

**COMMUNICATION FROM THE SEPARATE CUSTOMS TERRITORY OF  
TAIWAN, PENGHU, KINMEN AND MATSU**

The following communication, dated 25 October 2004, is being circulated at the request of the Delegation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

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

1. We welcome China's *Automobile Industry Development Policy* (hereinafter referred to as the *Policy*) published 1 May 2004 by the State Development and Reform Commission in line with its commitment as set forth in paragraph 204 of the Working Party Report on China's Accession.
2. It would be appreciated, however, if China could please provide further clarification of the following areas of its *Policy*.
3. Article 36 of the *Policy* states that "To abolish the existing approval management method for the sales right of passenger cars, the Ministry of Commerce will work in cooperation with the State Administration for Industry and Commerce and the State Development and Reform Commission and other related departments to draft the implementation rules for management of brand marketing for automobile products."

**Question**

**Could China please inform us of the status of its drafting of the implementation rules for management of brand marketing for automobile products and provide us with details of the main content of these rules.**

4. Article 39 of the *Policy* states that "Transferring the right of sales links to another impersonal entity is regarded as a major change in the feasibility study report in the original investment project, and should be approved by the Ministry of Commerce and reported to the original project examining and approving unit for approval."
5. Generally, transferring the right of sales from a motor vehicle production enterprise to another impersonal entity is regarded as normal business practice and should be respected. However, China regards this transfer as a major change in the original investment project and requires it to be approved by the relevant authorities.

**Question**

**Could China please confirm that these requirements will not hinder or interfere with the autonomy of business enterprises to transfer the right of sales and the right of marketing? Moreover, in light of normal international business practice, would China consider removing these requirements in its *Policy*?**

6. Article 47 of the *Policy* sets out strict requirements for new investment projects. For instance: investment projects producing other types of complete vehicle products should have a total investment of not less than RMB1.5 billion; automobile production enterprises to produce passenger car and passenger vehicle products under another category should have the capacity for batch production of automobile products and after-tax profits exceeding RMB1 billion in the latest three years (with a certificate of taxes presented); and, new investment projects launched by automobile production enterprises should have a total investment of not less than RMB2 billion.

**Question**

**Would China please explain how the above-mentioned requirements relating to total investment and after-tax profits do not amount to investment barriers for new investors?**

7. We note in paragraph 203 of the Report of the Working Party on its Accession, that China committed to eliminate local content requirements. However, Articles 55, 56, and 57 of the *Policy* give the strict definition and scope of complete vehicle features.

**Question**

**Could China please confirm that these stipulations do not aim at increasing the rate of localization of automobile products, and that they will not form new trade barriers on vehicle imports?**

8. According to Article 58 of the *Policy*, the State designates four coastal ports – Dalian New Port, Tianjin New Port, Shanghai Port and Huangpu Port – and two land ports – Manzhouli and Shenzhen (Huanggang) – as well as the Xinjiang Alataw Pass, to be ports handling imports of complete vehicles. Imported complete vehicles must enter China via the above ports.

**Question**

**We are interested in the reasons why China designates these particular ports for the handling of imports of complete vehicles and we would also appreciate knowing whether China plans to designate more ports in the future?**

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