

COMMUNICATION FROM CHINA

The following communication, dated 25 October 2004, is being circulated at the request of the Delegation 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 notified by China on Annex 1A of the Protocol
on Accession of the People's Republic of China

II. ECONOMIC POLICIES

3. Investment Regime

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

China revised the *Guiding Industrial Catalogue for Foreign Investment* in line with the WTO Agreement in the year of 2002. Relevant information can be found in document G/TRIMS/W/26.

IV. POLICIES AFFECTING TRADE IN GOODS

8. 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 on Sino-Foreign Equity Joint Ventures of the People's Republic of China*, *Law on Sino-Foreign Cooperative Joint Ventures of the People's Republic of China* and *Law on Foreign-Invested Enterprises of the People's Republic of China* - as well as their implementing rules. The revised laws and implementing rules eliminated or ceased the application of provisions on foreign exchange balancing, local content, export performance and mandatory technology transfer requirements.

- (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 the newly promulgated *Policy on Development of Auto Industry*, under the prerequisite of compliance with the national standards, automobile manufacturers are free to choose the category, type and model of their products. Meanwhile, the Policy also stipulates that one foreign investor may establish not more than two joint ventures producing cars of the same category (passenger car, commercial vehicle or motorcycle). This limit does not apply to foreign investors in cases where they acquire other domestic automobile manufactories together with their Chinese partners.

- (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 new *Policy on Development of Auto Industry* has reformed the government approval system on investment projects of automobile manufacturers. Except for a few investment projects in certain categories (as specified in Article 43 of the Policy), which are subject to verification system, all the other projects are only required to be put on government record before they are implemented. Meanwhile, the administrative authority of the provincial government is also expanded in the Policy.
