ITC BUSINESS BRIEFING
Trade Policy

25 July 2016

WTO Trade Policy Review:

China *

Note: This text provides brief description of the conditions foreign business will encounter in trade with China . It is based on a WTO Trade Policy Review for China mid July 2016. Readers wishing for deeper analysis should turn to the original Trade Policy Review available on the WTO website. (https://www.wto.org/english/tratop_e/tpr_e/tp442_e.htm).

Trade Policy Reviews are an exercise, mandated in the WTO agreements, in which member countries' trade and related policies are examined and evaluated at regular intervals.

During the period under review (2014-2016), China's economic growth slowed down. The authorities consider that the economy has entered a "New Normal" situation that will imply more stable, albeit lower, GDP growth rates of around 6.5%-7% a year. Real GDP expanded by 7.3% in 2014 and by 6.9% in 2015, down from 7.7% in both 2012 and 2013. As in the previous two-year period, the driving force behind growth was strong domestic demand, supported by domestic credit expansion and availability, and by rising incomes. This situation continues to reflect the policy adopted by China since 2011, aimed at boosting domestic consumption and making it the major force driving growth. In 2015, consumption contributed 4.6 percentage points to GDP growth, while investment contributed 2.5 percentage points. Although growth in domestic demand continued to be robust, domestically-produced goods and services benefitted more than imports, since the latter fell considerably in 2015. Consumer price inflation has remained moderate during the review period, increasing by just 2% in 2014 and 1.4% in 2015, as pressures stemming from strong domestic demand and higher wages were countered by the decline in world prices of primary commodities.

As stated in the Outline of the 13th Five-Year Plan (2016-2020), the authorities are intent on continuing the process of structural economic reform, which includes the promotion of private sector participation in the economy, as well as the reform of State-Owned Enterprises (SOEs), while keeping the preponderance of public ownership. Other measures mentioned in the Plan include the promotion of competition, fiscal reform, financial sector reform to increase private capital participation in banking and expand the provision of financial services, and making the exchange rate and interest rate more market-oriented. The authorities have also recently taken steps aimed at dealing with overcapacity in certain industries. Measures were introduced to discourage or reduce production in industries such as iron and steel, electrolytic aluminum, cement, plate glasses and vessels. Local authorities and central departments are not allowed to approve any new capacity-expanding projects in those areas.

China's current account surplus saw an upward trend during the review period. It totalled US$330.6 billion in 2015, and was equivalent to 3% of GDP. This higher surplus stems, to a large extent, from a large increase in the merchandise trade surplus. The merchandise trade surplus increased sharply in 2014 and 2015, when it reached US$567 billion or the equivalent of 5.2% of GDP. This mainly reflected the decline in imports. Imports as a share of GDP declined to 14.5% in 2015, down from 17.5% in 2014 and 21.1% in 2011. This contraction is partly caused by lower oil import prices. China's traditional external current account surplus reflects the excess of national savings over investment, which, after narrowing up to 2014, widened again in 2015 to 3.4% of GDP.

During the period under review, China continued to implement a proactive fiscal stance, with expenditure increasing faster than revenue. The fiscal deficit reached 2.4% of GDP in 2015; however, if off-budget activities are included, the deficit may be as high as 10% of GDP. Partly in response to the need to control off-budget spending and to consolidate the budget of the different government levels, a new Budget Law was adopted. This Law stipulates that, in principle, during budget implementation, governments at the different levels may not introduce new measures to increase or reduce revenue or to increase expenditure, unless approved by the Standing Committee of the People's Congress at the same level of government. Tax reform measures have also been implemented, including progress in the implementation of VAT and in the elimination of double taxation.

In 2014 and 2015, China initially adjusted its monetary policy to support the real economy and later to adjust it to the "New Normal". The People's Bank of China (PBOC) continued its interest rate liberalization policy, which started with the free determination by banks of their lending rates and was followed by the gradual removal of upper interest rate limits for foreign currency deposits. The period has also been characterized by repeated cuts in loan and deposit benchmark interest rates and by targeted cuts in the reserve requirement ratio. This was combined with the introduction of new financial instruments to increase the liquidity available to the banking system. The PBOC has also guided financial institutions to raise the proportion of credit granted to rural projects and to small and micro businesses by establishing an incentives mechanism. This has resulted in a rapid growth of credit and other monetary indicators. The outstanding amount of RMB

** Extracted from WTO Secretariat Report on Trade Policy Review: China* and foreign currency loans in late 2015 was some 140% of GDP, while outstanding deposits represented just over 200% of GDP.

The PBOC continues to maintain a managed floating exchange rate regime, which takes a basket of currencies as a reference. Since 2013, the PBOC has pushed forward reforms to let the market play a more decisive role in exchange rate formation. The floating range of the RMB exchange rate has gradually been expanded, and the flexibility range of the RMB/US$ exchange rate has been increased to 2%. A number of steps leading to less intervention in the market were taken during the review period, including the elimination of the control over the spread between US$ selling and RMB buying prices, and the subsequent introduction of market-based daily intermediate prices (RMB against US$). In the ten-year period ending in late 2015, the RMB experienced a nominal effective appreciation of 45.9% and a real effective appreciation of 56.2%. However, it has been noted that, since the second half of 2014, the RMB has depreciated somewhat.

Although China remains the world's largest trader (excluding intra-EU trade), trade, in particularly imports, lost considerable momentum during the review period, contrasting with the developments highlighted in the previous review. In 2015, both exports and imports of goods declined, with exports totalling US$2.28 trillion, down from US$2.34 trillion in 2014, and imports amounting to US$1.68 trillion, down from US$1.96 trillion in 2014. Import contraction in value terms reflects, to a considerable extent, lower oil and other commodity prices. Imports of fuels fell by some US$120 billion in 2015 with respect to the previous year, to around US$200 billion; this decline accounted for over half of that year's contraction in imports. Manufactured products remained the dominant component of exports, accounting for slightly over 94% of the total. Among them, office machines and telecommunication equipment; and textiles and clothing continued to be China's main exports. Manufactured products accounted for 64.4% of imports in 2015. The main categories include office machines and telecommunications equipment; and chemicals. Fuels and other mining products accounted for some 21% of China's imports in 2015, while agricultural products accounted for 9.5%.

In 2015, the main destinations for merchandise exports were the United States; the EU; Hong Kong, China; Japan; the Republic of Korea; and ASEAN countries, which combined represented about 70% of exports. The main sources of its imports were the EU, the Republic of Korea, the United States, Chinese Taipei, Japan, and Australia, and ASEAN countries. In 2015, services represented 12.3% of China's total exports and 22.9% of its imports. Exports of travel, construction, telecommunications, financial and business services were the most dynamic in the review period, while, among imports, travel services continued to gain a considerable market share, accounting for 62.3% of the total in 2015.

China remains one of the largest recipients of foreign direct investment (FDI) in the world. In 2014, FDI inflows reached US$119.6 billion, 1.7% more than those registered in 2013. The main sectors attracting FDI in 2014 were manufacturing (33.4% of the total), real estate (29%), leasing and business services (10.4%), and wholesale and retail trade (7.9%). China has continued to seek to attract further FDI by facilitating procedures, through a number of incentive schemes and through liberalization in the four existing Pilot Free Trade Zones. Hong Kong, China continued to be the main source of FDI, accounting for 73% of the total in 2015. It was followed by Singapore, Chinese Taipei, the Republic of Korea, Japan, and the United States.

In the next few years, and through its process of structural reform, China aims to attain a "New Normal" which is to be characterized by a somewhat lower, and increasingly more service- and technology-oriented, economic growth. Given China's role as a major player in global trade, this will have implications for the rest of the world due to the possible effect on trade patterns. The shift to a production pattern based on greater innovative capacity will need to be supported by a more skilled labour force, and access to the latest technology. This will require further adjustment efforts and an increasingly more market-oriented approach to investment, with the market playing the main role in the allocation of resources. The authorities are aware that some risks to future growth and development persist, including increasing aggregate debt levels, rising production costs, insufficient financing for small and micro businesses, oversupply in some industries and shortages in others, and structural bottlenecks. They have identified a roadmap to deal with risks and achieve stable medium-term growth through a number of measures to strengthen the role of the market, such as: tax reform, an improvement of local government debt financing mechanisms, the reduction of overcapacity, the promotion of market-based pricing and more market- determined interest and exchange rates. Other proposed measures, on the other hand, such as increasing financial support to the real economy, especially credit support to key and weak areas, and supporting the development of strategic emerging industries, would seem to point in a different direction.

China is an observer to the Plurilateral Agreement on Government Procurement (GPA) and continues negotiating its accession thereto. It is also an observer to the Plurilateral Agreement on Trade in Civil Aircraft, and, as a participant in the Information Technology Agreement (ITA), has agreed to its expansion. China submitted its notification of Category A commitments under the Agreement on Trade Facilitation and, on 4 September 2015, it ratified the Agreement. During the review period, it was involved in three cases under the WTO dispute settlement system: in two cases as a respondent and in one as a complainant. It was also involved as a third party in 17 cases brought to the Dispute Settlement Body (DSB).

As at December 2015, China had signed 15 preferential trade agreements. During the period under review, it signed FTAs with Australia and with the Republic of Korea. The agreements with Iceland and Switzerland entered into force in 2015. Since its last Review in 2014, China has continued to deepen its integration with Hong Kong, China and with Macao, China through the signature of supplementary agreements to their respective Closer Economic Partnership Arrangements (CEPAs). China continues to grant unilateral preferences to LDCs. As of December 2015, duty-free treatment on 97% of tariff lines was granted to 33 LDCs.

The Investment Catalogue, which is revised periodically, remains the main instrument used to guide FDI in China. Under the Catalogue, foreign investment projects are classified as encouraged, restricted or prohibited. Projects that fall outside of these three groups are permitted. Projects in the encouraged category are eligible for preferential treatment, for example, customs duty exemptions for the importation of capital goods, while projects in the restricted category must undergo a more thorough examination and approval process. The 2015 revision of the Catalogue encourages FDI in technology, advanced manufacturing, energy conservation and environmental protection, new power sources, and service industries. The authorities noted that the revised Catalogue is intended to promote the use of foreign investment in a more efficient manner, and that it denotes an effort to open up the Chinese economy to foreign investment, mainly in the services sector but also in manufacturing. However, a direct comparison between the revised and previous Catalogues is difficult, as the content of each category is somewhat different and the descriptions/ names of some activities were updated to reflect technological changes.

During the period under review, China has continued encouraging FDI as well as joint ventures between Chinese and foreign companies, particularly in areas in which it has a strategic interest. FDI has been encouraged in areas such as high-end manufacturing, high-tech industries, service industries, new energy, and energy-saving environmental protection industries. It has also encouraged FDI in the central and western regions, where projects may benefit from favourable policies. FDI involving investments in Chinese domestic enterprises might be subject to national security reviews if the project is related to defence, or is deemed to have an influence on national security. Foreign-invested projects (FIPs) in China are subject to verification (approval) or to record-filing. Projects subject to verification are listed in a specific Catalogue, while most projects not included in it are subject to record-filing. Verification requires the examination of the investment project, and a number of conditions need to be met. Record-filing is a simplified process and is generally used in FIP applications not deemed to have a negative impact on national security, the environment or public interest.

The pilot reform of the foreign investment system, which was initiated in 2013 through the establishment of the China (Shanghai) Pilot Free Trade Zone (CSPFTZ), was expanded in 2015 to three other pilot free trade zones in Guangdong, Fujian and Tianjin. FDI access to these four zones is based on a negative list approach. FIPs not included in the negative list are granted national treatment, as they are exempt from examination and approval, and are subject only to record- filing. The authorities seem intent on gradually expanding the negative list approach to all investment. In October 2015, the State Council issued an Opinion that calls for the creation of two negative lists, one for market access, to be applied to both domestic and foreign companies, and another for foreign investment. The use of these lists will be gradually implemented; it is not clear as yet how they will relate to the Investment Catalogue.

China has continued its efforts to facilitate trade during the review period by launching a series of reforms to make customs procedures more efficient both for imports and exports. Paperless customs clearance was implemented across China in 2014, except for goods subject to licensing or other restrictions. In 2015, a pilot paperless customs clearance scheme for products subject to automatic import licensing, excluding those for which a licence can be used for multiple shipments, which had been implemented in the CSPFTZ, was expanded to Tianjin, Fujian, Guangdong, Ningbo and Suzhou.

China's applied MFN tariff in 2015 consisted mainly of ad valorem rates (99.5% of the total number of lines). The non-ad valorem rates comprised specific and alternate rates, and formula duties. China's average applied MFN rate in 2015 was 9.5%, almost unchanged since the last Review. This average continues to be higher for agricultural products (WTO definition), at 14.8%, than for non-agricultural ones, at 8.6%. China makes use of tariff-rate quotas (TRQs); in 2015, they applied to 47 tariff lines including products such as wheat, maize, rice, some cereal flours, cane and beet sugar, some mineral and chemical fertilizers, wool, and cotton.

Imports continue to be classified into three categories: not restricted, restricted and prohibited. Automatic import licensing is in place for statistical purposes to monitor trade volumes of imports that are not restricted. These goods are listed in the Catalogue of Goods subject to Automatic Licensing, which is issued annually, and in the Catalogue of Automatic Licensing for Solid Waste. In 2015, 396 products at the HS 8-digit level were included in the former (46 less than in 2013); however, eight tariff lines were added to it later in the year. There were 17 products listed in the Catalogue of Automatic Licensing for Solid Waste. Since the last Review, automatic import licensing requirements were removed for certain machinery and equipment, and vehicles. Restricted goods are administered through non-automatic licences and/or quotas. Non- automatic licences apply to imports regardless of the origin. Products subject to non-automatic licensing are listed in the Catalogue of Goods Subject to Licensing and in the Catalogue of Restricted Imports for Solid Waste. In 2015, 134 tariff lines at the HS 8-digit level were subject to non-automatic import licensing. In 2015, as in 2013, these imports were mainly second-hand machinery and electronic equipment. The terms and procedures to obtain such a licence remain unchanged since the previous Review.

During the period examined, the number of anti-dumping (AD) measures in place continued to decline. China had 91 AD duty orders in effect as at 31 December 2015, down from 113 measures as at December 2013. Imports from 13 countries or territories were affected, three less than at the time of the last Review. By end-December 2015, imports from the United States and Japan were subject to the largest number of AD duty orders, followed by those from the EU, the Republic of Korea, and Chinese Taipei. Measures continued to be concentrated in a few areas, in particular chemical products, which accounted for over 60% of the total number of AD orders in place as of 31 December 2015. Although the number of measures in place was lower than at the time of the last Review, their average length of application was slightly longer. Furthermore, although the number of AD investigation initiations by China fell from eleven in 2013 to seven in 2014, it rose again to 11 in 2015. No countervailing (CV) duty investigations were initiated in 2014 or 2015. As at 31 December 2015, four CV measures affecting imports from the EU and the United States were in place. As at end-2015, the longest existing CV measure had been in place for slightly over five years. China did not initiate any safeguard investigations during the period under review.

Although China's legal framework to conduct AD and CV investigations was not modified during the period under review, there were changes at the institutional level. In April 2014, a Trade Remedy and Investigation Bureau (TRB) was established, consolidating the functions of the former Bureau of Fair Trade for Imports and Exports (BOFT) and of the Investigation Bureau of Industry Injury (IBII) in the area of trade remedy investigations. The authorities consider that the changes will improve efficiency, reduce interested parties' burden in litigation, and streamline the investigation procedures, while not compromising the independent determination of the margin of dumping and injury.

China has four kinds of standards: national, industry/sectoral, local, and enterprise. The first three can be either voluntary or mandatory (technical regulations). National standards are developed by the Standardization Administration of China (SAC), through a process that comprises a number of steps in which the respective industries play a supportive role. They are reviewed after five years of implementation to confirm whether they are still valid, or whether they need to be amended or annulled. Industry/sectoral standards are formulated by the relevant technical committees. China maintains a compulsory product certification system to enforce product compliance with technical requirements, which applies to both domestic products and imports. The products subject to compulsory product certification are listed in the Compulsory Product Certification Catalogue; they cannot be sold in China or imported without obtaining certification and a corresponding mark. In 2015, 493 HS tariff lines at the 10-digit level were subject to this certification. Over 80% of the lines were machinery and mechanical appliances, electrical machinery and equipment, and vehicles. Food safety and quality control of the food supply chain have become a national priority. In this context, China promulgated the new Food Safety Law in 2015, which aims at strengthening the domestic food safety management system, imposing greater responsibility for food safety on producers, traders, and local governments; it imposes severe punishments on those violating the Law.

China charges export taxes on certain products, and applies quotas or bans on others. MOFCOM, in collaboration with other relevant departments, issues a Catalogue of Goods Restricted or Forbidden for Export. Export licences may be required for goods subject to export restrictions. The list of goods subject to statutory and interim export taxes is issued every year. Exports paying interim taxes may also be subject to special export duties, which are applied seasonally and may be substantially higher than interim duty rates. China is the leading world exporter of certain products, some of which are subject to export taxes. During the period under review, there were two important changes regarding the imposition of export duties. First, in May 2015, interim export duties were removed on items included in 91 tariff lines at the HS 8-digit level, such as chemical elements, certain iron and steel articles, tungsten, and molybdenum; however, statutory export rates remained in place for all these items. Second, the special export duty rate of 75%, which applied mainly to fertilizers, was eliminated. In 2015, interim duties were levied on 314 tariff lines at the HS 8-digit level, compared to 320 in 2013, ranging from 0% to 35%. Export taxes (including both statutory and interim duties) were applied to some 4.1% of all tariff lines at the HS 8-digit level in 2015. Exporters are entitled to VAT rebates on all exported goods. The rebate rates vary according to the product, and are usually lower than the VAT paid, ranging from 0% to 17%.

There were some changes regarding competition policy regulations since the last Review. New regulations with respect to mergers were introduced in February 2014, to allow the use of simplified procedures when analysing concentration operations involving a relatively low combined market share. Provisions, effective from January 2015, were issued to provide a clearer legal basis for the determination, evaluation and supervision of restrictive conditions attached to the approval of mergers. Provisions, effective 1 August 2015, geared to avoiding conflict between intellectual property (IP) protection and competition policy enforcement, were also introduced. Under these provisions, an agreement involving IP must be subject to certain conditions, including maximum market share limits. The provisions also outlaw practices that may exclude or restrict competition, such as refusal to licence, exclusive trading, or tying or bundling the sale of additional products. They also forbid entering into abusive IP standard-setting agreements.

China applies price controls, at both the central and provincial levels, on commodities and services deemed to have a direct impact on the national economy and people's livelihoods. These take two forms: government prices, which are fixed prices set by the authorities, and government- guided prices, set within a range. The commodities and services subject to price controls are listed in a Central Government Pricing Catalogue and in Local Government Pricing Catalogues. Since the last Review, China has liberalized the price of several goods and services, such as the ex-factory price of explosive materials, the charges for some construction projects, and the prices of military goods and of tobacco leaves. Government-set prices are currently applied to refined oil products, natural gas, certain medicines, and some services. Products classified as important central reserve materials (grain, cotton, sugar, filature silk, crude oil, processed oil, and chemical fertilizers) are no longer subject to government-set prices.

China maintains a number of support programmes at the sectoral, regional and enterprise levels to attain different economic and social goals. In 2015, it submitted a notification to the WTO regarding its support programmes at the central level, covering the 2009-2014 period. The notification contains 86 programmes, of which 30 had not been previously notified to the WTO. The programmes listed included incentives provided to: Foreign-Invested Enterprises (FIE); Special Economic Zones; less developed regions; small and medium enterprises (SMEs); specific industries (i.e. energy and strategic emerging industries); and agriculture.

Public ownership remains the mainstay of the Chinese economy, while diverse forms of ownership are allowed to develop alongside it. The private sector is dominant in industries such as clothing, food, and assembly for export, while sectors of strategic importance (energy, utilities, transport, education, and health-care services) remain only partially open to private investment. These sectors are often dominated by large SOEs which may be for-profit entities or public services entities, depending on their activity. During this Review, the authorities stated that the Government was in the process of reforming SOEs to further develop mixed ownership in China, as required by the Guiding Opinion on Further Deepening the Reform of State-Owned Enterprises.

China's Government Procurement Law was amended in 2014 and the implementing regulations came into effect in early 2015. New regulations were also introduced in 2014 for both competitive and non-competitive bidding. Under the Government Procurement Law, the authorities are required to procure goods, construction projects and services domestically, subject to certain exceptions including unavailability in China or lack of availability on reasonable commercial terms. Government procurement can be centralized or decentralized. Purchases of items listed in the Centralized Procurement Catalogue must be carried out by centralized procurement agencies; centralized procurement accounted for 86% of total procurement in 2014. There are currently six procurement methods, which may be used both at the central and local levels: public tendering, selective tendering, competitive negotiations, request for quotations, competitive consultations, and single-source procurement. The competitive consultation method was introduced in 2014. Public tendering is the most widely used method; in 2015, for projects under the central budget, it was required for procurement exceeding RMB 1.2 million in the case of goods and services, and over RMB 2 million for construction projects. Public tendering accounted for 84.5% of total procurement in 2014.

During the period under review, China has continued to implement measures aimed at improving its intellectual property rights (IPRs) protection regime, including amendments to laws, regulations and rules. Measures were introduced in the area of patent protection in 2014 and 2015, which included: the granting of design patents for graphical user interface products, the improvement of the protection of biological materials through patents; measures to improve the patent agency system; and procedures to standardize patent protection enforcement across China. Changes were also introduced in the area of trademark protection related to: the protection of sound marks and well-known trademarks, the adoption of multiple-class registration, the protection of exclusive trademark rights, the increase of penalties for trademark infringement, and the responsibility for trademark infringement of the operator of an Internet trading platform.

China has continued to strengthen its IPR enforcement system, both at the administrative and judicial levels. However, despite the efforts undertaken by the authorities to combat infringement, enforcement of IPRs continues to be a major challenge. Public security authorities above the prefecture and city levels in China currently have units to crack down on infringement and counterfeiting activities. China has also continued to reinforce the judicial infrastructure needed for court enforcement of IPRs, including through the creation in 2014 of specialized IPR courts in Beijing, Shanghai and Guangzhou. Cases concerning appeals by right holders, against the rulings or decisions made by the departments of the State Council with respect to the authorization or confirmation of IPRs, and administrative cases relating to the licensing of IPRs, are now exclusively dealt with by the Beijing IPR Court.

The Chinese authorities aim to modernize the agricultural sector through mechanization and by promoting the development of moderate-scale operations to increase productivity, ensure grain self-sufficiency and promote food safety. These goals are to be attained by, inter alia, increasing and improving support to the sector, reforming the price forming system for agricultural products, and facilitating access to credit. Support to agriculture continues to be granted mainly through the "four subsidies" programmes: the Direct Subsidy to Farmers (rice, wheat and corn); the Comprehensive Subsidy for Agricultural Inputs; the Subsidy for Promoting Superior Strains and Seeds; and the Subsidy for Purchasing Agricultural Machinery and Tools. The Comprehensive Subsidy for Agricultural Inputs programme is the largest in terms of outlays; in 2014, it accounted for some 41% of the RMB 262 billion granted as support outlays for agricultural programmes. The authorities are planning to eventually merge three of the programmes into one. To this end, in 2015, a pilot programme to reform agricultural subsidies was implemented in five provinces (Anhui, Hunan, Shandong, Sichuan and Zhejiang), which consists of combining three of the "four subsidies" into one programme, the Agriculture Support and Preservation Subsidy, aimed at using funds in a more efficient manner. The Subsidy for Purchasing Agricultural Machinery and Tools will remain in place.

During the period under review, a number of measures were introduced to promote financial reform, including measures to promote private investment in banking, to enhance financial service provision to SMEs and rural areas, to increase capital market transparency and to introduce new financial services. In addition, a deposit guarantee scheme with a cap of RMB 500,000 was introduced in May 2015. A number of changes were introduced to banking regulations; these touch on issues such as licensing regulations, consumer finance, anti-money laundering measures, prudential regulations, and measures to address systemic risks such as non-performing loans, shadow banking and real estate bubbles. Amended regulations on the administration of foreign-invested banks, in effect since January 2015, further ease market access for foreign banks by: eliminating the requirement for the establishment of representative offices before setting up operating agencies; lowering the minimum operation period requirement for applying to conduct RMB business from three years to one year and eliminating the two-year profit-making requirement; and removing the RMB 100 million minimum working capital requirement for branches of foreign-invested banks. Some liberalization measures had previously been introduced in 2014, when restrictions regarding sub-branches of foreign-funded banks were removed.

Some liberalization measures were adopted in telecommunications during the review period, as investment in electronic commerce businesses by foreign-invested telecommunication companies was eliminated from the restricted category in the 2015 Investment Catalogue. In addition, in June 2015, the foreign shareholding ratio limit for operational electronic commerce nationwide was eliminated. In audiovisual services, the establishment of foreign motion picture production and distribution companies remains prohibited, with the exception of film distribution companies owned by investors from Hong Kong, China; and Macao, China, which are permitted to establish wholly-owned subsidiaries in China for the distribution of Chinese-made films and are allowed to produce and distribute audiovisual products. Only co-productions between China and foreign countries are allowed; in the 2010-2014 period, there were between 42 and 58 of these a year. Regarding health services, foreign suppliers are allowed to establish joint-venture hospitals or clinics in line with China's needs, with foreign-majority ownership permitted, but the majority of doctors and medical personnel of these hospitals and clinics must be of Chinese nationality. However, the 2015 Investment Catalogue classifies medical institutions in the restricted category, and the rules governing joint ventures in the medical area require that total investment be at least RMB 20 million and that the proportion of shares or equity of the Chinese party must be at least 30%. Furthermore, foreign institutions cannot establish branches. Foreign doctors with professional certificates issued by their home country are permitted to provide short-term medical services in China for a six-month period, which may be extended to one year.