

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 10 August 2006, has been received from the Delegation of the United States, with the request that it be circulated to Members, for the purposes of the fifth Transitional Review to take place at the forthcoming meeting of the Committee.

VAT Policies

1. In connection with China's Trade Policy Review, held on 19 and 21 April 2006, the United States submitted written questions addressing China's value-added tax (VAT) policies for small-scale farmers. Specifically, the United States asked China (a) to identify the applicable laws, regulations or other measures governing this programme, (b) to explain how China defines "small-scale" farmers, (c) to identify what percentage of domestic agricultural production is represented by sales of small-scale farmers, and (d) to explain how China justifies this apparent discriminatory VAT treatment in light of Article III of GATT 1994. To date, China has not responded to those questions. The United States anticipates that China will submit its Trade Policy Review responses prior to the forthcoming meeting of the Committee, when China's Transitional Review Mechanism is on the agenda. The United States will review China's Trade Policy Review responses and may ask follow-up questions in connection with China's upcoming transitional review.

2. China has previously explained that the VAT is charged on imports of agricultural goods, including grains.

- (a) Is the VAT applied to these imports regardless of whether they are imported by a state trading enterprise or a non-state trading enterprise? Please explain.
- (b) Please indicate the amount of the VAT charged for each type of enterprise.

Tariff-rate Quotas

3. In 2006, central government announcements of tariff-rate quota (TRQ) allocations for agricultural commodities appeared to occur on time. However, the United States has received reports from traders that actual implementation at the provincial level was sometimes delayed, and that in some provinces the responsible government officials did not issue TRQ certificates but instead only provided oral notification to recipients of their allocations for the year. Can China clarify its central and provincial level policies on providing notification to TRQ recipients of their allocations?

4. Can China confirm that, for the agricultural commodities subject to TRQs:
- (a) the application period for 2007 quota allocations will be between 15 and 30 October 2006;
 - (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 National Development and Reform Commission one month in advance of the application period; and
 - (c) all 2007 TRQ quantities will be allocated by 1 January 2007, 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?
5. The United States received reports from traders in 2006 that requested information "on the entities which received the allocation" under tariff-rate quotas is not always received promptly and sometimes requires a follow-up request before it is provided. Can China confirm that, in accordance with Part I, Section I-B, paragraph 6.F., of the Goods Schedule accompanying its Protocol of Accession, China's policy is to provide this type of information within 10 days of receipt of a request?

Cotton

6. The United States notes that in the past few years China has imported cotton far in excess of its scheduled TRQ quantity, currently 894,000 MMT, while still charging the in-quota tariff rate. It appears that market demand for cotton now regularly exceeds domestic production plus the TRQ quantity. Has China considered either permanently raising the TRQ quantity for cotton, or eliminating it altogether?
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