

Newsprint

China's WTO accession might also help to resolve a number of issues that concern Canadian exports of newsprint. The "sliding scale" duty rate, which was inversely proportional to the price per tonne and first applied to newsprint in 1997 at rates between 3% and 45%, will be replaced upon accession with a tariff of 12%, declining to 5% by 2006. China applied anti-dumping duties to Canadian newsprint exports in 1999. As a WTO member, for new cases, China will apply WTO-consistent rules for determinations and procedures. For measures that were in place upon the date of accession, China will be required to review the margin of duty and the need for continued anti-dumping duties, upon request of another WTO member and five years after their imposition.

CANADA'S MARKET ACCESS PRIORITIES FOR 2002

Administration of Tariff-Rate Quotas

China introduced tariff-rate quotas (TRQs) on imports of several foodstuffs in 1996, but published neither the regulations governing TRQ administration nor the quota quantities. Under the terms of accession to the WTO, China will eliminate TRQs that currently apply to a number of products and subject them only to tariffs, including potash (which will face a tariff of 3%), barley (3%), and canola seed (9%). A number of existing quotas will be replaced with new, WTO-compliant agricultural TRQs, including those for wheat, corn and canola oil. Upon accession, TRQs will also replace the existing import licence requirements and quotas on certain chemical fertilizers (urea, DAP and NPK).⁷

TRQ quantities will represent significant potential increases from recent imports. The TRQ on wheat and wheat products will rise to over 9.6 million tonnes by 2004, from actual Chinese imports of only 920 000 tonnes in 2000, while the out-of-quota tariff rate will fall from 114% in 2001 to 65% in 2004 (the in-quota rate will be constant at 1%). The TRQ for canola oil will start at 878 900 tonnes in 2002, rising to 1.2 million tonnes by 2005 (versus 2000 imports of 170 000 tonnes). The in-quota tariff will

be 9%. The over-quota tariff will be 63.3% in 2002, falling to a single tariff of 9% in 2006, at which point the canola oil TRQ will be effectively eliminated. Similarly, the TRQ quantity for urea will rise to 3.3 million tonnes by 2006, from 2000 imports of only 30 000 tonnes.

China has committed to henceforth administer TRQs in a transparent, predictable, and uniform way using clearly specified time frames and administrative procedures. China has agreed to a set of specific yearly dates for the completion of certain steps in the quota allocation process. The agency responsible for TRQ allocation will be the State Development and Planning Commission (SDPC), except for allocation of fertilizer, which will be the responsibility of the State Economic and Trade Commission (SETC).

"State trading entities" (STEs) have monopoly import status on a number of commodities in China, including goods that are also covered by TRQs, such as wheat and canola oil. These privileges will be reduced or eliminated after China's accession to the WTO, depending on the schedule negotiated for each product.

The TRQs that have been agreed under the terms of China's accession represent very important gains for Canadian agricultural and fertilizer exporters. Canada's priority will be to monitor implementation of the new TRQs to ensure that it is consistent with agreed principles, time frames, and quantities.

Administration of Automotive Quota

Under the terms of accession, China will establish a number of import quotas, or limits on the total annual value of imports, which will apply after accession, including one that will apply to "automobiles and parts" quota. This quota (with the exact product coverage defined by an 8-digit HS code) will be set at US\$6 billion upon accession and will grow by 15% per year until it is eliminated on January 1, 2005 (although a number of products will be moved out of the quota before then). The requirement to possess an import licence for these products will also be eliminated on the same date. Tariffs charged on automotive parts and accessories currently range from about 20% to 40%; these will be cut in half by 2006. Tariffs on finished vehicles will be slashed over the next 4 years — for example, current rates on finished cars will drop from 70-80% currently to 25%. According to China's Customs General Administration, total imports in

⁷ It was also agreed under the terms of accession that existing import licence requirements and quotas on other chemical fertilizers would be eliminated upon accession or by 2002.