

## Research of the Countermeasures on the Issue of China's Market Economy Status under the Anti-dumping

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### Abstract

Enjoying market economy status plays an important role in a country's international economic and trade, especially have a huge impact to Chinese enterprises on foreign trade import and export and responding to anti-dumping charges. This paper aims to put forward some effective measures to deal with the issue of market economy status, including Strive for it actively, treat it rationally and Handle it flexibly.

### Keywords

Anti-dumping, MES (market economy status), Countermeasure.

### 1. The concept of market economy status

Market economy status shows a country's conditions about market economy.

According to the importance of market economy in a country's national economy, as well as the level of government intervention in the the national economy. Generally, it can be divided into full market economy countries and non-market economy countries. In addition, market economy status is a Key Concepts which used in Determining the dumping margin when doing Anti-dumping investigations.

### 2. Market economy status and anti-dumping

Market economy status is a Key Concepts which used in Determining the dumping margin when doing Anti-dumping investigations.If the exported country of the goods being investigated has been identified as a "market economy" country by the sponsor country of the anti-dumping case.then in the anti-dumping investigation,it must be based on the actual cost of the product and the producer price in producing country to calculate its normal price. If the exported country of the goods being investigated has been identified as a "non-market economy" country,the sponsor country of the anti-dumping case will quote the cost data of a market economy country which has a roughly equivalent economic development level with the exporting country( an alternative country),to calculate the so-called normal value. And then, determining the dumping margin instead of using the exporting country's raw data.

### 3. The current situation of China's marketing economics status

In the negotiations of China's accession to WTO for over decade years, some countries expressed doubts on China's full market economy status.In the Protocol on the Accession of the People s Republic of China (to the WTO), China accepted some restrictive provisions. It can be list as follows: first, implemented 12 years of special safeguard provisions for China; second, the relevant provisions of China's textile export; third, the "non-market economy status" treatment to Chinese export products in the anti-dumping investigation.

Article 15 of the Protocol on the Accession of the People s Republic of China provides that:

- (a). When determining price comparability According to Article 6 of GATT1994 and the anti-Dumping agreement, the importing WTO Members should be based on the following rules: using the Chinese domestic prices or costs of survey industry or use the methods which not based on Chinese domestic prices or costs to have a strict comparison.
- (b). If Chinese producers can prove that the industry meet the conditions of market economy in the manufacture, production and sale of the products after the investigation.Then the WTO member

countries should use Chinese domestic product prices or costs as a reference to conduct a price comparison .

- (c). If Chinese producers can't prove that the industry meet the conditions of market economy in the manufacture, production and sale of the products after the investigation. Then the WTO member countries could use the methods which Not based on Chinese domestic prices or costs to have a strict comparison.

The situation of Chinese enterprises is extremely unfavorable when responding to foreign anti-dumping investigations because other WTO members do not admit China's market economy status. Chinese enterprises have a high Losing rate ,to get worse, the convicted dumping rates are unbearable for many Chinese enterprises . Most importantly, the provision which does not recognize China as a market economy country is unfair since it has seriously depart from the reality of China's economic development.

#### **4. Various countries 'attitude toward China's market economy status**

According to the Chinese Ministry of Commerce statistics, 81 countries including Russia, South Korea, New Zealand, Switzerland and Australia have recognized China's market economy status in the 164 members of the World Trade Organization by the end of 2016. However, a number of countries and regional economic organizations, including the US, EU, Japan and Canada has not yet to admit China's market economy status.

##### **4.1 Major countries which admit China's market economy status**

###### **4.1.1 New Zealand.**

The New Zealand government officially recognized China's full market economy status in April 14, 2004 .And New Zealand is the first developed country to recognize China's market economy status. China and New Zealand signed a free trade agreement in April, 2008. In October that year, the agreement has been Officially implemented. New Zealand has been the first developed country to sign and implement bilateral free trade agreements with China.

###### **4.1.2 Australia.**

The memorandum of understanding between Australia and China on the recognition of China's full market economy status and official start-up of the Sino-Australia Free Trade Agreement Negotiation was signed in Beijing. Chinese Commerce Minister Bou Xilai on behalf of China signed a memorandum of understanding with Australia in April 18, 2005.

###### **4.1.3 South Korea.**

Chinese President Hu Jintao held talks on in Seoul with south Korean president Roh Moo-hyun in November 16, 2005 .When met with reporters after the talks, Roh announced that South Korea recognize China's full market economy status.

##### **4.2 Major countries which do not admit China's market economy status**

###### **4.2.1 The USA.**

The United States response to China for the first time on a formal meeting of the Council for Trade in Goods, in July 14, 2016. The United States proposed that ;First, the expiration does not mean China's market economy status is granted automatically ; Second, the Chinese market economic reforms has not yet reached the expected standard, particularly in the aluminum and steel industries, there is still excess capacity and other issues.

###### **4.2.2 European Union.**

European Parliament has adopted a non-legislative resolution by 546 votes in favor, 28 votes against, 77 abstain from voting results in May 12, 2016. And it declared that against China 's automatically obtain market economy status under WTO.

## **5. China's Strategies for market economy status**

### **5.1 Strive for it actively**

Seeking more countries to admit china's full market economy status earlier can help enhances china's ability to deal with international trade friction effectively ,and avoid or reduce the number of discriminatory trade friction as much as possible.What's more, it can help china to share more benefits of economic globalization and avoid the target which produces negative effects at the same time.We can find that Chinese government is always very positive for the recognition of China's market economy status in the international arena.

After the end of the Sino-German Prime Minister talks in June 14, 2016 . Two Prime Ministers was seen by reporters, the Chinese and the German reporters' questions also focused on the issue of market.Li Keqiang reiterated that whether China is a market economy country or not is determined by China's national conditions in reply. China's achievements which promoted the market-oriented reform have also been recognized by the whole world.

### **5.2 Treat it rational**

In addition to economic factors, political factors have played an important role,whether it acknowledged or not by occident .In fact, Western countries' various acts is in order to safeguard its national interests and achieve their political objectives on the nature of the behavior.After the Cold War, the confrontation in the ideological field has never stopped,since this kind of ideological antagonism has been profound reflected on economic policy and trade legal system.And the formation of political tendency is difficult to stop, so that the ghosts of the cold war mentality in international trade is not scattered .However,the definition of a market economy country do not have a clear benchmark,as a result, political correctness usually become the inevitable choice.

Therefore, we should treat the market economy status problem rationally, we need to be positive rather than urge. Expressing our will to obtain market economy status, but not let other countries, especially Western countries carried us away.We should not only strive to make other countries admit China's market economy status, but also try our best to improve China's socialist market economic system.Last but not least ,put the practical action higher than the Surface status.

### **5.3 Handle it flexibly**

#### **5.3.1 Fight for enterprises' individual treatment under the market economy status.**

The focus of European Commission's censor the focus is different as the standard of individual treatment and market economy status is different.Therefore, the enterprises which do not meet the the standard of market economy status may meet the standards of individual treatment, thereby obtaining individual treatment.As the enterprises involved in the case,whether obtaining market economy status or individual treatment, they will receive a separate dumping margin. The enterprise should strive for it's essentiality.

Further, since the enterprises' operations, costs, pricing is different, and the case of alternative country is different, the dumping margin of companies which gain market economy status dumping margin is not necessarily smaller than the dumping margin of companies which obtained individual treatment certainly.

For Chinese exporters, apply for individual treatment is more realistic and important than the application for market economy treatment before make a choice.

#### **5.3.2 Seek a advantageous alternative country actively**

Before the problem of market economy can be solved absolutely, the choose of substitute countries is crucial.Choose what kind of country as the surrogate country has a decisive influence on the outcome of the case. Therefore, China's enterprises involved in the case should considerate of various factors in all directions, and find a country which has a most similar situation of the products involved in the case as a candidate country forwardly.

At the same time, make an affirmative defense to unsuitable alternative country, thereby reducing the margin of dumping and minimizing the damage.

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