WORLD TRADE ORGANIZATION

G/C/W/537
3 November 2005

(05-5182)

Council for Trade in Goods

Original: English

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

Questions From the UNITED STATES to CHINA

The following communication, dated 2 November 2005, has been received from the delegation of the United States.

The United States wishes to pose the following additional questions to China in connection with the 10 November 2005 meeting of the Council for Trade in Goods for the purposes of the transitional review mandated by China's Protocol of Accession.

Iron Ore

1. In the Committee on Import Licensing, the United States submitted questions addressing new automatic import licensing procedures for iron ore imposed by the Government of China on May 1, 2005, after Chinese steel producers negotiated contracts with major foreign iron ore suppliers. The United States explained that qualification rules reportedly restrict licenses to 48 traders and 70 steel producers, but that our understanding was that no list of criteria or list of qualified companies had been published. At the transitional review before the Committee on Import Licensing, which took place on September 28, 2005, China responded by explaining that there were no qualifying criteria administered by the government, but it appeared that some industry associations in China may be implementing some kind of arrangement or understanding among themselves. Has China been able to determine whether, in fact, industry associations in China are implementing any arrangement or understanding among themselves? If so, please describe the arrangement or understanding.

Consumption Tax Applied to Imported Goods

2. The United States continues to have concerns under the national treatment provisions of Article III of the General Agreement on Tariffs and Trade 1994 with regard to the *Provisional Regulations on Consumption Tax*, which have been in effect since 1993 and have not been amended since China acceded to the WTO. Under these regulations, which apply to a range of consumer products, including spirits and alcoholic beverages, cosmetics and skin and hair care preparations, jewellery, fireworks, rubber, motorcycles and automobiles, China uses a different tax base to compute consumption taxes for imported products and domestic products. This difference in treatment results in consumption taxes for imported products that are substantially higher than those for domestic products. The United States has raised this issue with China on prior occasions, but China so far has not revised these regulations. Does China currently have any plans to revise these regulations? If it does, please explain when it intends to revise them. If it does not, please explain why it does not intend to revise the regulations.
