Foreword

The year of 2006 witnessed a continued rapid growth of China s foreign trade. According to the Chinese Customs, China s foreign trade volume totaled US＄1760.69 billion in 2006, representing an increase of 23.8% over 2005 and registering the fifth year in a row with a growth rate over 20%. Among it, export reached US＄969.08 billion, up by 27.2%, and import reached US＄791.61 billion, up by 20%. China enjoyed a trade surplus of US＄177.47 billion in 2006, up by 74%. China s ranking in terms of trade volume rose to the third in the world.

Engineering contracts completed by Chinese companies abroad realized a turnover of US＄30 billion in 2006, up by 37.9% over the same period of the previous year. Newly signed engineering contracts reached a volume of US＄ 66 billion, up by 123%. Completed labor service cooperation contracts realized a turnover of US＄5.37 billion, up by 12.3%, and newly signed contracts US＄5.23 billion, up by 26.3%. Approximately 351,000 Chinese workers and professionals were expatiated, representing an increase of 77,000 people. Design and consulting services abroad realized a turnover of US＄330 million, up by 45.4%, and newly signed contracts US＄410 million, up by 14.8%. In 2006, Chinese non financial investment abroad reached US＄16.13 billion, up by 31.6%.

With the rapid growth of China s economy and foreign trade, some of our trading partners and industry groups in those countries are increasingly using various trade and investment barriers against Chinese products in order to protect their domestic industry and home market. According to Ministry of Commerce(MOFCOM), a total of 25 countries and regions initiated 86 anti dumping, countervailing, safeguard and product specific safeguard investigations against Chinese products in 2006, representing an increase of 37%. The total value involved in these cases was US＄2.05 billion; The US also initiated 13 Section 337 investigations against Chinese products, in addition to other barriers to trade such as TBT measures and abuse of IPR protection. The impact of these barriers on China s economy and foreign trade is noteworthy. Chinese companies will have to face an increasingly challenging environment in international trade and investment.

The Foreign Market Access Report 2007(Report) is compiled by MOFCOM in the aim of enabling Chinese enterprises and relevant organizations to better understand the trade and investment regimes, policies and practices of China s main trading partners as well as situations of global markets so that Chinese enterprises can take a more positive role in international competition. Meanwhile, the Report is compiled in the aim of maintaining a fair and just international trade and investment environment by expressing the concerns of the Chinese government and industries pursuant to WTO rules, and relevant provisions of the Foreign Trade Law and the Regulation on the Administration of the Import and Export of Goods.

Ⅰ. Coverage of the Report

Based on trade statistics provided by Chinese customs, and information provided by relevant Chinese government agencies and enterprises, the Report covers 25 trading partners of China, including Algeria, Argentina, Egypt, Australia, Brazil, Russia, the Philippines, Kazakhstan, the Republic of Korea, Canada, Kenya, Malaysia, the United States, Mexico, South Africa, Nigeria, the European Union, Japan, Saudi Arabia, Thailand, Turkey, New Zealand, India, Indonesia and Vietnam. China s export to these trading partners accounted for about 68.3% of China s total export in 2006.

Ⅱ. Sources of information and content

The Report is based upon information compiled within Chinese central government agencies, local competent authorities for foreign trade, Chinese Commercial Counselor s Offices abroad, trade associations and enterprises. However, views and complaints of enterprises and trade associations in the Report do not necessarily represent those of the government.

Information presented in the Report on each trading partner covers mainly three areas, bilateral economic and trade development, trade and investment regime of a given trading partner and barriers to trade and investment.

Due to the constraints of technical methods and information availability, the Report, wherever possible, has evaluated the adverse impact of some of the barriers on China s foreign trade and overseas investment. The Report has not evaluated the consequent lost or to be lost trade and investment opportunities.

Ⅲ. Definition and classification of barriers to trade and investment

According to on Article 3 of the Trade Barriers Investigation Regulation, promulgated on Feb.2, 2005, trade barriers are defined in the Report as government imposed or government supported measures or practices that satisfy one of the following:

- inconsistent with or failing to fulfill the obligations provided in any economic and trade treaties or agreements of which both the given trading partner and China have concluded or acceded to;
- which results in one of the following negative trade effects:

  -imposing or threatening to impose obstacle or restriction on the access of

Chinese products or services to the market of the given trading partner or the market of any other trading partner;

-causing or threatening to cause impairment to the competitiveness of Chinese products or services on the market of the given trading partner or the market of any other trading partner.

-imposing or threatening to impose obstacle or restriction on the products or services of the giving trading partner or any other trading partner exporting to China.

Trade barriers are defined in the Report mainly according to WTO agreements as the majority of China s trading partners are WTO members. In case of non WTO members or a given trade barrier not covered by WTO agreements, bilateral or plural lateral agreements or established international trade practices will be taken as references.

The Report classifies foreign trade barriers into fourteen different categories as follows:

- Tariff and tariff administrative measures, e.g., tariff peak and unjustified practices in tariff quota administration;

- Import restrictions, e.g., unjustified import ban and import licensing;

- Barriers to Customs procedures, e.g. procedural obstacles in customs clearance, unjustified charges on imports;

- Discriminatory taxes and fees on imported goods;

- Technical barriers to trade, e.g., unjustified technical regulations and standards applied to imported products, complicated certification and conformity assessment procedures;

- Sanitary and phytosanitary measures, e.g., unnecessarily strict quarantine requirements and procedures applied to imported products;

- Trade remedies, e.g., unfair anti-dumping measures imposed on imported products, insufficient transparency in investigation procedures of trade remedy, in particular the abusive application to Chinese enterprises of measures designed for non-market economy;

- Government procurement, e.g., insufficient transparency, violation of most-favored-nations clause;

- Export restrictions, e.g., extraterritorial legislation that restricts or impedes trade between third countries, and unjustified export control measures in the name of national security;

- Subsidies, e.g., subsidies inconsistent with WTO rules that artificially stimulate exports of particular domestic products;

- Barriers to trade in services, e.g., unjustified restrictions on access of foreign services;

- Inadequate intellectual property right protection, e.g., inadequate intellectual property protection on imported products

- Unjustifiable protection of intellectual property right e.g., restrictive measures on imported products in the name of intellectual property protection;

- Other barriers, i.e. measures or practices with trade distorting effects other than above categorized.

Barriers to investment are defined in the Report mainly according to WTO rules and relevant multilateral, plural lateral and bilateral agreements. Hereby, barriers to investment in the Report refer to government imposed or government supported measures, satisfying one of the following:

- inconsistent with a multilateral/plural-lateral agreement of which both the given trading partner and China are among the signatories, or a bilateral investment protection agreement signed between the given trading partner and China; or failing to fulfill obligations provided in a multilateral/plural-lateral investment agreement of which both the given trading partner and China are among the signatories or a bilateral investment agreement signed between the given trading partner and China.

- imposing or threatening to impose unjustified obstacle or restriction on Chinese capital's access to or withdrawal from the market of the given trading partner; or

- causing or threatening to cause impairment to the interest of commercial entities with Chinese investment in the given trading partner.

The Report classifies barriers to investment into three different categories as follows:

- Barriers to the access of investment, e.g., unjustified restrictions on access of foreign capital, and in case of WTO members, failure in fulfilling its commitment to open certain sectors to foreign investment;

- Barriers to operation, e.g., unjustified restrictions on the operation of foreign invested enterprises in their production, supply, sales, human resources management, finance, logistics, etc.;

- Barriers to withdrawal of investment, e.g., restrictions on the withdrawal of foreign investment or the transfer of profits of foreign invested enterprises from the host-country.

Besides，the WTO General Agreement on Trade in Services(GATS) takes commercial presence as trade in service. However, in practice, supply of services by commercial presence is usually accompanied or completed by investment. Therefore, certain investment restrictions on commercial presence can be regarded as either barriers to trade in services or barriers to investment. In view of harmonizing the categorization in the Report in line with the GATS, investment restrictions on commercial presence are classified as barriers to trade in services.

The comments in the Report are based on the information we have received, so it doesn t necessarily mean that the trade partners covered in the Report don t maintain any barriers to trade and investment of other unmentioned categories.

Others

The Chinese Government respects and maintains the trade and investment system as advocated by WTO, and would develop partnership with all the WTO members and other parties based on the principle of friendly mutual benefit, mutual development. It is advocated that trade disputes and common concerns should be tackled with respective parties through multi lateral and bilateral consultation and dialogue in order to jointly create and maintain an fair and justified international trade and investment condition and international economic order.

The Report is published in Chinese, and the English version is published for reference.