

TOWARD WTO: HIGHLIGHTS OF PRC IMPLEMENTATION EFFORTS TO DATE

June 2001

The US-China Business Council is committed to tracking WTO-related changes in China. This document highlights particular PRC efforts, as known to the Council, to bring its system into WTO compliance. It is not intended to be comprehensive. China has taken positive first steps to implement its commitments, but significant gaps remain. The Council will continue to update this report on a quarterly basis.

- **Revising Laws and Regulations:** In preparation for China's accession to the World Trade Organization (WTO), PRC officials have begun to bring China's legal and administrative regimes into compliance with WTO rules. According to PRC legislators, more than 1,300 national and local laws and regulations did not comply with the WTO rules as of October 2000. The National People's Congress (NPC) and State Council announced in 2001 that they would formulate 26 new regulations, amend an estimated 140 national laws and regulations, and abolish another 573.
- **New Legislation:** Drafts of new and amended legislation are said to be circulating and include new antitrust, foreign trade, antidumping/countervailing duty, safeguard, import/export commodity inspection, copyright, and trademark laws, as well as regulations governing foreign investment in the telecommunications sector and a revised Catalogue Guiding Foreign Investment.
- **Publishing Laws:** The PRC government has initiated an effort to publish laws and regulations on various government websites, and new laws continue to be announced in the *MOFTEC Gazette*. A bigger challenge for PRC government agencies will be how to make the legislative process more transparent and to change current lawmaking procedures that allow many laws to be enforced even if they are not published.
- **Shanghai:** Shanghai leads other localities in its WTO preparations. The legal affairs office of the Shanghai municipal government has reportedly identified 52 city laws that must be revised and 40 city regulations that it will abolish in the coming year. The Shanghai government established the Shanghai WTO Affairs Consulting Center on October 26, 2000 to provide local and foreign enterprise managers and government officials with training, research, and consulting services on China's WTO policies. Since January 1, 2001, the Shanghai government has posted new laws in Chinese at www.shanghai.gov.cn, but not yet in English or another WTO-compliant language.
- **Revisions to Foreign Investment Laws:** The State Council released on April 24, 2001 the revised Implementing Regulations of the PRC Wholly Foreign-Owned Enterprise (WFOE) Law. Under the revised regulations, foreign companies are no longer required to balance foreign exchange, source domestically, use advanced technology, and abide by export quotas. The NPC also passed on March 15, 2001 the amended Law of the People's Republic of China on Equity Joint Ventures, the principal law governing foreign-PRC joint ventures.
- **Pilot Projects in Services:** The PRC government has launched several pilot projects to experiment with allowing foreign investment in previously restricted sectors including telecommunications services and fund management.
- **Intellectual Property Rights:** The State Council has issued a number of policy directives to strengthen anticounterfeiting enforcement work and established a new National Anticounterfeiting Coordination Committee, chaired by State Councilor Wu Bangguo. A judicial interpretation and prosecution guidelines issued in April 2001 establish new and clearer standards for criminal liability in counterfeiting cases. The government will need to ensure that local police and prosecutors have sufficient resources for enforcement. The Shanghai Technical Supervision Bureau

established the Shanghai Foreign-Invested Enterprises Anticounterfeit Work Liaison Office in September 2000, the only government office established with the sole purpose of helping foreign companies fight counterfeiters in China.

- **Commodity Inspection & Technical Standards:** China merged its two standards and inspections bodies on April 1, 2001 to form the State Bureau of Quality Supervision, Inspection, and Quarantine (SBQSIQ). China had maintained one inspection regime for imports and another for domestically made goods. The merger represents China's first step toward meeting the demand of its WTO negotiating partners that China unify its inspection regime to ensure national treatment. In the past, the PRC government has used the existence of a separate inspection regime for imports as a non-tariff barrier, particularly against imports of agricultural products. The WTO Technical Barriers to Trade (TBT) Consulting Enquiry Point, a PRC government organization under SBQSIQ, will report on standardization requirements to the WTO and to foreign and domestic companies. The organization will submit to the WTO current PRC technical regulations, standards, quality evaluation procedures, labeling requirements, and other issues that may affect trade with WTO members. Information on the new organization can be found at www.wto-tbt.gov.cn.
- **Customs:** Amendments to China's Customs Law took effect on January 1, 2001. The revisions aim to strengthen the legal framework governing customs activities to bring China's customs systems into line with the international practices embodied in the Kyoto Customs Convention and WTO Customs Valuation Agreement. China's commitment to use transaction value in the amended law brings PRC valuation practices closer to those outlined in the WTO Customs Valuation Agreement, which China has committed to follow as a WTO member.
- **Removal of Non-Tariff Barriers:** MOFTEC removed quotas, licenses, and other special administrative import measures for 21 types of appliances, electronics, medical equipment, and vehicles on January 15, 2001. The announcement marks the eighth time since 1992 that MOFTEC removed non-tariff barriers for various electronic and machinery products.
- **Tariff Reductions:** The State Council reduced average tariffs by 6.6 percent as of January 1, 2001. The cut brings the average import tariff to 15.3 percent moves Beijing closer to fulfilling its basic WTO tariff obligations. Of the cuts, 152 were vehicle-related. Seventy-nine different tariffs on completed vehicles were reduced from 51.38 percent to 44.16 percent on average.
- **Education and Training:** PRC government training programs have been under way since late 1999 at the central, provincial, and municipal levels. Many key personnel have attended at least one one-week course on the WTO. Some senior-level officials have attended month-long courses that cover WTO-related issues, including background on the WTO, information on WTO agreements, and the impact of China's WTO accession on key industries. Courses for the most senior-level officials have covered the actual terms contained in China's bilateral market-access agreements and protocol of accession. Increasingly, Chinese bookstores are prominently displaying books on the WTO, its regulations, and its operating principles. The US-China Business Council is conducting a WTO training program with the Shanghai WTO Affairs Consulting Center. The program uses digital videoconference (DVC) technology to bring the experience and expertise of US-based specialists to an audience of Shanghai government officials, local WTO experts and academics, and business leaders. Topics have included antidumping, trade-related intellectual property rights (TRIPs), technical barriers to trade, and agriculture. DVC facilities have been made available by the US Consulate General in Shanghai and the US Department of State in Washington. US companies are also engaged in their own efforts to train PRC regulators, joint-venture partners, suppliers, and customers on WTO rules and obligations.