

CHINA'S TRANSITIONAL REVIEW MECHANISM

Questions and Comments of Japan on the Implementation by China
of its Commitments on Market Access

Communication from Japan

The following communication, dated 22 September 2008, is being circulated at the request of the delegation of Japan.

1. Export Restrictions and Export Taxes on Non-Ferrous Metal

- (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, molybdenum, and zinc. Among these non-ferrous metals, indium and molybdenum became subject to quantitative trade restrictions in June 2007, and the amount of the other non-ferrous metals which received export licenses, has been declining. Please explain how China justifies its export licensing on these non-ferrous metals under GATT.
- (b) Japan would like to seek clarification if there are restrictions in China on domestic production and/or consumption of these metals, with specific quantitative data.
- (c) China levies export taxes on several types of non-ferrous metals, and has increased them, several times since November 2006, while China committed to eliminate export taxes for all items except for those listed in Annex 6 to its Protocol of the Accession. Please explain policy objectives of the export taxes and how China justifies them under its commitment upon accession.
- (d) Please describe China's plans for eliminating export licensing measures and export taxes.

2. Export Taxes on Chemical Fertilizers and their Raw Materials

- (a) Japan understands that China has been levying a 100% export tax on 32 items of chemical fertilizers and their raw materials, from 20th April to 30th September 2008. Besides, 6 items including phosphate rock have been added to the list of these items subject to the 100% export tax, since May 2008.

Furthermore, on 29th August, China officially announced the increase of export taxes on nitrogen fertilizers and ammonia to 150% from September 1st to 31st December this year, and the extension of the expiration date of the export taxes on the other items of chemical fertilizers to 31st December. Since 36 products among them are not listed in Annex 6 to

China's Protocol of the Accession as products subject to export duty, this might not be consistent with China's commitment upon accession to the WTO.

- (b) Please explain China's plans for eliminating the export taxes on these items. Please also describe how China justifies its use of the export taxes on these items under its commitment upon accession.

3. Export Restrictions and Export Taxes on Coal

- (a) Japan understands that China has been implementing an export licensing on coal exports. While a sufficient number of export licenses used to be issued in terms of China's export amount of coal, the number of issuance has been decreasing in the last few years, and therefore Japan is concerned that this trend might hamper the trade flow of coal. Since China's domestic production and consumption of coal seem to be expanding, it is unclear that the export licensing measures on coal has been adopted in conjunction with restrictions on domestic production and/or consumption as stipulated in GATT Article XX (g), and thus Japan considers that such measures are not consistent with GATT Article XI. Please explain how China justifies the export licensing on coal under GATT.
- (b) In addition, Japan understands that China has raised export taxes on coking coal and has newly levied taxes on steam coal and anthracite since August this year, while China committed to eliminate export taxes for items except for those which are listed in Annex 6 of China's Protocol to the Accession. Please explain how China justifies its export taxes under its commitment upon accession.
- (c) Please describe any plans to review the export licensing measures and imposition of export taxes on coal.

4. Export Restrictions and Export Taxes on Coke

- (a) China implements an export licensing on exports of cokes. Japan is concerned about negative affects of recent decreases in the number of export licenses issued on the cokes trade. In addition, since this measure has not been made effective in conjunction with restrictions on domestic production or consumption, Japan considers that it cannot be justified under GATT Article XX (g) regarding the conservation of exhaustible natural resources, and thus it is not consistent with GATT Article XI and
 - (b) China explained its measures aimed at restricting domestic production and consumption of cokes. However, it is unclear whether those measures have effectively reduced the production and consumption of coal, which is an ingredient of cokes. Japan requests China to show us the quantitative effect of those measures on domestic production and consumption of coal.
 - (c) China levies export taxes on cokes which have been raised several times since November 2006, while China committed to eliminate export taxes for items except for those which are listed in Annex 6 to China's Protocol of the Accession. Please explain how China justifies its export taxes under its commitment upon accession.
 - (d) Please describe any plans to review the export licensing measures and imposition of export taxes.
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