THE US-CHINA BUSINESS COUNCIL
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US-China Trade Policy: Issues and Solutions

Testimony of the US-China Business Council
to the House Committee on Ways and Means
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The US-China Business Council (USCBC) is the leading organization that represents American companies doing business in China. Our membership consists of nearly 240 companies in manufacturing, services, agriculture, and resource industries. USCBC has a long history of working with the US government to eliminate market access barriers in China so that American businesses and workers can prosper from that country's tremendous economic growth. To this end, we look forward to continuing to work with Congress to address trade and investment barriers in the world's second-largest economy through appropriate and effective means.

Though we have many challenges in our commercial relationship, China is a cornerstone for US exporters. It is the only major US export market over the past decade to have provided the 15 percent annual growth rate needed to meet the Obama administration's goal of doubling US exports by 2014. At $92 billion, China was our third-largest export market for goods in 2010—a 468 percent increase since 2000, the last full year before China joined the World Trade Organization (WTO). Add in our exports to Hong Kong, a major through-point for US goods destined for China, and the total reached $118 billion last year. If US services exports to China are added, the 2010 export figure jumps further to $139 billion.

That is not the end of the story, however, as US companies also profit from China's growing domestic market through their investments there. Not every company can export to China and be competitive. Lead times, transportation costs, and the need to be closer to customers require many companies to make products in China or provide services from locations in China. Sales of products and services in China by US majority-owned affiliates operating there totaled $98 billion in 2008, the latest year for which these statistics are available, and have surely grown since then.[1]

Add it all up, eliminate overlaps, and China is probably close to a $200 billion market for US companies. The China market is therefore increasingly important to the health of the US economy, our large and small businesses, our farmers, consumers, and, yes, American jobs. The

[1] Contrary to popular belief, more than 90 percent of sales by US majority-owned companies operating in China over the last decade were to China or other foreign markets, with a mere 8 percent being exported back to the United States. Much of what the US imports from China comes from long-standing Asian suppliers who have relocated their export manufacturing from Japan, South Korean, Taiwan, and other economies to China.

commercial relationship with China has many problems, but the reality of these numbers tells us why the hard work of correctly defining the issues and then identifying appropriate, effective solutions is critical to US interests.

Top Challenges for US Companies in China

Though it has created many economic benefits, the US-China trading relationship is not without challenges. USCBC's most recent survey of its membership on the business environment in China details the importance of the market and the top problems companies face in China (see https://www.uschina.org/public/documents/2011/10/membership_survey_english.pdf).
A summary of some of the key challenges and solutions sought is below.

Indigenous innovation
A good example of how real progress can be made on critical issues is the coordinated advocacy effort on China's indigenous innovation policies. China, like all countries, is interested in fostering innovation to drive economic growth. To achieve that goal, China launched its "indigenous innovation" program in 2006, which has subsequently appeared in a range of PRC policies and regulations, including those related to intellectual property rights (IPR), standards, taxation, and government procurement.

In late 2009 and early 2010, China released several key rules to create lists of favored innovative products that would receive preferences in government procurement. This approach runs counter to international best practices, creates market access barriers for US companies, and would ironically undermine true innovation, rather than enhance it. Once on a product list with market protections, a company may have less motivation to continue to innovate since it is guaranteed sales with no further improvements to its products. Managing numerous product catalogues at the central and local levels is cumbersome, and such periodic lists are quickly outdated as new, innovative products are developed. The only certain outcome is discriminatory treatment in the marketplace and substandard technologies. USCBC, other trade associations around the world, and our respective governments have encouraged China to do away with product lists and follow international best practices for innovation incentives by using non-discriminatory tax, research and development support, and other programs to reach its innovation goals.

The Obama administration efforts, combined with industry's work on the issue, bore fruit this year starting during PRC President Hu Jintao's January 2011 visit to the United States, when China committed to delink its innovation policies from its government procurement preferences. At the Strategic and Economic Dialogue in May of this year, China took the further step of committing to end the use of all product lists, and central authorities began to lobby local governments to adhere to the commitment. USCBC has found that the central government's efforts have produced some positive results, though more remains to be done. Furthermore, around the US-China Joint Commission on Commerce and Trade (JCCT) mid-year meeting in June 2011, the PRC Ministry of Finance invalidated three key procurement measures targeted by USCBC in its advocacy efforts to address indigenous innovation policies. Our bilateral efforts have contributed to this progress, and we encourage members of Congress to support these efforts to get China to move further toward nondiscriminatory innovation policies. It is important for US officials to continue engaging China on this issue through bilateral forums, including the

US-China Innovation Dialogue. Congress should restore funding to the White House Office of Science and Technology Policy to continue engaging China on this issue through that dialogue.

Intellectual property rights

China's IPR situation remains a top concern for US companies. Two-thirds of respondents in USCBC's 2011 survey of China's business environment said that China's inadequate IPR protection impacts their business in some way. We should keep in mind, however, that some areas of China's IPR regime—both the legal framework and some areas of enforcement—have improved over the years. This was particularly notable over last year as 57 percent of survey respondents believed that IPR enforcement improved following the central government's campaign to crack down on IPR violations. That nine-month campaign formally ended in June.

Given the short-term success of the campaign, USCBC believes that the effort should be made permanent and put under the direct supervision of China's State Council to achieve better results nationwide. Penalties should also be increased to levels that effectively deter criminal infringement; China should adopt the international standard of applying criminal penalties in cases of commercial scale.

Although gradual improvements may be occurring in IPR protection, the progress is too slow. In certain industries, the lack of IPR enforcement is existential. The Chinese government needs to take stronger actions to ensure legitimate software is used in all government offices and state-owned enterprises. The cap that limits imports of foreign movies to 20 per year should be eliminated so that legitimate product can reach consumers, rather than force them to buy pirated copies.

Administrative licensing

Foreign companies in China must often jump a wide variety of bureaucratic hurdles to establish and operate their businesses. Companies report that managing the licensing process in China requires an inordinate amount of their time and resources. These challenges include approvals for new or modified products, office licenses and renewals, approvals for different aspects of projects or investments, and licensing for various business administrative functions. Inconsistencies in implementation across different agencies, levels of government, and regions create uncertainties that undermine business planning. Often the licensing requirements for foreign entities differ from those for Chinese companies, raising questions about China's commitment to its national treatment obligations.

USCBC's analysis has found that China's campaign for more transparent and efficient rule-making in recent years has yielded some improvements, but there remain many agencies, levels, and regions of government where opacity, inefficiency, and inequity continue. Licensing issues are diverse and vary across industries. The Obama administration pursues these issues on an individual basis through various JCCT working groups. A new effort by the administration will use the JCCT Commercial Law Working Group to pursue licensing challenges in a cross-cutting manner to find ways to address them. We also believe the lack of equal treatment in licensing should be elevated for attention at the Strategic and Economic Dialogue.

Standards and conformity assessment

Another top area of concern for USCBC companies is China's standards system. Though China has made progress in some areas, foreign companies remain concerned about several trends, including barriers to participate in standards-setting activities and the development of China-specific standards and technical policies that effectively block market access for US companies.

China also requires that most products sold in China be tested for compliance by a Chinese certification body, rather than by an internationally accredited third-party certifier or through self-certification, as is common in other countries. This denies market access for US testing and certification service companies and increases the time and cost burden for businesses producing a variety of goods covered under China's conformity assessment regimes.

Investment restrictions

Investments in China are important for many American companies and complement operations here in the United States, but the opportunities for foreign investment in China are uneven across industries. Though US companies are permitted to establish wholly foreign-owned enterprises in many industries, investments in several key sectors—including agriculture, automobile, chemical, express delivery, insurance, securities, and telecom—are limited to minority ownership or face other restrictions.

China's Catalogue Guiding Foreign Investment in Industry, which governs where foreign investment is encouraged, restricted, or prohibited in sectors across the economy, is a relic of the past for an economy that is seeking to find its place among the world's market economies. China is in the process of revising the catalogue, but recent draft revisions fell short on new market openings, a particular disappointment given commitments by China's leaders over the past year to open its services and other sectors more widely (see Appendix). US officials must continue to press China to further open its economy through the US-China Investment Forum and other government exchanges.

In addition to selectively restricting areas for foreign investment, China factors in "national economic security" during reviews of mergers and acquisitions that involve foreign companies. China's Antimonopoly Law also has provisions that could be used to promote domestic companies at the expense of foreign enterprises. These rules do little to advance China's goals of rebalancing its economy and serve largely to protect the interests of Chinese companies.

We should keep in mind that China is also encouraging its domestic companies to invest in the United States and other overseas destinations. Any US governor or mayor will affirm the value of foreign direct investment in creating jobs and economic growth. US states and cities continually organize delegations to China to attract investment to their local economies. We should ensure that China's central and local government officials and company executives understand the mutual interest in maintaining open and fair investment and trading regimes; treatment of foreign companies in China will influence treatment of Chinese companies here.

To solidify this mutual interest, Congress should encourage the administration to move forward with negotiations on a meaningful bilateral investment treaty (BIT) with China—one that includes strong national treatment provisions, applies to new and existing investments ("pre-establishment"), and applies to all investments except those specifically excluded in the agreement ("negative list" approach). The Chinese have expressed interest in negotiating a BIT, and doing so provides one of the best opportunities to further open markets for US companies and improve protection for American investments in China.

Transparency

Transparency covers the full extent of a country's rulemaking system, including the solicitation of public feedback during the creation of new laws and regulations, government decision making, and the availability of information on costs and markets—some of the basic elements of a market economy. The matter impacts a host of issues that affect companies' daily operations, such as administrative licensing, IPR protection, standards setting, and investment policy. A lack of transparency also exacerbates perceptions of discrimination against foreign companies.

USCBC welcomes efforts by the PRC State Council to improve transparency in PRC government rulemaking, but much work remains. Though the National People's Congress has fully complied with commitments to post new laws for a 30-day public comment period, PRC ministries and agencies under the State Council have a much poorer record. The Obama administration brings focused attention to this issue each year through the US-China Transparency Dialogue, led by the Department of Commerce's Office of the General Counsel. As this issue affects multiple areas important to US companies, US officials must continue to press China to improve government transparency.

Market access barriers

Despite the unquestionable growth in US exports to and local sales in China, numerous restrictions remain that limit the products and services foreign companies can provide to the Chinese market. These restrictions include technical barriers, such as China-specific product standards, and administrative limitations, such as denying foreign companies licenses to provide certain goods or services.

US service providers are particularly restricted in China's market. Increasing the participation of foreign companies in this sector would benefit both our economies by expanding domestic consumption and improving market efficiency in China. With services accounting for about one-third of total US exports, this is an area where meaningful progress will benefit American businesses and workers. Further openings in the financial sector are also critical to resolving longstanding issues such as global imbalances and China's exchange rate policies. The Strategic and Economic Dialogue meeting in May yielded some progress on insurance and finance, but more work remains to be done on implementation and resolving other ongoing restrictions.

Government procurement

Government procurement is an area where USCBC members consistently see discrimination. Many procurement policies seem designed to promote China's "national champions" with protected market positions and preferential treatment. Adding another layer are "buy local" policies issued by several provincial- and municipal-level governments. Two developments deserve priority advocacy attention.

First, China agreed during President Hu's January visit to submit a revised offer this year to join the WTO Agreement on Government Procurement (GPA). In that commitment, China agreed to include purchases by sub-central entities. GPA entry would help US companies gain better access to China's government procurement market, if China's offer is a meaningful one. To be meaningful, the offer should include a more comprehensive list of government entities covered, procurement thresholds closer to international norms, and a timelier implementation schedule than in China's previous offers. It is important to note that although the GPA's principle of national treatment may help address some issues related to procurement, China's indigenous innovation policies are larger than the limited scope of the GPA. Nevertheless, we encourage the administration to continue working with China and other signatories to pursue robust GPA accession commitments from China.

Second, the PRC government is revising its procurement rules in ways that will affect market access for US companies operating in China. The government is considering new draft rules on domestic content requirements and draft regulations that affect the treatment of foreign-invested companies as domestic enterprises. China should finalize these measures after removing troubling references to indigenous innovation and other problematic areas to ensure appropriate access for US and other foreign companies to this important market.

Is the Exchange Rate the Answer?

USCBC has long advocated for China to have a more market-driven exchange rate. It is critical for China to continue with fundamental financial reforms that would allow it to remove capital controls and have a fully convertible currency. In the meantime, China should move faster to allow the market influences from trade flows to be better reflected in the exchange rate. The Treasury Department has been effectively engaging China on this issue, in coordination with other countries.

Nonetheless, USCBC members have never cited China's exchange rate as a top issue affecting their competitiveness in China, and the exchange rate is probably not the significant factor in the US trade deficit and unemployment that some make it out to be. The renminbi has appreciated over 30 percent since 2005, but the US trade deficit continues to grow. Clearly other factors drive our trade deficit with China, and narrowly focusing on the exchange rate to solve the US trade deficit is the wrong approach.

Recognizing it is one of the most contentious issues in the US-China relationship, however, USCBC has long advocated for resolving the matter through appropriate and effective channels.
Some US policy makers think that the United States should enact legislation that imposes tariffs on imports from China to offset currency undervaluation. The application of duties on this basis is of questionable WTO legality. It would also be a subjective process and fraught with politicization as it would declare that the Department of Commerce has the authority to determine the "true" value of another nation's currency despite a wide range of estimates among economists. Such estimates are invariably subjective and vary greatly depending upon the assumptions.

More important than the legal and technical issues with the bill is its ineffectiveness toward achieving its supporters' two stated goals of changing PRC policies and creating American jobs. The first represents a miscalculation of the leverage that the bill will give US negotiators over

China. Though the United States accounts for nearly 20 percent of all PRC exports, the Congressional Budget Office found last year when this committee considered currency legislation that its impact would be limited since “many imports do not injure domestic firms because there are no competitors currently operating in the United States.” Thus the lengthy legal process for the handful of industries that would be eligible for relief will have an equally insignificant economic impact on China. The political reaction, however, could result in unnecessary economic repercussions for US exporters who are likely to face both overt and subtle retaliation.

In addition, much of what we import from China is conducted via processing trade. Components and other inputs are imported into China (from the United States and elsewhere), processed into a finished product, then re-exported to the United States and other destinations. This is one reason why the exchange rate has a limited impact on our bilateral trade balance. The imported inputs are priced in US dollars, and the exported finished product is priced in US dollars, so only the small amount of labor value-added in China is affected by exchange rate appreciation.

Claims of job creation in the millions are also unfounded because they assume that production of goods imported from China would shift here. Given the nature of what we import from China, that change is unlikely to happen in any significant way. A recent UBS report explains why a major shift in production to the United States is unlikely to happen if the cost of Chinese imports rises. In analyzing the trade impact of rising Chinese wages, UBS “identified the obvious ‘winners’ from this trend, i.e., other lower-income Asian neighbors, many of whom have indeed been picking up market share” from China. UBS further added that:

> China may be giving up US market share in low-end manufacturing but foreign suppliers in aggregate are not. Quite the opposite, as best we can tell overall foreign share gains have actually *accelerated* over the past two years. In short, US workers are very clearly not the beneficiaries of rising Chinese wages.

The proposed legislation is thus more likely to be a jobs bill for Vietnam and other low-cost producers.

Recommendations for Action

Achieving policy results with China is often difficult, frustrating, and time consuming. Given the importance of China to our economic future, the hard work to achieve results is worth the effort. As we consider ways to accelerate progress on the issues of concerns, however, we should be mindful that unilateral actions that might benefit one group of Americans frequently hurt other Americans. Picking winners and losers among ourselves to address problems with China seems counterproductive and usually results in divisive policy options.

USCBC, with its 38 years of experience, believes that the best course of action for our country’s overall approach to China consists of an increased advocacy effort involving the US government, the private sector, and multilateral coalitions, and the continued use of effective, WTO-consistent trade remedies when good-faith negotiations fail.

More effective advocacy

If there were a single agency or official that controlled China's economic policies, it would be easy to structure and target our advocacy efforts. Unfortunately, the bureaucratic owners of these policies are many and diffuse throughout the PRC government. We therefore need to pursue consistent, sustained bilateral dialogue and expand it to include the range of senior officials and agencies that devise and impact trade and industrial policies.

The simple fact is that the breadth and depth of the relationship had outgrown the bilateral negotiating and dialogue structure of the past two decades, and the Obama administration is correctly pursuing a path of revamping and expanding the structure to better fit today's reality.

As this structure develops, however, several other features are needed to improve the prospects for success:

- Consistent and supportive engagement at the highest levels of the PRC government on the need for a level playing field and further economic reforms. It is important that messaging on these broad concepts is done at the levels above the bureaucratic silos.
- Close US interagency coordination to ensure consistent, sustained engagement and negotiation throughout the year. This may require an active White House role.
- Private sector advocacy directly to the PRC government. USCBC will continue to press for policy changes that will level the playing field for US companies. USCBC's board of directors was recently in China doing just that in meetings with Premier Wen Jiabao and other senior PRC government officials.
- Multilateral consistency on the issues. US companies are not alone in facing market access barriers in China, and the US government should not be alone in seeking to have those barriers eliminated. Coordinating messaging with other governments can work, as we have seen with some of the modifications that China has made to its indigenous innovation rules. We should build upon that model.
- Finally, US leadership on investment and trade openness. We must not pursue protectionist policies or actions that will undermine our credibility and give China an excuse to continue on their own protectionist path.

Legally sound remedies

When good-faith dialogue fails to resolve issues, USCBC supports using legally sound trade remedies and dispute settlement mechanisms to address concerns. US companies have the right to seek assistance by petitioning the Department of Commerce to apply antidumping and countervailing duties to products they suspect are unfairly supported by PRC government policies. These WTO-legal remedies are intended to provide a fair opportunity for both sides to argue over objectively established criteria. These actions are consistent with and important to a rules-based trading system, if duplicative penalties are avoided.

To that end, we should keep in mind that US antidumping rules for nonmarket economies, which are employed in cases involving goods from China, calculate the "normal value" of a product. They are not based on any undervalued Chinese costs or prices, but on the value of the costs and prices of that product as if it were produced in a comparable market economy. That comparison between the normal value and the actual delivered US price from the nonmarket economy (which includes any benefit from an undervalued currency) produces the antidumping margin. As a consequence, US law does not need to change to address concerns about China's exchange rate—the law already provides such a remedy.

The WTO's dispute-settlement process is another tool for the US government and US companies to use when good-faith bilateral negotiations fail. USTR has taken twelve cases to the WTO against China and has won four; four others were resolved by China before WTO action was required; and four are still pending. USCBC has consistently supported WTO cases when well-defined, winnable, and supported by industry and will continue to do so in the future.

Congressional support

The administration is not the sole driver of US-China trade policy. Congress has an important role to play and can help achieve meaningful results in several ways.

First, Congress should increase resources for US trade agencies. To better enforce our trade rights, Congress should increase funding to USTR and other agencies so that they can effectively pursue American rights through bilateral engagement and under the WTO. The tremendous growth in China's economy and in the size of our commercial relationship has not been matched by the capacity and expertise needed.

To help US companies better access the opportunities of China's market—particularly for small and medium-sized companies—Congress should also increase funding to the US Foreign Commercial Service so that it can expand its support presence in China. Such a proposal was put forth in the US-China Market Engagement and Export Promotion Act (HR2310), introduced in the last Congress by Representative Rick Larsen and now Senator Mark Kirk. Though our nation is looking for ways to tighten its belt, improving the capacity of our government to promote and defend the rights of American businesses and workers with China will yield great returns.

Second, Congress, the administration, and the private sector should better coordinate to reinforce our shared goals on improved market access and leveling the playing field. It is vital that China hear from all three constituencies—the administration, Congress, and the private sector—on the importance of these issues. American companies are on the front lines of dealing with these issues. Better coordination between the US public and private sectors on these issues will help create a more comprehensive yet focused approach to the US-China commercial relationship.

Finally, members of Congress should also directly engage with PRC government officials and their counterparts in the National People's Congress to raise these concerns. Congressional delegations that travel to China often meet with high-ranking members of the PRC government. These meetings are an important addition to engagement from the administration and private sector and help ensure China has a more comprehensive understanding of our nation's views and concerns.

Conclusion

At a time of high unemployment it is easy to cast blame abroad, but we must be honest and realistic in how we deal with the challenges we face. Most of the answers to maintaining America's economic leadership depend upon what we do here at home to get growth going again. Others require us to open new markets by resolving international trade issues in constructive ways that take into account the full complexities of the global marketplace—not misguided unilateral policies that would result in job losses.

Our bilateral commercial relationship with China plays an important role in the recovery and future growth of the US economy. It will be difficult to meet President Obama's goal of doubling US exports by 2014 without it. USCBC members are committed to the Chinese market as one that is important to their businesses' overall economic health, but our members have serious concerns about the policy trends there that favor domestic companies. Our members want solutions to these specific problems, however, rather than sanctions that would disrupt the relationship with little gain. Addressing the issues directly through bilateral and multilateral channels is the best way to support American businesses and workers.

There is no silver bullet or magic wand that will solve many of these problems easily. Resolution of these concerns requires Congress, the administration, and business leaders to deliver a strong overall message to China's top leadership through sustained and expanded engagement on the various specific issues we face. We must build a stronger foundation with China by expanding trade dialogues, promoting US products and services, negotiating a meaningful BIT and GPA accession, and resisting calls for protectionism within our own country that undermine the credibility of our efforts. As challenging as it may be, this relationship is worth the effort.

Appendix:

China's Ownership Restrictions on US and Other Foreign Investors

November 2011

While China's entry into the World Trade Organization in 2001 opened many sectors to foreign investment, significant ownership restrictions remain in many sectors. This list covers many of China's existing and proposed restrictions, largely from the Catalogue Guiding Foreign Investment.

Note: All items are from the April 2011 draft Catalogue Guiding Foreign Investment except those marked with an asterisk, indicating that ownership restrictions are found in other policies and regulations.

SECTOR	Joint Venture (JV) with Chinese Company Required	JV Required, Foreign Share Limited to Minority	Specific Foreign Ownership Cap (if any)
Manufacturing			
Agricultural food processing			
1. Processing of edible oils from soybean, rapeseed, peanut, cottonseed, and tea seed		X	
2. Manufacture of biofuels (ethanol and biodiesel)		X	
Beverage manufacturing			
3. Manufacture of yellow rice wine and famous and high-quality distilled spirits		X	
Tobacco processing			
4. Cellulose diacetate fiber and strip processing	X		
Papermaking and paper product industry			
5. Production under the forest paper integration model of chemical wood pulp with single assembly line capacity of 300,000 tons or more annually and chemical mechanical wood pulp with single assembly line capacity of 100,000 tons or more annually, as well as high-quality paper and cardboard produced simultaneously	X		
Printing and copying			
6. Printing of published materials		X	

Chemical raw materials and chemicals manufacturing			
7. Ethylene manufacturing with annual production of 1 million tons or more		X	
8. Coal-liquidated oil with annual output of more than 3 million tons, coal-liquidated methanol and dimethyl ether with annual output of more than 1 million tons, and coal-liquidated olefins with annual output of more than 600,000 tons		X	
Medical and pharmaceutical products manufacturing			
9. Manufacture of anesthetics and Type I psychoactive drugs		X	
Nonferrous metal smelting and processing manufacturing			
10. Smelting and separation of rare earths	X		
General equipment manufacturing			
11. Manufacture of wheeled and crawler cranes of 300 tons or more	X		
12. Manufacture of wheeled cranes and crawler cranes less than 500 tons and 600 tons, respectively	X		
Specialized equipment manufacturing			
13. Manufacture of large-scale coal chemical industrial equipment sets	X		
Transportation vehicle and equipment manufacturing			
14. Manufacture of automobiles, specialized motor vehicles, agricultural transportation vehicles, and motorcycles*	X		50%
15. Manufacture of R&D of electronic equipment for autos: vehicle electronic bus and networking technology	X		
16. Manufacture of R&D of electronic equipment for autos: electronic controllers for electric-powered steering devices	X		
17. Manufacture of R&D of electronic equipment for autos: integrated electronic circuit systems	X		
18. Production of critical spare parts for motorcycles with high-volume engine displacement (displacement of more than 250 ml): motorcycle electronically controlled fuel injection technology	X		
19. Railway transportation equipment	X		

20. Design, manufacture, and maintenance of civil aviation airplanes: airplanes for main and branch lines		X	
21. Design, manufacture, and maintenance of civil aviation airplanes: planes for general use	X		
22. Design and manufacture of civil aviation helicopters: more than 3 tons		X	
23. Design and manufacture of civil aviation helicopters: less than 3 tons	X		
24. Manufacture of aircraft for ground or water surface effects		X	
25. Design and manufacture of unmanned aircraft and aerostats		X	
26. Design, manufacture, and maintenance of airplane engines and critical parts and auxiliary power systems	X		
27. Design and manufacture of civil aviation carrier-borne equipment	X		
28. Design of cruise ship and deep ocean (deeper than 3,000 meters) engineering devices	X		
29. Repair and manufacture of oceanic engineering equipment (including modules)		X	
30. Design of low- and medium-speed diesel engines and related parts for ships	X		
31. Manufacture of low-, medium-, and high-speed diesel engines and related parts for ships		X	
32. Design and manufacture of machinery for ship cabins and decks		X	
33. Manufacture and design of yachts	X		
34. Repair, design, and manufacture of ships (including parts)		X	
Power generating machinery and equipment manufacturing			
35. Manufacture of key auxiliary devices for supercritical thermal power plans exceeding 1 million kW	X		
36. Manufacture of key equipment for nuclear power plants at the 1 million kW level: Nuclear Phase I and Nuclear Phase II pumps and valves	X		
37. Manufacture of power transmission and transformer equipment	X		
38. Manufacture of complete sets of equipment and key equipment for new-energy power generation	X		
39. Manufacture of large pump storage units at 350 MW and higher rated power	X		
Communication equipment, computer, and other electronics manufacturing industry			
40. Manufacture of air-traffic control equipment	X		
41. Design and manufacture of civil satellites		X	

42.	Manufacture of satellite payloads		X	
Finance and Insurance				
43.	Banking (shareholding in an existing Chinese bank)*		X	20% for any one foreign investor; 25% for all foreign investors
44.	Life insurance companies	X		50%
45.	Securities companies (limited to underwriting A shares and underwriting and transacting B shares, H shares, and government and corporate securities)		X	33.3%
46.	Stock investment fund companies		X	49%
47.	Futures trading companies		X	
Leasing and Business Services				
48.	Accounting and auditing	X		
49.	Market research	X		
Transportation, Shipping, Storage, Telecommunications, and Postal Industries				
50.	Construction and operation of main line railroad networks		X	
51.	Construction and management of branch railway lines, local railways and bridges, tunnels, ferry facilities, and station yard facilities	X		
52.	Construction and management of civil airports		X	
53.	Air carrier shipping companies		X	
54.	General purpose airline companies serving the agriculture, forestry, and fisheries industries	X		
55.	Periodic and non-periodic international marine transportation services		X	
56.	Passenger train transportation companies		X	
57.	Water transportation companies		X	
58.	General-use airline companies for photography, prospecting, and industrial purposes		X	
59.	Telecom companies: value-added telecom services	X		50%
60.	Telecom companies: basic telecommunication services		X	49%
Wholesale and Retail Trade				
61.	Retail operations of more than 30 chain stores that sell different types and brands from multiple suppliers (types include publications, auto, pharmaceutical, pesticide, fertilizer, refined oil, grain, vegetable oil, sugar, and cotton)		X	49%
62.	Distribution of audio-visual products (except films)	X		
63.	Shipping agents		X	
64.	Foreign freight forwarders	X		

Mining			
65. Exploration and development of coal bed methane; use of mining gas	X		
66. Exploration and development of oil and natural gas	X		
67. Development of low-permeation oil and gas fields (deposits)	X		
68. Development and application of new and other relevant technology to increase crude oil extraction	X		
69. Development and application of new technology in oil exploration and development, such as exploring, drilling, well logging, measuring while logging, and down-hole operations	X		
70. Exploration and development of oil shale, oil sand, heavy oil, ultra heavy oil, and other non-conventional oil resources	X		
71. Exploration and development of unconventional natural gas resources such as shale gas and seabed gas hydrate	X		
72. Surveying and mining of special and rare coal		X	
73. Surveying and mining of barite	X		
74. Mining of manganese (polymetallic) nodules and sea sand		X	
Real Estate			
75. Development of land	X		
Electricity, Gas, and Water Production and Supplies			
76. Construction and management of nuclear power stations		X	
77. Construction and operation of electricity grids		X	
78. Construction and management of gas, heat supply, and water drainage networks in cities with a population of more than 1 million		X	
Water Conservancy, Environment, and Public Infrastructure Management Services			
79. Construction and management of comprehensive water-conservancy hubs		X	
80. Construction and management of metro, light rail, and other urban rapid transit systems		X	
Agriculture, Forestry, Animal Husbandry, and Fishery			
81. Cultivation and breeding of Chinese medicinal crops	X		
82. Selection and breeding of new types of agriculture goods, and production and management of seeds		X	
83. Processing of precious wood	X		
Scientific Research, Technology Services, and Geological Survey Industries			
84. Surveying and mapping companies		X	

85. Photography services (including aerial photography and other stunt photography services, but not aerial photography for surveying and mapping)	X		
Education			
86. Institutions of higher education	X		
87. Basic secondary (high school) educational institutions	X		
Culture, Sports, and Entertainment Industries			
88. Operation of performance venues		X	
89. Radio and television program and film production	X		
90. Construction and management of movie theaters		X	
91. Performance agent companies		X	
92. Operation of entertainment venues	X		