

WORLD TRADE ORGANIZATION

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Committee on Agriculture

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CHINA'S TRANSITIONAL REVIEW MECHANISM

Questions to China from the United States in the context of the Transitional Review Mechanism under Paragraph 18 of the Protocol of Accession of the People's Republic of China

The following communication, dated 15 August 2005, has been received from the Delegation of the United States, with the request that it be circulated to Members, for the purposes of the Transitional Review to take place at the Committee's meeting on 22 September 2005.

State Trading Enterprises

1. Please provide a current list of state trading entities ("STEs") involved in the purchase and sale of agricultural goods, including grains, both domestically and for export.
2. Please provide the following information on the nature and operations of each of these STEs:
 - (a) Is the STE a legally independent, profit-making entity?
 - (b) On what basis does the STE decide to sell domestically or for export?
 - (c) Does the STE enjoy any regulatory, tax or other advantages in comparison with private entities, either in the domestic purchase or sale of grains or the export of grains?
 - (d) Does the STE always immediately resell its stocks, or does it sometimes hold surplus stocks? Does the STE have stock-holding capacity? If the STE has held surplus stocks, please explain when and for how long it has done so?
3. Please explain the roles of all of the producing, trading and consuming entities in the distribution chain from the farmer to the consumer for both domestic and export sales of grains produced in China. Please include an explanation of the role of private entities as well as their share of the market.
4. In its most recent WTO notification on state trading (G/STR/N/9/CHN/Add.1), China indicated that over 99 per cent of China's corn exports in 2002 were accounted for by STEs. What percentages of Chinese corn exports were accounted for by STEs in 2003, 2004 and year-to-date 2005?

VAT Policies

5. With regard to both domestic sales of agricultural goods, including grains, and sales for export, please provide the following information:
- (a) Please explain whether the value-added tax ("VAT") is rebated or exempted at any stage of the distribution chain.
 - (b) Please explain how the rebate or exemption is calculated and identify any "reference" or "base" price that is used.
 - (c) Please explain how often and under what circumstances the "reference" or "base" price is adjusted and how this price is linked to actual export prices.
6. Is the VAT applied to imports of agricultural goods, including grains, by STEs? If so, please indicate the amount of the VAT.
7. Is the VAT applied to imports of agricultural goods, including grains, by private entities? If so, please indicate the amount of the VAT.
8. Article 16.1 of the 1993/1994 State Administration of Tax regulation, *Temporary Regulation of the Value-added Tax*, provides that no VAT is levied on the sale of grain by farmers.
- (a) Please confirm that the VAT is not levied on the sale of grain by farmers to either STEs, private entities or any other purchasers.
 - (b) Has this law or other tax laws governing the sale of grain by farmers been amended following the 2001 admission of private traders into the grain market?
 - (c) Are there similar tax policies for other agricultural goods?

Corn

9. Are STEs such as COFCO required to pay the VAT on the purchase or sale of corn in China? If so, how is the VAT calculated?
10. Are private traders required to pay VAT on the purchase or sale of corn in China? If so, how is the VAT calculated?
11. When STEs such as COFCO export corn, do they receive a VAT rebate? If so, how is the rebate calculated? Is it paid before or after the corn is exported?
12. When private traders export corn, do they receive a VAT rebate? If so, how is the rebate calculated? Is it paid before or after the corn is exported?
13. Is the transportation discount that is available for corn shipments in the form of an exemption from the Railway Construction Fund tax only applied to corn destined for export, or is it also applied to corn sold for domestic consumption? Is there any difference in how the transportation discount is applied to STEs versus private traders when they export corn?
14. Please identify and describe any provincial-level financial support benefiting corn sold for domestic consumption or corn destined for export.

15. Please explain any procedural, regulatory or tax differences applicable to the import of corn by private entities versus the import of corn by STEs.

Tariff-rate Quotas

16. For the agricultural commodities subject to tariff-rate quotas (TRQs), please confirm that: (a) the application period for 2006 quota allocations will be between 15 and 30 October 2005; (b) specific requirements have been published in the International Business Daily and the China Economic Herald as well as the websites of the Ministry of Commerce and the State Development and Reform Commission one month in advance of the application period; and (c) all 2006 TRQ quantities will be allocated by 1 January 2006, in accordance with China's WTO commitments and Decree No. 4, the Interim Rules and Regulations for Agricultural Imports Tariff Rate Quota, issued 27 September 2003.

17. Please confirm that, in accordance with Part I, Section I-B, paragraph 6.F., of the Goods Schedule accompanying its Protocol of Accession, China is providing, within 10 days of requests by industry, information "on the entities which received the allocation" under tariff quotas.
