

IIBE&L China Survey 2004

Introduction

As China nears the end of its third year in the World Trade Organization the country is expected to implement a series of important economic, legal and trade reforms. The successful introduction of these changes is critically important to those doing business in China and to the state of China's relations with its main trading partners. This special survey, conducted by the Institute with the cooperation of the Shanghai WTO Affairs Consultation Centre, tabulates the views of government and business representatives polled in China, Australia, North America and Europe.

Summary of Key Findings

Nearly ninety percent (87.5%) of those responding to the poll believe that China's implementation of its WTO commitments to date has had a positive impact on foreign business operations in China. Seven out of ten survey participants think China takes its WTO commitments seriously and agree that barriers in most sectors are coming down quickly.

However, 82.5% of respondents said that inconsistent laws, regulations and practices at different levels of government continue to be a major impediment to foreign businesses operating in China. More specifically, 77.5% of participants in the poll complained that the imposition of capital and other prudential requirements have limited the ability of foreign banks to expand their market presence in China and 72.5% consider that a significant number of the standards and technical requirements imposed by China on both industrial and agricultural products constitute unnecessary barriers to trade.

Protection of intellectual property rights continues as a perennial problem. Forty-five percent of respondents think the situation with respect to protection of intellectual property rights is actually getting worse and only 12.5% think the situation has improved (the remainder of poll participants either thought the issue was a toss-up or had no opinion. And opinion is split on the question of whether China should be accorded market economy status for antidumping purposes: 42.5% support market economy status for the country, 30% oppose such treatment, 17.5% can go either way and the rest have no opinion.

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Detailed Results

A series of propositions were put to those surveyed with the request that they indicate whether they:(1) agree completely with the proposition; (2) think the proposition is most likely correct; (3) cannot say for sure (it's fifty-fifty); (4) doubt that the proposition is accurate; (5) disagree strongly with the proposition; or "NO" have no opinion on the point at issue. We have rounded the percentages to the nearest ½ percent.

(A) China takes its World Trade Organisation (WTO) commitments very seriously, and while regulatory and other barriers to trade and foreign investment persist, they are coming down quickly in most sectors.

Agree completely	17.5%
Most likely correct	52.5%
Fifty-Fifty	20.0%
Doubt accurate	7.5%
Disagree strongly	2.5%

(B) Recent reforms aimed at re-centralising regulatory responsibilities and improving coordination, and which culminated in the creation of the new Ministry of Commerce (MOFCOM), have added strong impetus to China's implementation of its WTO commitments.

Agree completely	12.5 %
Most likely correct	47.5%
Fifty-Fifty	32.5%
Doubt accurate	5.0%
Disagree strongly	0%
No Opinion	2.5%

(C) In a number of areas, like Distribution Rights, provincial and local authorities have been given new lead licensing responsibility largely due to MOFCOM's inability to handle the task by itself. This creates a significant risk that local authorities will use their power to thwart liberalization.

Agree completely	12.5%
Most likely correct	42.5%
Fifty-Fifty	25.0%
Doubt accurate	7.5%
Disagree strongly	5.0%
No Opinion	7.5%

(D) Despite its WTO obligations, China still relies heavily on export subsidies in a number of key sectors.

Agree completely	5.0%
Most likely correct	37.5%
Fifty-Fifty	24.0%
Doubt accurate	17.5%
Disagree strongly	10.0%
No Opinion	6.0%

(E) China will fully implement its obligations in respect of trading rights on schedule and in a manner that allows foreign and Chinese business to utilise these rights to their full advantage.

Agree completely	7.5%
Most likely correct	17.5%
Fifty-Fifty	40.0%
Doubt accurate	25.0%
Disagree strongly	5.0%
No Opinion	5.0%

(F) A significant number of the standards and technical requirements imposed by China on both industrial and agricultural products constitute unnecessary barriers to trade.

Agree completely	40.5%
Most likely correct	32.0%
Fifty-Fifty	12.5%
Doubt accurate	5.0%
Disagree strongly	2.5%
No Opinion	7.5%

(G) China has responded adequately to concerns raised by its trading partners last year over tariff rate quota (TRQ) and licensing systems for agricultural products.

Agree completely	2.5%
Most likely correct	15.0%
Fifty-Fifty	27.5%
Doubt accurate	22.5%
Disagree strongly	7.5%
No Opinion	25.0%

(H) Although China has so far kept pace with its WTO commitments with respect to the banking sector, the imposition of capital and other prudential requirements have limited the ability of foreign banks to expand their market presence in China.

Agree completely	32.5%
Most likely correct	45.0%
Fifty-Fifty	12.5%
Doubt accurate	5.0%
Disagree strongly	0%
No Opinion	5.0%

(I) Inconsistent laws, regulations and practices at different levels of government continue to be a major impediment to foreign businesses operating in China.

Agree completely	52.5%
Most likely accurate	30.0%
Fifty-Fifty	7.5%
Doubt accurate	5.0%
Disagree strongly	2.5%
No Opinion	2.5%

(J) China's implementation of its WTO commitments to date has had a positive impact on foreign business operations in China.

Agree completely	57.5%
Most likely accurate	30.0%
Fifty-fifty	10.0%
Doubt accurate	2.5%
Disagree strongly	0%

(K) For anti-dumping purposes, its trading partners should recognise China as having a market economy.

Agree completely	20.0%
Most likely accurate	22.5%
Fifty-Fifty	17.5%
Doubt accurate	22.5%
Disagree strongly	7.5%
No Opinion	10.0%

(L) Instead of improving, the situation in China with respect to protection of intellectual property rights is getting worse because many fake goods (some of which have never been sold in China by the rights owner) are now being exported from China.

Agree completely	15.0%
Most likely accurate	30.0%
Fifty-Fifty	32.5%
Doubt accurate	12.5%
Disagree Strongly	0%
No Opinion	10.0%

(M) China has promised to issue an Intellectual Property Rights Action Program to improve coordination between the different arms of the Government and to increase the penalties for infringement. This new program should be highly effective and eliminate the chances of China facing a TRIPS-based dispute in the WTO.

Agree completely	5.0%
Most likely accurate	5.0%
Fifty-Fifty	49.0%
Doubt accurate	31.0%
Disagree Strongly	4.5%
No Opinion	5.5%

(N) China has promised to issue enhanced interpretations on standards for moving trade-related cases to courts for prosecutions involving criminal liability. These new interpretations are likely to be highly effective and will be issued by the end of the year.

Agree completely	0%
Most likely accurate	7.5%
Fifty-Fifty	47.5%
Doubt accurate	30.0%
Disagree strongly	11.0%
No Opinion	4.0%

Additional background on the survey: The poll was conducted in October 2004. We sent the survey via e-mail directly to 164 people located in China, Australia, Europe and North America likely to have knowledge of

China's implementation of its WTO-related commitments. In addition, four industry associations forwarded our poll to their members (we do not know how many additional people were contacted through this route). In total, we received 119 responses to the survey, 27 of which came from individuals not on our original list. I wish to thank Dan Jordan, Annabel Jarvis and Serena Yang for their assistance in researching and compiling the poll's propositions. I also wish to thank those individuals who responded to this survey.

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