



# COMPREHENSIVE GROWTH STRATEGY:

## CHINA

## A. ECONOMIC OBJECTIVE AND KEY POLICY COMMITMENTS

### Economic Objective

China's medium and long-term development goal is to maintain the sustainable and healthy development of the economy, transform the economic development pattern, double its GDP and per capita income for urban and rural residents by 2020 from its 2010 level based on much more balanced, coordinated and sustainable development; build an innovative economy with considerable increase of scientific and technology's contribution to economic growth; basically accomplish industrialization, significantly expand IT application, markedly improve the quality of urbanization, notably modernize the agriculture industry and effectively construct new rural communities, put in place a mechanism for balanced development among regions; further open up the economy, significantly enhance international competitiveness. China will keep household incomes growing in line with the economic development, and achieve overall balance of the major policy targets, including economic growth, employment, inflation and balance of payments.

China's economic and social development in 2014 is anticipated as follows:

**-Keep economic growth within a proper range.** GDP is projected to grow by around 7.5%. Efforts to comprehensively deepen reform will further boost the impetus and vitality of the economy. Policies and measures introduced earlier to stabilize the growth will continue to take effects, to which consumption, investment and external demand all contribute. Whereas, China has entered a crucial stage of transforming its growth pattern. The anticipated growth rate of around 7.5% is flexible and indicative.

**-Focus on quality improving and upgrading of the economy.** China will accelerate development of modern service industries, to continuously raise the share of value-added by the service sector in GDP. China will increase the ratio of the R&D spending in GDP, accelerate the transformation and upgrading of traditional industries, facilitate the healthy development of emerging strategic industries, orderly promote the new urbanization and more balanced development among regions. Energy consumption per unit of GDP will decline by more than 3.9%.

**-Maintain price stability.** CPI growth will stabilize around 3.5%. The basically balanced aggregate supply and demand, continuous increases of grain output and the ample supply of almost all products lay a solid foundation and provide favorable conditions for stable prices.

**-Giving high priority to improving people's wellbeing.** More than ten million new jobs will be created in urban area this year, with registered urban unemployment rate below 4.6%. Urban and rural household incomes will increase basically in line with economic growth. China will further improve the social security system and ensure equal access to basic public services. Construction of 4.8 million government-subsidized housing units will be basically completed in urban areas, and another over 7 million units will start constructing.

**-Maintaining basic balance of international payments.** Total imports and exports will grow by 7.5% or so, with more rapid development of trade in services. Investment overseas will continue to grow, while FDI will remain stable with improved structure.

China's economic adjustment and reform could contribute to continuously releasing and increasing the growth potential, maintaining stability and sustainability of the growth and improving its quality, achieving full employment and reducing income gaps, therefore, steadily increase household income and consumption capacity, so as to increase global demand on a sustainable basis. China's adherence to reform and opening up, especially by promoting trade and investment liberalization and facilitation, will contribute to sharing growth bonus with other members, and achieving the G20's aggregate growth ambition.

## Key Commitments

China's top five key reform areas are: (1) the "new macroeconomic policy responses" to stabilize near-term growth, (2) "transform the economic growth pattern" to further boost consumption, (3) improve "competition" to allow the market to play the basic role and promote private sector involvement, (4) promote "urbanization" to support growth and employment, (5) reform the fiscal and financial sector.

## B. ECONOMIC OUTLOOK AND CHALLENGES TO GROWTH

### Key Drivers

Domestic demand continued to be the key drivers of growth, with consumption as the basis and investment as the key. Domestic demand contributes 104.4% to growth in 2013.

Consumption is the main focus of boosting domestic demand. In 2013, total retail sales of consumer goods amounted to 23.78 trillion yuan, growing by 13.1% year-on-year. In particular, housing decoration, sales of furniture, and sales of household appliances and audio & video equipments grew by 22.1%, 21% and 14.5%, respectively, vehicle sales grew by 13.9% to 21.98 million. Enormous potential arose in new patterns and new areas of consumption. Consumption on IT products grew by 28% to 2.2 trillion yuan, revenue of domestic tourism grew by 15.7% to 2.6 trillion yuan, and the turnover of e-commerce grew by 25% to 10 trillion yuan.

Investment is crucial to keep growth stable. In 2013, total investment in fixed assets grew by 19.1% to 44.63 trillion yuan, in particular, private investment grew by 23.1%, accounting for 63% of the total (excluding investment by rural households), 1.8 percentage points higher than the previous year.

## Macroeconomic Policy Settings

China will implement a proactive fiscal policy and increase the deficit by an appropriate amount to ensure a proper stimulus in 2014. At the same time, the deficit-to-GDP ratio will remain unchanged. Fiscal deficit of China is estimated at 1.35 trillion Yuan, 150 billion Yuan more than that of 2013. The deficit is equivalent to about 2.1% of GDP.

China will continue to implement a sound and prudent monetary policy, based on balanced consideration of the need to stabilize growth, implement reform, promote adjustment, improve people's wellbeing, and guard against risks, aimed at stable monetary and financial conditions for structural adjustment, transformation and upgrading. M2 is forecast to grow at around 13% in 2014.

## Assessment of Obstacles and Challenges to Growth

China is facing both favourable and unfavourable factors. China is still in an crucial strategic period of development, during which great progress can be achieved, given the ongoing industrialization and urbanization and the considerable potential for regional development, which provide solid foundation and favorable conditions for maintaining a medium and high growth rate for a period to come. However, the foundation for sustaining a steady growth is yet to be reinforced, and the inherent driving forces need to be strengthened. There are potential risks in public finance and financial sector. Some industries are heavily burdened by excess capacity, and macro-management is facing increasing difficulties. Capital market is still not mature. Rising cost of production and operation of enterprises coexists with the lack of innovation capability. Economic development is still to be reconciled with resource and environment, as conserving energy and reducing emissions remain an arduous task. Employment remains a great challenge overall, with increasing structural mismatches.

At the same time, the global recovery is facing instability and uncertainties. Adjustment of macroeconomic policies by some countries introduced new uncertainties, and emerging economies are facing new difficulties and challenges. The global economy is undergoing profound adjustment and international competition is intensified.

## C. POLICY RESPONSES TO LIFT GROWTH

### New Macroeconomic Policy Responses (including Reforms to Frameworks)

#### New Fiscal Policy Commitments

China will continue to implement a proactive fiscal policy, optimize the structure of government expenditures and use government funds more efficiently, improve tax policies that encourage structural adjustments, strengthen local government debt management;

promote sustainable agricultural development and advance urbanization; refine the medical and health care and social security systems; give impetus to the reform and development of education, science and technology, and culture; improve the structure of central government investment in capital construction; continue to review and regulate charges and fees to reduce the burden on businesses; establish the Railway Development Fund, attracting social capital into the railway construction, especially in central and western regions; support the pilot and demonstration projects to build a new type of urbanization; promote the use of Public and Private Partnership (PPP) model, and encourage the involvement of nongovernmental capital in investing and operating urban infrastructure by means of franchises and other ways; leverage the role of development finance and accelerate redevelopment of shanty towns; explore ways to set up national guidance fund for venture capital in emerging industries; encourage and guide the development of production-oriented service industries; promote the development of the green industry and provide more support to new energy, energy-saving and environmental friendly technologies and products; actively carry forward pilot projects on the using and trading of emission rights, encourage energy saving and emission reduction, and promote the development of the circular economy.

### New Monetary Policy Commitments

The People's Bank of China will comprehensively use a combination of monetary policy tools on both quantity and price basis, improve macroprudential policy framework, maintain liquidity at an appropriate level, achieve appropriate growth of monetary supply, credit and aggregate social financing, and improve the structure of financing and credit. Moreover, monetary policy is to be closely linked with the deepening reform, and the market is to play a decisive role in resource allocation. The macro-management shall be further improved in light of the financial deepening and innovation, and the transmission shall be complete. Financial services are to be enhanced by increased supply and competition, higher efficiency of financial transactions and greater capability of serving the real economy.

| • The New policy action:  | Strengthen financial support to the real economy   |
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| <p><b>Implementation path and expected date of implementation</b></p> | <p>Lower reserve requirement ratio (RRR) for targeted financial institutions, maintain the appropriate growth of monetary credit and social financing aggregate. From April 25, 2014, the People's Bank of China has lowered renminbi RRR by 2 percentage points for county-level rural commercial banks, and by 0.5 percentage points for the county-level rural cooperation banks. From June 16, 2014, the People's Bank of China has lowered RRR by 0.5 percentage points for the commercial banks having met the prudential requirements and allocated certain percent of their credit to small and micro enterprises, but not applicable to the financial institutions already having their RRR lowered on April 25, 2014. In addition, the RRR for the finance companies, financial leasing companies and auto financing companies has been lowered by 0.5 percentage points to encourage them to further increase capital efficiency and promote consumptions.</p> <p>Effective on July 1, 2014, adjust calculation method of the loan to deposit ratio (LDR) for commercial banks, to mitigate pressure on some banks' LDR. By doing so, on the assets side, encourage more support to the real economy and increase of credit to rural and small and micro companies; on the liabilities side, encourage more sources of stable funds; furthermore, effectively control financial risks and promote more development and deepening of financial products. 6 items are to be deducted when aggregating the loans of the LDR: (1) credit derived from funds of central bank's re-lending to support rural sector, and small and micro companies; (2) credit derived from proceeds of special financial bond issues to support agriculture, rural and peasants; (3) credit derived from proceeds of special financial bond issues to support small and micro companies; (4) credit derived from proceeds of commercial banks' bond issues which will mature in more than a year with no permit for early redemption. (5) credit derived from funds from international financial organizations or overseas governments onlent to commercial banks; (6) credit issued by village banks to rural households and small and micro companies using deposits of primary sponsor banks. 2 items are to be added when aggregating the deposits of the LDR: (1) banks' large negotiable deposit certificate issued to the enterprises or households; (2) net deposits of foreign banks from their overseas parent banks with the maturity of more than a year.</p> <p>Strengthen the financial support to small and micro companies by enlarging the size of re-lending to them and their quota of special financial bond issues, reducing the guarantee costs of small and micro companies, increasing the efficiency of credit approval, minimizing the financing costs, streamlining unnecessary charges, and enhancing the risk monitoring and supervision.</p> <p>Formulate measures to enhance the financial services to agriculture, rural areas and farmers. Develop village banks, implement policies of using certain percent deposits of county-level banks to support local development, improve subsidized lending policies to support poverty alleviation. Ensure the full coverage of basic financial services in remote villages, improve the policy of subsidizing the premium in agricultural insurance, foster the rural financial markets, and refine policies on fiscal incentives to agricultural related lending, tax preferences for rural household microfinance, and compensation for the rural credit loss.</p> |
| <p><b>What indicator(s) will be used to measure progress?</b></p>     |  |
| <p><b>Explanation of additionality (where relevant)</b></p>           | <p>New policies since the Saint Petersburg Summit</p>  |

## New Structural Policy Responses

### *Transformation of Economic Growth Pattern*

Boosting domestic demand is both a major force driving economic growth and an important structural adjustment. China will fully leverage the basic role of consumption and the key role of investment, focus on boosting consumption, stimulate both supply and demand, and establish a permanent mechanism for increasing domestic demand. Take investment as the key to maintaining stable economic growth.

| • The New policy action:                                       | Strengthen the household consumption capability  |
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| <b>Implementation path and expected date of implementation</b> | <p>Promote actively and steadily the collective negotiations of wages in enterprises, adjust appropriately the minimum wage standards, and promote the reasonable increase of wages for normal employees.</p> <p>Increase the income for farmers, by continuing to increase spending on “agriculture, rural areas and farmers”, improving the subsidy policy for agriculture, and environment for farmers to go out to work elsewhere.</p> <p>Accelerate the construction of urban and rural social security system, expand the coverage of insurances, and gradually raise the level of social insurance.</p> |
| <b>What indicator(s) will be used to measure progress?</b>     |  |
| <b>Explanation of additionality (where relevant)</b>           | <p>New policies since the Saint Petersburg Summit</p>  |

| • The New policy action:                                       | Tap new sources of consumption growth   |
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| <b>Implementation path and expected date of implementation</b> | <p>Implement China's broadband strategy, speed up efforts to build 4G mobile communications networks and develop 4G businesses, build 100M fiber optic networks in cities and household access, significantly increase the speed of the internet, and advance the delivery of telecommunications, radio and television, and internet access over a single broadband connection.</p> <p>Strengthen services of elderly care, and encourage participation of private sector in establishing large and chain elderly care facilities.</p> <p>Support nongovernmental capital to establish non-profitable medical service institutions, and expand gradually the pilot scope for qualified foreign capital to set up the wholly-owned medical institutions.</p> <p>Establish and improve modern market for cultural products, and promote cultural creativity as well as relevant industries.</p> <p>Strengthen tourism infrastructure, introduce the system of annual leaves with pay for employees, encourage the development of tourism in rural areas and recreational tourism.</p> <p>Continue to support the consumption of energy-saving and environmental-friendly products including energy-saving lamps and cars.</p> |
| <b>What indicator(s) will be used to measure progress?</b>     |   |
| <b>Explanation of additionality (where relevant)</b>           | New policies since the Saint Petersburg Summit  |



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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Build good consumption environment</b>  |
| <b>Implementation path and expected date of implementation</b>           | <p>Improve urban and rural circulation networks, speed up the development of urban joint distribution and rural distribution network, and promote the coordinated development of express delivery service and online retail industry. Strengthen the regulation on food and drugs' quality, and advance the project of "trusted food". Effectively strengthen the market discipline, crack down violations of consumers' rights. Establish and improve social credit information collection system, and promote credit information sharing.</p> <p>Develop modern circulation by means of informatization, to promote convenient and value-for-money consumption. Use information technologies to develop modern circulation, standardize development of e-commerce, encourage transformation and upgrading of traditional retail enterprises, and promote the deep integration of online and offline business modes. Encourage the development of chain operation, and accelerate the development of logistics and distribution. Strengthen planning and guidance, to enhance the construction of circulation infrastructure, and support the construction and upgrading of public facilities including wholesale markets of agricultural products</p> <p>Develop basic living service industries with the purpose to benefit the people and boost service consumption. Implement <i>the State Council's Guideline on Promoting Elderly Care and Medical Care</i>, and prop up the formulation of guideline on development of basic life service, to promote the development of services for family, communities and villages.</p> <p>Strengthen market regulation by securing market discipline, and promote safe and worry-free consumption. Strengthen the legislation and rules setting in the circulation area, improve credit information system in commerce area, upgrade market regulation, and promote the coordinated law enforcement. Refrain from all forms of regional blockades and trade monopolies, and conduct joint campaigns targeting irregularities. Strengthen the education of professional ethics, and create a social environment of encouraging honesty and punishing dishonesty.</p> <p>Increase effective supply and promote new hot spots of consumption by enhancing information provision and sharing. China will accelerate the integration of market information service system to form a public information service platform, which shall cover both domestic and international markets and be based on data from government's monitoring and complemented by private sector sources. Highlight the role of brand in consumption, promote the development of new business modes such as factory stores and outlets, and encourage the development of consumption credit.</p> <p>Promote consumption of the green and recycling products. Implement <i>the State Council's Guideline on Promoting Energy-saving and Environment-friendly Industries</i>, foster procurement, circulation and markets for green products, accelerate the exit of cars too old or with high emission, promoting trade-in of the old for new. Develop the markets for used car and goods.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               | Aggregate social retail sales  |
| <b>Explanation of additionality (where relevant)</b>                     | Strengthen the traction and contribution of consumption in the economic development.   |

## Fiscal and Tax Institution Reform

The State Council executive meeting reviewed and approved the Overall Plan of Deepening Fiscal and Tax Institution Reform on June 30, 2014. The goal of the reform is to set up a unified, comprehensive, law-based, well-regulated, open, transparent, sustainable and efficient modern fiscal system that is conducive to better resources allocation, market unification, social equality and national stability. The reform focuses on 3 areas: improving budget management system, strengthening budget constraints, regulating government behaviours, exercising effective supervision, and speeding up the establishment of a comprehensive, well-regulated, open and transparent modern budgetary system; deepening tax reform, optimizing tax structure, improving tax functions, stabilizing macro tax burden, advancing law-based tax administration, building a tax system that is conducive to scientific development, social equality, and market unification, giving full play to the tax functions in raising fiscal revenue, adjusting distribution, and optimizing economic structure; adjusting fiscal relations between the central and local governments while keeping the distribution of revenues stable, dividing power and spending responsibilities between central and local governments in a rational manner, establishing a system whereby power matches spending responsibilities. The new round of fiscal and tax institution reform will be completed by 2016, and a modern fiscal system will be built by 2020.

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Reform and improve the excise tax system</b>   |
| <b>Implementation path and expected date of implementation</b>           | It is aimed to do the following before 2016: further enhance the role of excise tax in promoting energy saving and emission reduction, and adjustment of income distribution. Meanwhile, support will be given to building local tax system after the reform of replacing business tax with VAT, increase local fiscal revenue, and adjust the scope and mechanisms for the excise tax collection and the rate of duty.   |
| <b>What indicator(s) will be used to measure progress?</b>               |   |
| <b>Explanation of additionality (where relevant)</b>                     | Compared with current policy, the post-reform excise tax will <ol style="list-style-type: none"> <li>i. Include some energy intensive and highly polluting products and luxuries into the scope of collection, and improve the regulatory role of excise tax.</li> <li>ii. Connect with the reform of replacing business tax with VAT, and include some high end service into the scope of collection.</li> <li>iii. Adjust to the changes in production and consumption by removing some products that are no longer suitable for excise tax collection from the scope of collection.</li> </ol> |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Legislation on the real estate tax</b>   |
| <b>Implementation path and expected date of implementation</b>           | The National People's Congress (NPC) will formulate and promulgate the <i>Real Estate Tax Law</i> . At present, Ministry of Finance is accelerating legislation on the Real Estate Tax under coordination of the NPC, and the promulgation date will depend on the reviewing progress of the NPC. |

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| <b>What indicator(s) will be used to measure progress?</b> | i. When the NPC start to review <i>the Real Estate Tax Law</i><br><br>ii. When the NPC promulgate <i>the Real Estate Tax Law</i>  |
| <b>Explanation of additionality (where relevant)</b>       | The NPC legislation process of the Real Estate Tax Law will help improve the social acceptability to <i>the Real Estate Tax</i> and lay the foundation for its smooth implementation. |

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| <b>• The New policy action:</b>                                | <b>Advance the reform of replacing business tax with VAT</b>   |
| <b>Implementation path and expected date of implementation</b> | China has already started the reform on a trial basis on railway transport and postal services on January 1, 2014. Pilot reform on telecommunications services has started since June 1 this year. |
| <b>What indicator(s) will be used to measure progress?</b>     |  |
| <b>Explanation of additionality (where relevant)</b>           |  |

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| <b>• The New policy action:</b>                                | <b>Implement a preferential policy of deferred payment of individual income tax to encourage the development of annuity plans in enterprises and public institutions</b>  |
| <b>Implementation path and expected date of implementation</b> | Since January 1, 2014, employers and individuals' contributions to enterprise annuity or occupational annuity within the limit are deductible for individual income tax purpose; i investment income from enterprise annuity or occupational annuity funds is exempt from individual income tax; benefits payments of enterprise annuity or occupational annuity actually received by individuals will be subject to individual income tax. |
| <b>What indicator(s) will be used to measure progress?</b>     | In December, 2013, Ministry of Finance, State Administration of Taxation, Ministry of Human Resources and Social Security jointly issued a document to introduce this policy.   |
| <b>Explanation of additionality (where relevant)</b>           |   |

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| <b>• The New policy action:</b>                                | <b>Further expand the preferential tax policy for small businesses with low profits</b>  |
| <b>Implementation path and expected date of implementation</b> | From January 1, 2014 to December 31, 2016, should the income of small low-profit enterprises whose annual taxable income not exceeding CNY100,000 (inclusive) shall be subject to corporate income tax at the rate of 20% on only 50% of the taxable income. |

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| <b>What indicator(s) will be used to measure progress?</b> | In April, 2014, Ministry of Finance and State Administration of Taxation jointly issued a document to introduce this policy. |
| <b>Explanation of additionality (where relevant)</b>       |  |

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| <b>• The New policy action:</b>                                | <b>Advance coal resource tax reform from volume-based collection to ad valorem based collection</b>   |
| <b>Implementation path and expected date of implementation</b> | At present, apart from petroleum and natural gas, resource tax on coal, iron ore and other items remains volume-based. Going forward, China will gradually review and cancel the fees and charges related to coal resources, and deepen the reform of levying price-based resource tax on coal. |
| <b>What indicator(s) will be used to measure progress?</b>     |   |
| <b>Explanation of additionality (where relevant)</b>           |   |

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| <b>• The New policy action:</b>                                | <b>Speed up legislation on environmental protection tax</b>  |
| <b>Implementation path and expected date of implementation</b> | To improve the role of tax in environmental preservation, China is actively reforming the current environmental protection fees into environmental protection tax. In line with the principle of leveraging regulatory role, using tax to replace fees, gradualism, proper burden, and efficient collection, China will implement a tax reform to change the current pollutant discharge fees into environmental protection tax, which will begin to levy when the NPC pass the law. |
| <b>What indicator(s) will be used to measure progress?</b>     |  |
| <b>Explanation of additionality (where relevant)</b>           |  |

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| <b>• The New policy action:</b>                                | <b>Adjust tariff rates of certain goods</b>  |
| <b>Implementation path and expected date of implementation</b> | China implemented provisional tax rates on over 760 kinds of imported commodities including advanced technology and equipment, key parts, and energy raw materials. Those provisional tax rates are lower than the MFN rates with an average discount rate of 60%. |
| <b>What indicator(s) will be used to measure progress?</b>     | The policy is implemented on January 1, 2014.  |

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| <b>Explanation of additionality (where relevant)</b> |  |
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| <b>• The New policy action:</b>                                | <b>Implement a comprehensive government financial reporting system</b>   |
| <b>Implementation path and expected date of implementation</b> | China will establish government accounting standards system, formulate government financial reports system, and prepare accrual basis government financial report in order to reflect the government financial situation in an accurate and comprehensive way, and provide effective information for fiscal risk prevention, government credit rating as well as performance supervision and assessment to promote sustainable development of finance and economy. |
| <b>What indicator(s) will be used to measure progress?</b>     |  |
| <b>Explanation of additionality (where relevant)</b>           |  |

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| <b>• The New policy action:</b>                                | <b>Launch a trial program allowing local governments to issue bonds and repay debt on their own</b>  |
| <b>Implementation path and expected date of implementation</b> | A trial program has been launched in 10 local governments, which permits them to issue bonds and repay debt by themselves in 2014 under the precondition that the State Council controls the volume and durations of such bonds. In the following years, the trial will be gradually expanded based on the experience of these trials. |
| <b>What indicator(s) will be used to measure progress?</b>     | The number of regions that launch the trial.   |
| <b>Explanation of additionality (where relevant)</b>           | According to regulations of the trial program, the pilot provinces are required to conduct credit rating and information disclosure, which is conducive to open and transparent local government budget.   |

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| • The New policy action:                                | <b>Fiscal system reform</b>   |
| Implementation path and expected date of implementation | China will accelerate the pace in adjusting duties and payment responsibilities of the central and local governments. We will appropriately strengthen the duties and payment responsibilities on the basis of transforming government functions and properly dividing defining the boundary between government and the market. While maintain overall stability of current financial structure between central and local governments, China will further rationalize the revenue allocation between central and local governments in line with the tax reform and nature of tax items. |
| What indicator(s) will be used to measure progress?     |   |
| Explanation of additionality (where relevant)           |   |

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| • The New policy action:                                | <b>Simplify and consolidate VAT rate for particular general taxpayers to reduce businesses' burden</b>   |
| Implementation path and expected date of implementation | A 3 % VAT rate will replace the former 6% and 4% rate on particular general taxpayers such as tap water supply and small hydropower plants from July 1, 2014, reducing tax load on related businesses by 24 billion Yuan per year. |
| What indicator(s) will be used to measure progress?     |  |
| Explanation of additionality (where relevant)           |  |

### **Financial Reform**

Deepen the reform of financial sector. Continue to liberalize interest rates by granting financial institutions more discretion to set interest rates. In line with development of market and economic and financial conditions, allow the exchange rate basically stable around the appropriate equilibrium level, with greater two-way floating flexibility and greater role of market. The central bank basically withholds the foreign exchange intervention except for abnormal circumstances, aimed at a managed floating arrangement based on market supply and demand.. Enlarge the cross-border use of renminbi and move gradually toward convertibility under capital account. Establish a macroprudential policy framework targeting external debt and capital flows, and improve risk management in an increasingly open capital account. Qualified private capital is allowed to set up financial institutions such as small or medium-sized banks, conditioned on strengthened supervision. Attract qualified private capital to participate and invest in financial institutions and financing intermediaries. Establish

a deposit insurance system and improve the risk disposal of financial institutions. Accelerate the development of multi-layered capital markets, promote the reform of stock issuance registration, encourage equity financing through diversified channels, raise the proportion of direct financing, develop and standardize the bond market, promote the two-way opening-up of capital markets. Standardize the development of agriculture insurance, explore catastrophe insurance, encourage the expansion of commercial pension and health insurance, and deepen the development of liability insurance. Promote the healthy development of Internet banking, improve the coordination of financial oversight, and closely monitor the cross-border capital flows. Ensure the financial sector play an active role in serving the real economy, including small and micro businesses, agriculture, rural areas, and farmers.

| • The New policy action:  | Interest rate liberalization reform  |
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| <p><b>Implementation path and expected date of implementation</b></p> | <p>Fully liberalize the lending rate, by removing the floor on lending rates for financial institutions, liberalizing the discount rates, and removing the ceiling on lending rates for rural credit cooperative.</p> <p>In September 2013, adopt a market pricing self-discipline mechanism, as an institutional basis for the interest rate liberalization.</p> <p>In October 2013, establish the central quotation and release mechanism for benchmark lending rate, providing important reference for financial institutions to price the lending, helping to improve interest rate benchmark for financial markets.</p> <p>In December 2013, promote the first issuance and trade of interbank deposit certificates, further expand the scope for financial institutions' liability products to be priced by the market, to provide experiences for future consideration of issuance of large size deposit certificates for enterprises and individuals.</p> <p>In March 2014, remove the ceiling on deposit rates for small deposits in foreign currencies in the Pilot China (Shanghai) Free Trade Area, as an attempt to promote deposit rate liberalization in foreign currencies.</p> <p>Looking forward, the People's Bank of China will adhere to the general direction toward an interest rate formation mechanism decided by market supply and demand, focusing on completing the market rate series and interest rate transmission mechanism, enhance the macro-management of the central bank and advance the interest rate liberalization reform.</p> |
| <p><b>What indicator(s) will be used to measure progress?</b></p>     |  |
| <p><b>Explanation of additionality (where relevant)</b></p>           | <p>New policies since the Saint Petersburg Summit</p>  |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Market-based renminbi exchange rate formation mechanism</b>   |
| <b>Implementation path and expected date of implementation</b>           | <p>On March 15, 2014, the People's Bank of China announced to broaden the floating band of interbank spot exchange rate of renminbi against USD to 2% from 1%, effective March 17.</p> <p>The foreign currency market will be further developed, with more foreign currency products, broader and deeper market, to better meet the demand of enterprises and individuals.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               |  |
| <b>Explanation of additionality (where relevant)</b>                     | <p>New policies since the Saint Petersburg Summit</p>  |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Renminbi capital account convertibility</b>  |
| <b>Implementation path and expected date of implementation</b>           | <p>Further transform the foreign exchange management, facilitate overseas investment, and shift the focus from administrative approval to monitoring and analysis, from micro-control to macroprudential management, from “positive list” to “negative list”.</p> <p>Gradually facilitate domestic enterprises’ extension of credit and financing guarantee in renminbi or foreign currencies to external counterparts.</p> <p>Promote the two-way opening up of capital market, and increase in an orderly way the convertibility of cross-border capital and financial transactions. When conditions allow, eliminate the approval of qualification and quotas for QDII and QFII, and expand the relevant investment facilitation policies to all domestic and foreign legal institutions.</p> <p>Promote the interconnection between domestic and international exchange markets, and relieve gradually the restraints for foreign institutions to issue or place renminbi bonds in domestic market.</p> <p>Take into full consideration of the currency, duration matching in assets and liabilities, adjust appropriately the size of external liabilities, optimize the structure, and guard against related risks.</p> <p>Strengthen oversight of short-term speculative capital flows, especially transactions of financial derivatives. In extreme cases, adopt macro- and micro-prudential policies to restrain the large short-term capital inflows and outflows.</p> <p>Establish and improve relevant monitoring system, to facilitate cross-border capital flows as well as effectively information collection.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               |   |
| <b>Explanation of additionality (where relevant)</b>                     | <p>New policies since the Saint Petersburg Summit</p>   |



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| • The New policy action:                                | <b>Macroprudential policies</b>  |
| Implementation path and expected date of implementation | <p>Continue to implement and improve differentiated reserve requirement dynamic adjustment mechanism, with timely adjustment of related policy parameters, and continue to leverage on its role of counter-cyclical adjustment.</p> <p>Strengthen the monitoring and assessment of systemic risks. Continue to conduct stress test on financial stability, improve the daily monitoring and risk assessment system for banking, securities, and insurance sector. Deepen the onsite evaluation of financial institutions' soundness.</p> <p>Study and establish the identification standards and assessment framework for domestic systematically important financial institutions, strengthen appropriately the supervision and regulation requirements, establish the orderly resolution and liquidation arrangement, and promote the establishment of crisis management group of ICBC and China Pingan Group.</p> |
| What indicator(s) will be used to measure progress?     |  |
| Explanation of additionality (where relevant)           | New policies since the Saint Petersburg Summit   |

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| • The New policy action:                                | <b>Pilot projects of private capital setting up private banks</b>  |
| Implementation path and expected date of implementation | The pilot work has been launched, with the first group of 5 pilot banks publicly announced in March 2014. The China Banking Regulatory Commission will approve the applications on a piecemeal basis, in accordance with laws and regulations. |
| What indicator(s) will be used to measure progress?     | The establishment of the first pilot bank  |
| Explanation of additionality (where relevant)           | New policies since the Saint Petersburg Summit   |

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| • The New policy action:                                | <b>Support private capital to participate in setting up of village and town banks (VTB)</b>   |
| Implementation path and expected date of implementation | Publish <i>The Operational Rules on the Implementation of Administrative Licensing of Medium- and Small-sized Rural Financial Institutions</i> , reduce the requirement of minimum share holding by VTB principal sponsors, and encourage the participation of private capital. |
| What indicator(s) will be used to measure progress?     | Equity proportion of private capital of VTB   |

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| <b>Explanation of additionality (where relevant)</b> | New policies since the Saint Petersburg Summit |
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| <b>• The New policy action:</b>                                | <b>Allow the qualified private capital to set up financial leasing companies and consumer financing companies</b>  |
| <b>Implementation path and expected date of implementation</b> | <p>In November 2013, the newly revised <i>Administrative Rules of Pilot Projects of Consumer Financing Companies</i> was published, on updating the eligibility of main fund contributor, increasing the types of participating institutions, removing regional constraints, encouraging entry of more private capital that could provide more resources to consumer financing. The list of pilot cities for establishing consumer financing companies will be further expanded, to encourage and guide eligible private capital to set up consumer financing companies according to market principles.</p> <p>In March 2014, the revised <i>Administrative Rules of Financial Leasing Companies</i> was published, which shifted from principal contributor-based to sponsor-based, and no longer distinguish principal contributors from other contributors. All qualified institutions are allowed to set up financial leasing companies as sponsors, and all kinds of private capital are granted the access to the financial leasing industry, enriching types of shareholders of financial leasing companies, optimizing the corporate governance, steadily and continuously facilitating the access of newly set financial leasing companies.</p> |
| <b>What indicator(s) will be used to measure progress?</b>     |  |
| <b>Explanation of additionality (where relevant)</b>           | New policies since the Saint Petersburg Summit   |

| • The New policy action:                                       | Improve the multi-layer capital market system  |
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| <b>Implementation path and expected date of implementation</b> | <p>Develop multi-layer equity market, steadily promote stock issuance registration reform, and encourage the market-based Merge &amp; Acquisition.</p> <p>Standardize the development of bond market, and provide diversified bond products for varied investor group.</p> <p>Further the development of the futures market, launch major resource commodities futures, build the financial futures market, and gradually develop future market for government bond.</p> <p>Cultivate the private equity market, regulate and develop investment funds, and encourage venture capital funds to support the growth of small and medium-sized and micro enterprises.</p> <p>Encourage innovation by intermediaries, broaden market entry, support the growth of professional institutional investors, and promote the healthy development of internet finance.</p> <p>Further the opening-up of capital markets, establish and improve Connection between Shanghai and Hong Kong Stock Markets, facilitate the cross-border investment and financing for domestic and overseas entities, and encourage dealers of securities and futures to develop cross-border business.</p> |
| <b>What indicator(s) will be used to measure progress?</b>     |  |
| <b>Explanation of additionality (where relevant)</b>           | New policies since the Saint Petersburg Summit   |

| • The New policy action:                                       | Deepen the insurance reform   |
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| <b>Implementation path and expected date of implementation</b> | <p>Establish a sound, standardized, and well functioning modern insurance sector with high capability of service provision, innovation and global competition worldwide, covering both urban and rural areas and reflecting the economic and social development needs of China.</p> <p>Promote the innovation in insurance services, explore catastrophe insurance, orderly develop agriculture insurance, expand commercial pension and health insurance, and deepen the development of liability insurance.</p> <p>Promote the innovation in insurance market system, deepen the reform of pricing formation mechanism, and promote the reform of asset management and market entry/exit mechanism.</p> <p>Promote the innovation in insurance regulation, speed up the establishment of law and regulation in key regulatory areas, explore new supervisory method with negative list, and strengthen the information disclosure of insurance operation and service.</p> |
| <b>What indicator(s) will be used to measure progress?</b>     |   |

### **Urbanization**

Steadily advance urbanization. (1) Facilitate in an orderly manner the transition of migrant rural population into urban residents. Develop supporting policies concerning urban residence registration, land, capital, housing and basic public services to facilitate the unregistered residents who are able to have stable jobs and reside in urban areas to become urban residents. Work out measures to narrow disparity within cities. Promote the equalization of basic public services in urban and rural areas. (2) Improving the structure and form of urbanization. The central government will formulate and implement plans for developing major city clusters, while local governments will work out and implement their own plans for urbanization in light of local specifics, in order to develop cities of all sizes and small towns in a coordinated manner, while rationalize the development of new cities or districts. (3) Making the development of cities more sustainable by enhancing the underpinning industries and employment, ensuring financing through diversified and sustained sources, and providing better public facilities and services to sustain greater population concentrations. (4) Improving the institutions and mechanisms of urbanization. Carry out pilot programs of different types in different regions and at different levels on the establishment of burden sharing of the cost arising from the transformation of rural residents to urban residents, and the diversified financing to support investment in urban construction, to foster an institutional environment conducive to the sound development of urbanization more quickly.

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Push forward Human-centered urbanization</b>  |
| <b>Implementation path and expected date of implementation</b>           | <p>Advance coordinated development amongst big, middle, small cities and towns and the integrated development of industries and towns, promoting the synchronous development of urbanization and construction of new rural communities.</p> <p>Focus on the capacity building of providing basic urban public services, increasing spending on compulsory education, employment, basic pension insurance, basic health care, Shanty towns redevelopment, affordable housing construction, and ensure the complete coverage of basic public services for urban residents.</p> <p>Coordinate the allocation of transportation infrastructure and information network in the Metropolitan Area, strengthening regional environmental improvement, promoting inter-regional connection and sharing of infrastructure and public service, and advancing the integration of the Metropolitan Area.</p> <p>Strengthen the construction of public transportation, energy and communications, water supply and drainage, waste disposal, underground pipeline network, logistics and other municipal utilities, coordinating the construction of schools, hospitals, cultural, sports, employment services, social security and other public facilities, enhancing services supporting concentrated population, and increasing investment in the construction of green cities, smart cities, and cultural cities.</p> <p>Strengthen development of modern agriculture and construction of rural communities, increasing investment in irrigation, innovation of agricultural science and technology, agricultural facilities and equipment, and circulation of agricultural products, and coordinating the construction of urban and rural infrastructure and public facilities as a whole.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               |  |
| <b>Explanation of additionality (where relevant)</b>                     | New policies since the Saint Petersburg Summit   |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Provide further support of development financing to shanty town redevelopment</b>  |
| <b>Implementation path and expected date of implementation</b>           | <p>Effectively combine the policy support and market mechanism, especially leverage the role of development financing that rely on state credibility, serve the state strategy, and seek little or no profit, provide finance channel for the acceleration of shanty town redevelopment, to ensure its financing needs, and strive to lower the cost of funds.</p> <p>Establish a special institution by China Development Bank, with separate book entry to issue special financial bonds for housing on market terms, raising funds from financial institutions, including postal savings, and other investors, encourage the active participation of commercial banks, social security funds, insurance institutions, with the focus on supporting the shanty town redevelopment and related construction of urban infrastructure.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               |   |

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| <b>Explanation of additionality (where relevant)</b> | New policies since the Saint Petersburg Summit |
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| <b>• The New policy action:</b>                                | <b>Further promote the reform of urban residency registration system</b>   |
| <b>Implementation path and expected date of implementation</b> | <p>Strive to help the unregistered residents that are capable to work and reside in the urban areas to orderly become urban residents, and steadily promote the full coverage of basic urban public services for these residents.</p> <p>Give priority to settling down those who have migrated to the urban areas early, with strong capabilities of finding jobs and adapting to the urban conditions and market competition, encourage them and their families to settle down in the urban areas, and orderly guide the population flows.</p> <p>Actively extend the basic urban public service from the local registered population to unregistered population, and gradually ensure that those rural migrant population who have resided and worked in the urban areas but did not register in the urban system could access basic urban public service.</p> <p>Improve the property rights system in rural areas, secure the rights of the contractual operation of land, on the use of homestead land and the distribution of collective income.</p> <p>Implement differentiated registration policies in light of local specifics.</p> <p>Promote the appropriate layout of big, medium, small cities and towns, reconciling their functions; strengthen the medium, small cities and towns' capability of agglomeration economy to facilitate rural migrants' settling down in urban areas.</p> |
| <b>What indicator(s) will be used to measure progress?</b>     |  |
| <b>Explanation of additionality (where relevant)</b>           | New policies since the Saint Petersburg Summit   |

### ***Investment and Infrastructure***

Accelerate reform of the investment and financing system, encourage diversification of investor base, launch more demonstration projects involving private investment. Deepen the reform of overseas investment management mechanism, replacing approvals with reporting for record, to minimize the scope of review and approval; Simplify the procedures, and promote the formulation of specific laws and regulations regarding the overseas investment.

Improve the investment structure, and maintain appropriate growth in fixed-asset investment. Budgetary investment of the central government will rise to 457.6 billion yuan, mainly in government-subsidized housing, agriculture, major water conservancy projects, railways in the central and western regions, energy conservation, environmental protection and social programs. The government investment will play a catalytical role to attract more investment in these areas from other sources. Environmental protection, energy consumption, and

technology standards in industries with severe overcapacity will be strengthened, to absorb existing excess capacity and strictly control increases of new capacity. Strong measures will be taken to strengthen pollution prevention and control, change the way energy being produced and consumed, strengthen energy conservation and emission reduction, continue to raise the proportion of electricity generated by non-fossil fuel, develop clean production, green and low-carbon technologies and the cycling economy, speed up the development and use of energy-efficient and environmentally friendly technologies and products. Carry out a new type of human-centered urbanization, with focus on improving the quality of urbanization.

Improve business climate to encourage foreign investment in China, exploring the new management model of pre-establishment national treatment and negative list, facilitating business registration, and broaden the market entry.

| • The New policy action:  | Facilitating reforms of investment financing system   |
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| <p><b>Implementation path and expected date of implementation</b></p> | <p>Improve the approval system for corporate investment projects, revising and publishing approaches on management of corporate investment projects, foreign investment projects, overseas investment projects, standardizing approval of corporate investment projects by government, as well as revising and developing relevant documents.</p> <p>Carry out research on reforming the approval system of investment projects by innovative corporate, putting forward measures for improving and standardizing approval, suggesting approvals or services to be remained based on a thorough review of existing procedure. The results of the research will be incorporated in Regulations on Approval and Recording of Corporate Investment Projects.</p> <p>Propose the amendment to the Catalog of Government Approved Investment Projects (2015 edition) in appropriate time, further narrow the scope requiring approval and decentralizing approval authority.</p> <p>Continue the third-party assessment of the 36 Operational Rules on Encouraging and Guiding the Sound Development of Private Investment, and recommend projects in the fields of infrastructure and service that encourage private investment. The list of first 80 projects was published on May 21.</p> |
| <p><b>What indicator(s) will be used to measure progress?</b></p>     |   |
| <p><b>Explanation of additionality (where relevant)</b></p>           | <p>New policies since the Saint Petersburg Summit</p>   |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Government investment should play a leading role</b>   |
| <b>Implementation path and expected date of implementation</b>           | <p>In 2014, investment by central government budget intends to increase to 457.6 billion RMB, focusing on key areas and weakness spots where resources cannot be effectively allocated by market mechanism, and supporting systemic, fundamental and strategic projects.</p> <p>Enhance the support to redevelopment of Shanty towns and the building of supporting infrastructure, and focusing on the construction of supporting infrastructure for affordable housing.</p> <p>Support the construction of high quality farmland, promoting the construction of grain storage facilities, and improving self-supply capacity.</p> <p>Increase investment in railway construction, support the construction of incomplete national expressways, bottleneck sections of national and provincial highways, high-class inland waterways such as Yangtze River, feeder airports for the Central and West and trunkline airports for the West, and promote the coordinated regional development of Yangtze River economic belt.</p> <p>Increase investment in environmental improvement, enhancing air pollution control, implementing soil protection engineering, promoting water pollution control in key river valleys, and reinforcing environmental improvement of key industries.</p> <p>Strengthen the construction of social service and management system, advancing the construction of social welfare facilities such as nursery of the elder and rehabilitation of the disabled, improving food safety inspecting ability, and promoting construction of quality inspection system of agricultural products.</p> <p>Increase significantly national guidance fund for venture capital in emerging industries.</p> <p>Speed up the construction of large hydraulic projects of water saving and water supply, particularly the 172 planned large hydraulic projects by steps in 2013, 2014, and the thirteenth five year plan period.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               |   |
| <b>Explanation of additionality (where relevant)</b>                     | New policies since the Saint Petersburg Summit  |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Resolving production overcapacity through market mechanism</b>  |
| <b>Implementation path and expected date of implementation</b>           | <p>Digest, transfer, integrate and eliminate excess production capacity, as well as gradually introduce long-term solution.</p> <p>In the next steps, Chinese government will continue to regard resolving production overcapacity as the key of industrial structure adjustment, strengthen entry standards of energy-saving, land -saving, water saving, environment, technology and security.</p> |



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| <b>What indicator(s) will be used to measure progress?</b> |  |
| <b>Explanation of additionality (where relevant)</b>       | New policies since the Saint Petersburg Summit |

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| <b>• The New policy action:</b>                                | <b>Deepen reforms of administration system of overseas investment</b>  |
| <b>Implementation path and expected date of implementation</b> | In the context of transforming government functions, the approval process of overseas investment will be reformed and improved to facilitate overseas investment, the Ministry of Commerce has published the <i>revised Administrative Rules on Administration of Overseas Investment</i> on September 6, 2014.<br><br><i>The revised Administrative Rules on Overseas Investment</i> will adopt a new system focused on recording and supplemented by approval, significantly cutting issues requiring approval for overseas investment, simplifying the application procedure and save time. |
| <b>What indicator(s) will be used to measure progress?</b>     | Increase of numbers of overseas corporations.  |
| <b>Explanation of additionality (where relevant)</b>           | The future implementation of revised Administrative Rules on Overseas Investment will effectively promote Chinese corporations' investment in other countries including G20 members, contributing to job creation and economic growth of host countries.   |

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| <b>• The New policy action:</b>                                | <b>Create favourable investment environment</b>  |
| <b>Implementation path and expected date of implementation</b> | In the new round of opening-up and reform, Chinese government will create more favorable investment climate to further encourage foreign investment in China. It will explore the management model of pre-establishment national treatment and negative list, further facilitate business registration, and broaden market entry; unify laws and regulations governing foreign as well as domestic investment, maintain the stability, transparency and predicability of investment policy; improve market opening in sectors such as finance, education, culture, health care services in a orderly manner, lift market access restrictions in sectors such as nursery of the new born and the elders, architectural design, accounting and auditing, commerce and logistics, e-commerce, and further open up the area of the general manufacturing sector. |
| <b>What indicator(s) will be used to measure progress?</b>     |  |

**Explanation of additionality  
(where relevant)**

## **Employment**

Steadfastly implement the strategy of “employment first”, with more energetic employment policy, aimed at full employment and more rewarding and higher quality jobs. Improve the employment and business startup environment, and foster business startups in an innovative way to create more jobs. Provide non-stop employment and business startup services, increase the rate of employment and business startup for college graduates. Increase support for urban residents difficult to find jobs, ensure that at least one member in every zero-employment family gets a job. Carefully manage reemployment to workers laid off due to the business merge and acquisitions, disposal of the overcapacity, shutdown of outdated production facilities. Provide coordinated employment services to rural migrant workers.

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| <ul style="list-style-type: none"> <li><b>The New policy action:</b></li> </ul> | <b>Continue to adopt a pro-employment strategy</b>   |
| <b>Implementation path and expected date of implementation</b>                  | <p>Improve and fully implement the preferential policies for promoting job creation, keep the job promotion as a priority objective of economic and social development, set the lower limit of the range for growth rate on the basis of the need for stabilizing growth and securing employment, creating more sufficient employment with higher quality through development.</p> <p>Build and reinforce links between investment and employment, interaction between industrial development and employment structure improvement, coordination between urbanization and integration of migrant workers into urban residents. Strike a balance between growth, structural reform and employment, enhance coordination between fiscal, monetary, industrial and employment policies.</p> <p>Encourage development through innovation, introducing support for high-tech SMEs, fully exploring job creation potentials of hi-tech development zone, economic development zone and SMEs.</p> <p>Support development of strategic new industries, advanced manufacturing, modern services, modern agriculture, to create more jobs.</p> |
| <b>What indicator(s) will be used to measure progress?</b>                      |  |
| <b>Explanation of additionality (where relevant)</b>                            | <p>New policies since the Saint Petersburg Summit</p>  |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Encourage employment through starting new businesses</b>   |
| <b>Implementation path and expected date of implementation</b>           | <p>Support the development of medium, small and micro-enterprises, and encourage employment through starting new businesses. Improve and fully implement the preferential policies for starting new business, and relevant public services.</p> <p>Enhance training for starting new business and ensure equal opportunities for all that have the ambition for starting a new business and therefore the demand for the training.</p> <p>Improve climate for new business, including fast lane for registration and opening accounts, to alleviate the burden of new starters.</p> <p>Intensify supports of college graduates starting new business via mini collateralised loans, exploring multi approaches to supporting new businesses via better use of the Guiding Funds for investing in new business and relevant tax preferential policies.</p> <p>Construct special industrial zones for college graduates to start new businesses.</p> <p>Double the size of central budget's fund on the startup and investment in emerging industries, accelerate the establishment of national guidance funds for venture capital in emerging industries. Improve the long-term effective mechanism of marketization, guide the effective recycling and repeated use of capital, and address the financing difficulties for the innovative medium and small enterprises.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               |   |
| <b>Explanation of additionality (where relevant)</b>                     | New policies since the Saint Petersburg Summit  |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Continue implementing and improving the tax policies that could support and promote start-up and employment</b>  |
| <b>Implementation path and expected date of implementation</b>           | <p>Extend the maturity of tax policies that support and promote start-up and employment, for priority groups from the end-2013 to the end-2016.</p> <p>Remove the eligibility restrictions for sectors and people to enjoy relevant preferential policies. The tax preferential policy would be extended to companies that employed those who have been listed in the registered unemployment for more than a year.</p> <p>Raise the upper limits of tax deductible. Those who have self-employed or attracted employment, can access greater preferential tax policies by local governments, in addition to the existing state fixed-sum tax deduction.</p> <p>Expand the scope of tax deduction to more taxes, including the local education supplementary tax.</p> <p>Simplify procedures. Shift the preferential tax management policies from approval-based to registration-based, to create a better environment for the start-up and employment.</p> |

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| <b>What indicator(s) will be used to measure progress?</b> |  |
| <b>Explanation of additionality (where relevant)</b>       | New policies since the Saint Petersburg Summit |

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| <b>• The New policy action:</b>                                | <b>Making coordinating efforts to facilitate employment of priority groups, particularly college graduates</b>  |
| <b>Implementation path and expected date of implementation</b> | Pay greater attention to employment of young people, particularly college graduate, developing more jobs suitable for them and promote the college to strengthen employment guidance, in the context of economic development and industrial upgrading. Introduce the plan to facilitate employment of unemployed graduates and a new round of guiding strategy of college graduates to start new businesses, aimed at enhance their working skills and exploring multiple approaches to find the job or start new businesses. |
| <b>What indicator(s) will be used to measure progress?</b>     |   |
| <b>Explanation of additionality (where relevant)</b>           | New policies since the Saint Petersburg Summit  |

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| <b>• The New policy action:</b>                                | <b>Improve the employment assistance</b>  |
| <b>Implementation path and expected date of implementation</b> | Support and assist residents who have difficulties finding jobs, and ensure accountability of assisting agencies.<br><br>Carefully manage reemployment of workers laid off due to the merge and acquisitions, disposal of overcapacity, and shutdown of outdated production facilities. Guide local government to implement the specific employment assistance plan, strengthen fact finding, safeguard the employees' rights, and help the relocated to find jobs.<br><br>Ensure that at least one member in every zero-employment family gets a job, and promote the orderly migration and employment for rural labor forces. |
| <b>What indicator(s) will be used to measure progress?</b>     |   |
| <b>Explanation of additionality (where relevant)</b>           | New policies since the Saint Petersburg Summit  |

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| • The New policy action:                                | <b>Strengthen the vocational training</b>   |
| Implementation path and expected date of implementation | <p>Promote the construction of public centers for vocational training and enhance training capability, in line with the need of structural adjustment and enterprises' transformation and upgrading. Conduct 1-2 semester vocational training focusing on the new grown labor forces such as junior or high school graduates that fail to pass the entry exam for higher education.</p> <p>Conduct training on practical skill for migrating workers and urban residents who have difficulties finding jobs. Encourage enterprises to appropriately use the education and training spending for employees, and spend more on the skill training for workers at the production line.</p> |
| What indicator(s) will be used to measure progress?     |   |
| Explanation of additionality (where relevant)           | New policies since the Saint Petersburg Summit  |

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| • The New policy action:                                | <b>Strengthen employment service</b>  |
| Implementation path and expected date of implementation | <p>Improve equalized public employment services in urban and rural areas, providing more standardized, professional services.</p> <p>Improve employment and unemployment registration system, and update the national employment information service platform to enhance the quality and efficiency of employment services.</p> <p>Build an integrated, well-regulated and flexible human resource market, and put the market forces in full play in human resource allocation.</p> |
| What indicator(s) will be used to measure progress?     |   |
| Explanation of additionality (where relevant)           | New policies since the Saint Petersburg Summit  |

### **Competition**

Deepen reform of the administrative system, further streamline administration and delegate more power to lower-level governments, by cancelling or delegating to lower-level governments an additional 200 plus items requiring State Council review and approval. Foster a new open-economy system and advance a new round of opening up to embrace the international market, to enhance China's ability to compete internationally. Enhance the vitality of economic entities under all forms of ownership, improve the distribution and structure of the state-owned sector of the economy and accelerate the development of mixed-ownership economic entities, open access to competitive operations in more areas so as to create a platform for the full participation of private capital, and establish a sound modern corporate structure and corporate governance. Use innovation to support and lead economic structural improvement and upgrading, elevate China's industries to the high end of the global value chain, promote full integration of IT application with industrialization,

encourage businesses to accelerate technological upgrading, make traditional industries more competitive, build a platform for supporting business start-ups and innovation in emerging industries to guide their development, let market competition determine which businesses survive, and encourage acquisitions and restructurings.

| • The New policy action:                                       | Further reforms on administrative system  |
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| <b>Implementation path and expected date of implementation</b> | <p>Further streamline and decentralize the approval process, cancelling or delegating to local governments' approval requirements on more than 200 administrative issues this year.</p> <p>Deepen reforms on approval of investment, cancelling or simplifying ex ante approval, to ensure enterprises' discretion on investment and facilitate business starting.</p> <p>Formulate and disclose the list of issues that do require approval, any issue not on the list will not be required for approval.</p> <p>Streamline approvals on non-administrative issues, completing reform of governments on provincial, municipal and county level, advancing reforms of non-profitable public institutions.</p> <p>Implement reform of business registration system nationwide, adopting registration by paid-in capital, transit the annual review of enterprises into regular disclosure of annual reports, to encourage dynamics of market entities.</p> |
| <b>What indicator(s) will be used to measure progress?</b>     |   |
| <b>Explanation of additionality (where relevant)</b>           | <p>New policies since the Saint Petersburg Summit</p>   |

| • The New policy action:                                       | Natural selection through competition and under appropriate regulation   |
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| <b>Implementation path and expected date of implementation</b> | <p>Encourage merging and restructuring of enterprises.</p> <p>Apply anti-monopoly measures in accordance with the “Anti-Monopoly Law” and the principle of “strengthening market regulation, containing monopoly and inappropriate competition”, effectively maintain the order of market competition, while allowing market entities to concentrate their businesses according to laws and regulations on the basis of fair competition, therefore increase the business scale and enhance competitiveness.</p> |
| <b>What indicator(s) will be used to measure progress?</b>     |  |
| <b>Explanation of additionality (where relevant)</b>           | <p>New policies since the Saint Petersburg Summit</p>  |

| • The New policy action:  | Increase dynamics of businesses of all ownership  |
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| <p><b>Implementation path and expected date of implementation</b></p> | <p>Allow more state owned enterprises to establish mixed ownership with entities of other ownership. Investment projects sponsored by state sector are allowed to co-finance with non-state sector.</p> <p>Improve allocation of state owned assets, reduce the holding of state owned shares in share holding companies with large state owned proportion, allow participation of non state sector, transfer some state owed assets to support the finance of social security fund. Enhance supervision of state owned assets through capital management, reform the authorized operation of state owned assets.</p> <p>Clearly define the mandates of the state owned asset. In light of the nature of state owned sector and the mandates of the state owned enterprises, pursuant to the nature of enterprises' main operations, the features of the development of the correspondent industries, the need of national strategy, and on the basis of thorough stocktaking and standard setting, categorize the nonfinancial state owned enterprises into non-profitable public service, natural monopoly, and general competitive. Establish a number of state owned assets management companies, and support the conditional transformation of state owned enterprises into state owned asset investment companies with differentiated capital structure, operational objectives and performance assessment.</p> <p>Improve budgeting of operations of state owned assets, raise the ratio of profits surrendered to public budget to secure and improve social welfare.</p> |
| <p><b>What indicator(s) will be used to measure progress?</b></p>     |   |
| <p><b>Explanation of additionality (where relevant)</b></p>           | <p>New policies since the Saint Petersburg Summit</p>   |

### Trade

Upgrade exports and promote balanced growth of foreign trade from a strategic perspective. Keep export policies stable and improve them, accelerate reform to facilitate customs clearance, and extend trials of cross-border e-commerce. Implement policies to encourage imports, and import more products in short supply in China. Guide the transformation and upgrading of processing trade, develop service trade and outsourcing. Continue to promote trade liberalization and facilitation, actively participate in developing high-standard free trade areas, and strive for mutual benefit with other countries.

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Accelerate to develop new competitive advantages for exports</b>  |
| <b>Implementation path and expected date of implementation</b>           | Upgrade labour-intensive exports, expand the exports of mechanic and electric products, high-tech products and large complete-set equipments such as telecommunication, railways and power plants, rigorously control the exports of products with high energy-consumption and pollution. Encourage enterprises to establish international marketing network, and enhance their ability to explore international markets. Actively explore emerging markets, and further diversify export markets. |
| <b>What indicator(s) will be used to measure progress?</b>               |  |
| <b>Explanation of additionality (where relevant)</b>                     | New policies since the Saint Petersburg Summit   |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Promote reform of customs clearance facilitation</b>   |
| <b>Implementation path and expected date of implementation</b>           | <p>Further streamline non-tariff measures, loosen import management measures, simplifying import procedures, and lower the import fees and costs.</p> <p>Continue to streamline the procedure of customs clearance by introducing a pilot program of integration of cross- region customs clearance and extend the implementation of paperless customs clearance reform.</p> <p>Enhance the custom coordination between inland and coastal and border custom regions, and establish the information exchange, regulation deference and enforcement assistance between port management agencies.</p> <p>Improve the coordination mechanism of custom clearance between inland, coastal and border areas, promote the building of the e-port, extend the pilot program of “Jurisdiction declaration and port clearance”. As a result, the export and import of inland goods has gradually realized “declare once, inspect once and clear once”, enhancing the efficiency of port clearance and lowering the costs of customs clearance.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               | Import volume and import commodity structure  |
| <b>Explanation of additionality (where relevant)</b>                     | New policies since the Saint Petersburg Summit  |



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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Support the innovative developments of foreign trade</b>  |
| <b>Implementation path and expected date of implementation</b>           | <p>Research is made to expand pilots for market procurement in eligible areas, facilitating the export of small and micro-enterprises.</p> <p>Expand the pilots of cross-border e-commerce, and research on measures promoting the retail exports of cross-border e-commerce. Research is made to adopt measures in support of imports of cross-border e-commerce and cultivating a batch of large e-commerce enterprises.</p> <p>Research is made to introduce policy measures to promote the development of enterprises engaged in comprehensive services for foreign trade, facilitating customs clearance, financing, logistics and tax rebate for small and medium-sized foreign trade enterprises.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               |  |
| <b>Explanation of additionality (where relevant)</b>                     | <p>New policies since the Saint Petersburg Summit</p>  |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Enhance the comprehensive effects of imports</b>   |
| <b>Implementation path and expected date of implementation</b>           | <p>Stabilize and encourage the imports of commodities, actively expand the imports of advanced technology and equipment and key components as well as products conducive to energy reservation and environmental protection, reasonably raise imports of consumer goods, and highlight the role of import in promoting macroeconomic rebalancing and structural adjustment.</p> <p>Optimize the structure of trade balance, promote the diversification of import origins, and improve the management mechanism of import and export of key agricultural products.</p> <p>Continue to improve the import promotion system. Support commodities exhibition and merchandise show to expand imports. Encourage and organize investment and trade promotion delegations to explore markets overseas. Steadily expand the pilots of innovation demonstration areas for boosting imports.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               | <p>Import volume and import commodity structure</p>   |
| <b>Explanation of additionality (where relevant)</b>                     | <p>New policies since the Saint Petersburg Summit</p>   |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Innovate the processing trade pattern</b>   |
| Implementation path and expected date of implementation                  | <p>Innovate the pattern of processing trade and guide the inland regions to utilize their local advantages to enhance their attractiveness as the destination of industrial relocation both from abroad and at home.</p> <p>Promote the integrated and clustered development of assembly, supply of parts and raw materials, R&amp;D and settlement in the inland regions, to make them new destinations of the processing trade chain previously located in the coastal areas. Improve policy measures to upgrade the processing trade and its supporting system to areas of R&amp;D, designing, key parts manufacturing and logistics.</p> |
| What indicator(s) will be used to measure progress?                      |  |
| Explanation of additionality (where relevant)                            | New policies since the Saint Petersburg Summit   |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Accelerate the development of trade in services and service outsourcing</b>   |
| Implementation path and expected date of implementation                  | <p>Increase the share of service sector in the economy, optimize industrial structure, overcoming the environmental and resources restrains, enhance the quality and benefits of economic growth, transform the development mode of foreign trade, improve the foreign trade structure, and transform and upgrade the trade of goods.</p> <p>Stabilize and promote exports of traditional services such as tourism, transportation and construction services, and endeavour to increase exports of emerging services including cultural services, Chinese traditional medicines, software and information services, commerce and logistics, finance and insurance services.</p> <p>Promote the development of service outsourcing, actively participate in the global services transfer across countries, and proactively cultivate the new service trade pattern such as technological design, consulting services and software services.</p> |
| What indicator(s) will be used to measure progress?                      |  |
| Explanation of additionality (where relevant)                            | New policies since the Saint Petersburg Summit   |

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| <ul style="list-style-type: none"> <li>The New policy action:</li> </ul> | <b>Firmly promote trade liberalization and facilitation</b>  |
| <b>Implementation path and expected date of implementation</b>           | <p>Proactively participate in the WTO Doha Round negotiations, promote the faithful implementation of the Bali Package by all members, expedite the formulation of a pragmatic, feasible and balanced “post-Bali” work plan possibly by the end of 2014, and fully conclude the Doha Round negotiations on the basis of respecting the Doha mandate and its development dimension, and the result achieved so far.</p> <p>While recognizing the multilateral trade system as the main channel, accelerate applying the free trade areas (FTA) strategy with the focus on neighbouring countries and regions. Speed up FTA talks with the Republic of Korea, Australia and the Gulf Cooperation Council. In the ongoing and future FTA talks, adopt an open attitude towards issues such as environmental protection and e-commerce. Expedite the formation of high-standard free trade zone networks opening to the whole world. Expand the common interests between China and its counterparts, and strive for mutual benefits and win-win results.</p> |
| <b>What indicator(s) will be used to measure progress?</b>               |  |
| <b>Explanation of additionality (where relevant)</b>                     | New policies since the Saint Petersburg Summit   |