

**Questions from the United States to China**

**July 16, 2007**

1. Consider a vehicle model (Model I), registered under Article 7 of Decree 125, with respect to which the imported automobile parts used in that particular model are required to be characterized as complete vehicles. Part A used in Model I is produced in the United States. Part B used in Model I is produced in Canada. All other imported parts used in Model I are produced in other countries. Assume that Part A and Part B both have their own tariff headings under China's tariff schedule, and that they would be so classified under those headings if they were not characterized as complete vehicles. The following sequence of events occur:

- Model I is registered in 2006.
  - In December 2006, the manufacturer imports from the United States 300 units of U.S.-produced Part A and declares the parts as being characterized as complete Model I vehicles under Decree 125.
  - In January 2007, the manufacturer imports from Canada 250 units of Canadian-produced Part B and declares the parts as being characterized as complete Model I vehicles under Decree 125.
  - During 2007, the manufacturer starts production of Model I, and produces 200 Model I vehicles. It decides to halt production in late 2007.
  - The remaining 100 units of Part A and 50 units of Part B are held in inventory, to be used in other models with respect to which imported parts are not characterized as complete vehicles, or to be sold to dealers as replacement parts.
- A. Please explain how the 2006 importation of 300 units of Part A are reflected in China's official import statistics. In particular, what would be:
- (i) the year of importation;
  - (ii) the tariff heading (e.g., the heading for Model I or the heading for Part A)
  - (iii) the number of units;
  - (iv) the value (e.g., as based on the value of Part A, or the value of a complete Model I);
  - (v) the country of origin (and/or country of exportation, if reflected in China's statistics);
  - (vi) the timing of when such imports are reflected in China's official statistics.
- B. Please explain how the 2007 importation of 250 units of Part B are reflected in China's official import statistics. In particular, what would be:
- (i) the year of importation;
  - (ii) the tariff heading (e.g., the heading for Model I or the heading for Part B);
  - (iii) the number of units;

- (iv) the value (*e.g.*, as based on the value of Part B, or the value of a complete Model I);
  - (v) the country of origin (and/or country of exportation, if reflected in China's statistics);
  - (vi) the timing of when such imports are reflected in China's official statistics.
- C. Please explain whether the production of 200 Model I vehicles during 2007 has any effect on China's import statistics.
- D. Please explain the effect, if any, on China's import statistics of the manufacturer's decision to use the remaining units of Part A and Part B for uses other than producing Model I or other vehicles the parts of which are characterized as complete vehicles.
- E. Please explain whether the production of 200 Model I vehicles has any effect on China's production statistics.

2. Consider a vehicle model (Model II) produced in the United States. Model II is produced exclusively from imported parts. Only one part from China, Part C, is used in the production of Model II. Part C has its own tariff heading under China's tariff schedule. The Chinese exporter of Part C knows that Part C will be used in the production of Model II, and knows that Model II will be produced entirely from imported parts.

In December 2006, the exporter exports 300 units of Chinese-produced Part C to the United States, to be used in the production of Model II. Please explain how the 2006 exportation of 300 units of Part C is reflected in China's official export statistics. In particular, what would be:

- (i) the year of exportation;
- (ii) the tariff heading (*e.g.*, the heading for Model II or the heading for Part C);
- (iii) the number of units;
- (iv) the value (*e.g.*, as based on the value of Part C, or the value of a complete Model II);
- (v) the timing of when such exports are reflected in China's official statistics.