

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

Questions from Japan to CHINA with regards to
China's Transitional Review Mechanism on Subsidy Practices

The following communication, dated 21 September 2005, is being circulated at the request of the Delegation of Japan.

Japan welcomes that, in the fourth year after China's accession, implementation of its commitments on subsidies has evolved from simple progress into a cruising phase. The transitional review mechanism has been useful for making China's transitional efforts more efficient and productive, and it is a pleasure for Japan to have contributed to this process.

In accordance with Section 18 of the Protocol on the Accession of the People's Republic of China, which states that "China shall provide relevant information to each subsidiary body in advance of the review" and in the spirit of cooperation in rendering the TRM process most efficient and effective, Japan requests China to provide prior to the meeting of the Committee on Subsidies and Countervailing Measures, the responses and relevant information to the following questions and comments.

1. 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. 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.

2. VAT refund scheme for copper

Japan would like to request China to provide detailed information, including a text of law on VAT refund scheme for copper, which China stated was consistent with WTO rules at the SCM committee last November and October, 2003. Our industry, especially the smelting copper industry,

has a very keen interest on the scheme and shows grave concern for the difficulty to get relevant information on this scheme. In the consultation held on May, 2004 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 including the option of partial abolition of the scheme, and further stated that it would provide more accurate information after consulting with the section in charge in the Government of China. At the SCM Committee and the working-level consultation on April, 2005, Japan requested again the detailed information. However, Japan has not yet been informed. Japan appreciates if China provides us with the information on any progress, including the schedule of abolition of this scheme. Besides, please let us know when Japan could get detailed description of the refund scheme. Japan would like China to provide them as soon as possible.
