

China signs MOU with US, Mexico on subsidies

BY | FROM | 2007-11-30 13:59

China has reached understanding with the United States and Mexico on their alleged trade subsidy measures, sparing a WTO panel ruling on the case, the Chinese WTO mission said in Geneva on Thursday.

Chinese Ambassador Sun Zhenyu signed respective memorandums of understanding with his US and Mexican counterparts "regarding certain measures granting refunds, reductions or exemptions from taxes or other payments" at the WTO headquarters on Thursday, the mission said in a statement.

In the MOUs, China made it clear to the US and Mexico that "the policy of exemption for certain foreign-invested enterprises from payments to the State for worker allowances is no longer operative."

Besides, the policy of value-added tax (VAT) refund to enterprises for the purchase of domestically produced equipment does not constitute prohibited subsidies as provided by relevant provisions of WTO agreements.

"Other preferential policies on income tax pertinent to the disputes have been repealed or will be repealed along with the implementation of the new Enterprise Income Tax Law of China," the statement added.

According to the Chinese mission, the MOUs will be notified to the WTO as mutually acceptable solutions to the above-mentioned dispute in accordance with the Dispute Settlement Understanding of the world trade body.

The United States filed the case to the WTO in February and later was joined by Mexico. The two countries alleged that China was using tax breaks and other incentives to "subsidize" its exports, which might violate WTO regulations.

A WTO panel was established in August to investigate the case, following failed consultations between the three sides.

But the three sides finally reached understanding on the dispute through continued discussions. (Xinhua)

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