

## Background of 2005 Revision to Foreign Trade Law of the People's Republic of China

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China's revised Foreign Trade Law was passed by the Standing Committee of the National People's Congress, the top legislature April 6, 2004, and will come into force as of July 1, 2004.

The important amendment comes as the country's trade position on the world stage increases in importance. China ranks third among importers, behind the United States and Germany, and fourth among exporters, behind Germany, the United States and Japan, according to a report released by the World Trade Organization (WTO) in April of 2004.

Wu Bangguo, chairman of the NPC Standing Committee, said the revision was made to ensure the sound development of China's foreign trade and its continuing opening-up, given the new situation since China's WTO accession and growing economic globalization.

The revised law covers a wider range and has 70 clauses as compared to the 44 found in the previous legislation enacted in 1994.

The revised law adds three chapters about investigation into unfair practices, trade dispute remedies and protection of intellectual property rights in trade.

These are common in many countries' business law.

The new law also allows individuals to become operators of import-export businesses and removes some restrictive qualifications for foreign trade operators in accordance with China's WTO commitments.

In contrast to vague stipulations in the old law, the amendment explains the implications of trade promotion and specifies how to implement the mechanism.

In order to respond promptly to sudden changes in foreign trade and provide better services to operators, the law also introduces an early warning system, a public information service system, a statistics mechanism and publicity about illegal operations.

Compared with the only penalty in the old law, withdrawal of operation credit, the revised law strengthens sanctions against illegal operations through adopting more severe punishment, from criminal to administrative penalties and cancellation of operators' licenses.

Shang Ming, director of the Department of Treaty and Law at the Ministry of Commerce,

said the revised law reflects a change in the government's style in managing foreign trade.

In the WTO era, the functions of the Chinese Government have shifted from managing enterprises' specific operations to ensuring fair and ordered competition and taking measures to protect domestic enterprises when they face discrimination or are harmed by foreign trade disputes.

He said the law is also revised to adapt to China's growing position in world trade.

A WTO report indicated that China has been a major importer and has changed its export-dominated foreign trade style.

The report said China underpinned its emergence as a key player on the global trade scene, with its imports growing a remarkable 40 per cent in 2003 and exports up 35 per cent.

Germany, with a figure of US\$748.4 billion, overtook the United States as the world's biggest exporter and accounted for 10 per cent of global merchandise exports. It was followed by the US with US\$724 billion (9.7 per cent), Japan US\$471.9 billion (6.3 per cent) and China US\$438.4 billion (5.9 per cent).

Among importers, the United States accounted for US\$1,305.6 billion (16.8 per cent), more than twice that of second-place Germany with US\$601.7 billion (7.7 per cent). China ranked third with US\$412.8 billion (5.3 per cent), followed by France with US\$388.4 billion (5.0 per cent).

Li Yushi, vice-director of the Chinese Academy of International Trade and Economic Co-operation, a think-tank of the Ministry of Commerce, expects the growth of imports will keep its momentum this year as the country has a huge desire to feed its economy.

Imports will also be fuelled by the planned tariff re-education and easing of non-tariff controls, Li said.

China is set to drop its average tariff rate to 10.4 per cent from 14.7 per cent and eliminate licensing management on products such as oil, rubber and automobile, according to its WTO commitments.

In the first two months, China's exports rose 29 per cent while imports jumped 42 per cent.

The WTO report also predicted global trade could grow by 7.5 per cent this year of 2004.