THE US-CHINA BUSINESS COUNCIL
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USCBC Recommendations for Revisions to the China (Shanghai) Pilot Free Trade Zone Negative List and Other Reforms

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The US-China Business Council (USCBC) represents nearly 220 US companies with significant investments and operations in China and with strong interests in the development of China's economy and foreign investment regime. We pleased with the establishment of the China (Shanghai) Pilot Free Trade Zone (FTZ) as a testing ground for further reform in many areas. In particular, the adoption of the negative list approach to regulate foreign investment is a positive move in line with international best practice.

There have been a number of recent positive developments to expand market access in the zone and improve the operational environment for companies. These include the January 6 MIIT Opinions on Further Opening up Value-added Telecommunication Services in the China (Shanghai) Pilot FTZ, which recommends removing some restrictions in value-added telecom services. In addition, steps in 2013 to decentralize, streamline, and limit new administrative approvals are important in helping companies save costs and launch new operations that contribute to China's economy. The Shanghai FTZ should continue to test these reforms and launch new ones that will broaden market access and provide a more open operating environment for all companies, both domestic and foreign. Such changes will ultimately benefit China's economy as a whole, not just Shanghai's.

At the same time, we are concerned that the current negative list retains nearly all of the investment restrictions included in the 2011 Catalogue Guiding Foreign Investment in Industry and other investment-related regulations. These restrictions make it difficult for foreign companies to contribute fully to China's economic modernization plans and discourage foreign investment into China. Foreign investment plays a critical role in promoting innovation and industrial upgrading, spurring economic growth, and creating high-quality, high-paying jobs in the Chinese economy. An open investment environment without pre-conditions for access in the Shanghai FTZ (and ultimately throughout China) would allow all companies to equally contribute their experiences and best practices to the country's economic development. Removing current restrictions on foreign investment will help China's policymakers develop Shanghai into an international financial hub, increase the number of companies relocating their Asia headquarters to Shanghai, and transition China into a leading services economy.

As an example of current negative list practice, USCBC has prepared a summary of US "negative list" in its bilateral investment treaties **(Appendix, Page 9-11),** covering all restrictions that US maintains or impose potentially in foreign investment. We hope this will be useful as China's government revises the Shanghai FTZ negative list and considers what it may include in the US-China bilateral investment treaty.

Government policymakers have made great strides over the years in guiding the Chinese economy to achieve sustained growth and development. During President Xi Jinping's June 2013 visit to the United States, China and the United States reaffirmed the importance of open trade and investment in fostering economic growth,

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job creation, innovation, and prosperity, and stated their commitment to further liberalize global trade and investment. The Shanghai FTZ and related reforms present an important opportunity for China to harness that momentum by allowing increased access for foreign investment across sectors. USCBC respectfully requests that officials follow the below principles as they draft and revise regulations on foreign investment, make changes to the negative list, and propose and enact additional reforms related to the Shanghai FTZ and the broader Chinese economy:

- **Substantially reduce investment restrictions** Allow companies to select the investment vehicle of their choosing by removing all existing ownership restrictions except those absolutely necessary for national security. This would encourage more foreign companies to import capital and technology, to create employment opportunities, and to share international best practices to further develop China's economy. Following this principle would also be in line with China's economic development goals. Finally, reducing investment restrictions would encourage governments to make market-driven regulatory decisions that will allow foreign companies to grow and better serve Chinese businesses and consumers.
- **Encourage a vibrant services sector through fair and open market competition** Remove ownership restrictions, high capital requirements, and licensing barriers in key sectors, especially in the construction, finance, healthcare, legal, media, and telecom services sectors. This would allow an influx of investment and expertise that could help China reach its goals of increasing the services sector share of GDP, creating jobs, and developing "greener" industries. China's manufacturing sector became a world leader by opening to global competition in the 1980s. Allowing fair and open competition would similarly encourage China's service economy to grow and thrive today.
- **Equal treatment for foreign and domestic enterprises** Eliminate terminology such as "foreign invested enterprises" to allow all companies to participate in the market under the same conditions. This would help China's central government more quickly reach its goal of building targeted industries and deploying innovative technologies in the market.

USCBC respectfully submits the following specific changes for consideration, both during the 2014 negative list revision and after, as China's policymakers pursue deeper reform in the Shanghai FTZ and expand these reforms across China.

Comments on the 2013 Shanghai FTZ Negative List

General Implementation

- Revise the negative list at least once a year in close consultation with Chinese and foreign businesses, reducing the number of items and bringing the document in line with international best practices for constructing negative lists. These revisions should seek to create as small a list of exceptions for foreign investors as possible, and to maintain a minimum list of restrictions even as new industries evolve.
- Change the pre-filing process for foreign-invested projects outside the scope of the negative list to a post-filing process, in line with the pre-establishment principle that has been adopted by most countries.

Agriculture

- Remove agricultural processing, including the processing of rice, wheat, corn and oilseeds, from the negative list (section C13 of the current negative list). Increasing the participation of foreign companies in agricultural processing would improve food security and safety, increase competition, support the development of higher-quality food products, advance the development of Chinese agricultural products, and create more job opportunities for Chinese workers.
- Remove "cultivating of new types of agricultural goods" from the negative list, and allow foreign majority-controlled joint ventures (JVs) and wholly foreign-owned enterprises (WFOEs). This change

will increase innovation in China's food production industry and help the Chinese people meet their food security needs (section A02).

Information Technology and Telecommunications

- Allow diversified forms of foreign investment in the zone, including equity and other profit-sharing types of investment (section I63).
- Eliminate foreign investment equity caps to allow foreign firms to acquire majority interest in telecom JVs (section I65).
- Expand China's efforts to liberalize information services by explicitly allowing foreign companies to invest in cloud computing and Internet data centers.

Financial Services: General

- Remove stock investment fund companies from the negative list or raise the 49 percent cap on stock investment fund firms to allow foreign majority shareholders (section J67-1), as this would create a stronger investment environment in China.
- Allow FTZ-registered foreign-invested finance companies to provide financial services to Chinese companies outside the Shanghai FTZ as a means of allowing more access to credit and capital for companies across China. Services could include centralized cross-border settlement, financial derivatives transactions, cash pooling, and deposit and loan services.

  Develop a modern futures contracts market by allowing foreign securities brokerage companies operating in the zone to become full members of the new Shanghai International Energy Exchange (INE) subsidiary of the Shanghai Futures Exchange. This would encourage other foreign firms to support the INE by giving them local brokers to work with, and would boost the use – and enhance the benchmarking status – of Shanghai FTZ futures contracts.
- Increase or remove QFII quota requirements for foreign institutional investors and allow foreign brokers to conduct all appropriate checks on their clients, including due diligence and antitrust checks, in line with international standards.
- Harmonize China's rules for foreign exchange markets with international standards and practices. This should include integration with existing global trading platforms and the Continuous Linked Settlement system, a settlement service for foreign exchange market trades. Both arelargely seen as prerequisites by the global market.
- Update China's current bankruptcy, insolvency, and resolution regimes to clarify the timing and extent of bondholder bail-ins in the context of the new Basel III regulations.
- Strengthen the enforceability of financial contracts in the Shanghai FTZ by addressing vague legal areas in bankruptcy proceedings such as close-out netting and collateral rights. The enforceability of such provisions on netting is a key criterion in judging whether central counterparties (CCPs) are CPSS-IOSCO compliant. Allowing counterparties to deal with each other on a net rather than gross basis would also allow for expanded trading and stronger financial markets.
- Align Shanghai FTZ collateral and netting rules with international standards, thus reducing the financial impact that companies face from risk-weighted assets or off-balance sheet exposures.. Currently, companies lack confidence in collateral and netting systems in China, limiting their willingness to participate fully in the development of these competencies.
- Support innovation in over-the-counter derivative contracts (whether in RMB or any other currency) that are linked to commodity markets in the Shanghai FTZ and domestic commodity exchanges in Dalian, Shanghai, and Zhengzhou. Such contracts could be valuable risk management tools for Chinese and multi-national corporations that are seeking to hedge their import risk. Additionally, they would encourage more RMB-denominated products to be traded offshore, which would in turn significantly support the turnover, volume, liquidity, and diversity of participants in both the Shanghai FTZ and domestic commodity exchanges.
- Remove the trading of RMB and RMB-linked products from the negative list to allow participation of foreign-invested banks. Such a change would support China's aim of internationalizing the RMB and

would permit foreign investment companies registered in the Shanghai FTZ to settle international trade in products and services in RMB or any other currency (section J66).
- Allow foreign payment service providers to offer foreign currency and domestic RMB services.
- Require exchanges to meet criteria under Basel III in order to act as Qualified Central Counterparties (QCCPs), as this would enhance interoperability of the Shanghai FTZ with global markets. Currently, exchanges in China do not qualify under Basel III to act as QCCPs.
- Allow pilot tests of wealth management services in the Shanghai FTZ. Current policies and licensing requirements in China restrict the ability of individual Chinese clients to invest with multi-asset class portfolio investors, meaning that Chinese investors have limited opportunities to diversify their assets globally and may instead invest in unproductive ways that do not benefit the Chinese or the global economy.
- Remove barriers that restrict cross-border investment and currency convertibility. This could include a relaxed quota system for cross-border activity between the Shanghai FTZ and the rest of China and a streamlined registration process for global or regional fund passport initiatives (such as the Luxembourg fund registration). A relaxed quota system could include larger quotas, accelerated approval, and minimal investment restrictions.

Financial Services: Market Access

- Allow branches or sub-branches of locally incorporated banks and WFOEs to trade on Shanghai FTZ futures exchanges and offshore commodity exchanges like the London Metal Exchange (LME), the Chicago Board of Trade (CBOT), and the Commodity Exchange (COMEX). Over time, give locally incorporated banks market access to other domestic exchanges, particularly for bond futures, as this would gradually develop risk management and hedging capability (section J67-2).
- Reduce the types of entities required to secure product licenses, such as banks, securities brokerage companies, trust companies, futures companies, and options platforms.
- Allow unrestricted capital infusions from overseas parent companies.
- Combine the segment- and product-specific licenses that many financial services firms must receive into one "master license," and simplify the process for securing master licenses by integrating approval procedures. Such integration should cover processes related to foreign exchange and RMB services to individuals, and could include segments like private banking and mass retail and products like loans, deposits, and advisory services.

Financial Services: Insurance

- Eliminate the 50 percent cap on foreign ownership in life insurance companies and permit foreign insurers a choice of investment vehicles, whether as a WFOE, a JV, a branch, or a subsidiary (section J68-1). This would allow China to best meet its goal of improving healthcare access for Chinese citizens.
- Provide foreign insurance brokers the same business scope as domestic firms, including claims handling, risk management services, consulting, application processes and placement services, and reinsurance brokerage. China should also consider allowing foreign insurance brokers to provide client services for small businesses, group life and health businesses, and affiliated programs. These would benefit the overall competitiveness of the insurance industry in China and would ultimately strengthen both domestic and foreign insurers.
- Allow foreign-invested insurers to use the July 2012 Rules and Guidelines for the Management of Remuneration of Insurance Companies as voluntary reference guidelines instead of mandatory operating requirements. This is necessary because the remuneration structure of foreign insurers is different from that of domestic insurers.
- Remove futures market services from the negative list, allowing foreign majority-controlled JVs and WFOEs to participate in the sector (section J67-2).
- Remove non-financial institution payment services from the negative list to provide full market access to these companies. The global reach and the expertise brought by foreign non-financial institution payment companies will further support cross-border trade and services (section J69-3).

Financial Services: Auto Financing

- Allow domestic and foreign-invested auto financing companies (AFCs) access to offshore funding, including the ability to secure intercompany loans and issue "dim sum" bonds. China should also grant AFCs foreign debt quotas or permit them to issue offshore debt without foreign debt quotas.
- Revise current rules on bond issuance to open the market to additional AFCs and to allow them to regularly issue bonds. Revised rules should allow the market to decide issuers' eligibility and bond prices based on creditworthiness, instead of regulator-determined metrics that may or may not be in line with market realities. Additionally, AFCs should be allowed to address potential credit concerns with well-established tools such as guarantees or support agreements.
- Permit AFCs to issue long-term unsecured debt and securitization, as this will allow them to diversify their funding sources and ensure sufficient liquidity to support growth plans in China – while also strengthening Chinese capital markets. Robust and efficient Chinese capital markets are critical for the success of the entire automotive industry and dovetail with Chinese government goals to create multi-level capital markets.
- Allow AFCs to access the Chinese asset-backed securities (ABS) market by resuming the ABS pilot program that ran from 2005-2008. The revived program should be normalized by removing quotas and allowing AFCs to issue securities regulated by other agencies such as the China Securities Regulatory Commission and the China Insurance Regulatory Commission.
- Expand the definition of "automobile" in Shanghai FTZ auto financing regulations to include tractors, combines, bulldozers, excavators, blenders, pump machines, and other off-road motor vehicles. Currently, the definition of "automobile" is restricted to road-bound vehicles, excluding motorcycles.

Legal Services

- Remove legal consulting services from the negative list to allow foreign law firms equal and fair access to China's legal services market (section L722-1).
- Permit US law firms registered in the zone to deal directly with Chinese agencies on behalf of their clients. Additionally, permit qualified foreign lawyers to become official foreign legal consultants in China.
- Accelerate the approval process for foreign law firms registered in the Shanghai FTZ, and lower the thresholds foreign firms must meet in order to establish representative offices in the zone.
- Allow Chinese lawyers to retain their legal licenses when employed by foreign law firms registered in the zone to expand the pool of qualified domestic lawyers and to permit Chinese lawyers the ability to get the best possible career training regardless of nationality.
- Ensure equal tax treatment of domestic and foreign law firms.

Media and Publishing

- Allow Shanghai Media Group channels to self-censor children's content and allow content to be shown during prime-time hours, so long as content originates from Shanghai FTZ-registered companies.
- Allow foreign majority-controlled equity JVs and WFOEs registered in the Shanghai FTZ to invest in radio, television, and film production and distribution, as this step would enhance competition and spur innovation in China's cultural industries. Films produced by foreign-invested companies in the zone should receive equal treatment with local production companies. Foreign-invested companies in the zone should also be allowed to self-distribute radio, television, and film productions (section R85).
- Allow investment in any radio broadcasting channels and stations, television channels and stations, and television transmission networks, including transmission stations, relay stations, TV broadcast satellites, satellite uplink stations, satellite receiver platforms, microwave stations, monitoring platforms, and cable television transmission coverage networks (section I63).

- Allow foreign companies registered in the Shanghai FTZ to set up a JV or WFOE to obtain television and film distribution licenses that would allow them to distribute content on digital channels (section R86).
- Allow foreign companies registered in the Shanghai FTZ to qualify for licenses to provide linear channels in Shanghai on either paid digital cable or internet protocol television platforms.
- Allow foreign companies registered in the Shanghai FTZ to distribute console game content outside of the zone.
- Allow foreign companies set up in the Shanghai FTZ to obtain an Internet content provider (ICP) license.

Transportation Vehicle and Equipment Manufacturing

- Allow foreign companies to own more than 50 percent of enterprises manufacturing finished automobiles (section C36-1).
- Remove the 50 percent foreign ownership limit on enterprises manufacturing key components for new energy vehicles (section C36-6).
- Remove restrictions on the development, design and manufacture of key components related to railways, including main rail lines, inter-city rail, and urban rail transportation equipment (section C37-1/2).
- Remove restrictions relating to low- and medium-speed diesel engines and their components designed for vessels in the current negative list (Section C373). The vague definition of "components" in the current negative list can be interpreted to include many items that the negative list may not have been originally intended to include.
- Clarify the definitions of "design" and "development" used in negative list entries on manufacture of railway transportation equipment, ships, and ship components (sections C371 and C373).
- Remove restrictions on the manufacturing of electric transmission and transformation equipment (section C381).
- Allow foreign companies to establish WFOEs in power transmission equipment manufacturing. These sectors are currently limited to cooperative JVs and equity JVs (section D44).

Comments to General Reform in the Shanghai FTZ and Beyond

As a pilot for economic reforms, the Shanghai FTZ is uniquely equipped to test changes that can gradually be rolled out across China. USCBC hopes to see the zone experiment with comprehensive measures that can improve the business operating environment for all investors, and to see these reforms quickly extended to the broader Chinese economy. In addition to the above recommendations on the negative list, USCBC suggests reform in the general areas listed below.

Administrative Approvals

- Allow trading companies registered in the Shanghai FTZ to engage in international trade, entreport trade, and direct domestic trade with companies registered outside the zone, without having to go through a third-party agency.
- Allow foreign construction firms applying for Class A licenses to count their relevant international experience toward qualification criteria.

Business Scope for Services in the Shanghai FTZ

- Allow companies registered in the zone to qualify as onshore entities, and allow commerce between the zone and the rest of China to be free of import and export duties and taxes.
- Allow companies registered in the Shanghai FTZ to set up branches in other cities. Expand Chinese citizens' options for health insurance coverage by allowing health insurance companies registered in the Shanghai FTZ to offer services outside the zone.

Customs and Logistics: General

- Allow transshipments to be processed in the Shanghai FTZ with minimum customs control, based on models pioneered in Singapore, Korea, and Hong Kong.
- Establish a cost recovery system for customs processing similar to the United States, in order to enable the 24 hours a day, 7days a week customs handling that is required by the sheer volume of China's trade activity.
- Increase operative efficiency by implementing full electronic clearance procedures that require minimal human intervention in the customs clearance process, similar to procedures adopted in Singapore and Australia.
- Implement equal minimum registered capital requirements for foreign and domestic retailers investing in China's e-commerce infrastructure and logistics sectors.
- Improve the claims process for common goods, including the release of goods prior to the claims process, and the establishment of "green channels" for companies with good credit that would allow them to reduce the frequency of inspection and make the process more efficient.
- Support speedy claims processes for special goods, including goods affected by anti-dumping duties.
- Simplify the import processing of hazardous goods, chemical goods and electronic devices that need China Compulsory Certification (CCC). For example, divide hazardous goods into different classes based on the level of danger and design various processes for each level, in order to simply the process of less hazardous goods.
- Allow customs claims to be processed during weekends and holidays. To limit work hours during holiday periods, companies could be allowed to make reservations with customs for those commodities that require claims processing during these periods.
- Allow the import of used parts, such as automotive engines, that companies can repair in the zone and then export.
- Provide companies with a key point of contact to answer questions on customs consulting services.
- Arrange training for corporate employees on new customs policies and regulations no less than once each year.

Customs and Logistics: Bonded Commodities Transfer between Bonded Zones

- Set up a central department under the General Administration of Customs (GAC) to coordinate commodities transfer between bonded zones and to handle requests from traders. Such a central department should also work with different customs agencies to ensure smooth and timely implementation.
- Implement a fast track procedure for credible operators and traders to transfer commodities between bonded zones. This could take the form of a customs bond guarantee scheme. A similar practice has been adopted in the Africa Regional Customs Bond Guarantee under the Common Market for Eastern and Southern Africa, significantly reducing transit costs for traders and customers.
- Benchmark with the Transports Internationaux Routiers system to develop a customs transit system for domestic bonded transfer within China.
- Pair with other customs districts and export processing zones, such as zones in Dalian and Chongqing, to launch a pilot program focused on commodities transfer between bonded zones.

Intellectual Property

- Fully meet the commitments on software legalization made by China and the United States in multiple high-level dialogues, through fully implementing existing policies and regulations to require government agencies to use legal software, increasing funding to government agencies for the auditing of legal software use and other relevant functions, and by expanding efforts to promote use of legal software among state-owned and private enterprises.

- Implement an intellectual property-related dispute resolution and assistance system to more effectively support foreign investors intellectual property rights' protection in the Shanghai FTZ.

Taxes

- Recognize cargo receipts as sufficient proof to apply for value-added tax (VAT) rebates for export trading in marine engine repair services. Currently, Chinese customs does not recognize stamped cargo receipts from foreign ships' repair services when applying for a export VAT rebate, even when parts are imported and stocked in a free trade zone warehouse. Such a change would be in line with practices of other countries that recognize cargo receipts—verified shipside—as equal to the formal export Customs Declaration Form in foreign ship-repair service. These changes have simplified administrative procedures, saved the time of customs officials, and improved the efficiency of customs procedures at each respective port.
- Simplify the process for applying for and receiving export VAT rebates. Remove or relax requirements on the time limit of the rebate period for export VAT.
- Allow VAT refunds to be issued in advance for domestically manufactured products exported to the Shanghai FTZ, and remove the requirement for transit via the Waigaoqiao Bonded Logistic Park, in order to save customs clearance time and fees.
- Eliminate capital gains taxes for equity transfers made at cost between subsidiaries in the same corporate family.
- Standardize the process for companies making foreign currency non-trade payments to overseas service providers.
- Treat foreign law firms as pass-through entities for income tax purposes at rates equal to those of domestic law firms.

Appendix

SUMMARY OF US NEGATIVE LISTS IN BILATERAL INVESTMENT TREATIES

In its multiple bilateral investment treaties (BITs) with other countries, the United States uses a "negative list" approach in which the terms of the treaty apply to all sectors except those expressly listed as exclusions. This means that investments by foreign entities are treated the same as investments by domestic entities, except for a few sectors specifically excluded from the terms of the treaty.

The two most recent US BITs, with Uruguay (2005) and Rwanda (2008), include the same list of exceptions (full text and annexes of the agreements are available on USTR's website[1]).

Those restrictions are summarized below. The US "negative list" has very few sectors that are closed to foreign ownership. Most of the restrictions are criteria that foreign investors must meet to participate in a sector or are limitations on certain activities.

In addition, the US rarely limits foreign ownership to a certain percentage of an investment, as China does across many sectors. The United States allows 100 percent foreign ownership of banks, insurance companies, and securities companies in the United States if they meet the same requirements as domestic investors, for example.

Importantly, there are seven restrictions that are based on reciprocal treatment – that is, areas that are actually open to foreign investment if American companies are able to invest in a BIT partner economy.

Finally, there are six areas in which the United States maintains the right to maintain or impose further restrictions after a BIT goes into force(marked by an asterisk in the list below). Three of those restrictions are based on the reciprocal treatment American companies face in a BIT partner economy.

Restriction	Notes
Sectors in which Foreign Investment is Prohibited	
Nuclear energy utilization and production facilities for commercial or industrial purposes, medical therapy and R&D using components regulated by the Nuclear Regulatory Commission	Licenses to transfer or receive in interstate commerce, manufacture, produce, transfer, use, import or export cannot be issued to entities known or believed to be owned, controlled or dominated by a non-US citizen, foreign corporation or foreign government.
Customs brokerage services	Only US citizens may obtain customs broker's licenses.
Domestic air services (passenger and air freight forwarding)	Only air carriers that are "citizens of the United States" may offer domestic air service. However, non-US citizens may obtain approval from the Department of Transportation to participate in air freight forwarding and passenger charter activities.
Credit unions, savings banks, savings associations	Federal and state laws do not permit these entities to be established through branches of corporations organized under a foreign country's laws. A foreign-invested corporation organized under US law can establish these entities.
Issuance of surety bonds by foreign insurance companies for US government contracts	Branches of foreign insurance companies cannot provide surety bonds for US government contracts, but US-licensed foreign insurance companies may do so.

[1] http://www.ustr.gov/trade-agreements/bilateral-investment-treaties/bit-documents

Restriction	Notes
Sectors in which Foreign Ownership may have Restrictions	
Overseas Private Investment Corporation financing (quasi-government program)	Not available to certain aliens, foreign enterprises or foreign-controlled enterprises.
Small business designation in public securities filings	Foreign firms may not register public offerings using small business registration forms or to register a class or securities or file annual reports.
Bank board membership	All directors of national banks must be US citizens, but can be waived by the Comptroller of the Currency for not more than a minority of the total number of directors.
Edge corporations	Edge corporations are financial institutions authorized by the US to do business internationally. Foreign ownership of these entities is limited to foreign banks and US subsidiaries of foreign banks. Foreign non-bank firms may not own Edge corporations.
Domestic retail deposits in foreign banks	To accept or maintain domestic retail deposits below $100,000, a foreign bank must establish an insured banking subsidiary.
Investment advisors of foreign banks	Foreign banks must register as investment advisors to engage in securities advisory and investment management services in the United States.
Federal Reserve System membership	Foreign banks cannot be members of the Federal Reserve System and thus may not vote for directors of a Federal Reserve Bank. This provision does not apply to foreign-owned bank subsidiaries, however.
Bank branches in certain US states	Foreign banks may not establish a federal branch or agency in states that prohibit it. Certain restrictions on fiduciary powers apply to federal agencies.
Insurance for maritime vessels with more than 50 percent of hull built under US federally guaranteed mortgage funds	Non-US insurers for vessels meeting the criteria must demonstrate that the risk was substantially first offered in the US market.
All other non-conforming measures at the state level and in the District of Columbia and Puerto Rico	All existing non-conforming measures are exempted from national treatment, most favored nation treatment, performance requirements and senior management and boards of directors requirements.
Restrictions Based on Reciprocity	
Rights-of-way for oil or gas pipelines; access to federal leases on Naval Petroleum Reserves	Non-US citizens may own 100% interest in a domestic US corporation that acquires a right-of-way if foreign investor's home country allows 100% ownership by foreign companies.
Specialty air services	Foreign civil aircraft must obtain approval from the Department of Transportation, which reviews based on reciprocity.
Trustees of indentures for bond offerings	Authority to act as sole trustee is based on reciprocity.
Dealer of US government debt securities	Designation as a primary dealer in US government debt securities is based on reciprocity.
Radio spectrum allocation, direct-to-home and direct broadcasting television services, digital audio services*	US reserves the right to provide differential treatment to non-US citizens, based on reciprocity.
Cable television operations*	US reserves the right to provide differential treatment to non-US citizens, based on reciprocity.

Restriction	Notes
Maritime services*	US reserves the right to provide differential treatment for the operation of services in these areas, excluding vessel construction and repair and landside services, which are based on reciprocity.
Other Restrictions	
Banking and insurance	National treatment for foreign banks is provided based on its "home state" – that is, the original state of its incorporation in the United States. National treatment for insurance companies is based on its state of domicile.
Broker-dealers registered in Canada	Broker-dealers registered under US law with a principal place of business in Canada may maintain its required reserves in Canada.
Government-Sponsored Enterprises (GSEs) such as Fannie Mae, Freddie Mac, Sallie Mae	US reserves the right to grant advantages to US GSEs, including exemptions from taxation and securities reporting. US Treasury may purchase debt obligations issued by a GSE.
Preference programs for minorities*	US reserves the right to maintain preferences for socially or economically disadvantaged minorities.
Radio broadcasting*	US reserves the right to restrict foreign ownership of radio licenses and broadcasting.
Social services including income security or insurance, social security or insurance, social welfare, public education, public training, health, child care*	US reserves the right to provide differential treatment for the operation of services in these areas.
Areas covered by multilateral or bilateral agreements including aviation, fisheries, maritime and telecommunications*	US reserves the right to provide differential treatment in these sectors to countries with which it has bilateral or multilateral international agreements.

** The US reserves the right to maintain or impose further restrictions on foreign investors in these sectors.*