

The background of the image is a stylized representation of the flags of China and the European Union. The top half features a red field with a large yellow star on the left and several smaller yellow stars on the right. The bottom half features a blue field with a pattern of white chevrons and several yellow stars. The text is centered over the boundary between the two flags.

CHINA – EU TRADE AND ECONOMIC RELATIONS IN NUMBERS

PREFACE

China — the world's largest developing country and emerging economy, and the EU — the biggest trading block, are both important global players. Together, the two accounts for one tenth of the total landmass, one quarter of the global population and one third of the world's economy. To step up China-EU cooperation and seek closer ties between the two markets and civilizations will not only serve the interests of the two economies, improve the living standards of the peoples, but will also inject impetus to the world economy.

Trade and economic cooperation is the ballast and propeller of overall China-EU relations. It's our shared hope to deepen practical and win-win cooperation between the two sides. Based on such thinking, this booklet aims at enhancing mutual understanding between China and the EU and strengthening bilateral business ties by presenting to its readers the current situation of China-EU trade and economic relations with data and facts.

I. CHINA-EU TRADE AND ECONOMIC RELATIONS	5
II. THE EU'S INVESTMENT IN CHINA	10
III. CHINA'S INVESTMENT IN THE EU	15
IV. CHINA'S ECONOMIC DEVELOPMENT	20
V. MARKET OPPORTUNITIES IN CHINA	26
VI. BUSINESS ENVIRONMENT IN CHINA	32
VII. INTELLECTUAL PROPERTY PROTECTION IN CHINA	38
VIII. CHINA'S FULFILLMENT OF ITS WTO ACCESSION COMMITMENTS	43



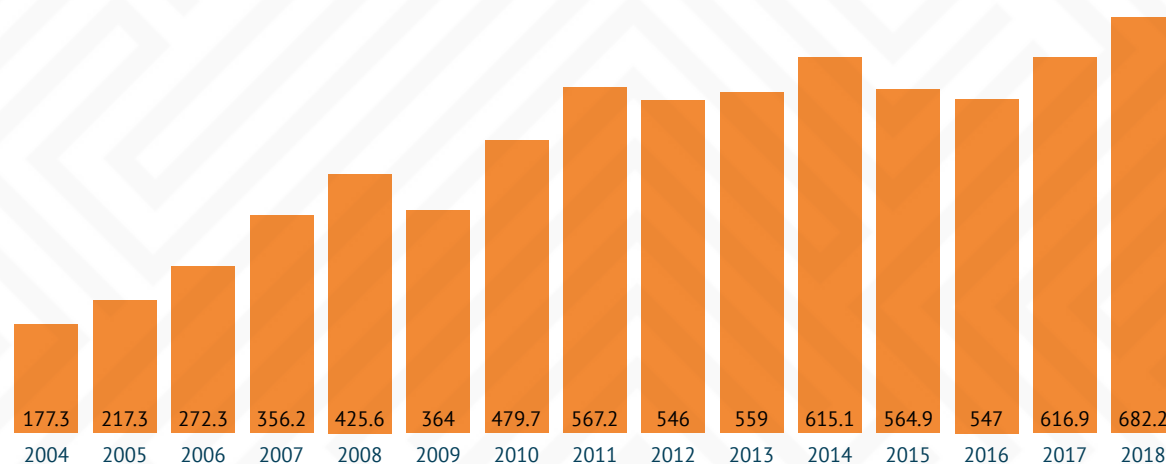
I. CHINA-EU TRADE AND ECONOMIC RELATIONS

Introduction: Trade and economic relations are the foundation of China-EU comprehensive strategic partnership. As China and the European Community formally established diplomatic ties in May 1975, bilateral relations and commercial cooperation ushered into a new era. Since then, over the past more than four decades, China-EU trade and economic relations have developed smoothly and achieved fruitful results.

No. 1 trading partner for 15 consecutive years

The European Union has been China's biggest trading partner and biggest source of import for 15 years in a row, and China has been the EU's second largest trading partner and the biggest source of import for 14 consecutive years. On May 1 2004, with the accession of 10 countries including Poland, Hungary and the Czech Republic, the EU's membership was expanded to 25. The EU surpassed Japan and the US, and became China's No.1 trading partner. In recent years, the trade value between China and the EU-28 stood at around US\$ 600 billion every year, with transaction per minute over US\$ 1 million.

China-EU Trade in Goods Volume (2004-2018, billion USD)

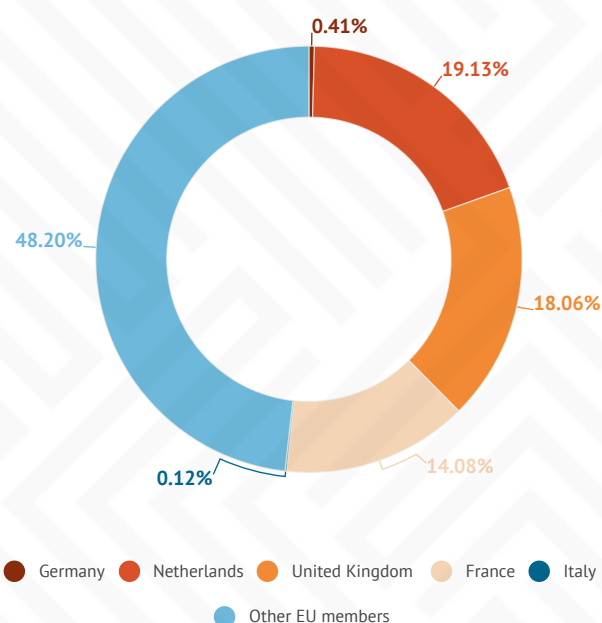


**Source: China Customs*

A record high of US\$ 680 billion

In 2003 when China and the EU formally established comprehensive strategic partnership, bilateral trade value was US\$ 125.22 billion. A decade later, the figure increased by over 3-fold to over US\$ 500 billion. In 2018, bilateral trade value reached a historic high of US\$ 682.16 billion. In breakdown, China's export to the EU was US\$ 408.63 billion, an increase of 9.8%, while its import from the EU amounted to US\$ 273.53 billion, up by 11.7%. Among EU members, the largest trading partners for China are Germany, the Netherlands, the UK, France and Italy, making up respectively 27%, 12.5%, 11.8%, 9.2% and 8% of the total bilateral trade value between China and the EU.

China's Major Trading Partners in goods in the EU (% , 2017)



Source: MOFCOM, China

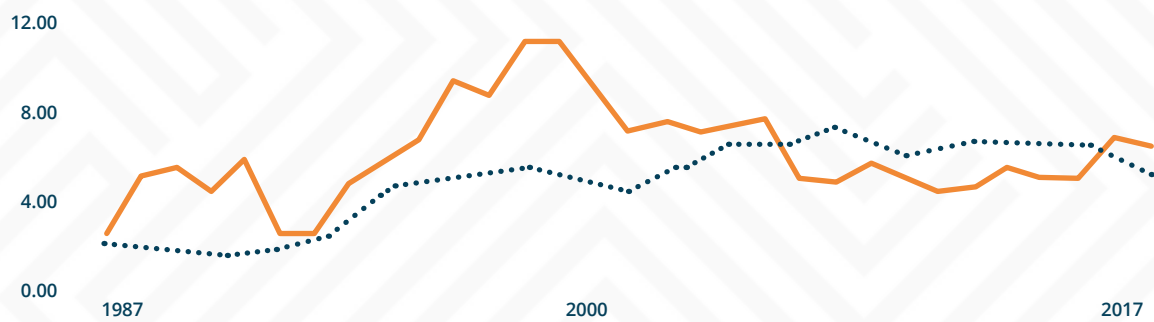
Trade in services up by 9.2%

In recent years, China-EU trade in services outpaced merchandise trade, demonstrating enormous potential. According to China's statistics, in 2017, bilateral trade value in services registered US\$ 121.8 billion, a year-on-year increase of 9.2%. In breakdown, China's export to the EU was US\$ 36.4 billion with an increase of 2.5%, while China's import from the EU was US\$ 85.4 billion, up by 12.4%. China has become the EU's third largest service import and export market. According to the statistics of Eurostat, in 2017 the EU exported 46.7 billion euros worth of services to China, accounting for only 5% of its total export value, far below that of the export to the US and the European Free Trade Association (Switzerland, Norway, Iceland and Liechtenstein), which respectively accounted for 26% and 16% of the total. Likewise, the EU's import of services from China was 30.6 billion euros, making up only 4% of the total, lagging far behind the US and the European Free Trade Association, which represented 31% and 12% respectively of the EU's overall service import. To step up bilateral trade in services is mutually beneficial in that it opens up China's huge market of 1.4 billion people to the EU and at the same time China can learn from the EU's experiences to make breakthroughs in its economic transformation and upgrading.

The EU invests US\$ 130 billion in China

In the early days after the establishment of diplomatic ties between China and the EU, two-way investment was nearly non-existent. In the 1990s, a large number of European businesses flocked to China, and since then the EU's investment in China started to grow exponentially. In the first 11 months of 2018, the EU's actual investment in China amounted to US\$ 9.23 billion, up by 18% compared with the previous year. By the end of November 2018, the EU's actual investment in China topped US\$ 129.46 billion. According to the Statistical Bulletin of China's Outward Foreign Direct Investment, in 2017, the EU's actual investment in China stood at US\$ 8.29 billion, making up 6.1% of the EU's total outward investment.

EU's Share of Total FDI in China (1987-2017, %)



Source: MOFCOM, China

China invests nearly US\$ 100 billion in the EU

Since 2008, China's investment in the EU has maintained relatively fast growth, with investment methods constantly innovated and sectors continuously expanded. In 2014, China's non-financial outward direct investment in the EU reached US\$ 9.85 billion, surpassing the EU's investment in China for the first time, which represented a substantial shift in the bilateral investment relations. In 2017, China's outward investment in the EU in all industries amounted to US\$ 10.27 billion. In the first 11 months of 2018, China's direct investment in the EU was US\$ 8.39 billion, up by 27.7%. By the end of November 2018, China's direct investment in the EU on accumulative basis amounted to US\$ 94.4 billion, and is expected to surpass US\$ 100 billion in 2019. Top destinations of China's investment among EU member countries are the UK, the Netherlands, Luxembourg, Germany, Sweden and France.

China imports 56,000 technologies from the EU

The EU has always been China's largest technology and equipment supplier on accumulative basis. By the end of November 2018, the accumulated contract value of importing technologies from the EU reached US\$ 214.25 billion with the number of imported technologies at around 56,011. A number of large European multinational corporations are actively engaged in the construction of major projects in China, among them the most representative are Dayawan Nuclear Power Plant, Shanghai maglev train and Tianjin-based Airbus assembly line.

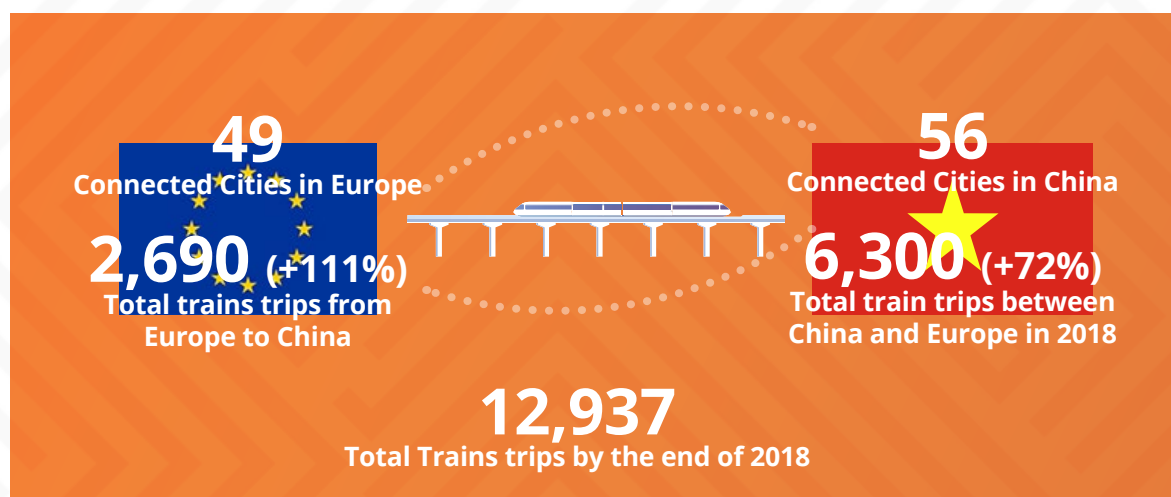
China's FDI Stock in the EU by the end of 2017

Country	FDI Stock (mil USD)	Percentage (%)
United Kingdom	20,318	23.62
Netherlands	18,529	21.54
Luxembourg	13,936	16.20
Germany	12,163	14.14
Sweden	7,307	8.50
France	5,703	6.63
Total	77,956	100

Source: MOFCOM, China

13,000 trips made by China-Europe trains

In March 2011, the first container train set off from Chongqing to Germany. Since then, the number of trips by China-Europe trains gradually increased from 17 in 2011 to 6,300 in 2018. By the end of 2018, a total of 12,937 trips were made by China-Europe trains. At present, this international logistics network connects 56 cities in China and 49 cities in 15 European countries. Through this network, products made in China such as car parts, electronic devices and textiles and apparel are transported to Europe, while wine and oats and many other European products are brought to China. China-Europe train is becoming increasingly popular among European companies. In 2018, over 70% of the trains from China to Europe made the return trip back to China.





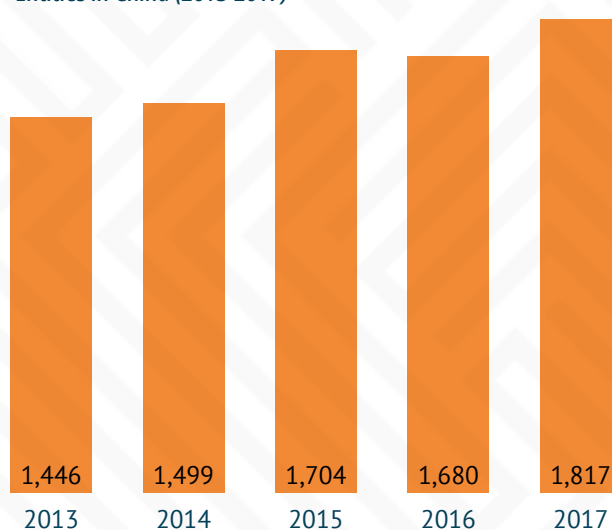
II. THE EU'S INVESTMENT IN CHINA

Introduction: In July 1979, China issued the first legislation on Foreign Direct Investment, representing China's first step in truly absorbing FDI. It was at that time that European companies started to explore the Chinese market. As the Chinese government steadfastly deepens reform and further opens up, China's macroeconomic environment is constantly improving. The EU's investment in China is expanding rapidly.

European companies invest in 47,000 projects in China

From 2013 to 2017, China's FDI maintained steady growth with average annual growth rate at 2.7%. During this period, the EU's direct investment in China on average grew by 5% every year, 2.3% higher than the average annual growth rate of China's FDI. In 2018, China's actually utilized FDI was US\$ 134.97 billion, up by 3%. Despite this moderate growth rate, the number of newly established foreign-invested companies amounted to 60,533, a year-on-year increase of 70%. By the end of November 2018, the EU's actual investment in China registered US\$ 129.46 billion, with the number of invested projects at 46,942. In 2018, the number of EU-invested companies in China will exceed 2,000, with an average investment of over US\$ 4 million by each.

Number of Newly Established EU Commercial Entities in China (2013-2017)

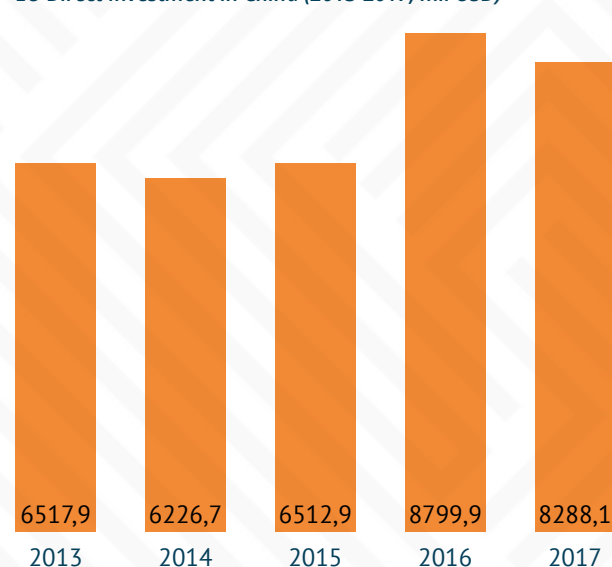


Source: MOFCOM, China

The UK's investment in China rose by 150%

In 2018, the UK's investment in China witnessed explosive growth with a year-on-year increase of 150.1%. In the same year, Germany's investment in China also grew rapidly by 79.3%, and the EU's actual investment in China was up by 22.6%, far higher than China's average FDI growth rate. It shows that the European companies see China as an attractive investment destination, and are willing to explore the Chinese market.

EU Direct Investment in China (2013-2017, mil USD)



Source: MOFCOM, China

51% of the EU's investment in China went to the manufacturing sector

In 2017, around 51% of European companies' investment in China went into manufacturing, followed by leasing and commercial services, real estate, wholesale and retail as well as the financial sector, respectively accounting for 12.1%, 8.5%, 8.3% and 8.1% of the total. China's service sector is becoming increasingly popular for foreign investment. In 2017, the amount of actually utilized foreign investment in the service sector was US\$ 95.44 billion, making up 72.8% of the total utilized investment. Information transfer, software and Information Technology service, real estate, leasing and commercial services are the top three destinations of FDI, with actually utilized foreign investment in each sector at US\$ 20.92 billion, US\$ 16.86 billion and US\$ 16.74 billion and respectively accounting for 21.9%, 17.7% and 17.5% of the total. As high-tech service sector develops rapidly, its actually utilized FDI amounted to US\$ 26.07 billion, a year-on-year increase of 106.4%. Given that 72.8% of all China's FDI is invested in the service sector, the EU's investment in China's tertiary sector still holds big room for development.

Major Investment Sectors by Foreign Companies in China (2017)

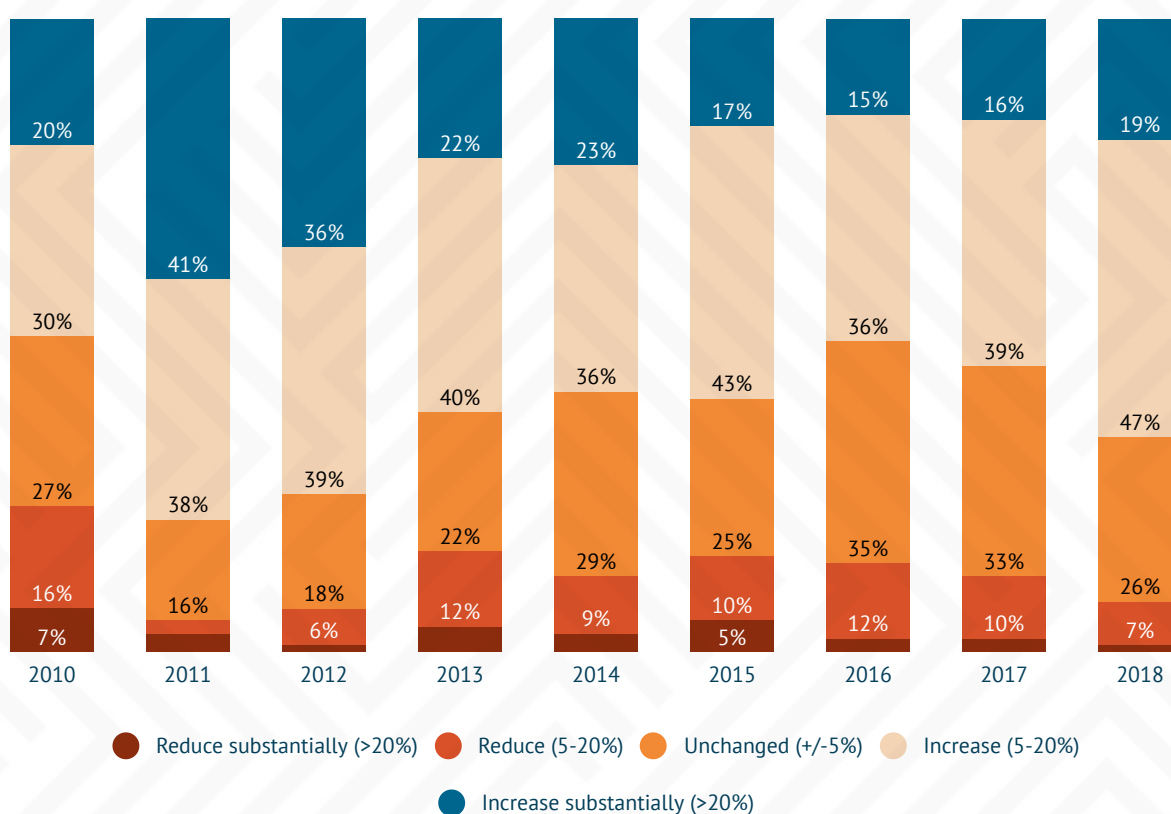
Sector	FDI (Bil USD)	Share
ICT	20.92	21.9%
Real Estate	16.86	17.7%
Leasing and Business services	16.74	17.5%

Source: MOFCOM, China

Two thirds of European companies' revenues increased

According to the Business Confidence Survey 2018 issued by the EU Chamber of Commerce in China, European businesses remain optimistic about their development prospects in China. Despite increasingly fierce competition, European companies operating in China made robust performance, with 66% of them enjoyed an increase of revenue compared with the previous year. In particular, the sales growth in sectors such as medical devices, pharmaceuticals and auto industry is particularly strong. At the moment, as China's advantage in cheap labor is diminishing, its economy is undergoing a shift towards advanced manufacturing. Even so, European companies are still committed to the Chinese market, with 61% of them ranking China as a top-three destination for future investment.

European Companies' Revenue Change in 2016 compared to 2017 (%)



Source: European Union Chamber of Commerce in China

BASF's US\$ 10 billion

Specific business cases offer us a different perspective on the EU's investment in China. In July 2018, BASF announced its plan to invest US\$10 billion to build a chemical production site in China's Guangdong province. As China endeavors to build a high-level open economy and rolls out a series of new opening-up measures, more and more European businesses are capitalizing on the business opportunities in China. In October 2018, BMW decided to extend the BMW Brilliance joint venture agreement to 2040 with an additional investment of 3 billion euros. In the same month, Germany's Siemens announced to invest 3 billion yuan (US\$433 million) to build a manufacturing site in Shanghai; the Swiss ABB announced that it will invest US\$150 million to build a robotics factory in Shanghai; and new hydrogen peroxide plant in China's Zhenjiang built by the Belgian Solvay was officially put into operation. In November 2018, China Banking Regulatory Commission granted approval to the German Allianz SE regarding its application to commence operational preparations for Allianz (China) Insurance Holding Company Limited, the first foreign-funded insurance holding company in China.

One hundred aircraft by Airbus every year

In 1985, China bought its first Airbus aircraft. In 1994, Airbus China was established and a representative office was set up in Beijing. In the same year, Airbus exported 20 planes to China. Over two decades on, Airbus's presence in China expanded rapidly. In the recent five years, more than 100 Airbus aircraft were delivered to China every year, and the number rose to 169 in 2016. Since January 2017, China has taken the place of the US as Airbus's biggest market. As of June 2018, China's whole civil aviation industry owned 3,339 transport aircraft, among which 1,554 were bought from Airbus, representing 46.5% of the total. Airbus aims at delivering 2,000 aircraft to China on accumulative basis by 2020 and at the same time increasing its market share in China to 50%. According to its forecast, within the next 20 years, China will surpass the US to become a one trillion-dollar aviation market.



AIRBUS' CHINA TARGET BY 2020

Market Share: **50%+**

Total Deliveries: **2,000 aircrafts**



III. CHINA'S INVESTMENT IN THE EU

Introduction: in recent years, with the development of China's economy, China's outward investment in the EU increased rapidly, bringing to Europe both investment and employment opportunities. After the financial crisis in 2008, China witnessed a boom in outward investment. The EU has become the region with the fastest growth of China's outward direct investment, and the EU's share in China's overall outward investment has been on the rise.

The EU accounts for 37.5% of China's investment in developed economies

According to the data released by the Chinese government, by the end of 2017, 25,500 Chinese domestic investors established 39,200 business entities in 189 countries and regions, with a total investment of US\$ 6 trillion. By the end of 2017, 80% of China's accumulated outward investment was concentrated in developing economies, and 12.7% in developed economies, among which the EU ranks the first with a share of 37.5%, followed by the USA with 29.4%.

China's Outward FDI Stock in Developed Countries (Regions) by the end of 2017

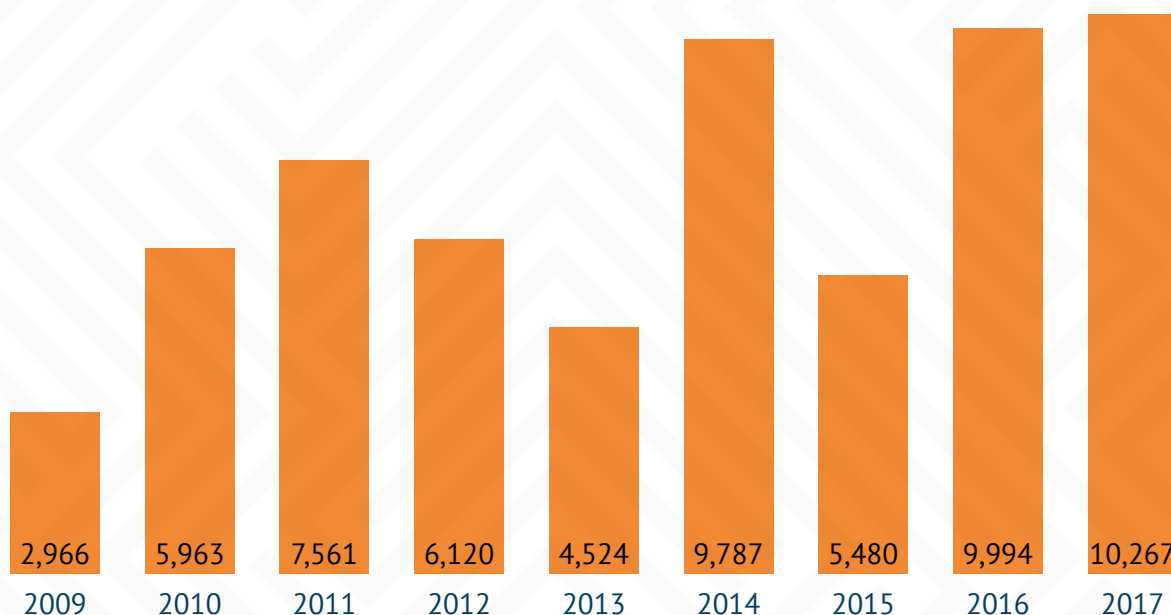
Economy	Stock (Billion of USD)	Share (%)
European Union	86,02	35.7
United States	67,38	29.4
Australia	36,18	15.8
Canada	10,94	4.8
Bermuda	8,59	3.8
Switzerland	8,11	3.5
Israel	4,15	1.8
Japan	3,2	1.4
New Zealand	2,49	1.1
Norway	2,08	0.9
Total	229,13	100

Source: MOFCOM, China

China's investment in the EU increased by 27.7%

China's investment in Europe increased rapidly in recent years, with an average annual investment of US\$ 1 billion dollar from 2004 to 2008 and US\$ 3 billion from 2009 to 2010. European Debt Crisis brought new opportunities to Chinese investors. In 2011, China's investment in the EU was over US\$ 10 billion. In 2014, the amount shot up to US\$ 18 billion dollars, among which non-financial investment was more than US\$ 10 billion, surpassing the EU's investment in China for the first time. In 2017, China's outward investment decreased by 19.3% to US\$ 158.29 billion, a reasonable decline after explosive growth in previous years. In the same year, China's investment in the EU increased by 2.7% to US\$ 10.27 billion, and continued to rise to US\$ 8.39 billion dollars from January to November of 2018, a year-on-year increase of 27.7%.

China's Outward FDI Flow into the EU (2009-2017, mil USD)



Source: MOFCOM, China

175,900 local employees are hired

By the end of 2017, China had established 2,900 FDI enterprises in the EU, covering all 28 member countries and generating more than 175,900 local jobs. In terms of industrial distribution, Chinese investment is mainly focused on sectors such as energy, automobile, agri-food, real estate, industrial equipment, information technology, financial service, transportation construction, etc. In recent years, Chinese companies started to set foot in culture and sports industries.

Top Five Industries of China's Outward FDI Stock in Europe by the end of 2017

Industry	Stock (Billions of USD)	Share (%)
Manufacturing	34.13	30.8
Mining	22.49	20.3
Financial Services	17.72	16.0
Leasing and Business Services	10.63	9.6
Wholesale and Retail Trade	5.17	4.7
Subtotal	90.14	81.4

Source: MOFCOM, China

Global ranking of Piraeus Port has leapt to 36th place

At the outbreak of the European Debt Crisis, a large amount of capital withdrew from Europe. But China's investment stayed and continued to inject impetus to the European economy. Now many Chinese-invested projects are producing positive results. For example, in 2017, despite the sluggish global shipping industry, Greece's Piraeus Port which was invested and operated by China handled 4.15 million containers annually, ranking 7th in Europe and 36th in the world, up from 93rd at the time of the M&A. Piraeus Port became one of the fastest developing container ports in the world. IOBE estimates that with the improvement of efficiency and stronger mobilizing effect, Piraeus Port is expected to bring 2.6 billion euros in revenue and generate over 30,000 jobs for the Greek economy in the next 10 years.

FINANCIAL INDICATORS OF PORT OF PIRAEUS

Annual container volume	2017	4.15 million
	2016	3.67 million
	2015	3.32 million
Annual revenue	2017	€111.5 million
	2016	€103.49 million
	2015	€99.88 million



Volvo Car Gent creates 2,000 new jobs

Volvo Car Gent (VCG) is one of Volvo's two manufacturing plants in Europe. The whole Belgian automobile industry was hit hard by the 2008 global financial crisis, so was the VCG. VCG's renaissance started in 2010 when China's automaker Geely acquired Volvo at the price of US\$ 1.8 billion, injecting new vitality into Volvo's plants and pushing up the sales. In 2017, the number of employees in VCG increased from 4,000 prior merger to 6,100, indirectly generating more than 20,000 local jobs. In 2016, VCG was awarded "The Lifetime Achievement of the Best Foreign Investors" in the Flemish Region of Belgium.



An aerial photograph of the Shanghai skyline, featuring the Oriental Pearl Tower prominently in the foreground. The city is densely packed with skyscrapers, and the Huangpu River is visible in the lower portion of the image. The entire image is overlaid with a semi-transparent orange filter and a repeating chevron pattern.

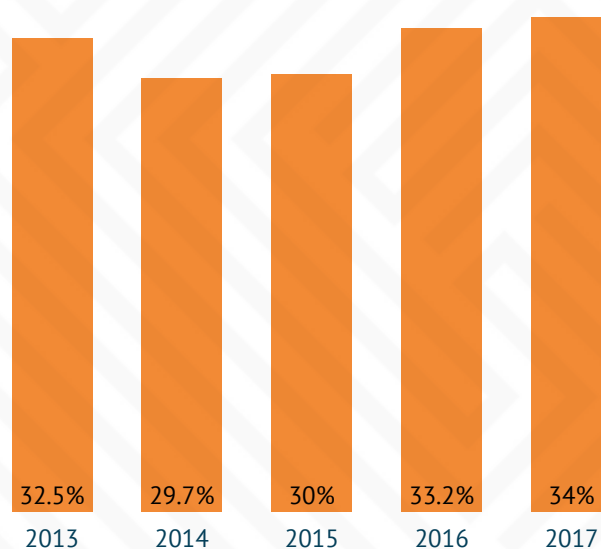
IV. CHINA'S ECONOMIC DEVELOPMENT

Introduction: In the past decades, China has maintained high-speed growth and made remarkable achievements. In recent years, despite severe challenges, China's economy has developed steadily, and attained relatively rapid and sound growth, making positive contribution to the recovery and sustainable development of the world economy. China's Central Economic Work Conference held in December 2018 believes that the world is undergoing profound changes unseen in a century and in this process there are risks and opportunities alike. Chinese economy's huge resilience and enormous potential will guarantee a long-term growing trend.

China contributes over 30 percent to world economic growth

According to the World Bank, in 2017 the world economy grew by around 3%, and China's contribution to world economic growth was around 34%. In the first three quarters of 2018, China's GDP reached US\$ 9.5 trillion dollars, an increased of 6.7% year on year. China's contribution to the world economic growth remains at around 30% and continues to be a main driver of world economic recovery. Research by the World Economic Forum pointed out that based on data released by the World Bank and IMF, China is expected to contribute 35.2 % to the world economic growth from 2017 to 2019, ranking first in the world, 17.3% higher than the second, the United States.

China's Contribution to the World Economic Growth

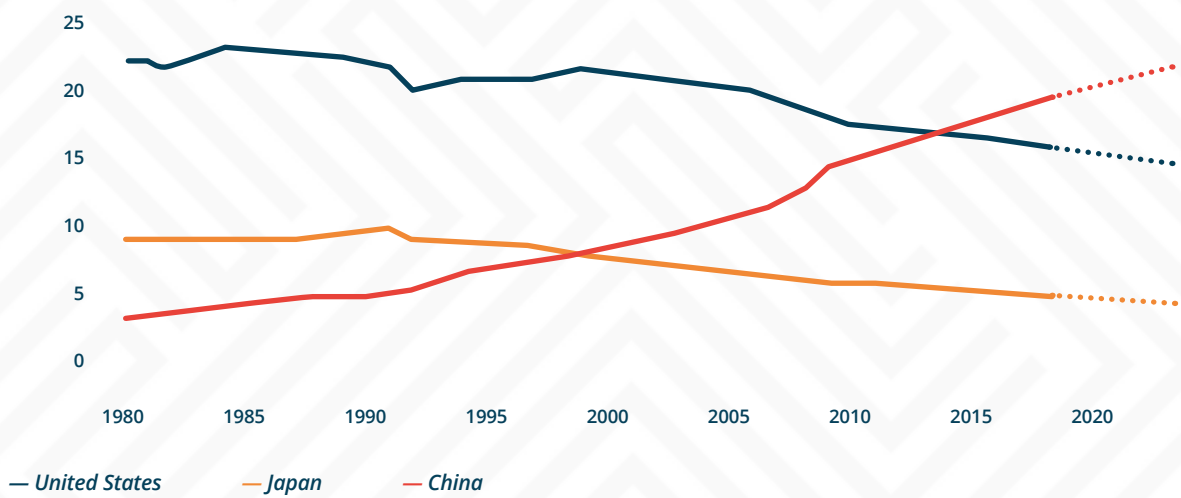


Source: China Statistics Bureau

China's share in the world economy rose to 15.3 percent

When China started reform and opening up in 1978, its economic aggregate ranked 11th in the world, accounting for only 1.8% of the world's total. In 2008, China took the place of Germany and ranked the 3rd. In 2010, China surpassed Japan and became No.2, second only to the US. In 2017, China's GDP was US\$12.3 trillion, accounting for 15.3% of the world economy.

GDP base on PPP, share of world (10980-2020)

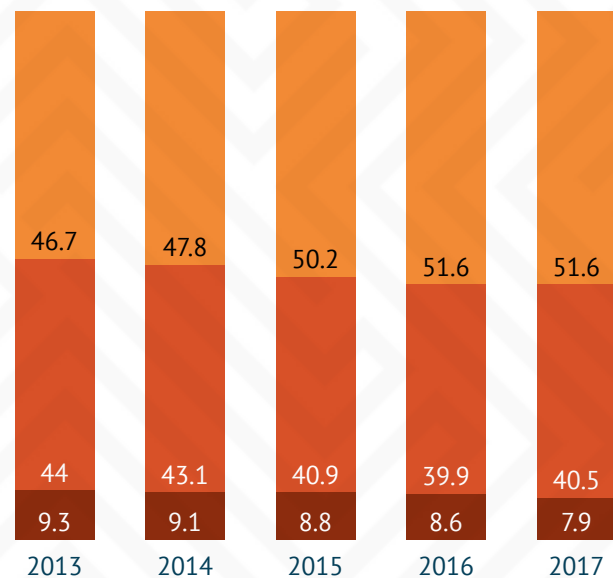


Source: IMF, 2018

The percentage of the Third Industry exceeds 50%

Along with the growth of the economy, the structure of China's economy is also changing. In 1952, China was a typical agricultural country and the added value of the First Industry accounted for 50.5 percent of the total. In 1970, the added value of the Second Industry rose to 40.5 percent, becoming the biggest industry in China, demonstrating the acceleration of China's industrialization. In 2015, the percentage of Third Industry exceeded 50% as a result of structural adjustment. In 2017, the percentage of the Third Industry increased to 51.6%, contributing 58.8 percent to the overall economic growth.

Shares of GDP 2013-2017 (%)



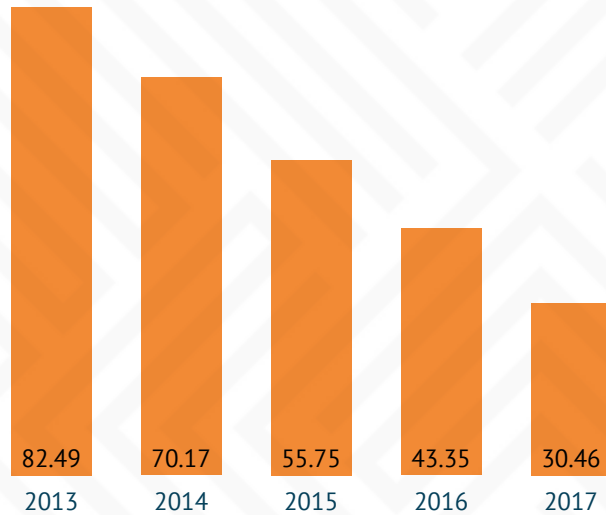
Source: China National Bureau of Statistics

Poor population cut by 68 million

The purpose of economic development is to improve people's living standards. After 40 years of reform and opening up, people's lives in China underwent tremendous changes. By the end of 2017, The urbanization rate of China's permanent population was 58.52%, a big rise of 40.6% compared to the year of 1978 with an average annual growth rate of 1%. In 2017, the national per capita disposable income reached 25,974 yuan (about US\$ 3800), 22.8 times that of 1978 in real terms with an average annual growth rate of 8.5%. In 2017, China's poverty population declined by more than 68 million compared with the year of 2012 and the poverty rate fell from 10.2% to 3.1%. The report of the 19th National Congress of the Communist Party of China in October 2017 points out that China will surely win the battle against poverty and ensures that the poor population in the rural area can be lifted out of poverty by 2020 based on the current standard.

Population below National Poverty Line in China's Rural Area at the end of 2013-2017

Population (million persons)

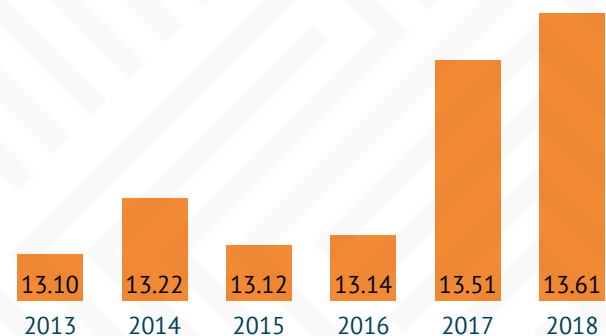


Source: China Statistics Bureau

13 million jobs are created every year

The situation of employment is stable in China and registered urban unemployment rate remains low for a long time. By the end of 2018, registered urban unemployment rate was lower than 5%, and in general job supply outweighed demand. In recent years, a series of initiatives were put forward by the Chinese government to improve employment. In 2018, 13.61 million new jobs were created, the sixth year in a row to create over 13 million jobs.

New Employment by Year (million persons)

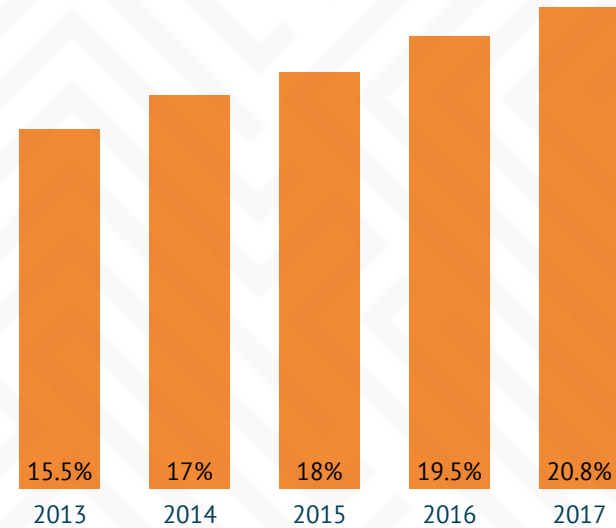


Source: China Statistics Bureau

The share of clean energy consumption increased by 5.3%

Environmental protection is a basic national policy in China. An old Chinese saying goes that “lucid waters and lush mountains are invaluable assets”. In recent years, China’s ecological environment has gradually improved. Compared with 2013, the percentage of China’s clean energy consumption rose by 5.3% in 2017. Energy and water consumption per unit of GDP both decreased by more than 20%; the discharge of main pollutants continued to fall; the number of heavily polluted days in main cities was halved; the forest area increased by 163 million mu (10.87 hectare); and the land area affected by desertification

*Renewable Energy Consumption
(% of total final energy consumption)*



Source: China Statistics Bureau

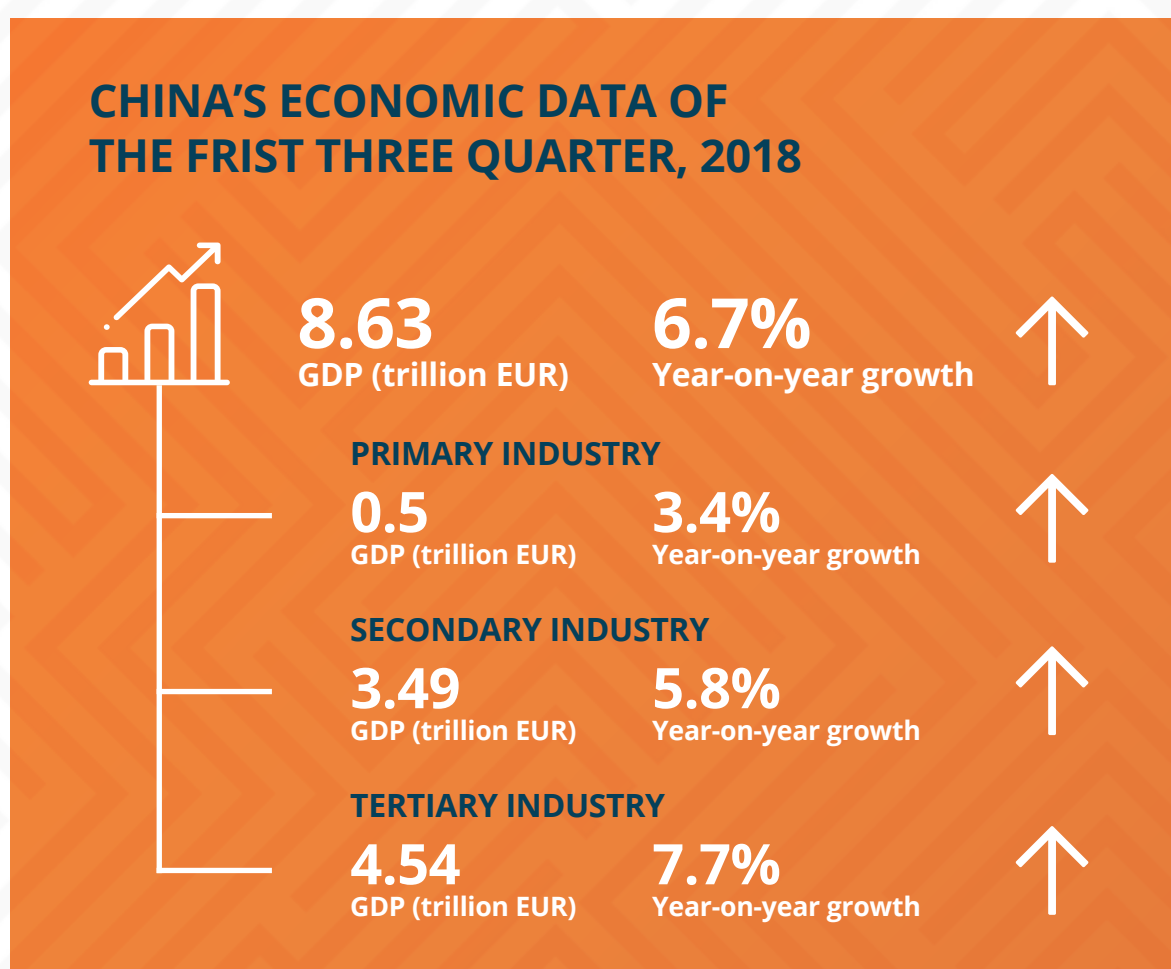
was reduced by nearly 2,000 square kilometers. According to Bloomberg report, in 2017 China’s investment in renewable energy reached US\$ 133 billion, 2.3 times that of the United States and ranking the first in the world. According to the International Energy Agency, the percentage of installed solar, hydro and wind power capacity in China will account for 42%, 35% and 40% respectively in the world from 2017 to 2022.

150 million tons of excess steel capacity was phased out in three years

In the past few years, the global demand has been shrinking due to the financial crisis, leading to overcapacity in the global steel industry. For that reason, the Chinese government proposed in 2016 to actively and orderly resolve the problem of excess steel capacity, and to reduce the crude steel capacity by 100 million or 150 million tons in five years. By the end of 2018, China had achieved this goal ahead of schedule, but at a heavy price --- more than 500,000 workers were left jobless and had to be resettled.

The economy is expected to grow by about 6.2%.

Though faced with tremendous downward pressure, the Chinese economy is still expected to maintain medium-high speed growth. At the end of 2018, the World Bank and the IMF forecast that China's economy will grow by about 6.2% in 2019. The Chinese Economy Blue Book released by the Chinese Academy of Social Sciences predicts that China's GDP growth rate will be 6.3% in 2019, holding that the fundamentals of the economy remain stable, and the favorable trend of transformation, upgrading and structural adjustment will not be changed. Meanwhile, China's economy has shifted from high-speed development to high-quality development. In this stage, high-quality economic development is more important.





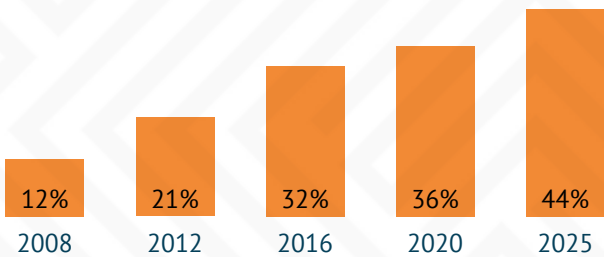
V. MARKET OPPORTUNITIES IN CHINA

Introduction: with a population of nearly 1.4 billion, China is the world's second largest economy and the second largest importer and consumer. All these numbers point to one word: "market." China is the world's largest potential consumer market and has huge appeal for multinational companies. Against the backdrop of economic globalization, major developed and developing countries and multinational corporations around the world are filled with confidence, enthusiasm and hope about the potential of the Chinese market.

China's middle-income group accounts for 35 percent of the world's total

In recent years, China's final consumption contributed the most to global consumption growth on an annual basis. According to the Credit Suisse research center, there are about 1.05 billion middle-income people in the world, among which China accounts for nearly 35%, namely 370 million middle-income people, ranking first in the world. China's retail sales of consumer goods reached 34.5 trillion Yuan (US\$5.1 trillion) in the first 11 months of 2018, up by 9.1 percent year-on-year, according to Chinese statistics. According to the Economist Intelligence Unit (EIU) and the Boston Consulting Group (BCG), by 2021, China's consumer market is expected to reach US\$ 6.1 trillion, an increase of 1.8 trillion compared with 2016, which is equivalent to the size of the UK's consumer market in 2021. According to McKinsey, Chinese consumers are expected to contribute 44% to the global luxury market by 2025.

*Development of Global Personal Luxury Market
% of Chinese consumers*

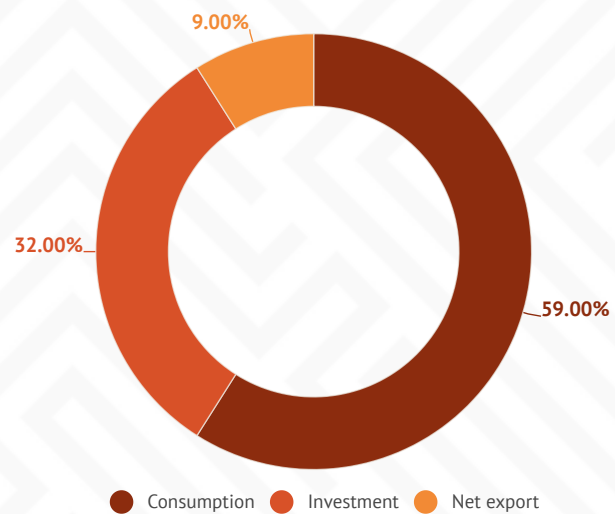


Source: China Statistics Bureau

Consumption accounts for 78 percent of China's economic growth

for a long time the Chinese economy was led by investment and exports, while consumption contributed less to China's economic growth. In 2008, China's final consumption expenditure contributed only 45.7% to GDP growth, far lower than that of most developed countries. In recent years, China's consumer market has kept expanding, and the Chinese economy has turned to be driven mainly by investment and consumption. In 2017, consumption contributed 58.8 percent to China's GDP, with online retail sales up 32.2 percent. Consumption contributed as much as 78% to economic growth in the first three quarters of 2018. In the first three quarters of 2018, China's per capita consumer spending was 14,281 Yuan (US\$ 2,100), up by 6.3 percent in real terms. Consumption of services grew rapidly, accounting for more than 50 percent of consumer spending for the first time in the first three quarters of 2018.

Factors Contributing to the GDP Growth of China in 2017 (%)

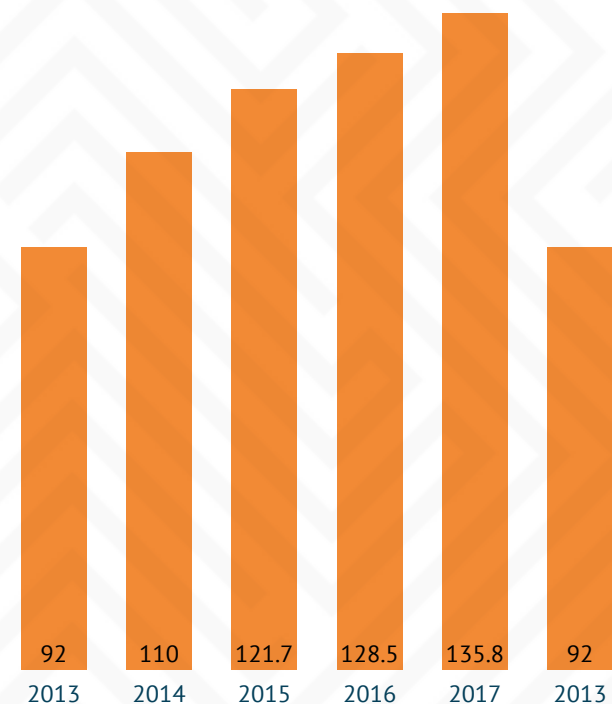


Source: China National Bureau of Statistics

130 million Chinese tourists travel abroad

Since 2012, China has been the world's largest source of outbound tourists for many years. According to Chinese statistics, Chinese tourists made 130 million outbound trips in 2017, an increase of 7 percent over the previous year, and international tourism expenditure reached US\$ 115.29 billion, an increase of 5 percent. Chinese tourists' expenditure accounted for nearly one-fifth of the world's total tourism revenue in 2017. It is estimated that in the next five years, outbound tourism will become an important direction for China's consumption upgrading, reaching 700 million person-times, and the import of travel services is expected to exceed US\$1.4 trillion.

Chinese Outbound Tourists (million persons)



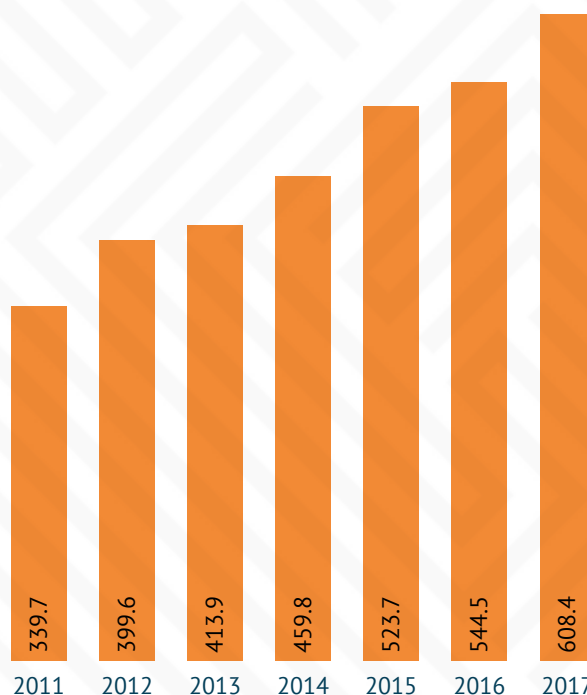
Source: China Statistics Bureau

According to statistics, Chinese tourists spent about US\$ 13,000 per capita in the US in 2016, with the total tourism expenditure as high as US\$ 35.22 billion, namely a daily revenue of US\$ 97 million for the US. The Ministry Commerce of China estimates that overseas shopping by Chinese residents is worth about US\$ 200 billion a year. Europe is the third largest destination region for Chinese outbound tourists, and France is the first choice for Chinese tourists in Europe.

More than 600,000 Chinese students study abroad every year

the international education industry is the dominant industry in many developed countries in Europe as well as the United States. The BBC reported in 2015 that overseas students contributed 2.3 billion Pounds a year to the British economy and supported 70,000 local jobs. In recent decades, more and more Chinese students went to study abroad. In 2017, the number of Chinese overseas students exceeded 600,000 for the first time, reaching 608,400, an increase of 11.74% over the previous year. China has become the world's largest source of overseas students. The destinations of Chinese overseas students are relatively concentrated, with most going to the United States and Europe. According to the 2018 Open Doors Report of the American Institute of International Education, China is the number one source of overseas students in the United States, with 363,000 students, accounting for 33.2 percent of all international students studying in the United States, nearly twice as many as the number two source country, India.

Number of Chinese Overseas Students (thousand persons)

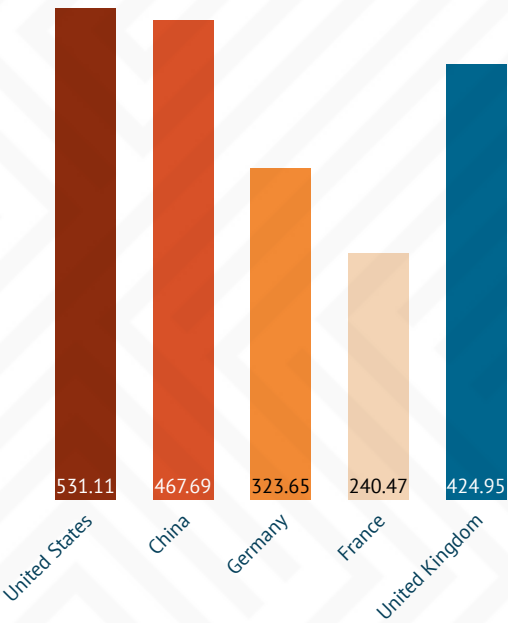


Source: Ministry of Education and Culture, China

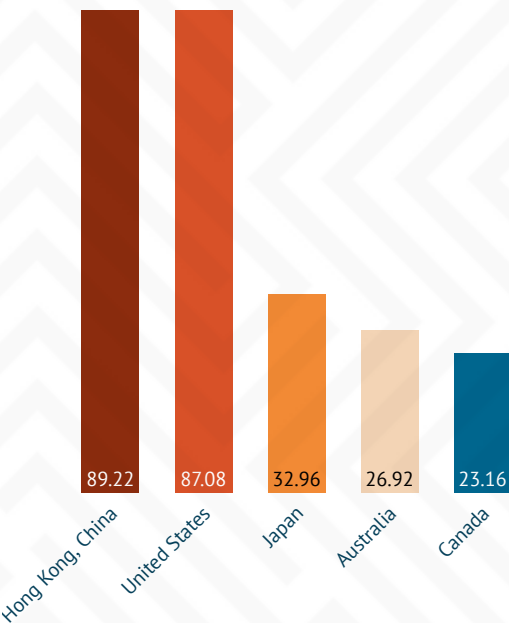
China's service imports grew by 230 times in 35 years

In 2017, China's service imports totaled US\$ 467.59 billion, up 3.4 percent year-on-year and 230 times more than that in 1982. In the early stage of reform and opening up, China's service trade was in its infancy. In 1982, China imported US\$ 2.02 billion of services, accounting for only 0.4% of global imports. When China joined the World Trade Organization in 2001, its service imports totaled US\$ 39.27 billion, accounting for 2.6 percent of the world's imports, an increase of 18.4 times over that of 1982. Since its accession to the WTO, China has actively integrated itself into the world economic system and taken the initiative to import quality services from across the globe. From 2001 to 2017, China's service imports grew by 11 times, with an average annual growth rate of 16.7%, ranking first among major economies in the world. In recent years, despite the slow growth of international trade, the proportion of China's service imports in the global total rose from 6.3% in 2012 to 9.0% in 2017, and its world ranking jumped from the 10th place to the 2nd place. China's service imports will provide new impetus for global economic growth and bring "China opportunities" to the world.

Top 5 Economies for the import of service
Amount (Bil USD)



Top 5 Service Exporters to Mainland China
Amount (Bil USD)

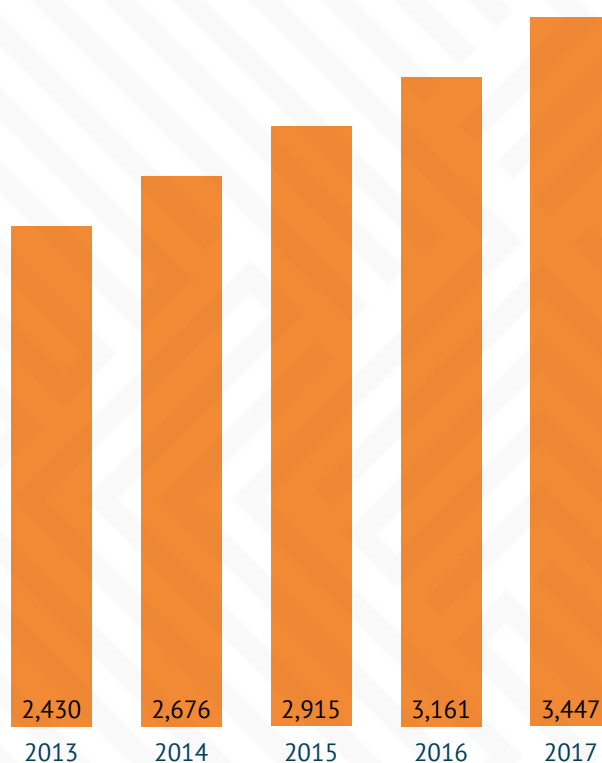


Source: MOFCOM, China

In the next 15 years, China will import US\$ 4.5 trillion worth of goods and services

In 2017, the per capita disposable income of Chinese residents reached 25,974 Yuan, up by 7.3% in real terms, representing an annually growing trend of resident purchasing power. In 2017, China's imports of goods totaled 1,841 billion US dollars, 6.2 times of the amount in 2002, the year after China joined the WTO. In the same year, imports of services totaled US\$ 467.6 billion, with a deficit of US\$ 239.5 billion, 10.1 times and 798.3 times that of 2002 respectively. China has become the world's second largest importer of goods and the second largest importer of services, accounting for about 1/10 of the world's annual import value of goods and services respectively. In the next 15 years, China is expected to import more than US\$ 30 trillion worth of goods and US\$ 10 trillion worth of services.

China Per Capita Disposable Income (RMB)



Source: China National Bureau of Statistics

US\$ 57.8 billion worth of deal sealed during six days at the Import Expo

In November 2018, the first China International Import Expo was successfully held in Shanghai, attracting representatives from 172 countries, regions and international organizations, more than 3,600 enterprises, and over 400,000 domestic and foreign purchasers. The value of prospective deals amounted to US\$ 57.8 billion during the Expo. Among the purchasers, more than 6,200 are from abroad. The goal of "buying globally, selling globally" was achieved, demonstrating the huge attraction and influence of the Chinese market. European enterprises have actively engaged in the Expo. The UK, Hungary and Germany participated as guests of honor. 15 EU member states held national exhibitions and over 800 EU companies took part.

HIGHLIGHTS OF THE 1ST CIIE

6 days

Participants from

172 countries/regions

3,600+ exhibitors

400,000+ buyers
Intended deals worthy of

51.6 billion EUR





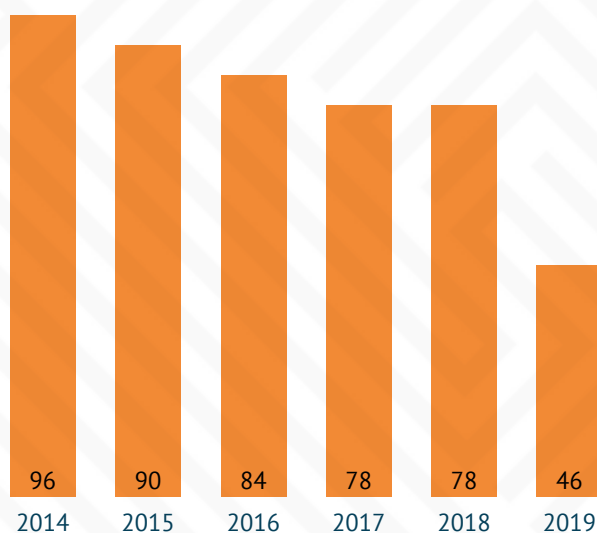
VI. BUSINESS ENVIRONMENT IN CHINA

Introduction: China has been committed improving its business environment. In recent years, the Chinese government has pushed forward reforms in key areas, resolved the bottleneck issues in enterprises' investment and production operation, and has attained tangible achievements. During the Boao Forum for Asia Annual Conference 2018, President Xi Jinping announced that China would adopt the following four major measures to pursue further opening: significantly broaden market access, create a more attractive investment environment, strengthen protection of intellectual property rights (IPR), and take the initiative to expand imports. This is the clear pledge China made to all that China's door of opening-up will not be closed and will only open even wider.

China's business climate ranking moved up 32 places

According to the World Bank Group's Doing Business 2019, China advanced to a global ranking of 46th place this year, up from 78th last year. Progress made in seven areas are particularly impressive, including starting a business, getting electricity, paying taxes, trading across borders and so on. Now it takes only nine days to start a business, on par with most OECD high income countries. Getting electricity connection is also entirely free in China. In addition, Beijing is now one of only two cities in the world where the process of starting a business is completely free. Remarkable progress has also been made on almost all components of trading across borders. For instance, the cost of import (border compliance) was reduced to US\$ 326 from US\$745.

China's Ranking of Doing Business

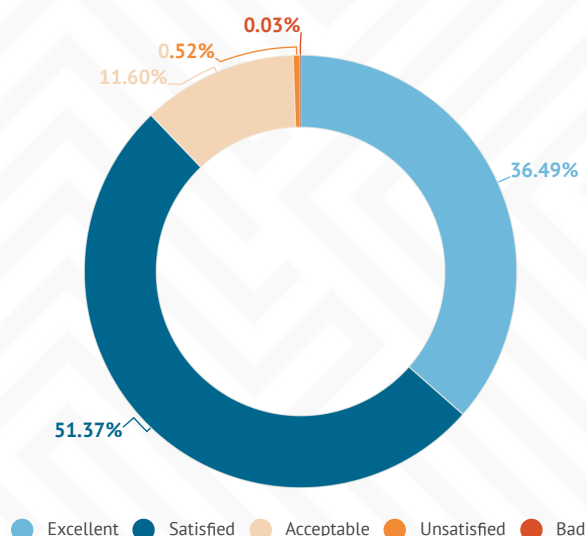


Source: World Bank, 2018

More than 90% of the enterprises think China's business climate has improved

According to a survey recently published by the Academy of China Council for the Promotion of International Trade (CCPIT-Academy), among the 4,000 private, state-owned and foreign enterprises in China surveyed by the academy, more than 90 percent said that they were satisfied with the business environment in China in recent three years. In addition, China's business environment scored 4.17 points in 2018 (out of 5 points, the same below), higher than the 3.85 points of the survey in 2016.

Companies' Feedback about China's Business Environment (2018)



Source: CCPIT Academy

China's overall tariff level has plummeted to 7.5%

In recent years, China has reduced tariffs on imported goods by a large margin. Since December 1st, China cut import tariffs on 187 types of consumer goods in a bid to encourage domestic consumption. In 2018, China again lowered tariffs by a more significant degree. Tariffs on drugs, automobiles, consumer goods and some industrial products were reduced four times. As a result, China's overall tariffs for all categories combined has plummeted from an average of 9.8 percent in 2017

China's Overall Tariff Level (%)



Source: MOFCOM, China

to 7.5 percent. In particular, on November 1 2018, tariffs on 1585 products were slashed. From January 1, 2019, China started to impose provisional import tariff rates on 706 items and removed export tariff on 94 items of raw materials. Meanwhile, China's import clearance time in 2018 is one third shorter than in 2017, from 97.39 hours to 65 hours. By the end of 2021, the overall import clearance time will be reduced to 48 hours, half the level of 2017.

The number of restrictive measures on foreign investment is reduced from 93 to 48

In recent years, China has adopted a series of policy documents to promote foreign investment and improve business climate. 65 policy measures have been introduced to enhance investment liberalization, investment facilitation, investment promotion and investment protection, with a view to creating a more fair, transparent, convenient

and attractive investment environment. By revising the negative list for foreign investment access for two consecutive years, China has reduced the number of restrictions from 93 to 48. The 2018 version of negative list for access, released in June 2018, has introduced opening up measures in 22 sectors, including finance, automobiles, ships and aircraft, offering more opportunities for foreign companies.



12 Pilot Free Trade Zones have been set up

The establishment of special economic zones in 1980 transformed Shenzhen from a small fishing village into an international metropolis. Now, Pilot Free Trade Zones have become a test field for China's opening-up in the new era and a highland for China's institutional innovation. Shanghai Pilot Free Trade Zone was established on 29th September 2013, the first of its kind in China. As of June 2018, more than 56,000 new enterprises were settled there, including more than 10,000 foreign-funded enterprises. By the end of 2018, China had set up 12 Pilot Free Trade Zones. In October 2018, the establishment of Hainan Pilot Free Trade Zone was approved to explore a region-wide pilot free trade zone and promote the construction of a free trade port.

Three laws on foreign investment will be merged into one

Since the reform and opening up, China has formed a legal system for foreign investment based on Law on Chinese-Foreign Equity Joint Ventures, Law on Foreign-capital Enterprises, and Law on Chinese-Foreign Contractual Joint Ventures. As China's foreign investment management has undergone significant changes in recent years, it is necessary to revise the corresponding legal system. The draft foreign investment law, which is under legislative review right now, once adopted, will replace the three existing laws. The draft stipulates that foreign investment is managed by a system of pre-establishment national treatment plus a negative list, and sets up special chapters to standardize the system of investment promotion and protection. The new foreign investment law will eliminate the inconsistencies between the three existing laws and provide more legal certainty and protection to foreign investors and foreign-invested companies.

Foreign businesses are allowed to own up to 51% of shares in securities

China's financial sector accelerated its opening-up in 2018. Foreign equity restrictions on banks and financial asset management firms are canceled, and domestic and foreign-funded institutions are treated equally. Foreign banks are allowed to set up branches and subsidiaries at the same time in China. Foreign businesses are allowed to own up to 51 percent of shares in securities, funds, futures and life insurance joint ventures, and the cap will be phased out over three years. Securities joint ventures are not required to have at least one securities firm among its domestic shareholders. Foreign-funded insurance brokers have the same business scope as their Chinese counterparts do. The financial sector's opening up shows China's determination to build a high-level and open economy.

Five-year transition period is set up in the auto industry

The Chinese government announced a timetable for the opening up of the auto industry and other manufacturing sectors in April 2018. According to the timetable, foreign equity restrictions on special purpose vehicles and new energy vehicles are canceled in 2018. Foreign equity restrictions on commercial vehicles will be removed in 2020. Foreign equity restrictions on passenger cars and the article that joint ventures can't exceed two will be removed in 2022. After the five-year transition period, all restrictions will be canceled in the auto industry. In addition, from 1st July 2018, the Chinese government cut the tariff on imported cars from 25 percent to 15 percent. Besides, the Chinese government decided to remove foreign equity ratio in ship industry, including ship design, manufacturing and repairing, etc. Foreign equity restrictions in the aircraft manufacturing industry are also canceled in 2008, including the manufacturing of planes, helicopters and drones, among others.

ROADMAP OF REMOVING FOREIGN OWNERSHIP CAPS IN THE CHINESE CAR MARKET





VII. INTELLECTUAL PROPERTY PROTECTION IN CHINA

Introduction: To protect intellectual property right is to encourage innovation and protect enthusiasm for innovation, which is crucial for improving China's economic competitiveness. In 2008, the Chinese government issued the Outline of the National Intellectual Property Strategy. Over the past decade, China has continuously stepped up intellectual property protection. With more comprehensive and stricter enforcement, China has created a stable, fair, transparent and predictable business environment. Compared with developed countries, China faces a more daunting task in terms of IP protection. However, despite such difficulties, China will continue to work hard and strive to make greater progress.

An intellectual property protection system was built in 20 years

China's intellectual property legislation started late. The Trademark Law of the People's Republic of China was issued in 1982, which pioneered the construction of the intellectual property legal system. It was followed by the Patent Law in 1984, the Technology Contract Law in 1987, the Copyright Law in 1990 and the Anti-Unfair Competition Law in 1993, as well as the Regulation on Protection of New Varieties of Plants and the Regulations on Protection of Integrated Circuit Layout Design. At its accession to the WTO in 2001, China revised and improved a series of relevant legislation. From 1982 to 2001, China has gradually established an intellectual property protection system in less than 20 years, which took the US and European countries decades or even more than a hundred years. In recent years, in order to better integrate into the international market, China has accelerated the improvement of relevant laws, revised the Trademark Law, and introduced the punitive damages system; revised the Anti-Unfair Competition Law and further improved the protection of trade secrets. At present, the process of revising laws such as the Patent Law and the Copyright Law is being accelerated.

Three intellectual property courts accepted 46,000 cases

In order to further improve the intellectual property trial system, in 2014, China established IPR courts in Beijing, Shanghai and Guangzhou. As of June 2017, the courts had collectively accepted 46,000 IPR cases and concluded 33,000 of them. In 2017, IPR tribunals were established in 15 intermediate courts in Nanjing, Chengdu, Ningbo, Wuhan and other cities to handle cross-regional IPR cases, including those related to patents. On January 1, 2019, the Intellectual Property Tribunal of the Supreme People's Court of China was formally established. This is a significant development that will have far reaching impacts and could fundamentally change how Chinese patents are enforced and the value of Chinese patents overall.

100,000 pieces of intellectual property law enforcement in one year

China has established a mechanism to combat infringement and counterfeiting and achieved remarkable results. From 2013 to 2017, 192,000 cases of patent infringement and counterfeiting were investigated and punished in China, as well as 173,000 cases of trademark infringement and counterfeiting. In 2018, the total number of patent administrative law enforcement cases in China was 77,000, a 15.9% increase year-on-year. 31,000 trademark violation cases were investigated and prosecuted, with a case value of 550 million yuan. The number of the above two types of law enforcement cases add up to more than 100,000. Since 2001, the amount of intellectual property royalties paid by China to foreign right holders has registered an annual growth of 17 percent, reaching US\$ 28.6 billion in 2017.



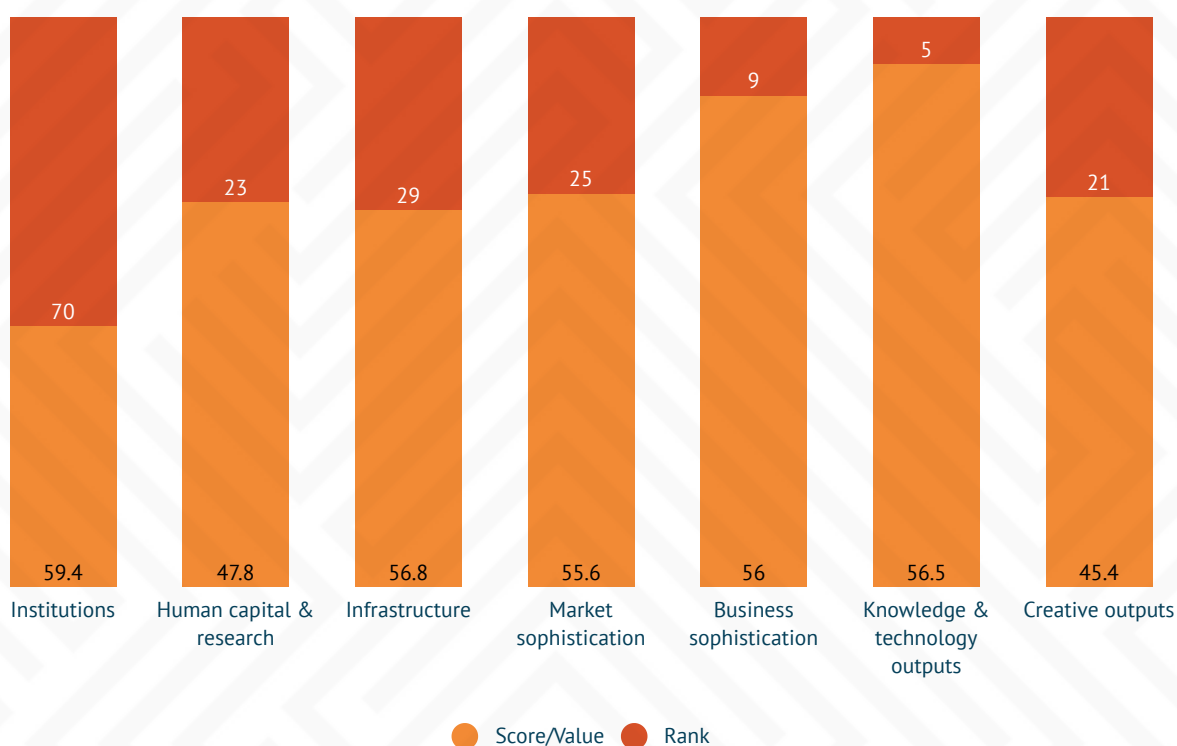
Intellectual property social satisfaction increased to 76.69 points

According to a State Intellectual Property Office survey released in April, 2018, the level of social satisfaction with IPR protection in China climbed from a score of 63.69 to 76.69 between 2012 and 2017. The scores of the four first-level indicators of legal policy and protection, law enforcement, management and service, and publicity and education have all improved.

China moves up to 17th place in global innovation index ranking

In the Global Innovation Index (GII) ranking published annually by the World Intellectual Property Organization (WIPO), China climbed to 17th in the rankings from 22nd last year, the first time among top 20. China ranks first in the number of researchers, patents and scientific and technical publications. China's economy is transforming from a labor intensive one toward one with high-value addition, with innovation being a central element in this structural transformation driven by a top-down strategy of "mass entrepreneurship and innovation".

China Ranks No. 17 in Global Innovation Index 2018

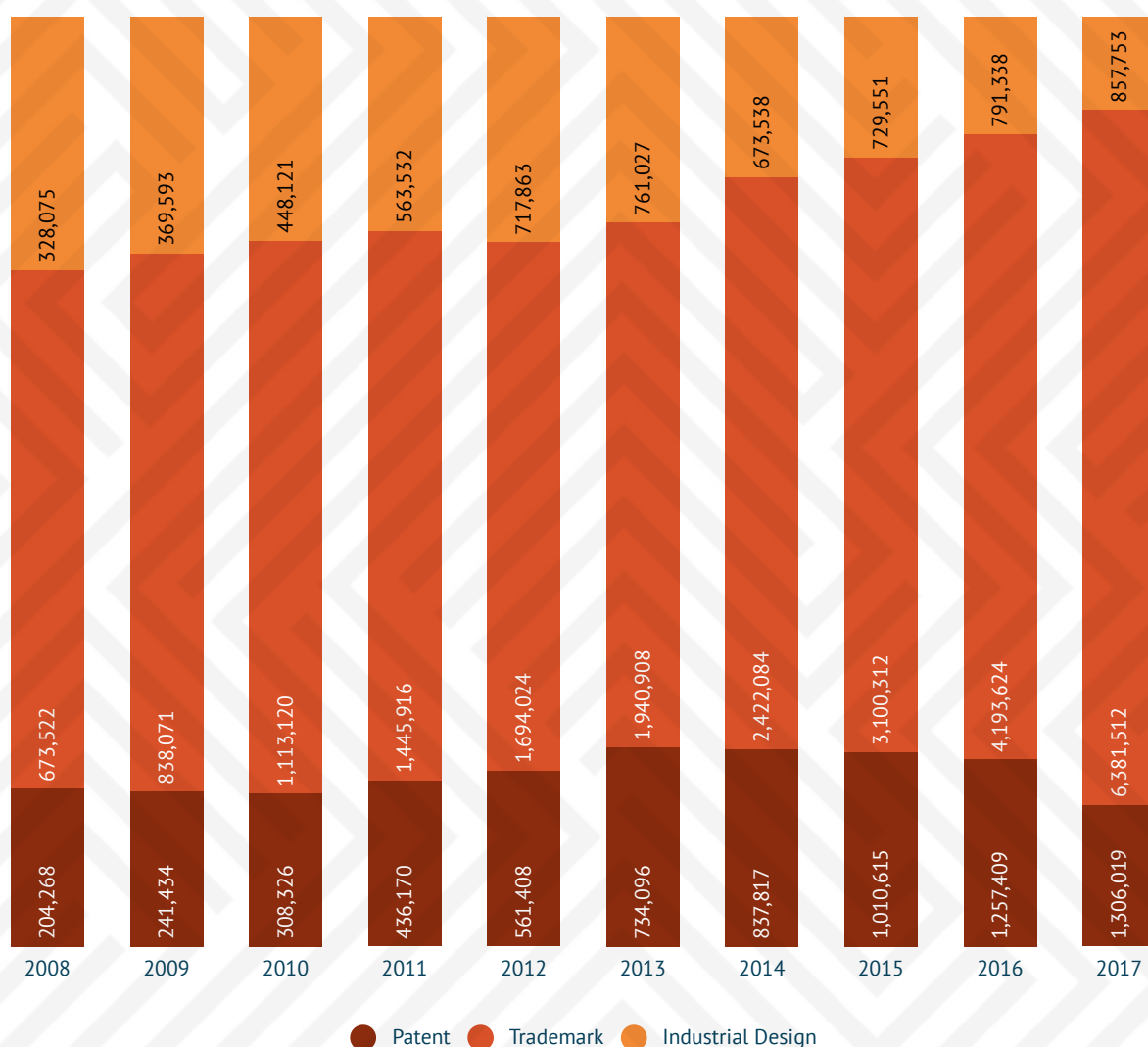


Source: WIPO 2018

The number of China's invention patents ranks the first in the world for eight consecutive years

In 2018, the number of patent applications for invention in China was 1.542 million, ranking the first in the world for eight consecutive years. In 2017, China's patent application filed through the Patent Cooperation Treaty reached 51,000, ranking second in the world after the US. There were 148,000 foreign invention patents applications in China in 2018, rising 9.1 percent year on year, a record high growth in recent years. And the number of foreign trademark registration applications was 244,000, up 16.5 percent. The continuous increase in the number of foreign intellectual property applications in China shows the recognition and confidence of foreign companies in the protection of intellectual property rights in China.

China's IP Filings (2008-2017)



Source: WIPO 2018

154



VIII. CHINA'S FULFILLMENT OF ITS WTO ACCESSION COMMITMENTS

WORLD TRADE ORGANIZATION
ORGANISATION MONDIALE DU COMMERCE
ORGANIZACIÓN MUNDIAL DEL COMERCIO

Introduction: Today, with the rise of unilateralism and protectionism, it is increasingly important to defend free trade and economic globalization. Therefore, safeguarding a multilateral trading system with the WTO as the core has always been the direction of China's efforts. Since acceding to the WTO, China has actively implemented the concept of free trade, comprehensively strengthened the integration with multilateral trade rules, and earnestly fulfilled its commitments. The stability, transparency and predictability of opening-up policies have improved significantly. China has made positive contribution to the effective operation of the multilateral trading system, demonstrating its sense of responsibility as a big country.

Over 2,300 pieces of laws and regulations reviewed and revised by the central government

After its accession in 2001, China launched major efforts to review and revise relevant laws and regulations, including 2,300 laws, regulations and departmental rules at central government level, and 190,000 policies and regulations at sub-central government levels, covering trade, investment, IPR protection, etc. A legality review mechanism was set up in China to examine normative documents. As of August 2010, China has faithfully fulfilled all of its WTO accession commitments.



China submitted over 1,000 notifications

China has submitted notifications to the WTO on a regular basis concerning the amendment, revision and implementation of relevant laws, regulations and measures as required by the WTO. By the end of 2017, China had submitted over one thousand notifications covering areas such as central and sub-central subsidy policies, agriculture, technical regulations, standards, conformity assessment procedures, state trading, trade in services, and IPR laws and regulations

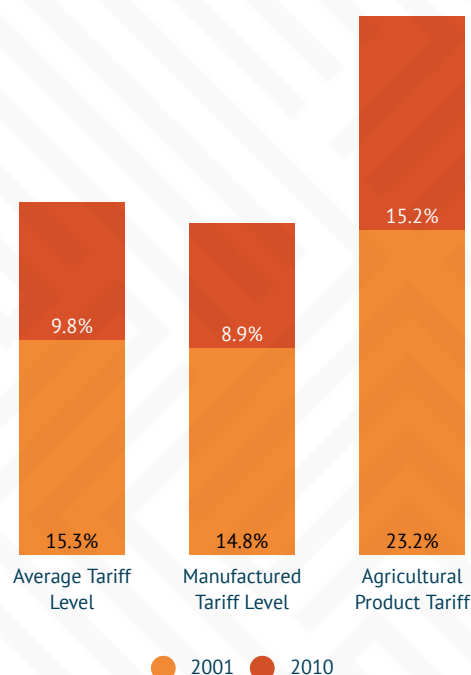
Import tariff is down by 7.8%

China has fulfilled its commitment in trade in goods and slashed import duties. By 2010, China had fulfilled all of its tariff reduction commitments. Now the average tariff level has been reduced from 15.3 percent in 2001 to 7.5 percent. Already in January 2005, in accordance with its commitments, China had eliminated import quotas, import licenses, specific import tendering requirements and other non-tariff measures.

100 sub-sectors in services are opened up

China has striven to boost the services industry and increase its share of contribution to the economy. Of the 160 services sub-sectors under the 12-sector WTO classification, China committed to opening up 100 sub-sectors under 9 sectors, a level approximate to the average 108 sub-sectors committed by the developed members of the WTO. By 2007, China had honored all of its commitments on trade in services. Besides, China has step by step lowered the threshold for foreign investment to enter the services sectors in China, lifted geographical and quantitative restrictions on services according to schedule, and constantly broadened the business scope for foreign investment in the services sectors. Chinese President Xi Jinping delivered a keynote speech at the opening ceremony of the first China International Import Expo in Shanghai on Nov.2018. He said, "China is steadily increasing the openness of the financial sector, continuing to open up the service sector, and working toward greater openness in the agricultural, mining and manufacturing sectors. We are accelerating opening in such areas as telecommunications, education, medical service and culture. In particular, the foreign equity caps are going to be raised in the education and medical service sectors, where there is both huge interest among foreign investors and shortage in domestic supply".

China's Tariff Rate in 2001 and 2010



Source: MOFCOM, China

CHINA PLEDGES TO FURTHER OPEN THE SERVICE SECTOR

Finance

Education

Medical care

Cultural Services

Telecommunication



China upholds three basic principles and five propositions of WTO reform

At present, the WTO faces a crisis of survival. China supports the necessary reforms to the WTO and puts forward three principles: the reform should uphold the organization's core values of non-discrimination and opening; protect development interests of developing members and address their difficulties in integrating into economic globalization; and follow the mechanism of decision-making by consensus. And five propositions: WTO reforms should uphold the main channel status of the multilateral trading system; prioritize addressing issues that threaten the existence of the organization; make trade rules fairer and in line with the needs of the times; ensure special and differentiated treatment for developing members; and respect the development model of each member.



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