

**COMMUNICATION FROM CHINA**

The following communication, dated 20 October 2006, 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**

*The Law of People's Republic of China on Sino-Foreign Equity Joint Ventures, the Law of People's Republic of China on Sino-Foreign Cooperative Joint Ventures, the Law of People's Republic of China on Foreign-invested Enterprises* as well as their implementing rules establish the fundamental legal framework of foreign investment administration. Before accession, China had already modified these three basic laws, making them consistent with WTO rules. At present, intention of the government for investment guidance is embodied in *the Regulation on Guiding Foreign Investment Direction* and *the Industrial Catalogue for Foreign Investment*. *The Industrial Catalogue for Foreign Investment* was revised and promulgated on 30 November 2004, coming into effect on 1 January 2005. Thus, scope of allowed foreign investment was further expanded while high level of market access was achieved.

At present, the Chinese government is planning to revise *the Industrial Catalogue for Foreign Investment* in order to fulfill further opening-up and achieve "scientific development" of economy and trade.

#### 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, eliminating or ceasing the application of provisions on foreign exchange balancing, local content, export performance and mandatory technology transfer requirements. Since last review, no change has occurred to this system.

- (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)**

The current policy guidance by government for automobile industry is embodied in the *Automobile Industry Development Policy*, which was promulgated on 31 May 2004. The *Policy* is a revised version of the *Automobile Industry Policy 1994* and the revision shows China's resolution on implementing its accession commitments.

According to the *Policy on Development of Auto Industry* promulgated on 1 June 2004, 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. The situation remains the same after the transitional review last year.

- (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*. The situation remains the same after the transitional review last year.

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