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Looser policy on auto joint venture expected

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China's policy on automotive joint ventures is expected to be loosened and the ceiling for foreign capital investing in joint ventures raised, the *Economic Observer* quoted an insider as saying.

"The shareholding structure for Sino-foreign automakers will likely be not that strictly restricted in the future as economic reform deepens," said Zhang Xiaoyu, executive vice chairman of the China Machinery Industry Federation, at a recent industry forum.

Currently, foreign automakers are not allowed to own more than 50 percent in their Chinese joint ventures. But some signs suggest the policy might be loosened.

Loosened policy

"More and more larger auto groups in China finance in the overseas capital market, so strictly speaking, the Chinese side also has overseas capital," said Zhang. "You can't say the Chinese side is purely domestic or State-owned assets."

According to China's automobile industry policy in 1994, in a Sino-foreign joint equity or cooperative venture producing whole automobiles, motorcycles or engines, the share of the Chinese side cannot be lower than 50 percent.

But in 2007, a supplemental provision on Sino-foreign motorcycle or engine companies was released, and under the provision shareholding proportions are not restricted.

"In addition to auto joint ventures, the whole auto industry is opening up," said Luo Zhongwei, an industry economics researcher with the Chinese Academy of Social Science.

Luo said that auto financing, one sector under stringent control, is opening up. At present, foreign companies can not only open auto financing companies in China, but also operate expanded businesses according under new management measures issued in January this year.

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