



# 中国机电产品进出口商会

**China Chamber of Commerce for Import & Export  
of Machinery & Electronic Products**

地址: 北京市朝阳区潘家园  
南里 12 号楼 9 层

邮编: 100021 电话: 010-58280851/52  
传真: 010-58280850

Add: 9th Floor, Building 12 Panjiayuan Nanli,  
Chaoyang District, Beijing, China

PC: 100021 Tel: 0086-10-58280851/52  
Fax: 0086-10-58280850

[http:// www.cccme.org.cn](http://www.cccme.org.cn)

E-mail: [law@cccme.org.cn](mailto:law@cccme.org.cn)

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Honorable David Spooner  
Assistant Secretary for Import Administration  
U.S. Department of Commerce  
Central Records Unit, Room 1870  
Pennsylvania Avenue and 14<sup>th</sup> Street NW  
Washington, DC 20230

June 18, 2007

**Re: Comments in Response to Federal Register Notice,  
*Antidumping Methodologies in Proceedings involving Certain  
Non-Market Economies: Market-Oriented Enterprise***

Dear Assistant Secretary Spooner,

Learning that the Department of Commerce of the United States (DOC) intends to grant market-economy treatment to individual respondents in antidumping proceedings involving China, we, China Chamber of Commerce for Import & Export of Machinery and Electronic Products (CCCME), welcome this decision very much. But at the same time, we feel it is a pity because of DOC's slow progress in granting

market-economy treatment to Chinese firms. We, hereby submit these comments (including one original and ten copies) on DOC's May 25, 2007 request for comments regarding the Antidumping Methodologies in Proceedings involving Certain Non-Market Economies: Market-Oriented Enterprise.

In fact, Chinese enterprises, especially Chinese machinery and electronic enterprises operate in a market-economy system absolutely. It is unfair for them to be regarded as NME ones in antidumping proceedings and therefore leads to their actual cost be disregarded. And it is not the fact of Chinese machinery and electronic industry.

Our standpoint is that the US government should accept that Chinese machinery and electronic enterprises operate under market- economy system first. And only there is evidence showing that the operations of certain enterprises are intervened by Chinese government and result in the distortion of the production costs or export prices or domestic prices, could the data of them be disregarded partially or totally and the comparable data of third party be adopted. Even in such situation, the data of those enterprises should be surrogated by the data of the corresponding Chinese enterprises which are regarded to operate in market-economy system in the same or other investigations, instead of surrogating the data of third country.

Since the October of 1992 when Chinese government establish the objective of constructing the socialist market economy system, China has made phenomenal progress in her market- oriented reforms on economy for the past ten years. The range of market mechanism has been widened and the extent of it has been deepened. A market-economy system has been established in China.

With regard to the function of government in the operation of economy, Chinese government has conformed herself to the requirements of market-economy, and not intervened economy directly, prevented monopoly, encouraged competition and ruled by law. Since 1970s, China has implemented its reform and opening-up policy and started to transform to market-economy. After an effort of over twenty years, China

has made great achievement in her market-oriented reforms on economy. The function of Chinese government has transformed from serving planned economy to serving market economy, and market plays a basic role in resources allocation. The government has receded from managing enterprises directly and its function on economy has changed to mainly make and execute macro-control policy, engage in construction of infrastructural facilities and construct a favorable environment for economy development. At the same time, the government is responsible for cultivating market system, monitoring market operation and ensuring fair competition without direct intervention in the production and business activities of the enterprises. After the reforms on finance and tax, foreign exchange and investment systems, China has established a macro-control system conforming to market-economy and a market system is improved gradually.

With regard to the development of enterprises, the enterprises are all independent entities, both *de jure and de facto*. The ownerships are clearly established and the decisions of management are all self-made. At the same time, in the process of resources (including capital, labor, land, etc.) allocations and transactions, the prices, output, profit and other elements are all considered and decided in accordance with rules of market, instead of orders from government. The activities of enterprises are market-oriented. In the case of the enterprises in the industry of machinery and electronic products, to maximize profit is the business objective of each of them. They are responsible for their own profit and loss and competing with each other in both domestic and foreign markets under the rule of market economy. Considering the type of enterprises, various forms of non-state owned entities have become the most important power for Chinese economy, especially in the industry of Chinese machinery and electronic products. Even for the state owned enterprises in this industry, the principle of “clearly established ownership, well defined rights and responsibilities, separation of enterprise from administration, and scientific management” is important for the reform on them. State owned enterprises also have to compete with other enterprises under the rule of market economy. Moreover, Chinese government encourages foreign investment, and accordingly, a large group of

foreign-invested enterprises play a key role in Chinese economy.

One important standard of market economy is the market-oriented factors of production, especially whether the flow of labor and determination of wages are market-oriented and whether the free flow and effective allocation of capital are decided by the supply and demand of market in a price-oriented manner. With an effort of over twenty years, China has established a market-oriented mechanism and framework in the flow of labor and determination of wages. The freedom of flow of labor and choice of job has been improved greatly. Various administrative barriers have been lifted and all kinds of conditions have been improved. All the enterprises are afforded the right to choose employees according to the supply and demand in the labor market and in order to maximize their profit, which is totally market-oriented. While the market-oriented reform on capital has resulted in a way of raising capital through commercial credits, securities and foreign investment, which has avoided the distortion of capital prices caused by government intervention.

With the progress of economy and market oriented reforms, China has developed a competitive environment for all types of companies and individual business in domestic market. Prices of commodities are decided by market absolutely. The management system of domestic trade has changed fundamentally. The range and space of market keeps expanding. For foreign trade, China also developed a market-oriented system. The government tries its best to ensure the freedom of trade. And the enterprises export their products on their own decision and according to the supply and demand of market, including deciding the price and quantity of export by themselves, and the foreign exchange rate is calculated according to market rate. The restriction on the right to engage in export has been canceled.

The industry of machinery and electronic products is especially one of the industries with the highest market-oriented extent. As one of the biggest chambers for China's export and import enterprises, China Chamber of Commerce for Import & Export of Machinery and Electronic Products (CCCME) is constituted of twenty four branch

chambers with 8000 member companies covering manufacturers and exporters of household electric appliances, bicycles, marine products, machinery components, automobiles, etc., and including 3200 state owned companies, 3472 private owned companies and 1328 foreign invested companies. Many of our foreign invested member companies have made big success in Chinese market. Chinese market-oriented reforms have been a powerful guarantee for their development in China and they are also the witness of the development of Chinese market economy.

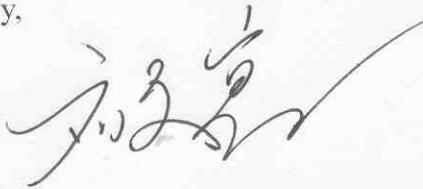
The opening extent of the market of Chinese machinery and electronic product is relatively higher than others and there is no significant restriction in domestic market and foreign trade. The rapid increase in the production and trade of Chinese machinery and electronic products just benefits from the market-economy system of China. Chinese machinery and electronic enterprises are all operating in a market-oriented way. There is no restriction on the foreign investment into this industry and the entrance of foreign investment accelerates the development of market economy. The enterprises operate independently. The prices of the products are decided by the enterprises according to the supply and demand of market. And the enterprises are entitled to hire or fire employees. The wages are determined by free bargaining between labor and management. And there is almost no restriction on the use of foreign exchanges by enterprises. Moreover, the tense competition of machinery and electronic products in Chinese domestic market is an exact reflection of the market-economy characteristics in China. Therefore, Chinese machinery and electronic enterprises are operating according to the standard of market economy. Chinese industry of machinery and electronic products is absolutely market-economy industry.

As we all know, the current antidumping law of European Union grants individual Chinese enterprise the rights to be considered as market-oriented enterprises, so as to decide if certain responding enterprise could be granted market economy status and its cost and sales data could be adopted in the calculation of antidumping procedure. The fact is that the standards for EU to grant market economy status are too strict. Sometimes a quite small problem in the book record of the investigated enterprise,

which has almost no influence on the enterprises as a whole, could be a reason for the rejection of the application of market economy status from Chinese enterprise. Such problem has no relation to or influence on whether the enterprise operates under market economy system and the calculation of antidumping. Although under such strict standards, from the year 2000 to 2006, there are still many Chinese machinery and electronic companies being granted market economy status in EU's antidumping investigations, which indicates that Chinese machinery and electronic enterprises are operating under market economy system. Thus, the government of the US should avoid the shortcomings of EU's strict standards, and grant Chinese enterprises market-economy treatment in antidumping investigations.

In a word, China has implemented reforms on domestic economy for about 30 years and made phenomenal achievements in market- oriented reforms on economy. Chinese enterprises, especially Chinese machinery and electronic enterprises are operating under market- economy system. We hope the US government recognizes these facts and grants market-economy treatment to Chinese enterprises in antidumping investigations.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Liu Meikun', written in a cursive style.

LIU Meikun

Vice President of CCCME