

WORLD TRADE ORGANIZATION

RESTRICTED

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Council for Trade in Services

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COMMUNICATION FROM JAPAN

Transitional Review Mechanism in connection with Paragraph 18 of the Protocol on the Accession of the People's Republic of China ("China")

Japan's Comments on Trade in Services

The attached paper has been received from the delegation of Japan with the request that it be circulated to Members of the Council for Trade in Services.

1. Japan welcomes China's efforts to implement its commitments under the Protocol on the Accession into the WTO. While China has committed to provide relevant information to each subsidiary body in advance of the review under the Protocol on the Accession into the WTO, such information has not been received. Japan, therefore, submits its comments well in advance of the scheduled review in the Council for Trade in Services on 25 October, so that the Chinese authority will have sufficient time for responding and providing related information.

2. Japan is willing to work closely with China and other Members, so as to ensure the transparency committed under the Protocol, and it is appreciated if China responds to our comments in written form with related information, ten days before the CTS meeting.

3. Please refer to Japan's comments and questions on insurance and insurance-related services and banking services sent to the Committee on Trade in Financial Services (S/FIN/W/21)

I. COMMUNICATION SERVICES (COURIER SERVICES OF PACKAGED DOCUMENTS)

4. Japan seeks the latest information on the once proposed introduction of any regulation that could in effect prevent private courier service suppliers of packaged documents to carry on their current business operation. In this connection, Japan seeks an assurance that the acquired rights of foreign service suppliers be protected, as committed in the horizontal part of China's Schedule of Specific Commitments.

II. DISTRIBUTION SERVICES

5. For a smooth implementation of the phased liberalization programme in this important sector, committed in China's Schedule, Japan seeks that the schedule of liberalization as well as related policy and procedures be made public well in advance. This comment also applies to the liberalization of products temporarily subject to distribution restriction, including processed and crude oil, and motor vehicles.

6. It is heard that some policy is in the pipeline to restrict automobile retail sales providers to deal with both imported automobiles and domestically produced automobiles. Japan is interested to know whether introduction of such regulation is being contemplated.

III. TRANSPORT SERVICES

A. MARITIME TRANSPORT SERVICES – ACCESS TO AND USE OF PORT FACILITIES

7. The current discount system of port facility fees, which is linked to the total tonnage of each shipping company's vessels entering a port and on the total volume of each shipping company's freight handled in that port, does in practical terms discriminate against foreign shipping companies. Japan requests that this should be corrected in line with China's national treatment commitments in international transport services, as well as with its additional commitments of non-discriminatory access to port services.

8. Japan also requests that all relevant information on chart, survey map, quay and other port facilities, is well made available.

B. FREIGHT FORWARDING AGENCY SERVICES

9. China has committed to permit a joint venture with foreign majority, within one year after accession. Japan expects that this commitment of liberalization be fully implemented. In addition, Japan seeks the latest information on the schedule of permitting foreign majority joint ventures in China.

10. At present, foreign freight forwarding agencies are not allowed to issue bills of lading (B/L), which prevents new foreign service suppliers from effectively entering into this service. In view of China's national treatment commitments in mode 3, this restriction needs to be amended together with the scheduled permission of foreign majority joint ventures. In view of the same commitment, moreover, foreign service suppliers which are grand-fathered and already in the market should be free from this restriction immediately.

IV. OTHERS

11. On top of issues raised above, the following issues have been reported by Japanese service providers as practical impediments to services trade in China, on which Japan requests due attention be paid by the relevant authorities of China to improve those situations.

A. THE RIGHT TO TRADE

12. Progressive Liberalization of the right to trade is inscribed in the Accession Protocol. Japan expects that all necessary legislative procedures to implement the liberalization shall be completed in a transparent manner and well in advance of their entry into effect.

B. TAXATION

13. The criteria and procedures for VAT refund are not sufficiently transparent. Here are some examples.

- (i) Refund to foreign companies, which should take place every quarter, takes a long time, sometimes as long as 1 year.

- (ii) In some cases, only part of the VAT is refunded; for example, only 15% is refunded and 2% is deducted as “commission”.
 - (iii) Business transactions to bonded areas from outside should qualify for VAT refunds; however there are cases where VAT is not refunded at all.
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