

**TRANSITIONAL REVIEW MECHANISM PURSUANT TO PARAGRAPH 18
OF THE PROTOCOL ON THE ACCESSION OF THE
PEOPLE'S REPUBLIC OF CHINA ("CHINA")**

Questions from JAPAN to CHINA

The following communication, dated 26 October 2005, is being circulated at the request of the Delegation of Japan.

Authorizing system of complete automobile feature

Japan thanks China for the responses provided so far at the last MA committee. However, Japan believes that some of its questions have unfortunately not been responded to yet. Using this valuable opportunity, Japan wishes to ask for the following elaborations on some of the questions that it had posed to China, as part of the transitional review mechanism.

Japan understands that customs duties shall be imposed at the point of time when goods are entering the importing country. If the unit of imported goods is an automobile component only, the customs duty shall be for the automobile component itself. Therefore, in cases where customs authorities impose different higher tariff rates such as that of fully assembled vehicles on automobile components in a retrospective manner, Japan suspects it is inconsistent with Article II of the GATT. In this context, Japan would like to urge China to clarify its rationale under the WTO obligations on this issue.

Resources protection of fluorite

In the TRM of Council of Trade in Goods held last year, China explained that the measures for protection of natural resources is maintained for fluorite.

What is China's assessment of fluorite as an exhaustible natural resource taking into consideration the amount of deposit in China, the amount of deposit all over the world and the trend of supply and demand in the future?

GATT Article XX sets forth a general exception as long as the measures are made effective in conjunction with domestic production or consumption.

Thus, in taking measures for the protection of natural resources, an even-handed treatment between domestic consumers and overseas consumers is required.

It seems that the production of fluorite in China is increasing. But the export permission amount of the fluorite of China is not increasing at all.

It could be said that the export control of fluorite is intended to fulfil the increase in the domestic demand of it.

Please provide Japan with detailed information on the regulation which China has imposed on the fluorite users in China.

Does China consider the regulation on domestic production and/or consumption to be justified considering the amount of deposit in China, the amount of deposit all over the world and the trend of supply and demand in the future?

Export Restrictions

In the TRM of Council of Trade in Goods held last year, China explained that the measures for protection of natural resources is maintained for cokes.

What is China's assessment of cokes as an exhaustible natural resource taking into consideration the amount of deposit in China, the amount of deposit all over the world and the trend of supply and demand in the future?

Japan understands that China implements export licensing on to exports of cokes. Because insufficient licenses were issued last year, the export price of Chinese cokes soared and has left the market disrupted. This year, although there have not been any big disruptions so far, the export licensing measure still exists. Japan is greatly concerned about the issuance plan for 2005 because half of all licenses remain unissued. Since this measure is not made effective in conjunction with restrictions on domestic production or consumption, Japan considers that it is not consistent with GATT Article XI and cannot be justified under GATT Article XX (g) regarding the conservation of exhaustible natural resources.

In view of the above, Japan would like to urge China:

- to provide detailed information about its regulation on domestic production and/or consumption. Does China considers the regulation on domestic production and/or consumption to be justified considering the amount of deposit in China, the amount of deposit all over the world and the trend of supply and demand in the future?
- to clarify its position on the consistency of export licensing measures, if any, with the WTO rules regarding such export restrictions.

If there is any plan to reform the export licensing measure, Japan would like to know the details.

Government procurement

At the Working Party for WTO accession, China committed itself to initiating negotiations for its membership in the Government Procurement Agreement (GPA)(see Report of the Working Party, para.339). China also agreed to table an Appendix 1 offer as soon as possible and, until such a time, require all government entities to conduct their procurement in a transparent manner and to provide all foreign suppliers with an equal opportunity to participate in the procurement pursuant to the principle of MFN.

Please outline the schedule for China's requests for GPA membership, including the commencement of the negotiation process.

Please confirm that all government procurement procedures are conducted in a transparent manner and that the MFN principle is applied to all foreign suppliers in practice.
