
2002 REPORT TO CONGRESS ON CHINA'S WTO COMPLIANCE



United States Trade Representative

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FOREWORD

The People's Republic of China (China) joined the World Trade Organization (WTO) on December 11, 2001, after fifteen years of negotiations with the United States and other WTO members. In those negotiations, the Administration, as well as previous administrations, sought maximum gains for U.S. manufacturers, services suppliers and agricultural exporters and their workers. In addition to seeking these economic benefits through China's entry into WTO, the Administration has been guided by the principle that open markets and trade are powerful engines for fueling positive changes and reform in China, as they are elsewhere. China's entry into the WTO, a rules-based system that requires its members to operate with openness and transparency and stresses the central role of markets and private enterprise, is an important step in China's integration into the global community. The implementation of China's WTO commitments, which this report examines, should be considered within this broader context.

This report was prepared pursuant to section 421 of the U.S.-China Relations Act of 2000 (P.L. 106-286), 22 U.S.C. § 6951 (the Act), which requires the United States Trade Representative (USTR) to report annually to Congress on compliance by China with commitments made in connection with its accession to the WTO, including both multilateral commitments and any bilateral commitments made to the United States. The report also incorporates the findings of the Overseas Compliance Program, as required by section 413(b)(2) of the Act, 22 U.S.C. § 6943(b)(2).

In preparing this report, USTR drew on its experience in overseeing the U.S. Government's monitoring of China's WTO compliance efforts. USTR chairs the Trade Policy Staff Committee (TPSC) Subcommittee on China WTO Compliance, a newly created, inter-agency TPSC subcommittee whose mandate is devoted to China and the extent to which it is complying with its WTO commitments. This TPSC subcommittee is composed of experts from USTR, the Departments of Commerce, State, Agriculture and Treasury, among other agencies, and the U.S. Patent and Trademark Office. It works closely with State Department economic officers, Foreign Commercial Service officers and Market Access and Compliance officers from the Commerce Department, Foreign Agricultural Service officers and Customs attaches at the U.S. Embassy and Consulates General in China, who are active in gathering and analyzing information, maintaining regular contacts with U.S. industries operating in China and maintaining a regular dialogue with Chinese government officials at key ministries and agencies. During the past year, the subcommittee met on a monthly basis in order to evaluate and prioritize the monitoring activities being undertaken and to review the steps that China had taken to implement its commitments.

To aid in its preparation of this report, USTR also published a Federal Register notice on July 9, 2002, asking for written comments from the public and scheduling a public hearing for September 18, 2002, before the TPSC. A list of the written comments submitted by interested parties is set forth in Appendix 1, and the persons who testified before the TPSC are identified in Appendix 2.

Finally, this report is structured as an examination of the nine broad categories of WTO commitments undertaken by China, noting areas where progress has been achieved and underscoring shortcomings as appropriate. Throughout the report, USTR has attempted to provide as complete a picture of China's WTO compliance as possible, subject to certain constraints. For one thing, the sheer volume and complexity of the required changes to China's trade regime during the first year of China's WTO membership make comprehensive and accurate analysis sometimes difficult. For some commitments, moreover, USTR has not yet received or uncovered all information relevant to a complete assessment of China's WTO compliance. At the same time, other commitments are being phased in over a period of years and therefore have not yet fully come into force, including some critical ones, such as trading rights and distribution services, which will be crucial to full realization of the benefits of China's WTO accession by U.S. manufacturers, services suppliers and agricultural exporters and their workers.

December 11, 2002

EXECUTIVE SUMMARY

For much of the past two decades, China had been gradually transitioning toward a market economy from what in the late 1970's was a strict command economy. In acceding to the WTO, China was required by the United States and other WTO members to agree to accelerate this process of market reform in order to comply with WTO requirements. Accordingly, China's WTO accession agreement embodies a set of extensive and far-reaching commitments on the part of China to change its trade regime, at all levels of government. Given the breadth and complexity of these commitments, assessing China's WTO compliance efforts is not a simple task.

Overall, during the first year of its WTO membership, China made significant progress in implementing its WTO commitments, although much is left to do. Progress was made both in making many of the required systemic changes and in implementing specific commitments. At the same time, serious concerns arose in some areas, where implementation had not yet occurred or was inadequate.

As expected, the principal focus of China's first year of WTO membership was on its framework of laws and regulations governing trade in goods and services, at both the central and local levels. China's trade ministry, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), reports that the central government has reviewed more than 2,500 trade-related laws and regulations for WTO consistency. By mid-2002, it had reportedly repealed 830 of these laws and regulations and amended 325 more. It had also reportedly drafted and adopted 118 new laws and regulations. Similar reviews are taking place at the local level, although the local governments are generally not as far along in their review process, in part because of the need to give effect to changes made by the central government. At the same time, some localities, particularly those in China's eastern provinces, are much further along in their review process than others.

Beginning early in 2002, China also devoted considerable resources to the restructuring of the various government ministries and agencies with a role in overseeing trade in goods and services. Some of these changes were mandated by China's accession agreement, while others were undertaken by China to facilitate its compliance with WTO rules.

Another significant focus for China during the past year involved education and training. China embarked on an extensive campaign to teach central and local government officials and state-owned enterprise managers about both the requirements and the benefits of WTO membership, with the goal of facilitating China's WTO compliance. The United States and other WTO members, along with many private sector groups, contributed substantial technical assistance and capacity building resources to this effort.

As a general matter, China took positive steps to implement many of its specific WTO commitments during the past year. It made required tariff reductions, notably for information technology products, chemicals, autos and auto parts, wood and paper products, and many agricultural goods, including beef, dairy products and citrus, among others. When discrepancies

between committed and implemented rates were reported, China usually made necessary adjustments. China also began the process of removing numerous non-tariff trade barriers that had affected a range of industries, from chemicals to scientific equipment, and it continued to improve its standards regime. For the most part, these steps were managed without serious incident, and market access for U.S. products in the affected sectors has generally improved. In addition, although not without problems, China took the necessary legal steps to allow for increased market access for foreign service suppliers in a variety of sectors, including financial services, telecommunications, audio-visual services, tourism and travel-related services, constructions and engineering services, educational services and environmental services.

While the efforts of China's leadership to implement China's WTO commitments should be recognized, the Administration also found a number of causes for serious concern during China's first year of WTO membership.

One area of cross-cutting concern involved transparency. In particular, China implemented its commitment to greater transparency in the adoption and operation of new laws and regulations unevenly at best. While some ministries and agencies did take steps to improve opportunities for public comment on draft laws and regulations, and to provide appropriate WTO enquiry points, the Administration found China's overall effort to be plagued by uncertainty and a lack of uniformity. The Administration is committed to seeking improvements in China's efforts in this area.

Apart from this systemic concern, three other areas generated significant problems and warrant continued U.S. scrutiny – agriculture, intellectual property rights and services.

The area of agriculture proved to be especially contentious between the United States and China. While concerns over market access for U.S. agriculture products are not unique to China, particularly serious problems were encountered on many fronts, including China's regulation of agricultural goods made with biotechnology, the administration of China's tariff-rate quota (TRQ) system for bulk agricultural commodities, the application of sanitary and phytosanitary measures and inspection requirements. The United States and China were able to make progress toward resolving some of these problems, particularly with regard to biotechnology. Other problems remain unresolved, however, with the most troublesome being China's inadequate implementation of its TRQ commitments.

In the area of intellectual property rights (IPR), China did make significant improvements to its framework of laws and regulations. However, the lack of effective IPR enforcement remained a major challenge. If significant improvements are to be achieved on this front, China will have to devote considerable resources and political will to this problem, and there will continue to be a need for sustained efforts from the United States and other WTO members.

Meanwhile, concerns arose in many services sectors due to transparency problems and China's use of prudential requirements that exceeded international norms. In addition, Chinese

regulators imposed particularly problematic restrictions in the insurance sector, where transparency issues, excessive capitalization requirements and restrictions on branching combined to present unique difficulties, and in the express delivery sector, where existing rights were placed in jeopardy. Nevertheless, progress was made in 2002 toward resolving the concerns associated with these two sectors.

China's compliance problems are occasionally generated by a lack of coordination among relevant ministries in the Chinese government. Another source of compliance problems has been a lack of effective or uniform application of China's WTO commitments at local and provincial levels. China is taking steps to address both of these concerns, through more effective inter-ministerial mechanisms at the national level, and through a more concerted effort to reinforce the importance of WTO-consistency with sub-national authorities. In other cases, however, compliance problems involve entrenched domestic Chinese interests that may be seeking to minimize their exposure to foreign competition, circumstances that, as one private sector representative submitted, require "particular vigilance by the U.S. government and the American private sector."

When confronted with compliance problems in 2002, the Administration used all available and appropriate means to obtain China's full compliance, including intervention at the highest levels of government. The Administration worked closely with the affected U.S. industries on compliance concerns, and utilized bilateral channels through multiple agencies, at all levels, to press these concerns. The Administration also initiated a regular dialogue on compliance issues between USTR and China's lead trade agency, MOFTEC, with the goal of bringing all involved Chinese ministries and agencies together when the resolution of particular problems warrants it. Where possible, the Administration also multilateralized its enforcement efforts, by working with like-minded WTO members on an ad hoc basis, whenever particular issues have had an adverse impact beyond the United States.

Despite the compliance problems that arose over the course of the past year, most private sector representatives remain enthusiastic about the actual and potential benefits for U.S. industry from China's WTO membership. As one witness at the September 18, 2002 hearing testified:

[W]e all recognize that this is a process that will take time, and patience. The institutional, legal, and regulatory changes demanded of the Chinese are extraordinary, reaching in most corners of their economy, and complicated further by a highly decentralized administrative structure covering a vast, diverse country.

At the same time, the private sector wants to see China comply fully with its WTO commitments, as does the Administration. As one representative made clear, "we all believe that full implementation of the letter and spirit of [China's] WTO commitments is essential." The United States, working with fellow WTO members, will use all means at its disposal to ensure that China achieves full implementation.

CHINA'S ACCESSION TO THE WTO

Negotiations

In July of 1986, China applied for admission to the WTO's predecessor, the General Agreement on Tariffs and Trade (GATT). The GATT formed a Working Party in March of 1987, composed of all interested GATT contracting parties, to examine China's application and negotiate terms for China's accession. For the next eight years, negotiations were conducted under the auspices of the GATT Working Party. Following the formation of the WTO on January 1, 1995, a successor WTO Working Party, composed of all interested WTO members, took over the negotiations.

Like all WTO accession negotiations, the negotiations with China had three basic aspects. First, China provided information to the Working Party regarding its trade regime. China also updated this information periodically during the 15 years of negotiations to reflect changes in its trade regime. Second, each interested WTO member negotiated bilaterally with China regarding market access concessions and commitments in the goods and services areas, including, for example, the tariffs that would apply on industrial and agricultural goods and the commitments that China would make to open up its market to foreign services suppliers. The most trade liberalizing of the concessions and commitments obtained through these bilateral negotiations were consolidated into China's Goods and Services Schedules and apply to all WTO members. Third, overlapping in time with these bilateral negotiations, China engaged in multilateral negotiations with Working Party members on the rules that would govern trade with China. Throughout these multilateral negotiations, U.S. leadership in working with China was critical to removing obstacles to China's WTO accession and achieving a consensus on appropriate rules commitments. These commitments are set forth in China's Protocol of Accession and an accompanying Report of the Working Party.

WTO members formally approved an agreement on the terms of accession for China on November 10, 2001, at the WTO Ministerial Conference in Doha, Qatar. One day later, China signed the agreement and deposited its instrument of ratification with the Director-General of the WTO. China became the 143rd member of the WTO on December 11, 2001.

China's Protocol of Accession, accompanying Working Party Report and Goods and Services Schedules are available on the WTO's website (www.wto.org).

Overview of China's Commitments

In order to accede to the WTO, China had to agree to take concrete steps to remove trade barriers and open its markets to foreign companies and their exports from the first day of accession in virtually every product sector and for a wide range of services. China further agreed to eliminate or significantly reduce restrictions on the rights of foreign companies to import and export goods and to distribute goods within China. Supporting these steps, China also agreed to

undertake important changes to its legal framework, designed to add transparency and predictability to business dealings.

Like all acceding WTO members, China also had to agree to assume the obligations of more than 20 existing multilateral WTO agreements, covering all areas of trade. Areas of principal concern to the United States and China's other trading partners, as evidenced by the accession negotiations, included the core principles of the WTO, i.e., most-favored nation treatment, national treatment, transparency and the availability of independent review of administrative decisions. Other key concerns could be found in the areas of agriculture, sanitary and phytosanitary measures, technical barriers to trade, trade-related investment measures, customs valuation, rules of origin, import licensing, antidumping, subsidies and countervailing measures, trade-related aspects of intellectual property rights and services. For some of its obligations in these areas, China was allowed minimal transition periods, where it was considered necessary.

Even though the terms of China's accession agreement are directed at the opening of China's market to WTO members, China's accession agreement also includes several safeguard mechanisms designed to prevent injury that U.S. or other WTO members' industries and workers might experience based on import surges or unfair trade practices. These include a unique, China-specific safeguard provision allowing a WTO member to restrain increasing Chinese imports that disrupt its market (available for 12 years), a special textiles safeguard (available for 7 years) and the continued ability to utilize a special non-market economy methodology for measuring dumping in anti-dumping cases against Chinese companies (available for 15 years). The Administration is committed to maintaining the effectiveness of these mechanisms for the benefit of affected U.S. businesses, workers and farmers.

With China's consent, the WTO also created a special multilateral mechanism for reviewing China's compliance on an annual basis. Known as the Transitional Review Mechanism, this mechanism operates annually for 8 years after China's accession, with a final review by year 10.

STATUS OF CHINA'S COMPLIANCE EFFORTS

Import Regulation

Tariffs

Through its bilateral negotiations with interested WTO members, China agreed to greatly increased market access for U.S. and other foreign companies by reducing tariff rates. The agreed reductions are set forth as tariff "bindings" in China's Goods Schedule, meaning that while China cannot exceed the bound tariff rates, it can decide to lower them, as many members do when trying to attract particular imports.

In line with its WTO commitments, China implemented the required tariff changes for 2002 on January 1 of this year. The United States reviewed these tariffs and for the most part found only minor discrepancies (such as the use of a sliding tariff scale for newsprint), although it has not yet been able to review approximately 800 of China's 7,000 tariffs because China did not provide the WTO with the required electronic concordance showing 2002 HS nomenclature changes.

The tariff changes made by China greatly increase market access. Tariffs on industrial goods of greatest importance to U.S. industry are in the process of being reduced from a base average of 25 percent (in 1997) to 7 percent. These reductions generally are phased in over a period of five years, but in almost all instances the greatest reductions took place upon accession. Similarly dramatic reductions also benefitted U.S. agricultural exporters (see the Agriculture section below).

One of the more significant highlights among industrial tariffs was China's agreement to participate in the Information Technology Agreement (ITA), which requires the elimination of tariffs on computers, semiconductors and other information technology products. China agreed to complete its elimination of these tariffs by January 1, 2005. One notable problem did arise this year from China's treatment of 15 ITA tariff lines, covering certain semiconductor and telecommunications equipment inputs. China conditioned the reduced or zero tariffs for these tariff lines on the importer's completion of an end-use certificate, to be approved by the Ministry of Information Industry (MII), guaranteeing that the products being imported would be used as inputs into the production of finished information technology (IT) products in China. The use of this condition is not authorized by the Goods Schedule negotiated as part of China's accession to the WTO, and the WTO Committee of Participants in the Expansion of Trade in Information Technology Products (ITA Committee) has rejected this type of condition whenever a WTO member has sought to pursue it. The United States addressed this issue bilaterally with China's trade ministry, MOFTEC, as well as with MII, the Ministry of Finance and the General Administration of Customs, so far without success. At the WTO, meanwhile, the United States has blocked China's membership in the ITA Committee until this issue is resolved. Despite this problem, the IT sector still estimates that U.S. companies saved more than \$500 million in reduced tariff payments on high-tech exports to China in 2002.

China also began implementing the required tariff reductions on more than two-thirds of the 1,100-plus products covered by the WTO's Chemical Tariff Harmonization Agreement. In their written comments, U.S. exporters of chemical products reported "significant improvements in their ability to market their products in China following [its] accession."

Tariffs on autos and auto parts began a dramatic decline in 2002. Tariffs on autos are being reduced from 80-100 percent to 25 percent (by July 1, 2006), and tariffs on auto parts are being reduced from a base average of 23 percent to 9.5 percent (by July 1, 2006).

Meanwhile, tariffs in the wood and paper sectors are being reduced from a 1997 average of 11 percent on wood and 15 percent on paper to 4.2 percent and 5.4 percent, respectively. U.S. industry reports that the value of U.S. exports of paper increased by 30 percent in the first six months of 2002, when compared to the same period in 2001, while U.S. exports of paperboard and wood pulp were up 32 percent in value and 39 percent in value, respectively. U.S. exports of wood products surged by more than 65 percent in value.

Customs and Trade Administration

Like other acceding WTO members, China agreed to take on the obligations of the WTO agreements that address the means by which customs and other trade administration officials check imports and decide on and apply relevant trade regulations. These agreements cover the areas of customs valuation, rules of origin and import licensing.

Valuation

The WTO Agreement on the Implementation of GATT Article VII (also known as the Agreement on Customs Valuation) is designed to ensure that determinations of the customs value for the application of duty rates to imported goods are conducted in a neutral and uniform manner, precluding the use of arbitrary or fictitious customs values. Adherence to the Agreement on Customs Valuation is an important issue for U.S. exporters, particularly to ensure that market access opportunities provided through tariff reductions are not negated by unwarranted and unreasonable "uplifts" in the customs value of goods to which tariffs are applied. China agreed to implement its obligations under the Agreement on Customs Valuation upon accession, without any transition period. In addition, China's accession agreement reinforces China's obligation not to use minimum or reference prices as a means for determining customs value, and it calls on China to implement the World Customs Organization Decisions on Valuation of Carrier Media Bearing Software for Data Processing Equipment and Treatment of Interest Charges in Customs Value of Imported Goods within two years after accession.

On January 1, 2002, shortly after acceding to the WTO, China's General Customs Administration issued the *Measures for Examining and Determining Customs Valuation of Imported Goods*. These regulations addressed the inconsistencies that had existed between China's customs valuation methodologies and the Agreement on Customs Valuation. However, China

has not uniformly implemented these regulations. U.S. companies have reported that they are still encountering valuation problems at many ports. For example, even though China's new regulations provide that imported goods normally should be valued on the basis of their transaction price, i.e., the price the importer actually paid, many Chinese customs officials are still improperly using "reference pricing." The usual result is a higher dutiable value. In addition, many Chinese customs officials are not yet applying China's new regulatory provisions on royalties and software fees paid to the exporter. Following their pre-WTO accession practice, these officials are still automatically adding royalty and software fees to the dutiable value, even though they are now supposed to add those fees only if they are a condition of the particular sale in question.

The United States and other WTO members, including the European Communities (EC), presented their concerns about these continuing customs valuation problems being encountered by foreign companies during the transitional review conducted by the WTO Committee on Customs Valuation in November 2002. China indicated that it was working to establish more uniformity in its adherence to WTO customs valuation rules. The United States will continue to monitor developments in this area in 2003. In addition, the United States is planning to provide technical assistance to China in 2003 on WTO compliance in the customs area. The United States will focus on the Customs Valuation Agreement and will also present methods for modernizing customs processes.

Rules of Origin

Upon its accession, China also became subject to the WTO Agreement on Rules of Origin, which sets forth rules designed to increase transparency, predictability and consistency in both the preparation and application of rules of origin, which are necessary for import and export purposes, such as determining the applicability of import quotas, determining entitlement to preferential or duty-free treatment and imposing antidumping or countervailing duties or safeguard measures, and for the purpose of checking marking requirements. The Agreement on Rules of Origin also provides for a work program leading to the multilateral harmonization of rules of origin. This work program is ongoing, and China specifically agreed to adopt the internationally harmonized rules of origin once they were completed. China also confirmed that it would apply rules of origin equally for all purposes and that it would not use rules of origin as an instrument to pursue trade objectives either directly or indirectly.

In March 2001, the State Administration of Quality Supervision and Inspection and Quarantine (AQSIQ) issued regulations and implementing rules intended to bring the rules of origin used by China to check marking requirements into compliance with the Agreement on Rules of Origin. The General Administration of Customs (Customs Administration) is in the process of drafting the more important regulations that will bring China's rules of origin into conformity with WTO rules for import and export purposes.

Import Licensing

The Agreement on Import Licensing Procedures (Import Licensing Agreement) establishes rules for WTO members, like China, that use import licensing systems to regulate their trade. Its aim is to ensure that the procedures used by members in operating their import licensing systems do not, in themselves, form barriers to trade. The objective of the Import Licensing Agreement is to increase transparency and predictability and to create disciplines to protect the importer against unreasonable requirements or delays associated with the licensing regime. The Import Licensing Agreement covers both “automatic” licensing systems, which are intended only to monitor imports, not regulate them, and “non-automatic” licensing systems, which are normally used to administer tariff-rate quotas or import restrictions such as quotas or to administer safety or other requirements, e.g., for hazardous goods, armaments or antiquities. While the Import Licensing Agreement’s provisions do not directly address the WTO consistency of the underlying measures that licensing systems regulate, they do establish the baseline of what constitutes a fair and non-discriminatory application of import licensing procedures. In addition, China specifically committed not to condition the issuance of import licenses on performance requirements of any kind, such as local content, export performance, offsets, technology transfer or research and development, or on whether competing domestic suppliers exist.

Shortly after China acceded to the WTO, MOFTEC issued regulations designed to bring China’s automatic import licensing regime into compliance with the Import Licensing Agreement and its concept of “automaticity.” It later supplemented these regulations with implementing rules. Some U.S. companies have complained that obtaining automatic licenses is unnecessarily burdensome because MOFTEC is using a “one-license-per-shipment” system rather than providing licenses to firms for multiple shipments. These companies have also noted that MOFTEC appears to be asking for more information than is required to monitor imports, and they have expressed concern because the measures allow the Chinese authorities to ask for unspecified “other necessary documents.”

MOFTEC also issued regulations intended to bring China’s non-automatic licensing regime into compliance with the disciplines of the Import Licensing Agreement on January 1, 2002. These regulations are in some respects vague, and there is also some concern that the licensing procedures created by the regulations may have unnecessary trade-distortive effects, such as the limitation that a particular license can only be used for the port of entry designated on that license.

The United States carefully reviewed the regulations on automatic and non-automatic licensing and discussed its concerns with MOFTEC early in the year. Together with other WTO members, the United States also presented detailed comments about these regulations in connection with the Import Licensing Committee’s transitional review of China’s WTO compliance efforts, held in September 2002. Since these interventions, MOFTEC has begun to allow more than one shipment per license under its automatic license regime. In 2003, the

United States will continue to press its other concerns and urge China to revise the regulations to add clarity and to make them less burdensome and trade-distortive.

Non-tariff Measures

In its accession agreement, China agreed that it would eliminate numerous trade-distortive non-tariff measures (NTMs), which included quotas, licenses and tendering requirements covering hundreds of products. Most of these NTMs, including, for example, the NTMs covering chemicals, agricultural equipment, medical and scientific equipment and civil aircraft, had to be eliminated by the time that China acceded to the WTO. China was allowed to phase out other NTMs, listed in an annex to the accession agreement, over a transition period ending on January 1, 2005. With regard to the quotas that were listed in the annex, which covered industrial goods such as autos and auto parts, crude oil, refined oil, and tires, China made a further commitment. China agreed to detailed procedures for allocating these quotas during the phase-out period in accordance with detailed rules set out in the goods schedule accompanying its accession agreement. In a side letter, China also committed to make its quota system operational in time for applications to be accepted and quota allocations to take place by December 31, 2001.

From the outset, China's quota system was beset with problems. The State Council did not issue necessary regulations until mid-December 2001. Not only were these regulations late, but they also appeared to be inconsistent with China's WTO commitments in certain respects. Further delay ensued as the administering authorities charged with implementing this system – MOFTEC for some products and the State Economic and Trade Commission (SETC) for other products – struggled with implementation. More problems arose when MOFTEC and SETC finally began allocating quotas. In the case of autos, for example, while MOFTEC issued necessary implementing rules shortly after the issuance of the State Council's regulations, it did not open up the quota application process until February, and it did not begin to allocate quotas until late April. Because of a lack of transparency, it was difficult to assess whether the quotas were allocated in accordance with the agreed rules. It became apparent, however, that MOFTEC was creating false fill rates by filling the quota for autos with auto parts (other than the key auto parts allowed by China's accession agreement). By mid-year, MOFTEC had also not yet fully allocated the auto quotas, although part of this delay was due to MOFTEC's crackdown on the illegal secondary market for auto import licenses.

At various times throughout 2002, the United States met bilaterally with Chinese officials and raised its concerns with the regulations, the slow pace of implementation, the lack of transparency and inappropriate allocations. The United States also raised these issues, in coordination with other concerned WTO members, including the EC and Japan, during regular meetings of the WTO Committee on Market Access and at the transitional review held in late September 2002.

While it is possible that some of the problems that arose during 2002, such as the missed deadlines, may have been attributable to first-time difficulties in implementing a new system,

other problems seemed to reflect protectionist policies, particularly, for example, MOFTEC's filling of the quota for autos with auto parts. With the 2003 quota year approaching, the United States will continue to monitor developments very closely and will quickly follow up with Chinese officials if it appears that a timely, transparent and appropriate allocation of quotas in 2003 is being threatened.

Tariff-rate Quotas on Industrial Products

China agreed to implement a system of TRQs designed to provide significant market access for three industrial products, including fertilizer, a major U.S. export. Under this type of TRQ system, a set quantity of imports is allowed at a low tariff rate, while imports above that level are subject to a higher tariff rate. In addition, for a period of years, the quantity of imports allowed at the low tariff rate increases annually by an agreed amount.

China's accession agreement specifies detailed rules, requiring China to operate its fertilizer TRQ system in a transparent manner and dictating precisely how and when China must accept quota applications, allocate quotas and reallocate unused quotas. In a side letter, China also agreed to issue necessary regulations in draft form by mid-October and in final form by the date of its accession and that its TRQ system would be operational in time for applications to be accepted and quota allocations to take place by December 31, 2001.

Problems with China's fertilizer TRQ allocation system appeared early on. SETC was late in issuing both draft and final regulations, and these regulations did not appear to be fully consistent with China's WTO commitments. The TRQ application process was similarly delayed, as it did not even begin until one month after the January 1 deadline for allocating TRQs. After SETC finally began accepting quota applications, further unexplained delay ensued. SETC finally began to allocate the first quotas in late April, nearly four months late, which meant that fertilizer imports were largely kept out of the Chinese market until after the Northern spring planting season, a boon to China's fertilizer producers. With the quota allocations, however, a new set of problems arose. The most immediate problem was a lack of transparency, which made it difficult to assess whether the quota allocations followed the rules set out in China's goods schedule, although SETC did provide a list of the allocations made. U.S. companies also complained of administrative guidance discouraging some TRQ holders from freely utilizing their quotas.

Throughout 2002, the United States repeatedly engaged China, at all levels of government, in order to improve this situation. Reflecting the growing concerns of the United States and U.S. industry and a lack of progress, the United States requested formal consultations with China under the headnotes in China's goods schedule. These consultations took place in September in Geneva. During the consultations, China was forthcoming in its responses and provided the United States with a better understanding of the challenges facing it, but the United States and China were unable to agree on concrete steps to remedy the situation.

As the 2002 TRQ year was drawing to a close, it appeared that some of the problems with SETC's fertilizer TRQ allocations may have been attributable to first-time difficulties in implementing a new system. For example, timeliness did not appear to be a problem as SETC prepared for the reallocation of TRQs in October, although in the end no reallocation took place because no TRQ holders returned unused quota amounts. But, other problems encountered in 2002 did not go away, and the United States and U.S. industry remained concerned as the 2003 TRQ year was approaching. SETC is still operating under imperfect TRQ regulations, transparency has not improved, and administrative guidance may affect how allocated 2003 TRQs are used. The United States will continue to monitor developments closely in 2003 and work to ensure that China fully complies with its commitments. The United States has also offered to provide technical assistance to China with regard to the implementation of its fertilizer TRQ allocation system.

Other Import Regulation

Antidumping

In its accession agreement, China committed that, by the time of its accession, it would revise its regulations and procedures for antidumping (AD) proceedings to make them consistent with the WTO Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the AD Agreement), which sets forth detailed rules prescribing the manner and basis on which a WTO member may take action to offset the injurious dumping of products imported from another WTO member. China also separately agreed to provide for judicial review of determinations made in its AD investigations and reviews.

Just before China's accession, the State Council issued new AD regulations, which became effective on January 1, 2002. These regulations replaced the regulations that had governed China's AD regime since it began bringing such cases in 1997. In the ensuing months, MOFTEC, which is charged with making determinations of dumping under the new regulations, issued several sets of provisional procedural rules covering initiation of investigations, questionnaires, sampling, verifications, information disclosure, access to non-confidential information, price undertakings, hearings, interim reviews, refunds and new shipper reviews. SETC, which is charged with making the determination of injury, has not yet issued any implementing rules covering the procedures applicable to its own proceedings. The State Council's Tariff Policy Commission makes the final decision on imposing, revoking or retaining AD duties, based on recommendations provided by MOFTEC, although its authority vis-à-vis MOFTEC and SETC is not clearly defined in the new regulations.

In August 2002, the Supreme People's Court issued *Rules on Certain Issues Related to Hearings of International Trade Administrative Cases*, which provide some guidance concerning judicial review of administrative agency decisions affecting international trade, including those in the AD and countervailing duty (CVD) areas. In early December 2002, the Supreme People's Court issued judicial interpretations specifically governing appeals of AD and CVD determinations, which

become effective January 1, 2003. The Supreme People's Court has also issued guidelines laying some groundwork for independent judicial review.

On the whole, China has made an impressive effort to conform its AD regulations to the provisions and requirements of the AD Agreement, which is in noticeable contrast to its pre-accession regulations. The provisions of China's new regulations generally track those of the AD Agreement, but certain omissions and ambiguities remain, and some provisions do not find a counterpart in the AD Agreement and may be inconsistent with it. The United States and other WTO members sought to explore and clarify these issues during the transitional review conducted by the WTO's AD Committee in October 2002. The key issues addressed included: the factors that China will examine in conducting an injury analysis; the definition of "interested" and "related" parties in China's AD practice; methods for calculation of export price and normal value; the use of facts available in AD determinations; and how China intends to identify and address evasion of AD measures. The United States will continue to seek needed clarifications before the AD Committee and through bilateral contacts, including technical assistance training and information exchanges.

There is insufficient data upon which to base an assessment of whether China has applied its new AD regulations and procedural rules in conformity with WTO AD rules. Although China became increasingly active in the AD area in 2002 (by initiating nine new AD investigations, compared to a total of twelve during the period from 1997, when China first established its AD regime, to 2001), none of its post-WTO accession investigations has reached the final determination stage. U.S. AD experts, however, have some concerns regarding China's respect for transparency, due process and procedural safeguards based on their evaluation of the regulations and procedural rules that have been promulgated to date and on how the Chinese authorities have handled the pending AD investigations.

According to U.S. AD experts, there are troubling signs of some potential shortcomings with regard to transparency. Based on their discussions with U.S. respondents in the pending AD investigations and on testimony at the hearing before the TPSC Subcommittee on China WTO Compliance, U.S. AD experts are concerned about insufficient openness in the practices of China's administering authorities, in terms of both decision-making processes and making sufficient information available for parties to understand the facts and mount effective arguments. While MOFTEC has made noteworthy efforts to make non-confidential information submitted during AD proceedings available to interested parties and to the public, U.S. AD experts believe that MOFTEC should do more in this regard. The SETC, meanwhile, has not yet established a means to make available to the public, or even to interested parties, non-confidential summaries of materials submitted to it. Moreover, at both agencies, there appears to be little or no disclosure of their respective analyses and decision-making processes. It may be that improvements will become more apparent – or will be instituted – as the Chinese authorities progress in the investigations now under way.

With regard to judicial review of AD determinations, the new rules adopted by the Supreme People's Court are generally encouraging. There does, however, remain some ambiguity regarding the judicial entities to which appeals of AD determinations may be made and the rules under which those appeals will be conducted, in part because there have been no appeals of AD determinations since China's WTO accession. (See the section below on Legal Framework, under the heading of Judicial Review, for a further discussion of the new Supreme People's Court rules.)

Countervailing Duties

China committed that, by the time of its accession, it would revise its regulations and procedures for conducting CVD investigations and reviews to make them consistent with the Agreement on Subsidies and Countervailing Measures (Subsidies Agreement), which sets forth detailed rules prescribing the manner and basis on which a WTO member may take action to offset the injurious subsidization of products imported from another WTO member. Although China did not separately commit to provide judicial review of determinations made in its CVD investigations and reviews, Subsidies Agreement rules require it.

Shortly before China's accession, the State Council issued new CVD regulations, which came into force on January 1, 2002. Later, MOFTEC, which has responsibility for determinations of subsidization under China's CVD regime, issued provisional procedural rules on initiation of investigations, questionnaires, verifications and hearings. The SETC, which determines injury in China's CVD proceedings, has not yet issued any implementing rules covering the procedures applicable to the proceedings before it. The Supreme People's Court, meanwhile, has issued new rules regarding judicial review, as discussed above under the heading of Antidumping.

As in the AD area, China has made a good faith effort to conform its CVD regulations and procedural rules to the provisions and requirements of the WTO rules. The provisions of China's regulations and procedural rules generally track those found in the Subsidies Agreement, although there are certain areas where key provisions are omitted or are worded in an ambiguous manner, and some provisions do not find a counterpart in the Subsidies Agreement and may be inconsistent with it. During the transitional review conducted in the WTO's Subsidies Committee in November 2002, the United States and other WTO members sought to clarify the following key issues: the roles and functions of the various administering authorities in a CVD proceeding; the definition of "subsidy" and "specificity" under China's CVD regulations; how China will determine injury; and China's provisions for ensuring respect for the confidentiality of submissions while providing transparency. The United States will continue to seek needed clarifications through the Subsidies Committee.

China has never initiated a CVD investigation, either pre- or post-WTO accession. Consequently, it is not yet possible to assess whether China applies its new regulations and procedural rules in conformity with WTO CVD rules.

Safeguards

China committed that, by the time of its accession, it would revise its regulations and procedures for conducting safeguard investigations to make them consistent with the WTO Agreement on Safeguards (Safeguards Agreement). That agreement imposes disciplines on WTO members' use of safeguard measures, such as the imposition of temporary quotas, to prevent or remedy serious injury from products imported from other WTO members.

Shortly before China's WTO accession, the State Council issued the *Regulations on Safeguards*, which became effective on January 1, 2002. Under these regulations, MOFTEC is responsible for determining whether the volume of imports has increased and (together with the SETC) whether there is a causal link between any such increased imports and injury to the domestic industry. MOFTEC has issued two sets of provisional procedural rules, one covering initiations and the other hearings. SETC, the agency charged with determining injury to the domestic industry, has not yet issued any general implementing rules covering procedures applicable to the proceedings before it.

As with the AD and CVD areas, it appears that China has made good faith efforts to implement its commitment to establish a WTO-consistent safeguard regime, as the provisions of China's new regulations and procedural rules generally track those of the Safeguards Agreement. However, certain omissions and ambiguity remain, and some provisions do not find a counterpart in the Safeguards Agreement and may be inconsistent with it. In the transitional review before the WTO Committee on Safeguards in October 2002, the United States and other WTO members sought clarification of these issues, which included: the treatment of confidential information; whether increased tariffs and quotas are the only types of safeguards relief permitted by Chinese law, and the responsibility of China's different administering authorities with regard to the application of these different remedies; application of the injury factors outlined in China's regulations and their consistency and completeness vis-à-vis Safeguards Agreement analytical requirements; and the terms and conditions governing the extension of a safeguard measure. The United States will continue to seek needed clarifications before the Safeguards Committee.

On May 20, 2002, MOFTEC initiated China's only safeguard investigation to date. The investigation addressed imports of certain steel products from several countries, including the United States. U.S. companies, however, export little of the subject merchandise to China, and none of them chose to participate in the investigation. China proceeded to impose provisional measures in the form of tariff-rate quotas on nine categories of products the day after initiation, and it rendered a final determination approximately six months later, on November 19, 2002. Even though this investigation has had little impact on U.S. companies, China's conduct of this investigation may have implications for future safeguard actions that could affect the interests of U.S. companies. The United States is therefore studying China's handling of this investigation and will be following further developments with an eye toward taking rapid action if U.S. interests are more directly impacted.

Export Regulation

China agreed in its WTO accession agreement that it would only maintain restrictions on exports (other than duties, taxes or other charges) where justified under WTO rules. Article XI of the General Agreement on Tariffs and Trade 1994 (GATT 1994) generally prohibits WTO members from maintaining export restrictions, although certain limited exceptions are allowed.

China also agreed to eliminate all taxes and charges on exports unless they were included in Annex 6 to the Protocol of Accession or are applied in conformity with Article VIII of GATT 1994. Article VIII of GATT 1994 only permits fees and charges limited to the approximate cost of services rendered and makes clear that they shall not represent an indirect protection to domestic products or a taxation of exports for fiscal purposes.

After its accession to the WTO, China has continued to impose restrictions and fees on exports of a few raw materials and intermediate products not included in Annex 6. In an attempt to justify these restrictions and fees, MOFTEC has invoked an exception in Article XX of GATT 1994 that permits a WTO member to impose restrictive export measures relating to the conservation of exhaustible natural resources, provided that such measures are made effective in conjunction with restrictions on domestic production or consumption. Fluorspar is one example of a raw material that is still subject to this type of export regulation. China imposes quotas and license fees on fluorspar exports, apparently with the design to support China's domestic users of fluorspar, which face no comparable restrictions. The United States raised its concerns about continuing export regulation of raw materials and intermediate products bilaterally with China. The United States also worked with other WTO members with an interest in this issue, including Japan, and it raised this issue during the Council for Trade in Goods' transitional review of China's compliance efforts, held in late November 2002. U.S. efforts to resolve this issue will continue in 2003.

Trading Rights

Prior to its accession, China restricted the number of companies with trading rights, i.e., the right to import and export goods, and it made extensive use of state trading enterprises. It also restricted the products that a particular company could import or export.

In its accession agreement, China agreed to phase in full trading rights for wholly Chinese-invested enterprises and foreign-invested enterprises and individuals over a three-year period, with only a relatively small number of goods continuing to be limited to state trading, predominantly with regard to the right to export. Upon accession, wholly Chinese-invested enterprises were to have full trading rights, subject to certain minimum registered capital requirements, to be gradually decreased during the three-year transition period. Joint ventures with minority foreign ownership are to be granted full trading rights within one year after accession, and joint ventures with majority foreign ownership must be granted full trading rights within two years after accession. All enterprises in China and all foreign enterprises and

individuals must be granted full trading rights within three years after accession. China also made similar commitments to phase out restrictions on distribution services, as discussed below in the Services section.

In July 2001, several months before China's accession to the WTO, MOFTEC began to loosen trading restrictions for its domestic, non-state trading enterprises with the issuance of its *Circular Concerning the Rules of the Administration of Trading Rights*. The objective of the rules in this circular is to shift MOFTEC out of trade management and towards simple registration of prospective domestic traders. These rules extend trading rights not only to private manufacturing firms, but also to private trading companies. In order to improve transparency, the rules set time limits for the approval process, meaning that applications can no longer be indefinitely held up by regulatory authorities. The rules also reduce the minimum registered capital requirement for wholly Chinese-invested enterprises to obtain trading rights. Beginning in 2002, the minimum registered capital for wholly Chinese-invested trading enterprises is RMB 5 million (\$603,000), except in the Central and Western Regions, where the requirement is RMB 3 million (\$362,000), and the minimum registered capital for wholly Chinese-invested manufacturing enterprises is RMB 3 million. These capital requirements are scheduled to fall to RMB 3 million for coastal traders in 2003, and by 2005 there will be no minimum capital requirement for any domestic traders or manufacturers. Since the issuance of the circular, the Chinese authorities have been regularly issuing trading rights under these new rules.

Also in July 2001, MOFTEC issued its *Circular Concerning the Extension of Trading Rights for Foreign-Funded Enterprises*, which granted trading rights to some foreign-invested firms ahead of schedule. This circular allows foreign-invested manufacturing firms located in China with over \$10 million in annual exports to trade in most products, and it allows research and development centers to import products for test marketing. Earlier in 2001, China had also loosened trading restrictions on foreign manufacturing facilities with a presence in China, although companies without an office in China were still required to use a Chinese agent. Because these new provisions for the most part only benefit large companies, some small and medium-sized companies are concerned that they will have a more difficult time entering the market once full trading rights are granted, in accordance with China's accession agreement.

In line with China's WTO commitments, MOFTEC is currently drafting regulations that will extend trading rights to all domestic and foreign enterprises within two more years. Under these regulations, it is expected that trading licenses will be issued automatically on the basis of routine applications and without reference to equity ownership, registered capital, scope of business, prior experience or other threshold requirements. The United States will continue to monitor developments in this area closely, particularly regarding the timeliness of the scheduled phase-in of trading rights for joint ventures with minority foreign ownership.

Internal Policies Affecting Trade

Non-Discrimination

China agreed to assume the obligations of GATT 1994, the WTO agreement that lays down the core principles that constrain and guide WTO members' policies relating to trade in goods. The two most fundamental of these core principles are the Most-Favored Nation (MFN), or non-discrimination, rule – referred to in the United States as “normal trade relations” – and the rule of national treatment.

The MFN rule (set forth in GATT Article I) attempts to put the goods of all of an importing WTO member's trading partners on equal terms with one another by requiring the same treatment to be applied to goods of any origin. It generally provides that if a WTO member grants another country's goods a benefit or advantage, it must immediately and unconditionally grant the same treatment to imported goods from all WTO members. This rule applies to internal taxes and charges, among other internal measures. It also applies to customs duties and charges of any kind connected with importing and exporting.

The national treatment rule (set forth in GATT Article III) complements the MFN rule. It attempts to put the goods of an importing WTO member's trading partners on equal terms with the importing member's goods by requiring, among other things, that a WTO member accord no less favorable treatment to imported goods than it does for like domestic goods. Generally, once imported goods have passed across the national border and import duties have been paid, the importing WTO member may not subject those goods to internal taxes or charges in excess of those applied to domestic goods. Similarly, with regard to measures affecting the internal sale, purchase, transportation, distribution or use of goods, the importing WTO member may not treat imported goods less favorably than domestic goods.

In its accession agreement, China agreed to repeal or revise all laws, regulations and other measures that were inconsistent with the MFN, or non-discrimination, rule upon accession. China also confirmed that it would observe this rule with regard to all WTO members, including separate customs territories, such as Hong Kong, Macau and Taiwan. In addition, China undertook to observe this rule when providing preferential arrangements to foreign-invested enterprises within special economic areas.

With regard to the national treatment rule, China similarly agreed to repeal or revise all inconsistent laws, regulations and other measures. China also specifically acknowledged that its national treatment obligation extended to the price and availability of goods or services supplied by government authorities or state-owned enterprises as well as to the provision of inputs and services necessary for the production, marketing or sale of finished products. Among other things, this latter commitment precludes dual pricing, i.e., the practice of charging foreign or foreign-invested enterprises more for inputs and related services than Chinese enterprises. China also agreed to ensure national treatment in respect of certain specified goods and services, which

had traditionally received discriminatory treatment in China, such as boilers and pressure vessels (upon accession), pharmaceuticals, chemicals and spirits (one year after accession) and after sales service (upon accession).

China reviewed its pre-WTO accession laws and regulations and revised many of those which conflicted with the WTO principles of MFN and national treatment. Most of these revisions were made to secure national treatment, including with regard to boilers and pressure vessels, after sales service, the pricing of pharmaceutical products, and registration requirements for foreign chemical products, among other areas.

Nevertheless, MFN and national treatment are still not observed in all areas. For example, China continues to generate MFN and other concerns through the manner in which it provides preferential import duty and value-added tax (VAT) treatment to certain Russian products under the auspices of border trade. Several U.S. industries also reported that China continued to apply the VAT in a manner that unfairly discriminates between imported and domestic goods, both through official measures and on an *ad hoc* basis, as discussed below in the Taxation section. In addition, it appeared that China applied sanitary and phytosanitary measures in a discriminatory manner in 2002, as discussed below in the Agriculture section. The United States has addressed these issues with China, both bilaterally and in WTO meetings, and it will continue to pursue them in 2003.

Taxation

China committed to ensure that its laws and regulations relating to taxes and charges levied on imports and exports would be in full conformity with WTO rules upon accession, including, in particular, the MFN and national treatment provisions of Articles I and III of GATT 1994.

Several U.S. industries have complained about the unfair operation of China's VAT system. Often, Chinese producers are able to avoid payment of the VAT on their products, either as a result of poor collection procedures, special deals or even fraud, while the full VAT still must be paid on competing imports. In discussions with Chinese officials on this issue, the United States has complained about the discriminatory treatment accorded to foreign products. The United States has also emphasized the value to China of a properly functioning VAT system as a revenue source, and it has begun to explore possible technical assistance that might help to alleviate this problem.

In some sectors, China issued formal tax measures that have had the effect of disadvantaging U.S. exports and therefore give rise to national treatment concerns. For example, in July 2001, the Ministry of Finance and the State Administration of Taxation issued a circular exempting all phosphate fertilizers except diammonium phosphate (DAP) from China's VAT. DAP, a product produced in the United States, competes with similar phosphate fertilizers produced in China, such as monoammonium phosphate (MAP). The circular also allowed a partial VAT rebate for domestic producers of urea, a nitrogen fertilizer, through the end of 2002. The United States

began to raise these issues with China soon after it acceded to the WTO, and it also raised them at the WTO in regular meetings of the Committee on Market Access throughout the year and during the transitional review held in late September 2002. So far, however, China has refused to make any changes. In 2003, the United States will continue to seek elimination of the differential tax treatment contained in the circular.

National treatment concerns also surround China's consumption tax regulations, which first went into effect in 1993 and applies to a range of consumer products, including spirits and alcoholic beverages, tobacco, cosmetics and skin and hair care preparations, jewelry, fireworks, rubber, motorcycles and automobiles. Under these regulations, China uses different tax bases to compute consumption taxes for domestic and imported products, with the result that the consumption taxes for imported products are substantially higher than those for domestic products. The United States raised this issue with China after its accession, both bilaterally and during the transitional review conducted by the WTO Committee on Market Access. However, China has so far not revised these regulations. The United States will continue to work for the revision of these regulations in 2003.

Subsidies

Upon its accession to the WTO, China agreed to assume the obligations of the WTO Subsidies Agreement, which addresses not only the use of CVD measures by individual WTO members (see the section above on Import Regulation, under the heading of Countervailing Duties), but also a government's use of subsidies and the application of remedies through enforcement proceedings at the WTO. As part of its accession agreement, China committed that it would eliminate, by the time of its accession, all subsidy programs prohibited under Article 3 of the Subsidies Agreement, i.e., subsidies contingent on export performance (export subsidies) and subsidies contingent on the use of domestic over imported goods (import substitution subsidies). This commitment expressly extended throughout China's customs territory, including in special economic zones and other special economic areas.

China also agreed to various special rules which apply when other WTO members seek to enforce the disciplines of the Subsidies Agreement against Chinese subsidies (either in individual WTO members' CVD proceedings or in WTO enforcement proceedings). Under these rules, WTO members can identify and measure Chinese subsidies using alternative methods in order to account for the special characteristics of China's economy. For example, when determining whether preferential government benefits have been provided to a Chinese enterprise via, e.g., a loan, WTO members can use foreign or other market-based criteria rather than Chinese benchmarks to ascertain the preferentiality of that loan and its terms. Special rules also govern the actionability of subsidies provided to state-owned enterprises.

China has not yet fulfilled one key requirement of the Subsidies Agreement, which is to notify certain information about its subsidy programs (on an annual basis). Although China submitted a subsidies notification in an annex to its accession agreement, that notification only contained

information through 1998 or 1999, and China acknowledged that it was far from comprehensive. While many WTO members (including the United States) have faced difficulties in keeping up with their annual notification obligations, timely and informative notifications are vital to satisfying the rights of other WTO members to know and understand the range and operation of a member's subsidy programs and to be assured that the member is not maintaining any prohibited subsidies. In this connection, the United States and other WTO members have urged China to submit a full and updated notification as soon as possible. They have also urged China to take advantage of notification training opportunities made possible through the WTO Secretariat and the efforts of other WTO members, and the United States has offered to share technical advice and the benefit of its own experience.

U.S. subsidies experts are currently seeking more information about several Chinese programs and policies that may confer prohibited export subsidies or import substitution subsidies. The programs in question benefit various high technology products in the electronics, bio-medicine, and new materials sectors, among others, as well as the integrated circuit industry. The experts are also examining subsidies provided by China in special economic areas to determine whether any of them may be contingent upon export performance or the use of domestic over imported goods. The United States raised these concerns and sought more information from China during the transitional review before the WTO's Subsidies Committee in November 2002, and it will continue to investigate these subsidy practices in 2003.

Price Controls

In its accession agreement, China agreed that it would not use price controls to restrict the level of imports of goods or services. In addition, in an annex to the agreement, China listed the limited number of products and services remaining subject to price control or government guidance pricing, and it provided detailed information on the procedures used for establishing prices. China agreed that it would try to reduce the number of products and services on this list and that it would not add any products or services to the list, except in extraordinary circumstances. During the transitional review before the Subsidies Committee, the United States sought, but did not obtain, detailed information from China on its use of price controls in 2002. The United States will continue to seek this information from China in 2003.

Standards, Technical Regulations and Conformity Assessment

With its accession, China also assumed obligations under the Agreement on Technical Barriers to Trade (TBT Agreement), which establishes rules and procedures regarding the development, adoption and application of voluntary product standards, mandatory technical regulations, and the procedures (such as testing or certification) used to determine whether a particular product meets such standards or regulations. Its aim is to prevent the use of technical requirements as unnecessary barriers to trade. The TBT Agreement applies to a broad range of industrial and agricultural products. It establishes rules that help to distinguish legitimate standards and technical regulations from protectionist measures. Among other things, standards, technical

regulations and conformity assessment procedures are to be developed and applied transparently and on a non-discriminatory basis and should be based on relevant international standards and guidelines, when appropriate.

In its accession agreement, China also specifically committed that it would ensure that its conformity assessment bodies operate with transparency, apply the same technical regulations, standards and conformity assessment procedures to both imported and domestic goods and use the same fees, processing periods and complaint procedures for both imported and domestic goods. In addition, China agreed to ensure that all of its conformity assessment bodies are authorized to handle both imported and domestic goods within one year of accession. China also consented to accept the Code of Good Practice (set forth in an annex to the TBT Agreement) within four months after accession, which it has done, and to speed up its process of reviewing existing technical regulations, standards and conformity assessment procedures and harmonizing them with international norms.

In anticipation of its WTO accession, China made significant progress in the areas of standards and technical regulations. China addressed problems that foreign companies had encountered in locating relevant regulations and how they would be implemented, and it took steps to overcome poor coordination among the numerous regulators in China. This progress continued after China's accession to the WTO.

China began to take steps in 2001 to address problems associated with its multiplicity of conformity assessment bodies, whose task it is to determine if standards and technical regulations are being observed. AQSIQ was established as a new ministry-level agency in April 2001. It is the result of a merger of the State Administration for Quality and Technical Supervision and the State Administration for Entry-Exit Inspection and Quarantine. Chinese officials explained that this merger was designed to eliminate discriminatory treatment of imports and requirements for multiple testing simply because a product was imported rather than domestically produced. China also formed the quasi-independent National Certification and Accreditation Administration, which is attached to AQSIQ and is charged with the task of unifying the country's conformity assessment regime. Despite these changes, however, foreign companies do not yet have any choice regarding which laboratories they can use to test their products. Foreign products are sent to laboratories specially designated for testing them.

China also announced its creation of the State Administration of China for Standardization (SACS) under AQSIQ in October 2001. SACS is charged with unifying China's administration of product standards and aligning its standards and technical regulations with international practices and China's commitments under the TBT Agreement. SACS is the Chinese member of the International Organization for Standardization and the International Electro-technical Commission.

AQSIQ, meanwhile, established a TBT inquiry point after China acceded to the WTO. U.S. companies report that this inquiry point has been helpful as they try to navigate China's system of standards and technical regulations. In addition, China's designated notification authority, MOFTEC, began to notify proposed technical regulations and conformity assessment procedures to WTO members in 2002, as required by the TBT Agreement. In some cases, the comment periods established by China were unacceptably brief. In other cases, insufficient time was provided for Chinese regulatory authorities to consider interested parties' comments before a regulation was adopted, although China recently demonstrated its awareness of this concern when it agreed to postpone adoption of a proposed fertilizer standard in order provide more time for its regulatory authorities to consider comments from U.S. industry.

In January 2002, AQSIQ issued regulations to facilitate its adoption of international standards. AQSIQ has announced that approximately 44 percent of China's nearly 20,000 national standards are based on international standards. Its goal is to have 70 percent of China's national standards based on international standards within 5 years. However, in a number of sectors, including, for example, autos, telecommunications equipment, electrical products, heating and air conditioning equipment, whiskey and fertilizer, concern has grown over the past year as China has pursued the development of unique requirements, despite the existence of well-established international standards. If China follows through and adopts arbitrarily unique requirements, it will be creating significant barriers to entry into its markets, as the cost of complying will be high for foreign companies. At the same time, China will also be placing its own companies at a disadvantage in its export markets, where international standards prevail.

AQSIQ also issued regulations establishing a new Compulsory Product Certification System. Under this system, there is to be one quality mark, called the "China Compulsory Certification" or "CCC" mark, issued to both Chinese and foreign products. This new mark became effective May 1, 2002, although the regulations allow companies a one-year grace period. Under the old system, domestic products were only required to obtain the "Great Wall" mark, while imported products needed both the "Great Wall" mark and the "CCIB" mark. Despite the changes made by these regulations, U.S. companies in some sectors complained in 2002 about continued duplication in certification requirements, particularly for cosmetics, pharmaceuticals, medical equipment, cellular telephones and other telecommunications products and consumer electronic products.

The United States raised these and other issues in the areas of standards, technical regulations and conformity assessment with China bilaterally. The United States also voiced its concerns during meetings of the WTO's TBT Committee, including the transitional review held in October 2002, where it received support from the EC, Japan and others. In addition, the United States conducted technical assistance programs for China on product standards development for the medical device, pharmaceutical and information and communication technology industries. These programs focused on the requirements of the TBT Agreement and national treatment issues. The United States will continue to engage the relevant Chinese authorities in the areas of standards, technical regulations and conformity assessment in 2003.

Other Internal Policies

State-Owned and State-Invested Enterprises

While many provisions in China's WTO accession agreement indirectly discipline the activities of state-owned and state-invested enterprises China also agreed to some direct disciplines. In particular, it agreed that laws, regulations and other measures relating to the purchase and commercial sale and production of goods or supply of services for commercial sale by state-owned and state-invested enterprises or for use in non-governmental purposes would be subject to WTO rules. China also affirmatively agreed that state-owned and state-invested enterprises would have to make purchases and sales based solely on commercial considerations, such as price, quality, marketability and availability, and that the government would not influence the commercial decisions of state-owned and state-invested enterprises. Since China's accession to the WTO, U.S. officials have not discovered evidence of WTO compliance problems in this area, although a lack of available information makes it a difficult area to assess.

State Trading Enterprises

In its WTO accession agreement, China also agreed to disciplines on the importing and exporting that was still taking place through state trading enterprises. China committed to provide full information on the pricing mechanisms of state trading enterprises and to ensure that their import purchasing procedures are transparent and fully in compliance with WTO rules. China also agreed that state trading enterprises would limit the mark-up on goods that they import in order to avoid trade distortions. The United States and other WTO members requested detailed information from China on the pricing and purchasing practices of state trading enterprises, principally through the transitional review before the WTO's Council for Trade in Goods in late November 2002. However, China has so far only provided general information, which does not allow a meaningful assessment of China's compliance efforts.

Government Procurement

The WTO Agreement on Government Procurement (GPA) is a plurilateral agreement, and membership is therefore limited to the 28 WTO members (including the United States) that so far have affirmatively decided to join it. The GPA applies to central and local government procurement of goods and services, and it requires GPA members to provide MFN and national treatment to the goods, services and suppliers of other GPA members and to adhere to detailed procedures designed to ensure fairness and predictability in the procurement process.

At present, China is not a GPA member. It committed to become an observer to the GPA upon its WTO accession, and in February 2002 it became an observer. It also committed to initiate negotiations for membership in the GPA "as soon as possible," but it has not yet done so.

In the interim, China did agree that all of its central and local government entities would conduct their procurements with transparency, as reflected in its accession agreement. China also agreed that, if a procurement were opened to foreign suppliers, it would provide MFN treatment by allowing all foreign suppliers an equal opportunity to participate in the bidding process. In June 2002, China adopted its *Government Procurement Law*, which becomes effective on January 1, 2003. This law attempts to follow the spirit of the GPA and also incorporates provisions from the United Nations Model Law on Procurement of Goods.

In 2003, the United States will continue to urge China to initiate negotiations for GPA membership. It will also monitor the treatment accorded to U.S. suppliers under the *Government Procurement Law*.

Investment

The Agreement on Trade-Related Investment Measures (TRIMS Agreement) prohibits investment measures that violate GATT Article III obligations to treat imports no less favorably than domestic products or the GATT Article XI obligation not to impose quantitative restrictions on imports. The TRIMS Agreement thus expressly requires elimination of measures such as those that require or provide benefits for the incorporation of local inputs (“local content requirements”) in the manufacturing process, or measures that restrict a firm’s imports to an amount related to its exports or related to the amount of foreign exchange a firm earns (“trade balancing requirements”). In its accession agreement, China also specifically agreed to eliminate export performance, local content and foreign exchange balancing requirements from its laws, regulations and other measures, and not to enforce the terms of any contracts imposing these requirements. In addition, China agreed that it would no longer condition importation or investment approvals on these requirements or on requirements such as technology transfer and offsets.

Beginning before its accession to the WTO, China revised its laws and regulations on foreign-invested enterprises to eliminate WTO-inconsistent requirements relating to export performance, local content and foreign exchange balancing as well as technology transfer. However, the revised laws and regulations continue to “encourage” technology transfer, without formally requiring it. U.S. companies are concerned that this “encouragement” will in practice amount to a “requirement” in many cases, particularly in light of the high degree of discretion provided to Chinese officials when reviewing investment applications. In addition, some Chinese officials have acknowledged that they continue to consider factors such as export performance and local content when deciding whether to approve an investment or to recommend approval of a loan from a Chinese policy bank, which is often essential to the success of an investment project. The United States and other WTO members, including the EC, Japan and Taiwan, raised these concerns during the transitional review conducted by the Committee on Trade-Related Investment Measures in October 2002. The United States will continue to follow this situation closely in 2003.

In a separate commitment, China agreed to revise its Industrial Policy for the Automotive Sector upon accession to make it compatible with WTO rules and principles. However, China has not yet revised this policy, and U.S. industry reports that some local officials continue to enforce the incompatible provisions of the policy. The Administration is fully engaged with China and relevant U.S. companies and organizations on this issue and is committed to achieving China's full implementation of this commitment.

Finally, in March 2002, the State Council issued a revised *Sectoral Guidelines Catalogue for Foreign Investment*. This catalogue brought China into compliance with its accession agreement commitments to open up certain sectors to foreign investment, including travel agencies, human resources companies, cinemas, railway cargo and publications distribution (see the Services section below), while it also opened up a number of other sectors not covered by China's accession agreement. One notable exception to this progress was the area of biotechnology seed development and production, which China changed to the "prohibited" category.

Agriculture

Overall, China's compliance efforts in the agriculture sector produced mixed results in 2002. While China made agreed tariff reductions, and some U.S. agricultural products experienced dramatic increases in sales to China, including beef, almonds and citrus, among others, particularly serious problems were encountered on many other fronts. For the United States, the key problems involved China's new biotechnology regulations, the administration of TRQs on bulk agricultural commodities, the application of sanitary and phytosanitary measures and inspection requirements, resulting in impeded market access for many U.S. agricultural products, particularly soybeans, wheat, corn, cotton, vegetable oils, poultry and pork. Some of these problems can be attributed to unfamiliarity with the relevant WTO agreements or the requirements of specific commitments made by China. Others, however, appear to have been driven by protectionist pressures within China. For the most part, little progress was made in resolving U.S. concerns, and U.S. exports of the affected products were well below industry expectations. Nevertheless, by the end of 2002, the United States did successfully reach a solution with China on the most troublesome problem facing the U.S. agriculture sector in 2002 – the timing of the requirement for obtaining permanent safety certificates under China's biotechnology regulations.

China's Commitments

Upon its accession to the WTO, China assumed the obligations of the WTO Agreement on Agriculture, which contains commitments in three main policy areas for agricultural products: market access, domestic support and export subsidies. In some instances, China also made further concessions, as specified in its accession agreement.

In the area of market access, WTO members committed to the establishment of a tariff-only regime, tariff reduction and the binding of all tariffs. As a result of its accession negotiations,

China agreed to significant reductions in tariffs rates on a wide range of agricultural products. China also agreed to eliminate quotas and implement a system of TRQs designed to provide significant market access for certain bulk commodities upon accession. This TRQ system is very similar to the one governing fertilizers (discussed above in the Import Regulation section). China's goods schedule sets forth detailed rules intended to limit the discretion of the agriculture TRQ administrator, the State Development and Planning Commission (SDPC), and to require SDPC to operate with transparency and according to precise procedures for accepting quota applications, allocating quotas and reallocating unused quotas.

In the area of domestic support, the basic thrust is to encourage a shift in policy to the use of measures that distort production and trade as little as possible. Essentially, WTO members committed to reduce over time the types of domestic subsidies and other support measures that distort production and trade, while WTO members remained free to maintain or even increase support measures that have little or no distorting effect, such as agricultural research or training by the government. China committed to a cap for trade- and production-distorting domestic subsidies that is lower than the cap permitted developing countries and that includes the same elements that developed countries use in determining whether the cap has been reached.

In the area of export subsidies, WTO members committed to ban the use of these subsidies unless they fall within one of four categories of exceptions, the principal one of which allows export subsidies subject to certain reduction commitments. However, like many other WTO members, China agreed to eliminate all export subsidies upon its accession to the WTO.

Another important area is covered by the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), under which China also became obligated. The SPS Agreement establishes rules and procedures regarding the formulation and application of sanitary and phytosanitary measures, i.e., measures taken to protect against risks associated with plant or animal borne pests and diseases, additives, contaminants, toxins and disease-causing organisms in foods, beverages or feedstuffs. The rules and procedures in the SPS Agreement require that sanitary and phytosanitary measures address legitimate human, animal and plant health concerns, do not arbitrarily or unjustifiably discriminate between WTO members' agricultural and food products, and are not disguised restrictions on international trade. The SPS Agreement requires that the measures in question be based on scientific principles and developed through risk assessment procedures, while at the same time it preserves each member's right to choose the level of protection it considers appropriate with regard to sanitary and phytosanitary risks.

Other WTO agreements also place significant obligations on China in the area of agriculture. Three of the most important ones are GATT 1994, the Import Licensing Agreement and the TBT Agreement, which are discussed above (in the sections on Import Regulation and Internal Policies Affecting Trade).

China also made several additional commitments that should help to rectify other problematic agricultural policies, either upon accession or after limited transition periods. For example, China

agreed to eliminate import monopolies maintained by state trading enterprises on agricultural goods such as wheat, rice and corn and to permit non-state trading enterprises to import specified shares of these goods.

China's Compliance Efforts

Tariffs

China implemented the required tariff changes on agricultural goods for 2002 on January 1, 2002, just as it did for industrial goods. The United States' review of these changes showed only a few minor discrepancies. For example, China continued its past practice of using specific, i.e., per kg, tariffs rather than ad valorem tariffs on chicken meat, although it remains unclear whether the per kg tariffs actually result in tariffs above the bound rates.

The 2002 tariff changes made by China included significant reductions in tariffs rates on agricultural goods of greatest importance to U.S. farmers and ranchers. Those tariff rates are scheduled to drop from a 1997 average of 31 percent to 14 percent in almost all cases within 5 years, although the most dramatic reductions took place in 2002.

For example, tariffs on many beef products have begun to fall significantly. By January 1, 2004, the tariffs on beef cuts are scheduled to be reduced from 45 percent to 12 percent, and the tariffs on beef carcasses will drop from 45 percent to 20-25 percent. Tariffs on dairy products are also being reduced substantially (by January 1, 2004). Butter tariffs fall from 50 percent to 10 percent, tariffs on milk and cream products fall from 25 percent to 10-15 percent, and tariffs on some cheeses falling from 50 percent to 12 percent. Tariffs on many other agricultural products will be showing similar declines, as China is scheduled to reduce tariffs on frozen potato products and grapes to 13 percent, on citrus products to 12 percent, and on apples, pears, almonds and pistachios to 10 percent.

In part due to these 2002 tariff reductions, some U.S. exports to China increased markedly. For example, exports of beef and beef variety meats increased by 37 percent in tonnage and by 28 percent in value during the first six months of 2002, when compared to the same period in 2001. U.S. citrus exports also rose dramatically in 2002, while U.S. almond growers anticipate that their exports will have increased by approximately \$50 million annually within one to three years of China's WTO accession.

However, not all of China's tariff cuts resulted in improved market access in 2002. As discussed below, because of problems that arose with some non-tariff barriers, market access for many U.S. agricultural products was still impeded.

China's Biotechnology Regulations

One of the most contentious agriculture issues that arose during China's first year of WTO membership involved new rules implementing June 2001 regulations relating to biotechnology safety, testing and labeling. The implementing rules, issued by China's Ministry of Agriculture (MOA) shortly before China's WTO Accession, did not provide adequate time for completion of mandated field trials and the issuance of permanent safety certificates for biotechnology products. As the March 2002 effective date for these implementing rules approached, trade in biotechnology products began to be disrupted. The U.S. products most affected were soybeans, which had seen exports to China grow to more than \$1 billion in 2001, while corn and other commodities, such as consumer products made from biotech commodities, remained at risk. Following concerted, high-level pressure from the United States, China agreed to a temporary solution in March 2002, which provided for a nine-month delay, effected through the issuance of temporary safety certificates, good through December 20, 2002.

By September 2002, it became apparent that high-level engagement would again be needed to head-off a major disruption of trade as the expiration date for the temporary safety certificates began to approach. During the run-up to the October Summit between Presidents Bush and Jiang, the United States and China were able to agree on an extension to the previous interim agreement, allowing for another nine-month delay (until September 2003) before permanent safety certificates would be required. It is anticipated that this extension will be sufficient, but the United States will continue to watch this area closely in 2003 and will continue to press on multiple fronts in an effort to ensure that further trade disruptions are avoided.

As the end of 2002 draws near, it appears that the extension achieved in September 2002 will help to add the market certainty that U.S. exporters of biotechnology products, and particularly soybeans, have sought. In marketing year 2001/2002, U.S. exports of soybeans fell from 5.7 million tons to 4.3 million tons, in large part because exports were effectively blocked in early 2002 due to the uncertainty surrounding MOA's implementing rules. With the start of the 2002/2003 marketing year in September 2002, exports picked up dramatically. For September and October 2002, exports totaled nearly 2.3 million tons, as compared to 1.5 million tons for the same period in the 2001/2002 marketing year, setting a record for the first two months of a marketing year.

Meanwhile, other U.S. concerns with China's biotechnology regulations and implementing rules remain, particularly with regard to risk assessment, labeling and field trials. The United States provided written comments on these issues to MOA in early 2002, and MOA has agreed to the creation of a special working group of U.S. and Chinese government agricultural specialists to discuss these issues.

Tariff-rate Quotas on Bulk Agricultural Commodities

Of particular concern in 2002 was the manner in which China implemented its first year commitments relating to TRQs on bulk agricultural commodities, which included several commodities of particular importance to U.S. farmers, such as wheat, corn, cotton and vegetable oils. SDPC was late to issue both draft and final regulations, and when they were issued, they were flawed. The regulations did not provide for the required transparency, imposed burdensome licensing procedures, and appeared to contravene agreed rules in China's accession agreement by allowing TRQ allocations to be reserved for the processing and re-export trade. SDPC was then late beginning the application process, and its subsequent allocation of TRQs did not even begin until late April, approximately four months late. Moreover, all of the available information indicated that SDPC had decided to allocate TRQs in a manner that would protect domestic farm interests and maintain the monopoly enjoyed by state trading enterprises. SDPC operated with only limited transparency, refusing to provide specific details on the amounts and the recipients of the allocations. At the same time, SDPC reserved a significant portion of the TRQs for the processing and re-export trade, despite China's market access and national treatment commitments. This practice kept down the market share held by imports in China's domestic market and, at the same time, created more competition for WTO members' processed goods in other export markets. In the case of cotton, more than 60 percent of the TRQs apparently were reserved for Chinese companies that process cotton for re-export. In addition, SDPC allocated a portion of the TRQs for some commodities in smaller than commercially viable quantities, thereby undermining China's market access commitments.

Throughout the first several months of 2002, the United States repeatedly engaged China, at all levels of government, in an attempt to improve SDPC's performance. The United States also raised its concerns at the WTO during meetings of the Committee on Agriculture and urged other WTO members to voice their concerns as well. When these efforts had generated no progress by July, the United States requested formal consultations with China under the headnotes contained in China's WTO goods schedule. These consultations took place in September in Geneva. The United States presented its full range of concerns to China, and it confirmed China's policy of reserving a portion of the TRQs for the use of the export processing and re-export trade in China.

Since then, some progress has been achieved. SDPC was able to complete the required re-allocation of 2002 TRQs in a timely manner, and it issued 2003 TRQs on time. The United States and U.S. industry remain concerned, however. As the United States pointed out during the transitional review before the Committee on Agriculture in late September 2002, SDPC is still operating under imperfect regulations, transparency has not been improved, and it appears that allocations will again be inappropriately reserved for the processing and re-export trade. The United States will continue to monitor developments in this area very closely in 2003 and will take actions necessary to obtain China's full compliance.

Sanitary and Phytosanitary Issues

U.S. exports were subjected to several SPS measures in 2002 that raised WTO concerns. For example, with regard to raw poultry and meat, China began to apply a standard that was not based on science, which had the effect of slowing imports from the United States. In particular, China declared zero tolerance for pathogens in imported raw poultry and meat. While it is possible to reduce contamination through cooking, the complete elimination of pathogens in raw poultry and meat is not reasonably achievable, short of irradiation. As a result, it is extremely doubtful that any country could produce raw poultry and meat meeting a zero-tolerance standard. Indeed, one troubling aspect of this problem was that China apparently did not apply this same standard to domestic raw poultry and meat. In addition, while the 1999 U.S.-China Agricultural Cooperation Agreement established an agreed level of TCK fungus tolerance in U.S. wheat, China has reportedly been requiring special treatment of wheat imported from the Pacific Northwest.

The United States repeatedly engaged China on these and other SPS issues during the past year, both bilaterally and during meetings of the WTO Committee on Sanitary and Phytosanitary Measures, including the transitional review held in November 2002. To date, however, little progress has been achieved. The United States will be holding further discussions with China in the coming months, and it will continue to press for resolution of these issues as 2003 progresses.

Inspection-Related Requirements

In the last half of 2002, China's inspection and quarantine agency, AQSIQ, began to impose inspection-related requirements that had the effect of restricting imports of some U.S. agricultural goods. AQSIQ requires importers to obtain quarantine inspection certificates before agricultural goods can enter China's market, and traders have reported that AQSIQ has imposed quantitative restrictions and time limits in connection with them. For example, in mid-2002, AQSIQ appeared to be limiting inspections of imported poultry and pork to no more than two shipments per month per importer, with each shipment not to exceed 200 metric tons.

The United States sought to achieve elimination of these restrictions in bilateral meetings with China, and it also raised its concerns during the transitional reviews conducted by the Committee on Agriculture in September 2002 and by the SPS Committee in November 2002. The United States will continue to seek a solution to this situation in 2003.

Export Subsidies

U.S. industry has expressed concern that China continues to use export subsidies for corn and perhaps cotton, despite its WTO commitment to eliminate all export subsidies upon its accession to the WTO. It appears that significant quantities of corn are being exported from China, including corn from Chinese government stocks, at prices below domestic prices in China. As a

result, U.S. corn exporters have lost market share for corn in Asian markets, while China is exporting record amounts of corn.

The United States raised questions about possible export subsidies with China, both bilaterally and during meetings before the Committee on Agriculture, including the transitional review held in September 2002. To date, however, it has been difficult to develop the necessary evidence to confirm the existence of the suspected export subsidies, in part because China has refused to provide information on its pricing structure. The United States will make every effort to ensure that any use of export subsidies is eliminated.

Intellectual Property Rights

With its acceptance of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), China took on the obligations to adhere to internationally accepted norms to protect and enforce the intellectual property rights held by U.S. and other foreign companies and individuals in China. Specifically, the TRIPS Agreement sets minimum standards of protection for copyrights and neighboring rights, trademarks, geographical indications, industrial designs, patents, integrated-circuit layout designs and undisclosed information. Minimum standards are also established by the TRIPS Agreement for the enforcement of intellectual property rights in administrative and civil actions and, at least in regard to copyright piracy and trademark counterfeiting, in criminal actions and actions at the border. The TRIPS Agreement requires as well that, with very limited exceptions, WTO members provide national and most-favored-nation treatment to the nationals of other WTO members with regards to the protection and enforcement of intellectual property rights.

At the time of its accession to the WTO, China was in the process of modifying the full range of IPR laws, regulations and implementing rules, including those relating to patents, trademarks and copyrights. China had completed amendments to its patent law, trademark law and copyright law, along with regulations for the patent law. Within several months after its accession, China issued regulations for the trademark law and the copyright law. China also issued various sets of implementing rules, and it issued regulations and implementing rules covering specific subject areas, such as integrated circuits, computer software and pharmaceuticals.

U.S. experts have carefully reviewed China's new IPR laws, regulations and implementing rules. In September 2002, together with other WTO members, the United States undertook a comprehensive review of them as part of the transitional review of China before the WTO's Council for Trade-related Aspects of Intellectual Property Rights (TRIPS Council) and identified various areas where China could make improvements. Overall, the United States and U.S. industry view the legal changes made by China as major improvements that generally move China generally in line with international norms in most key areas.

At the same time, significant concerns remain, particularly in IPR enforcement. The TRIPS Agreement requires China to implement effective enforcement procedures and to provide

remedies that have a deterrent effect. Although China has revised its IPR laws and regulations to strengthen administrative enforcement, civil remedies and criminal penalties, IPR violations are still rampant. IPR enforcement is hampered by lack of coordination among Chinese government ministries and agencies, local protectionism and corruption, high thresholds for criminal prosecution, lack of training and weak punishments.

As explained by one trade association, “[e]ffective enforcement against [IPR] infringement in China is universally recognized as the chief concern of [IPR] rights-holders, as piracy rates in China in all areas, including copyright, trademark and patents, continues to be excessively high.” U.S. copyright holders report, for example, that inadequate enforcement “has resulted in piracy levels in China for most copyright sectors at around or in excess of 90 [percent],” and “[l]osses due to piracy are estimated to be a staggering \$1.9 billion” annually.

The United States recognizes that addressing IPR enforcement problems in China is a critically important task. The United States worked with central and local government officials in China in 2002 in a determined and sustained effort to improve China’s IPR enforcement. A variety of U.S. agencies engaged in regular bilateral discussions with their Chinese counterparts and conducted numerous technical assistance programs for central and local government officials on TRIPS Agreement rules, IPR enforcement and rule of law issues. The United States’ effort also benefitted from cooperation with Japan and other WTO members to seek improvements in China’s IPR enforcement, both on the ground in China and at meetings of the TRIPS Council. The United States will continue this vital work in 2003.

Legal Framework

Patents

China’s new patent law went into effect on July 1, 2001, and implementing regulations became effective not long thereafter. They generally comply with China’s TRIPS Agreement obligations.

The new law and regulations strengthen patent protection, simplify patent examination and issuance procedures, and adjust the prior law and regulations to make them conform more closely to TRIPS Agreement provisions. For example, there is now a prohibition on advertising or marketing of infringing products, and judicial review of patent revocations is now available. The new law and regulations also make improvements in administrative and civil enforcement. Administrative authorities may now confiscate income from patent-infringing products and fine violators. On the civil enforcement side, there is a new provision allowing a patent holder (or trademark or copyright holder) in a civil proceeding to request immediate suspension of potentially infringing acts before requesting a formal legal determination. In addition, much larger damages can be awarded than in the past, when judges had no legal basis for levying stiff awards against violators. Judges in civil proceedings can now issue awards in the amount of the actual damages suffered by the injured party. If damages are difficult to calculate in a particular

case, damages can still be awarded in an amount equal to a reasonable multiple of the licensing fee involved.

U.S. companies have recently complained about a new regulation that appears to establish a broad right to require compulsory licensing of patents on all technologies introduced into China. The TRIPS Agreement limits compulsory licensing of semiconductor technology, and it further provides that compulsory licenses for this technology may only be granted for public, non-commercial use or to remedy anti-competitive behavior. This regulation may therefore be too broad.

Trademarks

China's new trademark law went into effect on December 1, 2001, and new implementing regulations took effect on September 15, 2002. The changes made by the new law and regulations were intended primarily to bring China into compliance with the minimum requirements of the TRIPS Agreement, which they largely did. Some problems do remain, however.

The United States, with the support of other WTO members, including the EC and Japan, raised concerns about whether foreign trademark owners are receiving national treatment with regard to well-known marks, which benefit from additional protections during the trademark prosecution process as well as enhanced civil and criminal enforcement, such as lower thresholds for criminal prosecution. China has recognized nearly 200 marks as well-known, none of which is a foreign mark. In response to the interventions by the United States and others, China committed to review the relevant provisions in its trademark regulations and to ensure that national treatment is provided.

The other area that raised national treatment concerns involves the registration of trademarks. Chinese enterprises can file for registration on their own, but foreign-invested enterprises must use a state-mandated agent. Following bilateral meetings between U.S. and Chinese officials and multilateral meetings at the WTO, including the transitional review before the TRIPS Council in September 2002, China amended its regulations to permit foreign-invested enterprises to file for trademarks without an agent.

Besides bringing China largely into compliance with the TRIPS Agreement, the new trademark law and regulations also substantially improve the legal framework for enforcement. These improvements can be found in each of the three areas of enforcement, i.e., enforcement by administrative authorities, civil judicial proceedings brought by rights holders and criminal prosecutions.

In the area of administrative enforcement, the authorities are now authorized to confiscate and destroy counterfeit products and the equipment used to manufacture them. They can also impose fines equal to three times the value of the counterfeit products and, in cases where it is

impossible to determine this value, discretionary fines of up to RMB 100,000 (\$12,500). Under the old regulations, fines were limited to 50 percent of the value of the counterfeit products.

With regard to civil judicial proceedings, the plaintiff trademark holder now can seek a preliminary injunction and can obtain an award equal to the amount of its actual damages. If the plaintiff's damage or the infringer's profits cannot be determined, the plaintiff can obtain statutory damages of up to RMB 500,000 (\$60,420).

Improvements in criminal enforcement have been attempted through the State Council's issuance of regulations designed to achieve the timely transfer of counterfeiting cases from administrative enforcement authorities to the police. Under these regulations, the administrative authorities are required to transfer cases to the police for criminal investigation based on the suspicion that a crime has been committed; the old regulations called for proof of a crime, not just suspicion, in order to transfer a case. Private parties are also authorized to file complaints with the criminal prosecutors if they believe that the administrative authorities have failed to transfer a case that meets the new threshold test. In addition, the Supreme People's Court and the Supreme People's Procuratorate issued judicial interpretations and prosecution guidelines aimed at clarifying the standards for criminal liability and enforcement.

Nevertheless, some problems remain in the area of enforcement. For example, a defendant may not be administratively fined and criminally fined for the same offense.

Copyrights

China's new copyright law took effect on October 27, 2001, and implementing regulations became effective on September 15, 2002. Together, the new law and regulations are designed to bring China into compliance with minimum TRIPS Agreement requirements, which they generally do.

At the same time, the new law and regulations also strengthen available enforcement measures. Now, in the area of administrative enforcement, the authorities are authorized to order a person to cease infringing activities and to confiscate and destroy pirated products and the equipment used to produce them. They can also impose fines equal to three times the value of the counterfeit products and, in cases where it is impossible to determine this value, discretionary fines of up to RMB 100,000 (\$12,500). In civil copyright infringement proceedings, the plaintiff copyright holder now can seek a preliminary injunction and can obtain an award equal to the amount of its actual damages. If damages are difficult to calculate in a particular case, they can be set as high as RMB 500,000 (\$60,420). Judges can also order confiscation of illegal gains, pirated copies and property used to conduct the infringement activities. The new law and regulations also place the burden of proof on the alleged infringer to prove that it has a legitimate license, and they allow for reference to China's contract law as a basis for fulfillment of the parties' licensing obligations. Meanwhile, in the area of criminal enforcement, as in the case of trademarks, there is a new regulation intended to achieve the timely transfer of piracy cases from

administrative enforcement authorities to the police, and new judicial interpretations and prosecution guidelines attempt to clarify the standards for criminal liability and enforcement.

The new law and regulations for the first time address copyrights issues related to the Internet. U.S. companies, however, would still like to see China accede to the World Intellectual Property Organization (WIPO) internet treaties and harmonize its laws and regulations fully with WIPO internet treaty requirements. Some observers view China's offer to host the annual WIPO Conference in April 2003 as a step in the right direction.

A new regulation on copyright protection for computer software products delineates the protected interests for computer software development, circulation and application. According to the regulation, an individual software developer may keep his or her copyright for life, and it will continue in the individual's name for 50 years after death.

Enforcement of IPR Laws and Regulations

The central government displayed strong leadership in modifying the full range of China's IPR laws and regulations in order to bring them into line with China's WTO commitments. Although some further improvements to these laws and regulations could be made in the area of IPR enforcement, the more critical issue is that the central government's leadership has not translated into effective IPR enforcement at the local level, as IPR infringement remains a serious problem throughout China. The reasons for this situation range from protectionism by local government officials and corruption to structural obstacles and lack of training.

Criminal enforcement, in particular, remains a major problem. U.S. companies complain that, in most regions of China, the police are either not interested in pursuing counterfeiting and piracy cases or simply lack the resources and training required to investigate these types of cases effectively. In addition, criminal prosecutions for the import or export of infringing products have never been undertaken. Moreover, even when IPR violations are referred for criminal prosecution, the actual prosecution of IPR crimes frequently requires coordination among a relatively large number of agencies at the national and local levels. Coordination nevertheless remains problematic, with different agencies often unwilling or unable to work together. In addition, ambiguity in China's IPR laws and regulations impedes criminal enforcement, as it is not always clear whether a particular activity warrants administrative, civil or criminal enforcement.

Effective enforcement is also impeded by limitations on enforcement powers, particularly in the area of administrative enforcement. For example, when administrative authorities decide on fines, the fine amounts are kept artificially low because the administrative authorities do not treat the infringing goods as having the value of the genuine articles. Furthermore, evidence showing that a person was caught warehousing infringing goods is not sufficient to prove an intent to sell them, and as a result administrative authorities will not even include those goods in the value of the infringing goods when determining the fine amounts.

China is making efforts to upgrade its judicial system, but these efforts are still in progress. U.S. companies complain that there is still a lack of consistent and fair enforcement of China's IPR laws and regulations in the courts. They have found that most judges lack necessary technical training and that court rules regarding expert witnesses are vague, among other issues. In addition, in the patent area, where enforcement through civil litigation is of particular importance, a single case still takes four to seven years to complete, rendering the new damages provisions adopted to comply with China's TRIPS Agreement obligations less meaningful.

Meanwhile, the central government did initiate a new anti-counterfeiting and anti-piracy campaign in 2002. As in prior years, this campaign resulted in high numbers of seizures. For example, according to Chinese government reports, the 2002 campaign initially focused on clearing the market of illegal publications and pirated computer and video discs. By the end of May, it was reported that more than 400,000 government agents had been sent out to conduct investigations, and 16 million copies of illegal publications and 39 million pirated discs were reportedly seized. Nevertheless, these centrally mandated enforcement campaigns do not appear to have significantly impacted most sectors, either due to the sporadic nature of these campaigns or the lack of deterrent criminal penalties, particularly for commercial-scale piracy of foreign copyrights.

Services

The commitments that China made in the services area begin with the General Agreement on Trade in Services (GATS). The GATS provides a legal framework for addressing market access and national treatment limitations affecting trade and investment in services. It includes specific commitments by WTO members to restrict their use of those limitations and provides a forum for further negotiations to open services markets around the world. These commitments are contained in national services schedules, similar to the national schedules for tariffs.

In its services schedule, China committed to the substantial opening of a broad range of services sectors through the elimination of many existing limitations on market access, at all levels of government, particularly in sectors of importance to the United States, such as banking, insurance, telecommunications and professional services. These commitments are far-reaching, particularly when compared to the services commitments of many other WTO members.

China also made certain "horizontal" commitments, which are ones that apply to all sectors listed in its services schedule. The two most important of these cross-cutting commitments involve acquired rights and the licensing process. Under the acquired rights commitment, China agreed that the conditions of ownership, operation and scope of activities for a foreign company, as set out in the respective contractual or shareholder agreement or in a license establishing or authorizing the operation or supply of services by an existing foreign service supplier, will not be made more restrictive than they were on the date of China's accession to the WTO. In other words, if a foreign company had pre-WTO accession rights that went beyond the commitments

made by China in its services schedule, that company could continue to operate with those rights.

Finally, in the licensing area, prior to China's WTO accession, foreign companies in many sectors did not have an unqualified right to apply for a license to operate in China. They could only apply for a license if they first received an invitation from the relevant Chinese regulatory authorities, and even then the decision-making process lacked transparency and was subject to inordinate delay and discretion. In its accession agreement, China committed to licensing procedures that were streamlined, transparent and more predictable.

Distribution

Prior to its WTO accession, China generally did not permit foreign companies to distribute products in China, i.e., to provide wholesaling, retailing, franchising or commission agent services or to provide related services, such as repair and maintenance services. In its accession agreement, China agreed to phase out these prohibitions over three years, subject to limited exceptions.

Upon accession, all foreign-invested enterprises are to have the right to distribute and provide related services for goods that they make in China. Then, within one year after accession, the first significant step in the extension of distribution rights to foreign enterprises is scheduled to take place. At that time, minority foreign-invested enterprises will have the right to distribute goods, whether made in China or imported, and provide related services, with some exceptions. Within two years after accession, majority foreign-invested enterprises will have these rights. Within three years, foreign-invested enterprises and wholly foreign-owned enterprises will have the right to distribute and provide related services for almost all types of goods, whether made in China or imported.

The United States is monitoring developments in this area carefully, with the focus now on ensuring that China implements its commitment to extend distribution rights to minority foreign-invested enterprises by December 11, 2002. Currently, the United States is concerned that China has not yet issued any regulations implementing this commitment, either in draft or final form. Implementing regulations are necessary to provide more certainty to foreign enterprises planning distribution systems, and until they are issued, foreign enterprises may be reluctant to go forward with their plans.

Financial Services

Banking

Prior to its accession to the WTO, China had allowed foreign banks to conduct foreign currency business in selected cities. Although China had also permitted foreign banks, on an experimental

basis, to conduct local currency business, the experiment was limited to foreign customers in two cities.

In its accession agreement, China committed to a five-year phase-in for banking services by foreign banks. Specifically, China agreed that, immediately upon its accession, it would allow U.S. and other foreign banks to conduct foreign currency business with Chinese enterprises and individuals throughout China. The ability of U.S. and other foreign banks to conduct domestic currency business with Chinese enterprises and individuals is scheduled to be phased in. Within two years after accession, foreign banks will be able to conduct domestic currency business with Chinese enterprises, subject to certain geographic restrictions. Within five years after accession, foreign banks will be able to conduct domestic currency business with Chinese individuals, and all geographic restrictions will be lifted. Foreign banks will also be permitted to provide financial leasing services at the same time that Chinese banks are permitted to do so.

Shortly after China's accession to the WTO, the People's Bank of China (PBOC) issued regulations governing foreign-funded financial institutions, along with implementing rules, which became effective February 1, 2002. The PBOC has also issued several other related measures. Although these measures have kept pace with the commitments that China made, the PBOC has so far decided to exercise extreme caution as it opens up the banking sector. In particular, it has imposed working capital requirements and other prudential rules that far exceed international norms, both for the foreign financial institutions' headquarters and branches, thereby making it more difficult for foreign financial institutions to establish and expand their market presence in China. In addition, the PBOC has been slow to act on foreign banks' applications for approval to conduct foreign currency business, although several foreign banks have received the necessary approval and begun their operations.

In bilateral meetings, the United States has urged the PBOC to reconsider its prudential requirements and to bring them in line with international norms. Together with other WTO members, the United States also raised these same concerns during the transitional review conducted by the WTO Committee on Trade in Financial Services in October 2002. The United States will continue to engage China on this issue in 2003.

Insurance

Prior to its accession, China allowed selected foreign insurers to operate in China on a limited basis and in only two cities. Three U.S. insurers had licenses to operate, and several more were either waiting for approval of their licenses or were qualified to operate but had not yet been invited to apply for a license by China's insurance regulator, the China Insurance Regulatory Commission (CIRC).

In its accession agreement, China agreed to phase out existing geographic restrictions on all types of insurance operations during the first three years after accession. It also agreed to expand the ownership rights of foreign companies. Upon accession, foreign life insurers were permitted to

hold 50 percent equity share in a joint venture. Foreign property, casualty and other non-life insurers were permitted to establish as a branch or as a joint venture with 51 percent foreign equity share upon accession, and they will be able to establish as a wholly foreign-owned subsidiary two years after accession. In addition, foreign insurers handling large scale commercial risks, marine, aviation and transport insurance and reinsurance were permitted 50 percent foreign equity share in a joint venture upon accession; they will be able to own 51 percent three years after accession and establish as a wholly foreign-owned subsidiary five years after accession. China further agreed that all foreign insurers will be permitted to expand the scope of their activities to include group, health and pension lines of insurance within five years after accession.

CIRC issued several new insurance regulations shortly after acceding to the WTO, including ones directed at the regulation of foreign insurance companies. These regulations implemented many of China's commitments, but they also created problems in three critical areas, i.e., prudential requirements, transparency and branching.

The regulations establish high and redundant capitalization requirements. While China has a justified interest in maintaining appropriate prudential requirements, its capitalization requirements are significantly more exacting than those of other populous countries with no less an interest in preserving a healthy insurance market. It is expected that the effect of these requirements will be to limit the ability of foreign insurers to make necessary joint venture arrangements, and thus to limit the viability of foreign participation in the Chinese insurance market.

With regard to transparency, the regulations continue to permit considerable bureaucratic discretion and offer limited certainty to foreign insurers seeking to operate in China's market. To date, this lack of transparency has manifested itself particularly in the licensing process. Even though China had agreed to award new licenses to qualified foreign insurers based solely on prudential criteria, with no need for an invitation to apply and no quantitative limits on the number of licenses or restrictions such as an economic-needs test, CIRC has been slow to act on pending applications.

With regard to branching, China scheduled a commitment to allow non-life firms to establish as a branch in China upon accession and to permit internal branching in accordance with the lifting of China's geographic restrictions. China further agreed that foreign insurers already established in China that were seeking authorization to establish branches or sub-branches would not have to satisfy the requirements applicable to foreign insurers seeking a license to enter China's market. Notwithstanding these clear commitments, the regulations are vague on foreign insurers' branching rights, and CIRC has insisted that non-life insurers that are already in the market as a branch and that wish to branch or sub-branch cannot do so unless they first establish as a subsidiary, a costly – and unnecessary – proposition.

In close consultation with U.S. insurers, the United States raised these issues in bilateral meetings with CIRC shortly after the regulations were issued. The United States also held further bilateral

meetings with CIRC, MOFTEC and the State Council throughout the year to emphasize the seriousness of its concerns, and it raised them again during the Committee on Trade in Financial Services' transitional review of China in mid-October 2002, where it received support from Canada, the EC, Japan and Switzerland. The United States continued to raise its concerns bilaterally during the run-up to the October 25 Summit between Presidents Bush and Jiang, and CIRC began to show some flexibility. It agreed to establish a working group, composed of U.S. regulators and insurers, to discuss insurance issues, with a particular focus on appropriate capitalization requirements and other prudential standards. The first meeting of the working group is scheduled for December 2002.

One other development of note took place earlier in 2002. CIRC lifted certain geographic restrictions applicable to foreign life insurers ahead of schedule. It approved life insurance operations in Beijing, Suzhou and Tianjin, two years before China had committed to do so in its services schedule. Other foreign life insurers now are guaranteed the same access to those cities.

Motor Vehicle Financing

In its WTO accession agreement, China agreed to open up the motor vehicle financing sector to foreign non-bank financial institutions for the first time, and it did so without any limitations on market access or national treatment. These commitments became effective immediately upon China's accession to the WTO.

Despite these commitments, China has not yet opened up this sector to foreign companies, and therefore China's commercial banks remain the only financial institutions able to offer auto loans. It is anticipated that China will open up this sector once the Chinese regulator, the PBOC, has been able to finalize necessary regulations.

In June and again in September 2002, the PBOC released draft regulations for comment. As drafted, these regulations represent an important step in leveling the playing field for foreign and Chinese entities, but they also raise serious concerns about their consistency with China's commitments. The key WTO issues involve excessive capitalization requirements, excessive net asset requirements and an unnecessarily long approval process. Working closely with U.S. industry, the United States filed written comments with the PBOC on the June draft of the regulations and again on the September draft, which had reflected some improvements. In addition, the United States emphasized the seriousness of its concerns in bilateral meetings with the PBOC and as part of the Council for Trade in Services' transitional review in October 2002. The United States also urged China to issue final regulations quickly, so that this sector could be opened to foreign companies. The United States will continue to monitor developments closely through the end of 2002 and in 2003.

Professional Services

China made specific commitments to provide increased market access for several professional services sectors. Of these sectors, the one that has received the most attention, and the most controversy, is legal services.

Prior to its WTO accession, China had imposed various restrictions in the area of legal services. It maintained a prohibition against representative offices of foreign law firms practicing Chinese law or engaging in profit-making activities with regard to non-Chinese law. It also imposed restrictions on foreign law firms' formal affiliation with Chinese law firms, limited foreign law firms to one representative office and maintained geographic restrictions.

China's accession agreement provides that, upon China's accession to the WTO, foreign law firms may provide legal services through one profit-making representative office, which must be located in one of several designated cities in China. The foreign representative offices will be able to advise clients on foreign legal matters and to provide information on the impact of the Chinese legal environment, among other things. They will also be able to maintain long-term "entrustment" relationships with Chinese law firms and be able to instruct lawyers in the Chinese law firm as agreed between the two law firms. All quantitative and geographic restrictions will be phased out within one year of China's accession to the WTO, which means that foreign law firms should be able to open more than one office anywhere in China beginning on December 11, 2002.

In December 2001, the State Council issued the *Regulations on the Administration of Foreign Law Firm Representative Offices*. In July 2002, the Ministry of Justice issued implementing rules. While these new measures removed some market access barriers, they also generated concern among foreign law firms doing business in China. In many areas, these measures are ambiguous. For example, it appears that these measures have created an economic needs test for foreign law firms that want to establish offices in China, contrary to China's GATS commitments. These measures also seem to take an overly restrictive view of the types of legal services that foreign law firms may provide. In addition, the procedures for establishing a new office or an additional office are unnecessarily long and call into question China's commitment to eliminate all quantitative limitations on new offices by December 11, 2002.

In consultation with U.S. law firms, the United States carefully reviewed the new measures and expressed its concerns in written comments and in bilateral meetings with China's Ministry of Justice and MOFTEC earlier this year. Together with the EC and Japan, the United States also presented its detailed concerns and questions to China in connection with the transitional review of China's compliance efforts before the Council for Trade in Services, held in October 2002. The United States will continue to work with China in 2003 in an attempt to resolve its concerns.

Telecommunications

In its accession agreement, China agreed to important commitments in the area of telecommunications services. It committed to permit foreign suppliers to provide a broad range of services through joint ventures with Chinese companies, including domestic and international wired services, mobile voice and data services, value-added services, such as electronic mail, voice mail and on-line information and database retrieval, and paging services. The foreign stake permitted in the joint ventures is to increase over time, reaching a maximum of 49 percent for most types of services. In addition, all geographical restrictions are to be eliminated within two to six years after China's WTO accession, depending on the particular services sector.

Importantly, China also accepted key principles from the WTO Agreement on Basic Telecommunications Services. As a result, China became obligated to separate the regulatory and operating functions of MII (which has been both the telecommunications regulatory agency in China and the operator of China Telecom) upon its accession. China also became obligated to adopt pro-competitive regulatory principles, such as cost-based pricing and the right of interconnection, which are necessary for foreign-invested joint ventures to compete with China Telecom.

In December 2001, the State Council issued regulations on the administration of foreign-invested telecommunications enterprises. These regulations implement China's commitments by providing for the establishment of foreign-invested joint ventures, and they set forth relatively clear procedures and requirements for the joint ventures when applying for approval to commence operations, although, as in several other services sectors, they also establish capital requirements (in basic and value-added telecommunications services) that pose a barrier to entry for many potential foreign suppliers. Nevertheless, since the issuance of these regulations, several foreign-invested joint ventures have applied for and received approvals to begin operations.

China has not yet made any progress toward establishing an independent regulator in the telecommunications sector. The current regulator, MII, is not structurally or financially separate from all telecommunications operators and providers. The United States and the EC raised this issue during the transitional review of China's compliance efforts before the Council for Trade in Services in October 2002. The United States will continue to pursue this matter in 2003.

China has also used regulatory authority to disadvantage foreign firms during 2002. For example, MII arbitrarily raised settlement rates for international calls terminating in China, which had the effect of artificially boosting the revenues of Chinese telecommunications operators at the expense of foreign firms. At times, MII also changed applicable rules without notice and without transparency. The United States has voiced its concerns bilaterally with China and will continue to address these matters in 2003.

Express Delivery Services

The specific commitments that China made in the area of express delivery services for the most part were forward-looking and did not require China to take implementation action during the first year of its WTO accession. Basically, China agreed to increase the stake allowed by foreign express delivery companies in joint ventures over a period of years, with wholly foreign-owned subsidiaries allowed within four years of accession.

Nevertheless, shortly after acceding, China issued two problematic measures. These measures required Chinese and foreign-invested international express delivery companies, including those which were already licensed by MOFTEC to provide international express delivery services, except for the delivery of private letters, to apply for and obtain so-called “entrustment” authority from China’s postal authorities, China Post, their direct competitor, if they wanted to continue to provide express delivery services. The measures also placed new weight and rate restrictions on the letters that the companies could handle, assuming that they could obtain entrustment authority.

Working closely with U.S. express delivery companies and other affected WTO members, particularly the EC and Japan, the United States led an effort to convince China to revise these measures. In repeated contacts in Beijing at all levels of government, and through multilateral meetings at the WTO in Geneva, the United States argued that the measures placed new restrictions on the conditions of operation and the scope of activities of existing foreign-invested express delivery companies, contrary to China’s horizontal “acquired rights” commitment (discussed at the beginning of the Services section). The United States also expressed concern that China Post would be serving both as the regulator and as one of the competitors in the express delivery industry, and it emphasized the crucial role played by experienced international express delivery companies in China’s economy. At the same time, U.S. express delivery companies and their Chinese joint venture partners also expressed their dissatisfaction directly with the Chinese government.

In response to these government and private sector efforts, China delayed the implementation of these measures. On September 5, 2002, China issued a new measure, which eliminated the weight and rate restrictions and eased burdensome aspects of the entrustment application process. In bilateral meetings, China also provided assurances that the regulatory and operational functions of China Post would be split up and that MOFTEC would seek to ensure that China Post did not abuse its regulatory authority. Subsequently, on October 23, following continued U.S. pressure during the run-up to the Bush-Jiang Summit, China streamlined the entrustment application process even further and effectively eliminated China Post’s ability to exercise its discretionary authority to reject entrustment applications from foreign-invested express delivery companies already licensed by MOFTEC. According to the measure, these companies need only present their MOFTEC licenses to the postal authorities to receive entrustment certificates, and the entrustment certificates would have the same scope and duration as the MOFTEC licenses.

The measure also provided that these companies do not have to apply for separate entrustment certificates for existing or new branches.

U.S. express delivery companies and their Chinese joint venture partners subsequently applied for and obtained the needed entrustment authority from China Post. They have been able to continue to operate in China, without disruption to their business.

Logistics

On July 29, 2002, MOFTEC published a *Notice on Establishing Foreign-invested Logistics Companies in Trial Regions*. The scope of the activities covered by the term “logistics services” in this notice is unclear, but it appears that it encompasses some services sectors for which China made commitments in its services schedule. If that is the case, the notice may raise certain WTO-consistency issues. For example, the rules in the notice cap foreign participation in a foreign-invested logistics company at 50 percent. If “logistics services” as used in the notice includes freight forwarding and auxiliary services, there may be a conflict with China’s accession agreement, where China committed to allow foreign majority ownership for freight forwarders and providers of auxiliary services within one year of accession, or by December 11, 2002. Another key concern with the notice is that it imposes high capital requirements, which will serve to exclude smaller companies from the market.

The United States raised these concerns with China as part of the transitional review before the WTO’s Council for Trade in Services, which took place in October 2002, and received some clarifications from China. The United States will continue to pursue this matter in 2003.

Other Services

In its accession agreement, China agreed to give foreign service suppliers increased access in several other sectors, including audio-visual services, tourism and travel-related services, construction and engineering services, educational services and environmental services. In each of these sectors, China committed to the phased elimination or reduction of various market access and national treatment limitations. To date, the United States has not discovered any significant problems with China’s implementation of the commitments made in these sectors, and U.S. companies confirm that the relevant laws and regulations are generally in compliance with China’s WTO commitments.

Legal Framework

In order to address major concerns raised by WTO members during its lengthy WTO accession negotiations, China committed to broad legal reforms in the areas of transparency, uniform application of laws and judicial review. Each of these reforms, if implemented, will strengthen the rule of law in China’s economy and help to address pre-WTO accession practices that made it difficult for U.S. and other foreign companies to do business in China.

Transparency

China made a number of transparency commitments in its accession agreement. One of the most important of these commitments concerned the procedures for adopting or revising laws and regulations, given that China's accession to the WTO became effective while China was still in the process of revising its trade-related laws and regulations to become WTO-consistent. China agreed to provide a reasonable period for public comment on these new or modified laws and regulations before implementing them, except in certain specific instances, enumerated in China's accession agreement. China also agreed to translate all of its trade-related laws and regulations into one or more of the WTO languages (English, French and Spanish) and to regularly publish them in official journals.

To date, China's ministries and agencies have a poor record of providing an opportunity for public comment before new or modified laws and regulations are implemented. Although the State Council issued new regulations in December 2001 addressing the procedures for the formulation of administrative regulations and rules and expressly allowing public comment, many of China's ministries and agencies continued to follow the practice prior to China's accession to the WTO. The ministry or agency drafting a new or revised law or regulation will normally consult with and submit drafts to other ministries and agencies, Chinese experts and affected Chinese companies. At times, it will also consult with select foreign companies, although it will not necessarily share drafts with them. As a result, only a small proportion of new or revised laws and regulations, mostly from the PBOC and the China Securities Regulatory Commission, have been issued after a period for public comment, and even in these cases the amount of time provided for public comment has generally been too short.

Other State Council regulations issued in December 2001 require the publication of new or amended regulations thirty days before their implementation, and almost all new or revised laws and regulations have been available (in Chinese) soon after issuance and prior to their effective date, an improvement over pre-WTO accession practice. China has, however, lagged behind in its obligation to provide translations of these laws and regulations, in large part because of the extraordinary number of laws and regulations issued during the last year.

In bilateral meetings with the State Council and other Chinese ministries, the United States has emphasized the importance of China's adherence to the notice and comment commitment in China's accession agreement, both in terms of fairness to WTO members and the benefits that would accrue to China. The United States has also offered to provide technical assistance to facilitate Chinese ministries' understanding of the workings, and benefits, of an open and transparent rulemaking process. Together with other WTO members, the United States has also raised this issue during regular WTO meetings and as part of the transitional reviews being conducted this year before WTO councils and committees. The United States will continue to work to secure China's full compliance with this fundamental commitment in 2003.

To facilitate understanding of its trade-related laws and regulations, China also agreed to establish enquiry points, which respond to questions and information requests from any WTO member or foreign company or individual. Under the agreed terms, these enquiry points normally must provide responses to inquiries within 30 days. In compliance with this obligation, China established a WTO Enquiry and Notification Center, operated by MOFTEC's Department of WTO Affairs, in January 2002. Other ministries and agencies have also established formal or informal, subject-specific enquiry points. U.S. companies have generally found these various enquiry points to be responsive and helpful, and they have generally received timely replies. Because of the success of these enquiry points, some ministries and agencies are planning to create websites to provide answers to frequently asked questions as well as further guidance and information. MOFTEC was the first one to do so, with a special website that became operational in September 2002.

Uniform Application of Laws

In its accession agreement, China committed, at all levels of government, to apply, implement and administer its laws, regulations and other measures relating to trade in goods and services in a uniform and impartial manner throughout China, including in special economic areas. In support of this commitment, China agreed to establish an internal review mechanism to investigate and address cases of non-uniform application of laws based on information provided by companies or individuals.

In anticipation of these commitments, the State Council issued the *Regulations Concerning Prohibiting the Implementation of Regional Barriers in the Course of Market Economy Activities* on April 21, 2001. These regulations give the central government new powers to discipline local government officials who pursue or implement policies that are inconsistent with central government laws and regulations.

Since China's WTO accession, the central government has also launched an extensive campaign to inform and educate both central and local government officials and State-owned enterprise managers about WTO rules and their benefits. In addition, several provinces and municipalities have established their own WTO centers, designed to supplement the central government's efforts and to position themselves so that they will be able to take full advantage of the benefits of China's WTO membership.

China has also established an internal review mechanism to handle cases of non-uniform application of laws. This responsibility falls to MOFTEC's Department of WTO Affairs, but the actual workings of this mechanism are not yet clear.

During 2002, some problems with uniformity persisted. These problems are discussed above in the sections on Customs and Trade Administration, Taxation, Investment and Intellectual Property Rights.

Judicial Review

China agreed to establish tribunals for the review of all administrative actions relating to the implementation of laws, regulations, judicial decisions and administrative rulings on trade-related matters. These tribunals must be impartial and independent of the government authorities entrusted with the administrative enforcement in question, and their review procedures must include the right of appeal.

Beginning before China's accession to the WTO, China had taken steps to improve the quality of its judges. For example, in 1999, the Supreme People's Court began requiring judges to be appointed based on merit and educational background and experience, rather than through politics or favoritism. However, existing judges, many of whom have had no legal training, were grandfathered.

Many U.S. companies continue to express serious concern about the independence of China's judiciary. In their experience and observation, Chinese judges are often influenced by political, government or business pressures, particularly outside of China's big cities.

In August 2002, the Supreme People's Court issued *Rules on Certain Issues Related to Hearings of International Trade Administrative Cases*. These rules designate certain higher-level courts to hear cases involving administrative agency decisions relating to international trade in goods or services or intellectual property rights. According to the Supreme People's Court, China's more experienced judges sit on the designated courts, and the geographic area under the jurisdiction of each of these designated courts has been broadened in an attempt to minimize local protectionism. The rules provide that foreign (or Chinese) enterprises and individuals may bring lawsuits in the designated courts raising challenges, under the *Administrative Litigation Law*, to decisions made by China's administrative agencies relating to international trade matters. The rules also state that when there is more than one reasonable interpretation of a law or regulation, the courts should choose an interpretation that is consistent with the provisions of international agreements to which China has committed, such as the WTO rules. Because the rules only took effect on October 1, 2002, foreign companies so far have had little experience with their implementation. The United States will closely monitor how the designated courts handle international trade disputes in 2003.

APPENDIX 1

List of Written Comments Submitted in Response to Request for Public Comment by the Trade Policy Staff Committee

1. U.S.-China Business Council
2. American Chamber of Commerce-China
3. International Intellectual Property Alliance
4. UPS/FedEx
5. National Electrical Manufacturers Association
6. AFL/CIO
7. National Food Processors Association
8. International Anti-Counterfeiting Coalition, Inc.
9. American Iron and Steel Institute
10. American Sugar Alliance
11. Distilled Spirits Council of the United States, Inc.
12. Blue Diamond Growers
13. U.S. Wheat Producers
14. Central Soya Company
15. U.S. Grains Council
16. American Bar Association
17. U.S. Council of International Business
18. U.S. Motorcycle Manufacturers Association
19. National Association of Manufacturers
20. Stewart & Stewart
21. Advanced Medical Technology Association
22. U.S. Information Technology Office
23. American Forest and Paper Association
24. Global Alliance for Trade Efficiency
25. Grocery Manufacturers of America
26. Walmart
27. Automotive Trade Policy Council
28. AgBiotech Planning Committee
29. ISAC 10
30. American Insurance Association/American Council of Life Insurers
31. Wine Institute
32. National Cattlemen's Beef Association
33. American Soybean Association
34. U.S. Chamber of Commerce

APPENDIX 2

List of Witnesses Testifying at the Public Hearing before the Trade Policy Staff Committee

Washington, D.C.
September 18, 2002

1. Robert A. Kapp
President
US-China Business Council
2. Willard A. Workman
Senior Vice President, International Affairs
U.S. Chamber of Commerce
3. Eric H. Smith
President
International Intellectual Property Alliance
4. Robert Vastine
President
Coalition of Service Industries
5. Joseph M. Damond
Associate Vice President for Japan and Asia-Pacific
Pharmaceutical Research and Manufacturers Association
6. Timothy P. Stratford
Vice Chairman & General Counsel
General Motors China Operations
(on behalf of American Chamber of Commerce-China)
7. Jim Gradoville
Vice President & Regional Director
Motorola China Electronics Ltd.
(on behalf of the United States Information Technology Office)
8. Daryl Hatano
Vice President, Public Policy
Semiconductor Industry Association

9. Sue Presti
Executive Director
Air Courier Conference of America, International
10. Ford B. West
Senior Vice President
The Fertilizer Institute
11. Michael Eads
Executive Director
Global Alliance for Trade Efficiency
12. John Meakem
Manager, International Trade
National Electrical Manufacturers Association
13. Thomas Weishing Huang
Burns and Levinson LLP

ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA

Decision of 10 November 2001

The Ministerial Conference,

Having regard to paragraph 2 of Article XII and paragraph 1 of Article IX of the Marrakesh Agreement Establishing the World Trade Organization, and the Decision-Making Procedures under Articles IX and XII of the Marrakesh Agreement Establishing the World Trade Organization agreed by the General Council (WT/L/93),

Taking note of the application of the People's Republic of China for accession to the Marrakesh Agreement Establishing the World Trade Organization dated 7 December 1995,

Noting the results of the negotiations directed toward the establishment of the terms of accession of the People's Republic of China to the Marrakesh Agreement Establishing the World Trade Organization and having prepared a Protocol on the Accession of the People's Republic of China,

Decides as follows:

The People's Republic of China may accede to the Marrakesh Agreement Establishing the World Trade Organization on the terms and conditions set out in the Protocol annexed to this decision.

PROTOCOL ON THE ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA

Preamble

The World Trade Organization ("WTO"), pursuant to the approval of the Ministerial Conference of the WTO accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization ("WTO Agreement"), and the People's Republic of China ("China"),

Recalling that China was an original contracting party to the General Agreement on Tariffs and Trade 1947,

Taking note that China is a signatory to the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations,

Taking note of the Report of the Working Party on the Accession of China in document WT/ACC/CHN/49 ("Working Party Report"),

Having regard to the results of the negotiations concerning China's membership in the WTO,

Agree as follows:

Part I - General Provisions

1. General

1. Upon accession, China accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.

2. The WTO Agreement to which China accedes shall be the WTO Agreement as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of accession. This Protocol, which shall include the commitments referred to in paragraph 342 of the Working Party Report, shall be an integral part of the WTO Agreement.

3. Except as otherwise provided for in this Protocol, those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with entry into force of that Agreement shall be implemented by China as if it had accepted that Agreement on the date of its entry into force.

4. China may maintain a measure inconsistent with paragraph 1 of Article II of the General Agreement on Trade in Services ("GATS") provided that such a measure is recorded in the List of Article II Exemptions annexed to this Protocol and meets the conditions of the Annex to the GATS on Article II Exemptions.

2. Administration of the Trade Regime

(A) Uniform Administration

1. The provisions of the WTO Agreement and this Protocol shall apply to the entire customs territory of China, including border trade regions and minority autonomous areas, Special Economic Zones, open coastal cities, economic and technical development zones and other areas where special regimes for tariffs, taxes and regulations are established (collectively referred to as "special economic areas").

2. China shall apply and administer in a uniform, impartial and reasonable manner all its laws, regulations and other measures of the central government as well as local regulations, rules and other measures issued or applied at the sub-national level (collectively referred to as "laws, regulations and other measures") pertaining to or affecting trade in goods, services, trade-related aspects of intellectual property rights ("TRIPS") or the control of foreign exchange.

3. China's local regulations, rules and other measures of local governments at the sub-national level shall conform to the obligations undertaken in the WTO Agreement and this Protocol.

4. China shall establish a mechanism under which individuals and enterprises can bring to the attention of the national authorities cases of non-uniform application of the trade regime.

(B) Special Economic Areas

1. China shall notify to the WTO all the relevant laws, regulations and other measures relating to its special economic areas, listing these areas by name and indicating the geographic boundaries that define them. China shall notify the WTO promptly, but in any case within 60 days, of any additions or modifications to its special economic areas, including notification of the laws, regulations and other measures relating thereto.

2. China shall apply to imported products, including physically incorporated components, introduced into the other parts of China's customs territory from the special economic areas, all taxes, charges and measures affecting imports, including import restrictions and customs and tariff charges, that are normally applied to imports into the other parts of China's customs territory.

3. Except as otherwise provided for in this Protocol, in providing preferential arrangements for enterprises within such special economic areas, WTO provisions on non-discrimination and national treatment shall be fully observed.

(C) Transparency

1. China undertakes that only those laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of foreign exchange that are published and readily available to other WTO Members, individuals and enterprises, shall be enforced. In addition, China shall make available to WTO Members, upon request, all laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of foreign exchange before such measures are implemented or enforced. In emergency situations, laws, regulations and other measures shall be made available at the latest when they are implemented or enforced.

2. China shall establish or designate an official journal dedicated to the publication of all laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of foreign exchange and, after publication of its laws, regulations or other measures in such journal, shall provide a reasonable period for comment to the appropriate authorities before such measures are implemented, except for those laws, regulations and other measures involving national security, specific measures setting foreign exchange rates or monetary policy and other measures the publication of which would impede law enforcement. China shall publish this journal on a regular basis and make copies of all issues of this journal readily available to individuals and enterprises.

3. China shall establish or designate an enquiry point where, upon request of any individual, enterprise or WTO Member all information relating to the measures required to be published under paragraph 2(C)1 of this Protocol may be obtained. Replies to requests for information shall generally be provided within 30 days after receipt of a request. In exceptional cases, replies may be provided within 45 days after receipt of a request. Notice of the delay and the reasons therefor shall be

provided in writing to the interested party. Replies to WTO Members shall be complete and shall represent the authoritative view of the Chinese government. Accurate and reliable information shall be provided to individuals and enterprises.

(D) Judicial Review

1. China shall establish, or designate, and maintain tribunals, contact points and procedures for the prompt review of all administrative actions relating to the implementation of laws, regulations, judicial decisions and administrative rulings of general application referred to in Article X:1 of the GATT 1994, Article VI of the GATS and the relevant provisions of the TRIPS Agreement. Such tribunals shall be impartial and independent of the agency entrusted with administrative enforcement and shall not have any substantial interest in the outcome of the matter.

2. Review procedures shall include the opportunity for appeal, without penalty, by individuals or enterprises affected by any administrative action subject to review. If the initial right of appeal is to an administrative body, there shall in all cases be the opportunity to choose to appeal the decision to a judicial body. Notice of the decision on appeal shall be given to the appellant and the reasons for such decision shall be provided in writing. The appellant shall also be informed of any right to further appeal.

3. Non-discrimination

Except as otherwise provided for in this Protocol, foreign individuals and enterprises and foreign-funded enterprises shall be accorded treatment no less favourable than that accorded to other individuals and enterprises in respect of:

- (a) the procurement of inputs and goods and services necessary for production and the conditions under which their goods are produced, marketed or sold, in the domestic market and for export; and
- (b) the prices and availability of goods and services supplied by national and sub-national authorities and public or state enterprises, in areas including transportation, energy, basic telecommunications, other utilities and factors of production.

4. Special Trade Arrangements

Upon accession, China shall eliminate or bring into conformity with the WTO Agreement all special trade arrangements, including barter trade arrangements, with third countries and separate customs territories, which are not in conformity with the WTO Agreement.

5. Right to Trade

1. Without prejudice to China's right to regulate trade in a manner consistent with the WTO Agreement, China shall progressively liberalize the availability and scope of the right to trade, so that, within three years after accession, all enterprises in China shall have the right to trade in all goods throughout the customs territory of China, except for those goods listed in Annex 2A which continue to be subject to state trading in accordance with this Protocol. Such right to trade shall be the right to import and export goods. All such goods shall be accorded national treatment under Article III of the GATT 1994, especially paragraph 4 thereof, in respect of their internal sale, offering for sale, purchase, transportation, distribution or use, including their direct access to end-users. For those goods listed in Annex 2B, China shall phase out limitation on the grant of trading rights pursuant to the schedule in that Annex. China shall complete all necessary legislative procedures to implement these provisions during the transition period.

2. Except as otherwise provided for in this Protocol, all foreign individuals and enterprises, including those not invested or registered in China, shall be accorded treatment no less favourable than that accorded to enterprises in China with respect to the right to trade.

6. State Trading

1. China shall ensure that import purchasing procedures of state trading enterprises are fully transparent, and in compliance with the WTO Agreement, and shall refrain from taking any measure to influence or direct state trading enterprises as to the quantity, value, or country of origin of goods purchased or sold, except in accordance with the WTO Agreement.

2. As part of China's notification under the GATT 1994 and the Understanding on the Interpretation of Article XVII of the GATT 1994, China shall also provide full information on the pricing mechanisms of its state trading enterprises for exported goods.

7. Non-Tariff Measures

1. China shall implement the schedule for phased elimination of the measures contained in Annex 3. During the periods specified in Annex 3, the protection afforded by the measures listed in that Annex shall not be increased or expanded in size, scope or duration, nor shall any new measures be applied, unless in conformity with the provisions of the WTO Agreement.

2. In implementing the provisions of Articles III and XI of the GATT 1994 and the Agreement on Agriculture, China shall eliminate and shall not introduce, re-introduce or apply non-tariff measures that cannot be justified under the provisions of the WTO Agreement. For all non-tariff measures, whether or not referred to in Annex 3, that are applied after the date of accession, consistent with the WTO Agreement or this Protocol, China shall allocate and otherwise administer such measures in strict conformity with the provisions of the WTO Agreement, including GATT 1994 and Article XIII thereof, and the Agreement on Import Licensing Procedures, including notification requirements.

3. China shall, upon accession, comply with the TRIMs Agreement, without recourse to the provisions of Article 5 of the TRIMs Agreement. China shall eliminate and cease to enforce trade and foreign exchange balancing requirements, local content and export or performance requirements made effective through laws, regulations or other measures. Moreover, China will not enforce provisions of contracts imposing such requirements. Without prejudice to the relevant provisions of this Protocol, China shall ensure that the distribution of import licences, quotas, tariff-rate quotas, or any other means of approval for importation, the right of importation or investment by national and sub-national authorities, is not conditioned on: whether competing domestic suppliers of such products exist; or performance requirements of any kind, such as local content, offsets, the transfer of technology, export performance or the conduct of research and development in China.

4. Import and export prohibitions and restrictions, and licensing requirements affecting imports and exports shall only be imposed and enforced by the national authorities or by sub-national authorities with authorization from the national authorities. Such measures which are not imposed by the national authorities or by sub-national authorities with authorization from the national authorities, shall not be implemented or enforced.

8. Import and Export Licensing

1. In implementing the WTO Agreement and provisions of the Agreement on Import Licensing Procedures, China shall undertake the following measures to facilitate compliance with these agreements:

- (a) China shall publish on a regular basis the following in the official journal referred to in paragraph 2(C)2 of this Protocol:
- by product, the list of all organizations, including those organizations delegated such authority by the national authorities, that are responsible for authorizing or approving imports or exports, whether through grant of licence or other approval;
 - procedures and criteria for obtaining such import or export licences or other approvals, and the conditions for deciding whether they should be granted;
 - a list of all products, by tariff number, that are subject to tendering requirements, including information on products subject to such tendering requirements and any changes, pursuant to the Agreement on Import Licensing Procedures;
 - a list of all goods and technologies whose import or export are restricted or prohibited; these goods shall also be notified to the Committee on Import Licensing;
 - any changes to the list of goods and technologies whose import and export are restricted or prohibited.

Copies of these submissions in one or more official languages of the WTO shall be forwarded to the WTO for circulation to WTO Members and for submission to the Committee on Import Licensing within 75 days of each publication.

- (b) China shall notify the WTO of all licensing and quota requirements remaining in effect after accession, listed separately by HS tariff line and with the quantities associated with the restriction, if any, and the justification for maintaining the restriction or its scheduled date of termination.
- (c) China shall submit the notification of its import licensing procedures to the Committee on Import Licensing. China shall report annually to the Committee on Import Licensing on its automatic import licensing procedures, explaining the circumstances which give rise to these requirements and justifying the need for their continuation. This report shall also provide the information listed in Article 3 of the Agreement on Import Licensing Procedures.
- (d) China shall issue import licences for a minimum duration of validity of six months, except where exceptional circumstances make this impossible. In such cases, China shall promptly notify the Committee on Import Licensing of the exceptional circumstances requiring the shorter period of licence validity.

2. Except as otherwise provided for in this Protocol, foreign individuals and enterprises and foreign-funded enterprises shall be accorded treatment no less favourable than that accorded to other individuals and enterprises in respect of the distribution of import and export licences and quotas.

9. Price Controls

1. China shall, subject to paragraph 2 below, allow prices for traded goods and services in every sector to be determined by market forces, and multi-tier pricing practices for such goods and services shall be eliminated.

2. The goods and services listed in Annex 4 may be subject to price controls, consistent with the WTO Agreement, in particular Article III of the GATT 1994 and Annex 2, paragraphs 3 and 4 of the Agreement on Agriculture. Except in exceptional circumstances, and subject to notification to the

WTO, price controls shall not be extended to goods or services beyond those listed in Annex 4, and China shall make best efforts to reduce and eliminate these controls.

3. China shall publish in the official journal the list of goods and services subject to state pricing and changes thereto.

10. Subsidies

1. China shall notify the WTO of any subsidy within the meaning of Article 1 of the Agreement on Subsidies and Countervailing Measures ("SCM Agreement"), granted or maintained in its territory, organized by specific product, including those subsidies defined in Article 3 of the SCM Agreement. The information provided should be as specific as possible, following the requirements of the questionnaire on subsidies as noted in Article 25 of the SCM Agreement.

2. For purposes of applying Articles 1.2 and 2 of the SCM Agreement, subsidies provided to state-owned enterprises will be viewed as specific if, inter alia, state-owned enterprises are the predominant recipients of such subsidies or state-owned enterprises receive disproportionately large amounts of such subsidies.

3. China shall eliminate all subsidy programmes falling within the scope of Article 3 of the SCM Agreement upon accession.

11. Taxes and Charges Levied on Imports and Exports

1. China shall ensure that customs fees or charges applied or administered by national or sub-national authorities, shall be in conformity with the GATT 1994.

2. China shall ensure that internal taxes and charges, including value-added taxes, applied or administered by national or sub-national authorities shall be in conformity with the GATT 1994.

3. China shall eliminate all taxes and charges applied to exports unless specifically provided for in Annex 6 of this Protocol or applied in conformity with the provisions of Article VIII of the GATT 1994.

4. Foreign individuals and enterprises and foreign-funded enterprises shall, upon accession, be accorded treatment no less favourable than that accorded to other individuals and enterprises in respect of the provision of border tax adjustments.

12. Agriculture

1. China shall implement the provisions contained in China's Schedule of Concessions and Commitments on Goods and, as specifically provided in this Protocol, those of the Agreement on Agriculture. In this context, China shall not maintain or introduce any export subsidies on agricultural products.

2. China shall, under the Transitional Review Mechanism, notify fiscal and other transfers between or among state-owned enterprises in the agricultural sector (whether national or sub-national) and other enterprises that operate as state trading enterprises in the agricultural sector.

13. Technical Barriers to Trade

1. China shall publish in the official journal all criteria, whether formal or informal, that are the basis for a technical regulation, standard or conformity assessment procedure.

2. China shall, upon accession, bring into conformity with the TBT Agreement all technical regulations, standards and conformity assessment procedures.

3. China shall apply conformity assessment procedures to imported products only to determine compliance with technical regulations and standards that are consistent with the provisions of this Protocol and the WTO Agreement. Conformity assessment bodies will determine the conformity of imported products with commercial terms of contracts only if authorized by the parties to such contract. China shall ensure that such inspection of products for compliance with the commercial terms of contracts does not affect customs clearance or the granting of import licences for such products.

4. (a) Upon accession, China shall ensure that the same technical regulations, standards and conformity assessment procedures are applied to both imported and domestic products. In order to ensure a smooth transition from the current system, China shall ensure that, upon accession, all certification, safety licensing, and quality licensing bodies and agencies are authorized to undertake these activities for both imported and domestic products, and that, one year after accession, all conformity assessment bodies and agencies are authorized to undertake conformity assessment for both imported and domestic products. The choice of body or agency shall be at the discretion of the applicant. For imported and domestic products, all bodies and agencies shall issue the same mark and charge the same fee. They shall also provide the same processing periods and complaint procedures. Imported products shall not be subject to more than one conformity assessment. China shall publish and make readily available to other WTO Members, individuals, and enterprises full information on the respective responsibilities of its conformity assessment bodies and agencies.

(b) No later than 18 months after accession, China shall assign the respective responsibilities of its conformity assessment bodies solely on the basis of the scope of work and type of product without any consideration of the origin of a product. The respective responsibilities that will be assigned to China's conformity assessment bodies will be notified to the TBT Committee 12 months after accession.

14. Sanitary and Phytosanitary Measures

China shall notify to the WTO all laws, regulations and other measures relating to its sanitary and phytosanitary measures, including product coverage and relevant international standards, guidelines and recommendations, within 30 days after accession.

15. Price Comparability in Determining Subsidies and Dumping

Article VI of the GATT 1994, the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 ("Anti-Dumping Agreement") and the SCM Agreement shall apply in proceedings involving imports of Chinese origin into a WTO Member consistent with the following:

- (a) In determining price comparability under Article VI of the GATT 1994 and the Anti-Dumping Agreement, the importing WTO Member shall use either Chinese prices or costs for the industry under investigation or a methodology that is not based on a strict comparison with domestic prices or costs in China based on the following rules:
 - (i) If the producers under investigation can clearly show that market economy conditions prevail in the industry producing the like product with regard to the manufacture, production and sale of that product, the importing WTO Member shall use Chinese prices or costs for the industry under investigation in determining price comparability;

- (ii) The importing WTO Member may use a methodology that is not based on a strict comparison with domestic prices or costs in China if the producers under investigation cannot clearly show that market economy conditions prevail in the industry producing the like product with regard to manufacture, production and sale of that product.
- (b) In proceedings under Parts II, III and V of the SCM Agreement, when addressing subsidies described in Articles 14(a), 14(b), 14(c) and 14(d), relevant provisions of the SCM Agreement shall apply; however, if there are special difficulties in that application, the importing WTO Member may then use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions in China may not always be available as appropriate benchmarks. In applying such methodologies, where practicable, the importing WTO Member should adjust such prevailing terms and conditions before considering the use of terms and conditions prevailing outside China.
- (c) The importing WTO Member shall notify methodologies used in accordance with subparagraph (a) to the Committee on Anti-Dumping Practices and shall notify methodologies used in accordance with subparagraph (b) to the Committee on Subsidies and Countervailing Measures.
- (d) Once China has established, under the national law of the importing WTO Member, that it is a market economy, the provisions of subparagraph (a) shall be terminated provided that the importing Member's national law contains market economy criteria as of the date of accession. In any event, the provisions of subparagraph (a)(ii) shall expire 15 years after the date of accession. In addition, should China establish, pursuant to the national law of the importing WTO Member, that market economy conditions prevail in a particular industry or sector, the non-market economy provisions of subparagraph (a) shall no longer apply to that industry or sector.

16. Transitional Product-Specific Safeguard Mechanism

1. In cases where products of Chinese origin are being imported into the territory of any WTO Member in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products, the WTO Member so affected may request consultations with China with a view to seeking a mutually satisfactory solution, including whether the affected WTO Member should pursue application of a measure under the Agreement on Safeguards. Any such request shall be notified immediately to the Committee on Safeguards.

2. If, in the course of these bilateral consultations, it is agreed that imports of Chinese origin are such a cause and that action is necessary, China shall take such action as to prevent or remedy the market disruption. Any such action shall be notified immediately to the Committee on Safeguards.

3. If consultations do not lead to an agreement between China and the WTO Member concerned within 60 days of the receipt of a request for consultations, the WTO Member affected shall be free, in respect of such products, to withdraw concessions or otherwise to limit imports only to the extent necessary to prevent or remedy such market disruption. Any such action shall be notified immediately to the Committee on Safeguards.

4. Market disruption shall exist whenever imports of an article, like or directly competitive with an article produced by the domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury to the domestic industry. In

determining if market disruption exists, the affected WTO Member shall consider objective factors, including the volume of imports, the effect of imports on prices for like or directly competitive articles, and the effect of such imports on the domestic industry producing like or directly competitive products.

5. Prior to application of a measure pursuant to paragraph 3, the WTO Member taking such action shall provide reasonable public notice to all interested parties and provide adequate opportunity for importers, exporters and other interested parties to submit their views and evidence on the appropriateness of the proposed measure and whether it would be in the public interest. The WTO Member shall provide written notice of the decision to apply a measure, including the reasons for such measure and its scope and duration.

6. A WTO Member shall apply a measure pursuant to this Section only for such period of time as may be necessary to prevent or remedy the market disruption. If a measure is taken as a result of a relative increase in the level of imports, China has the right to suspend the application of substantially equivalent concessions or obligations under the GATT 1994 to the trade of the WTO Member applying the measure, if such measure remains in effect more than two years. However, if a measure is taken as a result of an absolute increase in imports, China has a right to suspend the application of substantially equivalent concessions or obligations under the GATT 1994 to the trade of the WTO Member applying the measure, if such measure remains in effect more than three years. Any such action by China shall be notified immediately to the Committee on Safeguards.

7. In critical circumstances, where delay would cause damage which it would be difficult to repair, the WTO Member so affected may take a provisional safeguard measure pursuant to a preliminary determination that imports have caused or threatened to cause market disruption. In this case, notification of the measures taken to the Committee on Safeguards and a request for bilateral consultations shall be effected immediately thereafter. The duration of the provisional measure shall not exceed 200 days during which the pertinent requirements of paragraphs 1, 2 and 5 shall be met. The duration of any provisional measure shall be counted toward the period provided for under paragraph 6.

8. If a WTO Member considers that an action taken under paragraphs 2, 3 or 7 causes or threatens to cause significant diversions of trade into its market, it may request consultations with China and/or the WTO Member concerned. Such consultations shall be held within 30 days after the request is notified to the Committee on Safeguards. If such consultations fail to lead to an agreement between China and the WTO Member or Members concerned within 60 days after the notification, the requesting WTO Member shall be free, in respect of such product, to withdraw concessions accorded to or otherwise limit imports from China, to the extent necessary to prevent or remedy such diversions. Such action shall be notified immediately to the Committee on Safeguards.

9. Application of this Section shall be terminated 12 years after the date of accession.

17. Reservations by WTO Members

All prohibitions, quantitative restrictions and other measures maintained by WTO Members against imports from China in a manner inconsistent with the WTO Agreement are listed in Annex 7. All such prohibitions, quantitative restrictions and other measures shall be phased out or dealt with in accordance with mutually agreed terms and timetables as specified in the said Annex.

18. Transitional Review Mechanism

1. Those subsidiary bodies¹ of the WTO which have a mandate covering China's commitments under the WTO Agreement or this Protocol shall, within one year after accession and in accordance with paragraph 4 below, review, as appropriate to their mandate, the implementation by China of the WTO Agreement and of the related provisions of this Protocol. China shall provide relevant information, including information specified in Annex 1A, to each subsidiary body in advance of the review. China can also raise issues relating to any reservations under Section 17 or to any other specific commitments made by other Members in this Protocol, in those subsidiary bodies which have a relevant mandate. Each subsidiary body shall report the results of such review promptly to the relevant Council established by paragraph 5 of Article IV of the WTO Agreement, if applicable, which shall in turn report promptly to the General Council.

2. The General Council shall, within one year after accession, and in accordance with paragraph 4 below, review the implementation by China of the WTO Agreement and the provisions of this Protocol. The General Council shall conduct such review in accordance with the framework set out in Annex 1B and in the light of the results of any reviews held pursuant to paragraph 1. China also can raise issues relating to any reservations under Section 17 or to any other specific commitments made by other Members in this Protocol. The General Council may make recommendations to China and to other Members in these respects.

3. Consideration of issues pursuant to this Section shall be without prejudice to the rights and obligations of any Member, including China, under the WTO Agreement or any Plurilateral Trade Agreement, and shall not preclude or be a precondition to recourse to consultation or other provisions of the WTO Agreement or this Protocol.

4. The review provided for in paragraphs 1 and 2 will take place after accession in each year for eight years. Thereafter there will be a final review in year 10 or at an earlier date decided by the General Council.

Part II - Schedules

1. The Schedules annexed to this Protocol shall become the Schedule of Concessions and Commitments annexed to the GATT 1994 and the Schedule of Specific Commitments annexed to the GATS relating to China. The staging of concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the relevant Schedules.

2. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of accession.

Part III - Final Provisions

1. This Protocol shall be open for acceptance, by signature or otherwise, by China until 1 January 2002.

2. This Protocol shall enter into force on the thirtieth day following the day of its acceptance.

¹ Council for Trade in Goods, Council for Trade-Related Aspects of Intellectual Property Rights, Council for Trade in Services, Committees on Balance-of-Payments Restrictions, Market Access (covering also ITA), Agriculture, Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Subsidies and Countervailing Measures, Anti-Dumping Measures, Customs Valuation, Rules of Origin, Import Licensing, Trade-Related Investment Measures, Safeguards, Trade in Financial Services.

3. This Protocol shall be deposited with the Director-General of the WTO. The Director-General shall promptly furnish a certified copy of this Protocol and a notification of acceptance by China thereof, pursuant to paragraph 1 of Part III of this Protocol, to each WTO Member and to China.
4. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Doha this tenth day of November two thousand and one, in a single copy, in the English, French and Spanish languages, each text being authentic, except that a Schedule annexed hereto may specify that it is authentic in only one or more of these languages.

ANNEX 1A

INFORMATION² TO BE PROVIDED BY CHINA IN THE CONTEXT OF THE TRANSITIONAL REVIEW MECHANISM

China is requested to provide information on the following in accordance with Article 18.1 of the Protocol of Accession. The requested information should be provided annually, except in those cases where China and the Members agree that it is no longer required for the review.

I. ECONOMIC DATA

- (a) most recently available import and export statistics by value and volume, by supplier country at the HS 8-digit level
- (b) current account data on services, by source and destination in line with the statistical requirements of the IMF
- (c) capital account data for inward- and outward-realized foreign direct investment by source and destination in line with the statistical requirements of the IMF
- (d) the value of tariff revenues, non-tariff taxes, and other border charges levied exclusively on imports by product or at the highest level of detail possible, but at least by HS heading (4-digit) at the beginning of the review mechanism
- (e) the value of export duties/taxes by product
- (f) the volume of trade subject to tariff exemptions by product or at the highest level of detail possible, but at least by HS heading (4-digit) at the beginning of the review mechanism
- (g) the value of commissions, mark ups and other fees charged on imports subject to state trading or designated trading imposed through government regulation or guidance, if any
- (h) the shares of imports and exports accounted for by the trading activities of state-owned enterprises
- (i) annual economic development programmes, China's five-year programmes and any industrial or sectoral programmes or policies (including programmes relating to investment, export, import, productions, pricing or other targets, if any) promulgated by central and sub-central government entities
- (j) annual receipts under the Value-Added Tax (VAT), with separate information for imports and domestic products as well as information on VAT rebates

² This "information" refers to information other than that required by the general notification requirements for WTO Members. To avoid duplication, it is understood that Members will accept information provided on an annual basis by China to other WTO bodies as satisfying the information requirements in Annex 1.

II. ECONOMIC POLICIES

1. Non-Discrimination (to be notified to the Council for Trade in Goods)

- (a) the repeal and cessation of all WTO inconsistent laws, regulations and other measures on national treatment
- (b) the repeal or modification to provide full GATT national treatment in respect of laws, regulations and other measures applying to internal sale, offering for sale, purchase, transportation, distribution or use of: after sales service, pharmaceutical products, cigarettes, spirits, chemicals and boiler and pressure vessels (for pharmaceutical products, chemicals and spirits there is a reservation of the right to use a transitional period of one year from the date of accession in order to amend or repeal relevant legislation)

2. Foreign Exchange and Payments (to be notified to the Committee on Balance-of-Payments Restrictions)

- (a) exchange measures as required under Article VIII, Section 5 of the IMF's Articles of Agreement and such other information on China's exchange measures as was deemed necessary in the context of the transitional review mechanism

3. Investment Regime (to be notified to the Committee on Trade-Related Investment Measures)

- (a) completed revisions to investment guidelines in conformity with the WTO Agreement

4. Pricing Policies (to be notified to the Committee on Subsidies and Countervailing Measures)

- (a) application of existing or any other price controls and the reason for their use
- (b) pricing mechanisms of China's state trading enterprises for exported products

III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES

1. Structure and Powers of the Government/Authority of Sub-Central Governments/Uniform Administration (to be notified to the General Council)

- (a) revision or enactment of domestic laws, regulations and other measures related to China's commitments under the WTO Agreement and Protocol, including those of local governments at the sub-national level, that have been promulgated since accession or the previous meeting of the relevant body under the Transitional Review Mechanism
- (b) establishment and operation (upon accession) of the mechanism pursuant to Section 2(A), paragraph 4 of the Protocol under which individuals and enterprises can bring cases of non-uniform application of the trade regime to the attention of national authorities

IV. POLICIES AFFECTING TRADE IN GOODS

1. Tariff Rate Quotas (to be notified to the Committee on Market Access)

- (a) administration of TRQs on a transparent, predictable, uniform, fair and non-discriminatory basis using clearly specified timeframes, administrative procedures and requirements and evidence of a consistent national allocation (and reallocation) policy including:

- (i) provision of volume/value of the quota or TRQ made available;
- (ii) reallocated quota or TRQ applied for;
- (iii) the volume/value of requests for allocation or reallocation denied;
- (iv) fill rates for the quota or TRQ;
- (v) for TRQs, the amount of any goods entered at the over quota rate; and
- (vi) time taken to grant a quota or TRQ allocation.

2. Non-Tariff Measures including Quantitative Import Restrictions (to be notified to the Committee on Market Access)

- (a) the introduction, re-introduction or application of any non-tariff measures other than those listed in Annex 3 of the Protocol and elimination of non-tariff measures
- (b) implementation of the schedule for phased elimination of the measures contained in Annex 3
- (c) quota allocation and reallocation in conformity with WTO requirements, including the Agreement on Licensing Procedures following criteria set out in the Report of the Working Party on the Accession of China ("Report ")
- (d) distribution licences, quotas, tariff rate quotas or any other means of approval for importation are not subject to conditions set out in Section 7, paragraph 3 of the Protocol

3. Import Licensing (to be notified to the Committee on Import Licensing)

- (a) implementation of the provisions of the Agreement on Import Licensing Procedures and the WTO Agreement applying the measures set out in Section 8 of the Protocol including provision of the time taken to grant an import licence

4. Customs Valuation (to be notified to the Committee on Customs Valuation)

- (a) the use of valuation methods, other than the stated transaction value

5. Export Restrictions (to be notified to the Council for Trade in Goods)

- (a) any restrictions on exports through non-automatic licensing or other means justified by specific product under the WTO Agreement or the Protocol

6. Safeguards (to be notified to the Committee on Safeguards)

- (a) implementation of China's Regulation on Safeguards

7. Technical Barriers to Trade (to be notified to the Committee on Technical Barriers to Trade)

- (a) notification of acceptance of the Code of Good Practice not later than four months after China's accession
- (b) periodic review of existing standards of government standardizing bodies and harmonization of the same with relevant international standards where appropriate
- (c) revision of current voluntary national, local and sectoral standards so as to harmonize them with international standards

- (d) use of the terms "technical regulations" and "standards" according to their meaning under the TBT Agreement in China's notifications under the TBT Agreement, including under Article 15.2 thereof and publications referenced therein, and in modifications of existing measures
- (e) review of technical regulations every five years to ensure international standards are used in accordance with Article 2.4 of the Agreement and provision for adoption of international standards as the basis for technical regulation as part of its notification under Article 15.2 of the Agreement
- (f) progress report on increase of the use of international standards as the basis for technical regulations by ten per cent in five years
- (g) provision of procedures to implement Article 2.7 of the Agreement
- (h) provision of a list of relevant local governmental and non-governmental bodies that are authorized to adopt technical regulations or conformity assessment procedures as part of China's notification under Article 15.2 of the Agreement
- (i) ongoing updates on the conformity assessment bodies that are recognized by China
- (j) enactment and implementation of a new law and relevant regulations regarding assessment and control of chemicals for the protection of the environment in which complete national treatment and full consistency with international practices would be ensured within one year after China's accession following conditions set out in 3(t) of the TBT Working Party Report
- (k) information on whether, one year after accession, all conformity assessment bodies and agencies are authorized to undertake conformity assessment for both imported and domestic products and are following the conditions outlined in Section 13, subparagraph 4(a) of the Protocol
- (l) assignment of the respective responsibilities of China's conformity assessment bodies solely on the basis of the scope of work and type of product without any consideration of the origin of a product no later than eighteen months after accession
- (m) notification of the respective responsibilities assigned to China's conformity assessment bodies to the TBT committee 12 months after accession

8. Trade-Related Investment Measures (to be notified to the Committee on Trade-Related Investment Measures)

- (a) elimination and cessation of enforcement of trade and foreign exchange balancing requirements, local content and export performance offsets and technology transfer requirements made effective through laws, regulations or other measures
- (b) amendments to ensure lifting of all measures applicable to motor vehicle producers restricting the categories, types or models of vehicles permitted for production (to be completely removed two years after accession)
- (c) increased limits within which investments in motor vehicle manufacturing could be approved at the provincial government at the levels outlined in the Report

9. State Trading Entities (to be notified to the Council for Trade in Goods)

- (a) progressive abolishment of state trading in respect of silk measures, increasing and extending trading rights, granting the right to trade to all individuals no later than 1 January 2005
- (b) access to supplies of raw materials in the textiles sector at conditions no less favourable than for domestic users, and not adversely affected access to supplies of raw materials as enjoyed under existing arrangements
- (c) progressive increases in access by non state trading entities to trade in fertilizer and oil and the filling of quantities available for import by non state trading entities

10. Government Procurement (to be notified to the Council for Trade in Goods)

- (a) laws, regulations and procedures
- (b) procurement in a transparent manner and application of the MFN principle

V. POLICIES AFFECTING TRADE IN SERVICES (to be notified to the Council for Trade in Services)

- (a) regularly updated lists of all laws, regulations, administrative guidelines and other measures affecting trade in each service sector or sub-sector indicating, in each case, the service sector(s) or sub-sector(s) they apply to, the date of publication and the date of entry into force
- (b) China's licensing procedures and conditions, if any, between domestic and foreign service suppliers, measures implementing the free choice of partner and list of transport agreements covered by MFN exceptions
- (c) regularly updated lists of the authorities, at all levels of government (including organizations with delegated authority) which are responsible for the adoption, implementation and reception of appeals for laws, regulations, administrative guidelines and other measures affecting trade in services
- (d) independence of the regulatory authorities from the service suppliers
- (e) foreign and domestic suppliers in sectors where specific commitments have been undertaken indicating the state of play of licensing applications on sector and sub-sector levels (accepted, pending, rejected)

VI. TRADE-RELATED INTELLECTUAL PROPERTY REGIME (to be notified to the Council for Trade-Related Aspects of Intellectual Property Rights)

- (a) amendments to Copyright, Trademark and Patent Law, as well as relevant implementing rules covering different areas of the TRIPS Agreement bringing all such measures into full compliance with and full application of the TRIPS Agreement and the protection of undisclosed information
- (b) enhanced IPR enforcement efforts through the application of more effective administrative sanctions as described in the Report

VII. SPECIFIC QUESTIONS IN THE CONTEXT OF THE TRANSITIONAL REVIEW MECHANISM (to be notified to the General Council or relevant subsidiary body)

- (a) response to specific questions in the context of the transitional review mechanism received from the General Council or a subsidiary body

ANNEX 1B

**ISSUES TO BE ADDRESSED BY THE GENERAL COUNCIL IN ACCORDANCE
WITH SECTION 18.2 OF CHINA'S PROTOCOL OF ACCESSION**

- Review of the reports and the issues referred to in Section 18.1 of China's Protocol of Accession.
- Development of China's trade with WTO Members and other trading partners, including the volume, direction and composition of trade.
- Recent developments and cross-sectoral issues regarding China's trade regime.

The Rules of Procedure of the WTO General Council shall apply unless specified otherwise. China shall submit any information and the documentation relating to the review no later than 30 days prior to the date of the review.

ANNEX 2A1

PRODUCTS SUBJECT TO STATE TRADING (IMPORT)

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
GRAIN	1	10011000	Durum wheat	China National Cereals, Oil & Foodstuff Import and Export Co.
	2	10019010	Seed of wheat & maslin, excl. durum wheat	
	3	10019090	Wheat & maslin, excl. for seeding and durum wheat	
	4	11010000	Wheat or maslin flour	
	5	11031100	Groats & meal of wheat	
	6	11032100	Pellets of wheat	
	7	10051000	Maize (corn) seed	
	8	10059000	Maize (corn), excl. for seeding	
	9	11022000	Maize (corn) flour	
	10	11031300	Groats & meal of maize (corn)	
	11	11042300	Other worked grains of maize (corn) (for example, hulled, pearled, sliced or kibbled)	
	12	10061010	Rice in husk (paddy or rough) seed	
	13	10061090	Rice in husk (paddy or rough), excl. for seeding	
	14	10062000	Husked (brown) rice	
	15	10063000	Semi-milled or wholly milled rice, whether or not polished or glazed	
	16	10064000	Broken rice	
	17	11023000	Rice flour	
	18	11031400	Groats & meal of rice	
VEGETABLE OIL	19	15071000	Crude soybean oil, whether or not degummed, but not chemically modified	1. China National Cereals, Oil & Foodstuff Import and Export Co.
	20	15079000	Soybean oil and its fractions, refined, but not chemically modified	2. China National Native Products and Animal By-products Import & Export Co.
	21	15111000	Crude palm oil, but not chemically modified	3. China Resources Co.
	22	15119000	Palm oil and its fractions, refined, but not chemically modified	4. China Nam Kwong National Import & Export Co.
	23	15141010	Crude rape, colza oil, but not chemically modified	5. China Liangfeng Cereals Import & Export Co.
	24	15141090	Crude mustard oil, but not chemically modified	6. China Cereals, Oil & Foodstuff Co.(Group)
	25	15149000	Rape, colza or mustard oil and fractions thereof, refined, but not chemically modified	
SUGAR	26	17011100	Raw cane sugar, in solid form, not containing added flavouring or colouring matter	1. China National Cereals, Oil & Foodstuff Import and Export Co.
	27	17011200	Raw beet sugar, in solid form, not containing added flavouring or colouring matter	2. China Export Commodities Base Construction Co.
	28	17019100	Cane or beet sugar and chemically pure sucrose, in solid form, containing added flavouring or colouring	3. China Overseas Trade Co.
	29	17019910	Granulated sugar	4. China Sugar & Wine Co. (Group)
	30	17019920	Superfine sugar	5. China Commerce Foreign Trade Co.
	31	17019990	Cane or beet sugar and chemically pure sucrose, in solid form, not containing added flavouring or colouring matter, excl. granulated sugar, superfine sugar and raw sugar	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
TOBACCO	32	24011010	Flue-cured tobacco, not stemmed/stripped	China National Tobacco Import & Export Co.
	33	24011090	Tobacco other than flue-cured, not stemmed/stripped	
	34	24012010	Flue-cured tobacco, partly or wholly stemmed/stripped	
	35	24012090	Tobacco other than flue-cured, partly or wholly stemmed/stripped	
	36	24013000	Tobacco refuse	
	37	24021000	Cigars, cheroots & cigarillos, containing tobacco	
	38	24022000	Cigarettes containing tobacco	
	39	24029000	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes	
	40	24031000	Smoking tobacco whether or not containing tobacco substitutes in any proportion	
	41	24039100	Homogenized or "reconstituted" tobacco	
	42	24039900	Manufactured tobacco and tobacco substitutes, nes; tobacco extracts and essences	
	43	48131000	Cigarette paper in the form of booklets or tubes	
	44	48132000	Cigarette paper in rolls of a width ≤5cm	
	45	48139000	Cigarette paper, nes	
	46	55020010	Cellulose diacetate filament tow ³	
	47	56012210	Cigarette filter tips of man-made fibres	
48	84781000	Machinery for preparing or making up tobacco, not elsewhere specified or included		
49	84789000	Parts, of machinery for preparing or making up tobacco, not elsewhere specified or included		
CRUDE OIL	50	27090000	Petroleum oils & oils obtained from bituminous minerals, crude	1. China National Chemical Import & Export Co.
PROCESSED OIL	51	27100011	Motor gasoline & aviation gasoline	2. China International United Petroleum & Chemicals Co.
	52	27100013	Naphtha	3. China National United Oil Co.
	53	27100023	Aviation kerosene	
	54	27100024	Lamp-kerosene	4. Zhuhai Zhenrong Company
	55	27100031	Light diesel oil	
	56	27100033	Fuel oil No.5 to No.7 (National Code)	
57	27100039	Diesel oils & preparations thereof and other fuel oils, nes		

³ Coverage is limited to cellulose diacetate filament tow used in the production of cigarettes.

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
CHEMICAL FERTILIZER	58	31021000	Urea, whether or not in aqueous solution	1. China National Chemical Import & Export Co. 2. China National Agricultural Means of Production Group Co.
	59	31022100	Ammonium sulphate	
	60	31022900	Double salts & mixtures of ammonium sulphate & ammonium nitrate	
	61	31023000	Ammonium nitrate, whether or not in aqueous solution	
	62	31024000	Mixtures of ammonium nitrate with calcium carbonate or other inorganic non-fertilizing substances	
	63	31025000	Sodium nitrate	
	64	31026000	Double salts & mixtures of calcium nitrate & ammonium nitrate	
	65	31027000	Calcium cyanamide	
	66	31028000	Mixtures of urea & ammonium nitrate in aqueous or ammoniacal solution	
	67	31029000	Mineral or chemical fertilizers, nitrogenous, nes, incl. mixtures not specified in the foregoing subheadings	
	68	31031000	Superphosphates	
	69	31032000	Basic slag	
	70	31039000	Mineral or chemical fertilizers, phosphatic, nes	
	71	31041000	Carnallite, sylvite & other crude natural potassium salts	
	72	31042000	Potassium chloride	
	73	31043000	Potassium sulphate	
	74	31049000	Mineral or chemical fertilizers, potassic, nes	
	75	31051000	Goods of chapter 31 in tables or similar forms or in packages of a gross weight ≤ 10 kg	
	76	31052000	Mineral or chemical fertilizers containing the three fertilizing elements nitrogen, phosphorus & potassium	
	77	31053000	Diammonium hydrogenorthophosphate (diammonium phosphate)	
	78	31054000	Ammonium dihydrogenorthophosphate (monoammonium phosphate) and mixtures thereof with diammonium hydrogenorthophosphate (diammonium phosphate)	
	79	31055100	Mineral or chemical fertilizers containing nitrates & phosphates	
	80	31055900	Mineral or chemical fertilizers containing the two fertilizing elements nitrogen & phosphorus, nes	
	81	31056000	Mineral or chemical fertilizers with phosphorus & potassium, nes	
	82	31059000	Mineral or chemical fertilizers, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
COTTON	83	52010000	Cotton, not carded or combed	1. China National Textiles Import & Export Co. 2. Beijing Jiuda Textiles Group Co. 3. Tianjing Textiles Industry Supply and Marketing Co. 4. Shanghai Textiles Raw Materials Co.
	84	52030000	Cotton, carded or combed	

Product & HS 2000	Volume to non-state traders on accession ²⁾	Annual growth in non-state trade volume ³⁾
Oil--processed ¹⁾ (HS 27.10)	4 million tonnes	15 %
Oil--crude (HS 27.09)	7.2 million tonnes	15 %

(1) Excludes LPG, which falls under HS 27 11, and has not been notified by China as subject to state trading. The present import quota (16.58 million tonnes rising by 15% per year) will be removed on 1 January 2004.

(2) Imports to be effected pursuant to the provisions of the WTO Agreement on Import Licensing Procedures.

(3) This growth rate shall be applied for a period of 10 years following accession, after which time it shall be reviewed with interested Members. Pending conclusion of the review talks, the volume available to non-state importers on that date shall be increased annually in line with the average growth in overall imports of the product concerned over the preceding 10 year period.

However, for processed oil, a review shall be carried out with interested Members by 2004 to establish whether the growth rate should be adjusted in the light of the evolution of trade volumes.

ANNEX 2A2

PRODUCTS SUBJECT TO STATE TRADING (EXPORT)

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
TEA	1	09021010	Flavoured green tea (not fermented) in immediate packings of a content ≤3kg	China National Native Products and Animal By-Products Import & Export Co.
	2	09021090	Unflavoured green tea (not fermented) in immediate packings of a content ≤3kg	
	3	09022010	Flavoured green tea (not fermented) in immediate packings of a content >3kg	
	4	09022090	Unflavoured green tea(not fermented) in immediate packings of a content >3kg	
RICE	5	10061010	Rice in husk (paddy or rough) seed	1. China National Cereals Oil and Foodstuffs Import & Export Co. 2. Jilin Grain Import & Export Co. Ltd.
	6	10061090	Rice in husk (paddy or rough), excl. for seeding	
	7	10062000	Husked (brown) rice	
	8	10063000	Semi-milled or wholly milled rice, whether or not polished or glazed	
	9	10064000	Broken rice	
CORN	10	10051000	Maize (corn) seed	
	11	10059000	Maize (corn), excl. for seeding	
	12	11042300	Other worked grains of maize (corn) (for example, hulled, pearled, sliced or kibbled)	
SOY BEAN	13	12010010	Seed of soya beans	
	14	12010091	Yellow soya beans, not for seeding, whether or not broken	
	15	12010092	Black soya beans, not for seeding, whether or not broken	
	16	12010093	Green soya beans, not for seeding, whether or not broken	
	17	12010099	Soya beans, nes, not for seeding, whether or not broken	
TUNGSTEN ORE	18	26110000	Tungsten ores & concentrates	1. China National Metals and Minerals Import & Export Co. 2. China National Non-ferrous Import & Export Co. 3. China Rare Earth and Metal Group Co. 4. China National Chemical Import & Export Co.
	19	26209010	Ash & residues containing mainly tungsten & compound thereof	
	20	26209090	Ash & residues containing metals & compound thereof, nes	
AMMONIUM PARATUNGSTATES	21	28418010	Ammonium paratungstate	
	22	28418040	Ammonium metatungstates	
TUNGSTATE PRODUCTS	23	28259011	Tungstic acid	
	24	28259012	Tungsten trioxides	
	25	28259019	Tungsten oxides and hydroxides, nes	
	26	28418020	Sodium tungstate	
	27	28418030	Calcium tungstate	
	28	28499020	Carbides of tungsten, whether or not chemically refined	
	29	81011000	Tungsten powders	
	30	81019100	Tungsten unwrought (incl. bars and rods simply sintered); tungsten waste and scrap	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
COAL	31	27011100	Anthracite, not agglomerated, whether or not pulverized	1. China National Coal Industry Import & Export Co. 2. China National Metals and Minerals Import & Export Co. 3. Shanxi Coal Import & Export Group Co. 4. Shenhua Group Ltd.
	32	27011210	Bituminous coking coal, not agglomerated, whether or not pulverized	
	33	27011290	Other bituminous coal, other than coking coal, not agglomerated, whether or not pulverized	
	34	27011900	Coal nes, not agglomerated, whether or not pulverized	
	35	27021000	Lignite, not agglomerated, whether or not pulverized	
CRUDE OIL	36	27090000	Petroleum oils & oils obtained from bituminous minerals, crude	1. China National Chemical Import & Export Co. 2. China International United Petroleum & Chemicals Co. 3. China National United Oil Co.
PROCESSED OIL	37	27100011	Motor gasoline & aviation gasoline	
	38	27100013	Naphtha	
	39	27100019	Gasoline distillages, nes & preparations thereof	
	40	27100023	Aviation kerosene	
	41	27100024	Lamp-kerosene	
	42	27100029	Kerosene distillages, nes & preparations thereof	
	43	27100031	Light diesel oil	
	44	27100033	Fuel oil No.5 to No.7 (National Code)	
	45	27100039	Diesel oils & preparations thereof and other fuel oils, nes	
	46	27100053	Lubricating greases	
	47	27100054	Lubricating oils	
	48	27100059	Heavy oils & preparations thereof, nes	
	49	27111100	Natural gas, liquefied	
SILK	50	50010010	Mulberry feeding silk-worm cocoons	China National Silk Import & Export Co.
	51	50010090	Silk-worm cocoons suitable for reeling (excl. Mulberry feeding silk-worm cocoons)	
	52	50020011	Plant reeled (Steam filature silk),not thrown	
	53	50020012	Steam filature silk ,home reeled, not thrown	
	54	50020013	Steam filature silk, doupion, not thrown	
	55	50020019	Steam filature raw silk (excl. Plant reeled, home reeled, doupion), not thrown	
	56	50020020	Tussah raw silk, not thrown	
	57	50020090	Raw silk, nes, not thrown	
	58	50031000	Silk waste (including cocoons unsuitable for reeling, yarn waste and garneted stock), not carded or combed	
	59	50039000	Silk waste (including cocoons unsuitable for reeling, yarn waste and garneted stock), carded or combed	
	60	50040000	Silk yarn (excl. spun from silk waste), not put up for retail sale	
	61	50050010	Yarn spun from noil, not put up for retail sale	
	62	50050090	Yarn spun from other silk waste (excl. Yarn spun from noil), not put up for retail sale	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
UN-BLEACHED SILK	63	50071010	Unbleached (unscoured or scoured) or bleached woven fabrics of noil silk	
	64	50072011	Unbleached (unscoured or scoured) or bleached woven fabrics, containing 85% or more by weight of mulberry silk	
	65	50072021	Unbleached (unscoured or scoured) or bleached woven fabrics of tussah silk, containing 85% or more by weight of tussah silk	
	66	50072031	Unbleached (unscoured or scoured) or bleached woven fabrics of spun silk, containing 85% or more by weight of tussah silk	
COTTON	67	52010000	Cotton, not carded or combed	
	68	52030000	Cotton, carded or combed	
COTTON YARN, containing 85% or more by weight of cotton*	69	52041100	Cotton sewing thread, cotton by weight $\geq 85\%$, not put up for retail sale	
	70	52051100	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring ≤ 14 metric number, not put up for retail sale	
	71	52051200	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring, > 14 metric number but ≤ 43 metric number, not put up for retail sale	1. China National Textiles Import & Export Co.
	72	52051300	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	2. Qingdao Textiles United Import & Export Co.
	73	52051400	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	3. Beijing No.2 Cotton Mill
	74	52051500	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 80 metric number, not put up for retail sale	4. Beijing No.3 Cotton Mill
	75	52052100	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring ≤ 14 metric number, not put up for retail sale	5. Tianjin No.1 Cotton Mill
	76	52052200	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	6. Shanghai Shenda Co. Ltd
	77	52052300	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	7. Shanghai Huashen Textiles and Dying Co. (Group)
	78	52052400	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	8. Dalian Huanqiu Textiles Group Co.
	79	52052600	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 80 metric number but ≤ 94 metric number, not put up for retail sale	9. Shijiazhuang Changshan Textiles Group
	80	52053100	Uncombed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring ≤ 14 metric number	10. Luoyang Cotton Mill, Henan Province
	81	52053200	Uncombed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	
	82	52053300	Uncombed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
	83	52053400	Uncombed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	
	84	52053500	Uncombed cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 80 metric number, not put up for retail sale	
	85	52054100	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring ≤ 14 metric number, not put up for retail sale	
	86	52054200	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	
	87	52054300	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	
	88	52054400	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	
	89	52054600	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 80 metric number but ≤ 94 metric number, not put up for retail sale	
	90	52071000	Cotton yarn (excl. sewing), put up for retail sale, cotton by weight $\geq 85\%$	
COTTON YARN, containing less than 85% by weight of cotton*	91	52041900	Cotton sewing thread, cotton by weight $< 85\%$, not put up for retail sale	11. Songyue Textiles Industry Group, Henan Province 12. Dezhou Cotton Mill 13. Wuxi No.1 Cotton Mill 14. Puxin Textiles Mill, Hubei Province 15. Northwest No.1 Cotton Mill 16. Chengdu Jiuxing Textiles Group Co. 17. Suzhou Sulun Textiles Joint Company (Group) 18. Northwest No.7 Cotton Mill 19. Xiangmian Group Co., Hubei Province 20. Handan Lihua Textiles Group Co.
	92	52061100	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring ≤ 14 metric number, not put up for retail sale	
	93	52061200	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	
	94	52061300	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	
	95	52061400	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	
	96	52061500	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring > 80 metric number, not put up for retail sale	
	97	52062100	Combed single cotton yarn, cotton by weight $< 85\%$, measuring ≤ 14 metric number, not put up for retail sale	
	98	52062200	Combed single cotton yarn, cotton by weight $< 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	
	99	52062300	Combed single cotton yarn, cotton by weight $< 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	
	100	52062400	Combed single cotton yarn, cotton by weight $< 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
	101	52062500	Combed single cotton yarn, cotton by weight <85%, measuring >80metric number, not put up for retail sale	21. Xinjiang Textiles Industry Co. (Group) 22. Anqing Textiles Mill 23. Jinan No.2 Cotton Mill 24. Tianjin No.2 Cotton Mill 25. Jinhua Textiles Mill, Shanxi Province 26. Jinwei Group Co., Zhejiang Province 27. Northwest No.5 Cotton Mill 28. Baoding No.1 Cotton Mill 29. Liaoyang Textiles Mill 30. Changchun Textiles Mill 31. Huaxin Cotton Mill, Henan Province 32. Baotou Textiles Mill 33. Ninbo Hefeng Textiles Group Co. 34. Northwest No.4 Cotton Mill 35. Xinjiang Shihezi Bayi Cotton Mill
	102	52063100	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring ≤14metric number, not put up for retail sale	
	103	52063200	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring >14metric number but ≤43metric number, not put up for retail sale	
	104	52063300	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring >43metric number but ≤52metric number, not put up for retail sale	
	105	52063400	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring >52metric number but ≤80metric number, not put up for retail sale	
	106	52063500	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring >80metric number, not put up for retail sale	
	107	52064100	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring ≤14metric number, not put up for retail sale	
	108	52064200	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring >14metric number but ≤43metric number, not put up for retail sale	
	109	52064300	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring >43metric number but ≤52metric number, not put up for retail sale	
	110	52064400	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring >52metric number but ≤80metric number, not put up for retail sale	
	111	52064500	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring >80metric number, not put up for retail sale	
	112	52079000	Cotton yarn (excl. sewing), put up for retail sale, cotton by weight <85%	
WOVEN FABRICS OF COTTON, containing 85% or more by weight of cotton*	113	52081100	Unbleached plain cotton weave, cotton by weight ≥85%, a weight not exceeding 100g/m2	
	114	52081200	Unbleached plain cotton weave, cotton by weight ≥85%, a weight exceeding 100g/m2 but not exceeding 200g/m2	
	115	52081300	Unbleached 3 or 4-thread twill, cotton by weight ≥85%, a weight not exceeding 200g/m2	
	116	52081900	Unbleached woven cotton fabrics, nes, cotton by weight ≥85%, a weight not exceeding 200g/m2	
	117	52091100	Unbleached plain cotton weave, cotton by weight ≥85%, a weight exceeding 200g/m2	
	118	52091200	Unbleached 3 or 4-thread twill, cotton by weight ≥85%, a weight exceeding 200g/m2	
	119	52091900	Unbleached cotton fabrics, cotton by weight ≥85%, a weight exceeding 200g/m2, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
WOVEN FABRICS OF COTTON, containing less than 85% by weight of cotton *	120	52101100	Unbleached plain cotton weave, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight not exceeding 200g/m2	
	121	52101200	Unbleached 3 or 4-thread twill, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight not exceeding 200g/m2	
	122	52101900	Unbleached woven cotton fabrics, nes, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight not exceeding 200g/m2	
	123	52111100	Unbleached plain cotton weave, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight exceeding 200g/m2	
	124	52111200	Unbleached 3 or 4-thread twill, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight exceeding 200g/m2	
	125	52111900	Unbleached woven cotton fabrics, nes, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight exceeding 200g/m2	
ANTIMONY ORES	126	26171010	Crude antimony	1. China National Metals and Minerals Import & Export Co. 2. China National Non-ferrous Import & Export Co. 3. China Rare Earth and Metal Group Co.
	127	26171090	Antimony ores & concentrates, excl. crude	
ANTIMONY OXIDE	128	28258000	Antimony oxides	
ANTIMONY PRODUCTS	129	81100020	Antimony unwrought	
	130	81100030	Antimony waste and scrap; Antimony powders	
	131	81100090	Antimony and articles thereof, nes	
SILVER	132	71061000	Silver in powder	1. China Banknote Printing and Minting Corporation 2. China Copper Lead Zinc Group
	133	71069100	Silver (incl. Silver plated with gold or platinum) in unwrought forms	
	134	71069200	Silver (incl. Silver plated with gold or platinum) in semi-manufactured forms nes	

* Each of the 35 State Trading Enterprises listed under products "Cotton Yarn, containing 85% or more by weight of cotton", "Cotton Yarn, containing less than 85% by weight of cotton", "Woven Fabrics of Cotton, containing 85% or more by weight of cotton", "Woven Fabrics of Cotton, containing less than 85% by weight of cotton", may trade in Product Numbers 69 through 125.

ANNEX 2B

PRODUCTS SUBJECT TO DESIGNATED TRADING

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
NATURAL RUBBER	1	40011000	Natural rubber latex, in primary forms or in plates, sheets or strip	Liberalized within 3 years after accession.
	2	40012100	Smoked sheets of natural rubber	
	3	40012200	Technically specified natural rubber, in primary forms or in plates, sheets or strip	
	4	40012900	Natural rubber, in primary forms or in plates, sheets or strip, nes	
TIMBER	5	44020000	Wood charcoal (incl. shell or nut charcoal), whether or not agglomerated	Liberalized within 3 years after accession.
	6	44031000	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, treated with paint, stains, creosote or other preservatives	
	7	44032000	Coniferous wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	8	44034910	Teak wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	9	44034990	Specified tropical wood in the rough, nes, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	10	44039100	Oak (Quercus spp.) wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	11	44039200	Beech (Fagus spp.) wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	12	44039910	Nan mu (Phoebe) wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	13	44039920	Camphor wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	14	44039930	Rosewood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	15	44039940	Kiri (Paulownia) wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	16	44039990	Wood, nes, in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	17	44041000	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked; chipwood and the like, coniferous	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	18	44042000	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked; chipwood and the like, non-coniferous	
	19	44050000	Wood wool; wood flour	
	20	44061000	Railway or tramway sleepers (cross-ties) of wood, not impregnated	
	21	44069000	Railway or tramway sleepers (cross-ties) of wood, impregnated	
	22	44071000	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, conifers	
	23	44072400	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Virola, Mahogany (Swietenia spp.), Imbuia and Balsa	
	24	44072500	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Dark Red Meranti, Light Red Meranti and Meranti Bakau	
	25	44072600	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, White Lauan, White Meranti, White Seraya, Yellow Meranti and Alan	
	26	44072910	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Teak wood	
	27	44072990	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, specified tropical woods nes	
	28	44079100	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Oak (Quercus spp.) wood	
	29	44079200	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Beech (Fagus spp.) wood	
	30	44079910	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Nan mu, Camphor wood or Rosewood	
	31	44079920	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Paulownia wood	
	32	44079990	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, wood nes	
PLYWOOD	33	44121300	Plywood consisting solely of sheets of wood, each ply not exceeding 6mm thickness, with at least one outer ply of tropical wood specified	Liberalized within 3 years after accession.
	34	44121400	Plywood consisting solely of sheets of wood, each ply not exceeding 6mm thickness, with at least one outer ply of non-coniferous wood	
	35	44121900	Plywood consisting solely of sheets of wood, each ply not exceeding 6mm thickness, nes	

PRODUCTS	NO	HSNO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
WOOL	36	51011100	Greasy shorn wool, not carded or combed	Liberalized within 3 years after accession.
	37	51011900	Greasy wool (excl. shorn), not carded or combed	
	38	51012100	Degreased shorn wool, not carbonised, not carded or combed	
	39	51012900	Degreased wool (excl. shorn), not carbonised, not carded or combed	
	40	51013000	Carbonized wool, not carded or combed	
	41	51031010	Noils of wool, excluding garnetted stock	
	42	51051000	Carded wool	
	43	51052100	Combed wool in fragments	
	44	51052900	Wool tops & combed wool (excl. Combed wool in fragments)	
ACRYLIC	45	54023910	Synthetic filament textured yarn of polypropylene, not for retail sale	Liberalized within 3 years after accession.
	46	54023990	Synthetic filament textured yarn, nes, not for retail sale	
	47	54024910	Single synthetic yarn of polypropylene, with ≤ 50 turns/m, not for retail sale	
	48	54024920	Single synthetic yarn of polyurethane, with ≤ 50 turns/m, not for retail sale	
	49	54024990	Single synthetic yarn, nes, with ≤ 50 turns/m, not for retail sale	
	50	54025910	Single filament yarn of polypropylene, with > 50 turns/m, not for retail sale	
	51	54025990	Single synthetic filament yarn, nes, with > 50 turns/m, not for retail sale	
	52	54026910	Multiple or cabled yarn of polypropylene not for retail sale	
	53	54026920	Multiple or cabled yarn of polyurethane, not for retail sale	
	54	54026990	Multiple or cabled yarn of synthetic filament, nes, not for retail sale	
	55	55013000	Synthetic filament tow of acrylic or modacrylic	
	56	55033000	Synthetic staple fibres, of acrylic or modacrylic, not carded, combed or otherwise processed for spinning	
	57	55063000	Synthetic staple fibres of acrylic or modacrylic, carded, combed or otherwise processed for spinning	
	58	55093100	Single yarn, with $\geq 85\%$ acrylic or modacrylic staple fibres, not put up for retail sale	
	59	55093200	Multiple or cabled yarn, $\geq 85\%$ acrylic/modacrylic staple fibres, not put up for retail sale	
	60	55096100	Yarn, $< 85\%$ acrylic or modacrylic staple fibres, mixed mainly or solely with wool or fine animal hair, not put up for retail sale	
	61	55096200	Yarn, $< 85\%$ acrylic or modacrylic staple fibres, mixed mainly or solely with cotton, not put up for retail sale	
62	55096900	Yarn, $< 85\%$ acrylic or modacrylic staple fibres, nes, not put up for retail sale		

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
STEEL	63	72081000	Iron or non-alloy steel in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, with patterns in relief	Liberalized within 3 years after accession.
	64	72082500	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, pickled, of a thickness of 4.75mm or more	
	65	72082600	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, pickled, of a thickness of 3mm or more but less than 4.75mm	
	66	72082700	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, pickled, of a thickness of less than 3mm	
	67	72083600	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 10mm or more	
	68	72083700	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 4.75mm or more but less than 10mm	
	69	72083800	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 3mm or more but less than 4.75mm	
	70	72083900	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of less than 3mm	
	71	72084000	Flat-rolled products of iron or non-alloy steel not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, with patterns in relief	
	72	72085100	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 10mm or more	
	73	72085200	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 4.75mm or more but less than 10mm	
	74	72085300	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 3mm or more but less than 4.75mm	
	75	72085400	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of less than 3mm	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	76	72089000	Flat-rolled products of iron or non-alloy steel, not clad or plated or coated, of a width of 600mm or more, hot-rolled, nes	
	77	72091500	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 3mm or more	
	78	72091600	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness exceeding 1mm but less than 3mm	
	79	72091700	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 0.5mm or more but not exceeding 1mm	
	80	72091800	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of less than 0.5mm	
	81	72092500	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 3mm or more	
	82	72092600	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness exceeding 1mm but less than 3mm	
	83	72092700	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 0.5mm or more but not exceeding 1mm	
	84	72092800	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of less than 0.5mm	
	85	72099000	Flat-rolled products of iron or non-alloy steel, not clad or plated or coated, of a width of 600mm or more, cold-rolled, nes	
	86	72101100	Flat-rolled products of iron or non-alloy steel, plated or coated with tin, of a width of 600mm or more, of a thickness of 0.5mm or more	
	87	72101200	Flat-rolled products of iron or non-alloy steel, plated or coated with tin, of a width of 600mm or more, of a thickness of less than 0.5mm	
	88	72102000	Flat-rolled products of iron or non-alloy steel, plated or coated with lead, of a width of 600mm or more, including terneplate	
	89	72103000	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, electrolytically plated or coated with zinc	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	90	72104100	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, corrugated, plated or coated with zinc nes	
	91	72104900	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated with zinc, nes	
	92	72105000	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated with chromium oxides or with chromium and chromium oxides	
	93	72106100	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated with aluminium-zinc alloys	
	94	72106900	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated with aluminium, nes	
	95	72107000	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, painted or plated with plastics	
	96	72109000	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated, nes	
	97	72111300	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, rolled on four faces or in a closed box pass, 150mm <width >600mm, and a thickness \geq 4mm, without patterns in relief, not further worked than hot-rolled	
	98	72111400	Flat-rolled products of iron or non-alloy steel, not further worked than hot-rolled, not clad or plated or coated, of a width of less than 600mm, of a thickness of 4.75mm or more, nes	
	99	72111900	Flat-rolled products of iron or non-alloy steel, not further worked than hot-rolled, not clad or plated or coated, of a width of less than 600mm, nes	
	100	72112300	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, not further worked than cold-rolled, containing by weight less than 0.25% of carbon	
	101	72112900	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, not further worked than cold-rolled, containing by weight not less than 0.25% of carbon	
	102	72119000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, nes	
	103	72121000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, plated or coated with tin	
	104	72122000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, electrolytically plated or coated with zinc	
	105	72123000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, plated or coated with zinc, nes	
	106	72124000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, painted or plated or coated with plastics	
	107	72125000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, plated or coated, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	108	72126000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, clad	
	109	72131000	Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, containing indentations & ribs & grooves & other deformations produced during the rolling process	
	110	72132000	Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of free cutting steel	
	111	72139100	Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of circular cross-section measuring less than 14 mm in diameter, nes	
	112	72139900	Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, nes	
	113	72141000	Bars & rods of iron or non-alloy steel, not further worked than forged, nes	
	114	72142000	Bars & rods of iron or non-alloy steel, not further worked than forged or hot-rolled or hot-drawn or hot-extruded, containing indentations & ribs & grooves & other deformations produced during the rolling process or twisted after rolling, nes	
	115	72143000	Bars & rods of iron or non-alloy steel, not further worked than forged or hot-rolled or hot-drawn or hot-extruded (incl. twisted after rolling), of free cutting steel, nes	
	116	72149100	Bars & rods of iron or non-alloy steel, not further worked than forged or hot-rolled or hot-drawn or hot-extruded (incl. twisted after rolling), of rectangular (excl. square) cross-section, nes	
	117	72149900	Bars & rods of iron or non-alloy steel, not further worked than forged or hot-rolled or hot-drawn or hot-extruded (incl. twisted after rolling), nes	
	118	72151000	Bars & rods of free cutting steel, not further worked than cold- formed or cold-finished, nes	
	119	72155000	Bars & rods of iron or non-alloy steel, not further worked than cold- formed or cold-finished, nes	
	120	72159000	Bars & rods of iron or non-alloy steel, nes	
	121	72161010	H sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height less than 80mm	
	122	72161090	U & I sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height less than 80mm	
	123	72162100	L sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height less than 80mm	
	124	72162200	T sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height less than 80mm	
	125	72163100	U sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	126	72163200	I sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	
	127	72163300	H sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	
	128	72164010	L sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	
	129	72164020	T sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	
	130	72165010	Z sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded	
	131	72165090	Angles & shapes & sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, nes	
	132	72166100	Angles & shapes & sections of iron or non-alloy steel, not further worked than cold-rolled or cold-drawn or cold-extruded, obtained from flat-rolled products	
	133	72166900	Angles & shapes & sections of iron or non-alloy steel, not further worked than cold-rolled or cold-drawn or cold-extruded, nes	
	134	72169100	Angles & shapes & sections of iron or non-alloy steel, cold-rolled or cold-drawn or cold-extruded, obtained from flat-rolled products, nes	
	135	72169900	Angles & shapes & sections of iron or non-alloy steel, cold-rolled or cold-drawn or cold-extruded, nes	
	136	72171000	Wire of iron or non-alloy steel, not plated or coated, whether or not polished	
	137	72172000	Wire of iron or non-alloy steel, plated or coated with zinc	
	138	72173000	Wire of iron or non-alloy steel, plated or coated with other base metals	
	139	72179000	Wire of iron or non-alloy steel, nes	
	140	72181000	Ingots & other primary forms of stainless steel	
	141	72189100	Semi-finished products of stainless steel, of rectangular (other than square) cross-section	
	142	72189900	Semi-finished products of stainless steel, nes	
	143	72191100	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, in coils, of a thickness exceeding 10mm	
	144	72191200	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, in coils, of a thickness of 4.75mm or more but less than 10mm	
	145	72191300	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, in coils, of a thickness of 3mm or more but less than 4.75mm	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	146	72191400	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, in coils, of a thickness of less than 3mm	
	147	72192100	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, not in coils, of a thickness exceeding 10mm	
	148	72192200	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, not in coils, of a thickness of 4.75mm or more but less than 10mm	
	149	72192300	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, not in coils, of a thickness of 3mm or more but less than 4.75mm	
	150	72192400	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, not in coils, of a thickness of less than 3mm	
	151	72193100	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 4.75mm or more	
	152	72193200	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 3mm or more but less than 4.75mm	
	153	72193300	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness exceeding 1mm but less than 3mm	
	154	72193400	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 0.5mm or more but not exceeding 1mm	
	155	72193500	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of less than 0.5mm	
	156	72199000	Flat-rolled products of stainless steel, of a width of 600mm or more, nes	
	157	72201100	Flat-rolled products of stainless steel, of a width of less than 600mm, not further worked than hot-rolled, of a thickness of 4.75mm or more	
	158	72201200	Flat-rolled products of stainless steel, of a width of less than 600mm, not further worked than hot-rolled, of a thickness of less than 4.75mm	
	159	72202000	Flat-rolled products of stainless steel, of a width of less than 600mm, not further worked than cold-rolled	
	160	72209000	Flat-rolled products of stainless steel, of a width of less than 600mm, nes	
	161	72210000	Bars & rods of stainless steel, hot-rolled, in irregularly wound coils	
	162	72221100	Bars & rods of stainless steel, not further worked than hot-rolled or hot-drawn or extruded, of circular cross-section, nes	
	163	72221900	Bars & rods of stainless steel, not further worked than hot-rolled or hot-drawn or extruded, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	164	72222000	Bars & rods of stainless steel, not further worked than cold- formed or cold-finished	
	165	72223000	Bars & rods of stainless steel, nes	
	166	72224000	Angles, shapes & sections, stainless steel	
	167	72230000	Wire of stainless steel	
	168	72241000	Ingots & other primary forms of alloy steel, other than stainless	
	169	72249010	Raw casting forging stocks, individual piece weight of 10T or more, of alloy steel, other than stainless	
	170	72249090	Semi-finished products of alloy steel other than stainless, nes	
	171	72251100	Flat rolled products of Si-electrical steel, width \geq 600mm, grain-oriented	
	172	72251900	Flat rolled products of silicon-electrical steel, width \geq 600mm, nes	
	173	72252000	Flat rolled products of high speed steel, width \geq 600mm	
	174	72253000	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), in coils, not further worked than hot-rolled, width \geq 600mm	
	175	72254000	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), not further worked than hot-rolled, width \geq 600mm, nes	
	176	72255000	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), not further worked than cold-rolled, width \geq 600mm	
	177	72259100	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), nes, width \geq 600mm, electrolytically coated with zinc	
	178	72259200	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), nes, width \geq 600mm, otherwise coated with zinc	
	179	72259900	Flat rolled products, of alloy steel, width \geq 600mm, nes	
	180	72261100	Flat rolled products of silicon -electrical steel, width <600mm grain-oriented	
	181	72261900	Flat rolled products of silicon -electrical steel, width <600mm, nes	
	182	72262000	Flat rolled products of high speed steel, width <600mm	
	183	72269100	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), not further worked than hot-rolled, width <600mm	
	184	72269200	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), not further worked than cold-rolled, width <600mm	
	185	72269300	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), nes, width <600mm, electrolytically coated with zinc	
	186	72269400	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), nes, width <600mm, otherwise coated with zinc	
	187	72269900	Flat rolled products, of alloy steel, width <600mm, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	188	72271000	Bars & rods, of high speed steel, hot-rolled, in irregularly wound coils	
	189	72272000	Bars & rods, of silico-manganese steel, hot-rolled, in irregular wound coils	
	190	72279000	Bars & rods, of alloy steel, hot-rolled, in irregularly wound coils, nes	
	191	72281000	Bars & rods of high speed steel, nes	
	192	72282000	Bars & rods of silico-manganese steel, nes	
	193	72283000	Bars & rods of alloy steel other than stainless, not further worked than hot-rolled or hot-drawn or extruded, nes	
	194	72284000	Bars & rods of alloy steel other than stainless, not further worked than forged	
	195	72285000	Bars & rods of alloy steel other than stainless, not further worked than cold formed or finished	
	196	72286000	Bars & rods of alloy steel other than stainless, nes	
	197	72287010	Shapes of crawler tread of alloy steel other than stainless	
	198	72287090	Angles, shapes & sections of alloy steel other than stainless, nes	
	199	72288000	Bars & rods, hollow drill, of alloy or non-alloy steel	
	200	72291000	Wire of high speed steel	
	201	72292000	Wire of silico-manganese steel	
	202	72299000	Wire of alloy steel, nes	
	203	73011000	Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements	
	204	73012000	Angles, shapes & sections, welded, of iron or steel	
	205	73021000	Rails, of iron or steel	
	206	73022000	Sleepers (cross-ties), of iron or steel	
	207	73023000	Switch blades & crossing frogs & point rods & other crossing pieces, of iron or steel	
	208	73024000	Fish plates & sole plates, of iron or steel	
	209	73029000	Rail or tramway construction material of iron or steel, nes	
	210	73030010	Tube, pipes of cast iron, of circular cross-section, inside diameter ≥ 500 mm	
	211	73030090	Tubes, pipes & hollow profiles of cast iron, nes	
	212	73041000	Pipes, line, of iron (other than cast) or steel, seamless, of a kind used for oil or gas pipelines	
	213	73042100	Drill pipe, of iron (other than cast) or steel, seamless, for use in drilling for oil or gas	
	214	73042900	Casings, tubing pipe of iron (other than cast) or steel, seamless, for use in drilling for oil or gas	
	215	73043110	Boiler tubes & pipes, of iron (other than cast) or steel, seamless, of circular cross-section, cold drawn or rolled	
	216	73043120	Geological casing & drill pipe, of iron (other than cast) or steel, seamless, of circular cross-section, cold drawn or rolled	
	217	73043190	Tubes & pipe, of iron (other than cast) or steel, seamless, of circular cross-section, cold drawn or rolled, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	218	73043910	Boiler tubes & pipes, of iron (other than cast) or steel, seamless, of circular cross-section, not cold drawn or rolled	
	219	73043920	Geological casing & drill pipe, of iron (other than cast) or steel, seamless, of circular cross-section, not cold drawn or rolled	
	220	73043990	Tubes & pipe, of iron (other than cast) or steel, seamless, of circular cross-section, not cold drawn or rolled, nes	
	221	73044190	Tubes, pipe, of stainless steel, seamless, of circular cross-section, cold drawn or rolled, nes	
	222	73044910	Boiler tubes & pipes, of stainless steel, seamless, of circular cross-section, not cold drawn or rolled	
	223	73044990	Tubes & pipe, of stainless steel, seamless, of circular cross-section, cold drawn or rolled, nes	
	224	73045110	Boiler tube & pipe, of alloy steel other than stainless, seamless, of circular cross-section, cold drawn or rolled	
	225	73045120	Geological casing & drill pipe, of alloy steel other than stainless, seamless, of circular cross-section, cold drawn or rolled	
	226	73045190	Tubes & pipe, of alloy steel other than stainless, seamless, of circular cross-section, cold drawn or rolled, nes	
	227	73045910	Boiler tube & pipe, of alloy steel other than stainless, seamless, of circular cross-section, not cold drawn or rolled	
	228	73045920	Geological casing & drill pipe, of alloy steel other than stainless, seamless, of circular cross-section, not cold drawn or rolled	
	229	73045990	Tubes & pipe, of alloy steel other than stainless, seamless, of circular cross-section, not cold drawn or rolled, nes	
	230	73049000	Tubes, pipe & hollow profiles, of iron (other than cast) or steel, seamless, nes	
	231	73051100	Line pipes for oil or gas pipelines, of iron or steel, of circular cross-section, external diameter >406.4mm, longitudinally submerged arc welded	
	232	73051200	Line pipes for oil or gas pipelines, of iron or steel, of circular cross-section, external diameter >406.4mm, longitudinally welded nes	
	233	73051900	Line pipes for oil or gas pipelines, of iron or steel, of circular cross-section, external diameter >406.4mm, nes	
	234	73052000	Casings used in drilling for oil or gas, of iron or steel, of circular cross-section, external diameter >406.4mm, nes	
	235	73053100	Tubes & pipe, of iron or steel, longitudinally welded, of circular cross-section, external diameter >406.4mm, nes	
	236	73053900	Tubes & pipe, of iron or steel, welded (excl. longitudinally welded), , external diameter >406.4mm	
	237	73059000	Tubes & pipe, of iron or steel, riveted or similarly closed, external diameter >406.4mm, nes	
	238	73061000	Line pipes for oil or gas pipelines, of iron or steel, welded or open seam or riveted or similarly closed, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	239	73062000	Casings used in drilling for oil or gas, of iron or steel, welded or open seam or riveted or similarly closed, nes	
	240	73063000	Tubes & pipes, of iron and non-alloy steel, welded, of circular cross-section, nes	
	241	73064000	Tubes & pipes, of stainless steel, welded, of circular cross-section, nes	
	242	73065000	Tubes & pipes, of alloy steel other than stainless, welded, of circular cross-section, nes	
	243	73066000	Tubes, pipe & hollow profiles, of iron or steel, welded, of non-circular cross-section, nes	
	244	73069000	Tubes, pipe & hollow profiles, of iron or steel, welded or open seam or riveted or similarly closed, nes	
	245	73121000	Stranded wire & ropes & cables, of iron or steel, not electrically insulated	

ANNEX 3

NON-TARIFF MEASURES SUBJECT TO PHASED ELIMINATION

Table One
Products Subject to Import Licence, Import Quota and Import Tendering

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
1	17011100	Raw cane sugar, in solid form, not containing added flavouring or colouring matter	L	Q		upon accession	
2	17011200	Raw beet sugar, in solid form, not containing added flavouring or colouring matter	L	Q		upon accession	
3	17019910	Granulated sugar	L	Q		upon accession	
4	17019920	Superfine sugar	L	Q		upon accession	
5	24011010	Flue-cured tobacco, not stemmed/stripped	L	Q		upon accession	
6	24011090	Tobacco other than flue-cured, not stemmed/stripped	L	Q		upon accession	
7	24012010	Flue-cured tobacco, partly or wholly stemmed/stripped	L	Q		upon accession	
8	24012090	Tobacco other than flue-cured, partly or wholly stemmed/stripped	L	Q		upon accession	
9	24013000	Tobacco refuse	L	Q		upon accession	
10	24029000	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes	L	Q		upon accession	
11	24039100	Homogenized or "reconstituted" tobacco	L	Q		upon accession	
12	27100011	Motor gasoline & aviation gasoline	L	Q		2004	1
13	27100013	Naphtha	L	Q		2004	1
14	27100019	Gasoline distillages, nes & preparations thereof	L	Q		2004	1
15	27100023	Aviation kerosene	L	Q		2004	1
16	27100024	Lamp-kerosene	L	Q		2004	1
17	27100031	Light diesel oil	L	Q		2004	1
18	27100033	Fuel oil No.5 to No.7 (National Code)	L	Q		2004	1
19	27100039	Diesel oils & preparations thereof and other fuel oils, nes	L	Q		2004	1
20	28371110	Sodium cyanide	L	Q		2002	2
21	31021000	Urea, whether or not in aqueous solution	L	Q		upon accession	
22	31022100	Ammonium sulphate	L	Q		2002	3
23	31022900	Double salts & mixtures of ammonium sulphate & ammonium nitrate	L	Q		2002	3
24	31023000	Ammonium nitrate, whether or not in aqueous solution	L	Q		2002	3
25	31024000	Mixtures of ammonium nitrate with calcium carbonate or other inorganic non-fertilizing substances	L	Q		2002	3
26	31025000	Sodium nitrate	L	Q		upon accession	
27	31026000	Double salts & mixtures of calcium nitrate & ammonium nitrate	L	Q		upon accession	
28	31027000	Calcium cyanamide	L	Q		upon accession	
29	31028000	Mixtures of urea & ammonium nitrate in aqueous or ammoniacal solution	L	Q		2002	3
30	31029000	Mineral or chemical fertilizers, nitrogenous, nes, incl. mixtures not specified in the foregoing subheadings	L	Q		2002	3
31	31031000	Superphosphates	L	Q		2002	3
32	31032000	Basic slag	L	Q		2002	3

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
33	31039000	Mineral or chemical fertilizers, phosphatic, nes	L	Q		2002	3
34	31041000	Carnallite, sylvite & other crude natural potassium salts	L	Q		upon accession	
35	31042000	Potassium chloride	L	Q		upon accession	
36	31043000	Potassium sulphate	L	Q		2002	3
37	31049000	Mineral or chemical fertilizers, potassic, nes	L	Q		upon accession	
38	31051000	Goods of chapter 31 in tables or similar forms or in packages of a gross weight ≤10kg	L	Q		2002	3
39	31052000	Mineral or chemical fertilizers containing the three fertilizing elements nitrogen, phosphorus & potassium	L	Q		upon accession	
40	31053000	Diammonium hydrogenorthophosphate (diammonium phosphate)	L	Q		upon accession	
41	31054000	Ammonium dihydrogenorthophosphate (monoammonium phosphate) and mixtures thereof with diammonium hydrogenorthophosphate (diammonium phosphate)	L	Q		2002	3
42	31055100	Mineral or chemical fertilizers containing nitrates & phosphates	L	Q		2002	3
43	31055900	Mineral or chemical fertilizers containing the two fertilizing elements nitrogen & phosphorus, nes	L	Q		2002	3
44	31056000	Mineral or chemical fertilizers with phosphorus & potassium, nes	L	Q		2002	3
45	31059000	Mineral or chemical fertilizers, nes	L	Q		2002	3
46	39076011	Polyethylene terephthalate in slices or chips, high viscosity	L	Q		upon accession	
47	39076019	Polyethylene terephthalate in slices or chips, nes	L	Q		upon accession	
48	40011000	Natural rubber latex, in primary forms or in plates, sheets or strip	L	Q		2004	4
49	40012100	Smoked sheets of natural rubber	L	Q		2004	4
50	40012200	Technically specified natural rubber, in primary forms or in plates, sheets or strip	L	Q		2004	4
51	40012900	Natural rubber, in primary forms or in plates, sheets or strip, nes	L	Q		2004	4
52	40111000	New pneumatic tyres, of rubber of a kind used on motor cars	L	Q		2004	5
53	40112000	New pneumatic tyres, of rubber of a kind used on buses or lorries	L	Q		2004	5
54	40119100	New pneumatic tyres, of rubber, nes, of herring-bone or similar tread	L	Q		2002	5
55	40121010	Retreaded tyres of rubber used on automobiles	L	Q		2002	5
56	40122010	Used pneumatic tyres of rubber used on automobiles	L	Q		2002	5
57	40129020	Solid/cushion rubber tyres, etc, used on automobiles	L	Q		upon accession	
58	40131000	Inner tubes, of rubber of a kind used on motor cars, buses or lorries	L	Q		upon accession	
59	51011100	Greasy shorn wool, not carded or combed	L	Q		upon accession	
60	51011900	Greasy wool (excl. shorn), not carded or combed	L	Q		upon accession	
61	51012100	Degreased shorn wool, not carbonised, not carded or combed	L	Q		upon accession	
62	51012900	Degreased wool (excl. shorn), not carbonised, not carded or combed	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
63	51013000	Carbonized wool, not carded or combed	L	Q		upon accession	
64	51031010	Noils of wool, excluding garnetted stock	L	Q		upon accession	
65	51051000	Carded wool	L	Q		upon accession	
66	51052100	Combed wool in fragments	L	Q		upon accession	
67	51052900	Wool tops & combed wool (excl. Combed wool in fragments)	L	Q		upon accession	
68	52010000	Cotton, not carded or combed	L	Q		upon accession	
69	52030000	Cotton, carded or combed	L	Q		upon accession	
70	54022000	High tenacity yarn of polyesters	L	Q		upon accession	
71	54023310	Elastic filament of polyesters, not for retail sale	L	Q		upon accession	
72	54023390	Textured yarn of polyesters, nes, not for retail sale	L	Q		upon accession	
73	54023990	Synthetic filament textured yarn, nes, not for retail sale	L	Q		upon accession	
74	54024200	Single yarn of partially oriented polyesters, with ≤ 50 turns/m, not for retail sale	L	Q		upon accession	
75	54024300	Single yarn of polyesters, nes, with ≤ 50 turns/m, not for retail sale	L	Q		upon accession	
76	54024990	Single synthetic yarn, nes, with ≤ 50 turns/m, not for retail sale	L	Q		upon accession	
77	54025200	Single yarn of polyesters, with > 50 turns/m, not for retail sale	L	Q		upon accession	
78	54025990	Single synthetic filament yarn, nes, with > 50 turns/m, not for retail sale	L	Q		upon accession	
79	54026200	Multiple or cabled yarn of polyesters, not for retail sale	L	Q		upon accession	
80	54026990	Multiple or cabled yarn of synthetic filament, nes, not for retail sale	L	Q		upon accession	
81	54033310	Single yarn of cellulose diacetate, not for retail sale	L	Q		upon accession	
82	54041000	Synthetic monofilament of ≥ 67 decitex, or more and of which no cross-sectional dimension exceeds 1mm	L	Q		upon accession	
83	55012000	Synthetic filament tow of polyesters	L	Q		upon accession	
84	55013000	Synthetic filament tow of acrylic or modacrylic	L	Q		upon accession	
85	55020010	Cellulose diacetate filament tow	L	Q		upon accession	
86	55032000	Synthetic staple fibres, of polyesters, not carded, combed or otherwise processed for spinning	L	Q		upon accession	
87	55033000	Synthetic staple fibres, of acrylic or modacrylic, not carded, combed or otherwise processed for spinning	L	Q		upon accession	
88	55062000	Synthetic staple fibres, of polyesters, carded, combed or otherwise processed for spinning	L	Q		upon accession	
89	55063000	Synthetic staple fibres of acrylic or modacrylic, carded, combed or otherwise processed for spinning	L	Q		upon accession	
90	55092100	Single yarn, with $\geq 85\%$ polyester staple fibres, not put up for retail sale	L	Q		upon accession	
91	55092200	Multiple or cabled yarn, with $\geq 85\%$ polyester staple fibres, not put up for retail sale	L	Q		upon accession	
92	55093100	Single yarn, with $\geq 85\%$ acrylic or modacrylic staple fibres, not put up for retail sale	L	Q		upon accession	
93	55093200	Multiple or cabled yarn, $\geq 85\%$ acrylic/modacrylic staple fibres, not put up for retail sale	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
94	55095100	Yarn, <85% polyester staple fibres, mixed mainly or solely with artificial staple fibres, not put up for retail sale	L	Q		upon accession	
95	55095200	Yarn, <85% polyester staple fibres, mixed mainly or solely with wool/fine animal hair, not put up for retail sale	L	Q		upon accession	
96	55095300	Yarn, <85% polyester staple fibres, mixed mainly or solely with cotton, not put up for retail sale	L	Q		upon accession	
97	55095900	Yarn, <85% polyester staple fibres, nes, not put up for retail sale	L	Q		upon accession	
98	55096100	Yarn, <85% acrylic or modacrylic staple fibres, mixed mainly or solely with wool or fine animal hair, not put up for retail sale	L	Q		upon accession	
99	55096200	Yarn, <85% acrylic or modacrylic staple fibres, mixed mainly or solely with cotton, not put up for retail sale	L	Q		upon accession	
100	55096900	Yarn, <85% acrylic or modacrylic staple fibres, nes, not put up for retail sale	L	Q		upon accession	
101	84073100	Reciprocation piston engines of a kind used for the propulsion of vehicles of Chapter 87, with a cylinder capacity not exceeding 50cc	L	Q		2003	6
102	84073200	Reciprocation piston engines of a kind used for the propulsion of vehicles of Chapter 87, with a cylinder capacity exceeding 50cc but not exceeding 250cc	L	Q		2003	6
103	84073300	Reciprocation piston engines of a kind used for the propulsion of vehicles of Chapter 87, with a cylinder capacity exceeding 250cc but not exceeding 1000cc	L	Q		2003	6
104	84079090	Spark-ignition reciprocation or rotary internal combustion piston engines not elsewhere specified or included	L	Q		2003	7
105	84082010	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines) for the propulsion of vehicles of Chapter 87, with an output 132.39KW (180H.P.) or more	L	Q		2003	7
106	84082090	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines) for the propulsion of vehicles of Chapter 87, with an output less than 132.39KW (180H.P.)	L	Q		2003	7
107	84089092	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines) not elsewhere specified or included with an output exceeding 14KW but less than 132.39KW(180H.P.)			T	2004	
108	84143011	Compressors for refrigerators or freezers driven by a motor, of a motor power not exceeding 0.4KW	L	Q		upon accession	
109	84143012	Compressors for refrigerators or freezers driven by a motor, of a motor power exceeding 0.4KW but not exceeding 5KW	L	Q		upon accession	
110	84143013	Compressors for air conditioning machinery driven by a motor, of a motor power exceeding 0.4KW but not exceeding 5KW	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
111	84143019	Compressors of a kind used in refrigerating equipment driven by a motor, not elsewhere specified or included	L	Q		upon accession	
112	84143090	Compressors of a kind used in refrigerating equipment driven by a non-motor	L	Q		upon accession	
113	84145930	Centrifugal ventilation fans			T	upon accession	
114	84151000	Window or wall types air conditioning machinery, self-contained	L	Q		2002	8
115	84152000	Air conditioning machinery used for persons in motor vehicles	L	Q		2002	7
116	84158110	Air conditioning machinery incorporating a refrigerating unit and a valve for reversal of the cooling/heat cycle, of a refrigerating effect not exceeding 4000 Kcal per hour	L	Q		upon accession	
117	84158210	Air conditioning machinery incorporating a refrigerating unit, of a refrigerating effect not exceeding 4000 Kcal per hour, nes	L	Q		upon accession	
118	84181010	Combined refrigerator-freezers fitted with separate external doors, of a capacity exceeding 500L	L	Q		upon accession	
119	84181020	Combined refrigerator-freezers fitted with separate external doors, of a capacity exceeding 200L but not exceeding 500L	L	Q		upon accession	
120	84181030	Combined refrigerator-freezers fitted with separate external doors, of a capacity not exceeding 200L	L	Q		upon accession	
121	84182110	Household-compression-type refrigerators, of a capacity exceeding 150L	L	Q		upon accession	
122	84182120	Household-compression-type refrigerators, of a capacity exceeding 50 l but not exceeding 150L	L	Q		upon accession	
123	84182130	Household-compression-type refrigerators, of a capacity not exceeding 50L	L	Q		upon accession	
124	84182200	Household-absorption-type refrigerators, electrical	L	Q		upon accession	
125	84183010	Chest-type freezers of a refrigerating temperature of -40°C or lower, capacity not exceeding 800L	L	Q		upon accession	
126	84183021	Chest-type freezers of a refrigerating temperature higher than -40°C, capacity exceeding 500L but not exceeding 800L	L	Q		upon accession	
127	84183029	Chest-type freezers of a refrigerating temperature higher than -40°C, capacity not exceeding 500L	L	Q		upon accession	
128	84184010	Upright-type freezers of a refrigerating temperature of -40°C or lower, capacity not exceeding 900L	L	Q		upon accession	
129	84184021	Upright-type freezers of a refrigerating temperature higher than -40°C, capacity exceeding 500L but not exceeding 900L	L	Q		upon accession	
130	84184029	Upright-type freezers of a refrigerating temperature higher than -40°C, capacity not exceeding 500L	L	Q		upon accession	
131	84185000	Refrigerating or freezing chests, cabinets, display counters, show-cases and similar refrigerating or freezing furniture, nes	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
132	84254990	Hoists of a kind used for raising vehicles, not elsewhere specified or included			T	upon accession	
133	84261910	Overhead traveling Ship loading cranes			T	upon accession	
134	84261921	Overhead traveling Grab ship unloading cranes			T	upon accession	
135	84261929	Other Overhead traveling ship unloading cranes			T	upon accession	
136	84263000	Portal or pedestal jib cranes			T	upon accession	
137	84264110	Wheel-mounted cranes			T	upon accession	
138	84264190	Self-propelled machinery on tyres fitted with a crane, not elsewhere specified or included			T	upon accession	
139	84281010	Lifts and skip hoists designed for the transport of persons			T	2002	
140	84284000	Escalators and moving walkways			T	upon accession	
141	84291110	Track laying self-propelled bulldozers and angledozers with an engine of an output exceeding 235.36kW(320H.P.)			T	2004	
142	84294011	Self-propelled vibration-type road rollers, of a deadweight of 18t or more			T	2002	
143	84294019	Self-propelled road rollers, not elsewhere specified or included			T	2004	
144	84305020	Mining power shovels, self-propelled			T	upon accession	
145	84381000	Bakery machinery and machinery for the manufacture of macaroni, spaghetti or similar products			T	upon accession	
146	84391000	Machinery for making pulp of fibrous cellulosic material			T	2002	
147	84392000	Machinery for making paper or paperboard			T	2002	
148	84393000	Machinery for finishing paper or paperboard			T	2002	
149	84413090	Machinery for making cartons, boxes, cases, tubes, drums or similar containers in paper pulp, paper or paperboard, other than by moulding, not elsewhere specified or included			T	upon accession	
150	84414000	Machinery for moulding articles in paper pulp, paper or paperboard			T	upon accession	
151	84431910	Sheet fed offset printing machinery,			T	2004	
152	84431990	Offset printing machinery not elsewhere specified or included			T	2004	
153	84435912	Platen screen press printing machinery			T	upon accession	
154	84451110	Carding machinery, for cotton type fibres			T	upon accession	
155	84451120	Carding machinery, for wool type fibres			T	upon accession	
156	84451200	Combing machinery for textile fibres			T	upon accession	
157	84452020	Break spinning machinery (Rotor spinning frames)	L	Q		upon accession	
158	84454010	Automatic bobbin winders			T	upon accession	
159	84459010	Warping machinery for textile fibres			T	upon accession	
160	84463020	Rapier looms for weaving fabrics of a width exceeding 30cm			T	upon accession	
161	84463030	Carrier looms for weaving fabrics of width exceeding 30 cm			T	upon accession	
162	84501200	Washing machinery with built-in centrifugal drier, dry linen capacity not exceeding 10kg, including machinery which both wash and dry	L	Q		upon accession	
163	84501900	Washing machinery, dry linen capacity not exceeding 10kg, not elsewhere specified or included, including machinery which both wash and dry	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
164	84522110	Automatic sewing machinery, flat-seam type, other than book-sewing machinery of heading 84.40			T	upon accession	
165	84522190	Automatic sewing machinery, other than flat-seam type & book-sewing machinery of heading 84.40			T	upon accession	
166	84542010	Fining equipments, outside of converters, used in metallurgy or in metal foundry			T	upon accession	
167	84543010	Cold chamber die-casting machinery			T	upon accession	
168	84563010	Machine-tools for working any material by removal of material, numerically controlled, operated by electro-discharge processes			T	2004	
169	84569910	Cutting machinery of plasma arc, for working any material by removal of material			T	2004	
170	84569990	Machine-tools for working any material by removal of material, operated by electro-chemical, electron beam, ionic-beam processes, not elsewhere specified or included			T	2004	
171	84571010	Machining centers, vertical type, for working metal			T	2004	
172	84571020	Machining centers, horizontal type, for working metal			T	2004	
173	84571030	Machining centers, plano type, for working metal			T	2004	
174	84571090	Machining centers, not elsewhere specified or included, for working metal			T	2004	
175	84581100	Horizontal lathes (including turning centers) for removing metal, numerically controlled			T	2004	
176	84621090	Non-numerically controlled Forging or die-stamping machinery (including presses) and hammers for working metal			T	2002	
177	84659600	Splitting, slicing, paring machinery for working wood, cork, bone, hard rubber, hard plastics or similar hard materials			T	upon accession	
178	84714991	Processing machinery for distributed control systems, presented in the form of systems			T	2004	
179	84742010	Crushing, grinding machinery for earth stone, ores or other mineral substances in solid (incl. power or paste) form, tothing roller type			T	upon accession	
180	84742090	Crushing, grinding machinery for earth stone, ores or other mineral substances in solid (incl. power or paste) form, other than tothing roller type			T	upon accession	
181	84743100	Concrete or mortar mixers			T	2004	
182	84775900	Machinery for moulding or otherwise forming, for working rubber or plastics or for the manufacture of products from these materials, not elsewhere specified or included			T	2002	
183	84781000	Machinery for preparing or making up tobacco, not elsewhere specified or included			T	2002	
184	84789000	Parts, of machinery for preparing or making up tobacco, not elsewhere specified or included			T	upon accession	
185	84791021	Machinery for spreading bituminous concrete			T	2002	
186	84791022	Stabilizer spreading machinery			T	2002	
187	84804100	Injection or compression types moulds for metal or metal carbides			T	2002	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
188	84807100	Injection or compression types moulds for rubber or plastics			T	2002	
189	84834020	Planet decelerators			T	upon accession	
190	85042320	Liquid dielectric transformers, having a power handling capacity of 400MVA or more			T	2004	
191	85172100	Facsimile machinery			T	2002	
192	85175090	Apparatus for carrier-current line systems, not elsewhere specified or included			T	upon accession	
193	85184000	Audio-frequency electric amplifiers			T	2002	
194	85199910	Compact disc players for sound reproducing, not incorporating a sound recording device	L	Q		upon accession	
195	85203210	Digital audio cassette-tape recorders incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
196	85203290	Digital audio magnetic tape recorders incorporating sound reproducing apparatus, other than cassette-tape, not elsewhere specified or included	L	Q		upon accession	
197	85203300	Cassette-tape recorders incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
198	85203910	Open-reel tape recorders incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
199	85203990	Magnetic tape recorders incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
200	85209000	Magnetic tape recorders not incorporating sound reproducing apparatus; other sound recording apparatus, whether or not incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
201	85211011	Magnetic video tape recorders, broadcast quality, whether or not incorporating a video tuner	L	Q		2002	9
202	85211019	Magnetic video tape recorders, whether or not incorporating a video tuner, not elsewhere specified or included	L	Q		2002	9
203	85211020	Magnetic video tape reproducers, whether or not incorporating a video tuner	L	Q		2002	9
204	85219010	Laser video compact disk player, whether or not incorporating a video tuner	L	Q		2002	10
205	85219090	Video recording or reproducing apparatus, whether or not incorporating a video tuner, not elsewhere specified or included	L	Q		2002	10
206	85229021	Transport mechanisms of cassette magnetic tape recorders or reproducers, whether or not incorporating a magnetic head	L	Q		2002	11
207	85229030	Parts and accessories suitable for use solely or principally with the video recording or reproducing apparatus, not elsewhere specified or included	L	Q		2002	9
208	85252011	Satellite earth station for television, whether or not incorporating sound recording or reproducing apparatus			T	2004	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
209	85252019	Satellite earth station other than for television, whether or not incorporating sound recording or reproducing apparatus			T	upon accession	
210	85252022	Radio telephone handsets, including vehicle installed, whether or not incorporating sound recording or reproducing apparatus			T	2002	
211	85252029	Mobile communication equipment incorporating reception apparatus, whether or not incorporating sound recording or reproducing apparatus, not elsewhere specified or included			T	2002	
212	85252092	Mobile communication base station, whether or not incorporating sound recording or reproducing apparatus			T	2002	
213	85252093	Wireless subscriber communicating equipments, whether or not incorporating sound recording or reproducing apparatus			T	2002	
214	85173013	Digital program-controlled mobile communication switching systems			T	2002	
215	85173091	Analogical mobile communication switching systems			T	2002	
216	85253010	Television cameras, for special purposes	L	Q		2002	9
217	85253091	Television cameras not for special purposes, broadcast quality	L	Q		2002	9
218	85253099	Television cameras, not elsewhere specified or included	L	Q		2002	9
219	85254010	Still image video cameras and other video camera recorder, for special purposes	L	Q		2002	9
220	85254020	Household video camera recorders	L	Q		2002	9
221	85254030	Still image video cameras with digital image storage	L	Q		2002	9
222	85254090	Still image video cameras and other video camera recorders, not elsewhere specified or included	L	Q		2002	9
223	85271200	Pocket-size radio cassette-players capable of operating without an external source of power, including apparatus capable of receiving also radio-telephony or radio-telegraphy, whether or not combined with a clock in the same housing	L	Q		upon accession	
224	85271300	Radio-broadcast receivers combined with sound recording or reproducing apparatus capable of operating without an external source of power, including apparatus capable of receiving also radio-telephony or radio-telegraphy, nes	L	Q		upon accession	
225	85271900	Radio-broadcast receivers capable of operating without external power, whether or not combined with a clock in the same housing, nes	L	Q		upon accession	
226	85272100	Radio-broadcast receivers combined with sound recording or reproducing apparatus not capable of operating with an external source of power, of a kind used in motor vehicles, including apparatus capable of receiving also radio-telephony or radio-telegraphy	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
227	85272900	Radio-broadcast receivers not capable of operating with an external source of power, of a kind used in motor vehicles, including apparatus capable of receiving also radio-telephony or radio-telegraphy, nes	L	Q		upon accession	
228	85273100	Radio-broadcast receivers combined with sound recording or reproducing apparatus not capable of operating with an external source of power, including apparatus capable of receiving also radio-telephony or radio-telegraphy, nes	L	Q		upon accession	
229	85273200	Radio-broadcast receivers not combined with sound recording or reproducing apparatus but combined with a clock, nes, including apparatus capable of receiving also radio-telephony or radio-telegraphy	L	Q		upon accession	
230	85273900	Radio-broadcast receivers not capable of operating with an external source of power, including apparatus capable of receiving also radio-telephony or radio-telegraphy, not elsewhere specified or included	L	Q		upon accession	
231	85279010	Radio paging receivers			T	2002	
232	85281210	Colour satellite television receivers, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus			T	2004	
233	85281291	Colour television receivers, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus, with a diagonal measurement of the screen not exceeding 42cm	L	Q		upon accession	
234	85281292	Colour television receivers, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus, with a diagonal measurement of the screen exceeding 42cm but not exceeding 52cm	L	Q		upon accession	
235	85281293	Colour television receivers, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus, with a diagonal measurement of the screen exceeding 52cm	L	Q		2002	12
236	85282100	Colour video monitors	L	Q		2002	12
237	85283010	Colour video projectors	L	Q		2002	12
238	85291020	Aerials and aerial reflectors of all kinds and parts suitable for use therewith, for radio-broadcast receivers and their combinations or television receivers			T	2002	
239	85291090	Aerials and aerial reflectors of all kinds and parts suitable for use therewith, for apparatus of headings 85.25 to 85.28, not elsewhere specified or included			T	2004	
240	85299091	High frequency tuners, suitable for use solely or principally with television receivers			T	2004	
241	85311090	Burglar or fire alarms & similar apparatus, not elsewhere specified or included			T	2002	
242	85352900	Automatic circuit breakers, for voltage exceeding 72.5 KV			T	2004	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
243	85401100	Cathode-ray television picture tubes, including video monitor tubes, color	L	Q		2002	12
244	85404000	Color data/graphic display tubes, with a phosphor dot screen pitch smaller than 0.4mm	L	Q		2002	12
245	85445910	Electric cable (including co-axial cable), without connectors, for voltage exceeding 80V but not exceeding 1000 V			T	upon accession	
246	85447000	Optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors			T	upon accession	
247	86040099	Railway or tramway maintenance or service vehicles, whether or not self-propelled, not elsewhere specified or included			T	upon accession	
248	87012000	Road tractors for semi-trailers, other than tractors of heading 87.09	L	Q		2004	7
249	87019000	Tractors not elsewhere specified or included, other than tractors of heading 87.09			T	upon accession	
250	87021020	Motor vehicles for the transport of ten or more persons (including the driver), with compression-ignition internal combustion piston engine (diesel or semi-diesel), for transport of passengers at aerodrome	L	Q		2004	7
251	87021091	Motor vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), with 30 seats or more (including the driver)	L	Q		2004	7
252	87021092	Motor vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), with 20 seats or more, but not exceeding 29 seats (including the driver)	L	Q		2005	7
253	87021093	Motor vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), with 10 seats or more, but not exceeding 19 seats (including the driver)	L	Q		2005	7
254	87029010	Motor vehicles not elsewhere specified or included, with 30 seats or more (including the driver)	L	Q		2004	7
255	87029020	Motor vehicles not elsewhere specified or included, with 20 seats or more, but not exceeding 29 seats (including the driver)	L	Q		2005	7
256	87029030	Motor vehicles not elsewhere specified or included, with 10 seats or more, but not exceeding 19 seats (including the driver)	L	Q		2005	7
257	87031000	Vehicles specially designed for traveling on snow; golf cars and similar vehicles	L	Q		upon accession	
258	87032130	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity not exceeding 1000cc	L	Q		2005	7
259	87032190	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity not exceeding 1000cc	L	Q		2005	7

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
260	87032230	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1000cc but not exceeding 1500cc	L	Q		2005	7
261	87032240	Cross-country cars (4WD), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1000cc but not exceeding 1500cc	L	Q		2005	7
262	87032250	Station wagons (with 9 seats or less), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1000cc but not exceeding 1500cc	L	Q		2005	7
263	87032290	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1000cc but not exceeding 1500cc	L	Q		2005	7
264	87032314	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
265	87032315	Cross-country cars (4WD), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
266	87032316	Station wagons (with 9 seats or less), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
267	87032319	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
268	87032334	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 2500cc but not exceeding 3000cc	L	Q		2005	7
269	87032335	Cross-country cars (4WD), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 2500cc but not exceeding 3000cc	L	Q		2005	7
270	87032336	Station wagons (with 9 seats or less), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 2500cc but not exceeding 3000cc	L	Q		2005	7
271	87032339	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 2500cc but not exceeding 3000cc	L	Q		2005	7
272	87032430	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 3000cc	L	Q		2005	7
273	87032440	Cross-country cars (4WD), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 3000cc	L	Q		2005	7

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
274	87032450	Station wagons (with 9 seats or less), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 3000cc	L	Q		2005	7
275	87032490	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 3000cc	L	Q		2005	7
276	87033130	Saloon cars, with compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity not exceeding 1500cc	L	Q		2005	7
277	87033140	Cross-country cars (4WD), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity not exceeding 1500cc	L	Q		2005	7
278	87033150	Station wagons (with 9 seats or less), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity not exceeding 1500cc	L	Q		2005	7
279	87033190	Vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity not exceeding 1500cc	L	Q		2005	7
280	87033230	Saloon cars, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
281	87033240	Cross-country cars (4WD), with compression-ignition internal combustion reciprocating piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
282	87033250	Station wagons (with 9 seats or less), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
283	87033290	Vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
284	87033330	Saloon cars, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 2500cc	L	Q		2005	7
285	87033340	Cross-country cars (4WD), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 2500cc	L	Q		2005	7
286	87033350	Station wagons (with 9 seats or less), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 2500cc	L	Q		2005	7
287	87033390	Vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 2500cc	L	Q		2005	7

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
288	87039000	Motor cars and other motor vehicles principally designed for the transport of persons, not elsewhere specified or included, including station wagons and racing cars	L	Q		2005	7
289	87041030	Electromobile dumpers for the transport of goods, designed for off-highway use			T	2004	
290	87042100	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine (diesel or semi-diesel), gross vehicle weight not exceeding 5 tons, excl. dumpers for off-highway use	L	Q		2004	7
291	87042230	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine (diesel or semi-diesel), gross vehicle weight exceeding 5 tons but not exceeding 14 tons, excl. dumpers for off-highway use	L	Q		2004	7
292	87042240	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine (diesel or semi-diesel), gross vehicle weight exceeding 14 tons but not exceeding 20 tons, excl. dumpers for off-highway use	L	Q		2004	7
293	87042300	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine (diesel or semi-diesel), gross vehicle weight exceeding 20 tons, excl. dumpers for off-highway use	L	Q		2004	7
294	87043100	Motor vehicles for the transport of goods, with spark-ignition internal combustion reciprocating piston engine, gross vehicle weight not exceeding 5 tons, excl. dumpers for off-highway use	L	Q		2004	7
295	87043230	Motor vehicles for the transport of goods, with spark-ignition internal combustion reciprocating piston engine, gross vehicle weight exceeding 5 tons but not exceeding 8 tons, excl. dumpers for off-highway use	L	Q		2002	7
296	87043240	Motor vehicles for the transport of goods, with spark-ignition internal combustion reciprocating piston engine, gross vehicle weight exceeding 8 tons, excl. dumpers for off-highway use	L	Q		2002	7
297	87049000	Motor vehicles for the transport of goods, not elsewhere specified or included	L	Q		2002	7
298	87051021	All-road crane lorries, of maximum lifting capacity not exceeding 50 tons	L	Q		2004	13
299	87051022	All-road crane lorries, of maximum lifting capacity exceeding 50 tons but not exceeding 100 tons	L	Q		2004	13
300	87051023	All-road crane lorries, of maximum lifting capacity exceeding 100 tons	L	Q		2004	13
301	87051091	Crane lorries not elsewhere specified or included, of maximum lifting capacity not exceeding 50 tons	L	Q		2004	13
302	87051092	Crane lorries not elsewhere specified or included, of maximum lifting capacity exceeding 50 tons but not exceeding 100 tons	L	Q		2004	13
303	87051093	Crane lorries not elsewhere specified or included, of maximum lifting capacity exceeding 100 tons	L	Q		2004	13

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
304	87052000	Mobile drilling derricks	L	Q		2002	7
305	87053010	Fire fighting vehicles, mounted with scaling ladder	L	Q		2002	7
306	87053090	Fire fighting vehicles, not elsewhere specified or included	L	Q		2002	7
307	87054000	Concrete-mixer lorries	L	Q		2002	7
308	87059020	Mobile radiological units	L	Q		2002	7
309	87059030	Mobile environmental monitoring units	L	Q		2002	7
310	87059040	Mobile clinics	L	Q		2002	7
311	87059051	Airplane charging vehicles (frequency= 400Hz)	L	Q		2002	7
312	87059059	Mobile electric generator sets, not elsewhere specified or included	L	Q		2002	7
313	87059060	Mobile vehicles for aircraft refueling, air-conditioners or deicing	L	Q		2002	7
314	87059070	Snow sweep vehicles for cleansing streets airfield runways	L	Q		2002	7
315	87059080	Petroleum well logging trucks, fracturing unit trucks and mixing sand trucks	L	Q		2002	7
316	87059090	Special purpose motor vehicles, not elsewhere specified or included, other than those principally designed for the transport of persons or goods	L	Q		2002	7
317	87060040	Chassis fitted with engines for crane lorries	L	Q		2004	13
318	87071000	Bodies for the vehicles of heading 87.03	L	Q		2004	7
319	87111000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of a cylinder capacity not exceeding 50cc	L	Q		2004	6
320	87112000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of a cylinder capacity exceeding 50cc but not exceeding 250cc	L	Q		2004	6
321	87113010	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of cylinder capacity exceeding 250cc but not exceeding 400cc	L	Q		2004	6
322	87113020	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of cylinder capacity exceeding 400cc but not exceeding 500cc	L	Q		2004	6
323	87114000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of cylinder capacity exceeding 500cc but not exceeding 800cc	L	Q		2004	6
324	87115000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of cylinder capacity exceeding 800cc	L	Q		2004	6
325	87119000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, not elsewhere specified or included; side-cars	L	Q		2004	6
326	87141900	Parts and accessories of motorcycle (including moped), excl. saddles	L	Q		2004	6

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
327	89012011	Finished oil tankers, loading not exceeding 100000t			T	2004	
328	89012012	Finished oil tankers, loading exceeding 100000t, not exceeding 300000t			T	2004	
329	89012013	Finished oil tankers, loading exceeding 300000t			T	2004	
330	89012021	Crude oil tankers, loading not exceeding 150000t			T	2004	
331	89012022	Crude oil tankers, loading exceeding 150000t, not exceeding 300000t			T	2004	
332	89012023	Crude oil tankers, loading exceeding 300000t			T	2004	
333	89012031	Liquified petroleum gas carriers, volume with 20000m3 or less			T	2004	
334	89012032	Liquified petroleum gas carriers, volume exceeding 20000m3			T	2004	
335	89012041	Liquified natural gas carriers, volume not exceeding 20000m3			T	2004	
336	89012042	Liquified natural gas carriers, volume exceeding 20000m3			T	2004	
337	89012090	Tankers, not elsewhere specified or included			T	2004	
338	89013000	Refrigerated vessels other than those of subheading 8901.20			T	upon accession	
339	89019021	Motor container vessels, capable loading standard containers with 6000 or less			T	2004	
340	89019022	Motor container vessels, capable loading standard containers more than 6000			T	2004	
341	89019031	Motor Ro-Ro carriers, loading not exceeding 2000t			T	2004	
342	89019032	Motor Ro-Ro carriers, loading exceeding 2000t			T	2004	
343	89019041	Motor bulk carriers, loading not exceeding 150000t			T	2004	
344	89019042	Motor bulk carriers, loading exceeding 150000t, not exceeding 300000t			T	2004	
345	89019043	Motor bulk carriers, loading exceeding 300000t			T	2004	
346	89019050	Multi-purposes motor vessels			T	2004	
347	89019080	Motor vessels for the transport of goods and motor vessels for the transport of both persons and goods, not elsewhere specified or included			T	2004	
348	89020010	Fishing vessels, factory ships and other vessels for processing or preserving fishery products, motorized			T	upon accession	
349	89040000	Tugs and pusher craft			T	2004	
350	89051000	Dredgers			T	2004	
351	90061010	Electronic colour scanners used for preparing printing plates or cylinders	L	Q		upon accession	
352	90065100	Cameras with a through-the-lens viewfinder (single lens reflex (SLR)), for roll film of a width not exceeding 35mm	L	Q		2003	14
353	90065200	Cameras for roll film of a width less than 35mm, not elsewhere specified or included	L	Q		2003	14
354	90065300	Cameras for roll film of a width of 35mm, not elsewhere specified or included	L	Q		2003	14
355	90065900	Cameras not elsewhere specified or included	L	Q		2003	14
356	90083010	Orthographical image projectors, other than cinematographic			T	upon accession	
357	90121000	Microscopes other than optical microscopes; and diffraction apparatus	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
358	90158000	Surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances, excluding compasses, not elsewhere specified or included			T	upon accession	
359	90181210	B-ultrasonic diagnostic equipment			T	upon accession	
360	90181291	Chromoscope ultrasonic diagnostic equipment			T	upon accession	
361	90184910	Dentists' chairs incorporating dental equipment			T	upon accession	
362	90189090	Instruments and appliances used in Medical, surgical or veterinary sciences, not elsewhere specified or included			T	upon accession	
363	90221300	X-ray apparatus for dental use			T	upon accession	
364	90221400	X-ray apparatus for medical, surgical or veterinary uses, not elsewhere specified or included			T	upon accession	
365	90221990	X-ray apparatus, not elsewhere specified or included, other than for medical use			T	upon accession	
366	90222100	Apparatus based on the use of alpha, beta or gamma radiations, including radiography or radiotherapy apparatus, for medical surgical, dental or veterinary			T	upon accession	
367	90278090	Instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension or the like, measuring or checking quantities of heat, sound or light; Instruments and apparatus for physical or chemical analysis, nes			T	upon accession	
368	90301000	Instruments and apparatus for measuring or detecting ionizing radiations			T	upon accession	
369	90304010	Frequency meters, digital, of test frequency less than 12.4GHz			T	upon accession	
370	90318010	Optical telecommunication and optical fibre performance testing instruments			T	upon accession	
371	90311000	Machines for balancing mechanical parts			T	2004	
372	91011100	Electrically operated wrist-watches, with mechanical display only, whether or not incorporating a stop-watch facility, with case of precious metal or of metal clad with precious metal	L	Q		2003	15
373	91012100	Non-electrically operated wrist-watches, automatic winding, whether or not incorporating a stop-watch facility, with case of precious metal or of metal clad with precious metal	L	Q		2003	15
374	91012900	Non-electrically operated wrist-watches, not elsewhere specified and included, whether or not incorporating a stop-watch facility, with case of precious metal or of metal clad with precious metal	L	Q		2003	15
375	91021100	Electrically operated wrist-watches, with mechanical display only, whether or not incorporating a stop-watch facility, other than those of heading 91.01	L	Q		2003	15
376	91022100	Non-electrically operated wrist-watches, automatic winding, whether or not incorporating a stop-watch facility, other than those of heading 91.01	L	Q		2003	15

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
377	91022900	Non-electrically operated wrist-watches, not elsewhere specified and included, whether or not incorporating a stop-watch facility, other than those of heading 91.01	L	Q		2003	15

Notes:

1. "L" stands for "import licence";
"Q" stands for "import quota"; and
"T" stands for "specific import tendering requirements for machinery and electronic products".
2. The NTMs will be eliminated as of 1 January of each calendar year as specified in the column of Phasing-out Period.
3. The products covered by the Agreement on Trade in Civil Aircraft are not subject to any NTMs specified herein.

Table Two
Product Quota
(Initial Quota Volume/Value and Annual Growth Rate)

Quota Category		Product Coverage (Serial No in Table One)	Unit	Initial Quota Volume/Value	Annual Growth Rate
1	Processed oil	12-19	Million Metric Tons	16.58	15%
2	Sodium cyanide	20	Million Metric Tons	0.018	15%
3	Chemical fertilizer	22-25, 29-33, 36, 38, 41-45	Million Metric Tons	8.9	15%
4	Natural rubber	48-51	Million Metric Tons	0.429	15%
5	Tires of rubber used on automobiles	52-56	Million Pieces	0.81	15%
6	Motorcycles and key parts	101-103, 319-326	US\$ Million	286	15%
7	Automobiles and key parts	104-106, 115, 248, 250-256, 258-288, 290-297, 304-316, 318	US\$ Million	6000	15%
8	Air conditioners and compressors	114	US\$ Million	286	15%
9	Recording apparatus and key parts	201-203, 207, 216-222	US\$ Million	293	15%
10	Magnetic sound and video recording apparatus	204, 205	US\$ Million	38	15%
11	Recorders and transport mechanisms	206	US\$ Million	387	15%
12	Color TV set and TV tuners	235-237, 243, 244	US\$ Million	325	15%
13	Crane lorries and chassis	298-303, 317	US\$ Million	88	15%
14	Cameras	352-355	US\$ Million	14	15%
15	Wrist watches	372-377	US\$ Million	33	15%

Table Three

Products Subject to Import Licence Only

NO	HS NO	DESCRIPTION OF PRODUCTS	L	Phasing-out Period
1	10011000	Durum wheat	L	upon accession
2	10019010	Seed of wheat & maslin, excl. durum wheat	L	upon accession
3	10019090	Wheat & maslin, excl. for seeding and durum wheat	L	upon accession
4	10059000	Maize (corn), excl. for seeding	L	upon accession
5	10061010	Rice in husk (paddy or rough) seed	L	upon accession
6	10061090	Rice in husk (paddy or rough), excl. for seeding	L	upon accession
7	10062000	Husked (brown) rice	L	upon accession
8	10063000	Semi-milled or wholly milled rice, whether or not polished or glazed	L	upon accession
9	10064000	Broken rice	L	upon accession
10	15071000	Crude soya-bean oil, whether or not degummed, but not chemically modified	L	upon accession
11	15079000	Soya-bean oil and its fractions, refined, but not chemically modified	L	upon accession
12	15081000	Crude ground-nut oil, but not chemically modified	L	upon accession
13	15089000	Ground-nut oil and its fractions, refined, but not chemically modified	L	upon accession
14	15111000	Crude palm oil, but not chemically modified	L	upon accession
15	15119000	Palm oil and its fractions, refined, but not chemically modified	L	upon accession
16	15121100	Crude sunflower-seed or safflower oil, but not chemically modified	L	upon accession
17	15122100	Crude cotton-seed oil, whether or not gossypol has been moved, but not chemically modified	L	upon accession
18	15122900	Cotton-seed oil and its fractions, refined, but not chemically modified	L	upon accession
19	15141010	Crude rape, colza oil, but not chemically modified	L	upon accession
20	15141090	Crude mustard oil, but not chemically modified	L	upon accession
21	15149000	Rape, colza or mustard oil and fractions thereof, refined, but not chemically modified	L	upon accession
22	15152100	Crude maize (corn) oil, but not chemically modified	L	upon accession
23	15155000	Sesame oil and its fractions, whether or not refined, but not chemically modified	L	upon accession
24	22051000	Vermouth & other wine of fresh grapes flavoured with plants or aromatic substance, in containers holding $\leq 2L$	L	upon accession
25	22059000	Vermouth & other wine of fresh grapes, flavoured with plants or aromatic substance, in containers holding $> 2L$	L	upon accession
26	22071000	Undenatured ethyl alcohol of an alcoholic strength by volume $\geq 80\%$	L	upon accession
27	22082000	Spirits from distilling grape wine or marc	L	upon accession
28	22083000	Whiskeys	L	upon accession
29	22084000	Rum & tafia	L	upon accession
30	22085000	Gin & Geneva	L	upon accession
31	22087000	Liqueurs and cordials	L	upon accession
32	22089000	Undenatured ethyl alcohol of an alcoholic strength by volume $< 80\%$; spirituous beverages, nes	L	upon accession
33	37013090	Photographic plates, in the flat, sensitized, unexposed, of any material other than paper, paperboard or textiles, any side exceeding 255mm, nes	L	upon accession
34	37019100	Photographic plates and film for colour photography, in the flat, sensitized, unexposed, of any material other than paper, paperboard or textiles, any side $\leq 255mm$	L	upon accession
35	37023100	Photographic film rolls, unexposed, without perforations, for colour photography, of any material other than paper, paperboard or textiles, width $\leq 105mm$	L	upon accession

NO	HS NO	DESCRIPTION OF PRODUCTS	L	Phasing-out Period
36	37024100	Film rolls, for colour photography, unexposed, without perforations, of any material other than paper, paperboard or textiles , width >610mm, length >200m	L	upon accession
37	37024390	Film rolls, unexposed, without perforations, width >610mm, length ≤200m, of any material other than paper, paperboard or textiles, nes	L	upon accession
38	37024490	Film rolls , unexposed, without perforations, 105mm< width ≤610mm, of any material other than paper, paperboard or textiles, nes	L	upon accession
39	37025100	Film rolls for colour photography, unexposed, width ≤16mm,& length ≤14m, of any material other than paper, paperboard or textiles nes	L	upon accession
40	37025200	Film rolls for colour photography, unexposed, width ≤16mm, length >14m, of any material other than paper, paperboard or textiles, nes	L	upon accession
41	37025410	Film rolls for colour photography other than for slides, unexposed, width =35mm and length ≤2m, of any material other than paper, paperboard or textiles	L	upon accession
42	37025490	Film rolls for colour photography other than for slides, unexposed, 16 mm<width <35 mm, 2 m<length ≤30m, of any material other than paper, paperboard or textiles	L	upon accession
43	37025590	Colour film rolls for colour photography, unexposed, 16mm<width ≤35mm, length >30m, excl. cinematographic film	L	upon accession
44	37025690	Film in rolls for colour photography, unexposed, width >35mm, of any material other than paper, paperboard or textiles , excl. cinematographic film	L	upon accession
45	37029100	Film rolls of neutral colour , unexposed, width ≤16mm, length ≤14m, of any material other than paper, paperboard or textiles	L	upon accession
46	37031010	Photographic paper & paperboard in rolls, sensitized, unexposed, width >610mm	L	upon accession
47	37032010	Photographic paper and paperboard for colour photography, sensitized, unexposed, not in rolls or width ≤610mm	L	upon accession

ANNEX 4

PRODUCTS AND SERVICES SUBJECT TO PRICE CONTROLS

Products Subject to State Pricing

NO	PRODUCTS	HS NO	DESCRIPTION OF PRODUCTS
1	TOBACCO	24011010	Flue-cured tobacco, not stemmed/stripped
		24011090	Tobacco other than flue-cured, not stemmed/stripped
		24012010	Flue-cured tobacco, partly or wholly stemmed/stripped
		24012090	Tobacco other than flue-cured, partly or wholly stemmed/stripped
2	EDIBLE SALT	25010010	Salt, whether or not in aqueous solution or containing added anticaking or free-flowing agents
3	NATURAL GAS	27112100	Natural gas in gaseous state
4	PHARMA-CEUTICALS	30011000	Glands & other organs, dried, whether or not powdered
		30012000	Extracts of glands or other organs or of their secretions
		30019010	Heparin & its salts
		30019090	Substances of human or animal origin, for therapeutic or prophylactic uses, nes
		30021000	Antisera & other blood fractions & modified immunological products, whether or not obtained by means of biotechnological processes
		30022000	Vaccines for human medicine
		30023000	Vaccines for veterinary medicine
		30029010	Saxitoxin
		30029020	Ricitoxin
		30029090	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; other toxins, cultures of micro-organisms (excl. yeasts) and similar products, nes
		30041011	Medicaments containing ampicillin, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30041012	Medicaments containing amoxycillin, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30041013	Medicaments containing penicillins V, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30041019	Medicaments containing penicillins, nes, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30041090	Medicaments containing penicillins or derivatives thereof nes, or streptomycins or their derivatives, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042011	Medicaments containing cefotaxime, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
30042012	Medicaments containing ceftazidime, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale		
30042013	Medicaments containing cefoxitin, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale		
30042014	Medicaments containing ceftazole, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale		

NO	PRODUCTS	HS NO	DESCRIPTION OF PRODUCTS
		30042015	Medicaments containing cefaclor, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042016	Medicaments containing cefuroxime, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042017	Medicaments containing ceftriaxone, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042018	Medicaments containing cefoperazone, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042019	Medicaments containing other cephamycines, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale, nes
		30042090	Medicaments containing other antibiotics, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale, nes
		30043100	Medicaments containing insulin, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30043200	Medicaments containing of adrenal cortical hormones, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30043900	Medicaments containing other hormones, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale, nes
		30044010	Medicaments containing quinine or its salts, but not containing antibiotics or products of heading 29.37, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30044090	Medicaments containing alkaloids or their derivatives, but not containing hormones or other products of heading 29.37 or antibiotics, consisting of mixed or unmixed products put up in measured doses or in forms of packing for retail sale, nes
		30045000	Other medicaments containing vitamins or other products of 29.36, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30049010	Medicaments containing sulfa drugs, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale, nes
		30049020	Medicaments containing biphenyl dicarboxybenzoate, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale, nes
		30049053	Bai Yao, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30049059	Medicaments of Chinese type, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale, nes
		30049090	Medicaments of products for therapeutic, prophylactic or diagnostic uses, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale, nes
		30051010	Adhesive plasters, impregnated or coated with pharmaceutical substances or put up in forms of packing for retail sale for medical, surgical, dental or veterinary purposes

NO	PRODUCTS	HS NO	DESCRIPTION OF PRODUCTS
		30063000	Opacifying preparations for X-ray examinations; diagnostic reagents designed to be administered to the patient
		30066000	Chemical contraceptive preparations based on hormones or spermicides
		40141000	Sheath contraceptives

Products Subject to Government Guidance Pricing

NO	PRODUCTS	HS NO	DESCRIPTION OF PRODUCTS
1	GRAIN	10011000	Durum wheat
		10019010	Seed of wheat & maslin, excl. durum wheat
		10019090	Wheat & maslin, excl. for seeding and durum wheat
		10051000	Maize (corn) seed
		10059000	Maize (corn), excl. for seeding
		10061010	Rice in husk (paddy or rough) seed
		10061090	Rice in husk (paddy or rough), excl. for seeding
		10062000	Husked (brown) rice
		10063000	Semi-milled or wholly milled rice, whether or not polished or glazed
		12010010	Seed of soybeans
		12010091	Yellow soybeans, not for seeding, whether or not broken
		12010092	Black soybeans, not for seeding, whether or not broken
		12010093	Green soybeans, not for seeding, whether or not broken
12010099	Soybeans, nes, not for seeding, whether or not broken		
2	VEGETABLE OIL	15071000	Crude soybean oil, whether or not degummed, but not chemically modified
		15079000	Soya-bean oil and its fractions, refined, but not chemically modified
		15141010	Crude rape, colza oil, but not chemically modified
		15141090	Crude mustard oil, but not chemically modified
3	PROCESSED OIL	27100011	Motor gasoline & aviation gasoline
		27100013	Naphtha
		27100023	Aviation kerosene
		27100024	Lamp-kerosene
		27100031	Light diesel oil
		27100033	Fuel oil No.5 to No.7 (National Code)
		27100039	Diesel oils & preparations thereof and other fuel oils, nes
4	FERTILIZER	31021000	Urea, whether or not in aqueous solution
5	SILKWORM COCOONS	50010010	Mulberry feeding silk-worm cocoons
		50010090	Other silk-worm cocoons suitable for reeling
6	COTTON	52010000	Cotton, not carded or combed

Public Utilities Subject to Government Pricing

NO	CPC	PUBLIC UTILITIES
1	1720	Price of gas for civil use.
2	1800	Price of tap water.
3	1710	Price of electricity.
4	1730	Price of heating power.
5	1800	Price of water supplied by irrigation works.

Service Sectors Subject to Government Pricing

NO	CPC	SERVICE	NOTES
1	7511 7512 7521 7522	Postal and telecommunication services charges	Including postal services charges, national and trans-provincial telecommunication services charges.
2	964	Entrance fee for tour sites	Referring to significant historical relics and natural landscape under protection.
3	921 922 923	Education services charges	

Service Sectors Subject to Government Guidance Pricing

NO	CPC	SERVICE	NOTES
1	7214 745** 731 7111 7112 743 7131 7139	Transport services charges	Including rail transport of both passenger and freight, air transport of freight, port services, and pipeline transport.
2	861 862 8671 8672	Professional services charges	Including architectural and engineering services, legal services, assets assessment services, authentication, arbitration, notarization and inspection.
3	621	Charges for commission agents' services	Including commission for trademark, advertisement taxation and bidding agents.
4	81339**	Charges for settlement, clearing and transmission services of banks	Including settlement, clearing and transmission services of the RMB, transaction fees and seat charges of national securities exchanges, as well as seat charges for China Foreign Exchange Center
5	82101	Selling price and renting fee of residential apartments	
6	931	Health related services	

Notes:

1. CPC classification is added to the service sectors subject to state pricing in this Annex in accordance with the GATT document MTN.GNS/W/120, 10 July 1991, which provided services sectoral classification for the purpose of services negotiations during the Uruguay Round.

2. The government pricing in the service sectors which are listed in China's Schedule of Specific Commitments shall be applied in a manner consistent with Article 6 of GATS and the Reference Paper on Basic Telecommunication.

ANNEX 5A

**NOTIFICATION PURSUANT TO ARTICLE XXV OF
THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES**

I. SUBSIDIES FROM CENTRAL BUDGET PROVIDED TO CERTAIN STATE-OWNED ENTERPRISES WHICH ARE RUNNING AT A LOSS

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.
2. Period covered by the notification
1990-1998.
3. Policy objective and/or purpose of the subsidy
To promote restructuring of those State-owned enterprises which are running at a loss, while keeping employment by means of promoting rationalization and maintaining stable production and safety of the society(compensation for the lack of social security system).
4. Background and authority for the subsidy
Ministry of Finance.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant and Tax Forgiving
7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: 100 million RMB

Sector/Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Metallurgic industry	1.16	1.46	1.35	3.13	4.07	3.02	5.04	10.96	8.36
Ferrous-metal industry	0.63	0.86	1.28	1.51	5.80	5.86	4.78	6.58	4.65
Machinery industry	3.80	5.07	14.61	3.98	14.09	8.34	9.67	11.17	8.38
Coal industry	55.86	66.70	70.14	49.80	47.19	12.13	13.21	16.83	14.85
Oil industry	42.53	54.36	52.89	28.08	0.00	0.00	0.00	6.78	3.28
Chemical industry	3.83	4.03	3.70	4.11	6.90	3.47	4.26	5.32	4.96
Textile industry	1.90	2.39	2.07	3.09	2.65	3.38	6.97	16.41	15.36
Light industry	6.65	7.88	6.31	9.30	3.99	1.52	2.63	6.82	2.35
Tobacco industry	0.00	0.00	0.00	0.00	12.00	8.62	9.26	10.25	8.83
Total of the nine sectors	116.36	142.75	152.35	103.00	96.69	46.34	55.92	91.12	71.02
Other sectors	1.65	1.94	1.99	1.53	1.24	0.42	1.28	4.62	3.67
Total	118.01	144.69	154.34	104.53	97.93	46.76	57.2	95.74	74.69

9. Duration of the subsidy and/or any other time-limits attached to it
1949-2000.

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

II. SUBSIDIES FROM LOCAL BUDGET PROVIDED TO LOSS MAKING STATE OWNED ENTERPRISES

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.

2. Period covered by the notification
1990-1999.

3. Policy objective and/or purpose of the subsidy
To promote restructuring of those State-owned enterprises which are running at a loss, while keeping employment by means of promoting rationalization and maintaining stable production and safety of the society (compensation for the lack of social security system).

4. Background and authority for the subsidy
Ministry of Finance and local governments.

5. Legislation under which it is granted
Assistance by local budget.

6. Form of the subsidy
Grant and Tax Forgiving

7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources and restructuring of state owned enterprises.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit:100 million RMB

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Beijing						57.69	59.28	63.26	63.11
Tianjin						9.23	8.79	7.29	7.29
Hebei						6.84	5.89	4.76	4.91
Shanxi						5.52	6.05	5.42	5.75
Inner-Mongolia						3.53	2.77	2.22	2.29
Liaoning						18.02	17.10	16.63	13.14
Jilin						6.07	5.88	5.75	4.02
Heilongjiang						11.77	7.07	5.21	4.47
Shanghai						44.95	45.50	45.88	45.94
Jiangsu						11.75	10.46	8.81	9.15
Zhejiang						25.06	30.10	34.79	37.85
Anhui						4.17	7.11	6.69	5.41
Fujian						2.53	1.40	1.05	0.78
Jiangxi						0.67	0.65	0.52	0.50
Shandong						8.48	8.12	6.37	4.92
Henan						4.27	3.80	3.66	2.66
Hubei						11.60	10.99	10.92	9.83
Hunan						4.57	5.16	4.23	5.18
Guangdong						17.52	17.35	15.39	13.60
Guangxi						2.22	2.01	1.60	1.33
Hainan						0.70	0.43	0.32	0.61
Chongqing								3.18	1.93
Sichuan						5.99	6.37	2.01	1.89
Guizhou						1.48	1.55	2.25	1.46
Yunnan						7.51	7.82	6.49	3.22
Tibet						0.87	1.16	1.19	1.18
Shaanxi						4.67	4.46	4.66	4.09
Gansu						0.47	0.22	0.18	0.56
Qinghai						0.91	0.96	0.51	0.44
Ningxia						0.18	0.16	0.20	0.19
Xingjiang						1.74	1.54	1.27	1.08
Total	460.87	365.55	290.62	306.76	268.29	281.01	280.20	272.75	258.81

9. Duration of the subsidy and/or any other time-limits attached to it
1949-2000.

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

III. THE PRIORITY IN OBTAINING LOANS AND FOREIGN CURRENCIES BASED ON EXPORT PERFORMANCE

1. Title of the subsidy program
The priority in obtaining loans and foreign currencies based on export performance.

2. Period covered by the notification
1994-1999.
3. Policy objective and/or purpose of the subsidy
To promote the exportation of automobiles.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles..
6. Form of the subsidy
Priority in obtaining loans and foreign currencies.
7. To whom and how the subsidy is provided
Priority is given to:
 - (1) Automotive production enterprises whose export of whole vehicle products has reached the percentage points in the volume of their sales as indicated in the following chart;

Vehicles Types	Category	Percentages
Passenger Vehicles	M1	3%
	M2	5%
	M3	8%
Freight Vehicles	N1	5%
	N2, N3	4%
Motorcycles	L	10%

and

- (2) Automobile and motorcycle components manufacturing enterprises whose exports account for 10 per cent of their total annual sales.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Zero, because no enterprises have reached the level for enjoying the priority up till now.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to eliminate this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Zero.

IV. PREFERENTIAL TARIFF RATES BASED ON LOCALIZATION RATE OF AUTOMOTIVE PRODUCTION.

1. Title of the subsidy program
Preferential tariff rates based on localization rate of automotive production.
2. Period covered by the notification
1994-1999.

3. Policy objective and/or purpose of the subsidy
To promote the localization process of automobile industry of China.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles.
6. Form of the subsidy
Preferential tariff rates.
7. To whom and how the subsidy is provided
The preferential tariff rates are granted to the automotive enterprises whose localization reaches the following ratios:
 - (1) Localization rate reaches 40 per cent, 60 per cent or 80 per cent on products that incorporate imported technology on whole vehicles of M Category;
 - (2) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on whole vehicles of N and L Categories; and
 - (3) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on automobile and motorcycle assemblies and key components.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Not available.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to phase out this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The trade effect is negligible.

V. PREFERENTIAL POLICIES FOR THE SPECIAL ECONOMIC ZONES (EXCLUDING THE PUDONG AREA OF SHANGHAI)

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in the Special Economic Zones of Shenzhen, Zhuhai, Shantou, Xiamen, Hainan.
2. Period covered by the notification
1984 - now.
3. Policy objective and/or purpose of the subsidy
To promote regional development and absorb foreign investment.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax.
7. To whom and how the subsidy is provided
 - (1) For foreign-invested enterprises established in the Special Economic Zones and foreign enterprises engaging in production and business operation in the Special Economic Zones, preferential income tax rate of 15 per cent shall be applied.
 - (2) For foreign-invested productive enterprises established in the old areas of the cities where the Special Economic Zones are located, preferential income tax rate of 24 per cent shall be applied; for technology intensive projects, projects having foreign investment more than \$ 30 million with a long paying back period, and projects within sectors encouraged by the State such as energy, transportation etc., preferential income tax rate may further be reduced to 15 per cent.
 - (3) For enterprises in services sectors with foreign investment more than US\$ 5 million and operation term over 10 years, income tax for the first year shall be exempted and that for the second and third years shall be reduced by 50 per cent, subject to the application and approval by the local taxation authorities. The base year shall be the first profit-making year of the enterprises.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 24 or 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1984 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

VI. PREFERENTIAL POLICIES FOR THE ECONOMIC AND TECHNOLOGY DEVELOPMENT AREAS

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in the economic and technology development areas in Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Ningbo, Fuzhou, Guangzhou, Zhanjiang, Shanghai (Minhang, Hongqiao, Caohejing), Beihai, Shenyang, Wenzhou, Harbin, Changchun, Hangzhou, Wuhan, Chongqing, Wuhu, Xiaoshan, Huizhou, Nansha, Kunshan, Rongqiao, Weihai, Yingkou, Dongshan.
2. Period covered by the notification
1984 - now.
3. Policy objective and/or purpose of the subsidy
To accelerate the opening-up of the region and absorb foreign investment.

4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax..
7. To whom and how the subsidy is provided
 - (1) For foreign-invested productive enterprises established in the economic and technology development areas, preferential income tax rate of 15 per cent shall be applied.
 - (2) For foreign-invested productive enterprises established in the old areas of the cities where the economic and technology development areas are located, preferential income tax rate of 24 per cent shall be applied; for technology intensive projects, projects having foreign investment more than \$ 30 million with a long paying back period, and projects within sectors encouraged by the State such as energy, transportation etc., preferential income tax rate may further be reduced to 15 per cent.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 24 or 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1984 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

VII. PREFERENTIAL POLICIES FOR THE SPECIAL ECONOMIC ZONE OF THE PUDONG AREA OF SHANGHAI

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in the Special Economic Zone of the Pudong area of Shanghai.
2. Period covered by the notification
1991 - now.
3. Policy objective and/or purpose of the subsidy
To accelerate the opening-up of the region and absorb foreign investment.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted
Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax.
7. To whom and how the subsidy is provided
 - (1) For foreign-invested productive enterprises established in the Special Economic Zone of the Pudong area of Shanghai and for foreign-invested enterprises established there to engage in infrastructure constructions, preferential income tax rate of 15 per cent shall be applied.
 - (2) For foreign-invested enterprises established in the Special Economic Zone of the Pudong area of Shanghai, engaged in such energy and transportation construction projects as airport, ports, railways, power stations etc. with operation term longer than 15 years, income tax for the first five years shall be exempted and that for the sixth to the tenth years shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

VIII. PREFERENTIAL POLICIES FOR FOREIGN INVESTED ENTERPRISES

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in China.
2. Period covered by the notification
1985 - now.
3. Policy objective and/or purpose of the subsidy
To absorb foreign investment and expand economic cooperation.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax.

7. To whom and how the subsidy is provided
- (1) For foreign-invested productive enterprises with operation term more than 10 years, the income tax for the first two years shall be exempted and that for the third to the fifth year shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.
 - (2) For Chinese-foreign joint enterprises engaged in the construction of ports, docks and berths, preferential income tax rate of 15 per cent shall be applied, and for those with operation term longer than 15 years, income tax for the first five years shall be exempted and that for the sixth to the tenth years shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.
 - (3) For foreign-invested advanced technology enterprises, in case that the technologies they possess or provide are still regarded as advanced when the initial income tax exemption and reduction period expires, income tax reduction of 50 per cent may continue to be applied, for another 3 years.
 - (4) For foreign-invested enterprises engaged in agriculture, forestry and animal husbandry, and for foreign-invested enterprises established in remote areas with less developed economic level, income tax reduction of 15 to 30 per cent may continue to be applied for another ten years after the initial exemption and reduction period expires, subject to application and approval of local taxation authorities.
 - (5) For foreign-invested enterprises of industries and sectors in which foreign investment is encouraged by the State, provincial government may determine whether to reduce or exempt the local part of income tax.
 - (6) For profits of foreign investors which are re-invested into the enterprises to increase the register capital, or to set up other new enterprises with operation term more than 5 years, 40 per cent of their income tax payment for the re-invested profits shall be refunded subject to application and approval from the local taxation authorities. In case that the new or the expanded enterprises with the re-investment are hi-tech enterprises, or that profits are from foreign-invested enterprises in Hainan Special Economic Zone and re-invested into infrastructure projects or agriculture development projects of the same Special Economic Zone, 100 per cent of the paid income tax for the re-investment shall be refunded.
 - (7) For dividends, interests, rentals, franchising fees and other forms of income of foreign investors who have no commercial establishments in China, preferential income tax rate of 20 per cent shall be applied except for profits of foreign investors gained from the enterprises they have invested in China, which are subject to 100 per cent income tax exemption. For franchising fees gained from provision of special technology to scientific research, energy development, transportation development, agriculture, forestry and animal husbandry, preferential income tax rate of 10 per cent may be applied, subject to application and approval of local taxation authorities; in case that the technology is advanced or is provided with favorable conditions, income tax exemption may be applied.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 20, 15 or 10 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1985-

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

IX. LOANS FROM THE STATE POLICY BANKS

1. Title of the subsidy program
Loans of the State Policy Banks (the State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China).
2. Period covered by the notification
For the State Development Bank, 1994 - 1996;
For the Export and Import Bank of China, 1991 - 1995
For the Agriculture Development Bank of China., 1994 - 1996.
3. Policy objective and/or purpose of the subsidy
To adjust investment structure.
4. Background and authority for the subsidy
There are three State Policy Banks in China: the State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China. The three State Policy Banks accumulate capital by issuing treasury bonds to commercial banks and the market. Generally the State budget does not provide interest rate subsidy to the State Policy Banks. The interest rates of the State Policy Banks loans are usually the same as the market interest rates.
5. Legislation under which it is granted
None.
6. Form of the subsidy
Loans.
7. To whom and how the subsidy is provided
Loans from the State Development Bank are mainly directed to infrastructure constructions in energy, transportation, telecommunications and water conservancy, resources development in the middle and western parts of China, as well as technology renovation of some enterprises.
Loans from the Export and Import Bank of China are mostly directed to guarantee for export credit of commercial banks, and a small part is for direct export credit.
Loans from the Agriculture Development Bank of china are mainly provided for purchase and storage of agricultural and side-line products, forestry construction and water conservancy development.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 200 billion for the State Development Bank, and 9.6 per cent of which is directed to the manufacturing industry;
RMB 21 billion export credit (mainly sellers' credit) for the Export and Import Bank of China;
RMB 500 billion for the Agriculture Development of China.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

X. FINANCIAL SUBSIDIES FOR POVERTY ALLEVIATION

1. Title of the subsidy program
Financial subsidies for poverty alleviation.
2. Period covered by the notification
For direct allocation of funds, 1991 - now
For poverty alleviation loans, 1994 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate poverty.
4. Background and authority for the subsidy
For direct allocation of funds, State Planning Commission and Ministry of Finance.
For poverty alleviation loans, the Agriculture Development Bank of China.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Direct appropriation and provision of poverty alleviation loans.
7. To whom and how the subsidy is provided
The subsidies are provided to regions in China where annual income per capita is less than RMB 400.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
For direct appropriation from the central budget, the total from 1991 to 2000 is RMB 103.6 billion (RMB 18.3 billion from 1991 to 1995, RMB 4 billion in 1996, RMB 15.2 billion in 1997, RMB 17.8 billion for 1998, RMB 24.3 billion in 1999 and RMB 24.0 billion being planned in 2000).

For poverty alleviation loans, RMB 30 billion.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XI. FUNDS FOR TECHNOLOGY RENOVATION, RESEARCH AND DEVELOPMENT

1. Title of the subsidy program
Funds for technology renovation, research and development.
2. Period covered by the notification
1991 - 1998

3. Policy objective and/or purpose of the subsidy
To encourage scientific research and technology development, and to promote application of science and technology in the rural areas.
4. Background and authority for the subsidy
Ministry of Finance
5. Legislation under which it is granted
State Council Circular No. 99, 1987.
6. Form of the subsidy
Grant and loans.
7. To whom and how the subsidy is provided
To scientific research institutes and some enterprises.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 301.9 billion (RMB 18.1 billion for 1991, RMB 22.3 billion for 1992, RMB 42.1 billion for 1993, RMB 41.5 billion for 1994, RMB 49.5 billion for 1995 and RMB 52.6 billion for 1996, RMB 64.3 billion for 1997, RMB 64.1 billion for 1998).
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XII. INFRASTRUCTURE CONSTRUCTION FUNDS FOR AGRICULTURAL WATER CONSERVANCY AND FLOOD PROTECTING PROJECTS

1. Title of the subsidy program
Infrastructure construction funds for agricultural water conservancy projects
2. Period covered by the notification
1991 - 1999
3. Policy objective and/or purpose of the subsidy
To improve agricultural irrigation systems and flood-defending facilities.
4. Background and authority for the subsidy
Ministry of Finance and the Provincial Bureau of Finance
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant.
7. To whom and how the subsidy is provided
To key infrastructure projects in water conservancy and flood protection.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 35.5 billion (RMB 7.5 billion for 1991, RMB 8.5 billion for 1992, RMB 9.5 billion for 1993, RMB 10 billion for 1994, RMB 11.0 billion for 1995, RMB 14.1 billion for 1996, RMB 15.9 billion for 1997, RMB 20.89 billion for 1998 and 21.36 for 1999).
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XIII. TAX AND TARIFF REFUND FOR EXPORT PRODUCTS

1. Title of the subsidy program
Tariff refund for imported contents of export products, and value-added tax refund for export products.
2. Period covered by the notification
1985 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate unreasonable tax and tariff burdens of export enterprises.
4. Background and authority for the subsidy
For tariff refund, taxation and customs authorities; and for tax refund, taxation authorities.
5. Legislation under which it is granted
State Council Circular No. 43, 1985.
6. Form of the subsidy
Tax and tariff refund.
7. To whom and how the subsidy is provided
For raw materials, spare parts, assemblies and packing materials imported for the purpose of processing and assembling for overseas clients or manufacturing products for export, tariffs shall be exempted, or in the case that tariffs have been collected, refund of the collected tariffs shall be made, according to quantities of the final products exported.

For agricultural products subject to the official value-added tax rate of 10%, the refund rate is 3%.

For industrial products subject to the official value-added tax rate of 17%, which take agricultural products as their raw materials, the refund rate is 6%.

For other products subject to the official value-added tax rate of 17%, the refund rate is 9%.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1985 -

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XIV. TARIFF AND IMPORT DUTIES REDUCTION AND EXEMPTION FOR ENTERPRISES

1. Title of the subsidy program
Tariff and import duties reduction and exemption for enterprises.
2. Period covered by the notification
1985 - 2000.
3. Policy objective and/or purpose of the subsidy
To attract foreign investment, to encourage technology renovations in domestic enterprises, and to promote such trade forms as border trade, processing trade, compensation trade etc..
4. Background and authority for the subsidy
Taxation and customs authorities.
5. Legislation under which it is granted
Regulation of import and export tariff of the People's Republic of China.
6. Form of the subsidy
Tariff and import duties reduction and exemption.
7. To whom and how the subsidy is provided
China adopted new taxation system on April 1, 1997. Under this new system, all domestic enterprises and institutes shall be subject to tariff and import duties in accordance with official rate except for the following few cases where tariff and import duties reduction and exemption are still applied:
 - (1) goods imported for embassies, and offices of international organizations in China, donations from foreign governments and international organizations, and goods imported by Chinese diplomats, Chinese students studying abroad and etc. for personal consumption;
 - (2) imports into the Yangpu Economic Development Area in Hainan Province, a bonded area;
 - (3) equipment and materials imported during the period of 1996 to 2000 for drilling, petroleum and natural gas exploitation;
 - (4) aircraft imported by domestic civil airlines during the period of 1996 to 2000;
 - (5) spare parts of cars, of which tariff and import duties reduction and exemption shall be determined according to the localization rate;
 - (6) materials imported for domestic manufacturing of aircraft.
Tariff and import duties reduction and exemption before April 1, 1996 of imported equipment and materials for foreign-invested enterprises, for domestic technology renovation and infrastructure construction projects, for Special Economic Zones and Economic and Technology Development Areas, and for border trade, processing trade and compensation trade, shall be terminated except for the following transitional period:

(1) for foreign-invested enterprises with total investment less than US\$ 30 million approved before April 1, 1996, tariff and import duties reduction and exemption of their imported equipment and materials shall remain valid within the transitional period till December 31, 1996; for those enterprises with total investment more than US\$ 30 million, the transitional period shall end on December 31, 1997;

(2) for industrial projects in such areas as energy, transportation, metallurgical industry with total investment more than RMB 50 million, and for technology renovation projects in manufacturing industries with total investment more than RMB 30 million, which were approved before April 1, 1996, tariff and import duties for their equipment importation shall be subject to 50 per cent reduction within the transitional period till December 31, 1997;

(3) goods imported into the five Special Economic Zones of Shenzhen, Zhuhai, Shantou, Xiamen, Hainan, as well as those into the Pudong area in Shanghai and the Industrial Development Zone in Suzhou, shall be subject to tariff and import duties after 1 April 1996 in accordance with the official tariff and import duties rates. However, refund of the tariff and import duties will be applied within the transitional period from 1996 to 2000, with the volume decreasing annually. The refund will terminate after the year 2000.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1985 - 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XV. PROVISION OF LOW-PRICE INPUTS FOR SPECIAL INDUSTRIAL SECTORS

1. Title of the subsidy program
State low pricing for certain percentage of coal for electricity generating, and for certain percentage of crude oil.
2. Period covered by the notification
1987 - now.
3. Policy objective and/or purpose of the subsidy
State pricing for certain percentage of the industrial inputs is to maintain the overall price level stable.
4. Background and authority for the subsidy
Reform of China's planning economic system began first with the reform of the pricing system, and by now 95 per cent of the commodities and services in China have already been determined by the market forces. State pricing remains only for certain percentage of those crucial products to maintain the ability of the government to curb the overall price level in emergent cases.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Pricing.

6. Form of the subsidy
State low pricing for inputs of certain industrial sectors.
7. To whom and how the subsidy is provided
37 per cent of coal in 1995 was subject to state pricing, and 70 per cent of the land oil production was subject to state pricing, price of the remaining 30 per cent as well as of all the off-shore oil production was determined by the market.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1987 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVI. SUBSIDY TO CERTAIN ENTERPRISES IN THE FORESTRY INDUSTRY

1. Title of the subsidy program
Subsidy to the forestry industry.
2. Period covered by the notification
1994 - now.
3. Policy objective and/or purpose of the subsidy
To encourage full utilization of forest resources.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Value added Tax.
6. Form of the subsidy
Refund of value-added tax.
7. To whom and how the subsidy is provided
For certain enterprises in the forestry industry, when their products are based on the utilization of deficient timber resources, the collected value-added tax shall be refunded.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available as the quantity is minimal.
9. Duration of the subsidy and/or any other time-limits attached to it
1994 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVII. PREFERENTIAL INCOME TAX TREATMENT TO HIGH-TECH ENTERPRISES

1. Title of the subsidy program
Preferential Income tax treatment to high-tech enterprises.
2. Period covered by the notification
1994 - now.
3. Policy objective and/or purpose of the subsidy
To accelerate the development of high-tech industries.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For high-tech enterprises in the high-tech development zones approved by the State Council, the income tax rate applied shall be reduced to 15 per cent; for newly-established high-tech enterprises, income tax shall be exempted for the first two years since the operation.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1994 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVIII. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES UTILIZING WASTE

1. Title of the subsidy program
Preferential income tax treatment to enterprises utilizing waste.
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To encourage resources recycle.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.

6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For enterprises utilizing waste gas, waste water and solid waste as major production inputs, income tax shall be reduced or exempted for five years.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XIX. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES IN POVERTY STRICKEN REGIONS

1. Title of the subsidy program
Preferential Income tax treatment to enterprises in poverty stricken regions
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate poverty.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For newly-established enterprises in remote regions, poverty stricken regions, and regions with ethnic groups residence, income tax shall be reduced or exempted for three years.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XX. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES TRANSFERRING TECHNOLOGIES

1. Title of the subsidy program
Preferential Income tax treatment to enterprises transferring technologies.
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To encourage technology transfer and extension.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income reduction and exemption.
7. To whom and how the subsidy is provided
For income of enterprises generated from transferring technologies, or from such relevant services as technology consultancy, training and etc., income tax shall be exempted when such annual net income is below RMB 300 thousand; however, in the case that the income exceeds RMB 300 thousand, for the part which exceeds RMB 300 thousand, income tax shall be applied as usual.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXI. PREFERENTIAL INCOME TAX TREATMENT TO DISASTER STRICKEN ENTERPRISES

1. Title of the subsidy program
Preferential Income tax treatment to disaster stricken enterprises
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To bring down disaster losses.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
In case that enterprises suffer from such disasters as fire, flood, tornado, earthquake and etc., income tax shall be exempted for one year subject to application to and approval from local taxation authorities.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXII. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES WHICH PROVIDE JOB OPPORTUNITIES FOR THE UNEMPLOYED

1. Title of the subsidy program
Preferential income tax treatment to enterprises which provide job opportunities for the unemployed
2. Period covered by the notification
1993 - now
3. Policy objective and/or purpose of the subsidy
To increase job opportunities.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For newly-established township enterprises, in case that the new jobs they provide in one certain year exceed 60 per cent of their total jobs, income tax shall be exempted for a period of three years, subject to their application to and approval from local taxation authorities. In the same year when the three year exemption period expires, in case the enterprises provide another 30 per cent more job opportunities, income tax shall be reduced by 50 per cent for another two years, subject to their application to and approval from local taxation authorities.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.

9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXIII STATISTICS OF INCOME TAX REBATE TO ENTERPRISES SUBJET TO NOTIFICATION XVII, XVIII, XIX, XX, XXI, XXII

Unit: 10,000 RMB

	1995	1996	1997
Beijing	19424	17492	33156
Tianjin	12793	6945	632
Hebei	184	50	5
Shanxi	11216	1519	1465
Inner-Mongolia	2525	445	129
Liaoning	665	477	8515
Jilin	130	1170	791
Heilongjiang	1218	734	1345
Shanghai	41960	110207	63659
Jiangsu	1343	1369	9
Zhejiang	41710	42220	61045
Anhui	14285	17490	23939
Fujian	2563	12953	15183
Jiangxi	28	2	0
Shandong	11586	3737	4277
Henan	192	918	221
Hubei	494	994	12230
Hunan	7019	12179	11915
Guangdong	10835	165	52
Guangxi	9013	6211	7716
Hainan	1194	1371	300
Chongqing			230
Sichuan	3548	3777	998
Guizhou	647	2006	3259
Yunnan	9027	6418	6563
Tibet	506	1173	228
Shaanxi	7320	4228	1230
Gansu	7519	251	1073
Qinghai	357	378	1815
Ningxia	532	465	2309
Xingjiang	6633	2812	1354
Total	226466	260156	265643

XXIV. TARIFF AND VAT EXEMPTION FOR IMPORTED TECHNOLOGY AND EQUIPMENT OF THE INVESTERS INVESTING IN AREAS ENCOURAGED BY THE GOVERNMENT

1. Title of the subsidy program
Tariff and VAT exemption for imported technologies and equipment imported by investors investing in the industrial areas encouraged by the state.

2. Period covered by the notification
1998 - 2000.
3. Policy objective and/or purpose of the subsidy
Reduce the investment cost of importing technologies and equipment from abroad, so as to attract foreign direct investment and promote domestic investment as well.
4. Background and authority for the subsidy
The State Council.
5. Legislation under which it is granted
The circular No. 37(1997) issued by the State Council.
6. Form of the subsidy
Tariff and VAT exemption for imported technologies and equipment.
7. To whom and how the subsidy is provided
For foreign investors investing in the encouraged industrial areas defined by the "The Industrial catalogues for Foreign Direct Investment"(jointly issued by SDPC, SETC and MOFTEC), their imported technologies and equipment can enjoy treatment of tariff and VAT exemption.
For domestic investors investing in the encouraged industrial areas defined by the "The Catalogues of Current Priorities of Industrial Sectors, Products and Technologies Encouraged by the State" (issued by The State Development Planning Commission), their imported technologies and equipment can enjoy treatment of tariff and VAT exemption.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1998 - 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The importation of technologies and equipment has been encouraged by the subsidies, no specific import volume has been calculated.

ANNEX 5B

SUBSIDIES TO BE PHASED OUT

I. SUBSIDIES PROVIDED TO CERTAIN STATE-OWNED ENTERPRISES WHICH ARE RUNNING AT A LOSS

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.
2. Period covered by the notification
1990-1998.
3. Policy objective and/or purpose of the subsidy
To promote structural adjustment of those State-owned enterprises which are running at a loss, especially those in coal-mining and oil-drilling sectors, while keeping employment by means of promoting rationalization and maintaining stable production and safety.
4. Background and authority for the subsidy
Ministry of Finance.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant and tax forgiving
7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: 100 million RMB

Sector/Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Metallurgic industry	1.16	1.46	1.35	3.13	4.07	3.02	5.04	10.96	8.36
Ferrous-metal industry	0.63	0.86	1.28	1.51	5.80	5.86	4.78	6.58	4.65
Machinery industry	3.80	5.07	14.61	3.98	14.09	8.34	9.67	11.17	8.38
Coal industry	55.86	66.70	70.14	49.80	47.19	12.13	13.21	16.83	14.85
Oil industry	42.53	54.36	52.89	28.08	0.00	0.00	0.00	6.78	3.28
Chemical industry	3.83	4.03	3.70	4.11	6.90	3.47	4.26	5.32	4.96
Textile industry	1.90	2.39	2.07	3.09	2.65	3.38	6.97	16.41	15.36
Light industry	6.65	7.88	6.31	9.30	3.99	1.52	2.63	6.82	2.35
Tobacco industry	0.00	0.00	0.00	0.00	12.00	8.62	9.26	10.25	8.83
Total of the nine sectors	116.36	142.75	152.35	103.00	96.69	46.34	55.92	91.12	71.02
Other sectors	1.65	1.94	1.99	1.53	1.24	0.42	1.28	4.62	3.67
Total	118.01	144.69	154.34	104.53	97.93	46.76	57.2	95.74	74.69

9. Duration of the subsidy and/or any other time-limits attached to it
1949-2000.

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

II. THE PRIORITY IN OBTAINING LOANS AND FOREIGN CURRENCIES BASED ON EXPORT PERFORMANCE

1. Title of the subsidy program
The priority in obtaining loans and foreign currencies based on export performance.
2. Period covered by the notification
1994-1999.
3. Policy objective and/or purpose of the subsidy
To promote the exportation of automobiles.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles..
6. Form of the subsidy
Priority in obtaining loans and foreign currencies.
7. To whom and how the subsidy is provided
Priority is given to:
(1) Automotive production enterprises whose export of whole vehicle products has reached the percentage points in the volume of their sales as indicated in the following chart;

Vehicles Types	Category	Percentages
Passenger Vehicles	M1	3%
	M2	5%
	M3	8%
Freight Vehicles	N1	5%
	N2, N3	4%
Motorcycles	L	10%

and

- (2) Automobile and motorcycle components manufacturing enterprises whose exports account for 10 per cent of their total annual sales.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Zero, because no enterprises have reached the level for enjoying the priority up till now.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to eliminate this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Zero.

III. PREFERENTIAL TARIFF RATES BASED ON LOCALIZATION RATE OF AUTOMOTIVE PRODUCTION

1. Title of the subsidy program
Preferential tariff rates based on localization rate of automotive production.
2. Period covered by the notification
1994-1999
3. Policy objective and/or purpose of the subsidy
To promote the localization process of automobile industry of China.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles.
6. Form of the subsidy
Preferential tariff rates.
7. To whom and how the subsidy is provided
The preferential tariff rates are granted to the automotive enterprises whose localization reaches the following ratios:
 - (1) Localization rate reaches 40 per cent, 60 per cent or 80 per cent on products that incorporate imported technology on whole vehicles of M Category;
 - (2) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on whole vehicles of N and L Categories; and
 - (3) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on automobile and motorcycle assemblies and key components.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Not available.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to phase out this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The trade effect is negligible.

ANNEX 6

PRODUCTS SUBJECT TO EXPORT DUTY

NO	HS NO	DESCRIPTION OF PRODUCTS	EXPORT DUTY RATE (%)
1	03019210	Live eels fry	20.0
2	05061000	Ossein and bones treated with acid	40.0
3	05069010	Powder and waste of bones	40.0
4	05069090	Bones and horn-cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinized, excl. Ossein and bones treated with acid	40.0
5	26070000	Lead ores & concentrates	30.0
6	26080000	Zinc ores & concentrates	30.0
7	26090000	Tin ores & concentrates	50.0
8	26110000	Tungsten ores & concentrates	20.0
9	26159000	Niobium, tantalum & vanadium ores & concentrates	30.0
10	26171010	Crude antimony	20.0
11	28047010	Yellow phosphorus (white phosphorus)	20.0
12	28047090	Phosphorus, nes	20.0
13	28269000	Fluorosilicates and fluoroaluminates and complex fluorine salts, nes	30.0
14	29022000	Benzene	40.0
15	41031010	Slabs of goats, fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared, whether or not dehaired or split	20.0
16	72011000	Non-alloy pig iron containing by weigh<0.5% of phosphorus in pigs, blocks or other primary forms	20.0
17	72012000	Non-alloy pig iron containing by weight >0.5% of phosphorus in pigs, blocks or other primary forms	20.0
18	72015000	Alloy pig iron and spiegeleisen, in pigs, blocks or other primary forms	20.0
19	72021100	Ferro-manganese, containing by weight more than 2% of carbon	20.0
20	72021900	Ferro-manganese, nes	20.0
21	72022100	Ferro-silicon, containing by weight more than 55% of silicon	25.0
22	72022900	Ferro-silicon, nes	25.0
23	72023000	Ferro-silico-manganese	20.0
24	72024100	Ferro-chromium containing by weight more than 4% of carbon	40.0
25	72024900	Ferro-chromium, nes	40.0
26	72041000	Waste & scrap, of cast iron	40.0
27	72042100	Waste & scrap, of stainless steel	40.0
28	72042900	Waste & scrap of alloy steel, other than stainless steel	40.0
29	72043000	Waste & scrap, of tinned iron or steel	40.0
30	72044100	Ferrous waste & scrap, nes, from turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings, whether or not in bundles	40.0
31	72044900	Ferrous waste & scrap of iron or steel, nes	40.0
32	72045000	Remelting scrap ingots of iron or steel	40.0
33	74020000	Copper unrefined; copper anodes for electrolytic refining	30.0
34	74031100	Cathodes & sections of cathodes, of refined copper, unwrought	30.0
35	74031200	Wire bars, of refined copper, unwrought	30.0
36	74031300	Billets, of refined copper, unwrought	30.0
37	74031900	Refined copper, unwrought, nes	30.0
38	74032100	Copper-zinc base alloys (brass), unwrought	30.0
39	74032200	Copper -tin base alloys (bronze), unwrought	30.0
40	74032300	Copper - nickel base alloys (cupronickel) or copper-nickel-zinc base alloys (silver), unwrought	30.0

NO	HS NO	DESCRIPTION OF PRODUCTS	EXPORT DUTY RATE (%)
41	74032900	Copper alloys, unwrought (other than master alloys of heading 74.05)	30.0
42	74040000	Waste & scrap, of copper or copper alloys	30.0
43	74071000	Bars, rods & profiles of refined copper	30.0
44	74072100	Bars, rods & profiles, of copper-zinc base alloys	30.0
45	74072200	Bars, rods & profiles, of copper - nickel base alloys or copper-nickel-zinc base alloys	30.0
46	74072900	Bars, rods & profiles, of copper alloy nes	30.0
47	74081100	Wire of refined copper, of which the maximum cross-sectional dimension >6mm	30.0
48	74081900	Wire of refined copper, of which the maximum cross-sectional dimension ≤6mm	30.0
49	74082100	Wire of copper-zinc base alloys	30.0
50	74082200	Wire of copper - nickel base alloys or copper-nickel-zinc base alloy	30.0
51	74082900	Wire, of copper alloy nes	30.0
52	74091100	Plate, sheet & strip, thickness >0.15mm, of refined copper, in coil	30.0
53	74091900	Plate, sheet & strip, thickness >0.15mm, of refined copper, not in coil	30.0
54	74092100	Plate, sheet & strip, thickness >0.15mm, of copper-zinc base alloys, in coil	30.0
55	74092900	Plate, sheet & strip, thickness >0.15mm, of copper-zinc base alloys, not in coil	30.0
56	74093100	Plate, sheet & strip, thickness >0.15mm, of copper-tin base alloys, in coil	30.0
57	74093900	Plate, sheet & strip, thickness >0.15mm, of copper-tin base alloys, not in coil	30.0
58	74094000	Plate, sheet & strip, thickness >0.15mm, of copper - nickel base alloys or copper-nickel-zinc base alloy	30.0
59	74099000	Plate, sheet & strip, thickness >0.15mm, of copper alloy nes	30.0
60	75021000	Unwrought nickel, not alloyed	40.0
61	75022000	Unwrought nickel alloys	40.0
62	75089010	Electroplating anodes of nickel	40.0
63	76011000	Unwrought aluminium, not alloyed	30.0
64	76012000	Unwrought aluminium alloys	30.0
65	76020000	Aluminium waste & scrap	30.0
66	76041000	Bars, rods & profiles of aluminium, not alloyed	20.0
67	76042100	Hollow profiles of aluminium alloys	20.0
68	76042900	Bars, rods & profiles (excl. hollow profiles), of aluminium alloys	20.0
69	76051100	Wire of aluminium ,not alloyed, with the maximum cross-sectional dimension >7mm	20.0
70	76051900	Wire of aluminium, not alloyed, with the maximum cross-sectional dimension ≤7mm	20.0
71	76052100	Wire of aluminium alloys, with the maximum cross sectional dimension >7mm	20.0
72	76052900	Wire of aluminium alloys, with the maximum cross sectional dimension ≤7mm	20.0
73	76061120	Plates & sheets & strip, rectangular (incl. square), of aluminium, not alloyed, 0.30mm ≤ thickness ≤0.36mm	20.0
74	76061190	Plates & sheets & strip, rectangular (incl. square), of aluminium, not alloyed, 0.30mm > thickness >0.2mm	20.0
75	76061220	Plates & sheets & strip, rectangular (incl. square), of aluminium alloys, 0.2mm<thickness <0.28mm	20.0
76	76061230	Plates & sheets & strip, rectangular (incl. square), of aluminium alloys, 0.28mm ≤ thickness ≤0.35mm	20.0
77	76061240	Plates & sheets & strip, rectangular (incl. square), of aluminium alloys, 0.35mm<thickness	20.0

NO	HS NO	DESCRIPTION OF PRODUCTS	EXPORT DUTY RATE (%)
78	76069100	Plates & sheets & strip, of aluminium, not alloyed, thickness >0.2mm, nes	20.0
79	76069200	Plates & sheets & strip, of aluminium alloys, thickness >0.2mm, nes	20.0
80	79011100	Unwrought zinc, not alloyed, containing by weight \geq 99.99% of zinc	20.0
81	79011200	Unwrought zinc, not alloyed, containing by weight <99.99% of zinc	20.0
82	79012000	Unwrought zinc alloys	20.0
83	81100020	Antimony unwrought	20.0
84	81100030	Antimony waste and scrap; Antimony powders	20.0

Note:

China confirmed that the tariff levels included in this Annex are maximum levels which will not be exceeded. China confirmed furthermore that it would not increase the presently applied rates, except under exceptional circumstances. If such circumstances occurred, China would consult with affected members prior to increasing applied tariffs with a view to finding a mutually acceptable solution.

ANNEX 7

RESERVATIONS BY WTO MEMBERS

Argentina: restrictions maintained on imports from China

Argentina intends to maintain restrictions on certain products originating in China, such as textiles and clothing, footwear not used for sporting activities and toys, after the accession of China, as follows:

PRODUCT	HS CODE
Textiles and Clothing	51.11; 51.12; 51.13; 52.08; 52.09; 52.10; 52.11; 52.12; 53.09; 53.10; 53.11; 54.07; 54.08; 55.12; 55.13; 55.14; 55.15; 55.16; 56.02; 56.03; 57.01; 57.02; 57.03; 57.04; 57.05; 58.01; 58.02; 58.03; 58.04; 58.05; 58.06; 58.07; 58.08; 58.09; 58.10; 58.11; 59.03; 60.01; 60.02; 61.01; 61.02; 61.03; 61.04; 61.05; 61.06; 61.07; 61.08; 61.09; 61.10; 61.11; 61.12; 61.13; 61.14; 61.15; 61.16; 61.17; 62.01; 62.02; 62.03; 62.04; 62.05; 62.06; 62.07; 62.08; 62.09; 62.10; 62.11; 62.12; 62.13; 62.14; 62.15; 62.16; 62.17; 63.01; 63.02; 63.03; 63.04; 63.05; 63.06; 63.07; 63.08; 63.09; 63.10
Footwear not used for sporting activities	64.01; 64.02; 64.03; 64.04; 64.05
Toys	95.02; 95.03

Quotas (Resolution 862/1999): to be eliminated by 31 July 2002.

Specific duties: phasing out will be in line with the following methodology:

1. The base level of specific duties will be that in force at the time of the accession of China and the *ad valorem* equivalent of each specific duty applied to each tariff position.
2. The transition period will be five years from the date of accession of China, after which a 35% *ad valorem* duty will apply.
3. Duties in excess of 35% will be phased out as follows:
 - **First year:** a 10% reduction of the amount in excess of 35%
 - **Second year:** a 20% reduction
 - **Third year:** a 40% reduction
 - **Fourth year:** a 60% reduction
 - **Fifth year:** an 80% reduction
 - **Sixth year:** As of 1 January of the sixth year, the ceiling of the 35% *ad valorem* equivalent to the minimum specific import duties (DIEMs) will apply.

European Communities: phasing-out timetable of industrial (non-textile) quotas on imports from China

Product	HS/CN Code	2001	2002	2003	2004	2005
Footwear falling within HS/CN codes	ex 6402 99 ³	5% increase	5% increase	10% increase	15% increase	proposed removal
	6403 51 6403 59	5% increase	10% increase	15% increase	15% increase	proposed removal
	ex 6403 91 ² ex 6403 99 ²	5% increase	5% increase	10% increase	15% increase	proposed removal
	ex 6404 11 ⁴	5% increase	5% increase	10% increase	15% increase	proposed removal
	6404 19 10	5% increase	5% increase	10% increase	15% increase	proposed removal
Tableware, kitchenware of porcelain or china	6911 10	15% increase	15% increase	15% increase	15% increase	proposed removal
Ceramic tableware or kitchenware	6912 00	15% increase	15% increase	15% increase	15% increase	proposed removal

Hungary: quantitative restrictions maintained on imports from China

Hungary undertakes to phase out these restrictions by the year 2005. The restraint levels are based on the import data of the year 1999. The annual quota growth and the carry over and carry forward rates in the case of textiles and clothing products are included in the notification.

Product	HS	Import from China in 1999	Increase of quotas in per cent				
			2001	2002	2003	2004	2005
Footwear falling within HS codes	6401	71 000 pairs	5	5	10	15	proposed removal
	6402	10 625 000 pairs	5	5	10	15	proposed removal
	6403	600 000 pairs	5	5	10	15	proposed removal
	6404	4 450 000 pairs	5	5	10	15	proposed removal
	6405	2 140 000 pairs	5	5	10	15	proposed removal
Overwear Flexibility rates: 10% of which carry forward shall not represent more than 5%	4203, ex 4303, ex 4304, 6101, 6102, 6103, 6104, 6106, 6110, 6112, 6113, 6114, 6201, 6202, 6203, 6204, 6206, 6210, 6211	15 900 000 \$	6	6	6	6	proposed removal

³ Excluding footwear involving special technology: shoes which have a cif price per pair of not less than ECU 9 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

⁴ Excluding:

- (a) footwear which is designed for a sporting activity and has, or has provision for the attachment of, spikes, sprigs, stops, clips, bats or the like, with a non-injected sole;
- (b) footwear involving special technology: shoes which have a cif price per pair of not less than ECU 9 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

		Increase of quotas in per cent					
Other clothing and ready-made clothing products Flexibility rates: 10% of which carry forward shall not represent more than 5%	ex 4303, ex 4304, 6117, 6213, 6214, 6215, 6301, 6302, 6304, 6306, 6307, 9404	4 570 000 \$	6	6	6	6	proposed removal

Mexico: anti-dumping measures maintained against imports from China

Notwithstanding any other provisions of this Protocol, during six years after the accession of China, Mexico's existing measures listed below shall not be subject to the provisions of either the WTO Agreement or the anti-dumping provisions of this Protocol.

PRODUCT	TARIFF CLASSIFICATION
Bicycles	8712.00.01 8712.00.02 8712.00.03 8712.00.04 8712.00.99
Footwear and parts thereof	56 tariff lines covered under the headings 6401, 6402, 6403, 6404, 6405
Brass padlocks	8301.10.01
Baby carriages	8715.00.01
Door knob locks	8301.40.01
Malleable iron connections	7307.19.02 7307.19.03 7307.19.99 7307.99.99
Non-refillable pocket lighters, gas-fuelled	9613.10.01
Fluorite	2529.22.01
Furazolidone	2934.90.01
Tools	48 tariff lines under the headings 8201, 8203, 8204, 8205, 8206
Textiles (yarns and fabrics of artificial and synthetic fiber)	403 tariff lines under the headings 3005 5204, 5205, 5206, 5207, 5208, 5209, 5210, 5211, 5212, 5307, 5308, 5309, 5310, 5311 5401, 5402, 5404, 5407, 5408, 5501, 5506, 5508, 5509, 5510, 5511, 5512, 5513, 5514, 5515, 5516 5803, 5911
Toys	21 tariff lines under the headings 9501, 9502, 9503, 9504, 9505, 9506
Pencils	9609.10.01
Bicycle tires and inner tubes	4011.50.01 4013.20.01
Electrical machines, appliances and equipment and parts thereof	78 tariff lines under the headings 8501, 8502, 8503, 8504, 8506, 8507, 8509, 8511, 8512, 8513, 8515, 8516, 8517, 8518, 8519, 8520, 8523, 8525, 8527, 8529, 8531, 8532, 8533, 8536, 8537, 8544
Parathion-methyl	3808.10.99
Clothing	415 tariff lines under the headings 6101, 6102, 6103, 6104, 6105, 6106, 6107, 6108, 6109,

PRODUCT	TARIFF CLASSIFICATION
	6110, 6111, 6112, 6113, 6114, 6115, 6116, 6117, 6201, 6202, 6203, 6204, 6205, 6206, 6207, 6208, 6209, 6210, 6211, 6212, 6213, 6214, 6215, 6216, 6217, 6301, 6302, 6303, 6304, 6305, 6306, 6307, 6308, 6309, 6310,
Organic chemicals	258 tariff lines under the headings 2901, 2902, 2903, 2904, 2905, 2906, 2907, 2909, 2910, 2911, 2912, 2914, 2915, 2916, 2917, 2918, 2919, 2920, 2921, 2922, 2923, 2924, 2925, 2926, 2927
Ceramic and porcelain dishware and loose articles	6911.10.01 6912.00.01
Iron and steel valves	8481.20.01 8481.20.04 8481.20.99 8481.30.04 8481.30.99 8481.80.04 8481.80.18 8481.80.20 8481.80.24
Candles	3406.00.01

Poland: anti-dumping measures and safeguard measures maintained on imports from China

Poland intends to continue the application of the below mentioned measures after China's accession.

1. Anti-dumping duties:

PCN 9613 10 00 0 (pocket lighters, gas fuelled, non-fillable)

PCN 9613 20 90 0 (pocket lighters, gas fuelled refillable, with other ignition system)

The bringing of these measures into conformity with the WTO Agreement⁵ will be effected by the end of 2002.

2. Safeguard measures:

PCN 6402 (other footwear with outer soles and uppers of rubber or plastics).

PCN 6403 (footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather).

PCN 6404 (footwear with outer soles of rubber, plastics, leather or composition leather and upper of textile materials).

PCN 6405 (other footwear)

PCN 8516 40 10 0 (electric smoothing irons, steam smoothing)

PCN 8516 40 90 0 (electric smoothing irons, other)

⁵ The WTO Agreement as defined in the Protocol on the Accession of China, Section 1, para. 2.

The phasing out of these measures will be effected by the end of 2004.

Slovak Republic: quantitative restrictions maintained on imports from China

The Slovak Republic has concluded the bilaterals talks with China over the quantitative restrictions on imports of footwear falling within HS/CN Code 6401, 6402, 6403, 6404 and 6405.

Phasing-out Timetable on Footwear Quotas by the Slovak Republic

HS/CN Code	2001	2002	2003	2004	2005
6401 to 6405	15% increase	15% increase	15% increase	15% increase	proposed removal

Turkey: quantitative restrictions for non-textile products maintained on imports from China

Turkey maintains quantitative restrictions on the goods specified below. Turkey undertakes to eliminate these restrictions by 1 January 2005.

	CN CODE	DESCRIPTION OF GOODS	Quota (2000)
(1)	6402.99	Footwear	110 000 Pairs
	6403.51) 6403.59)	Footwear	26 826 Pairs
(1)	6403.91)	Footwear	185 742 Pairs
(1)	6403.99)		
(2)	6404.11.00.00.00	Footwear	754 350 Pairs
	6404.19.10.00.11) 6404.19.10.00.12) 6404.19.10.00.13)	Footwear	472 300 Pairs
	6911.10	Tableware, kitchenware of porcelain or china	15 225 kg
	6912.00	Ceramic tableware or kitchenware, other than of porcelain or china	45 675 kg

(1) Excluding footwear involving special technology: shoes which have a c.i.f. price per pair of not less than \$11,5 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

(2) Excluding:

(a) footwear which is designed for a sporting activity and has, or has provision for the attachment of spikes, springs, stops, clips, bats or the like, with a non-injected sole,

(b) footwear involving special technology: shoes which have a c.i.f. price per pair of not less than \$11,5 for use in sporting activities, with a single- or multi-layered moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

ANNEX 8

SCHEDULE CLII – PEOPLE'S REPUBLIC OF CHINA

Authentic only in the English language

(Circulated in document WT/ACC/CHN/49/Add.1 and WT/MIN(01)/3/Add.1.)

ANNEX 9

PEOPLE'S REPUBLIC OF CHINA

SCHEDULE OF SPECIFIC COMMITMENTS ON SERVICES

LIST OF ARTICLE II EXEMPTIONS

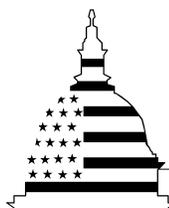
Authentic only in the English language.

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March 2003

WORLD TRADE
ORGANIZATION

First-Year U.S. Efforts
to Monitor China's
Compliance



G A O

Accountability * Integrity * Reliability

Highlights of [GAO-03-461](#), a report to the Chairman and the Ranking Minority Member, Senate Committee on Finance, and to the Chairman and the Ranking Minority Member, House Committee on Ways and Means

Why GAO Did This Study

China's December 2001 membership in the World Trade Organization created substantial opportunities for U.S. companies seeking to expand into China's vast market, and for significant reforms within China at all levels of government. However, the benefits of China's membership in the World Trade Organization are contingent on China's successful implementation of its commitments. In recognizing this fact, Congress has provided increased resources to executive branch agencies to enhance the government's ability to effectively monitor and enforce China's compliance. In this study, one of several that GAO will conduct for Congress on China-World Trade Organization issues, GAO was asked to (1) examine key agencies' organizational changes and the interagency process used to carry out compliance responsibilities and (2) review how the agencies have addressed compliance issues that arose during the first year of China's membership, by using two specific examples; the examples illustrate the type of compliance issues U.S. officials face but are not representative of China's compliance record overall.

The U.S. Trade Representative and other agency officials provided technical and editorial comments mainly on our characterization of issues relating to tariff-rate quotas and the multilateral review of China's trade policies. We clarified these issues and made other changes as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-03-461.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Susan Westin at (202) 512-4128 or westins@gao.gov.

WORLD TRADE ORGANIZATION

First-Year U.S. Efforts to Monitor China's Compliance

What GAO Found

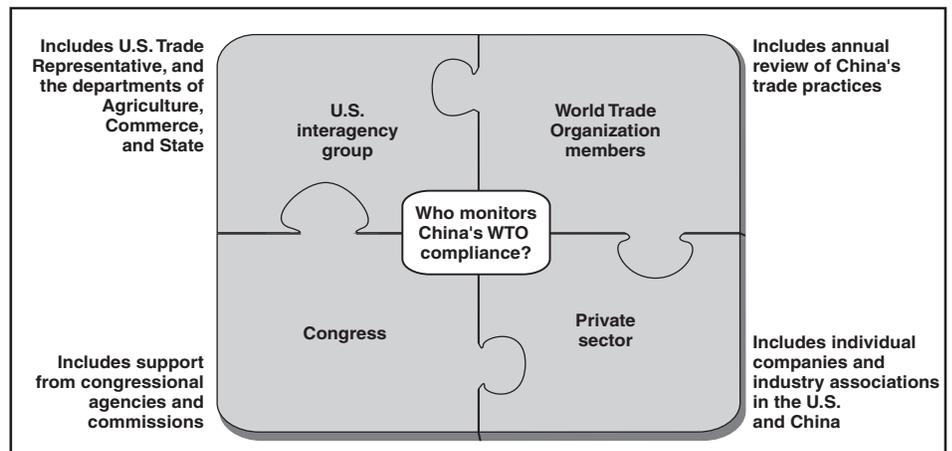
In order to better monitor China's compliance with its World Trade Organization commitments, the U.S. Trade Representative and the departments of Agriculture, Commerce, and State have

- reorganized or established intra-agency teams to coordinate their oversight of China's compliance;
- increased staff from about 28 to 53 in key units in Washington, D.C., and China from fiscal year 2000 to 2002; and
- reflected these changes in their agencies' recent performance and strategic plans.

In addition, the U.S. Trade Representative is leading a new interagency working group on China's compliance to identify, analyze, and resolve problems. This group, which utilizes private sector input, was very active in monitoring and responding to issues during the first year of China's membership, although it took some time for agencies to work out their respective roles and responsibilities in the interagency group.

U.S. agencies' experiences in two areas during the first year of China's World Trade Organization membership illustrate the challenges ahead in addressing compliance issues. First, problems regarding China's commitments to grant market access to certain bulk agricultural commodities through the use of tariff-rate quotas show the extensive effort required to identify difficulties, gather and analyze information, and begin to resolve complex and technical issues with China. Second, disagreement among World Trade Organization members over how to conduct a comprehensive annual review of China's trade policies within the World Trade Organization led to a limited first-year review that did not meet U.S. expectations, and illustrated the challenges of gaining consensus in this multilateral forum to improve future oversight. Problems in both of these areas are unresolved, and U.S. officials continue to pursue their resolution with China in 2003.

Many Actors Monitor China's World Trade Organization Compliance



Source: GAO.

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Abbreviations

FAS	Foreign Agricultural Service
FCS	Foreign Commercial Service
MOFTEC	Ministry of Foreign Trade and Economic Cooperation
SPDC	State Development and Planning Commission
USDA	U.S. Department of Agriculture
USTR	U.S. Trade Representative
TRIPS	Trade-related Aspects of Intellectual Property Rights
TRM	Transitional Review Mechanism
TRQ	Tariff-rate Quota
WTO	World Trade Organization

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United States General Accounting Office
Washington, D.C. 20548

March 31, 2003

The Honorable Charles E. Grassley
Chairman
The Honorable Max Baucus
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable William M. Thomas
Chairman
The Honorable Charles B. Rangel
Ranking Minority Member
Committee on Ways and Means
House of Representatives

China's accession to the World Trade Organization in December 2001 signified that the U.S.'s fourth largest trading partner would be subject to the multilateral organization's requirements to liberalize its trade. By joining the World Trade Organization, China committed to adhere to the principles of a rules-based global trading system and give foreign goods and services greater access to its markets. U.S. officials have recognized that the benefits of these comprehensive commitments are contingent on China's fulfilling its obligations. Recognizing that monitoring and enforcement of the commitments specified in China's accession agreement would be of great importance, Congress enacted legislation to ensure such oversight.¹

As part of your request for us to undertake a long-term body of work related to China's membership in the World Trade Organization, we reviewed how the U.S. Trade Representative, the Department of Commerce, the Department of Agriculture, and the Department of State are positioned to monitor and enforce China's compliance with its commitments. Specifically, in this report we (1) describe the changes to each agency's organization, resources, and plans in light of China's accession, and to the interagency process used to fulfill these responsibilities; and (2) review how these agencies have addressed certain compliance issues that have arisen during the first year of China's World Trade Organization membership.

¹Pub. L. 106-286, 114 Stat. 901 (Oct. 10, 2000).

In order to perform our review, we studied the agencies' budget and staffing information, performance and strategic planning documents, and other official documentation and reports relating to the agencies' efforts to monitor and enforce China's compliance with its commitments. We supplemented this information by reviewing World Trade Organization documents and by interviewing knowledgeable U.S., foreign government, and World Trade Organization officials and private sector representatives. To analyze how the United States has addressed compliance issues, we examined two areas of China's commitments. First, we chose to examine activities related to China's regulating imports of certain bulk agricultural commodities (such as corn and cotton) because the area was economically important to U.S. exporters, China made extensive commitments to change its practices, and significant monitoring and enforcement activity occurred in the first year of China's World Trade Organization membership. Second, we chose to examine activities that related to implementing a comprehensive annual review of China's trade policies within the World Trade Organization, because the area concerned issues that were important to U.S. officials, including Congress, and conducting the review is an important aspect of World Trade Organization members' ability to monitor and enforce Chinese compliance. These two areas are not representative of China's compliance record overall but do illustrate the kinds of compliance issues that U.S. officials try to resolve.² (See app. I for details on our scope and methodology.)

Results in Brief

China's accession to the World Trade Organization led to increased monitoring and enforcement responsibilities for the U.S. government. In response to these increased responsibilities, the U.S. Trade Representative and the departments of Commerce, Agriculture, and State have undertaken various efforts to enhance their ability to monitor China's compliance with its World Trade Organization commitments. For example, the agencies have reorganized or established intra-agency teams to improve the coordination of their monitoring and enforcement efforts. Additionally, the

²The U.S. Trade Representative's first report to Congress on China's World Trade Organization compliance noted that overall in 2002 China made significant progress in implementing its commitments, both in undertaking many of the required systemic changes and in implementing specific commitments. At the same time, the report noted serious concerns in some areas where implementation had not yet occurred or was inadequate. See U.S. Trade Representative, 2002 Report to Congress on China's WTO Compliance (Washington, D.C.: Office of the U.S. Trade Representative, Dec. 11, 2002).

agencies have added staff in Washington, D.C., and overseas in China to carry out these efforts. For example, estimated full-time equivalent staff in key units that are involved in China monitoring and enforcement activities across the four agencies increased from about 28 to 53 from fiscal year 2000 to 2002, with the largest increases at the Department of Commerce. The agencies' recent strategic and planning documents also reflect an emphasis on China trade compliance efforts. On a broader level, the U.S. Trade Representative has established an interagency group to coordinate U.S. government compliance activities. The interagency group, which utilizes the private sector to support its efforts, was very active in monitoring and responding to issues during the first year of China's membership, although it took some time for agencies to work out their respective roles and responsibilities in the interagency group.

Monitoring and enforcement of China's compliance with World Trade Organization requirements is a complex and challenging task, as shown by the U.S.'s experience in two areas during 2002: examining China's regulation of imports of bulk agricultural commodities and participating in an annual multilateral review of China's trade practices. In the first area we reviewed, China's commitments related to its importing bulk agricultural commodities, implementation problems that arose in 2002 included concerns about Chinese authorities missing deadlines for issuing tariff-rate quotas on commodities; disagreement over whether China's interpretation of its commitments met World Trade Organization requirements; and questions about whether new Chinese administrative practices are in keeping with China's obligations. The United States has undertaken both bilateral and multilateral activities to settle these complex issues, which have yet to be resolved. The large number of U.S. government activities in this area, which included at least monthly engagement with China, illustrates the extensive effort agencies must undertake to identify problems, gather and analyze information, and respond to some issues. In the second area we reviewed, the U.S. experience implementing a comprehensive annual review of China's trade practices within the World Trade Organization shows the challenge of achieving multilateral support and consensus on an issue. Disagreement among World Trade Organization members over implementing commitments creating this "transitional review mechanism" limited the World Trade Organization's multilateral oversight of China's compliance in 2002. The first review of China's trade practices did not meet the initial expectations of U.S. officials with regard to the thoroughness of the review. They also expressed disappointment over the results of the review, which failed to produce a final report or recommendations to improve future implementation because there was no

consensus to do so among WTO members, including China. However, U.S. officials cited benefits from participating in the World Trade Organization review process, such as demonstrating to China the United States' commitment to thoroughly reviewing China's World Trade Organization implementation, and solidifying interagency coordination for the years ahead. U.S. officials also said they will work with China and other World Trade Organization members to establish more workable procedures for future reviews, and that they were hopeful that the process will be improved over the next 9 years that the review is scheduled to be conducted.

Background

China became the 143rd member of the World Trade Organization (WTO) on December 11, 2001, after almost 15 years of negotiations. These negotiations resulted in China's commitments to open and liberalize its economy and offer a more predictable environment for trade and foreign investment in accordance with WTO rules. The United States and other WTO members have stated that China's membership in the WTO provides increased opportunities for foreign companies seeking access to China's vast market. China is already a major destination of U.S. investment overseas, and total trade between China and the United States was an estimated \$145 billion in 2002, based on U.S. trade data.

The U.S. government's efforts to ensure China's compliance with its WTO commitments are part of an overall U.S. structure to monitor and enforce foreign governments' compliance with existing trade agreements.³ At least 17 federal agencies, led by the Office of the U.S. Trade Representative (USTR), are involved in these overall monitoring and enforcement activities. USTR and the departments of Agriculture (USDA), Commerce, and State have relatively broad roles and primary responsibilities with respect to trade agreement monitoring and enforcement. Other agencies, such as the departments of the Treasury and Labor, play more specialized roles. Federal monitoring and enforcement efforts are coordinated through an interagency mechanism comprised of several management- and staff-level committees and subcommittees. The congressional structure for funding and overseeing federal monitoring and enforcement activities is

³For more information on the overall roles and responsibilities of U.S. government agencies in monitoring and enforcing trade agreements, see U.S. General Accounting Office, *International Trade: Strategy Needed to Better Monitor and Enforce Trade Agreements*, GAO/NSIAD-00-76 (Washington, D.C.: Mar. 14, 2000).

also complex, because it involves multiple committees of jurisdiction. Congressional agencies and commissions also support Congress's oversight on China-WTO trade issues. In addition to the executive branch and congressional structures, multiple private sector advisory committees exist to provide federal agencies with policy and technical advice on trade matters, including trade agreement monitoring and enforcement.

Key Agencies Have Increased Focus on China WTO Compliance and Coordinate Efforts through an Interagency Process

In response to the increased responsibilities arising from China's accession to the WTO, USTR, Commerce, USDA, and State have undertaken various efforts to increase their ability to monitor China's compliance with its WTO commitments. On an intra-agency level, each of the four agencies have reorganized or established teams to better coordinate the activities among the various agency units involved in China WTO compliance. Additionally, the agencies have devoted additional staff resources in Washington, D.C., and China to enhance their monitoring and enforcement efforts. The agencies' recent performance and strategic planning documents also reflect this increased emphasis on monitoring and enforcement. In addition to the efforts of the individual agencies, USTR established a staff-level interagency working group focused on China WTO compliance to identify, analyze, and resolve problems. Businesses and industry associations support the U.S. government's efforts by providing information on Chinese trade practices, alerting the government to market access problems, and providing input on policy issues.

Agencies Have Made Organizational Changes to Facilitate China WTO Compliance Efforts

To enhance coordination on China WTO compliance issues, USTR has reorganized by merging two offices, while Commerce, State, and USDA have established intra-agency teams. Each of the agencies we reviewed includes within their organizational structures an office that focuses exclusively on China or the greater Asian region. These offices have the primary responsibility for coordinating the agencies' China WTO compliance efforts, but other units in the agencies are routinely involved. Coordination with these units generally includes obtaining input from and sharing information with specialists in other offices on China trade issues, communicating with agency staff in the field overseas, participating in the interagency process of reviewing China's WTO compliance, and coordinating with other governments and private sector representatives.

USTR

USTR's recent reorganization responds to the new responsibilities arising from China's membership in the WTO. USTR created an Office of North Asian Affairs in June 2002 by merging the Office of China and the Office of Japan; the office has primary responsibility for coordinating the agency's efforts on China WTO trade issues.⁴ According to USTR, the reorganization reflected a shift in the agency's activities resulting from China's accession to the WTO and enables the agency to make the best possible use of its resources to maintain a high level of attention to trading partners in the region.

The Office of General Counsel and other sector- and function-specific offices within USTR continue to support the Office of North Asian Affairs on China trade issues by providing subject matter or other specialized expertise.⁵ Additionally, USTR's Monitoring and Enforcement Unit within the Office of General Counsel would have primary responsibility for representing the United States if a China-related dispute settlement case were brought before the WTO. Moreover, the USTR office in Geneva, Switzerland, represents U.S. interests in proceedings at the WTO.

Department of Commerce

Commerce created an intra-agency China Compliance Team in May 2001 (in anticipation of China's accession to the WTO) to facilitate the agency's compliance efforts, which are related to industrial goods and services. Staff from six⁶ Commerce units comprise the team, which is chaired by the Executive Director of Commerce's Market Access and Compliance division.⁷ The team meets twice weekly to share information among the

⁴An Assistant U.S. Trade Representative heads the office, which has overall responsibility for overseeing trade policy toward China, Japan, Hong Kong, South Korea, Mongolia, and Taiwan.

⁵In some cases, these offices take the lead on certain China trade issues. For example, USTR's Office of Services, Investment, and Intellectual Property has the lead role on China-related intellectual property issues, such as monitoring China's compliance with WTO rules on enforcing patent and trademark protection. However, the office coordinates with the Office of North Asian Affairs to ensure information sharing between the two units.

⁶Besides Market Access and Compliance, the other offices that comprise the China Compliance Team are Import Administration, Trade Development, U.S. and Foreign Commercial Service (FCS), the Trade Information Center, and the Office of General Counsel.

⁷Within Market Access and Compliance, two offices, the Office of China Economic Area and the Trade Compliance Center, are directly involved in coordinating the agency's China compliance activities on most issues.

various offices and coordinate the agency's position and actions on China's implementation of its WTO commitments.

USDA

Shortly after China's accession to the WTO in December 2001, USDA recognized the need to gather expertise from across the agency to aid in effectively monitoring China's WTO compliance regarding agriculture. As a result, USDA created two intra-agency task forces—a USDA-wide task force and a working-level task force within USDA's Foreign Agricultural Service (FAS). Six USDA agencies participate in the USDA-wide China Task Force, which was created in February 2002 and meets quarterly. The FAS-wide China Task Force, which was first convened in March 2002, meets monthly to develop strategies for resolving China compliance issues.⁸ FAS officials said that both task forces are an effective means of sharing information and ensuring that the technical expertise of all relevant units are taken into consideration when responding to a compliance issue.⁹

Department of State

Following China's accession to the WTO, State officers at the U.S. embassy in Beijing took the lead in coordinating the U.S. government's compliance efforts in China. To that end, the embassy established a WTO Implementation Coordination Committee, which meets monthly and is chaired by the embassy's economic minister. The committee coordinates the embassy's WTO monitoring, compliance, technical assistance, and outreach efforts. State officers from relevant sections, as well as overseas officers from Commerce, USDA, and Customs, comprise the committee. According to State, the committee plays an important role in gathering, summarizing, and communicating information from China to U.S. government agencies in Washington, D.C.¹⁰

At State headquarters, the Office of Chinese and Mongolian Affairs serves as the main communications link between U.S. agencies in Washington, D.C., and the U.S. embassy and consulates general in China. The office is

⁸Within FAS, the Asia and the Americas Division and the Multilateral Trade Negotiations Division have direct responsibility for coordinating the agency's China WTO compliance efforts. These two divisions coordinate with other FAS units to obtain input and expertise on specific agricultural commodities and other technical issues. For example, staff in FAS commodity-specific units analyze and provide input on China's regulations relating to biotechnology and sanitary measures.

⁹Both task forces may convene more frequently if the need arises.

¹⁰The embassy has also established a working group specifically focused on monitoring China's intellectual property legislation and enforcement.

therefore responsible for coordinating instructions and other diplomatic dispatches to the posts on China WTO compliance issues. This office coordinates with offices in State's Bureau of Economic and Business Affairs to obtain sector-specific and other technical expertise on China trade issues.

Agencies Have Allocated Additional Resources to China Monitoring and Enforcement Efforts

USTR, Commerce, USDA, and State have requested and received additional resources to carry out the additional responsibilities arising from China's accession to the WTO. For example, full-time equivalent staff in key units that are involved in China monitoring and enforcement activities across the four agencies increased from about 28 to 53 from fiscal year 2000 to 2002, based on agency officials' estimates (see table 1). Congress's October 2000 legislation authorizing the President to grant permanent normal trade relations status to China contained specific provisions authorizing the appropriation of additional resources for monitoring and enforcement efforts at agencies' headquarters and on the ground in China.¹¹ Although no appropriation has been made under that October 2000 legislation, the President's fiscal year 2001 budget requested \$22 million for the four agencies to fund a Trade Compliance Initiative that emphasized the need for resources to monitor WTO compliance. Subsequently, Congress appropriated funds for the agencies' overall monitoring and enforcement efforts, a portion of which the agencies used to enhance China compliance efforts.

¹¹Pub. L. 106-286, § 413, 114 Stat. 901.

Table 1: Agency Staffing Estimates for Key Offices Involved in China WTO Compliance Efforts, Fiscal Years 2000-2002

Agency	2000	2001	2002
USTR	3	3	5
Commerce			
Market Access and Compliance ^a	7	19	22
Import Administration ^b	1.7	3.3	6.7
USDA			
Asia and the Americas Division ^c	2.5	2.5	2.5
FAS China field offices (excluding Hong Kong)	5	5	8
State			
Office of Chinese and Mongolian Affairs ^d	2.25	2.25	3.25
Beijing embassy economic section ^e	6	6	5.5
Total	27.5	41.1	53

Sources: USTR, Commerce, USDA, and State estimates for fiscal years 2000-2002.

Note: Totals do not add due to rounding.

^aFigures for Market Access and Compliance include actual full-time staff in the Office of China Economic Area, the Trade Compliance Center, and members of a Rapid Response trade compliance team who focus on China. The figure for 2002 does not include two overseas compliance officers that were approved in 2001, but were not placed until the end of fiscal year 2002 and early fiscal year 2003.

^bWith the exception of officers posted overseas in China, Import Administration officers do not have country-specific work portfolios. Therefore, these figures are based on Import Administration's estimates of actual full-time equivalent staff working on China compliance issues. These figures do not include staff who conduct antidumping proceedings involving imports from China.

^cFigures for the Asia and the Americas Division are based on FAS estimates of actual full-time equivalent staff working on China compliance issues.

^dFigures for the Office of Chinese and Mongolian affairs are based on State's estimates of actual full-time equivalent staff in the unit's economic section, which is the section that is most involved in China WTO compliance issues.

^eFigures for the Beijing embassy economic section are based on State's estimates of actual full-time equivalent staff working on China compliance issues.

Commerce had the largest overall increase in staff devoted to China WTO compliance. Specifically, staffing levels in Commerce's Market Access and Compliance division increased from 7 to 22 between fiscal years 2000 and 2002. Additionally, Commerce's Import Administration, which takes the lead on monitoring China's commitments concerning subsidies and unfair trade practices, also significantly increased staff dedicated to China compliance activities over the same time period.¹² Commerce has also increased the number of staff involved in agency's compliance efforts on the ground in China by creating a Trade Facilitation Office within the Beijing embassy.¹³ In fiscal year 2001, Commerce established positions in this office for two Market Access and Compliance officers and two Import Administration officers. However, the positions were not filled until the end of fiscal year 2002 and early fiscal year 2003 due to training and delays in obtaining security clearances for the staff. According to Commerce, the office works with industry representatives to identify and address market access and WTO compliance concerns. USDA has also increased the number of overseas staff involved in the agency's China WTO compliance activities. Specifically, FAS added a senior policy agricultural attaché to the embassy in Beijing and added two officers at the Agricultural Trade Offices in Beijing and Shanghai in fiscal year 2002.¹⁴ Attachés at the embassy are most directly involved in implementing the agency's efforts to oversee China's WTO compliance with its agriculture commitments. FAS officials said that other overseas officers play a critical role in tracking China's compliance through their contacts with Chinese officials and traders in China. For example, officers in the Agricultural Trade Offices track agriculture-related laws and regulations issued by the Chinese government and communicate this information to headquarters staff.

¹²Import Administration's responsibilities include enforcing U.S. law relating to antidumping measures and countervailing duties. Antidumping measures include a duty or fee imposed to neutralize the injurious effect of unfair pricing practices known as "dumping." Dumping refers to the sale of a commodity in a foreign market at a lower price than its normal market value. A countervailing duty is a special duty that an importing country imposes to offset the economic effect of a subsidy and to prevent injury to a domestic industry caused by a subsidized import.

¹³U.S. and Foreign Commercial Service (FCS) officers in five locations throughout China (Beijing, Chengdu, Guangzhou, Shanghai, and Shenyang) also support Commerce's in-country compliance and monitoring efforts by maintaining contact with U.S. companies in China and gathering information about potential compliance problems.

¹⁴A third Agricultural Trade Office is located in Guangzhou.

Agency Performance and Strategic Planning Documents Reflect Emphasis on China WTO Compliance Issues

In addition to making organizational changes and devoting additional resources to China WTO compliance efforts, the key agencies have also identified monitoring and enforcement as a priority in the agencies' recent planning documents.¹⁵ For example, USTR specifically added China WTO monitoring and enforcement as a key agency performance goal in the agency's fiscal year 2003 performance plan and most recent strategic plan. Additionally, State's 2003 Mission Performance Plan for the overseas posts in China added specific goals, actions, and strategies related to the posts' roles in monitoring and assisting in the enforcement of China's WTO commitments.¹⁶ And although the most recent Commerce and USDA planning documents do not include specific goals relating to China WTO compliance, the plans do include more general goals relating to the monitoring and enforcement of existing WTO agreements. Both of these agencies' plans also set forth broad strategies for ensuring market access for U.S. companies.

New Interagency Group Coordinates Compliance Activities and Utilizes Private Sector to Support Efforts

U.S. government agencies coordinate their monitoring and enforcement activities through a formal interagency process and structure that is intended to ensure that the development of trade policy reflects a range of agency perspectives.¹⁷ Within this overall structure, a newly established multiagency, staff-level group focuses on China's compliance with its WTO commitments. The agencies also seek input from businesses and industry groups for support on compliance activities.

¹⁵The Government Performance and Results Act of 1993, Pub. L. 103-62, requires federal agencies to engage in a results-oriented strategic planning process. In general, the plans include descriptions of agency goals and objectives, and measures for assessing the agency's performance in meeting those goals.

¹⁶Mission Performance Plans are annual embassy plans describing performance goals and objectives.

¹⁷Congress created an interagency structure in the Trade Expansion Act of 1962, codified at 19 U.S.C. §1872, which has been amended several times. This structure, called the Trade Policy Committee, led by USTR, has two subordinate bodies—the Trade Policy Review Group (a management-level committee) and the Trade Policy Staff Committee (a senior staff-level committee subordinate to the management-level committee). These subordinate committees include all the agencies that are members of the Trade Policy Committee, as well as a wide range of other agencies.

Interagency Group Focuses on China WTO Compliance

In 2001, USTR created an interagency group whose mandate is devoted exclusively to monitoring China and the extent to which it is complying with its WTO commitments.¹⁸ USTR's Office of North Asian Affairs is responsible for chairing this new Trade Policy Staff Committee, Subcommittee on China WTO Compliance. Almost 40 officials, representing 14 departments and executive offices, participate in the China compliance subcommittee. This subcommittee is part of a structure of regionally, functionally, and industry-oriented subcommittees and task forces that are chaired by USTR staff and comprised of staff from a wide range of federal agencies. USTR assigns responsibilities for issue analysis to members of the appropriate staff subcommittee. Sometimes China-related trade issues are coordinated in other groups or at a higher level in the interagency structure process. For example, the intellectual property subcommittee took responsibility for some China WTO issues and coordinated its activities with the China WTO Compliance Subcommittee, according to USTR officials.

USTR's China WTO Compliance Subcommittee adopted an action plan with eight components at its inaugural meeting on December 4, 2001. The action plan had eight components. Under the plan, the subcommittee is to conduct

- comprehensive monitoring activities on a coordinated interagency basis, with input from private sector groups;
- regular dialogue with other WTO members;
- outreach to the private sector about the business environment it should expect in China;
- outreach to Chinese officials about their WTO commitments and compliance and its benefits;
- technical assistance and capacity building activities for China;
- active participation in the WTO Transitional Review Mechanism process;

¹⁸This subcommittee replaced an existing China subcommittee, which had a more general mandate and was not as active.

-
- facilitation of congressional oversight, by providing an annual report to Congress; and
 - efforts to seek enforcement of U.S. rights through bilateral and multilateral means, including recourse to WTO dispute settlement procedures, as appropriate.

The China WTO Compliance Subcommittee was very active in its first year, and it met 11 times in 2002. In these meetings, officials evaluated and prioritized the monitoring activities undertaken, reviewed the steps that China has taken to implement its commitments, and decided on appropriate responses. Agency officials noted that much of the work and communication they do on China monitoring takes place informally outside of these formal meetings. Also, the subcommittee held a public hearing on September 18, 2002, and USTR issued its first annual report to Congress on China's WTO Compliance on December 11, 2002, as required by law.¹⁹

Still, it took some time for the subcommittee to get up to full speed. For example, it took time for the various participants to work out roles and responsibilities, according to some agency officials. USTR officials sought to delineate tasks related to carrying out their monitoring action plan in China, Washington, D.C., and Geneva, including expectations for information gathering, reporting, and setting initial priorities. Furthermore, agency officials told us that obtaining timely and accurate translations of Chinese laws and regulations was sometimes a problem, which affected the agencies' efforts to review the information. Also, agency officials undertook several activities at the beginning of the year to educate themselves on China's WTO obligations. This was important, because monitoring these obligations entailed new or expanded responsibilities for officials in the field and many of the Washington-based officials were relatively new to their current jobs. For example, many of the USTR officials who had actively participated in the U.S. negotiations with China establishing those obligations changed jobs and/or left the government soon after China became a WTO member in 2001. Nevertheless, monitoring activities took place throughout the entire year.

¹⁹Pub. L. 106-286, § 421, 114 Stat. 903.

Informal Private Sector Participation Is Important to Monitoring

The private sector plays an important role in monitoring and enforcement activities. However, with regard to China, this role is generally carried out through informal contacts rather than through a formal system involving trade advisory committees from the private sector. These private sector committees complement the U.S. government's interagency committee system.

USTR officials said the U.S. officials involved in China compliance monitoring obtain information from an informal, ad hoc network of business associations and individual companies to get information about Chinese trade practices and policies, to be alerted to market access problems and potential WTO violations, and to help weigh policy options. Business-government contacts take place both in China and in Washington, D.C. According to USTR officials, most of their business contacts are with individual companies. Business groups, including the U.S.-China Business Council, the U.S. Chamber of Commerce, the National Association of Manufacturers, and the American Chamber of Commerce in China, among others, also provide input and comment on policies relevant to the members of their organizations.

USTR officials said that USTR, Commerce, and USDA officials keep the various formal trade advisory committees informed of their China compliance-related activities and they sometimes receive input from these groups about the issues that concern them.²⁰ However, these committees are not the primary source of private sector involvement in China-related monitoring and enforcement. There is no active private sector advisory committee on China or any geographic area.²¹

A number of U.S. business and industry association representatives we interviewed generally thought they had established a good working

²⁰Congress created the private sector advisory committee system to ensure that U.S. trade policy and negotiation objectives reflect U.S. commercial and economic interests. (See sec. 135 of the Trade Act of 1974, as amended, codified at 19 U.S.C. § 2155.) Generally, these advisory committees provide information and advice both prior to the United States entering into trade agreement negotiations and on other matters relating to U.S. trade policy. See U.S. General Accounting Office, *International Trade: Advisory Committee System Should Be Updated to Better Serve U.S. Policy Needs*, GAO-02-876 (Washington, D.C.: Sept. 24, 2002).

²¹Instead, the advisory committees that the agencies keep informed have an industry-specific or sector focus, such as on agricultural commodities or on functional cross-sectoral issues, such as intellectual property rights.

relationship with executive branch officials on China trade issues. In our 2002 survey of U.S. companies with a presence in China, we asked business representatives whom they would be likely to contact if faced with difficulties related to China's implementation of its WTO commitments. Business representatives reported that they were most likely to contact the U.S. embassy or consulate in China, their U.S. trade associations, China's Ministry of Foreign Trade and Economic Cooperation, and USTR. They were less likely to contact other U.S. agencies in Washington, D.C. (See table 2.)

Table 2: U.S. Company Likelihood of Contacting Groups Regarding Difficulties Related to China's Implementation of Its WTO Commitments

Contact groups (Rank-ordered responses expressed as percents)	Very or somewhat likely	Likely as unlikely	Very or somewhat unlikely	Don't know	Number of response
U.S. embassy or consulate in China	59%	10%	21%	9%	181
U.S. trade associations representing your company's interests	55	13	22	10	183
China's Ministry of Foreign Trade and Economic Cooperation	43	14	30	13	183
U.S. Trade Representative	42	21	25	12	178
Other Chinese government agencies or officials	40	12	21	28	165
Chinese consultants	39	16	34	12	178
WTO Center in Shanghai	38	17	28	17	177
U.S. Department of Commerce	36	21	30	13	179
U.S. Department of State	23	21	40	16	178
Other ^a	22	0	26	52	23
U.S. Congress	21	21	46	13	175
U.S. Department of Agriculture	8	13	64	15	172

Source: GAO.

Notes: GAO Survey of U.S. Companies on China-WTO issues, question 22 (reprinted in U.S. General Accounting Office, *World Trade Organization: Selected U.S. Company Views About China's Membership*, GAO-02-1056 [Washington, D.C.: Sept. 23, 2002], p. 46).

Percentages are based on the number of respondents answering each question item.

^aOther responses included, among others, China's Ministry of Finance, U.S. Treasury, and the U.S.-China Business Council.

Companies reported mixed views regarding concerns that reporting compliance problems with WTO commitments to the U.S. government might result in retaliatory action by Chinese government entities against their companies. Specifically, almost half of the 48 companies that we interviewed said they were concerned about retaliatory action, and at least

one had experienced such actions at first hand. A number of company representatives explained that they prefer to work under the cover of industry associations, resolve problems behind the scenes, and/or resolve problems directly in order to preserve business relationships in China. Other company representatives who did not fear retaliation noted that they had a history of raising issues with either the U.S. or the Chinese government.

U.S. Experience in Two Areas Illustrates Challenges Ahead

U.S. agencies' experiences in addressing compliance issues that arose in two areas during the first year of China's WTO membership illustrate the challenges ahead. First, problems regarding China's commitments to grant market access to certain bulk agricultural commodities through the use of tariff-rate quotas (TRQ) show the extensive effort that is needed to identify and begin to resolve what are sometimes complex and technical issues. Second, disagreement over implementing commitments creating a comprehensive review—referred to as a transitional review mechanism (TRM)—within the WTO to monitor China's compliance shows the importance of having common expectations and gaining early consensus on the meaning of the terms agreed upon in a multilateral forum. In both of these areas, we describe the relevant WTO commitments that China made, the issues that arose in 2002 regarding implementation of these commitments, and the ways in which U.S. agencies sought to resolve these issues. The problems in both of these areas are unresolved, and these areas illustrate the types of challenges that U.S. officials may face in the second year of China's membership. China's actions regarding the interpretation and implementation of these commitments provide insight into how China might act as a WTO member in the future with regard to contentious issues. U.S. officials plan to pursue resolution of the TRQ and TRM issues with China in 2003.

Agricultural TRQs Demonstrate Monitoring Challenges

China's implementation of its agricultural TRQ commitments was an area of contention in the first year of China's WTO membership. Under China's TRQ commitments, a specific quantity of certain agricultural bulk commodities is to be allowed in at a low duty, while imports above that quota amount face higher tariffs. The commodities covered by TRQs are sensitive to China, and the trading of these commodities has been under government control.²² At the same time, these commodities are important for U.S. exporters because of the great market potential in China. According to USDA estimates, the increased access to China's market under the WTO will expand annual U.S. farm incomes by \$800 million from 2002 to 2009. Notwithstanding the potential of China's market for agricultural goods, USTR highlighted agriculture as one of the three general areas (in addition to systemic transparency concerns) that generated significant problems in 2002 and warranted continued U.S. scrutiny. More specifically, USTR noted that the administration of China's TRQ system was the "most troublesome" area within agriculture. The issues surrounding China's implementation of its TRQ commitments are ongoing, and the problems have yet to be resolved. Meanwhile, the United States has attempted to resolve these problems through both bilateral and multilateral efforts.

China's Agricultural TRQ Commitments Are Detailed, Varied, and Numerous

China's commitments relating to agricultural TRQs are detailed, varied, and numerous. Some commitments provide specific procedural guidance for administering China's TRQ system, while others address the general principles of how the system should operate. China's administration of its TRQ system, which includes decisions about how much of the total quota amount for each product is allocated and to whom, affects whether exporters can take full advantage of the market potential in China. The large number and type of TRQ commitments reflect the concerns that some WTO members held about the way in which China's TRQ system would operate following its accession. For example, among the 58 WTO commitments that we identified as relating to TRQs, we found 40 to be guidance related. These types of commitments provide specific procedures for how China should administer its TRQ system. However, some commitments are less specific, such as those that address the general principles that China should abide by. China has committed to

²²These agricultural bulk commodities include wheat, corn, rice, cotton, soybean oil, palm oil, rapeseed oil, sugar, and wool, covering 37 tariff lines in China's WTO accession schedule.

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- increase its tariff-rate quota volumes over a 3 to 4 year implementation period;
 - reserve a portion of the TRQs for importation through trading enterprises not run by the government;
 - administer TRQs on a transparent, predictable, uniform, fair, and nondiscriminatory basis;
 - follow specific time lines to publish quotas, accept applications, and allocate TRQs;
 - establish government enquiry points and publish information on its quota allocation in an official journal; and
 - designate a single, central authority to make the decisions regarding all allocations and reallocations to end-users.

TRQ Implementation Issues Ranged Widely

Besides a cross-cutting U.S. concern over transparency, a wide range of issues relating to China's TRQ administration caused concern in the first year of China's membership.²³ Examples of the issues include the following: (1) China's quota allocations to end-users missed the deadlines specified in the commitments; (2) the United States and China presented different opinions on what constitutes a "commercially viable" shipping quantity; and (3) the United States and China disagreed on whether China's reserving a portion of the TRQ for reexporting violated China's WTO commitments.

First, China missed the deadline specified in the accession agreement for issuing the quotas. China's designated authority for agricultural TRQ administration, SDPC, was late to issue both draft and final regulations on TRQ quota allocation. Not only was SDPC late to begin the TRQ quota application process, but also its subsequent allocation of TRQs did not begin until late April 2002, approximately 4 months after the date specified in China's WTO commitments. U.S. officials were unsure of the precise effect of this delay on market access. However, they agreed that the delay

²³USTR pointed out that China's designated TRQ administrative authority, the State Development and Planning Commission (SDPC), offered limited transparency, because the authority refused to provide specific details on the amounts and the recipients of the TRQ allocations.

probably reduced the benefit of the quota allocations in 2002, since U.S. exporters missed the spring marketing season. Chinese officials whom we interviewed outlined several reasons for the delay: (1) China received many more applications for TRQs than expected, thus placing a heavy burden on China's limited resources; (2) the switch of TRQ allocation authority from the provinces to a single central authority was a drastic adjustment for SDPC; and (3) China became a WTO member late in the year and therefore did not have enough time to prepare to issue TRQs by January 1. Problems with the timeliness of TRQ allocations for certain of the commodities have surfaced in 2003 as well. According to USTR and USDA officials, although China announced the 2003 TRQ amounts on time, the actual quota allocations to end-users had yet to be verified as of early March 2003.

Second, the United States and China presented different opinions on what constitutes commercially viable quantities. China's WTO commitments require that quotas be allocated in commercially viable shipping quantities. The United States believed that SDPC allocated a portion of its 2002 TRQs for some commodities in smaller than commercially viable quantities—that is, the amount of the quota was too small to justify the cost of shipping the product from the United States to China. China maintained that the allocations were in fact made in commercially viable quantities. However, China noted in the WTO Committee on Agriculture transitional review meeting in September 2002 that China was open to considering suggestions and further discussing this issue with the United States and other interested WTO members.

Third, the United States considered China's practice of reserving a portion of the quotas for "processing trade" to be inconsistent with WTO obligations. China reserved a certain portion of the TRQ for each agricultural commodity for companies that process the imported commodities for reexport. End-users that received such quota allocations (after applying to another ministry) were required to reexport the processed product, and selling of the processed product in the Chinese domestic market was prohibited. In its first-year compliance report, USTR argued that this practice limited the market share held by foreign imports in China's domestic markets. At the same time, they contended that this practice distorted trade by creating greater competition for WTO members' processed goods in export markets outside of China. The United States further argued against the practice of reserving a portion of the TRQ for processing trade by referring to other commitments China had made as well as to general WTO principles.²⁴ China responded that the processing trade has been in existence for 2 decades and that many enterprises in China, including joint ventures, engage in this business. China argued that those business interests should be accommodated. Furthermore, reserving a portion of the TRQs for those enterprises was based on objective demand and consumer preferences, and thus the practice was within the framework of TRQ commitments.

United States Used Multiple Sources and Bilateral and Multilateral Means to Address TRQ Issues

The U.S. experience in addressing TRQ issues in 2002 shows that monitoring China's compliance can entail significant effort. U.S. government agencies gathered information from the private sector, U.S. embassy personnel, and the Chinese government to identify potential problems concerning China's compliance with its TRQ commitments. First, U.S. agencies used an informal network of business associations and individual companies to obtain information about Chinese trade practices and policies and to be alerted to market access problems and potential WTO violations. Industry groups used formal and informal channels to voice their concerns over TRQ implementation and provided input for USTR's comments to the Chinese government on TRQ regulations. Several agricultural groups and companies also submitted written comments for USTR's report on China's WTO compliance in September 2002. Agricultural

²⁴Among others, some of the arguments the U.S. made against China's practice are the following: (1) The practice lacks transparency; (2) The practice appears to be inconsistent with China's obligation to have a single, central authority (SDPC) to administer TRQs; (3) The practice appears to be inconsistent with the obligation to allocate the entire TRQ to end-users by January 1 of each year; and (4) The practice improperly attaches restrictions to the use of some imported products.

groups we interviewed noted that they also relied on informal means to communicate with USTR and USDA. Second, agency officials working in the U.S. embassy in Beijing were another prominent source of information. For example, the U.S. embassy translated various TRQ regulations from Chinese to English. The third source of information was the Chinese government. SDPC circulated the interim regulation on TRQs and the allocation guidance for public comment before issuing them in final form. USTR, USDA, and other agencies in the interagency process analyzed this information and determined how to respond. Therefore, USTR was able to provide detailed written feedback to the Chinese and anticipate potential problems. For example, the U.S. concern over reserving a portion of the quotas for the processing trade was expressed in the U.S. comments on the draft regulations early in the process of responding to China's TRQ administration.

In responding to the TRQ compliance problems, the U.S. government used both bilateral and multilateral mechanisms. The bilateral activities included sending a "demarche," or formal message, and letters to Chinese officials. Additionally, TRQs were discussed during USTR, USDA, State, and Commerce officials' visits to China throughout the year. However, early bilateral meetings with the Chinese did not enable the United States to obtain the information it was seeking. So, after an interagency decision, the United States invoked a Chinese commitment for more formal bilateral consultations at the WTO. As a result of those consultations, the United States was able to get additional information about China's TRQ administration. Generally, the United States tried to engage other WTO members to help resolve problems with China if there was multilateral interest. Additionally, five WTO members submitted questions to China relating to TRQs in the context of the transitional review mechanism at the WTO in September. The time line in table 3 illustrates the considerable number and type of activities that U.S. officials undertook at the bilateral and WTO multilateral level from late 2001 to early 2003 to address TRQ issues.

Table 3: Time line of Key U.S. Government TRQ-Related Activities and Events, 2001-2003

Date	Bilateral activities and events	WTO multilateral activities and events
November 2001	U.S. provides written comments to China on draft TRQ regulations.	
December	USTR Chief Agricultural Negotiator meets with SDPC to discuss timeliness and other concerns related to TRQs.	USTR raises TRQ concerns with Chinese representative on the margins of the WTO General Council meeting.
January 2002	Demarche notes China's failure to publish regulations and application criteria, as well as allocate quotas by Jan. 1, 2002.	
February	<p>U.S. provides written comments to China on final TRQ regulations.</p> <p>U.S. delegation raises agriculture-related concerns, including TRQs, during Bush-Jiang summit in Beijing.</p> <p>Demarche encourages China to allocate TRQs and publish relevant information as soon as possible.</p>	
March	USTR official meets with MOFTEC officials about TRQ concerns.	U.S. delegation attends special session of the Committee on Agriculture and raises China TRQ issue.
April	<p>USTR Ambassador raises TRQ issues during visit to China. Subsequently, raises TRQ issues again in follow-up letter to MOFTEC Minister.</p> <p>Commerce Undersecretary meets with Chinese officials and is told that the national government has forwarded information on TRQs to the provinces.</p> <p>Commerce Secretary raises TRQ issues during visit to China.</p> <p>USTR officials meet with Chinese officials and are reassured of the allocation of TRQs.</p> <p>Demarche encourages the Chinese to make TRQ allocations.</p> <p>U.S. embassy requests a list of recipients for TRQ allocations from SDPC and MOFTEC.</p>	
May	<p>Demarche requests information about the TRQ allocations and expresses concern over lack of response from China on earlier requests.</p> <p>USTR Ambassador raises TRQ issues with MOFTEC Minister at Asia Pacific Economic Cooperation Ministerial.</p>	U.S. addresses TRQ issues at the meeting of the Committee on Import Licensing. China responds that it has not anticipated difficulty and promises to allocate on time next year.
June	<p>Demarche requests that Chinese officials take responsibility for TRQ allocation.</p> <p>SDPC official meets with USTR official to discuss the status of China's TRQ allocations.</p>	<p>U.S. raises TRQ issues at WTO Market Access Committee meeting.</p> <p>U.S. raises TRQ issues at WTO Agriculture Committee meeting.</p>

(Continued From Previous Page)

Date	Bilateral activities and events	WTO multilateral activities and events
July	USTR official meets with Chinese officials to discuss TRQ allocations. Commerce official meets with MOFTEC officials to discuss TRQ concerns.	USTR formally requests bilateral consultation with China in Geneva concerning TRQ administration of agricultural goods for August 12, 2002.
August	Letter from USDA to Chinese official notes the need to address the TRQ problem. USDA Secretary discusses TRQ issues during visit to China.	
September	An interagency team lead by USTR has discussions with senior Chinese officials in Beijing in a lead-up to the Crawford, Texas Presidential Summit.	USTR holds formal consultations (under the TRQ headnote) in Geneva with a delegation from China. Committee on Agriculture holds its 32 nd meeting on September 26. China responds to questions and comments regarding TRQs by the United States, Canada, the European Community, Japan, and Thailand in advance of the review. U.S. raises TRQ issues at WTO Market Access Committee transitional review meeting. U.S. raises TRQ issues at WTO Import Licensing Committee transitional review meeting.
October	FAS letter to SDPC delineates various concerns regarding TRQ implementation.	
November		U.S. delegation asks China about the TRQ license application process and the requirement that China has set aside a portion of the TRQ for entities that further process and/or reexport product imported under the TRQ at the WTO Committee on Agriculture meeting in Geneva.
December	USTR sends letter to MOFTEC concerning China's TRQ administration of bulk agricultural products.	
January 2003		USTR meets with Chinese delegation to the WTO in Geneva to lay the groundwork for USTR Ambassador's trip to China and to discuss TRQ implementation issues.
February 2003	USTR Ambassador meets with Chinese Premier-elect and MOFTEC Minister and discusses TRQs. Deputy USTR raises TRQ concerns during new trade dialog in Beijing.	

Source: USTR, USDA, Commerce, and State.

Note: MOFTEC = Ministry of Foreign Trade and Economic Cooperation.

TRQ Issues Are Still Ongoing, as
Private Sector Concerns
Continue

U.S. officials continue to pursue many of the TRQ-related issues with China to gain greater market access for U.S. exports of the affected products. In a December 2002 letter, the National Cotton Council urged the U.S. government to initiate dispute settlement consultations in the WTO with respect to China's implementation of its TRQ for imported cotton fiber, and, if necessary, request the establishment of a dispute settlement panel to resolve the issue. It is important to note that implementation problems are not universal across all commodities. For example, getting a list of TRQ quota holders and a commercially viable shipping quantity have been concerns for U.S. cotton exporters but not for U.S. exporters of edible oil, according to industry representatives we interviewed. Furthermore, the various U.S. agricultural groups' level of concern over China's TRQ implementation varies because the commercial considerations vary for each commodity. China's administration of its TRQ system is only one among many factors that affect U.S. exports to China. Chinese domestic demand and supply, as well as the size of the domestic Chinese stock of these commodities are important determinants of trade flows. Also, international competition with other exporting countries as well as exchange rates affect U.S. exports to China. As a result of all these factors together, in 2002, the level of agricultural exports that filled the various Chinese quota amounts for the TRQ commodities ranged from zero to 67 percent.²⁵

²⁵The percentage of China's TRQs that were actually filled (that is, fill rate) in 2002 for certain key commodities including corn was 0.1 percent; cotton, 21.6 percent; soybean oil, 34.6 percent; sugar, 67.1 percent; and wheat 7.5 percent. The simple average of the TRQ fill rate for all countries reported by WTO was 50 percent in 1999.

The Transitional Review Mechanism Did Not Meet U.S. Expectations

Because China's economy is in a transitional stage from a nonmarket to a market economy, and because China's commitments required China to make extensive changes to its trade regime, WTO members, and particularly the United States,²⁶ pushed for China's accession package to include commitments creating a transitional review mechanism. This mechanism is intended to be a means for WTO members to annually review China's implementation of its WTO commitments and the development of China's trade with other WTO members until all of China's commitments are phased in.²⁷ These TRM commitments are important, because they establish a multilateral monitoring mechanism that allows WTO members to better understand China's trade practices and to communicate their expectations to China.

Just as the establishment of a transitional review mechanism was one of the more challenging issues to negotiate with China, implementing the process during the first year (2002) also proved to be challenging. WTO members did not reach consensus on how the review should proceed because of the lack of specificity in some of the commitments, leaving the process open to debate. The United States, China, and other WTO members had different expectations about what the review should entail and produce. They disagreed on the form and timing of the information to be exchanged and on the thoroughness of the review. U.S. activities to resolve these differences on a multilateral basis through the WTO did not yield a consensus and were unsuccessful. As a result, with few exceptions, there was not a complete and thorough review of China's compliance issues, nor any summary conclusions about the first year of China's implementation by the WTO. Thus, the TRM process fell short of the meaningful review hoped for by U.S. and other country officials. U.S. government officials agreed that the TRM process would have worked better if there had been greater consensus from WTO members on their expectations regarding China's actions. However, U.S. officials cited benefits from participating in the TRM process, such as demonstrating to China the United States' commitment to

²⁶A provision in the legislation authorizing the President to grant permanent normal trade relations to China stated that "[i]t shall be the objective of the United States to obtain . . . an annual review within the WTO of the compliance by the People's Republic of China with its terms of accession to the WTO" (Pub.L. 106-286, § 401, 114 Stat. 900).

²⁷The TRM is additional to the WTO's trade policy review mechanism, which provides for a broad review of the trade regimes of all WTO members on a scheduled basis. However, WTO members viewed the trade policy review mechanism as insufficient to oversee China's implementation of its commitments and pursued the TRM.

thoroughly reviewing China's WTO implementation, and solidifying interagency coordination for the years ahead. U.S. officials said they are hopeful that they can work with China and other WTO members to achieve more workable procedures for future reviews.

Commitments Create TRM, but Procedural Details Not Specified

The transitional review mechanism, which is unique to China, is defined through about 75 commitments in China's accession agreement.²⁸ The commitments address two matters: (1) the scope and process for the WTO review and (2) the exchange of information. First, these TRM commitments lay out the scope of review and some procedures for China and WTO members to follow. About a dozen commitments require annual reviews by all 16 WTO subsidiary bodies and then by the WTO General Council, making use of the results of those of the subsidiary bodies.²⁹ The reviews are to occur annually for 8 years, with a final review in year 10.³⁰ The General Council reviews are not limited to an examination of China's implementation of its WTO commitments but are to include broader issues dealing with (1) the development of China's trade with WTO members and other trading partners and (2) recent developments and cross-sectoral issues regarding China's trade regime. Second, in regard to the exchange of information, China's accession agreement sets forth a broad range of information that China must provide annually to the 16 WTO subsidiary bodies for their reviews. We identified 62 commitments requiring China to provide economic data and information on its (1) economic policies, (2) framework for making and enforcing policies, (3) policies affecting trade in goods and services, and (4) trade-related intellectual property regime.

USTR officials believed additional rules were needed to ensure timely responses from China. While China's accession agreement establishes a general framework for TRM procedures, several other aspects of the

²⁸For more details regarding how we analyzed the commitments, see U.S. General Accounting Office, *World Trade Organization: Analysis of China's Commitments to Other Members*, GAO-03-4 (Washington, D.C.: Oct. 3, 2002).

²⁹The General Council is composed of all WTO members and has general authority to supervise the various agreements under the jurisdiction of the WTO. The subsidiary bodies are described as councils or committees and generally are organized according to the various trade subjects covered by the WTO agreements—for example, the Council for Trade in Goods, the Council for Trade in Services, and the Committees on Agriculture and Technical Barriers to Trade.

³⁰The agreement does not specifically say when the reviews will end. Although the review process is scheduled to conclude with a final review in the 10th year after China's accession, the General Council could decide to terminate it at any time after the 8th year.

review are not specified. Therefore, these aspects have to be coordinated between the members of the various WTO subsidiary bodies and the General Council, which includes China. For example, China's commitments require China to submit information and documentation relating to the General Council's review no later than 30 days prior to the review date. However, there is no similar specific requirement for when China needs to provide information to the subsidiary bodies for their reviews, which need to be done before those of the General Council. Similarly, China is to respond to specific questions from members in connection with the review conducted by both the subsidiary bodies and the General Council. However, while the agreement indicates that members should submit questions and China should respond to those questions in advance of the reviews, the agreement does not establish how the process should work with any more particularity. For example, the agreement does not set forth agreed timelines for the process, nor whether questions raised in advance by WTO members should be answered in writing or provided orally.

No Consensus on Expectations for TRM

U.S. officials expected a detailed multilateral review of China's WTO implementation each year of the TRM, but this expectation differed from that of China. Under U.S. expectations, China's TRM would follow a set of mutually agreed to procedures, and China would provide the usual information required of all WTO members as well as additional information related to its accession agreement. Furthermore, U.S. officials expected that China would respond to their questions before the relevant WTO committee meetings and in writing. They also expected opportunities for follow-up questions and answers either in writing or in subsequent meetings. With all this information in hand, members then could thoroughly analyze the answers and take them into account as part of their review to come to conclusions about China's implementation. In addition, U.S. officials initially were seeking to have the WTO General Council synthesize the results of the reports of the various subsidiary bodies, come to some summary conclusions, and issue a final report with recommendations.

Chinese officials seemed to expect a more limited review and took a more narrow view of the TRM commitments. In fact, Chinese officials told us that while they would abide by these commitments, they considered the review mechanism discriminatory in nature, since it only applied to China, and that it had been "imposed on them." They would not accept any additional procedures concerning the form, nature, and timing of the information they were to submit or the review itself. Chinese officials told us that such procedures were not in the commitments and appeared to

them as an attempt to renegotiate and add to the terms of their accession. They took the position that any information that was specifically called for in their commitments (outside of regular WTO notification requirements) could be submitted orally and that it need not be submitted before individual committee meetings where the “review” was to take place. Chinese officials believed the review should come at the last meeting of the year in each subsidiary body, just before the last General Council meeting in 2002, and should be limited to that one meeting.

The expectations of other WTO members varied. Some members sympathized with China and believed that other WTO members were pushing the TRM too hard, especially since this was the first year of China’s membership. Other members were less sympathetic and expected the review to help resolve problems and to exert pressure on China to fully implement its commitments. Similarly, there was no agreement among WTO members concerning the interpretation and implementation of the TRM commitments. For example, some members agreed with China and did not think that these commitments required China to answer questions in writing and did not expect China to do so. Other members shared the U.S. expectation that Chinese commitments to provide information to other members in advance implicitly required China to provide answers in writing. Additionally, other members’ expectations about the nature of the final product of the review also varied or were uncertain.

U.S. Activities Related to TRM Implementation

Planning and preparations for the first WTO review of China’s implementation of its commitments got off to a slow start after China became a WTO member. Through the first half of 2002, U.S. officials, other WTO members, and WTO Secretariat officials searched for consensus about how the review should proceed. Moreover, there was a lack of an early plan of action from the United States, other WTO members, and the WTO Secretariat³¹ concerning scheduling meetings and other procedural issues. Chinese officials refused to agree to have any discussion of TRM-related procedures placed on the agenda for (early) subsidiary body meetings. At that time, officials from other member countries expressed concern that the lack of an agreed strategy on TRM procedures might affect the quality of the reviews.

³¹The WTO Secretariat’s main duties are to supply technical support for the various councils and committees and the ministerial conferences, to provide technical assistance for developing countries, to analyze world trade, and to explain WTO affairs to the public and the media.

It was not until April 2002 that the U.S. interagency China WTO Compliance Subcommittee agreed to a paper for the WTO setting forth U.S. views as to the appropriate timing and procedures for the TRM. The United States proposed that China submit the information called for in its accession agreement and that members' questions and China's answers begin to be exchanged in writing at agreed time periods in advance of each subsidiary body meeting so that further exchanges could take place at the meetings themselves. Furthermore, the United States proposed that the required WTO reports present a focused juxtaposition of members' concerns and Chinese responses. U.S. officials said they were open to other procedures that accomplished their objectives.

However, Chinese officials rejected the U.S. proposal and any deadlines and requests for written answers to members' questions. USTR held formal and informal discussions in Geneva to resolve the various logistical matters and procedures necessary to implement the TRM properly, such as the dates of meetings and the deadlines for China to submit relevant information and to respond to other WTO members' questions. USTR said that these discussions had not gone as quickly as it would have liked, in part because the Chinese delegation was still trying to become familiar with WTO practices and procedures. Around midyear, it was accepted that the TRM would begin with WTO subsidiary body meetings in September, according to USTR officials.

Thus, with regard to the TRM, U.S. activities in the first half of 2002 were focused on procedural issues. With no consensus on the TRM, each subsidiary body made ad hoc decisions about how the TRM would proceed, according to USTR officials.

Nevertheless, beginning in March the U.S. and other WTO member officials began raising individual substantive implementation issues with Chinese officials on numerous occasions during various WTO meetings. Typically these issues involved time-sensitive matters, for which it did not make sense to wait for the annual TRM in the fall, according to USTR officials.

Then in the second half of 2002, U.S. activities focused on raising substantive issues in the TRM context. In July, USTR began preparations for U.S. participation in the TRM, establishing deadlines for the U.S. agencies comprising the China WTO Compliance Subcommittee to provide input for questions to ask China in advance of the WTO subsidiary body reviews. USTR also solicited the views of the private sector through the

chairs of the various formal trade advisory committees. The United States and other WTO members submitted questions in writing to the Chinese in advance and tried to press them for further information during various committee meetings. Table 4 presents a chronology of key events related to the TRM in 2002.

Table 4: Time line of Key TRM-related Activities and Events, 2002

Month	Event
January	
February	
March	U.S. interagency China WTO Compliance Subcommittee discusses TRM.
April	China WTO Compliance Subcommittee approves U.S. proposal on TRM timing and procedures. China blocks TRM from being placed on some committee agendas. China rejects U.S. proposal.
May	USTR holds bilateral consultations with Chinese and other WTO members on TRM procedures.
June	USTR holds bilateral consultations with Chinese and other WTO members on TRM procedures.
July	USTR requests input on TRM from Interagency Trade Advisory Committees and Private Sector Trade Advisors on behalf of the China WTO Compliance Subcommittee.
August	United States begins submitting written questions to China for TRM issues in advance of subsidiary body meetings.
September	Review by Council on TRIPS, and committees on Agriculture, Antidumping, Import Licensing, and Market Access.
October	Review by Council on Services, and committees on Technical Barriers to Trade, Safeguards, Trade-Related Investment Measures, and Financial Services.
November	Review by Council on Goods and committees on Balance-of-Payments, Sanitary and Phytosanitary Measures, Subsidies, Customs Valuation, and Rules of Origin.
December	Review by General Council.

Source: USTR and WTO documents.

Note: TRIPS = Trade-Related Aspects of Intellectual Property Rights.

WTO Review Was Limited and Results Were Disappointing

The depth of the TRM reviews conducted in almost all the reviewing WTO councils and committees was limited. Overall, the Chinese did an adequate job of submitting their standard written WTO notifications and other information called for in China's accession agreement, according to USTR officials. However, in several committee meetings, U.S. officials expressed their disappointment that China missed deadlines, provided incomplete information, and failed to meet some reporting requirements. While the United States and other WTO members sought answers to their questions in writing well before WTO meetings, Chinese officials submitted answers to some questions in writing just before or during meetings and submitted

written versions of their oral answers to other members' questions after some other meetings. While appreciating the answers they received, some WTO members expressed concern in many meetings that all of their questions had not been fully answered. In response, Chinese officials offered to give information to individual members bilaterally and orally after the meetings but outside of the context of the TRM. Although China's WTO "notifications" containing the usual information required of all WTO members were useful, U.S. officials did not obtain the type of additional information they had hoped for. A USTR official said that the method of operation that the WTO eventually adopted for the first year was an interim solution that needs to be improved upon.

Generally, however, U.S. officials told us they were disappointed with the results of the first TRM. The subsidiary bodies held their reviews in September through November 2002 and did not conduct any assessment per se. The reports to the General Council were factual and limited to descriptions of the discussion in the meetings where the review was held; these descriptions presented the issues that WTO members raised and China's responses in the meetings without providing any summary, analysis, or conclusions. The General Council held its review in December; however, it did not issue a report and it did not make any recommendations.

Other WTO members recognized that the 2002 TRM process had problems as well. Several WTO members expressed frustration in some WTO subsidiary body meetings about the TRM and said they were not satisfied with the review that had taken place. During the General Council review, several WTO members, including the United States, expressed hope that the TRM process could be improved in 2003. Acknowledging the problems in the 2002 review overall, the Chairman of the General Council said that next year's TRM would benefit from having time built into the process throughout the year to conduct the next review.

U.S. Officials Noted Some Benefits of TRM

While U.S. officials recognized that there were many problems in the WTO's review of China's compliance under the TRM process in 2002, they said that the effort was valuable nevertheless. First, the process enabled them to have a constant engagement with China on a wide variety of issues—in a multilateral setting. As a result, the United States was able to demonstrate to China its commitment to reviewing China's WTO implementation. Second, as part of the process there was a greater flow of information—between WTO members and China, and also within national bureaucracies. Third, the process further institutionalized China's commitment to reform.

Furthermore, U.S. officials told us that the U.S. government's monitoring efforts benefited at the interagency level from the experience gained in participating in the TRM process. For example, some officials noted that the TRM resulted in improved U.S. government attention to China WTO compliance issues. The process also forced better coordination and cooperation among agencies as they worked together to submit questions and analysis to Geneva in advance of the WTO committee meetings.

Implications for the 2003 Review

The first year of China's TRM did not result in the thorough and detailed multilateral review of China's compliance that U.S. officials envisioned. If the experience in the 2002 TRM does not result in improvements, however, the situation could set an unfortunate precedent for future WTO reviews of China. While the review was beneficial, it was undercut by the U.S. and other WTO members' inability to get complete and timely information from China and by disagreement over whether the WTO should come to any conclusions or make any recommendations about China's implementation of its WTO commitments. It is important to acknowledge two mitigating factors. First, this was the first year of operations for the TRM and the China WTO Compliance Subcommittee that coordinates U.S. participation. Second, any changes in the WTO review process would have required the consensus of all members, including the Chinese. The incentives for China to do so are unclear. Nevertheless, without any change, continued problems and frustrations can be expected as a result of the 2003 review.

However, USTR officials told us they would continue to press for procedures that will provide for the orderly give and take of information. For example, they said they could build on the relatively successful 2002 review in the Council on Trade-Related Aspects of Intellectual Property Rights, which reviewed implementation of China's legislation in this area. USTR officials told us they plan to consult with other WTO members about how to improve the TRM through more regular procedures. They hope that more countries will actively participate in the next review, since only a handful of countries submitted questions in advance of subsidiary body meetings in 2002. USTR officials told us that they have begun to develop a strategy to make the process better for the future, and they raised the issue with Chinese officials in February 2003. They are optimistic that China will be more open to multilateral review of its compliance now that it has the experience of being a WTO member for more than 1 year.

Agency Comments and Our Evaluation

We requested comments on a draft of this report from the U.S. Trade Representative and the secretaries of Agriculture, Commerce, and State or his or her designee. On March 18, 2003, the Deputy Assistant U.S. Trade Representative for China provided us with written technical comments on the draft. These comments included the views of officials from the departments of Commerce and State, which were transmitted to USTR in its capacity as chair of the interagency Trade Policy Staff Committee, Subcommittee on China WTO Compliance. Department of Agriculture officials provided written comments directly to us on March 17, 2003.

Many of the agency officials' comments focused on our in-depth look at TRQ and TRM issues. USTR officials provided us new information about additional key efforts they had made to resolve the TRQ problem "in order to give a proper sense of what is involved in pressing sensitive issues like TRQs," and we incorporated this information in the draft report where appropriate. We also revised the draft based on technical comments regarding our descriptions of first-year TRQ compliance issues and the status of China's TRQ allocations in 2003. In response to their comments on our draft TRM section, we clarified our observation that it was planning and preparations for the TRM that got off to a slow start, not the WTO TRM process itself, which was expected to begin in the fall, according to USTR officials. Furthermore, we clarified our description of the United States and other members raising questions about China's WTO implementation to make it apparent that these efforts began earlier in the year and were independent of the transitional review for China. We made similar clarifications to this section about the consensus needed to proceed in the WTO and the benefits of the first TRM, among other things. We also modified our observations about the U.S. government's preparations for the 2003 TRM after USTR officials provided some additional information about their plans and activities to date.

Agency officials also made specific technical and editorial comments about other sections of the draft, which we accepted when appropriate. For example, we made changes to the draft regarding our discussion of agency resources based on State's estimates of full-time equivalent staff in the Beijing embassy's economic section working on China compliance issues. In some cases we declined to accept the agencies' alternative characterizations. For example, the agencies disagreed with our observation that it took some time for interagency roles and responsibilities to be worked out. They commented that this was a relatively short period of time and that such a situation might be expected

with a new endeavor of this type. While we present the agencies' comment here, we nevertheless believe that it is important to make it clear that there were some initial difficulties associated with interagency coordination on China WTO compliance during 2002.

We are sending copies of this report to the U.S. Trade Representative, the secretaries of Agriculture, Commerce, and State, and interested congressional committees. Copies of this report will also be made available to other interested parties on request. In addition, the report will be made available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me on (202) 512-4128. Other GAO contacts and staff acknowledgments are listed in appendix II.



Susan S. Westin
Managing Director
International Affairs and Trade

Objectives, Scope, and Methodology

As part of a long-term body of work that the Chairman and the Ranking Minority Member of the Senate Committee on Finance, as well as the Chairman and the Ranking Minority Member of the House Committee on Ways and Means, requested, we examined how the U.S. Trade Representative (USTR) and the departments of Commerce, Agriculture (USDA), and State are positioned to monitor and enforce China's compliance with its World Trade Organization (WTO) commitments. Specifically, in this report, we (1) describe the changes to each agency's plans, organization, and resources in light of China's accession to the WTO, and to the interagency process used to fulfill these responsibilities; and (2) review how these agencies have addressed certain compliance issues that have arisen during the first year of China's WTO membership.

To describe the changes to the agencies' organization, resources, and plans, and to the interagency process used to monitor and enforce China's compliance, we reviewed a variety of official documents and interviewed knowledgeable agency officials. First, we reviewed each agency's most recent performance and strategic plans to determine how China WTO monitoring and enforcement is incorporated into the agencies' planning processes. Second, to determine how each agency is organized to carry out China WTO compliance efforts, we reviewed official statements and other agency documents, including information that describes the structure and function of intra-agency China WTO compliance teams. We supplemented this information by interviewing knowledgeable agency officials. Third, we asked each agency to provide us with the actual number of full-time equivalent staff in key units involved in China WTO compliance efforts for fiscal years 2000 to 2002. If detailed staffing data were not available, we asked the agency to estimate the number of actual full-time equivalent staff involved in the agency's China WTO compliance activities. We did not verify the accuracy of the agencies' estimates. Last, we reviewed documents detailing the interagency process for monitoring China's WTO compliance, including minutes, agendas, hearing submissions, and hearing transcripts from the Trade Policy Staff Committee, Subcommittee on China WTO Compliance.

To describe the role of the private sector, we interviewed several business associations, including the U.S.-China Business Council, the U.S. Chamber of Commerce, the National Association of Manufacturers, and the American Chamber of Commerce in China (Beijing and Shanghai). To determine where U.S. companies with a presence in China go for assistance with their compliance problems, we surveyed 551 selected chief executive officers or presidents of U.S. companies with a presence in China. We also

conducted structured interviews with representatives of 48 U.S. firms in Beijing, Guangzhou, Shanghai, and Shenzhen, China.¹

To review how these agencies have addressed compliance issues that have arisen in the first year of China's WTO membership, we examined two areas of China's commitments where there was significant monitoring and enforcement activity. First, we chose to examine activities related to China's regulating imports of certain bulk agricultural commodities through a tariff-rate quota (TRQ) system because (1) the area was economically important to U.S. exporters, (2) China made numerous WTO commitments to change its practices in this area, and (3) there was significant compliance activity on the part of the U.S. government in the first year of China's WTO membership related to this issue. Additionally, USTR noted that agriculture, and specifically China's regulation of these bulk commodities, was an area of concern for the first year of China's implementation of its WTO commitments. Second, we chose to examine activities that related to implementing an annual review—referred to as a transitional review mechanism (TRM)—of China's trade policies within the WTO, because the mechanism is an important aspect of WTO members' ability to monitor China's compliance with its commitments. Additionally, although the United States and some WTO members had problems with China's compliance with its TRM commitments, USTR did not discuss the issue in its first report to Congress on China's WTO compliance. Last, the area concerned issues that were important to Congress and other U.S. officials. For example, legislation authorizing the President to grant China permanent normal trade relations with the United States emphasized the importance of creating a multilateral review of China's commitments within the WTO by making the establishment of the review an explicit U.S. negotiating objective.² Our descriptions of China's commitments in these areas are based on our past work.³

It is important to note that these two areas are not representative of China's compliance record overall but do illustrate the kinds of compliance issues

¹See U.S. General Accounting Office, *World Trade Organization: Selected Company Views About China's Membership*, GAO-02-1056 (Washington, D.C.: Sept. 23, 2002) for additional detail regarding our survey and structured interviews.

²Pub. L. 106-286, § 401, 114 Stat. 900.

³See U.S. General Accounting Office, *World Trade Organization: Analysis of China's Commitments to Other Members*, GAO-03-4 (Washington, D.C.: Oct. 3, 2002).

that U.S. officials try to resolve. Similarly, our observations about the U.S. government's experience in monitoring and enforcing commitments in these two areas cannot be generalized to other parts of the agreement. USTR's first report to Congress on China's WTO compliance described other examples of issues faced in the first year of China's membership.⁴ The report noted that overall in 2002 China made significant progress in implementing its commitments, both in undertaking many of the required systemic changes and in implementing specific commitments. At the same time, the report noted serious concerns in some areas where implementation had not yet occurred or was inadequate.

To review TRQ issues, we analyzed WTO correspondence, U.S. government demarches and letters to Chinese officials, and questions from WTO members to China in the context of the TRM. In addition, we interviewed officials at the National Cotton Council of America, National Oilseed Processors Association, and U.S. Wheat Associates, and reviewed trade data related to these commodities.

To review issues related to the WTO's TRM for China, we analyzed World Trade Organization and U.S. agency documents, including summaries of questions submitted to the WTO's General Council and subsidiary committees, and interviewed knowledgeable U.S. government, foreign government, and World Trade Organization officials.

We performed our work from November 2002 through February 2003 in accordance with generally accepted government auditing standards. This work builds on prior GAO analyses initiated in July 2001.

⁴See U.S. Trade Representative, *2002 Report to Congress on China's WTO Compliance* (Washington, D.C.: Office of the U.S. Trade Representative, Dec. 11, 2002).

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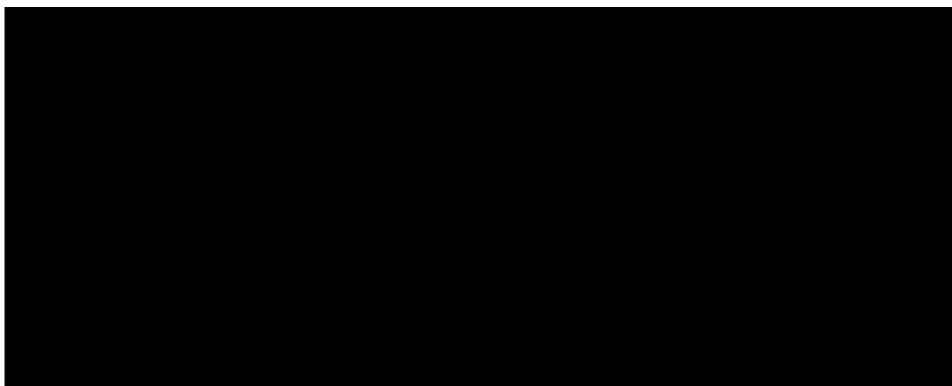
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1 October 2001

(01-4679)

**Working Party on the
Accession of China**

**REPORT OF THE WORKING PARTY
ON THE ACCESSION OF CHINA**

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I. INTRODUCTION

1. At its meeting on 4 March 1987, the Council established a Working Party to examine the request of the Government of the People's Republic of China ("China") (L/6017, submitted on 10 July 1986) for resumption of its status as a GATT contracting party, and to submit to the Council recommendations which may include a Draft Protocol on the Status of China. In a communication dated 7 December 1995, the Government of China applied for accession to the Marrakesh Agreement Establishing the World Trade Organization ("WTO Agreement") pursuant to Article XII of the WTO Agreement. Following China's application and pursuant to the decision of the General Council on 31 January 1995, the existing Working Party on China's Status as a GATT 1947 Contracting Party was transformed into a WTO Accession Working Party, effective from 7 December 1995. The terms of reference and the membership of the Working Party are reproduced in document WT/ACC/CHN/2/Rev.11 and Corr.1.

2. The Working Party on China's Status as a Contracting Party met on 20 occasions between 1987 and 1995 under the Chairmanship of H.E. Mr. Pierre-Louis Girard (Switzerland). The Working Party on the Accession of China met on 22 March 1996, 1 November 1996, 6 March 1997, 23 May 1997, 1 August 1997, 5 December 1997, 8 April 1998, 24 July 1998, 21 March 2000, 23 June 2000, 27 July 2000, 28 September 2000, 9 November 2000, 8 December 2000, 17 January 2001, 4 July 2001, 20 July 2001 and 17 September 2001 under the same Chairman. At meetings held on 9 November 2000, 8 December 2000 and 17 January 2001, Mr. Paul-Henri Ravier, Deputy Director-General of the WTO, served as Acting Chairman.

1. Documentation Provided

3. The Working Party had before it, to serve as a basis for its discussion, a Memorandum on China's Foreign Trade Regime (L/6125) and questions posed by members of the Working Party on the foreign trade regime of China, together with replies of the Chinese authorities thereto. In addition, the Government of China made available to the Working Party a substantial amount of documentation, which is listed in document WT/ACC/CHN/23/Rev.1.

2. Introductory Statements

4. In statements to the GATT 1947 Working Party and subsequently to the Working Party on the Accession of China, the representative of China stated that China's consistent efforts to resume its status as a contracting party to GATT and accession to the WTO Agreement were in line with its objective of economic reform to establish a socialist market economy as well as its basic national policy of opening to the outside world. China's WTO accession would increase its economic growth and enhance its economic and trade relations with WTO Members.

5. Members of the Working Party welcomed China's accession to the WTO Agreement and considered that its accession would contribute to a strengthening of the multilateral trading system, enhancing the universality of the WTO, bringing mutual benefits to China and to the other Members of the WTO, and ensuring the steady development of the world economy.

6. The representative of China said that China had a territory of 9.6 million square kilometres and, at the end of 1998 a population of 1.25 billion. Since 1979, China had been progressively reforming its economic system, with the objective of establishing and improving the socialist market economy. The reform package introduced in 1994, covering the banking, finance, taxation, investment, foreign exchange ("forex") and foreign trade sectors, had brought about major breakthroughs in China's socialist market economy. State-owned enterprises had been reformed by a clear definition of property rights and responsibilities, a separation of government from enterprise, and scientific management. A modern enterprise system had been created for the state-owned sector, and the latter was gradually getting on the track of growth through independent operation, responsible

for its own profits and losses. A nation-wide unified and open market system had been developed. An improved macroeconomic regulatory system used indirect means and market forces to play a central role in economic management and the allocation of resources. A new tax and financial system was functioning effectively. Financial policy had been separated from commercial operations of the central bank, which now focussed on financial regulation and supervision. The exchange rate of the Chinese currency Renminbi (also "RMB") had been unified and remained stable. The Renminbi had been made convertible on current account. Further liberalization of pricing policy had resulted in the majority of consumer and producer products being subject to market prices. The market now played a much more significant role in boosting supply and meeting demand.

7. The representative of China further noted that as a result, in 1999, the Gross Domestic Product ("GDP") of China totaled RMB 8.2054 trillion yuan (approximately US\$ 990 billion). In 1998, the net per capita income for rural residents was RMB 2,160 yuan (approximately US\$ 260), and the per capita dispensable income for urban dwellers was RMB 5,425 yuan (approximately US\$ 655). In recent years, foreign trade had grown substantially. In 1999, total imports and exports of goods reached US\$ 360.65 billion, of which exports stood at US\$ 194.93 billion, and imports, US\$ 165.72 billion. Exports from China in 1998 accounted for 3.4 per cent of the world's total.

8. The representative of China stated that although important achievements have been made in its economic development, China was still a developing country and therefore should have the right to enjoy all the differential and more favourable treatment accorded to developing country Members pursuant to the WTO Agreement.

9. Some members of the Working Party indicated that because of the significant size, rapid growth and transitional nature of the Chinese economy, a pragmatic approach should be taken in determining China's need for recourse to transitional periods and other special provisions in the WTO Agreement available to developing country WTO Members. Each agreement and China's situation should be carefully considered and specifically addressed. In this regard it was stressed that this pragmatic approach would be tailored to fit the specific cases of China's accession in a few areas, which were reflected in the relevant provisions set forth in China's Draft Protocol and Working Party Report. Noting the preceding statements, Members reiterated that all commitments taken by China in her accession process were solely those of China and would prejudice neither existing rights and obligations of Members under the WTO Agreement nor on-going and future WTO negotiations and any other process of accession. While noting the pragmatic approach taken in China's case in a few areas, Members also recognized the importance of differential and more favourable treatment for developing countries embodied in the WTO Agreement.

10. At the request of interested members of the Working Party, the representative of China agreed that China would undertake bilateral market access negotiations with respect to industrial and agricultural products, and initial commitments in services.

11. Some members of the Working Party stated that in addition to undertaking market access negotiations in goods and services, close attention should also be paid to China's multilateral commitments, in particular China's future obligations under the Multilateral Agreements on Trade in Goods and the General Agreement on Trade in Services ("GATS"). This was of vital importance to ensure that China would be able to take full benefit of WTO membership as quickly as possible, as well as to ensure that the value of any market access conditions undertaken were not adversely affected by inconsistent measures such as some types of non-tariff measures.

12. The representative of China stated that the achievement of balance between rights and obligations was the basic principle in its negotiation of WTO accession.

13. Some members of the Working Party expressed concern over discrepancies in statistical information supplied by the Government of China on trade volume/value. Members and China pursued this issue separately in an Informal Group of Experts on Export Statistics.

14. The Working Party reviewed the foreign trade regime of China. The discussions and commitments resulting therefrom are contained in paragraphs 15-342 below and in the Draft Protocol of Accession ("Draft Protocol"), including the annexes.

II. ECONOMIC POLICIES

1. Non-Discrimination (including national treatment)

15. Some members expressed concern regarding the application of the principle of non-discrimination in relation to foreign individuals and enterprises (whether wholly or partly foreign funded). Those members stated that China should enter a commitment to accord non-discriminatory treatment to all foreign individuals and enterprises and foreign-funded enterprises in respect of the procurement of inputs and goods and services necessary for production of goods and the conditions under which their goods were produced, marketed or sold, in the domestic market and for export. In addition, those members said that China should also enter a commitment to guarantee non-discriminatory treatment in respect of the prices and availability of goods and services supplied by national and sub-national authorities and public or state enterprises, in areas including transportation, energy, basic telecommunications, other utilities and factors of production.

16. Some members of the Working Party also raised concerns over China's practice of conditioning or imposing restrictions upon participation in the Chinese economy based upon the nationality of the entity concerned. Those members in particular raised concerns over such practices in relation to the pricing and procurement of goods and services, and the distribution of import and export licences. Members of the Working Party requested that China enter into a commitment not to condition such practices on the nationality of the entity concerned.

17. In response, the representative of China emphasized the importance of the commitments that the government was undertaking on non-discrimination. The representative of China noted, however, that any commitment to provide non-discriminatory treatment to Chinese enterprises, including foreign-funded enterprises, and foreign enterprises and individuals in China, would be subject to other provisions of the Draft Protocol and, in particular, would not prejudice China's rights under the GATS, China's Schedule of Specific Commitments or commitments undertaken in relation to trade-related investment measures.

18. The representative of China further confirmed that China would provide the same treatment to Chinese enterprises, including foreign-funded enterprises, and foreign enterprises and individuals in China. China would eliminate dual pricing practices as well as differences in treatment accorded to goods produced for sale in China in comparison to those produced for export. The Working Party took note of these commitments.

19. The representative of China confirmed that, consistent with China's rights and obligations under the WTO Agreement and the Draft Protocol, China would provide non-discriminatory treatment to all WTO Members, including Members of the WTO that were separate customs territories. The Working Party took note of this commitment.

20. Some members of the Working Party expressed concern about certain provisions of Chinese laws, regulations, administrative notices and other requirements which could, directly or indirectly, result in less favourable treatment of imported products in contravention of Article III of the General Agreement on Tariffs and Trade ("GATT 1994"). Such requirements included product registration and certification, internal taxation, price and profit controls and all distinct forms of licensing for

imports, and distribution or sale of imported goods. Even where such requirements existed in relation to domestically produced goods, those members reiterated that any de facto or de jure less favourable treatment of imported goods had to be eliminated in order to ensure full conformity with the principle of national treatment.

21. Some members of the Working Party drew China's attention to the variety of types of requirements which could contravene Article III of the GATT 1994. Specific reference was made to the procedures, charges and conditions for granting of business licences, whether to import, distribute, re-sell or retail goods of non-Chinese origin. Reference was also made to taxes and fiscal provisions whose impact depended, directly or indirectly, upon the Chinese or non-Chinese origin of the goods imported or traded. Those members drew the attention of China to its obligation to ensure that product testing and certification requirements, including procedures for in situ inspections, posed no greater burden – whether financial or practical - on goods of non-Chinese origin than on domestic goods. Those members underlined that conformity assessment procedures and standards, including safety and other compliance requirements, had to respect the terms of the WTO Agreement on Technical Barriers to Trade ("TBT Agreement") as well as Article III of the GATT 1994.

22. The representative of China confirmed that the full respect of all laws, regulations and administrative requirements with the principle of non-discrimination between domestically produced and imported products would be ensured and enforced by the date of China's accession unless otherwise provided in the Draft Protocol or Report. The representative of China declared that, by accession, China would repeal and cease to apply all such existing laws, regulations and other measures whose effect was inconsistent with WTO rules on national treatment. This commitment was made in relation to final or interim laws, administrative measures, rules and notices, or any other form of stipulation or guideline. The Working Party took note of these commitments.

23. In particular, the representative of China confirmed that measures would be taken at national and sub-national level, including repeal or modification of legislation, to provide full GATT national treatment in respect of laws, regulations and other measures applying to internal sale, offering for sale, purchase, transportation, distribution or use of the following:

- After sales service (repair, maintenance and assistance), including any conditions applying to its provision, such as the MOFTEC third Decree of 6 September 1993, imposing mandatory licensing procedures for the supply of after-sales service on various imported products;
- Pharmaceutical products, including regulations, notices and measures which subjected imported pharmaceuticals to distinct procedures and formulas for pricing and classification, or which set limits on profit margins attainable and imports, or which created any other conditions regarding price or local content which could result in less favourable treatment of imported products;
- Cigarettes, including unification of the licensing requirements so that a single licence authorized the sale of all cigarettes, irrespective of their country of origin, and elimination of any other restrictions regarding points of sale for imported products, such as could be imposed by the China National Tobacco Corporation ("CNTC"). It was understood that in the case of cigarettes, China could avail itself of a transitional period of two years to fully unify the licensing requirements. Immediately upon accession, and during the two year transitional period, the number of retail outlets selling imported cigarettes would be substantially increased throughout the territory of China;
- Spirits, including requirements applied under China's "Administrative Measures on Imported Spirits in the Domestic Market", and other provisions which imposed distinct criteria and licensing for the distribution and sale of different categories of spirits, including unification of

the licensing requirements so that a single licence authorized the sale of all spirits irrespective of their country of origin;

- Chemicals, including registration procedures applicable to imported products, such as those applied under China's "Provisions on the Environmental Administration of Initial Imports of Chemical Products and Imports and Exports of Toxic Chemical Products";
- Boilers and pressure vessels, including certification and inspection procedures which had to be no less favourable than those applied to goods of Chinese origin, and fees applied by the relevant agencies or administrative bodies, which had to be equitable in relation to those chargeable for like products of domestic origin.

The representative of China stated that in the cases of pharmaceuticals, spirits and chemicals cited above, China would reserve the right to use a transitional period of one year from the date of accession in order to amend or repeal the relevant legislation. The Working Party took note of these commitments.

2. Monetary and Fiscal Policy

24. The representative of China stated that through the reform and opening up in the last two decades, China had established a fiscal management system which was compatible with the principles of a market economy. With respect to fiscal revenue, a taxation system with a value-added tax as the main element had been established since the taxation reform in 1994. With respect to fiscal expenditure, over recent years the government had, in line with the public fiscal requirement generally exercised by market economies, strengthened its adjustment of the structure of expenditure and given priority to public needs so as to ensure the normal operations of the government.

25. The representative of China further stated that in recent years, while pursuing proactive fiscal policy, China had implemented proper monetary policy and had taken a series of adjusting and reform measures which included lowering the interest rate for loans from financial institutions, improving the system of required deposit reserves and lowering the ratio of required reserves, positively increasing the input of base money and encouraging the commercial banks to expand their credit.

26. In respect of future fiscal policy, the representative of China noted that the Government of China would further improve its taxation system and would continue to improve the efficiency of fiscal expenditure through implementing reform measures such as sectoral budget, centralized payment by the national treasury and zero base budget, as well as improving management of fiscal expenditure. With respect to future monetary policy, the central bank would continue to pursue a prudent policy, maintain the stability of RMB, promote interest rate liberalization and establish a modern commercial banking system.

3. Foreign Exchange and Payments

27. Some members of the Working Party raised concerns about China's use of forex controls to regulate the level and composition of trade in goods and services. In response, the representative of China stated that China was now a member of the International Monetary Fund ("IMF") and that recently its system of forex had undergone rapid change. Significant moves had been taken to reform, rationalize and liberalize the forex market. The practice of multiple exchange rates in swap centres had been abolished. China had already unified its forex market and removed many of the restrictions on the use of forex.

28. Outlining the historical development of China's forex reform, the representative of China stated that the purpose of China's forex reform was to reduce administrative intervention and increase the role of market forces. From 1979, a forex retention system was applied in China, although forex

swap was gradually developing. In early 1994, official RMB exchange rates were unified with the market rates. The banking exchange system was adopted and a nationwide unified inter-bank forex market was established, with conditional convertibility of the Renminbi on current accounts. Since 1996, foreign invested enterprises ("FIEs") were also permitted into the banking exchange system, and the remaining exchange restrictions on current accounts were eliminated. On 1 December 1996, China had formally accepted the obligations of Article VIII of the IMF's Articles of Agreement, removing exchange restrictions on current account transactions. Accordingly, since then the Renminbi had been fully convertible on current accounts. It was confirmed by the IMF in its Staff Report on Article IV Consultations with China in 2000 that China had no existing forex restrictions for current account transactions.

29. The representative of China stated that the State Administration of Foreign Exchange ("SAFE") was under the auspices of the People's Bank of China ("PBC"), and was the administrative organ empowered to regulate forex. Its main functions were to monitor and advise on balance-of-payments and forex matters. SAFE was also required to draft appropriate regulations and monitor compliance. He further noted that domestic and foreign banks, and financial institutions could engage in forex business, with the approval of the PBC.

30. In response to requests from members of the Working Party for further information, the representative of China added that for forex payments under current accounts, domestic entities (including FIEs) could purchase forex at market exchange rates from designated banks or debit their forex accounts directly upon presentation of valid documents. For payments such as pre-payment, commission, etc., exceeding the proportion or limit, the entities could also purchase forex from the banks upon meeting the bona fide test administered by SAFE. Forex for personal use by individuals could be purchased directly from the banks upon presentation of valid documents (within a specified limit). For amounts exceeding the limit, individuals able to prove their need for additional forex could purchase it from the banks. He also noted that current account forex receipts owned by domestic entities had to be repatriated into China, some of which could be retained and some sold to the designated banks at market rates. A verification system for forex payment (imports) and forex receipt (exports) had also been adopted.

31. Concerning the exchange rate regime in particular, the representative of China noted that since the unification of exchange rates on 1 January 1994, China had adopted a single and managed floating exchange rate regime based on supply and demand. PBC published the reference rates of RMB against the US dollar, the HK dollar and Japanese yen based on the weighted average prices of forex transactions at the interbank forex market during the previous day's trading. The buying and selling rates of RMB against the US dollar on the inter-bank forex market could fluctuate within 0.3 per cent of the reference rate. For the HK dollar and Japanese yen, the permitted range was 1 per cent. Designated forex banks could deal with their clients at an agreed rate. Under such contracts the exchange rate of the US dollar was required to be within 0.15 per cent of the reference rate, whereas for the HK dollar and Japanese yen, the permitted range was 1 per cent. The exchange rates for other foreign currencies were based on the rates of RMB against the US dollar and cross-exchange rates of other foreign currency on the international market. The permitted margin between the buying and selling rate could not exceed 0.5 per cent.

32. The representative of China further noted that since 1 January 1994, designated forex banks had become major participants in forex transactions. On 1 April 1994, the China Foreign Exchange Trading System was set up in Shanghai and branches were opened in dozens of cities. The Foreign Exchange Trading System had adopted a system of membership, respective quotation, concentrated trading and forex market settlement. Designated forex banks dealt on the inter-bank market according to the turnover position limit on banking exchange stipulated by SAFE and covered the position on the market. Depending on its macro-economic objectives, the PBC could intervene in the forex open market in order to regulate market supply and demand, and maintain the stability of the RMB exchange rate.

33. The representative of China noted that since 1 July 1996, forex dealing of the FIEs was carried out through the banking exchange system. He further noted that to encourage foreign direct investment, China had granted national treatment to FIEs in exchange administration. Accordingly, FIEs were allowed to open and hold forex settlement accounts to retain receipts under current accounts, up to a maximum amount stipulated by SAFE. Receipts in excess of the maximum amount were required to be sold to designated forex banks. No restrictions were maintained on the payment and transfer of current transactions by FIEs, and FIEs could purchase forex from designated forex banks or debit their forex accounts for any payment under current transactions, upon the presentation of valid documents to the designated forex banks or SAFE for the bona fide test. FIEs could also open forex accounts to hold foreign-invested capital, and they could sell from these accounts upon the approval of SAFE. FIEs could also borrow forex directly from domestic and overseas banks, but were required to register with SAFE afterwards, and obtain approval by SAFE for debt repayment and services. FIEs could make payments from their forex accounts or in forex purchased from designated forex banks after liquidation, upon approval by SAFE according to law.

34. The representative of China further noted that the laws and regulations mentioned above were: Law of the People's Republic of China on Chinese-Foreign Equity Joint Venture; Law of the People's Republic of China on Chinese-Foreign Contractual Joint Venture; Regulations on the Exchange System of the People's Republic of China; and Regulations on the Sale and Purchase of and Payment in Foreign Exchange.

35. The representative of China stated that China would implement its obligations with respect to forex matters in accordance with the provisions of the WTO Agreement and related declarations and decisions of the WTO that concerned the IMF. The representative further recalled China's acceptance of Article VIII of the IMF's Articles of Agreement, which provided that "no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions". He stated that, in accordance with these obligations, and unless otherwise provided for in the IMF's Articles of Agreement, China would not resort to any laws, regulations or other measures, including any requirements with respect to contractual terms, that would restrict the availability to any individual or enterprise of forex for current international transactions within its customs territory to an amount related to the forex inflows attributable to that individual or enterprise. The Working Party took note of these commitments.

36. In addition, the representative of China stated that China would provide information on exchange measures as required under Article VIII, Section 5 of the IMF's Articles of Agreement, and such other information on its exchange measures as was deemed necessary in the context of the transitional review mechanism. The Working Party took note of this commitment.

4. Balance-of-Payments Measures

37. Some members of the Working Party stated that China should apply balance-of-payments ("BOPs") measures only under the circumstances provided for in the WTO Agreement and not as a justification for imposition of restrictions on imports for other protectionist purposes. Those members stated that measures taken for BOPs reasons should have the least trade disruptive effect possible and should be limited to temporary import surcharges, import deposit requirements or other equivalent price-based trade measures, and those measures should not be used to provide import protection for specific sectors, industries or products.

38. Those members of the Working Party further stated that any such measures should be notified pursuant to the Understanding on the Balance-of-Payments Provisions of the GATT 1994 ("BOPs Understanding") to the General Council not later than the imposition of the measures, together with a time schedule for their elimination and a programme of external and domestic policy measures to be used to restore BOPs equilibrium. Those members also stated that following deposit of such a notification, the Committee on Balance-of-Payments Restrictions ("BOPs Committee") should meet

to examine the notification. It was noted that paragraph 4 of the BOPs Understanding would be available to China in the case of "essential products". Some members stated that the BOPs Committee should review the operation of any BOPs measures taken by China, if so requested by China or a WTO Member.

39. Some other members of the Working Party considered that, in respect of measures taken for BOP purposes, China should enjoy the same rights as those accorded to other developing country WTO Members, as provided in GATT Article XVIII:B and the BOPs Understanding.

40. In response, the representative of China stated that China considered that it should have the right to make full use of WTO BOPs provisions to protect, if necessary, its BOPs situation. He confirmed that China would fully comply with the provisions of the GATT 1994 and the BOPs Understanding. Further to such compliance, China would give preference to application of price-based measures as set forth in the BOPs Understanding. If China resorted to measures that were not price-based, it would transform such measures into price-based measures as soon as possible. Any measures taken would be maintained strictly in accordance with the GATT 1994 and the BOPs Understanding, and would not exceed what was necessary to address the particular BOPs situation. The representative of China also confirmed that measures taken for BOPs reasons would only be applied to control the general level of imports and not to protect specific sectors, industries or products, except as noted in paragraph 38. The Working Party took note of these commitments.

5. Investment Regime

41. The representative of China stated that since the inception of the reform and opening up policy in the late 1970's, China had carried out a series of reforms of its investment regime. The highly centralized investment administration under the planned economy had been progressively transformed into a new pattern of diversification of investors, multi-channelling of capital sources and diversification of investment modalities. The government encouraged foreign investment into the Chinese market and had uninterruptedly opened and expanded the scope for investment. At the same time, the Government of China also encouraged the development of the non-state-operated economy and was speeding up the opening of areas for non-state investment. With China's programme in the establishment of its market economy, the construction projects of various enterprises utilizing free capital and financed by the credit of the enterprise would be fully subject to the decision-making of the enterprise concerned and at their own risk. The commercial banks' credit activities to all kinds of investors would be based on their own evaluation and decision-making, and would be at their own risk. The business activities of intermediate investment agencies would be fully subject to the market and would provide service at the instruction of the investors. These agencies would break up their administrative relations with government agencies and the service activities financed by the government would also be subject to the terms and conditions agreed in the contracts concerned.

42. The representative of China further stated that China had promulgated investment guidelines and that the Government of China was in the process of revising and completing these guidelines. Responding to concerns raised by certain members of the Working Party, he confirmed that these investment guidelines and their implementation would be in full conformity with the WTO Agreement. The Working Party took note of this commitment.

6. State-Owned and State-Invested Enterprises

43. The representative of China stated that the state-owned enterprises of China basically operated in accordance with rules of market economy. The government would no longer directly administer the human, finance and material resources, and operational activities such as production, supply and marketing. The prices of commodities produced by state-owned enterprises were decided by the market and resources in operational areas were fundamentally allocated by the market. The state-owned banks had been commercialized and lending to state-owned enterprises took place

exclusively under market conditions. China was furthering its reform of state-owned enterprises and establishing a modern enterprise system.

44. In light of the role that state-owned and state-invested enterprises played in China's economy, some members of the Working Party expressed concerns about the continuing governmental influence and guidance of the decisions and activities of such enterprises relating to the purchase and sale of goods and services. Such purchases and sales should be based solely on commercial considerations, without any governmental influence or application of discriminatory measures. In addition, those members indicated the need for China to clarify its understanding of the types of activities that would not come within the scope of Article III:8(a) of GATT 1994. For example, any measure relating to state-owned and state-invested enterprises importing materials and machinery used in the assembly of goods, which were then exported or otherwise made available for commercial sale or use or for non-governmental purposes, would not be considered to be a measure relating to government procurement.

45. The representative of China emphasized the evolving nature of China's economy and the significant role of FIEs and the private sector in the economy. Given the increasing need and desirability of competing with private enterprises in the market, decisions by state-owned and state-invested enterprises had to be based on commercial considerations as provided in the WTO Agreement.

46. The representative of China further confirmed that China would ensure that all state-owned and state-invested enterprises would make purchases and sales based solely on commercial considerations, e.g., price, quality, marketability and availability, and that the enterprises of other WTO Members would have an adequate opportunity to compete for sales to and purchases from these enterprises on non-discriminatory terms and conditions. In addition, the Government of China would not influence, directly or indirectly, commercial decisions on the part of state-owned or state-invested enterprises, including on the quantity, value or country of origin of any goods purchased or sold, except in a manner consistent with the WTO Agreement. The Working Party took note of these commitments.

47. The representative of China confirmed that, without prejudice to China's rights in future negotiations in the Government Procurement Agreement, all laws, regulations and measures relating to the procurement by state-owned and state-invested enterprises of goods and services for commercial sale, production of goods or supply of services for commercial sale, or for non-governmental purposes would not be considered to be laws, regulations and measures relating to government procurement. Thus, such purchases or sales would be subject to the provisions of Articles II, XVI and XVII of the GATS and Article III of the GATT 1994. The Working Party took note of this commitment.

48. Certain members of the Working Party expressed concern about laws, regulations and measures in China affecting the transfer of technology, in particular in the context of investment decisions. Moreover, these members expressed concern about measures conditioning the receipt of benefits, including investment approvals, upon technology transfer. In their view, the terms and conditions of technology transfer, particularly in the context of an investment, should be agreed between the parties to the investment without government interference. The government should not, for example, condition investment approval upon technology transfer.

49. The representative of China confirmed that China would only impose, apply or enforce laws, regulations or measures relating to the transfer of technology, production processes, or other proprietary knowledge to an individual or enterprise in its territory that were not inconsistent with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement") and the Agreement on Trade-Related Investment Measures ("TRIMs Agreement"). He confirmed that the terms and conditions of technology transfer, production processes or other proprietary knowledge,

particularly in the context of an investment, would only require agreement between the parties to the investment. The Working Party took note of these commitments.

7. Pricing Policies

50. Some members of the Working Party noted that China had made extensive use of price controls, for example in the agricultural sector. Those members requested that China undertake specific commitments concerning its system of state pricing. In particular, those members stated that China should allow prices for traded goods and services in every sector to be determined by market forces, and multi-tier pricing practices for such goods and services should be eliminated. Those members noted, however, that China expected to maintain price controls on the goods and services listed in Annex 4 to the Draft Protocol, and stated that any such controls should be maintained in a manner consistent with the WTO Agreement, in particular Article III of the GATT 1994 and Annex 2, paragraphs 3 and 4, of the Agreement on Agriculture. Those members noted that except in exceptional circumstances, and subject to notification to the WTO Secretariat, price controls should not be extended to goods or services beyond those listed in Annex 4, and China should make its best efforts to reduce and eliminate those controls. They also asked that China publish in the appropriate official journal the list of goods and services subject to state pricing and changes thereto.

51. Some members of the Working Party expressed the view that price controls and state pricing in China also encompassed "guidance pricing" and regulation of the range of profits that enterprises could enjoy. Such policies and practices would also be subject to China's commitments. In their view, price controls should be adopted only in extraordinary circumstances and should be removed as soon as the circumstances justifying their adoption were addressed.

52. The representative of China said that China currently applied a mechanism of market-based pricing under macro-economic adjustment. He noted that national treatment was applied in the areas of government pricing for all imported goods. There were presently three types of prices: government price, government guidance price and market-regulated price. The government price was set by price administration authorities and could not be changed without the approval of these authorities. Products and services subject to government pricing were those having a direct bearing on the national economy and the basic needs of the people's livelihood, including those products that were scarce in China.

53. The representative of China stated that when government prices or government guidance prices needed to be adjusted or reset, the agencies or operators concerned should apply or propose to the competent pricing authorities for that purpose. There was not a fixed time frame for the adjustment of government prices or government guidance prices. Competent agencies or operators could, in the light of market changes and according to relevant provisions of the Price Law, submit applications or proposals to the competent pricing authorities for pricing or adjustment of the original prices. The government pricing authorities would, in the light of such factors as market demand and supply, operational costs, effect on consumers as well as the quality of services, determine specific prices for the services concerned, or set guidance prices and floating ranges within which operators could determine specific prices. When setting prices for public utilities, important public welfare services and goods subject to natural monopolies and services which were of vital interest to the general public, government pricing authorities would hold public hearings and invite consumers, operators and other concerned parties to comment and debate on the necessity and impact of a price adjustment. The prices of important services were subject to the approval of the State Council. This mechanism had helped to significantly improve the rationality and transparency of government pricing. All enterprises, regardless of their nature and ownership, were free to participate in such hearings and voice their opinions and concerns which would be taken into consideration by the competent pricing authorities. Meanwhile, government pricing was product- or service-specific, regardless of the ownership of the enterprises concerned. All the enterprises and individuals enjoyed

the same treatment in terms of participating in the process of setting government prices and government guidance prices.

54. The representative of China added that the government guidance price mechanism was a more flexible form of pricing. The price administration authorities stipulated either a basic price or floating ranges. The floating range of guidance pricing was generally 5 per cent to 15 per cent. Enterprises could, within the limits of the guidance and taking into account the market situation, make their own decisions on prices. With market-regulated prices, enterprises were free to set prices in accordance with supply and demand to the extent permitted by generally applicable laws, regulations and policies concerning prices.

55. The representative of China stated that in formulating government prices and government guidance prices, the following criteria were taken into account: normal production costs, supply and demand situation, relevant government policies and prices of related products. When fixing prices of consumer goods, consideration was given to the limits of consumers' purchasing power. He noted that due to the continued reform of China's price system, the share of government prices had dropped substantially and that of market-regulated prices had increased; of social retailing products, the share of government prices was about 4 per cent, that of government guidance prices 1.2 per cent, and that of market-regulated prices 94.7 per cent. For agricultural products, the share of government prices was 9.1 per cent, government guidance prices 7.1 per cent, and market-regulated 83.3 per cent. For production inputs, the share of government prices was 9.6 per cent, that of government guidance prices 4.4 per cent, and market-regulated prices 86 per cent. The share of directly government-controlled prices had been much reduced. China's price system was becoming increasingly rationalized, creating a relatively fair marketplace for all enterprises to compete on an equal footing.

56. The representative of China recalled that Annex 4 of the Draft Protocol contained a comprehensive listing of all products and services presently subject to government guidance pricing and government pricing. He stated that the services subject to price controls were listed in Annex 4 by their respective CPC codes.

57. Some members of the Working Party requested additional information on the specific activities subject to government pricing or government guidance pricing. In particular, those members requested information on professional services, educational services, and charges for settlement clearing and transmission services of banks. In response, the representative of China stated that "The Administrative Rules on Intermediate Services" promulgated in 1999 by six central government agencies led by the State Development and Planning Commission ("SDPC") dealt with government pricing on intermediate services such as inspection authentication, notarization and arbitration and services which were in limited supply due to their special requirements. For legal services, the Interim Regulation on Charges and Fees of Legal Services, jointly promulgated by the SDPC and the Ministry of Justice stipulated that for law firms practising Chinese law, charges and fees for the following activities were subject to the approval of the SDPC: (1) representing a client in a civil case, including an appeal; (2) representing a client in a case contesting an administrative agency's decision; (3) providing legal advice to criminal suspects, acting for a client in connection with an appeal or prosecution, applying for bail, representing a defendant or victim in a criminal case; and (4) representing a client in an arbitration. For foreign legal service providers engaged in activities such as those listed in China's GATS schedule, the foreign legal service providers would determine the appropriate charges and fees which would not be subject to government pricing or guidance pricing.

58. The representative of China noted that regulations also existed for the other services included in Annex 4. Government pricing and guidance pricing covered auditing services. For architectural services, advisory and pre-design architectural services and contract administration activities were subject to government pricing or government guidance pricing. For engineering services, advisory and consultative services, engineering design services for the construction of foundations and building

structures, design services for mechanical and electrical installations for buildings, construction of civil engineering works, and industrial processes and production were subject to government pricing or government guidance pricing. Primary, secondary and higher education services were subject to government pricing.

59. The representative of China further explained that charges for settlement, clearing and transmission services of banks referred to in Annex 4 related to the charges and fees collected by banks for the services provided to enterprises and individuals when the banks conducted currency payments and transmission and fund settlements by using clearance methods such as bills and notes, collections and acceptances. These mainly included commission charges of bills, cashier's cheques, cheques, remittances, entrusted collections of payment, and collections and acceptances of banks.

60. The representative of China confirmed that it would publish in the official journal the list of goods and services subject to state pricing and changes thereto, together with price-setting mechanisms and policies. The Working Party took note of these commitments.

61. The representative of China confirmed that the official journal providing price information was the Pricing Monthly of the People's Republic of China, published in Beijing. It was a monthly magazine listing all products and services priced by the State. He further stated that China would continue to further its price reform, adjusting the catalogue subject to state pricing and further liberalize its pricing policies.

62. The representative of China further confirmed that price controls would not be used for purposes of affording protection to domestic industries or services providers. The Working Party took note of this commitment.

63. Some members of the Working Party expressed a concern that China could maintain prices below market-based ones in order to limit imports.

64. In response, the representative of China confirmed that China would apply its current price controls and any other price controls upon accession in a WTO-consistent fashion, and would take account of the interests of exporting WTO Members as provided for in Article III:9 of the GATT 1994. He also confirmed that price controls would not have the effect of limiting or otherwise impairing China's market-access commitments on goods and services. The Working Party took note of these commitments.

8. Competition Policy

65. The representative of China noted that the Government of China encouraged fair competition and was against acts of unfair competition of all kinds. The Law of the People's Republic of China on Combating Unfair Competition, promulgated on 2 September 1993 and implemented on 1 December 1993, was the basic law to maintain the order of competition in the market. In addition, the Price Law, the Law on Tendering and Bidding, the Criminal Law and other relevant laws also contained provisions on anti-monopoly and unfair competition. China was now formulating the Law on Anti-Monopoly.

III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES

1. Structure and Powers of the Government

66. The representative of China informed members of the Working Party that in accordance with the Constitution and the Law on Legislation of the People's Republic of China, the National People's Congress was the highest organ of state power. Its permanent body was its Standing Committee. The National People's Congress and its Standing Committee exercised the legislative power of the State.

They had the power to formulate the Constitution and laws. The State Council, i.e., the Central People's Government of China, was the executive body of the highest organ of state power. The State Council, in accordance with the Constitution and relevant laws, was entrusted with the power to formulate administrative regulations. The ministries, commissions and other competent departments (collectively referred to as "departments") of the State Council could issue departmental rules within the jurisdiction of their respective departments and in accordance with the laws and administrative regulations. The provincial people's congresses and their standing committees could adopt local regulations. The provincial governments had the power to make local government rules. The National People's Congress and its Standing Committee had the power to annul the administrative regulations that contradicted the Constitution and laws as well as the local regulations that contradicted the Constitution, laws and administrative regulations. The State Council had the power to annul departmental rules and local government rules that were inconsistent with the Constitution, laws or administrative regulations. These features of the Chinese legal system would ensure an effective and uniform implementation of the obligations after China's accession.

67. The representative of China stated that China had been consistently performing its international treaty obligations in good faith. According to the Constitution and the Law on the Procedures of Conclusion of Treaties, the WTO Agreement fell within the category of "important international agreements" subject to the ratification by the Standing Committee of the National People's Congress. China would ensure that its laws and regulations pertaining to or affecting trade were in conformity with the WTO Agreement and with its commitments so as to fully perform its international obligations. For this purpose, China had commenced a plan to systematically revise its relevant domestic laws. Therefore, the WTO Agreement would be implemented by China in an effective and uniform manner through revising its existing domestic laws and enacting new ones fully in compliance with the WTO Agreement.

68. The representative of China confirmed that administrative regulations, departmental rules and other central government measures would be promulgated in a timely manner so that China's commitments would be fully implemented within the relevant time frames. If administrative regulations, departmental rules or other measures were not in place within such time frames, authorities would still honour China's obligations under the WTO Agreement and Draft Protocol. The representative of China further confirmed that the central government would undertake in a timely manner to revise or annul administrative regulations or departmental rules if they were inconsistent with China's obligations under the WTO Agreement and Draft Protocol. The Working Party took note of these commitments.

2. Authority of Sub-National Governments

69. Several members of the Working Party raised concerns about the continued presence of multiple trade instruments used by different levels of government within China. Those members considered that this situation resulted in a lessening of the security and predictability of access to the Chinese market. These Members raised specific concerns regarding the authority of sub-national governments in the areas of fiscal, financial and budgetary activities, specifically with respect to subsidies, taxation, trade policy and other issues covered by the WTO Agreement and the Draft Protocol. In addition, some members expressed concerns about whether the central government could effectively ensure that trade-related measures introduced at the sub-national level would conform to China's commitments in the WTO Agreement and the Draft Protocol.

70. The representative of China stated that sub-national governments had no autonomous authority over issues of trade policy to the extent that they were related to the WTO Agreement and the Draft Protocol. The representative of China confirmed that China would in a timely manner annul local regulations, government rules and other local measures that were inconsistent with China's obligations. The representative of China further confirmed that the central government would ensure that China's laws, regulations and other measures, including those of local governments at the sub-

national level, conformed to China's obligations undertaken in the WTO Agreement and the Draft Protocol. The Working Party took note of these commitments.

3. Uniform Administration of the Trade Regime

71. Some members of the Working Party stated that it should be made clear that China would apply the requirements of the WTO Agreement and its other accession commitments throughout China's entire customs territory, including border trade regions, minority autonomous areas, Special Economic Zones ("SEZs"), open coastal cities, economic and technical development zones and other special economic areas and at all levels of government.

72. Those members of the Working Party also raised concerns about whether China's central government would be sufficiently informed about non-uniform practices and would take necessary enforcement actions. Those members stated that China should establish a mechanism by which any concerned person could bring to the attention of the central government cases of non-uniform application of the trade regime and receive prompt and effective action to address situations in which non-uniform application was established.

73. The representative of China confirmed that the provisions of the WTO Agreement, including the Draft Protocol, would be applied uniformly throughout its customs territory, including in SEZs and other areas where special regimes for tariffs, taxes and regulations were established and at all levels of government. The Working Party took note of this commitment.

74. In response to questions from certain members of the Working Party, the representative of China confirmed that laws, regulations and other measures included decrees, orders, directives, administrative guidance and provisional and interim measures. He stated that in China, local governments included provincial governments, including autonomous regions and municipalities directly under the central government, cities, counties and townships. The representative of China further stated that local regulations, rules and other measures were issued by local governments at the provincial, city and county levels acting within their respective constitutional powers and functions and applied at their corresponding local level. Townships were only authorized to implement measures. Special economic areas were also authorized to issue and implement local rules and regulations.

75. The representative of China further confirmed that the mechanism established pursuant to Section 2(A) of the Draft Protocol would be operative upon accession. All individuals and entities could bring to the attention of central government authorities cases of non-uniform application of China's trade regime, including its commitments under the WTO Agreement and the Draft Protocol. Such cases would be referred promptly to the responsible government agency, and when non-uniform application was established, the authorities would act promptly to address the situation utilizing the remedies available under China's laws, taking into consideration China's international obligations and the need to provide a meaningful remedy. The individual or entity notifying China's authorities would be informed promptly in writing of any decision and action taken. The Working Party took note of these commitments.

4. Judicial Review

76. Some members of the Working Party stated that China should designate independent tribunals, contact points, and procedures for the prompt review of all administrative actions relating to the implementation of laws, regulations, judicial decisions and administrative rulings of general application referred to in Article X:1 of the GATT 1994, including administrative actions relating to import or export licences, non-tariff measures and tariff-rate quota administration, conformity assessment procedures and other measures. These members sought explicit confirmation that certain types of measures, such as decisions relating to standards and chemical registration, would be subject

to judicial review. Some members of the Working Party also stated that the administrative actions subject to review should also include any actions required to be reviewed under the relevant provisions of the TRIPS Agreement and the GATS. These members stated that such tribunals should be independent of the agencies entrusted with administrative enforcement of the matter and should not have any substantial interest in the outcome of the matter.

77. Those members of the Working Party stated that such review procedures should include the opportunity for appeal, without penalty, by individuals or enterprises affected by any administrative action subject to review. If an initial right of appeal were to an administrative body, there should be an opportunity to choose to make a further appeal to a judicial body. Any decision by any appellate body and the reasons therefore would be communicated in writing to the appellant, together with notification of any right to further appeal.

78. The representative of China confirmed that it would revise its relevant laws and regulations so that its relevant domestic laws and regulations would be consistent with the requirements of the WTO Agreement and the Draft Protocol on procedures for judicial review of administrative actions. He further stated that the tribunals responsible for such reviews would be impartial and independent of the agency entrusted with administrative enforcement, and would not have any substantial interest in the outcome of the matter. The Working Party took note of these commitments.

79. In response to questions from certain members of the Working Party, the representative of China confirmed that administrative actions related to the implementation of laws, regulations, judicial decisions and administrative rulings of general application referred to in Article X:1 of the GATT 1994, Article VI of the GATS and the relevant provisions of the TRIPS Agreement included those relating to the implementation of national treatment, conformity assessment, the regulation, control, supply or promotion of a service, including the grant or denial of a licence to provide a service and other matters, and that such administrative actions would be subject to the procedures established for prompt review under Section 2(D)(2) of the Draft Protocol, and information on such procedures would be available through the enquiry point that China would establish upon accession. The Working Party took note of these commitments.

IV. POLICIES AFFECTING TRADE IN GOODS

A. TRADING RIGHTS

1. General

80. Some members of the Working Party noted that China was in the process of liberalizing the availability of the right to import and export goods from China, but that such rights were now only available to some Chinese enterprises (totalling 35,000). In addition, foreign-invested enterprises had the right to trade, although this was restricted to the importation for production purposes and exportation, according to the enterprises' scope of business. Those members stated their view that such restrictions were inconsistent with WTO requirements, including Articles XI and III of GATT 1994, and welcomed China's commitment to progressively liberalize the availability and scope of the right to trade so that within three years after accession all enterprises would have the right to import and export all goods (except for the share of products listed in Annex 2A to the Draft Protocol reserved for importation and exportation by state trading enterprises) throughout the customs territory of China. Those members requested that China provide detailed information on the process and criteria that it would use to increase the number of enterprises with trading rights and the scope of products that enterprises could import and export during the transition period.

81. Some members of the Working Party also noted China's commitment to accord foreign enterprises and individuals, including those not invested or registered as enterprises in China, no less favorable treatment than that accorded enterprises in China with respect to the right to trade except as

otherwise provided for in the Draft Protocol. Members of the Working Party requested that China provide detailed information regarding the process for such enterprises and individuals to obtain the right to import and export goods.

82. Some members of the Working Party expressed concerns that after the transition period any linkage between an enterprise's scope of business or business licence and the right to trade would constitute a restriction on the right to import and export. Those members noted that within three years after accession, China would have to permit all enterprises in China to trade in all goods throughout the customs territory of China (except as otherwise provided in the Draft Protocol).

83. The representative of China confirmed that during the three years of transition, China would progressively liberalize the scope and availability of trading rights.

- (a) The representative of China confirmed that, upon accession, China would eliminate for both Chinese and foreign-invested enterprises any export performance, trade balancing, foreign exchange balancing and prior experience requirements, such as in importing and exporting, as criteria for obtaining or maintaining the right to import and export.
- (b) With respect to wholly Chinese-invested enterprises, the representative of China stated that although foreign-invested enterprises obtained limited trading rights based on their approved scope of business, wholly Chinese-invested enterprises were now required to apply for such rights and the relevant authorities applied a threshold in approving such applications. In order to accelerate this approval process and increase the availability of trading rights, the representative of China confirmed that China would reduce the minimum registered capital requirement (which applied only to wholly Chinese-invested enterprises) to obtain trading rights to RMB 5,000,000 for year one, RMB 3,000,000 for year two, RMB 1,000,000 for year three and would eliminate the examination and approval system at the end of the phase-in period for trading rights.
- (c) The representative of China also confirmed that during the phase-in period, China would progressively liberalize the scope and availability of trading rights for foreign-invested enterprises. Such enterprises would be granted new or additional trading rights based on the following schedule. Beginning one year after accession, joint-venture enterprises with minority share foreign-investment would be granted full rights to trade and beginning two years after accession majority share foreign-invested joint-ventures would be granted full rights to trade.
- (d) The representative of China also confirmed that within three years after accession, all enterprises in China would be granted the right to trade. Foreign-invested enterprises would not be required to establish in a particular form or as a separate entity to engage in importing and exporting nor would new business licence encompassing distribution be required to engage in importing and exporting.

The Working Party took note of these commitments.

84. (a) The representative of China reconfirmed that China would eliminate its system of examination and approval of trading rights within three years after accession. At that time, China would permit all enterprises in China and foreign enterprises and individuals, including sole proprietorships of other WTO Members, to export and import all goods (except for the share of products listed in Annex 2A to the Draft Protocol reserved for importation and exportation by state trading enterprises) throughout the customs territory of China. Such right, however, did not permit importers to distribute goods within China. Providing distribution services would be done in accordance with China's Schedule of Specific Commitments under the GATS.

- (b) With respect to the grant of trading rights to foreign enterprises and individuals, including sole proprietorships of other WTO members, the representative of China confirmed that such rights would be granted in a non-discriminatory and non-discretionary way. He further confirmed that any requirements for obtaining trading rights would be for customs and fiscal purposes only and would not constitute a barrier to trade. The representative of China emphasized that foreign enterprises and individuals with trading rights had to comply with all WTO-consistent requirements related to importing and exporting, such as those concerning import licensing, TBT and SPS, but confirmed that requirements relating to minimum capital and prior experience would not apply.

The Working Party took note of these commitments.

2. Designated Trading

85. The representative of China stated that China would adjust and expand its list of enterprises under its designated trading regime annually during the transition period, leading up to full implementation of the commitment contained in Annex 2B. The current criteria for enterprises under the designated trading regime included registered capital, import and export volume and the import volume of products subject to designated trading in the previous year, bank credit rating and profits and losses.

86. Members of the Working Party noted China's commitment that it would phase out the limitation on the grant of trading rights for goods specified in Annex 2B of its Draft Protocol within three years after accession. In responding to questions raised by some members of the Working Party, the representative of China confirmed that China would progressively liberalize the right to trade in such goods by increasing the number of designated entities permitted to import goods in each of the three years of the transition period specified in Annex 2B. The representative of China added that China would eliminate import and export volume as a criterion for obtaining the right to trade these products, reduce minimum capitalization requirements and extend the right to register as designated importing and exporting enterprises to enterprises that used such goods in the production of finished goods and enterprises that distributed such goods in China. At the end of three years, all enterprises in China and all foreign enterprises and individuals would be permitted to import and export such goods throughout the customs territory of China. During the transition period, none of the criteria applicable under the designated trading regime would constitute a quantitative restriction on imports or exports. The Working Party took note of these commitments.

B. IMPORT REGULATION

1. Ordinary Customs Duties

87. Members of the Working Party welcomed China's decision to bind tariffs for all products in its schedule on market access for goods. This action would increase the certainty and predictability of this aspect of China's trade regime. Members also noted the substantial unilateral tariff reductions made in many sectors by China in recent years.

88. The representative of China provided members of the Working Party with a copy of the Customs Import and Export Tariff of the People's Republic of China ("Customs Tariff") and related laws and regulations. He noted that the Customs Tariff of China was a charge imposed on imported goods. The purpose of levying tariffs was twofold: (a) to regulate imports so as to promote and support domestic production; and (b) to serve as an important source of revenue for the treasury of the central government. China's tariff policy was to promote economic reform and opening of the economy. The basic principles for establishing duty rates were as follows. Duty-free or low duty rates were applied to imported goods which were needed for the national economy and the people's livelihood but which were not produced sufficiently domestically. Import duty rates on raw materials

were generally lower than those on semi-manufactured or manufactured products. For parts or components of machinery, equipment and instruments which were not produced domestically, or at a sufficiently high standard, the import duty was lower than the duty on finished products. Higher duty rates were applied to products which were produced domestically or which were considered non-essential for the national economy and the people's livelihood. A higher duty was applied to imported products, the equivalent of which were produced domestically and the local manufacturer of which needed protection.

89. The representative of China said that China had adopted the Harmonized Commodity Description and Coding System ("HS") as from 1 January 1992 and joined the International Convention on the Harmonized Commodity Description and Coding System in the same year. There were 21 sections, 97 chapters and 7062 eight-digit tariff headings based on the six-digit HS'96 version in the Customs Tariff for the year 2000. Tariff rates were fixed by the State Council. Partial adjustment to the duty rates was subject to deliberation and final decision by the State Council Tariff Commission. The simple average of China's import duties in 2000 was 16.4 per cent. Among the 7062 tariff headings, tariff rates for 525 headings were below 5 per cent, 1488 were between 5 per cent (inclusive) and 10 per cent (exclusive), 2022 between 10 per cent (inclusive) and 15 per cent (inclusive) and 3027 were above 15 per cent. Information on tariff rates for specific products and import statistical data for recent years had been provided to the Working Party.

90. He also noted that currently there were two columns of import duty rates: general rates and preferential rates. The preferential rates applied to imports originating in countries and regions with which China had concluded reciprocal tariff agreements, whereas the general rates applied to imports from other sources.

91. The representative of China confirmed that for wood and paper products, the same rates of duty, including the rates applied under a preference programme, customs union or free-trade area, would be applied to all imports of wood and paper products. The Working Party took note of this commitment.

92. The representative of China confirmed that upon accession China would participate in the Information Technology Agreement ("ITA") and would eliminate tariffs on all information technology products as set out in China's schedule. Furthermore, upon accession, China would eliminate all other duties and charges for ITA products. The Working Party took note of these commitments.

93. Certain members of the Working Party expressed particular concerns about tariff treatment in the auto sector. In response to questions about the tariff treatment for kits for motor vehicles, the representative of China confirmed that China had no tariff lines for completely knocked-down kits for motor vehicles or semi-knocked down kits for motor vehicles. If China created such tariff lines, the tariff rates would be no more than 10 per cent. The Working Party took note of this commitment.

94. Without prejudice to its rights to participate in the WTO process, the representative of China confirmed China's commitment to support the tariff liberalization proposal outlined in WT/GC/W/138/Add.1 (22 April 1999) and that it would participate fully in any tariff liberalization initiative based on this proposal that WTO Members might accept for implementation.

95. China undertook bilateral market access negotiations on goods with members of the Working Party. The results of those negotiations were contained in the Schedule of Concessions and Commitments on Goods and formed Annex 8 to the Draft Protocol.

2. Other Duties and Charges

96. The representative of China confirmed that China had agreed to bind at zero other duties and charges in its Schedule of Concessions and Commitments, pursuant to Article II:1(b) of the GATT 1994. The Working Party took note of this commitment.

3. Rules of Origin

97. Some members of the Working Party requested information about the adoption and application of rules of origin in China, whether in the context of free trade agreements or otherwise, and also requested China to confirm that its rules of origin for both preferential and non-preferential trade complied fully with the WTO Agreement on Rules of Origin.

98. The representative of China noted that the criteria for making the determination of substantial transformation was: (a) change in tariff classification of a four-digit tariff line in the Customs Tariff; or (b) the value-added component was 30 per cent or more in the total value of a new product.

99. He further noted that under current arrangements, and in accordance with the criteria outlined above, when an imported product was processed and manufactured in several countries, the country of origin of the product was determined to be the last country in which the product underwent substantial transformation. The rules of origin applied for statistical purposes were the same.

100. The representative of China stated that China's rules of origin for import and export were non-preferential rules of origin. Once the international harmonization of non-preferential rules of origin was concluded, China would fully adopt and apply the internationally harmonized non-preferential rules of origin. A mechanism that met the requirements of Articles 2(h) and 3(f), and Annex II, paragraph 3(d) of the Agreement, which required provision upon request of an assessment of the origin of an import or an export and outlined the terms under which it would be provided, would be established in China's legal framework by the date of accession. The Working Party took note of these commitments.

101. The representative of China further stated that China would not use the rules of origin as an instrument to pursue trade objectives directly or indirectly. He also confirmed that China would apply rules of origin equally for all purposes. The Working Party took note of these commitments.

102. The representative of China confirmed that from the date of accession, China would ensure that its laws, regulations and other measures relating to rules of origin would be in full conformity with the WTO Agreement on Rules of Origin and that it would implement such laws, regulations and other measures in full conformity with that Agreement. The Working Party took note of this commitment.

4. Fees and Charges for Services Rendered

103. Members of the Working Party noted that as a condition of accession, China should undertake a commitment to ensure conformity of customs fees and charges with Article VIII of the GATT 1994. The representative of China confirmed that China would comply with Article VIII of GATT 1994 in this regard. The Working Party took note of this commitment.

5. Application of Internal Taxes to Imports

104. Some members of the Working Party expressed concern that some internal taxes applied to imports, including a value-added tax ("VAT") were not administered in conformity with the requirements of the GATT 1994, particularly Article III. Those members of the Working Party noted that China appeared to permit the application of discriminatory internal taxes and charges to imported

goods and services, including taxes and charges applied by sub-national authorities. Those members requested that China reaffirm that all such internal taxes and charges would be in conformity with the requirements of the GATT 1994.

105. In response, the representative of China noted that there were three major types of taxes levied on products and services: (a) VAT levied on goods and services for processing, maintenance and assembling; (b) the Consumption Tax on some selected consumer products; and (c) the Business Tax on providing services, transferring intangible assets and selling real estate. Both the VAT and the Consumption Tax were applicable to entities importing goods. VAT and the Consumption Tax on imported goods were collected by General Customs Administration ("Customs") at the point of entry. He noted that VAT was reimbursed once goods were exported. Exported goods were exempted from the Consumption Tax.

106. He further noted that the State Council determined all policies concerning the levying of VAT and the Consumption Tax, adjustment of tax types and tax rates (tax value), as well as the tax exemption of VAT, the Consumption Tax and the Business Tax. The laws and regulations were interpreted and implemented by the Ministry of Finance and the State Administration of Taxation. VAT and the Consumption Tax were levied and administered by the State competent departments of taxation, while the Business Tax was collected and administered by the local competent departments of taxation.

107. The representative of China confirmed that from the date of accession, China would ensure that its laws, regulations and other measures relating to internal taxes and charges levied on imports would be in full conformity with its WTO obligations and that it would implement such laws, regulations and other measures in full conformity with those obligations. The Working Party took note of this commitment.

6. Tariff Exemptions

108. The representative of China stated that the tariff exemption policy of China was developed and implemented in accordance with the Customs Law of the People's Republic of China and the Regulations of the People's Republic of China on Import and Export Duties. The coverage of specific tariff reduction or exemption was provided for by the State Council. All the tariff reductions and exemptions were applied on an MFN basis.

109. The representative of China noted that in accordance with international practices and provisions of China's Customs Law, import duty reductions or exemptions were available for the following goods:

- (a) A consignment of goods, on which customs duties were estimated below RMB 10 yuan;
- (b) advertising articles and samples, which were of no commercial value;
- (c) goods and materials, which were rendered gratis by international organizations or foreign governments;
- (d) fuels, stores, beverages and provisions for use en route loaded by any means of transport, which were in transit across the border;
- (e) exported goods being replaced;
- (f) goods damaged prior to Customs release;

- (g) goods covered by international treaties providing for tariff reductions and exemptions which China had entered into or acceded to;
- (h) goods temporarily imported;
- (i) goods imported under inward processing programmes;
- (j) goods imported at zero cost for replacement purposes;
- (k) domestic- or foreign-funded projects encouraged by the government;
- (l) articles for scientific research, education and the disabled.

He noted that goods so imported were required to be put under Customs supervision and control. The Customs duty was required to be recovered if such goods were sold, transferred or used for other purposes during the time period of supervision and control.

110. Some members of the Working Party expressed concerns over the availability and application of tariff reductions and exemptions for a variety of enterprises and other entities, including state trading enterprises, state-owned enterprises, foreign-invested enterprises and not-for-profit entities. Similar concerns also existed for exemptions from application of other duties, taxes and charges. These members noted the negative effect such reductions or exemptions could have on revenues and predictability and certainty in application of tariff and other trade measures.

111. The representative of China confirmed that upon accession, China would adopt and apply tariff reductions and exemptions so as to ensure MFN treatment for imported goods. The Working Party took note of this commitment.

7. Tariff Rate Quotas

112. Several members of the Working Party expressed concern over the lack of transparency, uniformity and predictability of China's administration of its tariff rate quota ("TRQ") regime. Those members requested that China enter a commitment to administer TRQs in a simple, transparent, timely, predictable, uniform, non-discriminatory, and non-trade restrictive manner, and in a way that would not cause trade distortions. Those members asked that China ensure that its TRQ arrangements be no more administratively burdensome than absolutely necessary, and also expressed the hope that China would move as quickly as possible to a market-based TRQ allocation process.

113. Those members of the Working Party also raised concerns regarding the administration of China's TRQ system and the practices of state trading enterprises in relation to importing such products. These concerns included the current lack of transparent regulations for administering TRQs; use of administrative guidance; distortions introduced into the market due to allocations based on government determinations of sub-national supply and utilization rather than consumer preferences and end-user demand; failure to establish and publish annual TRQ quantities; trade-restrictive and non-competitive practices of state trading enterprises; and general uncertainty, inconsistency and discrimination in trade of bulk commodities. Those members expressed similar concerns about the operation of China's TRQ system for products subject to designated trading. Those members requested that China reduce tariffs for commodities subject to TRQs, enter into access commitments for these commodities, improve the administration of the TRQ regime, and ensure that trade would not be distorted by unjustified government regulation. Certain members of the Working Party also requested that a number of specified products be removed from China's TRQ system and that, upon import, these products be subject only to tariffs.

114. The representative of China noted that in 1996, for the first time, China published a list of import products subject to TRQs, together with the tariff rates applicable to imports both in and out of quota. Allocation of TRQ was based on historical performance and administration of the state trading regime, although China had also tried several other ways of administration, including import at applied tariff rates, first-come-first-served at the point of entry. China was trying to simplify the TRQ administration regime and procedures in a bid to facilitate use, enhance efficiency and implement further reform.

115. The representative of China further noted that, in undertaking market-oriented reform in the agricultural sector, China had made progress in freeing agricultural products from state pricing and in guiding farmers to adjust the structure of agricultural production based on the demands of the market. In connection with that reform process, in the bilateral negotiations with Members, China committed that, upon accession, it would eliminate TRQs on a number of products and subject these only to tariffs. The products concerned were barley, soybeans, rapeseed, peanut oil, sunflower seed oil, corn oil, and cottonseed oil. In addition, China would replace quantitative import restrictions on sugar, cotton and three types of fertilizers (DAP, NPK and urea) by TRQs. The Working Party took note of these commitments.

116. The representative of China stated that upon accession, China would ensure that TRQs were administered on a transparent, predictable, uniform, fair and non-discriminatory basis using clearly specified timeframes, administrative procedures and requirements that would provide effective import opportunities; that would reflect consumer preferences and end-user demand; and that would not inhibit the filling of each TRQ. China would apply TRQs fully in accordance with WTO rules and principles and with the provisions set out in China's Schedule of Concessions and Commitments on Goods. The Working Party took note of these commitments.

117. The representative of China confirmed that for the goods listed in Annex 2 of the Draft Protocol that were subject to a TRQ, China would also apply the provisions of its Schedule relating to TRQ administration and related commitments in the Draft Protocol, including the grant of trading rights to non-state trading entities to import the TRQ allocations set aside for importation by such entities. For products in Annex 2 of the Draft Protocol that were subject to designated trading, the representative of China confirmed that China would ensure that additional enterprises granted trading rights in accordance with China's commitments to phase out designated trading would not be disadvantaged in the allocation of TRQ. The Working Party took note of these commitments.

118. Some members of the Working Party expressed the view that allocation decisions were based, in large part, on government-determined provincial supply and utilization rather than on commercial market criteria that reflected consumer preferences and end-user demand. Those members expressed concern that China's stated intention to allocate quota to sub-national authorities and to authorize those authorities to then allocate that quota to end-users in separate processes would add an unnecessary, burdensome step in the procedures and reduce the likelihood that quotas would be filled. Further, those members stated that China's stated intention with regards to TRQ procedures would not be consistent with China's commitments to uniform administration of its trade regime. Those members sought confirmation that China would not establish a separate process of allocation to sub-national authorities, as well as confirmation that all allocation and reallocation decisions would be made by a single, central authority in China.

119. The representative of China confirmed that the role of sub-national bodies would be limited to purely administrative operations, such as receiving applications from end-users and forwarding them to the central authority; receiving queries and transmitting these to the central authority; reporting on allocation and reallocation decisions made by the central authority and providing information regarding such allocations and reallocations upon request; checking the information in the applications to verify that it met the published criteria; notifying applicants of any deficiencies in their applications; and providing applicants with an opportunity to cure deficiencies in their

applications. After the central authority decided on allocations of quota to end-users, the sub-national bodies would issue TRQ certificates accordingly. The representative of China also confirmed that China would administer a consistent national allocation (and reallocation) policy for TRQs, that it would not establish a separate process of allocation to sub-national authorities and that decisions regarding all allocations and reallocations to end-users would be made by a single, central authority. The Working Party took note of these commitments.

120. The representative of China further confirmed that China would grant to any enterprise possessing the right to trade any product pursuant to Section 5 of the Draft Protocol, the right to import goods in Annex 2A of the Draft Protocol that were subject to a TRQ or to an agreed volume of imports by non-state trading enterprises. Such right to import would not extend to the quantity of goods specifically reserved for importation by state trading enterprises. Any enterprise possessing the right to trade pursuant to Section 5 of the Draft Protocol would also have the right to import that portion of a TRQ reallocated to non-state trading enterprises pursuant to the agreed rules on TRQ administration. The representative of China also confirmed that for goods in Annex 2A of the Draft Protocol subject to a TRQ, any enterprise granted the right to trade, pursuant to Section 5 of the Draft Protocol, would be permitted to import such goods at the out-of-quota rate. The Working Party took note of these commitments.

8. Quantitative Import Restrictions, including Prohibitions and Quotas

121. In response to requests for information from members of the Working Party, the representative of China noted that China prohibited or restricted the importation of certain commodities, including weapons, ammunition and explosives, narcotic drugs, poisons, obscene materials and those foodstuffs, medicines, animals and plants which were inconsistent with China's technical regulations on food, medicines, animals and plants.

122. Some members of the Working Party noted that there were a large number of non-tariff measures in existence in China, both at the national and sub-national levels, which appeared to have a trade restrictive or trade distorting effect. Those members requested that China undertake a commitment to eliminate and not to introduce, re-introduce or apply non-tariff measures other than those specifically identified and subject to phased elimination in Annex 3 to the Draft Protocol. The representative of China confirmed that China would not introduce, re-introduce or apply non-tariff measures other than listed in Annex 3 of the Draft Protocol unless justified under the WTO Agreement. The Working Party took note of this commitment.

123. Some members of the Working Party also raised concerns that many non-tariff measures were imposed by sub-national authorities in China on a non-transparent, discretionary and discriminatory basis. Those members of the Working Party asked that China undertake a commitment to ensure that non-tariff measures would only be imposed by the central government or by sub-national authorities with clear authorization from the central government. Actions lacking authorization from the national authorities should not be implemented or enforced. The representative of China clarified that only the central government could issue regulations on non-tariff measures and that these measures would be implemented or enforced only by the central government or sub-national authorities with authorization from the central government. He further stated that sub-national authorities had no right to formulate non-tariff measures. The Working Party took note of these commitments.

124. Some members of the Working Party noted that China had provided a list of non-tariff measures in respect of which China was prepared to commence phased elimination, contained in Annex 3 of the Draft Protocol. Those members stated that China should eliminate the measures listed in accordance with the schedule provided in Annex 3, during the periods specified in Annex 3. For measures subject to phased elimination, China should provide for growth in the quota over the relevant period specified in Annex 3. Those members also noted that the protection afforded by the

measures listed in Annex 3 should not be increased or expanded in size, scope, or duration, nor any new measures be applied, unless justified under the provisions of the WTO Agreement.

125. Those members of the Working Party noted that all non-tariff measures administered by China, whether or not referred to in Annex 3 of the Draft Protocol, which were applied after China's accession, should be allocated and otherwise administered in strict conformity with the provisions of the WTO Agreement, including Article XIII of the GATT 1994 and the Agreement on Import Licensing Procedures, including notification requirements.

126. The representative of China stated that China had modified Annex 3 on the basis of the comments raised by certain members of the Working Party. He confirmed that only the machinery and electronic products listed in Annex 3 were subject to specific tendering requirements and that these requirements would be administered pursuant to Chapter III of the Regulation entitled "Interim Measures for Import Administration of Machinery and Electronics Products" (approved by the State Council on 22 September 1993 and promulgated in Order No. 1 by the State Economic and Trade Commission and Ministry of Foreign Trade and Economic Cooperation on 7 October 1993). He also confirmed that Annex 3 contained all of the products subject to quotas, licences and such tendering requirements in China and that, during the relevant phase-out period, China would implement the growth rates for quotas as indicated in Annex 3. The Working Party took note of these commitments.

127. Some members of the Working Party requested information on how China would implement the quota and licensing requirements for products listed in Annex 3, in particular the procedures and criteria for grant of quota allocations and licensing during the phase-out period for these restrictions. Those members expressed concerns about requirements for obtaining a licence or quota allocation which often required approvals from various authorities within an organization as well as approval from both the central and sub-national level. Those members sought a transparent, streamlined system that would issue quota allocations and licences through a simple, consolidated approval process that would ensure full use of the quota and its equitable distribution among importers. Those members also requested information on how China would establish the value of imports for those products whose quota was established in terms of value of imports. The representative of China confirmed that the administration of quotas and import licences would be consistent with the WTO Agreement, including Article XIII of the GATT 1994 and the Agreement on Import Licensing Procedures. The allocation of quotas and issuance of import licences would go through a simple and transparent procedure, so as to ensure the full utilization of quota. He further stated that the establishment of value of imports would be based on the information collected by the Customs authorities and provisions of the WTO Customs Valuation Agreement. For quota quantities specified in terms of value, China would determine the value of any shipment based on the c.i.f. ship value listed on the bill of lading. The Working Party took note of these commitments.

128. The representative of China confirmed that the products currently covered under the HS categories listed in Annex 3 as of the date of accession were the only products that would be subject to these quotas during the agreed phase-out periods. Any non-tariff measures covering additional products would need to be justified under the WTO Agreement. Further, the representative of China stated that for products listed in Annex 3 as being subject to quota and licensing requirements, any entity that will possess the right to trade in the quota year, including enterprises possessing trading rights to import such products or inputs for production purposes under a particular quota category, could apply for a quota allocation and licence to import products listed in Annex 3. The Working Party took note of these commitments.

129. The representative of China further confirmed that for products listed in Annex 3, China's system for quota allocation and licensing would ensure that those entities with quota allocations would also receive any necessary import licence. This system would conform to WTO rules, including the WTO Agreement on Import Licensing Procedures, and would be transparent, timely, responsive to market conditions and would minimize the burden on trade. Applications for a quota

allocation would need to be submitted to only one organization, at one level (central or sub-national) for approval. The relevant organization would then issue an import licence based on the quota allocation, in most cases within 3 working days and, in exceptional cases, within a maximum of 10 working days after a request for the licence. A licence would be issued for the full amount of the quota and would be valid for the calendar year issued. Such licence would be extended once, upon request, for up to 3 months, if the request was made before 15 December of the current quota year. Imports occurring under an extended licence would be counted against the relevant quota amount for the year in which the allocation took place. The representative of China confirmed that the relevant organization for issuing quota allocations and licences, amount of quota, including the growth in quota provided for in Annex 3, the eight-digit tariff codes and full descriptions of all products covered by each quota and procedures for application for a quota allocation and licence, including the beginning and end date of the application period and any other relevant procedures or criteria, would be published in the official journal referred to in Section 2(C)(2) of the Draft Protocol at least 21 days prior to the beginning of the application period. Such application period would be from 1-31 August. Quotas would be allocated to applicants no later than 60 days after closure of the application period. The Working Party took note of these commitments.

130. The representative of China stated that China would allocate quotas in accordance with the following criteria and procedures which would be published in advance and would be applied in conformity with WTO requirements, including the Agreement on Import Licensing Procedures. In applying these criteria, China would consider the need to allow for equitable participation by producers from WTO Members and take into account the need to maximize the potential for quota fill.

- (a) (i) If the relevant quota quantity exceeded total requests for quota allocations, all requests would be approved.
- (ii) In other cases, the criteria for allocation would be as follows:

Historical performance of applicants where relevant (in cases in which average imports over the 3-year period immediately prior to the year of China's accession, for which data was available, amounted to less than 75 per cent of the relevant quota, it would be necessary to take into account other criteria *inter alia* as set forth below);

 - Production or processing capacity, in the case of intermediate products and raw materials;
 - Experience and ability in producing, importing, marketing, or servicing in international markets, in the case of finished products or products destined for wholesale or retail distribution;
- (b) (i) In cases in which average imports over the 3-year period immediately prior to the year of China's accession, for which data was available, exceeded 75 per cent of the relevant quota, applicants that had not previously been allocated quota would be allocated 10 per cent of the total quota in the first year and the majority of any quota growth in any subsequent year.
- (ii) In other cases :
 - In the first year, 25 per cent of the total quota would be allocated to applicants that had not previously been allocated quota; however, an applicant that had imported under a quota on the relevant products in the year prior to China's accession would not receive a decrease in the absolute amount of its quota allocation;

- In the second year, for the amount of the quota growth as well as an amount equivalent to the amount of any quota that had not been filled in the previous year, China would give priority consideration to requests from enterprises with foreign ownership equal to or less than 50 per cent;
 - In the third and fourth year, if relevant, for the amount of the quota growth as well as an amount equivalent to the amount of any quota that had not been filled in the previous year, China would give priority consideration to requests from enterprises with foreign ownership greater than 50 per cent.
- (c) In all cases, a quota-holder receiving an initial allocation that had fully utilized or contracted for its quota allocation would, upon application, receive an allocation in the following year for a quantity no less than the quantity imported in the previous year. A quota-holder that did not import its full allocation would receive a proportional reduction in its quota allocation in the subsequent year unless the quantity was returned for reallocation by 1 September.

The Working Party took note of these commitments.

131. The representative of China confirmed that all commercial terms of trade, including product specifications, product mix, pricing, and packaging, would be at the sole discretion of the quota holder, so long as the products are within the relevant quota category. Allocations would be valid for any article or mixture of articles subject to the same quota as specified in Annex 3 of the Draft Protocol. Allocations would be valid for a period of one calendar year from the opening of the quota import period. However, if the holder of a quota allocation had not contracted for import of the total quantity allocated to the holder by 1 September, the holder was to immediately return the unused portion of the allocation to the relevant authority which would reallocate the quota immediately, if unfilled requests were pending, or otherwise within 10 days after receipt of a request for an allocation. The relevant organization would publish notice of the availability of additional allocations after collecting any unused quotas returned by the quota holders. Licences for goods imported under reallocated quota would be extended once, upon request, for up to 3 months, if the request was made before 15 December of the current quota year. Imports occurring under an extended licence would be counted against the relevant quota amount for the year in which the re-allocation took place. The Working Party took note of these commitments.

9. Import Licensing

132. The representative of China confirmed that the list of all entities responsible for the authorization or approval of imports would be updated and republished in the official journal, the MOFTEC Gazette, within one month of any change thereto. The Working Party took note of this commitment.

133. In response to requests for additional information about its system of import licensing, the representative of China said that the import licensing system was administered without discrimination among countries or regions. In 1984, the State Council had promulgated the "Interim Regulations on Licensing System for Import Commodities", and MOFTEC and Customs had issued "Detailed Rules for the Implementation of the Interim Regulations on Licensing System for Import Commodities". The Interim Regulations were uniformly implemented throughout China. In 1999, of the total import value of US\$ 165.7 billion, imports subject to licensing represented 8.45 per cent, covering US\$ 14 billion. MOFTEC determined which products should be subject to import licensing according to the relevant provisions of the "Foreign Trade Law".

134. The representative of China further stated that in 1993, China had applied import restrictions to 53 product categories. By 1999, the number had been reduced to 35. Products covered were (1)

Processed oil; (2) Wool; (3) Polyester fibre; (4) Acrylic fibres; (5) Polyester fillet; (6) Natural rubber; (7) Vehicles tyres; (8) Sodium cyanide; (9) Sugar; (10) Fertilizer; (11) Tobacco and its products; (12) Acetate tow; (13) Cotton; (14) Motor vehicles and their key parts; (15) Motorcycles and their engines and chassises; (16) Colour television sets and TV kinescope; (17) Radios, tape recorders and their main parts; (18) Refrigerators and their compressor; (19) Washing machines; (20) Recording equipment and its key parts; (21) Cameras and their bodies (without lenses); (22) Watches; (23) Air conditioners and their compressor; (24) Audio and video tape duplication equipment; (25) Crane lorries and their chassises; (26) Electronic microscopes; (27) Open-end spinning machines; (28) Electronic colour scanners; (29) Grain; (30) Vegetable oil; (31) Wine; (32) Colour sensitive material; (33) Chemical under supervision and control that were used for chemical weapon; (34) Chemicals used to produce narcotics; and (35) Laser disc production facilities. He also noted that in 1999, there were 13 commodity categories which were imported by the foreign trade companies designated by MOFTEC. These categories were as follows: (1) Processed oil; (2) Fertilizer; (3) Tobacco; (4) Vegetable oil; (5) Grain; (6) Natural rubber; (7) Wool; (8) Acrylic fibers; (9) Sugar; (10) Cotton; (11) Crude oil; (12) Steel; and (13) Plywood.

135. Concerning the granting and administration of import licences, the representative of China said that the examination and approval of the licence took two to three working days. Applications for import licences could be submitted to the Quota and Licence Administrative Bureau of MOFTEC, or Special Commissioner Offices in 16 provinces, or Commissions of Foreign Economic Relations and Trade of various provinces, autonomous regions, and municipalities directly under the central government and those with independent budgetary status. Licensing agencies authorized by MOFTEC could issue import licences on the basis of import documents submitted by the applicants, approved by the competent departments. A licence could not be bought, sold or transferred, and was valid for one calendar year. Import licences could be extended once for up to three months.

136. Some members of the Working Party expressed concern that China's Provisional Procedures for the Administration of Automatic Registration for the Import of Special Commodities (13 August 1994), in particular the criteria for approval of registration, would act as a restraint on imports. The representative of China emphasized that the purpose of the registration system was only to gather statistical information. He confirmed that China would bring its automatic licensing system into conformity with Article 2 of the Agreement on Import Licensing Procedures upon accession. The Working Party took note of this commitment.

137. Some members of the Working Party noted that enterprises and individuals seeking to import products subject to tariff quota administration requirements had to go through extensive procedures to receive a quota allocation and that the quota certificate would indicate whether the subject good was to be imported through a state trading enterprise or a non-state trading enterprise and would be valid for a certain period of time. Moreover, the entity importing the good would need trading rights. In the light of these multiple requirements, a quota allocation certificate should satisfy any import licensing requirement that might apply.

138. The representative of China confirmed that China would not require a separate import licence approval for goods subject to a TRQ allocation requirement but would provide any necessary import licence in the procedure that granted a quota allocation. The Working Party took note of this commitment.

10. Customs Valuation

139. Some members of the Working Party expressed concern regarding the methods used by China to determine the customs value of goods, in particular regarding the practice of using minimum or reference prices for certain goods, which would be inconsistent with the Agreement on Implementation of Article VII of the GATT 1994 ("Customs Valuation Agreement"). Other WTO-consistent means were available to Members doubting the veracity of declared transaction values.

140. In response, the representative of China stated that China had ceased to use and would not reintroduce minimum or reference prices as a means to determine customs value. The Working Party took note of this commitment.

141. The representative of China considered that there would not be situations where the "customs value" could not be "ascertained" since the Customs Valuation Agreement provided several methods for valuation.

142. The representative of China recalled that the overwhelming majority of China's customs duties were *ad valorem* duties. The customs value of imported goods was assessed according to the c.i.f. price based on the transaction value, as defined in the Customs Valuation Agreement. If the transaction value of imported goods could not be determined, the customs value was determined based on other means provided for in the Customs Valuation Agreement. He also noted that the Customs Law provided for appeal procedures. In the event of a dispute over calculation of duty paid or payable with the Customs, the dissatisfied importer could apply to Customs for a reconsideration of the case. If the appeal was rejected the importer could sue at the People's Court.

143. The representative of China confirmed that, upon accession, China would apply fully the Customs Valuation Agreement, including the customs valuation methodologies set forth in Articles 1 through 8 of the Agreement. In addition, China would apply the provisions of the Decision on the Treatment of Interest Charges in Customs Value of Imported Goods, and the Decision on the Valuation of Carrier Media Bearing Software for Data Processing Equipment, adopted by the WTO Committee on Customs Valuation (G/VAL/5), as soon as practicable, but in any event no later than two years from the date of accession. The Working Party took note of these commitments.

11. Other Customs Formalities

144. The representative of China said that China joined the International Convention on the Simplification and Harmonisation of Customs Procedures in 1988 and on 15 June 2000 signed the Draft Protocol on the Amendment of the International Convention on the Simplification and Harmonisation of Customs Procedures. The Customs authorities of China had only adopted such customs formalities as declaration, examination, levying of duties and release which were consistent with international practices.

12. Preshipment Inspection

145. The representative of China stated that, currently, there were trade and commerce inspection agencies (including joint-venture agencies) engaged in preshipment inspection. He further stated that China would comply with the Agreement on Preshipment Inspection, and would regulate the existing trade and commerce inspection agencies and permit the qualified agencies to be engaged in preshipment inspection in line with the government mandate or the terms and conditions of commercial contracts. The Working Party took note of this commitment.

146. Some members of the Working Party requested information on whether China used the services of a private preshipment inspection entity. The representative of China confirmed that China would ensure that, upon accession, any laws and regulations relating to preshipment inspection by any inspection agency, including private entities, would be consistent with relevant WTO agreements, in particular, the Agreement on Preshipment Inspection and the Customs Valuation Agreement. Moreover, any fees charged in connection with such preshipment inspection would be commensurate with the service provided, in conformity with Article VIII:1 of the GATT 1994. The Working Party took note of these commitments.

13. Anti-Dumping, Countervailing Duties

147. Some members of the Working Party raised concerns that the current investigations by the Chinese authority would be judged to be inconsistent with the Agreement on Implementation of Article VI of GATT 1994 ("Anti-Dumping Agreement") if China were a Member of the WTO today. In certain cases, the basis for calculating dumping margins for a preliminary affirmative determination was not disclosed to interested parties. Furthermore, the determination of injury and causation did not appear to have been made on an objective examination of sufficient evidence. In the views of these members, bringing the Chinese anti-dumping rules into compliance with the WTO Agreement on its face was not sufficient. WTO-consistency had to be secured substantively as well.

148. In response, the representative of China stated that China promulgated regulations and procedures on anti-dumping and countervailing duties in 1997 with reference to the Anti-Dumping Agreement and Agreement on Subsidies and Countervailing Measures. He committed to revising China's current regulations and procedures prior to its accession in order to fully implement China's obligations under the Anti-Dumping and SCM Agreements. The Working Party took note of this commitment.

149. Members of the Working Party and the representative of China agreed that the term "national law" in subparagraph (d) of Section 15 of the Draft Protocol, should be interpreted to cover not only laws but also decrees, regulations and administrative rules.

150. Several members of the Working Party noted that China was continuing the process of transition towards a full market economy. Those members noted that under those circumstances, in the case of imports of Chinese origin into a WTO Member, special difficulties could exist in determining cost and price comparability in the context of anti-dumping investigations and countervailing duty investigations. Those members stated that in such cases, the importing WTO Member might find it necessary to take into account the possibility that a strict comparison with domestic costs and prices in China might not always be appropriate.

151. The representative of China expressed concern with regard to past measures taken by certain WTO Members which had treated China as a non-market economy and imposed anti-dumping duties on Chinese companies without identifying or publishing the criteria used, without giving Chinese companies sufficient opportunity to present evidence and defend their interests in a fair manner, and without explaining the rationale underlying their determinations, including with respect to the method of price comparison in the determinations. In response to these concerns, members of the Working Party confirmed that in implementing subparagraph (a)(ii) of Section 15 of the Draft Protocol, WTO Members would comply with the following:

- (a) When determining price comparability in a particular case in a manner not based on a strict comparison with domestic prices or costs in China, the importing WTO Member should ensure that it had established and published in advance (1) the criteria that it used for determining whether market economy conditions prevailed in the industry or company producing the like product and (2) the methodology that it used in determining price comparability. With regard to importing WTO Members other than those that had an established practice of applying a methodology that included, inter alia, guidelines that the investigating authorities should normally utilize, to the extent possible, and where necessary cooperation was received, the prices or costs in one or more market economy countries that were significant producers of comparable merchandise and that either were at a level of economic development comparable to that of China or were otherwise an appropriate source for the prices or costs to be utilized in light of the nature of the industry under investigation, they should make best efforts to ensure that their methodology for determining price comparability included provisions similar to those described above.

- (b) The importing WTO Member should ensure that it had notified its market-economy criteria and its methodology for determining price comparability to the Committee on Anti-Dumping Practices before they were applied.
- (c) The process of investigation should be transparent and sufficient opportunities should be given to Chinese producers or exporters to make comments, especially comments on the application of the methodology for determining price comparability in a particular case.
- (d) The importing WTO Member should give notice of information which it required and provide Chinese producers and exporters ample opportunity to present evidence in writing in a particular case.
- (e) The importing WTO Member should provide Chinese producers and exporters a full opportunity for the defence of their interests in a particular case.
- (f) The importing WTO Member should provide a sufficiently detailed reasoning of its preliminary and final determinations in a particular case.

152. The representative of China stated that determinations made by China during investigations initiated pursuant to applications made before accession should be free from challenge under the Anti-Dumping Agreement by the Members of the WTO. He further confirmed that, notwithstanding Article 18.3 of the Anti-Dumping Agreement,

- (a) China would apply the provisions of the Anti-Dumping Agreement to:
 - (i) proceedings under Article 9.3, including the calculation of margins of dumping, in connection with anti-dumping measures adopted before accession ("existing measures"); and
 - (ii) reviews of existing measures initiated under Articles 9.5, 11.2, and 11.3 pursuant to requests made following accession. Any review of an existing measure under Article 11.3 would be initiated no later than five years from the date of its imposition.
- (b) China would also provide the type of judicial review described in Article 13 of the Anti-Dumping Agreement with regard to proceedings under Article 9.3 and reviews under Articles 9.5, 11.2, and 11.3.

The Working Party took note of these commitments.

153. The representative of China noted that pursuant to the provisions of "Regulation on Anti-dumping and Countervailing Measures of the People's Republic of China", there were four Chinese government bodies responsible for anti-dumping and countervailing duty investigations. Their identities and responsibilities were as follows:

- (a) Ministry of Foreign Trade and Economic Cooperation ("MOFTEC")

Receiving anti-dumping and countervailing petitions; Conducting investigations on foreign subsidies and on dumping and dumping margins and issuing relevant preliminary determination decisions and notices; Negotiating with foreign interested parties on "Price Undertaking" if necessary; Providing proposal on imposition of definitive anti-dumping or countervailing duties or proposals on duty refund, etc. There was an Anti-dumping Division established under the Department of Treaties and Law of MOFTEC, with responsibility to handle anti-dumping and countervailing investigations on alleged imports.

(b) State Economics and Trade Commission ("SETC")

Responsible for the investigation of injury caused to the domestic industry by the dumped or subsidized imports, the extent of such injury and making injury findings. There was a non-permanent decision and policy-making body in SETC, named the Injury Investigation and Determination Committee ("IIDC"), which was composed of six commissioners from the relevant departments of SETC. There was a permanent executive office in charge of the investigation of injury to the industry and submitting its findings to the IIDC for approval.

(c) General Customs Administration ("Customs")

Coordinating anti-dumping investigations with MOFTEC; enforcing anti-dumping measures such as collecting cash deposits and dumping duties, enforcing countervailing measures by collecting countervailing duties, and monitoring implementation.

(d) Tariff Commission of the State Council ("TCSC")

Making final decisions on whether or not to levy the anti-dumping or countervailing duties based on the suggestions by MOFTEC with regard to imposing anti-dumping or countervailing duties and reimbursing excess amount of duties, respectively.

14. Safeguards

154. The representative of China stated that upon accession, China would implement its Regulation on Safeguard by which the future safeguard measures would be regulated. The contents of this new regulation would be fully consistent with the Agreement on Safeguards. China was in the process of drafting safeguard legislation in accordance with Article 29 of the Foreign Trade Law and the Agreement on Safeguards. The Working Party took note of this commitment.

C. EXPORT REGULATIONS

1. Customs Tariffs, Fees and Charges for Services Rendered, Application of Internal Taxes to Exports

155. Some members of the Working Party raised concerns over taxes and charges applied exclusively to exports. In their view, such taxes and charges should be eliminated unless applied in conformity with GATT Article VIII or listed in Annex 6 to the Draft Protocol.

156. The representative of China noted that the majority of products were free of export duty, although 84 items, including tungsten ore, ferrosilicon and some aluminum products, were subject to export duties. He noted that the customs value of exported goods was the F.O.B. price of the goods.

2. Export Licensing and Export Restrictions

157. The representative of China confirmed that the list of all entities responsible for the authorization or approval of exports would be updated and republished in the official journal, the MOFTEC Gazette, within one month of any change thereto. The Working Party took note of this commitment.

158. The representative of China said that China applied its export licence system to certain agricultural products, resource products and chemicals. China's export licencing system was administered in accordance with the "Interim Procedures for the Export Licencing System". In 1992, there were 143 categories of products subject to export licencing which accounted for 48.3 per cent of the total value of the China's exports, but by 1999, the total number of products subject to export

licensing had been reduced to 58 categories and 73 items with an export value of US\$ 18.5 billion, taking up only 9.5 per cent of total exports. Export licences for these products were issued according to the stipulated commodity scope respectively by the Administrative Bureau of Quota and Licence ("ABQL"), the Special Commissioner Offices ("SCO") located in 16 provinces and the Commissions of Foreign Economic Relations and Trade ("COFTEC") of various provinces, autonomous regions, municipalities directly under the central government and those with independent budgetary status. The main criteria used in determining whether a product was subject to export licensing, as set down in the Foreign Trade Law, were: (1) maintenance of national security or public interests; (2) protection against shortage of supply in the domestic market or exhaustion of natural resources; (3) limited market capacity of importing countries or regions; or (4) obligations stipulated in international treaties. Export licensing was also used for statistical purposes.

159. He further noted that an application for an export licence had to be submitted to the licence issuing institutions authorized by MOFTEC, together with documents approving the export by the competent departments, and other relevant materials (such as the Export Qualification Certificate for the enterprises, export contract and so on). The procedures were the same for all export destinations. A decision on the request for an export licence normally took three working days. Licences were valid for six months and could be extended once. FIEs engaged in exporting products were required to obtain export licences if the products to be exported were subject to the licensing requirement. If the products were not subject to licensing, customs clearance would be given after examination by Customs on the basis of export contracts and other relevant documents.

160. Certain members of the Working Party noted the conditions in the GATT 1994 in regard to non-automatic licensing and export restrictions. They pointed out that export prohibitions, restrictions and non-automatic licensing could only temporarily be applied under Article XI of the GATT 1994 to prevent or relieve critical shortages of foodstuffs or other products essential to an exporting WTO Member. Article XX of the GATT 1994 also allowed for restrictive export measures, but only if such measures were made effective in conjunction with restrictions on domestic production or consumption. These members noted that some of the criteria of the Foreign Trade Law referred to above did not at present meet the specific conditions laid down in Articles XI and XX of the GATT 1994.

161. Members of the Working Party welcomed the steady reduction in the number of products subject to export licensing in China. Certain members reiterated their request for the submission of a complete list of restrictions presently applied. These members expressed concern that the remaining number was still high, covering about ten per cent of export trade, and requested that they be either reduced further or eliminated by the date of accession in order to achieve full compatibility with GATT requirements. Some members expressed particular concern about export restrictions on raw materials or intermediate products that could be subject to further processing, such as tungsten ore concentrates, rare earths and other metals.

162. The representative of China confirmed that China would abide by WTO rules in respect of non-automatic export licensing and export restrictions. The Foreign Trade Law would also be brought into conformity with GATT requirements. Moreover, export restrictions and licensing would only be applied, after the date of accession, in those cases where this was justified by GATT provisions. The Working Party took note of these commitments.

163. The representative of China stated that China prohibited export of narcotic drugs, poisons, materials containing State secrets, precious and rare animals and plants.

164. Some members of the Working Party expressed concern about China's restrictions on exports of silk. Certain other members expressed concern about export restrictions on other goods, in particular raw materials or intermediate products that could be subject to further processing, such as tungsten ore concentrates, rare earths and other metals. Members of the Working Party urged China

to ensure that any such restrictions that were imposed or maintained complied with the terms of the WTO Agreement and the Draft Protocol.

165. The representative of China confirmed that upon accession, remaining non-automatic restrictions on exports would be notified to the WTO annually and would be eliminated unless they could be justified under the WTO Agreement or the Draft Protocol. The Working Party took note of this commitment.

3. Export Subsidies

166. Some members of the Working Party noted that China had provided a list of prohibited subsidies falling within the scope of Article 3 of the SCM Agreement and a timetable for their elimination, in Annex 5B of the Draft Protocol. Those members considered this list to be incomplete.

167. The representative of China confirmed, as provided in Section 10.3 of the Draft Protocol, that it would eliminate all export subsidies, within the meaning of Article 3.1(a) of the SCM Agreement, by the time of accession. To this end, China would, by accession, cease to maintain all pre-existing export subsidy programmes and, upon accession, make no further payments or disbursements, nor forego revenue or confer any other benefit, under such programmes. This commitment covered subsidies granted at all levels of government which were contingent, in law or in fact, upon an obligation to export. The Working Party took note of this commitment.

168. On the same basis, the representative of China confirmed that China would eliminate, upon accession, all subsidies contingent upon the use of domestic over imported goods, within the meaning of Article 3.1(b) of the SCM Agreement. The Working Party took note of this commitment.

D. INTERNAL POLICIES AFFECTING FOREIGN TRADE IN GOODS

1. Taxes and Charges Levied on Imports and Exports

169. Some members of the Working Party expressed concern about the application of the VAT and additional charges levied by sub-national governments on imports. Non-discriminatory application of the VAT and other internal taxes was deemed essential.

170. The representative of China confirmed that upon accession, China would ensure that its laws and regulations relating to all fees, charges or taxes levied on imports and exports would be in full conformity with its WTO obligations, including Articles I, III:2 and 4, and XI:1 of the GATT 1994, and that it would also implement such laws and regulations in full conformity with these obligations. The Working Party took note of this commitment.

2. Industrial Policy, including Subsidies

171. Some members of the Working Party expressed concern that the special features of China's economy, in its present state of reform, still created the potential for a certain level of trade-distorting subsidization; this could have an impact not only on access to China's domestic market, but also on the performance of Chinese exports in the markets of other WTO Members, and should be subject to effective SCM Agreement disciplines. In view of this, some members felt that it would be inappropriate for China to benefit from certain provisions of Article 27. The representative of China, in turn, considered that certain provisions of this Article should be available to China, and informed the Working Party of the efforts being undertaken, as part of its ongoing reform process, to reduce the availability of certain types of subsidies. China was committed to implementing the SCM Agreement in a manner that was fair and equitable to China and to other WTO Members. In line with this approach, the representative of China stated his intention to reserve the right to benefit from the provisions of Articles 27.10, 27.11, 27.12 and 27.15 of the SCM Agreement, while confirming that

China would not seek to invoke Articles 27.8, 27.9 and 27.13 of the SCM Agreement. The Working Party took note of these commitments.

172. Some members of the Working Party, in view of the special characteristics of China's economy, sought to clarify that when state-owned enterprises (including banks) provided financial contributions, they were doing so as government actors within the scope of Article 1.1(a) of the SCM Agreement. The representative of China noted, however, that such financial contributions would not necessarily give rise to a benefit within the meaning of Article 1.1(b) of the SCM Agreement. He pointed out that China's objective was that state-owned enterprises, including banks, should be run on a commercial basis and be responsible for their own profits and losses. The Working Party took note of this commitment.

173. Some members of the Working Party, while understanding the difficulties involved in gathering information, raised concerns over the comprehensiveness of the subsidy notification which China had provided in Annexes 5A and 5B to the Draft Protocol, as last modified on 31 May 2000. Some members of the Working Party explained that, as an illustration of the above, certain types of subsidies did not appear in Annexes 5A and 5B. Those members of the Working Party first identified state support through the banking system, notably government-owned banks, in the form of policy loans, the automatic roll-over of unpaid principal and interest, forgiven and non-performing loans, and the selective use of below-market interest rates. Some members also referred to unreported tax subsidies, investment subsidies and subsidies provided by sub-national governments, some of which favoured exporting firms. Other members mentioned subsidies granted to the telecommunications, footwear, coal and shipbuilding sectors. The representative of China explained that, in common with many other Members, China had experienced difficulty in obtaining accurate data about all types of subsidies. He also indicated that China was attempting to reduce the availability of certain types of subsidies, in particular by reforming its tax system and making government-owned banks operate on a commercial basis. The representative of China stated that China would progressively work towards a full notification of subsidies, as contemplated by Article 25 of the SCM Agreement. The Working Party took note of this commitment.

174. Some members of the Working Party also raised concerns regarding the subsidies that China provided in connection with SEZs and other special economic areas. Some of these appeared to be contingent upon export performance or on the use of domestic goods. The representative of China noted that the main purpose of such subsidies was to promote regional development and foreign investment. He confirmed that China would, upon accession, eliminate any such subsidies which were inconsistent with the SCM Agreement. The Working Party took note of this commitment.

175. Some members of the Working Party requested information from China on the Steel Import Substitution Programme, which appeared to provide export subsidies to the big four steel groups in China. In response, the representative of China clarified that China did not collect VAT on imported and domestically produced steel used as raw material for the processing trade. Such a policy, in his view, was consistent with WTO rules and the practices of many WTO Members, and thus should not be considered as subsidies.

176. Some members of the Working Party requested information from China on the "China High-Tech Product Export Catalogue", which set forth central government export policies for the telecommunications, computer software, aviation and aerospace, lasers, pharmaceuticals, medical equipment, new materials and energy industries. In response, the representative of China clarified that products listed in the Catalogue would enjoy full VAT rebate treatment, while other exported products would only be given partial VAT rebate treatment. Such a policy, in his view, was consistent with Article XVI of the GATT 1994 and relevant Annexes of the SCM Agreement. He further confirmed that the VAT rebates were applied only to exported products and not to domestically consumed products.

3. Technical Barriers to Trade

177. The representative of China stated that China had set up a TBT notification authority and two enquiry points which had been notified to the TBT Committee. Upon accession, notices of adopted and proposed technical regulations, standards and conformity assessment procedures would be published. The names of the publications where this information could be found would be included in China's Statement of Implementation and Administration under Article 15.2 of the TBT Agreement, which would be submitted upon accession. The Working Party took note of this commitment.

178. The representative of China stated that, further to China's implementation of WTO provisions, internal mechanisms would exist, upon accession, to inform and consult with, on an ongoing basis, government agencies and ministries (at national and sub-national levels), and private sector interests on the rights and obligations under the GATT 1994 and the TBT Agreement. Concerning questions from some members of the Working Party on the opportunity for public consultation and comment on proposed standards and technical regulations, the representative of China confirmed that, upon accession, China's procedures would clearly indicate that such opportunity existed and that comments would be given due consideration regardless of origin. The representative of China also confirmed that, upon accession, China would have in place minimum timeframes for allowing public comment on proposed technical regulations, standards and conformity assessment procedures as set out in the TBT Agreement and relevant decisions and recommendations adopted by the TBT Committee. The Working Party took note of these commitments.

179. Several members of the Working Party requested information on the extent to which international standards were used as the basis for existing Chinese standards, details on China's plans for using international standards as the basis for new standards, and details on China's plans for reviewing existing standards so as to harmonize them with relevant international standards.

180. In response, the representative of China stated that, as a full member of, for example, ISO, IEC and ITU, China actively participated in the development of relevant international standards. With China's efforts in restructuring government agencies, China would, not later than four months after accession, notify acceptance of the Code of Good Practice. The representative of China stated that for government standardizing bodies, a clear policy existed to periodically review existing standards, *inter alia*, to harmonize them with relevant international standards where appropriate. Furthermore, China would speed up its process of revising the current voluntary national, local and sectoral standards so as to harmonize them with international standards. The Working Party took note of these commitments.

181. Some members of the Working Party expressed concern that China's use of the terms "technical regulations" and "standards" was not always consistent with the definitions found in the TBT Agreement, e.g., China sometimes used the word "standards" to refer to mandatory requirements that fell within the definition of "technical regulations". These members noted that China had developed a number of different types of measures, referred to as "standards", at levels other than the central government, in particular, regional, sectoral, and enterprise levels.

182. In response, the representative of China stated that China, in its notifications under the TBT Agreement, including its notifications under Article 15.2 and in publications referenced therein, and in modifications of existing measures, would use the terms "technical regulations" and "standards" according to their meanings under the TBT Agreement. The Working Party took note of these commitments.

183. Some members of the Working Party also expressed concern that China did not use relevant and available international standards as the basis for some of its existing technical regulations. Several members asked for information on the extent to which international standards were used as the basis for existing technical regulations, details on China's plans for using international standards

as the basis for new technical regulations, and details on China's plans for reviewing existing technical regulations so as to harmonize standards referenced in them with international standards or their relevant parts.

184. In response, the representative of China stated that since 1980, China had taken the active adoption of international standards as the basis for technical regulations as a basic policy of accelerating industrial modernization and promoting economic growth. The representative of China confirmed that this policy also required technical regulations to be reviewed every five years, *inter alia*, to ensure that international standards were used in accordance with Article 2.4 of the Agreement. He also confirmed that China would provide this policy as part of its notification under Article 15.2 of the Agreement. He noted that as a result of China's efforts in the past 20 years, the use of international standards as the basis for technical regulations had increased from 12 per cent to 40 per cent. China had begun formulating a standardization development programme in a bid to meet the challenges of the 21st century and the requirements provided for in the TBT Agreement, and had undertaken to further increase the use of international standards as the basis for technical regulations by 10 per cent in five years. The representative of China also confirmed that China would make publicly available procedures to implement Article 2.7 of the Agreement. The Working Party took note of these commitments.

185. Bearing in mind the relevant provisions of the TBT Agreement, some members of the Working Party asked China to identify local government bodies, directly below the central government level, and non-governmental organizations, that were authorized to adopt technical regulations or conformity assessment procedures. The representative of China replied that China would provide a list of relevant local governmental and non-governmental bodies, upon accession, as part of its notification under Article 15.2 of the TBT Agreement. The Working Party took note of this commitment.

186. With respect to conformity assessment procedures, several members of the Working Party asked for information about the extent to which international guides and recommendations were used as the basis for existing conformity assessment procedures, details on China's plans for using such guides and recommendations as the basis for new conformity assessment procedures, and details on China's plans for reviewing existing conformity assessment procedures so as to harmonize them with relevant international guides and recommendations.

187. In response, the representative of China stated that China played a full part in the preparation by appropriate international standardizing bodies of guides and recommendations for conformity assessment procedures, e.g., as a full member of ISO CASCO. He stated that it was difficult to quantify the extent to which such guides and recommendations were used as the basis for existing conformity assessment procedures. He confirmed that China would use relevant guides or recommendations issued by international standardizing bodies as the basis for new conformity assessment procedures in accordance with Article 5.4 of the TBT Agreement. The representative of China also stated that existing conformity assessment procedures were reviewed concurrently with and under the same policy as related technical regulations, *inter alia*, to ensure the use of relevant international guides or recommendations in accordance with Article 5.4 of the TBT Agreement. He also confirmed that, upon accession, China would ensure that the same conformity assessment procedures were applied to both imported and domestic products. The Working Party took note of these commitments.

188. Some members of the Working Party expressed concerns about the complexity and inconsistency of China's conformity assessment regime with TBT Agreement requirements. In particular, those members noted that conformity assessment on imported and domestic products was not performed by the same governmental entities and that this situation could result in less favourable treatment for imports. In response, the representative of China stated that the Chinese government had already decided to merge CIQ-SA and CSBTS into the State General Administration of the

People's Republic of China for Quality Supervision and Inspection and Quarantine ("AQSIQ"), under its policy of development of market economy and further reform and opening up in China. The representative of China confirmed that the AQSIQ was responsible for all policies and procedures related to conformity assessment in China. He further stated that other government ministries and agencies developed conformity assessment policies and procedures but that these had to be authorized by AQSIQ before they could be enacted.

189. Some members of the Working Party expressed concern about the consistency of the Law of the People's Republic of China on Import-Export Commodity Inspection ("the Law"), and the Regulations for the Implementation of that Law ("the Implementing Regulations"), with the TBT Agreement. In particular, provisions for technical regulations and conformity assessment procedures did not adequately address fundamental obligations such as transparency, non-discrimination, national treatment, and the avoidance of unnecessary barriers to trade.

190. Some members of the Working Party expressed concern about a conformity assessment procedure known as Statutory Inspection, which was described, *inter alia*, in Articles 4, 5, and 6 of the Law and Articles 4, 5, and 9 of the Implementing Regulations. They stated that it was inconsistent with the principle of national treatment and constituted an unnecessary obstacle to international trade. Members of the Working Party agreed that WT/ACC/CHN/31 and WT/ACC/CHN/32, lists of products subject to Statutory Inspection, did not prejudice the legal status, nature or effects of notified technical regulations and standards under the WTO Agreement. The representative of China stated that China would bring the Law and Implementing Regulations, as well as other relevant legislation and regulations, into conformity with the TBT Agreement by the date of accession. The Working Party took note of this commitment.

191. Some members of the Working Party expressed concern about a conformity assessment procedure, and the application thereof, known as the Safety Licence System for Import Commodities ("the System"), which was described in Article 22 of the Law and Article 38 of the Implementing Regulations. They stated that it was inconsistent with the principle of national treatment and constituted an unnecessary obstacle to international trade (e.g., due to the frequent plant inspections required). In response, the representative of China confirmed that, for technical regulations and conformity assessment procedures related to goods currently subject to the Safety Licence System for Import Commodities, relevant legislation and regulations would be brought into full conformity with the TBT Agreement by the date of accession. The Working Party took note of this commitment.

192. Responding to the concerns of members of the Working Party, the representative of China confirmed that to eliminate unnecessary barriers to trade, China would not maintain multiple or duplicative conformity assessment procedures, nor would it impose requirements exclusively on imported products. The Working Party took note of this commitment.

193. Some members of the Working Party expressed concern with respect to the confidentiality of information in connection with conformity assessment procedures undertaken by China. In response, the representative of China confirmed that China would fully implement the obligations of Article 5.2.4 of the TBT Agreement in this regard. The Working Party took note of this commitment.

194. Some members of the Working Party expressed concern about China's practice of not accepting the results of conformity assessment by bodies in other WTO Members. In this regard, those members noted the obligation of unilateral acceptance of the results of conformity assessment as described in Article 6.1 of the TBT Agreement. The representative of China responded that products certified by bodies recognized by China would require no additional conformity assessment procedures in China, except for random sampling of said products. Furthermore, where random sampling was undertaken and China's test results differed from the test results of competent bodies in other WTO Members, the representative of China confirmed that China would act in accordance with international guidelines and recommendations, where these existed, or would provide a process of

review with the objective of resolving such differences. Some members of the Working Party requested China to make public and update on an ongoing basis information on conformity assessment bodies that were recognized by China. The representative of China confirmed that China would provide this information. The Working Party took note of these commitments.

195. Concerning foreign and joint-venture conformity assessment bodies, certain members of the Working Party noted that China should not maintain requirements which had the effect of acting as barriers to their operation, unless otherwise specified in China's Schedule of Specific Commitments. The representative of China replied that China would not maintain such requirements. Some members also observed that all foreign or joint venture conformity assessment bodies that met China's requirements should be eligible for accreditation and accorded national treatment. The representative of China confirmed that the accreditation requirements would be transparent and provide national treatment to foreign conformity assessment bodies. The Working Party took note of these commitments.

196. Some members of the Working Party raised specific concerns regarding such matters as (a) registration of initial imports of chemical products, (b) procedures to obtain and apply "CCIB" safety mark and the "Great Wall" mark, (c) automobiles and parts, and (d) the safety and quality licence system for boilers and pressure vessels. In response, the representative of China stated that China would implement the following measures prior to accession, unless otherwise indicated:

(a) Registration of Initial Imports of Chemical Products

- Enact and implement, within one year after its accession, a new law and relevant regulations regarding assessment and control of chemicals for the protection of the environment, in which complete national treatment and full consistency with international practices would be ensured.
- Ensure that chemicals listed in the "inventory chemicals" annexed to the above new law and its regulations would be exempted from a registration obligation and that a unified assessment procedure would be established for domestic and imported products under the new law and its regulations.

(b) CCIB Safety Mark and the "Great Wall" Mark

- Unify the existing certification marks, i.e., the "CCIB" mark and the "Great Wall" mark into a new certification mark. For like imported and domestic goods, all bodies and agencies would issue the same mark and charge the same fee.
- Accept testing reports for products subject to the International Electrotechnical Commission's System for Conformity Testing to Standards for Safety of Electrical Equipment ("IECEE CB Scheme") to which China was a party, and simplify the procedures for obtaining the new, unified certification mark
- Shorten the time period needed for importers to obtain both marks regarding the same products, to no more than three months.

(c) Automobiles and Parts

- Unify its laws, regulations and standards applied to domestic and imported automobiles and parts.
- Formulate, publish and implement laws and regulations, standards and implementing regulations to establish a transparent system under which all the laws and regulations

would be applied so as to accord imported products treatment no less favourable than that accorded to like products of national origin.

- (d) Safety and Quality Licence System for Boilers and Pressure Vessels
- Accord imported products treatment no less favourable than that accorded to products of national origin, including fees imposed for conformity assessment and the effective period of factory certification.
 - Adopt international standards as the basis for technical regulations and exempt imported products from inspection where like domestic products were not subject to such inspection.

The Working Party took note of these commitments.

197. The representative of China confirmed that, except as otherwise specified in the Draft Protocol, China would apply all obligations under the TBT Agreement from the date of accession. The Working Party took note of this commitment.

4. Sanitary and Phytosanitary Measures

198. Some Members of the Working Party expressed concerns in relation to the use by China of sanitary and phytosanitary ("SPS") procedures as non-tariff barriers and raised specific instances where they considered that China's measures were not consistent with the WTO Agreement on the Application of Sanitary and Phytosanitary Measures ("SPS Agreement"). Members sought assurances that China would only use SPS measures to the extent necessary to protect human, animal or plant life or health, and that such measures would be based fully on scientific principles.

199. The representative of China stated that pursuant to the provisions of the SPS Agreement, China applied SPS measures only to the extent necessary to protect the life and health of human beings, animals and plants. He also noted that most of China's SPS measures were based on international standards, guidelines and recommendations. China would not apply SPS measures in a manner which would act as a disguised restriction on trade. In accordance with the SPS Agreement, China would ensure that SPS measures would not be maintained without sufficient scientific evidence. The Working Party took note of these commitments.

200. Members of the Working Party expressed the view that China should comply with the SPS Agreement from the date of China's accession and should ensure conformity with the SPS Agreement of all its laws, regulations, decrees, requirements and procedures relating to SPS measures. In response, the representative of China confirmed that China would fully comply with the SPS Agreement and would ensure the conformity with the SPS Agreement of all of its laws, regulations, decrees, requirements and procedures relating to SPS measures from the date of accession. The Working Party took note of these commitments.

201. Members of the Working Party noted that China's notification of laws, regulations and other SPS measures, referred to in the Draft Protocol, was provided in document WT/ACC/CHN/33. Members of the Working Party agreed that this notification did not prejudice the legal status under the WTO Agreement of the nature or effects of the notified laws, regulations and other SPS measures.

202. The representative of China said that China had set up an SPS notification authority and an SPS enquiry point which would be notified to the SPS Committee. SPS measures, including those relating to inspection, had been published in publications such as the MOFTEC Gazette. Information could also be gathered from the SPS notification authority or from China's SPS enquiry point.

5. Trade-Related Investment Measures

203. The representative of China confirmed that upon accession, as set forth in the Draft Protocol, China would comply fully with the TRIMs Agreement, without recourse to Article 5 thereof, and would eliminate foreign-exchange balancing and trade balancing requirements, local content requirements and export performance requirements. Chinese authorities would not enforce the terms of contracts containing such requirements. The allocation, permission or rights for importation and investment would not be conditional upon performance requirements set by national or sub-national authorities, or subject to secondary conditions covering, for example, the conduct of research, the provision of offsets or other forms of industrial compensation including specified types or volumes of business opportunities, the use of local inputs or the transfer of technology. Permission to invest, import licences, quotas and tariff rate quotas would be granted without regard to the existence of competing Chinese domestic suppliers. Consistent with its obligations under the WTO Agreement and the Draft Protocol, the freedom of contract of enterprises would be respected by China. The Working Party took note of this commitment.

204. In the context of discussions on the government's Industrial Policy for the Automotive Sector, the representative of China confirmed that this policy would be amended to ensure compatibility with WTO rules and principles. The Working Party took note of this commitment.

205. The representative of China added that amendments would be made to ensure that all measures applicable to motor vehicle producers restricting the categories, types or models of vehicle permitted for production, would gradually be lifted. Such measures would be completely removed two years after accession, thus ensuring that motor vehicle producers would be free to choose the categories, types and models they produced. However, it was understood that category authorizations by the government could continue to distinguish between trucks and buses, light commercial vehicles, and passenger cars (including multi-purpose vehicles and sport utility vehicles). The Working Party took note of this commitment.

206. The representative of China confirmed that China also agreed to raise the limit within which investments in motor vehicle manufacturing could be approved at provincial government level only, from the current level of US\$30 million, to US\$60 million one year after accession, US\$90 million two years after accession, and US\$150 million four years after accession. The Working Party took note of this commitment.

207. With respect to the manufacture of motor vehicle engines, the representative of China also confirmed that China agreed to remove the 50 per cent foreign equity limit for joint-ventures upon accession. The Working Party took note of this commitment.

6. State Trading Entities

208. Some members of the Working Party expressed concern that the activities of China's state trading enterprises were not sufficiently transparent and were not in accordance with WTO obligations. The representative of China indicated, however, that China's state trading enterprises had full management autonomy and responsibility for their own profits and losses and that China had undertaken broad and significant commitments to improve the transparency of state trading enterprises' operation and the measures relating to such operation.

209. The same members of the Working Party also stated that China should ensure that the import purchasing practices and procedures of state trading enterprises were fully transparent, and in compliance with the requirements of the WTO Agreement. They considered that China should also refrain from taking any measure to influence or direct state trading enterprises as to the quantity, value, or country of origin of goods purchased or sold, except in accordance with the requirements of the WTO Agreement. Those members also stated that as part of China's notification under the

GATT 1994 and the Understanding on the Interpretation of Article XVII of the GATT 1994, China should also notify information on state trading, including, in the case of state trading of exported goods, domestic procurement prices, contract terms for delivery and financing terms and conditions.

210. In response, the representative of China stated that its state trading enterprises had full management autonomy and responsibility for their own profits and losses. However, some members of the Working Party again stated that China should undertake a commitment to ensure that all state trading enterprises complied with the requirements of the WTO Agreement. The representative of China noted that a list of products subject to state trading had been provided in Annex 2A of the Draft Protocol. He also confirmed that information on state trading enterprises, as required by the Draft Protocol, would be supplied, consistent with the requirements of paragraph 333 of this Report. The Working Party took note of this commitment.

211. Members of the Working Party took note of the specific arrangements that would apply for fertilizers and crude and processed oil. A key feature of those arrangements related to the annual allocation of import quantities. The differences in the regimes that would apply to those products were noted, in particular in regard to the obligation on state enterprises trading in fertilizers to carry over to the next year any unused import quantities.

212. Some members of the Working Party requested assurances that, for oil products, quantities reserved for non-state traders would be allocated in such a manner that they would be fully utilized. In this respect, the representative of China confirmed that imports allocated to non-state traders of crude and processed oil, as specified in Annex 2A of the Draft Protocol, would be carried over to the next year if they were not fully utilized. In addition, the representative of China agreed that China would publish, on a quarterly basis, the requests for imports that had been made by non-state traders, as well as the licences granted, and would supply information relevant to such traders upon request. The Working Party took note of these commitments.

213. Some members of the Working Party noted that prior to accession, some enterprises in China were permitted to import goods for their production purposes, including those goods included in Annex 2A. The representative of China confirmed that, notwithstanding Section 5, paragraph 1, of the Draft Protocol, non-state trading enterprises, including private enterprises, would still be permitted to import such goods for production purposes and that national treatment would be provided to such imports. The Working Party took note of these commitments.

214. Some members of the Working Party expressed concerns about supplies of raw materials in the textiles sector, and particularly in regard to supplies of silk, in the light of China's position as the major world supplier of silk, currently subject to state trading rights concerning exports.

215. In this regard, the representative of China confirmed that China would progressively abolish the system of state trading in respect of silk by measures increasing and extending trading rights, with the result that China would remove completely the silk products set out in numbers 10 and 11 of Annex 2A2 to the Draft Protocol (list of products subject to state trading on exports) and grant the right to trade in such products to all individuals and enterprises no later than 1 January 2005. Pending the implementation of this right, China undertook not to introduce any changes of a more restrictive nature to the existing structures in place for the supply of silk. The representative of China further confirmed that access to supplies of raw materials in the textiles sector would remain at conditions no less favorable than for domestic users, and gave his assurance that access to supplies of raw materials as enjoyed under existing arrangements would not be adversely affected following China's accession. The Working Party took note of these commitments.

216. Members of the Working Party noted that domestic prices for most agricultural commodities in China were higher than world prices, and this differential allowed China's state trading enterprises to import at low prices and then mark up the price when selling the product to wholesalers and

end-users. Some members expressed concern that this practice could become more widespread when access opportunities were created under TRQs. Those members were particularly concerned that mark-ups could be used to reduce the competitiveness of imported products and limit the range of qualities and grades available to end-users in China. The representative of China stated that currently state trading enterprises did not mark up imported products; instead, they only charged a nominal transaction fee. Consequently, China's practice was consistent with WTO obligations, did not result in any trade-distorting effect, and that under China's law limits existed on the fees that could be charged by state trading enterprises.

217. The representative of China stated that China would ensure that no price increase in respect to imports, in particular by state trading enterprises, would result in protection beyond that allowed in its Schedule of Concessions and Commitments on Goods or that was not otherwise justified under WTO rules. The Working Party took note of this commitment.

7. Special Economic Areas

218. Members of the Working Party noted that there was insufficient information available concerning special economic areas within China's customs territory, including border trade regions and minority autonomous areas, SEZs, open coastal cities, economic and technical development zones and other areas where special regimes for tariffs, taxes and regulations had been established (collectively referred to as "special economic areas"), in particular their names, geographic boundaries, and relevant laws, regulations and other measures relating thereto.

219. In response, the representative of China stated that since 1979 China had established a number of special economic areas where more open policies were applied. They included five SEZs, 14 open coastal cities, six open cities along the Yangtze River, 21 provincial capital cities and 13 inland boundary cities. Those special economic areas enjoyed greater flexibility in utilizing foreign capital, introducing foreign technology and conducting economic cooperation overseas. At present, foreign investors were entitled to certain preferential treatment.

220. The representative of China further stated that FIEs located in SEZs or the Economic and Technical Development Zones of open coastal cities were entitled to a corporate income tax rate of 15 per cent (the normal income tax was 33 per cent). Profits remitted abroad by foreign investors were exempted from income tax. The preferential income tax rate of 15 per cent was applicable to technology-intensive or knowledge-intensive items or projects with foreign investment of over US\$30 million, as well as enterprises that operated in the fields of energy, transport and port construction.

221. The representative of China noted that throughout the customs territory of China, a socialist market economy system was applied. In 1999, the foreign trade volume of SEZs accounted for nearly one fifth of the nation's total. The national laws and regulations on taxation were applicable to SEZs in a uniform manner.

222. In response to further requests for information, the representative of China indicated that there was no plan to establish any new SEZs. The special preferential tariff policies applied to SEZs had been eliminated. With the development of China's economic reform and opening up, China would implement its tariff policy uniformly throughout its customs territory. Members of the Working Party expressed concern that imported products introduced from these special economic areas into other parts of China's customs territory should be subject to the same treatment in the application of all taxes, import restrictions and customs duties and other charges as that normally applied to imports into the other parts of China's customs territory. The representative of China stated that China would undertake to ensure such non-discriminatory treatment. The Working Party took note of this commitment.

223. Some members of the Working Party also raised concerns as to whether the assistance provided to minority autonomous regions and other areas of economic poverty was consistent with WTO requirements. In response, the representative of China confirmed that China had a clear commitment to uniform administration of the trade regime within each such area and that, upon accession, China would ensure that such assistance would be implemented consistent with WTO obligations. The Working Party took note of this commitment.

224. Some members of the Working Party requested that China take steps to ensure that all products imported into the other parts of the customs territory of China from special economic areas would be subject to the same normal customs duties and charges as any other product imported into the customs territory of China. In particular, those members requested that China undertake a commitment to apply all taxes, charges and measures affecting imports, including import restrictions and customs and tariff charges, that were normally applied to imports into the other parts of China's customs territory to all imported products, including physically incorporated components, entering China's customs territory from the special economic areas.

225. The representative of China confirmed that China would strengthen the uniform enforcement of taxes, tariffs and non-tariff measures on trade between its special economic areas and the other parts of China's customs territory. The representative of China further confirmed that statistics on trade between China's special economic areas and the other parts of its customs territory would be maintained and improved, and would be notified to the WTO on a regular basis. The Working Party took note of these commitments.

226. Some members of the Working Party requested that China notify the WTO of all the relevant laws, regulations and other measures relating to its special economic areas. They asked that the notification list and identify all those special economic areas. Those members also requested that China notify the WTO promptly, but in any case within 60 days, of any additions or modifications to its special economic areas, including notification of the laws, regulations and other measures relating thereto.

227. The representative of China confirmed that China would provide information in its notifications describing how the special trade, tariff, and tax regulations applied were limited to the designated special economic areas, including information concerning their enforcement. The Working Party took note of this commitment.

228. In response to concerns raised by some members of the Working Party, the representative of China confirmed that any preferential arrangements provided to foreign invested enterprises located within the special economic areas would be provided on a non-discriminatory basis. The Working Party took note of this commitment.

8. Transit

229. The representative of China stated that the current regulation of transit in China, the Regulations of the Customs of the People's Republic of China on the Supervision and Administration of Transit Goods, was consistent with Article V of the GATT 1994.

9. Agricultural Policies

230. The representative of China stated that since China was a country with a vast agricultural base, as well as a vast population, agricultural security and food security in particular, was an issue of supreme importance. China based its policies on domestic agricultural supply, especially on balanced supply and demand of grains. Meanwhile, China actively sought international resources as a necessary supplement.

231. While noting this statement, some members of the Working Party expressed concerns about China's linkage of import policies for agriculture, including TRQ allocations, to domestic production policy and the sub-national supply and utilization situation. Those members requested that China undertake an appropriate commitment to eliminate these practices. In response, the representative of China confirmed that China would base import policies for agriculture on commercial considerations only. The Working Party took note of this commitment.

232. Some members of the Working Party expressed further concerns in relation to administrative guidance provided at the national and sub-national level which could have the effect of influencing the quantity and composition of agricultural imports. Those members considered reform of these practices toward full WTO consistency as an essential element of China's accession. To ensure effective market access opportunities were created for imported products, some members requested assurances from China that agricultural and trade policies would not discriminate in a WTO inconsistent manner against imported products. Consistent with China's commitment to uniform administration, the representative of China confirmed that, by the date of accession, China would not maintain, resort or revert to guidance plans or administrative guidance at the national or sub-national level that regulate the quantity, quality or treatment of imports, or constitute import substitution practices or other non-tariff measures, including those maintained through state trading enterprises at the national or sub-national level. The Working Party took note of this commitment.

233. Some members of the Working Party expressed concern that large stocks in China of grain and cotton had been procured at relatively high prices by state-trading enterprises or other state-affiliated, state-run, or state-controlled entities and noted that exports of these or other government-purchased products at prices lower than the comparable price charged for the like product to buyers in the domestic market could be challenged as an export subsidy or as inconsistent with other WTO obligations. These members requested that China ensure that all entities, including state trading enterprises and any other state-affiliated, state-run, or state-controlled entity at the national or sub-national level operated in accordance with China's WTO obligations, including those on export subsidies. In response, the representative of China confirmed that all entities in China would operate in accordance with China's WTO obligations, including those on export subsidies. Further, the representative of China stated that national and sub-national authorities would not provide fund transfers or other benefits to any entities in China that would be inconsistent with its WTO obligations, including to offset losses accrued through exports. The Working Party took note of these commitments.

234. The representative of China confirmed that by the date of accession, China would not maintain or introduce any export subsidies on agricultural products. The Working Party took note of this commitment.

235. In implementing Article 6.2 and 6.4 of the Agreement on Agriculture, the representative of China confirmed that while China could provide support through government measures of the types described in Article 6.2, the amount of such support would be included in China's calculation of its Aggregate Measurement of Support ("AMS"). He noted that China's Total AMS Commitment Level was set forth in Part IV, Section I of China's Schedule. The representative of China further confirmed that China would have recourse to a *de minimis* exemption for product-specific support equivalent to 8.5 per cent of the total value of production of a basic agricultural product during the relevant year. The representative of China confirmed that China would have recourse to a *de minimis* exemption for non-product-specific support of 8.5 per cent of the value of China's total agricultural production during the relevant year. Accordingly, these percentages would constitute China's *de minimis* exemption under Article 6.4 of the Agreement on Agriculture. The Working Party took note of these commitments.

236. China's concessions on agricultural tariffs, and commitments on domestic support and on export subsidies for agricultural products were contained in the Schedule of Concessions and Commitments on Goods annexed to the Draft Protocol as Annex 8.

237. Some members of the Working Party noted that the domestic support tables of China in WT/ACC/CHN/38/Rev.3 showed China's base total AMS as zero in DS:4. They also noted that product specific support was negative in DS:5.

238. Some members of the Working Party noted that although WT/ACC/CHN/38/Rev.3 did provide a basis for supporting the commitments in China's Schedule, this document still contained issues which required further methodological clarification relating to policy classification. The representative of China confirmed that this clarification would be addressed in the context of China's notification obligations under the Agreement on Agriculture. The Working Party took note of this commitment.

10. Trade in Civil Aircraft

239. In response to questions from members of the Working Party, the representative of China indicated that China was not in a position to commit to joining the Agreement on Trade in Civil Aircraft at the present stage.

240. The representative of China confirmed that China would not impose any provisions of offsets or other forms of industrial compensation when purchasing civil aircraft, including specified types or volumes of business opportunities. The Working Party took note of this commitment.

11. Textiles

241. Some members of the Working Party proposed and the representative of China accepted that the quantitative restrictions maintained by WTO Members on imports of textiles and apparel products originating in China that were in force on the date prior to the date of China's accession should be notified to the Textiles Monitoring Body ("TMB") as being the base levels for the purpose of application of Articles 2 and 3 of the WTO Agreement on Textiles and Clothing ("ATC"). For such WTO Members, the phrase "day prior to the date of entry into force of the WTO Agreement", contained in Article 2.1 of the ATC, should be deemed to refer to the day prior to the date of China's accession. To these base levels, the increase in growth rates provided for in Articles 2.13 and 2.14 of the ATC should be applied, as appropriate, from the date of China's accession. The Working Party took note of these commitments.

242. The representative of China agreed that the following provisions would apply to trade in textiles and clothing products until 31 December 2008 and be part of the terms and conditions for China's accession:

- (a) In the event that a WTO Member believed that imports of Chinese origin of textiles and apparel products covered by the ATC as of the date the WTO Agreement entered into force, were, due to market disruption, threatening to impede the orderly development of trade in these products, such Member could request consultations with China with a view to easing or avoiding such market disruption. The Member requesting consultations would provide China, at the time of the request, with a detailed factual statement of reasons and justifications for its request for consultations with current data which, in the view of the requesting Member, showed: (1) the existence or threat of market disruption; and (2) the role of products of Chinese origin in that disruption;

- (b) Consultations would be held within 30 days of receipt of the request. Every effort would be made to reach agreement on a mutually satisfactory solution within 90 days of the receipt of such request, unless extended by mutual agreement;
- (c) Upon receipt of the request for consultations, China agreed to hold its shipments to the requesting Member of textile or textile products in the category or categories subject to these consultations to a level no greater than 7.5 per cent (6 per cent for wool product categories) above the amount entered during the first 12 months of the most recent 14 months preceding the month in which the request for consultations was made;
- (d) If no mutually satisfactory solution were reached during the 90-day consultation period, consultations would continue and the Member requesting consultations could continue the limits under subparagraph (c) for textiles or textile products in the category or categories subject to these consultations;
- (e) The term of any restraint limit established under subparagraph (d) would be effective for the period beginning on the date of the request for consultations and ending on 31 December of the year in which consultations were requested, or where three or fewer months remained in the year at the time of the request for consultations, for the period ending 12 months after the request for consultations;
- (f) No action taken under this provision would remain in effect beyond one year, without reapplication, unless otherwise agreed between the Member concerned and China; and
- (g) Measures could not be applied to the same product at the same time under this provision and the provisions of Section 16 of the Draft Protocol.

The Working Party took note of these commitments.

12. Measures Maintained Against China

243. The representative of China stated that WTO Members should eliminate all discriminatory non-tariff measures maintained against Chinese exports from the date of China's accession. In response, some members of the Working Party stated that, in their view, such measures did not need to be phased out until such time as China's foreign trade regime fully conformed to WTO obligations.

244. In light of the above, it was agreed that any prohibitions, quantitative restrictions or other measures maintained against imports from China in a manner inconsistent with the WTO Agreement would be listed in Annex 7 to the Draft Protocol. It was further agreed that all such measures would be phased out or otherwise dealt with in accordance with mutually agreed terms and timetables as specified in said annex.

13. Transitional Safeguards

245. With respect to implementation of the product-specific safeguard, the representative of China expressed particular concern that WTO Members provide due process and use objective criteria in determining the existence of market disruption or trade diversion, because WTO Members did not have wide experience in implementing the provisions of Section 16 of the Draft Protocol. He stated that with respect to trade diversion, WTO Members needed to apply objective criteria to determine whether an action by China or another WTO Member under the product-specific safeguard to prevent or remedy market disruption caused or threatened to cause significant diversion of trade. Such criteria should include the actual or imminent increase in market share or volume of imports from China, the nature or extent of the action taken by China or the other WTO Member and other similar criteria. In

addition, WTO Members should provide an opportunity for importers, exporters and all interested parties to submit their views on the matter.

246. Members of the Working Party noted that the Draft Protocol included specific requirements that WTO Members needed to follow in connection with an action under that Section. Members of the Working Party confirmed that in implementing the provisions on market disruption, WTO Members would comply with those provisions and the following:

- (a) An action to address market disruption would be taken only after an investigation by the competent authorities of the importing WTO Member pursuant to procedures previously established and made available to the public;
- (b) The competent authority of the importing Member would publish notice of the commencement of any investigation under the product-specific safeguard provisions of the Draft Protocol and would, within a reasonable time thereafter, hold a public hearing or provide other appropriate means for the purpose of permitting interested parties to present evidence and their views as to the appropriateness of whether or not to take a measure and to respond to the presentations of other parties;
- (c) In determining whether market disruption existed, including the causal link between imports which were increasing rapidly, either absolutely or relatively, and any material injury or threat of material injury to the domestic industry, the competent authorities would consider objective factors, including (1) the volume of imports of the product which was the subject of the investigation; (2) the effect of imports of such product on prices in the importing WTO Member's market for the like or directly competitive products; (3) the effect of imports of such product on the domestic industry producing like or directly competitive products;
- (d) The competent authorities would publish any measure proposed to be taken and provide the opportunity, including a public hearing, if requested, or provide other appropriate means, for importers, exporters and other interested parties to submit their views and evidence on the appropriateness of the proposed measure and whether it would be in the public interest;
- (e) The competent authority would promptly publish notice of the decision to apply a measure, including an explanation of the basis for the decision and the scope and duration of the measure;
- (f) The period of application of the measure could be extended, provided that the competent authorities of the importing WTO Member had determined that action continued to be necessary to prevent or remedy market disruption. The competent authorities of the importing WTO Member would publish notice of the commencement of any proceeding to consider whether to extend the duration of an action and would, within a reasonable time thereafter, hold a public hearing or provide other appropriate means for the purpose of permitting all interested parties to have an opportunity to present evidence or their views and to respond to the presentations of other parties;
- (g) Except for good cause, no investigation under Section 16 of the Protocol on the same subject matter could be initiated less than one year after the completion of a previous investigation; and
- (h) A WTO Member would apply a measure only for such period of time as was necessary to prevent or remedy market disruption.

247. Trade diversion referred to an increase in imports from China of a product into a WTO Member as the result of an action by China or other WTO Members pursuant to paragraphs 2, 3 or 7

of Section 16 of the Draft Protocol. Members of the Working Party also noted that the Draft Protocol required a determination that any trade diversion was significant and that the action taken to address market disruption had caused or threatened to cause the diversion.

248. Members of the Working Party agreed that objective criteria had to be applied in determining whether actions to prevent or remedy market disruption caused or threatened to cause significant diversion of trade. Among the factors to be examined were:

- (a) the actual or imminent increase in market share of imports from China in the importing WTO Member;
- (b) the nature or extent of the action taken or proposed by China or other WTO Members;
- (c) the actual or imminent increase in the volume of imports from China due to the action taken or proposed;
- (d) conditions of demand and supply in the importing WTO Member's market for the products at issue; and
- (e) the extent of exports from China to the WTO Member(s) applying a measure pursuant to paragraphs 2, 3 or 7 of Section 16 of the Draft Protocol and to the importing WTO Member.

249. A measure taken to address significant diversions of trade would be terminated not later than 30 days after the expiration of the action taken by the WTO Member or Members involved against imports from China.

250. If the WTO Member or Members taking an action to address market disruption notified the WTO Committee on Safeguards of any modification of an action, the competent authorities of the WTO Member addressing trade diversion would determine whether a significant diversion of trade continued to exist and determine whether to modify, withdraw or keep in place the action taken.

V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME

A. GENERAL

1. Overview

251. The representative of China stated that China had made the protection of intellectual property rights ("IPRs") an essential component of its reform and opening-up policy and socialist legal construction. The formulation of laws and regulations in this field could be traced back to the late 1970s. Since then, China had joined relevant international conventions and had actively participated in the activities sponsored by relevant international organizations. It had intensified its exchanges and cooperation with countries throughout the world in the field of IPR protection. As a result, notwithstanding the initial stage of its development, China's IPR protection system aimed at achieving world dimension and world standards. Lists of administrative rules concerning intellectual property rights currently in force in China were presented below in Table A. The status of ongoing reforms and other relevant information was presented in Table B in the following paragraph. Other laws, regulations and measures relating to the implementation of the TRIPS Agreement had been or would be notified to the WTO and would be made available upon request.

Table A: The Administrative Rules of China Concerning Intellectual Property Rights

<p>The following three parts were the administrative rules regarding protection of intellectual property right, which were still in force in China. As an important part of China's IPR legal system, these rules had a great effect on IPR protection, enforcing the IPR law, etc.</p>	
Part I	List of Administrative Rules Regarding Protection of Patent Right
Part II	List of Administrative Rules Regarding Protection of Trademark
Part III	List of Administrative Rules Regarding Protection of Copyright
<p><u>Part I List of Administrative Rules Regarding Protection of Patent Right</u></p>	
(i)	Methods on the Showing the Identification of Right of Priority to Applicant made by Patent Office of China (1 March 1988)
(ii)	Opinions of the Patent Office of China concerning the Implementation of the Regulations on Patent Commissioning (19 April 1991)
(iii)	Explanation of the Patent Office of China on Certain Matters Relating to the Commissioning Involving Foreign Interests (16 November 1987)
(iv)	Decree of Patent Office of China (No.26) (20 November 1989)
(v)	Decree of Patent Office of China (No.27) (21 December 1989)
(vi)	Decree of Patent Office of China (No.31) (14 March 1991)
(vii)	Procedures for Administrative Reconsideration of Patent Office of the People's Republic of China (for Trial Implementation) (21 December 1992)
(viii)	Methods of Handling the Patent Disputes by the Administrative Authorities for Patent Affairs (4 December 1989)
<p><u>Part II List of Administrative Rules Regarding Protection of Trademark</u></p>	
(i)	Circular on the Commodities Demanded to Use Registered Trademark made by the State Administration for Industry and Commerce (14 January 1988)
(ii)	Circular on the Prohibition from Registering the Other Person's Trademark Abroad without Being Authorized made by State Administration for Industry and Commerce and the Ministry of Foreign Economy and Trade (19 November 1990)
(iii)	Interim Provisions on Claims for Priority in Applying for Registration of Trademarks made by State Administration for Industry and Commerce (15 March 1983)
(iv)	Methods of the Application International Registration of Trademark of Madrid made by the State Administration for Industry and Commerce (2 March 1989)

(v)	Circular on the Stopping Using the Literal of "Xiang Bin" or "Champagne" in Varieties of Commodities of Alcohol made by the State Administration for Industry and Commerce (26 October 1989)
(vi)	Circular on Printing and distributing " the Rules regarding the Question of Using Trademark in Can Food for Export" (15 October 1991)
(vii)	Provisions on the Control over the Surrogate of Trademark
(viii)	Provisions on the Registration of and the Control over the Collective Trademark and Certified Trademark (issued on 30 December 1994, revised on 3 December 1998)
(ix)	Provisions on the Control over the Printing of Trademark (issued on 5 September 1996, revised on 3 December 1998)
<u>Part III List of Administrative Rules Regarding Protection of Copyright</u>	
(i)	Opinions of the National Copyright Administration on Questions Relating to Reprinting the Programs in Advance in Broadcast and Television (12 December 1987)
(ii)	Circular of the National Copyright Administration of Printing and Distribution "Report Relating to Appropriate Handling the Copyright Question in the Process of Culture Communication with Taiwan" and "Interim Provisions Relating to the Copyright Question of Pressing the Works Written by Taiwan Compatriots" (8 February 1988)
(iii)	Circular of National Copyright Administration regarding the Points for Attention of Transferring Copyright to Taiwan's Press Person (26 December 1987)
(iv)	Opinions of National Copyright Administration on Matters Relating to Local Work on Copyright Management (May 1988)
(v)	Circular of the National Copyright Administration concerning Procedures of Examining and Verifying the Copyright Trading Contract Between the Mainland and Hong Kong, Macao and Taiwan (2 November 1988)
(vi)	Opinions on Certain Matters of the National Copyright Administration concerning Handling Copyright Cases (27 December 1988)
(vii)	Circular of the National Copyright Administration concerning the Standard of Paying Author's Remuneration When the Press Reprint and Extract the Published Works at Present (27 August 1991)
(viii)	Interim Provisions of the Standard of Paying Author's Remuneration When the Press Reprint and Extract the Published Works with the Consent by Law (1 August 1993)
(ix)	Interim Provisions of the Standard of Paying Author's Remuneration When Perform the Published Works with the Consent by Law (1 August 1993)
(x)	Interim Provisions of the Standard of Paying Author's Remuneration When Record the Published Works with the Consent by Law (1 August 1993)

- (xi) Direction of the Chinese Center of Receiving and Transmitting Author's Remuneration concerning Receiving and Transmitting Remuneration About the Press Extract the Published Works
- (xii) Circular of the National Copyright Administration concerning Enforcing "the Memorandum of Understanding between the Government of the People's Republic of China and the Government of the United States of America on the Protection of Intellectual Property" (29 February 1992)
- (xiii) Urgent Circular concerning Strengthening Administration of Reproducing Compact Discs and Laser Discs (12 April 1994)
- (xiv) Circular of Enforcing "Urgent Circular concerning Strengthening Administration of Reproducing Compact Discs and Laser Discs" (12 May 1994)
- (xv) Cooperate Circular of the Ministry of Judicial and National Copyright Administration concerning Bringing Notary Office into Play in Dealing with the Infringing Copyright Cases (29 August 1994)
- (xvi) Measures of the Registration of Copyright of Computer Software (4 June 1992)
- (xvii) Guide to Classified Coding of Software in Computer Software's Registration
- (xviii) The Item and Standard of Registration Expenses of Computer Software (18 April 1992)

252. The representative of China stated that for accession to the WTO Agreement and compliance with the TRIPS Agreement, further amendments had been made to the Patent Law. The amendments to the Copyright Law and the Trademark Law, as well as relevant implementing rules covering different areas of the TRIPS Agreement, would also be accomplished upon China's accession. The representative of China stated that laws adopted by the National People's Congress and administrative regulations, including implementing rules, issued by the State Council were applied and enforced by the people's courts. The Working Party took note of these commitments.

Table B: Revision of China's IPR Laws in Conformity with the TRIPS Agreement

<p>The People's Republic of China had conducted an intensive work programme to examine and revise the IPR laws, administrative regulations and department rules relating to the implementation of the WTO Agreement and China's accession commitments. A list of China's IPR laws, administrative regulations and department rules to be revised and abolished was hereby notified to the Working Party. Part I of the list contained eight laws and regulations. Part II of the list contained four department rules to be revised or abolished for the same reason. This list included the names of laws, regulations and department rules, reasons for revision or abolishment, and dates of implementation.</p>	
<p><u>Part I Laws and Administrative Regulations</u></p>	
<p>Laws and Regulations</p>	<p>Date of Implementation</p>
1. Copyright Law of the People's Republic of China	Upon accession
2. Regulations for the Implementation of the Copyright Law of the People's Republic of China	Upon accession
3. Regulations for the Protection of Computer Software	Upon accession
4. Trademark Law of the People's Republic of China	Upon accession
5. Detailed Rules for the Implementation of the Trademark Law of the People's Republic of China	Upon accession
6. Regulations of the People's Republic of China on the Protection of New Varieties of Plants	Effective as of 1 October 1997
7. Law of the People's Republic of China Against Unfair Competition	Effective as of 1 December 1993
8. Regulations on the Implementation of the Integrated Circuit Layout Design	To be effective as of 10 October 2001
<p><u>Part II Department Rules</u></p>	
<p>Department Rules</p>	<p>Date of Implementation</p>
1. Interim Rules on the Administration of Patents in Agriculture, Animal Husbandry and Fisheries	To be abolished upon accession
2. Notice on the Interim Regulation on the Protection of Copyright of Books and Magazines	To be abolished upon accession
3. Notice on the Issuance of the "Detailed Rules of Interim Regulations on the Protection of Copyright of Books and Magazines", "Publication Intention Contracts" and "Publication Contracts"	To be abolished upon accession
4. Interpretation of Article 15(4) of the "Interim Regulation on the Protection Copyright of Books and Magazines"	To be abolished upon accession

2. Responsible agencies for policy formulation and implementation

253. The representative of China stated that, at present, different agencies were responsible for IPR policy formulation and implementation. The State Intellectual Property Office ("SIPO") was responsible for patent approval; the Trademarks Office under the State Administration for Industry

and Commerce ("SAIC") was responsible for trademarks registration; the Copyright Office was responsible for copyright policy making; SAIC was responsible for anti-unfair competition, including the protection of trade secrets; the State Drug Administration ("SDA") was responsible for administrative protection of pharmaceuticals; the General Customs Administration was responsible for border measures; the Ministry of Agriculture and the State Administration of Forestry were responsible for protection of plant varieties; the Ministry of Information Industry was responsible for the protection of layout designs of integrated circuits; and the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine and SAIC were responsible for combating counterfeiting activities. Other agencies like the agency for press and publications, the people's courts and police were also involved in the protection of IPR in China.

3. Participation in international intellectual property agreements

254. The representative of China stated that China became a member of the World Intellectual Property Organization in 1980. In 1985, China became a member of the Paris Convention for the Protection of Industrial Property. China was one of the first countries that signed the Treaty on Intellectual Property in Respect of Integrated Circuits, the negotiation of which was concluded in 1989. In 1989, China became a member of the Madrid Agreement Concerning the International Registration of Marks and in 1992, China became a member of the Berne Convention for the Protection of Literary and Artistic Works. In 1993, China became a member of the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms. In 1994, China became a member of the Patent Cooperation Treaty and a member of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks. In 1995, China became a member of the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and applied for membership in the Protocols of the Madrid Agreement Concerning the International Registration of Marks. In 1996, China became a member of the Locarno Agreement on Establishing an International Classification for Industrial Designs; and in 1997, China became a member of the Strasbourg Agreement Concerning the International Patent Classification. Besides the above efforts, China participated in the TRIPS negotiations during the Uruguay Round and initialled the Final Act.

4. Application of national and MFN treatment to foreign nationals

255. Some members of the Working Party expressed concern that certain provisions of China's copyright and trademark laws, as well as China's Rules on Banning the Infringement of Business Secrets (23 November 1995) did not provide national treatment to foreign right-holders. The Rules on Banning Infringements of Business Secrets, for example, defined the "owner" of a trade secret as a "citizen, corporation, and other organization" and did not explicitly provide protection for foreign individuals or organizations. Some members of the Working Party further stated that national treatment should be fully applied, so that copyright enforcement action by local copyright bureaux involving foreign right-holders, would no longer require clearance by the National Copyright Administration in Beijing.

256. The representative of China responded that China's IPR laws provided that any foreigner would be treated in accordance with any agreement concluded between the foreign country and China, or in accordance with any international treaty to which both countries were party, or on the basis of the principle of reciprocity. The representative of China further confirmed that China would modify relevant laws, regulations and other measures so as to ensure national and MFN treatment to foreign right-holders regarding all intellectual property rights across the board in compliance with the TRIPS Agreement. This would include adjustments of the clearance requirement mentioned in the previous paragraph to ensure national treatment. The Working Party took note of these commitments.

B. SUBSTANTIVE STANDARDS OF PROTECTION, INCLUDING PROCEDURES FOR THE ACQUISITION AND MAINTENANCE OF INTELLECTUAL PROPERTY RIGHTS

1. Copyright protection

257. The representative of China stated that the Copyright Law, which was promulgated in 1990, established the basic copyright protection system in China together with the Implementing Rules of the Copyright Law (30 May 1991), the Provisions on the Implementation of the International Copyright Treaty (25 September 1992) and other related laws and regulations. In principle, this system was in compliance with the international IPR treaties and practices. For the protection of copyright and neighbouring rights, not only civil and criminal liabilities but also administrative liabilities, were provided for in this system. Hence the infringing activities could be curbed in a timely and effective manner and the legitimate rights of the right-holders could be protected.

258. Some members of the Working Party expressed concerns about the consistency of China's current law on the protection of copyright and related rights with the TRIPS Agreement. In particular, members noted the need to clarify the rights of performers and producers to bring them into conformity with the requirements of Article 14 of the TRIPS Agreement. In addition, improvements were needed with respect to enforcement of copyright to provide expressly for provisional measures to preserve evidence, including documentary evidence and for remedies sufficient to deter further infringements.

259. The representative of China responded that, realizing that there were some existing differences between China's copyright laws and the TRIPS Agreement, the amendment to the Copyright Law had been accelerated. The proposed amendments would clarify the payment system by broadcasting organizations which use the recording products and also include the following provisions: rental rights in respect of computer programs and movies, mechanical performance rights, rights of communication to the public and related protection measures, protection of database compilations, provisional measures, increasing the legitimate compensation amount and strengthening the measures against infringing activities. China's copyright regime including Regulations for the Implementation of the Copyright Law and the Provisions on the Implementation of the International Copyright Treaty would be amended so as to ensure full consistency with China's obligations under the TRIPS Agreement. The Working Party took note of these commitments.

2. Trademarks, including service marks

260. The representative of China stated that the Trademark Law, its implementing rules and other relevant laws, administrative regulations and department rules constituted the existing trademark legal system in China. The objective of these laws was to provide protection to right-holders in line with the international conventions and prevailing practices regarding intellectual property rights, which was embodied both in the regulations on the substance and procedures for trademark registration and in the protection of trademark exclusive rights. In order to protect the trademark owner's exclusive rights, China's Trademark Law contained not only civil and criminal liabilities but also provided for administrative punishment of trademark infringers. This "double-track system" for the protection of exclusive rights in trademarks could prevent trademark infringements in a timely and effective manner and protect the legitimate rights and interests of these exclusive rights. In recent years, China's judicial and administrative bodies had stepped up their efforts to protect trademark exclusive rights within their respective authority. They had settled a large number of cases that were influential, domestically and abroad, which provided adequate protection to the legitimate rights and interests of both Chinese and foreign holders of exclusive rights in trademarks, and received a positive response from domestic and foreign right-holders.

261. Some members of the Working Party reiterated their concerns about whether certain provisions of China's trademark law provided national treatment to foreign owners of trademarks.

They noted that China's law required foreign owners of trademarks to use designated trademark agents, while Chinese nationals were permitted to file directly with China's Trademark Office. Members also noted that China's trademark law did not consider certain signs as eligible for protection as required under the TRIPS Agreement. These included names, letters, numerals and colours capable of distinguishing goods and services. In addition, if registrability of a trademark depends on use, China's trademark law should provide that a non-distinctive mark could qualify for registration when it has acquired distinctiveness based on use. Members also noted that it was not clear under China's law that actual use of a mark was not required before a party could file to register a mark.

262. Some members of the Working Party also raised concerns about the protection of well-known trademarks in China, in particular those not registered in China. China's laws and regulations did not specifically state the criteria for determining whether a mark was well-known and therefore members could not determine if it conformed to the requirements of Article 16 of the TRIPS Agreement. Moreover, while China had provided protection to "well-known trademarks" owned by nationals, such protection had, as yet, not been granted to the well-known trademarks of foreigners. Members also noted that certain provisions of China's trademark law needed to be extended to unregistered well-known trademarks.

263. The representative of China stated that with the development of China's market economy and the further implementation of the TRIPS Agreement, China's legislative and law enforcement bodies had also realized that the existing trademark law fell somewhat short of fulfilling the requirements of the TRIPS Agreement and the Paris Convention in a few aspects and were therefore preparing to amend the existing trademark law to fully meet the requirements of the TRIPS Agreement. Modifications would mainly be made to the following aspects: to include the trademark registration of three-dimensional symbols, combinations of colours, alphabets and figures; to add the content of collective trademark and certification trademark (including geographical indications); to introduce official symbol protection; to protect well-known trademarks; to include priority rights; to modify the existing trademark right confirmation system and offer interested parties the opportunity for judicial review concerning the confirmation of trademark rights; to crack down on all serious infringements; and to improve the system for providing damages for trademark infringement. The Working Party took note of these commitments.

3. Geographical indications, including appellations of origin

264. The representative of China stated that the relevant rules of the SAIC and the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine partly provided protection for geographical indications, including appellations of origin, and that the amendments to the trademark law would have a specific provision on the protection of geographical indications.

265. Members of the Working Party took note of the progress achieved on providing protection for geographical indications and reiterated the importance of China's legislation complying with the obligations under the TRIPS Agreement (Articles 22, 23 and 24). The representative of China shared this assessment and reiterated China's intention to fully comply with relevant articles in the TRIPS Agreement on geographical indications. The Working Party took note of this commitment.

4. Industrial designs

266. Some members of the Working Party noted that the industrial design provisions of China's patent law appeared to implement substantial portions of the TRIPS Agreement requirements relating to industrial designs. One notable exception was the area of textile designs. These members noted that designs of WTO Members could be protected under China's Provisions on the Implementation of

the International Copyright Treaty as works of applied art. Members urged China to incorporate this protection into its law and to provide such protection to domestic textile designs.

5. Patents

267. The representative of China stated that in preparation for its accession, China revised its patent law in 1992 for the first time. China had taken measures to enhance consistency with the TRIPS Agreement in terms of major provisions and protection standards. In order to increase the awareness of the general public on IPR protection, and patent protection in particular, to be consistent with the TRIPS Agreement, and to build up a sound social environment for the promotion and commercialization of inventions, the National People's Congress approved the second revision of the Patent Law on 25 August 2000. The revised patent law, which would take effect on 1 July 2001, included the following elements: (1) patent owners would have the right to prevent others from offering for sale the patented product without their consent (Article 11); (2) for utility model and design applications or patents, the final decision on re-examination and invalidation would be made by the people's courts other than for inventions that were patented prior to the amendment (Articles 41 and 46); (3) patent owners could, before instituting legal proceedings, request the people's court to take provisional measures such as to order the suspension of infringing acts and to provide property preservation (Article 61); and (4) conditions for granting a compulsory licence would be further clarified and made consistent with the TRIPS Agreement.

268. The representative of China further stated that since its establishment, SIPO had paid great attention to strengthening its contacts and coordination with relevant departments and ministries in the field of IPR law enforcement, especially in the areas of settling inter-agency problems and resolving key cases. At the same time, SIPO had taken appropriate measures to improve the performance of local patent authorities in law enforcement. For example, in June 1999, SIPO convened a nationwide working conference, which was attended by representatives from local patent administrative authorities. The participants summarized their law enforcement practices over the previous two years and also exchanged information on their experiences in their local legislative work with a view to intensifying patent protection. The conference also called for the introduction of important patent cases reporting and recording system.

269. The representative of China stated that so far as the range of patent protection and protection for new plant varieties were concerned, China had already met the requirements of Article 27 of the TRIPS Agreement. When amending the Patent Law in 1992, China modified Article 25 therein with reference to the relevant stipulations in the draft of the TRIPS Agreement and expanded the coverage of patent protection to food, beverages, flavourings, pharmaceuticals and materials obtained by chemical methods. The scope of patent exclusions would be limited to "scientific discoveries, rules and methods of intellectual activities, diagnostic and therapeutic methods for the treatment of diseases, animals and plant varieties, as well as materials obtained by the change of nucleus".

270. He further stated that Article 5 of China's Patent Law stipulated that inventions that violate laws of China or social morality or prejudice public interest would not be entitled to patent right. While literally there was a difference between Article 5 of China's Patent Law and the TRIPS Agreement, in practice, during the review of patent applications, the interpretation of "violating laws of China" had been restricted to "if laws of China prohibit the sale of a certain patented product, or prohibit the sale of products manufactured by a patented method, the granting of patent right cannot be denied to this product invention or this invention of product manufacturing method by relying on Article 5 of the Patent Law". Hence, in essence, he concluded that there was no difference between Article 5 of the Patent Law as applied and the TRIPS Agreement. Nonetheless, China would amend the Implementing Rules of the Patent Law to ensure that this provision would be implemented in full compliance with Article 27.2 of the TRIPS Agreement, which stipulated that: "Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect *ordre public* or morality, including to protect human, animal or plant life

or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law". The Working Party took note of this commitment.

271. Regarding Article 28 of the TRIPS Agreement (rights conferred), the representative of China stated that China's patent law had fully complied with the requirements of the TRIPS Agreement for the following reasons. First, in the 1992 amendment to the Patent Law, Article 11 was modified as follows: "any entity or individual is, without prior licensing from the patentee, prohibited from making, using or selling patented products or patented processes, or using or selling products directly obtained by the patented processes for the purpose of production and operation". It was also prohibited for any entity or individual to import patented products or products directly obtained by patented processes for the purpose of production and operation. This modification expanded the scope of patentees' right, namely the new content of "the right to prohibit import" and "the effect of patented processes is extended to products directly obtained by patented processes". Second, in 2000, when the second amendment was made to the Patent Law, Article 11 was once again modified. A new stipulation was introduced granting patentees the right to prohibit others from offering for sale the patented products or products directly obtained by patented processes without the consent of patentees. Therefore, so far as "the right of patentees" is concerned, China's Patent Law had fully accommodated the requirements of the TRIPS Agreement.

272. Further to the 1992 amendment, the representative of China stated that China's Patent Law provided for compulsory licences based on reasonable terms, for public interest and for dependent patents. With regard to the conditions of compulsory licences for dependent patents, the Patent Law provided that the latter invention should be technically more advanced than the earlier one. The TRIPS Agreement provides that "the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent" (Article 31(I)(i)). Since the provisions of the TRIPS Agreement were more transparent and easier to operate, the relevant expressions contained in the TRIPS Agreement were adopted in the new revision. In addition, the following restrictive conditions for granting compulsory licences contained in the Implementing Rules of the Patent Law of 1992 had been moved into the Patent Law in order to make it more authoritative: the decision of SIPO on the granting of a compulsory licence for exploitation would be limited in terms of its scope and duration; when the circumstances which led to such compulsory licence ceased to exist and were unlikely to recur, SIPO, upon the request of the patentee, could terminate the compulsory licence after examination; were incorporated into the Law (former Article 68 of the Implementing Rules of the Patent Law of 1992 had now been moved into Article 52 of the revised Patent Law).

273. The representative of China stated that following the 1992 amendment, the regulations on compulsory licensing in China's Patent Law and its implementing rules, as a whole, had fulfilled the requirements of the TRIPS Agreement. However, some wording and expressions in the Chinese regulations were still not identical to the TRIPS Agreement and these regulations still needed improvement in respect of the administrative legal proceedings concerning compulsory licensing. Therefore, in the second amendment to the Patent Law in 2000, the corresponding amendments and modifications to the stipulations on compulsory licensing were mainly made in the following two points: (1) Article 53 of the Patent Law was modified from "a patented invention or utility model is technically more advanced than the inventions or utility models which have obtained patent right earlier" into "a later invention or utility model is an important technical progress with striking economic significance as compared to the earlier invention or utility model"; and (2) having been subject to appropriate adjustments, the regulations on the time, scope and termination of compulsory licensing enforcement in Article 68 of the Implementing Rules of the Patent Law of 1992 were integrated into Article 52 of the amended Patent Law. Following the above-mentioned amendments, China's Patent Law had regulations on compulsory licensing with clearer structure and improved content. In the representative of China's view, these regulations were fully consistent with the TRIPS

Agreement. He also added that up to now China had not issued any compulsory licences for patent enforcement.

274. Some members of the Working Party noted the improvements in the provisions regarding compulsory licensing for patents that the representative of China cited. Some members however, requested clarification of the subject matter that would be subject to compulsory licensing under the Patent Law.

275. In response, the representative of China agreed that still not all the requirements of Article 31 of the TRIPS Agreement had been incorporated into Chinese law, and that the Implementing Rules of the Patent Law would therefore be modified so as to ensure that: (1) use without authorization of the right-holder would only be permitted if, prior to such use, the proposed user had made efforts to obtain authorization from the right-holder on reasonable commercial terms and conditions, on the understanding that this requirement could be waived in the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use and subject to the other provisions of subparagraph (b) of Article 31; (2) the right-holder would be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization (Article 31(h)); (3) any such use would be authorized predominantly for the supply of the domestic market (Article 31(f)); and (4) in the case of semi-conductor technology, the scope and duration of such use would only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive (Article 31(c)). The Working Party took note of these commitments.

276. Regarding Article 32 of the TRIPS Agreement (revocation/forfeiture), the representative of China stated that in light of Articles 41 and 46 of the amended Patent Law, patent applicants or patentees of inventions, as well as applicable utility models and designs, could institute legal proceedings in the people's court if they were not satisfied with the review or nullity decisions made by the Patent Review Board. This modification enabled China's Patent Law to be fully consistent with TRIPS regarding administrative decisions which were subject to judicial review.

277. On the duration of patent right protection, the representative of China stated that as early as 1992 when China made an initial amendment to the Patent Law, Article 45 (later converted into Article 42 after the second amendment) was modified as: "the duration of inventions patent right is 20 years and the duration of patent right for applicable utility model and designs is 10 years, counted as of the date of application". Therefore, China's Patent Law had for a long time accorded with Articles 26 and 33 of the TRIPS Agreement concerning the duration of patent rights.

278. Regarding Article 34 of the TRIPS Agreement (process patents: burden of proof), the representative of China stated that China's Patent Law was modified in 1992 and 2000, and was now in full conformity with the TRIPS Agreement. The amended paragraph 2 of Article 57 reads: "when any infringement dispute relates to a process patent for the manufacture of a new product, any entity or individual manufacturing the identical product shall furnish proof to the effect that a different process is used in the manufacture of its or his product".

6. Plant variety protection

279. The representative of China confirmed that China was a party to the 1978 text of the Universal Convention on the Protection of Plant Varieties ("UPOV"). In March 1997, the State Council formulated and promulgated the Regulation on the Protection of New Plant Varieties, thus offering protection for new plant varieties in a *sui generis* form consistent with the requirements of the TRIPS Agreement. A unit or an individual that had accomplished the breeding enjoyed an exclusive right in their right-granted variety. No unit or individual could, without permission from the owner of the variety rights (referred to as "the variety rights owner"), produce or market for commercial purposes the propagation material of the rights-granted variety, or repeatedly use for

commercial purposes the propagation material of the rights-granted variety in the production of the propagation material of another variety. The conditions of non-voluntary licensing were set out in the regulation. The period of protection of variety rights, from the date of grant of the rights, would be 20 years for vines, forest trees, fruit trees and ornamental trees and 15 years for other plants.

7. Layout designs of integrated circuits

280. The representative of China stated that China was one of the first countries to sign the Treaty on Intellectual Property in Respect of Integrated Circuits in 1989. The specific Regulation on the Protection of Layout Designs of Integrated Circuits, which would implement China's obligations under Section 6, Part II of the TRIPS Agreement, was issued in April 2001 and would be effective on 1 October 2001.

281. The representative of China stated that China was strengthening the protection of the layout designs to support the rapid development of the integrated circuit industry. The regulations provided protection to layout-designs, according to which the following acts if performed without authorization of the right-holder were unlawful: importing, selling or otherwise distributing for commercial purposes a protected layout-design, an integrated circuit in which a protected layout-design was incorporated, or an article incorporating such an integrated circuit only in so far as it continued to contain an unlawfully reproduced layout-design. The exception clause and non-voluntary licensing clause were in conformity with Article 37 of TRIPS. The term of protection was 10 years counted from the date of filing an application for registration or from the first commercial exploitation wherever in the world it occurred. In addition, the protection to the layout-design of integrated circuits was in accordance with Article 2 through 7 (other than paragraph 3 of Article 6), Article 12 and paragraph 3 of Article 16 of the Treaty on Intellectual Property in Respect of Integrated Circuits.

8. Requirements on undisclosed information, including trade secrets and test data

282. Some members of the Working Party expressed concern about China's protection against unfair commercial use and disclosure of undisclosed test and other data submitted to authorities in China to obtain marketing approval for pharmaceuticals and agricultural chemicals. They noted that China's laws appeared to prohibit the release of information by government officials but did not include provisions regarding the prevention of unfair commercial use, as required under Article 39.3 of the TRIPS Agreement. Some members requested that China specifically provide in its law and regulations that it would protect against unfair commercial use of undisclosed test or other data submitted in support of applications for marketing approval of pharmaceutical or of agricultural chemical products which utilize new chemical entities, by providing that no person other than the person that submitted such data may, without the permission of the person initially submitting the data, rely on such data in support of an application for product approval for a period of at least six years from the date on which marketing approval to the person that submitted the data had been granted.

283. The representative of China stated that Article 10 of the Anti-unfair Competition Law provided that a business operator must not infringe upon trade secrets. Under the same Article, obtaining, using or disclosing another's trade secrets by a third party who clearly knew or ought to have known that the case fell under the unlawful acts listed in the preceding paragraph was deemed infringement upon trade secrets. Trade secrets referred to any technology information or business operation information which was unknown to the public, could bring about economic benefits to the obligee, had practical utility and about which the obligee had adopted secret-keeping measures. He also stated that Article 219 of the Criminal Law had similar definitions on trade secrets.

284. The representative of China further confirmed that China would, in compliance with Article 39.3 of the TRIPS Agreement, provide effective protection against unfair commercial use of undisclosed test or other data submitted to authorities in China as required in support of applications

for marketing approval of pharmaceutical or of agricultural chemical products which utilized new chemical entities, except where the disclosure of such data was necessary to protect the public, or where steps were taken to ensure that the data are protected against unfair commercial use. This protection would include introduction and enactment of laws and regulations to make sure that no person, other than the person who submitted such data, could, without the permission of the person who submitted the data, rely on such data in support of an application for product approval for a period of at least six years from the date on which China granted marketing approval to the person submitting the data. During this period, any second applicant for market authorization would only be granted market authorization if he submits his own data. This protection of data would be available to all pharmaceutical and agricultural products which utilize new chemical entities, irrespective of whether they were patent-protected or not. The Working Party took note of these commitments.

C. MEASURES TO CONTROL ABUSE OF INTELLECTUAL PROPERTY RIGHTS

285. The representative of China stated that there were provisions relating to compulsory licences in the Patent Law to prevent abuse of patent right. He also stated that the Trademark Law provided that the trademark registrant may, by concluding a trademark licensing contract, authorize another person to use its registered trademark. The licensor would supervise the quality of the goods on which the licensee used the licensor's registered trademark and the licensee would guarantee the quality of the goods on which the registered trademark was to be used.

286. Some members of the Working Party expressed some concerns as to the compatibility of China's rules on control of anti-competitive licensing practices or conditions with the corresponding obligations under Article 40 of the TRIPS Agreement. The representative of China stated in response that China's legislation would comply with these obligations, notably as to the request for consultations with other Members. He stated that these rules would apply across the board to all intellectual property rights. The Working Party took note of this commitment.

D. ENFORCEMENT

1. General

287. Some members of the Working Party expressed concern that there was a continued need for additional enforcement efforts by the Government of China. They also said that China should strengthen the legislative framework for the enforcement of intellectual property rights for all right-holders. The representative of China stated that where an infringement of intellectual property rights was found in China, the person concerned could bring a lawsuit to a court. Since 1992, special IPR courts have been set up in major cities such as Beijing and Shanghai on the basis of their specialized collegial panels. According to China's legislation, individuals and enterprises would be held responsible for all their IPR infringing activities and subject to civil and/or criminal liabilities. Where any person violated the IPR of another person and the circumstances were serious, the person directly responsible would be prosecuted for his criminal liability by applying relevant provisions of the Criminal Law. If found guilty, the person directly responsible could be sentenced to a fixed-term imprisonment of no more than seven years or be subject to detention or a fine.

288. Some members of the Working Party further urged China to ensure the vigorous application by Chinese authorities of the enforcement legislation in order to considerably reduce the existing high levels of copyright piracy and trademark counterfeiting. Action should include the closure of manufacturing facilities as well as markets and retail shops that had been the object of administrative convictions for infringing activities. The representative of China stated that the measures for cracking down on intellectual property piracy were always severe in China. In judicial aspects, courts at all levels were continuously paying attention to the trial of IPR cases. As for administration aspects, the administrative authorities at all levels were putting emphasis on strengthening anti-piracy work. In addition, the administrative authorities were also enhancing the legal publication and education of the

general public in a bid to ensure that the legal environment of China would be able to meet the requirements for enforcing the TRIPS Agreement. The Working Party took note of these commitments.

2. Civil judicial procedures and remedies

289. Some members of the Working Party expressed concern about certain practices relating to the filing of civil judicial actions that made it difficult for intellectual property right-holders to pursue their rights in China's courts. China's system of basing filing fees on the amount of damages requested makes large-scale infringement actions unnecessarily costly. Those members also expressed concern regarding the calculation of damages based on the infringer's profits. This, combined with China's rules on establishing the level of profits which require evidence of actual sale and which disregard inventory and past activity, often resulted in damage amounts inadequate to compensate for the injury that the right-holder has suffered.

290. The representative of China stated that Article 118 of the General Principles of the Civil Law provided that if the rights of authorship (copyrights), patent rights, rights of exclusive use of trademarks, rights of discovery, rights of invention or rights for scientific and technological research achievements of citizens or juridical persons were infringed upon by such means as plagiarism, alteration or imitation, they had the right to demand that the infringement be stopped, its ill effects be eliminated and the damages be compensated for. He further stated that the Trademark Law, the Patent Law and the Copyright Law had similar provisions.

291. The representative of China further confirmed that, Articles 42 and 43 of the TRIPS Agreement would be effectively implemented under the judicial rules of civil procedure. The Working Party took note of this commitment.

292. The representative of China confirmed that the relevant implementing rules would be amended to ensure full compliance with Articles 45 and 46 of the TRIPS Agreement, to the effect that damages paid by the infringer to the right-holder would be adequate to compensate for the injury suffered because of an infringement of that person's intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity. The Working Party took note of this commitment.

3. Provisional measures

293. Members of the Working Party noted that the TRIPS Agreement required that judicial authorities have the authority to order prompt and effective provisional measures to (1) prevent an infringement of intellectual property from occurring, in particular to prevent the distribution or sale of infringing goods, and (2) to preserve the evidence of alleged infringement.

294. The representative of China stated that in China's Civil Procedure Law there were provisions on property preservation, but as yet no explicit stipulations had been provided to authorize the people's court to take measures for the prevention of infringements prior to formal institution of a lawsuit by a party involved. In order to enhance the deterrent power of law against infringements and to guarantee that the legitimate rights and interests of patentees would not suffer from irreparable harm as well as to comply with the TRIPS Agreement, China, when amending the Patent Law for the second time in 2000, introduced Article 61 to regulate provisional measures, which provided as follows: "where a patentee or any interested party who can provide any reasonable evidence that his right is being infringed or that such infringement is imminent, and any delay in stopping the acts is likely to cause irreparable harm to his or its legitimate rights and interests, he or it may, before instituting legal proceedings, request the people's court to order the suspension of related acts and to provide property preservation".

295. Some Members of the Working Party expressed concern that Article 61 of the Patent Law did not fully incorporate all requirements of Article 44 of the TRIPS Agreement, and that it was still unclear whether holders of intellectual property rights other than patents could rely on a similar procedure.

296. The representative of China stated that Article 61 of the Patent Law would be implemented in a way fully consistent with Article 50.1-4 of the TRIPS Agreement. He also stated that "reasonable evidence" in Article 61 of the Patent Law would be, through implementing rules, clarified to mean "any reasonably available evidence in order to satisfy with sufficient degree of certainty that the applicant is the right-holder and that the applicant's right is being infringed or that such infringement is imminent, and to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse". The Working Party took note of this commitment.

4. Administrative procedures and remedies

297. Members of the Working Party noted that most IPR enforcement in China was done through administrative actions. In this connection, some members expressed concern about the inadequate levels of administrative sanctions in China which, when coupled with the high threshold for initiating criminal prosecutions, made IPR enforcement in China difficult. Administrative sanctions generally amounted to small fines and the loss of infringing inventory. Members also stressed the need for administrative authorities to refer more cases, including those involving repeat offenders and willful piracy and counterfeiting, to the appropriate authorities for initiation of criminal actions.

298. The representative of China said that the Trademark Law provided that in the event of any infringement of the right to the exclusive use of a registered trademark, the infringed right-holder could request the administrative department for industry and commerce at or above the county level for disposition. The relevant administrative department for industry and commerce had the power to order the infringer to stop the infringing act immediately and to compensate the infringed right-holder for its or his losses. SAIC and its local agencies above the county level could also impose a fine upon the infringer. The Patent Law provided that the patentee and interested party could request the administrative authority for patent affairs to handle the infringing act. The administrative authority could order the infringer to stop the infringing act immediately and mediate on damages at the request of the parties concerned. The Copyright Law provided that the copyright administration department could subject anyone who committed acts of infringement to such administrative penalties as confiscation of unlawful income from the act or imposition of a fine.

299. The representative of China stated that most IPR enforcement actions in China resulted in administrative measures to address the infringement. He noted ongoing efforts to strengthen the sanctions that were available to administrative authorities and the increased attention given to enforcement of IPRs. The representative of China confirmed that the government would continue to enhance its enforcement efforts, including through the application of more effective administrative sanctions. Relevant agencies, including the State Administration for Industry and Commerce, the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine and the Copyright Office, now had the authority to confiscate equipment used for making counterfeit and pirated products and other evidence of infringement. These relevant agencies would be encouraged to exercise their authority to seize and preserve evidence of infringement such as inventory and documents. Administrative authorities would have the authority to impose sufficient sanctions to prevent or deter further infringement and would be encouraged to exercise that authority. Appropriate cases, including those involving repeat offenders and willful piracy and counterfeiting, would be referred to relevant authorities for prosecution under the criminal law provisions. The Working Party took note of these commitments.

5. Special border measures

300. The representative of China stated that on 5 July 1995 the State Council of the People's Republic of China had issued special legislation in respect of border measures for enforcement of intellectual property rights – the Regulations of the People's Republic of China Governing Customs Protection of Intellectual Property Rights – which came into effect on 1 October of the same year. According to this legislation, China's Customs offices must take measures to intercept importation or exportation of goods that were proved to be infringing the rights of trademarks, patents or copyrights legally protected in China. China's Customs offices were granted authority to investigate any suspected shipment and confiscate the goods in case infringement was proved.

301. Some members of the Working Party expressed concerns as to the compatibility of existing border measures with obligations under Articles 51 to 60 of the TRIPS Agreement; particularly the provisions on suspension of release into free circulation by customs authorities (Article 51), rules on evidence for initiating this procedure (Article 52), requirements on the security needed to protect the defendant (Article 53), rules on notice of the suspension (Article 54) and its duration (Article 55), rules on indemnification of the importer in case of wrongful detention (Article 56) and opportunity for the right-holder to have the goods detained inspected (Article 57). Moreover some expressed their concern as to compatibility of rules on actions ex-officio by competent authorities and the conditions attached (Article 58), as well as to the remedies provided against infringing goods (Article 59) and the quantities subject to the *de minimis* rules (Article 60).

302. In response, the representative of China stated that China would provide holders of intellectual property rights with procedures related to border measures that complied fully with the relevant provisions of the TRIPS Agreement (Articles 51 to 60). The Working Party took note of this commitment.

6. Criminal procedures

303. The representative of China stated that Articles 213 to 220 of the Criminal Law (Crimes of Infringing on Intellectual Property Rights) provided that whoever seriously infringes the right-holders' rights of registered trademarks, patents, copyrights or trade secrets would be sentenced to fixed-term imprisonment and would also be fined.

304. Some members of the Working Party expressed concerns that criminal procedures could not be used effectively to address piracy and counterfeiting. In particular, the monetary thresholds for bringing a criminal action, as currently applied, were very high and seldom met. Those thresholds should be lowered so as to permit effective action that would deter future piracy and counterfeiting. In response, the representative of China stated that China's administrative authority would recommend that the judicial authority make necessary adjustments to lower the thresholds so as to address these concerns. The Working Party took note of this commitment.

305. Noting the advanced state of protection for intellectual property rights in China, the representative of China confirmed that upon accession China would fully apply the provisions of the TRIPS Agreement. The Working Party took note of this commitment.

VI. POLICIES AFFECTING TRADE IN SERVICES

1. Licensing

306. Some members of the Working Party welcomed the broad-ranging and comprehensive commitments that China was undertaking to increase transparency and to provide information to governments and service providers on any matter relating to the GATS including China's Schedule of Specific Commitments. These members nonetheless expressed concerns regarding the lack of

transparency in China's current services regime, in particular with respect to obtaining, extending, renewing, denying and terminating licences and other approvals required to provide services in China's market and appeals of such actions (hereafter referred to as "China's licensing procedures and conditions"). To be consistent with the provisions of the WTO Agreement, including the Draft Protocol and China's Schedule of Specific Commitments, members of the Working Party noted that China's licensing procedures and conditions should not in themselves act as a barrier to market access and should not be more trade restrictive than necessary. Those members also expressed the view that upon its accession, China should publish (1) a list of authorities responsible for authorizing, approving or regulating those service sectors in which China made specific commitments and (2) China's licensing procedures and conditions.

307. The representative of China confirmed that paragraph 332 regarding publication of a list of all organizations that were responsible for authorizing, approving or regulating service activities for each service sector, including those organizations delegated such authority from the central government authorities, would apply. The representative of China also confirmed that China would publish in the official journal all of China's licensing procedures and conditions upon accession. The Working Party took note of these commitments.

308. The representative of China also confirmed that upon accession China would ensure that China's licensing procedures and conditions would not act as barriers to market access and would not be more trade restrictive than necessary. In accordance with China's commitments under the WTO Agreement, the Draft Protocol and its Schedule of Specific Commitments, the representative of China confirmed that for those services included in China's Schedule of Specific Commitments, China would ensure that:

- (a) China's licensing procedures and conditions were published prior to becoming effective;
- (b) In that publication, China would specify reasonable time frames for review and decision by all relevant authorities in China's licensing procedures and conditions;
- (c) Applicants would be able to request licensing without individual invitation;
- (d) Any fees charged, which were not deemed to include fees determined through auction or a tendering process, would be commensurate with the administrative cost of processing an application;
- (e) The competent authorities of China would, after receipt of an application, inform the applicant whether the application was considered complete under China's domestic laws and regulations and in the case of incomplete applications, identify the additional information that was required to complete the application and provide the opportunity to cure deficiencies;
- (f) Decisions would be taken promptly on all applications;
- (g) If an application was terminated or denied, the applicant would be informed in writing and without delay the reasons for such action. The applicant would have the possibility of resubmitting, at its discretion, a new application that addressed the reasons for termination or denial;
- (h) If an application was approved, the applicant would be informed in writing and without delay. The licence or approval would enable the applicant to start the commercial operations upon registration of the company with SAIC for fiscal and other similar administrative purposes. This registration would be completed within 2 months of the submission of a complete file, as required by public SAIC regulations, and in accordance with China's Schedule of Specific Commitments;

- (i) Where China required an examination to licence professionals, such examinations would be scheduled at reasonable intervals.

The Working Party took note of these commitments.

309. Some members of the Working Party also expressed concern about maintaining the independence of regulators from those they regulated. The representative of China confirmed that for the services included in China's Schedule of Specific Commitments, relevant regulatory authorities would be separate from, and not accountable to, any service suppliers they regulated, except for courier and railway transportation services. For these excepted sectors, China would comply with other relevant provisions of the WTO Agreement and the Draft Protocol. The Working Party took note of these commitments.

310. The representative of China stated that China would consult with WTO Members and develop regulations, consistent with China's Schedule of Specific Commitments and its obligations under GATS, on sales away from a fixed location. The Working Party took note of this commitment.

311. Some members of the Working Party noted that the World Code of Conduct provided a strong ethical basis for regulating sales away from a fixed location.

312. In response to questions from members of the Working Party regarding certain terms in China's Schedule of Specific Commitments, the representative of China confirmed the following:

- (a) A "master policy" was a policy that provided blanket coverage for the same legal person's property and liabilities located in different places. A master policy could only be issued by the business department of an insurer's head office or that of its authorized province-level branch offices. Other branches were not allowed to issue master policies.

- (i) For master policy business with the state key construction projects as its subject-matter insured.

If investors on the state key construction projects (i.e., projects that were so listed and annually announced by the State Development and Planning Commission) met either of the following requirements, they could purchase a master policy from insurers that were located in the same place as the investors' legal persons were located.

1. The investment on the subject-matter insured were all from China (including the reinvestment from the foreign-invested enterprises in China) and the sum of investment of the investor accounted for over 15 per cent of the total investment.

2. The investment was partially from abroad, and partially from China (including the reinvestment from the foreign-invested enterprises in China) and the sum of investment of the Chinese investor accounted for over 15 per cent of the total domestic investment.

For those projects that drew all investment from abroad, every insurer could provide coverage in the form of a master policy.

- (ii) A Master policy covering different subject-matters insured of the same legal person.

For those subject-matters insured located in different places and owned by the same legal person (excluding financial, railway, and post and telecommunications industries and enterprises), a master policy could be issued on the basis of either of the following conditions.

1. For the sake of payment of the premium tax, insurance companies incorporated where the legal person or accounting unit of the insurance applicant was located, were allowed to issue a master policy.
 2. If over 50 per cent of the insurance amount of the subject-matter insured was from a larger or medium sized city, then insurers in that city were allowed to issue a master policy, no matter whether the insurance applicant's legal person or accounting unit was located in the city.
- (b) Large scale commercial risk meant an insurance risk written on any large scale commercial enterprise if, upon accession, the aggregate annual premium exceeded 800 thousand RMB and the investment was more than 200 million RMB; one year after accession, if the aggregate annual premium exceeded 600 thousand RMB and the investment was more than 180 million RMB; two years after accession, if the aggregate annual premium exceeded 400 thousand RMB and the investment was more than 150 million RMB.
- (c) Statutory insurance in China's Schedule of Specific Commitments were limited to the following specific categories, and no additional lines or products would be added: third party auto liability insurance, and driver and operator liability for buses and other commercial vehicles.
- (d) The representative of China confirmed that any changes to the definition of master policy and large scale commercial risk would be consistent with China's Specific Schedule of Commitments and obligations under GATS so as to progressively liberalize access to this services sector.

The Working Party took note of these commitments.

313. Members of the Working Party welcomed China's commitment to permit internal branching for insurance firms consistent with the phase-out of geographic restrictions. Some members noted that China had scheduled certain qualifications as limitations under GATS Articles XVI and XVII that foreign insurers had to meet to apply for a licence to provide services in China. These qualifications related to a minimum period of establishment in a WTO member, total assets and maintenance of a representative office in China. These qualifications should not apply to those foreign insurance companies established in China seeking authorisation to establish a branch or sub-branch. The representative of China confirmed that the qualifications for foreign insurers applying for a licence to enter China's market would not apply to foreign insurers already established in China that were seeking authorization to establish branches or sub-branches. He also confirmed that a branch and a sub-branch were an extension of the parent enterprise and not a separate legal entity and that China would permit internal branching accordingly on that basis, and in compliance with China's Schedule of Specific Commitments, including provisions on MFN treatment. The Working Party took note of these commitments.

2. Choice of Partner

314. Some members of the Working Party expressed concern regarding the existing practice of imposing conditions on the Chinese companies that were allowed to partner with foreign service suppliers. These members indicated that this could amount to *de facto* quotas, as the number of potential partners meeting those conditions might be limited. The representative of China confirmed that a foreign service supplier would be able to partner with any Chinese entity of its choice, including outside the sector of operation of the joint venture, as long as the Chinese partner was legally established in China. The joint venture as such should meet the prudential and specific sectoral requirements, on the same basis as those for domestic enterprises and which must be publicly available. The Working Party took note of these commitments.

3. Modification of the Equity Interest

315. The representative of China confirmed that the Chinese and foreign partners in an established joint venture would be able to discuss the modification of their respective equity participation levels in the joint venture and implement such modification if agreement was reached by both sides and also approved by the authorities. The representative of China confirmed that such an agreement would be approved if consistent with the relevant equity commitments in China's Schedule of Specific Commitments. The Working Party took note of this commitment.

4. Prior Experience Requirement for Establishment in Insurance Sector

316. The representative of China confirmed that the merging, division, restructuring or other change of legal form of an insurance company would not impact the prior experience requirements included in China's Schedule of Specific Commitments if the new entity continued to supply insurance services. The Working Party took note of this commitment.

5. Inspection Services

317. In response to questions from members of the Working Party, the representative of China confirmed that China would not maintain requirements which had the effect of acting as barriers to the operation of foreign and joint-venture commodity inspection agencies, unless otherwise specified in China's Schedule of Specific Commitments. The Working Party took note of this commitment.

6. Market Research

318. Some members of the Working Party expressed concern regarding market research activities. In response to questions from members in this respect, the representative of China confirmed that, upon accession, China would remove the prior approval requirement for market research services, defined as investigation services designed to secure information on the prospects and performance of an organization's products in the market, including market analysis (of the size and other characteristics of a market) and analysis of consumer attitudes and preferences. Market research firms registered in China, which were engaged in such services, would only be required to file the survey plan and the questionnaire form on record in the statistical agencies of government at or above the provincial level. The Working Party took note of these commitments.

7. Legal Services

319. In response to questions from members of the Working Party, the representative of China clarified that "Chinese national registered lawyers", as indicated in China's Schedule of Specific Commitments, were those Chinese nationals who had obtained a lawyer's certificate and were holding a Chinese practising permit and were registered to practice in a Chinese law firm.

8. Minority Shareholder Rights

320. With respect to its Schedule of Specific Commitments, the representative of China confirmed that, while China had limited its market access commitments in some sectors to permit foreigners to hold only a minority equity interest, a minority shareholder could enforce rights in the investment under China's laws, regulations and measures. Moreover, WTO Members would have recourse to WTO dispute settlement to ensure implementation of all commitments in China's GATS schedule. The Working Party took note of these commitments.

9. Schedule of Specific Commitments

321. China's Schedule of Specific Commitments, reproduced in Annex 9 to the Draft Protocol, contained the market access commitments of China in respect of Services.

VII. OTHER ISSUES

1. Notifications

322. Members of the Working Party requested that China submit the notifications required in the Draft Protocol and Report to the WTO body with a mandate covering the subject of the notification. The representative of China confirmed that China would submit its notifications to these bodies, consistent with Section 18.1 and Annex 1A of the Draft Protocol. The Working Party took note of this commitment.

2. Special Trade Arrangements

323. Some members of the Working Party raised specific concerns in relation to some of China's special trade arrangements, including barter trade arrangements, with third countries and separate customs territories, which those members considered not to be in conformity with WTO requirements. In response, the representative of China recalled the commitment undertaken by China in Section 4 of the Draft Protocol.

3. Transparency

324. Some members of the Working Party expressed concern about the lack of transparency regarding the laws, regulations and other measures that applied to matters covered in the WTO Agreement and the Draft Protocol. In particular, some members noted the difficulty in finding and obtaining copies of regulations and other measures undertaken by various ministries as well as those taken by provincial and other local authorities. Transparency of regulations and other measures, particularly of sub-national authorities, was essential since these authorities often provided the details on how the more general laws, regulations and other measures of the central government would be implemented and often differed among various jurisdictions. Those members emphasized the need to receive such information in a timely fashion so that governments and traders could be prepared to comply with such provisions and could exercise their rights in respect of implementation and enforcement of such measures. The same members emphasized the importance of such pre-publication to enhancing secure, predictable trading relations. Those members noted the development of the Internet and other means to ensure that information from all government bodies at all levels could be assembled in one place and made readily available. The creation and maintenance of a single, authoritative journal and enquiry point would greatly facilitate dissemination of information and help promote compliance.

325. In response, the representative of China noted that the Government of China regularly issued publications providing information on China's foreign trade system, such as the: "Almanac of Foreign Economic Relations and Trade" and "The Bulletin of MOFTEC" published by MOFTEC; "Statistical Yearbook of China", published by the State Statistical Bureau; "China's Customs Statistics (Quarterly)", edited and published by the Customs. China's laws and regulations of the State Council relating to foreign trade were all published, as were rules issued by departments. Such laws, regulations and rules were available in the "Gazette of the State Council", the "Collection of the Laws and Regulations of the People's Republic of China" and the "MOFTEC Gazette". The administrative regulations and directives relating to foreign trade were also published on MOFTEC's official website (<http://www.moftec.gov.cn>) and in periodicals.

326. He further noted that there were no forex restrictions affecting import or export. Information on forex measures was published by the SAFE and was available on SAFE's website (<http://www.safe.gov.cn>) and via the news media.

327. The representative of China noted that information concerning the administration of imports and exports would be published in the "International Business" newspaper and the "MOFTEC Gazette".

328. He also noted that information on China's customs laws and regulations, import and export duty rates, and customs procedures was published in the "Gazette of the State Council" and in the press media, and was available upon request. The procedures concerning application of duty rates, customs value and duty determination, drawback and duty recovery, as well as the procedures concerning duty exemptions and reduction, were also published. Customs also published monthly customs statistics, calculated according to country of origin and final destination, on the basis of eight-digit HS levels.

329. The representative of China noted that any bilateral trade agreements concluded between China and its trading partners, and protocols on the exchange of goods negotiated under them were published in "The Treaty Series of the PRC". He also noted that the "Directory of China's Foreign Economic Relations and Trade Enterprises" and "China's Foreign Trade Corporations and Organizations" were two publications which identified foreign trade corporations and other enterprises in China engaged in foreign trade.

330. The representative of China stated that the full listing of official journals was as follows: Gazette of the Standing Committee of the National People's Congress of the People's Republic of China; Gazette of the State Council of the People's Republic of China; Collection of the Laws of the People's Republic of China; Collection of the Laws and Regulations of the People's Republic of China; Gazette of MOFTEC of the People's Republic of China; Proclamation of the People's Bank of the People's Republic of China; and Proclamation of the Ministry of Finance of the People's Republic of China.

331. The representative of China confirmed that publication of all laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of forex would include the effective date of these measures. It would also include the products and services affected by a particular measure, identified by appropriate tariff line and CPC classification. The Working Party took note of these commitments.

332. The representative of China confirmed that China would publish in the official journal, by appropriate classification and by service where relevant, a list of all organizations, including those organizations delegated such authority from the national authorities, that were responsible for authorizing, approving or regulating services activities whether through grant of licence or other approval. Procedures and the conditions for obtaining such licences or approval would also be published. The Working Party took note of these commitments.

333. The representative of China confirmed that none of the information required by the WTO Agreement or the Draft Protocol to be disclosed would be withheld as confidential information except for those reasons identified in Section 2(C) of the Draft Protocol or unless it would demonstrably prejudice the legitimate commercial interests of particular enterprises, public or private. The Working Party took note of this commitment.

334. The representative of China confirmed that China would make available to WTO Members translations into one or more of the official languages of the WTO all laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of forex, and to the maximum extent possible would make these laws, regulations and other measures available before

they were implemented or enforced, but in no case later than 90 days after they were implemented or enforced. The Working Party took note of these commitments.

335. Members of the Working Party also requested that China set up an enquiry point where information relating to all laws, regulations, judicial decisions and administrative rulings of general application and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of forex could be obtained.

336. The representative of China confirmed that China would establish or designate one or more enquiry points where all information relating to the laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of forex, as well as the published texts, could be obtained and would notify the WTO of any enquiry point and its responsibility. The information would include the names of national or sub-national authorities (including contact points) responsible for implementing a particular measure. The Working Party took note of these commitments.

4. Government Procurement

337. The representative of China stated that in order to promote China's government procurement regime, the Ministry of Finance promulgated the Interim Regulations on Government Procurement in April 1998. The Interim Regulations were stipulated in line with the spirit of the WTO Agreement on Government Procurement ("GPA") and on the basis of the relevant provisions of the United Nations Model Law on Procurement of Goods, Construction and Services while making reference to the laws and regulations of some WTO Members on government procurement. The policy and procedures regarding government procurement provided for therein were consistent with international practice. China stuck to the fundamental principles of being open, fair, equitable, efficient and in the public interest when carrying out government procurement. At present, China was formulating its Government Procurement Law.

338. Some members of the Working Party stated that China should become a Party to the GPA and that prior to its accession to the GPA, China should conduct all government procurement in a transparent and non-discriminatory manner. Those members noted that China's public entities engaged exclusively in commercial activities would not be conducting government procurement and thus laws, regulations and other measures regulating these entities' procurement practices would be fully subject to WTO requirements.

339. The representative of China stated that China intended to become a Party to the GPA and that until such time, all government entities at the central and sub-national level, as well as any of its public entities other than those engaged in exclusively commercial activities, would conduct their procurement in a transparent manner, and provide all foreign suppliers with equal opportunity to participate in that procurement pursuant to the principle of MFN treatment, i.e., if a procurement was opened to foreign suppliers, all foreign suppliers would be provided with equal opportunity to participate in that procurement (e.g., through the bidding process). Such entities' procurements would be subject only to laws, regulations, judicial decisions, administrative rulings of general application, and procedures (including standard contract clauses) which had been published and made available to the public. The Working Party took note of these commitments.

340. Noting China's intention to become a Party to the GPA, some members of the Working Party stated that China should, upon accession, become an observer to the GPA, and should initiate negotiations for membership in the Agreement by tabling an Appendix 1 offer within two years of accession.

341. The representative of China responded that China would become an observer to the GPA upon accession to the WTO Agreement and initiate negotiations for membership in the GPA by tabling an Appendix 1 offer as soon as possible. The Working Party took note of these commitments.

VIII. CONCLUSIONS

342. The Working Party took note of the explanations and statements of China concerning its foreign trade regime, as reflected in this Report. The Working Party took note of the commitments given by China in relation to certain specific matters which are reproduced in paragraphs 18-19, 22-23, 35-36, 40, 42, 46-47, 49, 60, 62, 64, 68, 70, 73, 75, 78-79, 83-84, 86, 91-93, 96, 100-103, 107, 111, 115-117, 119-120, 122-123, 126-132, 136, 138, 140, 143, 145, 146, 148, 152, 154, 157, 162, 165, 167-168, 170-174, 177-178, 180, 182, 184-185, 187, 190-197, 199-200, 203-207, 210, 212-213, 215, 217, 222-223, 225, 227-228, 231-235, 238-242, 252, 256, 259, 263, 265, 270, 275, 284, 286, 288, 291, 292, 296, 299, 302, 304-305, 307-310, 312-318, 320, 322, 331-334, 336, 339 and 341 of this Report and noted that these commitments are incorporated in paragraph 1.2 of the Draft Protocol.

343. Having carried out the examination of the foreign trade regime of China and in the light of the explanations, commitments and concessions made by China, the Working Party reached the conclusion that China should be invited to accede to the Marrakesh Agreement Establishing the WTO under the provisions of Article XII. For this purpose, the Working Party prepared the Draft Decision and Draft Protocol reproduced in the Appendix to this Report, and took note of China's Schedule of Concessions and Commitments on Goods (document WT/ACC/CHN49/Add.1) and China's Schedule of Specific Commitments on Services (document WT/ACC/CHN/49/Add.2) that were annexed to the Draft Protocol. It was proposed that these texts be adopted by the General Council when it adopted the Report. When the Draft Decision was adopted, the Draft Protocol would be open for acceptance by China which would become a WTO Member 30 days after it accepted the said Draft Protocol. The Working Party agreed, therefore, that it had completed its work concerning the negotiations for the accession of China to the WTO Agreement.

DRAFT DECISION

ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA

Decision of [... November 2001]

[The Ministerial Conference,

Having regard to paragraph 2 of Article XII and paragraph 1 of Article IX of the Marrakesh Agreement Establishing the World Trade Organization, and the Decision-Making Procedures under Articles IX and XII of the Marrakesh Agreement Establishing the World Trade Organization agreed by the General Council (WT/L/93),

Taking note of the application of the People's Republic of China for accession to the Marrakesh Agreement Establishing the World Trade Organization dated 7 December 1995,

Noting the results of the negotiations directed toward the establishment of the terms of accession of the People's Republic of China to the Marrakesh Agreement Establishing the World Trade Organization and having prepared a Protocol on the Accession of the People's Republic of China (WT/ACC/CHN/...),

Decides as follows:

The People's Republic of China may accede to the Marrakesh Agreement Establishing the World Trade Organization on the terms and conditions set out in the Protocol annexed to this decision.]

**DRAFT PROTOCOL
ON THE ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA**

Preamble

The World Trade Organization ("WTO"), pursuant to the approval of the Ministerial Conference of the WTO accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization ("WTO Agreement"), and the People's Republic of China ("China"),

Recalling that China was an original contracting party to the General Agreement on Tariffs and Trade 1947,

Taking note that China is a signatory to the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations,

Taking note of the Report of the Working Party on the Accession of China in document WT/ACC/CHN/49 ("Working Party Report"),

Having regard to the results of the negotiations concerning China's membership in the WTO,

Agree as follows:

Part I - General Provisions

1. General

1. Upon accession, China accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.

2. The WTO Agreement to which China accedes shall be the WTO Agreement as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of accession. This Protocol, which shall include the commitments referred to in paragraph 342 of the Working Party Report, shall be an integral part of the WTO Agreement.

3. Except as otherwise provided for in this Protocol, those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with entry into force of that Agreement shall be implemented by China as if it had accepted that Agreement on the date of its entry into force.

4. China may maintain a measure inconsistent with paragraph 1 of Article II of the General Agreement on Trade in Services ("GATS") provided that such a measure is recorded in the List of Article II Exemptions annexed to this Protocol and meets the conditions of the Annex to the GATS on Article II Exemptions.

2. Administration of the Trade Regime

(A) Uniform Administration

1. The provisions of the WTO Agreement and this Protocol shall apply to the entire customs territory of China, including border trade regions and minority autonomous areas, Special Economic Zones, open coastal cities, economic and technical development zones and other areas where special regimes for tariffs, taxes and regulations are established (collectively referred to as "special economic areas").

2. China shall apply and administer in a uniform, impartial and reasonable manner all its laws, regulations and other measures of the central government as well as local regulations, rules and other measures issued or applied at the sub-national level (collectively referred to as "laws, regulations and other measures") pertaining to or affecting trade in goods, services, trade-related aspects of intellectual property rights ("TRIPS") or the control of foreign exchange.

3. China's local regulations, rules and other measures of local governments at the sub-national level shall conform to the obligations undertaken in the WTO Agreement and this Protocol.

4. China shall establish a mechanism under which individuals and enterprises can bring to the attention of the national authorities cases of non-uniform application of the trade regime.

(B) Special Economic Areas

1. China shall notify to the WTO all the relevant laws, regulations and other measures relating to its special economic areas, listing these areas by name and indicating the geographic boundaries that define them. China shall notify the WTO promptly, but in any case within 60 days, of any additions or modifications to its special economic areas, including notification of the laws, regulations and other measures relating thereto.

2. China shall apply to imported products, including physically incorporated components, introduced into the other parts of China's customs territory from the special economic areas, all taxes, charges and measures affecting imports, including import restrictions and customs and tariff charges, that are normally applied to imports into the other parts of China's customs territory.

3. Except as otherwise provided for in this Protocol, in providing preferential arrangements for enterprises within such special economic areas, WTO provisions on non-discrimination and national treatment shall be fully observed.

(C) Transparency

1. China undertakes that only those laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of foreign exchange that are published and readily available to other WTO Members, individuals and enterprises, shall be enforced. In addition, China shall make available to WTO Members, upon request, all laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of foreign exchange before such measures are implemented or enforced. In emergency situations, laws, regulations and other measures shall be made available at the latest when they are implemented or enforced.

2. China shall establish or designate an official journal dedicated to the publication of all laws, regulations and other measures pertaining to or affecting trade in goods, services, TRIPS or the control of foreign exchange and, after publication of its laws, regulations or other measures in such journal, shall provide a reasonable period for comment to the appropriate authorities before such measures are implemented, except for those laws, regulations and other measures involving national security, specific measures setting foreign exchange rates or monetary policy and other measures the publication of which would impede law enforcement. China shall publish this journal on a regular basis and make copies of all issues of this journal readily available to individuals and enterprises.

3. China shall establish or designate an enquiry point where, upon request of any individual, enterprise or WTO Member all information relating to the measures required to be published under paragraph 2(C)1 of this Protocol may be obtained. Replies to requests for information shall generally be provided within 30 days after receipt of a request. In exceptional cases, replies may be provided within 45 days after receipt of a request. Notice of the delay and the reasons therefor shall be

provided in writing to the interested party. Replies to WTO Members shall be complete and shall represent the authoritative view of the Chinese government. Accurate and reliable information shall be provided to individuals and enterprises.

(D) Judicial Review

1. China shall establish, or designate, and maintain tribunals, contact points and procedures for the prompt review of all administrative actions relating to the implementation of laws, regulations, judicial decisions and administrative rulings of general application referred to in Article X:1 of the GATT 1994, Article VI of the GATS and the relevant provisions of the TRIPS Agreement. Such tribunals shall be impartial and independent of the agency entrusted with administrative enforcement and shall not have any substantial interest in the outcome of the matter.

2. Review procedures shall include the opportunity for appeal, without penalty, by individuals or enterprises affected by any administrative action subject to review. If the initial right of appeal is to an administrative body, there shall in all cases be the opportunity to choose to appeal the decision to a judicial body. Notice of the decision on appeal shall be given to the appellant and the reasons for such decision shall be provided in writing. The appellant shall also be informed of any right to further appeal.

3. Non-discrimination

Except as otherwise provided for in this Protocol, foreign individuals and enterprises and foreign-funded enterprises shall be accorded treatment no less favourable than that accorded to other individuals and enterprises in respect of:

- (a) the procurement of inputs and goods and services necessary for production and the conditions under which their goods are produced, marketed or sold, in the domestic market and for export; and
- (b) the prices and availability of goods and services supplied by national and sub-national authorities and public or state enterprises, in areas including transportation, energy, basic telecommunications, other utilities and factors of production.

4. Special Trade Arrangements

Upon accession, China shall eliminate or bring into conformity with the WTO Agreement all special trade arrangements, including barter trade arrangements, with third countries and separate customs territories, which are not in conformity with the WTO Agreement.

5. Right to Trade

1. Without prejudice to China's right to regulate trade in a manner consistent with the WTO Agreement, China shall progressively liberalize the availability and scope of the right to trade, so that, within three years after accession, all enterprises in China shall have the right to trade in all goods throughout the customs territory of China, except for those goods listed in Annex 2A which continue to be subject to state trading in accordance with this Protocol. Such right to trade shall be the right to import and export goods. All such goods shall be accorded national treatment under Article III of the GATT 1994, especially paragraph 4 thereof, in respect of their internal sale, offering for sale, purchase, transportation, distribution or use, including their direct access to end-users. For those goods listed in Annex 2B, China shall phase out limitation on the grant of trading rights pursuant to the schedule in that Annex. China shall complete all necessary legislative procedures to implement these provisions during the transition period.

2. Except as otherwise provided for in this Protocol, all foreign individuals and enterprises, including those not invested or registered in China, shall be accorded treatment no less favourable than that accorded to enterprises in China with respect to the right to trade.

6. State Trading

1. China shall ensure that import purchasing procedures of state trading enterprises are fully transparent, and in compliance with the WTO Agreement, and shall refrain from taking any measure to influence or direct state trading enterprises as to the quantity, value, or country of origin of goods purchased or sold, except in accordance with the WTO Agreement.

2. As part of China's notification under the GATT 1994 and the Understanding on the Interpretation of Article XVII of the GATT 1994, China shall also provide full information on the pricing mechanisms of its state trading enterprises for exported goods.

7. Non-Tariff Measures

1. China shall implement the schedule for phased elimination of the measures contained in Annex 3. During the periods specified in Annex 3, the protection afforded by the measures listed in that Annex shall not be increased or expanded in size, scope or duration, nor shall any new measures be applied, unless in conformity with the provisions of the WTO Agreement.

2. In implementing the provisions of Articles III and XI of the GATT 1994 and the Agreement on Agriculture, China shall eliminate and shall not introduce, re-introduce or apply non-tariff measures that cannot be justified under the provisions of the WTO Agreement. For all non-tariff measures, whether or not referred to in Annex 3, that are applied after the date of accession, consistent with the WTO Agreement or this Protocol, China shall allocate and otherwise administer such measures in strict conformity with the provisions of the WTO Agreement, including GATT 1994 and Article XIII thereof, and the Agreement on Import Licensing Procedures, including notification requirements.

3. China shall, upon accession, comply with the TRIMs Agreement, without recourse to the provisions of Article 5 of the TRIMs Agreement. China shall eliminate and cease to enforce trade and foreign exchange balancing requirements, local content and export or performance requirements made effective through laws, regulations or other measures. Moreover, China will not enforce provisions of contracts imposing such requirements. Without prejudice to the relevant provisions of this Protocol, China shall ensure that the distribution of import licences, quotas, tariff-rate quotas, or any other means of approval for importation, the right of importation or investment by national and sub-national authorities, is not conditioned on: whether competing domestic suppliers of such products exist; or performance requirements of any kind, such as local content, offsets, the transfer of technology, export performance or the conduct of research and development in China.

4. Import and export prohibitions and restrictions, and licensing requirements affecting imports and exports shall only be imposed and enforced by the national authorities or by sub-national authorities with authorization from the national authorities. Such measures which are not imposed by the national authorities or by sub-national authorities with authorization from the national authorities, shall not be implemented or enforced.

8. Import and Export Licensing

1. In implementing the WTO Agreement and provisions of the Agreement on Import Licensing Procedures, China shall undertake the following measures to facilitate compliance with these agreements:

- (a) China shall publish on a regular basis the following in the official journal referred to in paragraph 2(C)2 of this Protocol:
- by product, the list of all organizations, including those organizations delegated such authority by the national authorities, that are responsible for authorizing or approving imports or exports, whether through grant of licence or other approval;
 - procedures and criteria for obtaining such import or export licences or other approvals, and the conditions for deciding whether they should be granted;
 - a list of all products, by tariff number, that are subject to tendering requirements, including information on products subject to such tendering requirements and any changes, pursuant to the Agreement on Import Licensing Procedures;
 - a list of all goods and technologies whose import or export are restricted or prohibited; these goods shall also be notified to the Committee on Import Licensing;
 - any changes to the list of goods and technologies whose import and export are restricted or prohibited.

Copies of these submissions in one or more official languages of the WTO shall be forwarded to the WTO for circulation to WTO Members and for submission to the Committee on Import Licensing within 75 days of each publication.

- (b) China shall notify the WTO of all licensing and quota requirements remaining in effect after accession, listed separately by HS tariff line and with the quantities associated with the restriction, if any, and the justification for maintaining the restriction or its scheduled date of termination.
- (c) China shall submit the notification of its import licensing procedures to the Committee on Import Licensing. China shall report annually to the Committee on Import Licensing on its automatic import licensing procedures, explaining the circumstances which give rise to these requirements and justifying the need for their continuation. This report shall also provide the information listed in Article 3 of the Agreement on Import Licensing Procedures.
- (d) China shall issue import licences for a minimum duration of validity of six months, except where exceptional circumstances make this impossible. In such cases, China shall promptly notify the Committee on Import Licensing of the exceptional circumstances requiring the shorter period of licence validity.

2. Except as otherwise provided for in this Protocol, foreign individuals and enterprises and foreign-funded enterprises shall be accorded treatment no less favourable than that accorded to other individuals and enterprises in respect of the distribution of import and export licences and quotas.

9. Price Controls

1. China shall, subject to paragraph 2 below, allow prices for traded goods and services in every sector to be determined by market forces, and multi-tier pricing practices for such goods and services shall be eliminated.

2. The goods and services listed in Annex 4 may be subject to price controls, consistent with the WTO Agreement, in particular Article III of the GATT 1994 and Annex 2, paragraphs 3 and 4 of the Agreement on Agriculture. Except in exceptional circumstances, and subject to notification to the

WTO, price controls shall not be extended to goods or services beyond those listed in Annex 4, and China shall make best efforts to reduce and eliminate these controls.

3. China shall publish in the official journal the list of goods and services subject to state pricing and changes thereto.

10. Subsidies

1. China shall notify the WTO of any subsidy within the meaning of Article 1 of the Agreement on Subsidies and Countervailing Measures ("SCM Agreement"), granted or maintained in its territory, organized by specific product, including those subsidies defined in Article 3 of the SCM Agreement. The information provided should be as specific as possible, following the requirements of the questionnaire on subsidies as noted in Article 25 of the SCM Agreement.

2. For purposes of applying Articles 1.2 and 2 of the SCM Agreement, subsidies provided to state-owned enterprises will be viewed as specific if, inter alia, state-owned enterprises are the predominant recipients of such subsidies or state-owned enterprises receive disproportionately large amounts of such subsidies.

3. China shall eliminate all subsidy programmes falling within the scope of Article 3 of the SCM Agreement upon accession.

11. Taxes and Charges Levied on Imports and Exports

1. China shall ensure that customs fees or charges applied or administered by national or sub-national authorities, shall be in conformity with the GATT 1994.

2. China shall ensure that internal taxes and charges, including value-added taxes, applied or administered by national or sub-national authorities shall be in conformity with the GATT 1994.

3. China shall eliminate all taxes and charges applied to exports unless specifically provided for in Annex 6 of this Protocol or applied in conformity with the provisions of Article VIII of the GATT 1994.

4. Foreign individuals and enterprises and foreign-funded enterprises shall, upon accession, be accorded treatment no less favourable than that accorded to other individuals and enterprises in respect of the provision of border tax adjustments.

12. Agriculture

1. China shall implement the provisions contained in China's Schedule of Concessions and Commitments on Goods and, as specifically provided in this Protocol, those of the Agreement on Agriculture. In this context, China shall not maintain or introduce any export subsidies on agricultural products.

2. China shall, under the Transitional Review Mechanism, notify fiscal and other transfers between or among state-owned enterprises in the agricultural sector (whether national or sub-national) and other enterprises that operate as state trading enterprises in the agricultural sector.

13. Technical Barriers to Trade

1. China shall publish in the official journal all criteria, whether formal or informal, that are the basis for a technical regulation, standard or conformity assessment procedure.

2. China shall, upon accession, bring into conformity with the TBT Agreement all technical regulations, standards and conformity assessment procedures.

3. China shall apply conformity assessment procedures to imported products only to determine compliance with technical regulations and standards that are consistent with the provisions of this Protocol and the WTO Agreement. Conformity assessment bodies will determine the conformity of imported products with commercial terms of contracts only if authorized by the parties to such contract. China shall ensure that such inspection of products for compliance with the commercial terms of contracts does not affect customs clearance or the granting of import licences for such products.

4. (a) Upon accession, China shall ensure that the same technical regulations, standards and conformity assessment procedures are applied to both imported and domestic products. In order to ensure a smooth transition from the current system, China shall ensure that, upon accession, all certification, safety licensing, and quality licensing bodies and agencies are authorized to undertake these activities for both imported and domestic products, and that, one year after accession, all conformity assessment bodies and agencies are authorized to undertake conformity assessment for both imported and domestic products. The choice of body or agency shall be at the discretion of the applicant. For imported and domestic products, all bodies and agencies shall issue the same mark and charge the same fee. They shall also provide the same processing periods and complaint procedures. Imported products shall not be subject to more than one conformity assessment. China shall publish and make readily available to other WTO Members, individuals, and enterprises full information on the respective responsibilities of its conformity assessment bodies and agencies.

(b) No later than 18 months after accession, China shall assign the respective responsibilities of its conformity assessment bodies solely on the basis of the scope of work and type of product without any consideration of the origin of a product. The respective responsibilities that will be assigned to China's conformity assessment bodies will be notified to the TBT Committee 12 months after accession.

14. Sanitary and Phytosanitary Measures

China shall notify to the WTO all laws, regulations and other measures relating to its sanitary and phytosanitary measures, including product coverage and relevant international standards, guidelines and recommendations, within 30 days after accession.

15. Price Comparability in Determining Subsidies and Dumping

Article VI of the GATT 1994, the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 ("Anti-Dumping Agreement") and the SCM Agreement shall apply in proceedings involving imports of Chinese origin into a WTO Member consistent with the following:

- (a) In determining price comparability under Article VI of the GATT 1994 and the Anti-Dumping Agreement, the importing WTO Member shall use either Chinese prices or costs for the industry under investigation or a methodology that is not based on a strict comparison with domestic prices or costs in China based on the following rules:
 - (i) If the producers under investigation can clearly show that market economy conditions prevail in the industry producing the like product with regard to the manufacture, production and sale of that product, the importing WTO Member shall use Chinese prices or costs for the industry under investigation in determining price comparability;

- (ii) The importing WTO Member may use a methodology that is not based on a strict comparison with domestic prices or costs in China if the producers under investigation cannot clearly show that market economy conditions prevail in the industry producing the like product with regard to manufacture, production and sale of that product.
- (b) In proceedings under Parts II, III and V of the SCM Agreement, when addressing subsidies described in Articles 14(a), 14(b), 14(c) and 14(d), relevant provisions of the SCM Agreement shall apply; however, if there are special difficulties in that application, the importing WTO Member may then use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions in China may not always be available as appropriate benchmarks. In applying such methodologies, where practicable, the importing WTO Member should adjust such prevailing terms and conditions before considering the use of terms and conditions prevailing outside China.
- (c) The importing WTO Member shall notify methodologies used in accordance with subparagraph (a) to the Committee on Anti-Dumping Practices and shall notify methodologies used in accordance with subparagraph (b) to the Committee on Subsidies and Countervailing Measures.
- (d) Once China has established, under the national law of the importing WTO Member, that it is a market economy, the provisions of subparagraph (a) shall be terminated provided that the importing Member's national law contains market economy criteria as of the date of accession. In any event, the provisions of subparagraph (a)(ii) shall expire 15 years after the date of accession. In addition, should China establish, pursuant to the national law of the importing WTO Member, that market economy conditions prevail in a particular industry or sector, the non-market economy provisions of subparagraph (a) shall no longer apply to that industry or sector.

16. Transitional Product-Specific Safeguard Mechanism

1. In cases where products of Chinese origin are being imported into the territory of any WTO Member in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products, the WTO Member so affected may request consultations with China with a view to seeking a mutually satisfactory solution, including whether the affected WTO Member should pursue application of a measure under the Agreement on Safeguards. Any such request shall be notified immediately to the Committee on Safeguards.

2. If, in the course of these bilateral consultations, it is agreed that imports of Chinese origin are such a cause and that action is necessary, China shall take such action as to prevent or remedy the market disruption. Any such action shall be notified immediately to the Committee on Safeguards.

3. If consultations do not lead to an agreement between China and the WTO Member concerned within 60 days of the receipt of a request for consultations, the WTO Member affected shall be free, in respect of such products, to withdraw concessions or otherwise to limit imports only to the extent necessary to prevent or remedy such market disruption. Any such action shall be notified immediately to the Committee on Safeguards.

4. Market disruption shall exist whenever imports of an article, like or directly competitive with an article produced by the domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury to the domestic industry. In

determining if market disruption exists, the affected WTO Member shall consider objective factors, including the volume of imports, the effect of imports on prices for like or directly competitive articles, and the effect of such imports on the domestic industry producing like or directly competitive products.

5. Prior to application of a measure pursuant to paragraph 3, the WTO Member taking such action shall provide reasonable public notice to all interested parties and provide adequate opportunity for importers, exporters and other interested parties to submit their views and evidence on the appropriateness of the proposed measure and whether it would be in the public interest. The WTO Member shall provide written notice of the decision to apply a measure, including the reasons for such measure and its scope and duration.

6. A WTO Member shall apply a measure pursuant to this Section only for such period of time as may be necessary to prevent or remedy the market disruption. If a measure is taken as a result of a relative increase in the level of imports, China has the right to suspend the application of substantially equivalent concessions or obligations under the GATT 1994 to the trade of the WTO Member applying the measure, if such measure remains in effect more than two years. However, if a measure is taken as a result of an absolute increase in imports, China has a right to suspend the application of substantially equivalent concessions or obligations under the GATT 1994 to the trade of the WTO Member applying the measure, if such measure remains in effect more than three years. Any such action by China shall be notified immediately to the Committee on Safeguards.

7. In critical circumstances, where delay would cause damage which it would be difficult to repair, the WTO Member so affected may take a provisional safeguard measure pursuant to a preliminary determination that imports have caused or threatened to cause market disruption. In this case, notification of the measures taken to the Committee on Safeguards and a request for bilateral consultations shall be effected immediately thereafter. The duration of the provisional measure shall not exceed 200 days during which the pertinent requirements of paragraphs 1, 2 and 5 shall be met. The duration of any provisional measure shall be counted toward the period provided for under paragraph 6.

8. If a WTO Member considers that an action taken under paragraphs 2, 3 or 7 causes or threatens to cause significant diversions of trade into its market, it may request consultations with China and/or the WTO Member concerned. Such consultations shall be held within 30 days after the request is notified to the Committee on Safeguards. If such consultations fail to lead to an agreement between China and the WTO Member or Members concerned within 60 days after the notification, the requesting WTO Member shall be free, in respect of such product, to withdraw concessions accorded to or otherwise limit imports from China, to the extent necessary to prevent or remedy such diversions. Such action shall be notified immediately to the Committee on Safeguards.

9. Application of this Section shall be terminated 12 years after the date of accession.

17. Reservations by WTO Members

All prohibitions, quantitative restrictions and other measures maintained by WTO Members against imports from China in a manner inconsistent with the WTO Agreement are listed in Annex 7. All such prohibitions, quantitative restrictions and other measures shall be phased out or dealt with in accordance with mutually agreed terms and timetables as specified in the said Annex.

18. Transitional Review Mechanism

1. Those subsidiary bodies¹ of the WTO which have a mandate covering China's commitments under the WTO Agreement or this Protocol shall, within one year after accession and in accordance with paragraph 4 below, review, as appropriate to their mandate, the implementation by China of the WTO Agreement and of the related provisions of this Protocol. China shall provide relevant information, including information specified in Annex 1A, to each subsidiary body in advance of the review. China can also raise issues relating to any reservations under Section 17 or to any other specific commitments made by other Members in this Protocol, in those subsidiary bodies which have a relevant mandate. Each subsidiary body shall report the results of such review promptly to the relevant Council established by paragraph 5 of Article IV of the WTO Agreement, if applicable, which shall in turn report promptly to the General Council.

2. The General Council shall, within one year after accession, and in accordance with paragraph 4 below, review the implementation by China of the WTO Agreement and the provisions of this Protocol. The General Council shall conduct such review in accordance with the framework set out in Annex 1B and in the light of the results of any reviews held pursuant to paragraph 1. China also can raise issues relating to any reservations under Section 17 or to any other specific commitments made by other Members in this Protocol. The General Council may make recommendations to China and to other Members in these respects.

3. Consideration of issues pursuant to this Section shall be without prejudice to the rights and obligations of any Member, including China, under the WTO Agreement or any Plurilateral Trade Agreement, and shall not preclude or be a precondition to recourse to consultation or other provisions of the WTO Agreement or this Protocol.

4. The review provided for in paragraphs 1 and 2 will take place after accession in each year for eight years. Thereafter there will be a final review in year 10 or at an earlier date decided by the General Council.

Part II - Schedules

1. The Schedules annexed to this Protocol shall become the Schedule of Concessions and Commitments annexed to the GATT 1994 and the Schedule of Specific Commitments annexed to the GATS relating to China. The staging of concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the relevant Schedules.

2. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of accession.

¹ Council for Trade in Goods, Council for Trade-Related Aspects of Intellectual Property Rights, Council for Trade in Services, Committees on Balance-of-Payments Restrictions, Market Access (covering also ITA), Agriculture, Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Subsidies and Countervailing Measures, Anti-Dumping Measures, Customs Valuation, Rules of Origin, Import Licensing, Trade-Related Investment Measures, Safeguards, Trade in Financial Services.

Part III - Final Provisions

1. This Protocol shall be open for acceptance, by signature or otherwise, by China until 1 January 2002.
2. This Protocol shall enter into force on the thirtieth day following the day of its acceptance.
3. This Protocol shall be deposited with the Director-General of the WTO. The Director-General shall promptly furnish a certified copy of this Protocol and a notification of acceptance by China thereof, pursuant to paragraph 1 of Part III of this Protocol, to each WTO Member and to China.
4. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at [Doha] this [] day of [] two thousand and one, in a single copy, in the English, French and Spanish languages, each text being authentic, except that a Schedule annexed hereto may specify that it is authentic in only one or more of these languages.

ANNEX 1A

INFORMATION² TO BE PROVIDED BY CHINA IN THE CONTEXT OF THE TRANSITIONAL REVIEW MECHANISM

China is requested to provide information on the following in accordance with Article 18.1 of the Protocol of Accession. The requested information should be provided annually, except in those cases where China and the Members agree that it is no longer required for the review.

I. ECONOMIC DATA

- (a) most recently available import and export statistics by value and volume, by supplier country at the HS 8-digit level
- (b) current account data on services, by source and destination in line with the statistical requirements of the IMF
- (c) capital account data for inward- and outward-realized foreign direct investment by source and destination in line with the statistical requirements of the IMF
- (d) the value of tariff revenues, non-tariff taxes, and other border charges levied exclusively on imports by product or at the highest level of detail possible, but at least by HS heading (4-digit) at the beginning of the review mechanism
- (e) the value of export duties/taxes by product
- (f) the volume of trade subject to tariff exemptions by product or at the highest level of detail possible, but at least by HS heading (4-digit) at the beginning of the review mechanism
- (g) the value of commissions, mark ups and other fees charged on imports subject to state trading or designated trading imposed through government regulation or guidance, if any
- (h) the shares of imports and exports accounted for by the trading activities of state-owned enterprises
- (i) annual economic development programmes, China's five-year programmes and any industrial or sectoral programmes or policies (including programmes relating to investment, export, import, productions, pricing or other targets, if any) promulgated by central and sub-central government entities
- (j) annual receipts under the Value-Added Tax (VAT), with separate information for imports and domestic products as well as information on VAT rebates

² This "information" refers to information other than that required by the general notification requirements for WTO Members. To avoid duplication, it is understood that Members will accept information provided on an annual basis by China to other WTO bodies as satisfying the information requirements in Annex 1.

II. ECONOMIC POLICIES

1. Non-Discrimination (to be notified to the Council for Trade in Goods)

- (a) the repeal and cessation of all WTO inconsistent laws, regulations and other measures on national treatment
- (b) the repeal or modification to provide full GATT national treatment in respect of laws, regulations and other measures applying to internal sale, offering for sale, purchase, transportation, distribution or use of: after sales service, pharmaceutical products, cigarettes, spirits, chemicals and boiler and pressure vessels (for pharmaceutical products, chemicals and spirits there is a reservation of the right to use a transitional period of one year from the date of accession in order to amend or repeal relevant legislation)

2. Foreign Exchange and Payments (to be notified to the Committee on Balance-of-Payments Restrictions)

- (a) exchange measures as required under Article VIII, Section 5 of the IMF's Articles of Agreement and such other information on China's exchange measures as was deemed necessary in the context of the transitional review mechanism

3. Investment Regime (to be notified to the Committee on Trade-Related Investment Measures)

- (a) completed revisions to investment guidelines in conformity with the WTO Agreement

4. Pricing Policies (to be notified to the Committee on Subsidies and Countervailing Measures)

- (a) application of existing or any other price controls and the reason for their use
- (b) pricing mechanisms of China's state trading enterprises for exported products

III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES

1. Structure and Powers of the Government/Authority of Sub-Central Governments/Uniform Administration (to be notified to the General Council)

- (a) revision or enactment of domestic laws, regulations and other measures related to China's commitments under the WTO Agreement and Protocol, including those of local governments at the sub-national level, that have been promulgated since accession or the previous meeting of the relevant body under the Transitional Review Mechanism
- (b) establishment and operation (upon accession) of the mechanism pursuant to Section 2(A), paragraph 4 of the Protocol under which individuals and enterprises can bring cases of non-uniform application of the trade regime to the attention of national authorities

IV. POLICIES AFFECTING TRADE IN GOODS

1. Tariff Rate Quotas (to be notified to the Committee on Market Access)

- (a) administration of TRQs on a transparent, predictable, uniform, fair and non-discriminatory basis using clearly specified timeframes, administrative procedures and requirements and evidence of a consistent national allocation (and reallocation) policy including:

- (i) provision of volume/value of the quota or TRQ made available;
- (ii) reallocated quota or TRQ applied for;
- (iii) the volume/value of requests for allocation or reallocation denied;
- (iv) fill rates for the quota or TRQ;
- (v) for TRQs, the amount of any goods entered at the over quota rate; and
- (vi) time taken to grant a quota or TRQ allocation.

2. Non-Tariff Measures including Quantitative Import Restrictions (to be notified to the Committee on Market Access)

- (a) the introduction, re-introduction or application of any non-tariff measures other than those listed in Annex 3 of the Protocol and elimination of non-tariff measures
- (b) implementation of the schedule for phased elimination of the measures contained in Annex 3
- (c) quota allocation and reallocation in conformity with WTO requirements, including the Agreement on Licensing Procedures following criteria set out in the Report of the Working Party on the Accession of China ("Report ")
- (d) distribution licences, quotas, tariff rate quotas or any other means of approval for importation are not subject to conditions set out in Section 7, paragraph 3 of the Protocol

3. Import Licensing (to be notified to the Committee on Import Licensing)

- (a) implementation of the provisions of the Agreement on Import Licensing Procedures and the WTO Agreement applying the measures set out in Section 8 of the Protocol including provision of the time taken to grant an import licence

4. Customs Valuation (to be notified to the Committee on Customs Valuation)

- (a) the use of valuation methods, other than the stated transaction value

5. Export Restrictions (to be notified to the Council for Trade in Goods)

- (a) any restrictions on exports through non-automatic licensing or other means justified by specific product under the WTO Agreement or the Protocol

6. Safeguards (to be notified to the Committee on Safeguards)

- (a) implementation of China's Regulation on Safeguards

7. Technical Barriers to Trade (to be notified to the Committee on Technical Barriers to Trade)

- (a) notification of acceptance of the Code of Good Practice not later than four months after China's accession
- (b) periodic review of existing standards of government standardizing bodies and harmonization of the same with relevant international standards where appropriate
- (c) revision of current voluntary national, local and sectoral standards so as to harmonize them with international standards

- (d) use of the terms "technical regulations" and "standards" according to their meaning under the TBT Agreement in China's notifications under the TBT Agreement, including under Article 15.2 thereof and publications referenced therein, and in modifications of existing measures
- (e) review of technical regulations every five years to ensure international standards are used in accordance with Article 2.4 of the Agreement and provision for adoption of international standards as the basis for technical regulation as part of its notification under Article 15.2 of the Agreement
- (f) progress report on increase of the use of international standards as the basis for technical regulations by ten per cent in five years
- (g) provision of procedures to implement Article 2.7 of the Agreement
- (h) provision of a list of relevant local governmental and non-governmental bodies that are authorized to adopt technical regulations or conformity assessment procedures as part of China's notification under Article 15.2 of the Agreement
- (i) ongoing updates on the conformity assessment bodies that are recognized by China
- (j) enactment and implementation of a new law and relevant regulations regarding assessment and control of chemicals for the protection of the environment in which complete national treatment and full consistency with international practices would be ensured within one year after China's accession following conditions set out in 3(t) of the TBT Working Party Report
- (k) information on whether, one year after accession, all conformity assessment bodies and agencies are authorized to undertake conformity assessment for both imported and domestic products and are following the conditions outlined in Section 13, subparagraph 4(a) of the Protocol
- (l) assignment of the respective responsibilities of China's conformity assessment bodies solely on the basis of the scope of work and type of product without any consideration of the origin of a product no later than eighteen months after accession
- (m) notification of the respective responsibilities assigned to China's conformity assessment bodies to the TBT committee 12 months after accession

8. Trade-Related Investment Measures (to be notified to the Committee on Trade-Related Investment Measures)

- (a) elimination and cessation of enforcement of trade and foreign exchange balancing requirements, local content and export performance offsets and technology transfer requirements made effective through laws, regulations or other measures
- (b) amendments to ensure lifting of all measures applicable to motor vehicle producers restricting the categories, types or models of vehicles permitted for production (to be completely removed two years after accession)
- (c) increased limits within which investments in motor vehicle manufacturing could be approved at the provincial government at the levels outlined in the Report

9. State Trading Entities (to be notified to the Council for Trade in Goods)

- (a) progressive abolishment of state trading in respect of silk measures, increasing and extending trading rights, granting the right to trade to all individuals no later than 1 January 2005
- (b) access to supplies of raw materials in the textiles sector at conditions no less favourable than for domestic users, and not adversely affected access to supplies of raw materials as enjoyed under existing arrangements
- (c) progressive increases in access by non state trading entities to trade in fertilizer and oil and the filling of quantities available for import by non state trading entities

10. Government Procurement (to be notified to the Council for Trade in Goods)

- (a) laws, regulations and procedures
- (b) procurement in a transparent manner and application of the MFN principle

V. POLICIES AFFECTING TRADE IN SERVICES (to be notified to the Council for Trade in Services)

- (a) regularly updated lists of all laws, regulations, administrative guidelines and other measures affecting trade in each service sector or sub-sector indicating, in each case, the service sector(s) or sub-sector(s) they apply to, the date of publication and the date of entry into force
- (b) China's licensing procedures and conditions, if any, between domestic and foreign service suppliers, measures implementing the free choice of partner and list of transport agreements covered by MFN exceptions
- (c) regularly updated lists of the authorities, at all levels of government (including organizations with delegated authority) which are responsible for the adoption, implementation and reception of appeals for laws, regulations, administrative guidelines and other measures affecting trade in services
- (d) independence of the regulatory authorities from the service suppliers
- (e) foreign and domestic suppliers in sectors where specific commitments have been undertaken indicating the state of play of licensing applications on sector and sub-sector levels (accepted, pending, rejected)

VI. TRADE-RELATED INTELLECTUAL PROPERTY REGIME (to be notified to the Council for Trade-Related Aspects of Intellectual Property Rights)

- (a) amendments to Copyright, Trademark and Patent Law, as well as relevant implementing rules covering different areas of the TRIPS Agreement bringing all such measures into full compliance with and full application of the TRIPS Agreement and the protection of undisclosed information
- (b) enhanced IPR enforcement efforts through the application of more effective administrative sanctions as described in the Report

VII. SPECIFIC QUESTIONS IN THE CONTEXT OF THE TRANSITIONAL REVIEW MECHANISM (to be notified to the General Council or relevant subsidiary body)

- (a) response to specific questions in the context of the transitional review mechanism received from the General Council or a subsidiary body

ANNEX 1B

**ISSUES TO BE ADDRESSED BY THE GENERAL COUNCIL IN ACCORDANCE
WITH SECTION 18.2 OF CHINA'S PROTOCOL OF ACCESSION**

- Review of the reports and the issues referred to in Section 18.1 of China's Protocol of Accession.
- Development of China's trade with WTO Members and other trading partners, including the volume, direction and composition of trade.
- Recent developments and cross-sectoral issues regarding China's trade regime.

The Rules of Procedure of the WTO General Council shall apply unless specified otherwise. China shall submit any information and the documentation relating to the review no later than 30 days prior to the date of the review.

ANNEX 2A1

PRODUCTS SUBJECT TO STATE TRADING (IMPORT)

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
GRAIN	1	10011000	Durum wheat	China National Cereals, Oil & Foodstuff Import and Export Co.
	2	10019010	Seed of wheat & maslin, excl. durum wheat	
	3	10019090	Wheat & maslin, excl. for seeding and durum wheat	
	4	11010000	Wheat or maslin flour	
	5	11031100	Groats & meal of wheat	
	6	11032100	Pellets of wheat	
	7	10051000	Maize (corn) seed	
	8	10059000	Maize (corn), excl. for seeding	
	9	11022000	Maize (corn) flour	
	10	11031300	Groats & meal of maize (corn)	
	11	11042300	Other worked grains of maize (corn) (for example, hulled, pearled, sliced or kibbled)	
	12	10061010	Rice in husk (paddy or rough) seed	
	13	10061090	Rice in husk (paddy or rough), excl. for seeding	
	14	10062000	Husked (brown) rice	
	15	10063000	Semi-milled or wholly milled rice, whether or not polished or glazed	
	16	10064000	Broken rice	
	17	11023000	Rice flour	
	18	11031400	Groats & meal of rice	
VEGETABLE OIL	19	15071000	Crude soybean oil, whether or not degummed, but not chemically modified	1. China National Cereals, Oil & Foodstuff Import and Export Co.
	20	15079000	Soybean oil and its fractions, refined, but not chemically modified	2. China National Native Products and Animal By-products Import & Export Co.
	21	15111000	Crude palm oil, but not chemically modified	3. China Resources Co.
	22	15119000	Palm oil and its fractions, refined, but not chemically modified	4. China Nam Kwong National Import & Export Co.
	23	15141010	Crude rape, colza oil, but not chemically modified	5. China Liangfeng Cereals Import & Export Co.
	24	15141090	Crude mustard oil, but not chemically modified	6. China Cereals, Oil & Foodstuff Co.(Group)
	25	15149000	Rape, colza or mustard oil and fractions thereof, refined, but not chemically modified	
SUGAR	26	17011100	Raw cane sugar, in solid form, not containing added flavouring or colouring matter	1. China National Cereals, Oil & Foodstuff Import and Export Co.
	27	17011200	Raw beet sugar, in solid form, not containing added flavouring or colouring matter	2. China Export Commodities Base Construction Co.
	28	17019100	Cane or beet sugar and chemically pure sucrose, in solid form, containing added flavouring or colouring	3. China Overseas Trade Co.
	29	17019910	Granulated sugar	4. China Sugar & Wine Co. (Group)
	30	17019920	Superfine sugar	5. China Commerce Foreign Trade Co.
	31	17019990	Cane or beet sugar and chemically pure sucrose, in solid form, not containing added flavouring or colouring matter, excl. granulated sugar, superfine sugar and raw sugar	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
TOBACCO	32	24011010	Flue-cured tobacco, not stemmed/stripped	China National Tobacco Import & Export Co.
	33	24011090	Tobacco other than flue-cured, not stemmed/stripped	
	34	24012010	Flue-cured tobacco, partly or wholly stemmed/stripped	
	35	24012090	Tobacco other than flue-cured, partly or wholly stemmed/stripped	
	36	24013000	Tobacco refuse	
	37	24021000	Cigars, cheroots & cigarillos, containing tobacco	
	38	24022000	Cigarettes containing tobacco	
	39	24029000	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes	
	40	24031000	Smoking tobacco whether or not containing tobacco substitutes in any proportion	
	41	24039100	Homogenized or "reconstituted" tobacco	
	42	24039900	Manufactured tobacco and tobacco substitutes, nes; tobacco extracts and essences	
	43	48131000	Cigarette paper in the form of booklets or tubes	
	44	48132000	Cigarette paper in rolls of a width ≤5cm	
	45	48139000	Cigarette paper, nes	
	46	55020010	Cellulose diacetate filament tow ³	
	47	56012210	Cigarette filter tips of man-made fibres	
	48	84781000	Machinery for preparing or making up tobacco, not elsewhere specified or included	
	49	84789000	Parts, of machinery for preparing or making up tobacco, not elsewhere specified or included	
CRUDE OIL	50	27090000	Petroleum oils & oils obtained from bituminous minerals, crude	1. China National Chemical Import & Export Co.
PROCESSED OIL	51	27100011	Motor gasoline & aviation gasoline	2. China International United Petroleum & Chemicals Co.
	52	27100013	Naphtha	
	53	27100023	Aviation kerosene	3. China National United Oil Co.
	54	27100024	Lamp-kerosene	
	55	27100031	Light diesel oil	4. Zhuhai Zhenrong Company
	56	27100033	Fuel oil No.5 to No.7 (National Code)	
	57	27100039	Diesel oils & preparations thereof and other fuel oils, nes	

³ Coverage is limited to cellulose diacetate filament tow used in the production of cigarettes.

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
CHEMICAL FERTILIZER	58	31021000	Urea, whether or not in aqueous solution	1. China National Chemical Import & Export Co. 2. China National Agricultural Means of Production Group Co.
	59	31022100	Ammonium sulphate	
	60	31022900	Double salts & mixtures of ammonium sulphate & ammonium nitrate	
	61	31023000	Ammonium nitrate, whether or not in aqueous solution	
	62	31024000	Mixtures of ammonium nitrate with calcium carbonate or other inorganic non-fertilizing substances	
	63	31025000	Sodium nitrate	
	64	31026000	Double salts & mixtures of calcium nitrate & ammonium nitrate	
	65	31027000	Calcium cyanamide	
	66	31028000	Mixtures of urea & ammonium nitrate in aqueous or ammoniacal solution	
	67	31029000	Mineral or chemical fertilizers, nitrogenous, nes, incl. mixtures not specified in the foregoing subheadings	
	68	31031000	Superphosphates	
	69	31032000	Basic slag	
	70	31039000	Mineral or chemical fertilizers, phosphatic, nes	
	71	31041000	Carnallite, sylvite & other crude natural potassium salts	
	72	31042000	Potassium chloride	
	73	31043000	Potassium sulphate	
	74	31049000	Mineral or chemical fertilizers, potassic, nes	
	75	31051000	Goods of chapter 31 in tables or similar forms or in packages of a gross weight ≤10kg	
	76	31052000	Mineral or chemical fertilizers containing the three fertilizing elements nitrogen, phosphorus & potassium	
	77	31053000	Diammonium hydrogenorthophosphate (diammonium phosphate)	
	78	31054000	Ammonium dihydrogenorthophosphate (monoammonium phosphate) and mixtures thereof with diammonium hydrogenorthophosphate (diammonium phosphate)	
	79	31055100	Mineral or chemical fertilizers containing nitrates & phosphates	
	80	31055900	Mineral or chemical fertilizers containing the two fertilizing elements nitrogen & phosphorus, nes	
	81	31056000	Mineral or chemical fertilizers with phosphorus & potassium, nes	
	82	31059000	Mineral or chemical fertilizers, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
COTTON	83	52010000	Cotton, not carded or combed	1. China National Textiles Import & Export Co. 2. Beijing Jiuda Textiles Group Co. 3. Tianjing Textiles Industry Supply and Marketing Co. 4. Shanghai Textiles Raw Materials Co.
	84	52030000	Cotton, carded or combed	

Product & HS 2000	Volume to non-state traders on accession ²⁾	Annual growth in non-state trade volume ³⁾
Oil--processed ¹⁾ (HS 27.10)	4 million tonnes	15 %
Oil--crude (HS 27.09)	7.2 million tonnes	15 %

(1) Excludes LPG, which falls under HS 27 11, and has not been notified by China as subject to state trading. The present import quota (16.58 million tonnes rising by 15% per year) will be removed on 1 January 2004.

(2) Imports to be effected pursuant to the provisions of the WTO Agreement on Import Licensing Procedures.

(3) This growth rate shall be applied for a period of 10 years following accession, after which time it shall be reviewed with interested Members. Pending conclusion of the review talks, the volume available to non-state importers on that date shall be increased annually in line with the average growth in overall imports of the product concerned over the preceding 10 year period.

However, for processed oil, a review shall be carried out with interested Members by 2004 to establish whether the growth rate should be adjusted in the light of the evolution of trade volumes.

ANNEX 2A2

PRODUCTS SUBJECT TO STATE TRADING (EXPORT)

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
TEA	1	09021010	Flavoured green tea (not fermented) in immediate packings of a content ≤3kg	China National Native Products and Animal By-Products Import & Export Co.
	2	09021090	Unflavoured green tea (not fermented) in immediate packings of a content ≤3kg	
	3	09022010	Flavoured green tea (not fermented) in immediate packings of a content >3kg	
	4	09022090	Unflavoured green tea(not fermented) in immediate packings of a content >3kg	
RICE	5	10061010	Rice in husk (paddy or rough) seed	1. China National Cereals Oil and Foodstuffs Import & Export Co. 2. Jilin Grain Import & Export Co. Ltd.
	6	10061090	Rice in husk (paddy or rough), excl. for seeding	
	7	10062000	Husked (brown) rice	
	8	10063000	Semi-milled or wholly milled rice, whether or not polished or glazed	
	9	10064000	Broken rice	
CORN	10	10051000	Maize (corn) seed	
	11	10059000	Maize (corn), excl. for seeding	
	12	11042300	Other worked grains of maize (corn) (for example, hulled, pearled, sliced or kibbled)	
SOY BEAN	13	12010010	Seed of soya beans	
	14	12010091	Yellow soya beans, not for seeding, whether or not broken	
	15	12010092	Black soya beans, not for seeding, whether or not broken	
	16	12010093	Green soya beans, not for seeding, whether or not broken	
	17	12010099	Soya beans, nes, not for seeding, whether or not broken	
TUNGSTEN ORE	18	26110000	Tungsten ores & concentrates	1. China National Metals and Minerals Import & Export Co. 2. China National Non-ferrous Import & Export Co. 3. China Rare Earth and Metal Group Co. 4. China National Chemical Import & Export Co.
	19	26209010	Ash & residues containing mainly tungsten & compound thereof	
	20	26209090	Ash & residues containing metals & compound thereof, nes	
AMMONIUM PARATUNGSTATES	21	28418010	Ammonium paratungstate	
	22	28418040	Ammonium metatungstates	
TUNGSTATE PRODUCTS	23	28259011	Tungstic acid	
	24	28259012	Tungsten trioxides	
	25	28259019	Tungsten oxides and hydroxides, nes	
	26	28418020	Sodium tungstate	
	27	28418030	Calcium tungstate	
	28	28499020	Carbides of tungsten, whether or not chemically refined	
	29	81011000	Tungsten powders	
	30	81019100	Tungsten unwrought (incl. bars and rods simply sintered); tungsten waste and scrap	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
COAL	31	27011100	Anthracite, not agglomerated, whether or not pulverized	1. China National Coal Industry Import & Export Co. 2. China National Metals and Minerals Import & Export Co. 3. Shanxi Coal Import & Export Group Co. 4. Shenhua Group Ltd.
	32	27011210	Bituminous coking coal, not agglomerated, whether or not pulverized	
	33	27011290	Other bituminous coal, other than coking coal, not agglomerated, whether or not pulverized	
	34	27011900	Coal nes, not agglomerated, whether or not pulverized	
	35	27021000	Lignite, not agglomerated, whether or not pulverized	
CRUDE OIL	36	27090000	Petroleum oils & oils obtained from bituminous minerals, crude	1. China National Chemical Import & Export Co. 2. China International United Petroleum & Chemicals Co. 3. China National United Oil Co.
PROCESSED OIL	37	27100011	Motor gasoline & aviation gasoline	
	38	27100013	Naphtha	
	39	27100019	Gasoline distillages, nes & preparations thereof	
	40	27100023	Aviation kerosene	
	41	27100024	Lamp-kerosene	
	42	27100029	Kerosene distillages, nes & preparations thereof	
	43	27100031	Light diesel oil	
	44	27100033	Fuel oil No.5 to No.7 (National Code)	
	45	27100039	Diesel oils & preparations thereof and other fuel oils, nes	
	46	27100053	Lubricating greases	
	47	27100054	Lubricating oils	
	48	27100059	Heavy oils & preparations thereof, nes	
	49	27111100	Natural gas, liquefied	
SILK	50	50010010	Mulberry feeding silk-worm cocoons	China National Silk Import & Export Co.
	51	50010090	Silk-worm cocoons suitable for reeling (excl. Mulberry feeding silk-worm cocoons)	
	52	50020011	Plant reeled (Steam filature silk),not thrown	
	53	50020012	Steam filature silk ,home reeled, not thrown	
	54	50020013	Steam filature silk, doupion, not thrown	
	55	50020019	Steam filature raw silk (excl. Plant reeled, home reeled, doupion), not thrown	
	56	50020020	Tussah raw silk, not thrown	
	57	50020090	Raw silk, nes, not thrown	
	58	50031000	Silk waste (including cocoons unsuitable for reeling, yarn waste and garneted stock), not carded or combed	
	59	50039000	Silk waste (including cocoons unsuitable for reeling, yarn waste and garneted stock), carded or combed	
	60	50040000	Silk yarn (excl. spun from silk waste), not put up for retail sale	
	61	50050010	Yarn spun from noil, not put up for retail sale	
	62	50050090	Yarn spun from other silk waste (excl. Yarn spun from noil), not put up for retail sale	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
UN-BLEACHED SILK	63	50071010	Unbleached (unscoured or scoured) or bleached woven fabrics of noil silk	
	64	50072011	Unbleached (unscoured or scoured) or bleached woven fabrics, containing 85% or more by weight of mulberry silk	
	65	50072021	Unbleached (unscoured or scoured) or bleached woven fabrics of tussah silk, containing 85% or more by weight of tussah silk	
	66	50072031	Unbleached (unscoured or scoured) or bleached woven fabrics of spun silk, containing 85% or more by weight of tussah silk	
COTTON	67	52010000	Cotton, not carded or combed	
	68	52030000	Cotton, carded or combed	
COTTON YARN, containing 85% or more by weight of cotton*	69	52041100	Cotton sewing thread, cotton by weight $\geq 85\%$, not put up for retail sale	
	70	52051100	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring ≤ 14 metric number, not put up for retail sale	
	71	52051200	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring, > 14 metric number but ≤ 43 metric number, not put up for retail sale	1. China National Textiles Import & Export Co.
	72	52051300	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	2. Qingdao Textiles United Import & Export Co.
	73	52051400	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	3. Beijing No.2 Cotton Mill
	74	52051500	Uncombed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 80 metric number, not put up for retail sale	4. Beijing No.3 Cotton Mill
	75	52052100	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring ≤ 14 metric number, not put up for retail sale	5. Tianjin No.1 Cotton Mill
	76	52052200	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	6. Shanghai Shenda Co. Ltd
	77	52052300	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	7. Shanghai Huashen Textiles and Dying Co. (Group)
	78	52052400	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	8. Dalian Huanqiu Textiles Group Co.
	79	52052600	Combed single cotton yarn, cotton by weight $\geq 85\%$, measuring > 80 metric number but ≤ 94 metric number, not put up for retail sale	9. Shijiazhuang Changshan Textiles Group
	80	52053100	Uncombed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring ≤ 14 metric number	10. Luoyang Cotton Mill, Henan Province
	81	52053200	Uncombed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	
	82	52053300	Uncombed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
	83	52053400	Uncombed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	
	84	52053500	Uncombed cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 80 metric number, not put up for retail sale	
	85	52054100	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring ≤ 14 metric number, not put up for retail sale	
	86	52054200	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	
	87	52054300	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	
	88	52054400	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	
	89	52054600	Combed multiple or cabled cotton yarn, cotton by weight $\geq 85\%$, measuring > 80 metric number but ≤ 94 metric number, not put up for retail sale	
	90	52071000	Cotton yarn (excl. sewing), put up for retail sale, cotton by weight $\geq 85\%$	
	COTTON YARN, containing less than 85% by weight of cotton*	91	52041900	
92		52061100	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring ≤ 14 metric number, not put up for retail sale	
93		52061200	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	
94		52061300	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	
95		52061400	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	
96		52061500	Uncombed single cotton yarn, cotton by weight $< 85\%$, measuring > 80 metric number, not put up for retail sale	
97		52062100	Combed single cotton yarn, cotton by weight $< 85\%$, measuring ≤ 14 metric number, not put up for retail sale	
98		52062200	Combed single cotton yarn, cotton by weight $< 85\%$, measuring > 14 metric number but ≤ 43 metric number, not put up for retail sale	
99		52062300	Combed single cotton yarn, cotton by weight $< 85\%$, measuring > 43 metric number but ≤ 52 metric number, not put up for retail sale	
100		52062400	Combed single cotton yarn, cotton by weight $< 85\%$, measuring > 52 metric number but ≤ 80 metric number, not put up for retail sale	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
	101	52062500	Combed single cotton yarn, cotton by weight <85%, measuring >80metric number, not put up for retail sale	
	102	52063100	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring ≤14metric number, not put up for retail sale	
	103	52063200	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring >14metric number but ≤43metric number, not put up for retail sale	21. Xinjiang Textiles Industry Co. (Group)
	104	52063300	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring >43metric number but ≤52metric number, not put up for retail sale	22. Anqing Textiles Mill
	105	52063400	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring >52metric number but ≤80metric number, not put up for retail sale	23. Jinan No.2 Cotton Mill
	106	52063500	Uncombed multiple or cabled cotton yarn, cotton by weight <85%, measuring >80metric number, not put up for retail sale	24. Tianjin No.2 Cotton Mill
	107	52064100	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring ≤14metric number, not put up for retail sale	25. Jinhua Textiles Mill, Shanxi Province
	108	52064200	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring >14metric number but ≤43metric number, not put up for retail sale	26. Jinwei Group Co., Zhejiang Province
	109	52064300	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring >43metric number but ≤52metric number, not put up for retail sale	27. Northwest No.5 Cotton Mill
	110	52064400	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring >52metric number but ≤80metric number, not put up for retail sale	28. Baoding No.1 Cotton Mill
	111	52064500	Combed multiple or cabled cotton yarn, cotton by weight <85%, measuring >80metric number, not put up for retail sale	29. Liaoyang Textiles Mill
	112	52079000	Cotton yarn (excl. sewing), put up for retail sale, cotton by weight <85%	30. Changchun Textiles Mill
	113	52081100	Unbleached plain cotton weave, cotton by weight ≥85%, a weight not exceeding 100g/m2	31. Huaxin Cotton Mill, Henan Province
	114	52081200	Unbleached plain cotton weave, cotton by weight ≥85%, a weight exceeding 100g/m2 but not exceeding 200g/m2	32. Baotou Textiles Mill
	115	52081300	Unbleached 3 or 4-thread twill, cotton by weight ≥85%, a weight not exceeding 200g/m2	33. Ninbo Hefeng Textiles Group Co.
	116	52081900	Unbleached woven cotton fabrics, nes, cotton by weight ≥85%, a weight not exceeding 200g/m2	34. Northwest No.4 Cotton Mill
	117	52091100	Unbleached plain cotton weave, cotton by weight ≥85%, a weight exceeding 200g/m2	35. Xinjiang Shihezi Bayi Cotton Mill
	118	52091200	Unbleached 3 or 4-thread twill, cotton by weight ≥85%, a weight exceeding 200g/m2	
	119	52091900	Unbleached cotton fabrics, cotton by weight ≥85%, a weight exceeding 200g/m2, nes	
WOVEN FABRICS OF COTTON, containing 85% or more by weight of cotton*				

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	STATE TRADING ENTERPRISES
WOVEN FABRICS OF COTTON, containing less than 85% by weight of cotton*	120	52101100	Unbleached plain cotton weave, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight not exceeding 200g/m2	
	121	52101200	Unbleached 3 or 4-thread twill, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight not exceeding 200g/m2	
	122	52101900	Unbleached woven cotton fabrics, nes, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight not exceeding 200g/m2	
	123	52111100	Unbleached plain cotton weave, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight exceeding 200g/m2	
	124	52111200	Unbleached 3 or 4-thread twill, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight exceeding 200g/m2	
	125	52111900	Unbleached woven cotton fabrics, nes, cotton by weight <85%,mixed mainly or solely with man-made fibres, a weight exceeding 200g/m2	
ANTIMONY ORES	126	26171010	Crude antimony	1. China National Metals and Minerals Import & Export Co.
	127	26171090	Antimony ores & concentrates, excl. crude	
ANTIMONY OXIDE	128	28258000	Antimony oxides	
ANTIMONY PRODUCTS	129	81100020	Antimony unwrought	3. China Rare Earth and Metal Group Co.
	130	81100030	Antimony waste and scrap; Antimony powders	
	131	81100090	Antimony and articles thereof, nes	
SILVER	132	71061000	Silver in powder	1. China Banknote Printing and Minting Corporation 2. China Copper Lead Zinc Group
	133	71069100	Silver (incl. Silver plated with gold or platinum) in unwrought forms	
	134	71069200	Silver (incl. Silver plated with gold or platinum) in semi-manufactured forms nes	

* Each of the 35 State Trading Enterprises listed under products "Cotton Yarn, containing 85% or more by weight of cotton", "Cotton Yarn, containing less than 85% by weight of cotton", "Woven Fabrics of Cotton, containing 85% or more by weight of cotton", "Woven Fabrics of Cotton, containing less than 85% by weight of cotton", may trade in Product Numbers 69 through 125.

ANNEX 2B

PRODUCTS SUBJECT TO DESIGNATED TRADING

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
NATURAL RUBBER	1	40011000	Natural rubber latex, in primary forms or in plates, sheets or strip	Liberalized within 3 years after accession.
	2	40012100	Smoked sheets of natural rubber	
	3	40012200	Technically specified natural rubber, in primary forms or in plates, sheets or strip	
	4	40012900	Natural rubber, in primary forms or in plates, sheets or strip, nes	
TIMBER	5	44020000	Wood charcoal (incl. shell or nut charcoal), whether or not agglomerated	Liberalized within 3 years after accession.
	6	44031000	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, treated with paint, stains, creosote or other preservatives	
	7	44032000	Coniferous wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	8	44034910	Teak wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	9	44034990	Specified tropical wood in the rough, nes, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	10	44039100	Oak (Quercus spp.) wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	11	44039200	Beech (Fagus spp.) wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	12	44039910	Nan mu (Phoebe) wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	13	44039920	Camphor wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	14	44039930	Rosewood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	15	44039940	Kiri (Paulownia) wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	16	44039990	Wood, nes, in the rough, whether or not stripped of bark or sapwood, or roughly squared, excl. treated with preservatives	
	17	44041000	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked; chipwood and the like, coniferous	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	18	44042000	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked; chipwood and the like, non-coniferous	
	19	44050000	Wood wool; wood flour	
	20	44061000	Railway or tramway sleepers (cross-ties) of wood, not impregnated	
	21	44069000	Railway or tramway sleepers (cross-ties) of wood, impregnated	
	22	44071000	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, conifers	
	23	44072400	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Virola, Mahogany (Swietenia spp.), Imbuia and Balsa	
	24	44072500	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Dark Red Meranti, Light Red Meranti and Meranti Bakau	
	25	44072600	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, White Lauan, White Meranti, White Seraya, Yellow Meranti and Alan	
	26	44072910	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Teak wood	
	27	44072990	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, specified tropical woods nes	
	28	44079100	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Oak (Quercus spp.) wood	
	29	44079200	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Beech (Fagus spp.) wood	
	30	44079910	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Nan mu, Camphor wood or Rosewood	
	31	44079920	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, Paulownia wood	
	32	44079990	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm, wood nes	
PLYWOOD	33	44121300	Plywood consisting solely of sheets of wood, each ply not exceeding 6mm thickness, with at least one outer ply of tropical wood specified	Liberalized within 3 years after accession.
	34	44121400	Plywood consisting solely of sheets of wood, each ply not exceeding 6mm thickness, with at least one outer ply of non-coniferous wood	
	35	44121900	Plywood consisting solely of sheets of wood, each ply not exceeding 6mm thickness, nes	

PRODUCTS	NO	HSNO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
WOOL	36	51011100	Greasy shorn wool, not carded or combed	Liberalized within 3 years after accession.
	37	51011900	Greasy wool (excl. shorn), not carded or combed	
	38	51012100	Degreased shorn wool, not carbonised, not carded or combed	
	39	51012900	Degreased wool (excl. shorn), not carbonised, not carded or combed	
	40	51013000	Carbonized wool, not carded or combed	
	41	51031010	Noils of wool, excluding garnetted stock	
	42	51051000	Carded wool	
	43	51052100	Combed wool in fragments	
	44	51052900	Wool tops & combed wool (excl. Combed wool in fragments)	
ACRYLIC	45	54023910	Synthetic filament textured yarn of polypropylene, not for retail sale	Liberalized within 3 years after accession.
	46	54023990	Synthetic filament textured yarn, nes, not for retail sale	
	47	54024910	Single synthetic yarn of polypropylene, with ≤50 turns/m, not for retail sale	
	48	54024920	Single synthetic yarn of polyurethane, with ≤50 turns/m, not for retail sale	
	49	54024990	Single synthetic yarn, nes, with ≤50 turns/m, not for retail sale	
	50	54025910	Single filament yarn of polypropylene, with >50 turns/m, not for retail sale	
	51	54025990	Single synthetic filament yarn, nes, with >50 turns/m, not for retail sale	
	52	54026910	Multiple or cabled yarn of polypropylene not for retail sale	
	53	54026920	Multiple or cabled yarn of polyurethane, not for retail sale	
	54	54026990	Multiple or cabled yarn of synthetic filament, nes, not for retail sale	
	55	55013000	Synthetic filament tow of acrylic or modacrylic	
	56	55033000	Synthetic staple fibres, of acrylic or modacrylic, not carded, combed or otherwise processed for spinning	
	57	55063000	Synthetic staple fibres of acrylic or modacrylic, carded, combed or otherwise processed for spinning	
	58	55093100	Single yarn, with ≥85% acrylic or modacrylic staple fibres, not put up for retail sale	
	59	55093200	Multiple or cabled yarn, ≥85% acrylic/modacrylic staple fibres, not put up for retail sale	
	60	55096100	Yarn, <85% acrylic or modacrylic staple fibres, mixed mainly or solely with wool or fine animal hair, not put up for retail sale	
	61	55096200	Yarn, <85% acrylic or modacrylic staple fibres, mixed mainly or solely with cotton, not put up for retail sale	
	62	55096900	Yarn, <85% acrylic or modacrylic staple fibres, nes, not put up for retail sale	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
STEEL	63	72081000	Iron or non-alloy steel in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, with patterns in relief	Liberalized within 3 years after accession.
	64	72082500	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, pickled, of a thickness of 4.75mm or more	
	65	72082600	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, pickled, of a thickness of 3mm or more but less than 4.75mm	
	66	72082700	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, pickled, of a thickness of less than 3mm	
	67	72083600	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 10mm or more	
	68	72083700	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 4.75mm or more but less than 10mm	
	69	72083800	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 3mm or more but less than 4.75mm	
	70	72083900	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of less than 3mm	
	71	72084000	Flat-rolled products of iron or non-alloy steel not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, with patterns in relief	
	72	72085100	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 10mm or more	
	73	72085200	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 4.75mm or more but less than 10mm	
	74	72085300	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of 3mm or more but less than 4.75mm	
	75	72085400	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than hot-rolled, nes, of a thickness of less than 3mm	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	76	72089000	Flat-rolled products of iron or non-alloy steel, not clad or plated or coated, of a width of 600mm or more, hot-rolled, nes	
	77	72091500	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 3mm or more	
	78	72091600	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness exceeding 1mm but less than 3mm	
	79	72091700	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 0.5mm or more but not exceeding 1mm	
	80	72091800	Flat-rolled products of iron or non-alloy steel, in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of less than 0.5mm	
	81	72092500	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 3mm or more	
	82	72092600	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness exceeding 1mm but less than 3mm	
	83	72092700	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 0.5mm or more but not exceeding 1mm	
	84	72092800	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of less than 0.5mm	
	85	72099000	Flat-rolled products of iron or non-alloy steel, not clad or plated or coated, of a width of 600mm or more, cold-rolled, nes	
	86	72101100	Flat-rolled products of iron or non-alloy steel, plated or coated with tin, of a width of 600mm or more, of a thickness of 0.5mm or more	
	87	72101200	Flat-rolled products of iron or non-alloy steel, plated or coated with tin, of a width of 600mm or more, of a thickness of less than 0.5mm	
	88	72102000	Flat-rolled products of iron or non-alloy steel, plated or coated with lead, of a width of 600mm or more, including terneplate	
	89	72103000	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, electrolytically plated or coated with zinc	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	90	72104100	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, corrugated, plated or coated with zinc nes	
	91	72104900	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated with zinc, nes	
	92	72105000	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated with chromium oxides or with chromium and chromium oxides	
	93	72106100	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated with aluminium-zinc alloys	
	94	72106900	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated with aluminium, nes	
	95	72107000	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, painted or plated with plastics	
	96	72109000	Flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, plated or coated, nes	
	97	72111300	Flat-rolled products of iron or non-alloy steel, not in coils, not clad or plated or coated, rolled on four faces or in a closed box pass, 150mm <width >600mm, and a thickness ≥4mm, without patterns in relief, not further worked than hot-rolled	
	98	72111400	Flat-rolled products of iron or non-alloy steel, not further worked than hot-rolled, not clad or plated or coated, of a width of less than 600mm, of a thickness of 4.75mm or more, nes	
	99	72111900	Flat-rolled products of iron or non-alloy steel, not further worked than hot-rolled, not clad or plated or coated, of a width of less than 600mm, nes	
	100	72112300	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, not further worked than cold-rolled, containing by weight less than 0.25% of carbon	
	101	72112900	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, not further worked than cold-rolled, containing by weight not less than 0.25% of carbon	
	102	72119000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, nes	
	103	72121000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, plated or coated with tin	
	104	72122000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, electrolytically plated or coated with zinc	
	105	72123000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, plated or coated with zinc, nes	
	106	72124000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, painted or plated or coated with plastics	
	107	72125000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, plated or coated, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	108	72126000	Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, clad	
	109	72131000	Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, containing indentations & ribs & grooves & other deformations produced during the rolling process	
	110	72132000	Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of free cutting steel	
	111	72139100	Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of circular cross-section measuring less than 14 mm in diameter, nes	
	112	72139900	Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, nes	
	113	72141000	Bars & rods of iron or non-alloy steel, not further worked than forged, nes	
	114	72142000	Bars & rods of iron or non-alloy steel, not further worked than forged or hot-rolled or hot-drawn or hot-extruded, containing indentations & ribs & grooves & other deformations produced during the rolling process or twisted after rolling, nes	
	115	72143000	Bars & rods of iron or non-alloy steel, not further worked than forged or hot-rolled or hot-drawn or hot-extruded (incl. twisted after rolling), of free cutting steel, nes	
	116	72149100	Bars & rods of iron or non-alloy steel, not further worked than forged or hot-rolled or hot-drawn or hot-extruded (incl. twisted after rolling), of rectangular (excl. square) cross-section, nes	
	117	72149900	Bars & rods of iron or non-alloy steel, not further worked than forged or hot-rolled or hot-drawn or hot-extruded (incl. twisted after rolling), nes	
	118	72151000	Bars & rods of free cutting steel, not further worked than cold- formed or cold-finished, nes	
	119	72155000	Bars & rods of iron or non-alloy steel, not further worked than cold- formed or cold-finished, nes	
	120	72159000	Bars & rods of iron or non-alloy steel, nes	
	121	72161010	H sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height less than 80mm	
	122	72161090	U & I sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height less than 80mm	
	123	72162100	L sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height less than 80mm	
	124	72162200	T sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height less than 80mm	
	125	72163100	U sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	126	72163200	I sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	
	127	72163300	H sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	
	128	72164010	L sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	
	129	72164020	T sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, of a height of 80mm or more	
	130	72165010	Z sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded	
	131	72165090	Angles & shapes & sections of iron or non-alloy steel, not further worked than hot-rolled or hot-drawn or hot-extruded, nes	
	132	72166100	Angles & shapes & sections of iron or non-alloy steel, not further worked than cold-rolled or cold-drawn or cold-extruded, obtained from flat-rolled products	
	133	72166900	Angles & shapes & sections of iron or non-alloy steel, not further worked than cold-rolled or cold-drawn or cold-extruded, nes	
	134	72169100	Angles & shapes & sections of iron or non-alloy steel, cold-rolled or cold-drawn or cold-extruded, obtained from flat-rolled products, nes	
	135	72169900	Angles & shapes & sections of iron or non-alloy steel, cold-rolled or cold-drawn or cold-extruded, nes	
	136	72171000	Wire of iron or non-alloy steel, not plated or coated, whether or not polished	
	137	72172000	Wire of iron or non-alloy steel, plated or coated with zinc	
	138	72173000	Wire of iron or non-alloy steel, plated or coated with other base metals	
	139	72179000	Wire of iron or non-alloy steel, nes	
	140	72181000	Ingots & other primary forms of stainless steel	
	141	72189100	Semi-finished products of stainless steel, of rectangular (other than square) cross-section	
	142	72189900	Semi-finished products of stainless steel, nes	
	143	72191100	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, in coils, of a thickness exceeding 10mm	
	144	72191200	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, in coils, of a thickness of 4.75mm or more but less than 10mm	
	145	72191300	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, in coils, of a thickness of 3mm or more but less than 4.75mm	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	146	72191400	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, in coils, of a thickness of less than 3mm	
	147	72192100	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, not in coils, of a thickness exceeding 10mm	
	148	72192200	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, not in coils, of a thickness of 4.75mm or more but less than 10mm	
	149	72192300	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, not in coils, of a thickness of 3mm or more but less than 4.75mm	
	150	72192400	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than hot-rolled, not in coils, of a thickness of less than 3mm	
	151	72193100	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 4.75mm or more	
	152	72193200	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 3mm or more but less than 4.75mm	
	153	72193300	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness exceeding 1mm but less than 3mm	
	154	72193400	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of 0.5mm or more but not exceeding 1mm	
	155	72193500	Flat-rolled products of stainless steel, of a width of 600mm or more, not further worked than cold-rolled, of a thickness of less than 0.5mm	
	156	72199000	Flat-rolled products of stainless steel, of a width of 600mm or more, nes	
	157	72201100	Flat-rolled products of stainless steel, of a width of less than 600mm, not further worked than hot-rolled, of a thickness of 4.75mm or more	
	158	72201200	Flat-rolled products of stainless steel, of a width of less than 600mm, not further worked than hot-rolled, of a thickness of less than 4.75mm	
	159	72202000	Flat-rolled products of stainless steel, of a width of less than 600mm, not further worked than cold-rolled	
	160	72209000	Flat-rolled products of stainless steel, of a width of less than 600mm, nes	
	161	72210000	Bars & rods of stainless steel, hot-rolled, in irregularly wound coils	
	162	72221100	Bars & rods of stainless steel, not further worked than hot-rolled or hot-drawn or extruded, of circular cross-section, nes	
	163	72221900	Bars & rods of stainless steel, not further worked than hot-rolled or hot-drawn or extruded, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	164	72222000	Bars & rods of stainless steel, not further worked than cold- formed or cold-finished	
	165	72223000	Bars & rods of stainless steel, nes	
	166	72224000	Angles, shapes & sections, stainless steel	
	167	72230000	Wire of stainless steel	
	168	72241000	Ingots & other primary forms of alloy steel, other than stainless	
	169	72249010	Raw casting forging stocks, individual piece weight of 10T or more, of alloy steel, other than stainless	
	170	72249090	Semi-finished products of alloy steel other than stainless, nes	
	171	72251100	Flat rolled products of Si-electrical steel, width \geq 600mm, grain-oriented	
	172	72251900	Flat rolled products of silicon-electrical steel, width \geq 600mm, nes	
	173	72252000	Flat rolled products of high speed steel, width \geq 600mm	
	174	72253000	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), in coils, not further worked than hot-rolled, width \geq 600mm	
	175	72254000	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), not further worked than hot-rolled, width \geq 600mm, nes	
	176	72255000	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), not further worked than cold-rolled, width \geq 600mm	
	177	72259100	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), nes, width \geq 600mm, electrolytically coated with zinc	
	178	72259200	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), nes, width \geq 600mm, otherwise coated with zinc	
	179	72259900	Flat rolled products, of alloy steel, width \geq 600mm, nes	
	180	72261100	Flat rolled products of silicon -electrical steel, width <600mm grain-oriented	
	181	72261900	Flat rolled products of silicon -electrical steel, width <600mm, nes	
	182	72262000	Flat rolled products of high speed steel, width <600mm	
	183	72269100	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), not further worked than hot-rolled, width <600mm	
	184	72269200	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), not further worked than cold-rolled, width <600mm	
	185	72269300	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), nes, width <600mm, electrolytically coated with zinc	
	186	72269400	Flat rolled products, of alloy steel (excl. stainless, silicon-electrical steel, high speed steel), nes, width <600mm, otherwise coated with zinc	
	187	72269900	Flat rolled products, of alloy steel, width <600mm, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	188	72271000	Bars & rods, of high speed steel, hot-rolled, in irregularly wound coils	
	189	72272000	Bars & rods, of silico-manganese steel, hot-rolled, in irregular wound coils	
	190	72279000	Bars & rods, of alloy steel, hot-rolled, in irregularly wound coils, nes	
	191	72281000	Bars & rods of high speed steel, nes	
	192	72282000	Bars & rods of silico-manganese steel, nes	
	193	72283000	Bars & rods of alloy steel other than stainless, not further worked than hot-rolled or hot-drawn or extruded, nes	
	194	72284000	Bars & rods of alloy steel other than stainless, not further worked than forged	
	195	72285000	Bars & rods of alloy steel other than stainless, not further worked than cold formed or finished	
	196	72286000	Bars & rods of alloy steel other than stainless, nes	
	197	72287010	Shapes of crawler tread of alloy steel other than stainless	
	198	72287090	Angles, shapes & sections of alloy steel other than stainless, nes	
	199	72288000	Bars & rods, hollow drill, of alloy or non-alloy steel	
	200	72291000	Wire of high speed steel	
	201	72292000	Wire of silico-manganese steel	
	202	72299000	Wire of alloy steel, nes	
	203	73011000	Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements	
	204	73012000	Angles, shapes & sections, welded, of iron or steel	
	205	73021000	Rails, of iron or steel	
	206	73022000	Sleepers (cross-ties), of iron or steel	
	207	73023000	Switch blades & crossing frogs & point rods & other crossing pieces, of iron or steel	
	208	73024000	Fish plates & sole plates, of iron or steel	
	209	73029000	Rail or tramway construction material of iron or steel, nes	
	210	73030010	Tube, pipes of cast iron, of circular cross-section, inside diameter \geq 500mm	
	211	73030090	Tubes, pipes & hollow profiles of cast iron, nes	
	212	73041000	Pipes, line, of iron (other than cast) or steel, seamless, of a kind used for oil or gas pipelines	
	213	73042100	Drill pipe, of iron (other than cast) or steel, seamless, for use in drilling for oil or gas	
	214	73042900	Casings, tubing pipe of iron (other than cast) or steel, seamless, for use in drilling for oil or gas	
	215	73043110	Boiler tubes & pipes, of iron (other than cast) or steel, seamless, of circular cross-section, cold drawn or rolled	
	216	73043120	Geological casing & drill pipe, of iron (other than cast) or steel, seamless, of circular cross-section, cold drawn or rolled	
	217	73043190	Tubes & pipe, of iron (other than cast) or steel, seamless, of circular cross-section, cold drawn or rolled, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	218	73043910	Boiler tubes & pipes, of iron (other than cast) or steel, seamless, of circular cross-section, not cold drawn or rolled	
	219	73043920	Geological casing & drill pipe, of iron (other than cast) or steel, seamless, of circular cross-section, not cold drawn or rolled	
	220	73043990	Tubes & pipe, of iron (other than cast) or steel, seamless, of circular cross-section, not cold drawn or rolled, nes	
	221	73044190	Tubes, pipe, of stainless steel, seamless, of circular cross-section, cold drawn or rolled, nes	
	222	73044910	Boiler tubes & pipes, of stainless steel, seamless, of circular cross-section, not cold drawn or rolled	
	223	73044990	Tubes & pipe, of stainless steel, seamless, of circular cross-section, cold drawn or rolled, nes	
	224	73045110	Boiler tube & pipe, of alloy steel other than stainless, seamless, of circular cross-section, cold drawn or rolled	
	225	73045120	Geological casing & drill pipe, of alloy steel other than stainless, seamless, of circular cross-section, cold drawn or rolled	
	226	73045190	Tubes & pipe, of alloy steel other than stainless, seamless, of circular cross-section, cold drawn or rolled, nes	
	227	73045910	Boiler tube & pipe, of alloy steel other than stainless, seamless, of circular cross-section, not cold drawn or rolled	
	228	73045920	Geological casing & drill pipe, of alloy steel other than stainless, seamless, of circular cross-section, not cold drawn or rolled	
	229	73045990	Tubes & pipe, of alloy steel other than stainless, seamless, of circular cross-section, not cold drawn or rolled, nes	
	230	73049000	Tubes, pipe & hollow profiles, of iron (other than cast) or steel, seamless, nes	
	231	73051100	Line pipes for oil or gas pipelines, of iron or steel, of circular cross-section, external diameter >406.4mm, longitudinally submerged arc welded	
	232	73051200	Line pipes for oil or gas pipelines, of iron or steel, of circular cross-section, external diameter >406.4mm, longitudinally welded nes	
	233	73051900	Line pipes for oil or gas pipelines, of iron or steel, of circular cross-section, external diameter >406.4mm, nes	
	234	73052000	Casings used in drilling for oil or gas, of iron or steel, of circular cross-section, external diameter >406.4mm, nes	
	235	73053100	Tubes & pipe, of iron or steel, longitudinally welded, of circular cross-section, external diameter >406.4mm, nes	
	236	73053900	Tubes & pipe, of iron or steel, welded (excl. longitudinally welded), , external diameter >406.4mm	
	237	73059000	Tubes & pipe, of iron or steel, riveted or similarly closed, external diameter >406.4mm, nes	
	238	73061000	Line pipes for oil or gas pipelines, of iron or steel, welded or open seam or riveted or similarly closed, nes	

PRODUCTS	NO	HS NO	DESCRIPTION OF PRODUCTS	LIBERALIZATION PROGRAM
	239	73062000	Casings used in drilling for oil or gas, of iron or steel, welded or open seam or riveted or similarly closed, nes	
	240	73063000	Tubes & pipes, of iron and non-alloy steel, welded, of circular cross-section, nes	
	241	73064000	Tubes & pipes, of stainless steel, welded, of circular cross-section, nes	
	242	73065000	Tubes & pipes, of alloy steel other than stainless, welded, of circular cross-section, nes	
	243	73066000	Tubes, pipe & hollow profiles, of iron or steel, welded, of non-circular cross-section, nes	
	244	73069000	Tubes, pipe & hollow profiles, of iron or steel, welded or open seam or riveted or similarly closed, nes	
	245	73121000	Stranded wire & ropes & cables, of iron or steel, not electrically insulated	

ANNEX 3

NON-TARIFF MEASURES SUBJECT TO PHASED ELIMINATION

Table One
Products Subject to Import Licence, Import Quota and Import Tendering

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
1	17011100	Raw cane sugar, in solid form, not containing added flavouring or colouring matter	L	Q		upon accession	
2	17011200	Raw beet sugar, in solid form, not containing added flavouring or colouring matter	L	Q		upon accession	
3	17019910	Granulated sugar	L	Q		upon accession	
4	17019920	Superfine sugar	L	Q		upon accession	
5	24011010	Flue-cured tobacco, not stemmed/stripped	L	Q		upon accession	
6	24011090	Tobacco other than flue-cured, not stemmed/stripped	L	Q		upon accession	
7	24012010	Flue-cured tobacco, partly or wholly stemmed/stripped	L	Q		upon accession	
8	24012090	Tobacco other than flue-cured, partly or wholly stemmed/stripped	L	Q		upon accession	
9	24013000	Tobacco refuse	L	Q		upon accession	
10	24029000	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes	L	Q		upon accession	
11	24039100	Homogenized or "reconstituted" tobacco	L	Q		upon accession	
12	27100011	Motor gasoline & aviation gasoline	L	Q		2004	1
13	27100013	Naphtha	L	Q		2004	1
14	27100019	Gasoline distillages, nes & preparations thereof	L	Q		2004	1
15	27100023	Aviation kerosene	L	Q		2004	1
16	27100024	Lamp-kerosene	L	Q		2004	1
17	27100031	Light diesel oil	L	Q		2004	1
18	27100033	Fuel oil No.5 to No.7 (National Code)	L	Q		2004	1
19	27100039	Diesel oils & preparations thereof and other fuel oils, nes	L	Q		2004	1
20	28371110	Sodium cyanide	L	Q		2002	2
21	31021000	Urea, whether or not in aqueous solution	L	Q		upon accession	
22	31022100	Ammonium sulphate	L	Q		2002	3
23	31022900	Double salts & mixtures of ammonium sulphate & ammonium nitrate	L	Q		2002	3
24	31023000	Ammonium nitrate, whether or not in aqueous solution	L	Q		2002	3
25	31024000	Mixtures of ammonium nitrate with calcium carbonate or other inorganic non-fertilizing substances	L	Q		2002	3
26	31025000	Sodium nitrate	L	Q		upon accession	
27	31026000	Double salts & mixtures of calcium nitrate & ammonium nitrate	L	Q		upon accession	
28	31027000	Calcium cyanamide	L	Q		upon accession	
29	31028000	Mixtures of urea & ammonium nitrate in aqueous or ammoniacal solution	L	Q		2002	3
30	31029000	Mineral or chemical fertilizers, nitrogenous, nes, incl. mixtures not specified in the foregoing subheadings	L	Q		2002	3
31	31031000	Superphosphates	L	Q		2002	3
32	31032000	Basic slag	L	Q		2002	3

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
33	31039000	Mineral or chemical fertilizers, phosphatic, nes	L	Q		2002	3
34	31041000	Carnallite, sylvite & other crude natural potassium salts	L	Q		upon accession	
35	31042000	Potassium chloride	L	Q		upon accession	
36	31043000	Potassium sulphate	L	Q		2002	3
37	31049000	Mineral or chemical fertilizers, potassic, nes	L	Q		upon accession	
38	31051000	Goods of chapter 31 in tables or similar forms or in packages of a gross weight ≤10kg	L	Q		2002	3
39	31052000	Mineral or chemical fertilizers containing the three fertilizing elements nitrogen, phosphorus & potassium	L	Q		upon accession	
40	31053000	Diammonium hydrogenorthophosphate (diammonium phosphate)	L	Q		upon accession	
41	31054000	Ammonium dihydrogenorthophosphate (monoammonium phosphate) and mixtures thereof with diammonium hydrogenorthophosphate (diammonium phosphate)	L	Q		2002	3
42	31055100	Mineral or chemical fertilizers containing nitrates & phosphates	L	Q		2002	3
43	31055900	Mineral or chemical fertilizers containing the two fertilizing elements nitrogen & phosphorus, nes	L	Q		2002	3
44	31056000	Mineral or chemical fertilizers with phosphorus & potassium, nes	L	Q		2002	3
45	31059000	Mineral or chemical fertilizers, nes	L	Q		2002	3
46	39076011	Polyethylene terephthalate in slices or chips, high viscosity	L	Q		upon accession	
47	39076019	Polyethylene terephthalate in slices or chips, nes	L	Q		upon accession	
48	40011000	Natural rubber latex, in primary forms or in plates, sheets or strip	L	Q		2004	4
49	40012100	Smoked sheets of natural rubber	L	Q		2004	4
50	40012200	Technically specified natural rubber, in primary forms or in plates, sheets or strip	L	Q		2004	4
51	40012900	Natural rubber, in primary forms or in plates, sheets or strip, nes	L	Q		2004	4
52	40111000	New pneumatic tyres, of rubber of a kind used on motor cars	L	Q		2004	5
53	40112000	New pneumatic tyres, of rubber of a kind used on buses or lorries	L	Q		2004	5
54	40119100	New pneumatic tyres, of rubber, nes, of herring-bone or similar tread	L	Q		2002	5
55	40121010	Retreaded tyres of rubber used on automobiles	L	Q		2002	5
56	40122010	Used pneumatic tyres of rubber used on automobiles	L	Q		2002	5
57	40129020	Solid/cushion rubber tyres, etc, used on automobiles	L	Q		upon accession	
58	40131000	Inner tubes, of rubber of a kind used on motor cars, buses or lorries	L	Q		upon accession	
59	51011100	Greasy shorn wool, not carded or combed	L	Q		upon accession	
60	51011900	Greasy wool (excl. shorn), not carded or combed	L	Q		upon accession	
61	51012100	Degreased shorn wool, not carbonised, not carded or combed	L	Q		upon accession	
62	51012900	Degreased wool (excl. shorn), not carbonised, not carded or combed	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
63	51013000	Carbonized wool, not carded or combed	L	Q		upon accession	
64	51031010	Noils of wool, excluding garnetted stock	L	Q		upon accession	
65	51051000	Carded wool	L	Q		upon accession	
66	51052100	Combed wool in fragments	L	Q		upon accession	
67	51052900	Wool tops & combed wool (excl. Combed wool in fragments)	L	Q		upon accession	
68	52010000	Cotton, not carded or combed	L	Q		upon accession	
69	52030000	Cotton, carded or combed	L	Q		upon accession	
70	54022000	High tenacity yarn of polyesters	L	Q		upon accession	
71	54023310	Elastic filament of polyesters, not for retail sale	L	Q		upon accession	
72	54023390	Textured yarn of polyesters, nes, not for retail sale	L	Q		upon accession	
73	54023990	Synthetic filament textured yarn, nes, not for retail sale	L	Q		upon accession	
74	54024200	Single yarn of partially oriented polyesters, with ≤50 turns/m, not for retail sale	L	Q		upon accession	
75	54024300	Single yarn of polyesters, nes, with ≤50turns/m, not for retail sale	L	Q		upon accession	
76	54024990	Single synthetic yarn, nes, with ≤50 turns/m, not for retail sale	L	Q		upon accession	
77	54025200	Single yarn of polyesters, with >50 turns/m, not for retail sale	L	Q		upon accession	
78	54025990	Single synthetic filament yarn, nes, with >50 turns/m, not for retail sale	L	Q		upon accession	
79	54026200	Multiple or cabled yarn of polyesters, not for retail sale	L	Q		upon accession	
80	54026990	Multiple or cabled yarn of synthetic filament, nes, not for retail sale	L	Q		upon accession	
81	54033310	Single yarn of cellulose diacetate, not for retail sale	L	Q		upon accession	
82	54041000	Synthetic monofilament of ≥67 decitex, or more and of which no cross-sectional dimension exceeds 1mm	L	Q		upon accession	
83	55012000	Synthetic filament tow of polyesters	L	Q		upon accession	
84	55013000	Synthetic filament tow of acrylic or modacrylic	L	Q		upon accession	
85	55020010	Cellulose diacetate filament tow	L	Q		upon accession	
86	55032000	Synthetic staple fibres, of polyesters, not carded, combed or otherwise processed for spinning	L	Q		upon accession	
87	55033000	Synthetic staple fibres, of acrylic or modacrylic, not carded, combed or otherwise processed for spinning	L	Q		upon accession	
88	55062000	Synthetic staple fibres, of polyesters, carded, combed or otherwise processed for spinning	L	Q		upon accession	
89	55063000	Synthetic staple fibres of acrylic or modacrylic, carded, combed or otherwise processed for spinning	L	Q		upon accession	
90	55092100	Single yarn, with ≥85% polyester staple fibres, not put up for retail sale	L	Q		upon accession	
91	55092200	Multiple or cabled yarn, with ≥85% polyester staple fibres, not put up for retail sale	L	Q		upon accession	
92	55093100	Single yarn, with ≥85% acrylic or modacrylic staple fibres, not put up for retail sale	L	Q		upon accession	
93	55093200	Multiple or cabled yarn, ≥85% acrylic/modacrylic staple fibres, not put up for retail sale	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
94	55095100	Yarn, <85% polyester staple fibres, mixed mainly or solely with artificial staple fibres, not put up for retail sale	L	Q		upon accession	
95	55095200	Yarn, <85% polyester staple fibres, mixed mainly or solely with wool/fine animal hair, not put up for retail sale	L	Q		upon accession	
96	55095300	Yarn, <85% polyester staple fibres, mixed mainly or solely with cotton, not put up for retail sale	L	Q		upon accession	
97	55095900	Yarn, <85% polyester staple fibres, nes, not put up for retail sale	L	Q		upon accession	
98	55096100	Yarn, <85% acrylic or modacrylic staple fibres, mixed mainly or solely with wool or fine animal hair, not put up for retail sale	L	Q		upon accession	
99	55096200	Yarn, <85% acrylic or modacrylic staple fibres, mixed mainly or solely with cotton, not put up for retail sale	L	Q		upon accession	
100	55096900	Yarn, <85% acrylic or modacrylic staple fibres, nes, not put up for retail sale	L	Q		upon accession	
101	84073100	Reciprocation piston engines of a kind used for the propulsion of vehicles of Chapter 87, with a cylinder capacity not exceeding 50cc	L	Q		2003	6
102	84073200	Reciprocation piston engines of a kind used for the propulsion of vehicles of Chapter 87, with a cylinder capacity exceeding 50cc but not exceeding 250cc	L	Q		2003	6
103	84073300	Reciprocation piston engines of a kind used for the propulsion of vehicles of Chapter 87, with a cylinder capacity exceeding 250cc but not exceeding 1000cc	L	Q		2003	6
104	84079090	Spark-ignition reciprocation or rotary internal combustion piston engines not elsewhere specified or included	L	Q		2003	7
105	84082010	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines) for the propulsion of vehicles of Chapter 87, with an output 132.39KW (180H.P.) or more	L	Q		2003	7
106	84082090	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines) for the propulsion of vehicles of Chapter 87, with an output less than 132.39KW (180H.P.)	L	Q		2003	7
107	84089092	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines) not elsewhere specified or included with an output exceeding 14KW but less than 132.39KW(180H.P.)			T	2004	
108	84143011	Compressors for refrigerators or freezers driven by a motor, of a motor power not exceeding 0.4KW	L	Q		upon accession	
109	84143012	Compressors for refrigerators or freezers driven by a motor, of a motor power exceeding 0.4KW but not exceeding 5KW	L	Q		upon accession	
110	84143013	Compressors for air conditioning machinery driven by a motor, of a motor power exceeding 0.4KW but not exceeding 5KW	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
111	84143019	Compressors of a kind used in refrigerating equipment driven by a motor, not elsewhere specified or included	L	Q		upon accession	
112	84143090	Compressors of a kind used in refrigerating equipment driven by a non-motor	L	Q		upon accession	
113	84145930	Centrifugal ventilation fans			T	upon accession	
114	84151000	Window or wall types air conditioning machinery, self-contained	L	Q		2002	8
115	84152000	Air conditioning machinery used for persons in motor vehicles	L	Q		2002	7
116	84158110	Air conditioning machinery incorporating a refrigerating unit and a valve for reversal of the cooling/heat cycle, of a refrigerating effect not exceeding 4000 Kcal per hour	L	Q		upon accession	
117	84158210	Air conditioning machinery incorporating a refrigerating unit, of a refrigerating effect not exceeding 4000 Kcal per hour, nes	L	Q		upon accession	
118	84181010	Combined refrigerator-freezers fitted with separate external doors, of a capacity exceeding 500L	L	Q		upon accession	
119	84181020	Combined refrigerator-freezers fitted with separate external doors, of a capacity exceeding 200L but not exceeding 500L	L	Q		upon accession	
120	84181030	Combined refrigerator-freezers fitted with separate external doors, of a capacity not exceeding 200L	L	Q		upon accession	
121	84182110	Household-compression-type refrigerators, of a capacity exceeding 150L	L	Q		upon accession	
122	84182120	Household-compression-type refrigerators, of a capacity exceeding 50 l but not exceeding 150L	L	Q		upon accession	
123	84182130	Household-compression-type refrigerators, of a capacity not exceeding 50L	L	Q		upon accession	
124	84182200	Household-absorption-type refrigerators, electrical	L	Q		upon accession	
125	84183010	Chest-type freezers of a refrigerating temperature of -40°C or lower, capacity not exceeding 800L	L	Q		upon accession	
126	84183021	Chest-type freezers of a refrigerating temperature higher than -40°C, capacity exceeding 500L but not exceeding 800L	L	Q		upon accession	
127	84183029	Chest-type freezers of a refrigerating temperature higher than -40°C, capacity not exceeding 500L	L	Q		upon accession	
128	84184010	Upright-type freezers of a refrigerating temperature of -40°C or lower, capacity not exceeding 900L	L	Q		upon accession	
129	84184021	Upright-type freezers of a refrigerating temperature higher than -40°C, capacity exceeding 500L but not exceeding 900L	L	Q		upon accession	
130	84184029	Upright-type freezers of a refrigerating temperature higher than -40°C, capacity not exceeding 500L	L	Q		upon accession	
131	84185000	Refrigerating or freezing chests, cabinets, display counters, show-cases and similar refrigerating or freezing furniture, nes	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
132	84254990	Hoists of a kind used for raising vehicles, not elsewhere specified or included			T	upon accession	
133	84261910	Overhead traveling Ship loading cranes			T	upon accession	
134	84261921	Overhead traveling Grab ship unloading cranes			T	upon accession	
135	84261929	Other Overhead traveling ship unloading cranes			T	upon accession	
136	84263000	Portal or pedestal jib cranes			T	upon accession	
137	84264110	Wheel-mounted cranes			T	upon accession	
138	84264190	Self-propelled machinery on tyres fitted with a crane, not elsewhere specified or included			T	upon accession	
139	84281010	Lifts and skip hoists designed for the transport of persons			T	2002	
140	84284000	Escalators and moving walkways			T	upon accession	
141	84291110	Track laying self-propelled bulldozers and angledozers with an engine of an output exceeding 235.36kW(320H.P.)			T	2004	
142	84294011	Self-propelled vibration-type road rollers, of a deadweight of 18t or more			T	2002	
143	84294019	Self-propelled road rollers, not elsewhere specified or included			T	2004	
144	84305020	Mining power shovels, self-propelled			T	upon accession	
145	84381000	Bakery machinery and machinery for the manufacture of macaroni, spaghetti or similar products			T	upon accession	
146	84391000	Machinery for making pulp of fibrous cellulosic material			T	2002	
147	84392000	Machinery for making paper or paperboard			T	2002	
148	84393000	Machinery for finishing paper or paperboard			T	2002	
149	84413090	Machinery for making cartons, boxes, cases, tubes, drums or similar containers in paper pulp, paper or paperboard, other than by moulding, not elsewhere specified or included			T	upon accession	
150	84414000	Machinery for moulding articles in paper pulp, paper or paperboard			T	upon accession	
151	84431910	Sheet fed offset printing machinery,			T	2004	
152	84431990	Offset printing machinery not elsewhere specified or included			T	2004	
153	84435912	Platen screen press printing machinery			T	upon accession	
154	84451110	Carding machinery, for cotton type fibres			T	upon accession	
155	84451120	Carding machinery, for wool type fibres			T	upon accession	
156	84451200	Combing machinery for textile fibres			T	upon accession	
157	84452020	Break spinning machinery (Rotor spinning frames)	L	Q		upon accession	
158	84454010	Automatic bobbin winders			T	upon accession	
159	84459010	Warping machinery for textile fibres			T	upon accession	
160	84463020	Rapier looms for weaving fabrics of a width exceeding 30cm			T	upon accession	
161	84463030	Carrier looms for weaving fabrics of width exceeding 30 cm			T	upon accession	
162	84501200	Washing machinery with built-in centrifugal drier, dry linen capacity not exceeding 10kg, including machinery which both wash and dry	L	Q		upon accession	
163	84501900	Washing machinery, dry linen capacity not exceeding 10kg, not elsewhere specified or included, including machinery which both wash and dry	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
164	84522110	Automatic sewing machinery, flat-seam type, other than book-sewing machinery of heading 84.40			T	upon accession	
165	84522190	Automatic sewing machinery, other than flat-seam type & book-sewing machinery of heading 84.40			T	upon accession	
166	84542010	Fining equipments, outside of converters, used in metallurgy or in metal foundry			T	upon accession	
167	84543010	Cold chamber die-casting machinery			T	upon accession	
168	84563010	Machine-tools for working any material by removal of material, numerically controlled, operated by electro-discharge processes			T	2004	
169	84569910	Cutting machinery of plasma arc, for working any material by removal of material			T	2004	
170	84569990	Machine-tools for working any material by removal of material, operated by electro-chemical, electron beam, ionic-beam processes, not elsewhere specified or included			T	2004	
171	84571010	Machining centers, vertical type, for working metal			T	2004	
172	84571020	Machining centers, horizontal type, for working metal			T	2004	
173	84571030	Machining centers, plano type, for working metal			T	2004	
174	84571090	Machining centers, not elsewhere specified or included, for working metal			T	2004	
175	84581100	Horizontal lathes (including turning centers) for removing metal, numerically controlled			T	2004	
176	84621090	Non-numerically controlled Forging or die-stamping machinery (including presses) and hammers for working metal			T	2002	
177	84659600	Splitting, slicing, paring machinery for working wood, cork, bone, hard rubber, hard plastics or similar hard materials			T	upon accession	
178	84714991	Processing machinery for distributed control systems, presented in the form of systems			T	2004	
179	84742010	Crushing, grinding machinery for earth stone, ores or other mineral substances in solid (incl. power or paste) form, toothing roller type			T	upon accession	
180	84742090	Crushing, grinding machinery for earth stone, ores or other mineral substances in solid (incl. power or paste) form, other than toothing roller type			T	upon accession	
181	84743100	Concrete or mortar mixers			T	2004	
182	84775900	Machinery for moulding or otherwise forming, for working rubber or plastics or for the manufacture of products from these materials, not elsewhere specified or included			T	2002	
183	84781000	Machinery for preparing or making up tobacco, not elsewhere specified or included			T	2002	
184	84789000	Parts, of machinery for preparing or making up tobacco, not elsewhere specified or included			T	upon accession	
185	84791021	Machinery for spreading bituminous concrete			T	2002	
186	84791022	Stabilizer spreading machinery			T	2002	
187	84804100	Injection or compression types moulds for metal or metal carbides			T	2002	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
188	84807100	Injection or compression types moulds for rubber or plastics			T	2002	
189	84834020	Planet decelerators			T	upon accession	
190	85042320	Liquid dielectric transformers, having a power handling capacity of 400MVA or more			T	2004	
191	85172100	Facsimile machinery			T	2002	
192	85175090	Apparatus for carrier-current line systems, not elsewhere specified or included			T	upon accession	
193	85184000	Audio-frequency electric amplifiers			T	2002	
194	85199910	Compact disc players for sound reproducing, not incorporating a sound recording device	L	Q		upon accession	
195	85203210	Digital audio cassette-tape recorders incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
196	85203290	Digital audio magnetic tape recorders incorporating sound reproducing apparatus, other than cassette-tape, not elsewhere specified or included	L	Q		upon accession	
197	85203300	Cassette-tape recorders incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
198	85203910	Open-reel tape recorders incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
199	85203990	Magnetic tape recorders incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
200	85209000	Magnetic tape recorders not incorporating sound reproducing apparatus; other sound recording apparatus, whether or not incorporating sound reproducing apparatus, not elsewhere specified or included	L	Q		upon accession	
201	85211011	Magnetic video tape recorders, broadcast quality, whether or not incorporating a video tuner	L	Q		2002	9
202	85211019	Magnetic video tape recorders, whether or not incorporating a video tuner, not elsewhere specified or included	L	Q		2002	9
203	85211020	Magnetic video tape reproducers, whether or not incorporating a video tuner	L	Q		2002	9
204	85219010	Laser video compact disk player, whether or not incorporating a video tuner	L	Q		2002	10
205	85219090	Video recording or reproducing apparatus, whether or not incorporating a video tuner, not elsewhere specified or included	L	Q		2002	10
206	85229021	Transport mechanisms of cassette magnetic tape recorders or reproducers, whether or not incorporating a magnetic head	L	Q		2002	11
207	85229030	Parts and accessories suitable for use solely or principally with the video recording or reproducing apparatus, not elsewhere specified or included	L	Q		2002	9
208	85252011	Satellite earth station for television, whether or not incorporating sound recording or reproducing apparatus			T	2004	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
209	85252019	Satellite earth station other than for television, whether or not incorporating sound recording or reproducing apparatus			T	upon accession	
210	85252022	Radio telephone handsets, including vehicle installed, whether or not incorporating sound recording or reproducing apparatus			T	2002	
211	85252029	Mobile communication equipment incorporating reception apparatus, whether or not incorporating sound recording or reproducing apparatus, not elsewhere specified or included			T	2002	
212	85252092	Mobile communication base station, whether or not incorporating sound recording or reproducing apparatus			T	2002	
213	85252093	Wireless subscriber communicating equipments, whether or not incorporating sound recording or reproducing apparatus			T	2002	
214	85173013	Digital program-controlled mobile communication switching systems			T	2002	
215	85173091	Analogical mobile communication switching systems			T	2002	
216	85253010	Television cameras, for special purposes	L	Q		2002	9
217	85253091	Television cameras not for special purposes, broadcast quality	L	Q		2002	9
218	85253099	Television cameras, not elsewhere specified or included	L	Q		2002	9
219	85254010	Still image video cameras and other video camera recorder, for special purposes	L	Q		2002	9
220	85254020	Household video camera recorders	L	Q		2002	9
221	85254030	Still image video cameras with digital image storage	L	Q		2002	9
222	85254090	Still image video cameras and other video camera recorders, not elsewhere specified or included	L	Q		2002	9
223	85271200	Pocket-size radio cassette-players capable of operating without an external source of power, including apparatus capable of receiving also radio-telephony or radio-telegraphy, whether or not combined with a clock in the same housing	L	Q		upon accession	
224	85271300	Radio-broadcast receivers combined with sound recording or reproducing apparatus capable of operating without an external source of power, including apparatus capable of receiving also radio-telephony or radio-telegraphy, nes	L	Q		upon accession	
225	85271900	Radio-broadcast receivers capable of operating without external power, whether or not combined with a clock in the same housing, nes	L	Q		upon accession	
226	85272100	Radio-broadcast receivers combined with sound recording or reproducing apparatus not capable of operating with an external source of power, of a kind used in motor vehicles, including apparatus capable of receiving also radio-telephony or radio-telegraphy	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
227	85272900	Radio-broadcast receivers not capable of operating with an external source of power, of a kind used in motor vehicles, including apparatus capable of receiving also radio-telephony or radio-telegraphy, nes	L	Q		upon accession	
228	85273100	Radio-broadcast receivers combined with sound recording or reproducing apparatus not capable of operating with an external source of power, including apparatus capable of receiving also radio-telephony or radio-telegraphy, nes	L	Q		upon accession	
229	85273200	Radio-broadcast receivers not combined with sound recording or reproducing apparatus but combined with a clock, nes, including apparatus capable of receiving also radio-telephony or radio-telegraphy	L	Q		upon accession	
230	85273900	Radio-broadcast receivers not capable of operating with an external source of power, including apparatus capable of receiving also radio-telephony or radio-telegraphy, not elsewhere specified or included	L	Q		upon accession	
231	85279010	Radio paging receivers			T	2002	
232	85281210	Colour satellite television receivers, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus			T	2004	
233	85281291	Colour television receivers, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus, with a diagonal measurement of the screen not exceeding 42cm	L	Q		upon accession	
234	85281292	Colour television receivers, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus, with a diagonal measurement of the screen exceeding 42cm but not exceeding 52cm	L	Q		upon accession	
235	85281293	Colour television receivers, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus, with a diagonal measurement of the screen exceeding 52cm	L	Q		2002	12
236	85282100	Colour video monitors	L	Q		2002	12
237	85283010	Colour video projectors	L	Q		2002	12
238	85291020	Aerials and aerial reflectors of all kinds and parts suitable for use therewith, for radio-broadcast receivers and their combinations or television receivers			T	2002	
239	85291090	Aerials and aerial reflectors of all kinds and parts suitable for use therewith, for apparatus of headings 85.25 to 85.28, not elsewhere specified or included			T	2004	
240	85299091	High frequency tuners, suitable for use solely or principally with television receivers			T	2004	
241	85311090	Burglar or fire alarms & similar apparatus, not elsewhere specified or included			T	2002	
242	85352900	Automatic circuit breakers, for voltage exceeding 72.5 KV			T	2004	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
243	85401100	Cathode-ray television picture tubes, including video monitor tubes, color	L	Q		2002	12
244	85404000	Color data/graphic display tubes, with a phosphor dot screen pitch smaller than 0.4mm	L	Q		2002	12
245	85445910	Electric cable (including co-axial cable), without connectors, for voltage exceeding 80V but not exceeding 1000 V			T	upon accession	
246	85447000	Optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors			T	upon accession	
247	86040099	Railway or tramway maintenance or service vehicles, whether or not self-propelled, not elsewhere specified or included			T	upon accession	
248	87012000	Road tractors for semi-trailers, other than tractors of heading 87.09	L	Q		2004	7
249	87019000	Tractors not elsewhere specified or included, other than tractors of heading 87.09			T	upon accession	
250	87021020	Motor vehicles for the transport of ten or more persons (including the driver), with compression-ignition internal combustion piston engine (diesel or semi-diesel), for transport of passengers at aerodrome	L	Q		2004	7
251	87021091	Motor vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), with 30 seats or more (including the driver)	L	Q		2004	7
252	87021092	Motor vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), with 20 seats or more, but not exceeding 29 seats (including the driver)	L	Q		2005	7
253	87021093	Motor vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), with 10 seats or more, but not exceeding 19 seats (including the driver)	L	Q		2005	7
254	87029010	Motor vehicles not elsewhere specified or included, with 30 seats or more (including the driver)	L	Q		2004	7
255	87029020	Motor vehicles not elsewhere specified or included, with 20 seats or more, but not exceeding 29 seats (including the driver)	L	Q		2005	7
256	87029030	Motor vehicles not elsewhere specified or included, with 10 seats or more, but not exceeding 19 seats (including the driver)	L	Q		2005	7
257	87031000	Vehicles specially designed for traveling on snow; golf cars and similar vehicles	L	Q		upon accession	
258	87032130	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity not exceeding 1000cc	L	Q		2005	7
259	87032190	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity not exceeding 1000cc	L	Q		2005	7

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
260	87032230	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1000cc but not exceeding 1500cc	L	Q		2005	7
261	87032240	Cross-country cars (4WD), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1000cc but not exceeding 1500cc	L	Q		2005	7
262	87032250	Station wagons (with 9 seats or less), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1000cc but not exceeding 1500cc	L	Q		2005	7
263	87032290	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1000cc but not exceeding 1500cc	L	Q		2005	7
264	87032314	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
265	87032315	Cross-country cars (4WD), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
266	87032316	Station wagons (with 9 seats or less), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
267	87032319	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
268	87032334	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 2500cc but not exceeding 3000cc	L	Q		2005	7
269	87032335	Cross-country cars (4WD), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 2500cc but not exceeding 3000cc	L	Q		2005	7
270	87032336	Station wagons (with 9 seats or less), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 2500cc but not exceeding 3000cc	L	Q		2005	7
271	87032339	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 2500cc but not exceeding 3000cc	L	Q		2005	7
272	87032430	Saloon cars, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 3000cc	L	Q		2005	7
273	87032440	Cross-country cars (4WD), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 3000cc	L	Q		2005	7

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
274	87032450	Station wagons (with 9 seats or less), with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 3000cc	L	Q		2005	7
275	87032490	Vehicles not elsewhere specified or included, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity exceeding 3000cc	L	Q		2005	7
276	87033130	Saloon cars, with compression-ignition internal combustion piston engine (diesel or semi-diesel) of a cylinder capacity not exceeding 1500cc	L	Q		2005	7
277	87033140	Cross-country cars (4WD), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity not exceeding 1500cc	L	Q		2005	7
278	87033150	Station wagons (with 9 seats or less), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity not exceeding 1500cc	L	Q		2005	7
279	87033190	Vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity not exceeding 1500cc	L	Q		2005	7
280	87033230	Saloon cars, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
281	87033240	Cross-country cars (4WD), with compression-ignition internal combustion reciprocating piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
282	87033250	Station wagons (with 9 seats or less), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
283	87033290	Vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 1500cc but not exceeding 2500cc	L	Q		2005	7
284	87033330	Saloon cars, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 2500cc	L	Q		2005	7
285	87033340	Cross-country cars (4WD), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 2500cc	L	Q		2005	7
286	87033350	Station wagons (with 9 seats or less), with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 2500cc	L	Q		2005	7
287	87033390	Vehicles not elsewhere specified or included, with compression-ignition internal combustion piston engine (diesel or semi-diesel), of a cylinder capacity exceeding 2500cc	L	Q		2005	7

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
288	87039000	Motor cars and other motor vehicles principally designed for the transport of persons, not elsewhere specified or included, including station wagons and racing cars	L	Q		2005	7
289	87041030	Electromobile dumpers for the transport of goods, designed for off-highway use			T	2004	
290	87042100	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine (diesel or semi-diesel), gross vehicle weight not exceeding 5 tons, excl. dumpers for off-highway use	L	Q		2004	7
291	87042230	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine (diesel or semi-diesel), gross vehicle weight exceeding 5 tons but not exceeding 14 tons, excl. dumpers for off-highway use	L	Q		2004	7
292	87042240	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine (diesel or semi-diesel), gross vehicle weight exceeding 14 tons but not exceeding 20 tons, excl. dumpers for off-highway use	L	Q		2004	7
293	87042300	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine (diesel or semi-diesel), gross vehicle weight exceeding 20 tons, excl. dumpers for off-highway use	L	Q		2004	7
294	87043100	Motor vehicles for the transport of goods, with spark-ignition internal combustion reciprocating piston engine, gross vehicle weight not exceeding 5 tons, excl. dumpers for off-highway use	L	Q		2004	7
295	87043230	Motor vehicles for the transport of goods, with spark-ignition internal combustion reciprocating piston engine, gross vehicle weight exceeding 5 tons but not exceeding 8 tons, excl. dumpers for off-highway use	L	Q		2002	7
296	87043240	Motor vehicles for the transport of goods, with spark-ignition internal combustion reciprocating piston engine, gross vehicle weight exceeding 8 tons, excl. dumpers for off-highway use	L	Q		2002	7
297	87049000	Motor vehicles for the transport of goods, not elsewhere specified or included	L	Q		2002	7
298	87051021	All-road crane lorries, of maximum lifting capacity not exceeding 50 tons	L	Q		2004	13
299	87051022	All-road crane lorries, of maximum lifting capacity exceeding 50 tons but not exceeding 100 tons	L	Q		2004	13
300	87051023	All-road crane lorries, of maximum lifting capacity exceeding 100 tons	L	Q		2004	13
301	87051091	Crane lorries not elsewhere specified or included, of maximum lifting capacity not exceeding 50 tons	L	Q		2004	13
302	87051092	Crane lorries not elsewhere specified or included, of maximum lifting capacity exceeding 50 tons but not exceeding 100 tons	L	Q		2004	13
303	87051093	Crane lorries not elsewhere specified or included, of maximum lifting capacity exceeding 100 tons	L	Q		2004	13

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
304	87052000	Mobile drilling derricks	L	Q		2002	7
305	87053010	Fire fighting vehicles, mounted with scaling ladder	L	Q		2002	7
306	87053090	Fire fighting vehicles, not elsewhere specified or included	L	Q		2002	7
307	87054000	Concrete-mixer lorries	L	Q		2002	7
308	87059020	Mobile radiological units	L	Q		2002	7
309	87059030	Mobile environmental monitoring units	L	Q		2002	7
310	87059040	Mobile clinics	L	Q		2002	7
311	87059051	Airplane charging vehicles (frequency= 400Hz)	L	Q		2002	7
312	87059059	Mobile electric generator sets, not elsewhere specified or included	L	Q		2002	7
313	87059060	Mobile vehicles for aircraft refueling, air-conditioners or deicing	L	Q		2002	7
314	87059070	Snow sweep vehicles for cleansing streets airfield runways	L	Q		2002	7
315	87059080	Petroleum well logging trucks, fracturing unit trucks and mixing sand trucks	L	Q		2002	7
316	87059090	Special purpose motor vehicles, not elsewhere specified or included, other than those principally designed for the transport of persons or goods	L	Q		2002	7
317	87060040	Chassis fitted with engines for crane lorries	L	Q		2004	13
318	87071000	Bodies for the vehicles of heading 87.03	L	Q		2004	7
319	87111000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of a cylinder capacity not exceeding 50cc	L	Q		2004	6
320	87112000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of a cylinder capacity exceeding 50cc but not exceeding 250cc	L	Q		2004	6
321	87113010	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of cylinder capacity exceeding 250cc but not exceeding 400cc	L	Q		2004	6
322	87113020	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of cylinder capacity exceeding 400cc but not exceeding 500cc	L	Q		2004	6
323	87114000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of cylinder capacity exceeding 500cc but not exceeding 800cc	L	Q		2004	6
324	87115000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with reciprocating internal combustion piston engine, of cylinder capacity exceeding 800cc	L	Q		2004	6
325	87119000	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, not elsewhere specified or included; side-cars	L	Q		2004	6
326	87141900	Parts and accessories of motorcycle (including moped), excl. saddles	L	Q		2004	6

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
327	89012011	Finished oil tankers, loading not exceeding 100000t			T	2004	
328	89012012	Finished oil tankers, loading exceeding 100000t, not exceeding 300000t			T	2004	
329	89012013	Finished oil tankers, loading exceeding 300000t			T	2004	
330	89012021	Crude oil tankers, loading not exceeding 150000t			T	2004	
331	89012022	Crude oil tankers, loading exceeding 150000t, not exceeding 300000t			T	2004	
332	89012023	Crude oil tankers, loading exceeding 300000t			T	2004	
333	89012031	Liquified petroleum gas carriers, volume with 20000m3 or less			T	2004	
334	89012032	Liquified petroleum gas carriers, volume exceeding 20000m3			T	2004	
335	89012041	Liquified natural gas carriers, volume not exceeding 20000m3			T	2004	
336	89012042	Liquified natural gas carriers, volume exceeding 20000m3			T	2004	
337	89012090	Tankers, not elsewhere specified or included			T	2004	
338	89013000	Refrigerated vessels other than those of subheading 8901.20			T	upon accession	
339	89019021	Motor container vessels, capable loading standard containers with 6000 or less			T	2004	
340	89019022	Motor container vessels, capable loading standard containers more than 6000			T	2004	
341	89019031	Motor Ro-Ro carriers, loading not exceeding 2000t			T	2004	
342	89019032	Motor Ro-Ro carriers, loading exceeding 2000t			T	2004	
343	89019041	Motor bulk carriers, loading not exceeding 150000t			T	2004	
344	89019042	Motor bulk carriers, loading exceeding 150000t, not exceeding 300000t			T	2004	
345	89019043	Motor bulk carriers, loading exceeding 300000t			T	2004	
346	89019050	Multi-purposes motor vessels			T	2004	
347	89019080	Motor vessels for the transport of goods and motor vessels for the transport of both persons and goods, not elsewhere specified or included			T	2004	
348	89020010	Fishing vessels, factory ships and other vessels for processing or preserving fishery products, motorized			T	upon accession	
349	89040000	Tugs and pusher craft			T	2004	
350	89051000	Dredgers			T	2004	
351	90061010	Electronic colour scanners used for preparing printing plates or cylinders	L	Q		upon accession	
352	90065100	Cameras with a through-the-lens viewfinder (single lens reflex (SLR)), for roll film of a width not exceeding 35mm	L	Q		2003	14
353	90065200	Cameras for roll film of a width less than 35mm, not elsewhere specified or included	L	Q		2003	14
354	90065300	Cameras for roll film of a width of 35mm, not elsewhere specified or included	L	Q		2003	14
355	90065900	Cameras not elsewhere specified or included	L	Q		2003	14
356	90083010	Orthographical image projectors, other than cinematographic			T	upon accession	
357	90121000	Microscopes other than optical microscopes; and diffraction apparatus	L	Q		upon accession	

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
358	90158000	Surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances, excluding compasses, not elsewhere specified or included			T	upon accession	
359	90181210	B-ultrasonic diagnostic equipment			T	upon accession	
360	90181291	Chromoscope ultrasonic diagnostic equipment			T	upon accession	
361	90184910	Dentists' chairs incorporating dental equipment			T	upon accession	
362	90189090	Instruments and appliances used in Medical, surgical or veterinary sciences, not elsewhere specified or included			T	upon accession	
363	90221300	X-ray apparatus for dental use			T	upon accession	
364	90221400	X-ray apparatus for medical, surgical or veterinary uses, not elsewhere specified or included			T	upon accession	
365	90221990	X-ray apparatus, not elsewhere specified or included, other than for medical use			T	upon accession	
366	90222100	Apparatus based on the use of alpha, beta or gamma radiations, including radiography or radiotherapy apparatus, for medical surgical, dental or veterinary			T	upon accession	
367	90278090	Instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension or the like, measuring or checking quantities of heat, sound or light; Instruments and apparatus for physical or chemical analysis, nes			T	upon accession	
368	90301000	Instruments and apparatus for measuring or detecting ionizing radiations			T	upon accession	
369	90304010	Frequency meters, digital, of test frequency less than 12.4GHz			T	upon accession	
370	90318010	Optical telecommunication and optical fibre performance testing instruments			T	upon accession	
371	90311000	Machines for balancing mechanical parts			T	2004	
372	91011100	Electrically operated wrist-watches, with mechanical display only, whether or not incorporating a stop-watch facility, with case of precious metal or of metal clad with precious metal	L	Q		2003	15
373	91012100	Non-electrically operated wrist-watches, automatic winding, whether or not incorporating a stop-watch facility, with case of precious metal or of metal clad with precious metal	L	Q		2003	15
374	91012900	Non-electrically operated wrist-watches, not elsewhere specified and included, whether or not incorporating a stop-watch facility, with case of precious metal or of metal clad with precious metal	L	Q		2003	15
375	91021100	Electrically operated wrist-watches, with mechanical display only, whether or not incorporating a stop-watch facility, other than those of heading 91.01	L	Q		2003	15
376	91022100	Non-electrically operated wrist-watches, automatic winding, whether or not incorporating a stop-watch facility, other than those of heading 91.01	L	Q		2003	15

Serial NO	HS NO	DESCRIPTION OF PRODUCTS	L	Q	T	Phasing-out Period	Quota Category
377	91022900	Non-electrically operated wrist-watches, not elsewhere specified and included, whether or not incorporating a stop-watch facility, other than those of heading 91.01	L	Q		2003	15

Notes:

1. "L" stands for "import licence";
"Q" stands for "import quota"; and
"T" stands for "specific import tendering requirements for machinery and electronic products".
2. The NTMs will be eliminated as of 1 January of each calendar year as specified in the column of Phasing-out Period.
3. The products covered by the Agreement on Trade in Civil Aircraft are not subject to any NTMs specified herein.

Table Two
Product Quota
(Initial Quota Volume/Value and Annual Growth Rate)

Quota Category		Product Coverage (Serial No in Table One)	Unit	Initial Quota Volume/Value	Annual Growth Rate
1	Processed oil	12-19	Million Metric Tons	16.58	15%
2	Sodium cyanide	20	Million Metric Tons	0.018	15%
3	Chemical fertilizer	22-25, 29-33, 36, 38, 41-45	Million Metric Tons	8.9	15%
4	Natural rubber	48-51	Million Metric Tons	0.429	15%
5	Tires of rubber used on automobiles	52-56	Million Pieces	0.81	15%
6	Motorcycles and key parts	101-103, 319-326	US\$ Million	286	15%
7	Automobiles and key parts	104-106, 115, 248, 250-256, 258-288, 290-297, 304-316, 318	US\$ Million	6000	15%
8	Air conditioners and compressors	114	US\$ Million	286	15%
9	Recording apparatus and key parts	201-203, 207, 216-222	US\$ Million	293	15%
10	Magnetic sound and video recording apparatus	204, 205	US\$ Million	38	15%
11	Recorders and transport mechanisms	206	US\$ Million	387	15%
12	Color TV set and TV tuners	235-237, 243, 244	US\$ Million	325	15%
13	Crane lorries and chassis	298-303, 317	US\$ Million	88	15%
14	Cameras	352-355	US\$ Million	14	15%
15	Wrist watches	372-377	US\$ Million	33	15%

*Table Three***Products Subject to Import Licence Only**

NO	HS NO	DESCRIPTION OF PRODUCTS	L	Phasing-out Period
1	10011000	Durum wheat	L	upon accession
2	10019010	Seed of wheat & maslin, excl. durum wheat	L	upon accession
3	10019090	Wheat & maslin, excl. for seeding and durum wheat	L	upon accession
4	10059000	Maize (corn), excl. for seeding	L	upon accession
5	10061010	Rice in husk (paddy or rough) seed	L	upon accession
6	10061090	Rice in husk (paddy or rough), excl. for seeding	L	upon accession
7	10062000	Husked (brown) rice	L	upon accession
8	10063000	Semi-milled or wholly milled rice, whether or not polished or glazed	L	upon accession
9	10064000	Broken rice	L	upon accession
10	15071000	Crude soya-bean oil, whether or not degummed, but not chemically modified	L	upon accession
11	15079000	Soya-bean oil and its fractions, refined, but not chemically modified	L	upon accession
12	15081000	Crude ground-nut oil, but not chemically modified	L	upon accession
13	15089000	Ground-nut oil and its fractions, refined, but not chemically modified	L	upon accession
14	15111000	Crude palm oil, but not chemically modified	L	upon accession
15	15119000	Palm oil and its fractions, refined, but not chemically modified	L	upon accession
16	15121100	Crude sunflower-seed or safflower oil, but not chemically modified	L	upon accession
17	15122100	Crude cotton-seed oil, whether or not gossypol has been moved, but not chemically modified	L	upon accession
18	15122900	Cotton-seed oil and its fractions, refined, but not chemically modified	L	upon accession
19	15141010	Crude rape, colza oil, but not chemically modified	L	upon accession
20	15141090	Crude mustard oil, but not chemically modified	L	upon accession
21	15149000	Rape, colza or mustard oil and fractions thereof, refined, but not chemically modified	L	upon accession
22	15152100	Crude maize (corn) oil, but not chemically modified	L	upon accession
23	15155000	Sesame oil and its fractions, whether or not refined, but not chemically modified	L	upon accession
24	22051000	Vermouth & other wine of fresh grapes flavoured with plants or aromatic substance, in containers holding $\leq 2L$	L	upon accession
25	22059000	Vermouth & other wine of fresh grapes, flavoured with plants or aromatic substance, in containers holding $> 2L$	L	upon accession
26	22071000	Undenatured ethyl alcohol of an alcoholic strength by volume $\geq 80\%$	L	upon accession
27	22082000	Spirits from distilling grape wine or marc	L	upon accession
28	22083000	Whiskeys	L	upon accession
29	22084000	Rum & tafia	L	upon accession
30	22085000	Gin & Geneva	L	upon accession
31	22087000	Liqueurs and cordials	L	upon accession
32	22089000	Undenatured ethyl alcohol of an alcoholic strength by volume $< 80\%$; spirituous beverages, nes	L	upon accession
33	37013090	Photographic plates, in the flat, sensitized, unexposed, of any material other than paper, paperboard or textiles, any side exceeding 255mm, nes	L	upon accession
34	37019100	Photographic plates and film for colour photography, in the flat, sensitized, unexposed, of any material other than paper, paperboard or textiles, any side $\leq 255mm$	L	upon accession
35	37023100	Photographic film rolls, unexposed, without perforations, for colour photography, of any material other than paper, paperboard or textiles, width $\leq 105mm$	L	upon accession

NO	HS NO	DESCRIPTION OF PRODUCTS	L	Phasing-out Period
36	37024100	Film rolls, for colour photography, unexposed, without perforations, of any material other than paper, paperboard or textiles , width >610mm, length >200m	L	upon accession
37	37024390	Film rolls, unexposed, without perforations, width >610mm, length ≤200m, of any material other than paper, paperboard or textiles, nes	L	upon accession
38	37024490	Film rolls , unexposed, without perforations, 105mm< width ≤610mm, of any material other than paper, paperboard or textiles, nes	L	upon accession
39	37025100	Film rolls for colour photography, unexposed, width ≤16mm,& length ≤14m, of any material other than paper, paperboard or textiles nes	L	upon accession
40	37025200	Film rolls for colour photography, unexposed, width ≤16mm, length >14m, of any material other than paper, paperboard or textiles, nes	L	upon accession
41	37025410	Film rolls for colour photography other than for slides, unexposed, width =35mm and length ≤2m, of any material other than paper, paperboard or textiles	L	upon accession
42	37025490	Film rolls for colour photography other than for slides, unexposed, 16 mm<width <35 mm, 2 m<length ≤30m, of any material other than paper, paperboard or textiles	L	upon accession
43	37025590	Colour film rolls for colour photography, unexposed, 16mm<width ≤35mm, length >30m, excl. cinematographic film	L	upon accession
44	37025690	Film in rolls for colour photography, unexposed, width >35mm, of any material other than paper, paperboard or textiles , excl. cinematographic film	L	upon accession
45	37029100	Film rolls of neutral colour , unexposed, width ≤16mm, length ≤14m, of any material other than paper, paperboard or textiles	L	upon accession
46	37031010	Photographic paper & paperboard in rolls, sensitized, unexposed, width >610mm	L	upon accession
47	37032010	Photographic paper and paperboard for colour photography, sensitized, unexposed, not in rolls or width ≤610mm	L	upon accession

ANNEX 4

PRODUCTS AND SERVICES SUBJECT TO PRICE CONTROLS

Products Subject to State Pricing

NO	PRODUCTS	HS NO	DESCRIPTION OF PRODUCTS
1	TOBACCO	24011010	Flue-cured tobacco, not stemmed/stripped
		24011090	Tobacco other than flue-cured, not stemmed/stripped
		24012010	Flue-cured tobacco, partly or wholly stemmed/stripped
		24012090	Tobacco other than flue-cured, partly or wholly stemmed/stripped
2	EDIBLE SALT	25010010	Salt, whether or not in aqueous solution or containing added anticaking or free-flowing agents
3	NATURAL GAS	27112100	Natural gas in gaseous state
4	PHARMA-CEUTICALS	30011000	Glands & other organs, dried, whether or not powdered
		30012000	Extracts of glands or other organs or of their secretions
		30019010	Heparin & its salts
		30019090	Substances of human or animal origin, for therapeutic or prophylactic uses, nes
		30021000	Antisera & other blood fractions & modified immunological products, whether or not obtained by means of biotechnological processes
		30022000	Vaccines for human medicine
		30023000	Vaccines for veterinary medicine
		30029010	Saxitoxin
		30029020	Ricitoxin
		30029090	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; other toxins, cultures of micro-organisms (excl. yeasts) and similar products, nes
		30041011	Medicaments containing ampicillin, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30041012	Medicaments containing amoxicillin, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30041013	Medicaments containing penicillins V, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30041019	Medicaments containing penicillins , nes, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30041090	Medicaments containing penicillins or derivatives thereof nes, or streptomycins or their derivatives, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042011	Medicaments containing cefotaxime, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
30042012	Medicaments containing ceftazidime, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale		
30042013	Medicaments containing cefoxitin, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale		
30042014	Medicaments containing ceftazole, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale		

NO	PRODUCTS	HS NO	DESCRIPTION OF PRODUCTS
		30042015	Medicaments containing cefaclor, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042016	Medicaments containing cefuroxime, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042017	Medicaments containing ceftriaxone, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042018	Medicaments containing cefoperazone, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale
		30042019	Medicaments containing other cephamycines, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms of packing for retail sale, nes
		30042090	Medicaments containing other antibiotics, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale, nes
		30043100	Medicaments containing insulin, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale
		30043200	Medicaments containing of adrenal cortical hormones, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale
		30043900	Medicaments containing other hormones, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale, nes
		30044010	Medicaments containing quinine or its salts, but not containing antibiotics or products of heading 29.37, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale
		30044090	Medicaments containing alkaloids or their derivatives, but not containing hormones or other products of heading 29.37 or antibiotics, consisting of mixed or unmixed products put up in measured does or in forms of packing for retail sale, nes
		30045000	Other medicaments containing vitamins or other products of 29.36, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale
		30049010	Medicaments containing sulfa drugs, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale, nes
		30049020	Medicaments containing biphenyl dicarboxybenzoate, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale, nes
		30049053	Bai Yao, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale
		30049059	Medicaments of Chinese type, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale, nes
		30049090	Medicaments of products for therapeutic, prophylactic or diagnostic uses, consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured does or in forms of packing for retail sale, nes
		30051010	Adhesive plasters, impregnated or coated with pharmaceutical substances or put up in forms of packing for retail sale for medical, surgical, dental or veterinary purposes

NO	PRODUCTS	HS NO	DESCRIPTION OF PRODUCTS
		30063000	Opacifying preparations for X-ray examinations; diagnostic reagents designed to be administered to the patient
		30066000	Chemical contraceptive preparations based on hormones or spermicides
		40141000	Sheath contraceptives

Products Subject to Government Guidance Pricing

NO	PRODUCTS	HS NO	DESCRIPTION OF PRODUCTS
1	GRAIN	10011000	Durum wheat
		10019010	Seed of wheat & maslin, excl. durum wheat
		10019090	Wheat & maslin, excl. for seeding and durum wheat
		10051000	Maize (corn) seed
		10059000	Maize (corn), excl. for seeding
		10061010	Rice in husk (paddy or rough) seed
		10061090	Rice in husk (paddy or rough), excl. for seeding
		10062000	Husked (brown) rice
		10063000	Semi-milled or wholly milled rice, whether or not polished or glazed
		12010010	Seed of soybeans
		12010091	Yellow soybeans, not for seeding, whether or not broken
		12010092	Black soybeans, not for seeding, whether or not broken
		12010093	Green soybeans, not for seeding, whether or not broken
12010099	Soybeans, nes, not for seeding, whether or not broken		
2	VEGETABLE OIL	15071000	Crude soybean oil, whether or not degummed, but not chemically modified
		15079000	Soya-bean oil and its fractions, refined, but not chemically modified
		15141010	Crude rape, colza oil, but not chemically modified
		15141090	Crude mustard oil, but not chemically modified
3	PROCESSED OIL	27100011	Motor gasoline & aviation gasoline
		27100013	Naphtha
		27100023	Aviation kerosene
		27100024	Lamp-kerosene
		27100031	Light diesel oil
		27100033	Fuel oil No.5 to No.7 (National Code)
		27100039	Diesel oils & preparations thereof and other fuel oils, nes
4	FERTILIZER	31021000	Urea, whether or not in aqueous solution
5	SILKWORM COCOONS	50010010	Mulberry feeding silk-worm cocoons
		50010090	Other silk-worm cocoons suitable for reeling
6	COTTON	52010000	Cotton, not carded or combed

Public Utilities Subject to Government Pricing

NO	CPC	PUBLIC UTILITIES
1	1720	Price of gas for civil use.
2	1800	Price of tap water.
3	1710	Price of electricity.
4	1730	Price of heating power.
5	1800	Price of water supplied by irrigation works.

Service Sectors Subject to Government Pricing

NO	CPC	SERVICE	NOTES
1	7511 7512 7521 7522	Postal and telecommunication services charges	Including postal services charges, national and trans-provincial telecommunication services charges.
2	964	Entrance fee for tour sites	Referring to significant historical relics and natural landscape under protection.
3	921 922 923	Education services charges	

Service Sectors Subject to Government Guidance Pricing

NO	CPC	SERVICE	NOTES
1	7214 745** 731 7111 7112 743 7131 7139	Transport services charges	Including rail transport of both passenger and freight, air transport of freight, port services, and pipeline transport.
2	861 862 8671 8672	Professional services charges	Including architectural and engineering services, legal services, assets assessment services, authentication, arbitration, notarization and inspection.
3	621	Charges for commission agents' services	Including commission for trademark, advertisement taxation and bidding agents.
4	81339**	Charges for settlement, clearing and transmission services of banks	Including settlement, clearing and transmission services of the RMB, transaction fees and seat charges of national securities exchanges, as well as seat charges for China Foreign Exchange Center
5	82101	Selling price and renting fee of residential apartments	
6	931	Health related services	

Notes:

1. CPC classification is added to the service sectors subject to state pricing in this Annex in accordance with the GATT document MTN.GNS/W/120, 10 July 1991, which provided services sectoral classification for the purpose of services negotiations during the Uruguay Round.

2. The government pricing in the service sectors which are listed in China's Schedule of Specific Commitments shall be applied in a manner consistent with Article 6 of GATS and the Reference Paper on Basic Telecommunication.

ANNEX 5A

**NOTIFICATION PURSUANT TO ARTICLE XXV OF
THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES**

I. SUBSIDIES FROM CENTRAL BUDGET PROVIDED TO CERTAIN STATE-OWNED ENTERPRISES WHICH ARE RUNNING AT A LOSS

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.
2. Period covered by the notification
1990-1998.
3. Policy objective and/or purpose of the subsidy
To promote restructuring of those State-owned enterprises which are running at a loss, while keeping employment by means of promoting rationalization and maintaining stable production and safety of the society(compensation for the lack of social security system).
4. Background and authority for the subsidy
Ministry of Finance.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant and Tax Forgiving
7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: 100 million RMB

Sector/Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Metallurgic industry	1.16	1.46	1.35	3.13	4.07	3.02	5.04	10.96	8.36
Ferrous-metal industry	0.63	0.86	1.28	1.51	5.80	5.86	4.78	6.58	4.65
Machinery industry	3.80	5.07	14.61	3.98	14.09	8.34	9.67	11.17	8.38
Coal industry	55.86	66.70	70.14	49.80	47.19	12.13	13.21	16.83	14.85
Oil industry	42.53	54.36	52.89	28.08	0.00	0.00	0.00	6.78	3.28
Chemical industry	3.83	4.03	3.70	4.11	6.90	3.47	4.26	5.32	4.96
Textile industry	1.90	2.39	2.07	3.09	2.65	3.38	6.97	16.41	15.36
Light industry	6.65	7.88	6.31	9.30	3.99	1.52	2.63	6.82	2.35
Tobacco industry	0.00	0.00	0.00	0.00	12.00	8.62	9.26	10.25	8.83
Total of the nine sectors	116.36	142.75	152.35	103.00	96.69	46.34	55.92	91.12	71.02
Other sectors	1.65	1.94	1.99	1.53	1.24	0.42	1.28	4.62	3.67
Total	118.01	144.69	154.34	104.53	97.93	46.76	57.2	95.74	74.69

9. Duration of the subsidy and/or any other time-limits attached to it
1949-2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

II. SUBSIDIES FROM LOCAL BUDGET PROVIDED TO LOSS MAKING STATE OWNED ENTERPRISES

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.
2. Period covered by the notification
1990-1999.
3. Policy objective and/or purpose of the subsidy
To promote restructuring of those State-owned enterprises which are running at a loss, while keeping employment by means of promoting rationalization and maintaining stable production and safety of the society (compensation for the lack of social security system).
4. Background and authority for the subsidy
Ministry of Finance and local governments.
5. Legislation under which it is granted
Assistance by local budget.
6. Form of the subsidy
Grant and Tax Forgiving
7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources and restructuring of state owned enterprises.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit:100 million RMB

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Beijing						57.69	59.28	63.26	63.11
Tianjin						9.23	8.79	7.29	7.29
Hebei						6.84	5.89	4.76	4.91
Shanxi						5.52	6.05	5.42	5.75
Inner-Mongolia						3.53	2.77	2.22	2.29
Liaoning						18.02	17.10	16.63	13.14
Jilin						6.07	5.88	5.75	4.02
Heilongjiang						11.77	7.07	5.21	4.47
Shanghai						44.95	45.50	45.88	45.94
Jiangsu						11.75	10.46	8.81	9.15
Zhejiang						25.06	30.10	34.79	37.85
Anhui						4.17	7.11	6.69	5.41
Fujian						2.53	1.40	1.05	0.78
Jiangxi						0.67	0.65	0.52	0.50
Shandong						8.48	8.12	6.37	4.92
Henan						4.27	3.80	3.66	2.66
Hubei						11.60	10.99	10.92	9.83
Hunan						4.57	5.16	4.23	5.18
Guangdong						17.52	17.35	15.39	13.60
Guangxi						2.22	2.01	1.60	1.33
Hainan						0.70	0.43	0.32	0.61
Chongqing								3.18	1.93
Sichuan						5.99	6.37	2.01	1.89
Guizhou						1.48	1.55	2.25	1.46
Yunnan						7.51	7.82	6.49	3.22
Tibet						0.87	1.16	1.19	1.18
Shaanxi						4.67	4.46	4.66	4.09
Gansu						0.47	0.22	0.18	0.56
Qinghai						0.91	0.96	0.51	0.44
Ningxia						0.18	0.16	0.20	0.19
Xingjiang						1.74	1.54	1.27	1.08
Total	460.87	365.55	290.62	306.76	268.29	281.01	280.20	272.75	258.81

9. Duration of the subsidy and/or any other time-limits attached to it
1949-2000.

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

III. THE PRIORITY IN OBTAINING LOANS AND FOREIGN CURRENCIES BASED ON EXPORT PERFORMANCE

1. Title of the subsidy program
The priority in obtaining loans and foreign currencies based on export performance.

2. Period covered by the notification
1994-1999.
3. Policy objective and/or purpose of the subsidy
To promote the exportation of automobiles.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles..
6. Form of the subsidy
Priority in obtaining loans and foreign currencies.
7. To whom and how the subsidy is provided
Priority is given to:
 - (1) Automotive production enterprises whose export of whole vehicle products has reached the percentage points in the volume of their sales as indicated in the following chart;

Vehicles Types	Category	Percentages
Passenger Vehicles	M1	3%
	M2	5%
	M3	8%
Freight Vehicles	N1	5%
	N2, N3	4%
Motorcycles	L	10%

and

- (2) Automobile and motorcycle components manufacturing enterprises whose exports account for 10 per cent of their total annual sales.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Zero, because no enterprises have reached the level for enjoying the priority up till now.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to eliminate this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Zero.

IV. PREFERENTIAL TARIFF RATES BASED ON LOCALIZATION RATE OF AUTOMOTIVE PRODUCTION.

1. Title of the subsidy program
Preferential tariff rates based on localization rate of automotive production.
2. Period covered by the notification
1994-1999.

3. Policy objective and/or purpose of the subsidy
To promote the localization process of automobile industry of China.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles.
6. Form of the subsidy
Preferential tariff rates.
7. To whom and how the subsidy is provided
The preferential tariff rates are granted to the automotive enterprises whose localization reaches the following ratios:
 - (1) Localization rate reaches 40 per cent, 60 per cent or 80 per cent on products that incorporate imported technology on whole vehicles of M Category;
 - (2) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on whole vehicles of N and L Categories; and
 - (3) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on automobile and motorcycle assemblies and key components.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Not available.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to phase out this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The trade effect is negligible.

V. PREFERENTIAL POLICIES FOR THE SPECIAL ECONOMIC ZONES (EXCLUDING THE PUDONG AREA OF SHANGHAI)

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in the Special Economic Zones of Shenzhen, Zhuhai, Shantou, Xiamen, Hainan.
2. Period covered by the notification
1984 - now.
3. Policy objective and/or purpose of the subsidy
To promote regional development and absorb foreign investment.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax.
7. To whom and how the subsidy is provided
 - (1) For foreign-invested enterprises established in the Special Economic Zones and foreign enterprises engaging in production and business operation in the Special Economic Zones, preferential income tax rate of 15 per cent shall be applied.
 - (2) For foreign-invested productive enterprises established in the old areas of the cities where the Special Economic Zones are located, preferential income tax rate of 24 per cent shall be applied; for technology intensive projects, projects having foreign investment more than \$ 30 million with a long paying back period, and projects within sectors encouraged by the State such as energy, transportation etc., preferential income tax rate may further be reduced to 15 per cent.
 - (3) For enterprises in services sectors with foreign investment more than US\$ 5 million and operation term over 10 years, income tax for the first year shall be exempted and that for the second and third years shall be reduced by 50 per cent, subject to the application and approval by the local taxation authorities. The base year shall be the first profit-making year of the enterprises.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 24 or 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1984 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

VI. PREFERENTIAL POLICIES FOR THE ECONOMIC AND TECHNOLOGY DEVELOPMENT AREAS

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in the economic and technology development areas in Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Ningbo, Fuzhou, Guangzhou, Zhanjiang, Shanghai (Minhang, Hongqiao, Caohejing), Beihai, Shenyang, Wenzhou, Harbin, Changchun, Hangzhou, Wuhan, Chongqing, Wuhu, Xiaoshan, Huizhou, Nansha, Kunshan, Rongqiao, Weihai, Yingkou, Dongshan.
2. Period covered by the notification
1984 - now.
3. Policy objective and/or purpose of the subsidy
To accelerate the opening-up of the region and absorb foreign investment.

4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax..
7. To whom and how the subsidy is provided
 - (1) For foreign-invested productive enterprises established in the economic and technology development areas, preferential income tax rate of 15 per cent shall be applied.
 - (2) For foreign-invested productive enterprises established in the old areas of the cities where the economic and technology development areas are located, preferential income tax rate of 24 per cent shall be applied; for technology intensive projects, projects having foreign investment more than \$ 30 million with a long paying back period, and projects within sectors encouraged by the State such as energy, transportation etc., preferential income tax rate may further be reduced to 15 per cent.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 24 or 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1984 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

VII. PREFERENTIAL POLICIES FOR THE SPECIAL ECONOMIC ZONE OF THE PUDONG AREA OF SHANGHAI

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in the Special Economic Zone of the Pudong area of Shanghai.
2. Period covered by the notification
1991 - now.
3. Policy objective and/or purpose of the subsidy
To accelerate the opening-up of the region and absorb foreign investment.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted
Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax.
7. To whom and how the subsidy is provided
 - (1) For foreign-invested productive enterprises established in the Special Economic Zone of the Pudong area of Shanghai and for foreign-invested enterprises established there to engage in infrastructure constructions, preferential income tax rate of 15 per cent shall be applied.
 - (2) For foreign-invested enterprises established in the Special Economic Zone of the Pudong area of Shanghai, engaged in such energy and transportation construction projects as airport, ports, railways, power stations etc. with operation term longer than 15 years, income tax for the first five years shall be exempted and that for the sixth to the tenth years shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

VIII. PREFERENTIAL POLICIES FOR FOREIGN INVESTED ENTERPRISES

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in China.
2. Period covered by the notification
1985 - now.
3. Policy objective and/or purpose of the subsidy
To absorb foreign investment and expand economic cooperation.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax.

7. To whom and how the subsidy is provided
- (1) For foreign-invested productive enterprises with operation term more than 10 years, the income tax for the first two years shall be exempted and that for the third to the fifth year shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.
 - (2) For Chinese-foreign joint enterprises engaged in the construction of ports, docks and berths, preferential income tax rate of 15 per cent shall be applied, and for those with operation term longer than 15 years, income tax for the first five years shall be exempted and that for the sixth to the tenth years shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.
 - (3) For foreign-invested advanced technology enterprises, in case that the technologies they possess or provide are still regarded as advanced when the initial income tax exemption and reduction period expires, income tax reduction of 50 per cent may continue to be applied, for another 3 years.
 - (4) For foreign-invested enterprises engaged in agriculture, forestry and animal husbandry, and for foreign-invested enterprises established in remote areas with less developed economic level, income tax reduction of 15 to 30 per cent may continue to be applied for another ten years after the initial exemption and reduction period expires, subject to application and approval of local taxation authorities.
 - (5) For foreign-invested enterprises of industries and sectors in which foreign investment is encouraged by the State, provincial government may determine whether to reduce or exempt the local part of income tax.
 - (6) For profits of foreign investors which are re-invested into the enterprises to increase the register capital, or to set up other new enterprises with operation term more than 5 years, 40 per cent of their income tax payment for the re-invested profits shall be refunded subject to application and approval from the local taxation authorities. In case that the new or the expanded enterprises with the re-investment are hi-tech enterprises, or that profits are from foreign-invested enterprises in Hainan Special Economic Zone and re-invested into infrastructure projects or agriculture development projects of the same Special Economic Zone, 100 per cent of the paid income tax for the re-investment shall be refunded.
 - (7) For dividends, interests, rentals, franchising fees and other forms of income of foreign investors who have no commercial establishments in China, preferential income tax rate of 20 per cent shall be applied except for profits of foreign investors gained from the enterprises they have invested in China, which are subject to 100 per cent income tax exemption. For franchising fees gained from provision of special technology to scientific research, energy development, transportation development, agriculture, forestry and animal husbandry, preferential income tax rate of 10 per cent may be applied, subject to application and approval of local taxation authorities; in case that the technology is advanced or is provided with favorable conditions, income tax exemption may be applied.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 20, 15 or 10 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1985-

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

IX. LOANS FROM THE STATE POLICY BANKS

1. Title of the subsidy program
Loans of the State Policy Banks (the State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China).
2. Period covered by the notification
For the State Development Bank, 1994 - 1996;
For the Export and Import Bank of China, 1991 - 1995
For the Agriculture Development Bank of China., 1994 - 1996.
3. Policy objective and/or purpose of the subsidy
To adjust investment structure.
4. Background and authority for the subsidy
There are three State Policy Banks in China: the State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China. The three State Policy Banks accumulate capital by issuing treasury bonds to commercial banks and the market. Generally the State budget does not provide interest rate subsidy to the State Policy Banks. The interest rates of the State Policy Banks loans are usually the same as the market interest rates.
5. Legislation under which it is granted
None.
6. Form of the subsidy
Loans.
7. To whom and how the subsidy is provided
Loans from the State Development Bank are mainly directed to infrastructure constructions in energy, transportation, telecommunications and water conservancy, resources development in the middle and western parts of China, as well as technology renovation of some enterprises.
Loans from the Export and Import Bank of China are mostly directed to guarantee for export credit of commercial banks, and a small part is for direct export credit.
Loans from the Agriculture Development Bank of china are mainly provided for purchase and storage of agricultural and side-line products, forestry construction and water conservancy development.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 200 billion for the State Development Bank, and 9.6 per cent of which is directed to the manufacturing industry;
RMB 21 billion export credit (mainly sellers' credit) for the Export and Import Bank of China;
RMB 500 billion for the Agriculture Development of China.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

X. FINANCIAL SUBSIDIES FOR POVERTY ALLEVIATION

1. Title of the subsidy program
Financial subsidies for poverty alleviation.
2. Period covered by the notification
For direct allocation of funds, 1991 - now
For poverty alleviation loans, 1994 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate poverty.
4. Background and authority for the subsidy
For direct allocation of funds, State Planning Commission and Ministry of Finance.
For poverty alleviation loans, the Agriculture Development Bank of China.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Direct appropriation and provision of poverty alleviation loans.
7. To whom and how the subsidy is provided
The subsidies are provided to regions in China where annual income per capita is less than RMB 400.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
For direct appropriation from the central budget, the total from 1991 to 2000 is RMB 103.6 billion (RMB 18.3 billion from 1991 to 1995, RMB 4 billion in 1996, RMB 15.2 billion in 1997, RMB 17.8 billion for 1998, RMB 24.3 billion in 1999 and RMB 24.0 billion being planned in 2000).

For poverty alleviation loans, RMB 30 billion.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XI. FUNDS FOR TECHNOLOGY RENOVATION, RESEARCH AND DEVELOPMENT

1. Title of the subsidy program
Funds for technology renovation, research and development.
2. Period covered by the notification
1991 - 1998

3. Policy objective and/or purpose of the subsidy
To encourage scientific research and technology development, and to promote application of science and technology in the rural areas.
4. Background and authority for the subsidy
Ministry of Finance
5. Legislation under which it is granted
State Council Circular No. 99, 1987.
6. Form of the subsidy
Grant and loans.
7. To whom and how the subsidy is provided
To scientific research institutes and some enterprises.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 301.9 billion (RMB 18.1 billion for 1991, RMB 22.3 billion for 1992, RMB 42.1 billion for 1993, RMB 41.5 billion for 1994, RMB 49.5 billion for 1995 and RMB 52.6 billion for 1996, RMB 64.3 billion for 1997, RMB 64.1 billion for 1998).
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XII. INFRASTRUCTURE CONSTRUCTION FUNDS FOR AGRICULTURAL WATER CONSERVANCY AND FLOOD PROTECTING PROJECTS

1. Title of the subsidy program
Infrastructure construction funds for agricultural water conservancy projects
2. Period covered by the notification
1991 - 1999
3. Policy objective and/or purpose of the subsidy
To improve agricultural irrigation systems and flood-defending facilities.
4. Background and authority for the subsidy
Ministry of Finance and the Provincial Bureau of Finance
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant.
7. To whom and how the subsidy is provided
To key infrastructure projects in water conservancy and flood protection.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 35.5 billion (RMB 7.5 billion for 1991, RMB 8.5 billion for 1992, RMB 9.5 billion for 1993, RMB 10 billion for 1994, RMB 11.0 billion for 1995, RMB 14.1 billion for 1996, RMB 15.9 billion for 1997, RMB 20.89 billion for 1998 and 21.36 for 1999).
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XIII. TAX AND TARIFF REFUND FOR EXPORT PRODUCTS

1. Title of the subsidy program
Tariff refund for imported contents of export products, and value-added tax refund for export products.
2. Period covered by the notification
1985 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate unreasonable tax and tariff burdens of export enterprises.
4. Background and authority for the subsidy
For tariff refund, taxation and customs authorities; and for tax refund, taxation authorities.
5. Legislation under which it is granted
State Council Circular No. 43, 1985.
6. Form of the subsidy
Tax and tariff refund.
7. To whom and how the subsidy is provided
For raw materials, spare parts, assemblies and packing materials imported for the purpose of processing and assembling for overseas clients or manufacturing products for export, tariffs shall be exempted, or in the case that tariffs have been collected, refund of the collected tariffs shall be made, according to quantities of the final products exported.

For agricultural products subject to the official value-added tax rate of 10%, the refund rate is 3%.

For industrial products subject to the official value-added tax rate of 17%, which take agricultural products as their raw materials, the refund rate is 6%.

For other products subject to the official value-added tax rate of 17%, the refund rate is 9%.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1985 -

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XIV. TARIFF AND IMPORT DUTIES REDUCTION AND EXEMPTION FOR ENTERPRISES

1. Title of the subsidy program
Tariff and import duties reduction and exemption for enterprises.
2. Period covered by the notification
1985 - 2000.
3. Policy objective and/or purpose of the subsidy
To attract foreign investment, to encourage technology renovations in domestic enterprises, and to promote such trade forms as border trade, processing trade, compensation trade etc..
4. Background and authority for the subsidy
Taxation and customs authorities.
5. Legislation under which it is granted
Regulation of import and export tariff of the People's Republic of China.
6. Form of the subsidy
Tariff and import duties reduction and exemption.
7. To whom and how the subsidy is provided
China adopted new taxation system on April 1, 1997. Under this new system, all domestic enterprises and institutes shall be subject to tariff and import duties in accordance with official rate except for the following few cases where tariff and import duties reduction and exemption are still applied:
 - (1) goods imported for embassies, and offices of international organizations in China, donations from foreign governments and international organizations, and goods imported by Chinese diplomats, Chinese students studying abroad and etc. for personal consumption;
 - (2) imports into the Yangpu Economic Development Area in Hainan Province, a bonded area;
 - (3) equipment and materials imported during the period of 1996 to 2000 for drilling, petroleum and natural gas exploitation;
 - (4) aircraft imported by domestic civil airlines during the period of 1996 to 2000;
 - (5) spare parts of cars, of which tariff and import duties reduction and exemption shall be determined according to the localization rate;
 - (6) materials imported for domestic manufacturing of aircraft.
Tariff and import duties reduction and exemption before April 1, 1996 of imported equipment and materials for foreign-invested enterprises, for domestic technology renovation and infrastructure construction projects, for Special Economic Zones and Economic and Technology Development Areas, and for border trade, processing trade and compensation trade, shall be terminated except for the following transitional period:

(1) for foreign-invested enterprises with total investment less than US\$ 30 million approved before April 1, 1996, tariff and import duties reduction and exemption of their imported equipment and materials shall remain valid within the transitional period till December 31, 1996; for those enterprises with total investment more than US\$ 30 million, the transitional period shall end on December 31, 1997;

(2) for industrial projects in such areas as energy, transportation, metallurgical industry with total investment more than RMB 50 million, and for technology renovation projects in manufacturing industries with total investment more than RMB 30 million, which were approved before April 1, 1996, tariff and import duties for their equipment importation shall be subject to 50 per cent reduction within the transitional period till December 31, 1997;

(3) goods imported into the five Special Economic Zones of Shenzhen, Zhuhai, Shantou, Xiamen, Hainan, as well as those into the Pudong area in Shanghai and the Industrial Development Zone in Suzhou, shall be subject to tariff and import duties after 1 April 1996 in accordance with the official tariff and import duties rates. However, refund of the tariff and import duties will be applied within the transitional period from 1996 to 2000, with the volume decreasing annually. The refund will terminate after the year 2000.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1985 - 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XV. PROVISION OF LOW-PRICE INPUTS FOR SPECIAL INDUSTRIAL SECTORS

1. Title of the subsidy program
State low pricing for certain percentage of coal for electricity generating, and for certain percentage of crude oil.
2. Period covered by the notification
1987 - now.
3. Policy objective and/or purpose of the subsidy
State pricing for certain percentage of the industrial inputs is to maintain the overall price level stable.
4. Background and authority for the subsidy
Reform of China's planning economic system began first with the reform of the pricing system, and by now 95 per cent of the commodities and services in China have already been determined by the market forces. State pricing remains only for certain percentage of those crucial products to maintain the ability of the government to curb the overall price level in emergent cases.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Pricing.

6. Form of the subsidy
State low pricing for inputs of certain industrial sectors.
7. To whom and how the subsidy is provided
37 per cent of coal in 1995 was subject to state pricing, and 70 per cent of the land oil production was subject to state pricing, price of the remaining 30 per cent as well as of all the off-shore oil production was determined by the market.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1987 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVI. SUBSIDY TO CERTAIN ENTERPRISES IN THE FORESTRY INDUSTRY

1. Title of the subsidy program
Subsidy to the forestry industry.
2. Period covered by the notification
1994 - now.
3. Policy objective and/or purpose of the subsidy
To encourage full utilization of forest resources.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Value added Tax.
6. Form of the subsidy
Refund of value-added tax.
7. To whom and how the subsidy is provided
For certain enterprises in the forestry industry, when their products are based on the utilization of deficient timber resources, the collected value-added tax shall be refunded.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available as the quantity is minimal.
9. Duration of the subsidy and/or any other time-limits attached to it
1994 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVII. PREFERENTIAL INCOME TAX TREATMENT TO HIGH-TECH ENTERPRISES

1. Title of the subsidy program
Preferential Income tax treatment to high-tech enterprises.
2. Period covered by the notification
1994 - now.
3. Policy objective and/or purpose of the subsidy
To accelerate the development of high-tech industries.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For high-tech enterprises in the high-tech development zones approved by the State Council, the income tax rate applied shall be reduced to 15 per cent; for newly-established high-tech enterprises, income tax shall be exempted for the first two years since the operation.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1994 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVIII. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES UTILIZING WASTE

1. Title of the subsidy program
Preferential income tax treatment to enterprises utilizing waste.
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To encourage resources recycle.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.

6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For enterprises utilizing waste gas, waste water and solid waste as major production inputs, income tax shall be reduced or exempted for five years.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XIX. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES IN POVERTY STRICKEN REGIONS

1. Title of the subsidy program
Preferential Income tax treatment to enterprises in poverty stricken regions
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate poverty.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For newly-established enterprises in remote regions, poverty stricken regions, and regions with ethnic groups residence, income tax shall be reduced or exempted for three years.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XX. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES TRANSFERRING TECHNOLOGIES

1. Title of the subsidy program
Preferential Income tax treatment to enterprises transferring technologies.
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To encourage technology transfer and extension.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income reduction and exemption.
7. To whom and how the subsidy is provided
For income of enterprises generated from transferring technologies, or from such relevant services as technology consultancy, training and etc., income tax shall be exempted when such annual net income is below RMB 300 thousand; however, in the case that the income exceeds RMB 300 thousand, for the part which exceeds RMB 300 thousand, income tax shall be applied as usual.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXI. PREFERENTIAL INCOME TAX TREATMENT TO DISASTER STRICKEN ENTERPRISES

1. Title of the subsidy program
Preferential Income tax treatment to disaster stricken enterprises
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To bring down disaster losses.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
In case that enterprises suffer from such disasters as fire, flood, tornado, earthquake and etc., income tax shall be exempted for one year subject to application to and approval from local taxation authorities.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXII. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES WHICH PROVIDE JOB OPPORTUNITIES FOR THE UNEMPLOYED

1. Title of the subsidy program
Preferential income tax treatment to enterprises which provide job opportunities for the unemployed
2. Period covered by the notification
1993 - now
3. Policy objective and/or purpose of the subsidy
To increase job opportunities.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For newly-established township enterprises, in case that the new jobs they provide in one certain year exceed 60 per cent of their total jobs, income tax shall be exempted for a period of three years, subject to their application to and approval from local taxation authorities. In the same year when the three year exemption period expires, in case the enterprises provide another 30 per cent more job opportunities, income tax shall be reduced by 50 per cent for another two years, subject to their application to and approval from local taxation authorities.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.

9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXIII STATISTICS OF INCOME TAX REBATE TO ENTERPRISES SUBJET TO NOTIFICATION XVII, XVIII, XIX, XX, XXI, XXII

Unit: 10,000 RMB

	1995	1996	1997
Beijing	19424	17492	33156
Tianjin	12793	6945	632
Hebei	184	50	5
Shanxi	11216	1519	1465
Inner-Mongolia	2525	445	129
Liaoning	665	477	8515
Jilin	130	1170	791
Heilongjiang	1218	734	1345
Shanghai	41960	110207	63659
Jiangsu	1343	1369	9
Zhejiang	41710	42220	61045
Anhui	14285	17490	23939
Fujian	2563	12953	15183
Jiangxi	28	2	0
Shandong	11586	3737	4277
Henan	192	918	221
Hubei	494	994	12230
Hunan	7019	12179	11915
Guangdong	10835	165	52
Guangxi	9013	6211	7716
Hainan	1194	1371	300
Chongqing			230
Sichuan	3548	3777	998
Guizhou	647	2006	3259
Yunnan	9027	6418	6563
Tibet	506	1173	228
Shaanxi	7320	4228	1230
Gansu	7519	251	1073
Qinghai	357	378	1815
Ningxia	532	465	2309
Xingjiang	6633	2812	1354
Total	226466	260156	265643

XXIV. TARIFF AND VAT EXEMPTION FOR IMPORTED TECHNOLOGY AND EQUIPMENT OF THE INVESTERS INVESTING IN AREAS ENCOURAGED BY THE GOVERNMENT

1. Title of the subsidy program
Tariff and VAT exemption for imported technologies and equipment imported by investors investing in the industrial areas encouraged by the state.

2. Period covered by the notification
1998 - 2000.
3. Policy objective and/or purpose of the subsidy
Reduce the investment cost of importing technologies and equipment from abroad, so as to attract foreign direct investment and promote domestic investment as well.
4. Background and authority for the subsidy
The State Council.
5. Legislation under which it is granted
The circular No. 37(1997) issued by the State Council.
6. Form of the subsidy
Tariff and VAT exemption for imported technologies and equipment.
7. To whom and how the subsidy is provided
For foreign investors investing in the encouraged industrial areas defined by the "The Industrial catalogues for Foreign Direct Investment"(jointly issued by SDPC, SETC and MOFTEC), their imported technologies and equipment can enjoy treatment of tariff and VAT exemption.
For domestic investors investing in the encouraged industrial areas defined by the "The Catalogues of Current Priorities of Industrial Sectors, Products and Technologies Encouraged by the State" (issued by The State Development Planning Commission), their imported technologies and equipment can enjoy treatment of tariff and VAT exemption.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1998 - 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The importation of technologies and equipment has been encouraged by the subsidies, no specific import volume has been calculated.

ANNEX 5B

SUBSIDIES TO BE PHASED OUT

I. SUBSIDIES PROVIDED TO CERTAIN STATE-OWNED ENTERPRISES WHICH ARE RUNNING AT A LOSS

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.
2. Period covered by the notification
1990-1998.
3. Policy objective and/or purpose of the subsidy
To promote structural adjustment of those State-owned enterprises which are running at a loss, especially those in coal-mining and oil-drilling sectors, while keeping employment by means of promoting rationalization and maintaining stable production and safety.
4. Background and authority for the subsidy
Ministry of Finance.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant and tax forgiving
7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: 100 million RMB

Sector/Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Metallurgic industry	1.16	1.46	1.35	3.13	4.07	3.02	5.04	10.96	8.36
Ferrous-metal industry	0.63	0.86	1.28	1.51	5.80	5.86	4.78	6.58	4.65
Machinery industry	3.80	5.07	14.61	3.98	14.09	8.34	9.67	11.17	8.38
Coal industry	55.86	66.70	70.14	49.80	47.19	12.13	13.21	16.83	14.85
Oil industry	42.53	54.36	52.89	28.08	0.00	0.00	0.00	6.78	3.28
Chemical industry	3.83	4.03	3.70	4.11	6.90	3.47	4.26	5.32	4.96
Textile industry	1.90	2.39	2.07	3.09	2.65	3.38	6.97	16.41	15.36
Light industry	6.65	7.88	6.31	9.30	3.99	1.52	2.63	6.82	2.35
Tobacco industry	0.00	0.00	0.00	0.00	12.00	8.62	9.26	10.25	8.83
Total of the nine sectors	116.36	142.75	152.35	103.00	96.69	46.34	55.92	91.12	71.02
Other sectors	1.65	1.94	1.99	1.53	1.24	0.42	1.28	4.62	3.67
Total	118.01	144.69	154.34	104.53	97.93	46.76	57.2	95.74	74.69

9. Duration of the subsidy and/or any other time-limits attached to it
1949-2000.

10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

II. THE PRIORITY IN OBTAINING LOANS AND FOREIGN CURRENCIES BASED ON EXPORT PERFORMANCE

1. Title of the subsidy program
The priority in obtaining loans and foreign currencies based on export performance.
2. Period covered by the notification
1994-1999.
3. Policy objective and/or purpose of the subsidy
To promote the exportation of automobiles.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles..
6. Form of the subsidy
Priority in obtaining loans and foreign currencies.
7. To whom and how the subsidy is provided
Priority is given to:
(1) Automotive production enterprises whose export of whole vehicle products has reached the percentage points in the volume of their sales as indicated in the following chart;

Vehicles Types	Category	Percentages
Passenger Vehicles	M1	3%
	M2	5%
	M3	8%
Freight Vehicles	N1	5%
	N2, N3	4%
Motorcycles	L	10%

and

- (2) Automobile and motorcycle components manufacturing enterprises whose exports account for 10 per cent of their total annual sales.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Zero, because no enterprises have reached the level for enjoying the priority up till now.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to eliminate this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Zero.

III. PREFERENTIAL TARIFF RATES BASED ON LOCALIZATION RATE OF AUTOMOTIVE PRODUCTION

1. Title of the subsidy program
Preferential tariff rates based on localization rate of automotive production.
2. Period covered by the notification
1994-1999
3. Policy objective and/or purpose of the subsidy
To promote the localization process of automobile industry of China.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles.
6. Form of the subsidy
Preferential tariff rates.
7. To whom and how the subsidy is provided
The preferential tariff rates are granted to the automotive enterprises whose localization reaches the following ratios:
 - (1) Localization rate reaches 40 per cent, 60 per cent or 80 per cent on products that incorporate imported technology on whole vehicles of M Category;
 - (2) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on whole vehicles of N and L Categories; and
 - (3) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on automobile and motorcycle assemblies and key components.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Not available.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to phase out this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The trade effect is negligible.

ANNEX 6

PRODUCTS SUBJECT TO EXPORT DUTY

NO	HS NO	DESCRIPTION OF PRODUCTS	EXPORT DUTY RATE (%)
1	03019210	Live eels fry	20.0
2	05061000	Ossein and bones treated with acid	40.0
3	05069010	Powder and waste of bones	40.0
4	05069090	Bones and horn-cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinized, excl. Ossein and bones treated with acid	40.0
5	26070000	Lead ores & concentrates	30.0
6	26080000	Zinc ores & concentrates	30.0
7	26090000	Tin ores & concentrates	50.0
8	26110000	Tungsten ores & concentrates	20.0
9	26159000	Niobium, tantalum & vanadium ores & concentrates	30.0
10	26171010	Crude antimony	20.0
11	28047010	Yellow phosphorus (white phosphorus)	20.0
12	28047090	Phosphorus, nes	20.0
13	28269000	Fluorosilicates and fluoroaluminates and complex fluorine salts, nes	30.0
14	29022000	Benzene	40.0
15	41031010	Slabs of goats, fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared, whether or not dehaired or split	20.0
16	72011000	Non-alloy pig iron containing by weigh<0.5% of phosphorus in pigs, blocks or other primary forms	20.0
17	72012000	Non-alloy pig iron containing by weight >0.5% of phosphorus in pigs, blocks or other primary forms	20.0
18	72015000	Alloy pig iron and spiegeleisen, in pigs, blocks or other primary forms	20.0
19	72021100	Ferro-manganese, containing by weight more than 2% of carbon	20.0
20	72021900	Ferro-manganese, nes	20.0
21	72022100	Ferro-silicon, containing by weight more than 55% of silicon	25.0
22	72022900	Ferro-silicon, nes	25.0
23	72023000	Ferro-silico-manganese	20.0
24	72024100	Ferro-chromium containing by weight more than 4% of carbon	40.0
25	72024900	Ferro-chromium, nes	40.0
26	72041000	Waste & scrap, of cast iron	40.0
27	72042100	Waste & scrap, of stainless steel	40.0
28	72042900	Waste & scrap of alloy steel, other than stainless steel	40.0
29	72043000	Waste & scrap, of tinned iron or steel	40.0
30	72044100	Ferrous waste & scrap, nes, from turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings, whether or not in bundles	40.0
31	72044900	Ferrous waste & scrap of iron or steel, nes	40.0
32	72045000	Remelting scrap ingots of iron or steel	40.0
33	74020000	Copper unrefined; copper anodes for electrolytic refining	30.0
34	74031100	Cathodes & sections of cathodes, of refined copper, unwrought	30.0
35	74031200	Wire bars, of refined copper, unwrought	30.0
36	74031300	Billets, of refined copper, unwrought	30.0
37	74031900	Refined copper, unwrought, nes	30.0
38	74032100	Copper-zinc base alloys (brass), unwrought	30.0
39	74032200	Copper -tin base alloys (bronze), unwrought	30.0
40	74032300	Copper - nickel base alloys (cupronickel) or copper-nickel-zinc base alloys (silver), unwrought	30.0

NO	HS NO	DESCRIPTION OF PRODUCTS	EXPORT DUTY RATE (%)
41	74032900	Copper alloys, unwrought (other than master alloys of heading 74.05)	30.0
42	74040000	Waste & scrap, of copper or copper alloys	30.0
43	74071000	Bars, rods & profiles of refined copper	30.0
44	74072100	Bars, rods & profiles, of copper-zinc base alloys	30.0
45	74072200	Bars, rods & profiles, of copper - nickel base alloys or copper-nickel-zinc base alloys	30.0
46	74072900	Bars, rods & profiles, of copper alloy nes	30.0
47	74081100	Wire of refined copper, of which the maximum cross-sectional dimension >6mm	30.0
48	74081900	Wire of refined copper, of which the maximum cross-sectional dimension ≤6mm	30.0
49	74082100	Wire of copper-zinc base alloys	30.0
50	74082200	Wire of copper - nickel base alloys or copper-nickel-zinc base alloy	30.0
51	74082900	Wire, of copper alloy nes	30.0
52	74091100	Plate, sheet & strip, thickness >0.15mm, of refined copper, in coil	30.0
53	74091900	Plate, sheet & strip, thickness >0.15mm, of refined copper, not in coil	30.0
54	74092100	Plate, sheet & strip, thickness >0.15mm, of copper-zinc base alloys, in coil	30.0
55	74092900	Plate, sheet & strip, thickness >0.15mm, of copper-zinc base alloys, not in coil	30.0
56	74093100	Plate, sheet & strip, thickness >0.15mm, of copper-tin base alloys, in coil	30.0
57	74093900	Plate, sheet & strip, thickness >0.15mm, of copper-tin base alloys, not in coil	30.0
58	74094000	Plate, sheet & strip, thickness >0.15mm, of copper - nickel base alloys or copper-nickel-zinc base alloy	30.0
59	74099000	Plate, sheet & strip, thickness >0.15mm, of copper alloy nes	30.0
60	75021000	Unwrought nickel, not alloyed	40.0
61	75022000	Unwrought nickel alloys	40.0
62	75089010	Electroplating anodes of nickel	40.0
63	76011000	Unwrought aluminium, not alloyed	30.0
64	76012000	Unwrought aluminium alloys	30.0
65	76020000	Aluminium waste & scrap	30.0
66	76041000	Bars, rods & profiles of aluminium, not alloyed	20.0
67	76042100	Hollow profiles of aluminium alloys	20.0
68	76042900	Bars, rods & profiles (excl. hollow profiles), of aluminium alloys	20.0
69	76051100	Wire of aluminium ,not alloyed, with the maximum cross-sectional dimension >7mm	20.0
70	76051900	Wire of aluminium, not alloyed, with the maximum cross-sectional dimension ≤7mm	20.0
71	76052100	Wire of aluminium alloys, with the maximum cross sectional dimension >7mm	20.0
72	76052900	Wire of aluminium alloys, with the maximum cross sectional dimension ≤7mm	20.0
73	76061120	Plates & sheets & strip, rectangular (incl. square), of aluminium, not alloyed, 0.30mm ≤ thickness ≤0.36mm	20.0
74	76061190	Plates & sheets & strip, rectangular (incl. square), of aluminium, not alloyed, 0.30mm > thickness >0.2mm	20.0
75	76061220	Plates & sheets & strip, rectangular (incl. square), of aluminium alloys, 0.2mm<thickness <0.28mm	20.0
76	76061230	Plates & sheets & strip, rectangular (incl. square), of aluminium alloys, 0.28mm ≤ thickness ≤0.35mm	20.0
77	76061240	Plates & sheets & strip, rectangular (incl. square), of aluminium alloys, 0.35mm<thickness	20.0

NO	HS NO	DESCRIPTION OF PRODUCTS	EXPORT DUTY RATE (%)
78	76069100	Plates & sheets & strip, of aluminium, not alloyed, thickness >0.2mm, nes	20.0
79	76069200	Plates & sheets & strip, of aluminium alloys, thickness >0.2mm, nes	20.0
80	79011100	Unwrought zinc, not alloyed, containing by weight \geq 99.99% of zinc	20.0
81	79011200	Unwrought zinc, not alloyed, containing by weight <99.99% of zinc	20.0
82	79012000	Unwrought zinc alloys	20.0
83	81100020	Antimony unwrought	20.0
84	81100030	Antimony waste and scrap; Antimony powders	20.0

Note:

China confirmed that the tariff levels included in this Annex are maximum levels which will not be exceeded. China confirmed furthermore that it would not increase the presently applied rates, except under exceptional circumstances. If such circumstances occurred, China would consult with affected members prior to increasing applied tariffs with a view to finding a mutually acceptable solution.

ANNEX 7

RESERVATIONS BY WTO MEMBERS

Argentina: restrictions maintained on imports from China

Argentina intends to maintain restrictions on certain products originating in China, such as textiles and clothing, footwear not used for sporting activities and toys, after the accession of China, as follows:

PRODUCT	HS CODE
Textiles and Clothing	51.11; 51.12; 51.13; 52.08; 52.09; 52.10; 52.11; 52.12; 53.09; 53.10; 53.11; 54.07; 54.08; 55.12; 55.13; 55.14; 55.15; 55.16; 56.02; 56.03; 57.01; 57.02; 57.03; 57.04; 57.05; 58.01; 58.02; 58.03; 58.04; 58.05; 58.06; 58.07; 58.08; 58.09; 58.10; 58.11; 59.03; 60.01; 60.02; 61.01; 61.02; 61.03; 61.04; 61.05; 61.06; 61.07; 61.08; 61.09; 61.10; 61.11; 61.12; 61.13; 61.14; 61.15; 61.16; 61.17; 62.01; 62.02; 62.03; 62.04; 62.05; 62.06; 62.07; 62.08; 62.09; 62.10; 62.11; 62.12; 62.13; 62.14; 62.15; 62.16; 62.17; 63.01; 63.02; 63.03; 63.04; 63.05; 63.06; 63.07; 63.08; 63.09; 63.10
Footwear not used for sporting activities	64.01; 64.02; 64.03; 64.04; 64.05
Toys	95.02; 95.03

Quotas (Resolution 862/1999): to be eliminated by 31 July 2002.

Specific duties: phasing out will be in line with the following methodology:

1. The base level of specific duties will be that in force at the time of the accession of China and the *ad valorem* equivalent of each specific duty applied to each tariff position.
2. The transition period will be five years from the date of accession of China, after which a 35% *ad valorem* duty will apply.
3. Duties in excess of 35% will be phased out as follows:
 - **First year**: a 10% reduction of the amount in excess of 35%
 - **Second year**: a 20% reduction
 - **Third year**: a 40% reduction
 - **Fourth year**: a 60% reduction
 - **Fifth year**: an 80% reduction
 - **Sixth year**: As of 1 January of the sixth year, the ceiling of the 35% *ad valorem* equivalent to the minimum specific import duties (DIEMs) will apply.

European Communities: phasing-out timetable of industrial (non-textile) quotas on imports from China

Product	HS/CN Code	2001	2002	2003	2004	2005
Footwear falling within HS/CN codes	ex 6402 99 ³	5% increase	5% increase	10% increase	15% increase	proposed removal
	6403 51 6403 59	5% increase	10% increase	15% increase	15% increase	proposed removal
	ex 6403 91 ² ex 6403 99 ²	5% increase	5% increase	10% increase	15% increase	proposed removal
	ex 6404 11 ⁴	5% increase	5% increase	10% increase	15% increase	proposed removal
	6404 19 10	5% increase	5% increase	10% increase	15% increase	proposed removal
Tableware, kitchenware of porcelain or china	6911 10	15% increase	15% increase	15% increase	15% increase	proposed removal
Ceramic tableware or kitchenware	6912 00	15% increase	15% increase	15% increase	15% increase	proposed removal

³ Excluding footwear involving special technology: shoes which have a cif price per pair of not less than ECU 9 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

⁴ Excluding:

- (a) footwear which is designed for a sporting activity and has, or has provision for the attachment of, spikes, sprigs, stops, clips, bats or the like, with a non-injected sole;
- (b) footwear involving special technology: shoes which have a cif price per pair of not less than ECU 9 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

Hungary: quantitative restrictions maintained on imports from China

Hungary undertakes to phase out these restrictions by the year 2005. The restraint levels are based on the import data of the year 1999. The annual quota growth and the carry over and carry forward rates in the case of textiles and clothing products are included in the notification.

Product	HS	Import from China in 1999	Increase of quotas in per cent					
			2001	2002	2003	2004	2005	
Footwear falling within HS codes	6401	71 000 pairs	5	5	10	15	proposed removal	
	6402	10 625 000 pairs	5	5	10	15		
	6403	600 000 pairs	5	5	10	15		
	6404	4 450 000 pairs	5	5	10	15		
	6405	2 140 000 pairs	5	5	10	15		
Overwear Flexibility rates: 10% of which carry forward shall not represent more than 5%	4203, ex 4303, ex 4304, 6101, 6102, 6103, 6104, 6106, 6110, 6112, 6113, 6114, 6201, 6202, 6203, 6204, 6206, 6210, 6211	15 900 000 \$	6	6	6	6	proposed removal	
Other clothing and ready-made clothing products Flexibility rates: 10% of which carry forward shall not represent more than 5%	ex 4303, ex 4304, 6117, 6213, 6214, 6215, 6301, 6302, 6304, 6306, 6307, 9404	4 570 000 \$	6	6	6	6	proposed removal	

Mexico: anti-dumping measures maintained against imports from China

Notwithstanding any other provisions of this Protocol, during six years after the accession of China, Mexico's existing measures listed below shall not be subject to the provisions of either the WTO Agreement or the anti-dumping provisions of this Protocol.

PRODUCT	TARIFF CLASSIFICATION
Bicycles	8712.00.01
	8712.00.02
	8712.00.03
	8712.00.04
	8712.00.99
Footwear and parts thereof	56 tariff lines covered under the headings 6401, 6402, 6403, 6404, 6405
Brass padlocks	8301.10.01
Baby carriages	8715.00.01
Door knob locks	8301.40.01
Malleable iron connections	7307.19.02
	7307.19.03
	7307.19.99
	7307.99.99
Non-refillable pocket lighters, gas-fuelled	9613.10.01
Fluorite	2529.22.01
Furazolidone	2934.90.01
Tools	48 tariff lines under the headings 8201, 8203, 8204, 8205, 8206

PRODUCT	TARIFF CLASSIFICATION
Textiles (yarns and fabrics of artificial and synthetic fiber)	403 tariff lines under the headings 3005 5204, 5205, 5206, 5207, 5208, 5209, 5210, 5211, 5212, 5307, 5308, 5309, 5310, 5311 5401, 5402, 5404, 5407, 5408, 5501, 5506, 5508, 5509, 5510, 5511, 5512, 5513, 5514, 5515, 5516 5803, 5911
Toys	21 tariff lines under the headings 9501, 9502, 9503, 9504, 9505, 9506
Pencils	9609.10.01
Bicycle tires and inner tubes	4011.50.01 4013.20.01
Electrical machines, appliances and equipment and parts thereof	78 tariff lines under the headings 8501, 8502, 8503, 8504, 8506, 8507, 8509, 8511, 8512, 8513, 8515, 8516, 8517, 8518, 8519, 8520, 8523, 8525, 8527, 8529, 8531, 8532, 8533, 8536, 8537, 8544
Parathion-methyl	3808.10.99
Clothing	415 tariff lines under the headings 6101, 6102, 6103, 6104, 6105, 6106, 6107, 6108, 6109, 6110, 6111, 6112, 6113, 6114, 6115, 6116, 6117, 6201, 6202, 6203, 6204, 6205, 6206, 6207, 6208, 6209, 6210, 6211, 6212, 6213, 6214, 6215, 6216, 6217, 6301, 6302, 6303, 6304, 6305, 6306, 6307, 6308, 6309, 6310,
Organic chemicals	258 tariff lines under the headings 2901, 2902, 2903, 2904, 2905, 2906, 2907, 2909, 2910, 2911, 2912, 2914, 2915, 2916, 2917, 2918, 2919, 2920, 2921, 2922, 2923, 2924, 2925, 2926, 2927
Ceramic and porcelain dishware and loose articles	6911.10.01 6912.00.01
Iron and steel valves	8481.20.01 8481.20.04 8481.20.99 8481.30.04 8481.30.99 8481.80.04 8481.80.18 8481.80.20 8481.80.24
Candles	3406.00.01

Poland: anti-dumping measures and safeguard measures maintained on imports from China

Poland intends to continue the application of the below mentioned measures after China's accession.

1. Anti-dumping duties:

PCN 9613 10 00 0 (pocket lighters, gas fuelled, non-fillable)

PCN 9613 20 90 0 (pocket lighters, gas fuelled refillable, with other ignition system)

The bringing of these measures into conformity with the WTO Agreement⁵ will be effected by the end of 2002.

2. Safeguard measures:

PCN 6402 (other footwear with outer soles and uppers of rubber or plastics).

PCN 6403 (footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather).

PCN 6404 (footwear with outer soles of rubber, plastics, leather or composition leather and upper of textile materials).

PCN 6405 (other footwear)

PCN 8516 40 10 0 (electric smoothing irons, steam smoothing)

PCN 8516 40 90 0 (electric smoothing irons, other)

The phasing out of these measures will be effected by the end of 2004.

Slovak Republic: quantitative restrictions maintained on imports from China

The Slovak Republic has concluded the bilaterals talks with China over the quantitative restrictions on imports of footwear falling within HS/CN Code 6401, 6402, 6403, 6404 and 6405.

Phasing-out Timetable on Footwear Quotas by the Slovak Republic

HS/CN Code	2001	2002	2003	2004	2005
6401 to 6405	15% increase	15% increase	15% increase	15% increase	proposed removal

⁵ The WTO Agreement as defined in the Draft Protocol on the Accession of China, Section 1, para. 2.

Turkey: quantitative restrictions for non-textile products maintained on imports from China

Turkey maintains quantitative restrictions on the goods specified below. Turkey undertakes to eliminate these restrictions by 1 January 2005.

	CN CODE	DESCRIPTION OF GOODS	Quota (2000)
(1)	6402.99	Footwear	110 000 Pairs
	6403.51) 6403.59)	Footwear	26 826 Pairs
(1)	6403.91)	Footwear	185 742 Pairs
(1)	6403.99)		
(2)	6404.11.00.00.00	Footwear	754 350 Pairs
	6404.19.10.00.11) 6404.19.10.00.12) 6404.19.10.00.13)	Footwear	472 300 Pairs
	6911.10	Tableware, kitchenware of porcelain or china	15 225 kg
	6912.00	Ceramic tableware or kitchenware, other than of porcelain or china	45 675 kg

(1) Excluding footwear involving special technology: shoes which have a c.i.f. price per pair of not less than \$ 11,5 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

(2) Excluding:

(a) footwear which is designed for a sporting activity and has, or has provision for the attachment of spikes, springs, stops, clips, bats or the like, with a non-injected sole,

(b) footwear involving special technology: shoes which have a c.i.f. price per pair of not less than \$ 11,5 for use in sporting activities, with a single- or multi-layered moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralize impact or materials such as low-density polymers.

ANNEX 8

SCHEDULE CLII – PEOPLE'S REPUBLIC OF CHINA: PART I – GOODS

Circulated in document WT/ACC/CHN/49/Add.1.

ANNEX 9

SCHEDULE CLII – PEOPLE'S REPUBLIC OF CHINA: PART II – SERVICES

Circulated in document WT/ACC/CHN/49/Add.2

Adam Cowles is an Assistant Director for International Affairs and Trade at the U.S. General Accounting Office. Since 1997 he has been leading a long-term body of work on U.S.- China trade issues at the bipartisan request of the Senate Finance and House Ways & Means Committees. This work has produced numerous reports and testimonies to Congress that have analyzed China's WTO commitments, including those related to rule-of law; the expectations of U.S. businesses with a presence in China; and most recently first-year U.S. efforts to monitor China's implementation.

His 18 years at GAO evaluating the status of WTO negotiations, trade agency re-organization proposals, international procurement agreements and the Buy American Act, among other international trade issues, have included details to Congressional committees and to the Department of Commerce. He has a Masters in Public Administration from American University and is a graduate of Hamilton College, having majored in Government and minored in Asian Studies. Originally from Rochester, N.Y. he resides in Bethesda with his wife and 2 daughters.

James V. Feinerman is currently Associate Dean, International and Graduate Programs, at Georgetown University Law Center. Professor Feinerman joined the Law Center faculty as a visiting professor for the 1985-86 academic year. Immediately after law school he studied in the People's Republic of China. Subsequently, he joined the New York firm of Davis Polk & Wardwell as a corporate associate. During 1982-83, Professor Feinerman was Fulbright Lecturer on Law at Peking University. In 1986, he was a Fulbright researcher in Japan. In 1989, he was awarded a MacArthur Foundation fellowship to study China's practice of international law. During the 1992-93 academic year, he was a Fellow at the Woodrow Wilson International Center for Scholars. From 1993-95, on leave from the Law Center, Professor Feinerman was the Director of the Committee on Scholarly Communication with China. Professor Feinerman served as Editor-in-Chief of the ABA's China Law Reporter from 1986-1998. He has co-edited *The Limits of the Rule of Law in China* (2001), and co-authored *China After the WTO: What You Need to Know Now* (2001).

Robert C. Goodwin, Jr.

Mr. Goodwin is Executive Vice President and General Counsel and a Director of Chindex International, Inc., a NASDAQ listed company which is the largest independent American distributor of healthcare products and services to the Chinese marketplace and which, through its over 600 employees, provides representative and distribution services to a number of Fortune 500 companies. The company also owns and operates a hospital in Beijing and will open one in Shanghai this year.

In his position, Mr. Goodwin serves as one of the executive management group of the company, manages the company's U.S. operations and serves as the company's chief legal officer.

Prior to assuming his current position, Mr. Goodwin was engaged in the private practice of law in Washington, D.C. representing companies engaged in international business. Much of his work involved assisting companies with their activities in China. Prior to entering private practice, Mr. Goodwin served for ten years in several senior legal positions in the U.S. Government. His last position prior to leaving Government was as the Assistant General Counsel for International Trade and Emergency Preparedness of the U.S. Department of Energy.

Mr. Goodwin received his BA degree from Fordham University and his JD degree from the Georgetown University Law Center where he served as Editor-in-Chief of the school's international law journal. He is a past chairman of the legal committee of the U.S.-China Business Council and Vice President of the Maryland-China Business Council. Mr. Goodwin teaches a graduate course at the University of Maryland on "The Legal Aspects of International Business." Mr. Goodwin also served as a Peace Corps Volunteer in rural Thailand prior to attending law school. His biography is listed in the current edition of Who's Who in America.

NICHOLAS R. LARDY

Nicholas R. Lardy, senior fellow at the Institute for International Economics, was a senior fellow in the Foreign Policy Studies Program at the Brookings Institution from 1995 to 2003 and also served as interim director of Foreign Policy Studies in 2001. He was the director of the Henry M. Jackson School of International Studies at the University of Washington from 1991 to 1995. From 1997 through the spring of 2000, he was the Frederick Frank Adjunct Professor of International Trade and Finance at the Yale University School of Management.

Before his directorship, Dr. Lardy had been a professor of international studies at the University of Washington since 1985 and an associate professor from 1983 to 1985. He was the chair of the China Program there from 1984 to 1989. He was an assistant and associate professor of economics at Yale University from 1975 to 1983.

He has written numerous articles and books on the Chinese economy. His current major project analyzes the strategic implications of deepening China-Taiwan economic relations. His most recent book, *Integrating China into the Global Economy*, which was published in January 2002, explores whether reforms in China's economy and its foreign trade and exchange rate systems following China's WTO entry will integrate it much more deeply in the world economy. In September 1998, he published *China's Unfinished Economic Revolution*, a study that evaluates the reform of China's banking system and measures the economic consequences of deferring reform in the state-owned sector. Some of his other publications include "China and the Asian Contagion," *Foreign Affairs* 77, no. 4 (July/August 1998); "The Role of Foreign Trade and Investment in China's Economic Transformation," *The China Quarterly*, no. 144 (December 1995); *China in the World Economy* (Institute for International Economics, 1994); "Chinese Foreign Trade" *The China Quarterly*, no. 131 (September 1992); *Foreign Trade and Economic Reform in China, 1978-1990* (Cambridge University Press, 1992, paperback, 1993); *Agriculture in China's Modern Economic Development* (Cambridge University Press, 1983); and *Economic Growth and Distribution in China* (Cambridge University Press, 1978).

He serves on the Board of Directors and Executive Committee of the National Committee on United States-China Relations and is a member of the Council on Foreign Relations. He is also on the editorial boards of *The China Quarterly*, the *Journal of Asian Business*, the *China Review*, and the *China Economic Review*.

He received his BA from the University of Wisconsin in 1968 and his PhD from the University of Michigan in 1975, both in economics.

Terrence J. McCartin joined the Office of the U.S. Trade Representative (USTR) as the Director of Monitoring and Enforcement for China in 2001. In that capacity, he serves as co-chairman of the Trade Policy Staff Committee Subcommittee on China WTO Compliance, which oversees and coordinates the U.S. government's efforts to ensure that China complies with the commitments that it made in becoming a member of the World Trade Organization (WTO).

Prior to joining USTR, Mr. McCartin worked in the General Counsel's Office of the U.S. Department of Commerce from 1992 to 2001. As the Senior Counsel for WTO Subsidies Enforcement, he represented the United States in trade disputes before the WTO in the areas of anti-dumping and countervailing duties, participated in the WTO accession negotiations with China in the areas of subsidies, anti-dumping duties and safeguards, and served as a U.S. delegate to multilateral working groups studying the interaction between trade and competition policy under the auspices of the WTO, the Organization for Economic Cooperation and Development, the Asia Pacific Economic Cooperation forum and the North America Free Trade Agreement. He also advised the Commerce Department regarding the conduct of anti-dumping and countervailing duty investigations and represented the Commerce Department in litigation before U.S. courts.

Prior to joining the Commerce Department's legal staff, Mr. McCartin practiced as a litigation attorney with the Washington, D.C. law firm of Verner, Liipfert, Bernhard, McPherson and Hand (from 1982 to 1992) and served as a law clerk to the Honorable John Lewis Smith, Jr., Chief Judge of the U.S. District Court for the District of Columbia (from 1981 to 1982).

Mr. McCartin attended Georgetown University Law School, from which he graduated cum laude (J.D. 1981), and Stanford University (A.B. 1977).

RESUME

Mr. Chuanshui ZHONG

Born: 1965

Education

From 1981 to 1985, He studied in Shanghai Institute of Foreign Trade, Faculty of Economics, majoring in international business; He graduated with Bachelor's Degree in Economics in 1985.

From 1985 to 1988, he studied in the Graduate School of Fudan University (Shanghai), majoring in international trade theory and policy; and in 1988, he graduated with Master's Degree in Economics.

Work Experience:

In 1988, he began his career as a trade official in the Ministry of Foreign Trade & Economic Cooperation (MOFTEC). From August 1988 to late 1991, he was involved in the negotiations on such subjects as trade-related intellectual property rights, trade-related investment measures, and trade in services in the GATT Uruguay Round global trade negotiations. From late 1991 to early 1995, he was posted in the Permanent Mission of China to the United Nations Office in Geneva and Other International Organizations in Switzerland, and was actively involved in the Uruguay Round negotiations as well as the negotiations on China's entry into GATT and later on accession to the WTO. The main subjects he was working on included agriculture, market access, trade-related intellectual property rights and trade in services. As a member of the Chinese Delegation, he participated in numerous negotiations both multilaterally and bilaterally. .

He came back to MOFTEC in January 1995, and was working mainly on trade policy issues in the field of textiles and clothing. Apart from textiles and clothing, he also took responsibilities as Deputy Director in the Office for Australia-China Economics and Foreign Trade Training Project which was a 4-year project funded by AusAID to assist China in training its officials responsible for trade policy making and trade agreement implementation. China-OECD (Organization for Economic Cooperation and Development) dialogue and cooperation was another area of his responsibility as Deputy Director in Division I, Department of International Trade and Economic Affairs, MOFTEC.

Starting September 1998, he was responsible for Asia-Europe Meeting (trade and investment areas), as well as certain areas in the work of APEC as Deputy Director and then Director. Bangkok Agreement was another field of his responsibility. For several years since 1998, he worked on China's accession to the Bangkok Agreement until China became a member of the Agreement in early 2001.

He was assigned to the Economic and Commercial Counsellor's Office in Washington as First Secretary..