



China's WTO Commitments, 2005-06

The chart below reflects the US-China Business Council's (USCBC) best efforts to track the status of China's year-four and five service sector commitments, as of May 2007.

China's WTO Commitments Due on December 11, 2005	Status and Relevant Laws
Advertising	
Allow wholly foreign-owned enterprises (WFOEs) in advertising services	Done. Allowed under the Management Rules on Foreign-Invested Advertising Companies, issued by the PRC State Administration of Industry and Commerce (SAIC) and the Ministry of Commerce (MOFCOM) in March 2004 and took effect on January 1, 2005.
Banking	
Expand geographic scope of local currency business for foreign financial institutions to include Shantou, Guangdong; Ningbo, Zhejiang; Shenyang, Liaoning; and Xi'an, Shaanxi	Done. The China Banking Regulatory Commission (CBRC) announced on December 5, 2005 that it would allow foreign banks to expand their local currency business into Ningbo and Shantou. In fact, China went beyond its WTO commitments and opened five other cities—Changchun, Jilin; Harbin, Heilongjiang; Lanzhou, Gansu; Nanning, Guangxi; and Yinchuan, Ningxia—in December 2005.
Insurance	
Lift compulsory cession requirements on foreign non-life insurers	Done. According to USCBC sources at the China Insurance Regulatory Commission (CIRC), foreign-invested insurers no longer need to cede to the China Reinsurance Corp. a portion of the lines of the primary risk for non-life, personal accident, and health insurance. CIRC also lowered the minimum required total asset level for an insurance brokerage license from \$300 million to \$200 million; the lower asset requirement took effect December 11, 2005.
Lower total asset requirement of foreign insurers to \$200 million	
Other	
Allow WFOEs in courier services (except for those specifically reserved to the PRC postal authorities by law)	WFOEs allowed, but restrictions are imposed on the scope of business operations that appear to contradict the WTO commitment.
Allow WFOEs in technical testing services and freight inspection services (excluding statutory inspection services)	WFOEs allowed in technical testing services, but restrictions are imposed on the scope of business operations. Regulations have been issued that allow WFOEs in freight inspection services, but companies report being unable to obtain licenses.
Allow WFOEs in hotels and restaurants	Done.
Allow WFOEs in freight forwarding agency services	MOFCOM released the Administrative Measures on Foreign Investment in International Freight Forwarding Agency Services on December 9, 2005, but the General Administration of Civil Aviation of China (CAAC) later issued regulations that restrict the ability of WFOEs to book air cargo space.
Apply national treatment to capitalization requirements for foreign freight forwarding agency services	

China's WTO Commitments Due on December 11, 2006

Status and Relevant Laws

Advertising

Allow WFOEs in advertising services

Done. Regulation on Management of Foreign-Invested Advertising Companies, issued by SAIC and MOFCOM in March 2004, took effect on December 10, 2005.

Architectural, engineering, and urban planning services

Allow WFOEs in architectural, engineering, integrated engineering, and urban planning (except general urban planning) services.

Done. WFOEs allowed in urban planning by Regulation and Management of Foreign-Invested Urban Planning Services, issued in February 2003 by the Ministry of Foreign Trade and Economic Cooperation and the Ministry of Construction (MOC) and took effect on May 1, 2003. MOC issued the Decree 114 Implementing Regulations in January 2007, allowing engineering, integrated engineering, and architecture WFOEs.

Banking

Lift all geographic restrictions on local currency business for foreign financial institutions

Allow foreign financial institutions to provide services to all Chinese clients

Remove any non-prudential measures restricting ownership, operation, and juridicial form of foreign financial institutions

Done. CBRC issued regulations that took effect in December 2006 that require foreign banks to establish domestically incorporated subsidiaries to take full advantage of these openings. As of April 2007, banks were beginning to receive approvals to offer local currency services under these regulations.

Distribution and retail

Allow joint venture and WFOE wholesalers and commission agents to distribute chemical fertilizers, processed oil, and crude oil

Allow WFOE retailers with 30 or fewer outlets to sell chemical fertilizers

Allow foreign majority-owned chain retailers with more than 30 outlets to sell motor vehicles

MOFCOM issued regulations that took effect in January 2007 that allow WFOEs but appear to impose limits on what operations WFOEs can practically undertake.

MOFCOM has approved applications but implementation hurdles remain at the local level.

Draft regulations meeting this commitment are not known to exist.

Insurance

Allow WFOEs in reinsurance and large scale commercial risk insurance, as well as in international marine, aviation, and transportation insurance and reinsurance

Some types of reinsurance allowed under the Administrative Regulations on Reinsurance Business, which were issued by CIRC and took effect December 2005, but the regulations do not cover all elements of this commitment.

Telecom

Lift all geographic restrictions on mobile voice and data services for foreign joint ventures

Draft regulations meeting this commitment are not known to exist.

Expand geographic scope for listed domestic and international telecom services to include Chengdu, Sichuan; Chongqing; Dalian, Liaoning; Fuzhou, Fujian; Hangzhou, Zhejiang; Nanjing, Jiangsu; Ningbo, Zhejiang; Qingdao, Shandong; Shenyang, Liaoning; Taiyuan, Shanxi; Wuhan, Hubei; Xiamen, Fujian; and Xi'an, Shaanxi; raise foreign ownership cap to 35%