

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

Questions from the EUROPEAN COMMUNITIES to CHINA

The following communication, dated 3 November 2008, has been received from the delegation of the European Communities.

The European Communities wishes to pose the following questions to China in connection with the upcoming meeting of the Council for Trade in Goods for the purposes of the transitional review mandated by China's Protocol of Accession. These questions relate to matters that were raised by the European Communities during the transitional review held before one of the committees that reports to the Council for Trade in Goods, the Committee on Market Access, but China did not respond to them.

1. Chinese exports restrictions

1.1 The EC refers to its 2005 and 2007 communications in which it had recalled China's commitments

- to eliminate all taxes and charges applied to exports unless specifically provided for in Annex 6 of its accession Protocol,
- to eliminate, upon accession, export restrictions unless they could be justified under WTO rules (§ 165 of the Working Party Report) and
- to notify any possible export restrictions to the WTO.

1.2 Justification requested on several occasions for the existing export restrictions and taxes by the EC since the TRM exercise of 2002 has not been provided by the Chinese authorities nor was it transmitted to the WTO.

1.3 The EC thus remains very concerned about and is not satisfied with the level of WTO compliance on a number of the export restrictions and taxes maintained by China. China is therefore urged to comply with its accession related commitments and to bring its export regime of raw materials into conformity with WTO rules.

1.4 The EC attaches particular importance to and refers to earlier bilateral exchanges on coke, rare earths, yellow phosphorus and non-ferrous metals. It urges China:

- to notify in line with Part I-Section 8 (b) of the Protocol of accession the quantities associated with the export restrictions imposed on the products listed in the Chinese document of 17 October 2003 (and on any other product that may not be included in this list) and
- to transmit to the WTO the justification for these export restrictions; or
- When no such justification exists, correctly notify to the WTO when and how it intends to bring its export regime in line with WTO rules.

1.5 The EC urges China to present a comprehensive table on the export taxes and VAT reimbursement schemes and other export restrictions, in particular on non-ferrous metals and on chemical industry raw materials such as fluorspar and phosphorous. Attempts to obtain such information have met with failure and showed some deficiency to fulfil WTO transparency requirements.

1.6 As far as the introduction of new export restrictions is concerned the EC urges China to comply with the obligation of consulting countries having a substantial interest in trade of products concerned.

1.7 The EC is also concerned that a number of export restrictions maintained by China may affect the supply of raw hides and skins for European tanners.

1.8 In this context, the EC would like to urge China:

- to clarify and notify the products subject to export restrictions and taxes;
- to transmit to the WTO the justification for these export restrictions.

1.9 EC urges China to ensure conformity with its Accession Protocol and in particular article 11, according to which China shall eliminate all taxes and charges applied to exports unless specifically provided for in Annex 6 of this Protocol or applied in conformity with the provisions of Article VIII of the GATT 1994.
