

**COMMUNICATION FROM THE UNITED STATES**

The following communication, dated 23 September 2003, has been received from the Permanent Delegation of the United States.

**TRANSITIONAL REVIEW MECHANISM PURSUANT TO PARAGRAPH 18  
OF THE PROTOCOL ON THE ACCESSION OF  
THE PEOPLE'S REPUBLIC OF CHINA ("CHINA")**

Questions from the United States to China concerning  
Trade-Related Investment Measures

1. In paragraph 204 of the Working Party Report, China committed to amend its 1994 Industrial Policy for the Automotive Sector upon accession to make it compatible with WTO rules and principles. China also specifically agreed to eliminate export performance, local content and foreign exchange balancing requirements from its laws, regulations and other measures, and not to enforce the terms of any contracts imposing these requirements. In addition, China agreed that it would no longer condition importation or investment approvals on these requirements or on requirements such as technology transfer and offsets. Previously, China explained that it had revised the Law on Chinese-Foreign Equity Joint Ventures, the Law on Chinese-Foreign Contractual Joint Ventures and the Law on Wholly Foreign-Owned Enterprises to eliminate and cease the enforcement of requirements related to foreign exchange balancing, local content, export performance, compulsory technology transfer, etc., and that these revisions superseded conflicting provisions in the 1994 Industrial Policy for the Automotive Sector. China also indicated that it was conducting in-depth research and study with a view to issuing a new automobile industrial policy and that it would issue new *Guidelines for Current Development of Automobile Industry*.

**Question 1**

**Please describe the status of that effort.**

**Question 2**

**Does China intend to circulate a draft of the *Guidelines for Current Development of Automobile Industry* for public comment before they are implemented, in accordance with China's obligations under Section 2(C)2 of China's Protocol of Accession?**

2. In paragraph 205 of the Working Party Report, China committed to completely remove all restrictions on the categories, types or models of motor vehicles permitted for production, thereby ensuring that motor vehicle producers will be free to choose the categories, types and models they produced, within two years of China's accession, or by 11 December 2003.

**Question 3**

**Please describe the legal steps that China has taken, or plans to take, to implement this commitment.**

3. In paragraph 206 of the Working Party Report, China committed to raise the limit within which investments in motor vehicle manufacturing could be approved at the provincial level only from the then-current level of US\$30 million to US\$60 million one year after China's accession (11 December 2002), US\$90 million two years after China's accession (11 December 2003) and US\$150 million four years after China's accession (11 December 2005). During the 2002 Transitional Review Mechanism, China noted that it was in the process of considering and formulating relevant regulations.

**Question 4**

**Please describe the legal steps that China has taken to implement these commitments.**

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