

Membership Priorities WTO Survey September 7, 2004

The US-China Business Council (USCBC) in July and August 2004, 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 used in the preparation of USCBC's report to the Office of the US Trade Representative in September 2004 on China's WTO implementation progress during its third year of membership.

Overall Assessment

On a scale of 1 (excellent) to 10 (failure) USCBC members gave China an average (unweighted) performance score of 5.0. This represents a modest improvement over last year's score of 5.2. Ninety-two percent of respondents gave China a score between 3 and 7, with more firms reporting above average than below average progress.

Profile of Respondents

Thirty-five percent of the Council's 231 members responded to the survey. Of those responding, 92 percent said that their business is affected by WTO implementation and 80 percent said it is significantly affected.

The Council notes this year that a number of member firms declined to respond to the questionnaire, indicating that questions of WTO compliance are losing saliency as China continues to evolve in the direction of a "normal" business environment. Furthermore, 19 percent of the companies that did participate provided only partial responses, explicitly stating that the WTO either does not directly address the concerns of their industry or that their company already has operational "workarounds" in place in areas of interest.

Responses were roughly evenly split geographically with 51 percent of complete questionnaires coming from the United States, 49 percent from China (including Hong Kong), and less than 1 percent from elsewhere in Asia.

Figure 1: Respondent Profile

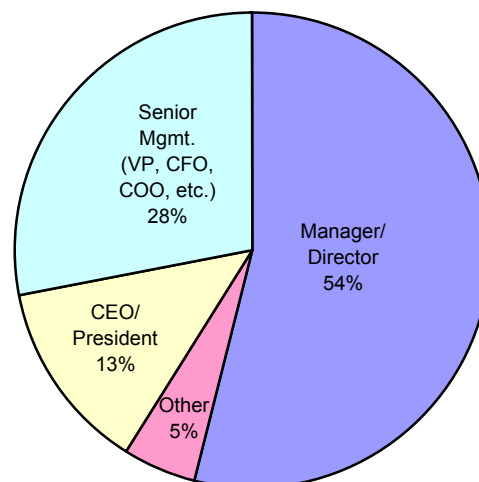
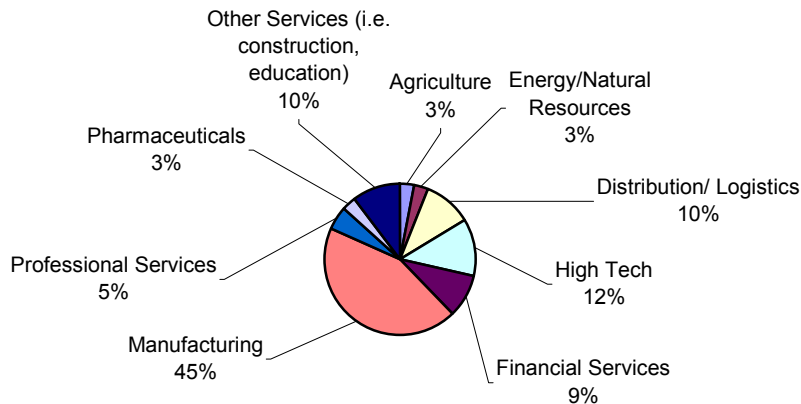


Figure 2: Breakdown of Responding Companies by Sector



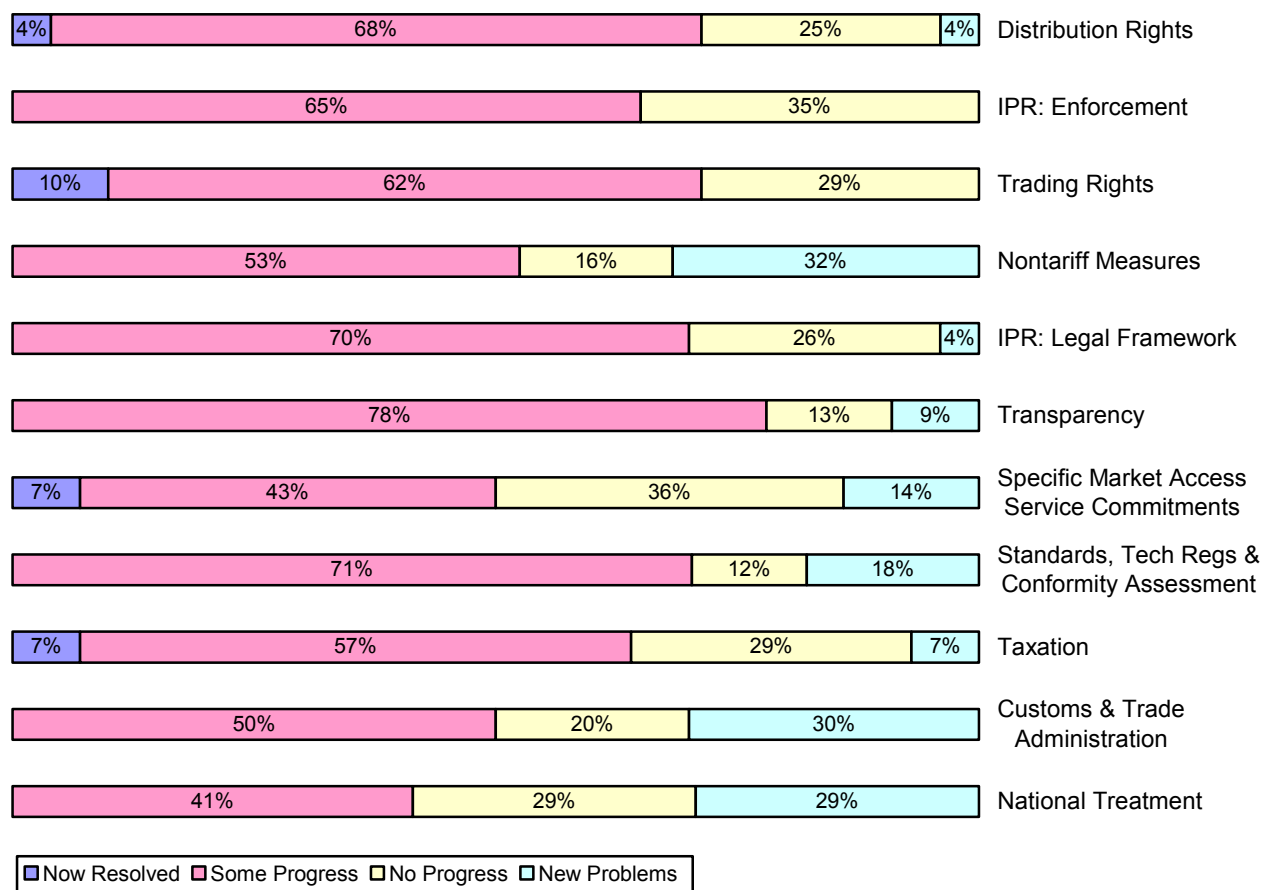
Top Issues

The USCBC asked each member company to select five priority issues from a list of 23 choices. Responding firms identified the following 11 issues as the most important. The issues have been given a weighted score to reflect their relative importance to respondents. The score was calculated according to the number priority indicated by each firm using the following scale: Priority 1=5 points; Priority 2=4 points; Priority 3=3 points; Priority 4=2 points; Priority 5=1 point. Table 1 shows the ranked responses from 2003 and 2004.

Table 1: Ranking of Top Issues

Issue	Weighted Score	Year 3 Rank	Year 2 Rank
Distribution Rights (ability to distribute product to wholesalers, retailers, and end-users within China)	120	1	3
Intellectual Property Rights (IPR): Enforcement	96	2	5
Trading Rights (ability to import and export product)	95	3	1
Nontariff Measures (quotas, licenses, tendering requirements)	89	4	6
IPR: Legal Framework	87	5	10B
Transparency	77	6	2
Specific Market Access Services Commitments	71	7	8
Standards, Technical Regulations, and Conformity Assessment	60	8	4
Taxation	55	9	12
Customs and Trade Administration (classification, valuation, rules of origin)	49	10	10A
Nondiscrimination/National Treatment	47	11	9

Figure 3: Breakdown of PRC Progress Reported on Priority Issues



Primary Obstacles to Implementation

The most commonly cited obstacles to China's implementation of its WTO commitments in the priority areas identified in this year's survey were government protectionism (central and local) and industry protectionism. The most notable exceptions to this pattern were in intellectual property rights (enforcement and legal framework) and in customs and trade administration.

Table 2: Obstacles to Implementation of WTO Commitments

Issue	Top Two Obstacles Identified
Distribution Rights	1. Government protectionism 2. Industry protectionism
IPR: Enforcement	1. Lack of PRC resources 2. Government protectionism
Trading Rights	1. Government protectionism 2. Industry protectionism
Nontariff Measures	1. Industry protectionism 2. Government protectionism
IPR: Legal Framework	1. Low level of understanding 2. Lack of PRC resources
Transparency	1. Government protectionism 2. Lack of access to rulemaking process

Specific Market Access Service Commitments	1. Government protectionism 2. Industry protectionism
Standards, Technical Regulations & Conformity Assessment	1. Government protectionism 2. Industry protectionism
Taxation	1. Government protectionism 2. Lack of access to rulemaking process
Customs & Trade Administration	1. Bureaucratic infighting 2. Low level of understanding
Non-Discrimination/National Treatment	1. Government protectionism 2. Industry protectionism

Top Business Issues in China Regardless of WTO

The following ranking represents responding member companies' assessment of their most important general business issues in China and the effect China's WTO entry has had on these same issues.

Table 3: Top Business Issues and Effect of WTO

Rank	Weighted Score	Issue	WTO Impact on Issue (%)				
			Help	No Change	Harm	Unclear	No Opinion
1	125	Market Demand/Competition	53	22	6	13	6
2	117	Intellectual Property	77	10	0	8	5
3	108	Distribution/Logistics	74	10	3	3	10
4	103	Legal Infrastructure	70	13	0	10	7
5	88	Trade/Customs	59	10	3	14	14
6	77	Human Resources	29	43	10	5	14
7	72	Standards	61	26	4	0	9
8	71	Performance/Return on Investment	45	27	5	14	9
9	69	Investment Policies	63	21	8	4	4
10	59	Tax	26	37	11	16	11
11	53	Investment Structuring	45	14	9	18	14
12	52	US Visa Policies	5	52	19	10	14
13	42	Finance/Foreign Exchange	44	22	0	22	11
14	30	Political Risk	60	0	0	10	30
15	26	US Export Controls	11	33	33	11	11
16	21	Currency Value	14	29	0	29	29
17	0	Health Risk	0	0	0	0	0

Note: Bold numbers indicate the category with the highest percentage