

**Council for Trade in Goods**

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

1. The Council for Trade in Goods (CTG), at its meeting on 23 November 2007, carried out the 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. Japan and the United States submitted questions and comments in writing to China on the CTG-specific information requirements contained in Annex 1A of the Protocol and on matters raised before subsidiary bodies. These questions and comments were circulated in documents G/C/W/586, and G/C/W/587, and G/C/W/589 respectively. The Annex 1A information provided by China to the Council for the review was circulated in document G/C/W/591.
3. The CTG took note of the reviews that had been carried out in the CTG subsidiary bodies. Furthermore, the Council reviewed the information provided by China concerning specific parts of Annex 1.A of the Protocol and the questions raised by certain Members. The statements made at the meeting of 23 November 2007 are reflected in the minutes of the meeting in document G/C/M/91. The relevant paragraphs which reflect the discussion under agenda item VII are annexed.

## ANNEX

### VII. TRANSITIONAL REVIEW UNDER PARAGRAPH 18 OF THE PROTOCOL OF ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA

#### A. REPORTS OF THE SUBSIDIARY BODIES OF THE COUNCIL FOR TRADE IN GOODS

7.1 The Chairman informed Members that, in accordance with paragraph 18 of the Protocol of the Accession of the People's Republic of China in document WT/L/432, this Council was to report to the General Council on the Transitional Review. He suggested proceeding in two stages. The CTG subsidiary bodies had, as required, transmitted their reports to the CTG. As a first step, he would give Members the opportunity to make general comments on those reports and then he would propose that the Council take note of these Reviews. Then, he would move on to the CTG's own Transitional Review in which the CTG was required to review the information provided by China pursuant to designated parts of Annex 1.A of the Protocol.

7.2 He reminded Members that the following CTG subsidiary committees had carried out the Review: Market Access - the report was contained in document G/MA/196 and Corr.1; Agriculture - the report was contained in document G/AG/24; Customs Valuation - the report was contained in document G/VAL/61; Sanitary and Phytosanitary Measures - the report was contained in document G/SPS/47; Technical Barriers to Trade - the report was contained in document G/TBT/22; Import Licensing - the report was contained in document G/LIC/17; Rules of Origin - the report was contained in document G/RO/64; Anti-Dumping - the report was contained in document G/ADP/16; Subsidies and Countervailing Measures - the report was contained in document G/SCM/121; Safeguards - the report was contained in document G/SG/84; and TRIMs - the report was contained in document G/L/835. While not wishing to reopen any of these reviews, he asked if Members wished to take the floor on these reports.

7.3 The representative of the United States recalled that this was the sixth Annual Transitional Review Mechanism for China. As in the past, the US approached the TRM with the understanding that it was designed to help Members understand and assess the progress that China had made in adopting and complying with WTO disciplines. From that perspective, the US believed that the TRM continued to be a useful mechanism. It helped to provide needed additional transparency for China's trade regime, as it allowed Members to seek and obtain clarifications regarding China's various trade policies and practices. It also provided Members with a multilateral forum for conveying their expectations of China and their concerns with China's implementation and compliance efforts. In that regard, the TRM was a useful supplement to bilateral discussions with China. By now, after nearly six years of WTO membership, China should have implemented almost all of the commitments that it made in its accession protocol. As a result, it may be expected that the TRM would focus more on China's ongoing adherence to WTO rules than on China's implementation of specific commitments that it made in its Protocol of Accession.

7.4 In his delegation's written submission before this Committee (G/C/W/587 and G/C/W/589), the US focused on adherence to WTO rules. The US raised a number of questions. Some questions were asked during transitional reviews conducted by subsidiary bodies, but China did not respond to them, so they were asked again. Other questions raised new questions. He highlighted a few of the concerns that underlay the questions.

#### (i) *Export Restrictions on Raw Materials:*

7.5 His delegation had submitted questions about China's export restrictions on raw materials, a matter that raised serious WTO concerns, to the Market Access Committee. China continued to

maintain export quotas and sometimes export duties on at least a dozen raw materials that were particularly important to US industry, even though China was the world's leading producer of these raw materials. WTO rules generally prohibited export quotas. The same was true for the export duties that China sometimes used to further discourage exports, as China had made a commitment in its WTO Protocol of Accession circumscribing their use. It was long past time for China to get rid of its export restrictions on raw materials. China should have eliminated them when it acceded to the WTO nearly six years ago. His delegation wanted to see a level playing field, where competition was fair. However, with China's export restrictions, the US and other WTO Members were significantly disadvantaged. The export restrictions artificially raised world raw material prices and lowered China's domestic prices. That gave a substantial artificial advantage to China's downstream producers over US and other foreign downstream producers. China had suggested that its export quotas were justified because it was only trying to protect raw materials that were exhaustible natural resources. But, his delegation had not seen any facts to support that claim. In order to protect its exhaustible natural resources, China would have to limit domestic sales just as it did exports. But China did not appear to do that. Take the example of coke, a key steel input. China's production of coke had been rising every year, reaching the point last year where it produced nearly 300 million metric tons (MT). But almost all of that 300 million MT of production was sold domestically; China only allowed a small fraction of its domestic coke production to be exported. The principal restriction China used was an export quota of 14 million MT. China also restricted exports by adding on export duties, even though China committed in its WTO Protocol of Accession not to impose export duties on coke. If a WTO Member was taking action to protect an exhaustible natural resource, WTO rules required it to treat the domestic and export sides comparably. China's system did not appear to do that.

*(ii) VAT on Agricultural Goods:*

7.6 The United States raised straightforward questions about China's value-added tax (VAT) on agricultural goods in the Committee on Agriculture. It appeared that many agricultural products were exempted from China's 13 per cent VAT normally applicable to agricultural products when sold domestically. For example, it appeared that domestic sales of agricultural commodities produced and sold by farmers in China, such as wheat, cotton and corn, were exempted from the VAT. However, when imports of these same products were sold in China, it appeared that they were assessed the VAT at the rate of 13 per cent. His delegation had asked China to explain this apparent discrimination, which raised national treatment concerns. However, China had so far offered no explanation.

*(iii) Subsidies:*

7.7 As was evident from the US submission to this Council (G/C/W/587), China simply refused to respond to numerous questions that his delegation raised about its subsidies practices. These questions sought to address some critical issues, including potentially prohibited subsidies provided by provincial governments in China. The US requested that China answer those questions today.

*(iv) Export duties on lead metal:*

7.8 One of the new questions that his delegation asked related to refined metal lead. China recently imposed export duties on refined metal lead, which contributed to a steep decline in China's exports of refined metal lead and had contributed to a sharp rise in world prices. Meanwhile, Chinese domestic prices had reportedly declined because of China's captive refined metal lead production, giving China's downstream producers a significant competitive advantage over foreign downstream producers. However, in its Protocol of Accession, China committed not to impose export duties on refined metal lead. His delegation asked that China explain how it justified its use of export duties in this case.

(v) *Import restrictions on technologies:*

7.9 Another new question related to China's Catalogue of Technologies Whose Imports Are Banned or Restricted, issued by China's Ministry of Commerce earlier this month. This catalogue listed technologies whose imports were banned or restricted. In his delegation's questions, it sought a number of clarifications from China, including how it justified import bans and import restrictions on technology imports in light of its obligations under Article XIII of the General Agreement on Tariffs and Trade 1994. He concluded by noting that China had made a submission in the last few days to the Council which related to this area. To the extent that the submission answered these questions, he apologised for taking the Council's time. The US looked forward to China's responses to its questions.

7.10 The representative of the European Communities opened his statement by saying that it would cover both sections of this agenda item. He raised it now because it contained a number of conclusions which emerged from the discussions held in the subsidiary bodies on the TRM of China. His delegation remained seriously concerned over the lack of co-operation shown by China in most aspects of the TRM discussions. It was disappointed by the paucity and lack of Chinese replies in the majority of the subsidiary bodies and was troubled by the statement made by China in the Market Access Committee that "China is under no obligation to provide answers in this exercise". It was hardly to be underlined that transparency was a vital element for the WTO and applied to all Members, even China. He recalled that the special scrutiny provided for in the TRM was approved by China itself as part of its Protocol of Accession. This lack of co-operation, transparency, unwillingness to respond to many questions and to other Members was a systemic concern. Indeed, China itself, on discussions on the previous agenda item on textiles, stressed to Turkey the importance of transparency and getting clear answer to questions posed by China to Turkey as well as the need to have written answers, not only oral statements. He invited China to apply the same requirements to itself in future discussions under the TRM. His delegation remained optimistic and hoped that China would give detailed replies, in writing, to this Council to all questions that his delegation and other Members had posed in Committees.

7.11 He highlighted a number of specific areas of particular concern to the EC. These were issues that had been outlined in his delegation's earlier communications and did not constitute an exhaustive list of concerns but a number of its more important concerns. First, on the theme of transparency and predictability of trade relations, China was committed in its accession protocol to provide a reasonable period for comments to the appropriate regulatory authorities before measures affecting trade in goods were implemented. His delegation looked to China to fully implement that commitment on advance notice and comment for trade regulations. Secondly, on export restrictions, his delegation shared the concerns expressed by the US and questions raised by them and others that China should notify the quantities associated with the export restrictions that it applied; that it should transmit to the WTO its justification for each specific export restriction; and when there was no such justification, his delegation expected China to notify to the WTO how and when it would bring those export restrictions for numerous raw materials into line with WTO rules. In its submission, dated 19 November 2007, China had provided some information on its export restrictions and its regime there. But as far as his delegation could see, the information was basic and did not indicate the quantities associated with the restrictions nor give any kind of detailed product-by-product, or sector-by-sector, justification for the maintenance of these restrictions. It also did not explain, in the case of unjustified restrictions, how and when China would bring its regime into WTO rules and China's own accession commitments. Further work would be needed from China to answer those outstanding questions.

7.12 In the TBT area, his delegation had made the point in the past that, for a range of sectors, China's conformity assessment, the compulsory certification system, appeared to be a technical barrier to trade and, as such, an unnecessary restriction on trade. He reiterated his delegation's request that China seriously try to develop a system less heavy, less onerous, less burdensome and less a barrier to trade. Similarly, he reiterated his delegation's concerns over China's automotive policy and wished to record in the minutes of this meeting his delegation's request that China allow foreign majority investment in the automotive sector and that it remove the so-called two-plus-two regulation affecting foreign participation in both passenger and commercial vehicle sectors. He also wished to record its request that China accede to the UN-EEC 1958 Agreement on Automobile and Auto-parts Promulgation which would have the effect of removing this important obstacle to trade.

7.13 He added that in the Market Access Committee, his delegation had also raised a number of further concerns affecting sectors such as steel, ship-building, petro-chemicals, pharmaceuticals and cosmetics. Concerns relating to Chinese regulations and policies in these areas, varying from joint-venture limitations, unjustified subsidies, local content requirements which appeared to be inconsistent with Article III of the GATT and the TRIMs and the Technical Barriers to Trade Agreements. Again, his delegation remained unsatisfied with the answers given so far. However, it remained optimistic that China would provide comprehensive, written answers to the legitimate questions it and other delegations had raised. He also asked if, at this time, China could provide information on its state of preparation for negotiating its accession to the Government Procurement Agreement, which was an important step his delegation was looking forward to and, again, constituted an important commitment in China's Accession Protocol.

7.14 The representative of Cuba reiterated her delegation's systemic concerns which it had voiced last year in this Council as well as this year in the Market Access Committee. Her delegation's ongoing concern was with regard to the discrimination in the Transitional Review Mechanism. Her country was suffering because of export restrictions imposed by a WTO Member. She had no intention of notifying goods and products and did not understand why a transitional process was being imposed on China. All Members were subject to rules. However, to her delegation, it appeared that some might be more subject to the rules than others. She requested the US to be as forceful when it came to requesting elimination of restrictions which had been in place against her country for decades. All Members must abide by the rules. A Member could not ask another Member to do something when it was not doing what it was requesting. Members had to practice what they preached and people living in glass houses should not throw stones. She understood the concerns expressed by the US and the EC. She believed there had to be further dialogue but above all greater compliance with the rules of the WTO and she asked all Members to do so.

7.15 The representative of China voiced confusion as to where the Council was on its agenda with respect to this agenda item. He understood that under the first sub-item, Members were supposed to make comments about the subsidiary body reviews. Listening to some Members, it seemed that they had raised some substantial questions. It appeared that some Members had difficulty in understanding what the Chairman was suggesting and in following the WTO rules. The EC delegate mentioned that his delegation was still requesting China to provide written answers but the rules in paragraph 18 of China's Accession Protocol did not require that. His delegation hoped that Members, before coming to this exercise, would study the rules carefully. Otherwise it would be difficult to continue this exercise.

7.16 The Chairman proposed that the Council take note of the statements made and of the reports submitted by the subsidiary bodies.

7.17 The Council so agreed.

B. CTG-SPECIFIC REVIEW

7.18 The Chairman recalled that China was required to provide information to the Council for Trade in Goods in accordance with paragraph 18.1 of the Protocol of Accession. The relevant information requirements were listed in Annex 1A. China had submitted information as required under Annex 1A of the Protocol of Accession in document G/C/W/591. He also drew Members' attention to the questions from Japan which were circulated in document G/C/W/586; and the questions from the United States circulated in documents G/C/W/587 and 589.

7.19 The representative of China said that his delegation's submission spoke for itself. He added that some of the questions raised by the US and the EC had already been addressed by his delegation's submission in G/C/W/591. He noted that the US said that it had not had time to study this submission and apologised if the questions were answered in the document. However, the US asked the questions again. China had provided responses but other Members said they had not seen any response. There was a question about communication. China would like to show that it had effective communication with other Members but if Members were turning a blind eye to this fact by saying something or insisting on allegations that were untrue, then his delegation had to remind Members to study this document that China had provided for information. If Members still had questions they would be welcome to raise them. In this stage, his delegation would listen to other Members and if they still had questions, his delegation would try to respond to them.

7.20 The Chairman acknowledged that some Members might not have had the time to study the Chinese submission. He asked Japan and the United States if they wished to introduce their submissions.

7.21 The representative of Japan said that, having submitted its questions and comments on 1 November 2007, it did not have a chance to examine the information submitted by China on 19 November 2007. After quickly glancing through China's submission, she considered that her delegation still needed more information from China. She highlighted the 5 issues her delegation raised before this Council. Regarding the export prohibition of natural sand, her delegation understood that China maintained this prohibition for the purpose of environment protection and natural resource preservation. She asked if China had any restrictions on domestic production or consumption of natural sand. If so, her delegation wanted to know the details and, if not, it would like to hear China's justification for maintaining export prohibitions contrary to WTO rules.

7.22 Regarding the export restrictions on fluorite, her delegation had raised this concern consecutively for the past few years. It repeated the same questions because it was not convinced that China's justification was sufficient. Last year Japan had asked China to give concrete data to show that China's domestic production controls were effectively conducted. Her delegation had not received such data and could not find any concrete data in the report submitted by China on 19 November. This was why her delegation was not convinced that this export restriction was inconsistent with the WTO Rules.

7.23 Third and fourth, her delegation also raised export restrictions on cokes and non-ferrous metals, issues already raised by the US, at the Market Access Committee this year. Her delegation had not received convincing justification from China for maintaining these restrictions neither. As for cokes, her delegation wished to see the quantitative effects of China's measures for reducing the domestic production and consumption of cokes. Her delegation also wished to know if there were any plans to reform the export licensing measures. If so, she asked China to provide the details about it. As for non-ferrous metals, China had so far explained that resource protection and environmental conservation and a trade surplus reduction were the reasons for these quantitative trade restrictions. In terms of resource protection, she asked if China had restrictions on domestic production and consumption of these metals and, if that was the case, how effective were these domestic restrictions.

In terms of a trade surplus reduction, she requested clarification on the consistency of the quantitative trade restriction with the rules in GATT 1994 for that purpose.

7.24 Finally, she asked when China would start its negotiation for its accession to the Government Procurement Agreement. Her delegation had raised the same issue last year at the Council for Trade in Goods, and China had responded that it was working on the initial offer for the accession negotiation. Her delegation would be grateful if it could start the negotiations in the near future and would be happy to hear from China an update on the current situation of this issue.

7.25 The representative of the United States did not believe that the matter could be dealt with by Members reviewing China's submission under Annex I.A and coming back with any additional questions. The Annex I.A submission was not long and he glanced through it during the previous intervention. With respect to his delegation's first area of concern, export restrictions, there was a section in China's submission that dealt with export restrictions but it was simply an assertion that its export restrictions were in conformity with Article XX. His delegation had gone to the trouble to make a specific presentation, both written and oral. Coke was the primary example where China's production continued to rise and exports were almost entirely limited. His delegation believed that it deserved an answer and not just an assertion that China's restrictions were in conformity with Article XX. How could this be so given the history of this particular product? His delegation cited other products as well, e.g., fluorspar, indium, magnesium carbonate. There were lots of examples, and his delegation looked forward to having substantive answers from China on how its policies were in conformity with its WTO obligations, given the points raised.

7.26 Other issues that his delegation raised were not addressed in the Annex I.A submission, for example, the value-added tax on agricultural goods, specific questions on textiles, technology, and the banking and financial sectors. His delegation had extensive questions on state trading entities and enterprises. China gave a short response basically saying that there had been no change in this area since the last review, plus a couple of specific responses to other areas. These responses were not nearly as responsive to the questions as his delegation believed would be proportionate to the points put forward. His delegation also raised the North-East Revitalization Programme's sections on disclosure and transparency. His delegation had made an extensive presentation in its written submission as well as in its oral submission on export duties, on lead metal, on import restrictions, on technologies, on mergers and acquisition regulations, and on medical device border examinations. It, therefore, considered that, in conformity with how this process was supposed to work, it expected a corresponding effort on China's side to demonstrate how the questions raised, with respect to their compliance with their WTO obligations, were or were not valid.

7.27 The representative of China said that his delegation would respond to the questions one-by-one. His delegation had responded but he noted that these responses were not satisfactory to some delegations. Nevertheless, one could not say that his delegation had not responded. He also thanked Cuba for the point it made that the WTO rules applied to different Members in different ways and that there was some discrimination between some Members. Everybody knew that Paragraph 18 was discriminatory against China because no other Member was required to go through this Review every year. But, China had signed an agreement and, therefore, was prepared to respect it, but strictly in accordance with paragraph 18. He passed the floor to his colleague, the expert on CTG matters.

7.28 The representative of China voiced his disappointment with some Members' statements which did not show any respect for China's efforts in the past six years under the transitional review mechanism. He also believed that some Members had tried to misinterpret China's policies. Having said that, he still wished to provide the information in response to the questions and comments submitted to China prior to the meeting. First of all, he noted that, since its accession, China had ensured transparency in trade its policy regime, including policies regarding export quantitative measures. China reported to the Committee on Market Access a new and full notification on import

and export quantitative measures every year. Besides, other export measures such as tariff and VAT rebates were included in the Annex 1A information China had submitted to this Council. He considered that Members who raised questions regarding this notification should have acquired the necessary information.

7.29 In regard to the export control imposed on natural resource products, he clarified that both export controls and domestic production and consumption controls were in place, consistent with Article XX of GATT 1994. Coke, for example, was an exhaustible resource, and the industry was highly polluting and energy consuming. In order to protect the environment and achieve sustainable development, China had implemented a series of measures to exercise control over export and at the same time limit the domestic production and consumption of coke, including the following measures:

- (1) On 1 September 1999 and 1 January 2000, the former State Economic and Trade Commission (SETC) published the First Batch of Catalogue of Prohibitions of Repetitive Project Investment in Industrial and Commercial Area, and the Second Batch of Catalogue of Outdated Production Capacity, Techniques and Products;
- (2) On 27 May 2004, nine ministries jointly published the Circular on Streamlining Administration on Coke Industry, which stipulated that:
  - (a) small coke factories must be shut down and qualified manufacturers had to pay a heavy fee for causing serious pollution;
  - (b) all coke projects since 2000 must be reviewed and those failed to meet the published standards have been terminated;
  - (c) enforcement against illegal sales of export quota licence for coke should be made more effective.
- (3) On 16 December 2004, the NDRC published Announcement No. 76 of 2004, which set the standard for market access to coke industry.

7.30 However, it may still take some time to see the result of China's efforts in terms of restricting the coke production of the domestic industry. Besides, the allocation of quotas, such as the applied quantity and historical performance, was consistent with the WTO requirements and China's accession commitment. Commercial interest was the primary consideration of the Chinese coke exporting companies when choosing their trade partners and, therefore, the price of coke was determined by the market and not by the export quota system. China hoped that WTO Members duly recognized the sacrifices China had made, as well as the pressure and dilemmas China was facing in environmental protection and natural resource conservation. Its efforts to achieve sustainable development should be understood and supported by Members.

7.31 Regarding VAT exemption for some agricultural products, currently the major players in China's grain market included farmers, grain purchasing and trading entities at various levels, and end users. The sale of agricultural products produced by small farmers was exempted from VAT. This was due to the fact that at the present stage in China, agricultural production was still characteristic of extremely small scale farming. The current VAT system could not effectively cover the sales of grains produced by small farmers. However, it should be noted that when farmers bought agricultural input, the price of which contained VAT, they had to undertake the VAT burden. This part of VAT was not deducted when farmers sold their grains and thus generated a loss of their due income. Therefore, when selling agricultural products, farmers were undertaking a *de facto* VAT burden, although they did not have to pay a *de jure* VAT. Moreover, transactions among grain trading or purchasing entities



and sales by them to end users were subject to VAT. Since imported grain was also purchased by the same grain trading or purchasing entities and since both domestic and import grain purchased by these entities or sold to end users by these entities were subject to VAT, China believed that such practice was in line with Article III of the GATT 1994 and Article 3 of the Subsidies and Countervailing Measures Agreement.

7.32 Regarding the consistency between the subsidy policy of local governments and the WTO rules, China had implemented a unified trade policy framework across the entire country. After China's entry into the WTO, the central government had sent clear instructions to local governments to abolish measures inconsistent with WTO rules at the earliest. During recent years, local governments had begun to review local subsidies to ensure their consistency with WTO rules. Regarding incentive policies in support of the development of the software industry, the policy objective of these incentives was to upgrade the industry structure, which would in turn enhance the development of the service industry, e.g., software outsourcing. These trade promotion measures and initiatives were permitted according to WTO rules. Regarding integrated circuits, the incentives enjoyed by those 94 enterprises in the list released by the NDRC, the Ministry of Information Industry, the General Customs Administration and the State Administration of Taxation, had been specified in the *Notice of the State Council on Issuing Relevant Policies on Encouraging the Development of Software Industry and IT Industry* (GUO FA (2000) No. 18). Related policies were not contingent upon export performance.

7.33 Regarding the banking sector, state industrial policies indicated the direction and objective of industrial development, i.e. optimizing the industry structure, limiting the development of sunset industries and high energy-consuming industries in order to protect the environment and achieve sustainable development. Therefore, taking into account the state industrial policies when issuing loans would help the commercial banks avoid risks and maximize their return. He added that state-owned enterprises in China had been responsible for their loss or profit, and for making independent commercial decisions since China's accession to the WTO. How state-owned enterprises were managed or what privatization programmes would be implemented had nothing to do with the Subsidies and Countervailing Measures Agreement. The *Blueprint for the Northeast Revitalization Programme* encouraged the development of private sectors, and provided state owned enterprises and other enterprises with equitable treatment in the areas of market access, import and export administration, land use, credit loans and bond issuance.

7.34 Regarding transparency, as it had committed in the Accession Protocol, China established a single journal to publicize all the trade-related law regulation and rules. Currently, all the major trade-related competent authorities sent copies of their newly published documents or draft to the MOFCOM Gazette. Moreover, on 5 April 2007, the State Council published its Decree No. 492 of 2007 *the Regulation on Government Information Disclosure*, which would further enhance transparency of trade policies. For the directive No. 95 of the ICAO, his government had responded to the questions under the Technical Barriers to Trade Committee which was fully reflected in paragraph 24 of the WTO document G/TBT/22. Members could revisit this document to assess China's response. For the mergers and acquisition regulation which concerned the US, as stated in the TRIMs Committee, China did not believe that this issue was, in any way, related to the TRIMs Agreement, or to the mandate of this Council.

7.35 For technology import restrictions and prohibitions, Members could have access to the two catalogues of technologies through China's central government website at [http://www.gov.cn/ziliao/flfg/2007-11/02/content\\_793830.htm](http://www.gov.cn/ziliao/flfg/2007-11/02/content_793830.htm). The two catalogues mainly included out-dated technology used to produce high energy consumption or high pollution products, technology that might be used for illegal purposes, and technology that might harm national security. China believed its practice was in line with the WTO rules especially Article XXI, while not relevant to Article XI.

7.36 The representative of Japan stressed that her delegation appreciated the efforts put forth by China in the TRM. She found China's last intervention very informative, adding that it would be helpful if China could circulate its oral intervention in a non-paper. She made this request on the understanding that this was not an obligation for China in relation to the TRM.

7.37 The representative of China thanked Japan for its appreciation. With regard to the request for a copy of his delegation's oral statement, his delegation was willing to discuss an arrangement with the Japanese delegation after this meeting. Officially, it had stated that, under the TRM, his delegation had no obligation to provide a written statement. However, it understood the need for the Japanese delegate to have such a copy and it was willing to help. He added, with respect to the Government Procurement Agreement, that China had been preparing its negotiations on the possible accession to Government Procurement Agreement, according to its accession commitment. He assured Members that China had been taking measures to fulfil its commitment to join the Government Procurement Agreement as soon as possible. He also drew attention to the oral statement by the European Communities and considered it odd that the EC was requesting a written statement from his delegation while it provided its statement in only an oral format. He urged Members to study the rules of the WTO TRM so that all would have an understanding of how this exercise should be conducted and of the nature of its limitations. In this way, the co-operation between China and other Members under the TPR would be effective.

7.38 The Chairman proposed that the Council take note of the statements made. He suggested that the Council proceed in the same manner as last year with respect to the form of its report of the Review. This would mean that a brief factual report would be prepared with references to the documents and attached to it the portion of the minutes of this meeting which related to the Transitional Review. The report from the Council for Trade in Goods, as well as the reports of the subsidiary bodies, would then be transmitted to the General Council.

7.39 The Council so agreed.

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