

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE GOVERNMENTS OF THE UNITED STATES
OF AMERICA AND THE PEOPLE'S REPUBLIC OF CHINA
CONCERNING TRADE IN TEXTILE AND APPAREL
PRODUCTS**

With a view to further developing the bilateral economic and trade relationship between the United States of America (the "United States") and the People's Republic of China ("China"), providing the textile and apparel industries in the United States and China with a stable and predictable trading environment, and resolving trade concerns through consultations, representatives of the United States and China held friendly and constructive consultations under Paragraph 242 of the *Report of the Working Party for the Accession of China to the World Trade Organization* ("Paragraph 242") concerning trade in Chinese-origin textile and apparel products and agreed as follows:

1. Exports from China and imports into the United States of Chinese-origin textile and apparel products in 2006, 2007, and 2008 shall be subject to this Memorandum.

2. China shall permit the export into the United States, and the United States shall permit the import, of Chinese-origin products in the categories of 200/301, 222, 229, 332/432/632pt (plus baby socks),¹ 338/339pt, 340/640, 345/645/646, 347/348, 349/649, 352/652, 359S/659S, 363, 443, 447, 619, 620, 622, 638/639pt, 647/648pt, 666pt,² and 847 in accordance with the annual levels indicated in Annex I.

3. The products listed in Annex II are excluded from the categories listed in paragraph 2 and, accordingly, shall not be subject to the agreed levels described in Annex I.

4. China may elect to increase the agreed level for a product category in any year by not more than 2 percent by allocating to such level an unused portion of the base level (or base level as reduced pursuant to “carryforward” provision) for that category from the previous year (“carryover”), or by not more than 3 percent, by allocating to such level a portion of the level for that category for the succeeding agreement year

¹ Category 632pt covers HTS numbers 6115209010, 6115936020, 6115939020, 6115991420, and 6115991820. Baby socks covers HTS numbers 6111206050, 6111305050, and 6111905050.

² Category 666pt - window shades and window blinds - covers HTS numbers ex6303120000 and ex6303922020.

(“carryforward”). Any quantity allocated as carryforward in a particular year shall be subtracted from the agreed level for that category in the succeeding year. Combined use of carryover and carryforward in any year may not increase an agreed level for a category by more than 3 percent. No carryover is available in 2006, and no carryforward is available in 2008.

5. The United States and China will cooperate in enforcing the agreed levels and in preventing circumvention of the agreed levels by transshipment, rerouting, false declaration concerning country or place of origin, falsification of official documents, or any other means. If the United States obtains evidence that circumvention has occurred, it may charge the actual quantities of goods that entered the United States in circumvention against the agreed levels for those goods. If the United States and China agree that the United States has erroneously charged any amount against an agreed level, that amount shall be restored to that agreed level.

6. To assist in the administration of this Memorandum, the United States and China will establish an electronic visa system in accordance with the arrangement provided in Annex III.

7. The United States and China will work to create a stable environment for bilateral trade in all textile and apparel products. The United States shall not request consultations with China pursuant to Paragraph 242 with respect to any textile or apparel product integrated into the *General Agreement on Tariffs and Trade 1994* before January 1, 2002. In addition, the United States shall not request consultations with China pursuant to Paragraph 242 with respect to any textile or apparel product listed in Annex I. With respect to all other textile and apparel products not subject to agreed levels under this Memorandum, the United States shall exercise restraint concerning the application of its rights under Paragraph 242.

8. Promptly after the signing of this Memorandum, the United States shall allow entry into the commerce of the United States products³ that were denied entry before the signing of this Memorandum due to the application of Paragraph 242 in 2005. The products that enter into the commerce of the United States under this paragraph shall not be charged to any of the annual levels listed in Annex I.

9. The United States and China shall cooperate in a timely manner to resolve any issues related to the application or interpretation of this Memorandum.

10. This Memorandum shall enter into force on January 1, 2006⁴, and shall terminate on December 31, 2008.

11. The English and Chinese texts of this Memorandum are equally authentic.

November 8, 2005



United States Trade Representative

Minister of Commerce
People's Republic of China

³ This paragraph shall not apply to products in category 332/432 and 632 part (i.e., HTS numbers 6115.91.0000, 6115.92.6000, 6115.92.9000, 6115.93.6010, 6115.93.6020, 6115.93.9010, 6115.93.9020, 6115.99.1410, 6115.99.1420, 6115.99.1810, and 6115.99.1820).

⁴ Notwithstanding Paragraph 10, Paragraph 11 shall enter into force on the date of the signing of this Memorandum.

ANNEX I

AGREED LEVELS OF CERTAIN PRODUCTS

Category	Unit	2006 Level	2007 Level	2008 Level
200/301 - sewing thread/combed cot yarn	kg	7,529,582	8,659,019	10,131,052
222 – knit fabric	kg	15,966,487	18,361,460	21,482,908
229 – special purpose fabric	kg	33,162,019	38,467,942	45,007,492
332/432/632 pt (plus baby socks) - T	dp	64,386,841	73,963,859	85,058,437
sublimit 332/432/632 pt (plus baby socks) – B ⁵	dp	61,146,461	70,318,431	80,866,195
338/339 pt– cotton knit shirts	dz	20,822,111	23,424,875	26,938,606
340/640 – MB woven shirts	dz	6,743,644	7,586,600	8,724,590
345/645/646 – sweaters	dz	8,179,211	9,201,612	10,673,870
347/348 - cotton trousers	dz	19,666,049	22,124,305	25,442,951
349/649 – bras	dz	22,785,906	25,634,144	29,479,266
352/652 – underwear	dz	18,948,937	21,317,554	24,515,187
359S/659S – swimwear	kg	4,590,626	5,164,454	5,990,767
363 – pile towels	no	103,316,873	116,231,482	134,828,519
666 pt – window blinds/window shades	kg	964,014	1,084,516	1,268,884
443 - wool suits, MB	no	1,346,082	1,514,342	1,756,637
447 – wool trousers, MB	dz	215,004	241,880	280,581
619 – polyester filament	m2	55,308,506	62,222,069	72,177,600
620 – other syn. filaments	m2	80,197,248	90,221,904	103,755,190
622 – glass fabric	m2	32,265,013	37,104,765	43,412,575
638/639 pt – mmf knit shirts	dz	8,060,063	9,067,571	10,427,707
647/648 pt – mmf trousers	dz	7,960,355	8,955,399	10,298,709
847 – sbvf trousers	dz	17,647,255	19,853,162	23,029,668

General Notes

(1) The products included in the textile and apparel categories listed above and in paragraph 2 of the Memorandum are those set out in the *Correlation: U.S. Textile and Apparel Category System with the Harmonized Tariff Schedule of the United States*, or successor document, published on the website of the Office of Textiles and Apparel, U.S. Department of Commerce.

⁵ Excludes HTS number 6115209010.
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(2) Imports of a product subject to this Annex shall be charged against the annual level based on the date of export of the product from China. For greater certainty, if the United States allows entry into the commerce of the United States of products denied entry into the United States in 2005 due to the application of Paragraph 242 or for any other reason, those products shall not be charged to any of the annual levels listed above.

(3) The United States may deny entry into the United States of exports of the relevant products in excess of the levels described above. Notwithstanding General Note (2) above, and in accordance with Annex III (ELVIS Arrangement), if the United States permits entry of excess exports, the United States will charge the excess to the applicable agreed level for the succeeding annual period.

⁶ Excludes HTS number 6115209010. Proses penyelesaian..., Lydia Nurjanah, FISIP UI, 2009

ANNEX II

PRODUCTS EXCLUDED FROM COVERAGE

General Notes

The products subject to this Annex are products listed in the Harmonized Tariff Schedule of the United States (“HTS”).

Category	HTS	Description
338/339	Ex 6110.20.1025	Knit to shape on flat-bed knitting machines, having a stitch count exceeding 9 stitches per 2 centimeters, but less than or equal to 18 stitches per 2 centimeters, measured on the outer surface of the fabric, in the direction in which the stitches are formed.
	Ex 6110.20.1030	
	Ex 6110.20.2065	
	Ex 6110.20.2075	
	Ex 6110.90.9068	
638/639	Ex 6110.90.9070	All of the components of the garment are knit-to-shape and all are looped and linked, including the side seam and pocket (if any).
	Ex 6110.30.2050	
	Ex 6110.30.2060	
	Ex 6110.30.3050	
	Ex 6110.30.3055	
647/648	Ex 6110.90.9076	
	Ex 6110.90.9078	
	6203.43.3510	
	6204.63.3010	
	6210.40.5031	
	6210.50.5031	
6211.20.1525		
	6211.20.1555	

ANNEX III

ELECTRONIC VISA INFORMATION SYSTEM (ELVIS) ARRANGEMENT BETWEEN THE GOVERNMENTS OF THE UNITED STATES AND CHINA CONCERNING CERTAIN TEXTILE AND APPAREL PRODUCTS

1. Definitions

A. For the purpose of this Arrangement, the term “textile or apparel products” means the articles listed in the *Correlation: Textile and Apparel Categories with the Harmonized Tariff Schedule of the United States*, or successor document (“Correlation”), for categories listed in the Memorandum to which this Arrangement is annexed.

B. The term “category” includes part categories and merged categories as established in the Memorandum.

C. An “ELVIS transmission” is a message that the Ministry of Commerce, People’s Republic of China (“Ministry of Commerce”), sends electronically to the U.S. Bureau of Customs and Border Protection (“CBP”), that describes a shipment, as set out below.

2. Electronic Visa Information System (ELVIS) Requirements

A. China shall issue an ELVIS transmission for each shipment of textile or apparel products produced or manufactured by China and exported to the United States, regardless of value, that fall within the categories, including part categories and merged categories but excluding products listed in Annex II, listed in the Memorandum, and which are not eligible for the exemptions noted in paragraph 3 of this Arrangement.

Should a category, including a merged category, or part category, be added to or modified in the Memorandum, the additional or modified category shall also be included in the coverage of this Arrangement. Merchandise exported on or after the date the category is added to or modified in the Memorandum shall require a transmission.

The ELVIS transmission shall certify the products' country of origin and shall authorize the United States to charge the shipment against any agreed levels within the Memorandum. The United States recognizes that China shall be free to issue additional documents, such as paper visas or certificates of origin. While these additional

documents will not be a requirement of entry into the United States, CBP may review these documents on a case-by-case basis.

B. CBP will not authorize the entry of a shipment, or its withdrawal from warehouse, for consumption in the customs territory of the United States until it receives an ELVIS transmission.

C. Each transmission shall include the following information:

I. The Visa Number: The Visa Number shall begin with one numeric digit corresponding to the last digit of the year of export from China, followed by the two-character alpha country code specified by the International Organization for Standardization (the code for China is CN), and ending with a six digit numeric serial number identifying the shipment; e.g., 6CN123456. The first digit after the ISO country code should not begin with the number 9.

II. The Date of Issuance: The date of issuance shall be the day, month, and year on which the visa was issued.

III. The correct category(ies), part-category(ies); merged category(ies); quantity(ies), and unit(s) of quantity, e.g., “Cat 340/640- 510 dz.” Products covered by a merged category agreed

level must be accompanied by either a transmission referring to the merged category or by a transmission referring to the specific category corresponding to the actual shipment (e.g., if the shipment consists of both category 340 and category 640 merchandise, it may be transmitted as “category 340/640”; if the shipment consists solely of category 340 merchandise, it may be transmitted as “category 340” but not as “category 640”). Quantities must be stated in whole numbers. CBP will not accept a transmission that describes the quantity in decimals or fractions.

IV. The Manufacturer Identification Code (MID). The MID shall begin with CN, followed by the first three characters from each of the first two words (of the English rendition) of the name of the entity performing the origin-conferring operations, followed by the largest number on the address line of the entity, up to the first four digits, followed by the first three letters from the city name where the entity is located. (For example, if the transmission relates to a product manufactured by “Acme Textiles Company”, located at 1234 Acme Boulevard, in Shanghai, China, the MID shall be “CNACMTEX1234SHA”.)

D. Entry of a shipment:

I. The United States will not permit entry of a shipment if an ELVIS transmission has not been received for the shipment from China.

II. The United States will not permit entry of a shipment if the ELVIS transmission is missing any of the following information:

- A. Visa Number
- B. Category, Part Category, or Merged Category
- C. Quantity
- D. Unit of Quantity
- E. Date of Issuance, or
- F. MID.

III. The United States shall not permit entry of a shipment if the ELVIS transmission for the shipment does not match the information supplied by the importer regarding:

- A. Visa Number
- B. Category, Part Category, or Merged Category, or
- C. Unit of Quantity.

IV. The United States shall not permit entry of a shipment if the quantity being entered is greater than the quantity specified in the transmission.

V. The United States shall not permit entry of a shipment if the Visa Number has previously been used (except in the case of a split shipment) or cancelled.

VI. If the quantity in the ELVIS transmission is greater than that of the shipment, the United States shall permit entry and shall charge only the amount entered against any applicable level.

E. A new, correct transmission from China will be required before a shipment that has been denied entry under Paragraph 2.D will be released.

F. During any period in which the ELVIS is not operating, CBP may detain shipments for up to forty-eight hours after the importer presents the entry to CBP. If the ELVIS fails to operate for more than forty-eight hours, for the remaining period of the system failure, CBP will release shipments on the basis of the visa data provided by the Ministry of Commerce, if the Ministry of Commerce is able to provide that data by some means other than an ELVIS transmission.

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The Ministry of Commerce shall promptly retransmit all data that was affected by the system failure when the system is functioning normally.

G. If a shipment from China is allowed entry into the customs territory of the United States based on an incorrect ELVIS transmission or no ELVIS transmission, and the importer does not comply with a CBP request to redeliver the shipment to CBP, CBP will charge the correct quantity and category of the shipment against the appropriate agreed level. Should either Party disagree on such quantity charge, both Parties agree to hold technical consultation for verification on categories charged upon request of the Party. CBP will provide to the Ministry of Commerce monthly data reflecting the quantity charged against the agreed annual level for each category. Where practicable, CBP will provide to the Ministry of Commerce the name of the entity responsible for each shipment charged against the agreed level. .

H. CBP will provide access to ELVIS to enable China to produce electronic reports on visa utilization. These reports will contain:

- I. Visa Number
- II. Category, Part Category, or Merged Category

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- III. Unit of Quantity
- IV. Quantity Charged to Agreed Level
- V. Entry Number
- VI. Entry Line Number

3. Other Provisions:

- A. Merchandise imported for the personal use of the importer and not for resale, regardless of value, and properly marked commercial sample shipments valued at \$800 dollars or less may be entered without an ELVIS transmission, or any other documentation (including a paper visa or certificate of origin) referred to in this Arrangement, and shall not be charged to the agreed levels.
- B. The United States shall publish a notice in the Federal Register regarding the Electronic Visa Information System provided for under this Arrangement.
- C. The Ministry of Commerce shall provide CBP with two original, clear and reproducible examples of each visa form and stamp, if Ministry of Commerce issues a paper visa.

D. Certification of Origin

I. China will promptly notify CBP of the office(s) responsible for issuing paper certificates of origin to accompany each shipment of products listed in the Memorandum.

II. This paper document will not have an accompanying electronic transmission to CBP.

III. CBP will not require a certificate at time of entry, but may elect to review certificates on a case-by-case basis.

IV. CBP will require an importer to provide a certificate of origin to CBP upon request.

V. China shall promptly verify the authenticity of a certificate of origin upon request by CBP.

VI. The Ministry of Commerce will designate a specific authority in which all documents issued by the Ministry of Commerce that relate to a shipment to the United States (e.g., paper visa and certificate of origin) can be verified for authenticity.

VII. CBP may detain a shipment while CBP and the Ministry of Commerce confirm the authenticity of the documents described in subparagraph VI above.



**Lampiran 2. U.S. Imports of Textiles and Apparel from China: Selected Categories by Volume, Year-To-Date April 2006
and April 2005 and Cumulative (12-Month) Data**

Category	Description	CITA Status	Year-to-Date (YTD) data			Cumulative (12-month) data			
			YTD April 2005	YTD April 2006	%Change YTD April 05 - YTD April 06	Cumulative 12- month data from March 2004 - April 2005	Cumulative 12-month data from March 2005 - April 2006	% Change cumulative 12-month data	Chinese % of U.S. Market Share (cumulative) Mar. 05 - Apr. 06
222	Knit Fabric (data in million square meters)	Safeguard quota in effect from 12/24/2003 to 12/23/2004. Safeguard re-applied for in 2005 — CITA consideration terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	44.7	60.9	36%	126.7	239.1	89%	14%
226	Cheesecloth, Batistes, Lawns/Voile (million square meters)	CITA agreed to consider safeguard request Oct. 11, 2005. Consideration terminated Nov. 23, 2005.	11.9	5.6	-53%	19.9	24.6	23%	45%
301	Combed Cotton Yam (million square meters)	Quota in effect 05/27/05 - 12/31/05. CITA agreed to consider re-application 10/11/2005 — CITA consideration terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	7.3	3.9	-46%	20.3	18.2	-10%	3%

Category	Description	CITA Status	Year-to-Date (YTD) data			Cumulative (12-month) data			
			YTD April 2005	YTD April 2006	%Change YTD April 05 - YTD April 06	Cumulative 12-month data from March 2004 - April 2005	Cumulative 12-month data from March 2005 - April 2006	% Change cumulative 12-month data	Chinese % of U.S. Market Share (cumulative) Mar. 05 - Apr. 06
338/339	Cotton Knit Shirts, Blouses (million dozen)	Quotas in effect 05/23/05 - 12/31/05. CITA agreed to consider re-application 10/11/2005 — CITA consideration terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	9.7	2.3	-76%	11.8	13.2	12%	4%
340/640	Cotton/MMF Non-Knit Shirts (million dozen)	Quotas in effect 05/27/05 - 12/31/05. CITA agreed to consider re-application 10/11/2005 — CITA consideration terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	2.6	0.9	-64%	4.3	4.5	4%	10%
341/641	Non-Knit Blouses (million dozen)	CITA review period extended until Nov. 8, 2005. CITA consideration terminated Nov. 23, 2005.	2.7	39.9	43%	4.4	10.8	147%	26%
342/642	Skirts (million dozen)	CITA review period extended until Nov. 8, 2005. CITA consideration terminated Nov. 23, 2005.	2.4	3.8	60%	2.9%	9.0	213%	33%

Category	Description	CITA Status	Year-to-Date (YTD) data			Cumulative (12-month) data			
			YTD April 2005	YTD April 2006	%Change YTD April 05 - YTD April 06	Cumulative 12-month data from March 2004 - April 2005	Cumulative 12-month data from March 2005 - April 2006	% Change cumulative 12-month data	Chinese % of U.S. Market Share (cumulative) Mar. 05 - Apr. 06
347/348	Cotton Trousers, Slacks (million dozen)	Safeguard quotas in effect 05/27/05 - 12/31/05. CITA agreed to consider re-application 10/11/2005. CITA consideration terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	9.2	2.6	-72%	10.8	11.8	9.4%	7%
345	Cotton sweaters (million dozen)	CITA determination extended to Nov. 30, 2005, but subsequently terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	6.5	4.1	-36%	10.0	67.2	567%	27%
349/649	Brassieres (million dozen)	Quotas in effect 8/31/05 - 12/31/05. CITA agreed to consider re-application 10/11/2005, but subsequently terminated consideration Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	7.2	4.6	-37%	19.7	18.0	-19%	38%

Category	Description	CITA Status	Year-to-Date (YTD) data			Cumulative (12-month) data			
			YTD April 2005	YTD April 2006	%Change YTD April 05 - YTD April 06	Cumulative 12-month data from March 2004 - April 2005	Cumulative 12-month data from March 2005 - April 2006	% Change cumulative 12-month data	Chinese % of U.S. Market Share (cumulative) Mar. 05 - Apr. 06
350/650	Dressing Gowns and Robes (million dozen)	Quota in effect from 12/24/2003 to 12/23/2004. CITA determination on new application extended to Nov. 30, 2005, but consideration subsequently terminated Nov. 23, 2005.	14.8	11.6	-22%	4.8	4.9	1%	42%
351/651	Cotton, MMF Nightwear (million dozen)	CITA review period extended through Dec. 31, 2005, but consideration subsequently terminated Nov. 23, 2005.	2.3	2.6	14%	3.6	11.5	217%	35%
359S/659S	Swimwear (million kilograms)	CITA review period extended through Nov. 8, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	2.8	2.5	-10%	3.2	5.7	77%	22%
352/652	Cotton, MMF Underwear (million dozen)	Quotas in effect 05/23/05 - 12/31/05. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	7.3	1.7	-77%	10.9	12.4	14%	5%

Category	Description	CITA Status	Year-to-Date (YTD) data			Cumulative (12-month) data			
			YTD April 2005	YTD April 2006	%Change YTD April 05 - YTD April 06	Cumulative 12-month data from March 2004 - April 2005	Cumulative 12-month data from March 2005 - April 2006	% Change cumulative 12-month data	Chinese % of U.S. Market Share (cumulative) Mar. 05 - Apr. 06
443	Men's and boy's wool suits (million dozen)	CITA agreed to consider safeguard action, Oct. 11, 2005, but consideration subsequently terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	1.7	2.2	33%	2.0	6.6	224%	23%
447	Wool Trousers (million square meters)	CITA review period extended through Nov. 30, 2005, but consideration subsequently terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	1.1	0.7	-37%	1.7	2.6	52%	12%
619	Polyester Filament Fabric, lightweight (million square meters)	CITA agreed to consider safeguard action, Oct. 11, 2005, but consideration subsequently terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	15.0	9.8	-35%	17.0	55.2	224%	18%

Category	Description	CITA Status	Year-to-Date (YTD) data			Cumulative (12-month) data			
			YTD April 2005	YTD April 2006	%Change YTD April 05 - YTD April 06	Cumulative 12-month data from March 2004 - April 2005	Cumulative 12-month data from March 2005 - April 2006	% Change cumulative 12-month data	Chinese % of U.S. Market Share (cumulative) Mar. 05 - Apr. 06
620	Other Synthetic Filament Fabric (million square meters)	Quotas in effect 8/31/05-12/31/05. CITA agreed to consider re-application 10/11/2005, but consideration subsequently terminated Nov. 23, 2005. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	20.2	4.4	-78%	24.0	65.9	175%	12%
638/639	MMF Knit Shirts, Blouses (million dozen)	Quotas in effect 05/27/05 - 12/31/05. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	3.8	1.7	-56%	5.9	7.2	22%	8%
647/648	MMF Trousers, Slacks (million dozen)	Quotas in effect 05/27/05 - 12/31/05. Included in U.S.-China three-year agreement limiting Chinese imports through 2008.	3.1	1.2	-63%	5.2	5.6	8%	9%

Sumber: Department of Commerce, Office of Textiles and Apparel Preliminary Textile and Apparel Import Data.

DEPARTMENT OF COMMERCE**National Oceanic and Atmospheric Administration****[I.D. 051203D]****Permits; Foreign Fishing**

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice of receipt of foreign fishing application.

SUMMARY: NMFS publishes for public review and comment a summary of an application submitted by the Government of the Russian Federation requesting authorization to conduct fishing operations in the U.S. Exclusive Economic Zone (EEZ) in 2003 under provisions of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act).

ADDRESSES: Comments may be submitted to NMFS, Office of Sustainable Fisheries, International Fisheries Division, 1315 East-West Highway, Silver Spring, MD 20910; and/or to the Regional Fishery Management Councils listed here:

Paul J. Howard, Executive Director, New England Fishery Management Council, 50 Water Street, Mill 2, Newburyport, MA 01905, Phone (978) 465-0492, Fax (978) 465-3116;

Daniel T. Furlong, Executive Director, Mid-Atlantic Fishery Management Council, Federal Building, Room 2115, 300 South New Street, Dover, DE 19904, Phone (302) 674-2331, Fax (302) 674-4136.

FOR FURTHER INFORMATION CONTACT: Robert A. Dickinson, Office of Sustainable Fisheries, (301) 713-2276.

SUPPLEMENTARY INFORMATION: In accordance with a Memorandum of Understanding with the Secretary of State, NMFS publishes, for public review and comment, summaries of applications received by the Secretary of State requesting permits for foreign fishing vessels to fish in the U.S. EEZ under provisions of the Magnuson-Stevens Act (16 U.S.C. 1801 *et seq.*).

This notice concerns the receipt of an application from the Government of the Russian Federation requesting authorization to conduct joint venture (JV) operations in 2003 in the Northwest Atlantic Ocean for Atlantic mackerel and Atlantic herring. The factory ship DAURIYA is identified as the Russian vessel that would receive Atlantic mackerel and Atlantic herring from U.S. vessels in JV operations.

Dated: May 14, 2003.

Bruce C. Morehead,

Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service.

[FR Doc. 03-12739 Filed 5-20-03; 8:45 am]

BILLING CODE 3510-22-S

DEPARTMENT OF COMMERCE**Patent and Trademark Office****Grant of Interim Extension of the Term of U.S. Patent No. 4,567,264; Ranolazine**

AGENCY: Patent and Trademark Office.

ACTION: Notice of interim patent term extension.

SUMMARY: The United States Patent and Trademark Office has issued a certificate under 35 U.S.C. 156(d)(5) for a one-year interim extension of the term of U.S. Patent No. 4,567,264.

FOR FURTHER INFORMATION CONTACT:

Karin Ferriter by telephone at (703)306-3159; by mail marked to her attention and addressed to Mail Stop Patent Ext., Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450; by fax marked to her attention at (703)872-9411, or by e-mail to Karin.Ferriter@uspto.gov.

SUPPLEMENTARY INFORMATION: Section 156 of title 35, United States Code, generally provides that the term of a patent may be extended for a period of up to five years if the patent claims a product, or a method of making or using a product, that has been subject to certain defined regulatory review, and that the patent may be extended for interim periods of up to a year if the regulatory review is anticipated to extend beyond the expiration date of the patent.

On March 5, 2003, patent owner Roche Palo Alto LLC, timely filed an application under 35 U.S.C. 156(d)(5) for an interim extension of the term of U.S. Patent No. 4,567,264. The patent claims the active ingredient ranolazine (Ranexa™). The application indicates that a New Drug Application for the human drug product ranolazine has been filed and is currently undergoing regulatory review before the Food and Drug Administration for permission to market or use the product commercially.

Review of the application indicates that, except for permission to market or use the product commercially, the subject patent would be eligible for an extension of the patent term under 35 U.S.C. 156. Since it is apparent that the extension would extend beyond the original expiration date of the patent (May 18, 2003), the term of

the patent is extended under 35 U.S.C. 156(d)(5) for a term of one year, *i.e.*, until May 18, 2004.

Dated: May 9, 2003.

James E. Rogan,

Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

[FR Doc. 03-12729 Filed 5-20-03; 8:45 am]

BILLING CODE 3510-16-P

COMMITTEE FOR THE IMPLEMENTATION OF TEXTILE AGREEMENTS**Procedures for Considering Requests from the Public for Textile and Apparel Safeguard Actions on Imports from China**

May 19, 2003.

AGENCY: The Committee for the Implementation of Textile Agreements (The Committee).

ACTION: Notice of Procedures

SUMMARY: This notice sets forth the procedures the Committee for the Implementation of Textile Agreements (the Committee) will follow in considering requests from the public for textile and apparel safeguard actions as provided for in the Report of the Working Party on the Accession of China to the World Trade Organization (the Accession Agreement). The Committee hereby notifies interested parties of the procedures it will follow in considering requests.

EFFECTIVE DATE: May 21, 2003.

ADDRESS: Request must be submitted to: the Chairman, Committee for the Implementation of Textile Agreements, Room H3100, U.S. Department of Commerce, 14th and Constitution Avenue, N.W., Washington, D.C. 20230. Ten copies of any such request must be provided.

FOR FURTHER INFORMATION CONTACT: William Dulka, Office of Textiles and Apparel, U.S. Department of Commerce, (202) 482-4058.

SUPPLEMENTARY INFORMATION:

Authority: Section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854); Executive Order 11651 of March 3, 1972, as amended.

BACKGROUND:

The Accession Agreement textile and apparel safeguard allows the United States and other World Trade Organization Member countries that believe imports of Chinese origin textile and apparel products are, due to market disruption, threatening to impede the orderly development of trade in these

products to request consultations with China with a view to easing or avoiding such market disruption. Upon receipt of the request, China has agreed to hold its shipments to a level no greater than 7.5 percent (6 percent for wool product categories) above the amount entered during the first 12 months of the most recent 14 months preceding the request for consultations. The United States may implement such a limit.

Consultations with China will be held within 30 days of receipt of the request for consultations, and every effort will be made to reach agreement on a mutually satisfactory solution within 90 days of receipt of the request for consultations. If agreement on a different limit is reached, the Committee will issue a **Federal Register** Notice containing a directive to the Bureau of Customs and Border Protection that implements the negotiated limit.

The limit is effective beginning on the date of the request for consultations and ending on December 31 of the year in which consultations were requested, or where three or fewer months remained in the year at the time of the request for consultations, for the period ending 12 months after the request for consultations. No limit may remain in effect beyond one year, without reapplication, unless otherwise agreed between the United States and China. No limit may be applied to the same product at the same time under these procedures and under the product-specific China safeguard implemented by Section 421 of the Trade Act of 1974 (19 U.S.C. 2451).

In order to facilitate the implementation of the Accession Agreement textile and apparel safeguard, the Committee has determined that it is appropriate to publish procedures it will follow in considering requests for Accession Agreement textile and apparel safeguard actions. However, the Committee has determined that actions taken under this safeguard fall within the foreign affairs exception to the rulemaking provisions of 5 U.S.C. 553(a)(1), and this notice does not waive that determination. These procedures are not subject to the requirement to provide prior notice and opportunity for public comment, pursuant to 5 U.S.C. 553(a)(1) and 553(b)(A).

1. Requirements for Requests.

The Committee will review requests from the public for Accession Agreement textile and apparel safeguard actions on imports of Chinese origin textile and apparel products (such as

Clothing as of the date the WTO Agreement entered into force) sent to the Chairman, Committee for the Implementation of Textile Agreements, Room H3100, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, DC 20230. Ten copies of any such request must be provided. The Committee will protect any business confidential information that is marked business confidential from disclosure to the full extent permitted by law. To the extent that business confidential information is provided, two copies of a non-confidential version must also be provided, in which business confidential information is summarized or, if necessary, deleted. Within 15 working days of receipt of a request, the Committee will determine whether the request provides the information necessary for the Committee to consider the request in light of the considerations set forth below. If the request does not, the Committee will promptly notify the requester of the reasons for this determination and the request will not be considered. However, the Committee will reevaluate any request that is resubmitted with additional information.

Consistent with longstanding Committee practice in considering textile safeguard actions, requests may be filed by an entity (which may be a trade association, firm, certified or recognized union, or group of workers) that is representative of either: (A) a domestic producer or producers of a product that is a like or directly competitive with the subject Chinese textile or apparel product; or (B) a domestic producer or producers of a component used in the production of a product that is like or directly competitive with the subject Chinese textile or apparel product.

A request will only be considered if the request includes the specific information set forth below in support of a claim that the Chinese origin textile or apparel product is, due to market disruption, threatening to impede the orderly development of trade in like or directly competitive products.

A. Product description. Name and description of the imported product concerned, including the category or categories or part thereof of the U.S. Textile and Apparel Category System (see "Textile Correlation" at <http://otexa.ita.doc.gov/corr.htm>) under which such product is classified, the Harmonized Tariff Schedule of the United States, including the HS number, which such product is classified, and the name and description of the like or

directly competitive domestic product concerned.

B. Import data. The following data, in quantity by category unit (see "Textile Correlation"), on total imports into the United States and imports from China into the United States:

* Annual data for the most recent five full calendar years for which such data are available;

* Quarterly data for the most recent year for which such data are partially available, and quarterly data for the same quarter(s) of the previous year (e.g. January-March 2002, April-June 2002 and January-March 2001, April-June 2001).

The data should demonstrate that imports of Chinese origin textile and apparel products that are like or directly competitive with the product produced by the domestic industry concerned are increasing rapidly in absolute terms.

C. Production Data. The following data, in quantity by category unit (see "Textile Correlation"), on United States domestic production of the like or directly competitive products of U.S. origin indicating the nature and extent of market disruption:

* Annual data for the most recent five full calendar years for which such data are available;

* Quarterly data for the most recent year for which such data are partially available, and quarterly data for the same quarter(s) of the previous year (e.g. January-March 2002, April-June 2002 and January-March 2001, April-June 2001).

If the like or directly competitive product(s) of U.S. origin does not correspond to a category or categories of the U.S. Textile and Apparel Category system for which production data are available from official statistics of the U.S. Department of Commerce (see "U.S. Imports, Production, Markets, Import Production Ratios and Domestic Market Shares for Textile and Apparel Product Categories" at website: <http://otexa.ita.doc.gov/ipbook.pdf>), the requester must provide a complete listing of all sources from which the data were obtained and an affirmation that to the best of the requester's knowledge, the data represent substantially all of the domestic production of the like or directly competitive product(s) of U.S. origin. In such cases, data should be reported in the first unit of quantity in the Harmonized Tariff Schedule of the United States (<http://dataweb.usitc.gov/SCRIPTS/tariff/toc.html>) for the Chinese origin textile and/or apparel products and the like or directly competitive products of U.S. origin.

D. Market Share Data. The following data, in quantity by category unit (see "Textile Correlation"), on imports from China as a percentage of the domestic market (defined as the sum of domestic production of like or directly competitive products and total imports); on total imports as a percentage of the domestic market; and on domestic production of like or directly competitive products as a percentage of the domestic market:

* Annual data for the most recent five full calendar years for which such data are available;

* Quarterly data for the most recent year for which such data is partially available, and quarterly data for the same quarter(s) of the previous year (e.g. January-March 2002, April-June 2002 and January-March 2001, April-June 2001).

E. Additional Information. A description of how the Chinese origin textile and apparel product(s) have adversely affected the domestic industry producing like or directly competitive articles, such as the effect of imports from China on prices in the United States or any other data deemed to be pertinent.

2. Consideration of Requests.

If the Committee determines that the request provides the information necessary for it to be considered, the Committee will cause to be published in the **Federal Register** a notice seeking public comments regarding the request, which will include the request and the date by which comments must be received. The **Federal Register** notice and the request, with the exception of information marked "business confidential", will be posted by the Department of Commerce's Office of Textiles and Apparel on the Internet (otexa.ita.doc.gov). The comment period shall be 30 calendar days. To the extent business confidential information is provided, a non-confidential version must also be provided, in which business confidential information is summarized or, if necessary, deleted. Comments received, with the exception of information marked "business confidential", will be available in the Department of Commerce's Trade Reference Room for review by the public. If a comment alleges that there is no market disruption or that the subject imports are not the cause of market disruption, the Committee will closely review any supporting information and documentation, such as information about domestic production or prices of like or directly competitive products. In the case of requests submitted by entities that are not the

actual producers of a like or directly competitive product, particular consideration will be given to comments representing the views of actual producers in the United States of a like or directly competitive product.

With respect to any request considered by the Committee, the Committee will make a determination within 60 calendar days of the close of the comment period as to whether the Committee will request consultations with China. If the Committee is unable to make a determination within 60 calendar days, it will cause to be published in a notice in the **Federal Register**, including the date by which it will make a determination. If the Committee makes a negative determination, it will cause this determination and the reasons therefore to be published in the **Federal Register**. If the Committee makes an affirmative determination that imports of Chinese origin textiles and apparel products are, due to market disruption, threatening to impede the orderly development of trade in these products, the Committee will request consultations with China with a view to easing or avoiding such market disruption. Consultations with China will be held within 30 days of receipt of the request for consultations, and every effort will be made to reach agreement on a mutually satisfactory solution within 90 days of receipt of the request for consultations. Immediately after the Chinese Government receives the requests for consultations, the Committee will cause to be published a notice in the **Federal Register** that such consultations have been requested. The notice will identify quantitative limits on imports into the United States of Chinese origin textile and apparel products subject to the request for consultations. The notice will further provide that, absent a mutually satisfactory solution, the limits will terminate on December 31 of the year in which the request for consultations was made, unless three or fewer months remain in that year at the time of the request. If three or fewer months remain in the year at the time of the request, the notice will provide that, absent a mutually satisfactory solution, the limits will terminate one year from the date on which consultations were requested. The quantitative limits identified in the notice shall be 7.5 percent (6 percent for wool products) above the amount of Chinese origin textile and apparel products subject to the request for consultations entered into the United States during the 14 months preceding the month in which the request for

consultations was made. The notice also will contain a summary statement of the reasons and justifications for the request for consultations with China.

3. Self Initiation. The Committee may, on its own initiative, consider whether imports of Chinese origin textile and apparel products are, due to market disruption, threatening to impede the orderly development of trade in these products. In such considerations, the Committee will follow procedures consistent with those set forth in Section 2 of this notice, including causing to be published in the **Federal Register** a notice seeking public comment regarding the action it is considering.

4. Reapplication. Under the Accession Agreement, no action may remain in effect beyond one year, without reapplication, unless otherwise agreed between the United States and China. Reapplication will only take place if the Committee makes a new affirmative determination that imports of Chinese origin textiles and apparel products are, due to market disruption, threatening to impede the orderly development of trade in these products. In considering requests or in considerations begun on its own initiative for reapplication, the Committee will follow procedures consistent with those set forth in this notice.

5. Business Confidential Information. Public Reading Room. The Committee will protect any business confidential information that is marked business confidential from disclosure to the full extent permitted by law. To the extent that business confidential information is provided, two copies of a non-confidential version must also be provided, in which business confidential information is summarized or, if necessary, deleted. The Committee will make available to the public non-confidential versions of the request that is being considered, non-confidential versions of any public comments received with respect to a request, and, in the event consultations are requested, the statement of the reasons and justifications for the request subsequent to the delivery of the statement to China.

D. Michael Hutchinson,

Acting Chairman, Committee for the Implementation of Textile Agreements.

[FR Doc. 03-12893 Filed 5-20-03; 8:45 am]

BILLING CODE 3510-DR-S

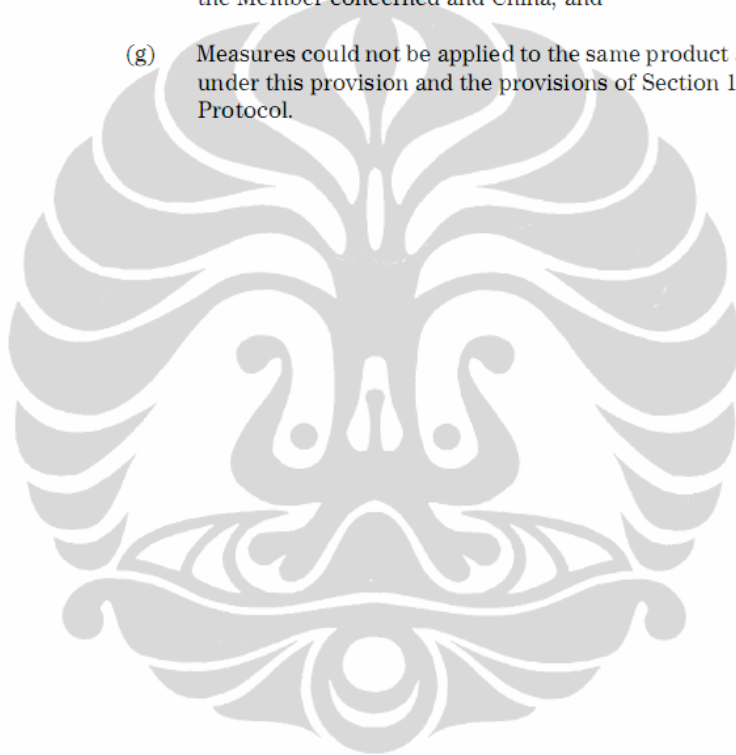
Paragraph 242 of the Working Party Report on China's Accession to the WTO

The representative of China agreed that the following provisions would apply to trade in textiles and clothing products until 31 December 2008 and be part of the terms and conditions for China's accession:

- (a) In the event that a WTO Member believed that imports of Chinese origin textiles and apparel products covered by the ATC as of the date the WTO Agreement entered into force, were, due to market disruption, threatening to impede the orderly development of trade in these products, such Member could request consultations with China with a view to easing or avoiding such market disruption. The Member requesting consultations would provide China, at the time of the request, with a detailed factual statement of reasons and justifications for its request for consultations with current data which, in the view of the requesting Member, showed: (1) the existence or threat of market disruption; and (2) the role of products of Chinese origin in that disruption;
- (b) Consultations would be held within 30 days of receipt of the request. Every effort would be made to reach agreement on a mutually satisfactory solution within 90 days of the receipt of such request, unless extended by mutual agreement;
- (c) Upon receipt of the request for consultations, China agreed to hold its shipments to the requesting Member of textile or textile products in the category or categories subject to these consultations to a level no greater than 7.5 per cent (6 per cent for wool product categories) above the amount entered during the first 12 months of the most recent 14 months preceding the month in which the request for consultations was made;
- (d) If no mutually satisfactory solution were reached during the 90-day consultation period, consultations would continue and the Member requesting consultations could continue the limits under subparagraph (c) for textiles or textile products in the category or categories subject to these consultations;
- (e) The term of any restraint limit established under subparagraph (d) would be effective for the period beginning on the date of the request for consultations and ending on 31 December of the year in which consultations were requested, or where three or fewer months remained in the year at the time of the request for

consultations, for the period ending 12 months after the request for consultations;

- (f) No action taken under this provision would remain in effect beyond one year, without reapplication, unless otherwise agreed between the Member concerned and China; and
- (g) Measures could not be applied to the same product at the same time under this provision and the provisions of Section 16 of the Draft Protocol.



CHINA'S SUPPORT PROGRAMS FOR SELECTED INDUSTRIES: TEXTILES AND APPAREL
Trade Lawyers Advisory Group
June 2007

Support Programs Notified by China That are Applicable to the Textiles and Apparel Industry
G/SCM/N/123/CHN (13 April 2006)

I. Preferential tax policies for foreign-invested enterprises (FIEs).

Legislation:

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-4); Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-5).

Benefits:

- (1) Two years of income tax exemption and three years of 50% reduction for production-oriented FIEs scheduled to operate for not less than ten years from the first profit-making year.
- (2) Refund of 40% of income tax paid on reinvestment for increasing the registered capital of the existing enterprise or establishing other enterprises, to operate for not less than five years.
- (3) Full refund of the income tax paid on the reinvestment in China for the organization and expansion of export-oriented enterprises or advanced-technology enterprises.
- (4) Reduced income tax rate of 10% for the royalty received for the supply of technical know-how in scientific research and the development of important technologies.

II. Preferential tax policies for foreign-invested export enterprises.

Legislation:

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-4); Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-5).

Benefits:

After the expiration of the normal income tax exemption and reduction, foreign-invested export-oriented companies can pay income tax at a rate reduced by one half, if 70% of their products are exported. Such companies located in special economic zones and economic and technological development zones and other such companies subject to a 15% income tax rate that comply with the foregoing conditions shall pay income tax at 10%.

VI. Preferential tax policies for enterprises with foreign investment which are technology intensive and knowledge intensive.

Legislation:

Circular on the Preferential Tax Treatment to Foreign Invested Companies That Are Technology- and Knowledge-Intensive, Guo Shui Fa [1995] No. 139 (see Exhibit F-79); Circular on the Preferential Tax Treatment to Foreign-Invested Companies That Are Technology- and Knowledge-Intensive, Guo Shui Fa [2003] No. 135 (see Exhibit F-48).

Benefits:

A reduced income tax rate of 15% for FIEs that are technology-intensive and knowledge-intensive and whose major products are listed in the "Catalogue of High and New Technology Products of China" promulgated by MOST, provided that the sales revenue of these products accounts for over 15% of total annual sales revenue.

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VIII. Preferential tax policies for (1) enterprises with foreign investment recognized as high or new technology enterprises established in the State high or new technology industrial development zones, and for (2) advanced technology enterprises invested in and operated by foreign businesses.

Legislation:

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-5).

Benefits:

- (1) Reduced income tax rate of 15%, and income tax exemption for the first two years since profit-making.
- (2) Extension of an income tax rate reduced by half for an additional three years after the expiration of tax exemption and reduction.

IX. Preferential tax policies for enterprises recognized as high or new technology enterprises established in the State high or new technology industrial development zones.

Legislation:

Circular on Several Preferential Corporate Income Tax Policies, Cai Shui Zi [1994] No. 1 (see Exhibit F-50).

Benefits:

Reduced income tax rate of 15%, and income tax exemption for the first two years of production.

X. Preferential tax policies for enterprises with foreign investment established in special economic zones (excluding Shanghai Pudong area).

Legislation:

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-4); Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-5).

Benefits:

- (1) Reduced income tax rate of 15% for FIEs established in Shenzhen, Zhuhai, Shantou, Xiamen and Hainan special economic zones.
- (2) Reduced income tax rate of 24% for FIEs established in the old urban districts of cities where the above special economic zones are located.
- (3) Reduced income tax rate of 15% for FIEs defined under (2) that are engaged in (a) technology-intensive or knowledge-intensive projects, (b) projects with foreign investments of over USD \$30 million which have long periods for return on investment, and (c) energy resource, transportation and port construction projects.

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XI. Preferential tax policies for enterprises with foreign investment established in the coastal economic open areas and in the economic and technological development zones.

Legislation:

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-4); Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (see Exhibit F-5).

Benefits:

- (1) Reduced income tax rate of 15% for production-oriented FIEs established in the economic and technological development zones.
- (2) Reduced income tax rate of 24% for production-oriented FIEs established in the coastal economic open areas and in the old urban districts of cities where the economic and technological development zones are located.
- (3) Reduced income tax rate of 15% for FIEs defined under (2) that are engaged in (a) technology-intensive or knowledge-intensive projects, (b) projects with foreign investments of over USD \$30 million which have long periods for return on investment, and (c) energy resource, transportation and port construction projects.

XIII. Preferential tax policies for enterprises with foreign investment established in the Three Gorges of Yangtze River Economic Zone.

Legislation:

Circular on the Tax Policy for Relocation of Residents in the Three Gorges Area and Regional Development, Cai Shui Zi [1995] No. 034 (see Exhibit F-51).

Benefits:

- (1) Reduced income tax rate of 24% for production-oriented FIEs established in the Three Gorges Economic Zone.
- (2) Reduced income tax rate of 15% for the above FIEs engaged in energy resources, transportation, harbor and wharf projects or other projects encouraged by the State.
- (3) Reduced income tax rate of 24% for FIEs established in the old urban districts of the open cities along the Yangtze River.
- (4) Reduced income tax rate of 15% for FIEs defined under (3) that are engaged in (a) technology-intensive or knowledge-intensive projects, (b) projects with foreign investments of over USD \$30 million which have long periods for return on investment, and (c) energy resource, transportation and port construction projects.

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XIV. Preferential tax policies in the western regions.

Legislation:

Circular on Several Policies on the Development of Western Region, Guo Fa [2000] No. 33 (see Exhibit F-52); *Circular on the Implementation of New Policies for the Development of Western Region*, Guo Ban Fa [2001] No. 73 (see Exhibit F-53); *Circular on Preferential Tax Treatment for Western Regions Development Program*, Cai Shui [2001] No. 202 (see Exhibit F-54); *Circular on Extending 15% Preferential Income Tax Rate for Three Years to Foreign Invested Companies in Central and Western Regions*, Guo Shui Fa [1999] No. 172 (see Exhibit F-55).

Benefits:

- (1) Reduced income tax rate of 15% for domestic and foreign-invested enterprises established in the western regions which are engaged in industries encouraged by the State from 2001 to 2010. For domestic enterprises, industries encouraged by the State refer to those listed in the "Catalogue of the Industries, Products and Technologies Particularly Encouraged by the States." For these enterprises, the items included in the Catalogue must be its major business and must account for over 70% of total revenue. For FIEs, industries encouraged by the State refer to those listed as encouraged in the "Catalogue for the Guidance of the Foreign Investment Industries" and listed in the "Catalogue for the Guidance of the Advantageous Industries in Central and Western Regions for Foreign Investment." For these enterprises, the items listed in the two Catalogues must be its major business and must account for over 70% of total revenue.
- (2) Tariff and import VAT exemption for equipment imported by domestic and foreign-invested enterprises, as defined in (1), for self use that is within the total amount of the investment, excluding such equipment listed in the "Catalogue for the Imported Products Not Subject to Tax Exemption in Foreign Investment Projects" and the "Catalogue for the Imported Products Not Subject to Tax Exemption in Domestic Investment Projects."
- (3) Since 2000, reduced income tax rate of 15% for an additional three years following the expiration of the two years of tax exemption and three years of 50% tax reduction for FIEs established in 19 provinces, autonomous regions and municipalities in central and western regions which are engaged in industries encouraged by the State as listed in the "Catalogue for the Guidance of Foreign Investment Industries" as well as in the advantageous industries and projects approved by the State Council.

XXVI. Preferential tax policies for the research and development of enterprises.

Legislation:

Circular on Expanding the Application of Tax Deduction for Technology Development Expenditure by Enterprises, Cai Shui [2003] No. 244 (see Exhibit T-10).

Benefits:

Domestic industrial enterprises, regardless of ownership, may deduct from their taxable income 150% of the actual expenses incurred on research and development of new products, new technologies and new crafts, provided such expenses have increased 10% or more from the previous year.

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XXVII. Preferential tax policies for the research and development of foreign-invested enterprises.

Legislation:

Circular on Granting Income Tax Deduction to Foreign-invested Enterprises for Technology Development Expenditure, Guo Shui Fa [1999] No. 173 (see Exhibit F-63).

Benefits:

Foreign-invested enterprises may deduct from their taxable income 150% of the actual expenses incurred on research and development conducted in China, provided such expenses have increased 10% or more from the previous year.

XXVIII. Preferential tax policies for enterprises transferring technology.

Legislation:

Circular on Several Preferential Corporate Income Tax Policies, Cai Shui Zi [1994] No. 1 (see Exhibit F-50).

Benefits:

Income tax exemption for enterprises profiting from technology transfers as well as from technology consultation, technology services and technology training provided as part of the transfer, where the annual net income is less than RMB 300,000; net income above RMB 300,000 is subject to the regular tax rate.

XXXI. Funds for supporting technological innovation for the technological small and medium-sized enterprises.

Legislation:

Circular on the Interim Administrative Rules of the Technological Innovation Fund for the Technological Small- and Medium-Sized Enterprises, Guo Ban Fa [1999] No. 47 (see Exhibit F-64).

Benefits:

Science- and technology-oriented SMEs are eligible to receive two types of support – grants and loan interest discounts. Support is provided in two stages. Initially, SMEs receive 70% of the grant and 80% of the interest discount. The remaining portions of the grant and interest discount are paid after the project is completed, checked, and accepted. Each project can receive no more than RMB 1 million and, in particular cases, no more than RMB 2 million.

The total and annual amount budgeted for the subsidy (in million RMB):

2001	2002	2003	2004	Total
800	500	500	500	2300

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LVIII. Preferential tax policies for foreign-invested enterprises and foreign enterprises which have establishments or place in China and are engaged in production or business operations purchasing domestically-produced equipment.

Legislation:

Circular Concerning the Issue of Tax Credit for Business Income Tax for Homemade Equipment Purchased by Enterprises with Foreign Investment and Foreign Enterprises, Cai Shui [2000] No. 49 (see Exhibit F-75); Circular on Printing and Distributing the Measures Concerning Business Income Tax Credit on the Investment of Enterprises with Foreign Investment and Foreign Enterprises by Way of Purchasing Homemade Equipment, Guo Shui Fa [2000] No. 90 (see Exhibit F-76).

Benefits:

40% of the expenses incurred to purchase domestically-produced equipment that is within the total investment of the project, or beyond the total investment of the project but for the purpose of upgrading existing equipment, may be deducted from the increment in income tax in the year the equipment is purchased compared to the previous year. The deductible amount in a given year should not exceed the increment in income tax. If the deductible amount exceeds the income tax increment, the amount in excess may be deducted from the next year's increment in income tax. Such postponement of deductibility shall not last more than five years.

LIX. Preferential tax policies for domestic enterprises purchasing domestically-produced equipment for technology upgrading purpose.

Legislation:

Circular on Distribution of Interim Measures Concerning Reduction and Exemption of Enterprise Income Tax for Investment in Domestically Made Equipment for Technological Renovation, Cai Shui [1999] No. 290 (see Exhibit F-76).

Benefits:

For technology renovation projects consistent with national industrial policies, 40% of the expenses incurred to purchase domestically-produced equipment required in the projects may be deducted from the increment in income tax in the year the equipment is purchased compared to the previous year. The deductible amount in a given year should not exceed the increment in income tax. If the deductible amount exceeds the income tax increment, the amount in excess may be deducted from the next year's increment in income tax. Such postponement of deductibility shall not last more than five years.

LX. Exemption of tariff and import VAT for imported technologies and equipment.

Legislation:

Circular of the State Council Concerning the Adjustment in the Taxation Policy of Imported Equipment, Guo Fa [1997] No. 37 (see Exhibit F-78).

Benefits:

Tariff and import VAT exemption for equipment purchased for self-use that is within the total investment of the project, excluding such equipment listed in the "Catalogue for the Imported Products Not Subject to Tax Exemption in Foreign Investment Projects" and the "Catalogue for the Imported Products Not Subject to Tax Exemption in Domestic Investment Projects."