

**TRANSITIONAL REVIEW MECHANISM
PURSUANT TO PARAGRAPH 18 OF THE PROTOCOL ON THE ACCESSION
OF THE PEOPLE'S REPUBLIC OF CHINA**

Questions from the UNITED STATES to CHINA

The following communication, dated 16 August 2005, is being circulated at the request of the Delegation of the United States.

Iron Ore

1. On 1 May 2005, after Chinese steel producers negotiated contracts with major foreign iron ore suppliers, the Government of China imposed new automatic import licensing procedures for iron ore. China began requiring licences for all import shipments of iron ore, reportedly even those for which contracts had been concluded before 1 May. Qualification rules reportedly restrict licences to 48 traders and 70 steel producers, but our understanding is that no list of criteria or list of qualified companies has been published.

- (a) When does China intend to notify these new import licensing procedures to the Committee?
- (b) What are the qualifications for receiving a licence to import iron ore?
- (c) Why did China impose qualifying criteria on enterprises seeking licences?
- (d) Has China previously imposed qualifying criteria in connection with an automatic licensing regime for imports other than iron ore? If so, please explain.
- (e) What fees are associated with the licences?
- (f) How long does China envision maintaining these new import licensing procedures?

Steel Industry Policy

2. On 20 July 2005, China released *The Steel and Iron Industry Development Policy*. The policy explicitly bans the import of "outdated" second-hand steel-manufacturing equipment and espouses an import substitution policy that "encourages" the use of domestically produced equipment and domestic technologies. Equipment and technology imports must meet the requirements of being either "technologically advanced" or of fulfilling a demand that domestic production is unable to meet.

- (a) What legal effects does such an industrial policy have in China?
- (b) When will China issue regulations or rules, if any, to implement this policy?
- (c) Please explain how China plans to impose a ban on second-hand steel-manufacturing equipment as stipulated in this policy.
- (d) Please explain how China plans to impose qualifying criteria for the import of new equipment as stipulated in this policy.
- (e) When does China plan to notify the Committee of the procedures for implementing this policy?

AQSIQ Licensing for Inspection of Imports

3. The United States remains concerned about the quarantine import inspection permit procedures provided for in State General Administration of Quality Supervision and Inspection and Quarantine (AQSIQ) Ordinance 7, *Administrative Measures for the Entry-Exit Inspection and Quarantine for Grains and Feed Stuff* (effective 1 March 2002), as well as AQSIQ Decree No. 25, *Administrative Measures for Entry Animal and Plant Quarantine* (effective 1 September 2002). Specifically, pursuant to Ordinance 7, AQSIQ requires that importers obtain an import inspection permit prior to signing an import contract for grain or feed. Port quarantine authorities may return or destroy any cargoes without a prior import inspection permit. This import inspection permit is in addition to other import licences, including a TRQ import certificate (in the case of TRQ commodities like wheat) and a safety certificate (in the case of certain commodities), and it does not replace inspection at the port. Similar procedures apply under Decree No. 25, pursuant to which importers are required to obtain a quarantine permit for a wide range of animal and plant products before an import contract can be signed. Previously, China has taken the position that AQSIQ's import permits are not import licences, but instead fall under the umbrella of sanitary and phytosanitary measures. Please explain why AQSIQ's import permits are not import licences.
