

China: Secure WTO Benefits -- Grant Permanent Normal Trade Relations

In November 1999, China and the United States reached a bilateral agreement regarding the terms of accession for China to join the World Trade Organization (WTO). As part of this deal, China must significantly open its market to U.S. and other foreign companies, and it must protect intellectual property rights and make other rules-based changes required by the WTO -- SIA strongly supports China's accession under these terms.

China will be permitted to join the WTO once all remaining accession negotiations are complete -- whether or not Congress grants Permanent Normal Trade Relations (PNTR). If Congress does not grant PNTR, U.S. industry will receive some modest benefits such as tariff cuts but China will have no obligation to grant American firms other benefits that were secured by USTR -- our trading partners will receive full benefits.

The U.S.-China bilateral agreement on China's accession to the WTO was a solid win for the U.S. chip industry because it secured:

- Elimination of China's 6-10 percent tariffs on semiconductors, and an agreement that China will join the Information Technology Agreement and thereby eliminate duties on computers, semiconductor manufacturing equipment, telecom and other high tech goods;
- Trading and Distribution rights for foreign firms;
- Commercially-driven purchasing by China's state invested enterprises, many of which produce electronics for the commercial market in China and abroad;
- Protection of intellectual property rights;
- A prohibition on forced technology transfer and export performance requirements in exchange for market access; and
- Continued use of America's non-market economy antidumping rules, which insures that the U.S. can continue to treat China as a non-market economy until it makes market-oriented reforms.

China's chip market:

- **\$8 billion annual market today**
- **Predictions:**
 - 3rd largest market by 2001**
 - 2nd largest market by 2010**

SIA urges Congress to grant PNTR and allow U.S. companies to reap the benefits of the deal secured by U.S. negotiators in November 1999.