

**TRANSITIONAL REVIEW MECHANISM PURSUANT TO
SECTION 18 OF THE PROTOCOL ON THE ACCESSION
OF THE PEOPLE'S REPUBLIC OF CHINA**

Request from JAPAN to CHINA
Pursuant to Article 25.8 of the Agreement
on Subsidies and Countervailing Measures

The following communication, dated 13 October 2004, is being circulated at the request of the Delegation of Japan.

Questions and Comments of Japan

1. Response to Japan's questionnaires submitted in October last year

Prior to the Committee on Subsidies and Countervailing Measures held in October last year, Japan has submitted questionnaires (G/SCM/Q1/CHN/31) to China regarding the rules on countervailing measures provided by China (G/SCM/N/1/CHN/1/Suppl.2) in light of its conformity with the WTO Agreement on Subsidies and Countervailing Measures. Japan requested China to provide a written response to the questionnaires after the Committee, but Japan has not received it yet. Japan urges China to provide the response to us as soon as possible.

2. Failure to submit its annual subsidies notification

Since China has not yet made notifications under Article 25.1 of the SCM Agreement, it is quite difficult for other WTO Members to know the actual situation of various subsidy schemes in China. In this regard, in the SCM Committee held last October, Japan requested China to submit relevant information, in particular, on the issue of the VAT redistribution scheme, explaining that our industry, especially the smelting copper industry, has a very keen interest on the scheme and grave concern for the difficulty to get relevant information about this scheme.

Again, Japan strongly requests China to comply with its obligations to submit its annual notifications of subsidies under the SCM Agreement so as not to undermine the transparency that Members have worked hard to develop.

At the same time, please explain the reason why China has not yet submitted any notifications to the SCM Committee.

3. VAT refund scheme for copper

(1) Request for information

In the consultation held last May between the Vice-Minister of the Ministry of Commerce, China, and that of the Ministry of Economy, Trade and Industry, Japan, China stated that it was reviewing VAT refund scheme for copper taking account of the partial abolition of the scheme, and it would provide more accurate information after consulting with the section in charge of this issue. However, Japan has not yet been informed of it. Japan appreciates if China provides us with information on any progress, including the abolition of the scheme. Besides, please let us know when Japan could get detailed information on the scheme. Japan would like China to provide them as soon as possible.

(2) Detailed description of the refund scheme

Japan would like to request China to provide detailed information on VAT refund scheme for copper since China stated that this scheme is consistent with WTO rules in the SCM Committee last October. Especially, Japan would like to request China to provide information about the refunded results based on VAT refund scheme for copper and the procedure for refund. Such information is indispensable for Japan to capture the overall profile of the VAT refund scheme for copper. Please provide the following information.

- (a) The refunded amount and the number of enterprises that actually received refunds last year.
- (b) Specific procedures in a series of tax payment to refund.
- (c) If an enterprise would apply for the refund a little bit after the payment of tax, how long does it takes for an enterprise to receive a refund from the time of application?

Furthermore, we would like to know future plans of this scheme, including timing of its termination.

4. Policy and system concerning the semiconductor industry

According to the announcement made by the National Development and Reform Commission on 21 September 2004, China has amended its policy and system concerning the semiconductor industry. It was said in the announcement that the governmental support for research, development and human resource development of semiconductor industry would be continuously provided towards the future. Please provide detailed information of the current situation as well as future plans of this support.
