

**CHINA'S TRANSITIONAL REVIEW MECHANISM<sup>1</sup>**

Questions from JAPAN to CHINA<sup>2</sup>

The following communication, dated 3 September 2004, is being circulated at the request of the Delegation of Japan.

1. Japan welcomes that, in the third year after accession, implementation by People's Republic of China (hereinafter called "China") of its commitments on the Committee on Import Licensing has progressed and entered a cruising phase. In a transitional period of evolving regulations, the importance of regulatory transparency, predictability, stability and consistency is paramount; the value of market access commitments and the efforts to implement them could be easily clouded out by a shortness of such elements either in regulations themselves or in their application. The transitional review mechanism could be useful for making those transitional efforts more efficient and productive, and it is a pleasure for Japan to contribute to this process.

2. In this context, China is further invited to take necessary steps to ensure regular and effective application of public comments procedures, well-in-advance publication of laws and regulations, avoidance of abrupt regulatory change, clear demarcation of departmental responsibilities, improvement in inter-departmental and central-provincial coordination and consistency, etc.

3. In accordance with Paragraph 18 of the Protocol on the Accession of the People's Republic of China, which states, "China shall provide relevant information to each subsidiary body in advance of the review", and in the spirit of cooperation to render the TRM process most efficient and effective, Japan requests China to provide, in advance of the meeting of the Committee on Import Licensing, responses and relevant information to the following questions and comments.

Question 1: Concerns about the implementation of import quotas for automobiles

China committed to completely abolish import restrictions which are inconsistent with the WTO agreement such as Article XI of the GATT 1994 by 1 January 2005 and not to introduce new restrictions, which is noted in Paragraph 124 of the Working Party Report and Annex 3 of the Protocol. We would like China to confirm that it will completely abolish, by 1 January 2005, the import restrictions for automobiles and automobile primary parts which are specified in Annex 3 of the Protocol, and will not maintain any non-tariff measures thereafter.

<sup>1</sup> Pursuant to Paragraph 18 of the Protocol on the Accession of the People's Republic of China (WT/L/432).

<sup>2</sup> See Understanding on Procedures for the Review of Notifications (G/LIC/4).

Question 2: Lack of the transparency in issuing import licences on automobiles

We would like to know whether China will maintain, after 1 January 2005, the "Automatic Import Licence" system provided in Chapter 4 of the "Measures on the Administration of Import of Machinery and Electronic Products" enforced as of 1 January 2002. If China will maintain the system even after 1 January 2005, we would like to know the reason.

Article 18 of the "Measures on the Administration of Import of Machinery and Electronic Products" provides that any application for import of products which are subject to this Act shall be approved in any circumstances. In real practice, however, we were informed, for example, that automatic certifications of permission for imports of motor vehicles with 30 seats or more (including the driver) and trucks were issued only for half the number of applications. In such cases, the Chinese authority did not respond sufficiently to the applicants' request for providing reasons why issuance of certifications were limited. We urge China to approve all imports as applied in accordance with the "Measures on the Administration of Import of Machinery and Electronic Products".

Question 3: Implementation of the deregulation of trading rights

We understand that China amended the "Foreign Trade Law" and enforced it from 1 July 2004 so as to fulfill the commitments on accession to the WTO. We would like to know how the law is implemented. We request China to administer the Act consistently with the WTO agreements.

Regarding the "Measures for the Administration of Foreign Investment in Commercial Fields", promulgated on 16 April 2004 and effective from 1 June 2004, we have information that China is preparing regulations or guidelines to implement these "Measures".

If this is the case, we would like to know the details of such regulations or guidelines.

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