

**TRANSITIONAL REVIEW UNDER ARTICLE 18 OF THE PROTOCOL
OF ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA
INFORMATION REQUIRED IN ANNEX 1A**

PEOPLE'S REPUBLIC OF CHINA

The following communication, dated 30 October 2002, has been received from the Permanent Mission of China.

(a) Application of existing or any other price controls and the reason for their use

The products and services subject to state pricing and government guidance pricing in China are in conformity to Annex 4 of the Protocol of China's Accession to the WTO.

The Catalogue of Pricing by the State Development Planning Commission and Relevant Administrative Bodies of the State Council, which was promulgated by the State Development Planning Commission on 4 July 2001 is still in force. This catalogue was discussed by the members of the Working Party on China during the negotiations for China's accession to the WTO, and its conformity to China's commitment on price controls has been recognized by all the WTO members.

The reason for use of price control in China is specifically stipulated in Article 18 of the Pricing Law of the People's Republic of China, which states that the price control is restricted to the following cases: (1) a limited number of products that are of great importance to national economy and people's livelihood, (2) a small number of products of scarce resources, (3) products under natural monopoly, (4) important public utilities, and (5) important services of public interest.

The practice of one product or service under multiple pricing has been entirely eliminated in China.

(b) Pricing mechanism of China's state trading enterprises for export products

The Pricing Law of the People's Republic of China stipulates that state pricing and government guidance pricing only apply to products and services as published, regardless of the ownership of the enterprises. Prices of products and services that are not subject to state pricing and government guidance pricing shall be determined by the market, and eventually by the enterprises themselves. Pricing mechanism of state trading enterprises for exports is also determined by the enterprises with reference to the price of international market. It is generally set by adding cost of distribution (including cost of storage and transportation, interest rate and inspection fees etc.) to the cost of domestic purchase.