

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 16 October 2008, is being circulated at the request of the delegation of the United States.

Cotton Registration Scheme

1. On 5 August 2008, China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) issued Notice No. 87-2008, which announced the creation of a new requirement that foreign exporters of cotton obtain a registration certificate from AQSIQ before engaging in the export of cotton to China, or face preshipment inspection requirements. This notice established a starting date for the acceptance of registration applications by foreign exporters of cotton of 15 September 2008 and set a deadline of 15 March 2009, by which time consignees must provide the registration certificate of a foreign exporter of cotton at the port of entry of for a cotton shipment.

- (a) Please explain the trade objective of this measure.
- (b) Will applications received after 15 March 2009, whether from existing shippers or new shippers, be treated differently from those received before that date? If so, please explain.
- (c) Can China provide a more detailed description of how an exporter qualifies or does not qualify for certification?
- (d) If an exporter does not qualify, will AQSIQ provide notice of the relevant deficiency and provide ample opportunity to rectify it?

2. AQSIQ Notice No. 87-2008 also imposes an obligation in Article II for consignees to include a preshipment inspection clause in the contract or purchase agreement for importation of cotton from *non*-registered foreign suppliers.

- (a) Is specific language required to be included in the pre-shipment inspection clause? If so, please provide those details.
- (b) In addition to the pre-shipment inspection clause, are there any other terms or conditions that must be included in the contract or purchase agreement when

importers use a non-registered foreign supplier? For example, are there specific standards for cotton quality that must be referenced? If so, please explain.

- (c) What are the AQSIQ-designated inspection organizations? What are the procedures for an organization to be AQSIQ-designated? Is the U.S. Department of Agriculture's Agricultural Marketing Service (AMS) eligible for designation as an approved inspection organization?
- (d) How will AQSIQ handle shipments of cotton from a foreign exporter that has not obtained a cotton registration certificate and has not included in a contract or purchase agreement a pre-shipment inspection clause as required in Article II?

3. Article III of AQSIQ Notice No. 87-2008 describes a quality credit appraisal system for implementation by AQSIQ. Can China provide more information about this system and its relevant provisions?
