

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

Questions from the UNITED STATES to CHINA

The United States 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 United States during the transitional review held before one of the committees that reports to the Council for Trade in Goods, the Committee on Subsidies and Countervailing Measures, but China did not respond to them. The United States notes that it may submit additional questions, depending on the outcomes of other upcoming transitional reviews before committees that report to the Council for Trade in Goods.

Subsidies to the Textiles Sector

1. Publicly available information indicates that numerous provincial and local authorities in China have developed textile-specific plans for the period 2009-2011, as directed by the central government's "Plan for Adjustment and Revival of Textile Industry." Several of these provincial and local planning documents appear to contain provisions contemplating significant support for the textile sector, and some raise concerns, given WTO subsidies rules.

2. A July 2009 Wuxi City plan states that "foreign exchange from fibre per ton shall be increased by 20 per cent as compared with 2008" and "the ratio of domestic (国产) fabric in the clothing for export shall reach 90 per cent and above." (See Adjustment and Promotion Action Plan for the Textile and Clothing Industry (2009-2011), Wu Zheng Fa 2009 (No. 140) ("Wuxi Plan")). In addition, the Wuxi Plan states: "For the major technologies, projects and enterprises which are included in the three-year adjustment & improvement plan, the lands and capital shall be firstly supplied." A list of projects specifying funds to individual companies includes, for example, over RMB 411 million earmarked for one company specifically for "high-grade apparel for foreign trade."

- (a) Could China please explain in what ways Wuxi City is seeking to increase "foreign exchange from fibre" and promoting "domestic fabric in clothing for export"? Please explain how these policies are consistent with China's obligation under Article 3 of the Subsidies Agreement.
- (b) Please explain the criteria for providing support for the purpose of "apparel for foreign trade." Is this support contingent upon exportation?

3. A 2009 Hunan Province plan states: "We will offer certain subsidies and rewards for products exported by ramie processing companies." (See *Implementation Plan for Reviving Hunan's Textile Industry (2009-2011)*, Xiang Zheng Fa 2009 (No. 19).)

- (a) What “subsidies and rewards” are available to exporting companies in Hunan Province?
- (b) Please explain how this plan is consistent with China’s obligation under Article 3 of the Subsidies Agreement.

4. In Jiangsu Province, the provincial authorities have outlined policy measures to be implemented with regard to the textile industry. (See *Notice of the People’s Government of Jiangsu Province About Releasing the Guidelines for Adjusting and Reviving Jiangsu’s Textile Industry*, Su Zheng Fa 2009 (No. 84).) The first of these policy measures is entitled, “Increasing Credit Support.” It states: “We will carry out the state credit policy for the textile industry, encourage financial institutions to increase credit support for textile companies, and provide current capital for companies with good fundamentals but temporary difficulties, and offer more fixed asset loans for major technological reform projects that are in line with industrial policies.” Further, it states: “We will encourage guaranteeing institutions to provide credit backing and financing service for textile companies.”

- (a) Please provide examples of how this policy is being implemented at the provincial and local levels in Jiangsu Province.
- (b) Please explain what is meant by China’s “state credit policy for the textile industry.” Please also describe the manner in which guidance is provided to financial institutions to increase credit support for the textile industry.
- (c) What criteria are used to determine which companies qualify as “companies with good fundamentals but temporary difficulties”? Which authorities determine what criteria are to be used in identifying these companies?
- (d) Please identify and describe the industrial policies pursuant to which fixed asset loans for major technological reform projects can be offered under this policy.

5. A Hangzhou City plan states that the city will “offer aid or awards in the form of special funds” to the textile sector, and states that the government will “optimize fiscal and financial credit support.” (See *Three-year Action Plan for Adjusting and Reviving Hangzhou’s Textile and Clothing Industry (2009-2011)*, Hang Zheng Ban Han 2009 (No. 236)). The plan also states: “We will increase the input into special fiscal funds for textile companies and the ‘development fund for Hangzhou’s silk and women’s clothing industry’, and increase fiscal support to companies.”

- (a) Please describe the fiscal and financial credit support available specifically to textile and apparel sector companies in Hangzhou City.
 - (b) What “aid or awards” are available to Hangzhou City textile sector companies? What criteria must be met to qualify for “aid or awards?”
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