

中國人民大學



RENMIN

65周年校庆

人大新闻

ENGLISH

RENMIN UNIVERSITY OF CHINA



# The Programme of Mutual Trade & Investment of Latin September, 2004 Beijing, China



Joint Project



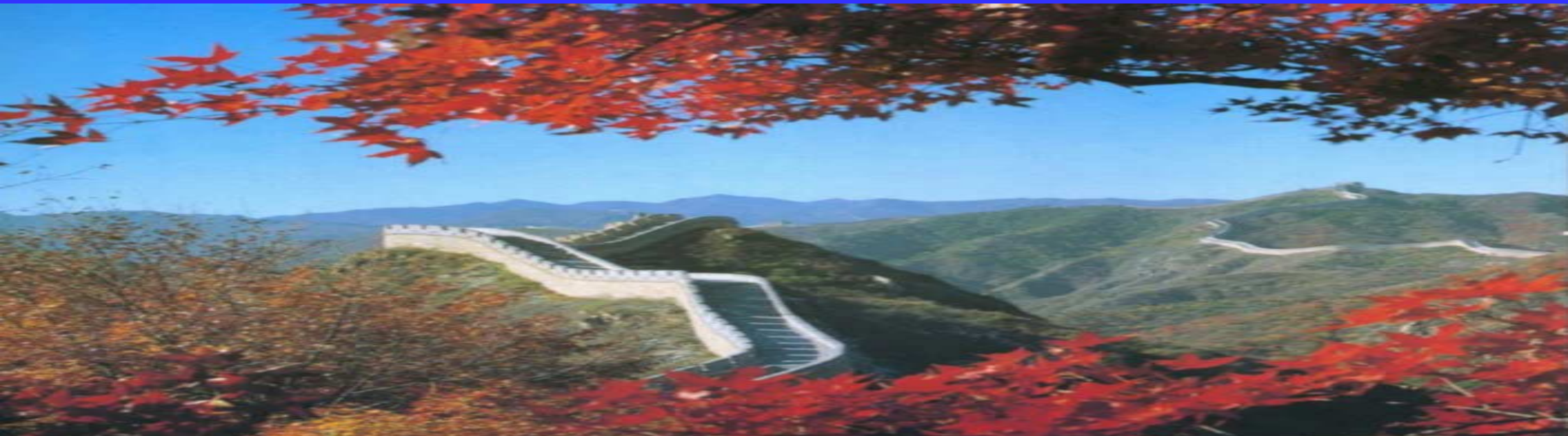
# Chinese growth offers opportunities for others

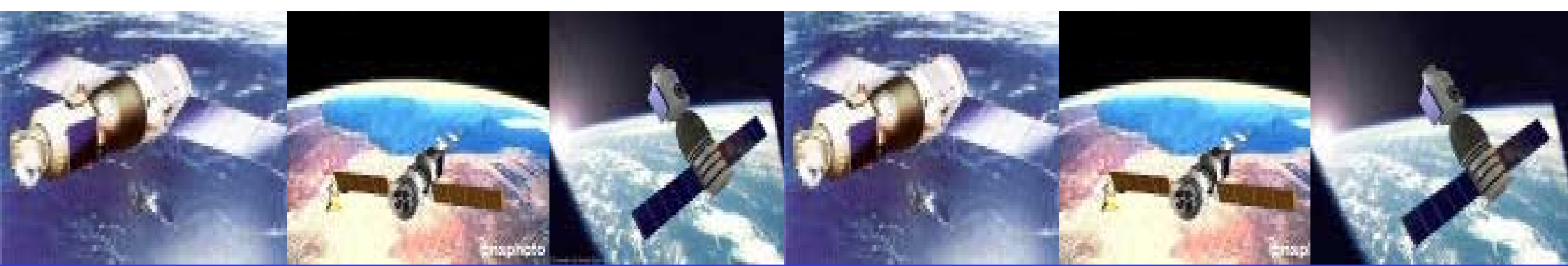
Hu Jintao



# China's Development an Opportunity for world

Prof. Peng Gang





# Part One: China's Peaceful Development





## **President: China's Economic Development from 1978 to 2003**

**In the course of 25 years between 1978 and 2003, China's economy grew by an average annual rate of 9.4 per cent, with its GDP, foreign trade and foreign exchange reserves jumping from US\$ 147.3 billion, US\$ 20.6 billion and US\$ 167 million to over US\$ 1.4 trillion, US\$ 851.2 billion and US\$ 403.3 billion respectively. China now is the world's sixth largest economy and the fourth largest trader.**

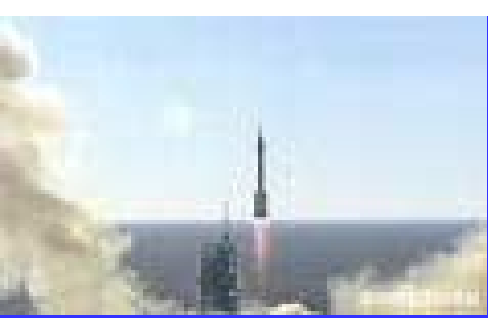


## **Premier: Economy on healthy track**

**China's overall economic situation is fine at present, as the government's macro economic control efforts have taken effect.**

**The overly-rapid growth of investment has been curbed. The increase of money supply and credit has slowed down, and the destabilizing, unhealthy factors in economic operations have been checked to same extent.**

**The country's foreign trade has witnessed a constant rise and the government's financial revenue has reported a sharp increase.**



## **Blueprint for economic growth**

**China's economy has been continuously booming since 1979. China will see annual economic growth of between 7 and 8 per cent in the coming years and the GDP ( gross domestic product ) will amount to 38 trillion yuan ( US\$ 4.58 trillion )by 2020,when the per capita GDP will be 26,000 yuan ( US\$ 3,130).**



# **Economy up 9.7 per cent in the first half of this year**

**China's economy grew 9.7 per cent during the first half of this year. The country's first half of year gross domestic product stood at 5,878.8 billion yuon**

**(US\$ 710 billion).**

2004-10-27





# **Foreign trade surges to surplus I**

**China witnessed its third monthly trade surplus**

**In a row as July's exports surged by nearly 34 per cent. The total exports from January to July reached US\$ 309.12 billion, rising 35.5 per cent, while the imports increased by 41.3 per cent to US\$ 313.99 billion.**

**Export in July amounted to US\$ 51.04 billion in comparison, up 33.92 per cent year-on-year. And the imports surged by 34.31 to US\$ 49.09 billion. The growth rates marked a slowdown from the year to June, when exports rose by 46.4 per cent and imports by 51 per cent.**

# Foreign trade surges to surplus II

The monthly trade sheet recorded a small surplus of US\$1.95 billion, the third surplus in a row this year.

The surplus compared with US\$ 1.8 billion in June and US\$ 2.1 billion in May.

Export were expected to rise an annual 15 per cent in 2004 to US\$ 505 billion, while imports were likely to surge 20 per cent to US\$ 495 billion.

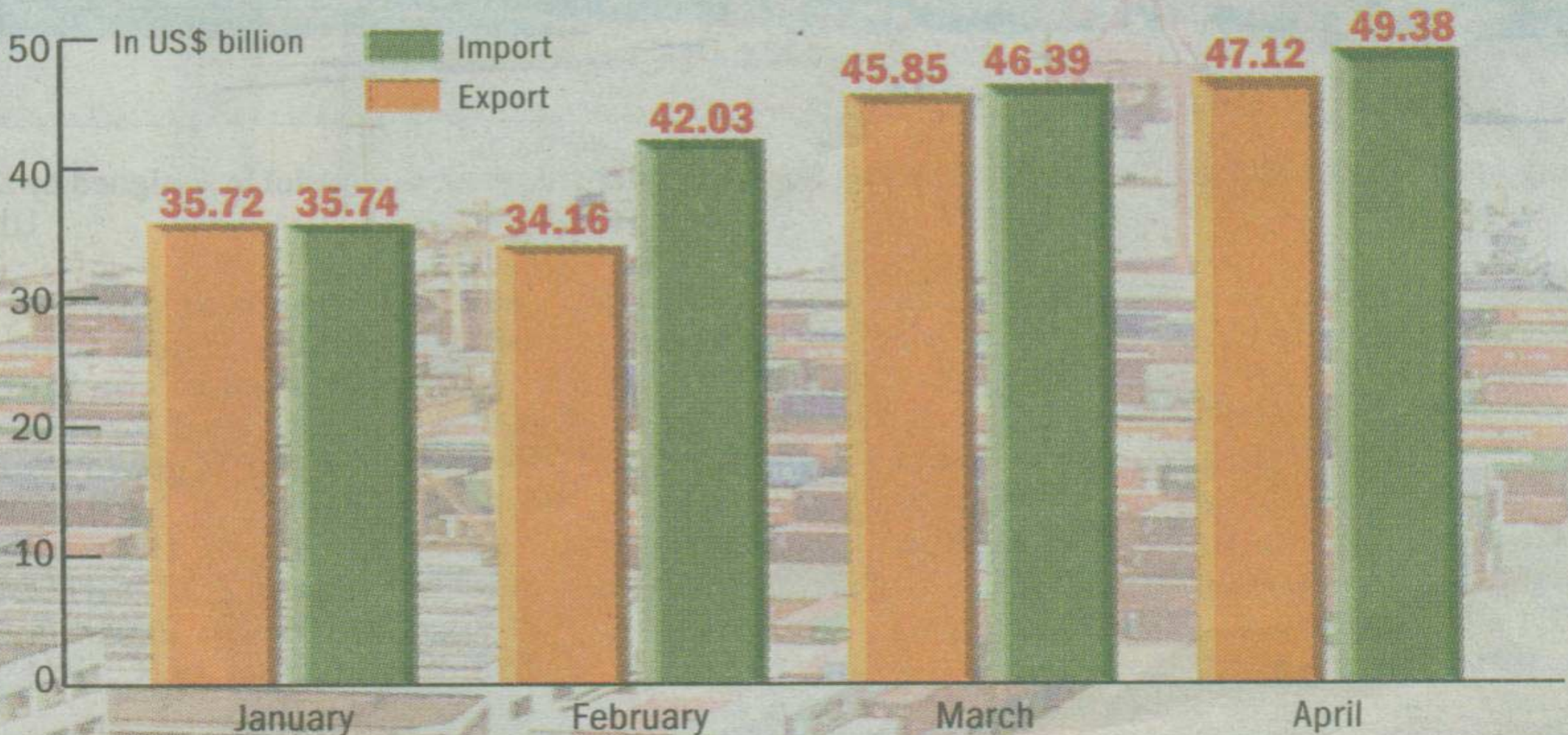
That would produce a trade surplus of US\$ 10 billion for this year compared to a US\$ 25.5 Billion surplus in 2003.

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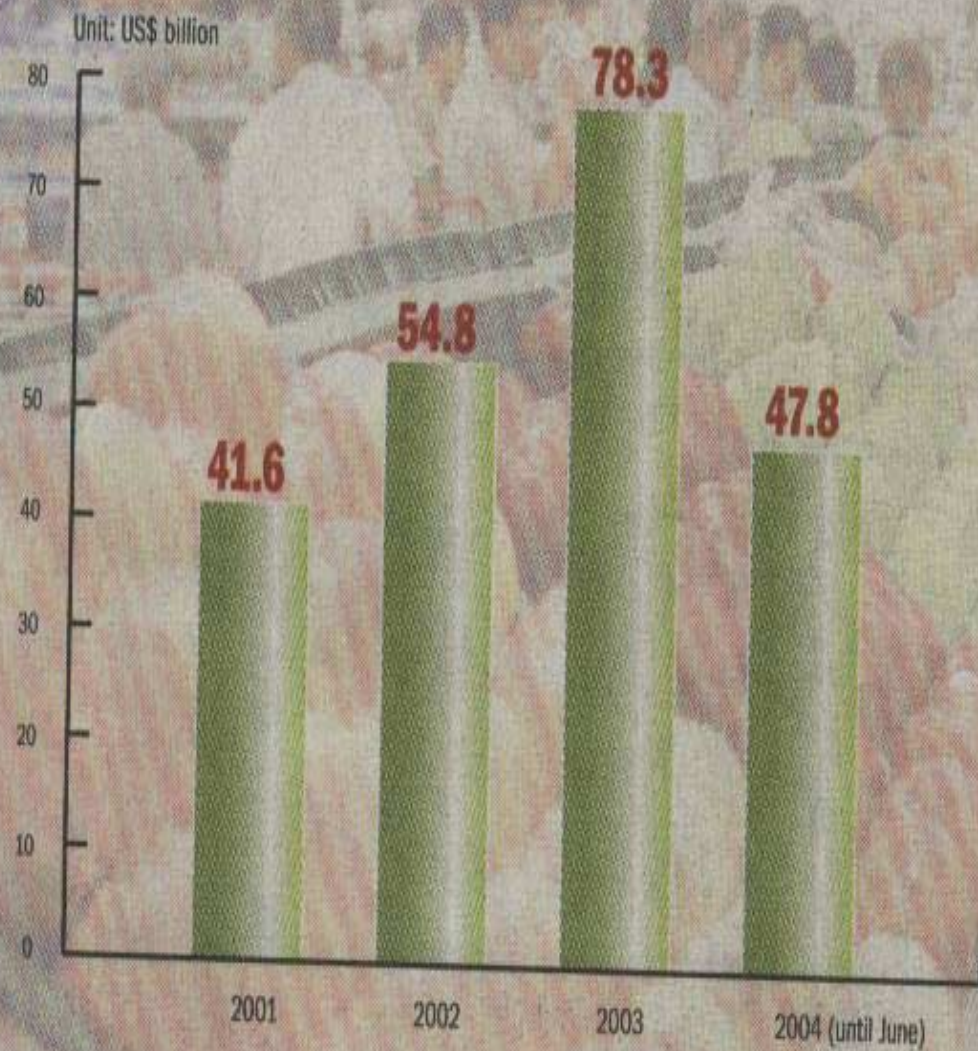
# Foreign trade for the first five months

## Exports & imports for the first four months

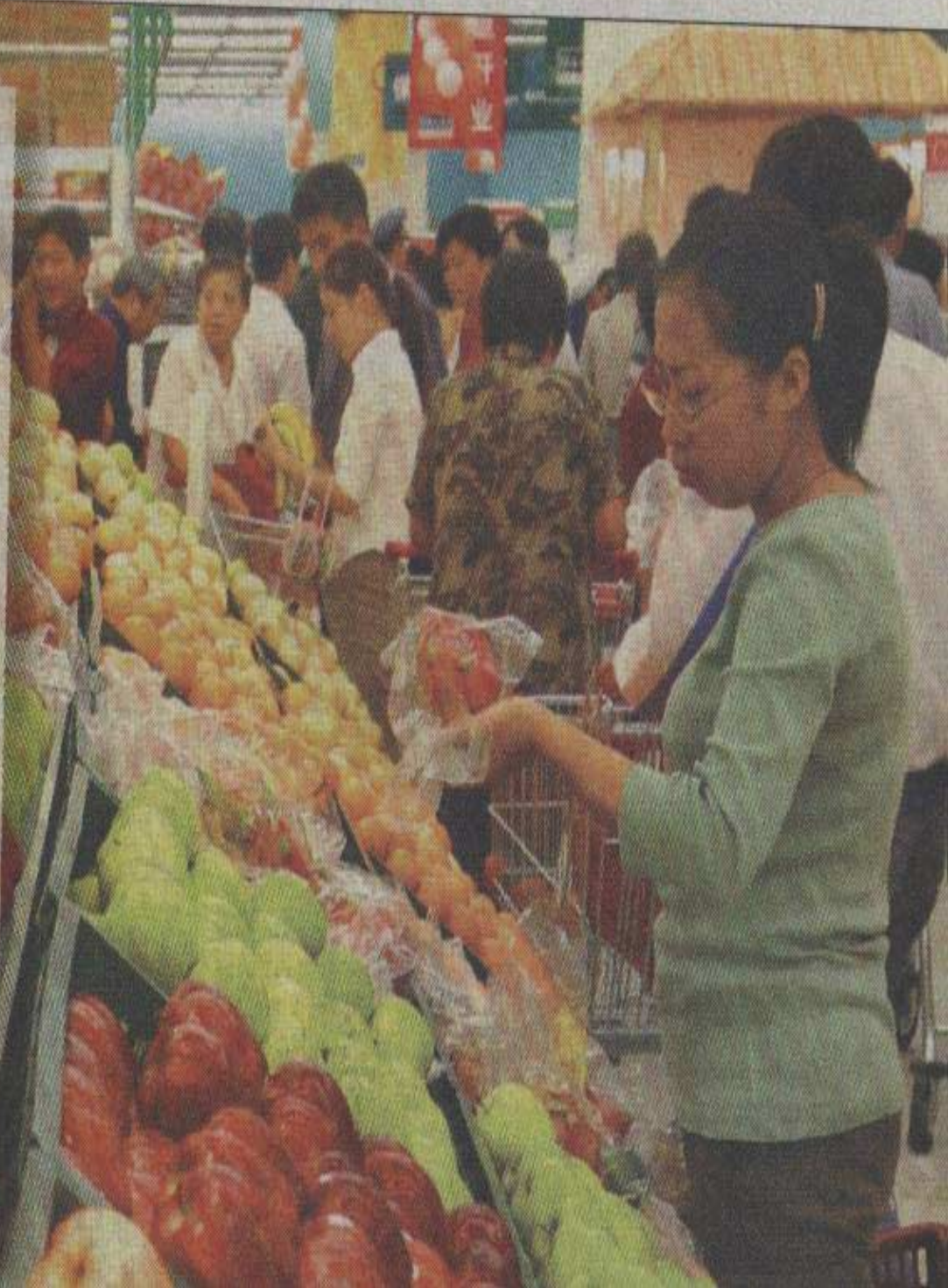


**May imports rose 35.4 per cent to US\$ 42.8 billion.  
Exports in May surged 32.8 per cent to US\$ 44.87b.**

## China-ASEAN trade



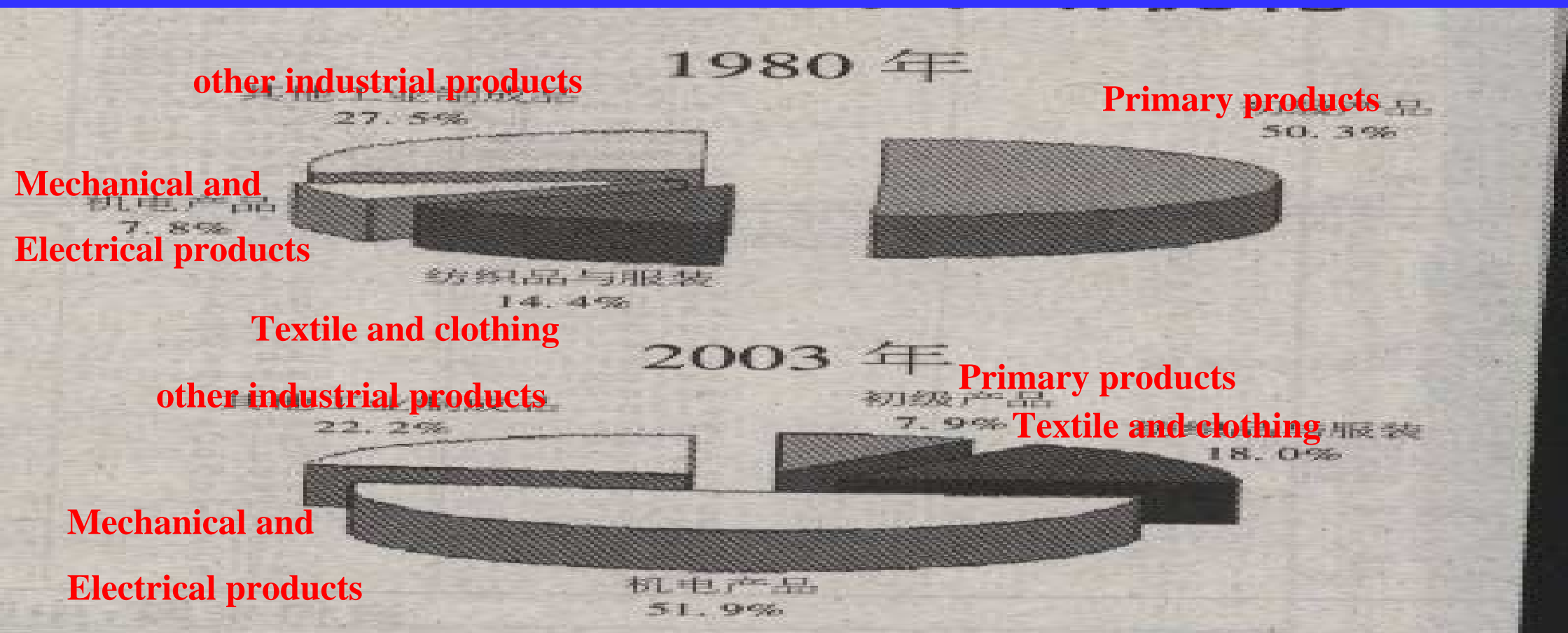
Source: Ministry of Commerce



# China's export-products structure

## was further optimized

Export of high-tech products increased by 58.3 per cent to US\$ 83.8 billion in the first seven months of this year, accounting for 27.1 per cent of China's total exports.



# increases Foreign investment steadily I

China's foreign direct investment grew by nearly 46 per cent in July 2004. The nation registered an actual foreign direct investment ( FDI ) of US\$ 38.4billion in the first seven months, up 15.14 per cent year-on-year.

The contracted direct investment, an indicator of future trends, increased

By 39.69 per cent to US\$ 82.66 billion

In the period.

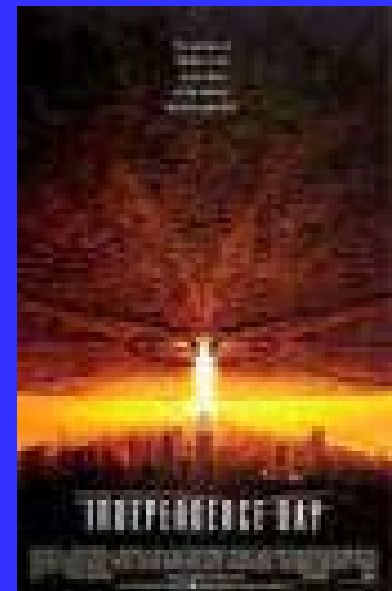


2004-10-27

# Foreign investment increases steadily I I

China approved 25,217 new foreign-invested ventures in the seven months, up 13.36 per cent. Actual FDI in July was US\$ 4.52 billion, up nearly 46 per cent from a year earlier. The growth rate of actual FDI hit a record high this year compared with 14.16 per cent of June and 15.5 per cent of May this year. More capital will flow into fields such as banking, tourism, commerce, hospitals and education as China will realize many promises in line with its WTO agreements by December 11 this year.

Foreign investors have set up over 600 research and development centres in China as of June this year, with a total investment of US\$ 4 billion.







## **China's FDI structure was further optimized**

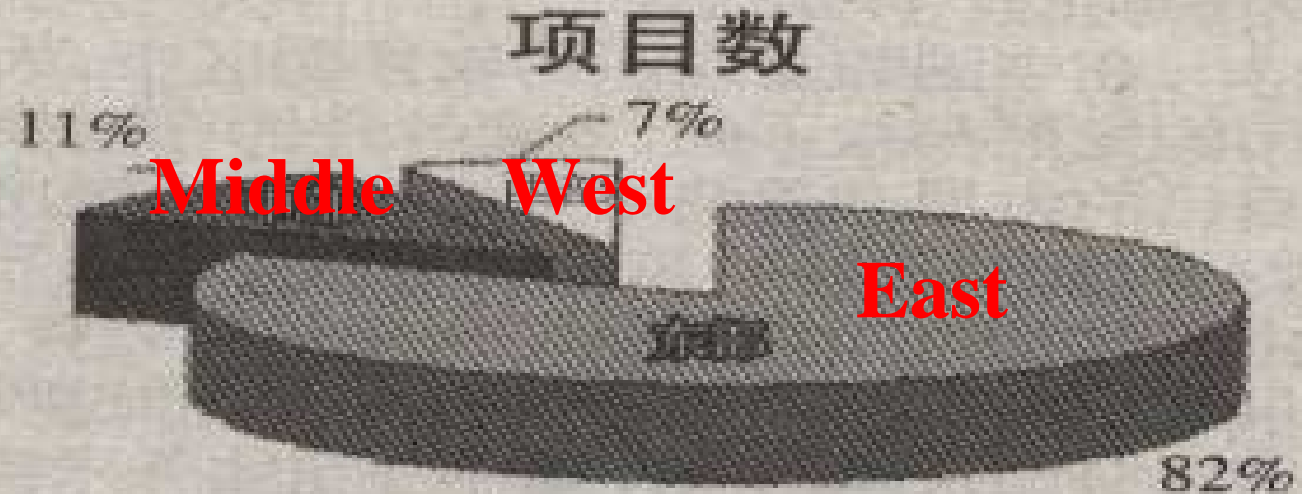
**China's FDI structure was further optimized. The service sector attracted more investment and foreign investment showed greater interest in high-tech industries and research and development centres.**

**The growth of FDI in central and west China, as well as the old industrial base in Northeast China, was very fast. East China still took away more than 85 per cent of the total FDI.**

# By the end of 2003 actual FDI in the East, Middle and West of China



The amount of items



The amount of actual FDI

实际使用外资金额



# **Fixed asset investment grows 31.1 per cent**

**China's fixed asset investment grew 31.1 per cent during the first seven months of the year compared with the same period a year ago.**

**The country's fixed asset investment stood at 2,711.6 billion yuan ( US\$326.7 billion ) from January to July and July's growth rate would be about 31.5 per cent.**

**The sectors that continued to show strong growth were electrical machinery, transport, chemicals and utilities.**

**Investment in construction and investment from**

**Foreign direct investment also picked up.**

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# Price Indices continued to rise I

Consumer price index kept in the fast upward curve. CPI rose by 3.6 per cent in the first half of this year. The index growth was 2.8 per cent and 4.4 per cent respectively in the two quarter, and was as fast as 5 per cent in July. Price indices for capital and investment goods continued to climb, while prices of major commodities, including crude oil and gas, kept rising.

China's consumer prices rose by 5.3 per cent year-on-year in July. The CPI rose year-on-year by 4.9 per cent in urban areas but by 5.9 per cent in rural areas.

# Price Indices continued to rise II

The higher CPI was partly due to a supply bottleneck in some sectors, and fast fixed asset investment growth since the second half of last year resulted in price rises for products such as steel, non-ferrous metals, coal, electricity and oil.

A fall in the grain production, which declined 5.8 per cent last year, also resulted in a rapid price

Rise since last October. Grain prices rose

31.8 per cent in July from a year earlier,

While vegetable prices jumped 13.4 per cent.





## **Job market improves in first half year**

**China's job market blossomed in the second quarter of 2004, with both the numbers of job vacancies and job seekers increasing in the first quarter of the year.**

**The 113 major cities have a total urban population of 164 million, which is about 63 per cent of China's total urban population, and 61.9 million employees. During the period, the job markets in the 113 cities registered 3.80 million posts and 4.083 million job seekers.**

**On a quarterly basis, the number of offered posts increased by 575,000, a 19 per cent growth. And there were 394,000 more job seekers than the first quarter of this year, an increase of 11.6 per cent.**



## **Bureau cautious savings diversion**

**The growing diversion of Chinese households' savings out of the banking system this year will help improve the funding effectiveness of the economy and reduce burdens on the banks.**

**The growth in Chinese households' bank savings, which had been fairly rapid in recent years, has been slowing its pace during the past four months. Outstanding savings deposits rose by 14.2 per cent on a year-on-year basis in the first seven months of this year to 12.1 trillion yuan ( US\$ 1.45 trillion ), the slowest growth rate in the past 28 months.**



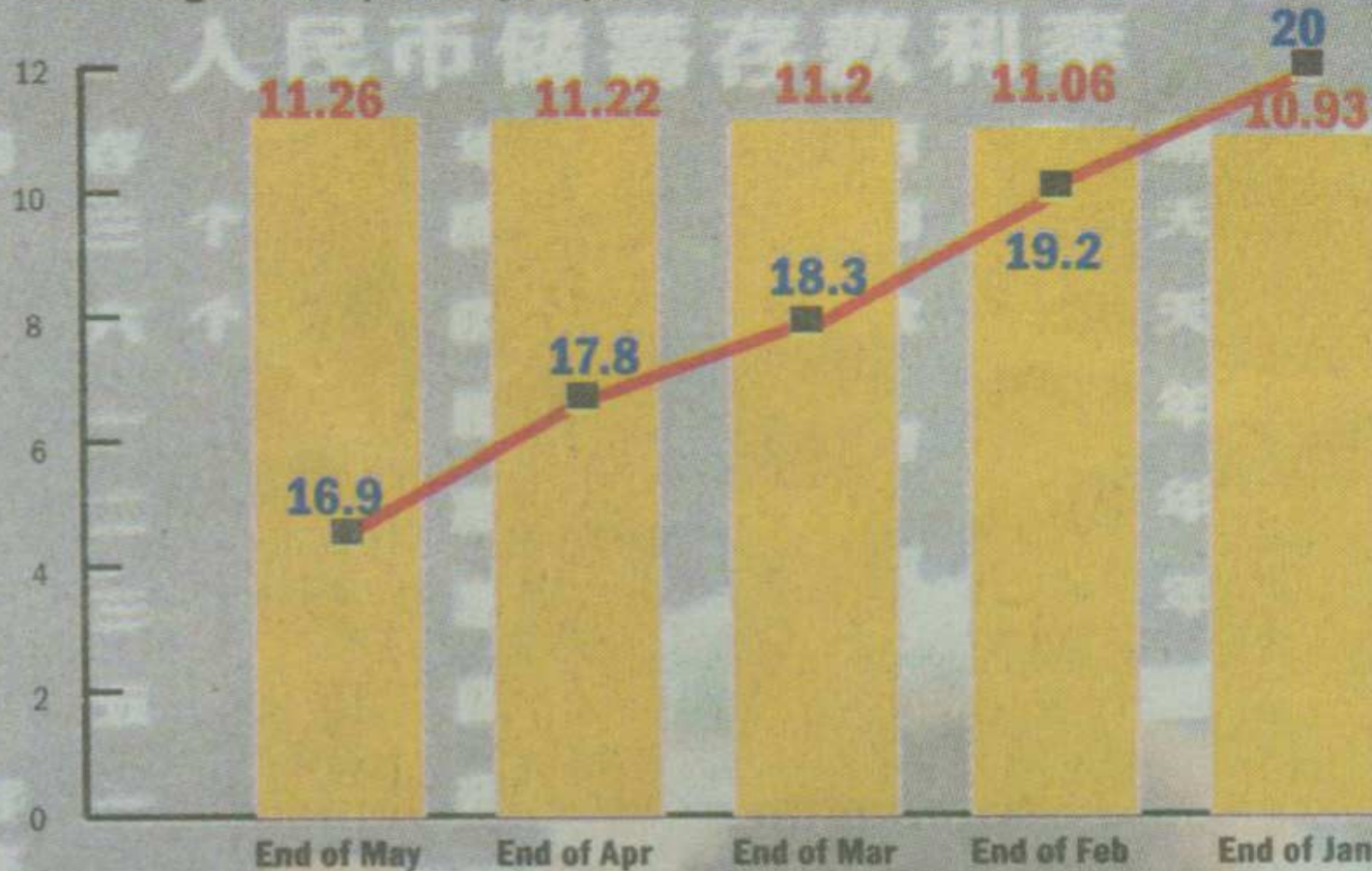
# 中国工商银行

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

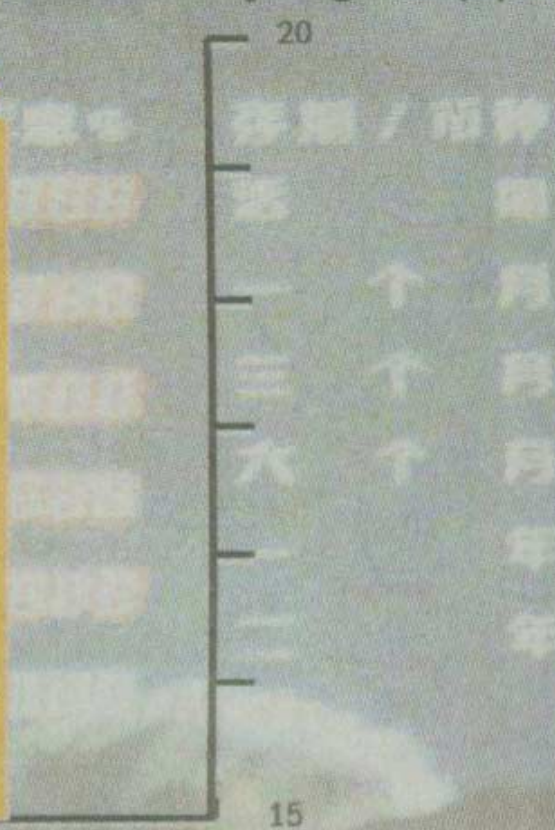
## Renminbi savings deposits



Outstanding amount (trillion yuan)



Year-on-year growth (%)





# Renminbi savings deposits



## **Farmers' income to jump 5% I**

**China's economic reform began in the countryside in 1978 and did bring tangible benefits to farmers. Since 1997, however, farmers have been facing great difficulty in increasing the money in their pockets.**

**From 1997 to 2003, the annual growth rate of rural per capita net income was less than 5 per cent, with the lowest only 2.1 per cent and highest 4.8 per cent. That's about half the urban average. As a result, per capita**

**net annual income was 2,090 Yuan ( US\$ 253 )**

**while urban per-capita disposable income was**

**5,160 yuan ( US\$ 624 ), leading to a ratio of 1 to**

**2.47. Last year, the gap enlarged to 1 to 3.24.**



## **Farmers' income to jump 5% II**

**The net income of Chinese farmers is expected to grow by 5 per cent this year, the greatest increase since 1996. In this year's first quarter, the average income of each farmer was 834yuan ( US\$ 101 ), climbing 9.2 per cent from the same period last year.**

**The figure predicted means a great deal to China, where 60 per cent of the population is rural.**

**That's about 800 million people.**

**The hike was part the result of higher grain**

**Prices since last October, but mainly the direct**

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# Farmers' income to jump 5% III

Effect of a policy of support adopted earlier this year.

Major incentive policies, including a lower agriculture tax and direct subsidies to grain growers, provided aid for farmers who use fine grain strains and bottom purchasing price for staple grain products.

“ It was a profound turning point when the government gave subsidies directly to us rather

Than collecting money. Although the money is

Limited ( 123 yuan or US\$ 15 per hectare ),

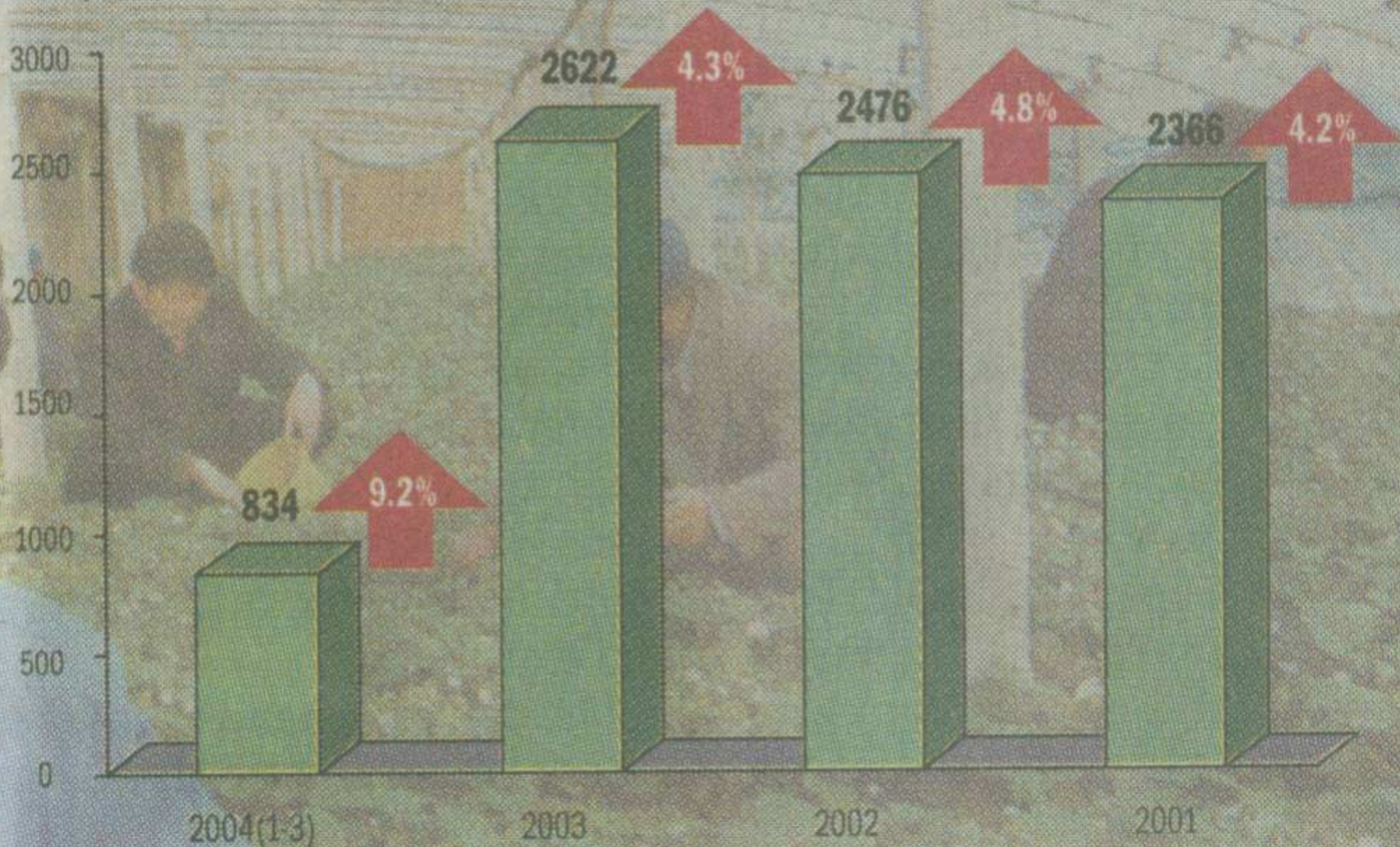
it marks a new beginning in the country's

Agriculture policy” the farmers said.



# Rural resident's per capita cash income

unit: yuan



# Installed Capacity of China's Nuclear Power Units

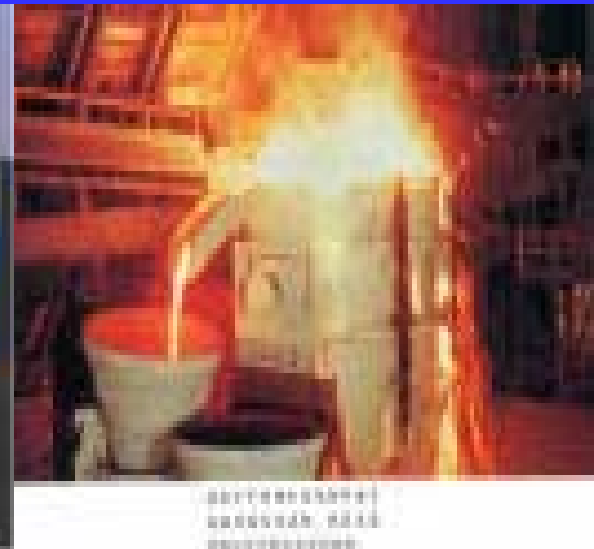


GRAPHICS BY WANG YAN



**Part two:**

**China's economy set to achieve soft landing**



# Cool handing of hot economy I

The continuous heating of the economy has aroused significant unease in the government and among economists. The government is tightening economic policies to steer the economy towards a “soft landing”.

The government's concern is two-fold. First, growth will accelerate further and eventually inflation will spin out of control. Second, in an environment of investment fever, structural imbalance – mainly in the form of the presence of “bottleneck industries”

Such as electricity and important raw

Materials – will worsen and a long-term growth

2004-10-27  
Prospects will be compromised.







## **Cool handling of hot economy II**

**Last year the most important feature of the Chinese economy was the abnormally high growth rate of fixed assets investment. Total investment in 2003 increased by 26.7 per cent**

**Over the previous year, where as growth of investment in different industries in 2003 was highly uneven. The highest growth came from six industries: cement, steel, aluminium, automobiles, textiles and coal.**

**Investment in real estate development, local-government-led infrastructure, industries producing high-end consumer durables ( cars especially ), and export industries ( textiles, for example ) was the driving force that led to high growth of investment in 2003.**

# Cool handing of hot economy III

Among these industries, the real estate industry was the single most important contributor to the abnormally high growth rate of investment.

The real estate industry has shown strong growth momentum since the late 1990s. Considering the urbanization drive nationwide, the strong demand for new houses, office space and related urban infrastructure development probably will continue through this year and beyond. However, the rapid growth of

real estate investment is also related to speculation, unequal distribution of income

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And the wealth gap between rural and suburban.



## **Achievements of efforts to cool down heated economy**

**The overly – rapid growth of investment has been cured. The increase of money supply and credit has slowed down, and the destabilizing, unhealthy factors in economic operations have been checked to some extent.**

**Investment in fixed assets grew by 18.3 per cent year-on-year in May, a significant drop from the 34.7 per cent growth rate in April. Foreign trade has consistently risen and the government's financial revenue has posted a sharp increase. All these have shown that the macro economic control policies**

**And measures adopted by the central authorities**

**Are timely, correct and effective.**

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## **Industry reports slower growth**

**The country's industrial output rose by 16.2 per cent in July compared with the same month of last year.**

**The growth rate was 1.3 percentage points lower than the previous month. In May, industrial output growth dipped by 1.6 percentage points compared with April. For the first six months, industrial output rose by 17.7 per cent from the same period last year. In June, the output of heavy industry grew by 17.4 per cent, which was 1.5 percentage points lower than May. Cement production, a sector targeted by the government in its drive to reduce investment, rose by 13.2 per cent in June, which was 3.9 percentage points than the previous month. In July, industrial output rose 15.5 per cent, compared with the same month of last year, 0.7 percentage lower than June.**

# Steel investment growth slows down I

The steel sector investment grew by 54.7 per cent year-on-year to 84.8 billion yuan ( US\$ 10.2 billion ) in the first six months of this year. The growth rate was down from a staggering 107.2 per cent during the first quarter of this year. Statistics revealed that June's investment growth rate declined 16.4 per cent year-on-year.

Most investment in the steel industry is now being directed towards technical upgrading and high-grade projects, rather than building more low-grade production

capacity. Almost two-thirds of total investment in

The sector was ploughed into technical

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Upgrading in the first half of this year.



www.163.com

# Steel investment growth slows down II

As a result of investment controls in the sector, growth of domestic steel demand and output has turned to “rational from sensational levels”. Steel demand reached 150.7 million tons in the first half of this year, a year-on-year rise of 19.23 per cent. The growth rate was down 9.08 percentage points from that in the first quarter. Steel output rose by 21.09 per cent year-on-year to 124.75 million tons during the first half of 2004, the growth rate dipped by 5.29 percentage points from that in

The first quarter. China’s steel imports totaled 18.04 million tons from January to June this

2004-10-27  
year, a year –on-year fall of 457,400 ton or 2.47 per cent.



## **Industrial companies' profit growth slowing down**

**China's industrial sector is feeling the impact of the central government's measures to cool down the nation's overheating economy, with profit growth slowing during the first six months of this year.**

**The industrial firms' profits during the period had increased 41.6 per cent year-on-year, meaning that the growth rate was 2.1 percentage points lower than that for the first five months. Industrial enterprises paid 412.4 billion yuan ( US\$ 49.7 billion ) of taxes to the**

**State in the first six months of 2004, an 22.3 Per cent rise on last year.**

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## KEY INDUSTRIAL FIGURES FOR APRIL

Added value (in billion yuan)

Growth

Heavy industry

294.5

21.4%

Light industry

142.5

16.6%

### Key industrial production growth rates

Coal

8.6%

Electricity

16.2%

Cement

16.8%

Steel

23.4%

Aluminium

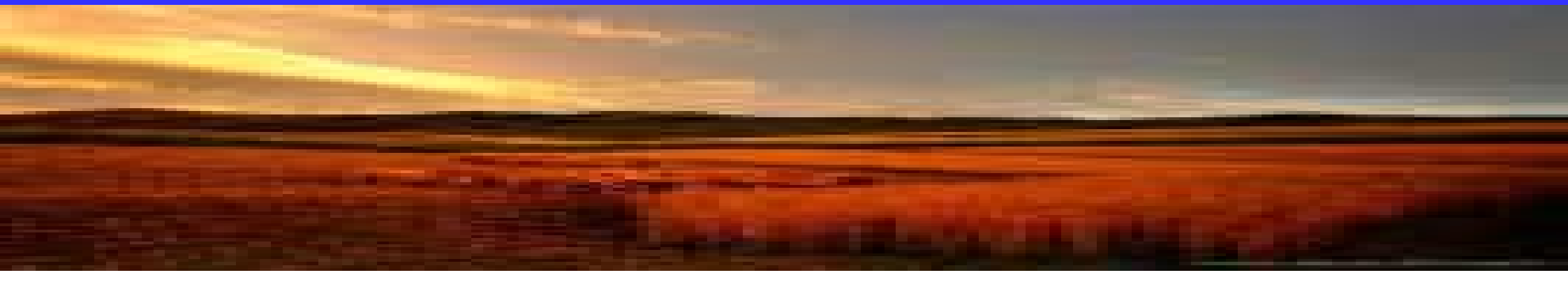
20.2%



# Tightening measures taking effect I

China's money supply and credit growth significantly in May of this year, increasing confidence that the State's tightening measures this year are adequate enough to cool down economic growth at a measured pace.

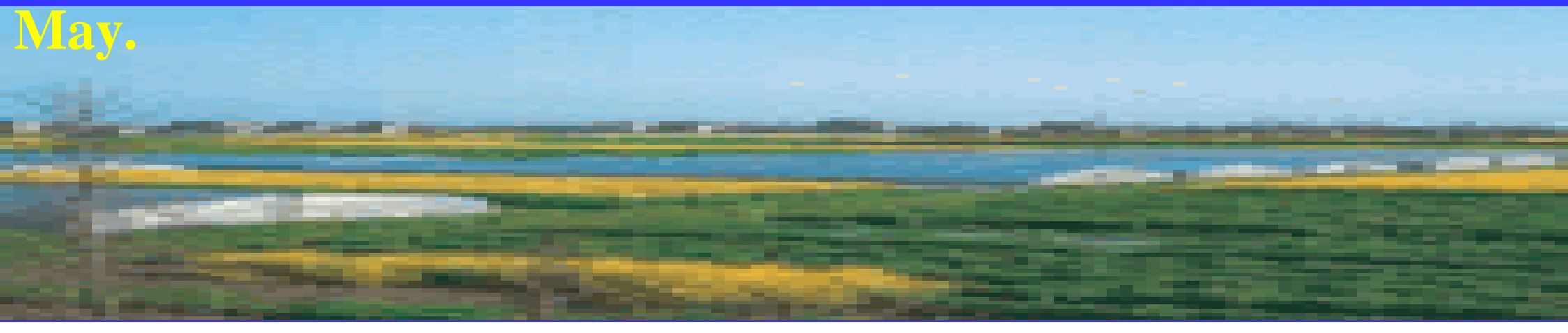
Fixed investment figures, another major factor prompting worries about an overheating economy, are also to show a notable easing off in June, further reducing the possibility of a much-anticipated interest rate rise.



# Tightening measures taking effect II

Broad money M2, which covers cash in circulation and all deposits rose 16.2 per cent year-on-year to 23.8 trillion yuan ( US\$ 2.8 trillion ) at the end of May, the pace was 4.7 percentage points lower than a year earlier, and 1.3 percentage points down from the previous month.

Outstanding renminbi loans totaled 17 trillion yuan ( US\$ 2 trillion ) at the end of June, up 16.3 per cent year-on-year, which was an impressive 6.8 percentage points slower than a year earlier and 2.3 percentage points down from the end of May.

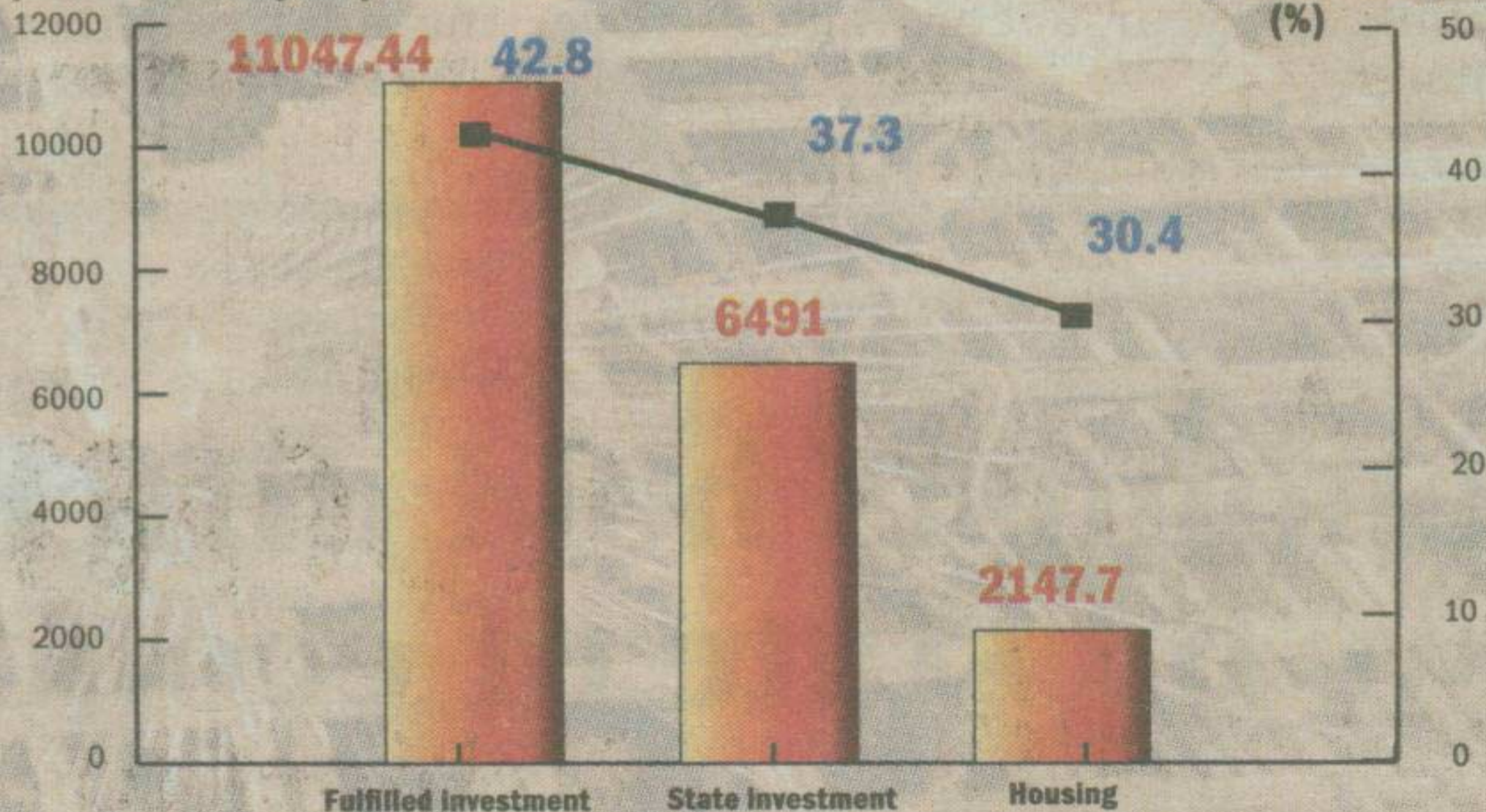


# Fixed asset investment in China

(Jan-Apr, 2004)

(in 100 million yuan)

Growth rate  
(%)



In May 2004, steel import 2.13 million ton and decrease 30.2 per cent.

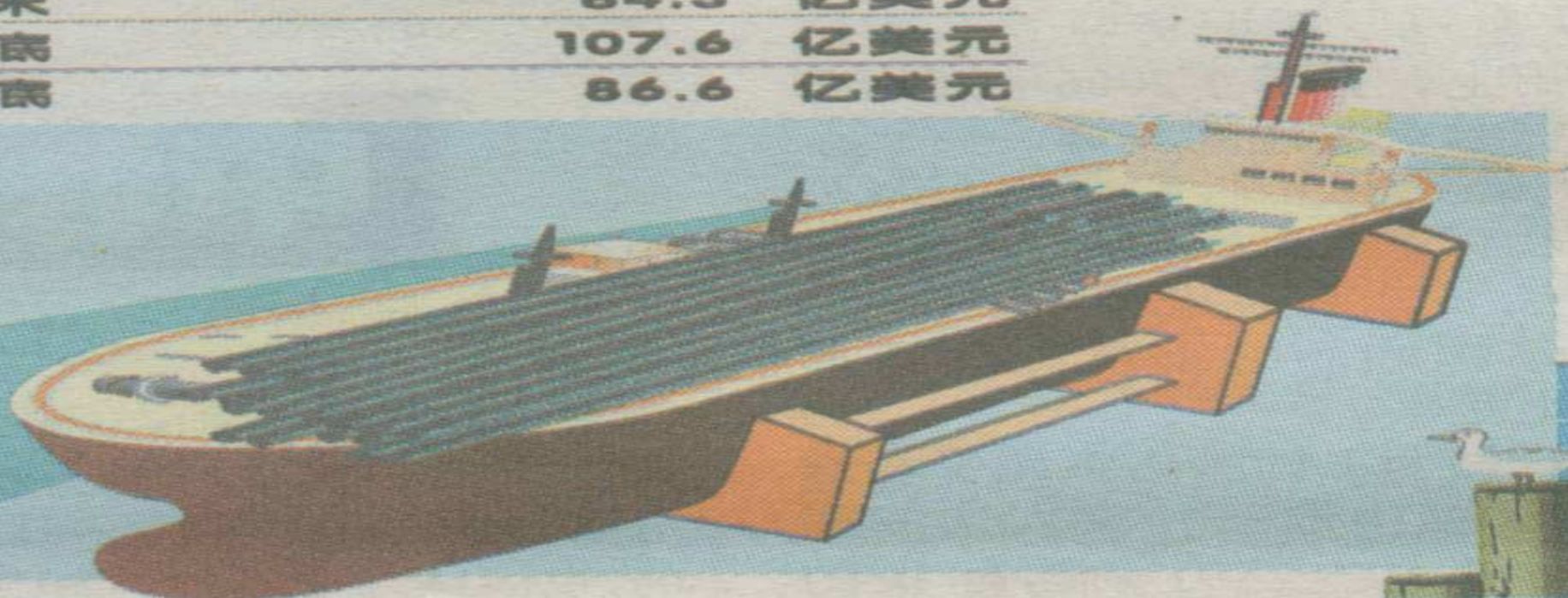
2004年5月 进口钢材213万吨 ▼ 30.2%

### ■ 进口比上年同期下降的原因

由于国内宏观调控政策初见成效，一些原料性产品进口增幅5月份明显回落，导致今年以来首次实现单月贸易顺差，扭转了连续4个月贸易逆差的局面

### ■ 累计贸易逆差

3月末	84.3	亿美元
4月底	107.6	亿美元
5月底	86.6	亿美元



1月至4月	进口初级产品	346亿美元	▲ 61.8%
	钢材进口	1347万吨	▲ 12.6%





## Central bank to ensure “soft landing”

China’s central bank maintain its cautious stance on further ensure that the nation’s fast-growing economy enjoys a “soft landing”.

The government has taken both monetary policy moves, mainly three increase in bank reserve requirements, and administrative measures such as price curbs and strict land policies to reduce fixed investment and credit growth.

Monetary performance has seen obvious changes, citing the fall in June in money supply and new loans growth, as well as stabilizing interest rates on the money market.

# **Loan growth slowing down I**

**The growth of loans significantly slowed during the the first seven months of this year, which indicates the government's economic macro control measures are taking effect.**

**By the end of July, outstanding loans of all financial institutions stood at 18.1 trillion yuan ( US\$ 2.18 trillion ), up 15.9 per cent on a year-on-year basis. The growth rate compared to 23.2 per cent registered during the same period in 2003. Consequently, money supply growth also slowed down. M2, the broad measurement of money supply, grew 15.3 per cent during the January**

**-June period, which was 5.4 percentage points**

**Slower than the correspondent period of last year.**

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# Loan growth slowing down II

The nation's gross domestic product grew 9.1 per cent last year and 9.7 per cent during the first half of this year. Consumer price index, the key barometer for inflation, increased by 2.8 per cent and 4.4 per cent during the first and second quarter respectively. In particular, it climbed 5 per cent in June.

The country's fixed asset investment soared 53 per cent during the first two months of the year, but the growth rate gradually dropped to 23 per cent in June the cooling-down measures.

PBOC analysts predicted that the economic growth will "decline slightly" during

The third quarter of the year and they also

Predict that CPI might peak during July-Sep.

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# Development zones hit by land shortages

The 49 State-level development zones are being hampered by limited growing room caused by insufficient land sources. Growth of contracted foreign investment in these zones was 26.15 percentage points lower than the country's level of 42.66 per cent in the first six months. The contracted FDI to 16 zones located in middle and western parts plunged by 38.15 per cent year-on-year.

The most important preferential policy granted to State-level development zones is a 15 per cent income tax rate for industrial projects, compared with 33 per

Cent for enterprises that locate outside the zones

And china's five special economic zones.





# 4,800 development zones cancelled I

China's tough measures to regulate its land market have paid off with the cancellation of more than 4,800 so-called development zones. Among 6,866 development zones across the country, 70 per cent were found to have illegally acquired land or were left unused.

A total of 24,900 square kilometers planned for development zones have axed, covering 64.5 per cent of the total. More than 1,300 square kilometers of lands have returned to agricultural use.

Over-development of industrial zones may lead  
To financial risks since many of them were built

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Depending on bank loans.



## **4,800 development zones cancelled II**

**More importantly, many development zones either under construction or in the pipeline are not attractive to investors. 200 million yuan ( US \$ 24 million ) is need to develop 1 square kilometer of an industrial zone. This means that investment of more than 600 billion yuan ( US \$ 73 billion ) will be needed to develop around 10 per cent of the planned areas ( around 30,000 square kilometers ). If there is no return on the investment in the development zones, the large sums of money will be “buried ”in the soil.**

**Investment stimulus will not change due to the**

**Decrease of the number of development zones**

**Since investors attach more importance to the**

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**investment environment.**



the rest in middle and western regions.  
months, contracted FDI to these eastern zones reached  
rising by 16.51 per cent, compared to the country's level  
the 16 zones in the middle and western regions was  
a year-on-year drop of 38.15 per cent.  
months, actual FDI to the 49 development zones surged  
to US\$5.4 billion. Total industrial output by the State-  
ed 669.3 billion (US\$80.86 billion), up 42.44 per cent.  
rts amounted to US\$25 billion and US\$26.6 billion,  
1.2 per cent respectively.



# Development zones in China I

China has 49 State-level development zones. Thirty-three are located in east China and the rest in middle and western regions.

In the first six months of this year, contracted FDI to these eastern zones reached US\$ 7.89 billion, rising by 16.51 per cent, compared to the country's level of 42.66 per cent.

Contracted FDI to the 16 zones in the middle and western regions was US\$ 673 million, a year-on-year drop of 38.15 per cent.

In the first six months of this year, actual FDI

To the 49 development zones surged by 48.45

Per cent to US\$ 5.4 billion. Total industrial



# Development zones in China II

Output by the State-level zones reached 669.3 billion ( US\$ 80.86 billion ), up 42.44 per cent.

Exports and imports amounted to US\$ 25 billion and US\$ 26.6 billion, rising 57.4 and 61.2 per cent respectively.

The Chinese Government has said it will continue to support the development zones. The preferential policies currently enjoyed by State-level development zones will not change in the next three to five years.

These development zones are still the priority

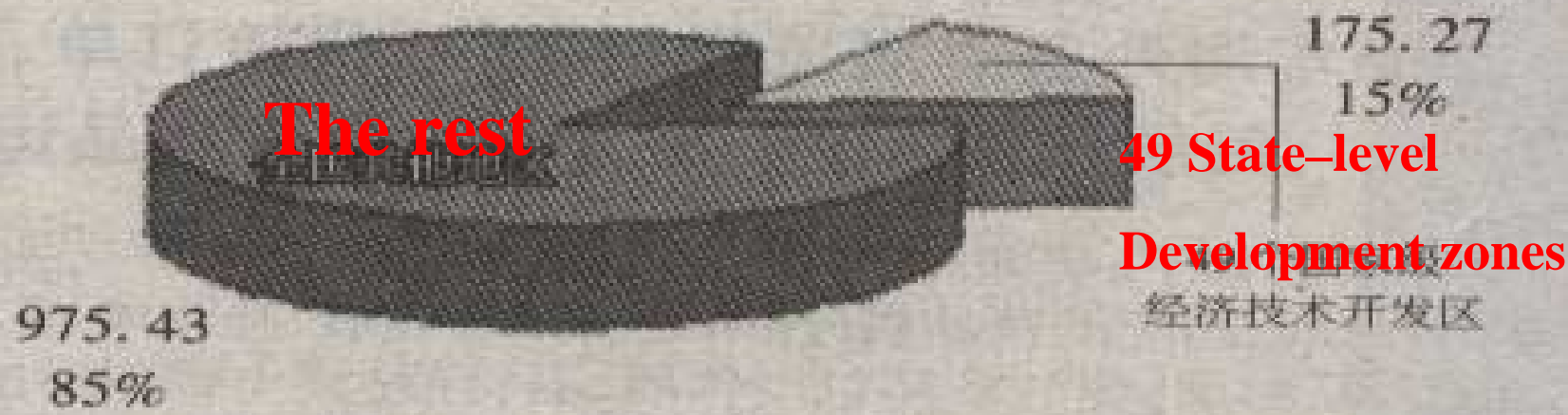
Choices for foreign investment with accumulated

Foreign capital invested.

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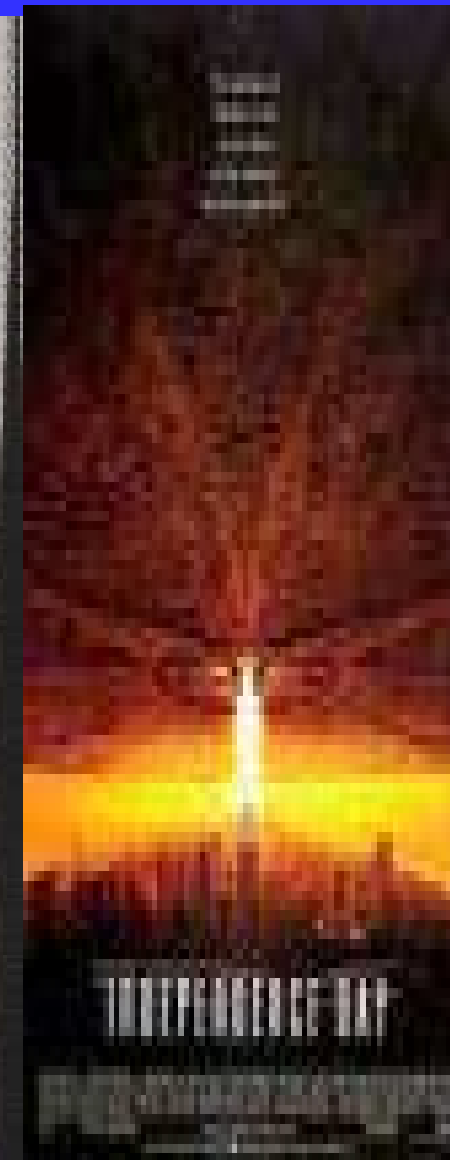
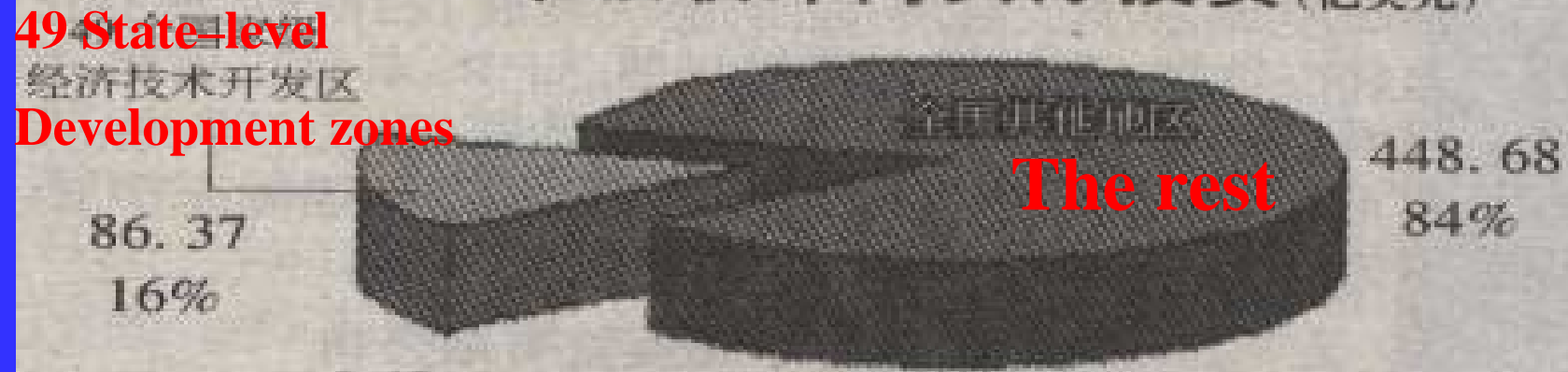


# The amount of contracted foreign investment in 2003 in China ( A hundred million US\$ )



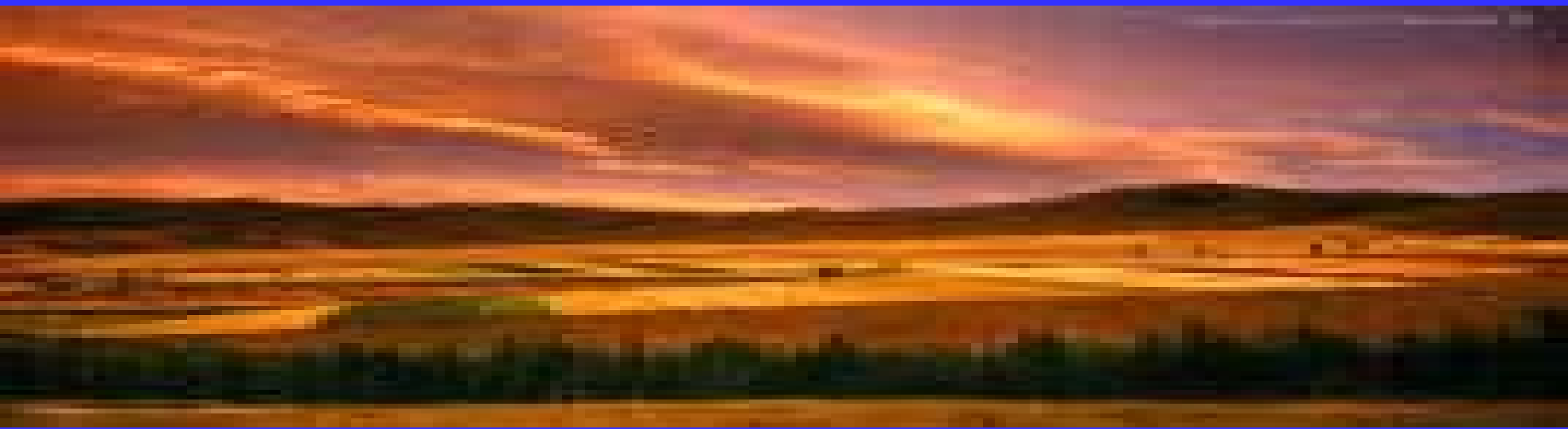
## Actual foreign investment in 2003 in China

2003 年吸收外商实际投资 (亿美元)



# Part Three

## Banking and Investment System Reform





# Banking needs tighter scrutiny I

China has one of the largest banking markets in Asia. Its banking sector held 29.2 trillion yuan ( US\$ 3.53 trillion ) worth of financial assets at the end of May, accounting for more than 90 per cent of the nation's total financial assets.

To facilitate the transformation of major State-owned banks into modern share-holding commercial banks, the State has tried a wide range of supportive measures including an unprecedented capital injection with US\$ 45 billion from the country's foreign exchange reserves into the China Construction Bank and the Bank of China at the end of last year.



# **Banking needs tighter scrutiny II**

**This year, the central government selected the two big State banks to issue subordinated debt to raise their capital adequacy in preparation for kicking off the initial public offering process. With such support State banks are vowing to become competitive in the global financial market.**

**Foreign banks will gain full access to the Chinese market in 2007, as domestic banks are set to embrace the global market, they should be ready to meet international standards. If Chinese banks are to take their place in the global economy, they must meet both high**

**capital requirements and strict regulatory**

**Standards.**

2004-10-27



# Focus on improving financial strength I

The country's largest foreign exchange bank, Bank of China, would list shares in the second half of 2005 at the earliest.

The Bank of China Limited, which has a registered capital of 186.39 billion yuan ( US\$ 22.5 billion ), took control of all of the Bank of China's assets, debts, employees and business. Central Huijin Investment Co Ltd will hold 100 per cent of company's shares on behalf of the Chinese Government. The bank was also in talks with a

Number of company investment to hold stakes in  
Its initial public offering.

2004-10-27



## Focus on improving financial strength II

Bank of China's financial health had further improved in July. Its bad asset ratio fell to 5.43 per cent at the end of July, down from 5.46 per cent at the end of June. The ratio stood at 16.3 per cent at the start of the year. The bank's capital adequacy ratio, a measure of how much capital it has relative to assets, rose to 8.3 per cent at the end of July from 7.9 per cent at the end of June. Operating profits in the first seven months reached 37.9 billion yuan ( US\$ 4.6 billion ), up 21 per cent from the same period a

Year ago. Chinese commercial banks would

Have to sharpen their competitive abilities

before foreign banks can enter the Chinese



# Focus on improving financial strength III

Market without restrictions at the end of 2006.

The banks would have to lower their rates of non-performing loans, get rid of historical financial burdens and raise their capital adequacy levels to international standards. The country's commercial banking laws stipulate that commercial banks' capital adequacy ratios would have to reach 8 per cent, the minimum required by the Basel Capital Accord reached by international banking managers.

This means China's commercial banks, will have to achieve that goal before they can be listed.

2004-10-27



# Keep RMB stable – for now I



2004-10-27

# Keep RMB stable – for now II



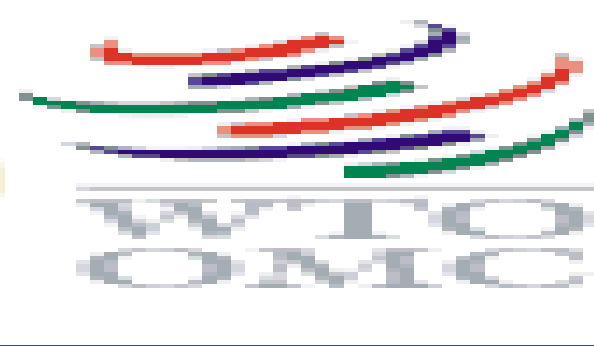
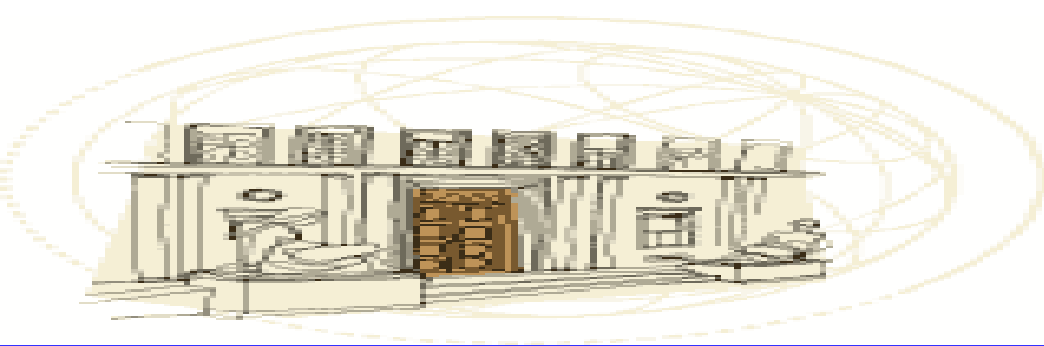


# RMB revaluation requires I



# RMB revaluation requires II





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03

# Part Fore : China deserves market economy status





## **Market economy status on agenda**

**The reason why China now has produced such tremendous changes is because we have adhered to the road of building socialism with Chinese characteristics and persevered in reform and opening-up, thus galvanizing the Chinese people's initiative, enthusiasm and creativity.**

**Though China has achieved impressive results in its development, there are still many acute problems such as market economy status.**



**After 15 years of difficult negotiations, China finally came to the historical moment: The World Trade Organization (WTO) finally opened its door in November 10, 2001 to China, integrating the most populous nation on the planet into the open world market and sending a positive signal to a slumping global economy on the brink of a full-blown recession.**



**After two decades of reforms and opening-up, China has established a market economy system. China is unfairly treated as it is labeled as a non-market economy in anti-dumping cases.**

**China has urged its European and North American trade partners to grant it “market economy status” ( MES ) many times, and there are good reasons for this.**

**One question has long perplexed the people: Why is China, now a member of the WTO, a bloc of market economies, still labelled as a “non-market economy”?**

**The rationale is in Article 15 of the protocol on China’s accession to the to treat China**



**China as a non-market economy in dumping and subsidy cases for 15 years after its entry.**

**That means although china is accepted by the WTO as a market economy in general terms, it is still subject to non-market criteria when it comes to specific trade measures.**

**China spent 15 years negotiating WTO membership in the hope of developing free trade, but now it finds the system is not as “liberal” as it had anticipated.**

**In particular, the “non-market economy” label has become a wild card in some countries’ hand**

**To contain China’s exports and shield**

**Local industries, which is unfair.**

2004-10-27





## Status problem hampers trade

Currently, the United States regards China as a non-market economy, or at least an immature market economy based on standards drawn from its tariff Act of 1930.

This set of criteria is made up of six key factors, including the convertibility of the country's currency into other currencies, the freedom of employees to negotiate compensation with their employers and other forms of foreign investment. The rest are factors such as State ownership or control on production materials, government control over resource allocation, price and supply and other factors the US administration would like

**to include.**

**After two decades of reform and opening-up, China has made tremendous changes in its economic and trade systems. In 1999, the prices of 95 per cent of retail consumer goods are no longer subject to state control. The figure was 90 per cent agricultural produce and 85 per cent in production material sales. By the end of 2001, only 15 items were subject to prices directly controlled by the central government. Today, the degree of marketization in the Chinese economy is much higher than that of many WTO member countries. And China is not a country whose trade is under an**

**Absolute State monopoly, or the government**

**Sets domestic prices.**

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**China has a long way to go before it get recognition as a market economy by the United States.**

**The main reason for this is that Washington is unlikely to give up its anti-dumping tactics, an important tool for its to press China's trade policy. Keeping China from obtaining market economy status is the key to protecting domestic industrial interests.**

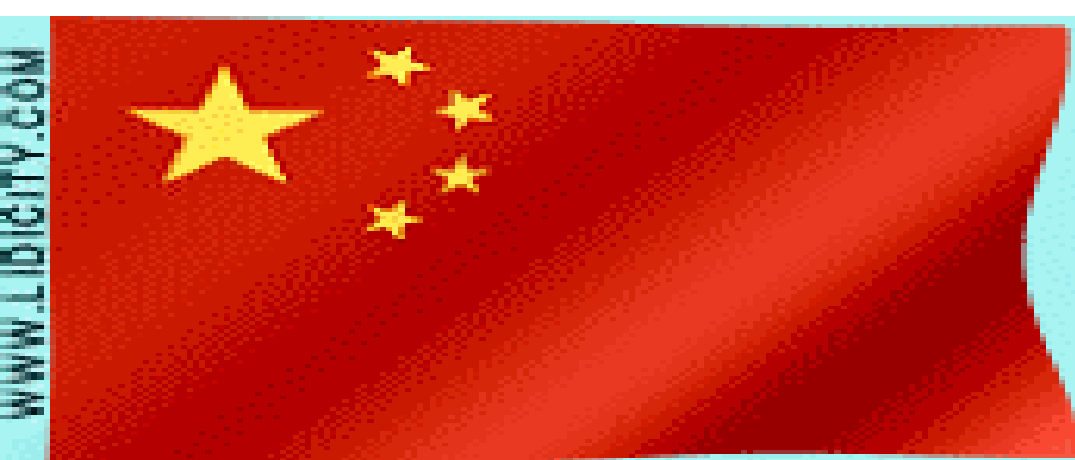
**It is clear that China has become a market economy. Washington is resorting to labour right and exchange rate issues only to pressure the nation. It is sure that Washington will further pressure China**

**Over its foreign exchange reform and**

**Labour issues.**







**New Zealand gives  
China market  
economy status  
and shows the way  
for rest of the world**



**New Zealand announced on April 14 it regards China as a market economy – the first time a developed nation has acknowledged China’s market status.**

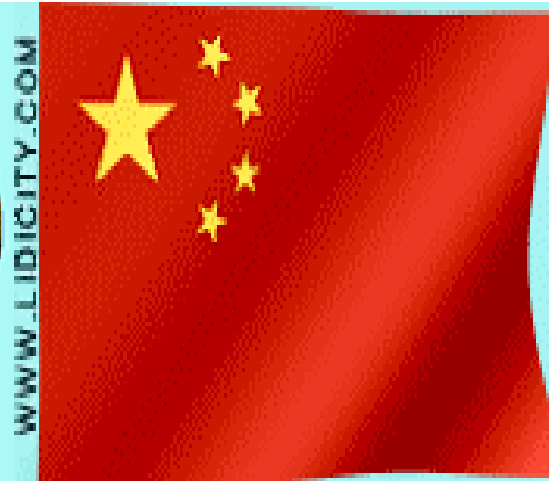
**This both underlines the close ties between the two countries and stands as a breakthrough for China’s trade sector. New Zealand’s initiative will not only smooth China’s trade to some extent, but also become a test case for unraveling the spat over China’s trade status.**

**Considering the unfavorable treatment China experienced in the past, New Zealand’s recognition of the nation’s market economy status will have special implications.**



# Singapore , Malaysia and Kyrgyz gives China market economy status



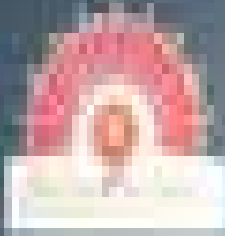


## **Brazil sees market economy in China**

**Brazilian President Luis Inacio Lula da Silva said his country will immediately set about handling issues concerning the recognition of china's status as a market economy.**

# ASEAN +3 SUMMIT

BALI, INDONESIA  
7 OCTOBER 2003



# **ASEAN recognizes China as market economy**

**Member countries of the Association of Southeast Asian Nations ( ASEAN ) announced they recognize China's full market economy status.**

**ASEAN's exports to and imports from China reached US\$ 47.3 billion and US\$ 30.9 billion in 2003, respectively. These represent an increase of 51.7 per cent and 31.2 per cent, respectively from the previous year. In the first seven months of this year, ASEAN's exports to and imports from China have reached US\$ 34.5 billion and US\$ 22.2 billion, respectively, increase of 40.7per cent and 34.1 per cent.**



# Thanks !

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