RECENT DEVELOPMENT IN CHINA'S TRADE AND GOVERNMENT POLICIES

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Executive Summary

1. China's goods exports grew by six per cent in 2014, the slowest since 1998 with the exception of 2009 when it contracted by 16%. Imports barely grew, leaving total trade to rise by 3.4%, less than half of the government's annual target.

2. Weak trade performance was due in large part to feeble external demand, especially from Japan, the European Union and the United States of America, which still accounted for the majority of China's exports. Growth prospects in these economies were low.

3. Meanwhile, export competition intensified as countries around the world adopted policies to strengthen their industries and enhance export competitiveness. Thus Chinese products continue to face numerous export restrictions, such as anti-dumping and countervailing measures.

4. At the same time, weak domestic demand and falling commodities price inhibited import growth. Weak export demand also suppressed process import, such as those in parts and components.

5. A robust trade is considered significant to sustaining growth and providing jobs; the government has in recent years proposed various facilitating policies, such as measures to reduce trade cost and to encourage trade-related outbound direct investment. The government is also accelerating negotiations on free trade and investment treaties.

6. There are signs that the government's trade-related initiatives are becoming more market-oriented, as shown by the establishment of the China (Shanghai) Pilot Free Trade Zone (FTZ) in September 2013. In addition to a pre-entry national treatment experiment and a negative-list approach for foreign investment, the FTZ aims to streamline government administration.

7. Meanwhile, the government has emphasised the transformation and upgrading of China’s trade, as highlighted in Premier Li Keqiang’s Work Report delivered in March 2015. The government pledged to overhaul the charges for trade to facilitate the transformation of processing trade and enhance trade in services.

8. China’s economic miracle owes greatly to its economic integration with the world. To continue the positive gain, the country needs to further open its market. However, the leadership faces numerous difficulties, such as strong bureaucratic resistance against efforts to reduce administrative barriers for enterprises.

9. China is now searching for new markets in developing countries whose importance has risen considerably in recent years. The government’s Silk Road initiatives have been formulated largely for this end.