

ANNEX 5B

SUBSIDIES TO BE PHASED OUT

I. SUBSIDIES PROVIDED TO CERTAIN STATE-OWNED ENTERPRISES WHICH ARE RUNNING AT A LOSS

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.
2. Period covered by the notification
1990-1998.
3. Policy objective and/or purpose of the subsidy
To promote structural adjustment of those State-owned enterprises which are running at a loss, especially those in coal-mining and oil-drilling sectors, while keeping employment by means of promoting rationalization and maintaining stable production and safety.
4. Background and authority for the subsidy
Ministry of Finance.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant and tax forgiving
7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: 100 million RMB

Sector/Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Metallurgic industry	1.16	1.46	1.35	3.13	4.07	3.02	5.04	10.96	8.36
Ferrous-metal industry	0.63	0.86	1.28	1.51	5.80	5.86	4.78	6.58	4.65
Machinery industry	3.80	5.07	14.61	3.98	14.09	8.34	9.67	11.17	8.38
Coal industry	55.86	66.70	70.14	49.80	47.19	12.13	13.21	16.83	14.85
Oil industry	42.53	54.36	52.89	28.08	0.00	0.00	0.00	6.78	3.28
Chemical industry	3.83	4.03	3.70	4.11	6.90	3.47	4.26	5.32	4.96
Textile industry	1.90	2.39	2.07	3.09	2.65	3.38	6.97	16.41	15.36
Light industry	6.65	7.88	6.31	9.30	3.99	1.52	2.63	6.82	2.35
Tobacco industry	0.00	0.00	0.00	0.00	12.00	8.62	9.26	10.25	8.83
Total of the nine sectors	116.36	142.75	152.35	103.00	96.69	46.34	55.92	91.12	71.02
Other sectors	1.65	1.94	1.99	1.53	1.24	0.42	1.28	4.62	3.67
Total	118.01	144.69	154.34	104.53	97.93	46.76	57.2	95.74	74.69

9. Duration of the subsidy and/or any other time-limits attached to it
1949-2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

II. THE PRIORITY IN OBTAINING LOANS AND FOREIGN CURRENCIES BASED ON EXPORT PERFORMANCE

1. Title of the subsidy program
The priority in obtaining loans and foreign currencies based on export performance.
2. Period covered by the notification
1994-1999.
3. Policy objective and/or purpose of the subsidy
To promote the exportation of automobiles.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles..
6. Form of the subsidy
Priority in obtaining loans and foreign currencies.
7. To whom and how the subsidy is provided
Priority is given to:
 - (1) Automotive production enterprises whose export of whole vehicle products has reached the percentage points in the volume of their sales as indicated in the following chart;

Vehicles Types	Category	Percentages
Passenger Vehicles	M1	3%
	M2	5%
	M3	8%
Freight Vehicles	N1	5%
	N2, N3	4%
Motorcycles	L	10%

and

- (2) Automobile and motorcycle components manufacturing enterprises whose exports account for 10 per cent of their total annual sales.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Zero, because no enterprises have reached the level for enjoying the priority up till now.
 9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to eliminate this measure by the year of 2000.
 10. Statistical data permitting an assessment of the trade effects of a subsidy
Zero.

III. PREFERENTIAL TARIFF RATES BASED ON LOCALIZATION RATE OF AUTOMOTIVE PRODUCTION

1. Title of the subsidy program
Preferential tariff rates based on localization rate of automotive production.

2. Period covered by the notification
1994-1999
3. Policy objective and/or purpose of the subsidy
To promote the localization process of automobile industry of China.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles.
6. Form of the subsidy
Preferential tariff rates.
7. To whom and how the subsidy is provided
The preferential tariff rates are granted to the automotive enterprises whose localization reaches the following ratios:
 - (1) Localization rate reaches 40 per cent, 60 per cent or 80 per cent on products that incorporate imported technology on whole vehicles of M Category;
 - (2) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on whole vehicles of N and L Categories; and
 - (3) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on automobile and motorcycle assemblies and key components.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Not available.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to phase out this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The trade effect is negligible.