

Highlights of [GAO-04-508](#), a report to the Chairman and Ranking Minority Member, Senate Committee on Finance, and to the Chairman and Ranking Minority Member, House Committee on Ways and Means

WORLD TRADE ORGANIZATION

U.S. Companies' Views on China's Implementation of Its Commitments

Why GAO Did This Study

As the second largest source of foreign direct investment in China, U.S. companies continue their keen interest in China's implementation of its World Trade Organization (WTO) commitments. China's 2001 WTO commitments include specific pledges to increase market access, liberalize foreign investment, continue fundamental market reforms, and improve the rule of law. In 2002, GAO reported on selected U.S. companies' views, finding that many commitment areas, particularly those related to rule of law, were important to U.S. companies. GAO also found that company representatives expected China's reforms would have a positive impact on their business operations but expected some difficulties during implementation.

In 2003, GAO continued to analyze companies' views about (1) the extent to which China has implemented its WTO commitments and (2) the impact of China's implementation of its WTO commitments on U.S. companies' business operations. GAO collected the views of representatives from 82 U.S. companies with a presence in China. GAO focused on companies in the agriculture, banking, machinery, and pharmaceutical industries. Results reflect a response rate of 60 percent of the study population. These responses may not reflect the views of all U.S. companies with activities in China.

www.gao.gov/cgi-bin/getrpt?GAO-04-508.

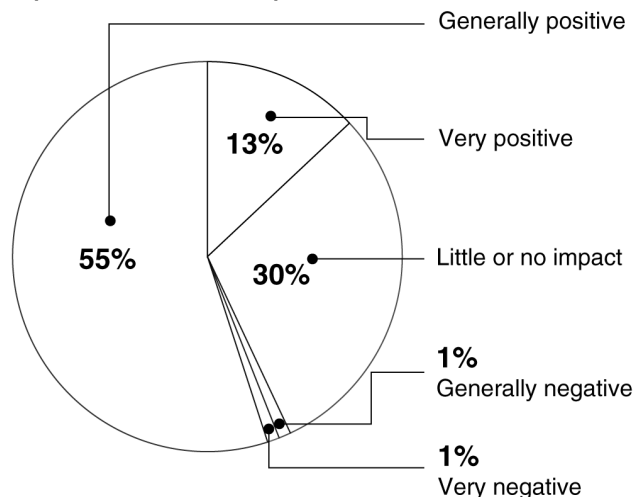
To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at (202) 512-4128 or yagerl@gao.gov.

What GAO Found

U.S. company representatives who completed GAO's 2003 questionnaire thought that China had implemented most of the 26 listed WTO commitment areas on average only to some or little extent. When respondents assessed five areas found to be of greatest importance to their companies overall – (1) standards, certifications, registration, and testing requirements; (2) customs procedures and inspection practices; (3) intellectual property rights; (4) tariffs, fees, and charges; and (5) consistent application of laws, regulations, and practices – responses were mixed, but they reported that China had taken at least some steps to implement these commitment areas. Our analysis showed that the importance placed on specific areas differed among the agriculture, banking, machinery, and pharmaceutical industries. For example, agricultural respondents identified tariffs as important while banking respondents identified scope of business restrictions for services as important. Few respondents were able to assess all of China's commitment areas for reasons that varied depending on each company's experience and operations in China.

More than two thirds of respondents reported that China's implementation of its WTO commitments had a positive impact on their companies' ability to do business in China. However, some respondents indicated that China's reform efforts had created difficulties for their company operations in China. Overall, company representatives reported that company activities, such as volume of production in China and company revenue stream, have increased since China joined the WTO. However, respondents noted that changes in business activities cannot be directly attributed to China's WTO accession.

Impact of China's WTO Implementation on GAO Questionnaire Respondents' Companies



Source: GAO 2003 Questionnaire of U.S. Companies in China on China-WTO Issues, question 8.

Note: Number of respondents = 80. Two respondents had no basis to judge.