

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

Questions from the SEPARATE CUSTOMS TERRITORY OF TAIWAN,
PENGHU, KINMEN AND MATSU to
CHINA Concerning Subsidies and Price Controls

The following communication, dated 20 October 2004, is being circulated at the request of the Delegation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

Notification and related matters

1. Following the restructuring of China's government agencies, its Ministry of Commerce announced the revised "Countervailing Measures Regulations of the People's Republic of China" (hereinafter referred to as "the Revised Regulations") on 31 March 2004. To our knowledge, China has not yet notified the Revised Regulations to the Committee on Subsidies and Countervailing Measures. We would like to ask, therefore, that China notify as soon as possible in line with Article 32.6 of the Agreement on Subsidies and Countervailing Measures (ASCM).

2. In the list of Export Subsidies attached to China's Notified Regulations¹, some of the component elements are regulated in terms of export subsidy. The note "except for special circumstances" is included in points 4, 8, 9 and 11.

Would China please confirm that this will be separately applied in a manner consistent with items d, h, I and k in Annex I of the SCM Agreement.

Pricing policies

3. According to Annex 1A, paragraph 18 of its Accession Protocol, China is requested to provide information on Pricing Policies. The information, including (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, would be notified to the Committee on Subsidies and Countervailing Measures.

Paragraph 50 of China's Working Party Report states that only in exceptional circumstances and subject to notifications to the WTO Secretariat, price controls should not be extended to goods or

¹ G/SCM/N/1/CHN/1

services beyond those listed in Annex 4, and China should make its best efforts to reduce and eliminate those controls. In China's pricing list circular (Bulletin 137, 19 September, 2003, enforced on 1 October 2003), the government of Liaoning Province stipulates that state pricing is applied exclusively to specific listed products and product groups.

It would be appreciated if China could please clarify how the pricing on cable devices is consistent with its commitments.

4. Paragraph 61 of its Working Party Report states that China would continue to further its price reform, adjusting the catalogue subject to state pricing, and would further liberalize its pricing policies. In light of the pricing list issued by the government of Liaoning Province, we would be grateful if China could please explain how it intends to implement the commitment spelled out in Paragraph 61.

5. According to Article 17 of China's "Provisional Rules on Sugar Control" jointly issued by the SDPC, the SETC, the Ministry of Agriculture and the State Administration for Industry and Commerce (Bulletin 23, 28 June, 2002), the selling price of sugar is controlled by the Province Governments.

To our knowledge, sugar is not one of the goods listed in Annex 4, therefore we would appreciate it if China could please clarify whether the Provisional Rules are effective and how the Rules will conform to its WTO commitments?

6. According to China's Notification regarding the "central free on quay" of imported fertilizer (Bulletin 1291, 1 December, 2003), the State Development and Reform Commission has informed the company of the result of a review of the pricing of potassium chloride, compound fertilizer, diammonium phosphate and urea products, which the China National Agricultural Means of Production Group Co. applied to imports. Our questions are as follows:

(a) Paragraph 52 of China's Working Party Report states that national treatment was applied in the area of government pricing for all imported goods. Paragraph 64 further indicates that price controls would not have the effect of limiting or impairing China's market-access commitments on goods and services. However, when China informs entrepreneurs of the result of the review, they are told by the authorities that it is handled pursuant to "current price policies for central imported fertilizer".

It would be appreciated if China could provide more detail of the content of its policy in this respect. Could China please also confirm that the policy will not lead to the effect of limiting imports and will conform to China's WTO commitment.

(b) According to Annex 4 of China's Accession Protocol, urea is the only fertilizer product subject to Government guidance pricing. However, according to the above-mentioned Notification, compound fertilizer, diammonium phosphate, ammonium nitrate and potassium chloride are also products within the scope of price guidance.

Please would China explain why the prices for these products need to be controlled.
