CHINA'S ENTRY INTO THE WTO

WHAT IT MEANS FOR U.S. INDUSTRY

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After fifteen years of negotiations, on November 10, 2001 at the World Trade Organization (WTO) Ministerial Conference in Doha, Qatar, WTO members formally approved the accession package for the People's Republic of China (China). China became a full member, the WTO's 143rd, on December 11, 2001.

The negotiations with China, as is the case with all WTO accession negotiations, consisted of three parts. China provided information to the WTO Working Party pertaining to its trade regime, which was updated throughout the 15 years of negotiations. Next, each interested WTO member negotiated a bilateral agreement with China concerning market access concessions and commitments for goods and services. These concessions and commitments were then formulated into two documents, China's Goods and Services Schedules, which apply to all WTO members. Simultaneously, China participated in multilateral negotiations with Working Party members on the rules that will govern trade with China. These documents are available at www.wto.org.

TRANSPARENCY AND PREDICTABILITY

China has agreed to implement systemic reforms designed to establish a more transparent and predictable regime for business dealings.

To promote transparency, China will regularly publish these laws and regulations in official journals with relevant information including the responsible government entity and the effective date of the measure. In addition, China will create inquiry points, which will operate on 30 day response times, to permit companies to obtain information about these laws and regulations. Furthermore, China has agreed to provide notice of laws and regulations, allowing reasonable time for comment, prior to implementation or enforcement. China plans to translate all trade laws and regulations into one or more of the WTO languages (English, French and Spanish), including those that will have to be drafted or revised as China comes into compliance with its WTO obligations. China has committed to the maximum extent possible to provide translated versions of trade laws and regulations prior to implementation, but in no case later than 90 days post-implementation.

China also made a commitment that will help foster predictability in business dealings. It agreed to apply, implement and administer all of its laws and regulations relating to trade in goods and services in a uniform and impartial manner throughout China, including special economic areas.

SUBSTANTIVE BENEFITS TO U.S. FIRMS

China's WTO accession agreement will help U.S. companies doing business in China by addressing many of the trade restrictions and problems U.S. firms have experienced. Following are a few highlights of the agreement.

Tariffs
China has committed to significantly reduce its tariffs on industrial products.

These reductions had already begun in preparation for China's accession to the WTO. China's industrial tariffs will decline from a 1997 average of 25 percent to 8.9 percent. Nearly all of these reductions will be completed by January 1, 2005. For a few products, reductions will continue until 2010.

China will completely eliminate its tariffs on beer, furniture and toys. The 1997 tariffs on these products averaged 70 percent, 22 percent and 23 percent, respectively. Other product sectors where China has agreed to substantial tariff reduction are: cosmetics, distilled spirits, medical equipment, motor vehicles, paper products, scientific equipment and textiles. Additionally, China will join the Information Technology Agreement (ITA), which will eliminate tariffs on two-thirds of the products under the ITA by January 1, 2003 and will eliminate tariffs for all the remaining products by January 1, 2005.

Service Commitments

China has agreed to significant liberalizations in a broad range of service sectors through eliminating market access restrictions, particularly in sectors of importance to the United States including banking, insurance, telecommunications and professional services, including accounting, legal and management consultancy services.

Trading Rights and Distribution

China currently restricts the number of companies that have the right to import and export goods and the products that can be imported by these companies. China has agreed to eliminate any export performance, prior experience requirements and trade or foreign exchange balancing, as criteria for obtaining or maintaining the right to import and export. Chinese enterprises will now have full trading rights, subject to certain minimum registered capital requirements. Joint ventures with minority foreign ownership will be granted full trading rights within one year and joint ventures with majority foreign ownership will be granted full trading rights within two years after accession. All enterprises in China will be granted full trading rights within three years after accession (except for limited products reserved for trade by state enterprises as identified in Annex 2A to the Protocol).

Currently, China does not permit foreign companies to distribute products through their own wholesale and retail systems or to provide related distribution services, such as repair and maintenance. This prohibition will be phased out over three years with a few exceptions. For chemical fertilizers, processed oil and crude oil, foreign service suppliers will be permitted to engage in distribution within five years after China's accession.

Trade-related Intellectual Property Rights

China's implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPs) is an important step toward improving its intellectual property environment. Pursuant to the 1992 and 1995 bilateral intellectual property agreements and 1996 action plan, China has made steady progress in improving its intellectual property regime. However, the United States looks to China for continued improvement concerning the enforcement of intellectual property rights. We have developed a strong dialogue with China on this issue and China's officials recognize the need for more effective action to address this continuing problem. Nevertheless, large-scale unauthorized production and sale of copyrighted products and trademark counterfeiting remain widespread. Full implementation of the TRIPs Agreement, upon accession, will continue those efforts and further enhance China's development of intellectual property protection, particularly for the high-tech industries.

Import Licensing

China's import licensing system can no longer function as a trade barrier and must comply with the principles of national treatment and nondiscrimination.

Importation and Investment Approvals

Importation and investment approvals can no longer be conditioned on whether competing domestic suppliers exist or on performance requirements of any kind, such as export performance, local content, technology transfer, offsets, foreign exchange balancing, or research and development. China has further agreed that it will only impose, apply or enforce laws, regulations or other measures relating to the transfer of technology that are consistent with the WTO Agreement on Trade-related Investment Measures and the TRIPS Agreement.

Technical Barriers to Trade

In accordance with the WTO Technical

Barriers to Trade (TBT) Agreement, China cannot use technical regulations, standards and conformity assessment procedures as unnecessary obstacles to trade. China will now base technical regulations on international standards. These regulations must now be developed in a transparent manner and applied equally to domestic and foreign products.

Taxes

China agreed to ensure that its laws, regulations and other measures relating to internal taxes and charges levied on imports comply with WTO rules and are applied in a nondiscriminatory manner. This obligation applies not only to national taxes but also to provincial and local taxes.

Subsidies

China has agreed to eliminate, upon accession, all subsidies on industrial goods that are prohibited under WTO rules, i.e., export and import substitution subsidies.

DEPARTMENT OF COMMERCE'S COMPLIANCE PLAN FOR CHINA

The Department of Commerce has a strong program in place to help China implement and comply with its WTO obligations and to support U.S. firms operating in the Chinese market, as outlined below.

Concentrate Enforcement Efforts

Commerce's China Team holds semi-weekly strategy sessions to review cases and implementation plans. A new China-specific website (www.export.gov/china) provides U.S. business with detailed information on China's WTO obligations, compliance and market opportunities. China Team representatives meet regularly with the commercial staff from the Chinese Embassy in Washington, D.C. and Commercial Service officers meet regularly with Ministry of Foreign Trade and Economic Cooperation in Beijing, to review specific market access and compliance problems. A group dedicated especially to monitoring developments relevant to potential unfair trade problems with China also has been established as an offshoot of Commerce's ongoing work in import monitoring and the enforcement of U.S. rights under the WTO with respect to multilateral subsidy disciplines. Among other things, this group will monitor China's provision of financial assistance and state aids to industrial enterprises to ensure that they conform to WTO commitments.

Help China Reform

A series of training programs for Chinese officials on WTO-related issues of concern to U.S. business has been initiated. The first team traveled to Beijing and Shanghai in the fall of 2000 to review China's WTO obligations (standards, intellectual property rights and anti-dumping/countervailing duty requirements) with Chinese officials and the resident U.S. business community. In early 2001, a half-dozen sessions were held in Washington, D.C. for Chinese officials, on topics ranging from

INFORMATION

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Trade Information Center
Tel: 800-USA-TRAD(E)
www.export.gov/tic

Import Administration
Tel: (202) 482-3415
Fax: (202) 482-6190
www.trade.gov/ia

Report trade complaint at:
www.mac.doc.gov/tcc

Contact Trade Compliance Center:
TCC@ita.doc.gov

U.S. Commercial Service in China
Beijing
Tel: 86-10-8529-6655
Fax: 86-10-8529-6558/6559
Chengdu
Tel: 86-28-558-3992
Fax: 86-28-558-9221
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Fax: 86-20-8666-6409
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e-commerce regulation to corporate mergers and acquisitions, to WTO antidumping rules. Subsequently, Team members traveled to China with the American National Standards Institute for seminars in Beijing and Xian, organized IPR Enforcement Training sessions in Shenyang, Hangzhou and Xiamen and conducted an information technology seminar in Beijing. In September a Medical Equipment Standards program was held jointly with the EU in Kunming. Plans for 2002 include programs focusing on Intellectual Property Rights, Distribution, Standards, Information Technology, Energy and Environmental Technologies.

Promptly Address Market Access Problems

New tight action deadlines for new market access and compliance cases are in place. Washington, D.C. and China-based Commerce staff are using a new shared computer database to efficiently track all China market access and commercial cases. China Team representatives are meeting regularly with the commercial staff from the Chinese Embassy in Washington, D.C. to review outstanding market access and compliance cases.

Congress has provided new compliance resources in Washington, D.C. and China — seven new officers have been added to the China Office in Washington, D.C. and four compliance positions added in China to handle the increasing on-the-ground workload. A guide for U.S. companies on "Dispute Avoidance and Dispute Resolution in China" has been developed and is on the China website.

Give U.S. Companies a Head Start

A dozen seminars were held in late 2000 throughout the United States to educate the business community on changes anticipated in the Chinese market and on the type and extent of compliance support we can provide. The Commercial Service in China participated via videoconferencing to present an overview of the business environment and allow the seminar audience to direct questions at the presenters. A Virtual Trade Mission to China's Computerworld Expo was held in the Fall of 2000, enabling 15 small and medium-sized U.S. information technology companies to introduce their products to Chinese end-users. Plans for 2002 include many WTO opportunities seminars throughout the United States and a WTO related trade mission to China.

Aggressively Monitor Trade Flows

A China-specific antidumping and circumvention program closely monitors imports from China in several key sectors. We are presently refining and expanding upon our monitoring activities, e.g., looking at imports not only from those Chinese industries with a large absolute U.S. import share, but also those enjoying the largest and fastest growth rates. Much of this information will be made available to the public via the website for Commerce's Office of Import Administration, at www.trade.gov/ia. We envisage this as providing an important tool not only for early detection of potential unfair trade problems, but also to facilitate determinations by both U.S. government and industry as to when recourse may be appropriate to the special safeguards provisions negotiated as part of China's accession to deal with unusual import surges.

LARGEST U.S. EXPORTS TO CHINA

ITEM	JAN – OCT, 2001 (in millions of U.S. dollars)
Electric Machinery	5,011
Machinery	4,418
Optic, medical instruments	2,059
Aircraft, spacecraft	1,580
Plastic	1,009
Misc. Grain, Seed, Fruit	986
Organic Chemicals	614
Woodpulp, etc.	505
Fertilizers	477
Hides and Skins	408

Source: World Trade Atlas

INTERAGENCY COORDINATION

Commerce's enforcement efforts are part of a coordinated U.S. Government approach to monitoring and enforcing China's WTO compliance. In Washington, D.C., the U.S. Department of Commerce, the Office of the U.S. Trade Representative and the Departments of State, Treasury, Agriculture and Labor, play an active role in WTO implementation and monitoring efforts.

In Beijing, Commercial Service officers, along with State Economic officers, Foreign Agricultural Service officers and Customs Attaches, participate in a WTO Implementation Coordination Committee which meets regularly to assess progress and monitor problems, with input from U.S. consulates in Shanghai, Guangzhou, Shenyang and Chengdu.

U.S. TRADE WITH CHINA

U.S. trade with China is important to our economy. In 2000 China was our fourth largest trading partner, with two-way trade of $116 billion. China is the United States 10th largest market abroad for U.S. goods, with our exports showing strong increases — up 20 percent for the first nine months of this year. We expect that this growth in our exports will accelerate with China's WTO membership.