



Highlights of [GAO-05-53](#), a report to the Senate Committee on Finance and the House Committee on Ways and Means

## Why GAO Did This Study

China's 2001 accession to the World Trade Organization (WTO) required China to reform its economy and trade practices. As part of ongoing work, GAO reviewed how the U.S. Trade Representative (USTR) and the Departments of Commerce, Agriculture, and State pursued China's WTO compliance in 2003. Specifically, this report (1) discusses the scope and disposition of China's compliance problems, (2) reviews the U.S. government's bilateral and multilateral approaches for resolving these problems, (3) assesses the key agencies' strategies and plans for ensuring compliance, and (4) assesses how the agencies have adapted their staff resources to conduct compliance activities.

## What GAO Recommends

GAO recommends that the four key agencies undertake a range of actions to improve timeliness and participation in the WTO's annual review of China's compliance, performance management assessments and unit-level planning, and staff training. The agencies said they would consider our recommendations, but they expressed various concerns, including that the report did not sufficiently reflect their achievements in 2004, and about whether their performance could be better assessed in a more quantifiable manner. We made changes throughout this report to update information and to clarify our findings as appropriate.

[www.gao.gov/cgi-bin/getrpt?GAO-05-53](http://www.gao.gov/cgi-bin/getrpt?GAO-05-53).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at (202) 512-4128 or [YagerL@gao.gov](mailto:YagerL@gao.gov).

# U.S.-CHINA TRADE

## Opportunities to Improve U.S. Government Efforts to Ensure China's Compliance with World Trade Organization Commitments

### What GAO Found

China has successfully implemented many of its numerous WTO commitments, but USTR reported that over 100 separate compliance problems arose in 2002 and 2003. These problems ranged from specific, relatively simple issues to broader, more systemic concerns. Most problems continued from 2002 to 2003, an indication that China was able to address the more easily resolvable problems, while the more complex issues persisted. Furthermore, new problems emerged, with many arising from phased-in commitments that China was due to implement in 2003. The U.S. government continued to pursue resolution of compliance problems in 2004, and the agencies noted the successful resolution of several major issues of economic importance to U.S. companies. The key U.S. agencies have done much to ensure China's compliance, but GAO found three areas in which these key agencies could take steps to improve their efforts:

First, U.S. efforts to address compliance problems emphasized high-level bilateral engagement with China in 2003, with increased senior-level delegations to China and elevated participation in formal consultative mechanisms. U.S. multilateral engagement with China in 2003 reflected more emphasis on working through regular WTO committee business, because the WTO's annual review of China's implementation, the Transitional Review Mechanism (TRM), has ongoing limitations. Nevertheless, the TRM has benefits and these could be enhanced by increased member participation and earlier U.S. submissions, which would maximize the potential for full and informed responses from China.

Second, although interagency and intra-agency coordination on policy and high level compliance strategies was generally effective, GAO found various performance management limitations that make it difficult to clearly measure and assess the outcome of the key agencies' China-WTO compliance efforts. GAO found that the specific units within the agencies that are most directly involved with these efforts could improve how the agencies measure and report the results of their activities. Furthermore, developing clearer linkages between unit-level results and agency goals that are established in accordance with the Government Performance and Results Act of 1993 could enhance the effectiveness of these units' activities.

Third, turnover and lack of training limited the effectiveness of increased staff resources for China-WTO compliance activities. New staff members were called upon to take up complex monitoring and enforcement activities while relying primarily on on-the-job training, which was complicated by high and often predictable staff turnover. Attention to human capital management is particularly important, given the long-term challenges associated with ensuring China's compliance.