

**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 14 August 2006, is being circulated at the request of the Delegation of the United States.

Steel and Iron Industry Development Policy

1. During last year's transitional review of China before this Committee, the United States raised concerns about China's Steel and Iron Industry Development Policy (Steel Policy), issued on 20 July 2005. The United States explained that the Steel Policy explicitly bans the import of "outdated" second-hand steel-manufacturing equipment and espouses an import substitution policy that "encourages" the use of domestically produced equipment and domestic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. The United States further explained that, according to the Steel Policy, equipment and technology imports must meet the requirement of being either "technologically advanced" or fulfilling a demand that domestic production is unable to meet. In response, the representative of China provided some helpful clarifications and explained that China had not yet issued any measures implementing these aspects of the Steel Policy. Has China since issued any regulations, rules or other measures implementing these aspects of the Steel Policy? If so, please identify them.

Iron Ore

2. In connection with China's Trade Policy Review, held on 19 and 21 April, 2006, the United States submitted written questions addressing China's attempt to regulate imports of iron ore by granting import licenses only to enterprises satisfying certain criteria. The United States noted that an iron ore importer reportedly can obtain an "automatic" import license from MOFCOM only if, *inter alia*, the importer satisfies criteria set by the Chamber of Commerce for Import and Export of Metals, Minerals and Chemical Products and the China Iron and Steel Association. The United States then asked China to explain how it justifies these import restrictions under WTO rules, taking into account China's WTO obligations, including those in Article XI of GATT 1994 and paragraph 5 of Part I of China's Protocol of Accession. To date, China has not responded to those questions. The United States anticipates that China will submit its Trade Policy Review responses prior to this Committee's 27 September 2006 meeting, when China's Transitional Review Mechanism is on the agenda. The United States will review China's Trade Policy Review responses and may ask follow-up questions in connection with China's upcoming transitional review.

Other Steelmaking Inputs

3. In connection with China's recent Trade Policy Review, the United States also submitted written questions addressing the extent to which China applied import requirements similar to those on iron ore to other steelmaking inputs, such as ferroalloys, ferrous scrap, zinc, nickel, aluminum or titanium. To date, China has not responded to those questions. The United States anticipates that China will submit its Trade Policy Review responses prior to this Committee's 27 September 2006 meeting, when China's Transitional Review Mechanism is on the agenda. The United States will review China's Trade Policy Review responses and may ask follow-up questions in connection with China's upcoming transitional review.
