

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	iii
ECONOMIC ANALYTICAL UNIT	ix
EXECUTIVE SUMMARY	xv
CHAPTER 1 WTO ENTRY AND DOING BUSINESS IN CHINA	1
China's WTO Entry: The Headlines	2
Falling Trade Barriers	2
Further Cutting Import Tariffs	2
Continuing to Reduce Non Tariff Barriers	3
Improving Foreign Direct Investment Access	5
WTO Entry's Impact on China's Trade and FDI	5
Trade Flows to Grow Strongly	5
Foreign Investment Will Surge	6
China's WTO Entry: Beyond The Headlines	7
Role of the State is Shrinking	8
A Better Legal System	9
Better Corporate Governance	11
Labour Markets More Flexible	12
Dealing with Partners	14
Taxation Issues	15
Transparency Improving Slowly	15
Other Business Environment Challenges	16
China's WTO Challenge	19
The Implementation Challenge	19
The Restructuring Challenge	20
Implications	21
References	23
Appendix	27
CHAPTER 2 ECONOMIC OVERVIEW	31
Reforms Continue	32
SOE Reform Deepening	33
Financial Sector Reform Proceeding	33
Deregulating the Private Sector	34
Macroeconomic Policy Management Improving	35
Trade, FDI and Exchange Rate Liberalisation	35
Economy Transforming	35
Private Sector Growing Rapidly	36
Manufacturing and Service Sectors Continue Growing	36
Labour Markets Continue Changing	37

Economy Strong, Global Integration Increasing	37
Macroeconomic Fundamentals Sound	37
Trade and International Exposure Increasing	39
Life In China Improves	41
Serious Challenges Remain	43
Financial System Reform	44
SOE Reform Challenges	45
Social Security System Reform	45
Future Macro Reform Challenges	46
Political Developments	46
China's Economic Outlook	47
Impacts of WTO Accession	47
China's Growth Outlook	48
Implications	50
References	51
Appendix	55
 CHAPTER 3	
THE AUSTRALIA-CHINA COMMERCIAL RELATIONSHIP	59
Commercial Relations Booming	60
Australia's Exports to China	62
Minerals and Energy	64
Rural Exports	65
Manufactured Exports	67
Services	68
Australia's Investment in China	69
China's Exports to Australia	71
Manufactured Goods	72
Primary Commodities	73
Services	74
China's Investment in Australia	75
Summary and Prospects	77
References	79
 CHAPTER 4	
OPPORTUNITIES IN AGRICULTURE AND AGRIBUSINESS	81
Major Agricultural Trends	82
Agricultural Restructuring Continues	82
Agricultural Productivity Remains Low	85
Trade and Investment Increasing	85
Agricultural Reforms and Challenges	87
Agricultural Price, Procurement and Land Use Reforms	88
Land Tenure Reform	88
Tax and Fees Reform	88
Meeting Infrastructure, Marketing and Finance Needs	90

Impact of WTO Entry on Agriculture and Agribusiness	91
China's WTO Commitments on Agriculture and Agribusiness	91
WTO Impacts on Chinese Agriculture and Agribusiness	92
Australian Trade Opportunities	93
Wool and Cotton	94
Crops	95
Meat and Seafood Products	97
Dairy Products	97
Higher Value Foods and Beverages	99
Other Related Exports	100
Australian Investment Opportunities	102
Implications	104
References	105
Appendix	108
 CHAPTER 5	 113
OPPORTUNITIES IN MINERALS AND ENERGY	
Overview Of Minerals And Energy In China	114
State Still Dominates Sector	115
High Trade Exposure, Foreign Investment Less Prominent	115
Recent Mineral And Energy Reforms	117
WTO Entry Impacts on Minerals and Energy	119
Modelled Impacts of WTO Entry	119
Australian Resource Trade Opportunities	120
Metal Ores	121
Coal	122
Processed Metals	125
Oil and Gas	126
Mining and Processing Equipment and Services	128
Australian Resource Investment Opportunities	129
Implications	131
References	133
Appendix	136
 CHAPTER 6	 143
OPPORTUNITIES IN MANUFACTURING AND INFRASTRUCTURE	
Manufacturing	144
Overview of Chinese Manufacturing	144
Structure of Chinese Manufacturing	144
Manufacturing Internationally Integrated	146
Challenges Being Addressed	148
WTO Entry Impacts on Manufacturing	149
Australian Business Opportunities in Manufacturing	151
Australian Manufacturing Trade Opportunities	152
Australian Investment Opportunities	152

Infrastructure	156
Overview of Infrastructure	156
Growing Foreign Trade and Investment Exposure	156
Infrastructure Investment and Reform Priorities	157
WTO Entry Impacts on Infrastructure	160
Australian Business Opportunities in Infrastructure	162
Implications	165
References	166
Appendix	169
 CHAPTER 7	 173
OPPORTUNITIES IN SERVICES	
Overview Of The Chinese Services Sector	175
Structure and Recent Performance	175
Exposure to Foreign Trade and Investment	176
Impact of WTO Entry on Chinese Services	177
Australian Business Opportunities By Sector	178
Financial Services	178
Education and Training	184
Tourism	189
Information Communications and Technology	191
Environment	194
Professional Services	196
Distribution and Logistics Services	198
Implications	199
References	200
Appendix	204
 CHAPTER 8	 211
IMPLICATIONS FOR BUSINESS AND GOVERNMENT	
China, Reforms and the WTO	211
Implications for Business	211
Implications for Government	212
Commercial Implications	212
Development Assistance Implications	212
Prospects	215
 INFORMATION FOR BUSINESS	 217
 ALSO BY THE ECONOMIC ANALYTICAL UNIT	 219