

# WTO dispute panel raps China on audiovisual goods

By Jonathan Lynn

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GENEVA - China's regime for importing and distributing audiovisual material such as books and films breaks international trade rules and should be revised, a World Trade Organization (WTO) dispute panel said on Wednesday.

It was the third time a WTO panel had ruled against China, which is becoming increasingly assertive at the world trade body.

The panel, ruling in a case brought by the United States, said China's system for importing and distributing the material also breached the terms of China's accession to the WTO in 2001.

The United States immediately welcomed the ruling.

"Today, a WTO panel handed a significant victory to America's creative industries," U.S. Trade Representative Ron Kirk said in a statement.

"These findings are an important step toward ensuring market access for legitimate U.S. products in the Chinese market, as well as ensuring market access for U.S. exporters and distributors of those products."

As usual, the WTO findings in the complex case were nuanced. The panel did not support Washington in all its claims and declined to rule on others it agreed with China were outside its mandate.

The case, dating back to 2007, involves publications such as books and newspapers, audio and video products including CDs, DVDs and video games, and music download services.

The panel findings also call on China to allow U.S. companies to partner with Chinese enterprises to distribute sound recordings over the Internet.

The United States had complained China was restricting imports to a limited number of state enterprises and also restricting who could distribute these products.

This not only contravened the fundamental WTO rule requiring equal treatment between local and foreign businesses, but also breached commitments made by China when it joined the WTO in 2001 to open up sales and distribution within three years.

Washington complained this forced U.S. businesses to rely on Chinese middlemen or agents, pushing up costs and hurting marketing and sales.

That in turn also opened up an opportunity for pirates to plug the demand for U.S. products with counterfeit copies.

"This decision promises to level the playing field for American companies working to distribute high-quality entertainment products in China, so that legitimate American products can get to market and beat out the pirates," Kirk said.

"We believe that this report will help pave the way toward more open trade between China and America."

(Editing by Sophie Hares)