

Membership Priorities WTO Survey
September 10, 2003

In July and August 2003, the US-China Business Council (USCBC) conducted a survey of member company views on China's implementation of its World Trade Organization (WTO) commitments to date in each member's priority areas. The survey results were collected to help form staff views as USCBC prepared to report to the Office of the US Trade Representative in September 2003 on China's WTO implementation progress during its second year of WTO membership.

Overall Assessment

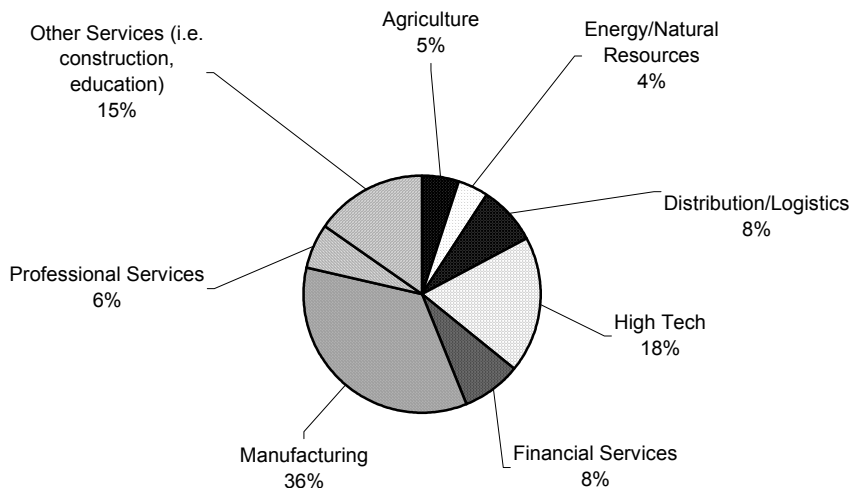
On a scale of 1 (excellent) to 10 (failure) USCBC members give China an average (unweighted) performance score of 5.15. Most respondents gave China a score within the range of 3 to 7, with an equal number of firms reporting above average and below average progress.

Profile of Respondents

Thirty percent of the Council's 208 members responded to the survey. Of those responding, 97 percent said that their business is affected by WTO implementation and 80 percent are significantly affected.

Responses were evenly split geographically, with 52 percent of surveys filed from China, 45 percent from the United States, and 2 percent from elsewhere in Asia. Fifty-five percent of respondents hold a position of manager or director; 45 percent of respondents are in senior management, of which 10 percent lead their companies as president and/or CEO.

Breakdown of Types of Companies Responding



Top Issues

Each responding company was asked to select five priority issues from a list of 23 choices. The following 11 issues emerged as the most important concerns for USCBC firms. Issues received a weighted score to reflect their relative importance to respondents. The score was calculated according to the number priority indicated by each firm according to the following scale: Priority 1=5 points; Priority 2=4 points; Priority 3=3 points; Priority 4=2 points; Priority 5=1 point.

<u>Issue</u>	<u>Weighted Score</u>
1. Trading Rights (ability to import and export product)	112
2. Transparency	106
3. Distribution (ability to distribute product to wholesalers, retailers, and end users within China)	97
4. Standards, Technical Regulations, and Conformity Assessment	96
5. Intellectual Property Rights (IPR): Enforcement	85
6. Non-Tariff Measures (quotas, licenses, tendering requirements)	79
7. Tariffs	76
8. Specific Market-Access Service Commitments	73
9. Non-discrimination/National Treatment	61
10A. Customs and Trade Administration (classification, valuation, rules of origin)	57
10B. IPR: Legal Framework (patent, trademark, copyright)	57

Agriculture

For USCBC agricultural firms, the following three issues were of greatest significance:

<u>Issue</u>	<u>Weighted Score</u>
1. Non-Tariff Measures (quotas, licenses, tendering requirements)	14
2. Tariff Rate Quotas	11
3. Standards, Technical Regulations, and Conformity Assessment	10

High Technology

For USCBC firms in the high-tech sector, the following four issues were of top importance:

<u>Issue</u>	<u>Weighted Score</u>
1. Transparency	21
2. Trading Rights (ability to import and export product)	19
3. Standards, Technical Regulations, and Conformity Assessment	19
4. Tariffs	19

Financial Services

For USCBC financial services companies, the following five issues were selected as priorities:

<u>Issue</u>	<u>Weighted Score</u>
1. Prudential Requirements in Services	20
2. Specific Market-Access Commitments in Services	15
3. Transparency	14
4. Non-Discrimination/National Treatment	14
5. Non-Tariff Measures (quotas, licenses, tendering requirements)	14

Status of Implementation

USCBC member companies reported the greatest progress in China's implementation during year two in the area of transparency. Despite this progress, lack of transparency continues to rank as a top concern. USCBC companies also reported progress in the development of China's IPR framework and in IPR enforcement, as well as in the areas of tariffs and standards. In the area of standards, an equal number of firms reported new problems or no progress. Members highlighted trading rights, distribution rights, and non-discrimination/national treatment as areas in which there has been a pronounced lack of progress and in which new problems have appeared.

When asked to identify the major obstacles to implementation in their priority areas, a majority of USCBC firms identified government protectionism and industry protectionism as major obstacles to progress. These two barriers were cited as the most important factor impeding progress in almost all areas. Lack of access to China's rulemaking process was also highlighted as a significant barrier.

Interestingly, respondents did not name low levels of understanding among PRC government officials as a serious barrier to implementation, except in the areas of customs/trade administration and transparency. Lack of resources was only considered a significant barrier in the area of IPR enforcement.

Background on Top Issues

1. Trading Rights

Only three members reported that their trading rights problems are now resolved; nine members reported some progress in trading rights. Fifteen members reported new problems or no progress. Respondents overwhelmingly identified government protectionism and industry protectionism as the key obstacles to implementation.

2. Transparency

Most respondents reported some progress in transparency. Key obstacles to improving transparency included a low level of understanding among PRC government officials, bureaucratic infighting, government protectionism, industry protectionism, and lack of access to China's rulemaking process.

3. Distribution

Respondents were evenly divided as to whether there has been some or no progress in this sector. No one reported that the issue is resolved. Key obstacles to implementation are government protectionism, industry protectionism, and lack of access to China's rulemaking process.

4. Standards

Half of respondents found there was some progress in standards, but the other half found new problems or no progress in this area. Bureaucratic infighting, government protectionism, industry protectionism, and lack of access to China's rulemaking process were all cited as key obstacles.

5. IPR: Enforcement

A majority of respondents reported some progress in enforcement, but the issue remains a top concern. Lack of resources, government protectionism, and industry protectionism are the greatest obstacles to enforcement.

6. Non-Tariff Measures

A majority of firms reported some progress in this area. Key obstacles to implementation are government protectionism and industry protectionism.

7. Tariffs

Most respondents reported that their particular tariff concerns issues have either been resolved or that some progress has been made. Government protectionism is seen as the largest barrier to further progress.

8. Specific Market Access Service Commitments

Half of respondents reported some progress in market access, but an equal number of firms reported new problems or no progress in this area. Key obstacles are government protectionism and industry protectionism.

9. Non-Discrimination/National Treatment

A majority of respondents reported new problems or no progress with regard to non-discrimination and national treatment. A small minority of firms noted some progress in this

area. Key obstacles to improving the situation are government protectionism and industry protectionism.

10A. Customs and Trade Administration

Though more than half of respondents reported some progress in this area, a significant number of firms reported new problems or no progress at all. Government protectionism is seen as the key obstacle.

10B. IPR: Framework

Most respondents reported some progress. Government protectionism and industry protectionism are seen as the key obstacles to improving the situation.