

BEFORE THE  
U.S.-CHINA ECONOMIC AND  
SECURITY REVIEW COMMISSION

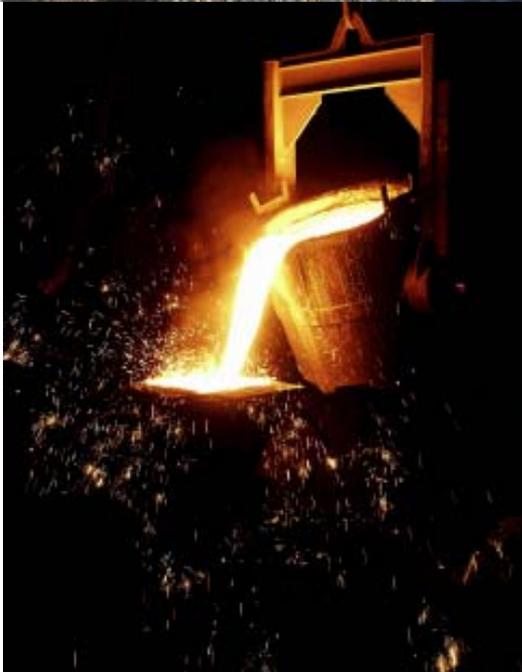
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HEARING ON  
CHINA'S INDUSTRIAL POLICY AND ITS IMPACT  
ON U.S. COMPANIES, WORKERS AND THE  
AMERICAN ECONOMY

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PRESENTATION OF  
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## INTRODUCTION

The Chinese Government employs industrial policies that favor and promote the development of state-owned enterprises and the creation of national and global champions. Foremost among the tools used to pursue its industrial policies are government subsidies and its directions on foreign investment (support; restrict; prohibit). This paper reviews the pervasive nature of government subsidies in China and looks at how China's use of subsidies and investment controls have fostered increased production and expanded exports in various sectors including many of those designated by China's Eleventh Five-Year Plan as strategic and pillar industries. The paper also reviews China trade data that demonstrates that China's industrial policies have resulted in an explosion of trade growth by Chinese exporters, often leading to sharp swings in China's trade balance from a trade deficit in a sector to a large trade surplus. Finally, the paper reviews various incentives for foreign companies to invest in China, and looks at how China's 2009 Stimulus Package benefits favored state-owned enterprises and designated industries.

## U.S.-CHINA TRADE FLOWS

Trade flows between the United States and China are substantial and have increased from year to year. While U.S. exports to China have increased, imports from China have increased enormously. The U.S. goods trade deficit with China in 1985 was only 6 million dollars; in 2008, it was 266.3 billion dollars.<sup>1</sup> China accounts for roughly 12 percent of total U.S. trade and one-third of the total U.S. goods trade deficit with the world.

**U.S.-China Trade Balance (Goods) - 2000-2008**  
(Millions of U.S. dollars)

Year	Exports	Imports	Balance
2000	16,185.2	100,018.2	-83,833.0
2001	19,182.3	102,278.4	-83,096.1
2002	22,127.7	125,192.6	-103,064.9
2003	28,367.9	152,436.1	-124,068.2
2004	34,744.1	196,682.0	-161,938.0
2005	41,925.3	243,470.1	-201,544.8
2006	55,185.7	287,774.4	-232,588.6
2007	65,236.1	321,442.9	-256,206.7
2008	71,457.1	337,789.8	-266,332.7

**Source:** U.S. Census Bureau, Foreign Trade Statistics; available at <http://www.census.gov/foreign-trade/balance/c5700.html#2009>.

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<sup>1</sup> See U.S. Census Bureau, Foreign Trade Statistics; available at <http://www.census.gov/foreign-trade/balance/c5700.html#2009>.

In 2008, in terms of trade in goods, China was the United States' second largest trading partner (after Canada but surpassing Mexico). China was the number one source of U.S. imports and the number three destination for U.S. exports.

**Total Trade (Goods) – 2008**  
 (Billions of dollars)

Rank	Country	Exports	Imports	Total Trade	% of Total Trade
1	Canada	261.4	335.6	596.9	17.6%
2	China	71.5	337.8	409.2	12.0%
3	Mexico	151.5	215.9	367.5	10.8%

**Imports (Goods) – 2008**  
 (Billions of dollars)

Rank	Country	Imports	% of Total Imports
1	China	337.8	16.1%
2	Canada	335.6	16.0%
3	Mexico	215.9	10.3%

**Exports (Goods) – 2008**  
 (Billions of dollars)

Rank	Country	Exports	% of Total Exports
1	Canada	261.4	20.1%
2	Mexico	151.5	11.7%
3	China	71.5	5.5%

**Source:** U.S. Census Bureau, Foreign Trade Statistics; available at <http://www.census.gov/foreign-trade/statistics/highlights/top/top0812yr.html>.

## **PERVASIVE NATURE OF GOVERNMENT SUBSIDIES IN CHINA'S ECONOMY**

It is well recognized that the Chinese government at all levels - central, provincial, and local – has long provided a wide range of subsidies to state-owned and state-invested enterprises and, as well, to foreign-invested enterprises to attract investment. Indeed, government subsidies are pervasive in the Chinese economy. For example, two years ago, as part of a series of research reports prepared by the Trade Lawyers Advisory Group, my firm submitted reports on China's use of subsidies in four areas – high-tech, agriculture, wood and wood products, textiles and apparel.<sup>2</sup>

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<sup>2</sup> See Trade Lawyers Advisory Group, *China's Industrial Subsidies Study: High Technology* (April 2007); Trade Lawyers Advisory Group, *China's Support Programs For Selected Industries: Agriculture* (June 2007); Trade Lawyers Advisory Group, *China's Support Programs For Selected Industries: Wood And Wood Products* (June 2007); Trade Lawyers Advisory Group, *China's Support Programs For Selected Industries: Textiles and Apparel* (June 2007). These reports are available on the Commission's website. See <http://www.uscc.gov/researchpapers/papers.php>.

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The Commission has noted the extensive use of subsidies by China in supporting state-owned enterprise (SOEs). In its 2006 annual report, the Commission observed that although Chinese subsidies were difficult to identify and quantify due to lack of transparency and the structure of the Chinese economy, there was a “plethora of practices that act as indirect subsidies: preferential tax policies, government funds for state-owned enterprises, double bookkeeping by such enterprises, subsidized inputs for such enterprises, “give-away” prices on energy and land, sectoral credit allocation, loan extensions, debt forgiveness, wage ceilings, and the undervalued renminbi.”<sup>3</sup> Again, in its 2007 annual report, the Commission cited the following types of subsidies as those most frequently provided by Chinese provincial and local governments to SOEs: (1) low cost loans; (2) asset injections; (3) subsidized inputs; (4) tax breaks; (5) energy subsidies; (6) land subsidies; and (7) purchasing SOE products.<sup>4</sup>

Academics and business groups have long commented on the extensive use of subsidies in China. For example, Dr. Usha C. V. Haley, a scholar who has studied Chinese subsidies, has noted: “Industrial subsidies in China derive from governmental dominance of the economy and from various factors including the central, provincial and municipal governments’ strategic goals, patronage, and corruption. The subsidies include direct and indirect components that affect both the top and bottom lines of industrial operations.”<sup>5</sup> Similarly, in a submission to the U.S. Representative’s Office, the American Chamber of Commerce in China has stated: “The Chinese government employs direct and indirect subsidies such as grants, interest loan subsidies, debt forgiveness and tax concessions to prop up state-owned enterprises, introduce new technology and expand or build new capacity. Should these practices persist, American firms will remain at a distinct competitive disadvantage against Chinese enterprises when competing in the Chinese, U.S. and other international markets.”<sup>6</sup>

To date, China has submitted only one subsidies notification to the WTO (covering subsidies in existence from 2001 through 2004), and that was not submitted until April 7, 2006, four years after

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<sup>3</sup> 2006 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2006), at 31.

<sup>4</sup> 2007 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2007), at 40, citing U.S.-China Economic and Security Review Commission, *Hearing on the Extent of the Government’s Control of China’s Economy, and the Implications for the United States*, testimony of George Haley, May 25, 2007.

<sup>5</sup> *U.S. Trade With China*: Hearing Before the Subcommittee on Trade of the Committee on Ways and Means, U.S. House of Representatives, 110<sup>th</sup> Cong., 1<sup>st</sup> Sess. (February 15, 2007) at 116 (Statement of Usha C. V. Haley, University of New Haven, West Haven, Connecticut).

<sup>6</sup> *Submission of the American Chamber of Commerce – China to the United States Trade Representative regarding China’s Compliance with WTO Commitments* (September 22, 2008) at 18.

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accession.<sup>7</sup> China's notification identified 78 programs in force at the central government level between 2001 and 2004. The WTO Secretariat noted that "a large part of these subsidies programmes involved income tax reductions and exemptions, based on the ownership of enterprises (particularly FIEs), their location, and their activities," and that "some other forms of tax reductions and exemptions, such as VAT and tariffs concessions, were also provided."<sup>8</sup> However, the Secretariat also noted that "despite the large number of programmes notified, a breakdown of estimated annual revenue forgone as a result of individual tax incentives is not available; nor has China provided the Secretariat with an evaluation of the cost-effectiveness of these tax incentives."<sup>9</sup>

Moreover, the United States, the European Communities, and other countries pointed out that China failed to list numerous subsidies provided at the provincial and local level.<sup>10</sup> The United States further noted that China failed to notify any subsidies provided by state owned banks, and that a number of the subsidies listed by China appeared to be prohibited under WTO rules.<sup>11</sup> In addition, the United States requested that China provide further information regarding the listed subsidies and also identified a host of subsidy programs that China did not notify.<sup>12</sup> The United States continued to raise concerns about China's incomplete subsidy notification and identified numerous unreported subsidies in China's 2007 and 2008 transitional reviews before the WTO Subsidies Committee and the second Trade Policy Review of China in May 2008.<sup>13</sup> In its most recent report to Congress on China's WTO compliance, USTR stated: "China continues to provide injurious subsidies to its domestic industries, and some of these subsidies appear to be prohibited under WTO rules. China has also failed to adhere to its WTO subsidy notification obligation."<sup>14</sup>

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<sup>7</sup> See *New and Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the SCM Agreement – People's Republic of China*, Committee on Subsidies and Countervailing Measures, G/SCM/N/123/CHN (April 13, 2006).

<sup>8</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 86.

<sup>9</sup> *Id.*

<sup>10</sup> See, e.g., *Transitional Review Mechanism Pursuant to Section 18 of the Protocol on the Accession of the People's Republic of China – Questions from the European Communities to China with Regard to China's Transitional Review Mechanism on Subsidy Practices*, Committee on Subsidies and Countervailing Measures, G/SCM/Q2/CHN/24, at 1 (October 20, 2006); *Questions from the United States to China Regarding the New and Full Notification of China*, Committee on Subsidies and Countervailing Measures, G/SCM/Q2/CHN/19 (July 26, 2006) at 1.

<sup>11</sup> *Questions from the United States to China Regarding the New and Full Notification of China*, Committee on Subsidies and Countervailing Measures, G/SCM/Q2/CHN/19 (July 26, 2006).

<sup>12</sup> *Id.*

<sup>13</sup> See 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 42.

<sup>14</sup> See 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 41.

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The United States has brought two WTO actions against Chinese subsidies. In February 2007, the United States initiated WTO dispute settlement proceedings against China concerning certain prohibited export and import substitution subsidies that provided refunds, reductions and exemptions from income tax, VAT and other payments benefiting a wide range of industries in China.<sup>15</sup> In January 2008, the dispute was resolved when China agreed to eliminate the subsidies at issue.<sup>16</sup> The second case was initiated in December 2008 and concerns certain measures offering grants, loans and other incentives to enterprises in China, including measures relating to the China's World Top Brand and Famous Export Brand programs.<sup>17</sup> The U.S. said that the Chinese government at all levels (central, provincial, and local) provided financial support in forms such as cash grant rewards, preferential loans, research and development funding, and payments to lower the cost of export credit insurance.<sup>18</sup>

Since October 2006, U.S. industries, including paper, steel, tires, textiles, and chemicals, have alleged injury from Chinese subsidies and petitioned for relief in the form of countervailing duties. In the course of these investigations, the Department of Commerce has examined a host of Chinese subsidies and has determined that certain Chinese subsidies were countervailable, including the following types of subsidies: Government Policy Lending; VAT Rebates; VAT and Tariff Exemptions; Preferential Tax Policies (reduced tax or exemption from tax); Provision of Goods or Services for Less than Adequate Remuneration; Provision of Land for Less Than Adequate Remuneration; Debt Forgiveness; Grants; and Export Assistance. To date, Commerce has completed 10 countervailing duty investigations concerning China, with three other investigations currently pending.<sup>19</sup>

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<sup>15</sup> *China - Certain Measures Granting Refunds, Reductions or Exemptions from Taxes and Other Payments*, Request for Consultations by the United States, WT/DS358/1; G/L/813; G/SCM/D74/1; G/TRIMS/D/25 (7 February 2007).

<sup>16</sup> *China - Certain Measures Granting Refunds, Reductions or Exemptions from Taxes and Other Payments*, Communication from China and the United States, WT/DS358/14 (4 January 2008).

<sup>17</sup> *China - Grants, Loans and Other Incentives*, Request for Consultations by the United States, G/AG/GEN/79; G/L/879; G/SCM/D81/1; WT/DS387/1 (7 January 2009).

<sup>18</sup> *Id.*

<sup>19</sup> Completed CVD investigations:

- (1) *Coated Free Sheet Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 72 Fed. Reg. 60645 (Oct. 25, 2007);
- (2) *Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 Fed. Reg. 31966 (June 5, 2008);
- (3) *Laminated Woven Sacks from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 Fed. Reg. 35639 (June 24, 2008);
- (4) *Light-Walled Rectangular Pipe and Tube from the People's Republic of China: Final Affirmative Countervailing Duty Investigation Determination*, 73 Fed. Reg. 35642 (June 24, 2008);
- (5) *Sodium Nitrite from the People's Republic of China: Final Affirmative Countervailing Determination*, 73 FR 38981 (July 8, 2008);

**CHINA'S INDUSTRIAL POLICIES FAVOR SELECTED INDUSTRIES AND STATE-OWNED ENTERPRISES, WITH THE GOAL OF PROMOTING NATIONAL AND GLOBAL CHAMPIONS**

That the Chinese government grants domestic subsidies in a variety of forms to SOEs and to foreign-invested enterprises (FIEs) is not in itself surprising or remarkable. What is notable, however, about China's use of subsidies and other incentives is the scale of its subsidy and incentive measures and China's ability to guide these measures to targeted recipients and industries through the implementation of central government policies. The Commission has observed that "the world is no stranger" to centrally-planned economies and the use of government industrial policies, citing the examples of Japan, Taiwan, and South Korea, but that "the key differences between what those nations did and what China currently is doing are the sheer size and scope of the Chinese model and the nature of the Chinese government."<sup>20</sup>

Since about 2005, China has increasingly employed industrial policy to target domestic subsidies and foreign investment to selected industries in an effort to restrict domestic competition and expand exports. USTR noted in its 2005 compliance report:

Since acceding to the WTO, China has increasingly resorted to industrial policies that limit market access by non-Chinese origin goods or bring substantial government resources to support increased exports. The objective of these policies seems to be to support the development of Chinese industries that are higher up the economic value chain than the industries that make up China's current labor-intensive base, or simply to protect less competitive domestic industries.<sup>21</sup>

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- (6) *Raw Flexible Magnets from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 Fed. Reg. 39667 (July 10, 2008);
  - (7) *Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 Fed. Reg. 40480 (July 15, 2008);
  - (8) *Lightweight Thermal Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 Fed. Reg. 57323 (Oct. 2, 2008);
  - (9) *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 Fed. Reg. 70961 (Nov. 24, 2008);
  - (10) *Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 Fed. Reg. 4936 (Jan. 28, 2009).

Pending CVD investigations:

- (1) *Certain Kitchen Appliance Shelving and Racks From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 74 Fed. Reg. 683 (Jan. 7, 2009);
- (2) *Certain Tow-Behind Lawn Groomers and Certain Parts Thereof from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 73 Fed. Reg. 70971 (Nov. 24, 2008);
- (3) *Citric Acid and Certain Citrate Salts From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 73 Fed. Reg. 54367 (Sept. 19, 2008).

<sup>20</sup> 2007 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2007), at 45.

<sup>21</sup> See 2005 USTR Report to Congress on China's WTO Compliance (December 2005) at 6.

One goal of China's industrial policy is to favor and promote certain state-owned enterprises into national and global "champions." A report by the European Union cited by the Commission stated:

China has channeled significant subsidies to favored national industries, in particular companies destined to become national or regional champions. These companies also have benefited from preferential policies such as privileged access to the banking sector. In some cases, such as the automotive and steel sectors, whole sectors benefit from an integrated industrial policy intended to support domestic production and boost exports.<sup>22</sup>

In the 2008 trade policy review of China, the WTO Secretariat described the shift in China's industrial policy toward favored sectors and SOEs as follows:

Direct intervention in the economy remains the main approach of industrial policy. Nonetheless, there has been a shift towards the use of various other policy tools to channel resources into certain activities that the Government believes are important for China's continued growth and development. In addition to tariffs and other border tax measures, tax incentives, and subsidies, these tools include "guided" credit, various "catalogues" identifying sectors eligible for incentives, as well as restricted or prohibited activities, various forms of "guidance" including section-specific "industrial development policies" (e.g. for steel, automobiles, and cement), and price controls.<sup>23</sup>

In its 2008 report, USTR notes that China "continued to pursue industrial policies in 2008 that seek to limit market access for non-Chinese origin goods and foreign service suppliers while offering substantial government resources to support Chinese industries and increase exports."<sup>24</sup>

## **CHINA'S ELEVENTH FIVE-YEAR PLAN AND RELATED GUIDELINES TARGET CERTAIN DESIGNATED STRATEGIC AND PILLAR INDUSTRIES FOR DEVELOPMENT AND PROMOTION**

### SOE Restructuring

In 2006, China issued its Eleventh Five-Year Plan for the period 2006-2010.<sup>25</sup> The Plan provided a general outlook for economic growth that aims to "further strengthen China's industrial sectors and

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<sup>22</sup> 2007 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2007), at 40, citing Commission of the European Communities, *Closer Partners, Growing Responsibilities—A policy paper of EU-China trade and investment: Competition and Partnership*, (Brussels: October, 2006), p. 10.

<sup>23</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 89.

<sup>24</sup> See 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 5.

<sup>25</sup> The Eleventh Five-Year Plan Guideline for National Economy and Social Development (2006-10) was approved by the fourth plenary session of the tenth National People's Congress on March 14, 2006.

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foster the growth of a more highly-developed, knowledge-based economy.”<sup>26</sup> China's Plan “proposed to accelerate the transformation of the economy from being ‘resource dependent’ to ‘innovation driven.’”<sup>27</sup>

China implements its industrial policy through its control of SOEs, particularly through direct control of the largest and most dominant SOEs by the State-owned Asset Supervision and Administration Commission (SASAC), which is responsible for managing government assets and reform of central-level non-financial SOEs.<sup>28</sup> As noted by the WTO Secretariat, SOEs under SASAC management “accounted for 40% of total SOE assets in 2006, and earned 60% of total profits.”<sup>29</sup> The Commission has noted that “SASAC has been candid in revealing its plans for China's state-owned enterprises. These include its intentions to provide government subsidies to the ‘national champions’ it intends to create.”<sup>30</sup> USTR has noted that it is “evident that the Chinese government {is} intent on heavily intervening in the commercial decisions of state-owned enterprises, including decisions related to their strategies, management and investments.”<sup>31</sup>

Specific guidance regarding SOEs was provided in December 2006 by the National Development and Reform Commission (NDRC) when it issued a guiding opinion on state-owned assets restructuring. The opinion states that SASAC's state-owned assets should concentrate on “important industries and key areas” (*i.e.*, strategic industries).<sup>32</sup> The opinion then explained that the “important industry and key areas” shall “mainly include industries that involve national security, large and important infrastructures, important mineral resources, important public utilities and public services, and key enterprises in the pillar industries and high-tech industries.”<sup>33</sup> The opinion calls for the administrative agencies to promulgate catalogues and to lay down specifics as to which sectors shall be subject to absolute control or

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<sup>26</sup> 2007 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2007), at 45.

<sup>27</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 89.

<sup>28</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 92.

<sup>29</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 92. The Secretariat reported that the total number of SOEs fell from 929,152 (12.8% of all enterprises in China) in 2004, to 730,121 (8.46%) in 2006. The number of SOEs managed by SASAC was 196 in 2005 and declined to 157 in 2006 (mainly due to mergers and acquisitions). “The SASAC aims to reduce the number of SOEs subject to its management to 80-100 by 2010.” *Id.*

<sup>30</sup> 2007 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2007), at 38.

<sup>31</sup> 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 54.

<sup>32</sup> Circular on Forwarding the Guiding Opinions on SOEs Restructure and State Assets Reallocation, Guo Ban Fa [2006] 97, para. 3. (Dec. 5, 2008).

<sup>33</sup> Circular on Forwarding the Guiding Opinions on SOEs Restructure and State Assets Reallocation, Guo Ban Fa [2006] 97, para. 3. (Dec. 5, 2008).

relative control by SOEs. "Absolute" and "relative" control are not defined; but it is generally understood that absolute control means control by majority ownership; and relative control means another controlling position short of majority ownership.

On December 18, 2006, Li Rongrong, Chairman of the NDRC, delivered a speech in which he clarified the guiding opinion. Chairman Li stated that the Government should maintain absolute control over SOEs involved in "important industries and key areas" in the interest of China's security and economic livelihood.<sup>34</sup> These "important industries and key areas" include seven industries: defense, electric power and grid, petroleum and petrochemical, telecommunications, coal, civil aviation, and shipping. Li said that NDRC's policy was to increase the overall state-owned assets in these industries, to optimize their structure, and to develop some of the key enterprises into world top tier enterprises.<sup>35</sup>

For SASAC-controlled SOEs in the defense, petroleum, natural gas and some other important natural resources exploration, electric power and grid, and basic telecommunication infrastructure, the Government would maintain sole ownership or absolute control. For their subsidiaries, and for SASAC-controlled SOEs in civil aviation and the shipping industry, the Government will maintain majority ownership. For downstream petrochemical products distribution and retail and for telecommunication valued-added services, the SASAC will seek private and foreign investment to diversify ownership structure.

Li further stated that, in addition to the seven strategic industries, the Government would maintain a strong control position (*i.e.*, 30%-50% equity ownership) for key enterprises in the basic and pillar industries, which include equipment manufacturing, auto, information technology (IT), construction, iron and steel, non-ferrous metals, chemical, and surveying and design. For these pillar industries, SASAC will reduce its share of state-owned assets, but will increase its economic influence and guiding role. Specifically, SASAC-controlled SOEs are directed to become key enterprises and play a leading role in the equipment manufacturing, auto, IT, construction, steel, and non-ferrous metal industries.<sup>36 37</sup> It has

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<sup>34</sup> *Our Country Clarifies that Seven Industries Will Be Controlled by the State Owned Assets*, Xinhua News Agency (Dec. 18, 2008).

<sup>35</sup> The WTO Secretariat reported:

According to the Opinion, the Government intends to retain state ownership in "industries involving national security, major infrastructure and important mineral resources, industries supplying important public goods and services, and important backbone enterprises in 'pillar' industries and high and new technology industries". In particular, seven "strategically important" sectors, including power generation and distribution, oil and petrochemicals, telecommunications, coal, aviation, and shipping, would remain under state control.

*Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 92.

<sup>36</sup> The Commission has described the targeted industries as "strategic" and "heavyweight."

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been estimated that 40-50 of the SOEs controlled by SASAC are in the strategic industry category and account for 75 percent of SASAC's total assets and up to 79 percent of SASAC's total profits.<sup>38</sup>

USTR has repeatedly expressed concerns about China's increasing use of industrial policies to promote SOE dominance in selected industry sectors and create national champions. For instance, USTR's 2008 compliance report noted that U.S. companies had pointed to an array of Chinese policies "promoting and protecting 'pillar industries.'" Also, in 2007, former USTR Schwab stated that USTR had "noted some apparent backsliding in market-oriented economic reforms":

Recent actions by the Chinese government, taken together, provide reason to worry that China will use its regulatory and other policies to develop so-called "national champions" and tilt the playing field against foreign competitors.<sup>39</sup>

Chinese trade statistics report imports and exports by state-owned enterprises and other legal entities. Breakouts of total trade – trade balance, exports, imports – by type of enterprise is presented in the table below. Similar information for selected industries, including some designated as strategic or

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China regards seven industries as critical to national security and economic prosperity and therefore places them under absolute state control. These "strategic industries" are armaments, power generation and distribution, oil and petrochemicals, telecommunications, coal, civil aviation, and shipping. China also has designated five "heavyweight industries"—machinery; automobiles; information technology; construction; and iron, steel, and nonferrous metals—in which enterprises can be owned jointly by private and government actors, with the government retaining oversight.

2008 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2008), at 24.

<sup>37</sup> USTR describes China's policy regarding SASAC-controlled SOEs:

In December 2006, the State Council issued the *Guiding Opinions on Promoting the Adjustment of State-owned Assets and the Restructuring of State-owned Enterprises*, which calls on SASAC to "enhance the state-owned economy's controlling power," "prevent the loss of state-owned assets," encourage "state-owned capital to concentrate in major industries and key fields relating to national security and national economic lifelines" and "accelerate the formation of a batch of predominant enterprises with independent intellectual property rights, famous brands, and strong international competitiveness." The decree then specifically identifies seven "strategic" industries, where state capital must play a leading role in every enterprise. These industries include civil aviation, coal, defense, electric power and grid, oil and petrochemicals, shipping and telecommunications. The decree also provides that key enterprises in "pillar" industries must remain under state control. These industries include automotive, chemical, construction, equipment manufacturing, information technology, iron and steel, nonferrous metals, and surveying and design, among others.

2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 54.

<sup>38</sup> 2007 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2007), at 38-39.

<sup>39</sup> Remarks by USTR Susan C. Schwab, October 23, 2007.

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pillar industries, is presented in Annex 1. In addition, as shown in Annex 1, for some of China's strategic and pillar industries, SOEs' share of total exports and total imports is as high as 70 percent.

**China's Trade by Type of Enterprise**

<i>Millions of US\$</i>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>TRADE BALANCE</b>		
<b>State-owned enterprise</b>	-33,898	-44,301	-96,274
<b>Sino-foreign contractual joint venture</b>	7,782	9,237	9,518
<b>Sino-foreign equity joint venture</b>	28,107	43,950	45,084
<b>Foreign-invested enterprise</b>	55,345	81,783	115,999
<b>Collective enterprise</b>	21,148	23,700	25,971
<b>Private enterprise</b>	97,940	147,238	199,223
<b>Private firm</b>	1,827	1,815	1,686
<b>Other, including foreign embassy, foreign company's office in China, etc.</b>	-722	-1,529	-3,807
<b>TOTAL</b>	<b>177,530</b>	<b>261,894</b>	<b>297,401</b>
	<b>EXPORTS</b>		
<b>State-owned enterprise</b>	191,382	225,376	257,229
<b>Sino-foreign contractual joint venture</b>	17,714	18,116	18,349
<b>Sino-foreign equity joint venture</b>	163,801	198,972	227,006
<b>Foreign-invested enterprise</b>	382,497	478,834	545,477
<b>Collective enterprise</b>	41,098	46,920	54,679
<b>Private enterprise</b>	170,764	247,551	323,985
<b>Private firm</b>	1,878	1,913	1,860
<b>Other, including foreign embassy, foreign company's office in China, etc.</b>	190	473	284
<b>TOTAL</b>	<b>969,324</b>	<b>1,218,155</b>	<b>1,428,869</b>
	<b>IMPORTS</b>		
<b>State-owned enterprise</b>	225,281	269,677	353,503
<b>Sino-foreign contractual joint venture</b>	9,932	8,879	8,831
<b>Sino-foreign equity joint venture</b>	135,693	155,021	181,922
<b>Foreign-invested enterprise</b>	327,152	397,051	429,478
<b>Collective enterprise</b>	19,949	23,220	28,709
<b>Private enterprise</b>	72,824	100,313	124,762
<b>Private firm</b>	51	98	174
<b>Other, including foreign embassy, foreign company's office in China, etc.</b>	912	2,002	4,091
<b>TOTAL</b>	<b>791,794</b>	<b>956,261</b>	<b>1,131,469</b>

Source: China Customs.

### Investment Guidelines

China furthers its industrial policy goal of creating national champions by controls on investment. As noted by the WTO Secretariat, China's Eleventh Five-Year Plan "proposed to accelerate the transformation of the economy from being 'resource dependent' to 'innovation driven.'"<sup>40</sup> The Secretariat further noted that China "aims to achieve such objectives by promoting or reducing investment in certain sectors identified in the Catalogue of Guidance Regarding Industrial Structural Adjustment, issued by the NDRC in December 2005."<sup>41</sup> The Secretariat described the scope of the industrial investment catalogue:

The catalogue . . . covers more than 20 industries, including 539 encouraged categories, 190 restricted categories, and 300 prohibited categories (which are to be eliminated gradually or within a specific time frame). Activities that can, *inter alia*, save energy, protect the environment, and upgrade technology are "encouraged". The catalogue states that departments in charge of the administration of investment must not accept applications for new projects in the "restricted" and "prohibited" categories. It also states that "financial institutions shall stop providing credit support of any form". In addition, for investment in the prohibited category, "local governments, relevant department and enterprises concerned, shall take effective measures to eliminate these projects within a set period. During that period, competent departments in charge of setting prices can raise electricity tariffs for the projects". The import, transfer, production, marketing and use of production processes, technologies, equipment, and products in the prohibited category, are also strictly prohibited. The catalogue applies equally to domestic enterprises and FIEs, the latter being also subject to the Catalogue for the Guidance of Foreign Investment Industries. The catalogue for FDI has been revised recently, with reference to the Catalogue of Guidance Regarding Industrial Structural Adjustment. The revised catalogue for FDI was promulgated on 7 November 2007, and effective 1 December 2007.

The Government has also continued to issue or update other regulations in order to "guide" investment. These include: the Guidance for Key Fields of High Tech Industries Developed by the State with Priority (23 January 2007), and the Announcement by the State Council on Promoting the Development of the Services Sector (19 March 2007). In addition to "industrial development policies" applied to the automotive and steel industries, a Cement Industry Development Policy was issued on 17 October 2006 by the NDRC.<sup>42</sup>

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<sup>40</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 89.

<sup>41</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 89.

<sup>42</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 89-90 (underscore added).

With respect to foreign investment, in November 2006, China issued a policy titled Guideline for Utilizing Foreign Investment for the 11th Five-year Period (2006-2010) which signaled that China intended to continue its policy of attracting foreign investment. The key themes of that guideline include establishing a unitary regulatory system for both foreign and domestic companies and attracting foreign investment that helps with upgrading technology-intensive industries.<sup>43</sup> In 2008, foreign investment in China remained strong. According to MOFCOM data, actual foreign investment in 2008 was US\$92.39 billion, up 23.58 percent from 2007. The ten largest investors in China were: Hong Kong (\$41.03 billion); Virgin Islands (\$15.95 billion), Singapore (\$4.43 billion); Japan (\$3.65 billion); Cayman Islands (\$3.145 billion), Korea (\$3.135 billion), United States (\$2.944 billion), Samoa (\$2.55 billion), Taiwan (\$1.9 billion), and Mauritius (\$1.494 billion).<sup>44</sup>

The Provisions on Guiding Foreign Investment Direction set out the basic regulations concerning foreign direct investment (FDI) in China. In general, they classify foreign investment projects into four categories: encouraged, permitted, restricted, and prohibited.<sup>45</sup> The current Catalogue for the Guidance of Foreign Investment Industries entered into force on December 1, 2007. The Catalogue lists industries that are encouraged, restricted, and prohibited; if a project is not within these categories, it is permitted.<sup>46</sup> The FDI Catalogue provides guidance on foreign investment in China's designated "strategic" and "pillar" industries. USTR notes that "in practice, it appears that China allows foreign investment in a particular key sector, unless it perceives that it could lead to foreign dominance of the sector."<sup>47</sup>

### Policies on Foreign Investment in Certain Strategic and Pillar Industries

Strategic Industry	FDI policy	Foreign Ownership Restrictions
Grid construction, operation	Restricted	Local control on grid construction and operation; joint venture grid equipment manufacturing is required
Power plants	Restricted	Construction and operation of small power plants (0.3 million kwh) supplying local grid in remote areas, such as Tibet, Xinjiang, and Hainan; outside the three areas, FDI for small power plants is prohibited

<sup>43</sup> The Guideline for Utilizing Foreign Investment for the 11th Five-Year Period, NDRC (Nov. 2006).

<sup>44</sup> MOFCOM website, <http://www.mofcom.gov.cn/aarticle/tongjiziliao/v/200902/20090206021530.html>.

<sup>45</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 39.

<sup>46</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 39.

<sup>47</sup> 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 59.

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Strategic Industry	FDI policy	Foreign Ownership Restrictions
Power plants with new technology, nuclear power plant, hydropower plant	Encouraged	Domestic control for nuclear power plants
Petroleum	Restricted	For petroleum refinery with capacity below 8 million MT
Petrochemical	Encouraged	Domestic control in large Ethylene production projects (>0.8 million MT)
Telecommunications	Restricted	Foreign ownership capped at 49% for basic telecommunication services; 50% cap for value added services
Coal	Encouraged	Exploitation (joint venture required)
Civil aviation	Encouraged	Airliner and regional airliners; heavy helicopter (>3 MT) ; Utility aircraft; light helicopter (<3MT); aircraft engine and part
Shipping	Encouraged	Joint venture required, some require domestic control
Equipment manufacturing	Encouraged	Various levels of restrictions apply depending on the particular products involved For some products, whole or majority foreign ownership is prohibited
Auto, and auto parts	Encouraged	Complete car assembly
Information technology	Encouraged	Various levels of restrictions apply depending on the particular products involved For some products, whole or majority foreign ownership is prohibited
Construction	--	Not listed in Foreign Investment Catalogue
Steel	--	Not listed in Foreign Investment Catalogue; however, under Steel Policy guidelines, foreign investors are not allowed to have a controlling share in steel and iron enterprises
Non-ferrous	Encouraged	Only for high tech projects
Chemical	Encouraged	Restricted in projects using old technologies
Survey and design	Encouraged	Coal and petroleum exploitation and subject to joint venture requirement

**Source:** NDRC and MOFCOM Guideline Catalogue for Foreign Investment in Industries (2007)

USTR has expressed concerns about China's investment policies that signal that SOEs "should absolutely control, or at least maintain a 'strong controlling position' over broad swaths of its industry –

in sectors such as equipment manufacturing, automobiles, iron and steel.”<sup>48</sup> In the 2008 compliance report, USTR noted the concerns of U.S. industry:

U.S. industry has expressed tremendous concern about China's increasing use of . . . investment restrictions, which are often seen as protectionist tools used by China's economic planners to shield inefficient or monopolistic Chinese enterprises from foreign competition. Even recognizing that certain sectors may have particular sensitivity in China due to security or other concerns, U.S. industry views China's investment restrictions – including the increasing restrictions on foreign acquisitions of Chinese companies – as deeply worrisome and counter to the market-oriented principles that have been the basis for much of China's economic success over the past few decades. U.S. industry has observed that these investment restrictions are more likely to retard the growth and development of the Chinese economy than to accomplish the state planners' ultimate objective of creating internationally competitive domestic enterprises.<sup>49</sup>

Another investment-related concern raised by USTR and U.S. companies is China's new anti-monopoly law which took effect in August 2008. While the new law is an improvement on China's previous competition law, the U.S. government and companies have questioned whether the new law will be applied to favor domestic companies and restrict investment by foreign companies. Former USTR Schwab pointed out that “{w}hile China's adoption of an antimonopoly law is a good development, uncertainty over how that law applies to state-owned enterprises has raised concerns.”<sup>50</sup> The USTR's 2008 WTO compliance report noted:

Some provisions of the law {Anti-Monopoly Law} have generated concern. For example, one provision requires protection for the lawful operations of state-owned enterprises and government monopolies in industries deemed nationally important.<sup>51</sup>

In addition, the Commission noted in its 2008 annual report that:

Some foreign companies . . . are concerned that some aspects of the antimonopoly law could be used selectively against them and not deployed equally against their Chinese rivals, depending on how China chooses to enforce the new law. Industries that “implicate national economic vitality and national security, which are controlled by state-owned enterprises, and . . . industries in which there are legal monopolies” will be supervised by the government and will be functionally exempt from the law, provided they do not abuse their

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<sup>48</sup> Remarks by USTR Susan C. Schwab, October 23, 2007.

<sup>49</sup> 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 59.

<sup>50</sup> Remarks by USTR Susan C. Schwab, October 23, 2007.

<sup>51</sup> 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 55.

dominant position. In China, a dozen heavyweight, preferred industries, such as power generation, civil aviation, and iron and steel, primarily are comprised of large, state-owned enterprises and still dominate the economy, and this suggests the government remains disinclined to subject them to new scrutiny.<sup>52</sup>

In a recent instance that may raise concern about China's application of the anti-monopoly law to restrict foreign investment, China rejected the \$2.4 billion bid of Coca-Cola to acquire China's largest juice maker, China Huiyuan Juice Group. The New York Times reported:

"This has nothing to do with trade protectionism....This decision was made for the sake of market competition," Mr. Qin {Foreign Ministry spokesman} said of the Ministry of Commerce's decision to block the purchase on the grounds that it would be damaging to consumers' interests and open competition.

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A statement by the Ministry of Commerce also sought to deflect accusations of protectionism.

"The Ministry of Commerce's decision to block the acquisition was neither affected by disturbing external factors and nor was it protectionism," the ministry's spokesman, Yao Jian, was quoted by Xinhua as saying. "The decision in the case has nothing to do with China's policies about foreign capital."

Huiyuan controls more than a tenth of a Chinese fruit and vegetable juice market, which grew 15 percent last year to \$2 billion. Coca-Cola has a 9.7 percent market share.

The ruling has fanned comment among some industry analysts and trade lawyers that China will use its anti-monopoly law to fend off foreign attempts to buy promising domestic firms, even when the resulting market concentration would not be excessive.<sup>53</sup>

## **SELECTED EXAMPLES OF CHINA'S INDUSTRIAL POLICIES THAT FAVOR DESIGNATED INDUSTRIES: STEEL AND AUTOS**

China's industrial policies of subsidies and other preferential treatment directed to its designated strategic and pillar industries has been successful in building up favored industries and expanding exports. This is particularly evident in the case of the steel and auto industries.

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<sup>52</sup> 2008 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2008), at 33.

<sup>53</sup> *China Says Rejection of Juice Deal No Blow to Open Trade*, New York Times, March 19, 2009.

## Steel

The substantial extent of government subsidies to the Chinese steel industry has been well documented in a number of research studies.<sup>54</sup> For example, one study found that a wide range of subsidies benefited the Chinese steel industry, including cash grants, land grants, transfers of ownership interest on terms inconsistent with commercial considerations, conversion of debt to equity in steel companies, debt forgiveness and inaction regarding non-performing loans, preferential loans and directed credit, tax incentives, targeted infrastructure development, manipulation of raw material prices, and manipulation of the value of the Chinese RMB.<sup>55</sup>

The result of such substantial government intervention has been “a dramatic increase in steel output in China, so far exceeding even China’s skyrocketing domestic steel consumption that huge overcapacity has resulted.”<sup>56</sup> In its 2007 annual report, the Commission succinctly summarized the effects of China’s steel policy –a huge increase in steel production capacity to become the world’s largest steel producer and transformation from a net steel importer to a net steel exporter:

In just four years, China transformed itself from a large steel importer to a large steel exporter by adding capacity at a record rate. In 2002, imports of iron and steel in China exceeded exports by 450 percent; by 2006, exports of iron and steel from China exceeded imports by 230 percent. As a result, China now produces 35 percent of the world’s steel. According to the American Iron and Steel Institute (AISI), “Chinese crude steel production more than quadrupled in the last ten years, growing from an estimated 100 million metric tons in [1996] to approximately 420 million metric tons in 2006 . . . [,which is] the rough equivalent of building three entire American steel industries in one decade.”

China’s steel industry remains largely state-owned and controlled. Nine of the 10 largest producers in China are state-owned, accounting for 57 percent of total Chinese production.

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<sup>54</sup> See, e.g., Wiley Rein and Fielding LLP, *The China Syndrome: How Subsidies and Government Intervention Created the World’s Largest Steel Industry* (July 2006); Specialty Steel Industry of North America, *Chinese Government Subsidies to the Stainless Steel Industry* (April 2007); Specialty Steel Industry of North America, *Chinese Government Subsidies to the Stainless Steel Industry – An Update* (August 2007); Specialty Steel Industry of North America, *China’s Specialty Steel Subsidies: Massive, Pervasive, and Illegal* (October 2008).

<sup>55</sup> See Wiley Rein and Fielding LLP, *The China Syndrome: How Subsidies and Government Intervention Created the World’s Largest Steel Industry* (July 2006) at iii-iv.

<sup>56</sup> 2007 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2007), at 43.

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China is now a larger steel producer than the next three producers combined: the United States, Japan, and Russia.<sup>57</sup>

In addition to subsidies, China's steel policy protects the Chinese steel industry through restrictions on foreign investment. Article 23 of China's Steel and Iron Industry Development Policy (issued in July 2005) provides that foreign investors may not hold a controlling share in a Chinese steel company. Moreover, China's steel policy requires foreign investors to transfer proprietary technology. In addition to subsidies, USTR has summarized how other aspects of China's steel policy favor domestic companies:

{China's steel policy} restricts foreign investment in a number of ways. For example, it requires that foreign investors possess proprietary technology or intellectual property in the processing of steel. Given that foreign investors are not allowed to have a controlling share in steel and iron enterprises in China, this requirement would seem to constitute a *de facto* technology transfer requirement, in conflict with the commitment in China's accession agreement not to condition investment on the transfer of technology. This policy also appears to discriminate against foreign equipment and technology imports. Like other measures, this policy encourages the use of local content by calling for a variety of government financial support for steel and iron projects utilizing newly developed domestic equipment. In addition, it calls for the use of domestically produced steel-manufacturing equipment and domestic technologies whenever domestic suppliers exist, apparently in contravention of the commitment in China's accession agreement not to condition the right of investment or importation on whether competing domestic suppliers exist.

China's steel policy is also striking because of the extent to which it attempts to dictate industry outcomes and involve the government in making decisions that should be made by the marketplace. It prescribes the number and size of steel producers in China, where they will be located, the types of products that will and will not be produced, and the technology that will be used.<sup>58</sup>

### Autos

China designated the auto industry as a pillar industry targeted for development. The Commission noted in its 2006 annual report that China views the promotion of the auto industry as a

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<sup>57</sup> 2007 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2007), at 43.

<sup>58</sup> 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 60-61.

“fundamental step in achieving the technologically advanced industrial base it seeks to develop.”<sup>59</sup> In the 2008 Trade Policy Review of China, the WTO Secretariat reported:

China is the world's third largest automobile manufacturer, after the United States and Japan. In 2006, the automotive sector accounted for 7.3% of total manufacturing value added (up from 4.0% in 2004), and it absorbed 7.7% of the total manufacturing workforce (2.8% in 2004). In 2006, China had about 100 vehicle manufacturers and around 4,500 auto parts manufacturers. FIEs accounted for around 75% of cars produced in China, and 52% of cars sold domestically in 2006. Data provided by the authorities indicate that 95% of cars produced in China in 2006 were sold in the domestic market.<sup>60</sup>

Under China's Industrial Policy for the Automobile Industry, there is a “50% foreign-ownership restriction in vehicle manufacturing, including completely built up units, automobiles for special use, agricultural transport vehicles, and motorcycles.”<sup>61</sup> China's industrial strategy of “encourag{ing} Chinese-controlled foreign partnerships to secure advanced technology and know-how in order to develop and export higher value-added goods” is reflected in its auto policy.<sup>62</sup> As noted by the Secretariat: “When establishing a foreign-invested automotive manufacturing joint venture, the place of origin of technology must be registered with the competent authorities (e.g., the provincial departments of the MOFCOM or the NDRC).”<sup>63</sup>

The effect of China's auto policies has been a dramatic increase in production capacity<sup>64</sup> and expanded exports. The Commission noted in its 2008 annual report:

After concentrating largely on supplying its rapidly growing domestic market for vehicles, China now is becoming a major exporter. China shipped 600,000 vehicles abroad in 2007, up from 78,000 in 2004. . . .

China's auto production is on a fast roll. China's auto output has nearly quintupled since 2001, and China is expected to become the world's largest producer in 2009. Half the world's auto industry expansion has recently occurred in China. China achieved a surplus in auto parts in

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<sup>59</sup> 2006 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2006), at 169.

<sup>60</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 130-31.

<sup>61</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 131.

<sup>62</sup> 2006 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2006), at 170.

<sup>63</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 131-32.

<sup>64</sup> The Secretariat notes that “substantial investment in the automotive sector in recent years has apparently created excess capacity.” *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 132.

2005. That surplus grew 83 percent in 2007 and has been increasing at an even faster rate in 2008.<sup>65</sup>

**CHINA TRADE DATA DEMONSTRATES THAT CHINA'S INDUSTRIAL POLICIES OF SUBSIDIES AND INVESTMENT CONTROLS HAVE RESULTED IN EXPANDED EXPORTS AND A POSITIVE TRADE BALANCE IN MANY INDUSTRY SECTORS**

In addition to steel and autos, there are a variety of instances where China's industrial support policies have effectively targeted sectors in which China has experienced a trade deficit and either sharply curtailed that deficit or turned the deficit into a surplus over time. Through strategic investments and support to these industries, China has been able to stem or even reverse areas of weakness in their trade balance. Detailed trade data demonstrating these trends is attached in Annex 2.

For example, in the steel industry, China consistently ran trade deficits with the rest of the world each year from 1995 through 2004. After years of government support, China was able to reverse this deficit, and it ran a surplus in its steel trade for the first time in 2005. That surplus has increased each year since, reaching nearly \$67 billion in 2008.

	<b>Iron and Steel</b>		
	<b>Exports</b>	<b>Imports</b>	<b>Trade Balance</b>
1995	7,583	8,036	(453)
1996	6,212	8,437	(2,225)
1997	7,672	8,012	(339)
1998	6,571	7,677	(1,106)
1999	6,399	8,759	(2,360)
2000	9,069	11,261	(2,192)
2001	8,260	13,032	(4,773)
2002	9,579	16,012	(6,433)
2003	12,868	25,605	(12,737)
2004	25,221	28,320	(3,100)
2005	34,135	31,925	2,210
2006	51,952	26,996	24,956
2007	76,669	31,049	45,620
2008	101,838	35,076	66,762
% Change			
1995-08	1243%	336%	
2007-08	33%	13%	

Source: GTIS World Trade Atlas. Iron and Steel represents aggregate of HS Chapters 72 and 73

In the auto industry, while China still runs an overall trade deficit, it is remarkable that the deficit has not grown sharply in light of China's surging domestic demand for automobiles and the challenges of

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<sup>65</sup> 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 77.

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overcapacity and dampened demand faced by the automotive industry in the rest of the world. Over the past five years, while China's auto imports have doubled in value, their exports have nearly quadrupled.

	<b>Autos</b>		
	<b>Exports</b>	<b>Imports</b>	<b>Trade Balance</b>
1995	411	1,831	(1,420)
1996	409	1,507	(1,098)
1997	486	1,274	(788)
1998	552	1,374	(822)
1999	798	1,730	(931)
2000	1,161	2,889	(1,729)
2001	1,397	3,816	(2,419)
2002	1,906	5,619	(3,713)
2003	2,553	10,762	(8,209)
2004	4,745	11,786	(7,041)
2005	7,485	11,388	(3,902)
2006	10,475	15,983	(5,508)
2007	15,219	20,494	(5,275)
2008	18,010	25,170	(7,160)
<b>% Change</b>			
1995-08	4283%	1275%	
2007-08	18%	23%	

Source: GTIS World Trade Atlas Autos represents the aggregate of the following individual HS 4-digit subheadings: 8703, 8706, 8707, and 8708

Other product areas displaying similar trends include equipment manufacturing, information technology products (particularly communications technology), paper products, and tires. In these sectors, China generally experienced consistent trade deficits or small surpluses in the mid- to late-1990s, but has run steady and growing trade surpluses in more recent years.

**China's Trade Balance with the World for Selected Commodities and Years**  
Millions of US\$

<b>Product Category</b>	<b>1995</b>	<b>1999</b>	<b>2004</b>	<b>2008</b>
Steel	(453)	(2,360)	(3,100)	<b>66,762</b>
Autos	(1,420)	(931)	(7,041)	(7,160)
Equipment Manufacturing	(18,910)	(8,648)	<b>26,803</b>	<b>130,033</b>
IT Products	(1,845)	(2,466)	<b>9,529</b>	<b>114,451</b>
Communications Equipment	(3,132)	(2,307)	<b>21,670</b>	<b>83,592</b>
Paper	(1,389)	(3,059)	(1,789)	<b>3,335</b>
Tires	<b>409</b>	<b>681</b>	<b>2,351</b>	<b>7,677</b>

Source: GTIS World Trade Atlas, China Edition. For details and notes, see Annex 2.

## INCENTIVES FOR FOREIGN INVESTMENT IN CHINA

### Income Tax

Since the beginning of China's reform and opening up, the government has relied heavily on income tax preferential treatment to attract foreign investors. Before the current enterprises income tax became effective on January 1, 2008, China had in place a dualist system for corporate income tax, applying a special income tax law to foreign invested enterprises (FIEs). The FIE income tax law allowed favourable tax treatment for FIEs. Most well known is the so-called "two free, three half" policy, which exempted manufacturing FIEs from paying income tax for the first two years starting from the year when the company registered a profit, and allowed a 50% tax reduction for the subsequent three years. Other incentive tax policies included allowing FIEs to deduct its R&D expenses from its taxable income<sup>66</sup> and allowing an income tax credit for purchasing domestic equipment.<sup>67</sup> Under China's new Enterprise Income Tax Law (effective January 1, 2008), China unified its income tax system, applying the same rate of 25% to all enterprises, including FIEs, except for enterprises subject to a five-year "grandfathering" period.<sup>68</sup> However, tax incentives for enterprises engaged in high-tech and new technology activities continue to be subject to a preferential tax rate of 15%.<sup>69</sup>

### Value-Added Tax (VAT)

In general, China applies a 17% VAT for selling goods or providing taxable services. VAT preferential treatment is another incentive tool, mostly used to reduce costs for technology renovation for FIEs, thus encouraging them to adopt advanced technology in their local operation. For example, China had allowed a VAT exemption to FIEs when they purchased equipment either locally or from overseas. This policy, however, was abolished in December 2008 when China introduced its new VAT code.<sup>70</sup>

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<sup>66</sup> Circular on the Issues Related with the Offset Taxable Income on Technology Development Fee of Foreign Investment Enterprises, Guo Shui Fa [1999] No. 173 (September 17, 1999), Exhibit 1.

<sup>67</sup> Circular of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Credits for Purchases of Domestic Equipment by Foreign Invested Enterprises and Foreign Enterprises (CAI SHUI (2000) No.49), Exhibit 2. Circular of the State Administration of Taxation on Printing and Distributing the Measures Concerning Business Income Tax Credit on the Investment of Enterprises with Foreign Investment and Foreign Enterprises by Way of Purchasing Homemade Equipment, Guo Shui Fa [2000] No. 90 (May 18, 2000), Exhibit 3.

<sup>68</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 41.

<sup>69</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 41.

<sup>70</sup> Circular of the State Administration of Taxation Concerning Transmitting the Interim Measure for the Administration of Tax Refunds to Enterprises with Foreign Investment for Their Domestic Equipment Purchases, Guo Shi Fa [1999] No. 171 (August 20, 1999).

In more general terms, the fact that China has a system that relies on indirect taxes, such as the VAT, is itself an incentive to foreign investment due to the disparate treatment accorded direct and indirect taxes in world trade. Under GATT/WTO rules, indirect taxes, such as value-added taxes (VAT), excise taxes, and other types of consumption taxes, are treated more favorably than direct taxes, such as income taxes. In application, the differential treatment of direct/indirect tax systems means that countries that have indirect tax systems are permitted (1) to impose indirect taxes, such as the VAT, on incoming imports, and (2) are permitted to provide a rebate of the VAT on outgoing exports. However, the same treatment is not accorded to countries, such as the United States, that rely primarily on direct tax systems. In other words, under the GATT/WTO rules, indirect taxes are adjustable at the border, direct taxes are not. China is one of 153 countries that impose a VAT and allow rebates of VAT on exports. Based on 2007 data, the VAT disadvantage to U.S. producers and exporters as a result of China's use and application of VAT is estimated to have been as high as \$52 billion.<sup>71</sup> Given the disparate treatment of indirect and direct taxes under current trade rules, China's VAT gap may be viewed as a \$52 billion incentive for U.S. producers to move to China.

China also uses VAT export rebates as a tool to adjust the flow of exports. China imposes a standard VAT rate of 17 percent on goods domestically produced or imported and grants VAT rebates upon export, although "VAT rebates rates on exports are, by and large, lower than the VAT rates actually paid."<sup>72</sup> From time to time, China adjusts the rate of the VAT rebate applied to particular products in order to, *inter alia*, "meet industrial development goals, and control exports of certain products."<sup>73</sup> Another purpose for China's periodic adjustment of its VAT rebate rates is to "rein in out-of-control expansion of production capacity in particular sectors."<sup>74</sup> The following are examples of recent adjustments to China's VAT rebate rates for particular products:

- In 2006, the Government of China revised its VAT export rebate system, raising the rebate rate to the full 17 percent for some "encouraged" products such as high technology goods and lowering the rebate for low value added goods or other products whose exportation was discouraged.<sup>75</sup> In 2008, the VAT rebate was again increased for certain high technology products, including some

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<sup>71</sup> See Trade Lawyers Advisory Group, *More Than 50 Years of Trade Rule Discrimination on Taxation: How Trade With China Is Affected* (August 2007) at 143-45 (2006 data updated to 2007 data); available on the Commission's website. See <http://www.uscc.gov/researchpapers/papers.php>.

<sup>72</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 74.

<sup>73</sup> *Trade Policy Review – China*, Report by the Secretariat, WT/TPR/S/199/Rev.1 (12 August 2008) at 75.

<sup>74</sup> See 2008 USTR Report to Congress on China's WTO Compliance (December 2008) at 37.

<sup>75</sup> *Notice of the Ministry of Finance and Four Other Ministries/Administrations Concerning the Adjustment of Export Tax Rebates for Some Commodities and the Enlargement of the Catalogue of Banned Commodities in Processing Trade*, CaiShui [2006], No. 139 (Sept. 14, 2006).

pharmaceuticals, glass products, capacitor-grade tantalum wire, numerical control carbide tools, and other goods.<sup>76</sup>

- In 2007, China reduced the VAT export rebate rate to discourage exports of certain chemical products, especially energy intensive, highly polluting, and low valued added products. The VAT reduction covers 1,031 tariff lines of chemical products, or 36.4% of the total tariff lines. As a result, exports of certain chemical products, particularly sodium hydroxide and sodium carbonate, went down in 2007.<sup>77</sup>
- In 2006, the Government of China decided to discourage exports of certain plastic products by reducing the VAT export rebate rate from 13 percent to 11 percent for these products; the export rebate was reduced again to 5 percent in 2007. In response to the market downturn, starting on November 1, 2008, the VAT export rebate rate for certain plastic products was raised from 5 percent to 9 percent.<sup>78</sup>
- In 2006, China reduced the export VAT rebate for textiles and apparel from 13 percent to 11 percent. As the economy began to slow down, the Government twice raised the VAT rebate rate in the latter half of 2008. VAT rebate rate for textiles and apparel was raised back up to 13 percent on August 1, and raised again to 14 percent on November 1.<sup>79</sup>

#### General Policy Shift

In general, the Chinese government has reduced some of its broadly applicable preferential policies in recent years, and has been trying to create a unitary system for both domestic and foreign-invested companies. In addition to adopting a unitary tax system, the State Council in 2006 established a national minimum price for land used for industrial purposes that applies equally to domestic and foreign companies. On the other hand, in order to expedite procedures, the Central Government has delegated foreign investment approval authority to provincial governments for projects below RMB100 million. It appears that the Chinese government has determined that, given the fast growth of China's domestic market, access to the domestic market itself will provide a sufficient incentive for foreign investors.<sup>80</sup> In

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<sup>76</sup> *Notice on upward adjustment of VAT rebate rate on certain export products*, Cai Sui [2008], No. 138 (Oct. 21, 2008).

<sup>77</sup> Feng Shiliang, *The Chemical Industry: 2007 Review and Prospects for 2008*, 26 CHEMICAL INDUSTRY 3, 6 (March 3, 2008).

<sup>78</sup> "Government Support May Stabilize Exports of China's Plastic Products," *China Chemical Information Network* (Dec. 26, 2008), available online at <http://www.ppmarket.com/cms/showone.php?code=7010010&oneid=7071>.

<sup>79</sup> *Notice on upward adjustment of VAT rebate rate on certain export products*, Cai Sui [2008], No. 138 (Oct. 21, 2008).

<sup>80</sup> A survey in 2008 conducted by the American Chamber of Commerce in China supports this observation. About 70% of the U.S. companies surveyed indicated that they came to China in order to have access to the Chinese domestic market. See American Chamber of Commerce in China, 2008 White Paper at 14.

this respect, it is notable that China has often required that foreign companies, as a condition for access to the Chinese market, provide technology transfer to China. For example, with respect to the aerospace industry, the Commission noted in its 2008 annual report:

Through a variety of government initiatives, China has succeeded in attracting technology production to the country. Despite promises in its WTO accession agreement to forgo imposing technology transfer requirements on foreign investors, China has insisted that portions of commercial passenger jets be manufactured and assembled in China as a condition of purchasing them, a practice known as “offsets.” A key objective for China appears to be acquiring technology from American and European aerospace companies so that it can independently manufacture its own aerospace products. China also has sought to acquire process technology from U.S. and European automobile manufacturers by requiring foreign companies to form joint ventures with Chinese companies to assemble cars and trucks in China.<sup>81</sup>

#### Misaligned Currency

China's undervalued currency effectively acts as an incentive for foreign companies to invest in China because the cost of foreign investment and establishing operations in China is cheaper for the foreign company than it would be if the Chinese currency operated under market forces. In one example, the Commission has noted that the incentive provided by China's undervalued currency has helped the development of China's research and development efforts:

China has given numerous subsidies and incentives to foreign firms to locate research and technology and production facilities there. One powerful incentive has been China's practice of manipulating its currency—an action designed in part to make investments in China cheaper than if the RMB were allowed to seek a market level. Consequently, foreign-funded R&D in China has added considerably to domestic R&D efforts. The number of foreign R&D centers in China has nearly tripled since 2002, to 1,160. Locating R&D efforts within China likely leads to eventual establishment of production facilities there as well.<sup>82</sup>

#### Local Preferential Policies

Although the Central Government has been reducing preferential policies, local governments are still providing incentives to foreign investment. For example, the Ningbo Municipality Authority in 2005 awarded government assistance to large foreign-invested projects. Projects with foreign investment over

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<sup>81</sup> 2008 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2008), at 72.

<sup>82</sup> 2008 Report to Congress of the U.S.-China Economic and Security Review Commission (November 2008), at 72.

US\$5 million are entitled to a cash award ranging from RMB 30,000 to RMB 120,000, depending on the size of the investment.<sup>83</sup>

Henan province provides another example of local preferential policies for foreign investment. Incentives for foreign-invested companies in Henan include: exemption from annual inspection fees; local income tax exemption or reduction for projects with foreign investment of more than US\$15 million; exemption from local fees and charges and access to subsidized loans for foreign investment of more than US\$200 million in technology renovation would be exempted to pay all the local fees and charges; and exemption from land fees for 5 years and a 50% reduction of land fees for the subsequent 10 years for certified export-oriented or high-tech FIEs.<sup>84</sup>

### **CHINA'S 2009 STIMULUS PACKAGE INCLUDES PREFERENCES FOR FAVORED STATE-OWNED ENTERPRISES AND DESIGNATED INDUSTRIES**

#### Overview of the stimulus package

To combat the worldwide economic slowdown, on November 9, 2008, China announced a RMB 4 trillion (US\$585bn) economic stimulus plan for the next two years (2009-2010). The size of the stimulus plan is equivalent to 14 percent of China's GDP. The Chinese Government hopes that the stimulus plan will enable China to maintain an annual growth rate of 8 percent over the 2009-2010 period. Economic growth for the fourth quarter of 2008 was 6.8 percent and the growth estimate for 2009 was 7.2 percent without the stimulus package.<sup>85</sup> It is not clear how much of the stimulus comprises added new spending that was not previously planned, but it has been estimated that new spending is roughly equivalent to 5-7 percent of GDP.<sup>86</sup> A total of RMB 1.18 trillion will be supplied by the Central Government in FY 2009 and 2010, and it is estimated that this will drive up China's fiscal deficit to 3 percent of GDP in 2009.<sup>87</sup>

The stimulus package appears to have increased investment in China. The National Statistics Bureau released statistics on March 11, 2009 that showed that, for the first two months of 2009, total

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<sup>83</sup> Yong Wai Jing Mao Cu Zi [2005] No. 64.

<sup>84</sup> Summary of preferential policies for foreign investors available in Henan Province, available online at <http://www.cnfood.gov.cn/zcfgdetail.asp?id=345>.

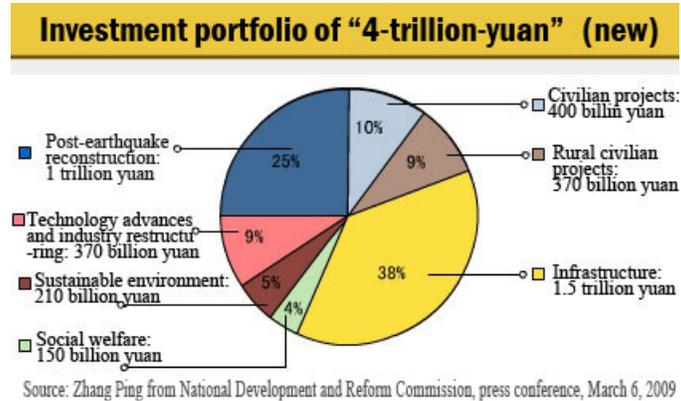
<sup>85</sup> *China's stimulus package looks like it's stimulating*, The Telegraph (March 5, 2009); available online at <http://www.telegraph.co.uk/finance/breakingviewscom/4944109/Chinas-stimulus-package-looks-like-its-stimulating.html>.

<sup>86</sup> *China's economy: Reflating the dragon*, The Economist (Nov. 13, 2008); available online at [http://www.economist.com/world/asia/displayStory.cfm?source=hptextfeature&story\\_id=12606998](http://www.economist.com/world/asia/displayStory.cfm?source=hptextfeature&story_id=12606998).

<sup>87</sup> *China's stimulus package looks like it's stimulating*, The Telegraph (March 5, 2009); available online at <http://www.telegraph.co.uk/finance/breakingviewscom/4944109/Chinas-stimulus-package-looks-like-its-stimulating.html>.

investment increased by 30 percent (after adjustment for inflation). Bank loans for the first two months of 2009 was RMB 2.6 trillion. In comparison, total bank loans for 2008 were RMB 4.9 trillion. MOFCOM data, however, show that, comparing January 2008 and January 2009, foreign direct investment (FDI) declined by US\$7.5 billion (32.67 percent).

The chart and table below show the allocation of China's RMB 4 trillion stimulus package.



Reproduced from Caijing Magazine, available online at <http://www.caijing.com.cn/2009-03-06/110114155.html>.

### Allocation of China's Stimulus Package Spending

Sector	Original Allocation		Current Allocation	
	RMB	USD	RMB	USD
Transport and power infrastructure (railroads, roads, airports, electricity grids)	1,800	263.25	1,500	219.375
Earthquake reconstruction	1,000	146.25	1,000	146.25
Rural village infrastructure	370	54.1125	370	54.1125
Environmental investment; natural areas	350	51.1875	210	30.7125
Affordable housing (civilian projects)	280	40.95	400	58.5
Technological innovation	160	23.4	370	54.1125
Health and education	40	5.85	150	21.9375
<b>Total</b>	<b>4,000</b>	<b>585</b>	<b>4,000</b>	<b>585</b>

Source: Various news reports.

Vice Chairmen Zhang from the National Development and Reform Commission ("NDRC") explained the Government's plan for implementing the stimulus package. Among the RMB 4 trillion investments, RMB 1.18 trillion will come from the Central Government and be included in the budget for 2009 and 2010. The other funds will come from local governments, banks and business. The Central Government this year will issue RMB 200 billion in government bonds on behalf of some local governments. The Central Government will also allow more companies to issue corporate bonds; indeed,

since the fourth quarter of 2008, 45 companies have been approved to issue corporate bonds. As an appropriate special measure to tackle the current special situation, policy banks have been directed to consider providing policy loans with extended terms and low interests rates.<sup>88</sup>

Policies for Industries Covered by the Stimulus Package

Prior to the NPC's annual plenary session in March 2009, the State Council decided, in general, that ten major industries would be covered in the stimulus package and laid out the general policies to be followed when funneling funds to these industries. The ten major industries include steel, auto, textile and apparel, equipment manufacturing, ship manufacturing, electronics and information technology, light industry, petrochemical, non-ferrous metals and logistics. The broad measures to be used to assist these industries include: (1) reducing tax burdens; (2) allowing more access to finance resources; (3) providing RMB100 billion and other financial support to promote R&D; and (4) facilitating industrial structure adjustments and upgrading, as well as encouraging merger and restructuring to create large companies.<sup>89</sup> Specific industrial policies for each sector covered in the stimulus package are listed in the table below.

With respect to concerns that the new stimulus plan would add too much new capacity to the specified industries, Vice Chairman Zhang explained that the package funds would not be used for investment in the processing industry and duplicative projects. Instead, the focus would be on promoting social welfare, or "three-rural" projects. Investments will flow primarily to infrastructure projects, ecosystem and environment protection, energy saving and emission reduction projects, and be used to cover costs for structural adjustment, technology renovation, and modification of economic development patterns.<sup>90</sup>

Industry	Policies
Auto industry	Implement the new energy strategy, commercialize electric cars and key components, allocate central fiscal funds to support energy saving cars and cars using new energy in middle to large cities; subsidize consumption; encourage early retirement of old cars; reduce consumption tax for cars to 5%
Steel industry	Control the total output, retire old technologies, merger and restructuring, support technology renovation, optimize geographical allocation

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<sup>88</sup> *Major adjustment for the 4 trillion package*, Caijing Magazine, (March 6, 2009), available online at <http://www.caijing.com.cn/ajax/print.html>.

<sup>89</sup> *Stimulus Plans Emerge for the 10 Industries, Experts Call for Detailed Implementing Rules*, Chinanewsnet (Feb. 26, 2009), available online at <http://www.chinanews.com.cn/cj/cyzh/news/2009/02-26/1579199.shtml>.

<sup>90</sup> *Major Structural Adjustment for the 4 Trillion Investment*, Caijing Magazine (March 6, 2009); available at <http://www.caijing.com.cn/2009-03-06/110114155.html>.

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China's Industrial Policy and its Impact on U.S. Companies, Workers and the American Economy  
Presentation of Terence P. Stewart, Esq.  
March 24, 2009

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Industry	Policies
Textile and apparel	Increase export VAT rebate from 14% to 15%
Ship making	Stabilize demand, control new capacity development, push forward structure adjustment, improve the overall competitiveness of large ship makers, speed up renovation, develop high value added ship manufacturing capacity, develop marine engineering equipments manufacturing capacity
Equipment manufacturing	Promote domestic manufacturing capacity for key technical equipments, encourage structural adjustment; support merger among the key equipment manufacturing companies to create a large enterprise group with the capacity to engage in international operation and financing capabilities; accelerate and improve products standards setting; and foster the development of a modern manufacturing service industry for the sector
Electronics and information technology	Optimize industrial structure, ensure the stable development of the key enterprises in the industry, develop self innovation capacity, achieve breakthrough in key technologies, enhance software development capacity, foster the creation of economic driving engine in the telecommunication equipments, information service and technology sector
Light industry	Expand consumption and supply, improve trade facilitation, and maintain overseas market shares
Petrochemical	Upgrade the industry and establish a national refined oil strategic reserve system
Non-ferrous metals	Stabilize and expand domestic and overseas markets; support exports of deep processed, high value-added, and high-technology products; support technology renovation; encourage enterprises restructuring; improve raw material supply security; develop recycling capacity; develop national reserve systems for some of the non-ferrous metals; and adjust VAT rebate structure
Logistics	Promote commercialized and specialized logistics services; promote merger and restructuring to create large and globally competitive logistics companies; promote logistics services in energy, mineral, auto, agricultural products, medical device industries; and promote international logistics and tariff bond logistics capacities

**Source:** Chinanews; available at <http://www.chinanews.com.cn/cj/gncj/news/2009/02-25/1578916.shtml>.

Some in China have criticized the stimulus program for focusing too much on helping state-owned enterprises and neglecting private companies. A March 19, 2009 report by National Public Radio indicated that while the Chinese Government thinks that its program of mostly infrastructure projects is the best way to keep the economy growing, some others believe that the key to real growth is not government investment but fundamental reform.<sup>91</sup> They note that China still has tremendous potential for

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<sup>91</sup> Audio available at <http://www.npr.org/templates/story/story.php?storyId=102128223>.

consumption and growth, millions of rural resident remain to be urbanized, and more than US\$ 2 trillion in household savings sit idle. They say that the key to unleashing this potential is economic reform to break up powerful commercial and bureaucratic monopolies. These critics argue that China's stimulus money is funding projects aimed at bailing out inefficient state-owned enterprises and the bureaucrats who run them. They call for greater transparency in how the stimulus money is spent. Private companies have complained that they are vying for scraps while the Government funnels stimulus money to SOEs. They argue that China must level the playing field for private companies who provide about 80 percent of China's jobs.

A recent article in the Economist also noted that SOEs will be huge beneficiaries of China's stimulus spending, but that "liberal economists in China fret that state-owned banks and their SOE cronies will carve up the spoils, leaving small and medium private enterprises by the wayside. They also worry that reforms may stall."<sup>92</sup> The article further notes a recent report published by the China Institute for Reform and Development titled "The International Financial Crisis Challenges Reforms in China."

The report says that, without further market-oriented reforms, the stimulus package will not only fail to achieve its goal but will also store up long-term problems. In need of change, it says, are government controls on prices of water and power and government monopolies in industries such as telecoms, railways and aviation. It calls for faster financial reforms such as encouraging the development of non-state financial institutions, freeing controls on interest rates and allowing the yuan to float.<sup>93</sup>

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<sup>92</sup> *A time for muscle-flexing*, The Economist, March 21, 2009 at 29; available online at [http://www.economist.com/world/asia/displaystory.cfm?story\\_id=13326082&CFID=47123646&CFTOKEN=79934514](http://www.economist.com/world/asia/displaystory.cfm?story_id=13326082&CFID=47123646&CFTOKEN=79934514).

<sup>93</sup> *Id.*

## APPENDIX 1



## *China's Trade by Type of Enterprise*

<i>Millions of US\$</i>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>Trade Balance</b>		
<b>State-owned enterprise</b>	-33,898	-44,301	-96,274
<b>Sino-foreign contractual joint venture</b>	7,782	9,237	9,518
<b>Sino-foreign equity joint venture</b>	28,107	43,950	45,084
<b>Foreign-invested enterprise</b>	55,345	81,783	115,999
<b>Collective enterprise</b>	21,148	23,700	25,971
<b>Private enterprise</b>	97,940	147,238	199,223
<b>Private firm</b>	1,827	1,815	1,686
<b>Other, including foreign embassy, foreign company's office in China, etc.</b>	-722	-1,529	-3,807
<b>TOTAL</b>	<b>177,530</b>	<b>261,894</b>	<b>297,401</b>
	<b>Exports</b>		
<b>State-owned enterprise</b>	191,382	225,376	257,229
<b>Sino-foreign contractual joint venture</b>	17,714	18,116	18,349
<b>Sino-foreign equity joint venture</b>	163,801	198,972	227,006
<b>Foreign-invested enterprise</b>	382,497	478,834	545,477
<b>Collective enterprise</b>	41,098	46,920	54,679
<b>Private enterprise</b>	170,764	247,551	323,985
<b>Private firm</b>	1,878	1,913	1,860
<b>Other, including foreign embassy, foreign company's office in China, etc.</b>	190	473	284
<b>TOTAL</b>	<b>969,324</b>	<b>1,218,155</b>	<b>1,428,869</b>
	<b>Imports</b>		
<b>State-owned enterprise</b>	225,281	269,677	353,503
<b>Sino-foreign contractual joint venture</b>	9,932	8,879	8,831
<b>Sino-foreign equity joint venture</b>	135,693	155,021	181,922
<b>Foreign-invested enterprise</b>	327,152	397,051	429,478
<b>Collective enterprise</b>	19,949	23,220	28,709
<b>Private enterprise</b>	72,824	100,313	124,762
<b>Private firm</b>	51	98	174
<b>Other, including foreign embassy, foreign company's office in China, etc.</b>	912	2,002	4,091
<b>TOTAL</b>	<b>791,794</b>	<b>956,261</b>	<b>1,131,469</b>

China's Trade with the World in Selected Commodities  
By Type of Enterprise

Autos

	EXPORTS in US\$		
	2006	2007	2008
1 State-owned enterprise	2,142,825,551	3,281,684,654	3,445,293,828
2 Sino-foreign contractual joint venture	161,084,137	140,336,254	98,415,677
3 Sino-foreign equity joint venture	2,438,064,500	3,584,454,758	4,154,361,609
4 Foreign-invested enterprise	2,826,164,208	3,801,957,888	4,596,214,298
5 Collective enterprise	413,489,240	499,443,666	533,958,483
6 Private enterprise	2,468,874,705	3,851,365,751	5,159,475,586
7 Private firm	5,290,293	9,115,720	16,070,205
9 Other, including foreign embassy, foreign company's office in China, etc.	18,798,023	50,381,653	5,836,602
SOE Share	20.5%	21.6%	19.1%

	IMPORTS in US\$		
	2006	2007	2008
	2,859,398,357	3,033,505,524	4,093,104,015
	11,750,854	9,102,131	9,865,292
	6,664,867,124	7,896,778,669	7,670,079,444
	4,321,049,438	7,692,935,710	10,888,226,363
	238,990,840	144,156,363	151,721,807
	1,719,634,354	1,590,561,628	2,166,318,558
	66,353	109,482	109,110
	166,974,424	126,474,613	190,689,903
	17.9%	14.8%	16.3%

Chemicals

	EXPORTS in US\$		
	2006	2007	2008
1 State-owned enterprise	12,617,834,976	15,575,213,697	18,785,464,751
2 Sino-foreign contractual joint venture	489,581,539	605,791,737	830,480,637
3 Sino-foreign equity joint venture	6,084,730,683	7,668,352,615	10,480,273,480
4 Foreign-invested enterprise	5,647,150,617	8,454,094,757	11,891,525,556
5 Collective enterprise	2,942,004,393	4,097,430,797	4,969,817,645
6 Private enterprise	9,931,128,529	14,669,139,816	21,861,701,564
7 Private firm	27,053,418	52,419,819	62,901,029
9 Other, including foreign embassy, foreign company's office in China, etc.	19,255,301	11,795,409	23,555,474
SOE Share	33.4%	30.5%	27.3%

	IMPORTS in US\$		
	2006	2007	2008
	14,005,282,574	14,766,126,374	14,386,585,096
	626,616,191	761,360,741	892,845,209
	12,986,061,713	15,822,988,445	17,881,982,001
	14,549,504,399	19,972,156,856	25,544,243,369
	4,032,730,944	3,746,773,893	3,123,870,193
	9,963,066,184	13,385,294,703	15,042,965,338
	7,585,221	4,153,390	15,996,194
	48,182,814	48,281,094	72,093,859
	24.9%	21.6%	18.7%

China's Trade with the World in Selected Commodities  
By Type of Enterprise

Civil Aviation

		EXPORTS in US\$		
		2006	2007	2008
1	State-owned enterprise	349,579,504	430,947,878	781,739,960
2	Sino-foreign contractual joint venture	60,297	18,706	15,894
3	Sino-foreign equity joint venture	735,632,605	865,004,877	735,374,680
4	Foreign-invested enterprise	43,184,201	75,649,540	98,918,490
5	Collective enterprise	151,794,556	1,000,251	1,050,329
6	Private enterprise	2,180,114	4,835,863	13,077,163
7	Private firm	5,590	11,400	.
9	Other, including foreign embassy, foreign company's office in China, etc.	10,000	6,981,811	4,362,754
	SOE Share	27.3%	31.1%	47.8%

		IMPORTS in US\$		
		2006	2007	2008
		8,739,336,280	6,930,087,984	7,017,497,177
		142,621	45,802	3,674
		1,399,312,725	2,512,144,653	2,267,391,501
		16,885,562	25,322,049	25,801,672
		150,063,304	101,793,157	229,979,829
		476,489,485	800,211,124	447,225,642
		106,228,799	3,811,790	5,515,531
		80.3%	66.8%	70.2%

Communications Equipment

		EXPORTS in US\$		
		2006	2007	2008
1	State-owned enterprise	4,780,618,458	7,931,816,533	9,437,937,885
2	Sino-foreign contractual joint venture	374,401,622	472,684,930	543,759,433
3	Sino-foreign equity joint venture	27,892,202,694	33,756,777,778	36,402,417,078
4	Foreign-invested enterprise	44,286,314,799	50,795,519,076	56,364,179,713
5	Collective enterprise	3,270,556,645	4,896,213,905	6,527,495,817
6	Private enterprise	2,316,164,052	4,157,853,193	5,633,431,367
7	Private firm	19,657,212	15,509,591	13,153,468
9	Other, including foreign embassy, foreign company's office in China, etc.	146,995	1,920,229	1,741,926
	SOE Share	5.8%	7.8%	8.2%

		IMPORTS in US\$		
		2006	2007	2008
		3,512,922,891	4,217,003,908	3,633,826,554
		211,716,018	211,568,783	130,670,047
		9,637,091,444	9,385,408,378	9,068,703,729
		15,630,941,888	15,157,119,740	16,252,704,388
		203,629,120	343,531,340	485,602,327
		901,877,259	1,307,263,595	1,724,410,997
		49,856	1,840,611	1,810,143
		11,937,847	21,837,223	34,624,643
		11.7%	13.8%	11.6%

China's Trade with the World in Selected Commodities  
By Type of Enterprise

Consumer Electronics

		EXPORTS in US\$		
		2006	2007	2008
1	State-owned enterprise	4,594,992,042	8,361,066,673	7,353,603,070
2	Sino-foreign contractual joint venture	608,907,102	581,108,579	600,105,522
3	Sino-foreign equity joint venture	9,699,875,861	12,025,805,816	11,595,900,799
4	Foreign-invested enterprise	21,953,274,685	36,291,891,747	38,198,121,626
5	Collective enterprise	680,843,170	754,860,034	821,840,775
6	Private enterprise	3,716,938,548	4,563,900,806	5,251,095,751
7	Private firm	68,363,093	68,842,506	23,085,843
9	Other, including foreign embassy, foreign company's office in China, etc.	154,309	439,298	664,122
	SOE Share	11.1%	13.3%	11.5%

		IMPORTS in US\$		
		2006	2007	2008
		974,488,620	807,942,495	599,950,511
		88,627,375	59,229,622	42,828,648
		1,619,622,359	1,284,251,922	1,302,100,706
		3,642,964,337	3,937,156,210	4,450,136,080
		59,351,486	26,468,997	31,226,501
		499,558,882	447,093,318	612,385,160
		193,247	218,207	118,439
		2,641,462	760,347	1,706,964
		14.1%	12.3%	8.5%

Electronic Components

		EXPORTS in US\$		
		2006	2007	2008
1	State-owned enterprise	2,622,146,846	3,208,209,396	3,596,193,441
2	Sino-foreign contractual joint venture	964,241,001	1,059,499,561	1,048,304,704
3	Sino-foreign equity joint venture	4,076,577,745	4,361,208,852	5,179,998,573
4	Foreign-invested enterprise	17,723,682,232	22,685,554,582	24,882,031,398
5	Collective enterprise	485,116,781	568,412,104	687,380,166
6	Private enterprise	2,158,404,656	2,960,985,253	3,890,224,898
7	Private firm	18,407,769	17,219,007	10,681,515
9	Other, including foreign embassy, foreign company's office in China, etc.	141,397	427,890	634,685
	SOE Share	9.3%	9.2%	9.2%

		IMPORTS in US\$		
		2006	2007	2008
		3,032,949,426	3,801,652,105	3,689,476,641
		546,026,903	306,406,098	297,479,376
		4,990,822,071	5,536,161,460	5,969,505,472
		20,585,004,263	24,965,526,638	25,845,134,722
		580,046,706	667,497,945	625,194,716
		2,034,111,766	2,677,034,524	2,756,942,615
		5,456,596	1,610,577	963,028
		45,566,094	24,339,000	3,635,013
		9.5%	10.0%	9.4%

China's Trade with the World in Selected Commodities  
By Type of Enterprise

Equipment Manufacturing

		EXPORTS in US\$		
		2006	2007	2008
1	State-owned enterprise	20,299,298,578	22,316,806,403	28,921,186,421
2	Sino-foreign contractual joint venture	3,960,914,850	3,673,779,770	4,018,143,821
3	Sino-foreign equity joint venture	21,655,287,962	27,160,466,245	31,975,720,904
4	Foreign-invested enterprise	122,869,923,276	148,983,445,554	167,110,511,331
5	Collective enterprise	4,256,946,819	4,939,808,729	5,488,526,442
6	Private enterprise	13,548,854,559	21,497,986,809	31,098,817,862
7	Private firm	60,733,737	77,969,011	107,002,675
9	Other, including foreign embassy, foreign company's office in China, etc.	4,260,980	13,548,980	20,121,335
	SOE Share	10.9%	9.8%	10.8%

		IMPORTS in US\$		
		2006	2007	2008
		23,621,246,707	25,452,398,396	27,636,861,913
		1,090,116,156	700,346,671	733,490,517
		19,897,202,793	21,628,540,705	27,172,304,784
		54,147,167,913	63,011,653,576	66,308,169,216
		1,690,170,566	1,590,029,477	1,728,381,015
		8,921,120,789	11,959,363,970	14,986,725,562
		5,351,589	10,275,814	9,579,743
		94,117,521	87,738,360	131,899,203
		21.6%	20.5%	19.9%

Industrial Electronics

		EXPORTS in US\$		
		2006	2007	2008
1	State-owned enterprise	966,842,594	1,299,995,536	1,706,371,677
2	Sino-foreign contractual joint venture	134,552,057	197,895,383	219,771,840
3	Sino-foreign equity joint venture	842,463,431	1,081,359,370	1,370,934,665
4	Foreign-invested enterprise	4,339,427,346	6,971,874,271	8,505,343,527
5	Collective enterprise	134,080,874	149,369,033	160,169,401
6	Private enterprise	643,808,973	1,015,408,262	1,553,875,689
7	Private firm	8,417,519	8,041,666	5,980,110
9	Other, including foreign embassy, foreign company's office in China, etc.	1,390,315	2,645,152	7,457,977
	SOE Share	13.7%	12.1%	12.6%

		IMPORTS in US\$		
		2006	2007	2008
		3,305,261,275	3,872,297,248	4,853,429,103
		159,618,740	159,034,728	138,029,617
		2,491,620,747	2,569,866,007	3,412,348,655
		5,803,382,808	6,303,395,325	6,644,556,974
		175,981,148	213,336,119	220,030,957
		1,298,617,858	1,772,996,695	2,516,401,395
		269,700	1,180,596	883,237
		10,742,901	5,025,504	17,395,987
		25.0%	26.0%	27.3%

China's Trade with the World in Selected Commodities  
By Type of Enterprise

Iron and Steel

	EXPORTS in US\$		
	2006	2007	2008
1 State-owned enterprise	22,960,447,693	32,365,328,485	41,102,789,927
2 Sino-foreign contractual joint venture	410,666,347	490,727,561	517,202,030
3 Sino-foreign equity joint venture	7,813,806,295	10,390,483,959	13,436,138,906
4 Foreign-invested enterprise	6,499,309,350	9,591,256,673	12,381,891,497
5 Collective enterprise	2,560,670,443	3,381,698,734	5,719,674,703
6 Private enterprise	11,574,635,714	20,103,893,708	28,378,345,016
7 Private firm	56,400,896	155,693,729	236,348,345
9 Other, including foreign embassy, foreign company's office in China, etc.	75,827,061	189,598,248	65,687,210
SOE Share	44.2%	42.2%	40.4%

	IMPORTS in US\$		
	2006	2007	2008
	8,310,245,005	9,084,018,632	10,310,087,697
	477,937,859	515,003,916	507,496,925
	6,541,804,501	6,536,501,385	6,854,948,158
	9,247,715,158	11,635,362,999	13,491,892,282
	320,880,358	322,751,824	380,996,820
	2,012,929,264	2,726,705,052	3,459,601,218
	808,218	1,366,874	8,470,765
	83,368,202	227,259,409	62,811,748
	30.8%	29.3%	29.4%

Non-ferrous Metals

	EXPORTS in US\$		
	2006	2007	2008
1 State-owned enterprise	10,620,056,580	9,786,867,385	8,435,468,906
2 Sino-foreign contractual joint venture	1,084,789,275	954,423,330	927,267,621
3 Sino-foreign equity joint venture	5,158,786,768	5,732,374,537	5,912,278,039
4 Foreign-invested enterprise	6,445,339,282	8,387,337,874	8,982,268,184
5 Collective enterprise	2,311,313,478	2,560,478,136	2,466,383,306
6 Private enterprise	7,706,768,456	11,389,763,211	15,138,254,379
7 Private firm	58,676,076	91,888,507	107,119,230
9 Other, including foreign embassy, foreign company's office in China, etc.	11,624,662	13,274,065	675,003
SOE Share	31.8%	25.1%	20.1%

	IMPORTS in US\$		
	2006	2007	2008
	8,965,729,260	14,055,861,465	11,955,940,381
	767,959,301	605,808,995	727,474,572
	5,870,259,240	7,649,445,108	7,112,786,087
	12,142,885,477	15,679,467,620	15,604,800,276
	1,051,618,969	1,332,812,781	1,138,855,086
	3,950,190,782	7,109,493,871	7,623,052,219
	1,901,775	38,760,130	84,781,840
	54,930,934	125,586,945	307,440,984
	27.3%	30.2%	26.8%

China's Trade with the World in Selected Commodities  
By Type of Enterprise

Petrochemicals

		EXPORTS in US\$		
		2006	2007	2008
1	State-owned enterprise	2,027,978,224	2,718,039,619	4,835,396,123
2	Sino-foreign contractual joint venture	220,446,059	207,566,973	302,450,381
3	Sino-foreign equity joint venture	914,847,949	1,143,730,165	1,352,625,940
4	Foreign-invested enterprise	58,286,190	177,021,898	382,715,728
5	Collective enterprise	272,927,859	323,267,818	606,164,906
6	Private enterprise	814,407,583	1,243,167,910	2,275,677,291
7	Private firm	33,760	107,193	688,343
9	Other, including foreign embassy, foreign	72,432	41,944	.
	SOE Share	47.1%	46.8%	49.6%

		IMPORTS in US\$		
		2006	2007	2008
		2,080,380,030	2,129,237,185	1,861,628,439
		13,701,122	9,069,182	7,331,311
		2,039,141,894	2,166,282,522	1,848,914,129
		488,715,610	857,441,385	1,211,472,892
		94,725,944	108,412,384	108,199,810
		780,420,773	960,337,428	1,134,422,823
		30418	7,556	6,984
		3,826,528	1,727,413	1
		37.8%	34.2%	30.2%

Petroleum

		EXPORTS in US\$		
		2006	2007	2008
1	State-owned enterprise	4,808,094,497	6,742,934,305	9,597,384,602
2	Sino-foreign contractual joint venture	6,484	18,818	145
3	Sino-foreign equity joint venture	2,708,888,030	3,113,467,043	4,977,991,412
4	Foreign-invested enterprise	2,206,629,408	866,546,251	1,666,764,520
5	Collective enterprise	7,153,853	10,096,784	22,362,235
6	Private enterprise	68,562,537	65,825,246	112,481,298
7	Private firm	.	2,488	7,800
9	Other, including foreign embassy, foreign	3,155,326	4,945,265	31,732,486
	SOE Share	49.0%	62.4%	58.5%

		IMPORTS in US\$		
		2006	2007	2008
		71,843,193,466	84,449,962,027	141,598,557,627
		470,780,346	515,410,950	820,187,442
		5,674,045,464	6,349,686,112	9,922,777,547
		575,937,361	702,341,893	1,142,911,046
		1,432,226,643	1,728,220,112	2,454,910,923
		1,814,250,829	2,167,534,467	2,894,431,659
		254519	2,463	14,720
		144,770,489	107,878,888	93,760,348
		87.7%	87.9%	89.1%

China's Trade with the World in Selected Commodities

By Type of Enterprise

Photonics

	EXPORTS in US\$		
	2006	2007	2008
1 State-owned enterprise	2,158,814,264	1,791,235,688	1,967,286,244
2 Sino-foreign contractual joint venture	266,043,680	223,519,320	159,421,248
3 Sino-foreign equity joint venture	3,578,289,512	3,522,958,403	3,391,090,869
4 Foreign-invested enterprise	16,147,790,315	17,727,474,904	20,933,305,654
5 Collective enterprise	65,458,763	87,150,419	74,205,568
6 Private enterprise	668,928,412	826,517,891	1,109,510,667
7 Private firm	2,042,030	2,085,884	1,228,297
9 Other, including foreign embassy, foreign company's office in China, etc.	174,811	44,593	720,120
SOE Share	9.4%	7.4%	7.1%

	IMPORTS in US\$		
	2006	2007	2008
	4,390,612,993	5,396,493,189	4,933,105,769
	179,134,333	125,500,231	124,687,689
	7,468,569,689	7,840,922,597	7,856,675,047
	30,320,356,959	36,714,039,928	41,104,999,292
	112,962,327	211,219,868	237,041,999
	1,232,907,195	1,842,673,976	2,463,992,383
	.	1,909,524	626,970
	515,947	1,553,806	40,010,326
	10.0%	10.4%	8.7%

Semiconductors

	EXPORTS in US\$		
	2006	2007	2008
1 State-owned enterprise	1,523,099,941	1,686,329,192	2,209,484,742
2 Sino-foreign contractual joint venture	553,323,450	945,517,497	781,544,081
3 Sino-foreign equity joint venture	3,876,766,904	4,187,808,005	6,792,901,031
4 Foreign-invested enterprise	20,868,372,004	25,815,183,639	29,103,300,404
5 Collective enterprise	86,847,493	79,133,502	208,733,981
6 Private enterprise	790,856,740	1,225,261,944	2,707,713,859
7 Private firm	2,502,016	1,250,725	3,159,156
9 Other, including foreign embassy, foreign company's office in China, etc.	68,085	97,735	480,375
SOE Share	5.5%	5.0%	5.3%

	IMPORTS in US\$		
	2006	2007	2008
	9,148,103,015	11,603,744,903	10,152,817,063
	1,877,020,685	1,668,562,548	1,473,961,427
	15,915,798,996	18,865,206,066	22,617,977,037
	86,392,231,643	102,785,380,121	101,323,241,950
	1,712,841,092	1,922,409,131	2,517,014,659
	5,254,312,005	8,187,213,983	9,179,736,839
	1,259,684	253,219	656,556
	52,618,794	50,565,692	74,862,347
	7.6%	8.0%	6.9%

China's Trade with the World in Selected Commodities  
By Type of Enterprise

Tires

	EXPORTS in US\$		
	2006	2007	2008
1 State-owned enterprise	1,700,894,254	2,117,581,973	2,063,692,786
2 Sino-foreign contractual joint venture	26,000	.	.
3 Sino-foreign equity joint venture	1,618,752,150	2,241,634,852	2,628,484,717
4 Foreign-invested enterprise	1,165,092,415	1,669,921,229	2,006,469,644
5 Collective enterprise	267,662,709	379,899,569	516,578,673
6 Private enterprise	376,184,778	694,319,958	846,707,214
7 Private firm	19,442	184,489	15,185
9 Other, including foreign embassy, foreign	20,597	118,327	166,781
SOE Share	33.2%	29.8%	25.6%

	IMPORTS in US\$		
	2006	2007	2008
	41,037,022	41,521,479	59,996,150
	7,478,866	1,000,983	55,447
	54,639,229	42,233,842	63,011,034
	69,046,883	154,958,792	222,792,158
	256,748	1,038,370	598,554
	71,153,489	34,578,289	38,401,718
	.	.	1,410
	101,201	142,626	292,636
	16.8%	15.1%	15.6%

Paper

	EXPORTS in US\$		
	2006	2007	2008
1 State-owned enterprise	903,949,823	957,565,538	899,817,440
2 Sino-foreign contractual joint venture	104,905,912	109,749,187	96,544,874
3 Sino-foreign equity joint venture	1,294,602,098	2,024,858,081	2,194,264,892
4 Foreign-invested enterprise	1,824,191,328	2,148,639,354	2,400,356,922
5 Collective enterprise	290,064,596	377,187,462	287,811,021
6 Private enterprise	968,311,705	1,454,906,633	1,795,310,705
7 Private firm	18,719,545	28,971,544	26,019,571
9 Other, including foreign embassy, foreign	348,276	709,755	1,692,798
SOE Share	16.7%	13.5%	11.7%

	IMPORTS in US\$		
	2006	2007	2008
	974,598,970	875,984,910	830,414,018
	108,739,063	84,443,483	68,489,766
	639,534,087	643,981,939	646,370,208
	1,805,682,596	1,953,051,390	2,045,732,482
	91,354,712	86,129,513	81,438,709
	584,122,195	634,428,019	679,106,243
	564,356	1,071,494	578,590
	11,722,888	13,171,198	15,150,812
	23.1%	20.4%	19.0%

## China's Exports by State-Owned Enterprises

Rank		Millions of US\$	SOE Exports			SOE as % Total Exports		
			2006	2007	2008	2006	2007	2008
1	8901	Vessels For The Transport Of Persons Or Goods	5,698	7,941	10,590	80%	75%	61%
2	7208	FI-RI Iron & Na Steel Nun600Mm Wd Hot-RI, Not Clad	4,869	7,495	9,527	81%	77%	71%
3	2710	Oil (Not Crude) From Petrol & Bitum Mineral Etc.	4,561	6,365	8,938	65%	70%	65%
4	8517	Electric Apparatus For Line Telephony Etc, Parts	1,160	5,577	6,645	10%	7%	7%
5	2701	Coal; Briquettes, Ovoids Etc. Mfr From Coal	3,658	3,267	5,142	99%	99%	98%
6	8528	Tv Recvrs, Incl Video Monitors & Projectors	1,391	5,189	4,060	11%	14%	12%
7	6110	Sweaters, Pullovers, Vests Etc, Knit Or Crocheted	3,152	3,390	3,782	25%	21%	24%
8	6204	Women's Or Girls' Suits, Ensemb Etc, Not Knit Etc	3,498	3,535	3,502	28%	26%	25%
9	7304	Tubes, Pipes Etc, Seamless, Iron Nesoi & Steel	1,541	1,967	3,463	54%	41%	38%
10	2704	Coke Etc Of Coal, Lignite Or Peat; Retort Carbon	1,213	1,812	3,384	60%	59%	58%
11	7225	FI-RI Alloy Steel Nesoi Nun 600Mm Wide	130	514	2,957	72%	86%	83%
12	7210	FI-RI Iron & Na Steel Nun600Mm Wd, Clad Etc	1,252	1,786	2,694	53%	46%	40%
13	7202	Ferroalloys	1,061	2,015	2,687	42%	49%	45%
14	7228	Al Steel Nesoi Bars, Ang Etc; Hol Dr St Bars Etc	253	755	2,630	43%	41%	44%
15	7308	Structures Nesoi & Parts Thereof, Of Iron Or Steel	1,326	1,714	2,617	33%	28%	29%
16	9503	Toys Nesoi; Scale Models Etc; Puzzles; Parts Etc	1,979	2,643	2,605	32%	31%	30%
17	4202	Travel Goods, Handbags, Wallets, Jewelry Cases Etc	2,030	2,156	2,348	23%	20%	17%
18	8473	Parts Etc For Typewriters & Other Office Machines	1,692	1,756	2,199	5%	5%	7%
19	8504	Elec Trans, Static Conv & Induct, Adp Pwr Supp, Pt	1,368	1,824	2,158	12%	13%	13%
20	8708	Parts & Access For Motor Vehicles (Head 8701-8705)	1,609	2,092	2,150	18%	17%	15%
21	4011	New Pneumatic Tires, Of Rubber	1,701	2,118	2,064	33%	30%	26%
22	8704	Motor Vehicles For Transport Of Goods	704	1,436	2,004	59%	52%	54%
23	6203	Men's Or Boys' Suits, Ensembles Etc, Not Knit Etc	1,947	2,032	1,990	24%	24%	21%
24	6109	T-Shirts, Singlets, Tank Tops Etc, Knit Or Crochet	1,872	1,970	1,916	25%	23%	24%
25	7227	Bars & Rods Alloy Steel Nesoi, H-R Irreg Coils	98	161	1,890	91%	56%	58%
26	6402	Footwear, Outer Sole & Upper Rubber Or Plast Nesoi	1,567	1,627	1,836	20%	18%	17%
27	8471	Automatic Data Process Machines; Magn Reader Etc	4,847	1,645	1,711	5%	2%	2%
28	9013	Liquid Crystal Devices Nesoi; Lasers; Opt Appl; Pt	1,016	1,571	1,703	7%	8%	7%
29	8544	Insulated Wire, Cable Etc; Opt Sheath Fib Cables	984	1,387	1,647	14%	14%	14%
30	6403	Footwear, Outer Sole Rub, Plast Or Lea & Upper Lea	1,530	1,590	1,638	18%	17%	17%
31	7209	FI-RI Iron & Na Steel Nun600Mm Wd Cold-RI, No Clad	787	889	1,576	87%	80%	56%
32	8516	Elec Water, Space & Soil Heaters; Hair Etc Dry, Pt	1,151	1,262	1,519	13%	12%	13%
33	8431	Parts For Machinery Of Headings 8425 To 8430	885	1,051	1,515	38%	30%	28%
34	6104	Women's Or Girls' Suits, Ensemb Etc, Knit Or Croch	1,324	1,518	1,491	20%	14%	15%
35	8402	Steam Etc Generating Boilers Nesoi; Sup W Boilers	209	442	1,487	64%	68%	76%

## *China's Exports by State-Owned Enterprises*

Rank	Millions of US\$	SOE Exports			SOE as % Total Exports			
		2006	2007	2008	2006	2007	2008	
36	9403	Furniture Nesoi And Parts Thereof	1,445	1,514	1,440	15%	13%	10%
37	7106	Silver (Incl Prec Plated), Unwr, Semimfr Or Powder	1,132	1,349	1,407	69%	67%	66%
38	7219	FI-RI Stainless Steel Products, Not Und 600Mm Wide	561	1,736	1,397	36%	53%	67%
39	9405	Lamps & Lighting Fittings & Parts Etc Nesoi	1,290	1,392	1,349	20%	18%	15%
40	8443	Print Mach Incl Ink-Jet Mach Ancil T Prnt Pt Nesoi	87	1,507	1,349	22%	8%	7%
41	8415	Air Conditioning Machines (Temp & Hum Change), Pts	941	1,325	1,347	16%	16%	14%
42	9401	Seats (Except Barber, Dental, Etc), And Parts	773	1,107	1,338	10%	11%	10%
43	8501	Electric Motors And Generators (No Sets)	1,049	1,249	1,316	24%	22%	20%
44	8525	Trans Appar For Radiotele Etc; Tv Camera & Rec	2,003	962	1,294	5%	9%	12%
45	2931	Organo-Inorganic Compounds Nesoi	185	415	1,263	37%	40%	39%
46	8429	Self-Propelled Bulldozers, Graders, Scrapers Etc	430	818	1,258	42%	44%	46%
47	8430	Mach Nesoi, Moving, Grad Etc; Pile-Dr; Snoplow Etc	684	797	1,253	52%	50%	48%
48	6302	Bed Linen, Table Linen, Toilet Linen & Kitch Linen	1,313	1,235	1,222	30%	24%	19%
49	8529	Parts For Television, Radio And Radar Apparatus	1,289	1,074	1,206	5%	10%	10%
50	6202	Women's Or Girls' Overcoats Etc, Not Knit Or Croch	1,193	1,264	1,187	32%	29%	23%

Source: China Customs.

## China's Imports by State-Owned Enterprises

Rank		Millions of US\$	SOE Imports			SOE as % Total Imports		
			2006	2007	2008	2006	2007	2008
1	2709	Crude Oil From Petroleum And Bituminous Minerals	60,600	73,310	119,869	91%	92%	93%
2	2601	Iron Ores & Concentrates, Including Roast Pyrites	15,978	25,111	41,860	77%	74%	71%
3	2710	Oil (Not Crude) From Petrol & Bitum Mineral Etc.	11,243	11,140	21,729	72%	68%	73%
4	8542	Electronic Integrated Circuits & Microassembl, Pts	7,678	9,851	8,471	7%	8%	6%
5	8802	Aircraft, Powered; Spacecraft & Launch Vehicles	8,428	6,612	6,471	86%	71%	74%
6	1201	Soybeans, Whether Or Not Broken	1,829	2,106	5,737	24%	18%	26%
7	9013	Liquid Crystal Devices Nesoi; Lasers; Opt Appl; Pt	3,759	4,842	4,255	10%	11%	9%
8	2603	Copper Ores And Concentrates	3,284	4,895	4,249	55%	56%	41%
9	7403	Refined Copper & Alloys (No Mast Alloy), Unwrought	2,001	4,139	3,943	36%	39%	38%
10	8517	Electric Apparatus For Line Telephony Etc, Parts	975	3,031	2,630	27%	16%	14%
11	8471	Automatic Data Process Machines; Magn Reader Etc	3,364	3,038	2,565	17%	15%	11%
12	2503	Sulfur Of All Kinds Nesoi	310	632	2,334	44%	49%	61%
13	8703	Motor Cars & Vehicles For Transporting Persons	1,469	1,457	2,301	21%	15%	16%
14	7304	Tubes, Pipes Etc, Seamless, Iron Nesoi & Steel	1,793	1,628	2,046	75%	67%	65%
15	7202	Ferroalloys	861	1,655	1,890	86%	66%	71%
16	1507	Soybean Oil & Its Fractions, Not Chemic Modified	367	889	1,885	46%	41%	57%
17	8708	Parts & Access For Motor Vehicles (Head 8701-8705)	1,389	1,569	1,771	15%	15%	16%
18	8481	Taps, Cocks, Valves Etc For Pipes, Tanks Etc, Pts	1,211	1,185	1,751	35%	32%	34%
19	2610	Chromium Ores And Concentrates	437	1,012	1,716	59%	65%	63%
20	2602	Manganese Ores A Concntrts Inc Ferr Mangn Iron Ore	355	706	1,710	55%	54%	49%
21	3104	Mineral Or Chemical Fertilizers, Potassic	648	1,308	1,692	42%	56%	58%
22	8541	Semiconductor Devices; Light-Emit Diodes Etc, Pts	1,470	1,753	1,682	11%	11%	10%
23	3901	Polymers Of Ethylene, In Primary Forms	1,849	1,680	1,583	29%	24%	20%
24	8408	Compression-Ignition Internal Comb Piston Engines	669	999	1,552	45%	41%	37%
25	2604	Nickel Ores And Concentrates	347	1,722	1,495	79%	71%	71%
26	4403	Wood In The Rough, Stripped Or Not Of Sapwood Etc	1,094	1,346	1,373	28%	25%	27%
27	8479	Machines Etc Having Individual Functions Nesoi, Pt	1,495	1,431	1,330	15%	19%	17%
28	2905	Acyclic Alcohols & Halogenat, Sulfonatd Etc Derivs	1,223	1,364	1,297	23%	19%	16%
29	4703	Chemical Woodpulp, Soda Or Sulfate, Not Dissoly Gr	842	1,074	1,293	24%	25%	24%
30	7110	Platinum, Unwrought, Semimfr Forms Or In Powder Fm	680	897	1,242	52%	41%	43%
31	1511	Palm Oil & Its Fractions, Not Chemically Modified	534	749	1,238	23%	20%	24%
32	7502	Nickel, Unwrought	1,370	2,130	1,235	63%	55%	45%
33	8414	Air Or Vac Pumps, Compr & Fans; Hoods & Fans; Pts	1,189	1,032	1,211	30%	26%	25%
34	7501	Nickel Mattes, Nickle Oxide Sinters, Oth Int Prod	858	1,854	1,197	100%	100%	77%

## *China's Imports by State-Owned Enterprises*

Rank	Millions of US\$	SOE Imports			SOE as % Total Imports			
		2006	2007	2008	2006	2007	2008	
35	8504	Elec Trans, Static Conv & Induct, Adp Pwr Supp, Pt	1,069	1,238	1,162	16%	15%	13%
36	2701	Coal; Briquettes, Ovoids Etc. Mfr From Coal	582	861	1,145	36%	36%	32%
37	8413	Pumps For Liquids; Liquid Elevators; Parts Thereof	729	928	1,139	37%	37%	33%
38	7225	FI-RI Alloy Steel Nesoi Nun 600Mm Wide	590	687	1,090	31%	30%	35%
39	3903	Polymers Of Styrene, In Primary Forms	1,086	1,273	1,089	23%	22%	18%
40	8483	Transmission Shafts, Bearings, Gears Etc; Parts	599	789	1,067	26%	25%	25%
41	2917	Polycarboxylic Acids & Anhyd Etc, Halog, Sulf Etc	1,549	1,611	1,061	21%	21%	16%
42	9027	Inst Etc For Physical Etc Anal Etc; Microtome; Pts	751	781	1,057	43%	38%	38%
43	4001	Natural Rubber, Balata, Chicle Etc, Prim Form Etc	919	1,019	1,013	30%	31%	24%
44	9801	Expts Of Repaired Impts; Impts Of Returned Expts	593	407	997	29%	17%	23%
45	8607	Parts Of Railway Or Tramway Locomotives Or R Stock	732	851	988	89%	85%	84%
46	8419	Machinery Etc For Temp Chang Treat Mat; W Heat, Pt	798	764	984	39%	38%	35%
47	8411	Turbojets, Turbopropellers & Oth Gas Turbines, Pts	1,084	919	983	68%	57%	50%
48	2607	Lead Ores And Concentrates	600	1,167	974	63%	72%	58%
49	9032	Automatic Regulating Or Control Instruments; Parts	456	673	960	25%	27%	29%
50	8455	Metal-Rolling Mills And Rolls Therefor; Parts	837	917	949	70%	82%	75%

Source: China Customs.



## APPENDIX 2



## China's Trade with the World in Selected Commodities

Millions of US \$	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995-08	2007-08
Coal	Exports 1,011	1,109	1,133	1,068	1,084	1,469	2,668	2,534	2,760	3,822	4,280	3,683	3,295	5,238	418%	59%
	Imports 71	146	96	68	61	69	88	328	364	886	1,382	1,621	2,422	3,544	4924%	46%
	Balance <b>940</b>	<b>963</b>	<b>1,038</b>	<b>999</b>	<b>1,023</b>	<b>1,400</b>	<b>2,580</b>	<b>2,206</b>	<b>2,396</b>	<b>2,936</b>	<b>2,899</b>	<b>2,062</b>	<b>874</b>	<b>1,694</b>		
Civil Aviation	Exports 142	171	287	392	644	533	563	432	432	515	738	1,282	1,384	1,635	1055%	18%
	Imports 1,293	2,632	3,162	3,169	3,110	2,163	4,423	3,986	4,435	4,886	6,550	10,888	10,373	9,993	673%	-4%
	Balance (1,151)	(2,461)	(2,875)	(2,778)	(2,466)	(1,630)	(3,860)	(3,554)	(4,003)	(4,371)	(5,812)	(9,606)	(8,989)	(8,359)		
Equip Manufacturing	Exports 8,671	10,897	13,725	16,747	19,199	26,816	33,603	50,851	83,406	118,283	149,835	186,656	228,664	268,740	2999%	18%
	Imports 27,580	30,074	24,761	24,738	27,847	34,440	40,561	52,195	71,561	91,480	96,418	109,466	124,440	138,707	403%	11%
	Balance (18,910)	(19,177)	(11,037)	(7,991)	(8,648)	(7,624)	(6,959)	(1,343)	<b>11,844</b>	<b>26,803</b>	<b>53,416</b>	<b>77,190</b>	<b>104,223</b>	<b>130,033</b>		
Auto	Exports 411	409	486	552	798	1,161	1,397	1,906	2,553	4,745	7,485	10,475	15,219	18,010	4283%	18%
	Imports 1,831	1,507	1,274	1,374	1,730	2,889	3,816	5,619	10,762	11,786	11,388	15,983	20,494	25,170	1275%	23%
	Balance (1,420)	(1,098)	(788)	(822)	(931)	(1,729)	(2,419)	(3,713)	(8,209)	(7,041)	(3,902)	(5,508)	(5,275)	(7,160)		
Steel	Exports 7,583	6,212	7,672	6,571	6,399	9,069	8,260	9,579	12,868	25,221	34,135	51,952	76,669	101,838	1243%	33%
	Imports 8,036	8,437	8,012	7,677	8,759	11,261	13,032	16,012	25,605	28,320	31,925	26,996	31,049	35,076	336%	13%
	Balance (453)	(2,225)	(339)	(1,106)	(2,360)	(2,192)	(4,773)	(6,433)	(12,737)	(3,100)	<b>2,210</b>	<b>24,956</b>	<b>45,620</b>	<b>66,762</b>		
Chemical	Exports 8,421	8,425	9,392	9,638	10,011	11,641	12,874	14,626	18,543	24,588	31,864	37,759	51,134	68,906	718%	35%
	Imports 10,403	10,413	10,300	11,075	14,064	18,100	19,102	24,304	31,808	42,813	50,560	56,219	68,507	76,961	640%	12%
	Balance (1,982)	(1,988)	(908)	(1,437)	(4,053)	(6,459)	(6,228)	(9,678)	(13,265)	(18,225)	(18,696)	(18,460)	(17,373)	(8,055)		
Non ferrous metal	Exports 4,497	4,183	5,724	5,956	6,185	7,544	7,846	9,339	12,263	18,520	22,986	33,397	38,916	41,970	833%	8%
	Imports 4,129	4,234	4,512	4,790	6,343	9,353	8,875	10,271	13,780	20,202	24,673	32,805	46,597	44,555	979%	-4%
	Balance <b>367</b>	(51)	<b>1,212</b>	<b>1,166</b>	(158)	(1,809)	(1,029)	(933)	(1,517)	(1,682)	(1,688)	<b>592</b>	(7,681)	(2,585)		
IT Products	Exports 19,186	21,867	27,605	32,199	38,453	54,353	63,393	89,072	137,302	201,314	266,291	339,581	417,352	463,652	2317%	11%
	Imports 21,031	21,038	24,085	30,066	40,919	59,713	68,861	92,407	138,749	191,785	236,159	290,268	335,644	349,201	1560%	4%
	Balance (1,845)	<b>829</b>	<b>3,520</b>	<b>2,133</b>	(2,466)	(5,361)	(5,468)	(3,334)	(1,447)	<b>9,529</b>	<b>30,132</b>	<b>49,312</b>	<b>81,708</b>	<b>114,451</b>		
Consumer Electronics included in IT Products	Exports 6,112	6,077	7,009	7,316	8,284	10,758	12,067	16,852	20,958	27,190	35,906	41,323	62,648	63,844	945%	2%
	Imports 2,196	1,846	1,948	1,888	2,482	3,418	3,437	4,325	5,143	5,573	6,437	6,887	6,563	7,040	221%	7%
	Balance <b>3,916</b>	<b>4,231</b>	<b>5,061</b>	<b>5,428</b>	<b>5,802</b>	<b>7,340</b>	<b>8,630</b>	<b>12,527</b>	<b>15,815</b>	<b>21,617</b>	<b>29,470</b>	<b>34,436</b>	<b>56,085</b>	<b>56,804</b>		
Communications Equipm included in IT Products	Exports 2,513	3,147	3,613	4,217	5,275	9,293	12,567	16,147	25,232	42,475	59,782	82,940	102,028	114,924	4473%	13%
	Imports 5,645	4,235	4,350	6,475	7,582	9,969	11,198	11,571	16,372	20,805	24,514	30,110	30,646	31,332	455%	2%
	Balance (3,132)	(1,088)	(737)	(2,258)	(2,307)	(676)	<b>1,369</b>	<b>4,575</b>	<b>8,860</b>	<b>21,670</b>	<b>35,268</b>	<b>52,850</b>	<b>71,383</b>	<b>83,592</b>		
Computer & Office Equip included in IT Products	Exports 4,309	6,019	8,305	11,011	12,553	17,501	22,186	34,822	61,330	86,094	107,052	128,687	147,453	160,081	3615%	9%
	Imports 3,197	3,861	4,530	6,038	7,968	11,151	13,355	17,676	25,146	30,626	36,210	40,893	45,557	46,334	1349%	2%
	Balance <b>1,113</b>	<b>2,158</b>	<b>3,775</b>	<b>4,972</b>	<b>4,585</b>	<b>6,350</b>	<b>8,831</b>	<b>17,146</b>	<b>36,184</b>	<b>55,468</b>	<b>70,841</b>	<b>87,794</b>	<b>101,896</b>	<b>113,747</b>		
Semiconductors included in IT Products	Exports 971	1,065	1,611	1,909	3,191	4,490	4,006	6,152	9,013	14,493	18,863	27,702	33,941	41,807	4205%	23%
	Imports 3,039	3,656	5,120	6,579	10,400	17,394	20,732	32,320	49,390	71,213	93,463	120,354	145,083	147,340	4749%	2%
	Balance (2,068)	(2,591)	(3,509)	(4,669)	(7,209)	(12,905)	(16,727)	(26,168)	(40,377)	(56,720)	(74,600)	(92,652)	(111,143)	(105,533)		
Electrical Components included in IT Products	Exports 3,797	3,732	4,655	5,291	6,284	8,297	8,372	9,998	12,653	17,177	21,347	28,049	34,862	39,295	935%	13%
	Imports 3,288	3,760	4,533	5,580	8,041	11,249	11,235	13,628	17,967	22,373	25,492	31,820	37,980	39,188	1092%	3%
	Balance <b>509</b>	(28)	<b>122</b>	(289)	(1,757)	(2,952)	(2,864)	(3,630)	(5,314)	(5,196)	(4,145)	(3,771)	(3,119)	<b>107</b>		
Industrial Electronics included in IT Products	Exports 733	789	913	914	1,071	1,402	1,581	2,021	2,526	3,853	5,564	7,992	12,240	16,063	2090%	31%
	Imports 3,203	3,038	2,772	2,532	3,105	4,137	5,361	6,372	9,140	13,359	13,253	16,499	17,681	21,204	562%	20%
	Balance (2,470)	(2,249)	(1,860)	(1,618)	(2,034)	(2,735)	(3,780)	(4,351)	(6,614)	(9,506)	(7,689)	(8,506)	(5,441)	(5,142)		

### China's Trade with the World in Selected Commodities

Millions of US \$	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995-08	2007-08
Photonics included in IT Products	Exports	750	1,039	1,499	1,541	1,796	2,615	3,082	5,590	10,032	17,776	22,888	24,181	27,637	3584%	14%
	Imports	463	641	832	974	1,342	3,542	6,514	15,591	27,836	36,790	43,705	52,134	56,761	12158%	9%
	Balance	<b>287</b>	<b>397</b>	<b>667</b>	<b>567</b>	<b>454</b>	<b>218</b>	(928)	(3,432)	(10,002)	(17,804)	(19,014)	(20,818)	(27,953)	(29,124)	
New Pneumatic Tires, Of Rubber	Exports	431	467	501	571	722	1,002	1,219	1,609	2,485	3,782	5,129	7,104	8,062	1773%	13%
	Imports	22	19	20	21	41	39	57	100	135	157	244	275	385	1687%	40%
	Balance	<b>409</b>	<b>448</b>	<b>481</b>	<b>551</b>	<b>681</b>	<b>958</b>	<b>964</b>	<b>1,162</b>	<b>1,510</b>	<b>2,351</b>	<b>3,625</b>	<b>4,885</b>	<b>6,828</b>	<b>7,677</b>	
Paper	Exports	923	807	1,001	988	925	1,483	1,709	2,307	2,848	3,933	5,405	7,103	7,702	734%	8%
	Imports	2,322	2,972	3,462	3,614	3,985	3,650	4,138	4,395	4,637	4,388	4,216	4,292	4,367	88%	2%
	Balance	(1,398)	(2,165)	(2,461)	(2,626)	(3,059)	(2,558)	(2,166)	(2,428)	(2,088)	(1,789)	(456)	1,189	2,810	3,335	

Source: GTIS World Trade Atlas, China edition.

**China's Trade with the United States in Selected Commodities**

<i>Millions of US \$</i>	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995-08	2007-08
Coal	Exports Imports Balance	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	4 0 4	2 1 1	6 0 6	9 0 9	10 0 10	9 0 9	7 0 7	4 36 (31)	28879% 19808441%	-42% 36644%
Civil Aviation	Exports Imports Balance	26 782 (756)	30 1,266 (1,235)	71 1,641 (1,571)	79 1,557 (1,478)	71 1,463 (1,391)	89 1,451 (1,362)	62 1,985 (1,924)	67 2,317 (2,250)	114 2,309 (2,196)	106 3,401 (3,295)	279 5,634 (5,354)	270 5,276 (5,005)	341 3,955 (3,614)	1226%	26%
Equip Manufacturing	Exports Imports Balance	1,839 3,225 (1,386)	2,439 3,755 (1,316)	3,483 3,296 187	4,598 3,646 952	5,277 4,460 817	6,854 4,503 2,350	7,337 5,415 1,923	12,056 5,513 6,543	21,372 6,019 15,353	30,001 7,834 22,167	36,305 8,312 27,993	51,837 10,866 40,971	55,097 12,059 43,038	2896%	274%
Auto	Exports Imports Balance	184 163 22	162 139 24	189 95 94	237 57 180	354 153 201	464 110 354	565 145 420	814 175 639	1,119 388 731	1,959 442 1,517	2,819 718 2,101	3,720 1,150 2,570	4,494 2,313 2,180	2336%	-2%
Steel	Exports Imports Balance	662 311 351	773 330 444	882 271 610	1,230 287 944	1,348 236 1,112	1,881 272 1,608	1,791 543 1,248	2,363 570 1,793	2,972 1,224 1,748	5,332 1,292 4,040	6,664 1,619 5,045	9,863 1,228 8,635	10,670 1,702 11,159	1918%	25%
Chemical	Exports Imports Balance	876 2,159 (1,283)	951 2,079 (1,128)	1,162 2,002 (840)	1,334 2,435 (1,101)	1,449 2,715 (1,267)	1,678 2,527 (849)	1,813 2,416 (604)	2,250 3,280 (1,030)	2,868 4,448 (1,580)	3,615 5,424 (1,809)	4,475 5,523 (1,048)	5,063 6,061 (998)	6,022 7,373 1,488	908%	47%
Non ferrous metal	Exports Imports Balance	596 494 102	635 479 156	857 487 370	1,191 408 782	1,257 564 693	1,459 871 588	1,640 700 939	2,047 689 1,358	2,460 945 1,515	3,402 1,296 2,106	4,618 1,638 2,980	6,425 2,218 4,207	7,171 2,812 4,359	1118%	1%
IT Products	Exports Imports Balance	3,945 2,764 1,182	4,799 2,661 2,137	6,385 2,826 3,559	7,997 4,004 3,993	9,399 5,644 3,755	12,393 7,056 5,337	13,101 9,384 3,717	19,740 8,373 11,367	31,215 8,448 22,767	45,765 10,710 35,055	59,702 11,799 47,903	75,768 15,582 60,186	84,759 16,026 70,383	2108%	3%
Consumer Electronics <i>included in IT Products</i>	Exports Imports Balance	1,343 63 1,279	1,393 67 1,326	1,647 40 1,606	1,902 52 1,850	2,027 145 1,882	2,754 199 2,555	3,039 272 2,767	4,570 246 4,324	5,261 294 4,967	7,109 294 6,815	10,349 317 10,032	12,828 387 12,441	17,722 86 17,637	1321%	8%
Communications Equipment <i>included in IT Products</i>	Exports Imports Balance	690 981 (291)	847 715 132	812 707 105	1,132 1,149 (17)	1,530 1,175 355	2,142 1,980 162	2,564 2,579 (15)	4,145 1,539 2,606	6,010 1,095 4,914	10,184 953 9,230	13,788 921 12,866	17,939 988 16,951	19,029 1,341 17,688	2401%	-9%
Computer & Office Equipm <i>included in IT Products</i>	Exports Imports Balance	1,066 665 400	1,570 745 825	2,473 643 1,829	3,346 1,013 2,333	3,780 1,837 1,943	4,897 1,835 3,062	5,053 2,276 2,777	8,312 2,081 6,231	16,667 1,937 14,730	23,781 1,876 21,904	28,262 2,175 26,087	35,161 2,341 32,820	38,194 2,180 37,375	3599%	3%
Semiconductors <i>included in IT Products</i>	Exports Imports Balance	96 185 (88)	91 277 (186)	135 493 (359)	216 797 (580)	389 1,202 (812)	488 1,338 (850)	426 1,812 (1,386)	528 2,302 (1,774)	726 2,256 (1,530)	1,018 3,813 (2,794)	1,752 4,550 (2,798)	2,218 6,765 (4,547)	1,753 7,638 (5,884)	1522%	-1%
Electrical Components <i>included in IT Products</i>	Exports Imports Balance	481 71 411	541 87 454	764 177 587	812 193 618	929 304 625	1,173 350 823	1,020 342 677	1,190 324 866	1,431 454 977	1,949 603 1,346	2,445 671 1,774	3,038 848 2,190	3,488 858 3,297	763%	19%
Industrial Electronics <i>included in IT Products</i>	Exports Imports Balance	174 761 (587)	180 709 (529)	251 713 (463)	257 707 (450)	298 848 (551)	404 1,137 (733)	444 1,502 (1,058)	508 1,689 (1,181)	686 2,130 (1,444)	1,091 2,805 (1,713)	1,455 2,707 (1,252)	1,942 3,647 (1,705)	3,121 3,376 (255)	2141%	25%

### China's Trade with the United States in Selected Commodities

Millions of US \$	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995-08	2007-08
Photonics included in IT Products	Exports	95	177	304	332	535	555	488	435	633	1,651	2,642	1,452	1,718	1713%	18%
	Imports	38	61	51	94	217	601	193	282	366	457	605	548	535	1322%	-2%
	Balance	<b>57</b>	<b>116</b>	<b>253</b>	<b>238</b>	<b>313</b>	<b>318</b>	(45)	<b>295</b>	<b>154</b>	<b>267</b>	<b>1,194</b>	<b>2,037</b>	<b>904</b>	<b>1,183</b>	
New Pneumatic Tires, Of Rubber	Exports	86	93	124	177	246	280	389	506	814	1,334	1,893	2,366	2,451	2749%	4%
	Imports	2	2	3	1	1	6	4	5	7	9	10	19	37	2359%	97%
	Balance	<b>85</b>	<b>91</b>	<b>121</b>	<b>176</b>	<b>244</b>	<b>274</b>	<b>385</b>	<b>501</b>	<b>807</b>	<b>1,326</b>	<b>1,883</b>	<b>2,347</b>	<b>2,414</b>		
Paper	Exports	81	92	110	145	173	262	343	479	636	828	1,081	1,295	1,460	1696%	13%
	Imports	399	583	669	612	633	461	488	521	579	579	545	635	689	73%	9%
	Balance	(318)	(492)	(559)	(467)	(459)	(384)	(199)	(146)	(42)	<b>57</b>	<b>536</b>	<b>660</b>	<b>771</b>		

Source: GTIS World Trade Atlas, China edition.

## China's Imports of Selected Commodities

Millions of US \$		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995-08	2007-08
		=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Coal HS 2701	World	71	146	96	68	61	69	88	328	364	886	1,382	1,621	2,422	3,544	4924%	46%
	US	0	-	0	0	0	0	0	1	0	0	0	0	0	36	19808441%	36644%
	US Share	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%		
Civil Aviation HS 8802, 8803	World	1,293	2,632	3,162	3,169	3,110	2,163	4,423	3,986	4,435	4,886	6,550	10,888	10,373	9,993	673%	-4%
	US	782	1,266	1,641	1,557	1,463	1,451	1,985	2,317	2,309	2,520	3,401	5,634	5,276	3,955	406%	-25%
	US Share	60.5%	48.1%	51.9%	49.1%	47.0%	67.1%	44.9%	58.1%	52.1%	51.6%	51.9%	51.7%	50.9%	39.6%		
Equip Manufacturing HS Chap 84	World	27,580	30,074	24,761	24,738	27,847	34,440	40,561	52,195	71,561	91,480	96,418	109,466	124,440	138,707	403%	11%
	US	3,225	3,755	3,296	3,646	4,460	4,503	5,415	5,513	6,019	7,834	8,312	9,686	10,866	12,059	274%	11%
	US Share	11.7%	12.5%	13.3%	14.7%	16.0%	13.1%	13.3%	10.6%	8.4%	8.6%	8.6%	8.8%	8.7%	8.7%		
Auto HS 8703, 8706, 8707, 8708	World	1,831	1,507	1,274	1,374	1,730	2,889	3,816	5,619	10,762	11,786	11,388	15,983	20,494	25,170	1275%	23%
	US	163	139	95	57	153	110	145	175	388	442	718	1,150	1,605	2,313	1323%	44%
	US Share	8.9%	9.2%	7.4%	4.2%	8.9%	3.8%	3.8%	3.1%	3.6%	3.7%	6.3%	7.2%	7.8%	9.2%		
Steel HS Chap 72 & 73	World	8,036	8,437	8,012	7,677	8,759	11,261	13,032	16,012	25,605	28,320	31,925	26,996	31,049	35,076	336%	13%
	US	311	330	271	287	236	272	543	570	1,224	1,292	1,619	1,228	1,702	2,194	605%	29%
	US Share	3.9%	3.9%	3.4%	3.7%	2.7%	2.4%	4.2%	3.6%	4.8%	4.6%	5.1%	4.6%	5.5%	6.3%		
Chemical HS Chap 28 to 38	World	10,403	10,413	10,300	11,075	14,064	18,100	19,102	24,304	31,808	42,813	50,560	56,219	68,507	76,961	640%	12%
	US	2,159	2,079	2,002	2,435	2,715	2,527	2,416	3,280	4,448	5,424	5,523	6,061	7,373	8,680	302%	18%
	US Share	20.8%	20.0%	19.4%	22.0%	19.3%	14.0%	12.6%	13.5%	14.0%	12.7%	10.9%	10.8%	10.8%	11.3%		
Non ferrous metal HS Chap 74 to 83	World	4,129	4,234	4,512	4,790	6,343	9,353	8,875	10,271	13,780	20,202	24,673	32,805	46,597	44,555	979%	-4%
	US	494	479	487	408	564	871	700	689	945	1,296	1,638	2,218	2,812	2,917	491%	4%
	US Share	12.0%	11.3%	10.8%	8.5%	8.9%	9.3%	7.9%	6.7%	6.9%	6.4%	6.6%	6.8%	6.0%	6.5%		
IT Products	World	21,031	21,038	24,085	30,066	40,919	59,713	68,861	92,407	138,749	191,785	236,159	290,268	335,644	349,201	1560%	4%
	US	2,764	2,661	2,826	4,004	5,644	7,056	9,384	8,373	8,448	10,710	11,799	15,582	16,026	16,731	505%	4%
	US Share	13.1%	12.7%	11.7%	13.3%	13.8%	11.8%	13.6%	9.1%	6.1%	5.6%	5.0%	5.4%	4.8%	4.8%		
Consumer Electronics HS 8518 to 8522, 8524, 8527 & 8528	World	2,196	1,846	1,948	1,888	2,482	3,418	3,437	4,325	5,143	5,573	6,437	6,887	6,563	7,040	221%	7%
	US	63	67	40	52	145	199	272	246	294	294	317	387	86	96	51%	12%
	US Share	2.9%	3.6%	2.1%	2.7%	5.8%	5.8%	7.9%	5.7%	5.7%	5.3%	4.9%	5.6%	1.3%	1.4%		
Communications Equipment HS 8517, 8525, 8533 to 8536 & 8540	World	5,645	4,235	4,350	6,475	7,582	9,969	11,198	11,571	16,372	20,805	24,514	30,110	30,646	31,332	455%	2%
	US	981	715	707	1,149	1,175	1,980	2,579	1,539	1,095	953	921	988	1,341	1,448	48%	8%
	US Share	17.4%	16.9%	16.3%	17.7%	15.5%	19.9%	23.0%	13.3%	6.7%	4.6%	3.8%	3.3%	4.4%	4.6%		
Computer & Office Equipment HS 8443, 8469 to 8473	World	3,197	3,861	4,530	6,038	7,968	11,151	13,355	17,676	25,146	30,626	36,210	40,893	45,557	46,334	1349%	2%
	US	665	745	643	1,013	1,837	1,835	2,276	2,081	1,937	1,876	2,175	2,341	2,180	2,054	209%	-6%
	US Share	20.8%	19.3%	14.2%	16.8%	23.1%	16.5%	17.0%	11.8%	7.7%	6.1%	6.0%	5.7%	4.8%	4.4%		

## China's Imports of Selected Commodities

Millions of US \$												% Change				
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995-08	2007-08
Semiconductors	3,039	3,656	5,120	6,579	10,400	17,394	20,732	32,320	49,390	71,213	93,463	120,354	145,083	147,340	4749%	2%
HS 8541 & 8542	185	277	493	797	1,202	1,338	1,812	2,302	2,256	3,813	4,550	6,765	7,638	7,706	4072%	1%
US Share	6.1%	7.6%	9.6%	12.1%	11.6%	7.7%	8.7%	7.1%	4.6%	5.4%	4.9%	5.6%	5.3%	5.2%		
Electrical Components	3,288	3,760	4,533	5,580	8,041	11,249	11,235	13,628	17,967	22,373	25,492	31,820	37,980	39,188	1092%	3%
HS 8504, 8532 to 8536, and 8540	71	87	177	193	304	350	342	324	454	603	671	848	858	858	1115%	0%
US Share	2.1%	2.3%	3.9%	3.5%	3.8%	3.1%	3.0%	2.4%	2.5%	2.7%	2.6%	2.7%	2.3%	2.2%		
Industrial Electronics	3,203	3,038	2,772	2,532	3,105	4,137	5,361	6,372	9,140	13,359	13,253	16,499	17,681	21,204	562%	20%
HS 8419, 8456, 8526, 8543, 8548, 9012, 9014, 9015, 9024, 9025, 9027 to 9032	761	709	713	707	848	1,137	1,502	1,689	2,130	2,805	2,707	3,647	3,376	4,035	430%	20%
US Share	23.7%	23.3%	25.7%	27.9%	27.3%	27.5%	28.0%	26.5%	23.3%	21.0%	20.4%	22.1%	19.1%	19.0%		
Photonics	463	641	832	974	1,342	2,395	3,542	6,514	15,591	27,836	36,790	43,705	52,134	56,761	12158%	9%
HS 9001, 9002, 9007 to 9011 & 9013	38	61	51	94	133	217	601	193	282	366	457	605	548	535	1322%	-2%
US Share	8.1%	9.5%	6.2%	9.6%	9.9%	9.1%	17.0%	3.0%	1.8%	1.3%	1.2%	1.4%	1.1%	0.9%		
New Pneumatic Tires, Of Rubber	22	19	20	21	41	44	39	57	100	135	157	244	275	385	1687%	40%
HS 4011	2	2	3	1	1	3	6	4	5	7	9	10	19	37	2359%	97%
US Share	7.0%	10.5%	13.5%	6.1%	3.4%	7.6%	16.0%	7.9%	4.8%	5.5%	5.5%	4.0%	6.8%	9.6%		
Paper and Paperboard	2,322	2,972	3,462	3,614	3,985	3,964	3,650	4,138	4,395	4,637	4,388	4,216	4,292	4,367	88%	2%
Chap 48	399	583	669	612	633	596	461	488	521	579	579	545	635	689	73%	9%
%	17.2%	19.6%	19.3%	16.9%	15.9%	15.0%	12.6%	11.8%	11.8%	12.5%	13.2%	12.9%	14.8%	15.8%		

Source: GTIS World Trade Atlas, China edition.

## China's Exports of Selected Commodities

Millions of US \$		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995-08	2007-08
Coal HS 2701	World	1,011	1,109	1,133	1,068	1,084	1,469	2,668	2,534	2,760	3,822	4,280	3,683	3,295	5,238	418%	59%
	US	0	0	0	2	0	0	4	2	6	9	10	9	7	4	28879%	-42%
	US Share	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.2%	0.1%		
Civil Aviation HS 8802, 8803	World	142	171	287	392	644	533	563	432	432	515	738	1,282	1,384	1,635	1055%	18%
	US	26	30	71	79	71	89	62	67	114	92	106	279	270	341	1226%	26%
	US Share	18.2%	17.8%	24.6%	20.3%	11.1%	16.6%	10.9%	15.6%	15.6%	17.8%	14.4%	21.8%	19.5%	20.9%		
Equip Manufacturing HS Chap 84	World	8,671	10,897	13,725	16,747	19,199	26,816	33,603	50,851	83,406	118,283	149,835	186,656	228,664	268,740	2999%	18%
	US	1,839	2,439	3,483	4,598	5,277	6,854	7,337	12,056	21,372	30,001	36,305	46,374	51,837	55,097	2896%	6%
	US Share	21.2%	22.4%	25.4%	27.5%	27.5%	25.6%	21.8%	23.7%	25.6%	25.4%	24.2%	24.8%	22.7%	20.5%		
Auto HS 8703, 8706, 8707, 8708	World	411	409	486	552	798	1,161	1,397	1,906	2,553	4,745	7,485	10,475	15,219	18,010	4283%	18%
	US	184	162	189	237	354	464	565	814	1,119	1,959	2,819	3,720	4,565	4,494	2336%	-2%
	US Share	44.9%	39.7%	38.9%	43.0%	44.3%	40.0%	40.4%	42.7%	43.8%	41.3%	37.7%	35.5%	30.0%	25.0%		
Steel HS Chap 72 & 73	World	7,583	6,212	7,672	6,571	6,399	9,069	8,260	9,579	12,868	25,221	34,135	51,952	76,669	101,838	1243%	33%
	US	662	773	882	1,230	1,348	1,881	1,791	2,363	2,972	5,332	6,664	9,863	10,670	13,353	1918%	25%
	US Share	8.7%	12.5%	11.5%	18.7%	21.1%	20.7%	21.7%	24.7%	23.1%	21.1%	19.5%	19.0%	13.9%	13.1%		
Chemical HS Chap 28 to 38	World	8,421	8,425	9,392	9,638	10,011	11,641	12,874	14,626	18,543	24,588	31,864	37,759	51,134	68,906	718%	35%
	US	876	951	1,162	1,334	1,449	1,678	1,813	2,250	2,868	3,615	4,475	5,063	6,022	8,828	908%	47%
	US Share	10.4%	11.3%	12.4%	13.8%	14.5%	14.4%	14.1%	15.4%	15.5%	14.7%	14.0%	13.4%	11.8%	12.8%		
Non ferrous metal HS Chap 74 to 83	World	4,497	4,183	5,724	5,956	6,185	7,544	7,846	9,339	12,263	18,520	22,986	33,397	38,916	41,970	833%	8%
	US	596	635	857	1,191	1,257	1,459	1,640	2,047	2,460	3,402	4,618	6,425	7,171	7,253	1118%	1%
	US Share	13.2%	15.2%	15.0%	20.0%	20.3%	19.3%	20.9%	21.9%	20.1%	18.4%	20.1%	19.2%	18.4%	17.3%		
IT Products	World	19,186	21,867	27,605	32,199	38,453	54,353	63,393	89,072	137,302	201,314	266,291	339,581	417,352	463,652	2317%	11%
	US	3,945	4,799	6,385	7,997	9,399	12,393	13,101	19,740	31,215	45,765	59,702	75,768	84,759	87,114	2108%	3%
	US Share	20.6%	21.9%	23.1%	24.8%	24.4%	22.8%	20.7%	22.2%	22.7%	22.7%	22.4%	22.3%	20.3%	18.8%		
Consumer Electronics HS 8518 to 8522, 8524, 8527 & 8528	World	6,112	6,077	7,009	7,316	8,284	10,758	12,067	16,852	20,958	27,190	35,906	41,323	62,648	63,844	945%	2%
	US	1,343	1,393	1,647	1,902	2,027	2,754	3,039	4,570	5,261	7,109	10,349	12,828	17,722	19,082	1321%	8%
	US Share	22.0%	22.9%	23.5%	26.0%	24.5%	25.6%	25.2%	27.1%	25.1%	26.1%	28.8%	31.0%	28.3%	29.9%		
Communications Equipment HS 8517, 8525, 8533 to 8536 & 8540	World	2,513	3,147	3,613	4,217	5,275	9,293	12,567	16,147	25,232	42,475	59,782	82,940	102,028	114,924	4473%	13%
	US	690	847	812	1,132	1,530	2,142	2,564	4,145	6,010	10,184	13,788	17,939	19,029	17,267	2401%	-9%
	US Share	27.5%	26.9%	22.5%	26.8%	29.0%	23.1%	20.4%	25.7%	23.8%	24.0%	23.1%	21.6%	18.7%	15.0%		
Computer & Office Equipment HS 8443, 8469 to 8473	World	4,309	6,019	8,305	11,011	12,553	17,501	22,186	34,822	61,330	86,094	107,052	128,687	147,453	160,081	3615%	9%
	US	1,066	1,570	2,473	3,346	3,780	4,897	5,053	8,312	16,667	23,781	28,262	35,161	38,194	39,429	3599%	3%
	US Share	24.7%	26.1%	29.8%	30.4%	30.1%	28.0%	22.8%	23.9%	27.2%	27.6%	26.4%	27.3%	25.9%	24.6%		

## China's Exports of Selected Commodities

Millions of US \$												% Change				
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995-08	2007-08
Semiconductors	971	1,065	1,611	1,909	3,191	4,490	4,006	6,152	9,013	14,493	18,863	27,702	33,941	41,807	4205%	23%
HS 8541 & 8542	96	91	135	216	389	488	426	528	726	1,018	1,752	2,218	1,753	1,565	1522%	-11%
US Share	9.9%	8.6%	8.4%	11.3%	12.2%	10.9%	10.6%	8.6%	8.1%	7.0%	9.3%	8.0%	5.2%	3.7%		
Electrical Components	3,797	3,732	4,655	5,291	6,284	8,297	8,372	9,998	12,653	17,177	21,347	28,049	34,862	39,295	935%	13%
HS 8504, 8532 to 8536, and 8540	481	541	764	812	929	1,173	1,020	1,190	1,431	1,949	2,445	3,038	3,488	4,154	763%	19%
US Share	12.7%	14.5%	16.4%	15.3%	14.8%	14.1%	12.2%	11.9%	11.3%	11.3%	11.5%	10.8%	10.0%	10.6%		
Industrial Electronics	733	789	913	914	1,071	1,402	1,581	2,021	2,526	3,853	5,564	7,992	12,240	16,063	2090%	31%
HS 8419, 8456, 8526, 8543, 8548, 9012, 9014, 9015, 9024, 9025, 9027 to 9032	174	180	251	257	298	404	444	508	686	1,091	1,455	1,942	3,121	3,899	2141%	25%
US Share	23.7%	22.8%	27.5%	28.1%	27.8%	28.8%	28.1%	25.1%	27.2%	28.3%	26.1%	24.3%	25.5%	24.3%		
Photonics	750	1,039	1,499	1,541	1,796	2,613	2,615	3,082	5,590	10,032	17,776	22,888	24,181	27,637	3584%	14%
HS 9001, 9002, 9007 to 9011 & 9013	95	177	304	332	446	535	555	488	435	633	1,651	2,642	1,452	1,718	1713%	18%
US Share	12.6%	17.1%	20.3%	21.5%	24.9%	20.5%	21.2%	15.8%	7.8%	6.3%	9.3%	11.5%	6.0%	6.2%		
New Pneumatic Tires, Of Rubber	431	467	501	571	722	1,003	1,002	1,219	1,609	2,485	3,782	5,129	7,104	8,062	1773%	13%
HS 4011	86	93	124	177	246	291	280	389	506	814	1,334	1,893	2,366	2,451	2749%	4%
US Share	20.0%	19.9%	24.7%	31.0%	34.0%	29.0%	28.0%	32.0%	31.4%	32.7%	35.3%	36.9%	33.3%	30.4%		
Paper, Paperboard	923	807	1,001	988	925	1,406	1,483	1,709	2,307	2,848	3,933	5,405	7,103	7,702	734%	8%
Chap 48	81	92	110	145	173	212	262	343	479	636	828	1,081	1,295	1,460	1696%	13%
US Share	8.8%	11.4%	11.0%	14.7%	18.7%	15.1%	17.7%	20.1%	20.7%	22.3%	21.1%	20.0%	18.2%	19.0%		

Source: GTIS World Trade Atlas, China edition.

## Sector Identification

Sector	HS Chapter of Individual 4-digit HS Subheading
Coal	HS 2701
Civil Aviation	HS 8802, 8803
Equipment Manufacturing	HS Chapter 84
	(note some of the categories for IT Products contain individual 4-digit HS categories from Chapter 84 as well)
Auto	HS 8703, 8706, 8707, and 8708
Steel	HS Chapters 72 & 73
Chemical	HS Chapters 28 to 38
Non ferrous metal	HS Chapters 74 to 83
New Pneumatic Tires, Of Rubber	HS 4011
Paper and Paperboard	HS Chapter 48
IT Products	This category is the aggregate of the categories listed below.
Consumer Electronics	HS 8518 to 8522, 8524, 8527 & 8528
Communications Equipment	HS 8517, 8525, 8533 to 8536 & 8540
Computer & Office Equipment	HS 8443, 8469 to 8473
Semiconductors	HS 8541 & 8542
Electrical Components	HS 8504, 8532 to 8536, and 8540
Industrial Electronics	HS 8419, 8456, 8526, 8543, 8548, 9012, 9014, 9015, 9024, 9025, 9027 to 9032
Photonics	HS 9001, 9002, 9007 to 9011 & 9013

