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**Committee on Subsidies
and Countervailing Measures**

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CHAIR'S REPORT TO THE COUNCIL FOR TRADE IN GOODS ON TRANSITIONAL REVIEW OF CHINA

1. The Committee on Subsidies and Countervailing Measures undertook the second transitional review of China pursuant to Paragraph 18 of the Protocol on the Accession of the People's Republic of China (WT/L/432) at its regular meeting on 28 October 2003.
2. Annex 1A to the Protocol requires China to submit information on the following to this Committee: "Pricing Policies": (a) "application of existing or any other price controls and the reason for their use"; and (b) "pricing mechanisms of China's state trading enterprises for exported products". China submitted a notification in this respect on 24 October 2003. It can be found in document G/SCM/N/104.
3. Members had submitted questions in the context of the transitional review. These can be found in documents G/SCM/Q2/4-6 (questions submitted by Mexico, the European Communities and the United States, respectively).
4. The statements made at the meeting of 28 October 2003, at which the transitional review was Item M of the agenda, are reflected in the minutes of the meeting, which will be circulated as document G/SCM/M/48. The relevant paragraphs, which reflect the statements made and the discussion at the meeting, are annexed.

Excerpt from the minutes of the regular meeting of the Committee on Subsidies and Countervailing Measures held 28 October 2003, to be circulated as document G/SCM/M/48.

M. TRANSITION REVIEW UNDER PARAGRAPH 18 OF THE PROTOCOL OF ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA TO THE WORLD TRADE ORGANIZATION

1. The Chair recalled that paragraph 18 of the Protocol of Accession of the People's Republic of China to the World Trade Organization provided that all subsidiary bodies, including this Committee, "which have a mandate covering China's commitments under the WTO Agreement or [the] Protocol shall, within one year after accession ... review, as appropriate to their mandate, the implementation by China of the WTO Agreement and of the related provisions of [the] Protocol." China was to provide relevant information in advance of the review, including information specified in Annex 1A to the Protocol. China could also raise issues relating to any reservations under Section 17 or to any other specific commitments made by other Members in the Protocol, in subsidiary bodies which had a relevant mandate. The Chair said that this Committee had to report the results of the review promptly to the Council for Trade in Goods. Review was to take place after accession in each year for eight years, with a final review in year 10 or at an earlier date decided by the General Council.

2. The Chair said that there were no procedures set out for the conduct of the transition review in the Protocol, except that China was to provide relevant information in advance of the review. In this regard, the Chair noted that Annex 1A specified China was requested to provide information on the following to this Committee in accordance with Article 18.1 of its Accession Protocol: "Pricing Policies": (a) "application of existing or any other price controls and the reason for their use"; and (b) "pricing mechanisms of China's state trading enterprises for exported products". She said that China had submitted a notification in this respect on 24 October 2003, which had been circulated as document G/SCM/N/104.

3. The Chair noted that the delegations of the European Communities, Mexico and the United States had submitted questions and comments in the context of the transition review, which had been circulated in documents G/SCM/Q2/CHN/4-6. Before proceeding to these questions, the Chair opened the floor for any general comments from Members.

4. The delegate of the United States recognized China's efforts over the past year as it worked to fashion a countervailing duty and subsidies regime that was transparent, subject to the rule of law and in compliance with WTO rules. He stated that this process was, however, not complete and that, in the spirit of the Transitional Review Mechanism ("TRM"), they were taking the opportunity to highlight areas where further improvements could be made. To assist in making this review as productive as possible, the United States had also submitted written questions. The United States noted that written questions and answers were the most practical and appropriate form of accurately transmitting technical information. It further noted that it was in the interests of all Members, including China, to promote a free exchange of information through the mechanisms provided by the WTO, including the TRM.

5. The United States applauded China's ongoing efforts to establish and complete the legal framework of its countervailing duty regime prior to imposing measures. China had issued Ministerial rules on industry injury investigations, as well as judicial rules on hearing countervailing duty appeals. Nonetheless, gaps remained in this legal structure, including in the areas of interim and expiration reviews, rules and procedures on access to non-confidential information, and undertakings.

6. The United States noted that China had notified many of its countervailing duty laws and regulations to the WTO. Other such laws and regulations, including those concerning judicial review of countervailing duty measures, had not been notified. The delegate of the United States recalled

that notification of such laws and regulations was required by the WTO, specifically, Article 32.6 of the Subsidies Agreement, to increase the transparency of Members' countervailing duty regimes, including the judicial review process. The United States therefore expected China to notify, to the SCM Committee, all laws and regulations that had a bearing on countervailing duty investigations and reviews.

7. China had informed the SCM Committee that the roles played by the Ministry of Foreign Trade and Economic Cooperation and the State Economic and Trade Commission were now subsumed under the Ministry of Commerce. The role of the State Council Tariff Commission was still not completely clear, however. Nor did it appear that China had issued regulations governing the actions of the Tariff Commission in countervailing duty investigations or reviews. The United States urged China to clarify the oversight role of the State Council Tariff Commission, including when it may exercise discretion in the course of an investigation. The United States further encouraged China to establish procedures for publicising the Tariff Commission's decisions in countervailing duty actions.

8. In the area of subsidies, the delegate of the United States stated that the United States was disappointed with China's failure to submit its annual subsidy notification, required under Article 25.1 of the Subsidies Agreement. In fact, China had not made an Article 25.1 notification since joining the WTO nearly two years ago. The United States urged China to submit a new and full notification of its subsidies as soon as possible and, in any event, China should immediately notify what it could, even if such a notification was not comprehensive. By not participating in the notification process, China undermined the transparency that Members had worked hard to develop and hampered the ability of Members to confirm that China was complying with its obligations under the Subsidies Agreement and its Protocol of Accession.

9. In the view of the United States, an example of the uncertainty that China's lack of notification fostered concerned subsidies provided to certain state-owned enterprises which were running at a loss. According to China's Protocol of Accession, this subsidy was to end in 2000. The representative of China had told the SCM Committee the previous year that the programme had been eliminated in 2001. However, the delegate of the United States stated that, according to recent Chinese press reports, the Government was currently working to eliminate this programme. He explained that by providing more detailed information on the programme, such as the decrees that ended or would end the programme at the central and local levels, China would help dispel confusion among other Members concerning the status of these subsidies.

10. The United States welcomed China's efforts to increase the transparency of its countervailing duty regime and to bring it into conformity with WTO rules and urged China to do the same with regard to its subsidies. The United States stated that it wished to foster mutual cooperation and understanding on this front through multilateral mechanisms, such as a TRM process, and through bilateral technical exchanges.

11. Finally, the United States asked that the Committee's TRM report to the Council for Trade in Goods reflect not only the discussion under the TRM agenda item but also the earlier discussion with regard to China's CVD laws and regulations and China's subsidy practices that had not yet been notified. It further requested that all the relevant minutes, Members' questions and China's responses be appended to, or referenced in, the report.¹

¹ As indicated in the minutes of agenda item B, the Committee reviewed, through the exchange of questions and answers referred to there, China's new legislative notification (document G/SCM/N/1/CHN/1/Suppl. 2). As indicated in the minutes of agenda item H, the Committee reviewed, through the exchange of questions and answers referred to there, China's previously reviewed legislative notification (document G/SCM/N/1/CHN/Suppl.1).

12. The Chair thanked the United States for its statement and invited other delegations to make comments. She reminded the Committee that the questions raised by Mexico, the European Communities and the United States in the transition review context could be found in documents G/SCM/Q2/CHN/4, 5 and 6, respectively. The delegate of China was invited to take the floor to respond to the questions and comments that they had received.

13. The delegate of China thanked the Chair for giving them the floor to address the Committee on the implementation of China's commitments and to respond to the questions raised by Members in that meeting with regard to subsidies and countervailing measures in the past year within the framework of paragraph 18 of China's Protocol of Accession.

14. **Part I – Implementation of the Agreement and China's commitments.** The delegate of China stated that China had submitted relevant information to the Committee prior to the meeting pursuant to the requirement of Annex I(A) of the Protocol on China's Accession.² Since last year, China had notified five ministerial rules and regulations on countervailing measures, namely: provisional rules on initiation of countervailing investigations³; provisional rules on public hearings of countervailing investigations⁴; provisional rules on questionnaires of countervailing investigations⁵; provisional rules on on-the-spot inspection in countervailing investigations⁶; and rules on investigations and the determination of industry injury in countervailing investigations.⁷

15. China stated that on 11 September 2002, the Supreme People's Court had adopted the provisions on questions relating to the application of law in adjudicating administrative countervailing cases, which had come into force on 1 January 2003, in an effort to further explain acceptance and hearing of the administrative countervailing cases by the People's Court. It added that these would be notified to the WTO according to the notification procedures.

16. The delegate of China said that in the past year China had initiated no countervailing investigations.

17. **Part II – Responses to Members' questions.** The delegate of China mentioned that some questions had reached them just one day ahead of the meeting. She said that this was not only inconsistent with WTO practice, but also extremely unhelpful for making meaningful accurate and appropriate responses, thus undermining the value and the necessity of the TRM exercise. However, in the spirit of cooperation, China had tried to address these questions in the best possible manner.

18. First, with regard to the question of granting of subsidies at a national and a subnational level to enterprises, she stated that China had terminated all export subsidies. For example, at present, China maintained no subsidies or subsidy schemes in the textile industry, which was in conformity with China's accession commitments. The China National Textile Industry Council referred to in the questions had not engaged in any work related to subsidy schemes. The delegate of China stressed that the reports were not true. Since accession to the WTO, China had embarked upon extensive efforts in the collection of subsidy information. A number of difficulties had been encountered during the process, including the partial understanding of the WTO notification requirements by local officials, under-performance of the domestic information collection system and varied criteria on statistics. Measures were being taken to address these issues, both on the national and subnational

² Circulated in document G/SCM/N/104.

³ Circulated in document G/SCM/N/1/CHN/1/Suppl.1.

⁴ Circulated in document G/SCM/N/1/CHN/1/Suppl. 1.

⁵ Circulated in document G/SCM/N/1/CHN/1/Suppl. 1.

⁶ Circulated in document G/SCM/N/1/CHN/1/Suppl. 1.

⁷ Circulated in document G/SCM/N/1/CHN/1/Suppl. 2.

level, for example, the strengthening of the communications between ranks of officials, briefings by WTO experts, and the translation of the technical cooperation handbook on WTO notification requirements. China was vigorously pushing forward work but that they were not in a position to give a specific timeframe for the completion of it.

19. Second, on the question on the requirements for a company to be considered a foreign direct investment enterprise devoted to exports and income tax exemptions or rebates granted to such enterprises, the delegate of China stated that Article 3 of the Law of the PRC on Wholly Foreign-owned Enterprises stipulated that the establishment of a wholly foreign-owned enterprise shall be conducive to the development of China's national economy. The State encouraged the establishment of wholly foreign-owned enterprises with export orientation and adoption of advanced technology. Article 17 stipulated that wholly foreign-owned enterprises shall pay taxes in accordance with relevant state regulations and may enjoy preferential treatment of tax reduction or redemption. Paragraphs 7 and 8 of Article 75 of the Rules of Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises stipulated that after expiration of the period of income tax exemption and the reduction the foreign investment enterprises whose export volume for a year exceeded 7 per cent of their production for the same year were entitled to a 50 per cent rebate of the normal rate of income tax as provided by tax law. The enterprises located in special economic zones, or economic and technology development zones, or any other exporting enterprises that already enjoyed an income tax rate of 15 per cent, would pay income tax at the rate of 10 per cent if they also met the above requirements. The consistency of this provision with the SCM Agreement was currently being reviewed.

20. Third, on the question on the export performance requirement in the Wholly Foreign-Owned Enterprises Law for wholly foreign-owned enterprises to be eligible for tax breaks, China noted that there were three laws governing foreign investment enterprises, namely the Law on Chinese Foreign Equity Joint Ventures, the Law on Chinese Foreign Contractual Joint Ventures, and the Law on Wholly Foreign-Owned Enterprises. Among these three laws, only the Law on Wholly Foreign-Owned Enterprises used to contain the requirement on export performance. As part of the preparations for joining the WTO in October 2000, Article 3.1 of the Law on Wholly Foreign-Owned Enterprises was amended as follows: the establishment of a wholly foreign-owned enterprise shall be conducive to the development of China's national economy. The State encouraged the establishment of wholly foreign-owned enterprises with export orientation and adoption of advanced technology. The original provision, that the establishment of a foreign invested enterprise must adopt advanced technology or export all or most of its products, had been replaced.

21. Fourth, on the question about alleged information provided by the web site of the Shanghai Foreign Investment Centre, the delegate of China stressed that the web site of the so-called Shanghai Foreign Investment Centre was not a government web site and information it posted was not authoritative and did not have binding power. She stated that Members could get access to the relevant laws and regulations through the government designated journal: the China Foreign Trade and Economic Cooperation Gazette.

22. Fifth, on the question on alleged different prices for energy, transport, water and telecommunications suggested in the information from the above said web site, the delegate of China said that she would like to make some clarifications in this regard, although the source of the information remained unclear. She stated that there was no such practice as different pricing for energy, water, power, transportation and telecommunications between state-owned enterprises and other types of enterprises. The practice of multiple pricing for one commodity or service had been entirely eliminated in China. State pricing and government guidance pricing only applied to goods and services, regardless of the ownership of the enterprises. Enterprises of all types, including state-owned enterprises, foreign investment enterprises and foreign enterprises in China were treated on an equal footing in the process of determining government pricing and guidance pricing.

23. Sixth, on the question on the new scheme of the VAT redistribution system for copper production, the delegate of China noted that questions in this regard had already been addressed in the TRM of the Committee on Market Access on 20 October 2003. China felt it preferable not to repeat those responses in the SCM Committee meeting due to the limited time.

24. Seventh, on price control and government guidance pricing, the delegate of China stated that China had reduced the scope of products and services and the government price control and that vegetable oil had been lifted from the list of Annex 4 of China's Accession Protocol in 2001. She further stated that China had not, and did not, plan to expand the scope of products in services subject to state pricing or guidance pricing and that any changes to the scope of these products and services would be published in the China Foreign Trade and Economic Cooperation Gazette.

25. Before giving the floor to another colleague in the Chinese delegation, the delegate of China said that she hoped that the information provided prior to the meeting and the explanation she had just made would help facilitate the review. She invited her colleague to provide additional comments concerning other comments or statements.

26. The delegate of China thanked the United States for the interest it had shown in the TRM process and for its recognition of the progress that China had made in the field of subsidies and countervailing measures. Before responding to the points raised in the US statement, he noted that although the points contained in the statement were presented as "general comments", those points were actually like questions, so, in effect, they had a list of questions. He encouraged the US to have posed those questions in a list in advance of the meeting, so as to facilitate China's preparations for making appropriate responses.

27. The delegate of China stated that there were a number of points contained in the US statement. Concerning the request for making written replies to the questions raised by the relevant Members, he noted that under paragraph 18 of China's Accession Protocol, the only requirement was for China to provide the information, including the information specified in Annex I(A) of the Protocol, in advance of the review. He stated that China had already provided such information in writing to this Committee prior to the convocation of the meeting⁸ and, in addition, the statement which had just been made by the head of the Chinese delegation would also be made available in written form after the meeting to interested Members. China believed that the information just referred to in written form, plus the oral responses to the replies it had made during the meeting, were already sufficient for warranting a meaningful and effective review, as well as an exchange of information. He stated that to request otherwise would not only be inconsistent with the mandate of paragraph 18, but also place an unforeseen and undue burden on China.

28. The delegate of China noted that there was another procedural request contained in the last paragraph of the statement by the US, namely to reflect China's CVD laws and regulations on Chinese subsidy practices which had not yet been notified in the TRM report of the Committee to the Council for Trade in Goods, as well as that the relevant minutes, Members' questions and China's responses be appended or referenced in that report. The delegate of China stated that he wished to consult his colleagues from the US as to the legal basis for such a request before China made appropriate responses to this request.

29. The delegate of China wished to address other questions, such as the request for not only legislative notifications, but also subsidy notifications. He emphasized that China also attached great importance to making such notifications because it was their view, and they believed that it was also the view shared by many, that making such notifications was conducive to the sharing of information

⁸ Annex 1A information circulated in document G/SCM/N/104.

and also for improving the transparency of the domestic processes of different countries. China wished to reaffirm its commitment to fulfilling its notification obligation.

30. The delegate of China said that there had been a question concerning the gaps that remain in China's legal structure, for example, in the areas of interim and expiration reviews in the field of countervailing measures. He pointed out that, so far, China had not initiated any countervailing investigations but that China was, however, in the process of making such legislation just in case such an investigation might be initiated in the future. He stressed that delegates could be reassured that China would honour its commitments in the WTO and continue to bring its legislation in line with WTO rules, including in the field of countervailing investigations.

31. Regarding the role of the Tariff Commission of the State Council of China, the delegate of China noted that this question had been repeated a number of times both in the Committee on Safeguards and in the Committee on Anti-Dumping Practices. He stated that the role of the Tariff Commission was quite clear, as referred to, or provided for, in the three regulations that China had so far promulgated, namely the regulations on anti-dumping investigations, the regulations on countervailing investigations and the regulation on safeguards. The role, to put it simply, was for the Tariff Commission to make determinations on the rates of the anti-dumping, countervailing or safeguards duty on the proposal of the former MOFTEC, now MOFCOM. He added that the duty rates that it decided would not exceed the proposed rate of MOFCOM. He believed that this had already been made quite clear by China.

32. The delegate of China noted the question concerning subsidies provided to certain state-owned enterprises running at a loss. He confirmed that it was established policy to eliminate such subsidies provided to state-owned enterprises running at a loss. He noted that allegations had been made in the US statement that, according to some recent Chinese press reports, the Government was still in the process of eliminating this programme instead of terminating the whole programme by the year 2002. He requested the US delegation to provide China with more detailed information with regard to these press reports, such as the source of the reports, the time when the reports had been published and the sectors, industries or enterprises which were involved in such reports, so as to facilitate China's efforts in making appropriate responses to the question.

33. The delegate of China concluded that he could not see any further questions in the US statement and hoped that his responses would be satisfactory to the US.

34. The representative of the European Communities stated that, at the last TRM exercise, his delegation had raised four distinct issues: compliance of subsidy notifications; export subsidies; price controls, in particular *vis-à-vis* state-owned enterprises; and, finally, countervailing duty laws and regulations. He stated that, since last year, a lot of progress had been made concerning one of those four items – the countervailing duty law and regulations – and he thanked China for providing legislation, implementing regulations and replying extensively to Members' questions.

35. He noted, however, that with regard to the other three items, there were even more concerns regarding the compliance of China with WTO rules than one year ago. This was a rather disappointing situation. Many of these concerns had been created by a lack of transparency. He had taken careful note of China's reaffirmation of its commitments to abide by its transparency obligations. However, he stressed that words would have to be followed by deeds. He further noted that two years after China's accession to the WTO, delegations were still waiting for a subsidy notification, despite the fact that a decent subsidy notification had already been produced by China in the context of the accession process.

36. The representative of the European Communities stated that whether or not WTO Members complied with notification obligations was not just an academic question. As an example, he referred to the issue of possible subsidies to the copper industry. He noted that replies to EC questions concerning

this particular issue had not been given at the meeting. These were very specific questions, asking for information in the subsidy notification format, information that had certainly not been requested in this format in other Committees.

37. Turning back to the example of copper, the representative of the European Communities noted that a severe distortion of international trade with regard to the supply of copper scrap, which was input for refined copper, had taken place towards smelters and refiners in China. Detailed research, in which the EC had had to resort to web sites because there was no other information available, had revealed that the reasons for this shift were schemes which apparently constituted subsidies. The very purpose of notification obligations, however, was to ensure transparency from the start and an imbalance regarding transparency as it currently existed was highly unsatisfactory. Furthermore, he noted that, while they had listened carefully to statements that export subsidies were a thing of the past and that a preferential pricing for state-owned firms had ended, they still had difficulties with reconciling this with commercial reality. Commercial reality was also reflected in the way certain information was being provided to economic operators. He stressed that, again, this was an issue of transparency. He further noted that they did not have any official information provided by China in the required format and that that was why they had to resort to information from different sources. Again, he stressed, this was an issue of transparency which had to be addressed.

38. The representative of the European Communities carefully noted the statement that under certain provisions of Chinese laws, income tax advantages were contingent upon export volumes exceeding certain thresholds. The European Communities held the view that this was a clear indication of export contingency within the meaning of Article 3 of the Subsidies Agreement and they encouraged China quickly to finalize its analysis with regard to WTO compliance of those provisions.

39. In conclusion, the delegate of the European Communities stated that the situation with regard to the three items that he had mentioned was highly unsatisfactory and he strongly encouraged China to not only continue, but to increase, its efforts in this area.

40. The delegate of Mexico thanked China for the answers provided to their questions, which he thought would be very useful. He noted that many of the questions Mexico had posed, and which had been replied to, referred to technical or sector-specific issues. Therefore, he thought it appropriate for China to provide Mexico with written answers, as requested in their document, and if possible to attach the relevant legislative instruments to enable a better understanding. He noted that this would avoid Mexico posing additional questions.

41. The delegate of the United States wished to continue the dialogue with respect to the US statement and China's response. He thanked China for its statement with respect to its subsidy programmes and thought that it would be helpful for all delegations to gain a greater appreciation for the programmes involved. He expressed an interest in obtaining a copy of the written statement that had been read by the head of Chinese delegation. The United States wished to echo the comments of the European Communities with respect to benefits that are contingent upon export performance. The United States shared the view that these were export subsidies potentially in violation of Article 3 of the Subsidies Agreement and took note of China's agreement to eliminate such subsidies in the course of their accession.

42. Secondly, the United States took note of China's commitment to provide a subsidy notification. The delegate of the United States said that he understood the difficulties of providing such a notification and working with sub-federal governments and he empathized with the difficulties that he felt sure China was having. However, he felt the need to echo the comments of the European Communities that concrete actions would have to be taken in this respect.

43. The delegate from the United States said that his delegation would appreciate further details being provided in the meeting with respect to the new VAT scheme. He thought that some subsidy issues had been raised and, as he had not been in the Market Access Committee meeting, he would appreciate if further details could be provided in the SCM Committee meeting.

44. Finally, with respect to the subsidies to state-owned enterprises running at a loss, the delegate of the United States said that, if he was not mistaken, this programme had been described in China's accession documents. He questioned whether it was other Members' responsibility to point out to China a programme that China itself had previously described to the WTO. The United States confirmed that they had a press report from which they had gained the information used in their statement. This press report, entitled "Finance Ministry overhauls state enterprise subsidies to comply with WTO rules", was dated 20 September 2003. The United States stated that they would happily provide China with a copy of the press article at the end of the meeting. However, the delegate of the United States again emphasized that, in the view of the United States, it was not their responsibility to hunt for programmes and bring them to China's attention. He stated that the notification obligation was an exercise in transparency that all delegations had undertaken. He admitted that it was a difficult exercise and that all delegations had suffered difficulties. He therefore encouraged China to move forward as rapidly as it could.

45. The Chair thanked the United States for its statement. She recalled to the delegate of the United States that China had asked for clarification on the legal basis for the requests made by the United States with regard to general comments.

46. The delegate of the United States replied that it was his understanding that this was a part of the normal TRM process that had been followed the previous year.

47. The Chair thanked the United States for the clarification, and offered the floor to Japan.

48. Japan stated that it would like to share the concerns raised by the United States and the European Communities because their industry, especially the smelting copper industry, had a very keen concern about the issue of the VAT redistribution system scheme. It had been very difficult for Japan to get relevant information about this scheme and, for this reason, Japanese industry had grave concerns about this issue. This had meant that the Japanese Government had been requested to provide cooperative assistance to the copper industry. In this sense, Japan would appreciate any information China could give on this issue.

49. The delegate of China thanked the delegates from the European Communities, Japan, Mexico and the United States for the follow-up questions and offered to respond to some of the questions that had been raised. Concerning the notification obligation of China, China stated that it was very serious about fulfilling its notification obligations and that it was in the process of improving its notification system so as to be up to the standard set by the WTO.

50. On other specific issues, the delegate of China noted that the question regarding the so-called VAT redistribution scheme for scrap copper had been raised by both the European Communities and Japan. He wished to make some small clarifications. On this scheme, starting from 2000, China had started to introduce the policy of refining part of the income of value added tax for the imported copper for some of the state-owned copper smelters and refineries. After China's accession to the WTO in December 2001, it had modified this policy to make it consistent with the principle of national treatment. Starting from 2002, the scope of this policy had been extended to cover all enterprises regardless of their ownership types. He therefore considered that China had already brought this policy in line with the WTO requirement. Regarding other follow-up questions, both China's policy and practice was to eliminate export subsidies, and, thanks to the efforts that it had made in recent years, China believed that it had already brought its system in line with WTO requirements.

51. The delegate of China noted that Mexico had made a request for provision of written replies to questions under the TRM agenda item. He stated that the reasons for not accepting this request had already been given at the meeting. To make such written replies, in China's view, would be going beyond the mandate of paragraph 18 of the Accession Protocol of China. He stated, however, that it was China's intention and practice to provide all the information necessary for a very meaningful and effective review under this agenda item. He said that China had kept open the channels of bilateral consultations with Members concerned and assured the Committee that China would provide very ample and adequate opportunities for the exchange of relevant information requested by the Members.

52. The delegate of the European Communities thanked the delegation of China for its replies to some of their follow-up questions, in particular on the VAT scheme. He thanked the delegation of China for its statement that this scheme had been modified in order to comply with national treatment obligations. However, he noted that the question put by his delegation had been somewhat different. The European Communities was interested in understanding how this programme worked, what the subsidy actually was, and to whom the subsidy was provided. The delegate of the European Communities stated that his delegation was still lacking any information with regard to this type of information. He strongly encouraged China to provide information on that scheme in the format which was set out for Article 25 subsidy notifications. He noted that an almost brand new version of the notification format was contained in a room document at the meeting.⁹ He asserted that his delegation would be flexible and not insist that every piece of information be put under the correct heading. They were principally interested in -- and again this was not merely an academic question, but rather a question of high economic importance for EC industry -- receiving information about how this subsidy programme worked. He added that the European Communities would appreciate such information as soon as possible.

53. The delegate of Mexico thanked China once again. He noted China's explanations on information that they would be able to give Mexico as well as China's offer of a bilateral meeting with different delegations. The delegate of Mexico wished to make it clear to China that it was ready to meet with them on a bilateral basis, if that could help solve the problem. The Mexican delegate believed that this would be a very useful way of moving forward.

54. The delegate of China thanked all delegations that had spoken for their interventions and for the positive observations made during the meeting. He stated that China's experts were sensitive to the questions raised during the discussion in which China was beginning to make constructive new exchanges and discussions with Members, both in and out of the context of the TRM. However, he thought that the questions had to be exhausted at some point and that the bilateral context -- the technical context -- could also be used. China suggested that the inquiry point set up in MOFCOM would also be an important source of information to address the concerns of Members.

55. The Committee took note of the statements made.

56. Turning to the Committee's report on the transitional review, the Chair noted that there were no guidelines for the report contained in the Protocol. Following the review at last October's regular meeting, the Chair, acting on her own responsibility, had prepared a brief, factual report, with references to the documents concerned, and attaching the portion of the minutes of the meeting which related to the transitional review. The Chair asked Members whether this procedures should be followed again.

57. The Committee so agreed.

⁹ Subsequently circulated in document G/SCM/6/Rev.1.