC) to sell certain products in the domestic market. For example, the scheme generally does not accept third-party testing results and testing is usually required in authorized laboratories in China.

### **Customs Procedures**

China reconstructed the official customs website to improve public availability of customs information. To achieve paperless trading, China is developing a Modern Comprehensive Management system (H2010), which uses information technology to upgrade the Customs system. Pre-arrival electronic declaration was effective on 1 January 2009. In addition, China Customs further implemented the Integrated Clearance Project and the E-port Project, which is expected to become a “single window” in the future.

China has also started to build an effective Holistic Customs Control System focusing on risk management techniques and integrated functions. Moreover, the China is revising the regulation on the Authorized Economic Operators (AEO) and upgrading the integrated enterprise information management system to facilitate global trade. China Customs is working together with other counterparts to promote the mutual recognition of AEO.

China is implementing a number of international agreements and conventions, such as the WTO Valuation Agreement, the General and a specific Annex of the Kyoto Convention, among others.

### **Intellectual Property Rights**

China is fighting actively against IPR infringement and counterfeiting, through special operations and investigations. To further improve the enforcement of IPR protection, the State Council established the leading group against IPR infringement and counterfeiting in November 2011, in order to further improve the enforcement of IPR protection. In addition, the Supreme Court promulgated the Advance on Several Issues on Application of Law on the Trial of Cases related to Infringements of Intellectual Property Rights on 10 January 2011 to provide guidance on new cases and situations of IPR infringement.

On 1 April 2010, the Patent Law of China was amended and implemented, as well as amendments of the Regulations on Customs Protection of Intellectual Property Rights. The Chinese Government also recognizes the importance of protecting intangible cultural heritage, and on 1 June 2011, the Intangible Cultural Heritage Law was put into force.

### **Competition Policy**

China has recently issued regulation to enhance the operability of the Anti-Monopoly Law and the predictability, certainty and transparency of the competition policy system. New regulations

include the Provisions on Prohibition of Monopoly Agreements, the Provisions on Prohibition of Abuse of Dominant Market Position, and the Provisions on Prohibition of Abuse of Administrative Power to Eliminate or Restrict Competition and the Provisions on Anti-Pricing Monopoly, among others. In addition, China is actively enhancing international cooperation in competition policy-related areas with several economies around the world.

### **Government Procurement**

Since October 2010, China has taken measures in five areas: value for money, open and effective competition, fair dealing, accountability and non-discrimination. Some examples of the specific measures implemented are the following: to strictly review the government procurement budget; to initiate the government procurement planning compilation system; to strengthen the management of the government procurement plans; to standardize the bid evaluation procedures; to encourage competition by using competitive procurement methods; to streamline procedures for application and approval; and to strengthen the management of procurement documents and contracts; among others.

Although China is still in the negotiation process to accede to GPA, the Government Procurement Law ensures that the products of foreign capital enterprises in China are treated equally as products of Chinese enterprises. However, there are some concerns on initiatives related the government procurement framework that encourages buying local products.

### **Mobility of Business People**

As a full-member of APEC Business Travel Card scheme, China has processed around 186,000 foreign applications and 9,761 local applications to date.

From 1 January 2012, foreigners holding Chinese permanent residence permits and foreign crew members are exempted from filling out the arrival and departure card when entering or exiting China. Besides above, China started to provide around-the-clock immigration inspection services at seaports, and introduced online pre-declaration and pre-check system for exit-entry vessels since 2009.

### **Transparency**

Transparency was improved on government procurement and IPR. New laws and regulations are published timely by media or available at the internet. Public consultation channels were established to object government procurement process that may not have met the requirements. Public consultation was conducted on draft laws in the revision of IPR-related legislation, such as the Patent Law, the Copyright Law and the Regulation of Customs Protection of Intellectual Property Rights. Since 1998, China has published the White Paper on the Intellectual Property Protection every year.

### **RTAs/FTAs**

China currently has nine FTAs in force, being those with Chinese Taipei and Costa Rica the most recent ones to be in force (September 2010 and August 2011). China put into force an agreement on investment with the ASEAN Free Trade Area in July 2010 and an agreement on trade in services with Chile in August 2010.

China is currently negotiating FTAs with Gulf Cooperation Council, Australia, Iceland, Norway, and Switzerland, at various levels of progress.