

Committee on Import Licensing

**REPORT TO THE COUNCIL FOR TRADE IN GOODS
ON CHINA'S TRANSITIONAL REVIEW**

1. The Committee on Import Licensing, at its meeting on 14 October 2011, carried out the Ninth and Final Transitional Review of China pursuant to Paragraph 18 of the Protocol on the Accession of the People's Republic of China (WT/L/432).
 2. The information provided by China to the Committee and related to the Ninth Transitional Review as required by Paragraph IV:3 of Annex 1A of the Protocol of Accession, was circulated in document G/LIC/W/39.
 3. The discussions that took place under the transitional review are contained in the minutes of that meeting (G/LIC/M/34, paragraphs 4.1 - 4.13) and are annexed hereto.
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ANNEX

4. Final Transitional Review under Paragraph 18 of the Protocol on the Accession of the People's Republic of China (WT/L/432).

4.1 The Chairperson recalled that the eighth transitional review of the implementation by China of the WTO Agreement and of the related provisions of the Protocol, under paragraph 18 of the Protocol of Accession of China (WT/L/432), had been carried out in 2009 by the subsidiary bodies of the WTO, including the Committee on Import Licensing, which had a mandate covering China's commitments under the WTO Agreement or China's Protocol of Accession. The Committee's report to the Council for Trade in Goods on that review was circulated in document G/LIC/20. The Committee would conduct the Ninth and Final Transitional Review at this meeting. He also informed the Committee that, since the last meeting, the Secretariat had received, after the Airgram convening this meeting had been issued, a communication from China containing information required by paragraph IV:3 of Annex 1A of the Protocol of Accession which has been circulated in document G/LIC/W/39.

4.2 In G/LIC/W/39, China indicated that its current import licensing procedures included import licences administration, automatic import licensing and tariff rate quota administration. It also explained that, pursuant to the *Law on Foreign Trade* and the *Regulations on Administration of Import and Export of Goods*, the Ministry of Commerce (MOFCOM) issued the *Measures for the Administration of Import License for Goods*, and the *Measures for the Administration of Automatic Import Licensing for Goods*. Based on the latter, MOFCOM and the General Administration of Customs (GAC) annually issued the *Catalogue of Goods Subject to Automatic Import Licensing Administration* and the *Catalogue of Goods Subject to Import License Administration*. These two catalogues, circulated as a MOFCOM Announcement and issued in the second semester of each calendar year but implemented only in the following year, listed all the products subject to import licensing procedures, except those under Tariff Rate Quota (TRQ) administration.

4.3 Regarding the ILPs to administer TRQs, China's submission indicated that the current applicable rules were the *Interim Measures on the Administration of Tariff Rate Quota for Importation of Agricultural Products* and the *Interim Measures on the Administration of Tariff Rate Quota for Importation of Fertilizers*. Based on these rules, MOFCOM and the National Development and Reform Commission (NDRC) issued annually the *Implementing Rules on the Administration of Tariff Rate Quota for Importation of Wool and Wool Tops*, the *Application and Allocation Methods of Tariff Rate Quota for Importation of Sugar*, the *Quantities, Allocation Principles and Application Procedures of Tariff Rate Quota for Importation of Fertilizers*, and the *Quantities, Application Conditions and Allocation Methods of Tariff Rate Quota for Importation of Grain and Cotton*. These rules circulated as MOFCOM and NDRC announcements, were issued in the second half of the year but implemented in the following year. Pursuant to MOFCOM Announcement No. 93 in 2005, TRQ administration for importation of soybean oil, palm oil and rapeseed oil was eliminated on 1 January 2006 and replaced by automatic import licensing administration.

4.4 China's submission also stated that the aforementioned basic laws, regulations, rules and announcements concerning its import licensing procedures, as well as other supplementary ones, were WTO consistent. China's aforementioned legislation was available in China Foreign Trade and Economic Cooperation Gazette and accessible from the websites of the Central Government of China (<http://www.gov.cn>) and/or MOFCOM (<http://www.mofcom.gov.cn>).

4.5 China was currently working on adjustments to its notifications under the various transparency provisions in the Agreement in order to better fulfil its notification obligations and put them in accordance with the new notification formats adopted by the Committee.

4.6 The delegate of the United States recalled that when acceding to the WTO, China agreed to an annual transitional review mechanism (TRM) to be conducted before the 16 WTO committees and councils during eight years with a final review in year 10. The TRM was established because China was admitted as a WTO Member before it had revised all of its trade-related laws and regulations to become WTO-compatible. The annual TRM had provided an opportunity to review multilaterally with China, the efforts it had taken to implement specific commitments in its Protocol of Accession and to comply with its obligations regarding the WTO Agreements and its Annexes. The US highlighted steps China had undertaken in reforming its economy and legal regime to comply with WTO obligations. Nevertheless, in the area of ILPs there remained several concerns pertaining specifically to iron ore and agricultural products.

4.7 With regard to iron ore, a key steel input for which Chinese steel producers had become increasingly dependent on foreign suppliers, he indicated that in 2005, China began imposing new ILPs which restricted licences to a limited number of traders and steel producers without making a public list of qualified enterprises or qualifying criteria, and setting a goal to import at least 50 per cent of its iron ore from Chinese-invested enterprises located abroad. Directing iron ore imports toward certain producers or sources distorted trade significantly, particularly as China was the largest iron ore importer in the world, and global prices for iron ore have reached high levels, led by Chinese demand. The overall licensing system seemed to be part of a programme to control raw material prices in favour of unfair advantages to China's downstream steel producers. Despite several requests, China still maintained restrictive ILPs for iron ore.

4.8 Concerning the IL requirements for agricultural products, the US considered that for several years, China's regulatory authorities had administered inspection-related requirements for issuing Quarantine Inspection Permits (QIP) and Automatic Registration Forms (ARF) in an arbitrary manner. For nearly all traded agricultural commodities, China's State administration of Quality Supervision, Inspection and Quarantine not only required importers to obtain a QIP prior to signing purchase contracts but also slowed down or suspended its issuance in a discretionary manner, without notifying traders in advance nor providing any explanation. China had been urged to eliminate such QIPs as there appeared to be no scientific basis and served as an unjust and restrictive barrier to trade which affected imports of poultry, pork and beef.

4.9 Based on China's ARFs regime applied to poultry, soybeans, pork and dairy products, MOFCOM allocated to an importer, yearly volumes of imports of particular commodities. Nevertheless, in administering ARFs, MOFCOM exercised its discretion to slow down imports from selected Members. The US also urged China to eliminate ARFs entirely.

4.10 In response, the delegate of China drew the US' attention to document G/LIC/W/39; indicated that most of the issues on iron ore had been clarified in previous TRM opportunities; and that the measure had statistical purposes.

4.11. The Committee took note of the communication circulated by China and of the statements made.

4.12 The Chairperson suggested that, to conclude the Final Transitional Review under Paragraph 18 of the Protocol of Accession of the People's Republic of China, a factual report on China's transitional review be submitted to the Council for Trade in Goods (CTG). As had been done previously, this factual report would refer to the relevant paragraphs of the minutes of this meeting as well as to the information received from China. The relevant paragraphs of the minutes which reflected the discussion would be annexed to this report.

4.13 The Committee so agreed. The report to the CTG on the Final Transitional Review was circulated in document G/LIC/23.
