SUMMARY OF THE TERMS OF CHINA'S ACCESSION TO THE WTO

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In joining the World Trade Organization (WTO) on December 11, 2001, China made commitments in two broad areas: the liberalization of access for imported goods and services; and acceptance of the WTO's internationally negotiated agreements on the regulation and administration of international trade[1], including the fundamental principles of most-favoured-nation treatment and national treatment[2]. This document summarizes the terms of accession. It is intended for the information of Canadian exporters who are interested in understanding the scope of the implications of China's WTO accession.[3]

The major documents which set the terms of China's accession to the WTO are:

- the Report of the Working Party on the Accession of China, the Protocol on the Accession of the People's Republic of China, and a series of Annexes – which together address the consistency of the Chinese laws and regulations on international trade with the rules and principles embodied in the WTO Agreement (183 pages)[4];

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[1] Extensive explanations of the role and purpose of the WTO can be found on the web site of the WTO Secretariat (www.wto.org). A good introduction can be found at:
www.wto.org/english/thewto_e/whatis_e/tif_e/tif_e.htm

[2] "Most favoured nation" treatment obliges Members to grant no less favourable treatment to the products, services, service suppliers and intellectual property rights of one Member than that accorded to those of any other Member. "National treatment" prohibits discrimination against foreign goods or services, service suppliers, and holders of intellectual property rights within the market of the importing country. Otherwise stated, Members should not treat imported goods from different countries differently and, once imported goods have entered the domestic market, they should not be treated differently from domestically produced goods.

[4] All the above-noted documents, including the Protocol of Accession and the Schedules, became an integral part of the WTO Agreement on the date of China's accession (December 11, 2001). As such, they are enforceable through the WTO's system for the settlement of intergovernmental trade disputes, a central element in providing security and predictability to world trade. However, the Report of the Working Party is intended as a record of negotiations and of the status of China's trade regime at the time of accession. Only those paragraphs listed in paragraph 342 of the

- the Schedule of Concessions and Commitments on Goods – the record of cuts that China will make to the import duties or tariffs it levies on goods imported from Members of the WTO (362 pages); and
- the Schedule of Specific Commitments on Services – the record of commitments China has made to allow enterprises from WTO Members to provide services to Chinese clients (55 pages).

These documents are available on the web site of the Department of Foreign Affairs and International Trade (www.dfait-maeci.gc.ca/tna-nac/WTO-CC-e.asp) or by request from DFAIT's China and Mongolia Division (PCM@dfait-maeci.gc.ca). They are also posted on the web site of the World Trade Organization at www.wto.org/english/thewto_e/acc_e/completeacc_e.htm. Readers may also refer to sectoral overviews of the impact of China's WTO accession on automobiles and transportation, telecoms and information technology, fertilizer, agriculture, financial services, and foreign trade and distribution services, also at www.dfait-maeci.gc.ca/tna-nac/WTO-CC-e.asp.

Increased Market Access for Goods

As set out in the "Schedule of Concessions and Commitments on Goods", China committed to make substantial tariff cuts in industrial and agricultural products, beginning on the date of accession (December 11, 2001) and continuing on January 1 of each year. Most of the agreed tariff reductions will be completed by 2005, although some will continue until 2010. Tariffs are also bound[5] at these lower levels. For industrial goods, from a simple average of 16.3% in 1999, tariffs were bound at an average of 12.7% upon accession, falling to 9.2% by 2005 and further to 9.1% by 2010. Similarly, the simple average of tariffs on agricultural and agrifood imports into China will fall from 21.4% in 1999 to 15.1% by 2005 (and 15.08% by 2010). Of course, these averages hide steep cuts in the tariffs charged on some exports from Canada. For example, tariffs on all products covered by the Information Technology Agreement will be eliminated.

The tables in Appendix 1 show the liberalization of Canada's top 20 exports to China, and a number of other notable tariff reductions, under the terms of China's WTO accession.

Increased Market Access for Services

China's services sector has been one of the most heavily regulated and protected, and consequently it is underdeveloped and has minimal foreign participation. China's "Schedule of Specific Commitments on Services", which defines limitations on market access and national treatment to which foreign services and service suppliers will be subject after accession, heralds dramatic changes. Important sectors will be opened to foreign service suppliers with, in many cases, majority foreign ownership permitted within 2-3 years and, in some cases, wholly foreign-owned subsidiaries

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Report, which is in turn referenced in paragraph 1.2 of the Protocol of Accession, are considered binding on China; others provide context and background information.

[5] In binding a tariff, a Member has committed that it will not raise the applied rate above that level without consulting and possibly compensating trading partners which are affected. Applied rates may be lower than bound rates. Bound tariffs can be lowered unilaterally or through further multilateral negotiation.

within 2-5 years. Geographic restrictions on foreign service suppliers which currently exist in a number of key sectors (telecoms, banking, insurance, and distribution) will be phased out over 5-6 years. Similar to the treatment of tariffs in the Tariff Schedule, the terms defined in the Services Schedule are bound – in other words, China has agreed that although in practice the treatment of foreign services and service suppliers may be more liberal than that established in the Services Schedule, it will not be more restrictive.

China has made a number of "horizontal" commitments, which will apply to all service sectors. Commercial presence of foreign service providers includes wholly foreign-owned enterprises ("foreign capital enterprises"), "equity joint ventures" (which must have at least 25% foreign equity), and "contractual joint ventures" (which refers to enterprises in China that do not necessarily have foreign equity investment but which have other, contractual arrangements with foreign service providers, e.g., for management by a foreign company). Another form of establishment is the "representative office", which generally cannot engage in profit-making activities. Branches and subsidiaries are also allowed in a limited number of sectors.

The Services Schedule also contains a clause to protect the operating conditions (e.g., the terms and conditions set in existing licenses, regulations, etc.) of foreign service providers already established in China (e.g., in a joint venture) to the effect that these conditions will not be made more restrictive if they are better than those that China has committed to under the terms of accession. This concept is referred to as "grandfathering". However, it is understood that foreign service suppliers who enter the market after accession will governed by the commitments in China's services schedule.

Other horizontal commitments refer to land tenure (which is limited to 50 years for industrial purposes and 40 years for commercial, tourist, and recreational purposes), the temporary entry of foreign managers/specialists and salespeople (limited to stays of 3 years and 90 days respectively), and access of foreign enterprises to government subsidies for health care, audiovisual, and aviation services (on which China has made no commitments).

China has made a number of commitments to improve the regulatory procedures that are applied to services. China will publish all licensing procedures and conditions prior to them coming into force. China will ensure that a number of procedural standards are followed, including specifying reasonable time frames for review and decision by relevant authorities, allowing applicants to correct deficiencies in their applications for services licenses, and informing unsuccessful applicants of the reasons for their rejection. Relevant regulatory authorities will be separate from, and not accountable to, any service suppliers they regulate (except courier and railway transportation services). As maximum permitted levels of foreign ownership rise in some sectors, joint ventures will be able to increase the level of foreign equity up to the new ceilings without requiring government authorization.

In addition to the above, specific conditions will apply to many service sectors, which are summarized in Appendix 2.

CHANGES TO CHINA'S TRADE REGIME

The following is drawn from the Protocol of Accession and the Report of the Working Party. All provisions of the Protocol are considered to be binding commitments made by China to its WTO trading partners. In addition, a number of paragraphs contained in the Report of the Working Party are considered commitments, and are referenced as such in the Protocol. These commitments, on changes to the structure or administration of China's trade regime, are summarized below. The Report of the Working Party also contains many paragraphs which describe China's trade policy regime at the time of its accession. These can be used to give context to China's commitments but are not legally binding. Unless otherwise noted, these obligations took effect on the date of China's WTO accession (December 11, 2001).

- National Treatment**:** National treatment is a fundamental principle of the WTO Agreements, as expressed in, for example, Article III of the General Agreement on Tariffs and Trade (GATT) and Article XVII of the General Agreement on Trade in Services (GATS). China has committed to provide the same treatment to Chinese enterprises (including foreign-invested enterprises), foreign enterprises, and individuals in China. China will ensure and enforce the principle of non-discrimination between domestically produced and imported products in all laws, regulations and administrative requirements, and will repeal and cease to apply all such existing laws, regulations and other measures whose effect is inconsistent with WTO rules on national treatment.

- Uniform Administration: Under GATT Article X, national governments have a responsibility to ensure that trade-related laws, regulations, and other measures made by sub-national governments are consistent with the WTO Agreement. China has agreed that all laws, regulations, and other measures of the central and sub-national governments pertaining to or affecting trade in goods, services, trade-related aspects of intellectual property rights or the control of foreign exchange shall be applied and administered throughout China in a uniform, impartial and reasonable manner. The central government will ensure that China's laws, regulations and other measures, including those of governments at sub-national levels, conform to China's WTO obligations. In addition, China will establish a mechanism under which individuals and enterprises can bring to the attention of the national authorities cases of non-uniform application of the trade regime.

- Special Economic Areas: China will notify to the WTO all the relevant laws, regulations and other measures relating to its special economic areas. Goods imported into China from special economic areas will have the same taxes, charges and measures (including import restrictions and customs and tariff charges) applied to them as are normally applied to any imports.

- Transparency: General WTO obligations on transparency can be found in, for example, Article X of the GATT and Article III of the GATS. China has committed that only those laws, regulations and other measures pertaining to or affecting trade in goods, services, intellectual property rights or the control of foreign exchange that are published and readily available to other WTO Members, individuals and enterprises, will be enforced. All such measures will be made available upon request before they are implemented or enforced (or, in emergency situations, at the latest when they are implemented or enforced) from a designated enquiry point. China will provide a reasonable period before such measures are implemented for affected individuals or enterprises to submit comments to the appropriate authorities. Reasonable time frames for replies to questions have been established.

China will make available to WTO Members translations into one or more of the official languages of the WTO (English, French, and Spanish) of all laws, regulations and other measures pertaining to or affecting trade in goods, services, intellectual property rights or the control of forex. These will be available to the maximum extent possible before, but in no case longer than 90 days after, they are implemented or enforced.

- Judicial Review**:** China will establish (or designate) and maintain tribunals, contact points and procedures for the prompt review of all administrative actions by Chinese government authorities relating to the implementation of trade-related laws and other measures. Such tribunals will be impartial and independent and will not have any substantial interest in the outcome of the matter. Review procedures will include the opportunity for appeal, without penalty, by individuals or enterprises affected by any administrative action subject to review. General WTO obligations with respect to judicial review are expressed in, for example, Article X of the GATT and Article VI of the GATS.

- Trading Rights: China will progressively liberalize the availability and scope of the right to import and export goods so that, within three years after accession, all enterprises in China shall have the right to trade all goods throughout the customs territory of China (with some exceptions allowed, as listed in Annex 2). This liberalization will include increases in the enterprises that are designated with powers to trade certain goods (listed in Annex 2, and including timber, plywood, and steel products) in each of the 3 years following accession, when all enterprises will be permitted to import and export these goods throughout China.

- State Trading Enterprises (STEs): As the term is used in the WTO, STEs include governmental and non-governmental enterprises which have been granted exclusive or special rights or privileges in the exercise of which they influence (through their purchases or sales) the level or direction of imports or exports. After accession, the importation of a number of basic commodities will be reserved wholly or partly for certain Chinese STEs, as specified in Annex 2A. The products covered include grains, vegetable oils, sugar, tobacco, crude and processed oil, chemical fertilizers, and cotton. The import monopolies held by STEs on goods covered by tariff-rate quotas (such as grains, vegetable oils, and certain fertilizers) or by quotas (on crude and processed oil products) will be reduced or eliminated after China's accession. A certain proportion of each quota will be reserved for import by STEs, but quota-holders will be allowed to import the rest of the quota through any entity with trading rights.

  China will ensure that import purchasing procedures of state trading enterprises (STEs) are fully transparent, and in compliance with the WTO Agreement (for example, Article XVII of the GATT), and shall refrain from taking any measure to influence or direct state trading enterprises as to the quantity, value, or country of origin of goods purchased or sold, except in accordance with the WTO Agreement.

A larger number of Chinese products will be reserved for export only by STEs, including green tea, some rice and corn, tungsten and tungstate products, coal, crude and processed oil, silk, cotton yarn and fabrics, antimony ores and products, and silver. These specific companies are also named in Annex 2B.

- Non-Tariff Measures (NTMs): NTMs listed in Annex 3 (in particular, quotas and import license requirements) will be phased out on or following accession, and China will not introduce, re-introduce or apply other non-tariff measures unless justified under the WTO Agreement. All NTMs will be administered in compliance with WTO rules (see, for example, Articles XI and XIII of the GATT). Sub-national authorities will have no right to formulate non-tariff measures; only the central government will issue regulations on non-tariff measures and these measures will be implemented or enforced only by the central government or sub-national authorities with authorization from the central government.

During the NTMs phase-out period, China will implement a simple and transparent procedure for the allocation of quotas and issuance of import licences, so as to ensure the full utilization of quota. A number of considerations for quota allocation have been defined, such as historical performance, protection for quota-holders who have filled their past allocations, and a provision for new applicants to receive quota.

A quota is a maximum limit on the quantity or value of goods that is allowed to be imported in a given year. Among the products to which Chinese quotas will continue to apply after accession, "automobiles and parts" is a category of export interest to Canada. This quota (with the exact product coverage defined in Annex 3) was set at US$6 billion on the date of accession and should grow by 15% on January 1 of each year until it is removed on January 1, 2005 (although a number of products will be moved out of the quota before then). According to Chinese customs, imports in 2000 of the products that will be covered by this quota was US$1.2 billion, including US$11.6 million from Canada.

Quotas applied to imports of certain chemical fertilizers (listed in Annex 3) were to be eliminated on January 1, 2002. In other words, under the terms of accession, imports of these chemical fertilizers should now only be subject to tariffs (although 3 types of fertilizer are subject to tariff-rate quotas, as described below).

Similarly, under the terms of accession, it was agreed that China would be permitted to impose a quota on imports of processed oil products until January 1, 2004. The quota volume on the date of accession was set at 16.58 million tonnes, of which 4 million tonnes will be reserved for importation by non-state trading enterprises (non-STEs). Under the terms of accession, both these quantities should be increased by 15% on January1, 2002 and 2003.

Crude oil imports by non-STEs will be subject to a quota of 7.2 million tonnes, which will be increased 15% per year for 10 years after the date of accession, at which time the growth rate will be reviewed by interested WTO Members.

China will eliminate quotas that currently apply to a number of agricultural products and subject them only to tariffs. These products are barley, soybeans, rapeseed (canola), peanut oil, sunflower seed oil, corn oil, and cottonseed oil.

- Investment[6]: China will eliminate and cease to enforce any laws and regulations that require trade and foreign exchange balancing, use of local content, and minimum export quantities as a condition of foreign investment. China will not enforce provisions of existing contracts which impose such requirements. Permission to invest in China will be granted without regard to the existence of competing Chinese domestic suppliers.

  China will eliminate dual pricing practices, as well as differences in treatment accorded to goods produced for sale in China in comparison to those produced for export.

  The terms and conditions of technology transfer, production processes or other proprietary knowledge, particularly in the context of an investment, will not be required by laws, regulations, or other government measures and will be at the discretion of the joint venture partners.

- Foreign Exchange: International disciplines on currency convertibility are established in the International Monetary Fund. In accordance with these rules, China will continue to allow current-account convertibility after accession but may continue to restrict capital-account convertibility (transactions made for investment purposes).

  WTO rules (for example, Article XII of the GATT) do, however, allow countries to impose temporary restrictions on imports and on access to foreign currency when faced with a deterioration of their holdings of foreign currency reserves. Such measures, which reduce the demand for foreign currency and allow reserves to accumulate, generally fall into two categories. Balance-of-payments measures are restrictions on imports. Foreign-exchange controls directly limit the supply of foreign currency and indirectly restrict imports, since purchasers are not able to acquire foreign currency to purchase goods. Measures taken for balance-of-payments reasons will only be applied to control the general level of imports and not to protect specific sectors, industries or products. China will not restrict the availability to any individual or enterprise of foreign exchange for current international transactions except for such temporary restrictions. However, exchange controls may remain in place for other kinds of transactions.

- Import and Export Licensing: China will publish on a regular basis the responsible licensing organizations and procedures, products subject to tendering requirements, and goods and technologies whose import or export are restricted or prohibited. Automatic licensing requirements will be notified and justified annually to the Committee on Import Licensing. General obligations which China has also accepted on import and export licensing can be found in, for example, Articles XI and XIII of the General Agreement on Tariffs and Trade and in the WTO Agreement on Import Licensing Procedures.

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[6] WTO rules generally do not apply to the conditions of foreign investment, except as expressed in, for example, the General Agreement on Trade in Services and in the Agreement on Trade-Related Investment Measures.

- Price Controls: Apart from certain goods and services, China will allow prices for traded goods and services in every sector to be determined by market forces, and multi-tier pricing practices for such goods and services will be eliminated. Price controls will not be used to protect domestic industries or service providers.

  Price controls are maintained on a number of goods that have a direct bearing on the national economy and on people's basic needs, including products that are scarce in China. Price controls are set by government pricing authorities according to provisions of the Price Law, which requires the authorities to take into consideration a variety of factors such as supply and demand, effects on consumers, and operational costs. According to the Chinese government, there are two types of price controls, government prices (which are fixed) and government guidance prices (which stipulate a base price or an allowable price range).

  Government prices will continue to apply to a number of goods and services listed in Annex 4, including some tobacco products, salt, natural gas, and pharmaceuticals, and service charges for post, telecommunications, and education. Government guidance prices will apply to a number of grains, vegetable oils, processed petroleum oils, urea, silkworm cocoons, and cotton. Guidance prices will also apply to some transport, professional (including legal and engineering), banking, health, and real estate services.

- Subsidies: General obligations are found in Article VI of the GATT and in the WTO Agreement on Subsidies and Countervailing Measures. However, China has committed that it will not seek to invoke certain provisions of the latter agreement which allow for the "special and differential" treatment of developing countries. China will notify the WTO of all subsidies it provides to industry. Subsidies provided to special economic areas will also be eliminated if they are inconsistent with WTO rules.

  China will eliminate all export subsidies provided by all levels of government.

- Taxes and Charges Levied on Imports and Exports: As required in, for example, Article VIII of the GATT, China will ensure that customs fees and internal taxes (including value-added taxes) applied or administered by national or sub-national authorities shall be in conformity with WTO rules. Foreign individuals and enterprises and foreign-funded enterprises will receive national treatment in respect of the provision of border tax adjustments.

  China will adopt and apply tariff reductions and exemptions (which have previously applied unevenly to specific entities, including some foreign-invested enterprises) so as to ensure equal treatment for imported goods from all WTO Members.

- Technical Barriers to Trade[7]: China will allow for public comment on proposed new standards, technical regulations, and conformity assessment procedures. It will establish a policy to periodically review existing standards and technical regulations in order to harmonize them with

[7] See also the WTO Agreement on Technical Barriers to Trade.

international standards, where appropriate. China will increase the use of international standards as the basis for technical regulations. New conformity assessment procedures will be based on relevant guides or recommendations issued by international standardizing bodies. China's conformity assessment procedures known as "statutory inspection" and "safety license system for import commodities" will be brought into conformity with WTO rules.

China will ensure that the same standards, technical regulations, and conformity assessment procedures are applied to both imported and domestic products. Eighteen months after accession, China will assign the responsibilities of its conformity assessment bodies solely on the basis of the scope of work and type of product without any consideration of the origin of a product.

- Sanitary and Phytosanitary Measures[8]: China will notify to the WTO all laws, regulations and other measures relating to its sanitary and phytosanitary measures, including product coverage and relevant international standards, guidelines and recommendations, within 30 days after accession.

- Price Comparability in Determining Subsidies and Dumping: Certain conditions may apply to WTO Members in the choice of surrogate countries for the purposes of anti-dumping and countervailing investigations against Chinese products.

- Transitional Product-Specific Safeguard Mechanism: For a period of 12 years following accession, in addition (and similar) to the global safeguard described in the WTO Agreement, WTO Members will be able to benefit from temporary relief in the event that imports from China cause or threaten to cause "market disruption" to the domestic producers of like or directly competitive products. Members will be able to increase duties or impose quantitative restrictions on specific imports from China in response to such injurious levels of imports. Time frames are set out for consultations with China and with the public in the importing country, as well as for the duration of application of the safeguard. Provision is also made for third countries to protect their domestic industries from streams of Chinese exports that are diverted from a country taking a safeguard action.

- Transitional Review Mechanism: Each year for 8 years and once more in the tenth year after China's accession, the WTO, through its various committees and the General Council, will review information (specified in Annex 1) submitted by China on its implementation of commitments made under the accession, in order to raise cases of non-compliance with China at an early stage.

- Government Procurement: In general, Chinese government ministries and agencies will be under no obligation to procure from foreign suppliers, nor will they be prohibited from setting conditions on government procurement that would be otherwise inconsistent with the WTO Agreement, such as minimum local content or technology transfer requirements. However,

[8] See also the WTO Agreement on Sanitary and Phytosanitary Measures.

China has committed under the terms of accession that all government entities at the central and sub-national level (other than those engaged in exclusively commercial activities) will conduct their procurement in a transparent manner, and will provide all foreign suppliers equal opportunity to participate in that procurement.[9] Government procurement will be subject only to laws and regulations which have been published and made available to the public.

However, Chinese laws and procedures on government procurement may not apply to purchases by or sales to state-owned and state-invested enterprises of goods and services for commercial sale, for the production of goods or supply of services for commercial sale, or for non-governmental purposes. In other words, under the terms of accession, China has agreed it will not make laws or regulations which instruct or impel such state-owned or state-invested enterprises to purchase Chinese goods over foreign goods. China has agreed that it will ensure that all state-owned and state-invested enterprises make purchases and sales based solely on commercial considerations (e.g., price, quality, marketability and availability), and that the enterprises of other WTO Members have an adequate opportunity to compete for sales to and purchases from these enterprises on non-discriminatory terms and conditions (that is, in conformity with the rules and obligations of the WTO Agreement).

China agreed to become an Observer to the WTO Agreement on Government Procurement upon accession and will initiate negotiations for membership as soon as possible thereafter.

- Rules of Origin: China will not use the rules of origin as an instrument to pursue trade objectives. Other general obligations are described in the Agreement on Rules of Origin.

- Tariff-Rate Quotas[10]: Under a tariff-rate quota (TRQ), imports enter at a relatively low tariff rate (referred to as the "in-quota" tariff) until the total quantity of imports in a given year has reached a certain level or "quota volume". A higher tariff (the "out of quota" tariff) is levied on any imports above this level. Quotas, or simple limits on the quantity of imports in a given year, are prohibited by the WTO Agreement and TRQs have typically replaced them in many WTO Members. TRQs are preferable to simple quotas since the tariff rates and quota volumes are transparent and can be addressed in the context of trade negotiations. The purpose of TRQs is to ensure that foreign exporters have access to a predictable, minimum share of an importer's market for goods.

  A number of existing Chinese quotas will be replaced with new, WTO-compliant agricultural TRQs which will come into force upon the date of accession on the following products: wheat, corn, rice, soybean oil, palm oil, rapeseed (canola) oil, sugar, wool, and cotton. Upon accession, TRQs will replace the existing quotas on the following industrial goods: certain chemical

[9] In other words, China will apply most favoured nation treatment to procurement by government ministries and agencies, but not necessarily national treatment – foreign companies will not necessarily have access to procurement contracts, but if they do, all foreign companies will be treated equally.

[10] Details of the administrative guidelines agreed under the terms of accession, and of the quota quantities, tariffs, and shares reserved for state trading enterprises can be found in a separate document on this site.

fertilizers (DAP, urea, and NPK)[11] and wool tops. China has committed that its new TRQs will be administered on a transparent, predictable, uniform, fair and non-discriminatory basis.

The agency responsible for allocation will be the State Development and Planning Commission (SDPC), except for allocation of fertilizer, which will fall to the State Economic and Trade Commission (SETC). Responses to enquiries made to the SDPC (or SETC) regarding allocations, including enquiries on which entities received an allocation or reallocation, will be made within 10 days. The role of sub-national bodies, including regional SDPC offices, will be limited to purely administrative operations, such as receiving applications from end-users, forwarding them to the central authority, informing applicants as to the results of their applications, and giving applicants an opportunity to rectify any deficiencies in their applications. To ensure consistency of the regulations and the other objectives noted above, the central office of SDPC will decide allocations of quota to end-users and sub-national bodies will issue TRQ certificates accordingly.

"State trading enterprises" (STEs -- see also section on "State Trading Enterprises" above) enjoy monopoly import status on a number of commodities in China, including goods which are also covered by TRQs, such as wheat and canola oil. These privileges will be reduced or eliminated after China's accession, depending on the schedule negotiated for each product. Upon accession, goods subject to a TRQ will have a certain proportion of the quota reserved for import by STEs, but quota-holders will be allowed to import the rest of the quota through any entity with trading rights. The documentation issued by SDPC for the allocation or reallocation quantities will specify whether import must be made through an STE or not.

Allocation will be made by SDPC in a way that ensures full use of the quota and that is open, transparent, fair, responsive to market conditions, timely, minimally burdensome to trade, and that reflects end-user preferences. Quota allocation will be made for commercially viable shipping quantities, although SDPC will make and publish provisions for partial shipments against a single TRQ allocation. All commercial terms of trade will be at the sole determination of the importer and exporter. Quota quantities will be valid for any product or mixture of products covered by the same TRQ.

- Anti-dumping and Countervailing Duties: China will bring its anti-dumping and countervailing duty regulations into conformity with WTO rules (see, for example, Article VI of the GATT and the WTO Agreement on Implementation of Article VI). Members have agreed not to challenge determinations initiated on applications that were made before accession, but China will apply WTO rules on anti-dumping when calculating dumping margins on existing measures, and in periodic reviews of existing measures.

  Other WTO Members will ensure that the methodology they use for determining price comparability considers a number of criteria, which are specified in the Working Party Report.

[11] The existing import license requirements and quotas on other chemical fertilizers should have been eliminated by January 1, 2002 -- see "Non-Tariff Measures" above for more information.

- Trade-Related Intellectual Property Rights (TRIPS): The Report of the Working Party contains an extensive section on TRIPS protection in China, describing current intellectual property laws and discussing their compliance with the standards set in the TRIPS Agreement. China has committed to expand the scope of its laws on copyright, trademarks, and patents to bring them into conformity with WTO rules. Regulations on the protection of undisclosed information, such as trade secrets and test data, will also be improved. Laws and other measures will be modified to ensure national and most-favoured nation treatment of foreign rights-holders regarding all intellectual property rights. In the Report of the Working Party, China makes a number of commitments to improve enforcement of intellectual-property laws and regulations, including lowering the threshold value required to take criminal action against intellectual property piracy and counterfeiting and agreeing to fair and equitable judicial procedures for plaintiffs and defendants in cases alleging violation of intellectual property rights (as described in the WTO TRIPS Agreement).

- Services: General WTO obligations on the administration of trade in services are found in the General Agreement on Trade in Services. China has also made a large number of specific commitments to liberalize services trade, as noted under Increased Market Access for Services and in Appendix 2.

- Agriculture: General obligations on agriculture are found primarily in the WTO Agreement on Agriculture. Like other WTO Members, China will be allowed to exempt some domestic agricultural support from binding and reduction commitments. Developing countries are allowed an exemption of 10% of the value of agricultural production for each of product-specific and non-product-specific support, and are permitted to exempt, without limit, certain agricultural investment and input subsidies. China has agreed to limit product- and non-product-specific support each to 8.5% of the value of agricultural production, and that it will not have unlimited access to investment and input subsidies. As is the case for all countries, China will be able to provide unlimited non-trade-distorting domestic support, such as programs for research, pest control, infrastructure, disaster relief, food aid, and decoupled income support.

  China will not maintain or introduce any export subsidies on agricultural products.

  A number of important agricultural imports will be subject to new tariff-rate quotas (see "Tariff-Rate Quotas" above). A number of quotas which applied to agricultural products in the past should have been eliminated on the date of accession (see "Non-Tariff Measures" above).

- Information Technology: China will participate in the Information Technology Agreement (ITA)[12] and eliminate tariffs on all information technology products as set out in China's Goods Schedule.

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[12] The Information Technology Agreement, implemented in 1997, has phased-out tariffs on IT products traded between the 56 current participants, who together account for about 95% of world trade in these goods. The six main categories of products covered by the ITA are computers, telecom equipment, semiconductors, semiconductor manufacturing equipment, software, and scientific instruments.

- Automobiles: China currently has no tariff lines for “completely knocked-down kits” or “semi-knocked down kits” for motor vehicles but if China creates such tariff lines, the tariff rates will be no more than 10 per cent.

  Measures in China restricting the categories, types or models of motor vehicle permitted for production in China will be phased out over the 2 years following accession. At present, investments in motor vehicle manufacturing need approval only at the provincial government level if they are under US$30 million. This limit will be raised to US$60 million one year after accession, US$90 million two years after accession, and US$150 million four years after accession.

  China will remove the 50% limit on foreign equity in joint ventures that manufacture motor vehicle engines.

- Civil Aircraft: China will not impose any provisions of offsets or other forms of industrial compensation when purchasing civil aircraft, including specified types or volumes of business opportunities.

- Textiles: A special safeguard will be available to WTO Members to protect their domestic textiles and clothing industries from surges of imports of such products from China, when domestic industries are causing or threatening to cause market disruption. This will be in effect until the end of 2008.

Appendix 1: Chinese Trade Liberalization Under WTO Accession -- Goods -- Top 20 Canadian Exports to China

This table shows the top 20 Canadian exports to China (at the HS heading or 4-digit level) and the corresponding trade liberalizing commitments that China has made under the terms of its accession to the World Trade Organization (WTO). HS refers to the Harmonized System under which traded goods are classified. Canadian exports are based on China's recorded imports from Canada in 2000 (the latest available full year at the time of writing). The 2001 applied rate reported here is the China's MFN rate, which would normally be applied to imports from Canada. A "bound" tariff is a maximum rate; applied rates may be lower. The "initial bound rate" referes to the bound rate effective on December 11, 2001. China has committed that tariff rates will be subject to a series of equal, annual reductions effective January 1 each year for a certain period following accession. The "final bound tariff" will therefore apply on January 1 of the year specified. Other non-tariff concessions are also noted. A number of the HS headings described below encompass a large number of individual product types, which may face different tariffs than the averages listed here. The total value of Canadian exports to China in 2000 was $5.57 billion, of which the top 20 exports listed here account for 78%.[*]

Rank	HS	Product Description	Cdn Exports, 2000, $m	2001 Applied Tariff (pre-WTO)	Initial Bound Tariff (post-WTO)	Final Bound Tariff	Final Binding Date	Other Concessions
1	4701-4705	Wood pulp	$804.2	0	0	0	Upon accession	
2	8708[1]	Motor vehicle parts and accessories	$543.8	21.1	19.4	11.5	2006	
3	3104	Potassic fertilizers (incl. potash)	$405.4	3	3	3	Upon accession	Quota and import license requirements will be eliminated upon accession.
4	1205	Rapeseed (canola)	$405.2	40[2] 12[3]	9	9	Upon accession	Quota will be eliminated upon accession. Tariff parity with canola oil will be maintained.
5	8401[1]	Nuclear reactor-related equipment and parts	$392.9	1.3	1.3	1.3	Upon accession	
6	8517[1]	Electrical equipment for line telephony and parts	$267.3	13	5.6	0	2004	
7	2905[1]	Acyclic alcohols and derivatives	$253.4	8.4	6.6	5.9	2004	
8	3901[1]	Polymers of ethylene	$161.8	16	14.3	6.5	2008	

[*] The figures in this Appendix are statistics recorded by the Customs General Administration of the People's Republic of China. Statistics Canada recorded $3.67 billion of exports to China in 2000. There are a number of possible reasons for this discrepancy, such as Canadian exports to third countries (such as Hongkong) being re-exported to China.

Rank	HS	Product Description	Cdn Exports, 2000, $m	2001 Applied Tariff (pre-WTO)	Initial Bound Tariff (post-WTO)	Final Bound Tariff	Final Binding Date	Other Concessions
9	1001	Wheat	$154.1	114[2] 1[3]	74[2] 1[3]	65[2] 1[3]	2004	TRQ import volumes will increase to 9.6 million tonnes by 2004 (from total imports in 2000 of only 0.9 million tonnes), with 10% excluded from monopoly import by state trading enterprises. Import license requirement eliminated upon accession.
10	2503	Sulfur	$134.8	3	3	3	Upon accession	
11	5502[1]	Artificial filament tow	$128.8	10	8	4	2004	Quota and import license requirement will be eliminated upon accession.
12	2603	Copper ores and concentrates	$105.5	0	0	0	Upon accession	
13	0306[1]	Crustaceans	$100.8	19.8	18.1	9.3	2005	
14	1003	Barley	$96.9	91.2[2] 3[3]	3	3	Upon accession	Tariff-rate quota will be eliminated upon accession.
15	4101	Raw hides of bovine or equine animals	$93.7	5	5	5	Upon accession	
16	8542[1]	Integrated circuits	$84.0	6.3	1.9	0	2002	
17	8802[1]	Powered aircraft, including helicopters	$59.9	5	3.1	2.9	2003	Prohibition of offsets for civil aircraft sales.
18	4804[1]	Uncoated kraft paper and paperboard	$57.4	14	10.2	3.5	2004	
19	4407[1]	Wood sawn or chipped lengthwise, thickness >6mm	$51.8	0	2.6	2.3	2003	
20	1514	Rapeseed (canola) oil	$38.1	100[2] 20[3]	63.3[2] 9[3]	9	2006	TRQ import volumes for crude oil from all sources will increase to over 1.1 million tonnes by 2005 (from 2000 imports of 75,000 tonnes), when the TRQ and the monopoly import status of state trading enterprises will be eliminated. Tariff parity with other vegetable oils will be maintained. Import license requirement will be eliminated upon accession.

Notes:
1. Specified tariffs are simple averages where different products within the HS heading have different applied rates. Different products may have different dates upon which the final bound rate will apply; the date listed here is the latest of any product within the heading. **2.** Out-of-quota tariff. **3.** In-quota tariff.

Chinese Trade Liberalization Under WTO Accession -- Goods -- Other Notable Tariff Reductions

This table shows examples of other Canadian exports which have faced significant tariffs in China and the corresponding trade liberalizing commitments that China has made under the terms of its accession to the World Trade Organization (WTO). HS refers to the Harmonized System under which traded goods are classified. Canadian exports are based on China's recorded imports from Canada in 2000* (the latest available full year at the time of writing). The 2001 applied tariff reported here is China's MFN import duty, which would normally be applied to imports from Canada. A "bound" tariff is a maximum rate; applied rates may be lower. The "initial bound rate" refers to the bound rate effective on December 11, 2001. China has committed that bound tariff rates will be subject to a further series of equal, annual reductions effective January 1 each year for a certain period following accession. The "final bound tariff" will therefore apply on January 1 of the year specified. Other non-tariff concessions are also noted.

HS	Product Description	Cdn Exports, 2000*	2001 Applied Tariff (pre-WTO)	Initial Bound Tariff (post-WTO)	Final Bound Tariff	Final Binding Date	Other Concessions
48010000	Newsprint	$1.2 million	3-45	12	5	2006	Elimination of variable, "sliding scale duty rate" upon accession. WTO Members may seek reviews of anti-dumping measures predating accession.
84073420	Large automotive engines	$7.4 million	25	19	10	2004	
70071190	Safety glass for vehicles	$2.8 million	22	17.2	10	2004	
84152000	Automotive air conditioners	$2.4 million	40	33.3	20	2005	
84292090	Graders	$1.0 million	16	8.5	5	2003	No import licenses or other non-tariff measures may be applied. The bound tariff will be the same as that for higher powered, competing graders.
85252092	Mobile communication base stations	$5.9 million	9	3	0	2002	
90304090	Telecommunications instruments	$2.3 million	12	6	0	2003	
84771010	Injection moulding machinery for plastics	$19.4 million	15	7.5	0	2003	
84213990	Industrial dust collectors	$9.9 million	18	12.8	5	2004	
84818011	Regulating valves	$3.6 million	12	10.5	7	2003	

* The figures in this Appendix are statistics recorded by the Customs General Administration of the People's Republic of China.

HS	Product Description	Cdn Exports, 2000*	2001 Applied Tariff (pre-WTO)	Initial Bound Tariff (post-WTO)	Final Bound Tariff	Final Binding Date	Other Concessions
87032314-87032339	Automobiles of engine size between 1.5 and 3.0 L	$800,000	70	51.9	25	2005	Among the products subject to automobile and parts quota, set initially at US$6 billion and rising 15% each year until it is eliminated on January 1, 2005.
87032430-87032490	Automobiles of engine size greater than 3.0 L	$120,000	80	61.7	25	2005	Among the products subject to automobile and parts quota, set initially at US$6 billion and rising 15% each year until it is eliminated on January 1, 2005.
22030000	Beer, made from malt	$180,000	RMB 7/L[1]	42	0	2004	
12112010	North American ginseng	$39.6 million	36	12.9	7.5	2006	
12141000	Alfalfa meal and pellets	$800,000	13	7.5	5	2003	Tariff parity with competing soybean products.
11071000 11072000	Malt	$200,000	26	10	10	Upon accession	Tariff limited to no more than 7 percentage points above the tariff on barley.
02071400	Poultry cuts and offal, frozen	$23.7 million	RMB 1.0-2.7/kg[2]	16	10	2004	
02072700	Turkey cuts and offal, frozen	$1.4 million	20	16	10	2004	
02022000 02023000	Beef, frozen, cuts with bone in and boneless	$240,000	39	31.8	12	2004	
03061319	Frozen shrimp	$25.2 million	24	17.5	5	2003	
03061490	Frozen crabs	$5.5 million	27	23.3	10	2005	
22083000	Whiskies	$100,000	56	46.7	10	2005	Elimination of import license requirement upon accession.

1. Approximately 58% ad valorem by 2000 import quantity and value; average 2000 exchange rate was $1 = RMB 5.57.
2. Approximately 40% ad valorem by 2000 import quantity and value.

Appendix 2: Chinese Trade Liberalization Under WTO Accession -- Services

The following summarizes a selection of China's commitments to provide market access to foreign service providers. These commitments are made in the Schedule of Specific Commitments on Services (available at www.dfait-maeci.gc.ca/tna-nac/WTO-CC-e.asp).

- Legal Services: From the date of accession, foreign law firms may provide legal services but only through the establishment of representative offices, which may be profit-making. For the first year after accession, these representative offices will be limited to one per company and to 19 cities*, including Beijing and Shanghai. The business scope of these representative offices will be limited to work on the legal affairs of Chinese companies in other countries and to entrust, on behalf of foreign clients, Chinese law firms for Chinese legal matters.

  * The 19 cities referred to in Legal Services above are: Beijing, Shanghai, Guangzhou, Shenzhen, Haikou, Dalian, Qingdao, Ningbo, Yantai, Tianjin, Suzhou, Xiamen, Shuhai, Hanghou, Fuzhou, Wuhan, Chengdu, Shenyang and Kunming.

- Accounting: Under the terms of accession, partnerships or incorporated accounting firms are limited to Certified Public Accountants (CPAs) licensed by the Chinese authorities. Foreigners who have passed the Chinese national CPA examination will be licensed under the same procedures and conditions as Chinese accountants. Foreign accounting firms will be permitted to affiliate with Chinese firms. Accounting firms may also provide taxation and management consulting services.

- Management Consulting and Taxation: Under the terms of accession, foreign companies may only be established in China through joint ventures, which may be majority foreign-owned.

- Architectural, Engineering, and Urban Planning: As agreed under the terms of accession, export of these services to China requires cooperation with Chinese professional firms (except "scheme design", which has no such limitations). For the first five years after accession, foreign companies will only be permitted to establish in China through joint ventures, which may be majority foreign-owned, but wholly foreign-owned companies will be permitted after that.

- Medical and Dental: From the date of accession, foreign service suppliers should be permitted to establish joint venture hospitals or clinics with Chinese partners, with foreign majority ownership allowed, but there are limits on the number of such clinics and hospitals based on China's needs. Chinese nationals are required to make up the majority of doctors and medical personnel of joint venture hospitals and clinics.

- Computer-related Services: There are no restrictions on the operations of foreign service suppliers under the terms of accession except a requirement in some sub-sectors that foreign service suppliers do business in China through joint ventures, which may be majority foreign-owned. As for all sectors, foreign specialists should be allowed temporary entry to China to provide computer-related services.

- Scientific and Technical Consulting: Under the terms of accession, foreign companies are permitted to establish in China through joint ventures, which may be majority foreign-owned.

- Advertising: Under the terms of accession, export of advertising services to China will only be permitted through advertising agents registered in China who have the right to provide foreign advertising services. Foreign-invested joint ventures are allowed. Majority foreign ownership will be allowed 2 years after accession and wholly foreign-owned companies 4 years after accession.

- Telecommunications: *Domestic and international voice, data, and facsimile services:* within 3 years after accession foreign-invested joint ventures with up to 25% foreign ownership will be permitted to provide services in and between Beijing, Shanghai, and Guangzhou. Within 5 years of accession, 35% foreign ownership will be permitted and 14 more cities* will be opened to foreign-invested companies. Within 6 years after accession, geographic restrictions will be lifted and up to 49% foreign ownership will be permitted.

  Mobile voice and data services: From the date of accession, foreign-invested joint ventures with up to 25% foreign ownership should be permitted to provide services in and between Beijing, Shanghai, and Guangzhou. Within 1 year of accession, up to 35% foreign ownership will be permitted and 14 more cities* will be opened to foreign-invested companies. Within 3 years after accession, up to 49% foreign ownership will be permitted. Within 5 years, geographic restrictions will be lifted.

  Paging services: From the date of accession, foreign-invested joint ventures with up to 30% foreign ownership should be permitted to provide services in and between Beijing, Shanghai, and Guangzhou. Within 1 year of accession, 49% foreign ownership will be permitted and 14 more cities* will be opened to foreign-invested companies. Within 2 years after accession, up to 50% foreign ownership will be permitted and geographic restrictions will be lifted.

  Value-added services (incl. email, voicemail, EDI, online information and data processing): From the date of accession, foreign-invested joint ventures with up to 30% foreign ownership should be permitted to provide services in and between Beijing, Shanghai, and Guangzhou. Within 1 year of accession, 49% foreign ownership will be permitted and 14 more cities* will be opened to foreign-invested companies. Within 2 years after accession, up to 50% foreign ownership will be permitted and geographic restrictions will be lifted.

  * The 14 cities referred to above are Chengdu, Chongqing, Dalian, Fuzhou, Hangzhou, Nanjing, Ningbo, Qingdao, Shenyang, Shenzhen, Xiamen, Xian, Taiyuan and Wuhan.

- Audiovisual: From the date of accession, joint ventures with foreign investment of less than 49% should be permitted to engage in the distribution of audiovisual products, excluding motion pictures (without prejudice to China's right to examine the content of audio and video products). China will allow the importation of up to 20 motion pictures per year for theatrical release on a revenue-sharing basis. Foreign service suppliers should now be permitted to construct and/or renovate cinema theatres, with foreign investment of no more than 49%.

- Construction and Related Engineering: From the date of accession, foreign-invested joint-ventures should be permitted with majority foreign ownership. Wholly foreign-owned companies will be allowed 3 years after accession but will be limited in the types of construction project they can undertake. For 3 years after accession, China will have slightly different requirements for the registered capital of foreign-invested construction enterprises than for Chinese enterprises, and will allow joint-venture construction enterprises to undertake only foreign-invested construction projects. After 3 years, there will be no such commercial-presence limitations on national treatment in this sector.

- Wholesale Distribution: From the date of accession, foreign-invested enterprises may distribute products they have manufactured in China upon accession. Within one year after China's accession to the WTO, foreign service suppliers will be allowed to establish joint ventures to engage in wholesale distribution of all imported and domestically produced products, with some product exceptions. Majority foreign ownership will be permitted 2 years after accession, and wholly foreign-owned companies 3 years thereafter.

  For 3 years after accession, wholesale distribution of books, newspapers, magazines, pharmaceutical products, pesticides and mulching films will be limited to Chinese companies. For 5 years after accession, wholesale distribution of chemical fertilizers, processed oil and crude oil will be limited to Chinese companies.

- Retailing: From the date of accession, foreign-invested joint ventures may engage in the retailing of all products, with some exceptions. Foreign-invested enterprises may sell on a retail basis products they have manufactured in China. Under the terms of accession, five Special Economic Zones and 8 cities* are initially be open to foreign-invested retailers, with some limitations on the number of operating joint ventures. Within two years after China's accession, foreign majority equity will be permitted and all provincial capitals, Chongqing, and Ningbo will be open. Geographic and quantitative restrictions will be eliminated within 3 years after China's accession.

  For 1 year after accession, retail distribution of books, newspapers, and magazines will be limited to Chinese companies. For 3 years after accession, retail distribution of pharmaceutical products, pesticides, mulching films, and processed oil will be limited to Chinese companies. For 5 years after accession, retail distribution of chemical fertilizers will be limited to Chinese companies.

  A special condition will apply to "chain stores" ("which sell products of different types and brands from multiple suppliers") with more than 30 outlets. Foreign-majority ownership will not be permitted if those chain stores distribute: motor vehicles (in the 5 years after accession), products listed above, or products defined in Annex 2 to the Working Party Report as being reserved for state trading enterprises.

* The 5 Special Economic Zones referred to above are: Shenzhen, Zhuhai, Shantou, Xiamen and Hainan. The eight cities are: Beijing, Shanghai, Tianjin, Guangzhou, Dalian, Qingdao, Zhengzhou, and Wuhan.

- Environmental Services: From the date of accession, joint-ventures should be permitted with majority foreign ownership.

- Insurance: From the date of accession, foreign non-life insurers should now be permitted to establish joint ventures upon accession with no more than 51% foreign ownership, or wholly foreign-owned cross-border branches within China. Within two years after China's accession, foreign non-life insurers will be permitted to establish wholly-owned subsidiaries in China. From the date of accession, foreign life insurers should be permitted to establish joint ventures, with no more than 50% foreign ownership.

  Under the terms of accession, joint-venture partners may freely agree the terms of their engagement without government intervention (within the limits set by the services schedule).

  For brokerage for insurance of large scale commercial risks; reinsurance; and international marine, aviation, and transport insurance and reinsurance, joint ventures with up to 50% foreign ownership should be permitted from the date of accession, rising to a maximum of 51% within three years thereafter. Wholly-owned subsidiaries of foreign companies will be allowed within five years after China's accession. China has not made any commitments to bind the conditions on foreign provision of other brokerage services, except as specified in the horizontal commitments.

  From the date of accession, foreign life insurers, non-life insurers, and insurance brokers should be permitted to provide services in 5 cities*. Within two years after China's accession, 10 more cities** will be opened and within three years, geographic restrictions will be eliminated. Foreign-invested insurance companies may open new branches within China, subject to the phase-out of geographic restrictions.

  From the date of accession, foreign non-life insurers should be permitted to provide "master policy"[2] insurance and insurance of large scale commercial risks, with no geographic restrictions. They should also be allowed to provide insurance of (Chinese) enterprises abroad, property insurance and related liability insurance, and credit insurance for foreign-invested enterprises in China. Within 2 years after China's accession, foreign non-life insurers will be permitted to provide the full range of non-life insurance services to both foreign and domestic clients.

[2] "Master policy" insurance is defined in the Report of the Working Party as a policy that "provides blanket coverage for the same legal person's property and liabilities located in different places. A master policy can only be issued by the business department of an insurer's head office or that of its authorized province-level branch offices. Other branches were not allowed to issue master policies." Master policy if further discussed in the Working Party Report.

From the date of accession, foreign insurers should be permitted to provide individual insurance to foreigners and Chinese citizens; within three years after accession, foreign insurers will be permitted to provide health insurance, group insurance and pension/annuities insurance to foreigners and Chinese.

From the date of accession, foreign insurers should be permitted to provide reinsurance services for life and non-life insurance as a branch, joint venture, or wholly foreign-owned subsidiary, without geographic restrictions.

There will be no limits on the number of insurance licenses issued to foreign-invested companies, but a number of qualifications will apply – e.g., the foreign investor should have over 30 years of insurance experience, should have had a representative office in China for at least 2 years, and should have assets of more than US$5 billion (this asset threshold will be lower for insurance brokers and will fall, four years after accession, to US$200 million).

Under the terms of accession, foreign insurance institutions will not be permitted to engage in the statutory insurance business. From the date of accession, a 20% cession of all lines of the primary risks for non-life, personal accident and health insurance business will be required with an appointed Chinese reinsurance company. This compulsory cession will fall by 5 percentage points each year until it is eliminated, four years after accession.

* The 5 cities that should be open for insurance business from the date of accession are Shanghai, Guangzhou, Dalian, Shenzhen and Foshan.
** The 10 additional cities open for insurance business 2 years after accession will be Beijing, Chengdu, Chongqing, Fuzhou, Suzhou, Xiamen, Ningbo, Shenyang, Wuhan and Tianjin.

- Banking and Other Financial Services: For business denominated in foreign currencies, after accession there should be no geographic restrictions on the operations of foreign-invested companies. For Renminbi-denominated business, geographic restrictions will continue to apply* but will be phased out within five years after accession.

  From the date of accession, there should be no restrictions on the clients of foreign financial institutions for business denominated in foreign currencies. For Renminbi-denominated business, foreign financial institutions should be permitted to provide services to Chinese enterprises within two years after accession, and to all Chinese clients within five years after accession. Foreign financial institutions licensed for local currency business in one region of China may service clients in any other region that has been opened for such business.

  Under the terms of accession, China has committed that licensing conditions will only be prudential and any existing non-prudential measures restricting ownership, operation, and juridical form of foreign financial institutions, including on internal branching and licenses, will be eliminated within five years after accession.

  Foreign banks or finance companies will be permitted to establish <u>subsidiaries</u> in China if total assets of the foreign company exceed US$10 billion. Foreign banks or finance companies will be permitted to establish branches in China if total assets of the foreign company exceed US$20 billion. Foreign banks or finance companies will be permitted to establish joint ventures in China if total assets of the foreign company exceed US$10 billion. To engage Renminbi-denominated business, foreign financial institutions will be required to have been operating in China for at least 3 years, two consecutive years of which must have been profitable.

* The cities that should be open to foreign-invested banks for local currency business are: from the date of accession, Shanghai, Shenzhen, Tianjin and Dalian; within one year after accession, Guangzhou, Zhuhai, Qingdao, Nanjing and Wuhan; within two years after accession, Jinan, Fuzhou, Chengdu and Chongqing; within three years after accession, Kunming, Beijing and Xiamen; and within four years after accession, Shantou, Ningbo, Shenyang and Xian.

- Securities: From the date of accession, representative offices in China of foreign securities institutions may become Special Members of all Chinese stock exchanges. Foreign service suppliers should be permitted to establish joint ventures with up to 33% foreign ownership to conduct domestic securities investment fund management business, with the maximum rising to 49% within 3 years.

  From the date of accession, foreign securities institutions should be allowed to engage directly (without a Chinese intermediary) in B share business. Within three years after accession, foreign service suppliers will be permitted to establish joint ventures with up to 33% foreign ownership to engage (without a Chinese intermediary) in underwriting A shares, and in underwriting and trading B and H shares, and government and corporate debts, and the launching of funds.[3]

  Criteria for authorization to operate in the financial sector in China will be solely prudential (i.e., will contain no economic needs testing or quantitative limits on licenses).

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[3] A and B shares are traded on China's two domestic stock exchanges. A shares are denominated in RMB and may only be purchased by domestic investors. B shares are denominated in foreign currency and may be purchased by domestic and foreign investors. H shares are shares of mainland companies traded in Hong Kong.