

COMMUNICATION FROM CHINA

The following communication, dated 1 October 2003, has been received from the Permanent Mission of the People's Republic of China.

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

Information to be Notified to the Committee on Trade-Related
Investment Measures as Required in Annex 1A to the Protocol of Accession
of the People's Republic of China

I. INVESTMENT REGIME

- (a) completed revisions to investment guidelines in conformity with the WTO Agreement

China has revised the Guiding Industrial Catalogue for Foreign Investment in line with the WTO Agreement in the year of 2002. Relevant information has been provided last year which was contained in the document G/TRIMS/W/26.

II. TRADE-RELATED INVESTMENT MEASURES

- (a) elimination and cessation of enforcement of trade and foreign exchange balancing requirements, local content and export performance offsets and technology transfer requirements made effective through laws, regulations or other measures

Before accession to the WTO, China had already modified three basic laws in respect of foreign direct investment – Law of People's Republic of China on Sino-Foreign Equity Joint Ventures, Law of People's Republic of China on Sino-Foreign Cooperative Joint Ventures and Law of People's Republic of China on Foreign-invested Enterprises as well as their implementing rules. The revised legislation has eliminated or ceased the implementation of provisions on foreign currency balancing, local content, export performance requirement and mandatory technology transfer.

- (b) amendments to ensure lifting of all measures applicable to motor vehicle producers restricting the categories, types or models of vehicles permitted for production (to be completely removed two years after accession)

According to Paragraph 205 of the Working Party Report on the Accession of China, the category authorizations by the Chinese Government could continue to distinguish between trucks and buses, light commercial vehicles and passenger cars. In the Policy on the Development of Automobile

Industry, which is in the process of revision, the measures restricting the production under each category will be eliminated. The new Policy is now waiting for the approval from the State Council and will be enforced as soon as the legislative procedures are completed.

- (c) increased limits within which investments in motor vehicle manufacturing could be approved at the provincial government at the levels outlined in the Report

The draft of the upcoming development policy on automobile industry is characterized by its provisions on deregulation and transfer of approval authority to governments at provincial levels. After the issuance of the new Policy, the invest limits on auto manufacturing that could be approved at provincial level will be increased as required in the Working Party Report.
