

CHINA'S TRANSITIONAL REVIEW MECHANISM

Communication from Japan

The following communication, dated 18 September 2007, is being circulated at the request of the Delegation of Japan.

Tariff rates on photographic products

(a) In the schedules of tariff concessions provided by China when it joined the WTO, there is a commitment to reduce tariffs on photographic products (HS 37) to 0-53.5% ad valorem duties as of 2002. However, for 37 items which are about half of the whole photographic products (including ordinary photographic films), the government of China has not applied the rates committed at the time of WTO accession and instead has imposed specific duties of 9-170 Yuan per square meter. When converted into ad valorem rates, these specific duties are extremely high (for example, the committed rate for finished 35 mm color negative films is 42%, while the specific duties are over 190%, ad valorem duties).

Since 2002, Japan has raised these problems and urged China to fulfill its WTO obligations on numerous occasions. As a result, in the 2006 revision of tariff rates, while specific duties were maintained, ad valorem duty equivalent rates on most of the items were reduced to close to the level of the committed rates. However, on some of the items, rates that are more than twice the ad valorem duty equivalent rates to which China had committed continued to be levied.

In the 2007 revision of tariff rates, the duties on eight photographic film products were reviewed and reduced to committed levels, while specific duties were maintained.

(b) Japan would like to urge China:

- To adopt ad valorem duties, as China committed when it joined the WTO.
- If it is difficult to adopt it immediately, to adopt the system of "ceiling" or "cap", which China has already adopted for other items.

Export Restrictions of Coke

(a) Japan understands that China implements export licensing on export of coke. Since an insufficient number of licenses were issued three years ago, the export price of Chinese coke soared and has left the market disrupted. Japan is greatly concerned about the issuance plan. Since this measure is not 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.

(b) China explained its measures to restrict domestic production and consumption of coke. However, it is unclear whether those measures have effectively reduced the production and consumption of coal, which is an ingredient of coke. Japan requests that China show us the quantitative effect of those measures on domestic production and consumption of coal. If there are any plans to reform the export licensing measure, we would like to know the details.

Export Restrictions of Non Ferrous Metals

(a) Japan understands that China implements an export licensing system on various kinds of non-ferrous metals: rare-earths, tungsten, antimony, tin, silver, magnesium, bauxite, indium, and molybdenum. Indium and molybdenum of these non-ferrous metals became subject to quantitative trade restrictions in June 2007, and the amount of export licenses on the most of other non-ferrous metals has been declining.

(b) We would like to ask China to clarify the policy objective of quantitative restrictions by way of its export licensing system on various kinds of non-ferrous metals: rare-earths, tungsten, antimony, tin, silver, magnesium, bauxite, indium, and molybdenum. Also, we would like to ask clarification of the legal basis of the restriction under the GATT.

China has explained that resource protection, environmental conservation, and trade surplus reduction are the reasons for its quantitative trade restrictions. In terms of resource protection, we would like to ask clarification whether there is a restriction in China for the domestic production or consumption of these metals, with some additional specific data on their domestic production, consumption, and restriction. In terms of environmental conservation and trade surplus reduction, we would like to ask clarification of the legal basis of the quantitative trade restriction under GATT.

We would like to ask to which WTO committee and how the Chinese government reports its quantitative trade restriction every year.

Also, we would like to ask clarification of the export volume of indium and molybdenum of 2007, which became subject to quantitative trade restrictions in June 2007.
