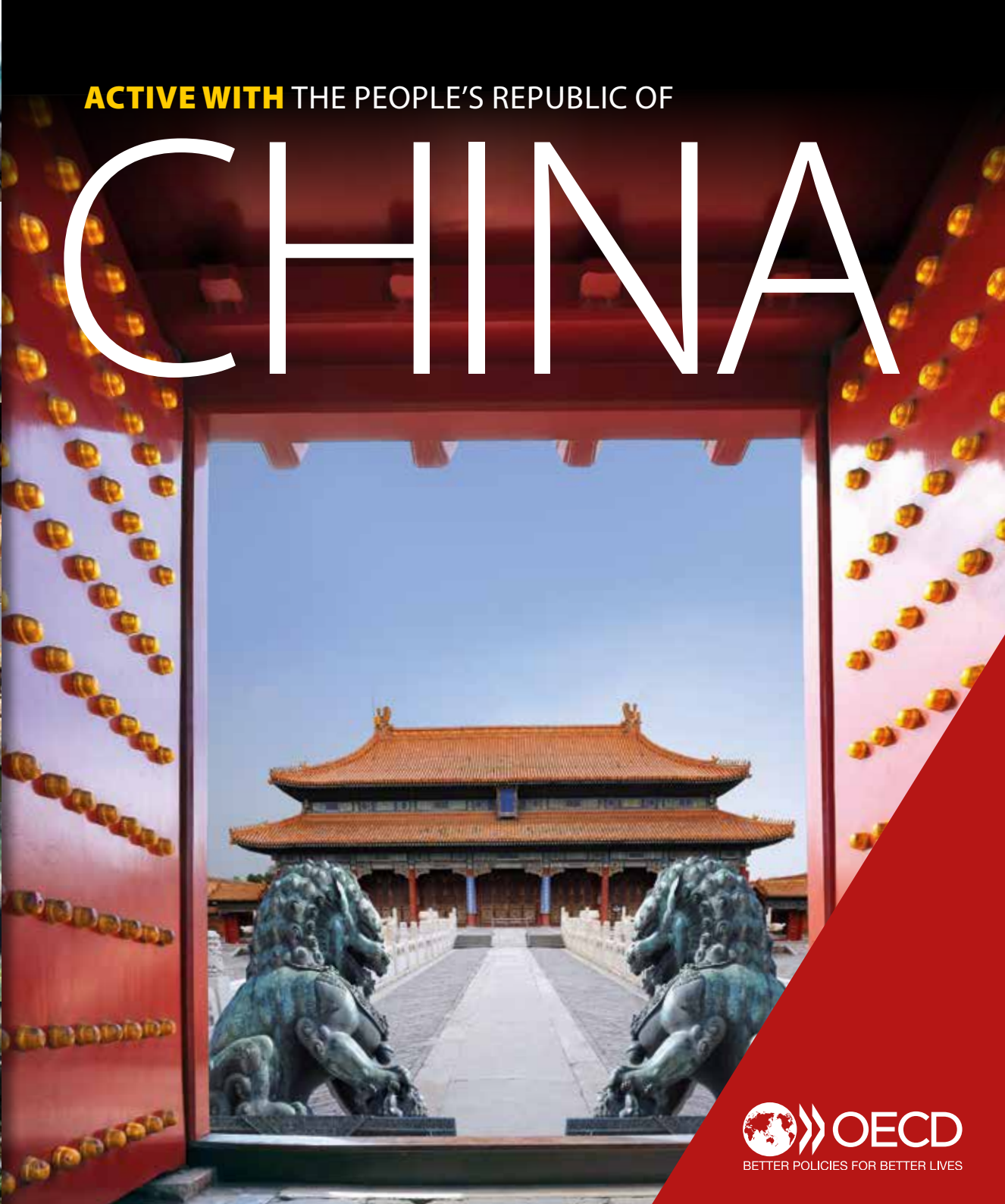


ACTIVE WITH THE PEOPLE'S REPUBLIC OF

CHINA



China and the OECD

A mutually beneficial partnership



China is the world's largest economy (in PPP terms) and the most important contributor to global GDP growth, with a contribution of 1% out of a total growth rate of 3.6% in 2017. The emergence of this continent-sized economy has entailed a growing and systemic interdependence between China and OECD countries. The recently concluded Party Congress announced a set of priorities, including: becoming a moderately prosperous society by 2020, completing the work on basic modernisation by 2035 and evolving into a well-developed country by 2050. The leadership also announced ambitious measures to open up the economy and confirmed its intention to advance international agendas such as the Sustainable Development Goals and the fight against climate change. These developments are occurring against the background of a renewed international dialogue on competitive neutrality issues and the need to level the playing field globally.

In this context, the OECD's co-operation with China is more important than ever. Building on more than twenty years of fruitful engagement, including in the support of China's G20 Presidency in 2016, the partnership between the OECD and China further deepened in 2017. Our collaboration has continued to progress and deliver on a wide array of policy issues and in support of China's evolution towards a more efficient, inclusive and ecologically sustainable development model. Joining forces in the context of the G20 has advanced the global agenda in important fields such as international tax co-operation and excess capacity in the steel sector. Moreover, engagement with OECD committees provides a multilateral platform to discuss China's unique policy experience, thus enriching the work of the OECD and increasing its global relevance and impact. Last but not least, our co-operation paves the way for China to adhere to OECD legal instruments aiming to make globalisation more inclusive and sustainable going forward; while the Organisation's peer review work and benchmarks also help to monitor policy developments in China and support our constructive dialogue.

The OECD takes pride in its partnership with China. This brochure provides an overview of the scope, depth and richness of our joint work on a broad range of policy challenges. We remain committed to our close engagement with China in order to keep learning from each other, sustain inter-connected growth and ensure that everyone can share the benefits of globalisation. Looking ahead, we will continue to share our experiences and policy platforms to support China's transformation and its "innovative, balanced, green, open and shared" development path and to keep building a more open and inclusive OECD.

ANGEL GURRÍA, *OECD Secretary-General*

Contents

THE OECD AND CHINA

A partnership that is more important than ever	2
Reinforcing co-operation and progress in 2017	4
G20: An important platform to advance OECD-China co-operation	6
"1+6" Round Table: Enhancing international economic policy co-ordination	8
China and the OECD Development Centre	10
Secondment programme: Chinese government officials working with the OECD	12

SUSTAINABLE, BALANCED AND INCLUSIVE GROWTH

Maintaining economic balancing and resilience	16
Fostering inclusive growth	18
Greening growth	20
Promoting responsible business conduct	21
Boosting regional development and building innovative cities	23
Increasing agricultural productivity and ensuring food security	25
Better data for better policies	26
Fostering dialogue on development co-operation	27

EFFICIENT FUNCTIONING OF MARKETS

Invigorating international investment	28
Facilitating trade and upgrading in global value chains	29
Promoting sound competition	30
Enhancing financial system effectiveness	32
Improving financial education	33

PUBLIC AND CORPORATE GOVERNANCE

Enhancing budgeting and public expenditure efficiency	36
Improving tax transparency and compliance	37
Fighting transnational corruption and enhancing public sector integrity	38
Building a robust corporate governance framework and enhancing the governance of SOEs	40

EMPLOYMENT AND SOCIAL DEVELOPMENT

Fostering skills through education and training	42
Improving the labour market prospects of youth	43
Supporting SME development and strengthening local skills	45
	47

INDUSTRY AND INNOVATION

Building a knowledge economy	49
Restructuring the shipbuilding and steel sectors	50
Meeting transport infrastructure needs	51
	52

ENVIRONMENT AND ENERGY

Towards a cleaner and healthier environment	53
Combating climate change	54
Improving water management	55
Enhancing chemical safety	56
Providing affordable and low-carbon energy	57
Developing low-carbon and safe nuclear power	58
	59

ANNEXES

Today's OECD: Better policies for better lives	60
OECD legal instruments	60
OECD legal instruments to which China has adhered	62
Partnerships in OECD Bodies and Programmes	63
China's participation in OECD Bodies and projects	63

THE OECD AND CHINA

A strategic partnership that matters more than ever

The co-operation between China and the OECD has developed strategically since the mid-1990s. An active Key Partner of the OECD, China participates as Member, Associate or Participant in eleven significant OECD bodies and projects, and adheres to seven OECD legal instruments, making it an important contributor to the Organisation's work on tax transparency and compliance, macroeconomic monitoring, science and technology, trade and investment, agriculture policies and many more policy areas. More than thirty Chinese ministries and agencies have taken part in the activities of the OECD, with the Ministry of Commerce (MOFCOM) playing an important co-ordinating role.

Moreover, China has strengthened its collaboration with various specialised bodies affiliated to the OECD, including the OECD Development Centre (page 10), the International Transport Forum (page 52), the International Energy Agency (page 58) and the Nuclear Energy Agency (page 59). Over the last three years, enhanced and successful collaboration in the multilateral framework has brought the OECD-China relationship to a new level, in particular through the close co-operation in support of China's G20

Presidency in 2016. Over the same period of time China has also reinforced its engagement with different OECD bodies, as evidenced by its increased financial contribution to OECD and in becoming a Participant of the OECD Corporate Governance Committee in 2017. As a further recognition of the work of the OECD, Secretary General Gurría has been invited by Premier Li Keqiang to participate in the "1+6" Roundtable discussions on challenges of the global economy and the socio-economic development of China.

After a decade-long high rate economic development, China has become the world's largest economy with significant impact on the global economy. The country has entered the last phase of building a moderately prosperous society by 2020, which will entail further substantive reforms and an intensive policy setting agenda as announced at the 19th Party Congress. The need for completing this work in a balanced, sustainable and inclusive manner is a natural call for more co-operation with the OECD. A further enhanced collaboration in the bodies of the Organisation and adherence to its instruments would largely facilitate the implementation of the reform agenda in China and it will also contribute to the global policy dialogue at the OECD.

HIGHLIGHTS

18 March 2017

OECD Chief of Staff and G20 Sherpa **Gabriela Ramos** delivers a speech in the Opening Plenary Session at the China Development Forum.



21 March 2017

OECD Economics Department Director **Alvaro Pereira** launches the 2017 *Economic Survey of China* in Beijing.



21 April 2017

Bilateral meeting between Secretary-General **Angel Gurría** and Minister of Finance **XIAO Jie** in Washington D.C.



7 June 2017

Secretary-General **Angel Gurría** and Vice-Minister of Commerce **WANG Shouwen** at the OECD Ministerial Council Meeting, Paris.



WANG Jun, Commissioner of China's State Administration of Taxation, signs the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, Paris.



“1+6” 圆桌对话会 Roundtable

构建开放、活力、包容的世界经济

Promoting an Open, Invigorated and Inclusive World Economy

· 北京 | 2017年9月12日 | Beijing, China



Chinese Premier **LI Keqiang** and Secretary-General **Angel Gurría**, Secretary-General of the OECD at the “1+6” Roundtable, Beijing, 12 September 2017.

11-12 September 2017

Secretary-General **Angel Gurría** participates at the second “1+6” Round Table hosted by Chinese Premier **LI Keqiang** in Beijing.

Dialogues with **LI Wei**, President of the Development Research Center of the State Council, Minister of Education **CHEN Baosheng**, Minister of Finance **XIAO Jie**, Chairman

of the China Securities Regulatory Commission **LIU Shiyu**, Minister of Foreign Affairs **WANG Yi** and Minister of Commerce **ZHONG Shan** (from left to right, by time order).



23-24 January 2018

Secretary-General **Angel Gurría** participates in a CCTV Public Session on “China’s New Era” during the World Economic Forum, Davos.



22-23 February 2018

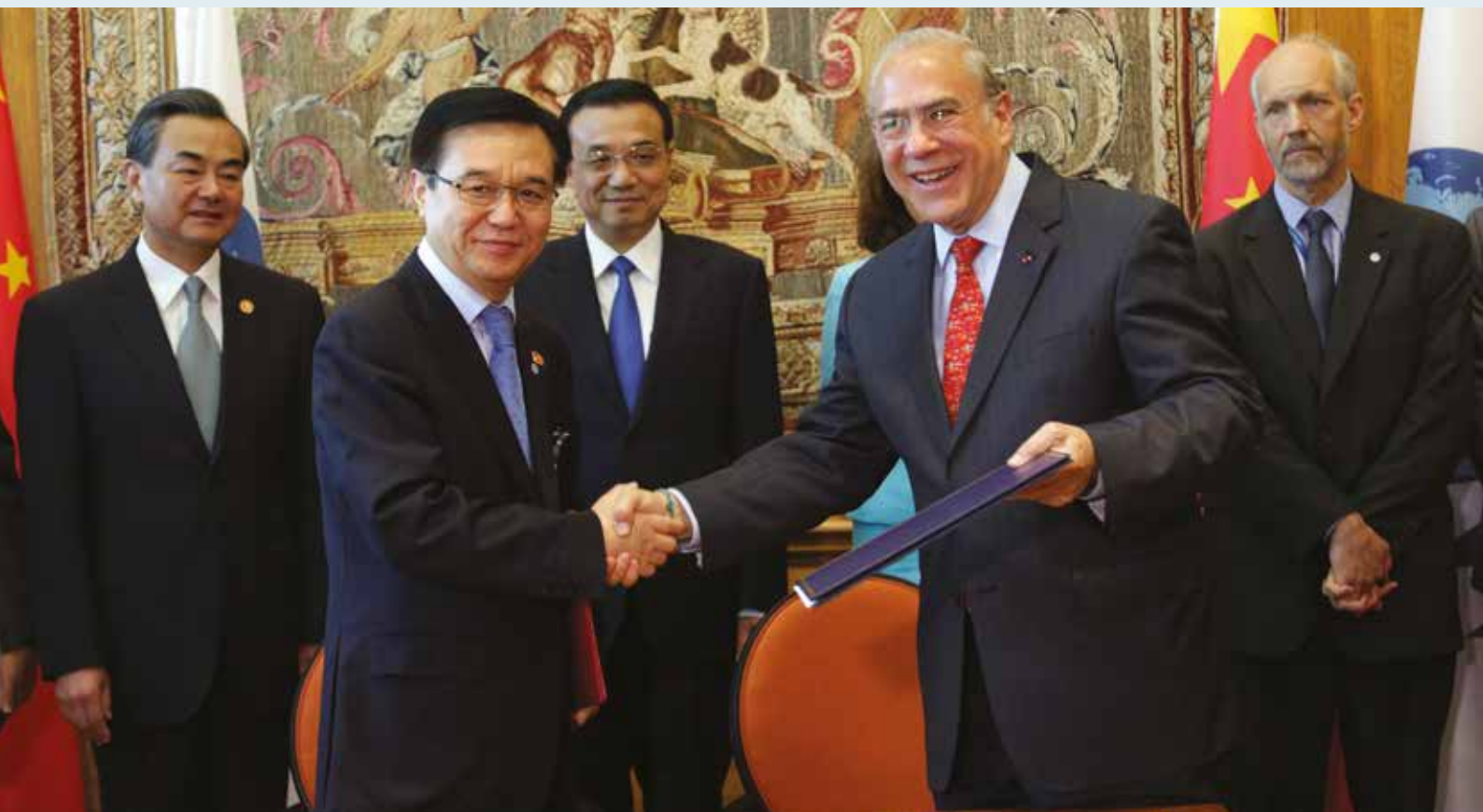
Chief Engineer **ZHANG Feng** of China’s Ministry of Industry and Information Technology delivers a speech in the session on “Promoting innovation in established SMEs” during the OECD SME Ministerial Conference, Mexico City.



Reinforcing co-operation and progress in 2017

The OECD-China partnership has further consolidated over recent years. The excellent collaboration in the context of China's G20 Presidency in 2016 delivered a breakthrough in OECD-China relations, with a leveraging of OECD standards and policies. The **Vision for Medium Term and a Programme of Work for 2015-16** (POW) between the OECD and China,

signed at the occasion of the visit of Premier Li Keqiang to OECD headquarters, helped structure and guide the Organisation's work with China. Its implementation has fostered better communication and built trust on both sides. The last three years saw a significant increase in China's financial contributions to the OECD.



📍 Minister of Commerce **GAO Hucheng** with **Angel Gurría**, Secretary-General of the OECD, after the signing of the OECD-China Programme of Work, in the presence of Premier **LI Keqiang**, Paris, July 2015.

In 2017, co-operation has continued to progress and has been strong in the areas of macroeconomic management, trade, investment and responsible business conduct, anti-bribery, green growth, corporate governance, taxation, education, agriculture and statistics. Our co-operation has delivered more and better information on China, through increased

dialogue and enhanced integration in OECD databases and policy indicators. In 2018 we are ready to embark on a longer journey of collaboration by preparing a three-year programme of work which will accompany China through the last phase of building a moderately prosperous society by 2020.

MAIN OUTCOMES OF COLLABORATION IN 2017:

- **2017 Economic Survey of China**
(more details on page 16).
- **China's accession to the Corporate Governance Committee as "Participant", and to the Committee's discussion related to the implementation of the OECD/ G20 Principles of Corporate Governance as "Associate"**
(more details on page 40).
- **Joint project with DRC on Industrial Upgrading for Green Growth in China**
(more details on page 20).
- **China's active participation in the development of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector**
(more details on page 21).
- **Update of the Trade Facilitation Indicators and the Services Trade Restrictiveness Index**
(more details on page 30).
- **Collaboration on TiVA**
(more details on page 26).
- **China's adherence to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS**
(more details on page 37).
- **Review of China's VAT Reform (SAT)**
(more details on page 37).
- **China's Participation in PISA 2018**
(more details on page 43).
- **Joint research with DRC on Innovation, Agricultural Productivity and Sustainability in China**
(more details on page 25).
- **Progress on the statistical coverage of China in OECD databases**
(more details on page 26).
- **Co-operation in the context of the Global Forum on Steel Excess Capacity**
(more details on page 51).
- **Co-operation Production Transformation Policy Review of Shenzhen**
(more details on page 24).

G20: An important platform to advance OECD – China co-operation

China's G20 Presidency in 2016 reinforced a momentum for excellent co-operation between the OECD and China. As a key partner, the Chinese Presidency counted substantially on the support and assistance of the OECD for the quality and relevance of its work, including its well-established track record in serving and supporting the G20.

The close collaboration in the context of the G20, especially in areas such as steel, digital, climate change and structural reforms, has left important legacies followed up in the G20 under the German Presidency in 2017. In this context, OECD's collaboration with China is more important than ever: it has the potential to further contribute to levelling the playing field with the help of OECD standards in the context of the G20 and beyond, such as the APEC.

The OECD continues to support the implementation of the key priority issues of China's G20 Presidency: innovation and digitalisation. Following up on China's focus on innovation-driven growth, the OECD supported the efforts of the G20's Digital Economy Task Force, under Germany's leadership, by delivering the OECD report on *Key Issues for Digital Transformation in the G20* and informing the design of The G20 Roadmap for Digitalisation. The OECD also delivered in 2017 the Report on *Next Production Revolution in the G20* requested by the Chinese Presidency. Through all this work, the German Presidency successfully addressed ways to collectively leverage digital opportunities, cope with challenges, and promote the digital economy to drive inclusive economic growth and development and to help the G20 guide future work in this area.



Family photo of the G20 Summit, Hamburg, 7-8 July 2017.



G20 Leaders in Hangzhou set up the Global Forum on Steel Excess Capacity (GFSEC) and requested the OECD to act as its facilitator. This has provided the OECD with an important framework to work with China and other G20 and interested OECD countries in addressing the issue of global excess capacity in the steel market. G20 Ministers agreed in Berlin, on 30 November 2017, on a roadmap aimed at addressing steel excess capacity and designed with the support of the OECD. The OECD continues to play a key role as the Facilitator of the GFSEC, next by supporting the implementation of the agreed roadmap under the Argentinean G20 Presidency in 2018.

The OECD followed up on the urgent call for a collective and global action to fight climate change expressed under the Chinese G20 Presidency. Under the German Presidency, the OECD played a key role in delivering on this important legacy, and developed a new pro-growth and pro-climate narrative in its report *Investing in Climate, Investing in Growth*, launched at the Petersburg Climate Dialogue in 2017 and presented at a special event in Beijing in December 2017 in co-operation with the German Embassy.

Faced with the low growth trap, the G20 made, under the Chinese Presidency, an important step towards achieving strong, sustainable and balanced growth by agreeing on an Enhanced Structural Reform Agenda (ESRA). Following the Leaders' commitment, the OECD was tasked to assess progress and delivered a report to Ministers and Governors under the German Presidency. The OECD will continue delivering on this important legacy under the Argentinian Presidency.

On the international tax agenda, the Inclusive Framework on BEPS was successfully launched under the Chinese Presidency which includes today over 100 countries, enhancing the global standard in the fight against global tax evasion.

International fora provide multi-fold opportunities for the OECD and China to further advance their collaboration

The OECD and China have further cultivated new areas of cooperation in the APEC context. APEC's 2.9 billion people account for 39% of the world's global population, 60% of global GDP, and 47% of global trade in goods and services valued at USD 20 trillion.

Building on the OECD's support to APEC host economies in recent years, including China in 2014, the OECD worked closely and collaboratively with Viet Nam in 2017, supporting the delivery and adoption of Viet Nam's primary deliverable in 2017, the APEC Action Agenda on Advancing Economic, Financial and Social Inclusion in the APEC Region, which recognises the OECD's important work on inclusive growth. The OECD also supported Viet Nam's work streams in the areas of regional integration and connectivity, SMEs and innovation, infrastructure, financial inclusion, BEPS, and mitigating disaster-related risk. The OECD will continue to support APEC's policy agenda in 2018, under the leadership of Papua New Guinea.

www.oecd.org/g20



“International fora provide important opportunities for the OECD and China to further advance their collaboration. China and the OECD have a long history of co-operation, which has culminated in the year 2016 with the Chinese G20 Presidency. Against the backdrop of challenges facing multilateralism, the OECD will continue

to work closely with China on important priority areas such as digitalisation and innovation, structural reforms and climate. Pursuing our common endeavour to ensure globalisation is working for all, it is crucial that China and the OECD work together, including through the G20 as well as APEC, to promote a level playing field for inclusive and open economies.”

Gabriela Ramos, OECD Chief of Staff and Sherpa to the G20

“1+6” Round Table: Enhancing international economic policy co-ordination



◉ Premier LI Keqiang and Secretary- General Angel Gurría at the “1+6” Roundtable, Beijing, 12 September 2017.

Strong co-operation and policy communication between international organisations and China is increasingly critical in ensuring the robust, sustainable and balanced development of the global economy. To facilitate this co-operation, China took the initiative to organise the “1+6” Roundtable dialogue in Beijing in July 2016. Premier Li Keqiang invited OECD Secretary-General Angel Gurría and the heads of five other major international economic and financial institutions: World Bank Group (WBG) President Jim Yong Kim, International Monetary Fund (IMF) Managing Director Christine Lagarde, World Trade Organisation (WTO) Director-General Roberto Azevedo, International Labour Organisation (ILO) Director-General and Financial Stability Board (FSB) Chairman Mark Carney to discuss ways how China and the six organisations could enhance coordination on policies related to economic growth, structural reform, trade, finance, development, and employment. Following the success of the first meeting, the second edition of the “1+6” Roundtable meeting took place in September 2017, featuring an extensive and in-depth exchange of views on the key topics of the global economic agenda and the economic transformation and upgrading of China.

As a key actor in the global economy, China can make a significant contribution to shaping the world economy and global governance, drawing on close ties with its international partners. The OECD is proud to join forces with other international organisations to support China in its efforts to deepen communication and co-operation in the international arena.

“I appreciate the efforts of the OECD and you (Mr Angel Gurría) to support China’s reform and opening-up process and engage in global economic governance.”

Letter of Premier **LI Keqiang** inviting Secretary-General **Angel Gurría** to participate in the “1+6” Roundtable meeting

“1+6” 圆桌对话会 Roundtable

中国和全球经济强劲、可持续、平衡
Strong, Sustainable and Balanced Growth of the Chinese and Global

中国·北京 | 2016.7.22 | Beijing, China



© Family photo of the “1+6” Roundtable, Beijing, 22 July 2016. From left to right – OECD Secretary-General **Angel Gurría**, WTO Director-General **Roberto Azevedo**, World Bank Group President **Jim Yong Kim**, Premier **Li Keqiang**, IMF Managing Director **Christine Lagarde**, ILO Director-General **Guy Ryder**, FSB Chairman **Mark Carney**.

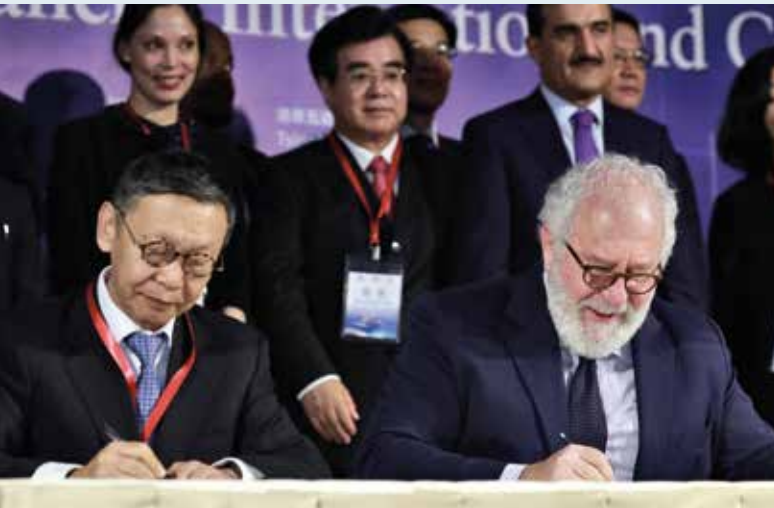
China and the OECD Development Centre

Represented by the Development Research Center (DRC) of the State Council, China became a member of the OECD Development Centre in July 2015. China's membership in the Centre opened a new channel of collaboration between the OECD and China. Since then, China has shared its experiences in development and engaged in mutual learning with 51 other emerging and developed countries alike. The OECD Development Centre has continued its co-operation with the Silk Road Think Tank Network (SiLKS) in its capacity as a SiLKS founding member and as a member of the Steering Committee, including helping establish the E-SiLKS. This electronic platform was launched at the Second Summit of the SiLKS held in May 2017 in Beijing, aiming at facilitating communication among the network's 54 members and outreach to the public. The OECD Development Centre participated in the launch of the Center for International Knowledge on Development (CIKD)

of China in May 2017, together with a handful of international organisations. Designated by CIKD as key partner, the OECD Development Centre will continue to conduct substantive work and knowledge-sharing on development experiences between China and developing countries.

The OECD Development Centre's regional economic outlooks on Africa, Latin America and South East Asia contribute to the OECD's outreach and increasingly enhance China's impact on other developing countries. The Latin American Economic Outlook, jointly produced with the Development Bank of Latin America (CAF) and the United Nations Commission for Latin America, has been translated into Chinese since 2009. The 2016 Outlook included a special focus on the evolving relationship between China and Latin America. In 2017, the OECD Development Center and the Atlantic Council launched the study *Chinese FDI in Latin America: New Trends with Global Implications* to explore the implications of Chinese firms' increasing investment in new sectors of the Latin American economy.

The OECD Development Centre looks forward to increasing co-operation with China on translating learnings from Chinese development experiences for other developing countries and advancing co-operation among knowledge providers in countries along the Belt and Road Initiative, through its work on areas ranging from natural resources and global value chains to social protection and its multi-dimensional country reviews. As part of this exercise, the CIKD is already contributing to the content of the 2019 edition of the OECD Development Centre's flagship publication *Perspectives on Global Development*. One of the most recent examples of this increased co-operation with China is the Memorandum of Understanding signed between the OECD and the Finance Center for South-South Cooperation (FCSSC) in December 2017, to build a partnership for co-operation in contributing or facilitating activities conducive to promoting and supporting the achievement of the UN



📍 **Mario Pezzini**, Director of the OECD Development Centre and Special Advisor to the OECD Secretary-General on Development (right) and FCSSC Chairman **CAI E-Sheng** signing an MOU at the "Belt and Road: Financial Integration and Credit Enhancement" Forum, Hong Kong, China, 13 December 2017.

Sustainable Development Goals, the Belt and Road Initiative, and South-South and Triangular co-operation. The Hong Kong-based non-profit organisation – in Special Consultative Status with ECOSOC of the United Nation, is dedicated to providing experience, knowledge, productivity and financing support for South-South and triangular cooperation.

www.oecd.org/dev

www.africaneconomicoutlook.org/en

www.latameconomy.org/EconomicOutlook

www.oecd.org/site/seao

“In building a community for humankind’s shared future, development cannot wait. The Global South is faced with many challenges in the development process including, amongst others, extreme poverty, unbalanced development, unemployment. In the new era, new trends and new environment, we look forward to enhancing South-South and Triangular Cooperation. And we are confident that strengthened cooperation with the OECD Development Centre will facilitate knowledge sharing on development and contribute to the 2030 Sustainable Development Goals.”

Mr **CAI E-Sheng**, Chairman, Finance Center for South-South Cooperation



Family photo of the “Belt and Road: Financial Integration and Credit Enhancement” Forum, Hong Kong, China, 13 December 2017.

Secondment Programme: Chinese Government Officials working with the OECD Secretariat

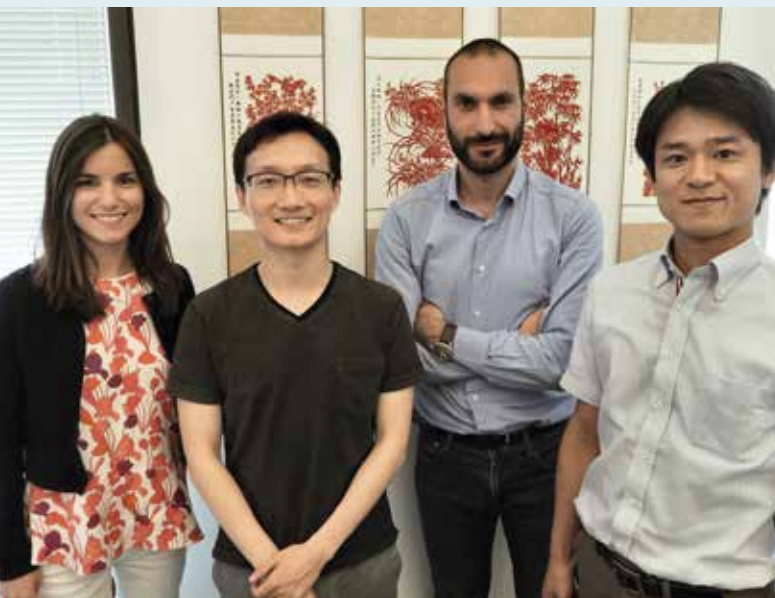
To foster knowledge-sharing and reinforce ties between the OECD and the Chinese administration, the OECD established a **Programme of Temporary Assignments for Chinese Government Officials to the OECD** in 2012.

The Programme gives Chinese officials the opportunity to work in the OECD Secretariat in Paris for several months, on a specific assignment in relation to their area of work. Through these secondments, the Chinese officials can help their respective Ministries gain a better understanding of the OECD and how its work can support China's reform efforts. The seconded Chinese officials also help ensure that China's perspectives are better integrated into OECD analyses.

Since 2012, the Programme has welcomed more than 40 Chinese officials to work on policy areas that are priorities for the structural adjustment and balanced development of the Chinese economy. Their assignments cover a wide range of policy areas, from reviews of China's economic development, productivity rural, urban and regional development, to research on sustainable agriculture productivity, global value chains and services trade as well as policy exchange on tax matters, education and chemical safety. The scope of the Programme also extended to seeking effective solutions to address emerging challenges such as industrial upgrading for green growth in China, enhancing legislation as regards public-private partnerships and promoting responsible business conduct.



© Chinese secondees and Chinese staff and trainees working at the OECD, Paris, April 2017.



Chinese secondees and OECD staff, Paris, June 2017.

Officials have been sent from more than ten “key” Chinese ministries and institutions, which include the National Development and Reform Commission; the Development Research Centre of the State Council; Ministries of Commerce, Finance, Agriculture, Science and Technology, Environmental Protection, Water Resources, and Transport; the State-owned Assets Supervision and Administration Commission; the State Administration of Taxation; and the People’s Bank of China. The OECD welcomes the important role that secondees have played in fostering mutual learning and policy dialogue between the Organisation and China.

“On behalf of the Chinese government, the Chinese Ministry of Science and Technology (MOST) has joined the OECD Committee for Scientific and Technological Policy (CSTP) as a Participant since 2001. From June 2015 to June 2017, I had the opportunity to work in CSTP. Thanks to the trust and support from OECD colleagues, I not only supported the overall works at the Global Science Forum Secretariat, but also participated fully in exciting work streams on research infrastructures, competitive research funding, the next production revolution, and open science. Through them, I had the great honour to meet many talented and colleagues and brilliant friends. Their profound insights and diversified perspectives have widened the fields of my vision and enriched my thinking, adding vivid colours to my fond memories of life in Paris. For the future, there is substantial potential of cooperation between China and OECD in studies such as major international science programs and projects, international S&T collaboration. And I will spare no effort to promote such exchanges and cooperation.”

DAI Qian, Ministry of Science and Technology, seconded to the OECD Directorate for Science, Technology and Innovation, June 2015 to June 2017

“Over recent years, the Ministry of Finance (MOF) of China has dispatched its personnel to the OECD Secretariat for short-term assignments on a regular basis. It was an honour for me to be seconded to the OECD Secretariat for a 12-month assignment. I introduced the best practices and policy achievements of the OECD on the governance of infrastructure and Public-Private Partnership to the MOF, and helped OECD staff better understand China’s policies and practices in this field. More importantly, I had the opportunity to share working methods and operational mechanisms of both sides, which had smoothed the cooperation dialogue and facilitated the interface of collaboration. I met a lot of excellent colleagues and learned many new things in the open, inclusive and harmonious working atmosphere of the OECD Secretariat. In the future, I look forward to providing more assistance to intensify the bilateral collaboration through knowledge-sharing between MOF and the OECD.”

YANG Lin, Ministry of Finance, seconded to the OECD Public Governance Directorate, August 2016 to August 2017

The OECD and China



“In this fast-changing and interconnected world economy, only one thing is certain: co-operation among countries has to intensify if governments want to harness the full benefits of globalisation. In this respect, the engagement of the OECD with Key Partners – such as China – is of utmost importance for the future impact and relevance of the Organisation. Over the past years, China has experienced unprecedented levels of growth and hence is one of the world’s main economic drivers. Consequently, the OECD’s co-operation with China on the basis of the Organisation’s standards, benchmarks and recommendations, which aim at improving the economic and social well-being of people, not only supports the country’s reform process, but will also help China to pursue its economic transition to a more ecologically sustainable development. As such, the collaboration with China in the framework of a renewed Programme of Work should be mutually beneficial for all involved parties and should be encouraged wherever possible.”

Ulrich Lehner, Ambassador of Switzerland to the OECD, Chair of the External Relations Committee



“As China continues its fast pace of growth and development, OECD Member Countries continue to strongly support the Organisation’s work with China across a wide array of policy areas. After all, what happens in China matters – the decisions and priorities of the Chinese administration and its enterprises can have far-reaching effects on the global economy including economic growth, trade and investment. Analysing and understanding trends, obtaining better data to measure and compare, promoting international standards, which ensure a level playing field, and better policy outcomes for all is at the heart of OECD work. It provides a basis for the OECD, its Member Countries and China itself to share information, deepen relationships and ultimately mutually benefit from this positive engagement.”

Joint statement from Co-Chairs of the China Informal Reflection Group – **Noé van Hulst**, Ambassador of the Kingdom of the Netherlands to the OECD and **Brian Pontifex**, Ambassador of Australia to the OECD



“China is entering into a new era of development to advance its modernisation and continue its opening-up process, in order to reap the full benefits of international trade and investment. Implementing this ambitious plan will imply a new round of reforms and policy work in different areas, from economic restructuring and opening up, innovation to green and sustainable development, competition and investing in people’s skills. This is a strong call for reinforcing OECD’s collaboration with China. Our new joint programme of work will support China’s reform process while at the same time contributing to address global challenges, and fostering China’s contribution to a rules-based globalisation. We look forward to continuing our mutually beneficial collaboration, drawing on OECD’s best available practices, standards and instruments, for a better and more inclusive future for all.”

Andreas Schaal, Director of OECD Global Relations and OECD G20 Sous-Sherpa

SUSTAINABLE, BALANCED AND INCLUSIVE GROWTH



Maintaining economic balancing and resilience

After more than three decades of double-digit growth, China is facing the challenges of economic rebalancing and structural adjustment. The OECD provides policy makers with state-of-the-art analyses on China's macroeconomic and structural policies and emerging trends to guide policy reform.

Through various publication series, the OECD examines the evolving interaction between macroeconomic and structural policies. Twice a year, the **Economic Outlook** analyses recent global economic developments and provides projections on 46 economies, including China.

Going for Growth provides an annual comparative overview of structural policy developments and reform priorities to enhance productivity, job creation and social inclusion with the aim of improving living standards over the longer term. For China, the 2017 edition highlights the need to further streamline the licensing and registration system; phase out implicit government guarantees, to create a more level playing field for

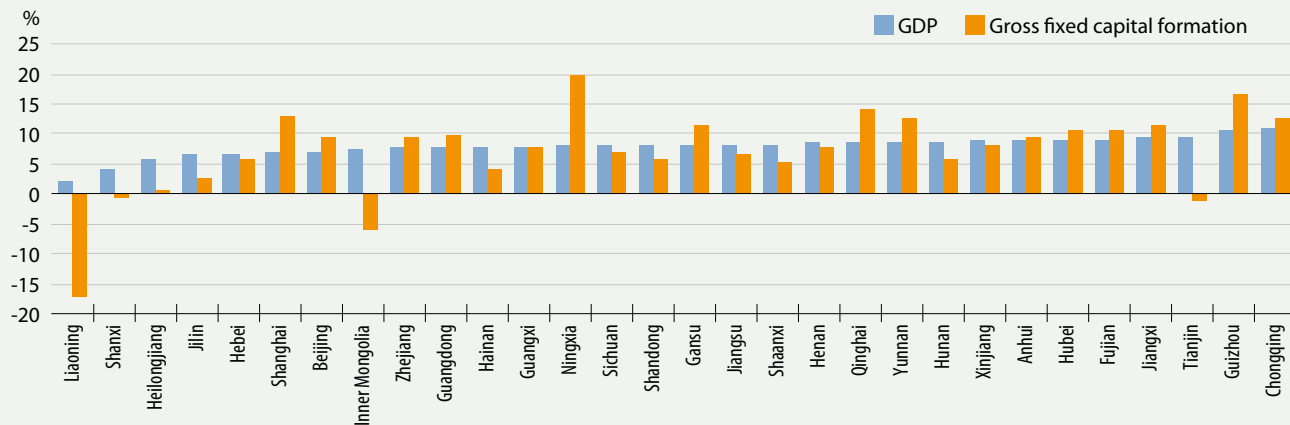
all enterprises; provide a minimum level of social services to all households, irrespective of where they are registered; and increase the cost of emissions and other pollution for polluters, in order to encourage greener growth.

The **Economic Surveys**, published biennially for each OECD Member and Key Partner economy, analyse major economic challenges and propose reform options drawing on international best practices. The fifth **Economic Survey of China** was launched in March 2017 in Beijing, Shanghai and Hong Kong, China and the sixth is now being prepared, in co-operation with China's State Information Centre of the National Development and Reform Commission, for launch in March 2019. The report will provide an overview of China's economic prospects and challenges and offer recommendations on how to promote more sustainable and inclusive growth, with a specific focus on the regional dimension.

www.oecd.org/eco

www.oecd.org/eco/going-for-growth

The slowdown in growth and investment has been geographically uneven



Source: OECD Economic Survey of China (2017)

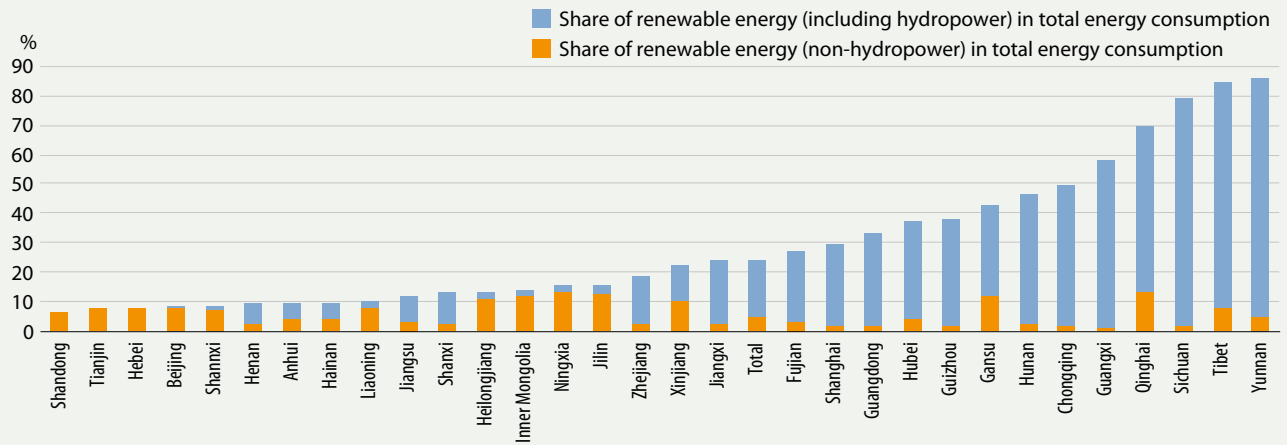


Presentation of the 2017 Economic Survey of China at the Shanghai Academy of Social Sciences, 23 March 2017.



SCAN TO READ THE REPORTS

Power consumption share of renewable energy, 2015



Source: OECD Economic Survey of China (2017)

Fostering inclusive growth

Rapid growth has transformed China over the past three decades. Yet, there is a need to address the quality and the inclusiveness of economic growth to ensure the benefits of growing prosperity are shared evenly. The OECD provides evidence-based analysis, shares international best practices and identifies policy options in support of China's efforts to foster inclusive growth.

One of the two special chapters of the 2017 *Economic Survey of China* focuses on inclusiveness. In recent years, income inequality has declined and poverty even more so. Nevertheless, the income gap between the richest and poorest remains large. Inequalities stem first and foremost from the urban-rural divide, although differences have lessened in all regions of China, most notably in the Western part of the country. Despite the reduction in aggregate income inequality, many of the poorest households have been falling behind. The gap between the richest and poorest urban households in terms of disposable income has barely narrowed, and in rural areas, it has even

widened. Moreover, the share of wealth held by the top segment of the income distribution has been rising.

The goal of the Chinese government to achieve a “moderately prosperous society in all respects” by 2020 emphasises a strong commitment to improving social welfare throughout the population, and to eradicating poverty. This can be achieved by pursuing inclusive growth, a concept that focuses on sharing the benefits of increased prosperity across socioeconomic groups that goes beyond just monetary conditions to consider other aspects of well-being. Policy reforms can greatly enhance the redistributive impact of the tax-and-transfer system, strengthen education and skills and improve the labour market opportunities of marginalised groups. Improving the adequacy and accessibility of healthcare and pensions would benefit both individual well-being and economic growth.

www.oecd.org/eco/surveys/economic-survey-china

www.oecd.org/inclusive-growth

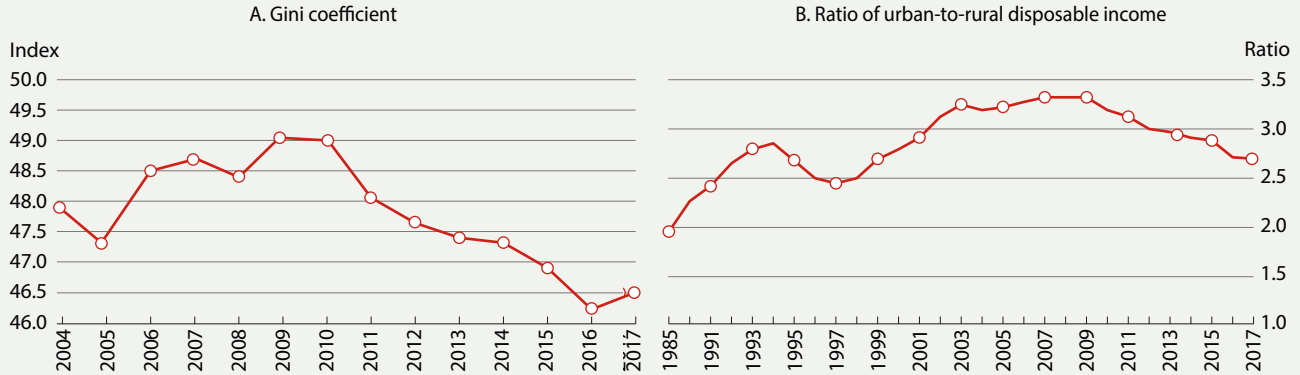


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Income inequality has declined, but is still high

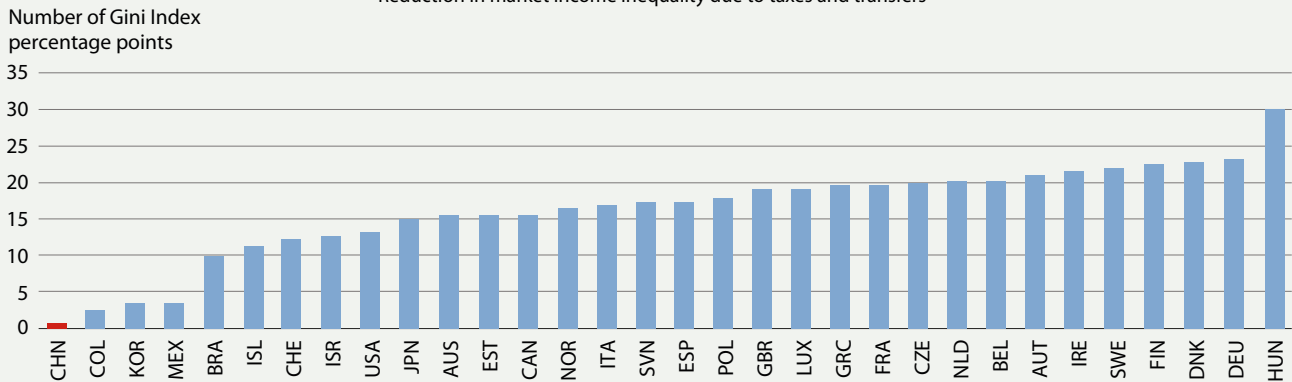


Note: The Gini coefficient presented here is based on income and has a range from zero (when everybody has identical incomes) to 100 (when all income goes to only one person). Increasing values of the Gini coefficient thus indicate higher inequality in the distribution of income.

Source: China National Bureau of Statistics, CEIC, authors' calculations.

Redistribution by the tax and transfer system is very limited

Reduction in market income inequality due to taxes and transfers



Note: Data for China are for 2014 and for other countries the latest available observation (2014 to 2016). The Gini coefficient ranges from zero (when everybody has identical incomes) to one (when all income goes to only one person). Increasing values of the Gini coefficient thus indicate higher inequality in the distribution of income. The metric presented here is calculated from data that are standardised to allow crosscountry comparisons.

Source: Standardised World Income Inequality Database (SWIID) Version 6.1.

Greening growth



Like many other countries, China faces the challenge of managing the trade-off between economic growth and environmental pressures. Building on the co-operation between the OECD and the DRC on the project *Industrial Upgrading for Green Growth*, discussion is ongoing to intensify collaboration to support China's efforts in promoting a transition towards green growth.

In 2017, the OECD and the Development Research Center (DRC) of the State Council successfully concluded the project ***Industrial Upgrading for Green Growth in China***. This joint project (2015-2017) supported the Chinese government to incorporate international best practices in restructuring some of its heavy industries that are plagued with excess capacity and pollution. It proposed a coherent set of policies to help China reduce the environmental footprint of its industry while raising productivity, spurring innovation and addressing existing environmental challenges.

A number of the project's key recommendations were implemented in 2017, which include:

- Intensified efforts to reduce corporate leverage and cut credit support for ailing firms, which particularly addresses the issue of zombie enterprises.
- More consistent enforcement of standards for environmental protection, energy efficiency, product quality and safety, which should have the effect of levelling the playing field between different firms.

The relevant Chinese policy development studies through this joint project hold useful lessons for OECD countries and others. In a broader context, the DRC also provided valuable input for the project *Growth, Investment and the Low-carbon Transition*, which was implemented during the 2017 G20 Presidency.

The OECD has initiated discussions with the DRC and with the NDRC to develop more comprehensive measures of green productivity growth and to enhance the use of indicators in decision making and performance assessments. Going forward, the OECD welcomes even closer collaboration on green growth-related projects with the Chinese authorities.

www.oecd.org/greengrowth

www.oecd.org/greengrowth/asia.htm

www.stats.oecd.org/Index.aspx?DataSetCode=GREEN_GROWTH



Director-General **GAO Shijie** (left), Development Research Center of China's State Council has policy dialogue with **Simon Upton**, Director of OECD Environment Directorate at the OECD Forum, Paris, June 2017.

Promoting responsible business conduct

In collaboration with the Ministry of Commerce (MOFCOM) and other institutions, the OECD continues to support the work of the Chinese government in improving the business environment in China. Noting that China is adjusting its rules for both outbound and inward investments, closer collaboration can provide support in facilitating the country's Go Abroad strategy and aligning responsible business conduct (RBC) policies to international standards.

Co-operation between the OECD and China has further intensified in 2017 on top of the fruitful collaboration over recent years to align Chinese RBC sectorial standards with the OECD Due Diligence Guidance.

- With the active participation of the China National Textile and Apparel Council (CNTAC), in January 2017 the OECD released the **OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector**, the very first standard on supply chain due diligence in the sector. Closer collaboration is underway to promote responsible business in global textile and apparel supply chains, in light of the Memorandum of Understanding between the OECD and CNTAC signed in January 2018.
- The OECD and the China Chamber of Commerce for Metals, Minerals & Chemicals Importers and Exporters (CCCME) have collaborated to develop a set of audit tools for a responsible mineral supply chain that can be used for the Chinese Due Diligence Guidelines.
- The OECD has worked closely with Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) to develop national standards concerning the import and export of tin, tantalum and tungsten that could be integrated into China's legal framework.

- The OECD and the International Labour Organisation, supported by the European Union, are joining forces with partners in Asia to implement a three-year programme between 2018 and 2020 to promote responsible supply chains in six countries in the region, including China. The OECD will contribute its extensive expertise on investment and risk-based due diligence to provide insights and analysis, support policy action, boost industry capacity, and raise awareness of RBC.
- The **OECD Guidelines for Multinational Enterprises** provide China with a useful reference tool to develop a supporting institutional and legal framework in order to advance the RBC agenda at home and abroad.

www.mneginelines.oecd.org



🔗 The signing of the MOU between the CNTAC and the OECD was celebrated on the occasion of the OECD Forum on Due Diligence in the Garment and Footwear Sector, Paris, 30-31 January 2018.

Promoting responsible business conduct



DID YOU KNOW?

- The OECD and CCCMC jointly developed the Chinese Diligence Guidelines for Responsible Mineral Supply Chains (2015) based on the OECD Due Diligence Guidance in this respect.
- China is the world's largest producer of refined cobalt.
- CCCMC launched the Responsible Cobalt Initiative in November 2016 with strong support from the OECD.
- It brings together Chinese and international companies sourcing cobalt from the Democratic Republic of the Congo to address adverse impacts notably child labour.



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Boosting regional development and building innovative cities

The OECD's work on policies to promote regional, urban and rural development supports China's goals of more inclusive and sustainable economic growth by building on quality urbanisation and effective urban-rural linkages.

The OECD has been engaged with China for many years on regional, urban and rural development. The first reviews undertaken by the OECD in China on these themes were the *OECD Rural Policy Review of China* (2009), *Trans-border Urban Co-operation in the Pan Yellow Sea Region* (2009) and *OECD Territorial Reviews of Guangdong, China* (2010), a provincial level review. Shanghai and Hong Kong, China were also included in a report on the *Competitiveness of Global Port Cities* (2013). Meeting the pressing challenges of urbanisation was the subject of the *OECD Urban Policy Review of China* (2015).

An important factor in China's future development will be addressing territorial imbalances, providing opportunities in rural areas and improving the quality of urbanisation. OECD research has offered new perspectives on the measurement of urban places in China, as well as highlighting the role of different fiscal, economic and other policy incentives that underpin urban and rural development. The collaborative reviews have illustrated how better governance arrangements facilitate more effective investments and service delivery in both urban and rural contexts.

In October 2017, representatives from the city of Tongling participated in the first OECD Meeting of Mining Regions in Antofagasta, Chile, in October 2017. Regional development issues related to mining and extractive industries is a key issue for China.



Boosting regional development and building innovative cities

It is estimated there are 390 mining cities with a total population of 310 million people across China which provide 93% of China's coal, 90% of its petroleum production, 80% of its iron ore, and 70% of its natural gas. The 13th Five Year Plan for the Republic of China (2016-2020) identifies a number of commitments related to mining and regional development including the development of alternative industries affected by resource depletion, and promoting demonstration zones for sustainable mining. The 2017 meeting in Antofagasta was the first step in enabling mining regions and cities to share lessons and develop a strategic framework to enhance co-operation and increase productivity and well-being. The OECD looks forward to future collaboration with Chinese provinces and cities in this work.

China is also an active member of the OECD Initiative for Policy Dialogue on GVCs, Production Transformation and Development. The Initiative is global platform for knowledge sharing and peer learning on the design and implementation of effective strategies to achieve inclusive and sustainable development. In this context, the Chinese government and

its Municipality of Shenzhen partner with the OECD to carry out the Production Transformation Policy Review (PTPR) of Shenzhen. The PTPR will identify the lessons learned from transforming Shenzhen from a village into a thriving global manufacturing hub within three decades, and it will provide recommendations on how to move forward to make Shenzhen a globally recognised innovative city. In November 2017, China's Ministry of Commerce, University of International Business and Economics, Municipality of Shenzhen, the OECD and the United Nations ESCAP organised the Meeting of the Peer Learning Group (PLG) of the PTPR of Shenzhen in Bangkok, Thailand. The report of this project will be launched at the One Belt One Road Annual Meeting hosted by the Municipality of Shenzhen in January 2019.

www.oecd.org/gov/regionaldevelopment
www.oecd.org/gov/ruraldevelopment
www.oecd.org/gov/cities
www.oecd.org/dev/global-value-chains





Increasing agricultural productivity and ensuring food security

During the 19th Party Congress, the Chinese leadership stressed the importance of ensuring food security and boosting the development of modern agriculture systems. Continued collaboration with the OECD on a policy mix to enhance productivity growth, strengthen the agriculture innovation system and diversify sources of the food supply through greater integration of domestic and international agro-food markets can support China's endeavours.

Co-operation between the OECD and China on agriculture-related issues has continued to deepen in the past year, with highlights including:

- Preparation of a joint report on the **Innovation, Agricultural Productivity and Sustainability in China**, in collaboration with the DRC, with the involvement of MOA, MOF, MOST and NDRC. The report will be launched and translated into Chinese in 2018.
- China's invaluable participation since 2005 in the **OECD Agricultural Policy Monitoring and Evaluation** annual assessment, which provides a unique source of objective and transparent information across 50 countries that account for the majority of the global value-added in agriculture. It also offers a broad perspective regarding agricultural policy developments.
- The annual workshop on domestic and agro-food trade policies was co-organised by the OECD and MOA in Beijing, in October 2017.
- Joint work with CAAS on the development of the annual **OECD-FAO Agricultural Outlook**, a publication which details projections on the medium-term outlook of important commodities in the major world economies, with support of Chinese secondees.
- China's active membership since 1988 and dedicated participation in the OECD Standard Codes for the Official

Testing of Agricultural and Forestry Tractors has made it the second largest user of this OECD standard today.

- The OECD and FAO jointly hosted a meeting in February 2018 to inaugurate the implementation of the pilot programme of the **OECD-FAO Guidance on Responsible Agricultural Supply Chains**, in response to the call of G20 Agriculture Ministers to promote responsible agricultural investment. The OECD welcomes Chinese companies in the agricultural value chain to participate in this programme, and stands ready to provide support with our policy experience and practice in this field.

"We are ready to continue the active promotion of responsible agricultural investment, in line with the ...OECD-FAO Guidance for Responsible Agricultural Supply Chains..."

G20 Agriculture Ministers' Declaration 2017

www.oecd.org/agriculture

www.oecd.org/tad/agriculture-policy-notes.htm

www.oecd.org/tad/agricultural-policies/innovation-food-agriculture.htm

www.oecd.org/agriculture/code

www.oecd.org/daf/inv/investment-policy/rbc-agriculture-supply-chains.htm



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Better data for better policies



The OECD maintains comprehensive databases of internationally comparable statistics to support its analytical and policy work and to aid countries in their policy making processes. The Organisation also develops and promotes international statistical standards and co-ordinates these activities with other international organisations. The OECD's engagement with China provides the opportunity to develop a full range of standardised, comprehensive statistical indicators; this allows for meaningful co-operation on China's continued socio-economic development.

China is included in some of the most important OECD databases, including national accounts and short term economic statistics (international trade, monetary aggregates and interest rates, balance of payments, production indices, prices, etc.). For more than a decade, the OECD and China's National Bureau of Statistics (NBS) have jointly organised an annual workshop on specific issues in line with Chinese experiences in producing national accounts. Current co-operation covers in particular national accounts statistics and international trade in value added (TiVA). In 2017, the OECD and NBS continued the dialogue to increase statistics coverage of China in OECD databases.

The OECD produces Trade in Value-Added data (TiVA) that is used to illustrate China's position in value chains. The OECD has also been actively engaging with China in the development of national extended Supply and Use Tables as well as a methodology for linking and balancing APEC-TiVA data with OECD-TiVA in a coherent manner. Co-operation was bolstered via hosting of a secondee from the State Information Center of China at the OECD in February 2017, and through the third technical workshop supported by the OECD, in Guangxi Province in August 2017.

The OECD, together with the World Bank Group, the Institute of Developing Economies, and the World Trade Organisation, is

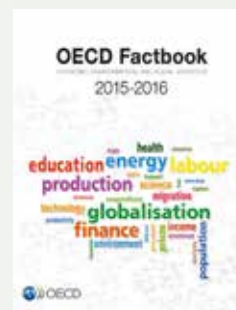
also collaborating with the University of International Business and Economics in China to produce the joint publication *Measuring and Analysing the Impact of GVCs on Economic Development* (the next edition forthcoming in 2019).

Looking ahead, the OECD looks forward to pursuing closer collaboration with China to support the development and improvement of the country's statistics system. The Organisation stands ready to strength co-operation with China in areas including composite leading indicators (CLI), well-being indicators, and income inequality. Meanwhile, the OECD continues to use estimates sourced from the China Family Panel Studies (CPFS) released by the Institute of Social Science Survey (ISSS) of Peking University.

www.oecd.org/std

www.oecd.org/statistics/howslife.htm

www.stats.oecd.org/index.aspx



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Fostering dialogue on development co-operation



China has a major role to play in achieving the 2030 Agenda through its expanding bilateral programme with developing countries and support for new international organisations. China and the OECD can benefit from each other's experiences by working together in promoting development effectively.

According to the Fiscal Yearbook of China's Ministry of Finance, China's gross concessional flows for development co-operation reached USD 3.1 million in 2015. An upcoming working paper of the OECD estimates that, in 2014-2015, China committed on average USD 8 billion per year to regional infrastructure projects in developing countries of Asia, Africa, Latin America and Europe, although this amount includes all types of flows, namely preferential export buyer's credits, concessional loans, interest-free loans and grants. China has become undoubtedly one of the major actors across the globe in development co-operation, hence the importance of close collaboration between China and the OECD to share best practices in development policies and assistance.

China is engaged in exchanges on development co-operation with the OECD member countries mainly on a bilateral basis.

In recent years, the OECD Development Assistance Committee (DAC) has made important decisions at its high-level and senior-level meetings to encourage more official development assistance (ODA) for low-income countries and to better capture the wide array of support provided to promote development through a new measure of Total Official Support for Sustainable Development (TOSSD). The DAC also approved a series of principles with the intent of offering the right incentives for the public sector to use private sector instruments (e.g. loans and guarantees) to support activities in developing countries. A Chinese researcher is participating, as an observer, in the international task force to develop the concept and systems for TOSSD.

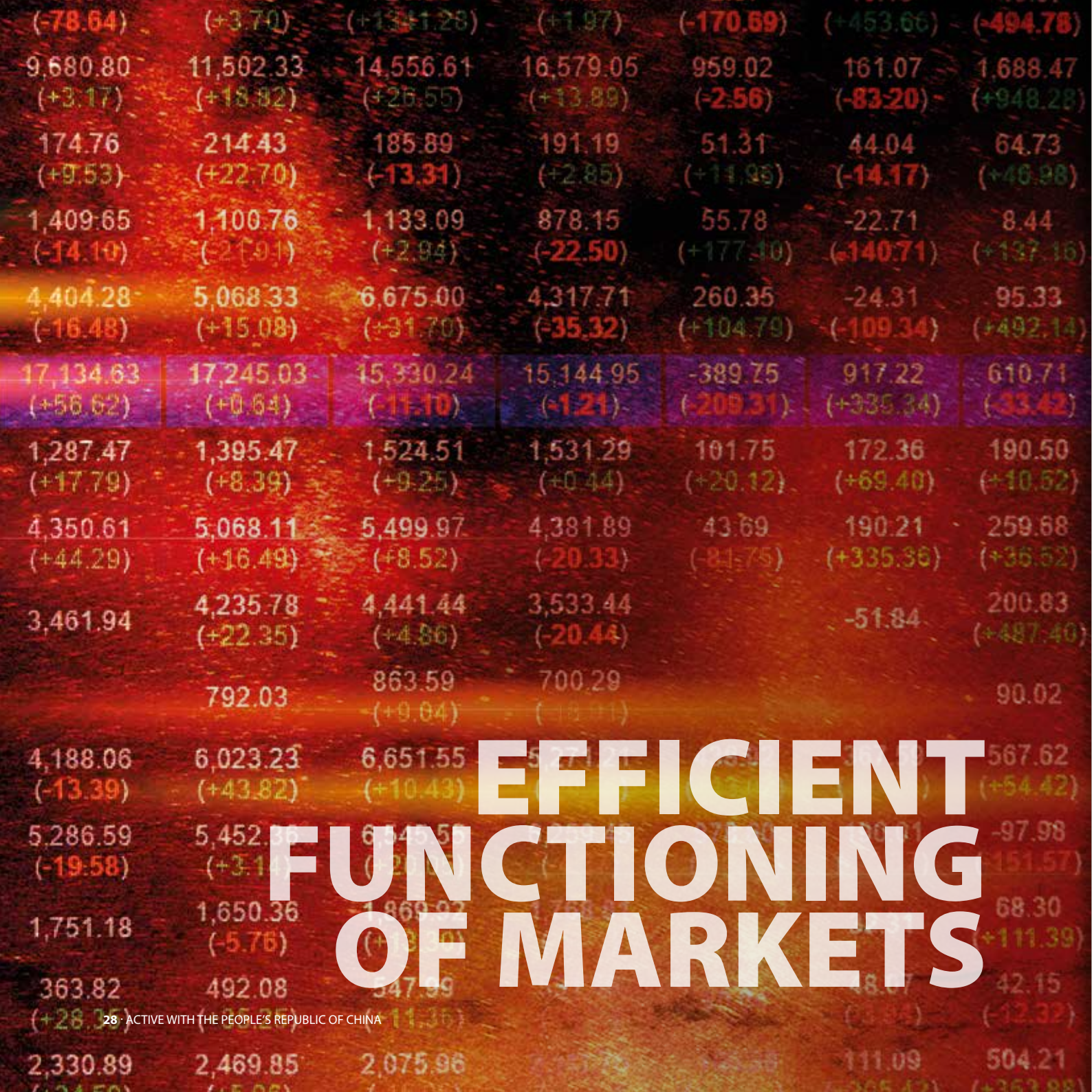
The OECD will continue to encourage China to engage with and share its experience with providing development cooperation. China will continue to be invited to important DAC meetings. China may also wish to renew the experience of participating, as an observer, in a DAC peer review. China is also welcome to contribute to the OECD's leading work in the field of triangular co-operation.

www.oecd.org/dac

THE DAC: ENABLING EFFECTIVE DEVELOPMENT

Through inclusive partnerships for development, the OECD Development Assistance Committee (DAC) helps ensure better lives for people in the developing world by:





EFFICIENT FUNCTIONING OF MARKETS

Invigorating international investment



International investment has played an important role in China's successful integration into the modern global economy. The country was the third largest recipient of FDI worldwide in 2016. It became a net outward direct investor for the first time in the same year and is now a major investor abroad. As China's rules for both outbound and inward investments continue to evolve, collaboration on investment policy with the OECD is more relevant than ever.

The OECD promotes investment policy reform and co-operation on international investment to foster well-being, prosperity and sustainable development. With its increasing economic importance and integration in global markets, China has progressively engaged in more areas of OECD-led work. China has been actively participating in policy dialogues at the OECD on openness, non-discrimination, and investment treaties through the OECD-hosted Freedom of Investment Roundtable (FOI). The FOI fosters mutual understanding and exchange of information on a broad range of investment policies of importance for capital importing and exporting economies, including responding to national security concerns and issues related to foreign investment by state-controlled enterprises. This unique dialogue provides China with a platform to share its investment perspectives with recipient countries and build collective agreements with its partners. In 2017, the Ministry of Commerce offered further engagement in this collaboration.

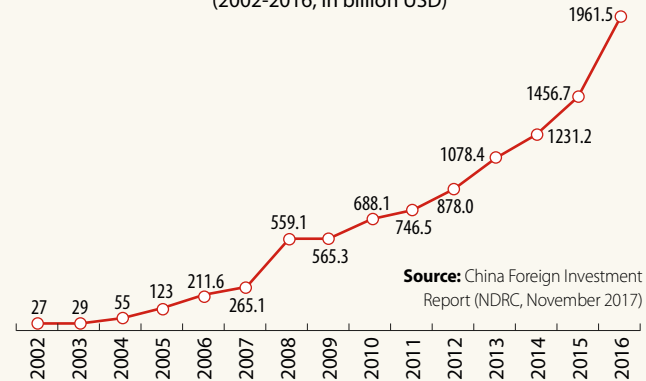
China participates in the meetings on the review of the OECD Code of Liberalisation of Capital Movements (Code), a longstanding instrument promoting an open and transparent international system of orderly capital flows to underpin global growth and stability. The Code makes an important contribution to the debate in the G20 in finding ways to help countries make the most of capital flows. The Code has been preceding the adherence process of emerging countries including Argentina, Brazil and South Africa. Looking ahead, increased engagement with China will be warmly welcome.

In 2016, the OECD provided considerable support to an initiative of the Chinese G20 Presidency by establishing the **G20 Trade and Investment Working Group**. The OECD has also worked in close collaboration with China in the crafting of the *G20 Guiding Principles for Global Investment Policymaking*, drawing on the OECD Policy Framework for Investment.

www.oecd.org/investment

China's foreign direct investment flows

(2002-2016, in billion USD)



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Facilitating trade and upgrading in global value chains

Trade liberalisation has played a key role in China's economic transformation. The 19th Party Congress stressed China's willingness to further open up its economy while developing services and international trade. Maintaining open markets is a shared interest among OECD countries and China. To that end, China participates in the OECD's work towards developing a better understanding of global value chains (GVCs) and their policy implications.

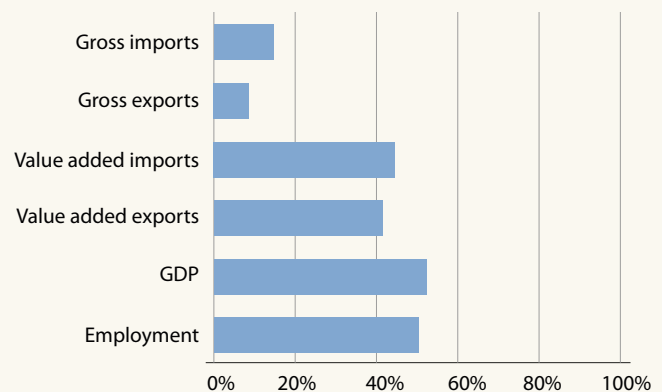
The OECD and China have collaborated for many years on a range of trade-related issues. Through China's continued participation in the OECD's analytical efforts, increased dialogues with the OECD trade policy and statistics communities in areas such as trade in value-added (TiVA), trade facilitation and trade in services, as well as its crucial engagement on the **Initiative on GVC and Projection Transformation and Development**, our co-operation has delivered more and better information on China. China's involvement helps identify and anticipate trends in trade and investment and support the efforts to build greater mutual understanding on critical trade-related issues among countries in different stages of economic development.

Since the beginning of the *OECD-WTO Trade in Value Added (TiVA)* project, China and the OECD have worked together on GVCs both bilaterally and multilaterally through fora like the APEC and the G20. The OECD is a permanent partner organisation of the China Beijing International Fair for Trade in Services, and China is fully incorporated into the Services Trade Restrictiveness Index (STRI) database. Both serve in supporting China's efforts to make key reforms to its services markets. A study on the impact of services and trade in services on China's economic performance is currently under discussion with the

Development Research Center of the State Council, potentially involving collaboration with several departments of the Ministry of Commerce.

The 2017 release of TiVA indicators emphasised how China is highly integrated within GVCs, with a relatively high foreign content share of exports (30%). The indicators revealed, for example, that foreign content of China's exports decreased to 29.3% in 2014, 1.6 percentage points lower than the highs reached in the mid-2000s. This trend is in line with the declining importance of processing services; providing an important pointer towards domestic upgrading, including through higher upstream integration of domestic operators with exporting firms. For instance, China is one of very few countries whose underlying data allow the OECD to distinguish between exporting and non-exporting firms, an important metric in GVC analyses. The OECD is coordinating efforts to encourage other countries to follow China's lead and develop data sets that can better differentiate firms' involvement in GVCs.

Services share in China



Source: OECD Services Trade Restrictiveness Index: The People's Republic of China (December 2017)

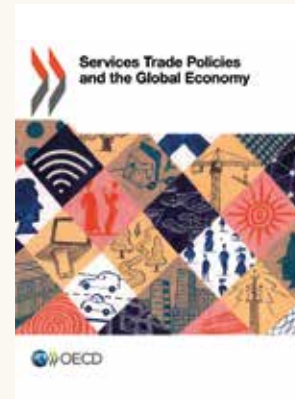


In the coming years, the OECD will continue to work actively with China to deepen co-operation in the above-mentioned significant areas and importantly, conduct further work on agriculture trade.

www.oecd/gvc

www.oecd.org/std/its/tiva-nowcast-methodology.pdf

www.oecd.org/tad/services-trade/services-trade-restrictiveness-index.htm



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Promoting sound competition



In 2016, China launched the Fair Competition Review System (FCRS) to reinforce and expand the role of competition policy, with the aim of preventing public policies from distorting and restricting competition while ensuring fair market competition and promoting a unified market. The FCRS is broadly in line with the OECD's Competition Assessment Toolkit. The OECD works closely with China to enhance the policy environment for competition and ensure consumers can benefit from economic growth.

Co-operation with China regarding competition issues has strengthened in the last few years as competition policy matures and gains greater importance in China; the Chinese authorities are broadening their enforcement capabilities in this area. Chinese officials have been participating in meetings of the OECD Competition Committee and the **Global Forum on Competition**, as well as numerous technical capacity-building events organised by the **OECD Korea Policy Centre Competition Programme**. Topics include cartels, monopolies and other competition concerns.

Since the introduction of the FCRS in China, the OECD has been sharing with the National Development and Reform Commission (NDRC) and other Chinese authorities, its expertise on assessing competition as well as providing information on the functioning and practical implementation of the **OECD Competition Assessment Toolkit**. China, via NDRC's Anti-Monopoly and Price Control Bureau, has shown interest in strengthening collaboration with the OECD on competition, notably to support the implementation of the FCRS. The OECD will continue to intensify its co-operation with China and the NDRC and share its experience in implementing competition assessment projects across the world.

www.oecd.org/competition



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Enhancing financial system effectiveness

Financial stability has been identified by China's leadership as one of the key challenges to be addressed. The Government established the Financial Stability and Development Commission directly under the State Council in July 2017 with the aim of strengthening co-ordinated financial supervision, and guarding against systemic financial risks. The OECD promotes efficient, open, stable and sound market-oriented financial systems based on high levels of transparency, confidence and integrity. Collaboration between China and the OECD on financial market development has taken place primarily in the context of the G20.

China has played an active role in promoting and integrating OECD work on financial markets in the G20, in particular during its 2016 G20 presidency. The country has participated specifically in work of the G20/OECD Task Force on Financial Consumer Protection and the G20/OECD Task Force on Long-Term Financing and Institutional Investors, with a focus on areas including green investment financing, digital financial inclusion and literacy, and SME financing. China is also a regular participant of the Tokyo Roundtable on Capital Market and Financial Reform. Moreover, the OECD has also been exploring co-operation on issues related to capital flow management and liberalisation. China's concentrated involvement in financial system matters has supported Chinese policy-making in orienting the economy towards a more sustainable growth path; likewise, policy dialogues with OECD Members have helped China to better understand the issues at hand and shape policies to be tackled in a co-ordinated fashion.

While Chinese authorities have taken a number of measures in recent years to improve the functioning of the financial sector, challenges are now arising from the international financial and macroeconomic environment in parallel with domestic developments. Specific concerns include rising corporate debt levels, financial market openness to foreign investors and exchange rate pressures. Continued co-operation with the OECD can help China in facing these challenges at the global as well as domestic policy levels by offering the following opportunities:

- Continued and regular participation in meetings and related work of the OECD Committee on Financial Markets (CMF) and its Tokyo Roundtable on Capital Market and Financial Reform.
- Continued participation within the CMF's subsidiary bodies, including: the Working Party on Public Debt Management, covering national debt management and government bond markets; the G20/OECD Task Force on Institutional Investors and Long-term Financing, with its contributions concerning climate finance; and the OECD Centre on Green Finance and Investment, where co-operation could also be sought.
- Continued co-operation on capital flow management and liberalisation via engagement and participation with the Advisory Task Force on the **Codes of Liberalisation**, followed by collaborative assessments of China's comparative progress in relation to OECD code standards.

www.oecd.org/daf/fin

www.oecd.org/daf/fmt

www.oecd.org/daf/oecd-business-finance-outlook.htm

www.oecd.org/finance/lti

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Improving financial education



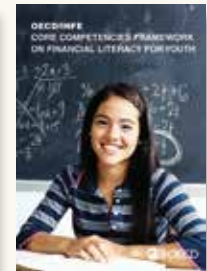
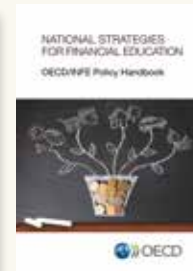
Financial education is essential to empower consumers in China. It enables them to better understand financial products and services and make more informed decisions concerning the quality of their investments. The OECD's best practices and tools contribute to China's efforts to develop a framework to promote effective financial education as a complement to initiatives designed to improve financial inclusion and consumer protection. Such approaches contribute to inclusive, sustainable growth and financial stability.

China participates in the OECD financial education project through its International Network on Financial Education (OECD/INFE), a platform conducting comparative studies, sharing member's experiences, discussing emerging priorities and developing policy responses. As a Full Member of the OECD/INFE, the China Banking Regulatory Commission contributes to the ongoing programme of work, addressing topics such as digital financial literacy; financial education for micro, small and medium-sized enterprises; and standards, implementation and evaluation of financial education.

China's presence in the OECD/INFE and its continuing collaborative efforts in the G20 have helped to support the work on financial education and financial literacy. This includes, through its contribution of data, a G20/OECD INFE Report on Adult Financial Literacy in G20 Countries released during the German G20 Presidency in 2017. According to the report, China is among only three G20 countries achieving an average overall level of financial literacy.

China (Beijing, Shanghai, Jiangsu, Guangdong) also participated in the 2015 PISA Financial Literacy Assessment, achieving the highest average score among the 15 participating economies.

www.oecd.org/finance/financial-education



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PUBLIC AND CORPORATE GOVERNANCE

Enhancing budgeting and public expenditure efficiency



Maintaining fiscal discipline, allocating resources to where they are most valued, and achieving greater efficiency in government operations all have a crucial impact on overall national economic performance. The OECD is proud to support the Ministry of Finance of China in its budgeting system reform process.

Many of the most advanced budgeting and public expenditure reforms being implemented around the world originated at the OECD and through its Working Party of Senior Budget Officials (SBO). The SBO is a unique forum bringing together budget directors and other senior officials to address common challenges, policy experiences and innovative reform practices based on OECD analyses of the experiences of OECD and partner countries. China is an active participant in the SBO, including the Asian Regional Network of Senior Budget Officials (Asian SBO).

In 2016-17, co-operation with China included such areas as financial management and reporting, specifically the introduction of public sector accounting standards and of accrual accounting; performance and results, including outcome and output indicators; budget transparency; and infrastructure and public-private partnerships, including appropriate legal frameworks for PPPs. The OECD hosted secondees from the Ministry of Finance to work on these matters during this period. Further collaborative work on these issues is envisaged going forward. Specifically, future joint efforts may include a Governance Infrastructure Review, drawing on the **OECD Framework for the Governance of Infrastructure**.

www.oecd.org/gov/budgeting



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Improving tax transparency and compliance

The co-operation between China and the OECD marked a milestone in 2017 in the areas of tax transparency and compliance, notably as China became a signatory of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI). Its active membership in both the G20/OECD Base Erosion and Profit Shifting (BEPS) Project and in the Global Forum on Transparency and Exchange have been fundamental in advancing international tax co-operation.

China's active participation in and support for the OECD's international tax agenda is essential in promoting the OECD as a global standard setting body on taxation. Over the past year, China has actively participated in OECD work on BEPS and tax transparency as member of the Inclusive Framework on BEPS (including 113 OECD member and partner countries on equal footing), Vice-Chair of its steering Group, and member of the Global Forum on Transparency and Exchange of Information for Tax Purposes (149 members) and its Steering Group.

In June 2017, Commissioner WANG Jun of China's State Administration of Taxation (SAT) signed the MLI on behalf of the Chinese authorities, along with high-level representatives. A second signing ceremony took place in January 2018, and to date 78 jurisdictions take part of the MLI. The MLI offers concrete solutions for governments to close the gaps in existing international tax rules by transposing results from the OECD/G20 BEPS Project into bilateral tax treaties worldwide. As a leading actor in this global effort, China will continue to help define and implement international tax policies.

Policy dialogue is also active on domestic tax policies. The OECD conducted a Review of China's VAT reform, which was financed by China and discussed in Paris with Commissioner WANG Jun in February 2017 and presented to the People's Congress in March 2017. Moreover, the OECD and the Ministry of Finance have agreed to collaborate on the measurement of the tax

burden and on how the tax system can support research & development and innovation (forthcoming study in 2018).

The OECD continues to provide training to tax officials from China and from other countries in the region on tax policy, tax administration and international tax issues through the OECD-SAT Multilateral Tax Centre (MTC) in Yangzhou. The Centre, integrated into the OECD Network of MTCs, will continue to support a consistent implementation of BEPS outcomes for the benefit of developing countries with almost ten events per year.

www.oecd.org/tax

www.oecd.org/tax/forum-on-tax-administration/meetings/meeting.htm

www.oecd.org/ctp/tax-global/yangzhou-tax-centre-china.htm



➔ **WANG Jun**, China's Tax Commissioner signs the MLI, Paris, June 2017.



➔ Family photo of the Signing Ceremony for MLI, Paris, June 2017.

Fighting transnational corruption and enhancing public sector integrity

China plays an important role in promoting public integrity and fighting transnational corruption. Chinese Leadership confirmed its commitment to continue combatting corruption during the 19th Party Congress. The country has engaged in a number of key anti-bribery dialogues with the OECD Working Group on Bribery (WGB) and has stepped up its co-operation on monitoring and implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Convention). The OECD also continues to strengthen co-operation with China on integrity related work such as promotion of the OECD Recommendation on Public Integrity, OECD Recommendation on Public Procurement, and Methodology for Assessing Procurement Systems (MAPS).

Given China's experience in the fight against various forms of corruption as well as its direct participation in the implementation of the **Anti-Bribery Convention**, the country could lend valuable aid in its co-operation concerning international bribery cases. In the event of China's possible

accession to OECD membership, the country could directly contribute to international standards and policy making, as well as actively participate in monitoring the implementation of these standards through its trade and investment partners. Moreover, China's potential adherence to the convention would increase the reputation of transparency for Chinese enterprises involved in cross-border transactions. Also of note, the parties to the **Anti-Bribery Convention** have a long tradition of welcoming China to the meetings of the WGB, an important working group that monitors the adherent parties' implementation of the convention. In recent years, China has shown openness to dialogues for its possible future adherence to Anti-Bribery Convention. Following constructive discussions held in June 2016 with the Ministry of Supervision, the OECD looks forward to organising a second multi-stakeholder roundtable in June 2018 to further discuss the technical implications and mechanisms of the WGB, as well as the benefits and potential challenges of ratifying the convention in China. The Organisation also expects progress in the collaboration on anti-bribery in 2018 after the establishment of China's National Supervision commission.

The increased co-operation between China and the OECD contributed to further efforts in combating bribery and corruption in global terms. China remains an active member in the G20 Anti-Corruption Working Group meetings (ACWG).





The country has agreed to the current 2017-2018 **Anti-Corruption Action Plan (ACAP)**, under which G20 countries agree to, among others, criminalise the bribery of domestic and foreign public officials and enforce those laws, and strengthen the liability of legal persons for corruption offences, and engage actively with the OECD WGB to explore the possible adherence of all G20 countries to the Anti-Bribery Convention. China has provided regular updates to this group on progress it has made on foreign bribery, including most recently a presentation on its commitment to ensure integrity in the Belt & Road Initiative. The Action Plan also provides a strategic direction to strengthen public integrity including tools to detect corruption risks, information sharing practices regarding asset disclosures, and managing conflict of interest of public officials. The OECD stands ready to assist China to implement this Action Plan, which also echoes with the overarching objectives of the **OECD Recommendation on Public Integrity**.

As an active member of the **ADB/OECD Anti-Corruption Initiative for Asia-Pacific** since 2005, China has made a significant contribution to the global integrity and anti-corruption agenda. In November 2017, China participated in the Third Meeting of the Asia-Pacific Law Enforcement Practitioners Network in the context of this initiative. Furthermore, China has actively participated in the Working Party of Leading Practitioners on Public Procurement, in particular to transform procurement to a strategic tool in line with the the **OECD Recommendation on Public Procurement**, the **Public Procurement Toolbox** and the **Methodology for Assessing Procurement Systems (MAPS)**.

www.oecd.org/corruption
www.oecd.org/corruption/international-co-operation-in-combating-foreign-bribery.htm
www.oecd.org/gov/ethics
www.oecd.org/site/adboecdanti-corruptioninitiative



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Building a robust corporate governance framework and enhancing the governance of SOEs

The rapid growth of the Chinese economy and changes in China's equity markets make corporate governance and the governance of state-owned enterprises a priority on the national reform agenda. Healthy capital markets, where enterprises can access finance to support long-term value creation, are essential for innovation and growth.

The OECD has engaged closely with China for over a decade to support its reform efforts and in turn benefit from China's feedback regarding its experience in addressing corporate governance issues. This has been accomplished most notably through the OECD Corporate Governance Committee, the Working Party on State Ownership and Privatisation Practices, the OECD Asian Roundtable on Corporate Governance, and the Asia Network on Corporate Governance of SOEs. Two OECD instruments, the **G20/OECD Principles of Corporate Governance** and the **OECD Guidelines on Corporate Governance of State-Owned Enterprises**, serve as references of this collaboration.

The year 2017 marks a milestone for our collaboration on corporate governance. In September 2017, the Chinese Securities Regulatory Commission (CSRC) accepted the OECD's invitation to join the OECD Corporate Governance Committee as Participant, and as an Associate in discussions related to the G20/OECD Principles of Corporate Governance. The OECD has also continued the dialogue with CSRC on the revision of the Chinese Code of Corporate Governance for Listed Companies, at the invitation of CSRC.

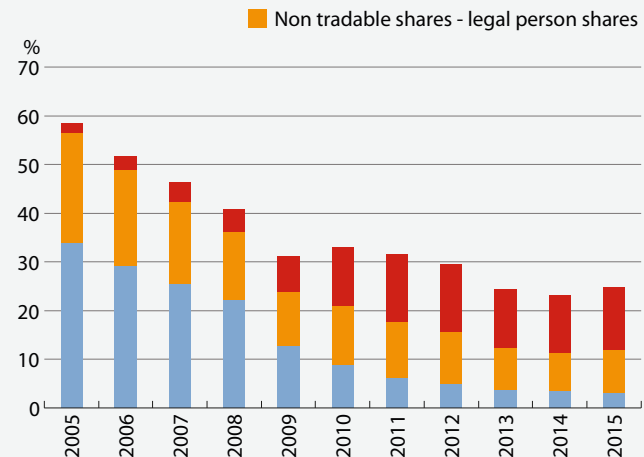
Represented by its State-owned Assets Supervision and Administration Commission, China continues to be a regular participant of the OECD-Asia Network on Corporate Governance of State-Owned Enterprises (SOEs). The 19th Party Congress laid out a number of plans to make SOEs more competitive and effective. With this regard and building on our existing collaboration, the OECD will explore further involvement of the Chinese authorities in the OECD Corporate Governance Committee and the OECD Working Party on State Ownership and Privatisation Practices.

www.oecd.org/daf/ca/china-oecdcorporategovernancepolicydialogue.htm

www.oecd.org/corporate/principles-corporate-governance

www.oecd.org/daf/ca/guidelines-corporate-governance-soes

The proportion of non-tradable shares has been reduced in China but is still high

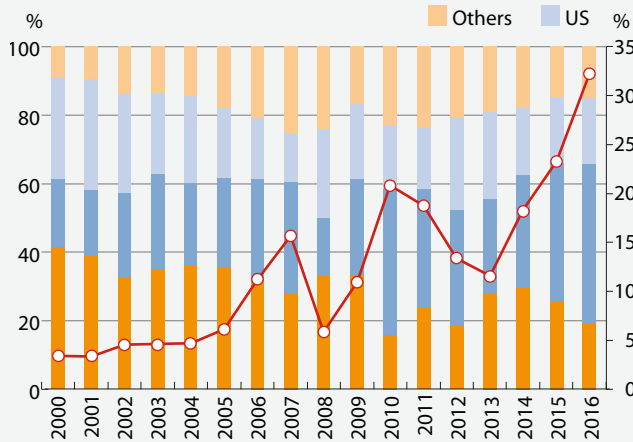


Source: OECD Economic Survey of China, 2017.



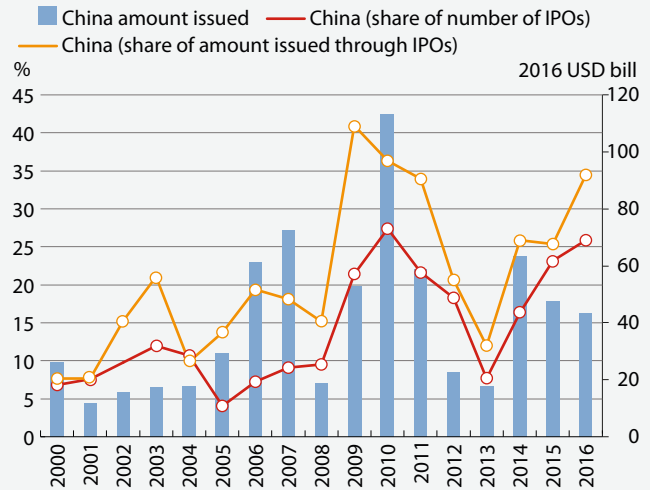
CSRC Chairman **LIU Shiyu** (right) and Secretary-General **Angel Gurría** shaking hands during the bilateral meeting for confirming China's acceptance of the OECD's invitation to deepen engagement with the OECD Corporate Governance Committee, Beijing, September 2017.

China's equity raised, share of worldwide amount raised



Source: OECD Equity Markets Review of Asia (2017)

IPO activity, numbers of IPOs and amount issued



Source: OECD Equity Markets Review of Asia (2017)

EMPLOYMENT AND SOCIAL DEVELOPMENT

Fostering skills through education and training



The 19th Party Congress reaffirmed education as a priority for China, putting emphasis on quality education, improved vocational education and training (VET) and greater enrolment in upper middle and higher education. Despite having the largest education system in the world, meeting both the demands of its economic growth and public aspirations for education remains a challenge. The OECD's work on education and skills can help support China in strengthening its education system to promote stronger and more inclusive economic growth within an increasingly knowledge-based global society.

The OECD-China co-operation on education is making remarkable progress in the following areas:

- China has confirmed the participation of the municipalities of Beijing and Shanghai, and provinces of Jiangsu and Zhejiang in the **Programme for International Student Assessment (PISA) 2018**. The Special Administrative Regions of Hong Kong, China and Macao, China will continue to participate in **PISA 2018**. Beijing, Shanghai, Jiangsu and Guangdong participated in the PISA 2015.
- Shanghai continues to participate in the **OECD Teaching and Learning International Survey (TALIS) 2018**. In February 2016, Shanghai launched its report on results from the TALIS 2013.
- China has been a key participant in the *OECD Education 2030* project and in the global discussion on curriculum design and innovative pedagogies.
- China has expressed interest in participating in the OECD's survey of early child learning outcomes and has been following work on *International Early Learning and Child Well-Being*.
- The OECD is a regular contributor to activities related to early childhood education and care organised by China Development Research Foundation. In September 2017, the OECD participated in a conference about child development held in Guiyang City, Guizhou Province.
- Data on China continues to be included in the annual OECD flagship publication, ***Education at a Glance***.



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Fostering skills through education and training

Growing collaboration with the OECD enables China to benchmark progress in raising student performance against other regions within the country and around the world. Data from **PISA** can help inform education policy and achieve greater equity in skills development. For example, participation in TALIS allows Shanghai to gain internationally comparable data on classroom factors that influence student learning. OECD international surveys and research on education also give China access to international networks where successful policies and practices of effective education systems are shared to further improve education. OECD work can also support Chinese policy makers to identify and promote the strategies that are driving excellence in the Chinese school system.

Moving forward, China may wish to explore country-wide participation in **PISA 2018** and expand representation in future rounds of **TALIS**. The OECD encourages more active participation of China in the **Indicators for Education Systems (INES)** programme to ensure that future editions of the **Education at a Glance** provide better data coverage on education indicators in China. The *OECD Enhancing Higher Education System Performance* project is another area where China may be interested in engaging with the OECD as it seeks to further develop its talent base.

www.oecd.org/education





Improving the labour market prospects of youth

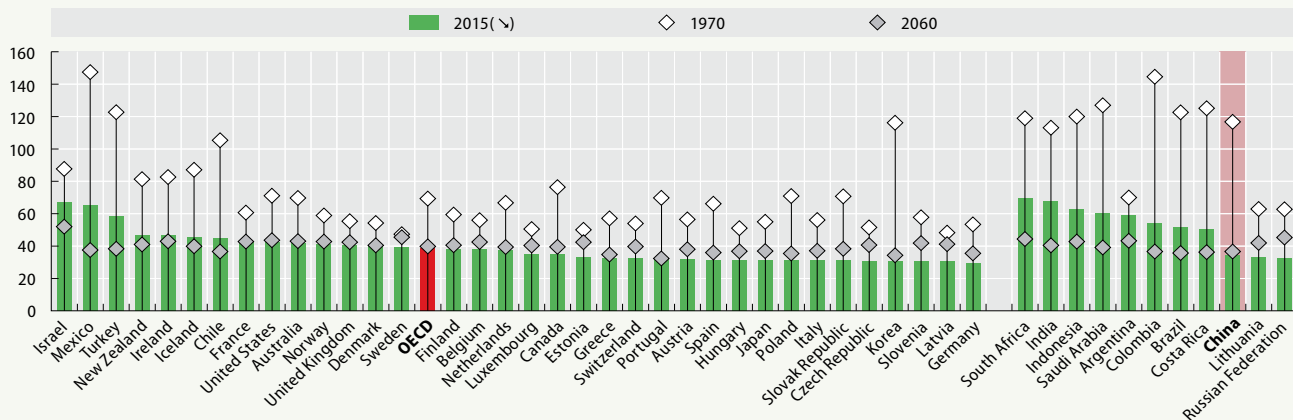
The OECD monitors and compares developments in employment and labour markets across OECD member and partner countries. Following the OECD's co-operation with Ministry of Human Resources and Social Security (MOHRSS) on employment and skills development in the context of China's G20 Presidency in 2016 and building on co-operation with the NDRC, the OECD and China are exploring further collaboration on high quality jobs, income distribution, social security and middle-income class.

The OECD's analyses of China's employment and labour markets provides the country with measures to benchmark its performance against OECD countries, and in turn, offers OECD member countries insights into employment-related developments in China. For example, the OECD publication *Society at a Glance* systematically includes information from China; and pension models are maintained for China and included in the annual OECD output *Pensions at a Glance*.



The youth dependency ratio will not decline in the next 45 years in most OECD countries

Number of young people (under 20) per 100 people of working age (20-64), in 1970, 2015 and 2060



<http://dx.doi.org/10.1787/888933405240>

Improving the labour market prospects of youth

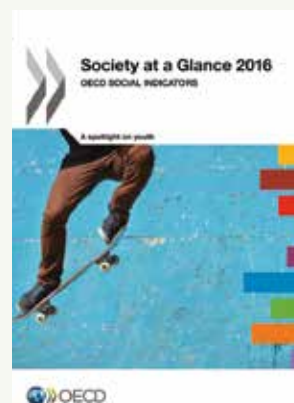
Likewise, OECD flagship publications include relevant chapters for emerging economies and China, for example the **Employment Outlook**, and publications such as **In it Together: Why Less Inequality Benefits All** and **Divided We Stand: Why Inequality Keeps Rising**. These analyses help foster a better understanding of the differences and commonalities between OECD and emerging countries, offers evidence-based best practices, and provide a platform for experience and information sharing.

In collaboration with the MOHRSS, the OECD contributed to the efforts of the G20 Employment Working Group (EWG) in 2016. In 2017, the National Development and Reform Commission

(NDRC) expressed interest in working with the OECD on the issues of high quality jobs, income distribution, social security and the middle-income class. The OECD has prepared a series of detailed proposals for potential areas of collaboration in 2018, which include joint work on the development of employment quality indicators, policies and practices of skills training, and optimising the human resources structure to tackle the labour market mismatch. These proposals will be further discussed at a follow-up meeting to be organised in 2018.

www.oecd.org/els

www.oecd.org/g20/topics/employment-and-social-policy



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Supporting SME development and strengthening local skills



Addressing the financing challenge for small and medium-sized enterprises (SMEs) is imperative to create new jobs and foster innovation in China.

The OECD analyses best practices in terms of design, implementation, and the evaluation of initiatives to promote entrepreneurship and growth of SMEs in terms of local economic and workforce development. Since 2000, China has participated in the **OECD Bologna Process on SME and Entrepreneurship Policies**, an initiative that brings together high-level policy makers from OECD countries and emerging economies to debate policy successes and failures in the area of SME and entrepreneurship policy. In April 2016, Secretary-General Gurría and Governor ZHOU Xiaochuan of the People's Bank of China jointly launched the **OECD Scoreboard on Financing SMEs and Entrepreneurs**, in which China has been participating since 2015. Most recently, China is taking part in the work of identifying effective approaches for the implementation of the **G20/OECD High-Level Principles on SME Financing**. Headed by Mr. ZHANG Feng, Chief Engineer of the Ministry of Industry and Information Technology (MIIT),

China participated in The OECD SME Ministerial Conference *Strengthening SMEs and entrepreneurship for productivity and inclusive growth* in February 2018 in Mexico City.

In support of the work under the Chinese G20 Presidency, the OECD has produced a report on enhancing employability, which highlights the importance of local approaches to skill enhancement in boosting job creation and productivity.



MIIT's Chief Engineer **ZHANG Feng** delivers a speech in the session on "Promoting innovation in established SMEs" during the OECD SMEs Ministerial Conference, Mexico City, February 2018.



Family photo of the OECD SME Ministerial Conference, Mexico City, February 2018.

Supporting SME development and strengthening local skills

The report provides examples of how to inject flexibility into the vocational education and training system at the local level to ensure that institutions and programmes are adapted to the needs of employers to include, SMEs, individuals and the local labour market in general.

China plays an active role in the **Initiative on Employment and Skills Strategies in Southeast Asia (ESSSA)**. It is conducted jointly by the OECD, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the International Labour Organisation (ILO) and ASEAN. The initiative provides the architecture for the OECD Regional Network on Education and Skills to strengthen government capacities in implementing effective local employment and skills development strategies. The annual meeting was hosted in Hanoi, Vietnam in October 2017 with a focus on “Building Talent for the Next Production Revolution”. The 2018 annual meeting will be held in Vientiane, Laos PDR.

www.oecd.org/cfe/smes

www.oecd.org/cfe/leed/employmentesssa.htm



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Family photo of the 9th Annual Expert Meeting of the ESSSA Initiative, Hanoi, October 2017.



INDUSTRY AND INNOVATION

Building a knowledge economy



Science, technology and innovation are key drivers of job creation, productivity growth, well-being and economic prosperity. The OECD offers China evidence-based policy advice on ways to harness the potential of these drivers to build a competitive knowledge economy for the digital age.

China is an active participant in the work of the Committee for Scientific and Technological Policy. The country's adherence to the OECD Daejeon Ministerial Declaration on Science, Technology and Innovation Policies for the Global and Digital Age in 2015 signalled shared goals to harness the catalysing opportunities of science and innovation systems for more sustainable and inclusive growth. Through a 2-year secondment in 2016-2017, the Ministry of Science and Technology contributed to projects on infrastructure research, as well as the OECD **Next Production Revolution (NPR)** analysis. Since 2015, China and the OECD have also intensified their collaboration on digital economic policy in the context of G20 as well as through a Memorandum of Understanding signed with the Cyberspace Administration of China (CAC). Moreover, China has shown strong interest in learning about the methodology behind the OECD science, technology and digital-related indicators, including OECD flagship publications such as the **STI Outlook**, **STI Scoreboard** and **Digital Economy Outlook**. The work on Artificial Intelligence is another area for potential co-operation. In October 2017, China Internet Network Information Center participated as a speaker in the OECD conference on "Artificial Intelligence: Intelligent Machines, Smart Policies" in Paris.

China's expenditure on research and development now exceeds that of the European Union, and indicators of international scientist mobility show the country is now a large net recipient of scientific talent. Mobile broadband penetration increased spectacularly between 2010-2016 (by 19 times) and the country is a top player in the development of several emerging ICT fields as well as artificial intelligence. As China continues to shift towards high-tech economic activities and prepare the ground

for home-grown companies entering international markets, dialogue in the digital area will become increasingly important and will also contribute significantly to the OECD's statistical and policy work in this field, along with its debates among OECD member and other partner countries. The OECD invites more active engagement of China with OECD's digital work streams through, for example contributions to the preparation of future **Digital Economy Outlook** analyses and participation in the OECD's work on consumer product safety in the digital marketplace.

www.oecd.org/sti



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OECD



Restructuring the shipbuilding and steel sectors

The shipbuilding and steel sectors are suffering from significant excess capacity globally due to a slowdown in demand and persistent structural challenges. The OECD works closely with China, the world's largest shipbuilder and steel producer, to promote policies that encourage the necessary restructuring and adjustments in these two industries.

The work of the OECD Council Working Party on Shipbuilding (WP6) and the Steel Committee benefits from the active participation of government representatives from relevant Chinese ministries. Bilateral dialogue with China through the joint project “Industrial Upgrading for Green Growth in China” with the Development Research Center (DRC) of the State Council in 2015-2017 provided the OECD with a unique opportunity to appreciate the difficulties of many political and policy challenges facing the country. It enabled the OECD to conduct policy-relevant research with DRC experts on industrial policy issues, as well as knowledge and data sharing activities. The project facilitated a better understanding of market and policy developments in China and improvements in the quality and significance of OECD policy recommendations, while at the same time adding value to the research undertaken by DRC experts. Key findings of this project and recommendations on efficiently managing industrial restructuring and addressing excess capacity were submitted to the Chinese leadership in 2017. The ongoing discussion of a new International Shipbuilding Instrument may allow possible future progress in shipbuilding. Recently, the WP6 has invited China's Ministry of Industry and Information Technology to participate in this important discussion.

Collaboration in the G20 Global Forum on Steel Excess Capacity (GFSEC) has been more fruitful, with a report on policy recommendations to address excess capacity agreed by the Forum's members and delivered to Ministers in Berlin, on 30 November 2017. On this occasion, G20 Ministers agreed on a roadmap aimed at addressing steel excess capacity and

designed with the support of the OECD. The OECD continues to play a key role as the Facilitator of the GFSEC, next by supporting the implementation of the agreed roadmap under the Argentinean G20 Presidency in 2018.

www.oecd.org/sti/ind/steel.htm

www.oecd.org/sti/ind/shipbuilding.htm



📍 The Global Forum on Steel Excess Capacity (GFSEC)'s first meeting of 2018, Paris, March 2018.

Meeting transport infrastructure needs



In November 2011, China became the 53rd member of the International Transport Forum (ITF), an intergovernmental specialised programme of the OECD that helps shape the transport policy agenda on a global level.

The co-operation between China and the ITF has strengthened over recent years through high-level participation by China in the ITF Annual Summits, policy exchanges, and analytical research. Mr. LI Xiaopeng, Minister of Transport was a panel speaker in the Opening Plenary of the 2017 Summit on Governance of Transport in the Global Digital Economy and took part in the Ministers' Roundtable on Regulating for the Sharing economy at the Summit. Mr. SHI Baolin, President of China Academy of Transportation Sciences (CATS), took part in a panel discussion on Governance of Gateways and Corridors, sharing good practice from China.

Moreover, the CATS has translated the ITF Transport Outlook 2017 into Chinese and distributed it across regional and local transport authorities. The Chinese version of ITF Transport Outlook was launched at the 2017 Summit by Minister LI Xiaopeng and Mr. SHI Baolin together with ITF's then Secretary General José Viegas. CATS will continue to translate and publish the ITF Transport Outlook series in China.

ITF was also invited by CATS to provide expert consultation for one of the projects in the pipeline, examining the impacts of the new Eurasian bridge on trade and transport volumes within the context of the One Belt One Road initiative. The ITF will continue to serve on the Advisory Committee of the China Urban Sustainable Transport Research Centre within CATS for the coming years. Furthermore, the Ministry of Transport will co-host an ITF Roundtable on "Innovative Business Models for Mobility: (De)regulation of App-based Ride Services" in 2018 in Beijing.

www.itf-org.org



LI Xiaopeng, China's Minister of Transport speaks in the Opening Plenary of the 2017 Summit on Governance of Transport in the Global Digital Economy, Leipzig, May 2017.



The Chinese version of the ITF Transport Outlook 2017 is launched in the presence of Minister **LI Xiaopeng** (second from the left) during the 2017 Summit on Governance of Transport in the Global Digital Economy, Leipzig, May 2017.



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A row of wind turbines on a beach at sunset. The sky is a mix of orange, pink, and blue, with a few clouds. The water is calm and reflects the light. The turbines are silhouetted against the bright sky.

ENVIRONMENT AND ENERGY

Towards a cleaner and healthier environment



China faces the burden of social costs caused by environmental degradation, air and water pollution. Economic growth will not be sustainable if pollution and the depletion of natural resources are not addressed. A number of collaborative initiatives on promoting a healthier environment and greener growth have deepened China's engagement with the OECD.

Activities with China from 2015 through 2017 have spanned several areas. The joint project **Industrial Upgrading for Green Growth in China** between the OECD and the Development Research Center (DRC) of the State Council put forward several recommendations on strengthening China's environmental policies with respect to green growth based on green growth indicators specifically adapted to China's circumstances. Other efforts included a seminar on waste management and dual collaboration on **Extended Producer Responsibility (EPR)** schemes. The **OECD Guidance on Extended Producer Responsibility** published in June 2016 included a case study developed by the Ministry of Environment (MEP) on the implementation of the Chinese E-waste Disposal Fund Scheme.

In May 2015, an event on EPR for e-waste was organised with the MEP in Beijing, which brought together a broad range of stakeholders from government, academia and the private sector, as well as a number of OECD experts. The event provided recommendations to help the government identify ways in which the current e-waste management system in China could be further improved and the State Council of China has since published its plans for extended producer responsibility, including possible reform of the current e-waste system.

The OECD stands ready to support the development and implementation of a circular economy in the country. The OECD's Green Growth measurement framework, its green growth indicators assessing policy performance and its experience with environmental information systems, all provide a strong basis for further co-operation. China will contribute a case study on environmental regulation and enforcement as part of an OECD project on air quality regulation.

www.oecd.org/environment



Combating climate change

China is scaling up its efforts to address the major challenge of reducing its greenhouse gas emissions and lowering its vulnerability to the impacts of climate change. It is providing strong support to relevant international co-operation agendas such as the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) and the G20. Exchanging best practices, particularly on green financing and the mobilisation of green investments, can be mutually beneficial to OECD countries and China.

For more than two decades, the OECD has been supporting the UNFCCC climate negotiations through the OECD/IEA Climate Change Expert Group (CCXG) and the associated Global Forum for Environment by participating in and hosting events and seminars focused on issues relevant to the international climate change negotiations. In the run up to COP21 and beyond, OECD helped its members and partner countries obtain a comprehensive picture of their policies and progress in tackling climate change. The past two years have seen co-operation with China expanding inform environment-related issues to promoting green growth approach and aligning the work programme with China's domestic priorities of tackling pollution in response to increasing social demand for better environmental quality. China has also been, over the same period, increasingly contributing to global efforts against climate change in order to meet the low-carbon economy targets.

The OECD followed up on the urgent call for collective and global action to fight climate change expressed under the Chinese G20 Presidency. The OECD played a key role in delivering on this important legacy in 2017 under the German Presidency and developed a new pro-growth and pro-climate narrative in its report ***Investing in Climate, Investing in Growth***. The report was launched at the Petersburg Climate Dialogue in 2017 and presented at a special event in Beijing in December 2017 in co-operation with the German Embassy. China's support for and involvement in this report demonstrates more openness from the country towards

co-operation and dialogue on climate change. The OECD will also continue to contribute to the China Council for International Co-operation on Environment and Development (CCICED).

The OECD would welcome and encourage China's enhanced engagement in a variety of OECD fora on the policy challenges associated with moving to low-emissions, climate-resilient development pathways consistent with the aims of the Paris Climate Agreement. To account for climate change mitigation policies adopted since COP21, the OECD will produce an updated, more in-depth analysis in 2018, following up on its 2015 report ***Climate Change Mitigation: policies and progress***.

www.oecd.org/env/cc



Improving water management



Water demand will increase 55% by 2050 due to growing demand from manufacturing, thermal electricity generation and domestic use. The Sustainable Development Goals acknowledge water as a driver for sustainable growth and development. Good quality water services are costly and require efficient water management. The OECD and China can further co-operate to facilitate investments and develop policies that contribute to water security and sustainable growth, both in China and globally.

Co-operation between the OECD and China on water issues has strengthened in recent years. In 2015, the Chinese Minister for Water Resources (MWR) joined the **OECD Global Water Partnership (GWP) High-Level Panel on Water Security and Sustainable Growth** and endorsed the final policy statement, which documented, for the first time, the economic costs of water-related risks and characterised investments that best contribute to water security and sustainable growth. In this context, China is invited to join the Roundtable on financing water that was set up to accelerate the agenda on financing water. At the 8th World Water Forum in Brasilia in March 2018, the Roundtable on Financing Water convened a High Level session to disseminate key messages emerging from the High Level Panel on Water, with a focus on valuing and financing water and to chart the way forward.

In May 2016, the Development Research Centre of the MWR renewed its membership to the **OECD Water Governance Initiative**, an international multi-stakeholder network gathering twice a year more than 130 members to share knowledge and experiences on water governance across levels of government. China has also committed to support the implementation of the **OECD Principles on Water Governance** adopted in June 2015.

In order to support the implementation of the OECD Principles on Water Governance, the OECD set a Water Governance Indicator Framework – a self-assessment tool for countries, regions, cities and basins to assess the performance of the water governance

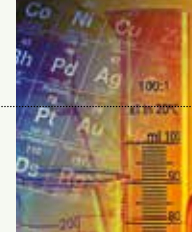
systems that are currently in place as well as to identify priorities for ways forward. The OECD also provides policy makers, practitioners and stakeholders with a set of evolving governance practices, as a way to learn from each other and identify pitfalls to avoid throughout the designing and implementation of water policies. The result of this work stream is documented in the report **Implementing the OECD Principles on Water Governance: indicator framework and evolving practices**, launched at the 8th World Water Forum in March 2018. China is welcome to use the OECD Water Governance Indicator Framework on a voluntary basis. The OECD stands ready to support China with policy guidance and best practices on water governance.

Furthermore, China has been invited to adhere to the OECD Council Recommendation on Water. The recommendation provides comprehensive policy guidance on water quality, quantity, disasters, governance and financing proposals that can support water policy reforms in China.

www.oecd.org/water
www.oecd.org/gov/regional-policy/water-governance-initiative.htm
www.oecd.org/water/roundtable-on-financing-water.htm



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Enhancing chemical safety

The OECD supports countries including China in protecting human health and the environment by advising on improving chemical safety, making chemical control policies more transparent and efficient, saving resources for government and industry, and preventing unnecessary distortions in the trade of chemicals and chemical products. Dialogue is ongoing in bringing China closer to relevant OECD work on the Principles of Good Laboratory Practice (GLP) and Mutual Acceptance of Data System in Assessment of Chemicals (MAD).

OECD's Mutual Acceptance of Data (MAD) system is a multilateral agreement which allows the sharing of safety testing data on chemicals across observing countries. Key benefits of this system are important as it helps to avoid duplicative testing and saves observing governments and companies over EUR 150 million every year in costs. The OECD is currently discussing with China possible steps to adhere to the MAD system. This could improve China's access to chemical markets by ensuring that Chinese safety data will be accepted for the registration of Chinese chemicals in other countries. The OECD submitted a paper to China in July 2017, which proposed measures to facilitate China's possible acceptance into the

MAD system. Moving forward, the OECD and its members will continue to work with China to find a balanced way out amenable to both sides. To advance the process, the OECD is encouraging China to attend relevant OECD meetings, where countries have the opportunity to share valuable insights and engage in mutually beneficial discussions on sound laboratory practices in addition to other key issues.

China has been a regular participant in the OECD Programme on Test Guidelines and has participated in the OECD programme that seeks international harmonisation in the area of regulatory assessment of novel foods and feeds, to ensure the protection of human and animal health. The country is also engaged in the work of the OECD Working Group on the Harmonisation of Regulatory Oversight in Biotechnology, which aims to ensure that the information and methods used in risk and safety assessment of genetically engineered crops are as similar as possible in order to increase mutual understanding and avoid duplication.

www.oecd.org/ehs/mad

www.oecd.org/env/nanosafety

www.oecd.org/env/pesticides



Providing affordable and low-carbon energy



The International Energy Agency (IEA), an autonomous body within the OECD, works to ensure reliable, affordable and clean energy for its 30 member countries and beyond. It was founded in 1974 to help co-ordinate a collective response to major oil supply disruptions. Its mission has evolved and today the modernization of IEA is the key driver for deeper engagement with emerging economies. IEA members and association countries now accounts for more than 70% of global energy consumption, up from less than 40% in 2015.

Widely recognised as the world's most **authoritative source of energy market analysis and projections**, the IEA examines the full spectrum of energy issues including oil, gas and coal supply and demand, renewable energy technologies, electricity markets, energy efficiency, access to energy, demand side management and much more. The IEA's work **covers energy demand centres of the world**, beyond its membership.

Co-operation between the IEA and China began in 1996 and covers key energy sector issues, including oil emergency preparedness, natural gas infrastructure, renewables, energy efficiency, and technology innovation. The IEA has been working closely with the National Energy Administration (NEA), the National Development and Reform Commission (NDRC), the Ministry of Science and Technology (MOST) and the National Bureau of Statistics (NBS), among others.

Closer engagement with China has been a central part of the IEA's open-door policy, endorsed in the 2015 IEA Ministerial, during which China became the **first IEA Association country**. In February 2017, the IEA signed a **three-year work programme** with China to build on and broaden co-operation on energy security, capacity building, data and statistics, and to support China's energy transition. The IEA's flagship publication, the **World Energy Outlook**, featured a special focus on **China** and implications for the global energy markets in its 2017 edition.



Meeting between **Dr Fatih Birol** and Vice Premier **Zhang Gaoli**, to discuss the IEA's commitment to deepening its co-operation with China during the country's economic and energy transition, Beijing, December 2017.





Developing clean and safe nuclear power

China has the largest programme worldwide for the construction of new nuclear power plants. The Nuclear Energy Agency (NEA) brings together the world's most advanced countries in order to maintain and further develop the scientific, technological and legal bases required for a safe, environmentally sound and economical use of low-carbon nuclear energy for peaceful purposes.

Collaboration with China on important nuclear energy issues continues to be strengthened under the Joint Declaration on Co-operation with the China Atomic Energy Authority (CAEA), the Memorandum of Understanding with the National Nuclear Safety Administration (NNSA) and the Memorandum of Understanding (MOU) with the National Energy Administration. China is a full participant in the Generation IV International Forum (GIF), the Multinational Design Evaluation Programme and the International Framework for Nuclear Energy Co-operation, three NEA-serviced bodies, as well as in seven NEA joint projects. The NEA Director-General and staff visit China on a regular basis to meet with Chinese officials and institutions. In March 2018, the NEA welcomed a Chinese radioactive waste expert on secondment to work in the NEA in Paris for two years.

China currently has the largest nuclear new build programme in the world, with 18 reactors under construction and many more planned to meet the country's growing low-carbon electricity needs. China can greatly benefit from the experience of the 33 NEA member countries, notably as it pertains to nuclear regulatory activities and inspection practices, radiological protection and emergency management, as well as stakeholder involvement and radioactive waste management. NEA countries welcome co-operation with China as it strives ahead in many new areas, including its development of innovative designs and materials; working together they can have significant impact on nuclear energy's state-of-the-art innovations and best practices. In addition to continuing co-operation with the CAEA, the NNSA and the National Energy Administration, the NEA looks forward

to building working relations with all relevant institutions in the nuclear energy field, including the Ministry of Science and Technology, research institutes and select universities. Further co-operation and agreements may be pursued to cover the full spectrum of nuclear energy activities, in particular towards the development of future technologies and their licensing in countries across the world.

www.oecd-nea.org

www.gen-4.org

www.ifnec.org



☞ National Energy Administration Deputy Administrator **Li Fanrong** and NEA Director-General **William D. Magwood, IV**, signing a Memorandum of Understanding (MOU) in the Field of Peaceful Uses of Nuclear Energy in Beijing, China, in April 2017.



☞ China Atomic Energy Authority (CAEA) Acting Chairman **Wang Yiren** and NEA Director-General **William D. Magwood, IV**, at the CAEA offices in Beijing, March 2018.

Today's OECD: Better policies for better lives

The OECD is an intergovernmental organisation created to promote policies that will improve the economic and social well-being of people all over the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. Governments of Member and Partner countries work with the Organisation to understand the key drivers of economic, social and environmental change. The OECD measures productivity and global flows of trade and investment, it analyses and compares data to predict future trends, and it sets international standards on a wide range of issues.

GLOBAL RELATIONS

Through its relationship building over the last 50 years, the OECD has transformed itself into a global organisation, with 35 Members from America, Europe, Asia, and Oceania, including developed and developing countries. Since 2007, the OECD has identified Brazil, China, India, Indonesia and South Africa as “Key Partners” and has been co-operating substantially with these countries. Colombia, Costa Rica and Lithuania are in the accession process towards OECD membership.

The OECD's global relations also cover regions of strategic importance including South-East Asia, South-East Europe, Eurasia, the Middle East and North Africa, as well as Latin America and the Caribbean. The OECD also hosts the secretariats of several international programmes such as the Financial Action Task Force on Money Laundering.

FAST FACTS

History: established in 1961

Headquarters: Paris, France

Membership: 35 countries

Key Partners: 5 countries (Brazil, China, India, Indonesia, South Africa)

Accession: 3 countries (Colombia, Costa Rica, Lithuania)

Country Programmes: 4 countries (Kazakhstan, Morocco, Peru; and Thailand*) **pending final OECD Council approval*

Regional Programmes: 5

Secretary-General: Angel Gurría

Publications: 250 new titles/year

Committees: Almost 300 Committees, Working Groups and Task Forces

📍 Château de la Muette, OECD Headquarters.



GOVERNANCE STRUCTURE

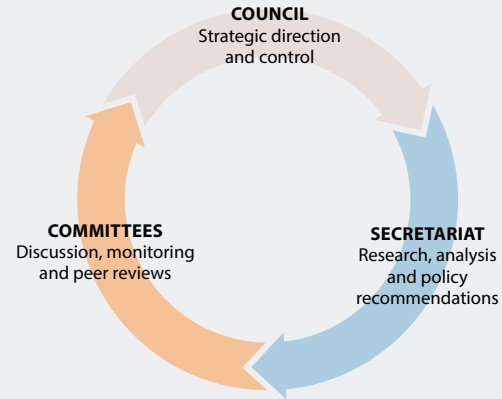
The OECD is structured around the Council, Committees and the Secretariat:

- Decision-making power is vested in the OECD Council. Overseeing the Organisation's functioning and giving strategic direction, it is made up of one representative per member country plus a representative of the European Commission and they take decisions by consensus.
- At the Committee level, representatives of member countries and countries with Observer status from the permanent delegations to the OECD or their capitals participate in meetings, to request, review and contribute to work undertaken by the Secretariat. Terms for partner participation in committees are discussed on page 63.
- The Secretariat collects data, conducts research and analyses and produces policy proposals. The Secretary-General heads the Secretariat and is assisted by one or more Deputy Secretaries-General. The Secretary-General also chairs the Council, providing the link between national delegations and the Secretariat.

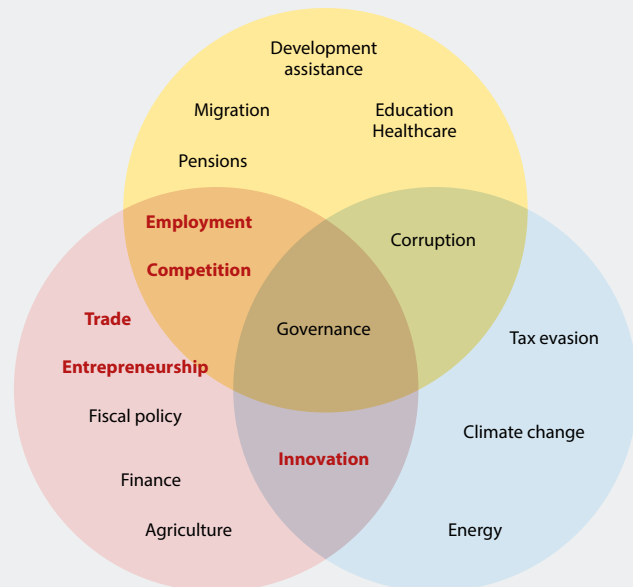
WORKING METHODS

Through the OECD, governments work together with a multidisciplinary approach to develop evidence-based policy guidance, increasingly involving different stakeholders including parliaments, business communities and civil society. On the basis of comparable statistics collected across member and partner governments, the OECD Secretariat analyses countries' policy experiences and identifies good practices, to inform policy making in participating countries and beyond. "Peer reviews", based on dialogue and consensus-building, allow for an effective monitoring of reform progress in a broad range of policy areas. Identified good practices and policy recommendations contribute to designing new international standards in the form of "instruments" as described on page 62.

Governance structure of the OECD



The OECD works in a broad range of policy areas



OECD LEGAL INSTRUMENTS

The OECD has developed a wide range of legal instruments based on the substantive work carried out in the Organisation's Committees, many of which have become global standards. They are based on in-depth analysis and reporting undertaken within the Secretariat and cover a wide range of topics. The OECD Acts (i.e. legal instruments adopted by the OECD Council) are as follows:

- **Decisions** are legally binding on all Adherents. While they are not international treaties, they do entail the same kind of legal obligations as those subscribed to under international treaties. Adherents have to implement Decisions and take the measures necessary for such implementation.
- **Recommendations** are not legally binding but practice accords them great moral force as representing the political will of Adherents, and there is an expectation that Adherents will do their utmost to implement them.

Other legal instruments are also developed within the framework of the Organisation:

- **Declarations** are solemn texts setting out relatively precise policy commitments which are subscribed to by Adherents.
- **Arrangements and Understandings** are not legally binding instruments negotiated and adopted in the framework of the Organisation by some Members and/or non-Members.
- **International Agreements** may be concluded in the framework of the Organisation and are legally binding on the Parties, which may include Members and non-Members.

Bringing China and other partner countries closer to OECD instruments is an important priority for the Organisation. A concerted effort is being made to further integrate the perspectives of China and other partner countries in the OECD's standard-setting activities. In particular, the participation of China and other Key Partner countries in developing new instruments and revising existing ones is crucial to ensure their global relevance.

OECD LEGAL INSTRUMENTS TO WHICH CHINA HAS ADHERED

Decision:

- OECD Standard Codes for the Official Testing of Agricultural and Forestry Tractors (since 1988)

Recommendation:

- Recommendation of the Council on Principles of Corporate Governance (since 2015)

Declarations:

- Daejeon Declaration on Science, Technology and Innovation Policies for the Global and Digital Age (since 2015)
- Declaration on Automatic Exchange of Information in Tax Matters (since 2014)
- Paris Declaration on Aid Effectiveness (since 2005)
- Declaration on International Science and Technology Co-operation for Sustainable Development (since 2004)

International Agreements:

- Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (signatory since 2017, pending ratification)
- Convention on Mutual Administrative Assistance in Tax Matters (since 2016)

PARTICIPATION IN OECD BODIES AND PROJECTS

Non-Members can be invited to participate in OECD Committee work with three forms of Partnership:

- **Members/Associates** participate in a Committee, a project or the development or revision of a legal instrument usually for an open ended period with the same rights and obligations as OECD Members, with the exception of discussions related to the accession of new Members to the Organisation, adherence of a non-Member to a legal instrument to which the Associate itself has not adhered or any other activities specified in the invitation.
- **Participants** participate in OECD Bodies except in discussions marked as confidential, usually for an open-ended period.
- **Invitees** are invited to one meeting at a time, for non-confidential items only.

CHINA'S PARTICIPATION IN OECD BODIES AND PROJECTS

Member of:

- OECD Development Centre and its Governing Board (since 2015)
- International Transport Forum and Joint OECD/ITF Transport Research Committee (since 2011)
- Global Forum on Transparency and Exchange of Information for Tax Purposes (since 2009)

Associate of:

- Corporate Governance Committee's discussions concerning the Recommendation of the Council on Principles of Corporate Governance (since 2017)
- Working Party No. 10 on Exchange of Information and Tax Compliance of the Committee on Fiscal Affairs (since 2014)
- Project on Base Erosion and Profit Shifting (since 2013)

Participant in:

- Corporate Governance Committee (since 2017)
- Programme for International Student Assessment (since 2006)
- Committee on Fiscal Affairs and its subsidiary bodies, except in its WP10 and BEPS project, where China has Associate status (since 2004)
- Committee for Scientific and Technological Policy and its subsidiary bodies (since 2001)

Besides its participation in the above-mentioned OECD Bodies and projects, China also participates in the following OECD Asian Networks:

- OECD/ADB Roundtable on Capital Market Reform in Asia ("Tokyo Roundtable")
- OECD-Asian Roundtable on Corporate Governance
- ADB/OECD Anti-Corruption Initiative for the Asia-Pacific
- APEC/OECD Cooperative Initiative Regulatory Reform
- Network of Senior Budget Officials for Asia
- OECD/ADB Roundtable on Labour Migration in Asia
- OECD Employment and Skills Strategies in Southeast Asia (ESSSA)
- OECD Development Centre-AMRO Joint Asian Regional Roundtable

China is also an "Association Country" of the International Energy Agency (since 2015)

Today's OECD: Better policies for better lives

DIALOGUE AND DATA

The OECD discusses its data and analyses with stakeholders through a range of channels.

The Trade Union Advisory Committee to the OECD (TUAC) and the Business and Industry Advisory Committee to the OECD (BIAC) bring their perspectives to the policy dialogue. In particular, the BIAC China Task Force supports OECD-China co-operation by providing OECD business expertise and advice.

Taking stock of China's increasing importance as a source and destination of FDI, the OECD Development Centre's Emerging Market Network (EMnet) has organised a meeting in Beijing since 2010. This event has enabled companies to benefit from the OECD's expertise and to discuss the constraints they face in Chinese markets or when investing abroad. Between 2010 and 2015, EMnet and the China International Council for the Promotion of Multinational Corporations (CICPMC), a business association supervised by the Ministry of Commerce, joined forces to provide a setting for discussions between CEOs from Chinese and foreign companies and high-level government officials. The meeting was held during the annual International Roundtable of Multinational Corporations Leaders. In 2016, EMnet organised an event to discuss the key outcomes of the Chinese Presidency of the G20, titled "China's New Normal and the G20: Challenges and Opportunities for Businesses". The meeting was held in partnership with the American Chamber of Commerce and the European Union Chamber of Commerce in China.

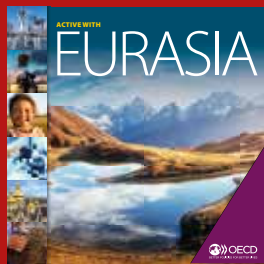
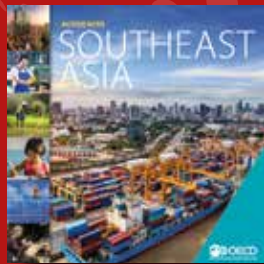
www.tuac.org
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www.oecd.org/dev/oecdemnet.htm



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The OECD: A Global Policy Network



The Organisation for Economic Co-operation and Development (OECD) is an international organisation helping governments tackle the economic, social and governance challenges of a globalised economy. It provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD Member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America.



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www.oecd.org/china

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