

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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Yu. V. Bilan, Doctor of Economics,
Associate Professor,
O. M. Yatsenko, Doctor of Economics,
Professor,
V. S. Nitsenko, Doctor of Economics,
Associate Professor

Ю. В. Білан, д. е. н.,
доцент,
О. М. Яценко, д. е. н.,
професор,
В. С. Ніценко, д. е. н.,
доцент

**GLOBAL DOMINANTS FOR THE
DEVELOPMENT OF CHINA'S TRADE POLICY:
OPPORTUNITIES AND THREATS
FOR CO-OPERATION WITH UKRAINE**

**ГЛОБАЛЬНІ ДОМІНАНТИ РОЗВИТКУ
ТОРГОВЕЛЬНОЇ ПОЛІТИКИ КИТАЮ:
МОЖЛИВОСТІ ТА ЗАГРОЗИ
ДЛЯ СПІВПРАЦІ З УКРАЇНОЮ**

Part 2. Modernization of China's trade policy

**Частина 2. Модернізація торговельної
політики Китаю**

Urgency of the research. Effective foreign trade policy of China and its accession to the WTO have had a positive impact on the country's integration into the global economy and have provided China with world leadership in terms of the main trade indicators in recent years.

Target setting. Trade policy of the People's Republic of China plays a leading role in economic development of the country, despite its contradictory nature.

Actual scientific researches and issues analysis. The works of V. Kiktenko, O. Oliynyk, K. Frennd, L. Chen and others are devoted to the issues of economic development of China and its place in the world economy.

Uninvestigated parts of general matters defining. At the theoretical level, insufficient attention has been paid to the issues related to the modernized trade policy of the PRC.

The research objective. The aim of the work is to investigate the current state of trade policy of the People's Republic of China.

The statement of basic materials. Trade policy of the country is characterized by the use of tariff and non-tariff instruments. The customs duty of China includes the MFN rates, contractual tariff rates, special fares, general tariff rates, tariff quota rates, and temporary duties. Import and export licensing holds an important place among the non-tariff instruments of China's trade policy. It should be noted that China also introduces general restrictions on export and those which are country-specific.

Conclusions. China's foreign trade policy goes through the period of modernization towards greater liberalization, pluralism and transparency. The protection of national interests are becoming more and more analogous to those of the leading countries of the world, it is characterized by hierarchically lined state and business institutions and takes into account the economic and political interests of stakeholders. At the same time, the role of China as a trade partner for the most of the countries increases.

Keywords: China; trade policy; tariff and non-tariff instruments.

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Актуальність теми дослідження. Ефективна зовнішньоторговельна політика Китаю та вступ до СОТ позитивно вплинули на інтеграцію країни у глобальну економіку та забезпечили світове лідерство за основними торговельними показниками протягом останніх років.

Постановка проблеми. Торговельній політиці КНР належить провідна роль в якості інструменту економічного розвитку країни, незважаючи на її суперечливість.

Аналіз останніх досліджень і публікацій. Питанням економічного розвитку Китаю та його місця в світовій економіці присвячені роботи В. Кіктенка, О. Олійника, К. Френда, Л. Чен та ін.

Виділення недосліджених частин загальної проблеми. На теоретичному рівні не достатньо уваги приділено питанням модернізованої торговельної політики КНР.

Постановка завдання. Метою роботи є дослідження сучасного стану торговельної політики КНР.

Виклад основного матеріалу. Торговельна політика країни реалізується за допомогою тарифних і нетарифних інструментів. Митний тариф Китаю складається зі ставок РНС, договірних тарифних ставок, спеціального пільгового тарифу, загальних тарифних ставок, ставок тарифної квоти та тимчасових мит. Серед нетарифних інструментів торговельної політики Китаю важливе місце займають ліцензування імпорту та експорту. Слід також зазначити, що Китай вводить загальні обмеження на експорт, а також залежно від країни призначення.

Висновки. Зовнішньоторговельна політика Китаю проходить період модернізації у бік більшої лібералізації, плюралізму та прозорості. Захист національних інтересів стає все більш подібним до аналогів провідних країн світу з ієрархічно вишикуваними державними і бізнес інституціями та врахуванням економічних і політичних інтересів стейкхолдерів. Одночасно зростає вагомість КНР як торговельного партнера більшості країн світу.

Ключові слова: Китай; торгова політика; тарифні і нетарифні інструменти.

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

Urgency of the research. The dynamization of the global competitive environment is due to the growing role of trade and to the use of multilaterally agreed rules of international trade and the mechanisms of policies' formation and implementation. According to Jeffrey Sachs' estimates, nowadays international trade accounts for 80% of all international economic relations [14]. He notes that the economic success of any country directly depends on the level of development of its foreign trade. Still, no country has succeeded in creating a competitive economy and a developed society, being isolated from the world economic system. In 2014 the share of 10 leading countries in total World trade was 51%, during the same period, the share of developing countries has increased to 41%, and the volume of trade in goods of the WTO member countries was 18.0 USD trillion. Nowadays, World export of goods is 19.00 USD billion. In the United States, in 1995 the same indicator was 5.17 USD bn, and in 2005 – 10.51 USD bn. The leading World exporters and importers are the United States, the EU and China [15-17].

The same trade policy provides countries with effective levers to mitigate the potentially negative effects of liberalization of trade and economic relations, first of all, due to the possibility of mitigating socio-economic problems and of eliminating distortions of the competitive environment, which in turn promotes the emergence of wider and more various tools for using the benefits from participating in the international division of labor, and for ensuring the implementation of national economic interests [10].

The characteristic feature of China's development as a world trade leader was the foreign trade policy that determined the external economic position of the State and led to the country's intra-economic transformation.

Target setting. These features evoked a scientific interest in studying the mechanisms of China's trade policy in the context of rules of modern global trading system, as it is currently quite controversial. Currently, China's foreign trade policy is undergoing a period of modernization towards greater liberalization, pluralism and transparency. Protection of national interests is becoming more and more analogous to those of the leading countries of the world, and it is characterized by hierarchically lined state and business institutions and takes into account the economic and political interests of stakeholders.

Actual scientific researches and issues analysis. The works of I. Burakovsky, A. Kireev, P. Krugman, T. Melnyk, V. Sidenko, T. Tsygankova, A. Shnirkova and others are devoted to the problems of international trade policy under the conditions of economic globalization. The ambiguity of socio-economic problems caused by economic liberalization is covered in the works of such researchers as: L. Antonyuk, O. Bilorus, A. Galchinsky, V. Heyets, I. Guzhva, D. Lukyanenko, S. Sidenko, A. Filipenko and many others. The diverse aspects of China's economic development and its place in the global economy are considered in the researches of such domestic and foreign authors as: B. Balling, M. Amatey, J. Berger, E. Gobov, A. Goncharuk, Din Dzhundzhun, A. Kaidal, V. Kiktenko, O. Koval, M. Kovalev, S. Koshovoi, V. Mikheyev, O. Oliynyk, V. Novik, V. Polyakov, E. Preseda, A. Prikhodko, K. Friend, L. Chen, A. Shkarpova, R. Schenina et al.

Uninvestigated parts of general matters defining. Despite numerous theoretical studies, insufficient attention has been paid to the issue of modernized China's trade policy, which has a decisive impact on the global economy. These questions require additional scientific research and conduce the logic of the article.

The research objective. The aim of the work is to investigate the current state of China's foreign trade policy, in particular, the use of tariff and non-tariff instruments and mechanisms in regulating international trade in the context of the global trading system functioning.

The statement of basic materials. The approaches to the determining the essence of trade policy, and therefore the range of issues that it deals with, gradually changed alongside with the development of economic and political thought of society. Initially, trade policy focused exclusively on the regulation of export-import flows. It was directly linked to the domination of the mercantilist ideas in the world. They focused much attention on the area of trade in goods. Later on, with the transition of economic relations to a new level, the growing number of transactional international agreements, the emergence of a network of transnational corporations, the issue of trade policy of the country began to affect other related areas – finance, consumption and production, redistribution of human flows be-

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

tween countries [4]. There is no single definition of trade policy, but countries implement it, first of all, through the use of tariff and non-tariff instruments. China is not an exception [1; 3; 5-7].

The concept of foreign trade management of the People's Republic of China was set out in the Regulation on the Provision of Import and Export in Goods in the People's Republic of China. This Regulation was adopted on the eve of China's accession to the WTO and reflected a number of agreements reached during a number of years of negotiations with this international organization. The third article of the Regulation clearly indicates that the State controls the import and export in goods [8]. The regulatory role of the State has affected the creation of favorable rules for export-import operations, which allowed the Chinese economy being systematically developed. State control over the development of a rapidly growing economy is an important component of government policy even at the current stage [9]. The State regulation system aimed at the development of the economy foresees several tasks: to create opportunities for foreign trade activities for all corporations, as well as, to encourage all corporations that produce in China to develop their foreign trade activities [10]. A huge amount of work is being done in the framework of these principles. All Chinese society is interested in it, and at the same time practically everyone is involved in the implementation of these programs. Despite the meticulous control over the activities of entrepreneurs, the regulation of trade policy is not very rigid.

The Chinese customs tariff consists of MFN rates, contractual tariff rates, special fares, general tariff rates, tariff quota rates, and temporary duties [3, p. 49]. The MFNs rates are most widespread. They are much lower than the general rate. The following goods are subject to this duty: those imported to China from the WTO member countries; those imported from countries that have bilateral trade agreements with China and have the most-favored-nation (MFN) regime; goods originating in China. The distribution of China's use of the MFN tariff has not changed significantly since the last review in 2015, as China's trade policy review is taking place every two years. The MFN tariff in China contains 54 different tariff rates for ad valorem duties, which range from 0% to 65%. About 40% of all tariffs in the range from 5% to 10% also did not change from 2011 and 2013 (Fig. 1).

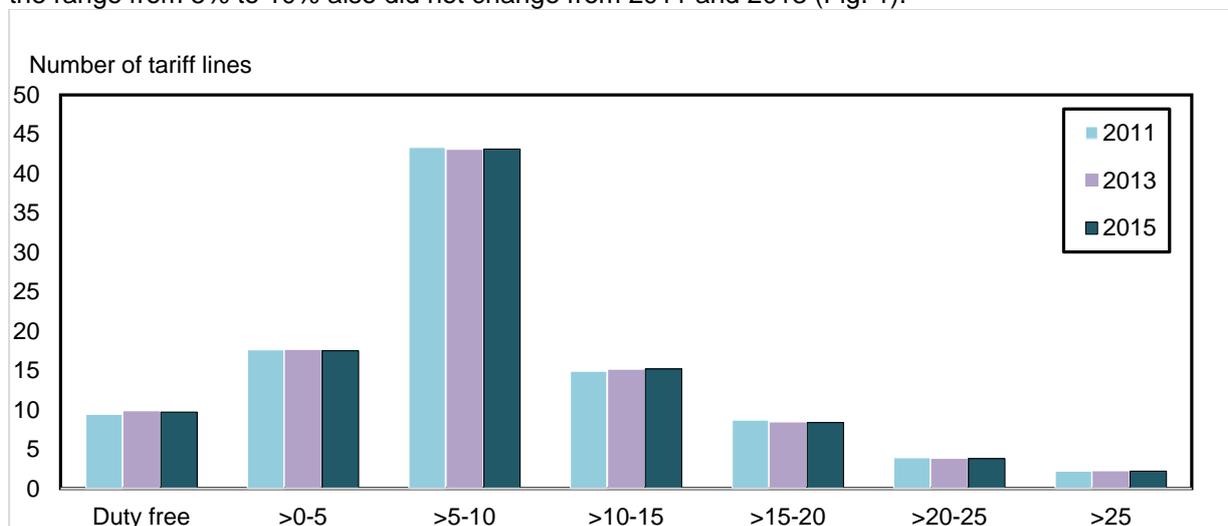


Fig. 1. Distribution of Most Favored Nation (MFN) tariffs in China, 2015

Source: [7, p. 51] on the materials of the WTO Secretariat's calculations, based on data provided by the Chinese authorities

Contractual rates apply to imports from countries and customs territories China has preferential trade agreements with. The special preferential tariff applies to imports from the least developed countries China has trade agreements (Ethiopia, Afghanistan) with. General tariffs apply to products whose origin can not be determined, as well as to products from countries that do not have bilateral trade agreements with China or which are not WTO members; and to some areas of the EU Member States.

Sometimes China imposes temporary duties on some imported goods. So, in 2013, in order to boost imports and to meet the domestic demand, China has set temporary tariffs lower than the MFN

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

customs duties for more than 780 types of imported goods, such as: seasonings, pacemakers, special mixtures of dried milk for children, as well as, white clay, alfalfa and fluff. If a country appears in several lists at the same time, and several tariff rates may be applied to it, the most favorable rate for the country is chosen [3]. China's average customs tariff for 2011-2015 is presented in Tab. 1.

Table 1

Average customs tariff in China, %, 2011-2015

Product group	Year		
	2011	2013	2015
All products	9.5	9.4	9.5
agricultural	15.1	14.8	14.8
non-agricultural	8.6	8.6	8.6

Source: [3, p. 50]

After having analyzed the dynamics of the average customs tariff in 2011-2015, it is worth noting that this rate remained practically unchanged from 2011 and equated 9.5% in 2015. The tariff was higher for agricultural products. In 2011, it was 15.1%. A slight decrease occurred in 2013, and the same average tariff for agricultural products remained in 2015. The average customs tariff for non-agricultural products remained unchanged.

Goods exempted from import duties are: goods from one batch of goods with the estimated value of less than 50 Yuan; promotional materials and samples that do not have commercial value; goods and materials provided by international organizations or foreign governments; goods that have been damaged before customs clearance; goods intended for sale in free trade areas and in zones of production of goods for export [3, p. 53].

Among the non-tariff instruments of China's trade policy, import and export licensing is important. It should also be noted that, according to the WTO Secretariat's Report on the Trade Policy of the People's Republic of China from 2016, China has not introduced any import quotas for the period 2013-2014. China applies the import licensing regime with three types of licenses: automatic licenses, non-automatic licenses and certificates of tariff quotas. For some products (e.g. cars, electrical appliances), the license is issued automatically to all applicants, and it is used for more accurate import tracking. In other cases, the license is not automatic. Such non-automatic import licenses are used to control the import of dangerous goods and to impose tariff quotas (the two-stage tariff is foreseen, where the right to pay a lower import tariff is granted for a specified number of goods).

The type of license depends on the type of imports, which may be unlimited, limited and prohibited. Automatic licensing helps you keep track of import volumes that are unlimited. As a result, there are no quantitative restrictions on the import of goods subject to automatic licensing. Automatic import licenses are valid for the period of six months and are not subject to transfer. Non-automatic licenses or quotas are issued for goods which are subject to limited imports. Goods which are subject to non-automatic licensing are listed in the Import Licensing Catalog issued by MOFCOM, then by the GACC, as well as by the Directorate General for Quality Control, Inspection and Quarantine (AQSIQ).

In 2015, the Catalog of Restricted Import Licensing Products contained 89 tariff rates, while in 2013 – 87 (Fig. 2). During 2013 to 2015 non-automatic licensing was used mainly for cars and electronic equipment. There were 365 goods in the Catalog of prohibited import goods [3, p. 56].

From the chart above, it can be concluded that automatic import licenses are most often issued for the import of transport equipment and the import of animal and vegetable fats. There are also a large number of them issued for the import of livestock, mineral products and machinery and electronic equipment. Imports of leather, leather goods, textiles and clothing, plastic and rubber goods require only a non-automatic licensing.

Like restrictions on imports, the State may restrict or prohibit exports in order to support national security and public morals, to protect human beings, animals and plants, the environment, non-renewable natural resources that are in short supply or are requiring "effective protection".

The Ministry of Trade of the People's Republic of China, in cooperation with other relevant departments, develops and issues the Catalog of goods of restricted or prohibited export. This Catalog was last updated in 2008. In this view, the products subject to the export ban remain unchanged from

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

2013. The export ban applies to products such as: bezoara, musk, black moss, some plants, ivory, natural sands (HS chapter 25), asbestos, halogenated derivatives of hydrocarbons, organic chemicals (HS chapter 29), non-chemically treated fertilizers; rough wood and some platinum products [7].

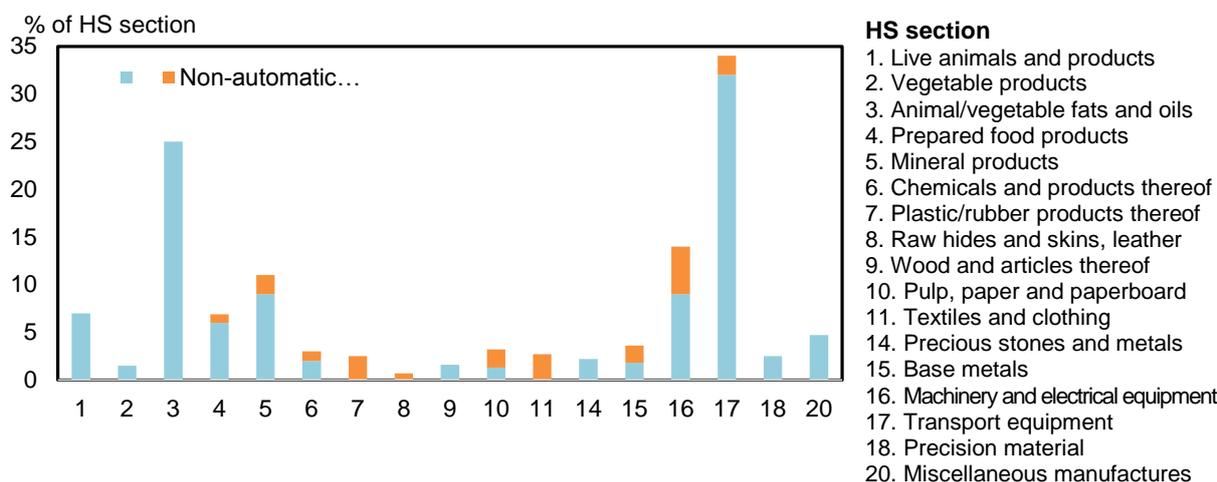


Fig. 2. Licensing of imports into China by product structure, 2015

Source: [3, p. 56] according to WTO calculations based on data provided by the authorities; and the Ministry of Environmental Protection online information

Export restrictions may take the form of quotas and/or licenses.

China imposes general export restrictions, as well depending on the destination country. General export quotas apply to 193 tariff lines [3, p. 74-75]. Goods subject to export quota include: rice, corn, wheat, cotton, coal; wheat flour; cornflour; rice flour; lumber; live cattle, pigs and chickens (for export to Hong Kong and Macao); crude oil; refined oil; trumpet; tin products; silver; indium and phosphate; magnesium oxide.

Recently, as of 01.01.2015, China has withdrawn export quotas for rare earths. They include a group of 17 elements such as: lanthanum, scandium, yttrium, and also lanthanides. They are used in the manufacture of smartphones, chips, electric motors, space industry, and high-precision weapons. For almost 10 years, China possessed an actual monopoly on these important strategic raw materials. The reason for this decision was the WTO requirements, according to its rules export restrictions under free trade should not exist. In addition, the WTO has received a lot of complaints about excessive prices for these products. The Chinese authorities explained the rigorous measures used in quotation of rare earths as necessary for the protection of the environment and Chinas' natural resources (when they are extracted, many toxic substances are released into the atmosphere). The WTO, however, saw it as a violation of international competition law [6].

In order to control the movement of products across the border, the Ministry of Trade of the People's Republic of China has introduced a system of mandatory licensing, inspection and quarantine. That is why, during the customs inspection, it is necessary to have documents confirming the permission of products' import or export obtained from state structures, as well as, if necessary, licenses for the goods. In the absence of a license for goods belonging to the category of products subject to mandatory licensing, the customs will be forced to refuse registration of the declaration and passage of the goods through the state border.

The Ministry of Commerce of China splits all products into 3 main categories: 1) goods banned for exports and imports (there are about 1100 items, including: chemical products, previously exploited equipment, as well as industrial and chemical wastes that potentially cause damage to the environment); 2) goods requiring mandatory licensing and quotation; 3) goods exported and imported without special restrictions [11].

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

It should be noted that only the producer of the product, which has the right to conduct foreign trade activities, can obtain an export license. Goods subject to licensing are: cattle, pigs and chickens (except for Hong Kong and Macao markets); fresh chilled beef, pork and chicken; frozen beef, pork, and chicken; bauxite rare earths; paraffin; tungsten; carborundum; platinum; some metals and metal products; molybdenum and products from it; natural sand; oil and its products (lubricants); citric acid; penicillin of industrial salt; vitamin C; sulfuric acid; sulphate of disodium; motorcycles, engines and frame; mototechnics; substances that destroy the ozone layer, aluminum oxide, coke, tungsten products, silicon carbide, manganese and fluorite [3, p. 76].

There are a lot of complaints in world practice regarding illegal export subsidies practiced by China. If we look at recent cases, in 2016, the United States has appealed to the WTO with a complaint about the illegal subsidization of rice, corn and wheat producers in China, as well as about the support to the agro-industrial complex in general [12]. The USA states that Beijing has exceeded the WTO-approved subsidy threshold for rice, wheat and maize producers by 100 USD bn in order to stimulate national production growth. The Chinese government has set prices for wheat, maize and rice far above the market level, which has led to unfair government subsidies that violate WTO rules. According to the American wheat trade groups, Beijing's price support guarantees Chinese farmers the price of wheat at about 10.0 USD per bushel versus 3.30-3.90 USD per bushel in the USA. The American authorities have argued their complaint that these programs distort prices in China, undermine the work of American farmers and violate the commitments that China has agreed to adhere to the WTO.

China agreed to complete the program, which provided State support for Chinese companies' exports, only after the next USA complaint to China in 2016, according to the announcement of the Office of the United States Trade Representative (USTR). It concerned with seven business sectors: textile products – clothing and footwear, modern materials and metals, light industry, specialty chemicals, medical products, hardware and building materials, agriculture [13]. This happened in 2016, a year after the United States filed a complaint against the Program to the World Trade Organization (WTO), accusing Beijing of providing "dishonest, forbidden subsidies to a large group of Chinese manufacturers and suppliers" [5]. An agreement with China to stop exporting subsidies should provide the necessary transparency, which create a solid basis for accurate monitoring and confirmation that the terms of the agreement are respected.

It should be noted that the above program included subsidies for the export of metals, including special stainless steel and aluminum. The question of subsidizing stainless steel was particularly controversial due to the extremely powerful Chinese potential in its production, which put pressure on other suppliers' prices. According to the USTR estimates, over three years (2013-2016), Chinese suppliers, having been subsidized for the production of goods for export, received more than a billion of USD from their government.

China is actively using technical regulation, that is the methods of trade protection that arise in order to provide the national technical, administrative and other rules and regulations arranged in such a way as to prevent the import of goods that can compete with national producers inside the country [11]. The application of technical barriers is due to the objective requirements of mass industrial production, safety considerations, health care, environmental protection and other similar reasons. The key clause of the Agreement on Technical Barriers to Trade of the WTO (Article 2.2) indicates that WTO members should ensure that technical norms, standards and rules are not used in such a way as to create barriers to international trade that exceed those which may arise in their common use for the purposes for which they were created [8].

In China the most common technical barriers are: 1) the compliance with national standards; 2) the receipt of certificates on quality of imported products; 3) the specific packaging and labeling of the goods; 4) the observance of certain sanitary-hygienic norms; 5) the observance of complicated customs formalities [3, p. 62].

The main technical barrier used by China against other countries, especially the EU member states, is the requirements for compliance with national standards. The system of standards in China is based on the model of the former Soviet Union. Prior to the adoption of the Standardization Act, all standards in China were mandatory. In accordance with the Standardization Act, standards are divid-

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

ed into two types: mandatory and voluntary. At present stage, only a few countries use this model, including Vietnam, Cuba and North Korea [12].

Currently, technical regulations in China are in force in the form of a resolution, order and mandatory standard, and the mandatory standard is the main form. Following the accession of China to the WTO, there is a similar situation: voluntary standards have appeared, but are almost not used. Mandatory standards cover such areas as: protection of human health and safety, animal and plant safety, and the protection of the environment. This raises many problems due to the fact that the standard and technical provisions differ in terms of law, design, content and copyright protection [3, p. 62].

China has cleared the list of national standards by reducing the number of mandatory standards. However, the organization, the order and the principle of development, content and copyright protection of the standard differs from those of these provisions. In this case, the system of standards becomes part of the legal system of the nation, because the mandatory standards are considered in the PRC as technical provisions. Organizations such as the Technical committee, the Institute and the association of standardization, represent the interests of individuals, become organizations for the development of legislation. In addition, the technical provisions must be communicated to the public, so that it can be viewed on the website of the government or the media. However, PRC standards are copyrighted, and people are forced to pay for the access to them [12].

The priority direction of China's economic diplomacy is to strengthen its influence in regional economic organizations such as ASEAN, the Shanghai Cooperation Organization (SCO), the South Asian Association for Regional Cooperation (SAARC), the Asia-Pacific Economic Cooperation (APEC), the East Asian Community (EAC), Asian Development Bank (ADB), BRICS. China is also actively using such a format of economic cooperation as the Asian International Forum in Boao, which sessions are held on annually basis in April on the Island of Hainan. China has entered into free trade agreements with many countries in the region, including Singapore, Macao, Hong Kong, New Zealand, Pakistan, to strengthen its economic position in the Asia-Pacific region. China also believes that strengthening cooperation with South Africa is a factor of promoting the development of relations between China and the whole Africa [3, p. 128].

Over the past few years, the People's Republic of China has been actively involved in all types of trade liberalization initiatives. At the multilateral level, China is actively advocating the speedy conclusion of the DPR negotiations (Doha Development Plan). China has also joined talks on liberalization of IT products (ITA) and environmental goods (EGA) and is negotiating accession to the GPA (WTO Agreement on Government Procurement).

At the regional level, China has been actively promoting the economic partnership with ASEAN and has begun the establishment of the Free Trade Area of Asia-Pacific (FTAAP) [11].

At the moment, China has already signed 13 Free Trade Agreements and is negotiating with 8 other countries, including such important countries as Australia and Korea. China has also begun unilateral liberalization through various pilot free trade zones in Shanghai [2].

Among all these initiatives, China has always emphasized that the multilateral trading system at the WTO level remains the "foundation" and the "main channel" for trade liberalization and simplification of procedures [29]. Thus, it is expected that China will continue to play an active role, and is likely to play a leading role in the WTO, given its economic and trade potential.

Conclusions. China has been at the forefront of key trade indicators over the past few years, with the country's entry into the World Trade Organization at the beginning of the 21st century and its integration into the global economy.

The trade policy of the People's Republic of China is implemented through tariff and non-tariff instruments. The Chinese customs tariff consists of the rates of the MFN regime, the contractual tariff rates, the special tariff preferences, the general tariff rates, the rates of the tariff quota and the temporary duties. The fees for the most-favored nation countries are the most common. The average customs tariff in China remained almost unchanged, during 2011-2015, and in 2015 it was 9.5% for all commodities, 14.8% for agricultural products and 8.6% for non-agricultural goods.

Among the non-tariff instruments of China's trade policy, import and export licensing is the most important. China applies the import licensing regime, which includes three types of licenses: automatic

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

licenses, non-automatic licenses, and tariff quota certificates. The type of license depends on the type of import, which may be unlimited, limited and prohibited. China also has a system of mandatory licensing of exports, inspection and quarantine. There are three main categories of goods: prohibited for export; those that are subject to mandatory licensing / quotation; those that are exported without special restrictions. It should also be noted that China introduces general export restrictions, as well as country-specific.

The economic diplomacy of the People's Republic of China marked a strategic direction in enhancing influence in regional economic organizations such as ASEAN, the Shanghai Cooperation Organization (SCO), the South Asian Association for Regional Cooperation (SAARC), the Asia Pacific Economic Community (APEC), the East Asian Community (SAS) Asian Development Bank (ALB), BRICS. In order to strengthen China's economic position in the Asia-Pacific region, the government has entered into free trade agreements with many countries in the region, including Singapore, Macao, Hong Kong, New Zealand, Pakistan. The cooperation with Africa plays an important role; it is realized through the strengthening of China's cooperation with South Africa. At the regional level, China has been actively promoting the economic partnership with ASEAN and has begun the establishment of Asia-Pacific Free Trade Area (FTAAP). Currently, 13 free trade agreements have been signed by the country.

China takes an active part in all WTO initiatives on trade liberalization and procedures simplification. It is likely that China will play a leading role in the WTO, along with the leading countries of the world, given its trade and economic potential.

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**Білан
Юрій Валентинович**

доктор економічних наук, доцент, доцент кафедри управління трудових ресурсів, Тренчанський університет Олександра Дубчека;
<https://orcid.org/0000-0003-0268-009X>;
Researcher ID: B-3119-2012;
E-mail: jurij@wneiz.pl;

**Bilan
Yuriy Valentynovych**

Doctor of Economics, Associate Professor, Associate Professor of the Department of Management of Labor Resources, Alexander Dubcek University of Trencin;

**Яценко
Ольга Миколаївна**

доктор економічних наук, доцент, професор кафедри міжнародної торгівлі і маркетингу, Київський національний економічний університет імені Вадима Гетьмана;
<https://orcid.org/0000-0003-4399-2217>;
Researcher ID: C-4187-2018;
E-mail: yacenkooolgakneu@gmail.com;

**Yatsenko
Olha Mykolaivna**

Doctor of Economics, Associate Professor, Professor of the Department of International Trade and Marketing; Kyiv National Economic University named after Vadym Hetman;

**Ніценко
Віталій Сергійович**

доктор економічних наук, доцент, професор кафедри бухгалтерського обліку, аналізу та аудиту, Одеський національний університет імені І. І. Мечникова;
<https://orcid.org/0000-0002-2185-0341>;
Researcher ID: J-9213-2017;
SPIN-код: 8299-8368;
E-mail: vitaliinitsenko@gmail.com;

**Nitsenko
Vitalii Serhiiovych**

Doctor of Economics, Associate Professor, Professor of the Department of Accounting, Analysis and Audit, Odessa I.I.Mechnikov National University;