

**COMPREHENSIVE ANALYSIS OF CHINA'S STATUS AS A
NON-MARKET ECONOMY UNDER THE U.S. ANTIDUMPING LAWS
FACT SHEET**

Comprehensive Analysis of China's Status as a Non-Market Economy

- In considering this request for a review of China's non-market economy (NME) status, the Department of Commerce (the Department) took note of the economic reforms that China has implemented to date, as well as the significant areas of China's economy where, it is generally recognized, fundamental reforms remain incomplete, *e.g.*, the banking sector, land ownership and property rights, and the rule of law.
- In conducting its analysis, the Department has considered the totality of China's economic reforms. While China has enacted significant and sustained economic reforms, the Department continues to find that market forces in China are not yet sufficiently developed to permit the use of prices and costs in that country for purposes of the Department's dumping analysis.
- China, therefore, remains an NME for purposes of the U.S. antidumping laws.

Background

- The Department designates China as an NME under the U.S. antidumping laws. As a result, the Department uses a surrogate country methodology to calculate normal value in antidumping investigations and administrative reviews involving China. A country's status as an NME is relevant only to U.S. antidumping proceedings and in no way affects other aspects of that country's bilateral trade relationship with the United States.
- Under China's World Trade Organization (WTO) Protocol of Accession, the United States and other WTO Members can treat China as an NME country for antidumping purposes through 2016. However, the United States can grant China market economy status before that time, if the Government of the People's Republic of China (PRC) requests (or formally supports a PRC respondent's request for) market economy status and if the Department determines that the six statutory factors analyzed in determining whether to graduate a country from NME status are satisfied. The memorandum issued by the Department on August 30 marks the first time the Department has completed a review of China's status as an NME.
- On December 22, 2005, a PRC respondent requested a review of China's non-market economy status in the investigation of *Certain Lined Paper Products* (Lined Paper). On February 2, 2006, the Department received a submission from the PRC's Ministry of Fair Trade for Imports and Exports formally supporting the request for market economy status for China in the Lined Paper investigation.
- On May 15, 2006, the Department issued a memorandum in the Lined Paper investigation determining that China remains an NME for purposes of the U.S. antidumping law. The Department cited deeply rooted distortions in China's economy, particularly in the fifth factor, "the extent of government control over the allocation of resources" and stated that it would issue at a later stage of the Lined Paper investigation a comprehensive analysis of all six statutory factors that govern NME country designations. Consistent with this commitment, the Department issued a memorandum on August 30, 2006, providing a full analysis of all six statutory factors.

Six Statutory Criteria of the Non-Market Economy Analysis

- A non-market economy is defined in statute as any country that the Department determines "does not operate on market principles of costs or pricing structures, so that the sales of merchandise in such country do not reflect the fair value of the merchandise." This designation is based on a comprehensive analysis of six statutory criteria. Those criteria are:
 - P currency convertibility;
 - P free bargaining for wages;
 - P foreign investment;
 - P government ownership or control of production;
 - P government control over prices and the allocation of resources; and
 - other appropriate factors.