



## TRADE POLICY DEVELOPMENTS PAPER NO. 23

TRADE POLICY MONITORING REPORT OF  
THE PEOPLE'S REPUBLIC OF CHINA  
(APRIL 2012- JUNE 2012)  
VOLUME V

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## **Table of Contents**

ABBREVIATIONS	4
EXECUTIVE SUMMARY	6
I. INTRODUCTION	7
II. ECONOMIC ENVIRONMENT	7
II.A ECONOMIC ANALYSIS	7
GDP GROWTH	7
III. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES	11
III.A TRADE AGREEMENTS AND ARRANGEMENTS	11
II.A FOREIGN INVESTMENT REGIME	12
IV. TRADE POLICIES AND PRACTICES BY MEASURE	13
V. CONTINGENCY TRADE MEASURES	13
V.A ANTI-DUMPING MEASURES	13
V.B TECHNICAL BARRIERS TO TRADE	15
V.C SANITARY AND PHYTOSANITARY MEASURES	22
VI. MEASURES AFFECTING PRODUCTION AND TRADE	24
VI.A TAXATION AND TAX INCENTIVES	24
VII. TRADE RESTRICTIONS	25
VIII. INTELLECTUAL PROPERTY RIGHTS	26
XI. TRADE POLICIES BY SECTOR	26
XI.A AGRICULTURE	26
IX.B SERVICES	27



## ABBREVIATIONS

APEC	-	Asia-Pacific Economic Cooperation
APEDA	-	Agricultural Products Export Development Authority
AQSIQ Quarantine	-	The General Administration of Quality Supervision, Inspection and
ARFs	-	Automatic Registration Forms
Art.	-	Article
ASEAN	-	Association of South-East Asian Nations
BL	-	Bidding Laws
BOFT	-	Bureau for Fair Trade for Imports and Exports
CAAC	-	General Administration of Civil Aviation
CBRC	-	China Banking Regulatory Commission
CCC	-	China Compulsory Certification
CEPA	-	Comprehensive Economic Partnership Agreement
CERC	-	China Electricity Regulatory Commission
CIRC	-	China Insurance Regulatory Commission
CPC	-	Communist Party of China
CQC	-	The China Quality Certification Centre
CSRC	-	China Securities Regulatory Commission
DFEC	-	Department of Foreign Economic Cooperation
DITEA	-	Department of International Trade and Economic Affairs
DSB	-	Dispute Settlement Body (WTO)
EEA	-	European Economic Area
EFTA	-	European Free Trade Association
EPA	-	Economic Partnership Agreement
EU	-	European Union
FDI	-	Foreign Direct Investment
FTAs	-	Free Trade Agreements
GAC	-	General Administration of Customs
GAT	-	General Administration of Taxation
GDP	-	Gross Domestic Product
GIs	-	Geographical Indications
GPA	-	Agreement on Government Procurement GPA
HS	-	Harmonised System
IBII	-	Investigation Bureau for Industry Injury
IECE Equipment	-	The IEC System for Conformity Testing and Certification of Electrical
IP	-	Intellectual Property
IPR	-	Intellectual Property Rights
ISO	-	International Organization for Standardization
IT	-	Information Technology
ITES	-	Information Technology Enabled Services
MLPS	-	The Multi-Level Protection Scheme
MOA	-	Ministry of Agriculture

MOF	-	Ministry of Finance
MOFCOM	-	Ministry of Commerce
MPS	-	The Ministry of Public Security
MRRFTO	-	Measures for Registration for the Record of Foreign Trade Operators
NAFTA	-	North American Free Trade Agreement
NBER	-	National Bureau of Economic Research
NCAC	-	National Copyright Administration of China
NDRC	-	National Development and Reform Commission
NME	-	Non-Market Economy
NPC	-	National People's Congress
NPK	-	Sodium, Phosphorous, Potassium
NT	-	National Treatment
OECD	-	Organization for Economic Cooperation and Development
PBC	-	The People's Bank of China
PPP	-	Purchasing-power parity
PRC	-	People's Republic of China
PRD	-	Office of the Economic and Commercial Counselor, Policy Research
Department		
PSI	-	Pre-shipment inspection
QIP	-	Quarantine Inspection Permit
RAIEG	-	Regulation on the Administration of the Import and Export of Good
RMB	-	Renminbi
ROO	-	Rules of Origin
SAARC	-	South Asian Association for Regional Cooperation
SAC	-	The Standardization Administration of China
SAFE	-	State Administration of Foreign Exchange
SAIC	-	The State Administration of Industry and Commerce
SASAC	-	State-Owned Asset Supervision Administration Commission
SAT	-	Chinese State Administration of Taxation
SCNPC		Standing Committee of the National People's Congress
SEZs	-	Special economic zones
SIPO	-	State Intellectual Property Office
SOEs	-	State-owned enterprises
STE	-	State-trading enterprises
TBT	-	Technical Barriers to Trade
TCF	-	Textiles, clothing and footwear
TRIMs	-	Trade-Related Investment Measures
TRIPs	-	Trade-Related Aspects of Intellectual Property Rights
TRQs	-	Tariff-rate quotas
USTR	-	United States Trade Representative
VAT	-	Value-added Tax
WAP	-	The WLAN Authentication and Privacy Infrastructure
WIPO	-	World Intellectual Property Organization
WLANs	-	Wireless Local Area Networks
WTO	-	World Trade Organization

## EXECUTIVE SUMMARY

- In this quarter (Apr-June, 2012), China's GDP declined to 7.6% from 8.1% in the previous quarter. This was the slowest pace of the Chinese economy during the last three years. China restricts export of rare earth which has caused many disputes with the EU, US and the Mexico in WTO.
- China's GDP is largely constituted of its exports. China reported a surplus equivalent to \$59.7 billion during the review quarter.
- China came up with a number of currency promotion measures with a view to make its currency global; it has entered into currency swap agreements with Ukraine, Japan and London during the review quarter.
- China continued to actively engage in initiating anti-dumping measures against its trading partners. The main countries targeted were US, Japan, Korea and India.
- China is of the view to promote and enforce the Intellectual Property Rights in the country and has thereto, come up with a number of measures to accomplish the same.

## TRADE POLICY MONITORING REPORT OF CHINA

### FOR THE QUARTERLY PERIOD: APRIL- JUNE 2012

#### I. INTRODUCTION

This is the fifth Quarterly Trade Policy Monitoring Report prepared by the Centre for International Trade and Economic Laws (CITEL), Jindal Global Law School. This report will monitor and discuss the trade and macroeconomic policy developments that took place in China during the period: April-June, 2012.

#### II. ECONOMIC ENVIRONMENT

##### II.A Economic Analysis

###### GDP GROWTH

In the second quarter of 2012, the Chinese economy grew at the slowest pace since the last three years. The GDP grew 7.8 percent in the second quarter accounting to 10.8 trillion RMB as compared to 8.9 percent in the previous quarter.<sup>1</sup>

IMF Staff Report provides that China's economy is likely to moderate to 8 percent in 2012, as it projects that global activity is mildly weaker than expected, and the Chinese authorities change policies to achieve their 2012 fiscal and monetary targets.<sup>2</sup> China is in a period of strategic opportunities for development and the fundamentals remain consistent to support stable and rapid growth.<sup>3</sup> This so-called 'soft-landing' is the result of slow growth overseas which has a negative impact on China's export growth.<sup>4</sup>

In April 2012, China's fiscal revenue increased to 6.9 percent year-on-year to 1.08 trillion RMB. In May alone, the country's fiscal revenue reached 1.2 trillion RMB, increased by 13.1 percent year-on-year.<sup>5</sup>

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<sup>1</sup> IMF Official Portal, 'People's Republic of China and the IMF', <http://www.imf.org/external/country/CHN/index.htm> (visited 16 Oct. 2012).

<sup>2</sup> IMF, 'People's Republic of China: 2012 Article IV Consultations, IMF Country Report No. 12/195 July 2012, <http://www.imf.org/external/pubs/ft/scr/2012/cr12195.pdf> (visited 16 Oct. 2012).

<sup>3</sup> 'China Monetary Policy Report, Quarter two (August 2, 2012)', Monetary Policy Analysis Group of the People's Bank of China, p. 50, [http://www.pbc.gov.cn/image\\_public/UserFiles/english/upload/File/China%20Monetary%20Policy%20Report,%20Quarter%20Two\(4\).pdf](http://www.pbc.gov.cn/image_public/UserFiles/english/upload/File/China%20Monetary%20Policy%20Report,%20Quarter%20Two(4).pdf) (visited 17 Oct 2012)

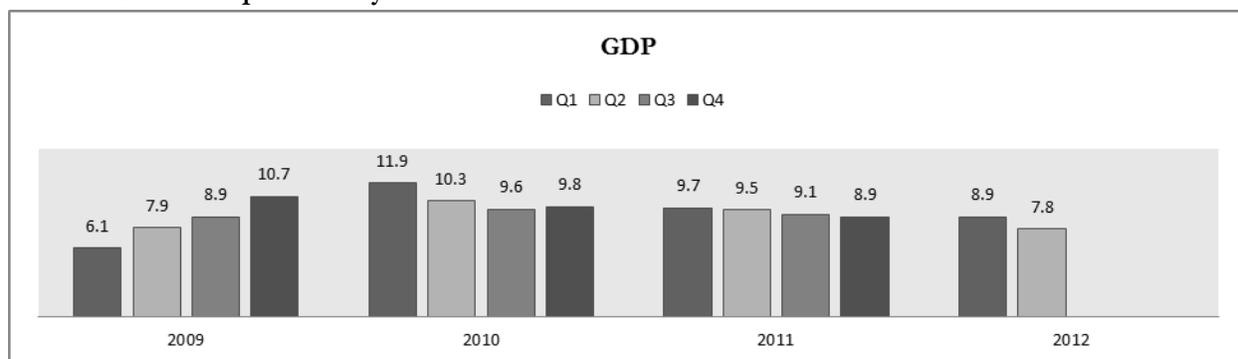
<sup>4</sup> 'Global Economic Outlook' A Deloitte Research Publication 2<sup>nd</sup> Quarter 2012, [http://www.deloitte.com/assets/Dcom-Ecuador/Local%20Assets/Documents/General%202012/Estudios/GEO\\_Q2\\_2012.pdf](http://www.deloitte.com/assets/Dcom-Ecuador/Local%20Assets/Documents/General%202012/Estudios/GEO_Q2_2012.pdf) (visited 17 Oct. 2012).

<sup>5</sup> 'China fiscal revenue up 12.7 pct Jan. to May', [http://news.xinhuanet.com/english/china/2012-06/11/c\\_131644469.htm](http://news.xinhuanet.com/english/china/2012-06/11/c_131644469.htm) (visited 10 Aug. 2012).

In April 2012, the financial institutions' position for the foreign exchange purchases declined by RMB 60.57 billion (\$9.45 billion), despite a trade surplus of \$18.4 billion which indicated an increase in money outflows and consequent slowdown in the growth of reserve money.<sup>6</sup>

China has not provided any stimulus package despite of the economic circumstances given the surge in prices.<sup>7</sup> Instead the initiative has been to provide a fast-track mechanism for infrastructure projects while injecting cash into the economy through the Central Bank (PBC) open-market operations.<sup>8</sup> However, the economy of China will recover slowly as the policy-makers will have to restructure the economy.<sup>9</sup>

**Table 1: GDP over past three years**



Source<sup>10</sup> : National Bureau of Statistics of China

## EXCHANGE RATE

The RMB exchange rate was stable since 2012 with movements in both directions and greater flexibility. By end-June 2012, the central parity of RMB against \$ was 6.3249 RMB per \$, down by 240 basis points or 0.38 percent over end-2011. Since the reform of RMB exchange-rate regime in 2005 to end-June 2012, the RMB has appreciated by 30.86 percent against \$. Bank for International Settlements (BIS) estimated that in the first 2 quarters of 2012, the nominal effective RMB exchange rate appreciated 1.62 percent and the real effective exchange rate appreciated 0.85 percent. Since the 2005 RMB exchange rate reform, the nominal exchange rate of RMB appreciated 23.12 percent and the real effective exchange rate appreciated 30.40 percent.<sup>11</sup>

<sup>6</sup> Beijing Review, 'Treading Lightly for Fast Growth', [http://www.bjreview.com.cn/business/txt/2012-08/20/content\\_477102.htm](http://www.bjreview.com.cn/business/txt/2012-08/20/content_477102.htm) (visited 3 September 2012).

<sup>7</sup> 'China GDP growth seen 7.7-7.8 per cent in 2012', The Nation, <http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/business/16-Sep-2012/china-gdp-growth-seen-7-7-7-8-per-cent-in-2012> (15 Oct. 2012).

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> National Bureau of Statistics of China, 'Statistical Data'

<http://www.stats.gov.cn/english/statisticaldata/Quarterlydata/> (16 Oct. 2012). See also CNNMoney, 'China's slowdown deepens, raises risks to global economy',

<http://money.cnn.com/2012/07/12/news/economy/china-gdp/index.htm> (visited 3 September 2012).

<sup>11</sup> 'China Monetary Policy Report, Quarter two (August 2, 2012)', Monetary Policy Analysis Group of the People's Bank of China, p. 14,

[http://www.pbc.gov.cn/image\\_public/UserFiles/english/upload/File/China%20Monetary%20Policy%20Report,%20Quarter%20Two\(4\).pdf](http://www.pbc.gov.cn/image_public/UserFiles/english/upload/File/China%20Monetary%20Policy%20Report,%20Quarter%20Two(4).pdf) (visited 17 Oct 2012)

The difference between the change of exchange rate in nominal and real terms is important because in order to gain competitive advantage in international trade it is the real exchange rate that determines whether nominal undervaluation will affect trade flows.<sup>12</sup> Given the Treasury Report of US has always criticised China on intervention in the foreign exchange market to manipulatively depress the value of RMB against \$ in order to promote its export policy-oriented growth model.<sup>13</sup>

## LENDING RATE

Peoples Bank of China (PRC) lowered the benchmark RMB deposit and lending rates of financial institutions while adjusted the floating band of deposit and lending rates which led to decline in lending to non-financial and other sectors by the financial institutions. By June, the weighted average lending rate stood at 7.06 percent, down 0.56 percentage points compared with end-March 2012.

Since the inflationary expectations moderated, the PBC cut the benchmark deposit and lending rate on 8 June 2012 and 6 July 2012 by lowering the 1-year benchmark deposit rate from 3.50 to 3.00 percent and the 1-year benchmark lending rate from 6.56 percent to 6.00 percent, down by 0.50 percent and 0.56 percent points respectively on a cumulative basis.<sup>14</sup>

## FINANCE

China had a capital and financial account deficit in the second quarter accounting to \$ 41.2 billion after a surplus of \$ 56.1 billion in the first quarter as provided in the data by the State Administration of Foreign Exchange (SAFE).<sup>15</sup>

In April 2012, the People's Bank of China released its announcement ([2012] No. 4) to widen the floating band of RMB's trading prices against the US dollar on the inter-bank spot foreign exchange market from 0.5% to 1%.<sup>16</sup>

In May 2012, China has cut the RMB deposit Reserve Requirement Ratio (RRR) by 0.5%.<sup>17</sup> It was the second RRR cut following a cut in February 2012. It aims to release ¥400 billion from the banking

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<sup>12</sup> Claus D. Zimmermann LL.M.(Yale), 'Exchange Rate Misalignment and International Law', *American Journal of International Law* July 2011, 105 A.J.I.L. 423, p.50.

<sup>13</sup> James O'Toole, 'Treasury delays exchange rate report: Criticisms of China currency to be released after G20 meetings' WTAE Pittsburgh site, <http://www.wtae.com/news/money/Treasury-delays-exchange-rate-report/-/9680890/16971066/-/ft76nkz/-/index.html> (visited 20 Oct, 2012).

<sup>14</sup> 'China Monetary Policy Report, Quarter two (August 2, 2012)', Monetary Policy Analysis Group of the People's Bank of China, p. 16, [http://www.pbc.gov.cn/image\\_public/UserFiles/english/upload/File/China%20Monetary%20Policy%20Report,%20Quarter%20Two\(4\).pdf](http://www.pbc.gov.cn/image_public/UserFiles/english/upload/File/China%20Monetary%20Policy%20Report,%20Quarter%20Two(4).pdf) (visited 17 Oct 2012).

<sup>15</sup> Ibid.

<sup>16</sup> The People's Bank of China, 'The People's Bank of China Announcement [2012 No. 4]', [http://www.pbc.gov.cn/publish/english/955/2012/20120414090756030448561/20120414090756030448561\\_.html](http://www.pbc.gov.cn/publish/english/955/2012/20120414090756030448561/20120414090756030448561_.html) (visited 3 September 2012).

<sup>17</sup> The People's Bank of China, 'RMB Required Reserve Ratio for Deposit Taking Institutions Cut by 0.5 Percentage Points', [http://www.pbc.gov.cn/publish/english/955/2012/20120516102159716560126/20120516102159716560126\\_.html](http://www.pbc.gov.cn/publish/english/955/2012/20120516102159716560126/20120516102159716560126_.html) (visited 3 September 2012).

system.<sup>18</sup> The RRR for large banks stood at 20% and 18% for medium-sized and small financial institutions. The cut in RRR was decided after a low economic growth in the month of April.<sup>19</sup>

In June 2012, the outstanding loans from the financial institutions totalled ¥63.3 trillion (\$9.95 trillion), increased by 15.9% year-on-year and 0.4% as compared to the previous quarter.<sup>20</sup>

## CURRENCY DENOMINATED BOND IN LONDON

In April 2012, the Hong Kong Shanghai Banking Corporation (HSBC) holdings PLC initiated the first yuan denominated bond in the world's pre-eminent financial Centre London.<sup>21</sup> The total volume is expected to reach ¥1 billion. The bond is meant for the investors in Britain and the Continental Europe. London city was also declared to be the centre for yuan business and a report titled 'London for Renminbi Business' was also released.<sup>22</sup> This step further expands the aim of China to globalize its currency through the development of Renminbi Business Centre, Renminbi products and services in London market which shall contribute to the use of the currency in cross-border trade and investment which ultimately benefits the bilateral economic and trade ties between China and the UK.<sup>23</sup>

## PBC INITIATED DIRECT TRADING BETWEEN RMB AND JAPANESE YEN

In May 2012, the central government has authorized the China Foreign Exchange Trade System (CFETS) to improve the trading mode between the RMB and the Japanese Yen (CNY/JPY) in order to initiate the direct trading between the two currencies on the inter-bank foreign exchange market. It is a step forward in implementing the joint statement of the leaders of the two countries on strengthening cooperation between China and Japan in developing financial markets and mutually promoting direct trading between the two currencies based on the market principle. Development of direct trading between CNY/JPY contributes to the formation of direct exchange rate between the two currencies. It will help lower the currency conversion cost for economic entities, facilitate the use of Renminbi and Japanese yen in bilateral trade and investment, promote the financial cooperation and enhance economic and financial ties between the two countries.<sup>24</sup>

## BILATERAL LOCAL CURRENCY SWAP AGREEMENT

In June 2012, the Government signed a bilateral local currency swap agreement with the National Bank of Ukraine in Beijing in order to promote bilateral financial cooperation, facilitating bilateral trade and

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<sup>18</sup> J.P Morgan, 'Global Data Watch: Asia', [https://mm.jpmorgan.com/stp/t/c.do?i=9F042-6&u=a\\_p\\*d\\_859220.pdf\\*h\\_2rlfquoo%0D%0A](https://mm.jpmorgan.com/stp/t/c.do?i=9F042-6&u=a_p*d_859220.pdf*h_2rlfquoo%0D%0A) (visited 26 August 2012).

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> The People's Bank of China, 'HSBC Launching London's First Offshore yuan bond', [http://www.pbc.gov.cn/publish/english/955/2012/2012040424102305230856604/20120424102305230856604\\_.html](http://www.pbc.gov.cn/publish/english/955/2012/2012040424102305230856604/20120424102305230856604_.html) (visited 3 September 2012).

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> The People's Bank of China, 'People's Bank of China Welcomes Direct Trading Between RMB and Japanese Yen Launched by the China Foreign Exchange Trade System', [http://www.pbc.gov.cn/publish/english/955/2012/20120529073821551732129/20120529073821551732129\\_.html](http://www.pbc.gov.cn/publish/english/955/2012/20120529073821551732129/20120529073821551732129_.html) (visited 3 September 2012).

investment while also maintaining regional stability. The agreement amounts to ¥15 billion. The period of arrangement is for 3 years and can be extended by mutual consent.<sup>25</sup>

## IMPORT-EXPORT

China's GDP is largely constituted of its exports. Major exports of China are: office machines and data processing equipment, telecommunications equipment, electrical machinery and apparel & clothing. Its major exports markets are EU, US, Hong Kong, Japan and South Korea.<sup>26</sup>

In April 2012, exports increased by 4.9% and imports increased by 0.3%; amounting to a trade surplus of \$18.4 billion.<sup>27</sup> In May 2012, exports increased by 15.3% year-on-year whereas the imports rose by 12.7%; amounting to the trade surplus of \$18.7 billion. In June 2012, China's import and export totalled \$328.69 billion with growth of 9% year-on-year.<sup>28</sup> Overall, China reported a surplus equivalent to \$59.7 billion in this quarter.<sup>29</sup>

## III. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

### III.A TRADE AGREEMENTS AND ARRANGEMENTS

#### China-Korea-Japan trilateral FTA negotiation

In May 2012, China and Korea announced to start the formal negotiations for the Sino-Korean free trade agreement. China, Japan and Korea agreed that a trilateral FTA talks would be entered into within this year, promising to immediately start the required preparatory works including domestic procedures and working level consultations.<sup>30</sup>

#### China-Canada-Columbia on bilateral trade relations

In June 2012, China, Canada and Columbia signified their willingness to further strengthen the bilateral economic and trade relations. China's main aim is to promote investment. Both the parties agreed to complete their internal approvals at the earliest and to sign an agreement to further improve the bilateral investment. While China-Columbia asserted that the Investment Protection Agreements should come into force at the earliest. There is a strong impetus for mutual investment.<sup>31</sup>

#### China's cooperation agreements with Singapore, Germany and Sweden

On 5 June 2012, China signed a number of MoUs and cooperation agreements with Singapore, German and Sweden. The documents covered areas such as general governance, social development, and township

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<sup>25</sup> The People's Bank of China, 'Establishment of a Bilateral Local Currency Swap Agreement between the People's Bank of China and the National Bank of the Ukraine', [http://www.pbc.gov.cn/publish/english/955/2012/20120628155358260596287/20120628155358260596287\\_.html](http://www.pbc.gov.cn/publish/english/955/2012/20120628155358260596287/20120628155358260596287_.html) (visited 3 September 2012).

<sup>26</sup> 'China's Balance of Trade', <http://www.tradingeconomics.com/china/balance-of-trade> (visited 4 September 2012).

<sup>27</sup> Ibid.

<sup>28</sup> Ministry of Commerce PRC, 'Brief Statistics on China's Import & Export in June 2012', <http://english.mofcom.gov.cn/aarticle/statistic/BriefStatistics/201208/20120808308959.html> (visited 3 September 2012).

<sup>29</sup> 'China- Current Account', <http://www.tradingeconomics.com/china/current-account> (visited 3 September 2012).

<sup>30</sup> 'Sino-Korea FTA a win-win arrangement for both countries', <http://english.mofcom.gov.cn/aarticle/newsrelease/counseloroffice/westernasiaandaficareport/201206/20120608189518.html> (visited 3 September 2012).

<sup>31</sup> 'Chen Deming Met with Canadian and Colombian Ministers for Trade Respectively', <http://english.mofcom.gov.cn/aarticle/newsrelease/significantnews/201206/20120608186379.html> (visited 3 September 2012).

management and infrastructure also industrial projects such as communications, advanced library system, education, public safety and security solutions, green hospital, animation production and training facilities.<sup>32</sup>

#### China's cooperation agreement with Spain

In May 2012, China and Spain signed 16 cooperative agreements on telecommunications equipment and network solutions. China is Spain's largest trading partner outside the EU.<sup>33</sup>

#### China signs memorandums and agreements with the US

In May 2012, China has signed four memorandums and agreements with the US involving eight areas including food and feed, drugs and medical products, environmentally compliant exports/imports, food safety, alcohol and tobacco products, toys, fireworks, lighters, electrical products, motor vehicle safety, and pesticides tolerance and trade.<sup>34</sup>

## **II.A FOREIGN INVESTMENT REGIME**

### (i) Recent developments in FDI policy

The size of Chinese economy given its growth rate and the experience of other developing economies, the FDI from China is likely to grow by \$ 1-2 trillion by 2020. An increase in FDI flow is a priority for China because there is an interest in diversifying substantial holdings of foreign exchange reserves away from low-yielding US Treasuries to real productive assets with higher returns. This provides the reason for China's move to establish sovereign-wealth fund, China Investment Corporation and the reason as to why CIC is looking for substantial FDI opportunities. Another reason for a pro-FDI policy by China is that Chinese businesses have been encouraged to 'go global' and invest abroad in order to find new markets, secure access to energy and raw materials while enhance Chinese enterprises' competitiveness by acquiring new technologies, brands and management skills. People's Bank of China has been advising the Chinese companies to acquire foreign firms as the first stage of a ten-year plan in order to ease China's capital-market restrictions aimed by the US policymakers. China's FDI outflows have concentrated in developing countries and some resource-rich developed countries like Australia and Canada. The outflow of FDIs has been aimed at facilitation of trade while acquiring access to natural resources. With the rise of wages, appreciation of real exchange rate and the entry of new suppliers from other emerging countries, China's FDI policy will shift to investing abroad for upgradation of their technology and management capabilities while finding new growth opportunities to move up the value chain.<sup>35</sup>

#### China-Japan- Korea sign investment deal

China, Japan and the Republic of Korea signed a deal on May 2012 in order to promote trilateral investment after more than 13 rounds of talks over last 15 years. This deal is the first legal instrument to promote and

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<sup>32</sup> 'China's most developed province to draw on Singapore experience in developing Guangzhou Knowledge City', <http://english.mofcom.gov.cn/aarticle/counselorsreport/asiareport/201206/20120608167478.html> (visited 3 September 2012).

<sup>33</sup> 'Wu visit boosts ties with Spain', <http://english.mofcom.gov.cn/aarticle/counselorsreport/europereport/201205/20120508147807.html> (visited 3 September 2012).

<sup>34</sup> 'Results of 3rd China-U.S. Strategic and Economic Dialogue', <http://english.mofcom.gov.cn/aarticle/subject/forthesed/lanmuc/201205/20120508131736.html> (visited 3 September 2012).

<sup>35</sup> Laura Tyson (Former chair of US President's Council of Economic Advisers), Project Syndicate, 'The Benefits of Chinese FDI', <http://www.project-syndicate.org/commentary/the-benefits-of-chinese-fdi-by-laura-tyson> (17 Oct 2012).

protect investment between the three nations. It shall lay a solid foundation for the establishment of a free trade area (FTA) among the three nations and shall ensure a transparent, stable investment environment for investors. In the negotiations held these quarters, the three parties agreed to launch talks on an FTA in 2012.<sup>36</sup>

#### Foreign-funded enterprises

In April 2012, the number of newly approved foreign-funded enterprises in China reached 1,637, down by 26.09% year on year; and actually utilized foreign investment totalled US\$8.401 billion, down by 0.74% year on year.<sup>37</sup>

In May 2012, Newly Approved Foreign-invested Enterprises amounted to 2245, down by 6.11% year on year; and the actual use of foreign investment reached US\$ 9.229 billion, up by 0.05% year on year.<sup>38</sup>

In June 2012, Newly Approved Foreign-invested Enterprises amounted to 2,444, down by 16.27% year on year; and the actual use of foreign investment reached US\$11.979 billion, down by 6.87% year on year.<sup>39</sup>

## **IV. TRADE POLICIES AND PRACTICES BY MEASURE**

### CEPA Supplemental Agreements VIII

China's mainland-Hong Kong and mainland-Macao CEPA Supplemental Agreements VIII came into effect on 1 April 2012. The CCPIT Qingdao Sub-Council has started to issue the CEPA-dedicated Certificates on Origin to the mainland exporters. The Supplemental Agreements VIII provides revision of the origin rules on goods trade and addition of accumulative rules, more favourable to the mainland-Hong Kong/Macao integration and allocation manufacturing resources thereby mutually promoting their economic development.<sup>40</sup>

## **V. CONTINGENCY TRADE MEASURES**

### **V.A ANTI-DUMPING MEASURES**

#### MOC final ruling on anti-dumping measures against Epichlorohydrin

On 27 June 2012, the Government decided to continue the anti-dumping duties levied on the imports of Epichlorohydrin from the US, South Korea, Japan and Russia. The measure came into force on 28 June

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<sup>36</sup> China FTA Network, 'China, Japan and ROK ink investment deal', [http://fta.mofcom.gov.cn/enarticle/enrelease/201205/10071\\_1.html](http://fta.mofcom.gov.cn/enarticle/enrelease/201205/10071_1.html) (17 Oct. 2012).

<sup>37</sup> Ministry of Commerce, People's Republic of China, 'Statistics on FDI January- April 2012', <http://english.mofcom.gov.cn/aarticle/statistic/foreigninvestment/201205/20120508148187.html> (visited on 25 August 2012).

<sup>38</sup> Ministry of Commerce, People's Republic of China, 'Statistics on FDI January- May 2012', <http://english.mofcom.gov.cn/aarticle/statistic/foreigninvestment/201207/20120708207390.html> (visited on 25 August 2012).

<sup>39</sup> Ministry of Commerce, People's Republic of China, 'Statistics on FDI January- June 2012', <http://english.mofcom.gov.cn/aarticle/statistic/foreigninvestment/201207/20120708251005.html> (visited on 25 August 2012).

<sup>40</sup> E-to-China, 'Qingdao Issues CEPA Origin Certificates for Mainland Exports', [http://www.e-to-china.com/tariff\\_changes/china\\_customs\\_practice/2012/0413/101485.html](http://www.e-to-china.com/tariff_changes/china_customs_practice/2012/0413/101485.html) (17 Oct 2012).

2012 and will continue to last till 5 years; the rates will be in accordance with one's released in MOC Announcement no. 44, 2006.<sup>41</sup>

*China to review anti-dumping measures on sulfamethoxazole imports from India*

On 15 June 2012, the Ministry of Commerce has started to review anti-dumping measures on sulfamethoxazole (SMZ), an antibiotic imported from India, in order to evaluate the possibilities for dumping and damages if the tariffs are lifted. However, the duties imposed on SMZ imports in 2007, will be imposed during the review period.<sup>42</sup>

*China to continue the imposition of antidumping measures against catechol imports from the United States and Japan*

On 21 May 2012, the Ministry of Commerce (MOC) announced that China will continue to impose a five year anti-dumping duty of 4% to 46.81% on catechol imports from the United States and Japan for another five years. The MOC decided to impose the duty after a one-year review of the previous anti-dumping measures, which were imposed in 2006 and were set to expire on 22 May 2012.<sup>43</sup>

*China levies antidumping measures on imports of certain high-performance stainless steel seamless tubes from Japan and EU*

On 9 May 2012, the Ministry of Commerce has decided to take provisional anti-dumping measures in the form of deposits against imports of certain high-performance stainless steel seamless tubes from the EU and Japan. Tariff No. of the products are 3044110, 73044910, 73045110 and 73045910. The range of deposits levied on companies of each country is: <sup>44</sup>

Name of Country	Range of deposits
1) Japan	14.5% to 39.2%
2) EU	9.7% to 37.5%

*China to review anti-dumping measures on electrolytic capacitor paper imports from Japan*

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<sup>41</sup> MOC, 'MOFCOM Announcement No.32,2012 on Ruling Made in Sunset review on Anti-Dumping Measures Against Epichlorohydrin' <http://english.mofcom.gov.cn/aarticle/policyrelease/domesticpolicy/201207/20120708210440.html> (visited 21 August 2012).

<sup>42</sup> China Customs, 'MOFCOM Announcement No. 33, 2012 on Final Review of Anti-dumping Measures against Imports of Sulfamethozazole from India' <http://english.mofcom.gov.cn/aarticle/policyrelease/domesticpolicy/201206/20120608199070.html> (visited 21 August 2012).

<sup>43</sup> MOC, 'Announcement No. 20, 2012 of the Ministry of Commerce of the People's Republic of China on Ruling Made in Sunset Review on Anti-dumping Measures against Imports of Catechol from US and Japan', <http://english.mofcom.gov.cn/aarticle/policyrelease/domesticpolicy/201205/20120508142342.html> (visited 20 August 2012).

<sup>44</sup> MOC, 'Announcement No. 21, 2012 of the Ministry of Commerce of the People's Republic of China on Releasing the Preliminary Ruling on Anti-dumping Investigation on imports of certain high-performance stainless steel seamless tubes from E.U. and Japan', <http://english.mofcom.gov.cn/aarticle/policyrelease/domesticpolicy/201205/20120508116469.html> (visited 22 August 2012).

On 18 April 2012, Ministry of Commerce (MOC) has started to review the anti-dumping measures imposed on imports of electrolytic capacitor paper from Japan. The investigation is scheduled to finish before 18 April 2013. However, the duties imposed in 2007, will be imposed during the review period.<sup>45</sup>

*Initiation of an antidumping investigation on toluidine*

On 29 June 2012, China announced the initiation of an antidumping investigation on toluidine (HS code: 2921 4300) imported from the European Union. The dumping is alleged to have occurred during the year 2011.<sup>46</sup>

**V.B TECHNICAL BARRIERS TO TRADE**

Notification/ Date of Notification	Product	Description	Objective
G/TBT/N/CHN /893 23 April 2012	Oral care and cleansing products. HS 33 ICS 71.100.40	The mandatory standards are the forms, basic principles, annotation contents and labelling requirements for general labels of oral care and cleansing products. This standard has applicability to the oral care and cleansing products sold in China.	Protect human health.
G/TBT/N/CHN /894 23 April 2012	Protective gloves against chemicals and micro-organisms. HS: 9802; 4015 ICS: 13.340.40	Mandatory standards are the technical requirements, test methods and marks for protective gloves against chemicals and micro-organisms.	Protect human health and safety.
G/TBT/N/CHN /895 23 April 2012	Composite seamless steel tubes for pressure HS 7305 ICS 77.140.75	Mandatory standards are the shapes of ends, weight, parts of technical requirements, test methods, inspection rules, packaging, marking and quality certification of composite seamless steel tubes for pressure. This standard has applicability to the composite seamless steel tubes for pressure used for manufacturing boilers, pressure vessels and pressure pipelines.	Protect the health of human, safety of life and property.
G/TBT/N/CHN /896	Welding machine HS: 8468	Mandatory contents are the minimum allowable values of energy efficiency	Save energy and protect the environment.

<sup>45</sup> MOC, 'Announcement No. 15 of 2012 of the Ministry of Commerce of the People's Republic of China on Final Review of Anti-dumping Measures against Electrolytic Capacitor Paper from Japan, <http://english.mofcom.gov.cn/aarticle/policyrelease/domesticpolicy/201204/20120408096795.html> (visited 23 August 2012).

<sup>46</sup> 'China: Initiation of antidumping investigation on toluidine imported from the EU', [www.globaltradealert.org/measure/china-initiation-antidumping-investigation-toluidine-imported-eu](http://www.globaltradealert.org/measure/china-initiation-antidumping-investigation-toluidine-imported-eu) (visited 23 August 2012).

4 April 2012	ICS: 25.160.30	for arc machines. This standard has applicability over the arc welding machine designed for industrial and professional use supplied by voltage power specified in Table 1 of GB/T 156 standard.	
G/TBT/N/CHN /897 4 April 2012	Liquefied petroleum gases for Ignition internal combustion engine vehicle  HS: 2711 ICS: 75.160.30	Mandatory standards are the technical requirements for automotive LPG.	To ensure the product quality of LPG used as automotive fuel.
G/TBT/N/CHN /898 23 April 2012	Various types of ships equipped with totally enclosed lifeboats, partly enclosed lifeboat, open type lifeboats; lifeboats and rescue boats, and rescue boats including fast rescue boats.  HS: 89 ICS: 47.020.50	Mandatory standards are the requirements, test methods for boat davit appliance.	To regulate the market and ensure the life safety of persons for vessels in distress.
G/TBT/N/CHN /899 23 April 2012	Vehicles of categories M and N installed safety-belts anchorages of forward-facing or rearward-facing seats for adult occupants, and categories M1 and N1 installed ISOFIX anchorages and ISOFIX top tether anchorages for children.  HS: 87 ICS: 43.040.60	Mandatory standards are the technical requirements and test methods for Safety-belt anchorages and ISOFIX anchorage systems for children in vehicle.	To ensure the product quality, reduce occupant casualties in car crashes.
G/TBT/N/CHN /900 23 April 2012	Vehicles of category M, N, with regard to the installation of safety-belts and restraint systems intended for separate use as individual fittings by adult build, occupying	Mandatory standards are the technical requirements, test methods requirements of installation in vehicles and instructions for safety-belts, restraint systems, child restraint systems and ISOFIX child restraint system.	To protect the occupants of power-drive vehicles.

	<p>forward or rearward-facing seats which are designed to install in vehicles of category M, N. Vehicle of category M1 and N1 with regard to the installation of child restraint systems and ISOFIX child restraint systems. Vehicles of categories M1 with regard to safety belt reminder.</p> <p>HS: 87 ICS: 43.040.60</p>		
<p>G/TBT/N/CHN /901</p> <p>23 April 2012</p>	<p>Socket-outlets for household and similar appliances.</p> <p>HS: 8535;8536 ICS: 29.120.30</p>	<p>This standard specifies the technical requirements of terminal and terminal ends, structure, mechanical properties and electrical properties for household and similar appliances socket-outlet. It is also applicable to the socket inlaid or intended to be installed in apparatus or fixed to an appliance with rated voltage not exceeding 250V altering current, rated current not exceeding 16 A with or without grounding plug sets.</p>	<p>To regulate the market, ensuring personal safety and safety certification (CCC certification).</p>
<p>G/TBT/N/CHN /902</p> <p>4 April 2012</p>	<p>Electronic switches for household and similar fixed electrical installations</p> <p>HS: 8536 ICS:29.120.40</p>	<p>Mandatory standards are the classification, electric shock protection, grounding measure, structural requirements, technical requirements of mechanical properties and electrical properties for electric switches and associated electronic units, for household and similar fixed electrical installations. This standard applies to electronic switches and associated electronic extension units for household and similar fixed electrical installations either indoors or outdoors. It also applies to electronic switches for operating lamp circuits, controlling brightness of lamps (dimmers) and speed of motors (for example, those used in ventilating</p>	<p>Protect human safety.</p>

		fans, etc.) and for other purposes (for example, heating control) with a rated voltage not exceeding 250 V A.C. and a rated current not exceeding 16 A.	
G/TBT/N/CHN /888 20 April 2012	Hazardous chemicals HS: 9802 ICS: 71.100	This regulation is the revised version of the Regulation on Safety Management of Hazardous Chemicals 2002. There are comprehensive requirements prescribed in this Regulation regarding the safety management of production, storage, usage, operation, transportation, etc. of hazardous chemicals and government safety supervision on hazardous chemicals.	Protect the safety of people and public security.
G/TBT/N/CHN /889 23 April 2012	Vehicles of categories M and N installed safety-belts anchorages of forward-facing or rearward-facing seats, occupants and categories M1 and N1 installed ISOFIX anchorages and ISOFIX top tether anchorages for children.  HS: 87 ICS:43.040.60	Mandatory standards are the technical requirements and test methods for Safety-belt anchorages and ISOFIX anchorage systems for children in vehicle.	To ensure the product quality, reducing occupant casualties in car crashes.
G/TBT/N/CHN /890 20 April 2012	Sulfur coated urea HS: 3102.90.9000 ICS: 65.080	Mandatory standards are the requirements with respect to inspection rules, marking, packing for sulfur coated urea and slow release fertilizers containing sulfur coated urea.	To regulate the market.
G/TBT/N/CHN /891 20 April 2012	Chemical reagent HS: 9802 ICS: 71.040.30	Mandatory standards are the technical requirements for packaging materials, chemical reagent, basic requirement for product packaging, technical requirements for packaging and marks as well as check and acceptance of packaging.	Protect human safety.
G/TBT/N/CHN /892 20 April 2012	Elastomeric cups and double-lipped type gland seals for cylinders for hydraulic braking systems	Mandatory standards are the test requirements for finished product of elastomeric cups and seals for cylinders for hydraulic braking	Protect human safety.

	using non-petroleum base hydraulic brake fluid.  HS: 8708 ICS: 83.140.50, 43.040.40	systems using non-petroleum base hydraulic brake fluid. This standard is applicable to the molded seals up to 60 mm in diameter used in drum type hydraulic brake cylinders and inapplicable to disc brake seals.	
G/TBT/N/CHN /912 26 June 2012	Fire extinguishing agent heptafluoropropane HS: 3813 ICS: 13.220.10	Mandatory standards are the requirements and inspection rules for fire extinguishing agent, heptafluoropropane.	For safety.
G/TBT/N/CHN /913 26 June 2012	Steel heating radiator HS: 73221900 ICS: 91.140.10	Mandatory standards are the requirements for properties and materials for steel heating radiators. This standard is applicable to the steel heating radiators with a hot medium of hot water below 95 degree Celsius and less than 0.3 Moa used in industrial and civil buildings.	To regulate the market.
G/TBT/N/CHN /914 26 June 2012	Household and commercial burning appliance and accessories with town gas as a fuel. HS: 7231 ICS: 91.140	This standard specifies the basic safety technical contents of putting in the market, free circulation and requirements for gas burning appliances and accessories.	Protect safety.
G/TBT/N/CHN /915 26 June 2012	Cementitious capillary crystalline waterproofing materials  HS: 9811;68 ICS: 91.120.30	Mandatory standards are the anti-permeability performances of cementitious capillary waterproofing materials.	To ensure the safety of engineering and human life.
G/TBT/N/CHN /916 26 June 2012	Hazard reducing devices for arc welding power sources. HS: 85 ICS: 25.160.30	Mandatory standards are the product's type, basic parameters, structure and safety requirements, testing method, inspection rules on rating plate for hazard reducing device for arc welding power source.	Protect the personal and equipment safety.
G/TBT/N/CHN /917 26 June 2012	Electrode holders for manual metal arc welding with welding rod of 10 mm in diameter. HS: 8515 ICS: 25.160.30	Mandatory standards are the requirements for safety and performances for electrode holder. This standard applies to electrode holders for manual metal arc welding with a welding rod of 10 mm in diameter. It is not applicable to electrode holders for underwater welding.	Protect personal and equipment safety.

G/TBT/N/CHN /918 26 June 2012	Coupling devices for welding cables used in welding and similar technics.  HS: 8515 ICS: 25.160.30	Mandatory standards are the requirements of safety and performance for coupling devices. This standard applies to coupling devices for welding cables used in welding and similar technics. It is not applicable to coupling devices for underwater welding.	Protect personal and equipment safety.
G/TBT/N/CHN /919 26 June 2012	Medical Devices HS: 90 ICS: 11.040	Standards include regulating matters relating to labels of imported medical devices.	Protect health and safety.
G/TBT/N/CHN /911 11 May 2012	Certified Organic Food and agricultural products.  HS: 9817 ICS: 67; 99.007	Standards are measures which lay down administrative provisions on any activities involving organic product certification and organic product production, processing and marketing in China.	Protect human life, environment and prevent deceptive practices.
G/TBT/N/CHN /909 26 April 2012	Special school bus used for above 3-year-old kindergarden children and students under nine-year - compulsory education. HS: 87 ICS: 43.020	Standard specifies the terms and definitions, type classifications, requirements and test methods for special school bus.	To ensure safety transportation of children, and primary and junior middle school students on their way to and back from school.
G/TBT/N/CHN /910 26 April 2012	Student seat systems and their anchorages of special school bus.  HS: 87 ICS: 43.040.60	Mandatory standards are the requirements and testing systems for student seat systems and their anchorages of special school bus.	To ensure the product quality and reduce fatalities including injuries for occupants of school bus in crash accidents.
G/TBT/N/CHN /903 25 April 2012	Contact lenses  HS: 9018 ICS: 11.040.70	Mandatory standards are the scopes, terms and definitions, requirements, test methods, sampling and inspection rules, labelling, marking and accompanying information requirements for hard contact lenses. This standard has applicability to rigid corneal and scleral contact lenses.	To regulate the market, ensure the safety effectiveness, standardize and control the rigid contact lenses products.
G/TBT/N/CHN /904 25 April 2012	Soft contact lenses  HS: 9018 ICS: 11.040.70	Mandatory standards are the terms and definitions, requirements, test methods, inspection rules, labelling, marking and accompanying information requirements for soft contact lenses. This standard is applied to soft contact lens.	To regulate the market, ensure the safety effectiveness, standardize and control soft contact lenses products.

<p>G/TBT/N/CHN /905</p> <p>25 April 2012</p>	<p>Domestic use playpens and similar cribs for children with a body weight of not more than 15 kg.</p> <p>HS: 94</p> <p>ICS: 97.200.50</p>	<p>Mandatory standards are the safety requirements for playpens and similar cribs. It does not apply to bassinet and hammock, hanging toys, fitness toys and similar toys on playpens and similar cribs.</p>	<p>To protect the safety and health of children.</p>
<p>G/TBT/N/CHN /906</p> <p>25 April 2012</p>	<p>Green sand mixer</p> <p>HS: 8454</p> <p>ICS: 25.120.30</p>	<p>This standard specifies the safety requirements and measures which are to be followed by designers, manufacturers, suppliers and users of green sand mixer.</p>	<p>To protect the health and safety of persons.</p>
<p>G/TBT/N/CHN /907</p> <p>25 April 2012</p>	<p>Seamless steel tubes for large volume gas cylinder</p> <p>HS: 7304</p> <p>ICS: 77.140.75</p>	<p>Mandatory standards are the size, shape, weight, technical requirements, test methods, inspection rules, packaging, marking and quality certification for seamless steel tubes for large volume gas cylinder. This standard is applicable to seamless steel tubes for gas cylinder within the volume range of 300 L- 3000 L.</p>	<p>To protect the health of persons, safety of human life and property.</p>
<p>G/TBT/N/CHN /908</p> <p>25 April 2012</p>	<p>Health food</p> <p>HS: 9803</p> <p>ICS: 67</p>	<p>The central standards are the basic rules for production and quality management of health food, which specifies the requirement on organizations and personnel of manufacturing enterprises, workshop and facilities, equipment, materials and finished products, production management, quality management and file management.</p> <p>Main standards are the basic rules for production and quality management of health food, which specifies the requirements on organizations and personnel of manufacturing enterprises, workshop and facilities, equipment, materials and finished products, production management, quality management and file management.</p>	<p>Protect safety and health.</p>

## V.C SANITARY AND PHYTOSANITARY MEASURES

Notification/ Date of Notification	Product	Description	Objective
G/SPS/N/CHN/531 15 June 2012	Food additive Hydroxypropyl starch	The standard is applied to food additive Hydroxypropyl starch made from food starch as raw material and by reacting it with etherifying agent, as well as Hydroxypropyl starch processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	To overview food safety.
G/SPS/N/CHN/532 15 June 2012	Food additive Hydroxypropyl distarch phosphate	The standard is applicable to food additive Hydroxypropyl distarch phosphate made from food starch as raw material and by reacting it with phosphate agent and etherifying agent, as well as Hydroxypropyl distarch phosphate processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	In order to protect food safety.
G/SPS/N/CHN/533 14 June 2012	Food additive acetylated distarch adipate	The standard applies to food additive Acetylated distarch adipate made from food starch as raw material and by reaction with bi-acetic anhydride, as well as Acetylated distarch adipate processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	Protect food safety.
G/SPS/N/CHN/534 15 June 2012	Food additive Oxidized hydroxypropyl starch	The standard applies to food additive Oxidized hydroxypropyl starch derived from food starch as raw material and by reacting it with oxidant and etherifying agent, as well as Oxidized hydroxypropyl starch processed by steam boiling or pre-gelatinization with enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	Protect food safety.
G/SPS/N/CHN/535 15 June 2012	Food additive Starch aluminium octenylsuccinate	The standard applies to food additive Starch aluminium octenylsuccinate made from food starch as raw material and by reacting it with octenylsuccinate anhydride and aluminium sulfate, as well as Starch aluminium octenylsuccinate processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	Protect food safety.
G/SPS/N/CHN/536	Food additive	This standard applies to food additive Phosphated distarch phosphate made from food starch as raw	Protect food

15 June 2012	Phosphate d distarch phosphate	material and by reacting it with phosphate agent, as well as Phosphated distarch phosphate processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	safety.
G/SPS/N/CHN/537 15 June 2012	Food additive Starch phosphate sodium	This standard applies to food additive starch phosphate sodium made from food starch as raw material and by reacting it with phosphate agent, as well as Starch phosphate sodium processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	Protect food safety.
G/SPS/N/CHN/538 15 June 2012	Food additive Carboxymethyl sodium starch	The standard applies to food additive Carboxymethyl sodium starch made from food starch as raw material and by reacting it with monochloroacetic acid, and also applies to its further processed products by pre-gelatinization.	Protect food safety.
G/SPS/N/CHN/539 15 June 2012	Food additive Glycerol ester of rosin and Glycerol ester of partially hydrogenated rosin	This standard applies to food additive Glycerol ester of rosin and Glycerol ester of partially hydrogenated rosin produced through esterification reaction by premium or prime gum rosin or hydrogenated rosin as raw materials reacted with food-grade glycerin.	Protect food safety.
G/SPS/N/CHN/540 15 June 2012	Food additive Calcium aspartate	This standard applies to food additive Calcium aspartate made from L-aspartic acid and food grade calcium compounds (calcium hydroxide, calcium chloride, calcium carbonate) as raw materials through chelating reaction.	Protect human safety.
G/SPS/N/CHN/541 15 June 2012	Food additive Attapulgit e clay	This standard applies to food additive Attapulgit e clay made from Attapulgit e clay as raw material. It specifies the technical requirements and testing methods for food additives.	Protect the food safety.
G/SPS/N/CHN/526 7 June 2012	Food additive Starch acetate	The standard applies to food additive Starch acetate made from food starch as raw material and by it reacting with esterifying agent, as well as Starch acetate processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	Protect food safety.
G/SPS/N/CHN/527	Food additive	The standard applies to food additive Di-starch phosphate made from food starch as raw material and	Protect food

7 June 2012	Di-starch phosphate	by reacting it with esterifying agent, as well as Distrach phosphate processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	safety.
G/SPS/N/CHN/528	Food additive Oxidized starch	The standard applies to food additive Oxidized starch made from food starch as raw material and by reacting it with oxidant, as well as Oxidized starch processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	Protect food safety.
G/SPS/N/CHN/529 7 June 2012	Food additive Acid treated starch	This standard applies to food additive Acid treated starch made from food starch with acid reaction, as well as Acid treated starch processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	Protect food safety.
G/SPS/N/CHN/530 7 June 2012	Food additive Acetylated distarch phosphate	This standard applies to food additive Acetylated distrach phosphate made from food starch as raw material and by reacting it with phosphate agent and acetylated agent, as well as Acetylated distarch phosphate processed by steam boiling or pre-gelatinization through enzyme-treatment, dextrin-roasting, acid-treatment and bleaching.	Protect food safety.
G/SPS/N/CHN/523 4 June 2012	Raw and cooked nuts and seeds	The standard applies to raw and cooked nuts and seeds. This standard prescribes the terms, definitions and technical requirements, etc.	Protect food safety.
G/SPS/N/CHN/524 4 June 2012	Chocolate and chocolate products	This standard applies to chocolate and chocolate products as well as imitation of chocolate and chocolate products. The standard prescribes the terms, definitions and technical requirements, etc.	Protect food safety.
G/SPS/N/CHN/525 4 June 2012	Grains	The standard applies to raw grains and grain products for human consumption including cereals, beans and potatoes. This standard does not apply to raw materials for the manufacture of edible oil. This standard prescribes the terms, definitions and technical requirements, etc.	Protect food safety.

## VI. MEASURES AFFECTING PRODUCTION AND TRADE

### VI.A TAXATION AND TAX INCENTIVES

#### China's notice on Import Taxation on Science-Education Films/TVs

The State Council approved exception from import duties and import value-added tax (VAT) from 1 January 2012 till 31 December 2015 on the import copies and working tapes involved in purchase abroad of self-use science-education film/television-program broadcasting rights by public science-technology museums, natural

museums, planetariums, meteorological observatories, seismographic stations and science-education bases and to other self-use films/television programs imported in other forms by science-education entities.<sup>47</sup>

HS Code	Commodity Description
37.05	Exposed and developed photographic plates and films negative, except cinefilms
3705.1000	Used for copying offset plates
	-Others:
3705.9021	Educational film slides
	Microfilms
3705.9021	Books, periodicals
3705.9029	Others
3705.9090	Others

## VII. TRADE RESTRICTIONS

### *China's export policy on the Rare Earth*

Foreign Ministry of PRC provided that policy adjustment on rare exports on 28 June 2012 was 'entirely for the sake of environmental protection instead of trade distortion or the protection of domestic industries'. Further the Ministry clarified that PRC shall set its future quotas on rare earth exports in accordance with the global market demand and available supplies. In accordance with the government white paper issued last week, PRC shall implement stringent environmental standards and protective exploitation policies for its rare earth industry. The white paper also clarified that PRC will continue to intensify regulatory measures for the rare earth sector while supplies to the global market must be in line with WTO rules. According to the WTO rule, any member can take necessary measures to protect their resources and environments while allows export restraints if they are accompanied by simultaneous restrictions over domestic production or consumption.<sup>48</sup>

China's policy on rare earth causes potential business risks and geopolitical implications for the world economy. By such restrictions on export of rare earths, Chinese domestic sector gains a competitive advantage due to secured access to rare earth supply while causing significant disparity between domestic and external prices due to restricted supply.<sup>49</sup>

<sup>47</sup> CaiGuanShui, E-to-China, 'China's Notice on Import Taxation on Science-Education Films/TVs', [http://www.e-to-china.com/tariff\\_changes/Policy\\_Focus/2012/0405/101347.html](http://www.e-to-china.com/tariff_changes/Policy_Focus/2012/0405/101347.html) (17 Oct 2012).

<sup>48</sup> Deng Shaha, Xinhua, 'China defends rare earth export policy adjustment', [http://english.gov.cn/2012-06/28/content\\_2172653.htm](http://english.gov.cn/2012-06/28/content_2172653.htm) (visited 24 August 2012).

<sup>49</sup> Wayne M. Morrison and Rachel Tang, 'China's Rare Earth Industry and Export Regime: Economic and Trade Implications for the United States', CRS Report for Congress, Congressional Research Service, <http://www.fas.org/sgp/crs/row/R42510.pdf> (15 Oct. 2012).

## VIII. INTELLECTUAL PROPERTY RIGHTS

On 10 April 2012, China issued an annual plan to promote IPR protection. According to the plan, China will further enhance the construction of long-term mechanism on combating IPR infringement and raise tort cost. The plan aims to further improve IPR evaluation system, make better IPR examination and management work and raise IPR value. IPR protection policies for strategic emerging industries such as energy saving and environmental protection will be promulgated. Besides, commercializing IPR achievements will also be impelled. At the same time, raising infringement cost and combating illegal actions will be main work this year.<sup>50</sup>

On 9 April 2012, China had officially initiated the website for China's crackdown upon infringement and piracy and the online exhibition of China's credit enterprises were officially started with a view to strengthen the implementation of IPR in the country.<sup>51</sup> Besides, the website of national cracking down on IPR infringement and counterfeit and shoddy goods was also initiated on the same day.<sup>52</sup>

## XI. TRADE POLICIES BY SECTOR

### XI.A AGRICULTURE

On 25 May 2012, Chinese authorities announced that China will maintain quarantine on fruit imports from Philippines.<sup>53</sup> China's examinations on the fruit imports are in line with rules and standards set by the World Trade Organization and the Food and Agriculture Organization of the United Nations. The agency had earlier remarked that harmful insects or bacteria were found in pineapples, bananas and other fruits imported from Philippines in the year 2011.<sup>54</sup> On the other hand, China has permitted the import of Costa Rican meat on 29 April 2012.<sup>55</sup> The three meat processing plants that met the requirements of China and secured certification have now gained entry into the Chinese market.<sup>56</sup>

In accordance with the Measures for the Administration of the Import Report and Information Release of Staple Agricultural Products (Decree No. 10, 2008 of the Ministry of Commerce, hereinafter referred as "the Measures")<sup>57</sup>, the Ministry of Commerce of People's republic of China revised the Catalogue of Staple Agricultural Products Subject to Import Report Administration (hereinafter referred as the "Catalogue"). The changes were made with respect to olive oil and distillers' grains in the Catalogue,

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<sup>50</sup> China issues annual plan to enhance IPR protection(19<sup>th</sup> April 2012) more available at, [http://www.chinaipr.gov.cn/newsarticle/news/government/201204/1288576\\_1.html](http://www.chinaipr.gov.cn/newsarticle/news/government/201204/1288576_1.html)

<sup>51</sup> 'Website for China's Crackdown upon Infringement and Piracy opened', [http://www.chinaipr.gov.cn/newsarticle/news/government/201204/1288233\\_1.html](http://www.chinaipr.gov.cn/newsarticle/news/government/201204/1288233_1.html) (visited 3 September 2012).

<sup>52</sup> 'Website of National Cracking Down on IPR Infringement and Counterfeit and Shoddy Goods Has Been Officially Launched', <http://english.mofcom.gov.cn/aarticle/newsrelease/significantnews/201204/20120408061189.html> (visited 3 September 2012).

<sup>53</sup> ETCN, 27 May 2012, 'China Maintains Quarantine on Fruit from Philippines' <http://www.customs-info.com/Files/NewContent.aspx?id=683> (visited 27 August 2012).

<sup>54</sup> Ibid.

<sup>55</sup> Xinhua, 1 May 2012, 'China Gives Green Light to Costa Rican Meat Exports: Minister' <http://www.customs-info.com/Files/NewContent.aspx?id=666> (visited 27 August 2012).

<sup>56</sup> Ibid.

<sup>57</sup> Ministry of Commerce, 8 May 2012, 'Announcement No. 19 of 2012 of the Ministry of Commerce of the People's Republic of China' <http://english.mofcom.gov.cn/aarticle/policyrelease/domesticpolicy/201205/20120508111978.html> (visited 27 August 2012).

and measures for the administration of import report have been implemented on the above products as of 1 June 2012.<sup>58</sup> In accordance with the decree, the Ministry authorized China Chamber of Commerce for Import and Export of Foodstuffs, Native Produce and Animal By-Products to be responsible for the routine work of gathering, summarizing, analyzing and checking import report information of the aforementioned products.<sup>59</sup>

#### *China imposes import duty on New Zealand Cheese imports*

As per China-New Zealand Free Trade Agreement, China maintains special safeguard measures on 11 HS Code-covered agricultural products from New Zealand. On 19 April 2012, the General Administration of Customs of China announced the import quantity of covered New Zealand cheese (**HS Code 04061000, 04063000 and 04069000**) near safeguard level of 2012. Since the declared imports of such products totalled 4,535.23 tons exceeding the safeguard triggering 4,376 tons of 2012 on 23 April 2012. There shall be an import duty levied on those covered cheese at the most-favoured-nation (MFN) duty rate from 24 April 2012. As regards the in-transit imports, the duty application and other such matters shall be subject to the GACC Announcement No. 91 of 2008 regulations.<sup>60</sup>

## **IX.B SERVICES**

### FINANCIAL SERVICES

During this quarter, there was significant progress by large commercial banks to expand overseas business and the reform by building a dedicated division for rural financial services made concrete achievements. In the month of May, applications by the Industrial and Commercial Bank of China (ICBC) to acquire the Bank of East Asia (US), by the Agricultural Bank of China (ABC) to set up a branch in New York, and by the Bank of China (BOC) to open a branch in Chicago were approved by the US regulatory authorities, while the ICBC's application to open a Brazilian subsidiary was approved by the Brazilian National Currency Committee. In order to provide country-level branches greater incentives in serving agriculture, rural areas and farmers, the ABC released the Notice on Regular Clearing of Returns on Preferential Reserves for Financial Services for Agriculture, Rural Areas and Farmers in May that allows the distribution a certain portion of returns on preferential reserves to country-level branches with the best performance in agro-linked financial services.

The reform of Rural Credit Cooperatives (RCC) led to notable achievements. RCC's asset quality strengthened significantly. Agro-linked lending by the RCCs grew markedly. By end-June, total RCC deposits were 11.2 trillion RMB, an increase of 12.9 percent from end-2011. In particular, outstanding agro-linked loans and loans to rural households reached 5.1 trillion RMB and 2.6 trillion RMB, up by 10.7 percent and 11.0 percent respectively from end-2012. Steady progress was made in RCC property rights reform and by end-June, a total of 1,858 RCCs with legal-person status at the country level, 247 rural commercial banks and 173 rural cooperative banks were established.<sup>61</sup>

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<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

<sup>60</sup> E-to-China, 'GACC Announcement No. 21, 2012 on MFN Rate on NZ Agricultural Products', [http://www.e-to-china.com/tariff\\_changes/Policy\\_Focus/2012/0503/101779.html](http://www.e-to-china.com/tariff_changes/Policy_Focus/2012/0503/101779.html) (17 Oct 2012).

<sup>61</sup> Ibid. at 22.