

SUBSIDIES

Questions Posed by the EUROPEAN COMMUNITIES
to the PEOPLE'S REPUBLIC OF CHINA

The following communication, dated 30 September 2003, has been received from the Permanent Delegation of the European Commission.

Questions by the European Communities with regard to China's Transitional Review Mechanism on Subsidies and Countervailing Measures

Q1. At the last TRM (WTO document G/SCM/49, dated 18.11.2002 [also for reference below] item 21) China stated that an update of the list of subsidies contained in ANNEX 5A of the Accession protocol was not available due to administrative problems and that the collection of relevant data was in progress and the information would be reflected in China's future notification. Can China please give an indication when this notification can be expected?

Q2. At the last TRM (protocol items 22 - 26) China stated that the purpose of its regional programmes was to promote regional, social and economic development and absorbing foreign investment, and they were **by no means contingent upon export performance or on use of domestic products**. However it has come to our attention that the „Shanghai Foreign Investment Center“ provides the following information on its official website:

Export oriented enterprises, defined as „enterprise whose product export volume accounts for over 50 per cent of its annual sales volume and who has a surplus of foreign exchange and has made a profit during the year“, examined and verified by government authorities every year, enjoy various preferential policies, *inter alia*:

- priority in the supply of water, electricity, transport and telecommunication charged at the same price as state owned companies
- priority for short term funds or other necessary loans
- exemption from local income tax after expiration of normal income tax exemption if more than 70 per cent of production is exported and a 10% reduction on the reduced tax rate of 15 per cent with the same requirement
- preferential charge for land use (maximum of 3 Yuan/m²/year).

Can China please provide more detailed information on these and possibly other similar provisions in the agreed subsidy notification format and explain how such measures for companies fulfilling export requirements are compatible with the obligations resulting from the ASCM.

Q3. At the last TRM (protocol items 28–30) China stated that the practice of one product or service under **multiple pricing had been terminated** and state pricing and government guidance pricing only applied to products and services as published, **regardless of the ownership** of the enterprise. However one of the advantages mentioned above is the preferential supply of water, electricity, transport and telecommunication at the **same price as state owned companies**. This seems to imply that state owned companies enjoy preferential rates for these supplies.

Can China please provide information whether there are still different prices for energy, water, transport and telecommunication depending on whether or not the company is state-owned?

Q5. In April 2003, it was reported that the Chinese Government had announced a new scheme, **the VAT redistribution system**, which is aimed at supporting domestic copper production. The main features of this scheme, which would initially apply for a period of one year, would be:

- (a) refunding 30 per cent of the VAT due on imported copper raw materials to the eligible importing smelter/refiner; and
- (b) allocating the balance of 70 per cent to the State-controlled joint venture China United Copper.

This scheme appears to involve the granting of subsidy in the form of government revenue forgone and/or grants to copper producers in China.

Can China please provide information on the working of this scheme in the agreed subsidy notification format?
