

**Fact Sheet**  
**The People's Republic of China's Request**  
**for Review of Non-Market Economy Status**

**China's Request for Review**

- On December 22, 2005, the Department of Commerce received a request from a respondent to review China's non-market economy (NME) status in the *Certain Lined Paper Products* ("Lined Paper") antidumping investigation. On February 2, 2006, the Department of Commerce received a submission from the China's Ministry of Fair Trade for Imports and Exports ("MOFCOM") formally supporting the request for market economy status for China in the context of the Lined Paper antidumping investigation.
- In the final determination of the Lined Paper antidumping investigation, the Department of Commerce will issue a memorandum that comprehensively addresses all six statutory criteria upon which all non-market economy designations are based. The final determination is scheduled for August 2006.
- In examining any country's market economy status, the Department of Commerce considers not only the extent to which the government has receded from state planning, which is to say, state control over pricing, production, investment and resource allocation, but also whether market forces are firmly rooted in the economy. While the existence of economic reforms are important, they alone are not enough to establish market economy status under the statute. The fundamental issue addressed by the Department of Commerce is whether there is a functioning market economy.
- A non-market economy designation is based on six statutory criteria. Those criteria are:
  - currency convertibility
  - free bargaining for wages
  - foreign investment
  - government ownership or control of production
  - government control over the allocation of resources
  - other appropriate factors
- The Department of Commerce finds that, despite recent and ongoing reform efforts, the significant extent of continued government intervention in certain important sectors of the economy warrants maintaining China's designation as an NME country.

**Background**

- Under China's WTO Protocol of Accession, WTO Members, including the United States, may treat China as an NME country for antidumping purposes through 2016. However, the United States can grant China market economy status before that time, if the Chinese government requests (or formally supports a Chinese respondent's request for) market economy status and if the relevant statutory criteria are satisfied. Prior to these cases, China never requested a review of its status as an NME.

- The Department of Commerce currently designates China as a non-market economy and thus uses a surrogate country methodology to calculate “normal value” in antidumping investigations and administrative reviews involving China. A country’s status as an NME applies only to U.S. antidumping proceedings.