

CHINA'S TRANSITIONAL REVIEW MECHANISM

Questions from JAPAN to CHINA

The following communication, dated 27 August 2002, has been received from the Permanent Mission of Japan.

Japan welcomes China's efforts to implement its commitments under its Protocol of Accession¹ to the WTO. We have the view that the Transitional Review Mechanism (TRM) would contribute to improved adherence by China to rules, disciplines and its commitments, if it would be operated in a meaningful and productive manner.

While China has committed to provide relevant information to each subsidiary body in advance of the review under the Protocol of Accession to the WTO, such information has not yet been received.

We therefore submit our comments well in advance of the Committee on Import Licensing of 24 September 2002, in order for the Chinese authority to reply and to submit necessary information. Japan looks forward to working with China and other Members, so as to ensure the transparency committed to under the Protocol, and would appreciate it if China responds to our comments in written form ten days before the meeting.

Import quotas on motor vehicles

(1) Notification of information on procedures of import quota on motor vehicles

- In accordance with Article 1, paragraph 4(a) of the Agreement on Import Licensing Procedures, procedures for submitting applications shall be published in the sources notified to the Committee in all circumstances, whenever practicable, 21 days prior to the effective date of the requirement. Please inform us of where the publication is available.
- In addition, under Article 5, paragraph 1 of the Agreement, Members which institute import licensing procedures or changes in licensing procedures shall notify the Committee of such within 60 days of publication. Please confirm that China has not yet instituted import licensing procedures or changes, since China has not yet notified in this regard.

¹ WT/L/432.

(2) Publication and provision of information on the implementation of import quotas on automobiles

In accordance with the relevant provisions under the Agreement on Import Licensing Procedures, please provide the necessary information as follows:

- (i) With respect to Article 1, paragraph 4(a) of the Import Licensing Agreement (information to be published)
- The eligibility of the applicant, and in particular, relationship to trading rights
 - Paragraph 128 of the Report of the Working Party²

Is there any entity without trading rights that has qualified as an applicant? If so, what conditions apply to such entities? What kind of entities have been qualified as applicants so far?

- (ii) With respect to Article 3, paragraph 5(a) of the Import Licensing Agreement (information to be provided upon the request of any Member):

- Information (both on the basis of application and actual allocation) on the value of import quotas for complete vehicles, CKD and parts, broken down respectively by country of origin, engine displacement and company.
- According to paragraph 4 of "Implementation Rules on the Quota Administration on Imports of Machinery and Electrical Products", the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) is responsible for examining and supervising the status of allocation of import licences. Please provide relevant information on the current status of import quota allocation distributed by the following entities: all provinces, autonomous regions, municipalities directly under the central government and those with independent budgetary status, coastal open cities, and by external economic trading management departments of special economic zones and State Council-related machinery/electrical products import/export administrative offices.
- According to paragraph 129 of the Report of the Working Party, August is the application period, and quota allocations will be made no later than 60 days after closure of the application period. Please confirm this schedule for 2003 that quotas will be allocated by 30 October.

(3) Reallocation of unused quotas

We are requesting that unused quotas for this year be returned and reallocated as specified in the Report of the Working Party³. Please explain when and how China does this, and if not, please explain why. In this connection, the Report of the Working Party provides that the deadline for return of unused quotas is 1 September, but China started the actual allocation of quotas for the current year in April. Does China intend to postpone the deadline for return of unused quotas? If so, until when?

² WT/ACC/CHN/49.

³ Paragraphs 130 and 131.

(4) Concern over priority consideration to new entrants in quota allocation

China should give priority consideration to new entrants in allocating quotas, as committed⁴. Please explain how China implements this obligation and specify what amount of quota has been allocated to new entrants.

(5) Rules concerning quota system for motor vehicles

We have the view that "Implementation Rules on the Quota Administration on Imports of Machinery and Electrical Products" should specify the following points so as to embody this scheme provided for in the Report of the Working Party⁵:

- (i) Priority consideration to be given to new entrants, enterprises with foreign ownership equal to or less than 50 per cent, and enterprises with foreign ownership greater than 50 per cent in allocating quota.
- (ii) An import licence to be issued in most cases within three working days, and in exceptional cases, within a maximum of ten working days, after a request for a licence.
- (iii) An import licence to be extended once, upon request, for up to three months, if the request is made before 15 December of the current quota year.
- (iv) The procedures for requests for extension mentioned in (iii) above.
- (v) Methodology of quota reduction for holders failing to return unused quotas, and the date of reduction.

Japan appreciates China's response on this issue.

(6) Extension of period for quota allocation

Paragraph 129 of the Report of the Working Party provides that import licences would be extended once, upon request, by up to three months, if the request is made before 15 December. We would appreciate it if China would ensure that for this year, the effective period for all quotas and related import licences be extended by three months, since the allocation of quota was delayed for three months.

⁴ Paragraphs 128 and 130 of report of Working Party.

⁵ Paragraphs 127, 129, and 130 of report of Working Party.