

The background is a horizontal banner. The left side shows a blurred high-speed train in motion on tracks. The right side shows a large cargo ship with colorful containers stacked on its deck. The text 'Enhancing Market Openness in China' is centered over this banner in a large, bold, blue font.

Enhancing Market Openness in China

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China's Trade-related Regulatory Reform



- With its 2001 WTO accession, China has locked in much of its trade liberalisation commitments
- Focus is now on “second generation” trade-related reforms: tackling border and domestic regulatory barriers
- China’s legal and regulatory framework is for the most part in place, but evolving
- The bulk of China’s “formal” reform efforts appears to have focused on codifying, harmonising and rationalising the regulatory system less on implementation

The OECD Efficient Regulation Principles for Market Openness



- 1. Transparency and openness of decision making**
- 2. Non-discrimination**
- 3. Avoid unnecessary trade restrictiveness**
- 4. Use of internationally harmonised measures**
- 5. Streamlining conformity assessment procedures**
- 6. Application of competition principles**

Findings (1): Institutional Reform



- **China is restructuring government institutions by merging institutions that separated domestic and international work streams**
 - **2001: Administration for Quality Supervision Inspection and Quarantine (AQSIQ)**
 - **2003: Ministry of Commerce**
- **New trade-related regulatory institutions created to simplify procedures and increase transparency**
 - **2006: China National Accreditation Service for Conformity Assessment (CNAS)**

Findings (2): Higher Levels of Transparency



- **Information dissemination**
 - Significant strides in e-Government
 - *Gazette* – includes most trade- and investment-related laws and regulations
- **Prior consultation of legislation with foreign and domestic enterprises**
 - e.g., Law on Property Rights, Foreign Trade Law, Anti-Monopoly Law

Transparency Challenges



However challenges still exist ...

- Full information on laws and regulations is often available only in Chinese
- The *Gazette* does not encompass all new trade- and investment-related legislation
- Time-periods for consultation is often insufficient
- An efficient appeals system is not yet in place (e.g. 70% of surveyed OECD firms found problems in the appeals system)

Findings (3): Non-discrimination



- **More industrial sectors open to foreign investors since joining the WTO**
- **Service sectors increasingly open to foreign and private entities**
- **Trading rights extended to most entities**
- **However, since 2006 restrictions on foreign investment on cross border M&A**
- **Industrial policy interventions**

Findings (4): Easing Trade Restrictions



- Administrative burdens or “red tape” have been reduced
- China moved up 15 points in 2006 in WB’s Ease of Doing Business and its border transaction costs compares favourably with other BRIICs
- However, challenges remain to further advance reform outside the wealthier coastal provinces
- No system yet in place to review regulatory quality such as Regulatory Impact Analysis
- China customs management is facing tremendous pressures with the rapid growth of its foreign trade

Findings (5): Harmonised International Standards



- China is increasing its participation in international standards setting bodies
- China has abolished, aligned to international standards (30%), or is currently revising its domestic standards (44%) to support better harmonisation
- The Standardisation Law is being revised
- However, concern that China may develop its own standards that diverge with international standards
- Unsure when revision of Standardisation Law will be complete

Findings(6): Conformity Assessment Procedures



- 2006 China established a new accreditation body CNAS responsible for accreditation of certification bodies, labs, and inspection bodies
- However, capacity remains limited ...
 - Only Chinese labs are allowed to conduct assessments and there are no provisions to allow third party testing outside China
 - There are long delays for foreign firms
 - Problems with the application of the China Compulsory Certification (CCC)

Future Challenges



- Maintaining the momentum for second-generation trade-and investment-related reforms: tackling border and domestic regulatory barriers
- Enforcement of regulations and laws
 - The judiciary is asked to handle many cases for which it lacks adequate competence, authority and independence
 - Implementation of regulatory reforms at the provincial and local levels is inadequate
 - High level of inconsistency in laws and regulations
- Inter-agency rivalry hamper reform efforts at the conceptual and enforcement level
- Training and supervision for regulators, especially at sub-national levels

Thank you



Terima kasih!

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