

**CHINA'S TRANSITIONAL REVIEW MECHANISM**

The following communication, dated 23 October 2002, has been received from the Permanent Mission of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

1. Article 26 of China's *Regulations on Verification and Determination of Customs Value of Imported and Exported Goods* stipulates that if the insurance premium for imported goods cannot be determined or does not occur, the customs administration shall calculate the expense of insurance on the basis of 0.3% of the price of the goods and the cost of transport. Article 28 of the same *Regulations* indicates that where the goods are imported by railway or motorway transportation and transacted under DAF (delivered at frontier) terms, the customs administration shall calculate the freight, insurance and other charges on the basis of 1% of the price of the goods. Please explain on what basis China has decided to calculate the above-mentioned two percentages and what the justification is under the WTO Customs Valuation Agreement.

2. Questions related to the Regulations on Import and Export Tariffs

(a) According to Article 9.1 of the Customs Valuation Agreement, where the conversion of currency is necessary for determination of the customs value, the rate of exchange to be used shall be that duly published by the competent authorities of the country of importation concerned and shall reflect as effectively as possible, in respect of the period covered by each such document of publication, the current value of such currency in commercial transactions in terms of the currency of the country of importation. Article 21 of China's *Regulations on Import and Export Tariffs* indicates that in the event that the exchange rate of the foreign currency is not published officially, the rate shall be decided by China's foreign exchange competent authorities. In the event that the above-mentioned situation occurs, please explain what factors the competent authorities will take into account in making such decisions as to reflect the true value of the commercial transactions.

(b) Article 33 of the *Regulations on Import and Export Tariffs* stipulates that the imported or exported goods from special economic zones, Sino-foreign joint-venture enterprises, Sino-foreign cooperatives or foreign-funded enterprises may enjoy tariff deduction or exemption pursuant to relevant laws or regulations. Please provide us with the relevant laws and regulations and explain how they conform to WTO norms.

3. According to paragraph 143 of China's Working Party Report, China would, as soon as practicable (in any event no later than two years from the date of accession), apply the Decision on the Treatment of Interest Charges in Determining Transaction Value of Imported Goods, and the Decision on the Valuation of Carrier Media Bearing Software for Data Processing Equipment. Please indicate the current status of putting the two decisions into effect.