

APPENDICES

APPENDIX A. BASIC POLICIES GOVERNING CHINA'S FOREIGN TRADE AND ECONOMIC COOPERATION (WWW.MOFTEC.GOV.CN)

I. Stick to the policy of opening up in all directions and expanding foreign trade in all forms.

We shall speed up the pace of opening to the outside world, fully utilize the international and domestic markets and these two resources. Additionally, we will actively participate in international competition and international economic cooperation, bring into play China's comparative economic advantage, forge an open economy and make the domestic economy integrate with and complement the international economy. We also need to continue to move ahead with the opening drive in the special economic zones, coastal open cities, coastal open areas and key cities along borders, rivers and inland areas, and fully bring into play the influencing and driving role of the open areas. And we should speed up the development and opening of areas along major transport lines. encourage the mid-western areas to expand opening both externally and internally , accelerate the exploitation and utilization of natural resources , bring into full play advantages in terms of labor and markets and promote economic development. We must formulate an overall plan, operate well economic and technical development zones and bonded areas and form an all-directional, multi-layered and varied opening pattern. Finally we must continue to expand the scope of foreign trade and economic cooperation, promote the development of the trade in services and further open the domestic market.

China's opening drive is oriented towards the whole world, including both the developed and the developing countries, under the guidance of market diversification strategy for foreign trade and economic cooperation. We are willing to develop the economic and trade relations with various countries and regions in the world and intensify the multilateral cooperation with the organizations of the UN development system as well as other international economic and trade establishments based on the principle of equality and mutual benefit. As a developing country with a huge population, China will develop its economy mainly by relying on its own capital accumulation, domestic resources, domestic market and the intellectual abilities and creativeness of its own people. We uphold the principle of independence and self-reliance, but in no way exclude international division of labor and exchanges.

II. Stick to the policy of deepening the reform of the foreign trade and economic cooperation regime and, with the momentum of the reform, promote the sustained, rapid and healthy development of the foreign trade and economic cooperation sector.

This reform calls for compliance with the requirements of establishing the socialist market economic system and adaptability to international economic and trade norms in the course of establishing an operating mechanism satisfying globally prevalent economic rules. We must stick to the reform direction characterized by uniform policies, liberalized operations, equitable competition, self-responsibility for profits or losses, combination of industry and trade and pursuit of the agent system. The State will mainly resort to such economic tools as the exchange rate, tariff rate, taxation and credit in regulating foreign-economic activities, bring down the overall tariff level, appropriately adjust the tariff structure, revamp the import and export administrative regime to achieve its standardization and scientification, and bring into play the role of chambers of commerce in coordination, guidance, and advisory services.

The transformation of the operating mechanisms of foreign trade and economic enterprises will be speeded up. In accordance with the modern enterprise system, state-owned foreign trade and economic cooperation enterprises will be restructured so that they can genuinely become operating entities which are autonomous in their operations, responsible for their own profits or losses, self-developing and self-restraining. We should bring into full play the initiatives of these enterprises and their staff members, continuously expand import and export trade and foreign economic and technical cooperation, ensure the preservation and appreciation of the value of state-owned assets and strengthen these enterprises.

Qualified foreign trade and economic cooperation enterprises must gradually be transformed into standardized limited liability companies or joint stock limited companies. On the basis of equality and mutual benefit, we will encourage the formation of a group of large industrial-trading enterprise conglomerates with foreign trade and economic cooperation as the spearhead and integrating trade with industry, agriculture and technology or with productive enterprises as the core through investment, equity participation and etc. It is not permitted to interfere with the voluntary merger or acquisition between enterprises.

We will speed up the endowment of foreign trade right to the qualified state-owned production enterprises, distributing and retailing enterprises and scientific research units. We will also deepen the reform on the system of foreign economic and technical cooperation and improve the comprehensive operating capabilities and overall benefits. The management system and modalities of foreign assistance will be reformed. Corresponding reforms will be conducted on the operating administration system of other economic and trade activities.

III. Stick to the principle of equality and mutual benefit and "Honoring Contracts and Standing by Reputation."

In all foreign trade and economic cooperation activities, China has always upheld the principle of equality and mutual benefit and made consistent efforts to respect each other and consult with each other on an equal footing. We oppose the attachment of any unfair and unreasonable conditions. We maintain that pricing should be as fair as possible and beneficial to both parties and that all economic and trade activities must meet the needs and capabilities of the parties concerned. We oppose any party to use certain advantages to gain unreasonably huge profits. Trading terms and conditions, methods of payment, commodity inspection, customs, transport, insurance and arbitration should follow international norms and practices. While placing importance on the development of economic and trade relations with the developed world, China also actively forges economic and trade ties with the developing world and work with these developing countries towards the establishment of a new international economic order. The Chinese government requires all departments, enterprises and individuals engaged in foreign trade and economic activities to follow the principle of "Honoring Contracts and Standing by Reputation" and set up sound regulations and rules to ensure the implementation of this principle.

IV. Stick to the principle of success through quality.

Quality is the pass to the international marketplace and the lifeline of enterprises. All foreign trade and economic cooperation activities must center around the idea of quality first in order to attain a good reputation on international markets. We will choose well-performing enterprises as designed ones, organize production, perfect quality check and acceptance system, implement total quality management, improve the quality of export goods, and realize economic benefits by way of quality and variety. Projects with foreign investment should comply with the State's industrial policy, increase the percentage of technologically advanced and export-oriented enterprises and the ratio of success of these projects. In contracting overseas engineering projects, it is imperative to execute the quality standards as stipulated in the contract so as to foster a bigger number of quality projects; it is also necessary to enhance training of labor services personnel to improve their quality. It is also vital to bring into play the international spirit and, with a high sense of responsibility, succeed in every foreign assistance project so that those projects can generate due economic and social benefits.

V. Implement the "Macro Foreign Trade and Economic Cooperation" Strategy in this sector.

Since the adoption of the reform and opening policy, China's foreign trade and economic cooperation sector has gradually formed a multi-channel, multi-layer and multi-modality pattern combining commodity, technology, capital and labor services. In order to satisfy the needs of establishing China's socialist market economy, on the basis of the already-formed foreign trade and economic cooperation pattern, it is an inevitable trend to carry out the "Macro Foreign Trade and Economic Cooperation" strategy. To do so, we mean that under the macro environment of the socialist market economy, we must strenuously advance the combination of foreign trade, foreign economic cooperation and foreign investment, promote the alliance of foreign trade and economic cooperation with agriculture, technology and commerce, embark on

the path of industrialization, conglomeration and globalization. Development of bilateral economic and trade relations with all countries in the world is the basis of China's all-directional opening policy and the priority of China's foreign trade and economic cooperation policy. China adheres to the principle of combining bilateral economic and trade relations with multilateral economic and trade relations to tap the international marketplace in different forms so as to facilitate the sustainable, rapid and healthy development of China's foreign trade and economic cooperation.

VI. Enhance the uniformity and transparency of policies.

The legislation system for foreign trade and economic cooperation shall be improved upon and all types of foreign trade and economic operations should be administered in accordance with laws and regulations. Foreign trade and economic departments, enterprises and professionals shall enhance their legal awareness, level of law enforcement and consciousness of abiding by laws and regulations. A uniform nationwide foreign trade and economic policy is also necessitated by the objective requirements of the establishment of a unified domestic market and is in line with the international norms. In an effort to ensure the uniformity of China's foreign trade and economic policies, systems, laws and regulations, except those that should be promulgated by the National People's Congress and its Standing Committee or the State Council, the State Council has already authorized the Ministry of Foreign Trade and Economic Cooperation to publicize, in a unified manner, systems and laws and regulations concerning foreign trade and economic cooperation and organize for their implementation. All the foreign trade and economic laws and regulations, policies and systems and relevant rules, shall be made public. The previous internal documents shall be sorted out and those which remain valid shall be published in order to raise transparency.

VII. Foreign Trade Policies.

1. It is the fundamental policy of China's foreign trade to maintain a balance between import and export. The export expansion is aimed at importing the advanced technology and equipment needed in the economic construction, the materials in short supply domestically and necessary consumer goods. Under the circumstance of too rapid increase in import, anemic growth of export and the emergence of trade deficit, we try to reach a balance through the active export expansion instead of passive import reduction.

2. Enterprises are encouraged to constantly raise the quality and grade of the export products by means of deeper processing. In the optimization of export composite, the shift from mainly exporting roughly processed products to finely processed products shall be promoted in a bid to export more high value-added products. We shall, in accordance with the trend of international trade development, give full play to the advantages of labor resources, technical and natural resources, increase marketable export commodities, and boost the business activities of inward processing.

3. We shall adopt the policies and measures of export encouragement. We shall promote export growth and improve the export tax refunding system to ensure adequate and timely rebate with simplified procedures and at the same time, to firmly guard against tax fraudulence through seriously combating law violations. An export commodities development fund shall be established for a few numbers of commodities vulnerable to great price fluctuations in international market so as to offset losses with profits and be self-responsible for profits and losses in a bid to ensure a steady increase of export and production capabilities. A credit policy favorable to export development shall be adopted so as to give priority guarantee for the export loans of various foreign trade enterprises and to ensure the growth of loan scale match with export growth. And also a state import and export bank needs to be set up to provide credit support and risk guarantee for export.

4. We shall, while increasing foreign exchange earnings through export to ensure necessary foreign exchange reserves, actively expand export according to the principle of striking a balance between import and export. The priorities for import are: the import of important materials required by national economic development and the import of advanced technology, equipment and important raw materials in short supply domestically. We shall protect our infant industries according to international trade practice and adopt necessary trade safeguard measures; exercise statutory inspection of some imported goods by using the advanced inspection facilities and improve the inspection methods so as to facilitate import and export. Necessary quota and licensing administration shall be adopted for a few important imported products. China will never practice

trade protectionism and China market will be open to countries and regions all over the world. Foreign commodities, so long as they are competitive and conform to China's industrial policy, are blessed with abundant opportunities to enter China market.

5. Import and export trade shall be liberalized under macro control. Joint companies shall be established to exercise unified and joint transaction over a few especially important commodities which concern state economy people's inclined to be monopolized in international markets and which take predominant role in international market, while other import and export goods shall be liberalized for transaction by companies with foreign trade rights. Administration commodities subject to aggregate quantity control shall be exercised in accordance with the principle of efficiency, impartiality and transparency, with the quotas subject to bidding, auction or standardized allocation. The Ministry of Foreign Trade and Economic Cooperation (MOFTEC) is responsible for the formulation of relevant regulations and the supervision over the implementation, whereas the specific procedures are to be organized by import and export chambers of commerce concerned. In meeting with the requirements of economic system and reforms of foreign trade regime, import and export trade shall be regulated mainly by economic means while supplemented by necessary administrative measures, with interest rates, exchange rates, tariffs and so on as the major leverages.

6. We shall follow the principle of diversification of trade practices and methods. Flexible and diversified trade measures and practices shall be adopted according to different market situation. At the same time when cash trade is being expanded, we shall also pay heed to the development of barter trade, entreat trade chartering and leasing trade, counter trade, multilateral trade and border trade with other economic and technological cooperation activities and boost such businesses as processing with imported materials, processing according to supplied samples and assembling of imported parts and components.

7. We shall strengthen the coordinated service mechanism of foreign trade so as to give a full play to the role of coordinated guidance and consulting service by the import and export chambers of commerce in foreign trade activities. The import and export chambers of commerce are the sectoral self-disciplined organization to exercise coordination with in the sectors and to offer service for enterprises, with the major functions as the following: to maintain foreign trade business order and to safeguard the interests of the member enterprises; to organize the responding to the anti-dumping cases filed by foreign countries; to provide information and consulting service for member enterprises; to refer the requests and opinions of the enterprises to the government and to put forward proposals to the government for the formulation of policies; to supervise and guide the enterprises to abide by laws and regulations in their business activities; to organize the quota bidding for export commodities within the authorization as conferred by competent authorities; to inflict economic punishment upon enterprises who violate the coordinated decisions of the chambers or to offer other punishment recommendations to the competent authorities. And the government has granted the chambers of commerce with the rights of supervision, examination and veto.

A social intermediate service system shall be established so as to give full play to the information service functions of various research and consulting institutions, various academics and associations. In this way, a sound, nationwide information service network can be formed. It is also necessary to set up law firms, accounting and auditing agencies in order to supply the enterprises with services related to foreign trade and to exercise social supervision over the operation of the enterprises.

VIII. Policies Concerning the Absorption of Foreign Capital.

1. Foreign businessmen are allowed to make investment either in the form of physical materials such as currencies, machines, raw materials and transportation tools or in the invisible assets such as industrial properties or proprietary technologies;

2. There is no ceiling for the equities held by foreign businesses in a joint venture and wholly foreign-owned enterprises are allowed to be established;

3. Foreign-invested enterprises are permitted to purchase raw materials and sell their own products directly in the international market. Enterprises are encouraged to export their products and can also be allowed to sell the products in domestic market;
4. Through consultation, either the Chinese or the foreign side of a Sino-foreign equity joint venture or Sino-foreign cooperative joint venture can hold the post of chairman. Foreign-invested enterprises are encouraged to employ local employees and they are also allowed to engage expatriate technical experts and senior managerial personnel;
5. Preferential treatments in taxation, land use and provision of raw materials are offered for foreign-invested export-oriented enterprises or those with advanced technology;
6. Foreign businesses are encouraged to channel funds into the following sectors in accordance with the state industrial policies: (1) projects of agricultural technology development, transportation, energy and important raw materials projects in urgent need by the country;(2) projects which involve the introduction of foreign technologies urgently needed by the country, which may renovate the functions of the products, save energy and raw material, reduce pollution, upgrade the products, explore the international market and expand export;(3)projects involving new equipments and new materials which may fill the void in the country and which are marketable; (4) projects of new technologies and equipments which allow the comprehensive utilization of domestic resources and recycled resources.
7. Foreign investment is restricted in the following sectors : projects which have been developed or to which technologies have been more than once introduced with the production capacity already satisfying the demands in the domestic market or the projects simply involving the assembling with imported parts and components for sales at the home market ; projects involving the production of China's traditional native products and traditional export products and other projects alike. Foreign investment is forbidden in the following areas: projects which involve state security, detrimental to national economy and social development; projects which harm natural environment.
8. Preferential taxation treatments are granted to foreign investment. The main items are as follows:

The National People's Congress, in 1991, adopted the " Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises", and then the State Council enacted the "Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises", which stipulates that the income tax for enterprises with foreign investment is levied at a rate of 30%, local income tax at 3%, totally 33%. The income tax on enterprises with foreign investment established in Special Economic Zones and enterprises with foreign investment established in Special Economic Zones and enterprises with foreign investment of a production nature in the Economic and Technological Development Zones is levied at a reduced rate of 15%.Enterprises with foreign investment of a production nature established in coastal Economic and Technological Development Zones shall be levied at a reduced rate of 24%.Enterprises with foreign investment established in coastal economic open areas, in the old urban districts of cities where Economic and Technological Development Zones are located or in other regions designated by the State Council, within the scope of energy, communication, ports and harbors, wharfs or other projects encouraged by shall be levied at the reduced rate of 15%.

Any enterprise with foreign investment of a production nature, scheduled to operate for a period of no less than 10 years shall, from the year beginning to make profits be exempted from income tax for the first and second year and allowed a 50% reduction in the third to the fifth years.

Export-oriented enterprises with foreign investment may, upon the expiration of the tax exemption and reduction period as provided for In the Tax Law, further enjoy the 50% reduction the corporate income tax based on the rate stipulated by the Tax Law, if the value of their export products of the year exceeds 70% of the total value of products of the year.

Any foreign investor of the enterprises with foreign investment who reinvest its share of profit obtained from the enterprise directly into that enterprise by increasing its capital, or uses the profit as capital investment to

establish other foreign-invested enterprises to operate for a period of no less than five years shall, upon approval by the taxation authorities of an application filed by the investor, be refunded 40% of the income tax already paid on the reinvested portion.

Enterprises with foreign investment shall, to import machinery, equipment, parts and components and the materials needed for the establishment of factories, for the installation and fortification of the machinery and equipments within the total investment value and the added capital amount; to import machinery, equipments, spare parts and components and materials directly used in exploration and exploitation for offshore petroleum cooperative development project and to import parts and components and materials needed for manufacturing offshore oil exploitation machinery and equipments, be exempt from customs duties and value-added tax levied in the import links.

9. While energetically attracting direct foreign investment, China is active in utilizing foreign loans. However, the following principles are to be abided by in raising foreign debts: (1) appropriate size, rational structure and adequate growth. Debts should be controlled in such a size that the annual payment of principal plus interests shall not exceed 20% of the foreign exchange earnings through export and commercial credit shall not exceed 20% of the total debt. (2) Utilization of foreign debt should be commensurate with the industrial restructuring. (3) Attention shall be paid to the utilization efficiency of the foreign debts. Rate of investment return (or the comprehensive economic efficiency) shall be higher than the rate of loan repayment. (4) The overall management over foreign debt shall be strengthened. In order to guarantee the repayment, both the central and local authorities shall gradually establish various levels of redemption fund.

IX. Policies Concerning Foreign Technology Trade.

1. In technology trade, we shall abide by international norms and practices and protect intellectual property rights according to law so as to safeguard the legitimate rights and interests of the cooperative parties. We shall introduce and learn the advanced technology and experience of other countries so as to promote domestic economic development. We shall encourage the active exploration of technology export market and extensively participate in international division of labor in an effort to gradually make China's technology-intensive industries one of the important links of the international industrial technology chain.

2. We shall develop foreign technology trade in various flexible manners. In terms of technology introduction, various ways may be adopted such as licensing trade, cooperative production, cooperative design, technological service, consultancy and importing key equipments and complete plants, while the specific method of introduction will be adopted according to the specific situation. The key point of importing technologies is to renovate the existing enterprises and we encourage the import of techniques of the products designing, processing, manufacturing and production management. In terms of technology export, we encourage the export of mature industrialized techniques.

3. We shall speed up the work of combining trade with scientific research and industrial production so as to establish a new type of scientific research and development system. We shall greatly accelerate the integration of trade with scientific research and industrial production, increase the capital input and scientific research and development and enhance digesting, absorptive and innovative capabilities of the introduced technologies. In this way, scientific research and development can be gradually transformed from being mainly managed by the state to managed by the enterprises. We shall establish a R&D system which is conducive to the industrialization and commercialization of the introduced technologies so as to give the best play to the introduced technology.

4. We shall pay attention to the sophistication and the applicability of the imported technologies so as to yield better economic and social returns through digestion and absorption. By sophistication of the technologies, we mean the sustainability of the technologies and the competitiveness of the products, while the applicability means that the level technologies is commensurate with the general technical level in the country, which can be quickly mastered and implemented.

5. We shall raise funds from various channels so as to support the development of technological trade with foreign countries. In the field of technology import, we shall strive to make use of foreign governmental

loans, mixed loans , export credit , loans from international financial organizations and commercial loans . The state shall place priority on financial arrangement and offer preferential interest rate so as to safeguard the construction of these key projects in urgent need by the nation's economic development. In the field of technology export, the state applies the internationally prevailing credit policy in supporting technology export by establishing seller's credit and buyer's credit for the export of technologies and complete plants. Banks, based on the principle of granting loans, place priority on the financial arrangement for technology export and offer preferential interest rate.

6. Preferential taxation policies are granted to the enterprises engaging in technology trade. In technological introduction, the policy of pegging the introduced technology to technological contents is adopted . And the strategy of introducing technologies mainly for leading industries (machine-building, electronics, chemical industries and so on) is practiced. We shall reduce and exempt the customs duties on the equipment in the contract in accordance with the technical content in the technology import contract; import with high technical content will enjoy more tariff reduction and exemption and vice versa. With regard to the provision of advanced technologies in some important areas such as industry, agriculture, forestry, fishery and animal husbandry by foreign countries, the reduction or exemption of enterprise income tax will be granted. In the field of technology export, those companies and enterprises which import raw materials, components and spare parts needed for technical upgrade and for the export of complete plants and new and high technologies will enjoy preferential treatment according to the relevant stipulations concerning processing with imported materials.

7. The state will mainly rely on legal and economic means to exercise macro control over technology trade and classify the technology trade projects as prohibited, restricted, allowed and encouraged. The state will only apply the guidance plans to major technology import projects which have a bearing upon the economic development and technology export projects which involve significant interests of the country.

8. The combination of technology trade and investment shall be encouraged. Technology may be taken as equity investment to establish joint ventures so as to realize technology transfer. Foreign enterprises, when making investment in China and at the same time bringing in sophisticated technologies, may enjoy various preferences in accordance with relevant laws and relations. It is still in the trial stage for China to make overseas investment and provide the recipient countries with advanced technology. However, China enjoys a promising prospect to develop technology trade in the way of making overseas investment.

X. Policies Concerning Overseas Contracting Projects and Labor Cooperation.

1. China follows the guideline of equality and mutual benefit, pursuing practical results, adopting various ways and seeking common development in developing overseas contracting projects and labor cooperation undertakings.

2. Enterprises which satisfy the following conditions are eligible to apply for the rights in dealing with overseas contracting and labor cooperation: economic entities which exercise independent management, assume independent accounting and be solely responsible for profits and losses;

3. Economic entities equipped with relevant personnel, adequate funds and technology in conducting overseas business activities;

4. Economic entities blessed with the track record and credibility of conducting cooperation with those enterprises already granted with the said rights to develop business activities abroad.

5. China practices an organized manner in dispatching its personnel to undertake overseas contracting projects and labor cooperation. These people will return to China after the fulfillment of the contracts and therefore will not bring social problems or employment pressure to the host country .The government has established the training and examination system for these people and requests departments and enterprises concerned to examine the ethics , technical level and health condition of these dispatched people so as to raise their quality and the government strictly prohibits illegal emigration and unlawful activities by using the channel of official labor service provision .

6. The government shall constantly improve the coordinated administration mechanism, and shall strengthen the coordinated service for the enterprises engaging in overseas contracting and labor cooperation via intermediate organizations such as chambers of commerce .

7. The Chinese government actively supports and encourages the development of overseas contracting and labor cooperation undertakings and has formulated corresponding preferential policies and measures in providing preferential loans , tax exemption or reduction and guarantee.

8. The Chinese government actively supports and guides the enterprises which undertake overseas contracting and labor cooperation to develop various forms of international economic cooperation, to embark on the road of conducting multiple business while centering on one main business line and to stride toward industrialization, conglomeration and internationalization.

XI. Policies Concerning Overseas Investment.

1. China's principle in making overseas investment and setting up enterprises abroad is equality and mutual benefit, pursuing practical results, conducting various forms and seeking common development.

In establishing overseas enterprises. China sticks to the principle of equality and mutual benefit, respects the sovereignty of the host country, does not interfere with the internal affairs of the country and attaches no political conditions. Overseas Chinese-invested enterprises and staff working abroad shall abide by the local laws, respect local customs and habits. The Chinese side shall take full consideration of the possible conditions and the actual needs of both sides and fully exploit their respective advantages and potentiality. The ratio of investment, the way of investment and the manner of conducting business shall be decided in line with the specific conditions of the host country and the cooperative partners so that not only investment partners are able to gain profits, but also China and the host country may achieve direct or indirect economic and social returns through joint investment and joint management.

2. Supportive Policies.

Being a developing country, it is impossible for China to develop large size overseas investment. Currently, the major task is to support and encourage those powerful enterprises to make proper overseas investment based on needs and possibilities.

In a bid to promote export enterprises (referring to foreign trade companies, industrial and trading companies, export-oriented production enterprises, enterprise groupings, enterprises of high and new technologies and other qualified economic entities) to actively tap the international market and raise the competitiveness of the Chinese-made machinery and electronic products on international market, these enterprises are encouraged to set up manufacturing enterprises and service network aimed at export expansion through overseas investment.

Manufacturing enterprises and domestic investors which have sponsored comparatively large amount of development projects of overseas resources or make comparatively large investment abroad may apply to the state banks for preferential loans (including foreign exchanges and Chinese RMB yuan) in addition to raising part of the funds themselves.

Domestic investors, when they receive the share of the after-tax profits (no matter whether China has signed the agreement on the avoidance of dual taxation with the host countries of the overseas enterprises), may retain all the money and are exempted from income tax within five years starting from the date of the establishment of the enterprises and thereafter, shall pay income tax according to tax ratio set by the state.

3. Sectoral Guidance Policies

The industrial orientation of the overseas investment enterprises is decided by the requirement of China's economic development and international economic environment. The overseas Chinese-invested enterprises shall generate more foreign exchange earnings for the country, participate in international competition and

division of labor and bring benefits to the development of the national economy. Overseas investment in the following sectors is encouraged at present: manufacturing sector of the processing and assembling type, development of natural resources, development of high technologies and sciences, contracting projects and service sector.

XII. Policies concerning Foreign Assistance.

The Eight Principles governing foreign assistance are the fundamental principles in China's foreign assistance. In July of 1979, Comrade Deng Xiaoping pointed out: " We should give positive assessment to the previous assistance offered to the third world. Though China has economic difficulties, we still must earmark certain necessary amount of foreign assistance appropriation and we shall keep this in mind. In providing foreign assistance, we should persist in the eight principles which we have had. Basically, the eight principles remain to be our foreign assistance guidelines, but some modifications must be made on the specific methods so as to truly benefit the recipient countries. ¶ These Remarks have set forth correct guidelines for the development and reforms of the foreign assistance in the new period.

In the new period, the principle of China's foreign assistance is to help recipient countries develop small and medium-sized projects which can meet the local needs and can be supported by local resources and to make a combination of developing bilateral and multilateral economic and trade relations as well as mutually beneficial cooperation. In this way, we can make the foreign assistance appropriations generate greater returns for the recipient countries so as to achieve common development for these countries and China. This can be manifested in the following aspects:

1. Diversification in providing Foreign Assistance. We shall, based on the real situation, different conditions and different needs in different countries, provide foreign assistance funds with different contents in different ways and of different nature to different recipient countries while taking into consideration the capabilities of our country. The governments of the recipient countries are permitted to re-lend the loans granted by the Chinese government to enterprises cosponsored by the two sides or just by one side.
2. In accordance with the requirements of the recipient countries, we shall discuss with them to select those small and medium-sized projects which they can construct and operate and which are commensurate with their economic development, e.g. industrial and agricultural production projects, processing and assembling projects, commodity distribution centers, bonded warehouses and department stores, etc. We encourage enterprises from both sides to establish equity or cooperative joint ventures in production projects, and we should strengthen various forms of technical assistance.
3. The provision of material assistance to foreign countries should serve the development of the foreign trade market apart from serving the purpose of disaster relief. We should ensure the quality of the assistance materials and offer a good service after the provision. We should both meet the needs of the recipient countries and bring benefits to the expansion of bilateral trade.
4. We shall support foreign trade, overseas investment and other forms of mutually-beneficial cooperation. Apart from relending governmental loans to the enterprises, certain amount can also be appropriated from fund for foreign assistance to support, in the form of credit, Chinese enterprises to establish joint ventures and undertake overseas projects in the developing countries. The assistance fund can also be used in the cooperation in resource survey or the prospecting and design of the projects.
5. We shall continue to adopt flexible and timely forms of foreign assistance and provide small volume of grant (material, technical assistance and small projects) to the recipient countries so as to help them surmount certain difficulties.
6. We shall strengthen multilateral cooperation. We can combine some aid fund with the funds from UN and other multilateral development institutions in order to carry out economic and technical cooperation in developing countries.

7. The ways and practices in foreign assistance shall both carry our own characteristics and be consistent with the internationally prevailing practices and rules. The contents of the contracts of assistance in the form of projects and materials shall be in line with the international norms so that different recipient countries will be willing to accept.

8. The recipient countries are allowed to repay our loans in various forms.

XIII. Policies on International Trade and Economic Cooperation.

1. With regard to the relations with international organizations for multilateral economic and trade cooperation, our principle is to strengthen trade and economic contacts with all members of international multilateral organizations on the basis of mutual respect, equality and mutual benefit so as to promote common development. WE are of the view that economic development and common prosperity can not be achieved without constantly strengthened cooperation and coordination as well as exchange of needed goods and complementing each other on the basis of equality and mutual benefit. We shall strictly abide by this principle in the relevant activities in GATT, WTO, UNCTAD and APEC.

2. With regard to the development of regional blocs in the world economy, it is our view that regional economic blocs should be open rather than exclusive and be conducive to the establishment of a new international economic order. Given the different conditions in the countries and regions, it is impossible to have just one form of cooperation, the countries and regions concerned may choose a suitable mode of cooperation in the light of their actual conditions. We are willing to consult with the countries concerned and carry out various forms of regions economic and trade cooperation according to the needs and possibilities.

3. With respect to the resumption of china's GATT contracting party status, China is willing to enjoy the equal rights that it is entitled to and to perform the obligations commensurate with the level of economic development in China along with other contracting parties on the basis of balance between rights and obligations. Our purpose is to, through the participation in multilateral trade system, introduce proper competition mechanism into our country, deepen the reform of the domestic economic and trade system, promote the development of domestic industries, create a more favorable and stable international trade environment for the development of China's foreign economic relations and trade and the establishment of a new world economic order. In the light of these principles and targets, while bearing the obligation to open more domestic market, we will also demand our trading partners to reduce and eventually eliminate those discriminatory tariff and non-tariff measures against China, reduce trade barriers and improve the environment for China's foreign trade.

4. The Asia-Pacific region is the most dynamic region in the world economy today. As a member in APEC, China attaches great importance to the activities of this Organization. In November 1994 at the informal meeting of APEC leaders held in Bogor, Indonesia, President Jiang Zemin clearly stated that diversity and interdependence were the reality of the Asia-Pacific region. Based on this perception, he put forward five principles for the future development of economic cooperation in the Asia-Pacific region, which are mutual respect, consensus through consultations; progressive and steady development; openness to each other and non-exclusion; extensive cooperation and mutual benefit; narrowing differences and achieving common prosperity. These five principles are also China's principles for dealing with other regional economic organizations. APEC should be an open, flexible and pragmatic forum and a consultative body and not an inward-looking economic and trade bloc. The Asia-Pacific countries and regions should open their markets to each other and to the rest of the world as well.

5. China's principle for bilateral and multilateral assistance is "give and take". In 1982, we began to receive the economic assistance from some developed countries and international organizations. We shall take into consideration the capacity of the donor countries and our priority needs in the economic construction and do our utmost to obtain more grants and advanced technologies so as to promote the economic development in our country. At the same time, we shall provide assistance to other countries within our capacity through international organizations.