

China State Council Approves Adjustment of Special Access Management Measures in Shanghai Pilot Free Trade Zone

Article By:

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Following the big change where registration was replaced by filing for establishment applications of companies excluded in the *Negative List*, **China State Council further approves adjustment of the special access management measures** for qualification requirements, share ratio restrictions and business scope restrictions in **some industries in the Shanghai Pilot Trade Zone** to allow foreign invested enterprises engaging in some business activities that were previously restricted or prohibited.

As people may know, foreign invested companies engaging in some industries such as international maritime transportation, aviation, automobile and salt in China are strictly monitored by Chinese authorities in terms of requiring qualification verification and business scope licensing. This has greatly restricted and prohibited foreign companies from engaging in these business activities. In order to further expand the Shanghai Pilot Free Trade Zone to attract more foreign investment, China State Council promulgated “*Decision of the State Council on Temporarily Adjusting the Special Access Management Measures Prescribed by Relevant Administrative Regulations and the Department Rules Approved by the State Council for Implementation in the China (Shanghai) Pilot Free Trade Zone*” on September 4th, 2014 to temporarily adjust the special access management measures including administrative approval, qualification requirements, share ratio restrictions and business scope restrictions set forth in several administrative regulations. These regulations include the following: *Regulations of the People’s Republic of China on International Maritime Transportation, the Regulations of the People’s Republic of China Concerning Accreditation and Recognition, the Administration Regulations on Salt Industry, the Catalogue of Industries for Guiding Foreign Investment, the Policy on Development of Automobile Industry and the Provisions on Foreign Investment in Civil Aviation Sector* in the Shanghai Pilot Free Trade Zone. (The enclosed chart summarizes the detailed changes. This adjustment will greatly encourage foreign investment in industries such as maritime and train transportation, accreditation and recognition, automobile, salt and civil aviation. It should be noted that these adjusted measures may be further amended according to the actual implementations in the Zone.

No.	Special Access Measures	Adjustments for Implementation
1	Paragraph 1 of Article 29 of the Regulations of the People’s	Temporarily suspending the implementation of relevant

	<p>Republic of China on International Maritime Transportation: upon the approval of the competent communications department of the State Council, foreign investors may, in accordance with the relevant laws, administrative regulations and other pertinent provisions of the State, make investment to establish Chinese-foreign equity joint ventures or contractual joint ventures to be engaged in international shipping services, international shipping agency services, international ship management services, international maritime cargo warehousing, and international maritime container freight station and container yard services, and may establish wholly foreign capital enterprises to be engaged in international maritime cargo warehousing services.</p>	<p>content and allowing foreign investors to engage in international maritime cargo loading and unloading services and international maritime container freight station and container yard services in the form of wholly foreign-owned operation</p>
2	<p>Paragraphs 2 and 3 of Article 29 of the Regulations of the People's Republic of China on International Maritime Transportation: the proportion of the investment made by foreign investors into Chinese-foreign equity joint ventures engaged in international shipping services or international shipping agency services shall not exceed 49%; the provisions in the preceding paragraph are mutatis mutandis applicable to the proportion of the investment made by foreign investors into Chinese-foreign contractual joint ventures engaged in international shipping services or international shipping agency services. Item 5 of Catalogue VI (Wholesale and Retail Industries), Catalogue of Industries in which Foreign Investment is Restricted of the</p>	<p>Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in international shipping agency services in the form of Chinese-foreign equity/cooperative joint ventures with proportion of the investment made by foreign investors extended to 51%</p>

	Catalogue of Industries for Guiding Foreign Investment: Vessel agencies (with Chinese parties as the controlling shareholders) and ocean shipping tally companies (limited to Sino-foreign equity/cooperative joint venture operations).	
3	Paragraph 1 of Article 11 of the Regulations of the People's Republic of China on International Maritime Transportation: a foreign-funded certification body to be established shall meet the following requirements, in addition to the requirements prescribed in Article 10 of these Regulations: (1) the foreign investor is accredited by an accreditation body in his home country or region; (2) the foreign investor has engaged in certification activities for not less than three years. Item 2 of Catalogue X (Scientific Research, Technological Services and Geological Exploration Industries), Catalogue of Industries In which Foreign Investment is Restricted of the Catalogue of Industries for Guiding Foreign Investment: Import and export goods inspection, appraisal and certification companies	Temporarily suspending the implementation of relevant content, lifting the restrictions on the investment by foreign investors in the import and export goods certification companies and cancelling the qualification requirements on the investors
4	Article 20 of the Administration Regulations on Salt Industry: The salt wholesale business shall be under the unified operation by salt companies at various levels or shall be under the unified arrangement and operation by entities authorized by the people's governments at or above the county level.	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the wholesale of salts in the form of wholly foreign-owned operation with the scope of services limited within the China (Shanghai) Pilot Free Trade Zone
5	Item 4 of Catalogue II (Mining Industry), Catalogue of Industries in which Foreign Investment is Encouraged of the Catalogue of	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the

	Industries for Guiding Foreign Investment: Development and application of enhanced oil recovery and other relevant new technologies (limited to Sino-foreign equity/cooperative joint venture operations)	development and application of enhanced oil recovery (in the form of engineering services) and other relevant new technologies in the form of wholly foreign-owned operation
6	Item 5 of Catalogue II (Mining Industry), Catalogue of Industries in which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Development and application of new technologies for oil exploration and exploitation in areas of geophysical prospecting, drilling, well logging, mud logging and down-hole operation (limited to Sino-foreign equity/cooperative joint venture operations)	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the development and application of new technologies for oil exploration and exploitation in areas of geophysical prospecting, drilling, well logging, mud logging and down-hole operation in the form of wholly foreign-owned operation
7	Sub-item 1 of Item (I) (Beverage Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Prohibited of the Catalogue of Industries for Guiding Foreign Investment: Processing of green tea and special tea with Chinese traditional techniques (including famous tea and dark tea)	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the processing of green tea with Chinese traditional techniques in the form of Chinese-foreign equity/cooperative joint ventures (with Chinese parties as the controlling shareholders)
8	Sub-item 1 of Item (VIII) (Papermaking and Paper Products) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Single production lines mainly utilizing overseas timber resources for chemical wood pulp with an annual production capacity of 300,000 tons or more, and single production lines for chemi-mechanical wood pulp with an annual production capacity of	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in single production lines mainly utilizing overseas timber resources for chemical wood pulp with an annual production capacity of 300,000 tons or more, and single production lines for chemi-mechanical wood pulp with an annual production capacity of 100,000 tons or more, and the production lines for high-grade paper or paperboard built simultaneously in the form of wholly foreign-owned operation

	100,000 tons or more, and the production lines for high-grade paper or paperboard built simultaneously (limited to Sino-foreign equity/cooperative joint venture operations)	
9	Sub-item 7 of Item (XVII) (General-Purpose Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Manufacture of wheeled and crawler cranes of 400 tons or above (limited to Sino-foreign equity/cooperative joint venture operations)	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the manufacture of wheeled and crawler cranes of 400 tons or above in the form of wholly foreign-owned operation
10	Sub-item 1 of Item (X) (General-Purpose Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Restricted of the Catalogue of Industries for Guiding Foreign Investment: Manufacture of various types of general grade (P0) bearings and their components (steel balls and cages) and roughcasts	Temporarily suspending the implementation of relevant content and lifting the restrictions on investment by foreign investors in various types of general grade (P0) bearings and their components (steel balls and cages) and roughcasts
11	Sub-item 2 of Item (XI) (Special-Purpose Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Restricted of the Catalogue of Industries for Guiding Foreign Investment: Manufacture of bulldozers of 320 horsepower or less, hydraulic excavators of 30 tons or less, wheeled loaders of 6 tons or less, the graders, road rollers, and forklifts of 220 horsepower or less, electrically driven off-highway dump trucks of 135 tons	Temporarily suspending the implementation of relevant content and lifting the restrictions on investment by foreign investors in hydraulic excavators of less than 15 tons (exclusive), or wheeled loaders of less than 3 tons (exclusive)

	<p>or less, hydro-mechanically driven off-highway dump trucks of 60 tons or less, asphalt concrete mixing and paving equipment and high-altitude operation machinery, garden machinery and tools and ready-mixed concrete machinery (pilot pumps, agitating lorries, mixing stations and pump trucks)</p>	
12	<p>Sub-item 1 of Item (XI) (Special-Purpose Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Restricted of the Catalogue of Industries for Guiding Foreign Investment: Manufacture of equipment for ordinary dacron filament and short fiber</p>	<p>Temporarily suspending the implementation of relevant content and lifting the restrictions on investment by foreign investors in the manufacture of equipment for ordinary dacron filament and short fiber</p>
13	<p>Sub-item 3 of Item (XIX) (Transportation Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Manufacture and research & development of automobile electronic devices: electronic control systems and key parts and components of engine and chassis; vehicle electronic technologies (automobile information system and navigation system); automobile electronic bus network technologies (limited to Sino-foreign equity joint venture operations); input (sensor and sampling system) and output (actuator) components of electronic control system; electronic controllers for electric power steering system (limited to Sino-foreign equity joint venture</p>	<p>Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the manufacture and research & development of automobile electronic bus network technologies and electronic controllers for electric power steering system in the form of wholly foreign-owned operation</p>

	operations); embedded electronic integrated systems (limited to Sino-foreign equity/cooperative joint venture operations); electronically-controlled air springs; electronically-controlled suspension systems; electronic valve system devices; electronic combination instrument; ABS/TCS/ESP systems; Brake-By-Wire (BBW) system; gearbox transmission control unit (TCU); tire-pressure monitoring system (TPMS); on-board diagnostics (OBD); engine anti-theft system; automatic bump-shielded system; and testing systems for automobiles and motorcycles testing and maintenance	
14	Sub-item 6 of Item (XIX) (Transportation Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Track transportation equipment (limited to Sino-foreign equity/cooperative joint venture operations): research & development, design and manufacture of vehicles and key parts and components (traction drive system, control system and brake system) of transportation equipment for high-speed railway, special lines for railway passenger transportation, intercity railway, trunk railway and urban track transportation; research & development, design and manufacture of passenger service facilities and equipment for high-speed railway, special lines for railway passenger transportation, intercity railway and urban track transportation; design and research &	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in research & development, design and manufacture of passenger service facilities and equipment for high-speed railway, special lines for railway passenger transportation and intercity railway, research & development, design and manufacture of track and bridge facilities for high-speed railway, special lines for railway passenger transportation and intercity railway, manufacture of electrified railway equipment and apparatus, and manufacture of waste discharge equipment for railway passenger trains in the form of wholly foreign-owned operation

	development of relevant information systems in informationization construction; research & development, design and manufacture of track and bridge facilities for high-speed railway, special lines for railway passenger transportation and intercity railway; research & development, design and manufacture of track transportation signal systems; manufacture of electrified railway equipment and apparatus, railway noise and vibration control technology and research & development thereof, manufacture of waste discharge equipment for railway passenger trains, and manufacture of railway transportation safety monitoring equipment	
15	Sub-items 18 and 24 of Item (XIX) (Transportation Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: 18. Design of cruise liners and deepwater (3,000 meters or more) marine engineering equipment (limited to Sino-foreign equity/cooperative joint venture operations); 24 Design and manufacture of yachts (limited to Sino-foreign equity/cooperative joint venture operations)	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the design of cruise liners and yachts in the form of wholly foreign-owned operation
16	Sub-items 22 of Item (XIX) (Transportation Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Design and manufacture of cabin	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the design of cabin machinery of vessels in the form of wholly foreign-owned operation

	machinery of vessels (with the Chinese Parties holding a relative majority of the shares)	
17	Sub-items 13 of Item (XIX) (Transportation Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Design, manufacture and maintenance of aircraft engines and engine parts and components, and aircraft auxiliary power systems (limited to Sino-foreign equity/cooperative joint venture operations)	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the design, manufacture and maintenance of aircraft engine parts and components in the form of wholly foreign-owned operation
18	Article 48 of the Policy on Development of Automobile Industry: The Chinese shares of Chinese-foreign equity joint ventures manufacturing complete automobiles, special automobiles, agricultural vehicles and motorcycles shall not be less than 50%. When the listed stock companies of complete automobile, special vehicles, agricultural vehicles and motorcycles sell corporate shares to the public, one of the Chinese legal persons shall comparatively hold the stock which shall more than the sum of shares of foreign legal persons. The same foreign investor may establish less than two (inclusive) equity joint ventures in China manufacturing complete automobiles of the same category (passenger cars, commercial cars and motorcycles); if it acquires other domestic auto manufacturing enterprises jointly with a Chinese party in its equity joint venture partners, it may not be limited to two enterprises. If an overseas enterprise with the qualification of	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the production of motorcycles (displacement ?250ml) in the form of wholly foreign-owned operation

	a corporate that relatively control another enterprise, the two enterprises shall be regarded as the same foreign investor.	
19	Sub-items 5 of Item (XIX) (Transportation Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Manufacture of key parts and components for high-displacement (displacement >250ml) motorcycles: electronically-controlled fuel injection technology for motorcycles (limited to Sino-foreign equity/cooperative joint venture operations), and engine emission control devices meeting China's Phase III emission standards for motorcycles	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the manufacture of key parts and components for high-displacement (displacement >250ml) motorcycles: electronically-controlled fuel injection technology for motorcycles in the form of wholly foreign-owned operation
20	Sub-items 6 of Item (XX) (Electric Machinery and Equipment Manufacturing Industry) of Catalogue III (Manufacturing Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Manufacture of power transmission and transformation equipment (limited to Sino-foreign equity/cooperative joint venture operations): amorphous alloy transformers, operating gears for high-voltage switches of 500 kilowatts or more, arc-control devices, large disc insulators (1,000 KV, 50 KA or more), outlet devices, sleeves used for 500 KV or more transformers (500, 750, 1,000 KV AC, all the specifications for DC), voltage regulating switches (on-load, no-load voltage regulating switches	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the manufacturing of contact materials for electrical appliances in conformity with EU RoHS Directive, and Pb-free and Cd-free solders in the form of wholly foreign-owned operation

	of 500, 750, 1,000 KV AC), dry-type smoothing reactors for direct current transmission, and converter valves for ± 800 KV direct current transmission (water coolers, DC field equipment), contact materials for electrical appliances in conformity with EU RoHS Directive, and Pb-free and Cd-free solders	
21	Item 2 of Catalogue V (Transportation, Storage & Warehousing and Postal Services Industries), Catalogue of Industries in Which Foreign Investment is Encouraged of the Catalogue of Industries for Guiding Foreign Investment: Construction and operation of branch railway lines, local railway lines, and related bridges, tunnels, ferries and station facilities (limited to Sino-foreign equity/cooperative joint venture operations)	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the construction and operation of local railway lines, and related bridges, tunnels, ferries and station facilities in the form of wholly foreign-owned operation
22	Item 2 of Catalogue VI (Wholesale and Retail Industries), Catalogue of Industries in Which Foreign Investment is Restricted of the Catalogue of Industries for Guiding Foreign Investment: Purchase of grains; wholesale, retail, and distribution of grains, cotton, vegetable oil, sugar, tobacco, crude oil, agricultural chemicals, agricultural plastic film and fertilizers (in the case of chain stores having established more than 30 stores and selling products of different varieties and brands from multiple suppliers, the Chinese parties shall be the controlling shareholders)	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the wholesale, retail and distribution of vegetable oil, sugar, and fertilizers, and in retail and distribution of grains and cotton in the form of wholly foreign-owned operation and lifting the restrictions on the quantity of stores
23	Item 1 of Catalogue VI (Wholesale and Retail Industries), Catalogue of Industries in Which Foreign Investment is Restricted of the Catalogue of Industries for	Temporarily suspending the implementation of relevant content and lifting the restrictions on the investment by foreign investors in mail orders, and general online sales

	Guiding Foreign Investment: Direct sales, mail orders, and online sales	
24	Item 1 of Catalogue V (Transportation, Storage & Warehousing and Postal Services Industries), Catalogue of Industries in Which Foreign Investment is Restricted of the Catalogue of Industries for Guiding Foreign Investment: Railway freight transport companies	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in the railway freight transport business in the form of wholly foreign-owned operation
25	Article 4 of the Provisions on Foreign Investment in Civil Aviation Sector: The forms of foreign investment shall include: (1) Equity or cooperative joint venture ("Joint Venture"); (2) Purchasing shares of a civil aviation enterprise, including the shares issued outside China and the foreign investment shares issued within China by the aviation enterprise; and (3) Other investment forms upon approval. Foreign Investors that invest in public air transport and general aviation enterprises engaging in business flight and airborne sightseeing in the form of cooperative joint venture shall be qualified as a Chinese legal person.	Allowing foreign investors to engage in sales agency services of air transport
26	Item 3 of Catalogue VIII (Real Estate Industry), Catalogue of Industries in Which Foreign Investment is Restricted of the Catalogue of Industries for Guiding Foreign Investment: Real estate secondary market transactions and real estate intermediary or brokerage companies	Temporarily suspending the implementation of relevant content and lifting the restrictions on the investment by foreign investors in real estate intermediary or brokerage companies
27	Item 3 of Catalogue X (Scientific Research, Technological Services and Geological Exploration Industries), Catalogue of Industries in Which Foreign Investment is Restricted	Temporarily suspending the implementation of relevant content and allowing foreign investors to engage in photography services (excluding aerial photography and other trick

	of the Catalogue of Industries for Guiding Foreign Investment: Photography services (including aerial photography and other trick photography services but excluding aerial photography for survey and mapping purposes; limited to Sino-foreign equity joint venture operations)	photography services) in the form of wholly foreign-owned operation
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