

Committee on Import Licensing

**REPORT TO THE COUNCIL FOR TRADE IN GOODS
ON CHINA'S TRANSITIONAL REVIEW**

1. The Committee on Import Licensing, at its meeting on 30 October 2006, carried out the fifth transitional review of China pursuant to Paragraph 18 of the Protocol on the Accession of the People's Republic of China (WT/L/432).
2. Written comments and questions in connection with the transitional review of China's import licensing system were submitted in advance by the United States and Australia. These submissions were circulated in documents G/LIC/Q/CHN/18 and G/LIC/Q/CHN/19.
3. The information provided by China to the Committee on Import Licensing for its meeting on 30 October 2006, were circulated in document G/LIC/W/28.
4. The statements made at the meeting, where discussions under the transitional review took place, are reflected in the minutes of the meeting (G/LIC/M/24, paragraphs 3.1-3.10). The relevant paragraphs which reflect this discussion are annexed.

3. Fifth Transitional Review Under Paragraph 18 Of The Protocol On The Accession Of The People's Republic Of China (WT/L/432).

3.1 The Chairperson recalled that the fourth transitional review of the implementation by China of the WTO Agreement and of the related provisions of the Protocol, under paragraph 18 of the Protocol of Accession of China (WT/L/432), had been carried out in 2005 by the subsidiary bodies of the WTO, including the Committee on Import Licensing, which had a mandate covering China's commitments under the WTO Agreement or China's Protocol of Accession. The Committee's report to the Council for Trade in Goods on that review had been circulated in document G/LIC/14. The Committee would conduct the fifth transitional review at the present meeting. He also informed the Committee that since the last meeting, the Secretariat had received two submissions containing questions and comments on China's import licensing procedures: from the United States (G/LIC/Q/CHN/18) and from Australia (G/LIC/Q/CHN/19). The Secretariat had also received, after the airgram convening this meeting was issued, a communication from China containing information required by paragraph IV:3 of Annex 1A of the Protocol of Accession which has been circulated in document G/LIC/W/28.

3.2 The representative of the United States highlighted the written questions posed to China which referred to: (i) China's steel and iron industry development policy and practice, her delegation sought more information on the policy encouraging the use of domestic technology and equipment; (ii) China's attempt to regulate imports of iron ore by granting import licences only to enterprises satisfying certain criteria, an issue raised by her delegation in 2004, in connection with China's policy review, when the US noted that it would be asking follow-up questions. The US was seeking for further information in this regard; and, (iii) the extent to which China applied import requirements similar to those on iron ore to other steel-making inputs, such as ferrous alloys, ferrous scrap, zinc, nickel, aluminium or titanium.

3.3 The representative from Australia recalled his delegation's interest, as already expressed in previous meetings of the Committee, on the import licensing procedures for iron and copper ore. Australia had been monitoring those regimes and had concerns about their consistency with the WTO Agreement on Import Licensing Procedures. At the last meeting, his delegation posed a series of oral questions to China, followed by written questions posed bilaterally. Since Australia had not yet received any response and given the important commercial priority for Australia, his delegation had not only posed some of those questions again but also a broader set of questions on iron and copper ore.

3.4 The representative of the People's Republic of China thanked the United States and Australia for their questions and comments and, in response to both delegations, said that: (i) the steel industry development policy outlined opinions of the government towards the development of the steel sector. It was aimed at encouraging innovation and energy conservation and strengthening environmental protection. The policy *per se* was not compulsory; thus no specific rules related to import licensing procedures have been enacted. (ii) the automatic import licensing regime for iron and copper ore was implemented in accordance with the measures administering automatic import licensing for goods, already notified to the Committee. There was no particular rule setting out qualification criteria for enterprises which apply for a licence. In this regard, China's Steel Industry Association together with the Commercial Chamber for Metals, Minerals and Chemicals Importers and Exporters which include Chinese enterprises dealing with import and export of iron and copper ore, had self co-ordination within the industry itself. The Chinese authorities have not received any complaints since it was not a government requirement; in China's opinion, this mechanism should not be subject to the WTO rules. (iii) the automatic import licensing regime which applied to ferrous alloys, ferrous scraps, zinc, nickel, aluminium and titanium, was part of the automatic import licensing procedures already notified by China. With regard to the specific questions from Australia on China's notification on the import licensing regime, the Chinese authorities were currently in the process of finalising the notification, i.e. its translation and the related work, in order to submit it before the end of 2006. The overall import

licensing regime in China had already been included in China's responses to the questionnaire which was notified to the Committee. (iv) with regard to the questions concerning MOFCOM's Decree 26, the temporary measures mentioned in it, aimed at seizing automatic import licensing, referred to the governmental measures for implementing decisions from relevant international organizations such as UN Resolutions or some urgent SPS measures; and, (v) the procedures for returning unused automatic import licences were used for data collection, fiscal trade statistics purposes as well as for fighting against illegal conduct, such as forgery of automatic import licences for bound imports which disrupt the market.

3.5 With regard to Australia's enquiry about written responses, the representative of China reiterated his delegation's position in this regard and said that, after having consulted the import licensing authorities in Beijing, his delegation would contact Australia directly.

3.6 The delegate from Australia sought clarification from China on two points. The Chinese delegation had said, in relation to iron and copper ores, that the government licensing agencies had not received complaints concerning the operation of the regime that had been described as an "industry-self regulation" regime; given the concerns of the Australian government and of the Australian industry on this matter, his authorities had in fact made a number of representations to MOFCOM and other Chinese agencies. He also requested clarification on the full name of the second industry association mentioned; the minerals and metals, apart from iron and copper ores, that had been described in the Chinese intervention; and finally, the exact number of the MOFCOM decree mentioned by China.

3.7 In response, the delegate of China clarified that the name of the other business association was "The Commercial Chamber for Metals, Minerals and Chemicals Importers and Exporters"; that the other products included ferrous alloys, ferrous scrap, zinc, nickel, aluminium and titanium which were subject to automatic import licensing procedures and whose details had already been notified to the Committee; and, finally, that the MOFCOM's decree was Decree N°26 on measures administering automatic import licensing for goods, the current regulation in place in China, which basically described the functioning of the automatic import licensing scheme. With regard to the European Communities request to take part in the discussions between Australia, the US and China, which the EC would prefer to be a multilateral discussion, the Chinese delegate said that the idea was only to clarify bilaterally the specific queries from Australia, that his delegation was not in a position to have a multilateral discussion on the issue and that in order to avoid misunderstandings he had clarified what Australia had asked China.

3.8 The Committee took note of the statements made.

3.9 The Chairperson suggested that, to conclude the Fifth Transitional Review under Paragraph 18 of the Protocol of Accession of the People's Republic of China, a factual report on China's transitional review be submitted to the Council for Trade in Goods (CTG). As had been done previously, this factual report would refer to the relevant paragraphs of the minutes of this meeting as well as the oral and written comments and questions submitted to China, and the information received from China. The relevant paragraphs of the minutes which reflected the discussion would be annexed to this report.

3.10 The Committee so agreed. The report to the CTG on the fifth transitional review was circulated in document G/LIC/15.
