

COMMUNICATION FROM THE UNITED STATES

The following communication, dated 1 October 2009, is being circulated at the request of the 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

Investment Restrictions

1. In November 2007, the National Development and Reform Commission (NDRC) and Ministry of Commerce (MOFCOM) jointly issued the *Catalogue for the Guidance of Foreign Investment Industries*. This catalogue places "medical institutions" in the "restricted" category, even though foreign investment can allow China's healthcare industry and people to benefit from the experience of foreign companies.

- (a) What is China's rationale for restricting foreign investment in medical institutions?
- (b) Does China have any plans to remove medical institutions from the restricted category? Please explain.

2. Even though capital equipment is essential for increasing productivity and competitiveness, China's restrictions on the equipment industry often discourage foreign companies with the most advanced equipment from investing in China.

- (a) Does China have any plans to remove restrictions on approved partners for Original Equipment Manufacturers (OEMs) and on the number of partnerships to which they can belong? Please explain.
- (b) Does China have any plans to eliminate equity caps (e.g., 50 per cent for joint ventures) to which some foreign OEMs are subject? Please explain.

Investment Requirements and Procedures

3. Does China have any plans to lower the minimum registered capital requirements for establishing holding companies? Please explain.
 4. Does China have any plans to harmonize and render consistent the rules for amending, dissolving or restructuring investments such as joint ventures? Please explain.
 5. Does China have any plans to provide detailed explanations of the reasons and legal basis for denying mergers and acquisitions under its *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, issued in August 2006 by the Ministry of Commerce and several other agencies? Please explain.
-