Doing Business in China

2009 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In China

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- China has not escaped the recent global economic downturn. With an economy heavily dependent on exports to developed markets, the sharp drop in global consumer demand has had a significant effect on China's economy. In 2007 China's economy grew by 13 percent and had maintained double-digit growth for most of the past decade. In 2008 Gross Domestic Product (GDP) growth dropped to 9 percent, perilously close to the 8 percent growth that many economists believe to be required to feed China's economic engine. Preliminary Chinese economic figures for the last quarter (Q4) of 2008 indicate that this decline is continuing and accelerating.

- Overall economic growth in China is continuing, however and U.S. companies are benefiting. Over the past several years, increases of U.S. exports to China averaged close to 10 percent year on year. In 2008, U.S. exports to China increased by 9.5 percent from the year prior, according to the U.S. Census Bureau, helping to make China one of the fastest growing foreign markets for U.S. goods. China-U.S. total trade grew to USD 409.2 billion, placing China as our second largest trading partner behind Canada. Although U.S. imports of Chinese goods greatly exceed U.S. exports to China, China remains our third largest export market. U.S. exports of goods to China totaled USD 71.5 billion for the year in 2008.

- In 2008, inflation, measured by the country's consumer price index, dropped slightly from the year prior to 5.9 percent but continues to be an economic threat. China's manufacturing base helped the country hit record trade surplus levels of USD 297.4 billion in 2008. Foreign investment is strong with China remaining as one of the main destinations for foreign capital investment, though growth began to slide in 2008. China's economic miracle is tempered by a number of looming threats, namely a rapidly aging population and a perilously deteriorating environment.

- On November 9, 2008 the Chinese government, in order to shore up the weakening domestic economy, unveiled a USD 585 billion (RMB 4 trillion) economic stimulus plan. USD 263 billion, or 45 percent, of the stimulus package will go toward the construction of railways, highways, airports and power grids; another USD 146 billion will be used for post-disaster reconstruction, which includes rebuilding after snowstorms that hit Central China in early 2008 and the earthquake that struck Sichuan province in May. USD 54 billion will go towards rural development and infrastructure projects; USD 51 billion has been earmarked for ecological environment; USD 41 billion will be used for low-income housing; and the rest will be spent on health, culture, education and innovation.

Despite these remarkable changes, China is still a developing country, albeit one with vast potential. Spread over a population of 1.3 billion, China's colossal economy does not represent a large amount of disposable income for each person. Annual per capita income in China is around USD 1,700. Yet, surprisingly, China stands as the world's third largest market for luxury goods behind Japan and the United States. The income distribution within the country is highly uneven with urban centers, such as Beijing and Shanghai, enjoying a per capita income of more than double the nation's average. Some studies estimate that there are now more than 200 million Chinese citizens with a per capita income over USD 8,000. That said China's per capita income figures are poised to change dramatically. Over the next several years, many economists predict a surge in the number of people achieving middle class status.

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American companies continue to have mixed experiences in China. Many have been extremely profitable, while others have struggled or failed. To be a success in China, American companies must thoroughly investigate the market, take heed of product standards, pre-qualify potential business partners and craft contracts that assure payment and minimize misunderstandings between the parties. The problems of doing business in China can be grouped in four large categories:

- China often lacks predictability in its business environment. A transparent and consistent body of laws and regulations would make the Chinese market more predictable. However, China's current legal and regulatory system can be opaque, inconsistent, and often arbitrary. Implementation of the law is inconsistent. Lack of effective Chinese government protection of intellectual property rights is a particularly damaging issue for many American companies, both those that operate in China and those that do not, have had their products stolen by Chinese companies.

- China has a government that practices mercantalistic style policies. China has made significant progress toward a market-oriented economy, but parts of its bureaucracy still protect local firms, especially state-owned firms, from imports, while encouraging exports. WTO membership will mitigate these tendencies over time – but progress is only gradual.

- China retains much of the apparatus of a planned economy. A five-year program sets economic goals, strategies, and targets. The State and the Communist Party directly manage the only legal labor union. In many sectors of the Chinese business community, the understanding of free enterprise and competition is incomplete. Certain industrial sectors are prone to over-investment. Excessive investment leads to over production, bad debt and declining prices in affected industries.

- Foreign businesses tend to under-estimate the challenges of market entry in China. Encouraged by a government eager for foreign capital and technology, and entranced by the prospect of 1.3 billion consumers, thousands of foreign firms have charged into the Chinese market. These companies often do not sufficiently investigate the market situation - common pitfalls involve not carefully reviewing product standards and conformity assessments, such as China's Compulsory Certification (CCC); not fully understanding legal issues, like protecting intellectual property rights; and not properly vetting local business partners.

It is important to understand that while continued reform is absolutely essential for China to achieve the economic growth it requires and to fully participate in the world trading community, in many areas, the necessary changes have not yet taken place. Companies must deal with the current environment in a realistic manner. Risk must be clearly evaluated. If a company determines that the risk is too great, it should seek other markets.

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- The growth of imports from the United States in many key sectors, such as energy, chemicals, machinery, telecommunications, medical equipment, construction, financial services, and franchising suggests that China will remain an important and viable market.

- More detailed information can be found in Chapter 4 on specific industries with strong commercial prospects.

Market Entry Strategy Return to top

- The U.S. Embassy and the U.S. Department of Commerce welcome contact with American companies to initiate or expand exports into the China market. Two of the primary objectives of U.S. policy with regard to China are (a) growing the American economy by increasing exports thereby reducing the bilateral trade imbalance and (b) ensuring that the Chinese government fully complies with its commitments to the WTO in order to expand our companies' ability to compete on a more level playing field.

- A company should visit China in order to gain a better perspective and understanding of its potential market and location. Especially given China's rapidly changing market and large area, a visit to China can provide a company great insight into the country, the business climate, and its people. Chinese companies respect “face-to-face” meetings, which can demonstrate a U.S. company’s commitment to working in China. Prospective exporters should note that China has many different regions and that each province has unique economic and social characteristics. One should be careful not to generalize about such a large country.

- Continued long-term relationships are key to finding a good partner in China. To maximize its contacts, companies should aim at forming a network of relationships with people at various levels across a broad range of organizations.

- U.S. companies commonly use agents in China to initially create these relationships. Localized agents possess the knowledge and contacts to better promote U.S. products and break down institutional, language, and cultural barriers. The U.S. Commercial Service China offers a wide array of services to assist U.S. companies with U.S. exports in finding Chinese partners. U.S. companies are strongly encouraged to carefully choose potential Chinese partners and take the time to understand their distributors, customers, suppliers, and advisors. For more information on CS programs geared to assisting US companies please see: http://www.buyusa.gov/china/en/howhelpus.html.

- China is a challenging market and requires a strong understanding of a firm’s capabilities and in-depth knowledge of the market. Before making a decision to enter the China market, potential exporters should consider their own resources, their past exporting experience, and their willingness to commit a significant amount of time to exploring opportunities for their products and services in China. The U.S. Commercial Service has developed a toolkit to help exporters understand some of these challenges; our “Are You China Ready” assessment is available at:

  http://www.export.gov/china/assisting_us_exporters/areyouchinaready.asp.

China is a very large country with multiple economic sub-regions. In 2005, the Department of Commerce established fourteen “American Trade Centers” field offices in coordination with the China Council for the Promotion of International Trade (CCPIT). These offices cover the key regional markets in China. They are designed to assist American exporters to identify possible agents, buyers, importers or distributors in these markets through the normal DOC services at standard DOC prices. For more information on CS programs in China please see: www.buyusa.gov/china.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of China, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/18902.htm

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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Since World Trade Organization implementation, China has worked towards liberalizing its distribution system to provide full distribution rights for U.S. firms. As it now stands, U.S. companies are no longer required to use domestic import-export agents and distributors for their imported products. The implementation of distribution has greatly improved, reflecting the solution of licensing issues, while the continuing emergence of the foreign-invested enterprise (FIE) and foreign-invested commercial enterprise (FICE) model as a viable trading and distribution platform for foreign companies has also made the situation better (for more information on China's commitments to the WTO, please refer to the U.S. Embassy website at: http://beijing.usembassy-china.org.cn).

Trading and distribution are two separate issues and are, accordingly, covered separately by the WTO implementation documents. Trading covers the rights to import and export products into and from China. Distribution, on the other hand, covers the sale, either wholesale or retail, of products within China.

1. Trading Companies

China's current regulations are designed to allow manufacturing-focused foreign invested enterprises (FIEs) to become export trading companies that may purchase and export any products or technologies free from quotas, license control or government monopoly. FIEs are able to establish trading companies and to obtain trading rights before the phase-in of distribution rights. Chinese companies that are registered and have RMB 1 million (USD 146,000) in capitalization can obtain an import/export license.

In late 2005, the Ministry of Commerce (MOFCOM) issued additional documents that fully clarified the application procedures for investors to establish new foreign-invested commercial enterprises (FICEs), for existing FICEs to open new distribution and trading businesses, and for existing FIEs to expand their business scopes. The documents give provincial-level agencies the authority to review and approve applications. Currently, approval for new foreign enterprises occurs at the provincial level, and not the national level.

In March of 2006, MOFCOM issued a notice on “Entrusting Local Authorities with the Examination and Approval of Commercial Enterprises with Foreign Investment.” While this decision to delegate approval authority to provincial-level authorities for most distribution rights applications has sped up the application process, technical challenges still remain. Existing foreign-invested manufacturers that have expanded their business scopes are limited to distributing goods that they produce. Uncertainty over what constitutes “similar goods” has created difficulties for some companies seeking to exercise their distribution rights. In addition, existing manufacturers that have expanded their business scope to include distribution must ensure that half of their revenue stems from their buy-sell activity.

2. Distributors

A US exporting company that hopes to successfully enter China must gain both trading and distribution rights. Distribution covers: 1) commission agent services, 2) wholesale services, and 3) retailing. New laws and regulations released by MOFCOM at the end of 2006 allow foreign companies to establish wholly-owned distribution entities for chemical fertilizers, processed oil and crude oil, as well as other imported and domestically produced products. Limits exist on products including books and periodicals, pharmaceutical products and pesticides. Foreign companies may choose one of two ways to acquire trading and distribution rights: they can set up a new, stand-alone FICE or apply to expand the business scope of an existing FIE.

Given the complexities of the Chinese market, foreign companies should also consider using a domestic Chinese agent for both importing into China and marketing within China. With careful selection, training, and constant contact, a U.S. exporter can obtain good market representation from a Chinese trading company, many of which are authorized to deal in a wide range of products. Some of the larger companies have offices in the U.S. and other countries around the world, as well as a network of offices and affiliates in China. However, given transportation and communication difficulties as well as regional peculiarities, most of these trading companies cannot provide diversified coverage throughout China.

3. Local agents

China is witnessing an explosion in local sales agents who handle internal distribution and marketing. Most of these firms do not have import/export authorization. They are the next layer down the distribution chain, buying foreign products and importing them through entities that have an import/export license by paying a commission. They may be representative offices of Hong Kong or other foreign trading companies, or domestic Chinese firms with regional or partial national networks.

Given China's size and diversity, as well as the lack of agents with wide-reaching capabilities, it may make sense to engage several agents to cover different areas, and to be cautious when granting exclusive territories. China could be viewed as five major regions: the South (Guangzhou), the East (Shanghai), the Central/North (Beijing-Tianjin), West China and the Northeast.

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1. Establishing a Presence in China (Representative Office, Wholly Foreign Owned Enterprise or Joint Venture)

Representative offices are the easiest type of offices for foreign firms to establish in China; however, these offices are limited by Chinese law to performing "liaison" activities. As such, they cannot sign sales contracts, directly bill customers, supply parts or charge for after-sales services; although many representative offices perform these activities in the name of their parent companies. Despite limitations on its scope of business activities, this form of business has proved very successful for many U.S. companies, as it allows the business to remain foreign-controlled.

Establishing a representative office gives a company increased control over it staff. The cost of supporting a modest representative office ranges from USD 100,000 to USD 500,000 per year, depending on its size and staffing requirements. The largest expenses are office rent and expatriate packages.

Foreign trading companies, manufacturers, forwarding companies, contractors, consulting firms, advertising firms, investment companies, leasing companies and other economic and trade organizations are able to register their representative offices directly with local Administrations of Industry and Commerce (AICs) without prior approval from the Foreign Economic Relation and Trade Commission. Foreign government entities and foreign commercial/industry associations are still required to obtain approval from the Foreign Economic Relation and Trade Commission.

By the end of 2006, China had removed restrictions on entry in nearly all sectors, including banking, insurance, accounting and law firms. However, barriers in the service sector still remain, such as limited access for foreign films and ownership caps that require partnerships with Chinese companies. While representative offices are given a registration certificate, branch offices obtain an actual operating or business license and can engage in profit-making activities.

2. Establishing a Chinese Subsidiary

A locally-incorporated equity or cooperative joint venture with one or more Chinese partner, or a wholly-owned foreign enterprise (WOFE, pronounced "woofy"), may be the final step in developing markets for a company's products. In-country production avoids import restrictions (including relatively high tariffs) and provides U.S. firms with greater control over both intellectual property and marketing. As a result, WOFEs in China have gained popularity among U.S. firms.

The role of the Chinese partner in the success or failure of a joint venture cannot be over-emphasized. A good Chinese partner will have the connections to help cut through red tape and obstructive bureaucrats; a bad partner, on the other hand, can make even the most promising venture fail. Common investor complaints concern conflicts of interest (e.g., the partner setting up competing businesses), bureaucracy and violations of confidentiality. The protection of intellectual property, no matter the form of cooperation, is one of the most pressing matters for U.S. firms doing business in China. American companies should bear in mind that joint ventures are time-consuming and resource demanding, and will involve constant and prudent monitoring of critical areas such as finance, personnel and basic operations to be successful.

Franchising

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Many foreign companies are beginning to establish multiple retail outlets under a variety of creative arrangements, including some of which for all practical purposes function like franchises. Virtually all of the foreign companies who franchise in China either manage the operations themselves with Chinese partners (typically establishing a different partner in each major city) or sell to a master franchisee, which then leases out and oversees several franchise areas within the territory.

In February 2007 the P.R.C State Council released new regulations concerning commercial franchising. These rules, followed by two sets of implementation rules released in May 2007 by the P.R.C Ministry of Commerce, provide a more comprehensive and liberal regulatory framework for foreign companies franchising in China, and effectively replace the 2005 commercial franchising measures issued by the Ministry of Commerce. While many details still need to be clarified by the authorities, these rules have removed several aspects of the previous measures that presented significant barriers for U.S franchisors. Most importantly, the two-plus-one requirement stipulating that prospective franchisors own at least two directly operated outlets in China for at least a year has been amended, with the “in China” requirement dropped from the new regulations.

Despite these improvements, franchising in China remains fraught with complications. One of the most difficult aspects is finding qualified franchisees. The concept is still new to China with many Chinese unfamiliar with the concept. Moreover, collecting royalty payments from your mainland franchisee and ensuring that the franchisee maintains the integrity of your brand is also a challenge.

Direct Marketing

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Direct selling is a type of business model involving the recruitment of direct marketing sales agents or promoters and the selling of products to end-consumers outside fixed business locations or outlets.

As part of China’s WTO commitment, the Chinese government agreed to allow market access for “wholesale or retail trade services away from a fixed location”. On September 2, 2005, China issued two long awaited regulations governing the sector. These new regulations are quite restrictive, however. Multi-level marketing (MLM) organizations are characterized as illegal pyramids, compensation is capped at 30% based on personal sales, and language exists that requires the construction of fixed location "service centers" in each area where sales occur. Significant barriers exist for new entrants, as evidenced by a three-year foreign experience rule, and a required RMB 20-100 million (USD 2.9 million to USD 14.6 million) bond deposit. Since the passage of this legislation, however, several major international companies have had success in overcoming these barriers. So while it is possible for American companies to engage in direct marketing in China, navigating government restrictions can be challenging.

Joint Ventures/Licensing

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Joint ventures, although a useful way to limit investment and quickly access the market, entail considerable risk (loss of control of investment, theft of intellectual property, conflicts of interest, etc.) As such, most U.S. investment in China is in 100 percent U.S.-owned companies, not JVs with Chinese partners. This trend has developed steadily with China's market openings, and nearly 75% of new investment is now in wholly foreign-owned entities (WOFEs).

Technology transfer is another initial market entry approach used by many companies. It offers short-term profits but runs the risk of creating long-term competitors. Due to this concern, as well as intellectual property considerations and the lower technical level prevailing in the China market, some firms attempt to license older technology, promising higher-level access at some future date or in the context of a future joint venture arrangement.

Licensing contracts must be approved by and registered with the Ministry of Commerce. A tax of 10-20 percent (depending on the technology involved and the existing applicable bilateral tax treaty) is withheld on royalty payments.

Selling to the Government

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In the past, China's government procurement practices had often been inconsistent with open and competitive bidding, and for the most part were non-transparent. While tenders for projects funded by international organizations were openly announced, most government procurement was by invitation only. However, the situation has changed in recent years; bidding is usually by competitive bid rather than by direct negotiation. China's Government Procurement Law (effective since 2003) governs the procurement of goods, services and works, while tendering is covered by the Tendering and Bidding Law (effective since 2000).

Direct sales to the Chinese military are a possibility; however, the United States and China both have restrictions. U.S. manufacturers should contact the Department of Commerce's Bureau of Industry and Security and the U.S. State Department Office of Defense Trade Controls for guidance before selling goods or technology to the Chinese military.

Information on some of China's government procurement opportunities as well as relevant laws and regulations can be found at the following websites:

www.ccgp.gov.cn/
www.ggi.gov.cn
www.chinabidding.com/pub/main/index.htm
www.zycg.gov.cn/pubnews/
www.chinabidding.org

Distribution and Sales Channels Return to top

In recent years China has worked toward liberalizing its distribution system to provide full trading and distribution rights for U.S. firms. Nearly full liberalization of this sector was achieved in 2006. New laws removed earlier restrictions on size requirements for trading and distribution firms, thus paving the way for competition from small businesses. Currently, the only inhibiting factor in the process is that foreign companies need to apply for approval from the local Foreign Economic Relations and Trade Commission before they can register with the local AICs (Administration of Industry and Commerce).

There are different sales channels available to foreign companies selling in China, including trading companies, distributors, and local agents. Trading companies with import/export rights take care of customs formalities, distributors build sales channels and handle stock and inventory, and local agents retail products to consumers. However, an increasing number of U.S. companies are working to control this distribution channel as much as possible, and local and international trading and distribution companies are consolidating to provide more of these services under one roof.

1. Trading Companies

Foreign invested commercial enterprises (FICEs) can now obtain import and export licenses in China, both within and outside of the Free Trade Zones (FTZs). As a result, both Chinese and foreign owned trading companies are competing to assist international firms with importing and exporting their products. Remaining restrictions in this sector are mainly product specific (e.g., books, newspapers, pharmaceuticals, etc.), and the bulk of imported goods must pass through Chinese customs inspections. The efficiency of these inspections has increased drastically in recent years.

2. Distribution

Distribution covers: 1) commission agent services, 2) wholesale services, and 3) retail services. As discussed above (see Using an Agent or Distributor), the current laws and regulations allow foreign companies to establish wholly foreign owned distribution entities for imported and domestically produced products. Restrictions on ownership in this sector are limited to products sold (e.g., books, newspapers, pharmaceuticals, pesticides, salt and tobacco) and the scope of the distributing entity (e.g., large chain stores with more than 30 outlets selling a range of products).

Due to market complexities, however, many foreign companies distribute their products through their sole distributors or regional distributors. The foreign companies provide technical and sometimes financial support; while the distributors establish outlets, second tier distribution operations and branches to reach the local end users.

3. Local agents

Local agents are essentially trading companies that buy imported products from entities that have an import/export license or from those higher in the distribution chain.

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1. Relationships

Personal relationships ("guanxi" in Chinese) in business are critical. "Guanxi" is deeply rooted in Chinese culture and is basically "a tool to get business" and "a way of getting things done." It often takes months, perhaps even a year or more, to establish "guanxi".

It is important for exporters, importers, and investors to establish and maintain close relationships with their Chinese counterparts and relevant government agencies. It is equally important that American exporters encourage strong personal relationships between their Chinese agents or distributors and the buyers and end-users. A web of strong personal relationships can often help ensure expedited governmental procedures and the smoother development of business in China.

2. Localization

Though Chinese customers welcome U.S.-made products in general and especially in high-tech related areas, they still prefer to have localized customer support from a manufacturer, such as on-site training, service centers in China, local representatives, as well as catalogues, user manuals in Chinese, etc.

3. Logistics

U.S. exporters should keep in mind that timely delivery and adequate inventory are crucial to success in the Chinese market.

Electronic Commerce Return to top

The Chinese Government has adopted an open attitude towards the advent of e-commerce in China. Both Chinese and international businesses have been active in investing and establishing online sales channels. By December 31, 2007, the number of Internet users in China reached 210 million, second only to the U.S. Investment in e-commerce business is risky, however, due to the absence of clearly defined regulatory powers over the industry and a lack of an effective Chinese certificate authentication system.

While e-commerce in China has great potential, three major impediments still remain:

1) China is still a cash-based society and use of credit cards is still limited;
2) Local distribution channels are not well developed for the delivery of items purchased over the Internet;
3) Limited awareness of the need for appropriate Internet security software products.

But several Chinese Internet companies have been very successful in adapting to the local market, developing an effective cash-on-delivery e-commerce model in the major cities. In addition, the Chinese government is making strides in enhancing Internet security. Starting in April 2005, the Law on Electronic Signatures took effect and enhanced the safety of online transactions. In October 2005, the People's Bank of China issued "e-payment instructions". These regulations will contribute to the standardization of China's e-commerce environment.

Trade Promotion and Advertising

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1. Advertising

Advertising is an effective way to create product awareness among potential consumers in China. Channels for mass advertising include publications, radio, television, outdoor, online (blogs, bulletin boards, search engines), in-store and sponsorship.
Advertising in China is regulated by the Advertising Law of the People's Republic of China, passed in 1994. This law outlines content prohibitions and advertisers' responsibilities. Advertising should "be good for the physical and mental health of the people" as well as "conform to social, public and professional ethics and safeguard the dignity and interests of the state." Specific rules include a prohibition on the use of national symbols and government images, and prohibit advertisements that are obscene, superstitious, discriminatory and/or dangerous to social stability. The full text of the law may be found on http://www.chinagate.com.cn/english/434.htm. The advertising industry in China is heavily regulated, and the government still exercises ultimate control over content. The Advertising Law is not completely transparent; therefore, interpretation and enforcement may be arbitrary and varied, and legislation usually favors consumer protection over business promotion.

The State Administration for Industry and Commerce (SAIC) is the primary regulatory organization for the advertising sector, but many other organizations such as the Ministry of Culture and the State Administration of Radio, Film and Television, play an active role in controlling print or television content.

China's retail boom and increasing competition among retailers is causing China's advertising industry to grow even faster than the economy as a whole. In accordance with China's WTO commitments, wholly foreign-owned enterprises in advertising services were allowed under the Management Rules on Foreign-Invested Advertising Companies, issued by the SAIC and the Ministry of Commerce (MOFCOM) in March 2004 and effective on December 10, 2005. All of the major international advertising firms are present in China.

Television advertising accounts for by far the largest single portion of the Chinese advertising market. China's regular television viewing population is 95 percent of China's 1.3 billion people. With China becoming more and more competitive, the advertising market is quite lively and expensive. It is estimated that ad revenue grew 35 percent (70 billion RMB) from 2007 to 2009. China's national television network (CCTV) leads in television advertising revenues, receiving roughly eight billion RMB per year and growing. But, the Internet is the most intriguing interface with Chinese consumers as China now has the most internet users in the world. Expenditures for online advertising exploded from 4.1 billion RMB in 2005 to 17.2 billion RMB in 2008.

Now that China is in the midst of a consumer revolution, foreign products, complete with advanced marketing, advertising and research techniques, are leading the way. Brand awareness is increasingly important and sophisticated advertising is beginning to play a key role in charming the Chinese consumer. Foreign products are expected to continue making inroads despite 1999 regulations calling for more control over customer surveys that help foreign firms enhance their marketing effectiveness.

2. Trade Shows and Missions

Based on the China Council for the Promotion of International Trade (CCPIT) Editing Committee's List of Fairs & Exhibitions in 2008, there were 768 events in 76 cities in Mainland China. A large portion (42%) of these shows was held in Beijing (123), Shanghai 130 and Guangzhou 93. In general, exhibitions can be excellent venues to gauge market interest, develop leads and make sales. Most are sponsored or cosponsored by government agencies, professional societies, or the CCPIT. Some shows are organized by U.S., Hong Kong or other foreign show organizers. Show participation costs are sometimes high. Some shows may reach only a local audience or cater primarily to Chinese exporters despite being described as Import/Export Fairs. Therefore, companies are advised to scrutinize shows carefully before confirming participation.

The Commercial Service recruits and organizes (or supports certified trade fairs with) U.S. Pavilions at a number of trade shows around China. The U.S. Pavilion is part of the U.S. Department of Commerce's initiative to promote American goods and services in key Chinese markets. Developed in coordination with major American and Chinese exhibition companies, the U.S. Pavilions provide a unique opportunity for American companies to be involved in key international exhibitions nationwide. Updated information about these shows can be found on our website www.buyusa.gov/china/en/upcomingtradeshows.html. In addition, a list of trade shows that are screened by the U.S. Department of Commerce appears in Chapter 9 of this report. Upcoming Department of Commerce trade missions can be found at: http://www.ita.doc.gov/doctm/tmcal.html.

Pricing

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Most Chinese consumers are sensitive to price and will usually choose less expensive products unless they can be swayed by better after-sales service or significantly better product quality. Younger Chinese consumers however are very brand conscious and brand advertising is commonly used to effectively increase the perceived value of a product. For certain larger purchases, attractive export-import financing that lowers the effective price is offered by Japanese, European and other foreign companies, and may make some U.S. products less competitive. Please see chapter 5 for more information on duties & taxes.

Several factors may affect your export pricing strategy in China:

1. Tariffs

China Customs assesses and collects tariffs. Import tariff rates are divided into six categories: general rates, most-favored-nation (MFN) rates, agreement rates, preferential rates, tariff rate quota rates and provisional rates. As a member of the WTO, imports from the United States are assessed at the most-favored-nation rate. The five Special Economic Zones, open cities, and foreign trade zones within cities offer preferential duty reductions or exemptions. Companies doing business in these areas should consult the relevant regulations.

China may apply tariff rates significantly lower than the published MFN rate in certain circumstances where the government has identified the goods as necessary for the development of a key industry. For example, China's Customs Administration has occasionally announced preferential tariff rates for items that benefit key economic sectors, in particular the automobile, steel, and chemical products industries. In the past, foreign firms have at times benefited from policies aimed at attracting foreign investment into key sectors, such as high technology. For example, foreign-invested firms that produced certain types of high technology goods, or that were export-oriented, did not pay duty on imported manufacturing equipment.

A comprehensive guide to Chinese customs regulations is the China Customs Regulations 2008, compiled by the General Administration of Customs (China Customs). This guide contains tariff schedules and national customs rules and regulations which included tariff cuts on 58 product categories, including key equipment and spare parts, high-tech, energy-saving products, natural resource products, fertilizer products, and others. Duties on these and other categories have been reduced to 0% to 3%. Exporters should check with China Customs to take advantage of these tariff reductions.

The World Customs Organization's (WCO) Harmonized System (HS) 2007 for tariff nomenclature took effect on January 1, 2007. China is an active member of the WCO.

China is actively implementing a Free Trade Agreement (FTA) between itself and the Association of Southeast Asian Nations (ASEAN) called the ASEAN-China FTA (ACFTA). The first phase of tariff reductions took effect on July 1, 2005, and the second phase on January 1, 2007. As part of this second phase, the range of products that qualify for tariff reductions was significantly expanded.

2. Customs Valuation

The dutiable value of an imported good is its CIF price, which includes the normal transaction price of the good, plus the cost of packing, freight, insurance, and seller's commission. Under China's valuation regulations China Customs is tasked with assessing a fair valuation for all imports. To tackle this task, all Customs officers have access to a valuation database that lists appropriate valuations for various imports, based on international market prices, foreign market prices and domestic prices. Customs officers check the price reported by the importer against this database. Normally, Customs officers will accept the importer's price. However, if the reported value is too far out of line with the database, the Customs officer will estimate the value of the goods based on methods listed in Article 7 of the PRC Measures for the Determination of Customs Values for Imported and Exported Goods.

3. Taxes

The gap between the tax law enacted by the State Administration of Tax (SAT) on the national level and its interpretation on the local level, the illegal tax benefits granted by local authorities to boost local growth, and the existence of undocumented precedents and practice not consistent with Western norms all make China's tax system very complicated for Western businesses.

China is bound by WTO rules to offer identical tax treatment for domestic and imported products. On top of normal tariff duties, both foreign and domestic enterprises are required to pay value-added taxes (VAT) and business taxes. VAT is assessed on sales, the importation of goods and on the provision of processing, repair and replacement services. VAT is assessed after the tariff, and incorporates the value of the tariff. VAT is collected regularly on imports at the border, although importers note that their domestic competitors often fail to pay taxes. Business taxes are assessed on providers of services, the transfer of intangible assets and/or the sales of immovable properties within China.

China offers a variety of tax incentives and concessions. The general VAT rate is 17 percent, but necessities such as agricultural products, fuel and utility items are taxed at 13 percent. Enterprises regarded as small businesses (those engaged principally in production of taxable goods or services with annual taxable sales of less than RMB 1 million (USD 146,000) or those engaged in wholesaling or retailing of goods with annual sales of less than RMB 1.8 million (USD 263,000) are subject to VAT at the rate of 4 percent or 6 percent, depending on the nature of the business. Unlike other VAT payers, small businesses are not entitled to claim input tax credits for VAT paid on their purchases. Certain limited categories of goods are exempt from VAT. Likewise, many foreign-invested processing enterprises are exempt from taxes if they export their products.

VAT rebates of up to 17 percent (a full rebate) are available for certain exports. Exporters sometimes complain that it takes months to obtain the rebates and amounts are often miscalculated. The specific rate is determined by the category of product, and the VAT rebate mechanism is often used to fulfill China's industrial policy goals. Also, rebates are limited by local budgets, and coastal provincial authorities often use up rebate funds well before the end of the year. The applicable rebate method varies and is a function of the establishment date of the enterprise.

Sales Service/Customer Support

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Until recently, foreign companies were not explicitly permitted to provide after-sales service and customer support for their foreign-made products sold in China. Wholly owned service companies and FIEs are now able to provide sales service and after sales customer support inside China.

Heightened consumer awareness to such problems has given U.S. companies with strong international brands an advantage in the Chinese market, as American products and services are generally considered to have superior sales and customer support standards. However, increasing production of counterfeit merchandise, coupled with growth in infringement of intellectual property rights, has sometimes frustrated foreign firms in their attempts to leverage brand value among Chinese consumers.

Protecting Your Intellectual Property Return to top

As China liberalizes its trade regime and continues to further open its markets under its World Trade Organization (WTO) commitments, new products and industries are increasingly present. In addition, an increasingly large number of Chinese individuals and small companies are involved in manufacturing and international trade. China's Internet penetration has been rapid, with many companies also scouring the Internet for market opportunities. While this has many positive effects for the Chinese economy, one ancillary effect of the growing trade and market liberalization has been the simultaneous growth in infringement of intellectual property rights (IPR), including the export of products that infringe U.S. rights in the United States and other overseas markets. U.S. companies, whether or not they are active in China, can no longer afford to decline to take steps to protect their IP rights in China.

Intellectual property rights are territorial. U.S. companies must secure relevant rights in China in a timely fashion in order to be protected under Chinese law. In addition, U.S. rights holders may need to obtain different types of rights, and seek different types of remedies under China's legal regime, compared to the United States.

1. China's IPR Commitments

As part of its Protocol on Accession to the WTO, China committed to full compliance with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (the "TRIPs Agreement" or "TRIPs"), as well as other TRIPs-related commitments. During the lead-up to WTO accession in December 2001, and in 2002, China adopted revised patent, trademark, and copyright laws, implementing regulations, and other ministerial or local rules and regulations. The Supreme People's Court and the Supreme People's Procuratorate also have issued many Judicial Interpretations. Although some progress has been made, the Chinese Government has yet to implement effective enforcement measures to deter widespread infringement of intellectual property rights. At this time, many of these laws are under consideration for further significant revision. In addition, in the latter part of 2008, China announced a new National IPR Strategy. Rights holders may need to ensure that whatever steps they take are based on the most recent legal developments.

Apart from China's WTO commitments, China has signed a number of international and bilateral agreements regarding IPR. China is a member of the World Intellectual Property Organization (WIPO) Convention, the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Madrid System for the International Registration of Marks, otherwise known as the “Madrid Protocol,” the Universal Copyright Convention, the Geneva Phonograms Convention, and the Patent Cooperation Treaty. During 2002, the WIPO Copyright Treaty and WIPO Performance and Phonograms Treaty (the “Internet Treaties”) came into effect worldwide. The treaties help define global standards needed to keep pace with distribution of copyright over global networks. With an estimated 210 million internet users in China, it is critical that the Chinese Government aggressively enforce copyright infringement occurring over the Internet. In March 2007, China acceded to the two WIPO Internet Treaties. Enforcement against various types of cybercrimes, such as Internet piracy, and sales of counterfeit and pirated goods over the Internet, however, tends to be weak.

In 1992, China signed an IPR Memorandum of Understanding (MOU) with the United States, pursuant to which China improved its laws governing IPR protection, and joined the Berne Copyright and Geneva Phonograms Conventions. The March 1995 extension of the IPR MOU developed a plan for enforcing IPR, and granted market access for certain products. Currently, the two countries have cooperative programs concerning technology and criminal justice, and continue to discuss IPR issues on bilateral as well as multilateral basis. On April 9, 2007, though, the United States Trade Representative (USTR) filed two cases against China before the WTO, alleging: (1) weaknesses in China’s legal regime for protection and enforcement of copyrights and trademarks, and (2) market-access restrictions in China on products of copyright-intensive industries. The Chinese Government reacted strongly to the U.S. action, severely curtailing IPR cooperation outside of Geneva, taking IPR out of the Joint Commission on Commerce and Trade (JCCT) dialogue, and canceling many cooperative IPR programs, at considerable cost to the U.S.

In January 2009, the WTO found China in violation of the U.S. copyright claim, and in partial violation of the trademark claim. On the copyright issue, the panel concluded that China did not provide full protection for foreign owners as it did for domestic rights holders. This disparate treatment violated the TRIPs Agreement which requires members to have laws that prevent and deter infringement for all rights holders.

The trademark claim concerned the practice of China Customs removing the trademark from counterfeit goods, such as handbags and apparel, and then donating the goods to charity, re-selling the goods with the profits going to charity, or simply releasing the goods back to the vendor. The WTO held China in partial violation of TRIPs Agreement, in that simple removal of an unlawfully affixed trademark is insufficient to allow release of the goods back into the commercial stream. However, the panel did not find China to have violated its authority of disposing infringing goods as it deemed appropriate.

On a third claim concerning whether China had sufficient enforcement measures to deter infringement, the WTO did not issue a decision, stating that it lacked enough evidence to determine whether China had criminal procedures and penalties in place to address trademark infringement and copyright piracy on a commercial scale.

2. IPR Climate

Industry associations representing copyright industries and consumer-goods industries report high levels of piracy and counterfeiting of all types of products. In its report for the calendar year 2006, the International Intellectual Property Alliance (IIPA) estimated that 85% to 95% of copyrighted “hard goods,” such as publications, compact discs (CDs), and digital video discs (DVDs), were pirated, with records and music at an 85% piracy rate, and business software at 82%.

Many consumer-goods companies report that, on average, 20% of their products in the Chinese market are counterfeit. Chinese companies experience similar, or even greater, problems with piracy and counterfeiting in their home markets. Compounding these problems are widespread squatting of others' trademarks, company names, domain names, and design patents, employee theft of trade secrets, and smuggled exports of infringing products. Chinese-origin infringing goods can be found throughout the world.

China has administrative and criminal enforcement means at its disposal to combat IPR infringement and theft. Inadequate enforcement of IPR laws and regulations, however, remains a serious problem. Enforcement is uneven and inconsistent, and is sometimes impeded by local interests. Administrative penalties for IPR violations, in the form of fines and seizures, have little deterrent effect because they lack the severity of criminal penalties, such as imprisonment. Fines often are amortized into the cost of manufacturing the counterfeit or pirated product. Consequently, payment of a fine is merely the cost of doing business. Chinese law insufficiently criminalizes the import and export of IPR-infringing goods, and the unauthorized uploading of copyrighted materials without profit motivation.

Limited market access for products such as foreign movies and entertainment software as well as restrictions in investment in distribution channels provide additional incentives for smugglers and counterfeiters. Authorities have conducted tens of thousands of raids at both the manufacturing and the retail level, confiscating scores of counterfeit or smuggled products. Nonetheless, large open markets continue to sell pirated and counterfeit products despite repeated U.S. Government requests to shut down these venues and prosecute the offending merchants. These markets are located prominently in major Chinese cities or at border crossings, such as the Silk Street Market in Beijing or the Lowu Commercial Center at the border between Shenzhen and Hong Kong.

3. IPR Enforcement Strategies

Any U.S. company or individual anticipating or encountering problems arising from IPR infringement in China should consider an appropriate strategy to minimize the risks and actual losses. Assistance can be found in the "IPR Toolkit," hosted at the web site of the U.S. Embassy in Beijing: http://beijing.usembassy-china.org.cn/ipr.html. Combating IPR violations in China is a long-term, multi-faceted undertaking that is linked to rule-of-law developments in Chinese society. Different industries have pursued separate strategies, based on a variety of factors: the pervasive nature of the IPR violation; the sophistication of the counterfeiter; difficulties in delivering legitimate product through proper channels; the type of intellectual property being infringed; the effect of the violation on public health, safety, or business interests; the familiarity of Chinese administrative or judicial organs with the type of violation; and budget and marketing constraints. The United States looks forward to the day when China engages in fair, robust, and deterrent IPR enforcement for all rights holders. That is a goal towards which China still is working. In certain circumstances, however, American companies may be able to obtain some relief for export-oriented infringement activities through litigation or engaging Customs enforcement outside of China.

In 1998, foreign multi-national companies in China formed a coalition, the Quality Brands Protection Committee (QBPC), to focus attention on trademark counterfeiting, and to propose solutions for strengthening enforcement. QBPC has gained recognition from Chinese agencies as an organization authorized to protect Chinese as well as foreign products, and has been recognized internationally for its enforcement efforts. QBPC offers technical support for trademark enforcement in China, as well as other areas involving IPR protection. Several other organizations involved with intellectual property matters also have a presence in China, subject to certain limitations that the Chinese Government imposes. These include the Research and Development Pharmaceutical Association of China, the Business Software Alliance, the Motion Picture Association, the International Federation of the Phonographic Industry, and the International Trademark Association. Some U.S. trade associations representing specific industries also have offices in China and focus considerably on IPR issues, such as the Semiconductor Industry Association. Other broad industry organizations in China, such as the U.S. Information Technology Office, the American Chamber of Commerce (with branches in major Chinese cities), and the U.S.-China Business Council have been active in IPR issues as well.

Chinese authorities are addressing the need for increased education on IPR matters through establishment of IPR law centers at many universities, notably People's University, Peking University, Tsinghua University, the Chinese University of Politics and Law, Fudan University, Jinan University, and South China University of Technology, among others. Chinese IPR professionals also are studying in foreign countries, frequently with the assistance of international organizations. In the past several years, the United States and other foreign governments, as well as private organizations, have conducted numerous national and local training initiatives, focusing on China's WTO obligations, including its civil, criminal, administrative, and Customs enforcement. We look forward to continued engagement which will help improve China's IPR regime.

4. IPR Enforcement Systems

Administrative enforcement measures usually are the first avenue of recourse in addressing infringement. A disadvantage to administrative action is that it is only a local remedy, lacking nationwide efficacy. The decision-making process often lacks transparency, with local protectionism a significant impediment to effective enforcement action. These administrative agencies also require assistance from law enforcement authorities to conduct raids, necessitating cooperation and coordination that can be lacking among the disparate Chinese departments.

Chinese Government agencies most often involved in administrative enforcement actions include the following: the State Administration of Industry and Commerce; the General Administration of Customs; the National Copyright Administration; the National Anti-Pornography and Anti-Piracy Office; and the Administration for Quality Supervision, Inspection, and Quarantine. China Customs frequently is involved with administrative actions concerning trademarks. If the rights holder has registered its trademark with Customs, the agency can detain or confiscate products bearing the infringed mark upon either import or export, and levy fines. However, such confiscations usually require the posting of a substantial bond at the port where the goods are seized.

Other national and local Chinese Government agencies also are involved with IPR policy and enforcement, some of which have overlapping responsibilities with other organizations and/or concurrent enforcement authorities. Jurisdiction on key issues is often fragmented, making coordination of enforcement efforts difficult. The branch offices of the U.S. Patent and Trademark Office in China (located in Beijing, Guangzhou, and Shanghai) would like to hear from companies with specific proposals to work with Chinese enforcement agencies in helping them to identify infringing goods and improve enforcement in specific industrial sectors.

China's current IPR laws generally provide referrals for criminal prosecution when the threshold for a criminal IPR violation has been reached. Such measures have become increasingly important in addressing high piracy and counterfeiting rates and deterring organized crime, which now is involved in various forms of IPR piracy and counterfeiting. These thresholds for criminal prosecution, however, are quite high. Police and prosecutors (known as the Procuratorate in China) may lack familiarity with IPR criminal matters. As a result, these authorities may require an excessive level of formality concerning evidence from a victim, including repetitive authentication and consularization of documents. Still developing in China are the relationship between administrative and criminal causes of action, the handling of recidivists, and the preservation of evidence. China has published various procedural rules for improving the transfer of administrative cases for criminal prosecution. As yet, however, this has not resulted in a significant increase in criminal referrals.

China continues to determine the magnitude of certain IPR violations and penalties through the posted sales price of an infringing product rather than the harm posed to the rights holder. In December 2004, China's Supreme People's Court and Supreme People's Procuratorate issued a Judicial Interpretation that lowered the monetary thresholds for criminal prosecution in IPR cases. The Judicial Interpretation also changed the requirement that a minimum amount of sales be proven, instead requiring only that a minimum value of illegal business activity be proven. Now, contrary to prior practice, large amounts of unsold infringing product can form the basis for a criminal prosecution. The Judicial Interpretation, however, lacks a clear formula for valuation. As a result, only a modest increase in criminal trademark prosecutions has resulted. Some cases have not been pursued or have resulted in light penalties because the courts have utilized the low value of the counterfeit product, as opposed to the retail price of the legitimate product, to calculate the amount of ill-gotten gain.

In 2006, China developed a national network of 50 IPR Complaint Centers, with a "12312" hotline number, effective throughout China. The Ministry of Commerce maintains a web site exclusively dealing with intellectual property matters: http://english.ipr.gov.cn/en/index.shtml. The web link is for the English-language web site. It features on-line consultation for IPR matters, guidelines for filing patent, trademark, and copyright applications. Another hotline is "12315" for consumer protection issues, under the aegis of the State Administration for Industry and Commerce.

China also has specialized IPR tribunals in major and secondary cities, and an IPR division in the Supreme People's Court. China, though, lacks specialized criminal IPR prosecutors, such those with the Computer Crime and Intellectual Property Section of the U.S. Department of Justice. In late 2005, authorities established a dedicated criminal intellectual property office within the Ministry of Public Security, which has developed investigative templates for police officers involved in intellectual property matters.

As part of its TRIPs obligations, China provides for appeals of final decisions from the State Intellectual Property Office and the China Trademark Office regarding patent and trademark applications, respectively. The Supreme People's Procuratorate, akin to a chief prosecutor, operates independently, and is co-equal to the courts and other parts of the executive branch. Many Chinese judges, prosecutors, and police officers lack adequate legal training, resulting in reduced effectiveness of criminal prosecutions. The Supreme People's Court, however, has issued interpretations of Chinese laws addressing many of China's international IPR obligations, including internet-related copyright and domain-name disputes. The Supreme People's Court also has issued certain interpretations to implement China's TRIPs obligations that provide preliminary injunctive relief for various IPR matters.

5. Patents

In 1998, China reorganized its patent office in an effort to improve IPR coordination and enforcement, and renamed it as the State Intellectual Property Office (SIPO). SIPO is an integral player in China's National IP Strategy, which was announced in 2008.

Domestic and foreign patent applications have increased steadily, since China's Patent Law was first enacted in 1984. In December 2008, the National People's Congress passed the revisions to the Patent Law. The newly revised Patent Law will go into effect on October 1, 2009.

In January 1993, patent protection was extended to pharmaceutical and chemical products, as well as processes; the period of protection was extended to twenty years. At that time, other amendments empowered the patent-holder with the right to exclude others from importing infringing products, and prohibited the unauthorized sale or importation of products manufactured with the use of patented processes. As yet, China does not provide similar protection for certain biotechnology and business-method patents as in the United States.

On January 1, 1994, China acceded to the Patent Cooperation Treaty (PCT). China now is obligated to perform international patent searches, and conduct preliminary examinations of patent applications. Under China's Patent Law, foreign parties without a business presence in the country must utilize the services of a registered Chinese patent agent to submit the patent application. Foreign attorneys or the Chinese agent, however, may prepare the preliminary portions of the application. In early 2003, in a positive development, China amended its legislation to further harmonize with international practice regarding examination of PCT applications. Later, in mid-2003, China issued new rules regarding compulsory licensing of patents according to certain defined circumstances and procedures. In late 2005, SIPO promulgated a regulation regarding compulsory licensing of pharmaceutical products to prevent or cure infectious diseases during public-health crises. In 2007, China ratified the Protocol amending the WTO's TRIPs Agreement, allowing pharmaceutical products made under compulsory licenses to be exported to countries lacking production capacity, as well as permanently enabling developing and least-developed member countries to produce or import generic versions of patented drugs to deal with epidemics. To date, however, there have not been any reported instances of compulsory licensing of patents.

U.S. companies have not been active in pursuing protection for utility-model or design patents in China. The reason is that only cursory examination is performed on utility-model-patent applications. Until the recent amendments to the Patent Law, design patents were in the same category. When the revisions become effective October 1, 2009, some examination will be performed on design-patent applications. For utility-model patents, foreign ownership of such rights is as low as one percent compared to total registrations. In design-patent matters, Chinese companies, after viewing a new design on a competitor's web site or at a trade fair, file for protection of the designs belonging to the competitor or foreign company. While such patents may be invalidated, the process is time-consuming and expensive. SIPO has attempted to limit this type of "patent squatting." Although less commonly employed in the United States, American companies may wish to consider applying in advance for design-patent protection in China to mitigate these risks. U.S. companies also should consider obtaining these and other appropriate rights, such as trademarks, before any public display or product introduction in order to minimize these problems. Doing so ensures obtaining priority filing dates and, in the case of patents, lessens exposure to other issues, such as lack of novelty.

Some Chinese scholars and officials have argued that patent protection and other IP rights can be a "technical barrier to trade," a "monopolistic" or "unfair activity." They also state that foreign companies should be forced to license their patents as part of a national standards-setting process. Separately, Chinese companies have been instituting unfair-competition cases against their competitors. With the 2007 enactment of the Anti-Monopoly Law, all of these risks need to be carefully evaluated, particularly in certain industrial sectors.

China's Patent Law currently does not afford patent-term restoration, which would extend a patent term due to delays in marketing approval for patented pharmaceutical products. In 2002, the State Food and Drug Administration implemented the "Regulations for Implementation of the Drug Administration Law of the People's Republic of China," containing Article 35 which has "data exclusivity" provisions. However, transparency and interagency-coordination issues have prevented establishing an effective system of data exclusivity and patent linkage. It is hoped that China will adopt measures to improve the climate for pharmaceutical research and development. Innovative pharmaceutical companies also face the following challenges: widespread counterfeiting; extensive availability of certain bulk active ingredients; and delays and restrictions in market access for their products. Various agreements were signed between our governments in 2007 that have facilitated further cooperation in addressing the scourge of Chinese-origin counterfeit and substandard pharmaceuticals, foods, and other products.

6. Copyrights

In March 1992, China established bilateral copyright relations with the United States. In October 1992, it acceded to both the Berne Convention for the Protection of Literary and Artistic Works and the Universal Copyright Convention. China also joined the Geneva Phonograms Convention in April 1993. Following accession to the Berne Convention, China explicitly recognized computer software as a literary work, granting fifty years of protection to computer programs without mandatory registration requirements for foreign rights holders. In addition to amendments to China's Copyright Law, its Supreme People's Court has taken steps to address digital and internet-based copyright issues.

In March 2007, China acceded to the two WIPO Internet Treaties, known formally as the WIPO Copyright Treaty and WIPO Performance and Phonograms Treaty. Internet piracy is a widespread phenomenon, particularly as internet penetration spreads throughout China. Industry groups report that piracy on university campuses is widespread, including textbook piracy and illegal downloads of music and movies. In late 2006, significant efforts were initiated to address these problems. The United States has asked for increased governmental coordination as well as legislative changes in copyright enforcement.

Copyright issues and enforcement are divided among several Chinese agencies, resulting in confusing jurisdictional challenges. These agencies include the National Copyright Administration of China, the Ministry of Culture, the National Anti-Pornography and Anti-Piracy Office, the General Administration of Press and Publication, and the State Administration for Radio, Film, and Television.

Inadequate market access for foreign films, books, and music has led to a large black market for these goods. China does not allow publishing rights for foreign music and book firms. In certain circumstances, it requires compulsory licensing of some books used to implement national education plans. Delays occur during "content review" of entertainment software, whereby two ministries evaluate the internet-based content as well as the physical (compact-disc based) content.

China maintains a ceiling on the number of foreign films allowed to enter the country. In 2003, China authorized a new company, Huaxia, to distribute foreign films, creating a duopoly in place of the China Film Group's earlier monopoly. However, these two companies still are subject to the same ceiling of twenty revenue-sharing foreign films per year. Neither distributor comes close to fulfilling the market's demands, relegating consumers to purchase pirated DVDs (digital video discs) or VCDs (video compact discs) in order to watch films that are not otherwise legally available. Periodically, the State Administration for Radio, Film, and Television imposes *de facto* or *de jure* blackouts, or suspends content review of new releases, causing concern to many rights holders.

7. Trademarks

China's Trademark Office is under the aegis of the State Administration for Industry and Commerce, and is the most active trademark office in the world. China's trademark regime generally comports with international standards, with the principal exception being China's historical lack of equal recognition accorded to foreign well-known trademarks. In 2003, China revised its ministerial regulations for well-known marks. The rules required companies alleging infringement to prove that their marks are well-known within China based on sales, marketing, and advertising figures. As a result, some foreign marks have achieved well-known-mark status, and should be accorded the same enhanced enforcement available to domestic well-known marks. In addition to the administrative registration process, China's civil-litigation courts have recognized trademarks as well-known. In 2007, a Beijing court recognized an unregistered foreign mark as well-known, a first in Beijing and an important step. However, such recognition of a foreign mark as well known is extremely rare; rights holders still should consider securing their rights in a timely fashion through the appropriate registration procedure. Another major challenge is the lengthy delay in examination of new trademark applications due to the rapid growth in filings. U.S. companies are advised to file as early as possible.

China also protects geographical indications (GIs) using certification and collective marks under the trademark system. It also has an unusual two-agency *sui generis* system, the first under the control of the Administration for Quality Supervision, Inspection, and Quarantine, and the second for agricultural products administered through the Ministry of Agriculture. U.S. companies interested in protecting their GIs have several systems to contemplate.

In October 1989, China joined the Madrid System for the International Registration of Marks, otherwise known as the "Madrid Protocol," allowing for reciprocal trademark registration to member countries. The United States acceded to the Madrid Protocol in 2006. China has a "first-to-file" system which could allow an unscrupulous third party to attempt registration of popular foreign marks without knowledge of the legitimate trademark owner. "Trademark squatters," as well as "domain-name squatters" (see below), have the potential for creating all manner of problems when the legitimate rights holder attempts to register its mark or domain name. Consequently, foreigners seeking to do business in China should consider registering their word mark and/or design mark, the Chinese-calligraphy equivalent of the word mark, the pinyin transliteration, and the internet domain name. In addition to Mainland China, rights holders would be well-advised to consider registering its marks and the variants discussed in Hong Kong and Taiwan. On occasion, the China Trademark Office will cancel registration of marks held in the name of Chinese agents of U.S. distributors who, without authorization, registered such marks in their own name. Separately, the State Administration for Industry and Commerce registers company and enterprise names.

Domain Names: A domain name serves as an internet address. A trademark can be words, names, designs, sounds, or colors that serve as a source indicator, and distinguishes the goods and services of one provider from others. The ".cn" domain name is very similar to non-Chinese domain names, and can lead to confusion as to the source of goods and services. The China Internet Network Information Center (CNNIC), under the Ministry of Information Industry, authorizes service providers to register ".cn" domain names. In the summer of 2007, following CNNIC guidance, many of these authorized registrars voluntarily reduced their registration fees, and, in some cases, maintaining for one year, a ".cn" domain name for as little as RMB 1 or USD $0.15. This has led to a proliferation of unsolicited offers to U.S. domain-name owners from Chinese individuals and businesses, offering to register their domain names as ".cn" names. When Americans do express interest, they sometimes are advised that the ".cn" version of their domain name already has been registered, but can be purchased at an exorbitant price from domain-name squatters. The Foreign Commercial Service commends CNNIC's English-language web site, http://www.cnnic.cn/en/index/index.htm, to those interested in learning more about China's domain-name administration, registration, and structure. The site lists all authorized ".cn" domain-name registrars, and provides information on how to search for, register, dispute, and cancel ".cn" domain names.

Under China's trademark law, foreign companies without a presence in China must utilize a registered Chinese trademark agent or Chinese law firm to submit a trademark application. Foreign attorneys or the Chinese agent may prepare the application. China's trademark law is under revision, with a new law likely to be promulgated in 2009.

8. Trade Secrets

Chinese and foreign companies in China widely pursue trade-secret protection. "The Law to Counter Unfair Competition" protects "commercial secrets," defined as information which can bring economic and practical benefits to the authorized users, and are protected through appropriate security measures of a business operator. Commercial secrets include operational and technical information not available to the general public.

Sanctions under the law include civil remedies such as damages, administrative sanctions such as fines, and criminal penalties for "serious violations." China is further obligated to protect trade secrets under the TRIPs Agreement. Laws and rules of the Ministry of Labor and Social Security and other ministries at a national and local level provide for enforcement of non-compete provisions with employees with access to business-sensitive information. In order for such non-compete provisions to be effective, however, reasonable compensation must be provided to the employee.

The TRIPs Agreement mandates that China provide protection for certain non-disclosed clinical data used in securing regulatory approvals. The Ministry of Agriculture has adopted implementing rules for this TRIPs obligation. In 2002, China also passed Article 35 of the "Implementing Regulations of the Drug Registration Law" to address data-exclusivity issues. It remains unclear, however, whether China's regulations concerning data exclusivity provide sufficient protection against reliance on innovator data in applications for marketing approval that generic drug producers submit.

9. Semiconductor Layout Designs

China adopted regulations for the protection of semiconductor layout designs as part of its WTO accession. The State Intellectual Property Office handles registration. Administrative and civil enforcement measures exist for semiconductor layout designs.

10. Regulation of Technology Licensing

The Chinese Government continues to seek introduction of new technology through selective introduction of foreign investment and technology transfer. China has promoted development of its own research and development facilities. It has sought to use Chinese technology where possible, through government procurement rules, standards-setting initiatives, and investment initiatives. Laws concerning foreign investment regulate contracts transferring intellectual property, as part of the equity contribution of foreign-invested enterprises. A new regulatory scheme has replaced China's 1985 rules on technology-import contracts, and regulations on technology export, which included contract licensing, patents, trademarks, know-how, trade secrets, and contracts for technical services. Technology-licensing contracts now are submitted to the Ministry of Commerce or its provincial offices for filing, rather than for substantive review. The former restriction that most technology contracts are not to extend beyond ten years has been removed. The current regime, however, requires that any improvements in technology licensed by foreigners to a Chinese entity belong to the licensee. China also imposes other controls on exports of technology to address its own commercial and national security concerns. Some foreign companies complain that many Chinese localities continue to impose burdensome requirements on technology transfers, and intervene in commercial negotiations, despite changes in Chinese law that require only recordation, but not review, of such agreements. Moreover, proposed revisions to other laws may affect the ability of foreign, China-based research and development institutions to file patents overseas without first obtaining a foreign filing license or equivalent.

11. IPR Protection at Trade Fairs

On January 1, 2006, the Ministry of Commerce, the State Administration for Industry and Commerce, the National Copyright Administration, and the State Intellectual Property Office jointly presented the "Protection Measures for Intellectual Property Rights during Exhibitions." These guidelines, which are not mandatory, recommend that trade fairs lasting at least three days should establish "IPR Complaint Centers" supported by personnel from local bureaus that handle trademarks, copyrights, and patents. If the organizer chooses *not* to have an on-site IPR complaint center, it is supposed to assist complaining rights holders contact local IPR authorities to register their complaints for resolution. Various localities have issued similar rules, including Beijing Municipality in 2007.

These 2006 guidelines, which seek to remove infringing goods from displays through cooperation between local IPR authorities and trade-fair organizers, operate on a "three strikes and you're out" principle. To date, anecdotal evidence from complaining U.S. rights holders suggests that some local IPR authorities are slow to embrace this initiative, since some have refused to get involved, even after being contacted by trade-fair organizers. Even where IPR complaint centers have been set up, documentary requirements for right holders to establish their rights have been inconsistent and overly burdensome. And when U.S. rights holders have documented their rights to the satisfaction of the staffers at the IPR complaint centers, alleged infringers are merely given a warning to remove the offending products from their displays. In some instances, rights holders discover that the infringers bring back out the offending products once they believe that the authorities have departed.

At the beginning of 2007, the Department of Commerce (DOC) launched an initiative to protect IPR at trade fairs that it sponsors or supports. The plan seeks to insure a basic level of IPR protection at any trade fair which the Department and/or the U.S. Commercial Service (CS) sponsors or provides substantial support. It requires that all U.S. exhibitors attest that they have not knowingly infringed IPR, a declaration that all Department-supported trade fairs eventually will require. The initiative requires the organizers of U.S. Pavilions and members of the U.S. Commercial Service to explain to American exhibitors the IPR protection policies of each trade fair. They also must be ready to help U.S. exhibitors' secure legal representation to enforce their rights during the fair. In February 2007, the program was officially launched in China with a tasking to benchmark the IPR protection policies and procedures of trade-fair organizers who arrange over three dozen trade fairs which DOC and CS/China sponsor each year. The Commercial Service and the China Mission of the U.S. Patent and Trademark Office will review these policies and procedures, monitor effectiveness during trade fairs, work with China's Ministry of Commerce and IPR authorities to improve the effectiveness of IPR protection, and leverage DOC/CS support as an incentive to improve IPR protection at individual trade fairs.

12. IPR Resources

In addition to material from the Chinese Government and various private consulting firms and law offices, the U.S. Government has a number of resources on protecting IPR in China.

1. Refer to the China "IPR Toolkit," located on the web site of the U.S. Embassy in Beijing: http://beijing.usembassy-china.org.cn/ipr.html.

2. The web site www.stopfakes.gov provides a great deal of information about the different types of intellectual property, and is linked to web sites for the Patent and Trademark Office, the Copyright Office, Customs and Border Protection, the Federal Bureau of Investigation, and the Commercial Service. It also advises of upcoming informative IPR "webinars," and provides web links to "IPR Toolkits" for other countries, including Taiwan, Thailand, India, Russia, Brazil, and others.

3. To arrange an appointment for a free, one-on-one consultation with a U.S. Government intellectual-property expert, please call 1-866-999-HALT (4258), or register at http://www.stopfakes.gov/form.asp.

4. Alternatively, register on-line for a no-cost, one-hour consultation with a private attorney at: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html. General information about this American Bar Association program is available at: http://www.abanet.org/intlaw/intlproj/iprprogram.html.

5. To inquire about China-specific issues or U.S.-China-Mission-sponsored IPR events and programs, e-mail the staff at "USPTOChina@mail.doc.gov."

The Chinese legal system mediates acquisition and disposition of property, as outlined in Section D – Dispute Settlement. Besides the weaknesses of Chinese courts outlined above, there are limits on two significant property rights in China: land and intellectual property ownership.

Land and Property Ownership

First, all land in China is owned by the State, state-controlled entities, or rural collectives. Individuals and firms, including foreigners, however, can own and transfer long-term leases for land use, subject to many restrictions, as well as structures and personal property. To obtain land-use rights, the land user must sign a land-grant contract with the local land authority, and pay a land-grant fee in advance. The grantee enjoys a fixed land-grant term, and must use the land for the purpose specified in the land-grant contract. The maximum term of a land grant ranges from forty years for commercial usage, fifty years for industrial purposes, and seventy years for residential use. China's Property Law, which the National People's Congress approved in March 2007, stipulates that residential property rights will be renewed automatically, while commercial and industrial grants should be renewed absent a conflicting public interest.

Protection of Property Rights

China's Security Law defines debtor and guarantor rights, and allows mortgages of property and other tangible assets. Important areas of the law, however, remain unclear, such as how to transfer property under foreclosure. Chinese commercial banks have successfully repossessed vehicles from delinquent borrowers. A December 2005 policy update enabled banks to foreclose on owner-occupied residences. Foreigners can buy non-performing debt through state-owned asset-management firms, but bureaucratic hurdles limiting their ability to liquidate assets have dampened investor interest.

Due Diligence

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Undertaking a due diligence investigation prior to engaging in a trade or investment transaction can minimize the risk of encountering commercial disputes. The primary causes of commercial disputes between Chinese and American companies concern breach of contractual payment obligations, irregularities in accounting practices, financial mismanagement, undisclosed debt, and the struggle for control within joint ventures. These problems can be minimized by investigating the financial standing and reputation of local companies before signing contracts with them. Both U.S. and Chinese firms with offices in China conduct due diligence investigations. The fees charged by these companies may be considered a useful investment to ensure that the local customer or partner is financially sound and reliable. In addition, the USCS in China assists American companies to evaluate potential business partners through its International Company Profile (ICP) service.

Warning Signs of a Scam

Although China's booming economy offers great opportunities for U.S. companies, businesses looking to invest or export to any foreign country should always exercise due diligence. Several exporters have reported unsolicited buyer interest from China and elsewhere that turned out to be bogus. While not all unsolicited interest is fraudulent, American companies should always be cautious when considering such situations. Requests for advance payments, samples or prototypes to be sent in advance of sales negotiations, cash for a banquet far in excess of typical costs, cash for travel expenses for an "essential" U.S. meeting, all pose red flags that a business opportunity may be fraudulent. To report a suspicious business offer from China, contact your local US Export Assistance Center or the China Business Information Center at (chinabic@mail.doc.gov).

Local Professional Services

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The system for regulation of foreign commercial activity in China is difficult to navigate and is not fully transparent. Companies new to the market are strongly encouraged to retain professional services to structure commercial transactions. Establishing a wholly foreign owned subsidiary, joint venture, or representative office requires compliance with complex contract approval requirements, business registration requirements, taxation regulations and statutes, and labor regulations. Many U.S. banks, accountants, attorneys, and consultants have established offices in China and are familiar with Chinese requirements. Some Chinese professional service providers also have substantial experience serving foreign clients.

1. Accountants

Chinese law requires representative offices and foreign-invested enterprises to engage the services of accountants registered in China to prepare official submission of annual financial statements and other specified financial documents. Therefore, only Chinese accountants and joint venture accounting firms may provide these services. All of the major U.S. accounting firms have established offices in China and provide services including audit, tax and advisory services, the preparation of investment feasibility studies, and setting up accounting systems that are in compliance with Chinese law.

2. Attorneys

Over one hundred U.S. and international law firms have received approval to register in China as foreign law firms, and currently operate in China. Foreign law firms registered in China are restricted to advising clients on legal matters pertaining to the jurisdiction where they are licensed and general international business practices. Although a foreign lawyer may not offer a legal opinion, clients can obtain assistance with structuring transactions, drafting contracts and resolving disputes. Only attorneys licensed in China may appear in court and provide legal advice on Chinese legal matters. Chinese lawyers are allowed to work at foreign law firms, but they may not practice law as licensed Chinese attorneys. Foreign lawyers are not permitted to qualify to practice law in China and are not allowed to form joint ventures with Chinese lawyers. The legal services that a foreign law office can provide are limited to: 1) providing consulting services to its clients with regard to the home legal affairs for which it is licensed and international conventions and practices; 2) providing legal services to its clients or Chinese law firms with regard to legal affairs in the country/region for which it is licensed; 3) entrusting Chinese law firms with regard to China legal affairs on behalf of its foreign clients; 4) establishing long-term contractual relationships with Chinese law firms with regard to legal clientage; and 5) providing information with regard to the impact of Chinese legislation.

3. Management Consultants

Foreign companies new to the Chinese market often engage the services of local consultants to develop market entry strategies, conduct due diligence investigations, and identify potential investment partners, sales agents and customers. Most of the major foreign consulting firms are active in the Chinese market, along with a number of small niche players, as well as many local companies. Licensed and unlicensed firms compete in the market, and the regulatory environment for this sector is unclear.

4. Advertising

Almost 100,000 advertising firms exist in China, of which perhaps 400 are foreign invested enterprises. Many major international advertising firms have established a presence in China. Companies new to the market can gain valuable advice from top-notch advertising firms on how to craft an effective advertising strategy that is responsive to Chinese consumer preferences and cultural differences. Advertising is strictly regulated in China, and penalties for violation of the law through misleading advertisements, unauthorized use of national symbols, or other prohibited forms of advertising are subject to fines.

The U.S. Commercial Service maintains lists of U.S. law, accounting and consulting firms with offices in China, as well as lists of Chinese firms with whom the Commercial Office or its customers have had favorable dealings. Local professional services can be found at http://www.buyusa.gov/china/en/bsp.html.

Web Resources
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China Business Information Center (U.S. Department of Commerce)
http://www.export.gov/china/

China Trade Show Events
http://www.buyusa.gov/china/en/chinashows.html

American Chamber of Commerce, China
www.amchamchina.org

American Chamber of Commerce, Shanghai
www.amcham-shanghai.org

US-China Business Council
www.uschina.org

China Government Web Portal
www.english.gov.cn

Guide to Investment in China
http://fdi.gov.cn/index.htm

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Agricultural Sectors

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The United States Department of Agriculture, through the Foreign Agricultural Service (FAS), operates six offices in the People's Republic of China for the purpose of expanding exports of U.S. agriculture, fishery, and forestry product exports. U.S. agricultural, fishery, and forestry exports to China from January to November 2008 were over USD10 billion, representing a 55% increase year on year, again setting a new record for the highest level in history. China continues as the fourth largest U.S. overseas market for agricultural, fish, and forestry exports. Given China's rising incomes and demand for raw materials and finished foodstuffs, FAS forecasts its imports will continue growing well into the future.

Given the changing regulatory environment in China since its accession to the WTO in 2001, U.S. exporters are advised to carefully check the import regulations. Individuals and enterprises interested in exporting U.S. agricultural, fishery, and forestry commodities to China and Chinese importers interested in sourcing American agricultural, fishery, and forestry commodities should begin by contacting the overseas FAS offices and the USDA Cooperator organizations listed below. In addition to contacting these offices, exporters of U.S. commodities should review the main FAS website (http://www.fas.usda.gov). The website features general information for all exporters, including information on opportunities to showcase agricultural products in China at trade shows and other promotional venues, FAS sponsored promotional efforts, how to determine export readiness, export financing and assistance, and a directory of contacts both in the United States and abroad who registered as either suppliers or buyers of agricultural, fishery, and forestry goods.

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Annual Gain Reports

The following is a small, sample compilation of report highlights from publicly available Global Agricultural Information Network (GAIN) reports written and published by FAS offices in China. Exporters of U.S. food, beverage, agricultural, fishery, and forestry commodities can view the full text of these and other reports by accessing the following website (http://www.fas.usda.gov/scriptsw/attacherep/default.asp).

Oilseeds Annual (GAIN Report CH8010 – CH8011): Total MY08/09 oilseed production is forecast at 57.2 million metric tons (MMT) based on a planted area of 28 million hectares (MHa), up five and four percent, respectively, over MY07/08. Soybean planted area is forecast to rebound to 9.3 MHA in MY08/09 with production returning to 16 MMT on average yields. While rapeseed planted area is forecast to rise by almost eight percent, severe winter storms in central and southern growing areas will lead to increased abandoned crop area and decreased yields. China's imports of soybeans in MY08/09 are forecast to rise to 36 MMT from the estimated 35 MMT in MY07/08.
(http://www.fas.usda.gov/gainfiles/200802/146293748.pdf)
(http://www.fas.usda.gov/gainfiles/200802/146293749.pdf)

Grain and Feed Annual (GAIN Report CH8012): Corn production in MY07/08 is estimated to drop six percent from the previous year due to an estimated nine percent drop in yield. In MY08/09, the government will continue to encourage grain production through a series of policies, including direct payments, price supports, and a machinery subsidy. China will remain a net exporter (though in small volume) for wheat, rice, and corn in MY08/09.
(http://www.fas.usda.gov/gainfiles/200802/146293800.pdf)

Sugar Annual (GAIN Report CH8023): Total Chinese centrifugal sugar output is forecast to decrease one percent to 14.35 MMT (raw value) in marketing year (MY) 2008/09. Sugar beet acreage is forecast to be unchanged in MY08/09 and acreage for sugar cane is forecast to rise two percent. MY07/08 production is estimated at a record 14.5 MMT (raw value), five percent higher than the previous estimate due to a record yield and area expansion. In MY07/08, starch sweeteners are estimated to be less price-competitive versus natural sugar due to rising corn prices and a government policy that will curb the further expansion of starch sweetener production.
(http://www.fas.usda.gov/gainfiles/200804/146294250.pdf)

Stone Fruit Annual (CH8028): China's MY 2008 production is forecast to increase for all types of stone fruit. Despite increased production, stone fruit prices are likely to remain stable or slightly increase during MY 2008, driven by increasing prices of other food items and escalating costs of agricultural inputs. The central government has taken actions to help farmers cope with rising production costs. Imports of U.S. cherries are expected to increase as well, encouraged by opportunities offered by the Olympic Games. (http://www.fas.usda.gov/gainfiles/200804/146294509.pdf)

Cotton Annual (GAIN Report CH8037): China's cotton imports are forecast at 3.7 million metric tons (MMT) in marketing year (MY) 08/09, up from an estimated 2.7 MMT in MY07/08. This import increase is based on expected growth of cotton use and a slight decline in domestic production due to a reduction in the planted area in response to

higher returns from grain crops. Cotton consumption is forecast at 11.8 MMT in MY08/09, up five percent from the previous year. The supply and demand gap continues to expand and is unlikely to be met by domestic production, thus cotton exports to China will remain strong in the foreseeable future. In MY08/09, the United States will continue to face fierce competition from India, which will likely expand its market share in China.
(http://www.fas.usda.gov/gainfiles/200805/146294733.pdf)

Tomato Annual (GAIN Report CH8041): In marketing year 2008/09, China's total tomato production is forecast at 37.5 million MT, a three-percent increase over the previous year and represents a recovery from MY 2007/08, when an estimated 0.3 million MT of Inner Mongolia's processing tomato plants were lost as a result of a blight outbreak, almost half of the expected harvest. Production of processing tomato is expected to reach 5.2 million MT in MY 2008/09, an increase of 15 percent over MY 2007/08. China's exports of tomato paste continue to grow and account for about 90 percent of China's total tomato and tomato product exports. MY 2008/09 exports of tomato paste are forecast at 700,000 MT, an increase of 14 percent over the previous year.
(http://www.fas.usda.gov/gainfiles/200808/146295439.pdf)

Strawberry Annual (GAIN Report CH8048): China's fresh strawberry production is forecast at 1.15 million MT in 2009, a slight increase over the revised estimate of 1.1 million MT in 2008. 2008 production is revised up 200,000 MT from the previous estimate, mainly because of increases in strawberry acreage. Frozen strawberry production is forecast at 147,000 MT in 2009, a seven-percent increase over the revised 2008 figure of 136,500 MT. The increase is mainly attributed to China's win in its anti-dumping case against the EU. About 75 percent of China's total strawberry production is consumed fresh. China's frozen strawberry exports are forecast to increase to 130,000 MT in 2009. The Netherlands is the largest market for China's frozen strawberries. China exports a very limited quantity of fresh strawberries due to the prohibitively high costs of exporting the perishable fruit.
(http://www.fas.usda.gov/gainfiles/200806/146294910.pdf)

Bio Fuels Annual (GAIN Report CH8052): China's fuel ethanol production is estimated to rise to 1.55 million MT in 2008, an increase of 11 percent compared to 2007. Food security and inflation are the main concerns on the government's agenda. Escalating food prices beginning in 2007 triggered a series of policy shifts in industrial use of grains. To reduce industrial grain consumption, the government halted the approval of new grain processing projects (including fuel ethanol plants) in 2007 and 2008.
(http://www.fas.usda.gov/gainfiles/200806/146295020.pdf)

Solid Wood Products Annual (GAIN Report CH8059): Cooling off after nearly ten years of double-digit growth, China's wood processing industry is expected to reach a turning point in 2008-2009. The sector is currently facing several major challenges: raw material prices are rapidly increasing because of Russia's new tariff on log exports, increasing labor costs, soaring freight costs; and a shrinking market based on the poor economic situation worldwide. Therefore, Post forecasts both China's wood product imports and exports will decline in 2008-2009.
(http://www.fas.usda.gov/gainfiles/200812/146306711.pdf)

Agricultural Biotech Report (GAIN Report CH8063): In July 2008, the Chinese Premier Wen Jiabao made an announcement of an additional USD 3 billion in state

support for the development of agricultural biotechnology over the next 15 years. This signals China's intent to use biotechnology as a key means to address food security and re-affirms its position that the technology can be used safely. This strong pro-biotech policy suggests that major food crops may soon break free from a long regulatory limbo and be permitted for planting. A change to permit the planting of biotech food crops (rice, corn, and soybeans, in particular) could significantly alter Chinese production and rural economy in the coming years.
(http://www.fas.usda.gov/gainfiles/200808/146295570.pdf)

China Import Regulations and Standards (GAIN Report CH8064): This report is an index of all agricultural product import regulations and standards translated and published by the Agricultural Affairs Office at the U.S. Embassy in Beijing through August 2008. Updated sections include: labeling requirements, food additive regulations, multiple commodity regulations, commodity specific regulations, copyright/trademark laws, and import procedures.
(http://www.fas.usda.gov/gainfiles/200809/146295851.pdf)

Asparagus Annual (GAIN Report CH8067): China's marketing year 2009 production is forecast at 300,000 metric tons (MT), a 14 percent decline from the 2008 estimate of 350,000 metric tons (MT). Production in 2009 is forecast to decline because of shrinking acreage as a result of poor returns in 2008, especially for green asparagus, and decreased demand in China's export markets. China's canned/jarred asparagus exports are estimated at 90,000 MT in 2008, an eight-percent decline from 2007, the result of declining global demand for Chinese asparagus.
(http://www.fas.usda.gov/gainfiles/200810/146296080.pdf)

Poultry Annual (GAIN Report CH8073): On July 1, 2008, China lifted its poultry ban on Connecticut, Rhode Island, Pennsylvania, West Virginia, and Nebraska. Imports from these states were suspended several years ago because of outbreaks of low pathogenic avian influenza. The ban on New York State was officially lifted on August 24, 2008. Lifting of these bans will provide more opportunities for U.S. exports to China. China's broiler production in 2009 is forecast to increase eight percent to 13.7 MMT. Broiler imports in 2009 are forecast at the same level as 2008. Broiler exports are forecast to recover three percent to 283,000 MT from the previous year's 23 percent decline.
(http://www.fas.usda.gov/gainfiles/200812/146306712.pdf)

Pulses Annual (GAIN Report CH8076): The prices of China's pulse crops have been slowly, but steadily, rising in the past few years. This trend is attributed to the increase in the cost of inputs for production, and the decline in acreage to grain crops. China's kidney bean production is predicted to decrease to 530,000 MT in 08/09MY, as farmers move to government supported crops, and land is taken out of agricultural use as urban areas expand. Dry peas accounted for nearly half of China's pulse imports over the past few years. Overall, the demand for dry peas, mung, and broad beans that are processed into starch is estimated at over 400,000 tons in 2007. Processors use these to produce white-colored or translucent vermicelli. However, inexpensive mung beans and lentils from Myanmar have entered the market in the first half of 2008 as domestic prices for starch crops rise.
(http://www.fas.usda.gov/gainfiles/200809/146295850.pdf)

Livestock and Products Annual (GAIN Report CH8078): China's beef production in 2009 is expected to rise just two percent to 6.4 MMT, as increased input costs and

comparatively low net returns continue to constrain supply growth. Pork production in 2009 is forecast to reach 46 MMT, up three percent over 2008, but still well below pre-blue ear disease levels of 52 MMT in 2006.
(http://www.fas.usda.gov/gainfiles/200901/146327011.pdf)

Tree Nuts Annual (GAIN Report CH8081): Walnut production is forecast at 490,000 MT in MY2008, up seven percent from MY2007, following good harvests in China's Northern provinces. Shelled almond production is forecast at 400 MT, down 70 percent from last year, due to a spring frost in the north-western province of Xinjiang that severely hampered production. Walnut consumption in China remains strong but demand for other nuts is elastic and dependent on price. Walnut exports are forecast up to 40,000 MT, while imports in MY 2008 are expected to remain stable. Almond imports are expected to increase following a bumper harvest in California, but MY 2008 imports of pistachios are forecast to decrease due to tightened world supplies. A temporary lower tariff for pistachios has resulted in more trade moving through official channels. To reflect this, MY 2007 imports are revised up to 32,000 MT.
(http://www.fas.usda.gov/gainfiles/200809/146295852.pdf)

Canned Deciduous (GAIN Report CH8085): Canned peach production is forecast at 372,500 MT in MY 2008, up 23 percent from the previous year, due to growing demand in both the domestic and international markets. An abundant supply of fresh yellow peaches has kept farm gate prices roughly unchanged from last year, despite significant increases in production costs. Domestic consumption of canned yellow peaches continues to grow steadily at a rate of more than 20 percent a year in China, while consumption of other canned fruits remains moderate. China’s exports of canned peaches are forecast at 180,000 MT in MY 2008, up 20 percent from the revised estimate for the previous year. The United States remains the largest buyer of Chinese canned yellow peaches, canned pears, and canned mixed fruit. China imports small quantities of canned yellow peaches for use in the baking industry and for high-end consumers.
(http://www.fas.usda.gov/gainfiles/200809/146295927.pdf)

Dried Fruits Annual (GAIN Report CH8109): China's MY 2008/09 raisin production is forecast at 135,000 MT, a 10-percent decrease from MY 2007/08 because of hot and dry weather in Turpan, Xinjiang Province. Raisin imports in MY2008/09 are forecast at 14,500 MT, an increase of seven percent over the previous year, driven by the strong market demand and decreased domestic production. U.S. raisins continue to dominate the market, and are mostly packaged or processed for re-export to Japan.
(http://www.fas.usda.gov/gainfiles/200811/146306444.pdf)

Fresh Deciduous Annual (GAIN Report CH8108): China’s apple production is forecast at 28.5 million MT in MY 2008, up 15 percent from the previous year, the result of a high year in the production cycle. Concentrated apple juice production is forecast at 600,000 MT in MY 2008, down 50 percent from the previous year, attributed both to large quantities of carry-over stock and weakening demand in the world market. Industry sources believe that crushers held at least 300,000 MT of stocks at the end of MY 2007, as sky-rocketing prices limited sales from major world buyers. Apple exports are forecast at 870,000 MT in MY 2008, while CAJ exports are forecast at 700,000 MT in MY 2008, down 13 percent from the previous year, given expected lower demand from Europe and the United States.
(http://www.fas.usda.gov/gainfiles/200811/146306593.pdf)

Citrus Annual (GAIN Report CH8110): China's MY 2008 citrus production is forecast at 21 MMT, up 10 percent from the revised MY 2007 figure, the result of favorable weather conditions throughout the major citrus producing areas during the crop development period. Orange production is forecast at six MMT in MY 2008, up 10 percent from the previous year, as new plantings from a few years earlier have gradually reached full production. Production costs continue to rise in the wake of increased prices for inputs such as fertilizer, pesticides, electricity, fuel, water, and labor.
(http://www.fas.usda.gov/gainfiles/200812/146306642.pdf)

China Exporter Guide (GAIN Report CH8819): In 2007, China Customs reported total agriculture, fisheries and forest product imports of nearly USD 50 billion. Imports of consumer-oriented agricultural products (not including fisheries, bulk or intermediate products) accounted for almost USD 6 billion of this total. The U.S. continues to hold the top position in both overall agricultural exports to China and in consumer-oriented products, despite setbacks in the cotton and fresh fruit trade. As incomes continue to grow, and buying habits change, U.S. exporters are advised to invest in market research and taste testing before launching new products.
(http://www.fas.usda.gov/gainfiles/200811/146306566.pdf)

Automotive Components Market

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China is now the second largest automotive market in the world, just barely trailing the United States. Its motorcycle market is limited by the general prohibition on motorcycles in China's large cities. China has about 6,000 automotive enterprises, which are scattered in five sectors: motor vehicle manufacturing, vehicle refitting, motorcycle production, auto engine production, and auto parts manufacturing. This includes approximately 100 OEMs, with 40 producing passenger vehicles, and over 4000 registered auto parts/accessories companies. All tiers of the industry are being driven by the booming sales of the OEM sector. Nearly 80% of the revenue for the auto parts and accessories market is through new vehicle sales. However, revenue from after market is increasing rapidly.

Shanghai and its surrounding provinces (Zhejiang, Jiangsu, and Anhui) are the centers for component manufacturing, representing around 44% of national production. Shanghai is home to Shanghai General Motors, Delphi, Visteon, and other notable American automotive companies and, as such, provides a good starting point for U.S. automotive component exporters to begin to explore the Chinese market. Other major automotive centers in China include Guangzhou (South China), Chongqing (West China), and Changchun (North China).

Best Prospects/Services

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- Engines for motor vehicles and motorcycles (usually by U.S. companies already in China;
- Auto and motorcycle casting blanks;
- Key and high tech automotive parts and components including disc-type breaking assembly, drive axle assembly, automatic transmission box,, engine admission supercharger, engine displacement control device, electric servo steering system, viscous continuous shaft device (for four-wheel drive), air shock absorber, air suspension frame, hydraulic tappet, and compound meter;
- Auto electronic devices and instruments (including control systems for engine, chassis and vehicle body);
- Fuel cell technology;
- Automotive accessories;
- After market products (that meet legislative guidelines for vehicle modification)

Opportunities

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In 2008, it's estimated that ten million new motor vehicles in China will be sold. As of November 2007, China had already produced 8.8 million vehicles, a 33.33% rise over 2006's figures. Most Chinese car buyers are first time buyers as incomes rise and car prices decline.

Additionally, as China's restrictions on trading and distribution have been reduced over the years, American companies are gaining the right to distribute most of their own products, including automobiles and related parts, in any part of China. Car dealerships are also about to embark on the business of buying back and selling used cars. Imported used cars continue to be prohibited.

The main goals for Chinese automotive components, parts, and accessories manufacturers are to improve technology and quality and to develop their own design capability. Currently, a consortium is working on developing a Chinese automatic transmission, a technology which has eluded them so far. Most of the domestic automotive parts manufacturers' R&D capabilities are limited due to the small scale of their operations and a shortage of capital as compared to international companies. However, Chinese companies are dominating the low-end components market and have aggressively sold their parts to U.S. automakers. In the next five years, the Chinese Government will continue to encourage foreign investment in automotive component development and manufacturing. In the meantime, there is still a market for imports and American products are generally highly regarded by Chinese customers.

The Chinese government has launched the "National Projects of Electric Vehicles," that encourages the development of environmentally friendly automobiles. U.S. companies possessing clean energy parts and technologies will find more and more opportunities in the Chinese market.

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Major Shows/Exhibitions:

New Energy Vehicles – Global Development and China's Opportunities
April 21-23, 2009
Crowne Plaza Century Park Hotel,Shanghai
http://www.chinaautoreview.com

Auto Shanghai
April 20-28, 2009
Auto Shanghai is one of the important Chinese automotive industry events
Shanghai New International Expo Centre, Shanghai, China

China International Auto Parts Expo (CIAPE)
September 24-26, 2009
China International Auto Parts Expo (CIAPE) serves as a platform for the release and commercialization of new products, technologies and materials, establishment of brand image, introduction of advanced technologies, equipment, key parts, advanced management and overseas intellect.
China International Exhibition Center (CIEC), Beijing, China

For other shows, please consult:
http://www.biztradeshows.com/china/china-tradeshows.mp?industry=automotive

Coal Mining Equipment

Overview

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China is heavily reliant on coal, which accounts for 69% of the energy mix. This is the result of an abundance of coal reserves in China, estimated at 115 billion metric tons. Shanxi and Shandong are particularly rich in coal and account for some 50% of overall coal production. In 2006, China's verified exploitable reserves accounted for 13% of the world total, ranking China third globally. China is the world's largest coal producer, accounting for nearly 28% of the world's annual production. In 2007, China's coal production reached 2.37 billion metric tons, an 8% increase.

About 90% of coal mining equipment used in China is produced domestically. Chinese companies are developing the capacity to manufacture high-tech mining equipment, such as super-power electric haulage shearers, hydraulic support systems, and armored face conveyers. Nevertheless, most of the mining equipment produced in China still remains 10 to 15 years behind that of other countries with respect to mining efficiency, equipment quality, environmental protection of mines, and safety. U.S. coal mining equipment manufacturers and coal mine investors have prospects for long-term opportunities in China's coal industry.

Best Prospects/Services

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U.S. companies enjoy their greatest competitive advantage in supplying heavy coal mining machines and systems. For underground mining, U.S. firms compete well in the following categories: longwall shearers, stageloaders, continuous miners, batch haulage vehicles, road headers, hydraulic roof support systems, and armored face conveyors. For open-pit mining, U.S. firms compete well in the following categories: electric mining shovels, walking draglines, blast hole drills, and heavy mining trucks.

Coal mine safety remains a critical issue in China. In 2007, China saw 3,786 coal mine accidents deaths. In order to address the issue of safety, the Chinese government closed 2,969 small coal mines in 2007 (below 30,000 tons of production capacity) that the government felt were unsafe. According to the State Administration of Coal Mine Safety Supervision, China will invest USD 6 billion over the next several years to purchase safety equipment for large state-owned coal mines. This investment will create significant opportunities for foreign companies to export safety equipment to China. Best prospects include: coal mining safety equipment, security equipment, gas control systems, and fire monitoring and control equipment.

Because of the continued importance of coal in quenching China's thirst for energy, improving cleanliness of coal extraction and combustion is critical to reducing overall emissions. Clean energy-efficient products that are needed in this sector include: coal beneficiation products, coal mine methane extraction technologies, gas turbines, circulating fluidized bed boilers, pollution control technologies such as desulphurization technologies, and coal conversion technologies such as advanced pulverized coal gasifies.

Opportunities

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Due to an insufficient supply of electricity, China will continue to invest heavily in coal production. Many analysts predict that China will need to invest over USD151 billion in coal infrastructure by 2020. The investment will cover the following areas:

- Construction of new coal mines and coal bases
- Improvement of coal mine safety
- Clean coal processing technology
- Coal conversion technology (including coal liquefaction and coal gasification)
- Coal bed methane development and utilization

In order to improve mine management and increase coal production, the Chinese government has established new policies to encourage foreign investment in the sector. This shift in policy has included granting foreign companies the rights for the mineral geological exploitation.

Resources

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State Coal Mine Safety Supervision Administration
No. 21, Heping Li Beijie, Beijing 100713, China
Tel: (86-10) 6446-3470
http://www.ctcci.org.cn

China Coal Industry Association
No. 21, Heping Li Beijie, Beijing 100713, China
Tel: (86-10) 6446-3371
http://www.chinacoal.org.cn

China Mining Association
No. 2-1002, Shidaizhiguang, No. 45 Xizhimenbeidajie, Beijing 100713, China
Tel: (86-10) 6655-7672
Fax: (86-10) 6655-7672
http://www.chinamining.org

China National Coal Machinery Industry Association
No. 21, Heping Li Beijie, Beijing 100713, China
Tel: (86-10) 6446-3190
Fax: (86-10) 6421-7355
http://www.chinacoal.org.cn

Central Coal Mining Research Institute
No. 5, Qingniangou Road, Hepingli, Beijing 100013, China
Tel: (86-10) 8426-2806
http://www.ccri.com.cn

China Coal Information Institute
No. 35, Shaoyaoju, Chaoyang, Beijing 100029, China
Tel: (86-10) 8461-2550 84657848
http://www.coallinfo.net.cn

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Upcoming exhibitions
The U.S. Commercial Service will organize a U.S. Pavilion at the 13th International Exhibition Technology Exchange and Equipment on Coal and Mining from October 27, 2009 to October 30, 2009 in Beijing. Since we only have limited booths available, we welcome and encourage interested U.S. companies to contact us as soon as possible. For more information about this event, please visit the following website: http://www.chinaminingcoal.com/2009/

Construction Equipment Market

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Construction Equipment Import & Export Data:

	2006	2007	2008
Total Exports	USD 4.5 billion	USD 8.7 billion	USD 13 billion
Total Imports	USD 4 billion	USD 4.9 billion	USD 5.8 billion

(Source: China Customs Bureau, statistics for construction equipment.)

The Chinese construction equipment market presents many opportunities and challenges for American companies seeking to increase sales in China. Although the global economy has slowed, Chinese construction equipment imports increased 17% in 2008 compared with 2007. The China Construction Machinery Industry Association predicts that imports will increase 12% in 2009.

Many American companies have successfully entered the Chinese market. Some large companies (e.g. Caterpillar, John Deere, and Terex) are increasing production in China and have become the key players in China's construction equipment industry. Chinese manufactures of construction equipment benefit from Chinese government support in the domestic and international market. U.S. companies face fierce competition from Chinese, Korean, Japanese, and German manufactures.

Rapid development of urban centers, China's aggressive western region infrastructure development plans, and the 2010 Shanghai World Expo should provide more opportunities for the construction equipment market. The construction market is a major driver of China's economy. During the 11th Five Year period (2006-2010), the plan for total construction is estimated to reach 2 billion square meters each year. (According to the National Bureau of Statistics of China, in 2006 China completed 1.79 billion square meters, in 2007, China completed 2 billion square meters, and in 2008, China also completed about 2 billion square meters).

Best Prospects/Services

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The best opportunities for U.S. exports of construction equipment include the following equipment:

- concrete machines
- excavators, shovel loaders
- lifts
- self-propelled bulldozers
- angle dozers
- graders
- levelers
- scrapers
- mechanical shovels

- tramping machines
- road rollers

Stimulus Package
In November 2008, the Chinese central government announced a 4 trillion RMB (USD 586 billion) investment to stimulate domestic growth. The investment will focus on China's infrastructure, including roads, power, healthcare, etc. Each Chinese Ministry has their own investment plan.

Ministry of Housing and Urban & Rural Development:
Within next three years, Ministry of Housing and Urban & Rural Development will invest 900 billion RMB (USD 132 billion) on building affordable housing, and the public and private sector will invest 2.7 trillion RMB (about USD 397 billion) on commercial and residential construction.

The State Energy Bureau:
The State Energy Bureau will invest 200 billion RMB (USD 29 billion) on clean energy infrastructure projects including the Guangdong Yangjiang Nuclear- Power Project, the Zhejiang Qianshan Nuclear-Power Plant expansion project, gas transmission projects from Nin Xia to Guangzhou and Hong Kong, and Hydro power conservancy projects in Guizhou and Jiangxi province.

China Civil Aviation Administration:
The China Civil Aviation Administration will invest 250 billion RMB (USD 36 billion) on airport infrastructure in the cities of Chengdu, Xian, and Guangzhou in 2009.

Ministry of Communication and Transportation:
The Ministry of Communication and Transportation will invest 1000 billion RMB (USD145 billion) in 2009 for highway, road and port construction.

Ministry of Water Resources:
The Ministry of Water Resources will invest 20 billion RMB (About UDS 3 billion) in construction of water conservancy projects including rural reservoirs and irrigation works.

Ministry of Railways:
The Ministry of Railways will invest 3,500 billion RMB (USD 510 billion) on railway construction within the next three years (through 2011).

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Ministry of Housing and Urban-Rural Development
www.mohurd.gov.cn

China National Construction Machinery Association
http://www.cncma.org

China National Construction Machinery Corporation
http://www.const-mach.com

Association of Equipment Manufacture (AEM)
http://www.cm-1.com

Major Shows

The 10th Beijing International Construction Machinery Exhibition & Seminar (9th BICES)
November 16-19, 2009
Beijing Jiuhua International Convention & Exhibition Centre
Organizer: China Construction Machinery Association
China Construction Machinery Co., Ltd.
CCPIT-Machinery Sub-Council
Tel: 86-10-6857-5008, 6852-3884
Fax: 86-10-6851-3987
http://www.e-bices.org/en/index.asp

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Education and Training

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Recent data indicates that U.S. colleges and universities remain the preferred overseas destination for Chinese students. Short-term training programs and workshops in specialized fields as well as business education are particularly sought after. U.S. educational organizations can also sell teaching materials and equipment, convey the latest methodologies and case studies, lend or exchange faculty, and provide educational consulting services.

Best Prospects/Services

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In 2008, 81,127 students chose the United States as their destination, compared to the mid-1980's, when only 4,900 students enrolled overseas.

The desire for Chinese students to enroll in U.S. institutions is high, fueled by increasing disposable incomes. Chinese professionals are attending vocational classes and using e-learning to upgrade their skills to increase their earning power. Many experts believe that e-learning is ideal for China because it solves much of China's education needs. With its limited education resources, China can use long distance learning to educate its 200 million elementary and high school students. To that end, in October 2000 China's Ministry of Education launched the "All Schools Connected" project, which will equip all of China's 550,871 K-12 schools with e-learning systems by 2010. The Ministry also encouraged 67 top universities to offer e-learning degrees to produce more talent for the country's burgeoning economy. The nation's very best high schools can also create Internet schools to train teachers and tutor students in far-flung regions. Private companies also heeded the e-learning call, many now offer vocational training and certification exam preparation online.

U.S. institutions will have to remain active in the promotion of American education in China, as competition for Chinese students from other English-speaking countries increases and as the expansion of the domestic education market in China creates an increasing number of opportunities for students to pursue higher education without leaving China. With this is mind, University admissions officers should be aware of and counsel prospective students on visa procedures affecting travel to the United States.

The U.S. footprint in China for educational services is dominated by U.S. universities, but other forms of training do well, in particular, management and English language training. Most firms actively outsource these training needs. As a result, one can easily find courses throughout the country on leadership, team building, and people management. English language schools are also prevalent and proving to be a lucrative business. However, entering this market is quite costly. A local presence is must and the market has a preference for instructors with Chinese language capabilities.

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Education Events Approved by China's Ministry of Education

China International Education Exhibition (CIEET) Tour 2010
Date: March
Website: http://www.cieet.com/cieet/English/web/Welcome.htm

2009 China Education Expo
Date: October
Website: http://www.chinaeducationexpo.com/

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Food Safety

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	2006	2007	2008 (estimated)
Total Market Size	1,452	1,622	2,316
Total Local Production	216	279	414
Total Exports	516	704	872
Total Imports	1,752	2,047	2,774
Imports from the U.S.	638	765	1,059

* All figures in the above table represent unofficial estimates.

Recently, food safety issues have demanded worldwide attention. With China as one of the most dynamic markets in food production, exportation and consumption in the world, China has a vital interest in improving its food safety programs, especially to safeguard its exports. As a result, China is making a concerted effort to improve its quality inspection program. It is opportune for U.S. testing instrument and service providers to promote themselves in the Chinese food safety inspection market.

Opportunities

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There are genuine opportunities for food safety inspection and quarantine equipment manufacturers. Based on telephone interviews to some U.S. companies in this field, we find that the best prospects for U.S. companies are the following products:

(1) Testing and analysis instruments:
- Liquid chromatographs instruments
- Gas chromatographs instruments
- ICP-MS isotope analysis instruments

(2) ELISA kits
(3) Microbe incubation testing instruments and materials

Since there has been an increasing concern about bacteria such as *salmonella*, *microbiological testing equipment* will also offer good prospects over the next years. In addition, *temperature control devices* are also in demand since China is increasing exporting fresh and perishable goods such as *seafood* and *dairy* products.

Resources

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Major Trade Shows:

China International Food Safety and Quality 2009
Date: September 23-24, 2009
Venue: Landmark Hotel & Towers, Beijing, China
Organizers: China Entry-Exit Inspection and Quarantine Association World Services Ltd.
Website: http://www.chinafoodsafety.com/

Key Chinese Government Contacts:

General Administration of Quality Supervision, Inspection and Quarantine of the PRC (AQSIQ)
Tel: (86-10) 82261890
Fax: (86-10) 82260552
Website: www.aqsiq.org.cn

Import and Export Food Safety Bureau of AQSIQ
Tel: (86-10) 82262190
Fax: (86-10) 82260767
Website: www.aqsiq.org.cn

Certification and Accreditation Administration of PRC (CNCA)
Tel: (86-10) 82262758
Fax: (86-10) 82260753
Website: www.cnca.gov.cn

China Entry-Exit Inspection and Quarantine Association
Import-Export Food and Cosmetics Committee
Tel: (86-10) 62380368
Fax: (86-10) 82024325
Website: www.ciq.org.cn

China Food Industry Association
Tel: (86-10) 88117136
Fax: (86-10) 88117133
Website: www.cfiin.com

Chinese Institute of Food Science and Technology (CIFST)
Tel: (86-10) 65265375
Fax: (86-10) 65264731
Website: www.cifst.org.cn

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Franchising

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Franchising can be a promising business model in China for many industry sectors. Some studies suggest China is already one of the larger franchise markets in the world. Enterprises from more than 80 industries have applied for franchise operations, including enterprises from the traditional sectors of catering, retailing, and individual and business services. Currently, China has 2100 franchise and chain store companies, and the number is rising rapidly
But, the cold truth is that finding franchisees is extremely challenging. One approach that has proven successful is first opening a corporate owned store. The corporate store establishes the brand and proves to the market that the concept works.
Another approach to consider is to search for mainland China franchisees in Hong Kong, Taiwan or Singapore.

Finally, China's less penetrated second tier markets – such as Xian and Chongqing – offer potential in the longer term since disposable incomes there, although lower, are rising. But, at present, it is much more difficult to find good potential partners in second tier cities.

There are growing opportunities for mid-market and high-end brands. However, there are several key challenges such as the difficulty of finding franchisees, lack of control over store quality, need for localization of product, etc. Companies need to be prepared to invest a significant amount of time, commitment, and resources to develop and manage their China operations.

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The Chinese franchising market is dominated by traditional franchise operations like food and beverage (F&B) and retail outlets. Nearly 40% of all franchisers in China are engaged in such industries. U.S. franchisers established a particularly strong foothold in the (F&B) market.

There are some franchising opportunities in non-F&B industries. The best prospects in this form of franchising include car rental and services, education, training, real estate, dry cleaning, and executive search.

Opportunities Return to top

Major international franchise firms have established the following best practices for doing business in China:

- Register the brand in China before entering the China market.
- Find local partners who can help navigate the local business environment.

- Understand the cultural differences and adjust market access strategies accordingly.
- Have an ability and willingness to localize your product if necessary, without changing the core product.
- Minimize the price of the final product and the franchising fee to achieve rapid expansion and mass acceptance.

Manage government relations by establishing and maintaining solid working relationships with relevant Chinese government agencies.

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International Franchise Association
www.franchise.org

China Chain Store and Franchise Association
Website: **http://www.ccfa.org.cn**

Ministry of Commerce (MOFCOM)
Website: http://www.mofcom.gov.cn

Shanghai International Franchise Show 2009
September 19-20
Shanghai International Exhibition Center, China
http://sh.ccfa.org.cn/

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Machinery

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China's Machine tool (HS: 8466) industry has experienced fast growth over the years and gets more sophisticated every day. However, most Chinese machinery is basic, low end or labor intensive. Imports of high-tech, complicated and specialized machinery will continue to expand to serve the country's economic development especially for key areas such as the automobile, aviation and aerospace, shipbuilding, railway, and power industries.

China is the world largest machine tool producer. However, limited by the immature precision machine tool technology and foreign country's export restriction, most of the country's machine tool equipment remains at a low technology stage.

U.S. companies should check the export control for certain products with the export control office at Commercial Service Beijing or at its website of www.bis.doc.gov, before completing any business transactions as many high-end American machines and machine tools require export licenses which need to be applied for well in advance of any intended shipment.

Best Products/Services
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The Chinese government has provided financial incentives for foreign machinery manufactures to invest in fixed assets to modernize China's facilities and increase Chinese efficiencies. Many machinery companies make or assemble product in China for the Chinese market and are therefore able to compete very successfully with products from their Chinese manufacturing facilities.

Mining elevator equipment, agricultural transportation vehicle, hay machinery, combined harvester, scraper, and pile driver and drawer should continue to have export prospect in China.

For machine tools, China will still rely on imports for precision CNC machine tool, laser-cutting tool, CMM, automated quality control and robotic assembly system.

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U.S. Associations

Association of Manufacturing Technology (AMT)
www.amtchina.org

Chinese Associations

China Machine Tool & Tool Builders' Association www.cmtba.org.cn

Trade Shows

The 11th China International Machinery Tool Show (CIMT 2009)
April 6-11, 2009
Beijing, China
www.cimtshow.com

For a list of machinery related trade shows, please see
http://www.biztradeshows.com/china/china-tradeshows.mp?industry=engineering

Marine Industries

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	2006	2007	2008 (Estimated)
Total Market Size	USD154.5 billion	USD 167.3 billion	USD 182.4 billion
Total Local Production*	USD162.1 billion	USD 178.5 billion	USD 200.7 billion
Total Exports**	USD 8.1 billion	USD 12.21 billion	USD 19.6 billion
Total Imports **	USD 0.5 billion	USD 1.0 billion	USD 1.3 billion
Imports from the U.S. **	USD 5.3 million	USD 19.6 million	USD 33.1 million

Source of data: *Communiqué on Land and Resources of China
**China Customs (HS code: 89 Ships and boats and floating structures.)

This section covers the use and development of the various sea-related industries, including shipbuilding, ports, pleasure boats, sea communications and transportation, offshore oil and gas, sea-related chemicals and sea fisheries, etc.

China has seen rapid development of its marine industry over past few years. China has more than 3 million square kilometers of water territory, with more than 1,400 harbors and 210,000 cargo ships. According to the Ministry of Land and Resources of P.R.C., the value of increase of sea-related industries has constituted over 4.01% of GDP, and the aggregate marine industries will gradually become one of the pillar industries of China's economy.

According to the statistics of China Customs, China's total ship import and export values reached USD13.2 billion in 2007, of which ship imports accounted for USD1.0 billion. Trade volume rose to a historic high of USD 20.9billion in 2008. However, oceanic pollution and the industry's structural imbalances continue to present challenges for the development of the marine industry.

Best Products/Services

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Best prospects in China's marine industries include shipbuilding, pleasure boat, and port related accessories and sea transportation.

Shipbuilding

Since 1999, the output of China's shipbuilding industry has been ranked number three in the world. According to the statistics from Commission of Science, Technology and Industry for National Defense (COSTIND), China's shipbuilding output was around 19 million deadweight tons (DWT) in 2007. The output is expected to reach a historic high of 27 million DWT in 2008, with a yearly increase of about 40 percent and representing about one fourth of the world total shipbuilding output. As the global economy slowed in 2008, new shipbuilding orders decreased to 57 million DWT in 2008 from 70 million DWT in 2007. China's backlog orders still reached 210 million DWT by the end of 2008.

(*China Ship News*) Currently Chinese shipyards filled about 35 percent of global orders for ships measured by cargo capacity. (*China Ship News*)

Chinese shipyards were also threatened as orders faded in the second half of 2008. However, larger shipbuilders may find themselves better off than the smaller ones. China State Shipbuilding Corporation (CSSC), the country's top shipbuilding group, churned out 8.54 million DWT of ships in 2008, an increase of 1.99DWT compared with 2007, making it the second-largest shipbuilding group in the world. According to the government's National Medium and Long-Term Plan for the Shipbuilding Industry, issued in August 2006, China's shipbuilding industry is expected to become the No. 1 shipbuilding power in the world by 2015.

In February 2009, China's State Council approved a stimulus package for the country's shipbuilding industry. According to the plan, the government will encourage financial institutions to expand financing to purchasers of ships and extend fiscal support for domestic buyers of long-range ships until 2012. The plan will also support the industry in upgrading technology and self innovation.

China urgently needs hi-technology, machinery and management for the shipbuilding industry. The best prospects for shipbuilding are raw materials, coating equipment and coating materials, CAD (Computer aided design) software and associated technology for ship design and construction, equipment maintenance, high-tech equipment such as GPS, navigation and on board computer systems, cutting and welding technology and related equipment.

Shipbuilding Bases

According to the shipbuilding industry report issued by the state council, China is embarking on major efforts to increase shipbuilding capacity. The country plans to build three major shipbuilding bases in the Bohai Gulf area, East China Sea and South China Sea. The China State Shipbuilding Corporation (CSSC), the country's leading shipyard began construction on the Changxing Shipbuilding Base on the Shanghai coast in 2003. When completed in 2015, the Changxing base will be the largest shipyard in the world with annual shipbuilding capacity reaching eight million tons. Additionally, CSSC plan to build China's largest yacht building base in the Fengxian district of Shanghai.

Pleasure Boats

With the rapid growth of the economy, China's recreational marine market is forecast to expand sharply in the coming years. In 2008, China imported over 50 million US Dollars worth of yachts and pleasure vessels, which was an increase of 72.6% compared with 2007. Based on the confidence that pleasure boats will become a part of life style in the country's expanding wealthy and the middle-class, provincial governments, property developers and boat builders are all investing heavily in this industry. Business experts estimated that the market would pick up speed in the next few years, and the overall market size would reach USD10billion over the next decade, which presents significant opportunities for the exports of U.S. pleasure boats, accessories, marina planning and construction materials
Port and Sea-Transportation

China is allocating a significant capital for the port and waterway construction to meet the significant growth in freight volume. Since 2004, China has stepped up its construction of ports. China's port throughput is increasing at exponential rates, reflecting foreign trade volumes growth. According to the China Transportation Association, freight turnover at major ports reached 5.57billion tons in 2007. Container traffic at Chinese ports also increased 25% to 114 million Twenty-foot Equivalent Units (TEUs). The container throughput of Shanghai port exceeded 26 million in 2007, surpassing Hong Kong to rank second globally. Cargo throughput reached 560 million tons in 2007, making Shanghai the world's busiest port for the third consecutive year. Eight ports in mainland China, namely Shanghai, Shenzhen, Qingdao, Tianjin, Guangzhou, Xiamen, Ningbo and Dalian, are included among the 30 top container harbors in the world.

As trade growth slowed sharply in the second half year of 2008, the global demand for Chinese exports port throughput at some Chinese ports decreased. Particularly those in the Pearl River Delta began to decline in late 2008, raising overcapacity concerns at container terminals. The slowdown in trade growth may augur a new era of slower port expansion in China, giving authorities a chance to evaluate port management and handling capacities. However, activity at inland waterways was not affected by the global downturn, especially at ports along the Yangtze River.

To facilitate the global trade, most ports in China are putting an emphasis on expanding the capacity and upgrading the port facilities as well as the modernization of operations. The products and technologies in high demand are Vessel Traffic Management Information Systems, laser-docking systems, terminal tractors, dredging equipments and security equipment for the ports and vessels to abide to International Ship and Port Security Code (ISPS).

Opportunities Return to top

Although there are presently only a handful of marinas in China, dozens more are under construction or in planning. Many luxury residences in major cities incorporate waterways and boating facilities in their developments.

The success of Shanghai's bid to host the 2010 World Expo will push the boat industry to develop more rapidly. The Shanghai Government has decided to build marinas and cruising shipping centers along the downtown river as part of the efforts to remake Shanghai into a world-class city. Other cities and areas that either have on-going marina projects, or in the planning process include Zhoushan, Qingdao ,Dalian, Ningbo, Beihai, Dongguan, Shenzhen and Hainan Island.

Deepwater Ports

China is building more deep-water berths to handle the larger fifth and sixth generation container vessels. The largest project is the construction of Yangshan deep-water port, approximately 20 miles offshore from Shanghai and linked to the mainland by a 32.5-kilometre causeway bridge. The first phase was completed and put into operation at the end of 2005, including 5 new berths and a capacity of 2 million TEUs per year. And a second phase opened in December 2006, adding four berths on a 1.4-kilometer waterfront with a designed handling capacity of 2.1 million TEUs annually. The original plan is to complete 50 berths by 2020, which will cost over USD10billion. The master plan also includes a logistics park and new harbor city on the main land.

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Major shows

China International Boat Show 2009
Date: April 16 - 19, 2008
Venue: Shanghai Exhibition Centre
Contact: Ms. Helena Gao
Tel: +86 21 64371178
Fax: +86 21 64370982
E-mail: helenagao@cmpsinoexpo.com
Web Site: http://www.cmpsinoexpo.com/boat/

Marintec China 2009- the all China Maritime Conference & Exhibition
Date: December 1 - 4, 2009
Venue: Shanghai New International Expo. Center
Contact: CMP Aisa, Ltd.
Tel: (852) 2585-6124
Fax: (852) 2827-7831
Email: AmyLai@cmpasia.com
Website: www.marintecchina.com

Key websites

1. Ministry of Communication (MOC)
   Http://www.moc.gov.cn

2. China Shipbuilding
   http://www.shipbuilding.com.cn

3. China State Shipbuilding Corporation
   http://www.cssc.net.cn/

4. China Maritime Directory
   http://news.ccs.org.cn/haishi/login.asp

5. China Classification Society
   http://www.ccs.org.cn/

6. China Shipbuilding Industry Corporation
   http://www.csic.com.cn/

7. China Engineering & Technology Ship Information Network
   http://www.ship.cetin.net.cn/shipnet/

9. China Ship Online
   http://www.shipol.com.cn

10. China Port Website
    http://www.chinaports.com

11. Chinese Port
    http://www.chineseport.cn/

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Medical Equipment

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China's Imports of Medical Devices during 2006-2008 in million dollars (HS9018/19/20/21/22, 902720/30/50/80/382200)

	2006	Share	2007	Share	2008	Share
World	4,831		5,657		7,196	
US	1,648	34%	2,022	35%	2,504	34%
Germany	837	17%	1,033	18%	1,303	18%
Japan	828	17%	884	15%	1,151	15%

China is now the world's third largest market for medical equipment. According to information from the China Association for Medical Devices Industry (CAMDI), China's medical equipment market grows at 15% annually with a total size of USD 10.2 billion in 2008 and the figure is expected to reach as high as USD 17.5 billion by 2010. An annual growth of sales of large, high-end medical equipment was reported between 20-30%. Clinical laboratory equipment and reagent sales are growing at about 15 to 20% per annum. According to incomplete figures from the World Trade Atlas, China's imports of medical equipment accounted for about USD 5.7 billion in 2007 and USD 7.2 billion in 2008, showing an increase of over 27%.

Chinese end users consider U.S. products to be of superior quality and the most technologically advanced. China's hospitals particularly welcome medical equipment and products with high-technology content. At the same time, domestic medical device companies are consolidating, upgrading quality, and beginning to compete in medium-level technology niches. According to the information given by CAMDI, China currently has over 12,600 medical device manufacturers, of which only 60 have sales valued over USD 14.6 million. Among the industry's top 10 manufacturers, seven are foreign invested firms or joint ventures. Positive indicators fueling imports and increased domestic production include the desire to utilize a wider array of advanced technologies in China's over 18,000 domestic hospitals & clinics. Currently about 15 percent of the medical devices in use were made in the 1970s and they are expected to be replaced by new ones.

The newly released Chinese government's healthcare system reform scheme is expected to have a great impact on the market in China. The scheme released in draft in late 2008 is aimed at providing basic healthcare access and coverage for all population in China. To guarantee the implementation of the scheme, the government at various levels plans to invest USD 124 billion between 2009 to 2011, including USD 24 billion for 2009). The fund is directed to the construction of basic healthcare infrastructure. Although it is not clear how much will be used for medical equipment procurement for hospitals, on a centralized basis or by province, it will likely have a significant impact on how companies will sell to healthcare institutions in the coming years due to the government's efforts to address concerns over accessibility and affordability of healthcare. Other concerns for U.S. and foreign suppliers center around the uncertain regulatory environment and extensive delays in registration and re-registration of products, although efforts are reportedly being made to reduce the large backlog.

Best Products/Services Return to top

Best selling prospects in the Medical Device sector include:

- In vitro diagnostic equipment and reagents:
  Clinical and diagnostic analysis equipment, diagnostic reagents, medical test and basic equipment instruments

- Implantable and intervention materials and artificial organs:
  Interventional materials, implantable artificial organs, contact artificial organs, stent, implantable materials, and artificial organ assisting equipment.

- Therapeutic products:
  Tri-dimensional Ultrasonic focused therapeutic system, body rotary Gamma knife, simulator, linear accelerator, laser diagnostic and surgery equipment, nuclide treatment equipment, physical and rehabilitation equipment.

- Medical diagnostic and imaging equipment:
  Black & white and colored supersonic diagnostic unit, sleeping monitor, digital X-ray system, MRI, CT, DR, and ultrasound equipment.

- Surgery & emergency appliances:
  Anaesthesis ventilation systems and components: high frequency surgery equipment, high frequency and voltage generators.

- Healthcare Information technology related equipment and products:
  Medical software, computer aided diagnostic equipment, and hospital informatization system (HIS, CIS, HLT).

Resources Return to top

China Medical Equipment Fair (CMEF Shenzhen)
CMEF Spring 2009/8th ICMD
Date: April 18-21, 2009
Venue: Shenzhen Exhibition & Convention Center
Phone: 8610-6510-2751
Fax: 86-10-6517-1476
Website: http://en.cmef.com.cn/
Information about the U.S. Pavilion can be found at the U.S. Commercial Service's website at: www.buyusa.gov/china/en/cmef2007.html

CHINA MED 2008
Date: March 19 - 21, 2009

Venue: China International Exhibition Center, Beijing, China
Contact: Selina Jiang, Project Manager
China World Trade Center Company Limited
Phone: 86-10-6505-1018
Fax: 86-10-6505-3260
E-mail: jiang.ling@cwced.com, jiangling@cetc.com
Website: www.chinamed.net.cn/en/Default.asp

SINO-DENTAL 2009
Date: June 10-13, 2009
Venue: China International Exhibition Center, Beijing, China
Contact: Sunny Yin, Project Manager
International Health Exchange and Cooperation Center, Ministry of Health of China
Room 703, B3 Wudong Building, No.9 Chegongzhuang Street, Beijing 100044
Phone: 86-10-88393922/88393923
Fax: 86-10-88393924
Email: info@sinodent.com.cn
Website: www.sinodent.com.cn
Information about the U.S. Pavilion can be found at the U.S. Commercial Service's website at: http://www.buyusa.gov/china/en/sd2009ovrvw.html

MEDTEC China
Date: September 8-10, 2009
Venue: Intex Shanghai
Contact: Pamela Yau, Manager/Exhibition Management Department
e21 MagicMedia (Hong Kong)
Phone: 852-21897378
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Email: Xiao.Cao@mail.doc.gov

Safety and Security Market

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In 2008 China fell victim to several natural and man-made disasters that will tend to strengthen already robust opportunities in the Safety and Security Market. The winter blizzards that blanketed a large swath of China in January, and the Sichuan earthquake on May 12, 2008 all underscored China's lack of adequate preparation for large-scale emergencies.

In 2008 the Chinese market for safety and security products grew by nearly 20 percent to reach over USD10 billion. This growth is mainly in government, financial services, traffic control, and residential security. Industry experts estimate that by 2020 China's safety and security market will reach over USD 30 billion.

China is undertaking numerous large-scale projects nationwide including airports, sports stadiums, and metro systems which will entail the installation of extensive security systems. A growing affluent class is demanding high quality residential security equipment and services, and municipalities are installing emergency response systems to improve security and bolster response times. While US firms enjoy a solid reputation at the high end of the market, the safety and security market in China remains very fragmented, with over 15,000 small local enterprises active in this sector. Before selling into China, US exporters need to be aware of required China certification requirements as well as potential US export controls, pertaining to the Tiananmen Sanctions and Department of Commerce's Bureau of Industry and Security (BIS) regulations.

Best Products/Services

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Much of the safety and security demand will focus on high-tech equipment, such as digital technology, entrance guard communication systems, network technology for inspection control systems, and warning systems.

- Inspection control systems: This has been a high-growth area in recent years and remains very competitive. Panasonic, Samsung, Sony, JVC, and Sanyo occupy a majority of the market share in China's high-grade inspection control market.
- Entrance guard communication systems: China's domestic enterprises occupy the majority share in the entrance guard systems sector, and foreign enterprises, such as US companies BII and HID, UK company TDSI, and Israeli company DDS, occupy the majority share of the communication systems market.
- Warning systems: There is major demand for intelligent airport systems. Foreign companies dominate the market for high-grade products, leading the trend towards integrated safety and security systems.
- Detection Equipment: As China's domestic manufacturers lack capacity to produce enough equipment, foreign products in this field are in high demand.

- Fire Protection Equipment: Domestic competition in this sector is strong. All imported equipment must first obtain safety certification from the China Fire Bureau.
- Emergency response and rescue technologies: China's growing awareness of its lack of preparation for disaster prevention and preparation will mean strong growth in this sub-sector.

Opportunities Return to top

Much of the safety and security demand will focus on high-tech equipment, such as digital technology, entrance guard communication systems, network technology for inspection control systems, and warning systems.

Recovery from last year's multiple large-scale disasters and preparation and prevention of future similar disasters will play an important part of this sector. Potential exporters to China in this market niche should be aware of these priorities and seek appropriate market entry opportunities.

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Major Trade Shows

Shanghai International Disaster Prevention Security Technology & Equipment Fair
Date: May 9 - 12, 2009
Venue: East Asia Exhibition Center, Shanghai, China
http://www.dpschina.net.cn/index.asp

China Public Security & Safety Expo (Guangdong) 2009
Date: June 9 - 11, 2009
Venue: Guangzhou Trade Fair, Pazhou Exhibition Center
http://www.gdpps.com/

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Scrap

Overview

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China's Scrap Market (10,000 metric tons)

Imports	2007	2008
Scrap Steel	339.49	359
Scrap Copper	558.46	557.69
Scrap Aluminum	209	215
Scrap Paper	398	352
***Imports from the U.S (in million dollars)**	7.1	7.0 (as of Nov.)

Notes: *Including HTS subheadings 7204, 7404, 7602, 3915, 4004, 4707.

Over the past few years, China has emerged as the world's largest scrap importer and the United States as the largest scrap supplier to China. In 2006, the U.S. exported U.S$ 6.2 billion of ferrous, nonferrous, paper, rubber and plastic scrap to China, making scrap the 2nd largest U.S. export to China. . In 2007, U.S. scrap exports to China increased to $7 billion and in 2008, despite the economic downturn, increased 10.3% in the first 11 months of the year .

China's scrap companies are concentrated geographically along the coast; in cities and provinces such as Tianjin and Hebei in northern China, Zhejiang and Jiangsu in eastern China and Guangdong in southern China. The industry is also concentrated among a few big players that control the domestic industry.

China has adopted a regulated system for scrap imports. China's Supply Enterprises registration system, which went into effect Jan. 1, 2004, requires all overseas exporters of scrap materials to obtain an import license from the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) of China. For license application and regulations on scrap, please see the website of AQSIQ at: http://jyjgs.aqsiq.gov.cn/hgcpjy/fwyl/

Or contact AQSIQ:

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Tel: 86-10-82261929
Fax: 86-10-82260165

Mr. Dong Hui
Tel: 86-10-82261930
Fax: 86-10-82260165

Opportunities

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With the beginning of 2009, some market analysts see a rebound ahead, as volumes of scrap imports are slowly picking up as Chinese manufacturers begin to cautiously restock recycled inputs.

Ferrous

- The world financial crisis may actually help China's imported scrap market to recover. Steel production cuts in Southeast Asia, Japan, South Korea and Taiwan could see an extra 6m t/y of Japanese scrap coming to China. Scrap imports from the U.S. and Europe are also likely to increase.
- The series of economic stimulus packages announced across commercial, residential and industrial construction projects may bring some relief for the battered base metal manufacturers in the second half of 2009. China announced spending to the tune of $586 billion in November, primarily aimed at infrastructure and redevelopment of earthquake-hit Sichuan province.
- Steel scrap demand in 2009 is expected to be around 74mt. Chinese mills will generate some 27 million tons with 47million tons coming from traders. Considering that some steel scrap will be sold for foundry and other uses, the shortage may reach about 10million tons in 2009 and push up prices.

Non-Ferrous

- China is currently the world's biggest copper consumer and a shortage of supply exists in the market. The gap between copper demand and production has spurred an increase in imports of scrap copper.
- In late 2008, as the economic slump hit China's manufacturing industries, China's State Reserve Bureau announced that - in an effort to stimulate the flagging non-ferrous metals sector - it would fund the acquisition of a large non-ferrous metal stockpile. Some provincial governments also started to stockpile non-ferrous metals such as aluminum, zinc, lead and copper. If the demand increases and prices rise quickly the government stockpiles will be used to stabilize scrap prices.

Paper Scrap

- Chinese companies rely heavily on imported waste paper to meet the market demand. Big players in the paper industry stand to benefit from China's push to clean up the environment. Beijing has ordered the closure of hundreds of small paper producers, which will see some 6 million tons of capacity shut down in the next five years - about 20% of the industry total.

Scrap Plastics

- The domestic output of plastics materials and resins can only satisfy 50% of market demand in China. As a result, China must import large quantities of plastics materials and recycled plastic scrap. However, regulations introduced on March 1, 2008, by China's State Environmental Protection Administration (SEPA) added some categories of plastic waste to the list of goods which are banned for importation.

List of banned plastic waste materials:

Tariff Item	Article Description
4004000010	Waste rubber tires and their cuts
4004000020	Waste, parts and scrap of vulcanized rubber (other than hard rubber)

	and powders and granules obtained therefrom
40170010	Hard rubber in all forms, including waste and scrap
4115200010	Waste residue, ash, silt, powder and flour of leather or of composition leather

Resources:

The list of scrap materials that are banned for importation by the Chinese government can be found at SEPA's website:
www.sepa.gov.cn/info/gw/gg/200802/t20080214_118161.htm
www.sepa.gov.cn/info/gw/huangfa/200802/t20080214_118162.htm

In 2004, AQSIQ released the Detailed Implementation Rules for the Registration of Overseas Suppliers of Imported Waste Raw Materials. Click the link below for the full text of the Regulations:

http://english.aqsiq.gov.cn/SpecialTopics/ImportandExportCommodityInspection/WhatsNew/200708/t20070818_36545.htm

Travel and Tourism

Overview

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Chinese Visitor and Spending Trends in the United States

Year	2003	2004	2005	2006	2007
Arrivals (thousands)	157	203	270	320	397
% Change	-30%	29%	33%	19%	24%
Total Travel & Tourism Receipts (Million USD)[1]	858	1,115	1,534	2,071	2,699
% Change	-28%	30%	38%	35%	30%

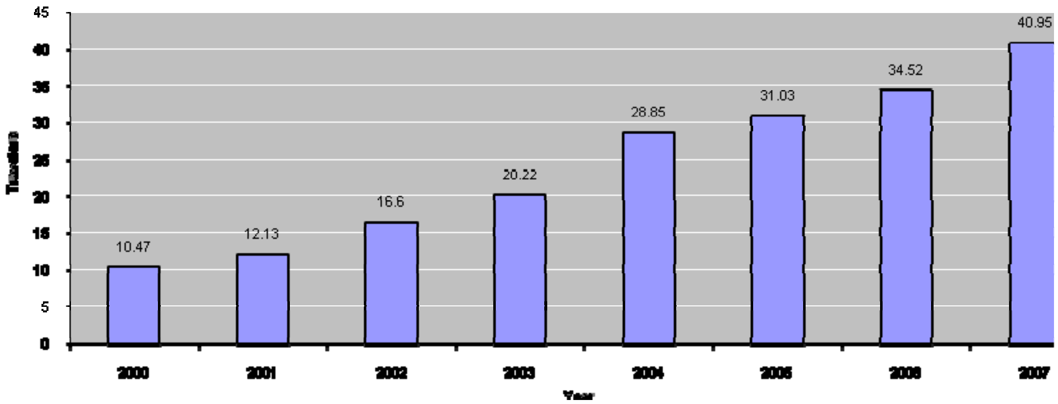
Source: United States Department of Commerce
Note: (1) includes travel receipts at U.S. Destinations and passenger fare receipts / exports on U.S. carriers.

China is rapidly becoming one of the most important outbound tourism markets in the world. According to the UN World Travel Organization (UNWTO), China is the fastest growing travel market in the world and the largest travel market in Asia. According to the China National Tourism Administration (CNTA), during the first nine months of 2008, China's outbound travelers reached 34.39 million, a 14.8% increase over the same period of the previous year.

On December 11, 2007, the U.S. and China signed a memorandum of understanding (MOU) to facilitate Chinese group leisure travel from China to the United States. U.S. destinations can now market more confidently themselves in China.
Prior to this agreement, Chinese travel agencies could only organize and market leisure tour group packages to countries that have a bilateral agreement with China, often referred to as Approved Destination Status (ADS) agreements. The tourism MOU between China and the United States fulfills that function, and opens this market for U.S. companies. For more information about this agreement, please see the following link: http://www.commerce.gov/NewsRoom/TopNews/index.htm?fragmentNewsRoomLists_NextRow=11&ssYear=2007&ssMonth=12

Partly as a result of this agreement, the United States is becoming an increasingly popular destination for Chinese travelers. During the first nine months of 2008, Chinese arrivals totaled 388,000, up 28 from 2007. Visitation from Hong Kong, at113,000, was up only one percent. As a combined entity, visitation totaled 503,000, up 21 percent for 2008. Around 36 percent of Chinese travel was business travel.

Chinese Outbound Travelers (millions)



Source: China National Tourism Administration (CNTA)

Based on the tourism MOU, nine Chinese provinces and municipalities are included in the scheme of the tourist group travel by Chinese citizens to the United States in Phase I. They are Beijing, Tianjin, Hebei, Hubei, Hunan, Shanghai, Jiangsu, Zhejiang and Guangdong. Currently, the China National Tourism Administration (CNTA) and the U.S. Department of Commerce are negotiating on the exact date of Phase II implementation date, after which twelve more Chinese provinces, municipalities and autonomous regions will be included. In Phase II, Chinese citizens in Shaanxi, Shanxi, Shandong, Anhui, Hainan, Guangxi, Heilongjiang, Jilin, Liaoning, Sichuan, Yunnan, Chongqing will also be allowed to participate in tour group travel to the U.S. All CNTA-designated travel agencies located in the above mentioned twenty-one provinces, municipalities and autonomous regions will be entitled to organize Chinese tour groups to travel to the U.S. The implementation of Phase II is expected to start sometime in 2009.

The U.S. travel and tourism industry stands to benefit enormously from the tourism MOU as Chinese visitation is forecasted to reach 579,000 by 2011.

Opportunities

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Although Chinese tour groups were victims of two bus crashes in early 2009 in the U.S., which drew the attention of authorities on both sides as to the quality control and overall management on the American inbound tour operators, the number of Chinese international travelers is still expected to rise as disposable incomes continue to rise, and more Chinese travelers seek to travel outside Asia to the United States and other long-haul destinations.

Chinese group travel on mixed business and tourist itineraries in the past has led to significant growth opportunities in the business travel and the meetings, incentives, conventions, and exhibition (MICE) segments. In recent years, large-scale incentive travel has become an increasingly common tool for rewarding Chinese employees, and this should continue to be an area of strong growth

Resources

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Major Trade Shows:

China International Travel Mart (CITM)
Nov 19-22, 2009
Kunming International Convention & Exhibition Center, Kunming, China
http://www.citm.com.cn

China Outbound Travel and Tourism Market (COTTM)
April 22-24, 2009
China World Trade Center, Beijing, China
http://www.cottm.com/

International Forum on Chinese Outbound Tourism (IFCOT)
April 24, 2009
Marriot, Beijing, China
www.ifcot.org

Beijing International Tourism Expo (BITE)
June 18-20, 2009
Beijing Exhibition Center (BEC), Beijing, China
http://www.beijingbite.com/main_chn/welcome.htm

China Incentive, business Travel and Meetings Exhibition (CIBTM)
Sep.8-10, 2009
China National Convention Center, Beijing, China
http://www.cibtm.com/

World Travel Fair (WTF)
April 9-11, 2009
Shanghai New International Expo Center, Shanghai, China
http://www.worldtravelfair.com.cn/

Guangzhou International Travel Fair (GITF)
March 26-29, 2009
Guangzhou Jinhan Exhibition Center
http://www.gitf.com.cn/

Key Chinese Government Contacts:

China National Tourism Administration (CNTA)
9A Jianguomennei Ave.
Beijing 100740 China
Tel: (86 10) 65201114
Fax: (86 10) 65122096
http://en.cnta.gov.cn/lyen/index.asp

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Water and Wastewater Treatment

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China continues to face severe water pollution and water scarcity problems. According to the "2007 Report on the State of the Environment in China" issued by the Ministry of Environmental Protection on June 5, 2008, China generated 55.6 billion tons of wastewater, with municipal wastewater 31 billion tons and industrial wastewater 24.6 billion tons, accounting for 56% and 44% respectively. Though both dropping slightly from the previous year, the generation of Chemical Oxygen Demand (COD) and NH_4 are still 13.8 million tons and 1.3 million tons respectively.

It is expected that total wastewater will continue growing due to rapid urbanization and industrialization, to reach 64 billion tons in 2010. The current wastewater treatment infrastructure is far from adequate. As of late 2008, 194 cities and 80% of counties in China do not have any wastewater treatment facilities. Rural area wastewater treatment is virtually non-existent.

China's water situation has been an important issue on two fronts - water pollution and water availability. One third of China's river courses, lakes, and coastal areas are severely contaminated as a result of municipal, industrial and agricultural discharge. Over 17,000 counties and towns have no wastewater treatment plants, and nearly 300 million people are currently drinking contaminated water. In addition, China has very low water resources per capita (one quarter of the world average), and they are unevenly distributed (e.g. one tenth in northern and western areas).

In view of the situation, construction of new facilities and upgrading of existing ones are desperately needed and are now high on the government agenda, which will potentially bring about huge opportunities for related technology and equipment. However, competition for projects is also fierce, both from foreign suppliers (such as Japan, France and Britain) that can provide advanced technologies, as well as from domestic suppliers that can offer competitive prices and are good at localizing foreign technologies.

On November 9, 2008, the Chinese government, in order to shore up the weakening Chinese economy, unveiled a USD 585 billion (RMB 4 trillion) Economic Stimulus Plan. Among the specified focus areas of investment, water and wastewater treatment spans two categories: rural development and infrastructure projects (USD 54 billion) and ecological environment (USD 51 billion). Water-related projects in these two categories will include rural area water safety projects, urban wastewater treatment, key water body pollution control and ecological environment protection. This aggressive plan reinforces the momentum of water and wastewater treatment development, resulting in huge market opportunities in the sector.

Best Prospects/Services

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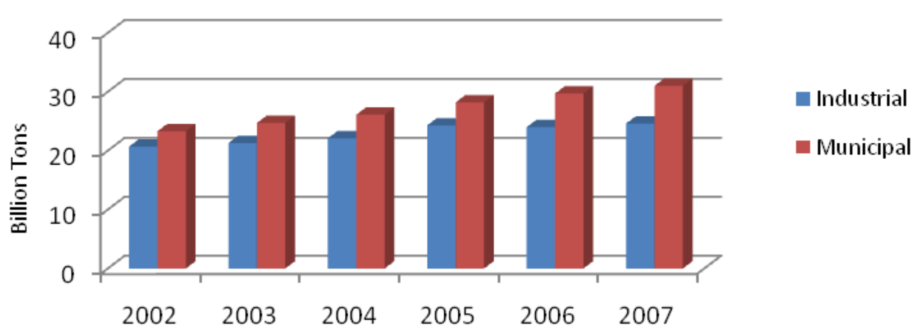
Building a water-saving society and treating water pollution are major goals of the Chinese government within the 11th Five-Year Plan (2006-2010). By 2010, China aims to provide safe drinking water to 100 million residents, and treat more than 60% of sewage, up from the current 56% (2007 figure). In order to meet the goals, 1,000 new WWTPs (representing investment of USD 48 billion) are planned to be constructed by 2010, raising total daily treatment capacity to 10,000 tons. China has begun to levy sewage treatment fees and is spreading the practice throughout the country, with aims to decrease the total volume of primary pollutants by 10% by 2010.

However, implementation of the plan seems to be behind schedule. The year 2007 was the first year to witness the decrease of two primary pollutants COD and SO_2, making it a difficult task for the country to achieve the 10% target within the remaining three years.

Opportunities are concentrated in the following technology and associated technology transfer needs and product demand will provide the most opportunities:

- Biological de-nitrification and phosphorus removal technologies, sludge treatment
- Membrane separation and manufacturing technologies and equipment,
- Manufacturing technology of anaerobic biological reactor,
- High concentration organic wastewater treatment technology and equipment,
- Series-standard water and wastewater treatment equipment family with high efficiency,
- Water saving technologies and equipment,
- Water treatment agents,
- Water and wastewater treatment facility operation and management service,
- Natural water body rehabilitation technology, and
- Sea water desalinization

Municipal and Industrial Wastewater Generation in China



Source: data from “2007 Report on the State of the Environment in China” issued by the Ministry of Environmental Protection on June 5, 2008.

Opportunities

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Government Stimulus Plan:

On November 9, 2008 the Chinese government, in order to shore up the weakening Chinese economy, unveiled a USD 585 billion Economic Stimulus Plan.

In this aggressive plan, water and wastewater treatment spans two categories: rural development and infrastructure project (USD 54 billion) and ecological environment (USD 51 billion). Water-related projects in these two categories will include rural area water safety projects, urban wastewater treatment, key water body pollution control and ecological environment protection.

South-to-North Water Diversion Project

The construction of the South-to-North Water Diversion Project will create a large water supply and wastewater treatment market. In the water destination areas, including Beijing, Tianjin, Hebei, Henan, Shandong and Jiangsu, the construction or expansion of water plants and piping systems will offer market opportunities worth USD 6.09 and 5.92 billion respectively. In addition, water pollution control will be a major part of the Eastern Route project. These projects are located in Jiangsu, Shandong, Hebei, Tianjin, Anhui and Henan Provinces. As of early 2009, 26 pollution control projects in Shandong and Jiangsu on the Eastern Route have been rolled out, using USD 0.35 billion investment. Total planned investment for pollution control of the entire water diversion project is USD1.93 billion.

In 2009, Chinese government will invest USD 3.1 billion into the Water Diversion Project. A new target set by project committee at a recent meeting is that East Route will begin to supply water in 2013, and the Middle Route (begun in December 2003) will begin to supply water in 2014. The West Route is expected to start construction in 2010.

Updated bidding projects can be found at:
www.chinabidding.com.cn

Resources Return to top

Tradeshows:

CIEPEC 2009
Date：June 3-6, 2009
Venue: China International Exhibition Center
Organizer contact: Ms. Yang Yan
Tel: 86-10-5155-5020, 86-10-5155-5021
Fax: 86-10-5155-5028
Website: www.chinaenvironment.org
Email: ciepec@163.net
U.S. Embassy Contact: Ms. Wang Yi
Tel: 86-10-8531-4505
Fax: 86-10-8531-3701
Email: yi.wang@mail.doc.gov

Aquatech 2009
Date：June 3-5, 2009

Venue: Shanghai Exhibition Center
Organizer contact: Mr. William Wang
Tel: 86-21-6270-6767, 86-21-6270-5336
Fax: 86-21-6270-6720
Website: www.aquatechchina.com
Email: william@chcbiz.com
U.S. Embassy Contact: Ms. Stellar Chu
Tel: 86-10-6279-7630
Fax: 86-10-6279-7639
Email: stellar.chu@mail.doc.gov

Water 2009
Date: June 24-26, 2009
Venue: Shenzhen Convention & Exhibition Center
Organizer: Guangdong Convention and Exhibition Promotion Ltd.
Contact: Ms. Alina Luo
Tel: 86-20-6119-8862
Fax: 86-20-6119-8841
Web site: www.waterexpo.org
E-mail: luoyan-668@hotmail.com

Useful websites:

http://www.sepa.gov.cn/
Ministry of Environmental Protection

http://www.cepi.com.cn/
China Association of Environmental Protection Industry

http://www.cenews.com.cn
China Environmental Daily

http://www.worldbank.org
World Bank – China Pollution Industries

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

A comprehensive guide to China's customs regulations is *The Customs Clearance Handbook* (2007), compiled by the General Administration of Customs (China Customs). This guide contains the tariff schedule and national customs rules and regulations. This guide can be purchased at bookshops in China, or ordered from following:

China Customs Publishing House,
No. 9A, Dong Tu Cheng Street,
Chaoyang District, Beijing, China 100013
Phone: (8610) 8527-1610;
Fax/Phone (8610) 8527-1611
Website: http://english.customs.gov.cn/publish/portal191/

1. Tariff Rates
China Customs assesses and collects tariffs. Import tariff rates are divided into six categories: general rates, most-favored-nation rates, agreement rates, preferential rates, tariff rate quota rates and provisional rates. As a member of the WTO, imports from the United States are assessed at the most-favored-nation rate. The five Special Economic Zones, open cities, and foreign trade zones within cities offer preferential duty reductions or exemptions. Companies doing business in these areas should consult the relevant regulations.

China may apply tariff rates significantly lower than the published MFN rate in the case of goods that the government has identified as necessary to the development of a key industry. For example, China's Customs Administration has occasionally announced preferential tariff rates for items in the automobile industry, steel, and chemical products.

2. Customs Valuation
The dutiable value of an imported good is its Cost, Insurance and Freight (CIF) price, which includes the normal transaction price of the good, plus the cost of packing, freight, insurance, and seller's commission. On January 1, 2002, Customs Order 954, the

Administrative Regulation on Examination and Determination of the Dutiable Value of Imported and Exported Goods, came into effect. Under the regulations, China Customs has been tasked with assessing a fair valuation to all imports. To assess a value, all Customs officers now have access to a valuation database that lists appropriate valuations for various imports, based on international market prices, foreign market prices and domestic prices. Customs officers check the price reported by the importer against this database. Normally, Customs officers will accept the importer's price. However, if the reported value is too far out of line with the database, the Customs officer will estimate the value of the goods based on methods listed in Article 7 of the PRC Administrative Regulations.

3. Tariff classification

Before July 2004, China Customs exclusively used eight-digit codes in its harmonized tariff system, as opposed to a more detailed ten-digit code system. Without detailed codes, Customs officers have wide discretion to classify each import. On July 1, 2004, the Ministry of Commerce announced the use of ten-digit codes for certain items including rare earth, chemicals, internal combustion engines, pumps and automobiles.

4. Taxes

On top of normal tariff duties, both foreign and domestic enterprises are required to pay value-added taxes (VAT) and business taxes. VAT is assessed on sales and importation of goods and processing, repairs and replacement services. Business taxes are assessed on providers of services, the transfer of intangible assets and/or the sales of immovable properties within China. VAT is assessed after the tariff, and incorporates the value of the tariff. China is bound by WTO rules to offer identical tax treatment for domestic and imported products. VAT is collected regularly on imports at the border. Importers note that their domestic competitors often fail to pay taxes.

China offers a variety of tax incentives and concessions. The general VAT rate is 17 percent but necessities, such as agricultural products, fuel and utility items, are taxed at 13 percent. Enterprises regarded as small businesses (those engaged principally in production of taxable goods or services with annual taxable sales of less than RMB 1 million (USD 146,000) or those engaged in wholesaling or retailing of goods with annual sales of less than RMB 1.8 million (USD 263,000) are subject to VAT at the rate of 4 percent or 6 percent, depending on the nature of the business. Unlike other VAT payers, small businesses are not entitled to claim input tax credits for VAT paid on their purchases. Certain limited categories of goods are exempt from VAT. Likewise, many foreign-invested processing enterprises are exempt from certain taxes if they export their products.

VAT rebates up to 17 percent (a full rebate) are available for certain exports. The Chinese government frequently adjusts VAT rebate levels to fulfill industrial policy goals.

Exporters complain that it takes months to obtain the rebates and amounts are often miscalculated. Also, rebates are limited by the local budgets, and coastal provincial authorities often run out of funds for rebates well before the end of the year. The applicable rebate method varies and is a function of the establishment date of the enterprise.

The National People's Congress passed a new unified Corporate Income Tax Law in March 2007 that eliminates many of the tax incentives that had typically been available to foreign invested manufacturers. The change, which took effect on January 1, 2008, introduced an overall 25 percent corporate income tax rate in lieu of a previous split between domestic (33 percent) and foreign-invested enterprises (15 percent) rates. There will be a five-year grace period during which foreign invested enterprises (FIEs) will be grandfathered into the new tax rate. The law includes two exceptions to the new 25 percent flat rate: one for qualified small-scale and thin profit companies, which will pay 20 percent, and another to encourage investment by high tech companies, which will pay 15 percent. Additional incentives are available for investments in resource and water conservation, environmental protection, and work safety. Preferential tax treatment for investments in agriculture, animal husbandry, fisheries, and infrastructure development will continue to apply.

FIEs will likely see narrower profits as a result of the tax changes. However, the law provides new incentives to enterprises with high-wage labor costs. Under the new law, financial services, securities, consulting, and other high-wage professional services firms will be able to deduct all wage outlays from their taxable income, which had previously been limited to RMB 1600 (USD 234) per month, per employee.

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Following China's accession to the WTO in 2001 and during its subsequent transition period as a new WTO member, the Chinese Government took significant steps to revise its laws and regulations in a manner consistent with WTO obligations and strengthen its role in the global economy. Nevertheless, despite progress in many areas, significant barriers for U.S. companies exist. These include import barriers, an opaque and inconsistent legal system and limitations on market access. The U.S. Government strives to address these barriers through continuous bilateral dialogue and engagement, active export promotion, and enforcement of U.S. and international trade laws and obligations. For more information on specific barriers, please see the U.S. Government's National Trade Estimate Report on Foreign Trade Barriers at www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html.

Import Requirements and Documentation

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Normally, the Chinese importer (agent, distributor, joint-venture partner, or FIE) will gather the documents necessary for importing goods and provide them to Chinese Customs agents. Necessary documents vary by product but may include standard documents such as a bill of lading, invoice, shipping list, customs declaration, insurance policy, and sales contract as well as more specialized documents such as an import quota certificate for general commodities (where applicable), import license (where applicable), inspection certificate issued by the General Administration of the PRC for Quality Supervision, Inspection, and Quarantine (AQSIQ) or its local bureau (where applicable), and other safety and/or quality licenses.

U.S. Export Controls

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The United States imposes export controls to protect national security interests and participates in various multilateral arms control regimes to prevent the proliferation of weapons of mass destruction. The Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of sensitive consistent controlled commodities and technologies. “Consistent” refers to items or technologies that have both civilian commercial and military applications. BIS implements U.S. export controls on “Consistent” and commercial items. Additional information on export controls and BIS, including the Export Administration Regulations (EAR), can be found on the Internet at www.bis.doc.gov.

The primary goal of BIS is to protect U.S. national security interests and promote economic and foreign policy objectives. BIS also enforces antiboycott laws, coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues, and assists U.S. exporters in complying with export control regulations, international arms control agreements and export licensing procedures. The Office of Exporter Services provides information on BIS programs, offers seminars on complying with the EAR and licensing requirements and procedures, and presents an annual Update Conference as an outreach program to industry. The Office of Export Administration processes applications to license exports, re-exports and deemed exports (technology transfers to foreign nationals in the United States). The Office of Export Enforcement is staffed with approximately 100 Special Agents and investigates allegations of illegal exports of dual-use goods and technologies. BIS Special Agents are also posted as attaches (Export Control Officers) in Beijing, Hong Kong, New Delhi, Moscow and the United Arab Emirates.

A license requirement is imposed on the export and reexport of certain commodities and technologies controlled for dual-use purposes to end-users in China. In some cases, an end-use check, which can take the form of either a Pre-License Check (PLC) or Post-Shipment Verification (PSV), is also required. During the 2004 Joint Commission on Commerce and Trade (JCCT), BIS signed an Exchange of Letters on End-Use Visit Understanding (EUVU) with the Chinese Ministry of Commerce (MOFCOM). This Exchange of Letters establishes procedures for arranging end-use visits in China and for these visits to be conducted jointly by MOFCOM and the BIS Export Control Officer. Implementation of the EUVU helps ensure that the intended recipients of U.S. exports of controlled dual-use items are using these commodities for their intended purposes and facilitates licensing determinations. U.S. exporters are required to obtain an End User/End-Use Statement from MOFCOM for all transactions valued over $50,000 as part of the license application process. Information on End-User/End-Use Statements can be obtained from MOFCOM, Department of Mechanic, Electronic and High Technology Industries, Export Control Division I, No 2 Chang An Jie, Beijing 100731 China tel: (86)(10) 6519-7366 fax: (86)(10) 6519-7543 website www.cys.mofcom.cn/.

In June 2007 the U.S. government published a regulation introducing changes to export control policy towards China. This regulation, known as the “China Policy Rule”, established a new Validated End-User (“VEU”) program, to facilitate exports to certain customers in China. Companies that qualify for VEU are authorized to receive certain U.S.-controlled items without requiring individual export licenses; in October 2008 BIS published in the Federal Register the names and locations of five companies in China that have been authorized to received certain controlled items under VEU. In January 2009 BIS and MOFCOM reached agreement on procedures for conducting on-site reviews relating to the VEU, thus paving the way for full implementation of this innovative program.

Application for VEU is voluntary and can be made by an end-user in China or by a U.S. exporter on behalf of a customer in China. Interested companies can apply by submitting a request for an advisory opinion to BIS. The "China Policy Rule" also introduced new controls on certain specific items when destined for military end-uses in China. This focused list of items covers 20 product categories across 31 entries on the Commerce Control List and includes militarily useful items such as depleted uranium, inertial navigation systems and avionics, aircraft and aircraft engines, lasers, underwater cameras and propulsion systems and related technologies and software. Lastly, the "China Policy Rule" raised the threshold requirement for obtaining MOFCOM End-User/End-Use Statements from USD5000 to USD50,000 with the exception of certain commodities in category 6A003, which will still require End-User/End-Use Statements for exports valued at USD5000 and above.

U.S. exporters can obtain information about regulations that may apply to the sale of their goods to China by requesting an advisory opinion from BIS. The advisory opinion will provide information on commodity classification as well as any applicable restrictions on exporting to China. Information on advisory opinions, commodity jurisdiction, commodity classification and export licenses can be obtained through the BIS website at www.bis.doc.gov or by contacting the Office of Exporter Services:

Washington, D.C.	Tel: (202) 482-4811	Fax: (202) 482-3322
Western Regional Office	Tel: (949) 660-0144	Fax: (949) 660-9347

Information about U.S. export controls on "dual-use" commodities and technologies can be obtained from the BIS Export Control Officer at the Foreign Commercial Service, U.S. Embassy Beijing, Tel: (86)(10) 8531-3301 or Fax: (86)(10) 8531-3330.

In 1990 the U.S. Congress passed P.L. 101-246, commonly referred to as the "Tiananmen Sanctions", which restrict the export and re-export of crime control and crime detection equipment and instruments listed in the EAR to China's police agencies. The Tiananmen Sanctions also prohibit the export of commodities on the U.S. Munitions List. These restrictions apply regardless of the end-user in China and the sale of these items to third parties as a means of circumventing the Tiananmen Sanctions is also prohibited. A Presidential waiver may be required for certain exports and the waiver must include a certification that the specific proposed export would not be detrimental to interests nor substantially contribute to improving China's military, space launch or missile capabilities or weapons development programs.

Exporters are urged to check lists identifying specific end-users (persons, companies and entities) that are under U.S. government sanctions or for whom export licenses may be required. Information on these lists, which include the Entity List, Unverified List, Denied Persons List, Specially Designated Nationals List and Debarred List, is available on the BIS website at www.bis.doc.gov. In some cases exports and re-exports to parties named on these lists may be prohibited and U.S. exporters who engage in transactions with listed parties may themselves become subject to administrative and criminal penalties.

The “Unverified List” names companies for who BIS have been unable to conduct Pre-License Checks or Post-Shipment Verifications. The list notifies U.S. exporters that involvement of a listed person or company as party to a proposed transaction constitutes a “red flag” as described in the guidance set forth in Supplement No. 3 to 15 CFR part 732 of the EAR. Under that guidance, the “red flag” requires heightened scrutiny by the exporter before proceeding with a transaction in which a listed person or company is party. The Unverified List can be viewed on the BIS website at www.bis.doc.gov .

Additionally, the U.S. Department of State also imposes sanctions relating to proliferation of weapons of mass destruction and arms control. On June 28, 2005, President Bush signed Executive Order 13382, which amended E.O. 12938 by providing sanctions against entities that finance and support proliferation activities. Chinese entities have been sanctioned under this Executive Order as well as under the Iran Nonproliferation Act of 2000 (P.L. 106-178), Iran-Iraq Arms Nonproliferation Act of 1992, and Executive Order 12938, as amended (E.O. 13094, E.O. 13882). Additional information on these sanctions can be found on the State Department website at www.state.gov/t/np or through the Bureau of International Security and Nonproliferation (ISN).

Other agencies also regulate more specialized items, for example; the U.S. Department of State administers U.S. export control regulations covering defense items and services that appear on the U.S. Munitions List, including satellites and related technologies. Information on U.S. Department of State export licensing procedures, the International Traffic in Arms Regulations (ITAR) under the Arms Export Control Act (AECA) and the U.S. Munitions List can be found at www.pmdtc.org or at tel: (202) 647-1817. The point of contact of U.S. Department of State licensing issues at the U.S. Embassy Beijing is the Economic Section, tel: (86) (10) 8531-3000, fax: (86) (10)8531-4949.

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1. Trade Shows & Exhibitions

Participants of trade shows and exhibitions can come into China on tourist visas and travel in-country. Notebook computers, cameras, portable printers, and VCRs can be brought into China as personal belongings.

Business firms seeking to bring in exhibits and items for display should consult with customs authorities or the show organizers for regulation on the procedures and to obtain copies of appropriate forms.

2. Temporary Entry

Goods imported in China for display or demonstration at trade shows and exhibitions are exempt from Customs duty, provided they are re-exported within three months. The time for re-export may be extended with Customs approval. The exhibition organizer must obtain advance approval from Customs, provide certain shipping documents and a list of items to be exhibited, and coordinate with Customs officials. Customs may sometimes request a guarantee in the form of a deposit or letter.

A local sponsor with authority to engage in foreign trade may sponsor small exhibitions or technical seminars, requiring less than 1000 square meters in exhibition space, without first seeking approval from MOFCOM. Customs will handle the tariff exemption formalities based upon a guarantee of re-export that is signed between the sponsor and the foreign party.

Food and beverage exhibition "not-for-sale" sample-entry rules are not clearly defined and appear capriciously applied. U.S. exhibitors should contact the exhibition organizers to determine their liabilities regarding sample entries for such events before registering to participate, to obtain a clearer understanding of exhibition-related expenses.

Some exhibits or samples imported under the temporary not-for-sale regulations may be sold after the trade event is completed; in which case the duties owed on these items are levied by the Customs.

According to the Corporation for International Business, it should also be noted that as of July 20,2005, the ATA Carnet Issuing authority in China no longer required a cover letter along with the carnet presented to Chinese customs inspectors. The CIB is an ATA Carnet Service Provider of the U.S. Council for International Business (USCIB), New York City. USCIB is the Guaranteeing and Issuing Association for ATA Carnet in the United States, under appointment of the U.S. Bureau of Customs and Border Protection. Interested firms can contact the CIB by sending an e-mail to carnets@atacarnet.com or by calling the CIB Carnet hotline (800 ATA-2900).

Companies are advised that freight forwarders will help to prepare a declaration Form and Chinese Customs requests the model and serial numbers for high value exhibits. Requirements may differ for types of products to be imported. In addition, fumigation is required for all wooden packing materials, in accordance with IPPC standards, and must bear the IPPC symbol.

3. Passenger Baggage

Reasonable quantities of items for personal use by short-term visitors may be imported duty-free. Other items such as cameras, televisions, stereo equipment, computers, and tape recorders must be declared and may be assessed a duty depending upon the item's value. Maximum cash allowed for an individual to bring on board is USD5000 each time.

Please consult the website for updated info:
www.customs.gov.cn/YWStaticPage/433/24243724.htm

4. Advertising Materials and Trade Samples

Samples and advertising materials are exempt from customs duty and Value-Added Tax (VAT) if the item's value does not exceed RMB 200 (USD 30). Samples and advertising materials concerning certain electronic products, however, are subject to customs duty and VAT regardless of value.

5. Representative Offices' Personal Effects and Vehicles

Representative offices must submit a written application to Customs if they intend to import any personal effects or vehicles. Approval by Customs waives any relevant import license requirements and allows the office to import the equipment in reasonable amounts for office-use only.

6. Processing Materials and Parts

Raw materials, components, spare parts, auxiliary materials, and packaging materials imported by FIEs for the production of goods which will be re-exported are exempt from customs duty and VAT. The materials and components must be processed into products and exported within one year from the date of importation. In special circumstances, an FIE can apply to extend the date of export to a total time no longer than two years from the date of importation. Bonded warehouses may be established within the FIE and are subject to supervision by Customs.

Caution: In 2007 MOFCOM promulgated a List of Prohibited Categories for Processing Trade. Please consult MOFCOM's website for updates at www.mofcom.gov.cn

7. Warehouses

Goods that are allowed to be stored at a bonded warehouse for up to one or two years, are limited to: materials and components to be used for domestic processing subject to re-exportation; goods imported under special Customs approval on terms of suspending the payment of import duties and VAT; goods in transit; spare parts for free maintenance of foreign products within the period of warranty; and fuel for aircraft and ships.

At the end of the two-year period, the goods must be imported for processing and re-exported, licensed for import, or disposed of by Customs. Customs duties and VAT may be assessed depending upon the degree of processing done in China. Goods imported under normal import contracts are not allowed to be stored in bonded warehouses.

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The following items are prohibited from entering China: arms, ammunition, and explosives of all kinds; counterfeit currencies and counterfeit negotiable securities; printed matter, magnetic media, films, or photographs which are deemed to be detrimental to the political, economic, cultural and moral interests of China; lethal poisons; illicit drugs; disease-carrying animals and plants; foods, medicines, and other articles coming from disease-stricken areas; old/used garments; and local currency (RMB). Food items containing certain food colorings and additives deemed harmful to human health by the Ministry of Health are also barred entry.

In addition, rules went into effect in June 1999, which further restrict or prohibit the importation of certain commodities related to the processing trade. The "Catalogue of Commodities Which are Restricted or Prohibited from Importing for Use in the Processing Trade" is designed to shift the direction of china's processing trade toward handling commodities with higher technological content and greater value-added potential. The catalogue identifies the following "prohibited commodities": used garments; used publications with licentious content; radioactive or harmful industrial waste; junk cars, used automobiles or components; seeds, seedlings, fertilizers, feed, additives, or antibiotics used in the cultivation or breeding of any export commodity. The catalogue lists seven general types of "restricted commodities": raw materials for plastics, polyester sections, raw materials for chemical fibers, cotton, cotton yarn, cotton cloth, and some steel products. U.S. firms should contact the China General Administration of Customs for guidance regarding the import of any of these types of products.

All wood packages should carry an IPPC mark, otherwise it will be subject to more strict requirements. The latest rule is called the Measures for the Administration of Quarantine and Supervision of Wooden Packages of Imported Goods, promulgated by AQSIQ, effective from Jan. 1, 2006.

Scrap: In 2007, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) published a "Notice Regarding Renewal Procedures for the License and Registration of Overseas Enterprises of Imported Scrap Materials," an English version of which can be found on their web site. All written application materials should be marked "Renewal Application Materials for Registration of Overseas Supplier Enterprise for Scrap Materials" and mailed to:

Division of Inspection & Supervision,
General Administration of Quality Supervision, Inspection & Quarantine of the P.R. of China (AQSIQ)
No. 9, MaDian East Road, HaiDian District, Beijing 100088
P.R. of China

Telephone for Enquiry: 86-10-82260092.

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Overview
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China's Standardization Administration of China (SAC) is the central accrediting body for all activity related to developing and promulgating national standards in China. The China National Certification and Accreditation Administration (CNCA) coordinates compulsory certification and testing, including the China Compulsory Certification system. Both SAC and CNCA are administratively under the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ).

Standards in China fall into at least one of four broad categories: National Standards, Industry Standards, Local or regional Standards, and Enterprise Standards for individual companies. National Standards can be either mandatory (technical regulations) or voluntary. In any case, they take precedence over all other types of standards.

In general, exporters to China should be aware of three broad regulatory requirements in the standards and testing area. First, SAC maintains more than 22 thousand national standards (GB standards or Guo Biao), of which about 14 per cent, are mandatory. It is also important to note that laws and regulations can reference voluntary standards, thereby making the voluntary standard, in effect, mandatory. Second, for products in a broad range of categories including more than 159 items (e.g., certain electrical products, information technology products, consumer appliances, fire safety equipment and auto parts) China's CNCA requires that a safety and quality certification mark, the China Compulsory Certification (CCC) mark, be obtained by a manufacturer before selling in or importing to China. Third, numerous government agencies in China mandate industry-specific standards or testing requirements for products under their jurisdiction in addition to the GB standards and CCC mark described above.

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Technical Committees developing national or "GB" standards must be accredited by SAC These TCs are comprised of members from government agencies, private industry associations, companies (sometimes local branches of foreign companies but often with limited voting rights), and academia.

Other government agencies, such as the National Development and Reform Commission, Ministry of Industry and Information Technology, and other, can approve and promulgate technical regulations that may reference voluntary standards, rendering them mandatory.

> **NIST Notify U.S. Service**
> Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

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CNCA is the primary government agency responsible for supervision of China's conformity assessment policies, including its primary safety and quality mark, the CCC mark. CNCA supervises the work of the China National Accreditation Service for Conformity Assessment (CNAS), which accredits certification bodies and laboratory and inspection facilities.

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The China Compulsory Certification (CCC) mark is China's national safety and quality mark. The mark is required for 22 categories including 159 products, ranging from electrical fuses to toaster ovens to automobile parts to information technology equipment. About 20 percent of U.S. exports to China are on the product list. If an exporter's product is on the CCC mark list, it cannot enter China until CCC registration has been obtained, and the mark physically applied to individual products as an imprint or label. Similarly, domestic products cannot be sold in China without obtaining registration and applying the mark on individual products. The CCC mark system is administered by CNCA.

Obtaining the CCC Mark involves an application process to authorized Chinese certification bodies. The application process can take several months, and can cost upward from USD 4,500 in fees. The process includes sending testing samples to a Chinese laboratory and testing in those labs to ensure the products meet safety and/or electrical standards. A factory inspection of the applicant's factories, to determine whether the product line matches the samples tested in China, is also required. Finally, Chinese testing authorities approve the design and application of the CCC logo on the applicant's products. Some companies, especially those with a presence in China and with a dedicated certification/standards staff, are able to manage the application process in-house. Other exporters can tap the expertise of standards consultants based both in the U.S. and in China who can provide application management services and handle all aspects of the application process.

The U.S. Department of Commerce maintains a comprehensive CCC mark website to help U.S. exporters determine whether they need the CCC mark and how to apply. http://www.mac.doc.gov/china/cccguide.htm. The Department of Commerce has also sponsored CCC Mark Seminars in cities across the U.S. Contact the Office of Market Access and Compliance, China Economic Area of the Department of Commerce, International Trade Administration, or visit its website for more information.

Though the CCC mark is China's most widely required product certification mark, other product certification requirements exist. These include requirements for boilers and pressure vessels, under a product certification regime administered by the Special Equipment Licensing Office of AQSIQ. Another product certification scheme is required for certain measurement equipment, known as Certificate of Pattern Approval, also administered by AQSIQ.

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China is obligated to notify other World Trade Organization members of proposed technical regulations that would significantly affect trade. Notifications are made through the Technical Barriers to Trade (TBT) committee notification point. All members, including China, are required to allow for a reasonable amount of time for comments to proposed technical regulations, i.e., compulsory standards. (See the link, below, to a free service that delivers notifications to your e-mail in-box.)

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As noted in the Product and Certification Section above, products requiring the CCC mark, in addition to undergoing an application and testing process, must have the mark physically applied on products before entering China or being sold in China.

Labeling and marking requirements are mostly made by different industry authorities. But, all products sold in China must be marked in the Chinese language. The State Administration for Quality Supervision, Inspection, and Quarantine (AQSIQ) requires imported and exported (but not domestic) food items such as candy, wine, nuts, canned food, and cheese to have labels verified and products tested for quality before a good can be imported or exported. According to the Food Labeling Standards of China, imported foods shall have clear markings that indicate the country of origin, in addition to the name and address of the general distributor registered in the country.

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For a comprehensive list of accredited technical committees in China:
Chinese link -
http://www.sac.gov.cn/templet/default/displayTechnicalCommitteeList2.do?id=qgzhwyh
English link (not as complete) -
http://www.sac.gov.cn/templet/english/displayTechnicalCommitteeList.do

For a complete list of products required to obtain China Compulsory Certification:
English - http://219.238.178.8/20040420/column/227.htm

For Free notifications of proposed technical regulations and standards:
www.nist.gov/notifyus

For free, weekly updates of standards activity in China, go to the Department of Commerce, International Trade Organization Standards web page-
http://www.ita.doc.gov/td/standards/

For information regarding rules of importation from AQSIQ, including a very useful map with links to local bureaus of entry-exit and quarantine-
http://english.aqsiq.gov.cn/

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Chapter 6: Investment Climate

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The growth rate of foreign direct investment (FDI) into China accelerated to 23% in 2008 to $92.3 billion, according to Ministry of Commerce statistics. American FDI in China grew more than 10% in 2008, the first year that U.S. investment in China rose since 2002. According to the United Nations Conference on Trade and Development (UNCTAD), in 2007, mainland China was the world's sixth largest FDI recipient, after the United States, the United Kingdom, France, Canada, and the Netherlands. (Hong Kong was the world's seventh largest FDI recipient. Together, the two economies would be ranked fourth.)

China also received the most votes in a 2007 UNCTAD poll of attractive investment destinations, followed by India, the United States, Russia, Brazil, and Vietnam. The American Chamber of Commerce has reported that American firms' operations in China are more profitable than they are in the United States.

Outbound investment from China has recently increased significantly as China encourages leading domestic firms to acquire key technologies, brands, and access to natural resources abroad, although Chinese investment in U.S. financial institutions has lagged expectations.

While FDI in China shot higher, investors continued to face a range of potential problems that could expose them to risks in the future. Problems foreign investors face in China include lack of transparency, inconsistently enforced laws and regulations, weak IPR protection, corruption, industrial policies that protect and promote local firms, and an unreliable legal system.

In 2008, China continued to lay out a legal and regulatory framework granting it the authority to restrict foreign investment that it deems not to be in China's national interest. In many ways, the new rules, which are outlined in more detail below, codify standards and practices that China was already employing in its existing, mandatory foreign investment approval process. Key terms and standards in the new regulations are undefined. In fact, China has told the United States that it wants to preserve flexibility for its regulators to approve or block foreign investment projects in response to changing circumstances. In practice, the potential restrictions that China may impose are much broader than those of most developed countries, including the national security review conducted by the Committee on Foreign Investment in the United States (CFIUS).

At the moment, China appears to be using the rules to restrict foreign investments that are:

- intended to profit from currency speculation;
- in sectors where the government is trying to tamp down aggregate capital inflows and inflation;
- in sectors where China is seeking to cultivate "national champions;"
- in sectors that have benefited historically from state-authorized monopolies or from a legacy of state investment;
- in sectors deemed key to social stability, like foodstuffs and heavily polluting industries; and
- nominally "foreign" investment that is actually Chinese capital that has been exported and re-imported to take advantage of preferential treatment accorded to foreigners.

Although it remains to be seen how many of these rules will be applied, they present several concerns to foreign investors. First, they appear to give regulators significant discretion to shield inefficient or monopolistic enterprises from foreign competition. They are also often applied in a manner that is not transparent. Finally, overall predictability for foreign investors has suffered because investors are less certain that China will approve proposed investment projects. The United States Government has raised its concerns about these laws and regulations and will continue to monitor developments closely in 2008.

At the end of 2008, in response to the weakening economy, China announced a stimulus package that includes fiscal stimulus, business tax cuts, and support for priority sectors that may present foreign investors with new opportunities. The United States is tracking the roll out of this plan and will seek to ensure it is applied in a manner that does not discriminate against foreign investors.

Investment Requirements

China has revised many laws and regulations to conform to WTO investment requirements. At the same time, Chinese industrial planners encourage investments that meet Beijing's economic development goals. U.S. companies are concerned that encouragement may amount, in many cases, to WTO-prohibited requirements, particularly in light of the high degree of discretion provided to the Chinese officials who review investment applications.

Laws Governing Investment

In China, all commercial enterprises require a license from the government. There is no broad right to establish a business. The principle law governing establishment of an enterprise is China's Administrative Permissions Law, which requires China to review proposed investments for conformity with Chinese laws and regulations, and is the legal basis for China's complex approval system for foreign investment, described below.

Additional laws govern the forms of enterprises that can be established, which are described in more detail in Section F. Disposition of an enterprise is also tightly regulated. Apart from its legal regime, China makes liberal additional use of administrative regulations that restrict foreigners' ability to establish investments in some sectors, as described below.

China's Foreign Investment Review and Approval Process

The first step in securing approval for an investment project is application to China's Environmental Protection Ministry and Land Resources Agency, which review projects for compliance with environmental and land use regulations. The next step is "project verification" by China's National Development and Reform Commission (NDRC), which includes assessing the investment project's compliance with China's laws and regulations, its national security, and its economic development needs. Provincial DRC's typically first pre-review investment projects before submitting them to the national DRC for "verification." In some cases, NDRC also solicits the opinions of relevant Chinese industrial regulators and "consulting agencies," which may include industry associations that represent domestic firms. The State Council also weighs in during the verification stage for "key projects."

Once NDRC completes its review, the Ministry of Commerce (MOFCOM) conducts an "enterprise establishment verification," which certifies that the contract establishing the foreign investment conforms to China's laws and regulations. Foreign investors next apply for a business license from the State Administration of Industry and Commerce (SAIC), which allows the firm to operate. Once a license is obtained, the investor registers with China's tax and foreign exchange agencies.

Investment Guidelines

While insisting it remains open to inward investment, China's leadership has also stated that China is actively seeking to target investment in higher value-added sectors, including high technology research and development, advanced manufacturing, energy efficiency, and modern agriculture and services, rather than basic manufacturing. China would also seek to spread the benefits of foreign investment beyond China's more wealthy coastal areas by encouraging multinationals to establish regional headquarters and operations in Central, Western, and Northeastern China.

Five Year Plan

China defines its broad economic goals through five-year macro-economic plans. The most significant of these for foreign investors is China's Five-Year Plan for Foreign Investment. The most recent version was released in November 2006 and promised a greater scrutiny of foreign capital utilization. The plan calls for the realization of a "fundamental shift" from "quantity" to "quality" in foreign investment from 2006 to 2010.

According to the document, the focus of China's investment policy should change from shoring up domestic capital and foreign exchange shortfalls to introducing advanced technology, management expertise, and talent. There should be more attention to ecology, environment, and energy efficiency. The document also demands tighter tax supervision of foreign enterprises, and seeks to restrict foreigners' acquisition of "dragon head" enterprises (i.e., premier Chinese firms), prevent the "emergence or expansion of foreign capital monopolies," protect national economic security, particularly "industry security," and prevent "abuse of intellectual property."

Foreign Investment Catalogue

China outlines its specific foreign investment objectives primarily through its Foreign Investment Catalogue. The most recent version went into effect December 1, 2007. The catalogue is revised every few years and supplemented by directives from various government agencies. According to Chinese officials, it is a static document, intended as a snapshot of policies in place at a given time, and thus may not fully reflect China's foreign investment policy after it is published. In December 2008, China also released an updated version of its "Catalogue of Priority Industries for Foreign Investment in the Central-Western Region," which outlines additional incentives to attract investment in targeted sectors to those parts of China.

The Foreign Investment Catalogue serves two functions. First, China intends for it to help foreign investors understand China's complex industrial policy by delineating sectors of the economy where foreign investment is encouraged, permitted, restricted, and prohibited. In addition, the catalogue spells out some more specific restrictions in various sectors, like caps on foreign ownership and permissible types of investment. In all restricted sectors, foreign firms wishing to invest must form a joint venture with a Chinese company, restricting their equity to a minority share. In addition, the release of an updated catalogue, with State Council blessing, sends a signal to other relevant agencies that they should adopt measures to implement the new guidelines.

Investment in sectors not listed in the catalogue is considered "permitted." China "encourages" investment in sectors where it believes it benefits from foreign assistance or technology. Investment is "restricted" in sectors that do not meet "the needs of China's national economic development." China "prohibits" foreign investment in a limited number of sectors, such as news agencies, radio and TV transmission networks, film production, publication and importation of press and audio-visual products, compulsory basic education, mining and processing of certain minerals, processing of green and "special" tea using Chinese traditional crafts, and preparation of Chinese traditional medicine.

Since 2004, provincial governments have enjoyed expanded authority to directly approve many foreign investment projects. Currently, in "encouraged" and "permitted" sectors, only proposed investments valued above $500 million require National Development and Reform Commission (NDRC) review and State Council approval. Projects in "restricted" sectors valued above $50 million require central government review and approval. In targeted sectors, like high-technology industries, China uses a variety of incentives to encourage investment, which are described in Section E.

Problems with the Foreign Investment Catalogue

Foreign investors have expressed frustration that China does not publicly seek input before updating to the catalogue and offers no rationale for changes. In addition, Chinese regulators are not bound to follow the catalogue and instead maintain the flexibility to discard its guidance and restrict or approve foreign investment for other reasons. Part of the problem is that the catalogue is intended only as a general guideline, not a fully exhaustive list of restrictions. Even in encouraged and permitted sectors, regulations apart from the Catalogue often specify restrictions on the specific forms of investment that are allowed. China may also adopt new regulations or make unannounced policy decisions that supercede the most recent published edition of the catalogue. Chinese officials have told the United States Government that China is not able to exhaustively catalogue all existing investment restrictions and requirements.

Contradictions between the catalogue and other measures, some of which are outlined below, have also confused investors and added to the perception that investment guidelines do not provide a stable basis for business planning. Uncertainty as to which industries are being promoted and how long such designations will be valid undermines confidence in the stability and predictability of the investment climate. As an example, China is now concurrently putting into place a set of regulations governing foreign mergers with and acquisitions of Chinese firms (M&A) and regulations that stipulate state control over "key sectors" of the economy. The relationship between these rules and the investment catalogue is not clear. As a consequence, the practical implications of listing a sector in a given category are uncertain.

New Investment Restrictions in "Key Fields"

Starting in 2006, China began to release a set of regulations that together outline restrictions on foreign investment in "key fields." While China has never officially defined the term, in practice, it appears to refer to sectors of the economy that are key to China's industrial development and political stability. The scope of these interests may well be broader than many U.S. investors might assume. For example, China has recently indicated that food processing is critical to China's security. In 2008, China explained that its rationale for imposing new restrictions on foreign investment in soy processing was driven by concern that foreign invested firms controlled too high a share of the oil seed processing market and that domestic firms were unable to compete. If foreign-invested firms were to wipe out their domestic competition, the officials explained, then China would become dependent on foreign firms to supply this key domestic food staple.

<u>Review of Foreign Mergers and Acquisitions</u>

In August 2006, the Ministry of Commerce (MOFCOM) and five other government agencies issued the first of a series of regulations to put in place restrictions on foreign investment in key fields. Specifically, China revised the rules that govern foreign mergers and acquisitions to establish an “economic security review” that can block deals. Under the new rules, foreign acquisitions that would result in “actual control” of a domestic enterprise in a “key industry” with “potential impact on national economic security” or altering control of a “prominent Chinese old brand” must be reported to MOFCOM for approval and certification that the target has been accurately valued.

Chinese officials have claimed that these regulations are broadly based on and equivalent to the U.S. interagency Committee on Foreign Investment in the United States (CFIUS) process, which is in fact a much more narrowly focused review of the national security implications of foreign acquisitions of U.S. firms. Although the implementing regulations for the M&A review process have never been released and may not be complete, foreign investors have reported that they face greater difficulties purchasing controlling stakes in prominent firms and several prominent proposed deals are stalled.

State Enterprise Restructuring

Subsequently, in December 2006, China’s State Council issued a decree drafted by the State-owned Assets Supervision and Administration Commission (SASAC) which concretely outlines a broad set of “key sectors” where the state should retain or expand its control. The *Guiding Opinion Concerning the Advancement of Adjustments of State Capital and the Restructuring of State-Owned Enterprises* calls on China to “enhance the state-owned economy's controlling power,” “prevent the loss of state-owned assets,” encourage “state-owned capital to concentrate in major industries and key fields relating to national security and national economic lifelines and accelerate the formation of a batch of predominant enterprises with independent intellectual property rights, famous brands, and strong international competitiveness.”

The document defines “major industries and key fields” as those related to national security, major infrastructure and mineral resources, industries that provide essential public goods and services, and key enterprises in pillar industries and high-tech industries. The measure explains that “pillar” and “backbone” industries such as automotive, chemical, construction, electronic information, equipment manufacturing, iron and steel, nonferrous metal, science and technology, and survey and design must maintain relatively strong state control. SASAC also identified seven strategic sectors where state capital must play a “leading role”: aviation, coal, defense, electric power and grid, oil and petrochemicals, shipping, and telecommunications.

Anti-Monopoly Law

In August 2007, China's National People’s Congress passed an Anti-Monopoly Law (AML) that took effect in August 2008. While U.S. experts say the law's core antitrust provisions meet international standards, it is important to note that these international standards can differ from U.S. practice and may allow considerable discretion for Chinese regulators to pursue cases that benefit local firms at the expense of international competitors. Specifically, while the United States tends to promote a competition regime that enhances consumer welfare, as measured by lower prices, other states pursue competition policies that seek to balance that goal with limits on “unfair” or “excessive” competition that harms specific competitors, even if consumers benefited from such competition.

China's adoption a regime to manage "excessive" competition poses specific problems in China's state-led economic development system. Specifically, competition regulators may find themselves responsible for both limiting excessive competition and promoting the development of state-backed companies. This can turn competition policy into a tool to protect and promote local companies at the expense of foreign firms. In order to avoid this problem, the United States has advised China that it should separate the competition and industrial policy functions of its regulatory system. Competition regulators should not be concerned with promoting domestic companies.

Some observers fear that China intends to use the AML as just such a tool to restrict foreign firms' business activities or their access to markets, especially in the "key sectors" outlined above. Part of the reason for this suspicion is that passage of the law in 2007 was accompanied by a public debate about the risks posed to China's development and independence by foreign dominance in key sectors. In addition, the text of the law notes China will protect the "lawful activities" of state-regulated monopolies and does not clearly resolve whether SOEs are otherwise subject to the law's competition provisions.

In sum, the law appears to create a legal authority for the Chinese government to restrict the business activities of both foreign and domestic firms that harm national interests by restricting competition. This authority could be directed at foreign firms and at state-owned enterprises that abuse the monopoly power granted to them by the state. The law can thus be seen as another flexible economic management tool that China can adapt to changing circumstances and perceived needs. China is currently drafting implementing regulations for the law that, together with the resolution of specific cases, will likely clarify how it intends to use the AML.

<u>National Security Review of Foreign Investment</u>

Article 31 of the AML also calls on China to establish a "national security" review of foreign investment. In August 2008, China announced the formation of a "joint meeting of ministries for security reviews of foreign M&A," headed by Vice Premier Wang Qishan. To date, China has declined invitations to brief the U.S. government on the work of the committee, most recently at the December 2008 meeting of the U.S.-China Investment Forum.

<u>State Assets Law</u>

In October 2008, China's National People's Congress passed a State Assets Law. The purpose of the law is to safeguard China's "fundamental economic system" and its SOE assets and claims, promote the "socialist market economy," fortify and develop the "SOE economy," and enable SOEs to play a dominant role, especially in "key sectors." The law requires China to adopt policies to encourage SOE concentration in industries vital to the national economy and pertinent to national security in an effort to strengthen SOE dominance in these fields. This is similar to provisions in both the State Council's 12/06 Opinions on SOE restructuring and the AML. The law also stipulates that transfer of state assets to foreigners should follow government policies and shall not hurt national security or public interest.

Problems with Laws and Regulations Restricting Foreign Investment in "Key Fields"

One key issue that remains to be clarified is the degree to which these regulations restrict foreign investment in sectors identified for state dominance, control, or influence. While China encourages state-backed firms to concentrate on these sectors, it is not clear if the regulations prohibit foreign investment in them. Chinese officials have stated that the rules are intended as guidelines. When foreign investment in an identified sector becomes too high, future investment will be restricted. That is, foreign investment would be allowed so long as it does not lead to foreign dominance.

As a consequence, we believe proposed investments in key sectors are evaluated on a case-by-case basis. This allows significant discretion on the part of Chinese regulators to impose unexplained restrictions on new investment projects, regardless of a given sector's designation in the foreign investment catalogue, and taking into account the interests of domestic competitors. Together, these new rules diminish the transparency of China's inward investment regulations and contribute to anxiety among foreign investors by limiting their ability to predict whether proposed investments will be approved.

Additional Regulations that Could Restrict Foreign Investment

Apart from the measures outlined above, China has also adopted policies in specific sectors that appear designed to restrict foreign participation. For example, the State Council's June 2006 Opinions on the Revitalization of the Industrial Machinery Manufacturing Industries calls for China to expand the market share of domestic companies in 16 equipment manufacturing fields. Policy supports include preferential import duties on parts needed for research and development, encouraging domestic procurement of major technical equipment, a dedicated capital market financing fund for domestic firms, and a strict review of imports. The measure suggests China will implement controls on foreign investments in the sector, including requiring approval when foreign entities seek majority ownership or control of leading domestic firms.

Also in 2007, some measures the government used to cool economic activity specifically targeted foreign investors, while measures introduced in 2008 to boost economic activity appeared tilted toward benefiting domestic firms. For example, in 2007, China applied residency requirements for foreigners seeking to buy real estate. Also, China's steel policy requires foreign investors to possess proprietary technology or intellectual property in steel processing. Given that foreign investors are not allowed to have a controlling share in steel and iron enterprises in China, this requirement constitutes a *de facto* technology transfer requirement, in apparent conflict with China's WTO accession agreement obligations. The policy also prescribes the number and size of steel producers in China, their location, the types of products that will and will not be produced, and the technology that will be used.

This high degree of government direction and decision-making regarding the allocation of resources in China's steel industry raises concerns because China committed in its WTO accession agreement to refrain from influencing, directly or indirectly, commercial decisions on the part of state-owned or state-invested enterprises.

Laws Governing Business Operations

In March 2007, the National People's Congress passed a new Corporate Income Tax Law, which eliminated many of the tax advantages that had been enjoyed by foreign investors. The law, which took effect January 1, 2008, fixed corporate tax rates for both foreign and domestic firms at 25 percent, following a transitional adjustment period. However, it maintained two exceptions to the flat rate: one for qualified small-scale and thin profit companies, which will pay 20%, and another to encourage investment by high-tech companies, which will pay 15%. Current preferential tax treatment will apply to investments in agriculture, forestry, animal husbandry, fisheries, and infrastructure. Although the law could result in narrower margins for FIEs, it provides new incentives to enterprises with high-wage labor costs. Under the new law, financial services, securities, consulting, and other high-wage professional services firms will be able to deduct all wage outlays from their taxable income, which had previously been limited to RMB 1,600 per month, per employee.

China's Contract Law encourages contractual compliance by providing legal recourse, although enforcement of judgments continues to be a problem. Most contracts must be registered with the government. Contracts establishing a Foreign Invested Enterprise (FIE), governing some technology imports, and relating to infrastructure projects require government approval.

The Government Procurement Law establishes rudimentary criteria to qualify domestic and foreign suppliers and various categories of procurement, as well as broad standards for publicity, notification, bid scheduling, sealed bidding and bid evaluation. Foreign reactions to the law have been mixed. The law clarifies that purchases by SOE's do not constitute government procurement, thereby removing the bulk of commercial value from this procurement system. The legislation mandates domestic procurement unless the goods or services are unavailable at reasonable commercial terms in China.

The Securities Law, which was amended in 2005, codifies and strengthens administrative regulations governing the underwriting and trading of corporate shares, as well as the activities of China's stock exchanges in Shanghai and Shenzhen. No wholly foreign enterprises have yet issued shares on a Chinese exchange, though the Chinese regulator has voiced support for this in the future. See Section I for information on investing in China's capital markets.

Additional relevant laws include: the Insurance Law, Foreign Trade Law, Law on Import and Export of Goods, Arbitration Law, Labor Contract Law (described in Section N of this report), and other laws. Regulations and updates on China's investment laws, projects, and conditions can be found on the websites of the Chinese Ministry of Commerce, at http://www.mofcom.gov.cn and http://www.fdi.gov.cn. MOFCOM also publishes a comprehensive summary of foreign investment laws, including the complete Guidance Catalogue for Foreign Investment Industries, in a regularly updated 100-page booklet, known as the "China Investment Guide."

Distribution of Foreign Investment

The vast majority of foreign investment is concentrated in China's more prosperous coastal areas, including Guangdong, Jiangsu, Fujian, and Shandong provinces, and Shanghai. Foreign investment in most service sectors lags manufacturing, mainly due to government-imposed restrictions. China is committed to gradually phasing out barriers in many service industries, but progress has been slow.

Conversion and Transfer Policies

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China has gradually loosened the foreign exchange regulations facing foreign-invested firms. While China permits foreign investors liberal access to foreign exchange for current account transactions such as repatriating profits, capital account transactions (financial investment) are tightly restricted. Investors can also purchase foreign-currency denominated Chinese bonds.

However, recently, in response to its large trade surplus and capital inflows, Chinese authorities have tightened restrictions on capital inflows, while easing restrictions on capital outflows. Chinese authorities have also reduced foreign banks' quotas to borrow foreign currency and several foreign firms have noted increased difficulties in getting approval to bring in foreign capital to expand their businesses.

Authorities have also begun to liberalize the exchange rate regime and operation of exchange rate markets. Recent regulations permitting greater capital outflow and China's encouragement of domestic firms to invest abroad appear to be motivated by Chinese desire to better balance the massive capital inflows that China has recently experienced.

To open and maintain foreign exchange accounts, foreign-invested enterprises apply to China's State Administration of Foreign Exchange (SAFE). SAFE determines the amount of foreign exchange the firm needs. Deposits above the limit SAFE sets must be converted to local currency. Enterprises authorized to conduct current account transactions can also retain foreign exchange equal to 50 percent of export earnings.

Foreign exchange transactions on China's capital account require a case-by-case review and approvals are tightly regulated. These barriers to capital market access are not addressed in China's WTO accession agreement and Chinese firms face even more onerous restrictions than foreign-invested enterprises. Most major firms reinvest their profits in the Chinese market.

The Chinese government registers all commercial foreign debt and limits the foreign firms' accumulated medium and long term debt from abroad to the difference between total investment and registered capital. Foreign firms must also report their foreign exchange balance twice per year.

Expropriation and Compensation

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Chinese law prohibits nationalization of foreign-invested enterprises, including investments from Hong Kong, Taiwan, and Macau, except under "special" circumstances. Officials claim these circumstances include national security and obstacles to large civil engineering projects, but the law does not define the term. Chinese law requires compensation of expropriated foreign investments, but does not describe the calculation. Foreign investors have reported disappointment with compensation offers. The United States has not formally determined that China has expropriated any investments since reforms began in 1979, though the Department of State has notified Congress of several cases of concern.

Dispute Settlement Return to top

Foreign firms report inconsistent results with all of China's dispute settlement mechanisms, none of which are independent of the government. The government often intervenes in disputes. Corruption may also influence local court decisions and local officials may disregard the judgments of domestic courts. Well-connected local business people are often in a better position to win court cases than are foreign investors and it is possible that they may use their connections to avoid prosecution for taking illegal actions against their former foreign partners. China's legal system rarely enforces foreign court judgments.

As the economy has slowed, there have been anecdotal reports of local governments singling out foreign investors, clients, and partners of Chinese businesses to repay debts incurred by local businesses.

Commercial disputes are heard in economic courts within China's Supreme People's Court and at three levels in the provincial court system. These economic courts have jurisdiction over contract and commercial disputes involving foreign parties; trade, maritime, intellectual property and insurance; and economic crimes, like theft and tax evasion. Foreign lawyers cannot act as attorneys in Chinese courts, but may observe proceedings. China also has an extensive administrative legal system, which adjudicates minor criminal offenses. China uses this system extensively to address intellectual property infringements, with limited results, as described in Section G.

Chinese officials typically urge firms to resolve disputes through informal conciliation. If a formal mediation is necessary, Chinese parties and the authorities promote arbitration over litigation. Most foreign investors consider arbitration a last resort, as they generally find it time consuming and unreliable.

Most contracts propose arbitration by the China International Economic and Trade Arbitration Commission (CIETAC). Some foreign parties have obtained favorable rulings from CIETAC, but difficulties in other cases have led other participants and panelists to question CIETAC's procedures and effectiveness. In CIETAC arbitration involving at least one purely foreign entity, a panel with a foreign arbitrator is possible. (Foreign joint ventures are considered Chinese legal persons.) Provinces and municipalities also have their own arbitration institutions.   For contracts involving at least one foreign party, offshore arbitration may be adopted. Contracts stipulating foreign arbitration should name the arbitration body. China is a member of the International Center for the Settlement of Investment Disputes (ICSID) and has ratified the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the "New York Convention."

In August 2006, China adopted an Enterprise Bankruptcy Law, which extended bankruptcy to private companies, including financial firms, whereas earlier laws covered only state-owned firms. The law stipulates that all insolvent enterprises will pay creditors first, and use only assets not earmarked as credit guarantees to pay laid-off workers.

Performance Requirements and Incentives Return to top

China has committed to eliminate export performance, trade and foreign exchange balancing, and local content requirements in most sectors. China has also committed to enforce only technology transfer rules that do not violate WTO standards on intellectual property and trade-related investment measures.

In practice, however, local officials and some regulators prefer investments that increase exports, develop industry, and support the local job market. Local authorities also operate with great autonomy from the central government. In addition, foreigners seeking to invest in “key sectors” which the government views as important to its economic development or national security face an array of often opaque regulations that limit their operations and may have the effect of imposing performance requirements. For example, Chinese regulators have pressured foreign firms in these sectors to disclose intellectual property content or license it to competitors, sometimes at below market rates. In sectors where foreign investment is restricted, Chinese nationals must own a majority of the enterprise.

China offers investors a complex system of incentives at the national, regional, and local levels. The Special Economic Zones (SEZ’s) of Shenzhen, Shantou, Zhuhai, Xiamen and Hainan, 14 coastal cities, hundreds of development zones and designated inland cities all court foreign investors with unique packages of reduced national and local income taxes, land use fees, and import/export duties, as well as priority treatment in obtaining basic infrastructure services. Many locales offer high-level support and services to businesses, including streamlined government approvals. Chinese authorities have also established a number of free ports and bonded zones. China offers preferences for investments in sectors it seeks to develop, including transportation, communications, energy, metallurgy, construction materials, machinery, chemicals, pharmaceuticals, medical equipment, environmental protection, energy conservation, and electronics. Finally, China boasts numerous national science parks, many focused on commercializing research developed in Chinese universities. The parks provide infrastructure, management and funding support for start-ups across a variety of industries, and welcome foreign firms.

In the past, foreign-invested enterprises benefited from preferential tax rates and could obtain a rebate of 40% of taxes paid on income if profits were reinvested in China for five years. Where profits are reinvested in high technology or export-oriented enterprises, a foreign investor could receive a full tax rebate. However, in March 2007, the National People’s Congress passed a new Corporate Income Tax Law that eliminated many of the tax advantages that had been enjoyed by foreign investors. This law is described in more detail in Section A.

Foreign investors often must negotiate directly with authorities as benefits may not be conferred automatically. These packages also often stipulate export, local content, technology transfer, and other requirements. The 54 national-level SEZ’s accounted for over 23.16% of total realized FDI in 2007. To achieve a unified national trade regime, as required by its WTO accession, China has indicated that it will decrease SEZ investment incentives over time. By late 2006, China had reduced the number of SEZ’s, at the national and sub-national levels, to 1568.

Together, these incentives amount to an ad hoc system. In November 2007, China agreed to terminate subsidies that had benefited Chinese exporters and domestic suppliers that competed with importers in a range of industrial sectors which the United States had alleged were illegal under WTO rules.

Chinese visas, legal residency, and work permits are tightly regulated, and may inhibit investors' mobility. Foreign investors working through established law firms typically are able to meet the requirements.

Right to Private Ownership and Establishment

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In China, all commercial enterprises require a license from the government. Disposition of an enterprise is also tightly regulated. The main laws that describe the form that a foreign investment can take are the Partnership Enterprise Law (2007), the Company Law (revised in 2005), the Law on Chinese-Foreign Equity Joint Ventures (2001), the Law for Wholly-Foreign Funded Enterprises (2000), and the Law on Chinese-Foreign Contractual Joint Ventures (2000).

In addition, the Administrative Permission Law (2003) is the basis for China's complex approval system for foreign investment. The Anti-Monopoly Law (2007) governs foreign mergers and acquisitions and the State Assets Law (2008) authorizes the state to maintain control over key assets.

These laws define several permissible legal structures for foreign investments. The most important category is the Foreign-Invested Enterprise, or FIE. If foreigners own at least 25% of a firm, China considers it an FIE, which qualifies the firm for foreign investment incentives. Enterprises with foreign ownership between 10 and 25% can register as "enterprises with foreign investment below 25%" and do not qualify for incentives aimed at FIE's.

Foreign-invested enterprises exist in many forms. The most popular is the Wholly Foreign Owned Enterprise, or WFOE. Under the amended WFOE Law, China may reject an application to establish a WFOE for five reasons: danger to China's national security; violation of China's laws and regulations; detriment to China's sovereignty or public interest; nonconformity with the requirements of the development of China's national economy; and danger of environmental pollution.

In the past, China had encouraged the formation of Equity Joint Ventures, or EJV's, as a means of rescuing poorly performing state-owned industries. This structure has since fallen out of favor as some foreign investors have experienced disagreements with local partners about board of director decisions, capital formation, dividend distribution, and other matters. This led China to loosen restrictions on WFOE's.

Contractual Joint Ventures (CJV's) resemble legal partnerships and often mandate proportional investment, return on capital, governance, and dividend distributions. CJV's have never been as popular as EJV's, in part because of investors' unfamiliarity with the structure. Another type of CJV involves infrastructure projects, in which the foreign investor is allowed an early return on capital in return for relinquishing any claim to residual assets upon expiration of the CJV's term.

Foreign-Invested Companies Limited by Shares (FICLS) are shareholdings in which foreign investors hold at least 25% of the equity. In the past, they have been difficult to organize because of demanding regulatory preconditions and required Ministry of Commerce approval. This structure may become more popular as Chinese share companies have established a market presence.

Foreign investors with multiple investments may also be eligible to establish a Foreign-Invested Holding Company. Minimum capital requirements normally make this suitable only for corporations with several sizeable investments. Holding companies may manage human resources across their affiliates and provide market research and other services. Foreign firms commonly complain that China's administrative rules governing holding companies prevent consolidation of accounts of subsidiaries for tax purposes, limit joint import businesses, and hamper the performance of true central treasury functions.

Wholly foreign-invested Venture Capital Companies may fund high-technology and new technology startups in industries open to foreign investment. Regulations introduced in 2003 lowered capital requirements, allowed firms to manage funds from overseas, and permitted investors to form venture capital firms organized like limited partnerships.

These firms face significant operating restrictions. In particular, China bars securities firms operating in China from the domestic private equity business and limits foreign private equity firms' investment exit options. NDRC adopted new rules in 2008 that encourage foreign venture capital and private equity companies to exit investments through a listing on the Shanghai Stock Exchange. To facilitate the rule, the China Securities Regulatory Commission (CSRC) established an expedited process to complete the listing of new shares within a one year timeframe. However, this exit option remains effectively closed off because CSRC is not now approving any new listings as a consequence of the depressed levels of the Chinese stock markets. China's State Administration of Foreign Exchange since 2006 has also barred the listing of shares in domestic enterprises on foreign exchanges and also restricted the transfer of assets to offshore special purpose vehicles.

China's Company Law also allows foreign firms to establish Branch Offices. In practice, only foreign commercial banks and non-life insurance financial firms are permitted to do so. Foreign firms may establish Representative Offices, but these are prohibited from engaging in profit-making activities. Foreign law firms, however, are only allowed to incorporate as representative offices and are exempted from the profit-making prohibition.

In 2007, a revised Partnership Enterprise Law came into effect which aims to encourage both venture capital investment and the development of the professional services sector. The Partnership Enterprise Law applies to both China's domestic and foreign-invested enterprises. However, there are reports that cities have retained the ability to impose unequal corporate income tax rates and rebate schemes, which favor domestic partnerships.

Protection of Property Rights

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The Chinese legal system mediates acquisition and disposition of property, as outlined in Section D – Dispute Settlement. Besides the weaknesses of Chinese courts outlined above, which have an inconsistent record in protecting the legal rights of foreigners, there are two additional significant limits on property rights in China – land and intellectual property ownership.

Land and Property Ownership

First, all land in China is owned by the State, state-controlled entities, or rural collectives. Individuals and firms, including foreigners, however, can own and transfer long-term leases for land use, as well as structures and personal property, subject to many restrictions. To obtain land-use rights, the land user must sign a land-grant contract with the local land authority and pay a land-grant fee up front. The grantee will enjoy a fixed land-grant term and must use the land for the purpose specified in the land-grant contract. The maximum term of a land grant ranges from 40 years for commercial usage, to 50 years for industrial purposes, to 70 years for residential use. China's Property Law, passed in 2007, stipulates that residential property rights will be automatically renewed while commercial and industrial grants should be renewed absent a conflicting public interest.

China's Security Law defines debtor and guarantor rights and allows mortgages of certain types of property and other tangible assets, including long-term leases as described above. Important areas of the law remain unclear – such as how to effect transfer of property under foreclosure. Chinese commercial banks have successfully repossessed vehicles from delinquent borrowers and a December 2005 policy update enabled banks to foreclose on owner-occupied residences. Foreigners can buy non-performing debt through state-owned asset management firms, but bureaucratic hurdles limiting their ability to liquidate assets have dampened investor interest.

Limited Intellectual Property Rights

China remains a top intellectual property enforcement priority for the United States. The United States in 2007 requested WTO dispute settlement consultations with China on IPR protection and enforcement issues. The WTO panel found in favor of the United States in January 2009 on two of three U.S. claims that China's IPR regime is inconsistent with China's obligations under the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). Any U.S. company or individual encountering or anticipating encountering problems arising from IPR protection in China should consider an appropriate strategy to minimize the risks and actual losses it faces. Some assistance can be found at the "IPR Toolkit" hosted at the website of the U.S. Embassy in Beijing: http://www.usembassy-china.org.cn/ipr/. Additional information can be found in the third chapter of the Country Commercial Guide for China, at http://www.buyusa.gov/china/en/ccg.html.

China remains a very challenging environment for IPR protection and enforcement. Industry associations representing software, entertainment, and consumer goods continue to report high levels of piracy. The Business Software Alliance estimates that 82% of the business software that was used in China in 2007 was pirated, the same levels found in a 2006 study. At the same time, because business software use grew faster than the rate of piracy declined, the value of the pirated software used in China grew from $5.4 billion to $6.6 billion over the same period, according to BSA statistics.

Consumer goods companies report that as much as 20% of their products in Chinese markets are counterfeits. Online copyright violations are pervasive. Further, Chinese-origin infringing goods are also found throughout the world.

In general, criminal penalties for infringement are seldom applied, while administrative sanctions are typically non-transparent and so weak as to lack deterrent effect. Civil sanctions also tend to be of limited effect. Trademark and copyright violations are blatant and widespread. There are widespread technology transfer practices that are often predatory in nature. Chinese companies are increasingly found “squatting” on the trademarks, company names, and design patents of well-established companies, even companies with household names. Such “squatting” practices, while unethical, may often be legal, particularly when they occur where a company has declined to obtain registration of its rights in China in a timely fashion.

Significant regional differences exist in infringement and enforcement, with some areas showing higher levels of protection of IPR, and others apparently offering safe harbors to local counterfeiters and pirates. While many Chinese officials are increasing enforcement efforts, violations also generally continue to outpace enforcement. Lack of coordination among various government agencies also continues to hamper many enforcement efforts.

Despite these great challenges, China has made efforts to improve intellectual property rights protection. China acceded to the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty in 2007. Apart from its membership in WIPO, China is also a member of the Paris Convention for the Protection of Industrial Property, Berne Convention for the Protection of Literary and Artistic Works, Madrid Trademark Convention, Universal Copyright Convention, and Geneva Phonograms Convention, among other conventions.

China has also updated laws and regulations to comply with the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), as required by its WTO membership. The country’s newly amended Patent Law will come into effect on October 1, 2009. One significant amendment is a new stipulation on mandatory patent licensing. Article 49 of the new Patent Law allows compulsory licensing if, after three years from the grant of a patent or four years from the filing of a patent application, the patent holder, “without proper justification,” is found not to have “exploited” the patent “sufficiently,” or if the patent use is found to restrict competition. While China previously had government rules on compulsory licensing, this is the first time the compulsory licensing has been legislated.

Industry officials report improved cooperation with enforcement agencies on raids. China has stepped up coordination with foreign enforcement agencies in cases involving international organized crime, and in 2008 Chinese courts successfully prosecuted several major counterfeiters caught as a result of joint international enforcement efforts. China established IPR law centers at Beijing University, Tsinghua University, and People's University, among other institutions, and dispatched Chinese IPR policymakers, enforcement officials, and legal professionals to study other countries’ intellectual property enforcement techniques. China began establishing specialized IPR complaint centers in provincial capitals and other large cities in the spring of 2006, and now operates a national network of 50 such centers.

Improving protection of intellectual property rights is one of the U.S. Government's highest priorities in its economic relationship with China. To that end, the U.S. Ambassador to China has sponsored annual roundtables on intellectual property attended by hundreds of U.S. investors, in addition to other activities related to IPR and innovation. For further information on the roundtable and other USG IPR programs contact: usptochina@mail.doc.gov.

Transparency of Regulatory System Return to top

Though improving, China's legal and regulatory system remains complex, contradictory, and lacking in consistent enforcement. Foreign investors rank inconsistent and arbitrary regulatory enforcement and lack of transparency among the major problems in China's market. The situation tends to be worse outside of coastal regions. No prospective foreign investor should venture into China without professional advice.

The State Council's Legislative Affairs Office (SCLAO) has reiterated instructions to Chinese agencies to publish all foreign trade and investment related laws, regulations, rules, and policy measures in the MOFCOM Gazette, in accordance with China's WTO accession commitment. China said it would also help WTO members and enterprises understand its rules. However, foreign investors report that Chinese regulators at times rely on unpublished internal guidelines that impact their businesses.

At the fourth meeting of the U.S.-China Strategic Economic Dialogue, China further agreed to publish at least 30 days in advance for public comment all trade and economic-related administrative regulations and departmental rules that are proposed for adoption on the SCLAO website (www.chinalaw.gov.cn). The SCLAO has posted a number of draft administrative regulations (which are issued by the State Council and have nearly the legal force of laws passed by the National People's Congress) on this site over the past few months, as well as some draft departmental regulations, but nowhere near "all trade and economic-related departmental rules" are posted there.

That said, Chinese agencies have increased the number of draft trade and economic-related departmental rules made available on their own ministry websites for public comment, including from foreign parties. But comment periods can be extremely brief, and the impact of public comments on final regulations is not clear, as some rules are published for comment in final form. Some agencies release draft regulations only to certain favored enterprises, usually domestic enterprises, or have allowed enterprises to read but not retain drafts. Comments do not become part of a public record.

Efficient Capital Markets and Portfolio Investment Return to top

China has continued to slowly and steadily modernize its financial sector. Bank reforms and recapitalizations in 2003 led to expanded minority participation by foreign strategic investors, the appointment of independent directors, and listings on overseas and domestic stock exchanges. Together this has led to more modern corporate governance and risk-based credit decisions. The ratio of non-performing loans (NPLs) has dropped steadily. NPLs system-wide dropped to about 2.5% by December 2008 from 8% in 2006, according to People's Bank of China (PBOC) statistics. According to the China

Banking Regulatory Commission (CBRC), the provision coverage ratio for major commercial banks has risen from 41% in 2007 to 115% in 2008.

Bank loans continue to provide the vast majority of credit, accounting for roughly 80% of formal financial sector financing. Nevertheless, with the development of capital markets, venture capital and private equity, that percentage has fallen from 85% in 2007. The PBOC, China's central bank, continues to maintain a floor on lending rates that is 2-3 percentage points above the ceiling on deposit rates, thereby maintaining a healthy profit margin on bank loans. This raises borrowing costs for the most creditworthy borrowers, which are usually large firms, both state and foreign-owned. Commercial banks are increasingly being urged by regulators to limit financing to projects that are not in compliance with environmental regulations. The lack of adequate credit information on borrowers also contributes to inefficient credit allocation, and small- and medium-sized firms experience the most difficulty obtaining bank financing.

Non-bank financing has expanded over the last few years. Regulators increasingly support the listing on domestic exchanges of shares in both state-owned and private Chinese firms. However, stock market declines have led regulators to limit the number of new issuances on China's stock markets in the second half of 2008; in total, only RMB 222 billion was raised on the A Share market in 2008, with just RMB 73 billion of this coming from initial public offerings compared to almost RMB 438 billion in 2007. In comparison, corporate bond issuance stood at over RMB 236 billion in 2008.

Beginning January 2009, listed Chinese banks were allowed again to trade exchange-listed bonds in an open-ended pilot program, whereas since 1997, they had been limited to trading in the interbank market. Moreover, following the December 2008 U.S.-China Strategic Dialogue (SED), Chinese regulators announced that foreign banks may underwrite and trade corporate bonds. Also as a result of the SED, Chinese authorities announced that they will allow foreign firms doing business in China to raise capital on China's stock and bond markets, which will help U.S. firms to obtain financing despite restrictions on borrowing in foreign currencies. To date, no foreign companies have taken China up on the offer, although several foreign firms have expressed an interest in issuing depository receipts in China. Small- and medium-sized firms often face difficulties accessing credit through formal channels, and instead finance investment through retained earnings or informal channels.

Most foreign portfolio investment in Chinese companies occurs on foreign exchanges, where investors buy and sell shares in Chinese firms, primarily in New York (N-shares) and Hong Kong (H-shares). In addition, China permits limited access to *renminbi*-denominated A-share markets for portfolio investment by foreign institutional investors. Through its Qualified Foreign Institutional Investor (QFII) scheme, China had granted QFII status to 76 foreign firms through December 2008 and distributed over $12.86 billion of the $30 billion quota, which China raised from $10 billion at the May 2007 meeting of the U.S.-China Strategic Economic Dialogue.

Of note, China has also increased channels for domestic investors to invest in international capital markets through the Qualified Domestic Institutional Investor (QDII) program. While the QDII program exceeded $35 billion in its first six months after inception in July 2006, interest in the QDII program was tempered in 2007 and 2008 first by China's roaring A-share market and expectations of continued appreciation of the *renminbi*, and then by sharp declines in overseas financial markets. Nevertheless, by

May 2008, the QDII program totaled $48 billion. At the December 2007 meeting of the Strategic Economic Dialogue, CBRC announced an agreement in principle with the Securities Regulatory Commission to launch QDII investment in U.S. stock markets.

Political Violence

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Violent but unconnected protests in areas throughout China continued in 2008. Protesters tend to target local officials and powerful business interests rather than the central government. Such "mass incidents" commonly involve, for example, rural residents with environmental concerns or protesting inadequate compensation for confiscated property. Other riots and protests, however, were sparked by specific events such as traffic accidents perceived to reflect abuse of power by local officials, especially corruption. Business disputes in China are not always handled through the courts. Sometimes the foreign partner has been held hostage, threatened with violence, or beaten up. For additional information on safety and security in China, please consult the State Department's Consular Information Sheet on China at http://travel.state.gov.

Corruption

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In 2008, China began a major probe into corruption in the foreign investment approval process. High-ranking officials at the Ministry of Commerce, the State Administration of Industry and Commerce, and at law firms that cater to foreign investors allegedly have been implicated. This followed the 2007 execution of China's former top food and drug regulator for taking bribes to approve untested medicine and the 2006 sacking of the Shanghai Municipal Communist Party chief, who was a member of the Communist Party's national Politburo.

Corruption remains endemic. Surveys show that concerns about corruption limit U.S. firms' investment in China. Sectors requiring extensive government approval are most affected, including banking, finance, government procurement, and construction. The lack of an independent press as well as the fact that all bodies responsible for conducting corruption investigations are all controlled by the Communist Party together hamper anti-corruption efforts. Senior officials and family members are suspected of using connections to avoid investigation or prosecution for alleged misdeeds.

In China, giving or accepting a bribe is a serious crime. Offering a bribe merits five years' punishment. For serious circumstances or "heavy losses" to state interests, the punishment can range up to 10 years. "Especially serious" circumstances lead to imprisonment from 10 years to life. Accepting a bribe of greater than RMB100,000 is punishable by 10 years to life in prison, or death in especially serious circumstances; accepting a RMB 50,000 to 100,000 bribe is punishable by five years to life; RMB 5,000 to 50,000 gets one to seven years; less than RMB 5,000 is punishable by up to two years.

It is not, however, a crime under Chinese law to bribe a foreign official. While a bribe denoted as such could not be deducted from taxes as a business expenses, practically speaking, a Chinese firm could miscategorize a bribe and deduct it from revenues.

Three government bodies and one Communist Party organ are responsible for combating corruption. The Supreme People's Procuratorate and the Ministry of Public Security investigate criminal violations of anti-corruption laws, while the Ministry of Supervision and the Communist Party Discipline Inspection Committee enforce ethics guidelines and party discipline. Corrupt officials are first investigated by the Discipline Inspection Committee, which gathers evidence outside of the judicial process and strips the official of Party membership before deciding whether to hand the case over to the judicial system. Anti-corruption drives have not targeted foreign firms. China's National Audit Office also inspects accounts of state-owned enterprises and government entities.

China ratified the UN Anti-Corruption Convention in 2005 and participates in APEC and OECD anti-corruption initiatives, but has not signed the OECD Convention on Combating Bribery.

The United States provides anti-corruption training to officials from the Ministries of Public Security and Supervision and the Supreme People's Procuratorate. Domestic scholars cooperate with foreign non-government organizations, like Transparency International, which is itself exploring opportunities to work with the government to reduce corruption.

In addition to Chinese laws and regulations, foreign investors in China should not violate the U.S. Foreign Corrupt Practices Act, details about which are available online at http://www.usdoj.gov/criminal/fraud/fcpa/.

Bilateral Investment Agreements

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China has bilateral investment agreements with 121 countries, more than any other developing economy, according to UNCTAD. China's bilateral investment partners include Japan, the United Kingdom, Germany, France, Italy, Spain, the Belgium-Luxembourg Economic Union, South Korea, Austria, and Thailand. China's bilateral investment agreements cover expropriation, arbitration, most-favored-nation treatment, and repatriation of investment proceeds and are generally regarded as weaker than the investment treaties the United States seeks to negotiate.

China has also signed treaties to avoid double taxation with the United States and dozens of other economies. The United States and China signed an agreement on investment guaranties, which entered into force in 1980. In 2008, the United States and China began negotiation of a bilateral investment treaty.

OPIC and Other Investment Insurance Programs

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The United States suspended OPIC programs in the aftermath of China's violent crackdown on Tiananmen Square demonstrators in June 1989. OPIC honors outstanding political risk insurance contracts. The Multilateral Investment Guarantee Agency (MIGA), an organization affiliated with the World Bank, provides political risk insurance for investors in China. Some foreign commercial insurance companies also offer political risk insurance, as does the People's Insurance Company of China (PICC). Political risk insurers have experienced a decline in business in China.

Labor Return to top

Human resource constraints remain a major concern for American companies operating in China. Skilled managers and technical personnel are in high demand with employers often citing difficulty in locating appropriate skilled talent. Experienced managers at foreign firms typically command salaries far greater than their counterparts in Chinese enterprises. Foreign-invested and private sector employers have seen workers with high-demand qualifications move rapidly from job to job, and while talented and motivated university graduates are abundant, many firms find they must invest heavily in additional training. The global financial crisis has at least temporarily shifted the dynamics of the labor market in favor of employers, but there is still a structural shortage of skilled personnel familiar with international business practices.

Foreign firms are generally free to find and hire employees, although representative offices must hire local employees through a labor services agency. Foreign companies may offer local workers market-rate salary, hourly pay, or piecework wages, so long as the rate exceeds designated minimums. In addition, wages are typically supplemented by subsidized services, like medical care and housing, which China’s tax laws encourage. Local governments require contributions to pension and unemployment insurance funds that can also amount to over 20% of an enterprise's wage bill. Mandatory health, workplace injury and maternity insurance are additional labor costs. Some firms pay into a housing fund that amounts to as much as 10% of payroll. Regulations on non-wage compensation differ by locality. Chinese law limits, and requires premium compensation for, overtime work.

Labor regulations in general vary widely according to location, type, and size of enterprise. In response to the global economic crisis, many local governments have adopted new policies to deter large scale lay-offs. China’s 2008 Labor Contract Law also introduced new provisions regarding consultation with employees on company policies, on the use of contingent labor, and on procedures for terminating or laying-off employees. How these new provisions affect employers will depend in part on implementing regulations which are still under development. Terminating a worker for cause may require prior consultation with the local labor bureau and labor union.

Under China's labor contract system, foreign firms generally do not encounter problems releasing workers at the end of an initial short-term contract, however the Labor Contract Law favors the use of indefinite term employment contracts when contracts are renewed. Enterprises that hire workers from state-owned enterprises find it especially difficult to terminate employment, and large-scale layoffs at a variety of enterprises have created tensions and prompted demonstrations, and in some isolated cases, criminal acts of revenge or intimidation. With a view to minimizing job loss during the global financial crisis, the government has increased enforcement of regulations that govern lay-offs of 10% of the workforce or 20 or more workers (whichever is less.) At the same time, labor bureaus have worked with employers to find other means to reduce costs and preserve jobs. Some employers who have attempted to downsize their staff, or who have closed their doors, have encountered resistance from local trade union organizations, or faced strikes and other forms of protest.

Chinese labor law allows for collective contracts that specify wage levels, hours, working conditions, insurance and welfare. Collective contracts can cover individual enterprises, geographical regions, or specific industries within geographical regions. Most contract consultations do not rise to the level of negotiations, in part because local Communist Party committees or regional trade union bodies, rather than workers, control the selection of workers' representatives. However, in light of the Labor Contract Law's provisions on consulting with employees, some local governments and trade unions or ad hoc employee organizations have showing a growing interest in collective bargaining.

Independent trade unions are illegal in China. Officially sanctioned trade unions must affiliate with the All-China Federation of Trade Unions (ACFTU), which is an arm of the Communist Party. It is illegal for employers to oppose efforts to establish ACFTU unions. The Trade Union law requires enterprises with ACFTU unions to contribute 2% of their wage bill to the union, which is shared between the union in the enterprise and the ACFTU organization all the way to the national level. Since mid-2006, the ACFTU has engaged in a centralized campaign to organize chapters in foreign firms. Some foreign firms also often host worker organizations that perform union functions, like organizing social and charitable activities.

China has not ratified core International Labor Organization conventions on freedom of association and collective bargaining, but has ratified conventions prohibiting child labor and employment discrimination. Apart from banning independent unions, Chinese labor laws meet international labor standards, and the Chinese Government is in the process of implementing new legislation to improve workers' rights protection. However, enforcement of existing labor regulations is poor. Some multinational companies have suffered negative publicity arising from labor disputes related to the business practices of their suppliers in China.

Foreign-Trade Zones/Free Ports Return to top

China's principal duty-free import/export zones are in Dalian, Guangzhou, Shanghai, Tianjin, and Hainan. Besides these official duty-free zones, numerous free trade and economic development zones and “open cities” offer similar privileges and benefits to foreign investors. In 2008, China also actively promoted economic development outside its relatively wealthy coastal area by encouraging multinationals to establish regional headquarters and operations in Central, Western, and Northeast China. Some analysts speculate that China will eventually grant full trading and distribution rights nationwide.

China's General Administration of Customs claims to successfully control duty-free imports into the zones, but the lack of physical barriers between the duty free zones and surrounding areas makes it difficult to control the outbound flow of untaxed items. More information on investment incentives available in SEZ’s is provided in Section E.

Foreign Direct Investment Statistics Return to top

The top sources of FDI in China in 2008 were: Hong Kong, the British Virgin Islands, Singapore, Japan, the Cayman Islands, South Korea, the United States, Western Samoa, and Taiwan. Of note, some mainland companies utilize “roundtrip” investment via subsidiaries in the Special Administrative Regions (SAR's) of Hong Kong and Macau in order to obtain incentives available only to foreign investors. Analysts have estimated that mainland Chinese funds flowing through Hong Kong may account for 10-30% of Hong Kong's total realized direct investment in China. Hong Kong and Macau statistics are further skewed because many Taiwan firms invest through them to avoid scrutiny from Taiwan authorities. Indeed, some observers estimate accumulated stock of FDI inflows from Taiwan is actually two to three times the amount formally recorded.

The past few years have seen an upsurge in investment from tax-havens like the British Virgin Islands and Cayman Islands. Anecdotal information suggests these funds originate from companies based in Organization for Economic Cooperation and Development (OECD) economies, Taiwan, and even China itself. Some researchers estimate that as much as one-third of nominally "foreign" investment in China is really of Chinese origin. That is, Chinese investors find ways to send money out of the country so that they can then re-enter as a "foreign investor," taking advantage of policies that offer foreign investors preferential treatment. The elimination of certain tax benefits for foreign investors, described in Section E, may lead to a drop in "round trip" investment.

U.S. direct investment abroad is increasingly concentrated in developed countries, reflecting a focus on high-tech and financial services and a move away from basic manufacturing and extractive industries. U.S. direct investment in China had fallen in line with this trend from 2002 to 2007, but U.S. investment in China grew in 2008. While China's processing trade exports to the United States are booming, U.S. retailers often buy goods from enterprises whose source of investment is not American, thus de-linking this trend from U.S. direct investment abroad statistics. Also, it is important to note that Chinese data on foreign direct investment do not include much of the high-dollar value minority equity stakes that American financial services firms have taken in major Chinese lenders. Finally, American-invested enterprises in China may fund their continued growth by reinvesting locally-generated profits in China. China does not classify this as new investment.

Notes on Statistics

Most of the data below is provided by the Ministry of Commerce. Statistics on utilized investment are based on FIEs' required reports of committed capital. Cumulative values are totals of the data collected each year, are not adjusted for inflation, and do not account for divestment. More sophisticated data on investment in China is not now available. Yearly figures do not sum exactly to total due to rounding.

Table 1 -- Utilized Foreign Direct Investment in China (1979-2008)
(in $ Millions)

Year	**Utilized FDI**
1979-84	3,060
1985	1,658
1986	2,244
1987	2,314
1988	3,194
1989	3,392
1990	3,487

1991	4,366
1992	11,008
1993	27,515
1994	33,767
1995	37,521
1996	41,726
1997	45,257
1998	45,463
1999	40,319
2000	40,714
2001	46,878
2002	52,743
2003	53,505
2004	60,630
2005	60,325 (72,410)
2006	63,020 (69,470)
2007	74,768 (82,658)
2008	92,395
Total	851,269

Source: Ministry of Commerce
Note: Excludes investment in the financial services sector. (Numbers in parentheses do include financial sector investment.)

Table 2 -- Utilized Foreign Direct Investment (in non-financial sectors) from the United States in China (1979-2008) (in $ millions)

Year	**Utilized FDI**
1979-84	274
1985	357
1986	326
1987	263
1988	236
1989	284
1990	456
1991	323
1992	511
1993	2,063
1994	2,491
1995	3,083
1996	3,443
1997	3,239
1998	3,898
1999	4,216
2000	4,384
2001	4,433
2002	5,424
2003	4,199
2004	3,941
2005	3,061
2006	2,865

2007	2,616	
2008	2,944	
Total	59,515	

Source: Ministry of Commerce

Table 3 -- China's Utilized and Cumulative Foreign Direct Investment (in non-financial sectors) by Selected Source Economy as of 2008 (in $ millions)

	Utilized FDI	**Cumulative FDI**
Hong Kong	41,036	349,569
Virgin Islands	15,954	90,100
Singapore	4,435	37,826
Japan	3,652	65,376
Cayman Islands	3,145	16,507
Korea	3,135	41,910
United States	2,944	59,650
Western Samoa	2,549	12,314
Taiwan	1,898	47,659
Total (All Sources)	92,395	883,142

Source: China Commerce Yearbook 2008, published by MOFCOM

Table 4 -- China's Utilized Foreign Direct Investment by Sector, in 2007 (in $ millions) (2008 data not yet available)

	2007 Realized FDI amount	**Change from 2006(%)**
Agriculture, Forestry, Animal Husbandry & Fisheries	924	54%
Mining	489	6%
Manufacturing	40,865	2%
Electricity, gas and water supply	1,073	-16 %
Construction	434	-37%
Transport, Warehousing	2,007	1 %
Information Transmission, Computer Service and Software	1,485	39%
Wholesaling and Retail	2,677	50%
Hotels and Restaurants*	1,042	26%
Banking and Insurance	9,010	34%
Real Estate Management	17,089	108%
Leasing and Business Service	4,019	-5%
Scientific Research and Polytechnic Services	917	82%
Water conservation, environment, and public facility management	273	40%
Social Services	723	43%

Health Care, Social Security, and Welfare	12	-20%
Education	32	10%
Culture, Sports and Entertainment	451	87%
Public management and social organizations	---	---

Source: China Commerce Year Book 2008

Table 5 -- Role of FDI in China's Economy (In $ millions) (2007 Average 1USD= 7.604RMB)

		% Change	**% of National Figures**
2007 FIE-generated industrial output	1,644,357	24.4%	30.9%
2008 FIE-generated exports	790,620	13.7%	55.3%
2008 FIE-generated imports	619,956	10.8%	54.7%
2007 FIE-g tax revenues	131,149	25.02%	20.17%
2007 FDI inflows/GDP	-	-	2.3%
2007 FDI stock/GDP	-	-	23.1%
2007 FDI share of total fixed investment	-	-	4.6%

Source: Ministry of Commerce and China Customs statistics.
Note: "Stock" is actually a cumulative total of historical inflows, not necessarily current stocks.

Table 6 -- Chinese Direct Investment Abroad Outward Flows and Stock in non-financial sectors, 2000-2007 (In $ billions)

Year	**Outflow**	**Outward Stock**
2000	0.92	27.77
2001	6.89	34.65
2002	2.52	37.17
2003	-0.15	37.03
2004	1.81	38.83
2005	11.31	46.31
2006	17.63	75.03
2007	18.72	93.75

Source: MOFCOM (2008 data not yet available)

Major U.S. Investments in China:

This following is a snapshot of U.S. investment in China as reported by firms and the media. Some companies declined to provide information about their investment plans. A rough estimate of total investment is noted in parentheses, where available.

Intel (under $4 billion) – Includes a $500 million assembly/testing facility in Pudong and a $450 million chip testing plant in Chengdu. In 2006, Intel Capital invested in several technology firms. In March 2007, Intel announced its $2.5 billion investment in a new wafer fabrication facility in Dalian. In 2008, Intel Capital also announced three new China investments in clean technology and healthcare and established a new US$500 million fund to make investments in China. Intel's previous China fund invested US$200 million in more than 28 companies.

Motorola ($3.6 billion) – Motorola is one of the largest foreign investors in China's electronics industry with more than 9,000 employees in China. Motorola's investment includes $800 million in research and development (R&D). In 2007, Motorola opened a new R&D complex in Beijing, consolidating several other R&D facilities. This coincides with Motorola's 20th anniversary in China.

General Motors ($2-3 billion) – In 2007, GM announced plans to invest up to $5 billion in China through 2012. As of December 2008, GM planned to continue its investments in China. In December 2008, GM and Shanghai Automotive Industry Corporation (SAIC) launched Beisheng Joint Venture Automobile Company in Shenyang, following a total investment of $390.6 million. In March 2008, GM announced the establishment of the GM Research Center at Shanghai Jiaotong University, where it plans to invest $4 million over the next 5 years. GM also maintains a $1 billion stake in Shanghai GM, a $472 million investment in Shanghai GM Dong Yue Automotive Powertrain, $282 million in Shanghai GM (Shenyang) Norsom Motors, $257 million in Shanghai GM Dong Yue Motors, $54 million in Pan Asia Technical Automotive Center, and $10 million in SAIC-GM-Wuling joint venture operations. GM currently employs over 20,000 people in China. In October 2007, GM announced plans to build an advanced hybrid technology research center in China. GM also plans to build a $250 million corporate campus with research facilities.

Wal-Mart (over $2 billion) – In 2007, Wal-Mart acquired local hypermarket chain Trustmart for $1 billion. As of September 2008, Wal-Mart operated 108 stores in China under its Supercenter, SAM'S CLUB and Neighborhood Market brands. Wal-Mart employs more than 40,000 associates in China. Wal-Mart plans to open more stores in 2009.

Anheuser-Busch ($1.9 billion) – Anheuser-Busch planned in 2008 to complete a new $63 million plant in Guangdong province and begin first phase construction of another plant in Tanshan at a cost of $US 49 million. Other investments in China include a 27 percent stake in Tsingtao Brewery, China's largest beer maker; ownership of Harbin Brewery Group Ltd., the country's fifth-largest brewer; and a 97 percent equity interest in the Budweiser Wuhan International Brewing Co. Ltd. joint venture, which produces Budweiser brand beer. In 2008, Anheuser-Busch was acquired by Belgium-based Inbev. The acquisition was the first case reviewed under China's anti-monopoly law. After imposing several restrictions on future acquisitions by the combined company, China cleared the transaction.

General Electric ($1.5 billion) – GE has established 50 JV and WFOE entities, including medical equipment, plastics, lighting, power generation, silicones, special materials, industrial equipment, aircraft engines and leasing, capital services, transportation systems, and an R&D center in Shanghai. In 2007, GE Commercial Finance invested $50 million in China's Credit Orienwise Group Limited. In 2008, GE Water and Process Technologies launched an expanded manufacturing facility in Wuxi New Zone, representing an investment of nearly US $9 million. According to UNCTAD, GE has more overseas investments than any other multinational company in the world.

Kodak ($1.5 billion) – Kodak has sensitizing facilities and facilities to manufacture digital cameras, medical and commercial imaging equipment, and photochemicals. In 2007, Kodak invested $50 million in a new printing plate manufacturing facility in Xiamen.

Coca-Cola ($1.3-3.7 billion) – Coca-Cola operates 35 bottling plants throughout China and one of the largest sales and distribution systems in China with over 700 sales centers, 30,000 distributors, and 1.3 million retailers. In 2008, Coca-Cola offered US$2.4 billion to acquire China Huiyuan Juice Group, China's largest juice and nectar bottler, which is listed in Hong Kong. The deal would be Coca Cola's largest ever overseas acquisition and is currently under review by China's Anti-monopoly authorities. In 2007, Coca-Cola launched a new global research center and headquarters in Shanghai, an investment of $80 million.

ExxonMobil ($1-5 billion) – The bulk of Exxon Mobil's investment is in production-sharing contracts for upstream oil exploration, as well as chemical and lubricant blending plants. In 2007, China approved a $5 billion joint venture between ExxonMobil, Sinopec, and Saudi Aramco, to operate 750 service stations and expand a petrochemical refinery run by Sinopec and the Fujian Province. ExxonMobil has a 22.5% stake in the project. ExxonMobil expects investments in China to reach $5 billion by 2010.

Ford ($1 billion) – Ford is close to completing a $1 billion expansion in China, which includes stakes in: Changan Ford Mazda Automobile, with plants in Chongqing and Nanjing producing Mazda and Volvo brand vehicles, Changan Ford Mazda Engine in Nanjing, a stake in the publicly listed Jiangling Motors Co., and Ford Automotive Financial Co. in Shanghai. In October 2007, Ford opened a $28 million engine R&D center. In September 2007, Ford announced that its China-based joint venture, Changan Ford Mazda Automobile Co, began making small cars under the Ford and Mazda brands at a new Nanjing-based assembly plant, following investment of $510 million.

Alcoa ($1 billion) – In 2008, Alcoa together with the Aluminum Corporation of China (Chinalco) jointly acquired a 12% stake in Australia-based Rio Tinto for $14 billion in the largest ever overseas investment by a Chinese enterprise. This followed Alcoa's 2007 divestiture of its 7% stake in Chinalco, which it had acquired years earlier for $200 million. In 2006, Alcoa invested $95 million for a 70% stake as the managing partner in a joint venture with Shanxi Yuncheng Engraving Group to produce aluminum brazing sheets at a plant outside Shanghai. Alcoa has close to 20 operating locations in China.

United Technologies (UTC) ($1 billion, including Hong Kong) – Several of UTC's subsidiaries have operations in China, including Otis Elevator, Carrier, UT Automotive, Turbo Power Systems, Pratt and Whitney, and the New Training Center, near Beijing

Capital International Airport. UTC has over 35 joint venture and wholly-foreign owned enterprises with over 14,000 employees in 293 offices in 73 Chinese cities. They also maintain 16 factories and two research centers.

DuPont (over $700 million) – DuPont has 37 wholly-owned/joint ventures in China. Its facilities manufacture a wide range of products including nylon, polyester, fibers and non-woven fabrics. In 2008, DuPont announced it will begin construction of a Hong Kong-based R&D center and a manufacturing facility in Shenzhen, and that it will contribute $2 million to support graduate student research and education in plant breeding through university fellowships and a competitive fellowship program. In December 2006, DuPont announced a joint venture with Dunhuang Seed Co., one of China's largest seed production companies, to market new hybrid corn products.

IBM (more than $400 million) – In 2008, IBM announced it will establish a branch of its Worldwide Banking Center of Excellence in Shanghai. IBM also took a stake of approximately 20 percent in Hisense TransTech Company Ltd. (HTT) and announced it will establish the first Cloud Computing center for software companies in Wuxi. IBM also has a $300 million organic chip packaging base in Shanghai and an $18 million investment in Beijing Jinchangke International Electronics Co., together with Great Wall Computer Shareholding Corp.

Cummins ($200-500 million) – Cummins plans to invest $300 million in China through 2010. In April 2008, Cummins announced the opening of its first fuel systems manufacturing site outside of North America, the Cummins Fuel Systems Wuhan Plant following an initial investment of US$10 million. Cummins has established factories and R&D centers producing nine engine families, turbochargers, filters, exhaust systems, alternators, and gensets. Cummins also located its East Asia regional headquarters in Beijing, managing Cummins operations in mainland China, Taiwan, Hong Kong, Macao and Mongolia.

Microsoft ($100-500 million) – In November 2008, Microsoft announced that it plans to spend more than $1 billion in China on R&D over the next three years. Microsoft has already established several R&D centers in China.

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Chapter 7: Trade and Project Financing

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In China's liberalized economic regime, there are many ways to finance imports. The most commonplace are letters of credit and documentary collections. No matter what method used, the Chinese importer needs to apply for the foreign exchange amount for the trade transaction from the State Administration of Foreign Exchange (SAFE). Please see the section below on “Foreign-Exchange Controls” for more information.

1. Letters of credit

A Letter of Credit (L/C) is a written undertaking that a bank is to pay the beneficiary an amount of money within a specified time, provided that the documents under the L/C are in compliance with the terms and conditions thereof are presented.

China, as a member of the International Chamber of Commerce since 1995, is subject to the Unified Customs and Practice (UCP) 500 code regarding international trade payments.

Most Chinese commercial banks (e.g., Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of Communications, China Merchants Bank, and CITIC Bank, to name a few) have the authority to issue letters of credit for both imports and exports. Foreign banks with branch or representative offices in China can also issue letters of credit. Please refer to one of the Chinese banks' website for details on how to apply for the Letter of Credit in China:
http://english.cmbchina.com/corporate+business/international/settle/settle3.htm

2. Documentary Collections

This method of payment is similar to a letter of credit, but less formal and more flexible. Just as with letters of credit, the exporter submits a full set of trade documents for payment collection to the bank designated in the contract. The Chinese bank will send the documents to the home office, which examines them and, in some cases, passes them to the buyer for further examination. Payment is made after the documents have met the approval of all parties. This method of payment provides only limited coverage against default. It can be considerably less expensive than a letter of credit, but should be used with caution. It is the responsibility of the exporter to determine the specific instructions to be used in the collection letter.

3. Other methods:

a. Contract Advance (for wire remitted funds, therefore also called as T/T Finance):

It is a specially tailored product for transactions under open account contract wherein T/T payment terms are called for. Upon arrival of goods, the Chinese importer may apply for this service whereby a Chinese bank may advance the importer the payment to the exporter. The importers are to repay this advance after the goods are sold and the proceeds are received. Before applying for a contract advance, the importer needs to apply to the Chinese bank for a T/T Finance facility, which may be granted after assessment of the importer's financial status.

b. Import factoring:

Import factoring is suitable for Open Account (O/A) import business. At the request of the supplier and in the light of a Chinese bank's internal appraisal of the importer's credit standing, the bank can offer the supplier a credit line, under which the bank will not only protect the export receivables assigned to the Chinese bank against the importer's credit risk, but also provide the importer with financial management services as well. The importer needs to select O/A as the payment term when negotiating with the supplier, and suggest the supplier to submit factoring application to a Chinese bank, i.e., the import factor, through the supplier's local export factor.

Upon receipt of the supplier's application, the import factor will notify the supplier of the credit line decision after comprehensive assessment of the importer's credit standing. The supplier will dispatch goods and assign the related export receivables to the import factor in accordance with the approved credit line. When the factored invoices come due, the import factor will remind the importer to effect payment.

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A. Banking System

Cooperation and competition co-exist between Chinese banks and foreign banks in China. Although major Chinese commercial banks dominate the Chinese market for retail banking services, most of them have accepted foreign banks as strategic investors.

1. Regulators: People's Bank of China and China Banking Regulatory Commission

The People's Bank of China (PBOC), China's central bank, formulates and implements monetary policy. The State Council, however, maintains oversight of the PBOC and continues to make all final decisions on China's major financial and monetary policy issues. According to the 1995 Central Bank Law, the PBOC has full autonomy in applying the monetary instruments, including setting interest rate for commercial banks and trading in government bonds. It maintains the banking sector's payment, clearing and settlement systems, and manages official foreign exchange and gold reserves. The PBOC also oversees the State Administration of Foreign Exchange (SAFE) in the setting of foreign exchange policies. An additional reform implemented to improve the efficiency of bank supervision and allow the PBOC to further focus on the macro economy and currency policy was the April 28, 2003, launch of the China Banking Regulatory Commission (CBRC). The CBRC took over the supervisory role from the PBOC. According to the official announcement the CBRC posted on its website, the CBRC is responsible for ‘the regulation and supervision of banks, asset management companies, trust and investment companies as well as other deposit-taking financial institutions. Its mission is to maintain a safe and sound banking system in China.’

2. State-Owned Commercial Banks – The ‘Big Four’

At present, four major state-owned banks, the Industrial and Commercial Bank of China (ICBC), the Bank of China (BOC), the China Construction Bank (CCB), and the Agricultural Bank of China (ABC), dominate the banking system and together account for well over half of all loans and deposits in China's banks.

The Industrial & Commercial Bank of China (ICBC) is the largest bank in China in terms of total assets as well as the number of employees and customers. The ICBC differentiates itself from the other state-owned commercial banks by being second in the foreign exchange business and first in RMB-clearing business. It previously was the major supplier of funds to China's urban areas and the manufacturing sector
The Bank of China (BOC) specializes in foreign-exchange transactions and trade finance. At the end of 2003, China’s State Council instructed China SAFE Investments Limited to inject capital totaling USD22.5 billion into the BOC. The bank was subsequently reformed as a shareholding commercial bank and renamed the Bank of China Limited in August 2004. Through October 2005, the BOC had successively entered into strategic investment agreements with the Royal Bank of Scotland Group (RBS), Temasek Holdings Limited (Temasek), UBS and the Asian Development Bank (ADB). On June 1, 2006, the BOC was successfully listed on the Hong Kong Stock Exchange, raising USD 11.1 billion.. On July 5, 2006, the BOC was listed on the Shanghai Stock Exchange, raising another USD 2.5 billion.

The China Construction Bank (CCB) specializes in medium to long-term credit for long-term specialized projects, such as infrastructure projects and urban housing development.

3. Policy Banks

Three "policy" banks-the Agricultural Development Bank of China (ADBC), the China Development Bank (CDB), and the Export-Import Bank of China (Chexim) - were established in 1994 to take over the government-directed spending functions of the four state-owned commercial banks. These banks are responsible for financing economic and trade development and state-invested projects.

CDB specializes in infrastructure financing; ADBC provides funds for agricultural development projects in rural areas, and Chexim specializes in trade financing.

4. Second Tier Joint-Stock Commercial Banks

The 2nd-Tier joint-stock commercial banks include the Bank of Communication, CITIC Bank, China Everbright Bank, Hua Xia Bank, China Minsheng Bank, Guangdong Development Bank, Shenzhen Development Bank, China Merchants Bank, Shanghai

Pudong Development Bank, Industrial Bank, Evergrowing Bank, Zheshang Bank and the Bohai.

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The PBOC and SAFE regulate the flow of foreign exchange in and out of the country, and set exchange rates through a "managed float" system. The PBC authorized the SAFE to regulate the inter-bank foreign exchange spot and forward markets.

On July 1, 1996, China began to allow all FIEs in China to buy and sell foreign currency and exchange RMB in authorized banks for trade and services, debt payment and profit repatriation. The PBOC lifted limits on exchanging and remitting currency for non-trade purposes and raised the ceilings for the amount of foreign exchange for private use. In June 2002, SAFE authorized FIEs to draw on foreign exchange in their capital fund accounts for transaction settlements without prior SAFE approval. SAFE has also authorized designated Chinese commercial banks to change domestic currency needed by Chinese citizens for educational or travel expenses within specified limits, thus streamlining access to foreign currency for many individuals.

On January 5, 2007, SAFE issued the “Implementing Rules for Measures on the Administration of Foreign Exchange of Individuals”. These rules raised the annual quota of forex purchases allowed by Chinese individuals residing in China (domestic individuals) from the previous USD 20,000 to USD 50,000. Before, there was no annual quota on forex sales for individuals. According to the SAFE, setting an annual forex limit for buying and selling for domestic individuals is conducive to curbing illegal capital flow into China through personal channels.

For anti-money laundering purposes, the rules state that if an individual withdraws over USD 10,000 or the equivalent from a bank in one day, he/she must notify a local SAFE branch in advance and provide identification and a reason for the forex withdrawal. If an individual deposits over USD 5,000 or the equivalent in one day, he/she must show to the bank his/her identification and other required documentation.

Starting from October 1, 2008, companies must report any overseas payment to SAFE with a payment term over 90 days as from the date shown on the import declaration form—no matter the amount—or they will not be allowed to arrange the overseas payment. The accumulated reported overpayment amount in one calendar year can’t exceed 10 percent of total importation amount of the last year.

On October 30, 2008, SAFE published a notice, stipulating that from 15 November 2008, when an enterprise enters into a contract that contains a clause for the prepayment for purchases, the enterprise must register the contract within 15 working days after the contract is signed. The enterprise also must register the foreign exchange repayment within 15 days before the remittance. If the contract does not contain a prepayment clause but a foreign exchange repayment nevertheless required, the enterprise must register the contract and the foreign exchange prepayment within 15 working days before the remittance.

In April, 2006, the PBOC made the following announcement regarding the partial adjustment of foreign exchange management policies to facilitate trade and investment:

1. In the case that enterprises open, change, or close, foreign exchange accounts used for current account transactions, the administration mode is changed from being based on prior approval to direct processing of the applications by banks in accordance with foreign exchange management requirements and business practices while at the same time filing with the State Administration of Foreign Exchange (SAFE). In addition, the foreign exchange account limits for current account transactions are increased, and enterprises are allowed to purchase foreign exchange in advance to support authentic trade payments.

2. Documents required for sale and purchase of foreign exchange in service trade are simplified with the examination and approval procedures relaxed.

3. Procedures related to sales of foreign exchange to resident individuals are further trimmed and the indicative limits on purchase of foreign exchange are increased up to a yearly quota. Within such a quota, individuals can purchase foreign exchange from banks by presenting their identity documents and declaring the usage of foreign exchange; banks can sell foreign exchange exceeding the quota to individuals after verifying relevant documents to satisfy their real needs.

4. Expanding domestic banks' overseas foreign exchange investment services on behalf of their clients: Qualified banks are allowed to collect RMB funds of domestic institutions and individuals and convert into foreign exchange under a specified limit to invest in overseas fixed income products.

5. Qualified securities brokers such as fund management companies are allowed to collect self-owned foreign exchange of domestic institutions and individuals and use the funds for overseas portfolio investment including buying stocks.

6. Further expanding overseas securities investment by the insurance institutions: Qualified insurance institutions are allowed to purchase foreign exchange for the purpose of investing in overseas fixed-income products and money market instruments. The amount of foreign exchange purchases is subject to a limit proportional to the total asset of an insurance institution.

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Since its accession to the WTO in December 11, 2001 China has in steps opened its banking sector to foreign participation. On December 11, 2006, the final points agreed to in the WTO were implemented, lifting the previous geographic and client restrictions, and allowing foreign banks to conduct RMB-denominated business with local Chinese clients. On the same date, "The Regulations of the PRC on Administration of Foreign-funded Banks" promulgated by the State Council went into effect. Although foreign banks gained access to the local currency-based retail banking business on December 11, 2006, and no longer face geographic and client restrictions on operations, they still must adhere to China's strict regulatory requirements to conduct retail business.

To become a locally incorporated bank in China, a foreign bank has to commit at least RMB 1 billion (USD 146 million) in registered capital and meet other conditions. That, along with the cost of operating a branch network, is expected to discourage many foreign banks from setting up local operations. Most are expected to continue to operate through ventures with Chinese partners. Furthermore, there are limits to the percentage or level of combined (25 percent) by multiple financial institutions or sole foreign ownership (20 percent) of any Chinese bank.

Project Financing

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Sources of financial support available to U.S.-based exporters are:

1. Export Credits

The U.S. Export-Import Bank, an independent agency of the U.S. government, seeks to increase the competitive position of U.S.-based exporters in overseas markets by supporting the financing of U.S. export sales. All of Ex-Im Bank's financial products are available for Chinese buyers of U.S goods and services for the short, medium and long term. Generally speaking, Ex-Im Bank guarantees the repayment of loans or makes loans to international purchasers of U.S. goods and services. Ex-Im Bank also extends export credit insurance to overseas buyers and protects U.S. exporters against the risks of non-payment for political or commercial reasons. A reasonable assurance of repayment on every transaction financed must be provided.

Ex-Im Bank has signed a Framework Agreement (Agreement) with the Ministry of Finance (MoF), Government of China. According to this Agreement the MoF will undertake to provide sovereign guarantee for imports from the U.S, for Chinese government projects. In the past Ex-Im Bank has worked with the Bank of China, China Construction Bank, the Industrial and Commercial Bank of China, the Agricultural Bank of China and the Bank of Communications. For private sector borrowers, Ex-Im Bank will accept financial statements audited according to acceptable accounting practices with auditor's notes and statements that adequately disclose financial conditions and afford a reasonable basis for reliance on the information provided. The terms and conditions of standard export financing are governed by the OECD Arrangement on export credits. For Ex-Im Bank direct loans, lending rates (commercial interest reference rates or CIRR) are set monthly and are based on a spread above U.S. Treasuries.

The U.S. Ex-Im Bank is also open for limited-recourse, project-finance in China. Such a project is one in which anticipated cash flows can cover debt service repayment to lenders and payment of dividends to shareholders, and is without government guarantees. Loans under this program will be available to companies operating investment projects that require imports from the U.S. One such project, an ethylene cracker plant, was recently approved for financing by Ex-Im Bank. Project financing is also available from the various multilateral financial institutions as described in item number three below.

The Chinese Government and Chinese borrowers periodically receive concessional financing terms and conditions designed to support a third country's exporters. The credits can be offered under government-to-government protocols related to a particular sector or project. U.S. firms, otherwise competitive on price and quality, often lose contracts because they are unable to compete with such concessional loans. Ex-Im Bank will, under certain circumstances, consider matching the specific financing terms of a competing government offer. Tied Aid matching funds must be approved by the Board of Directors of Ex-Im Bank.

For more information concerning Ex-Im Bank programs and application procedures contact Talaat Rahman, Regional Director for Middle East and Asia at Talaat.Rahman@exim.gov or 202-565-3911 (telephone) or 202-565-3961 (fax) Exposure fee calculations and applications can be found on-line at www.exim.gov.

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

If you have a priority project for which you wish to consider U.S. sources of goods and services, you should contact Mr. Geoff Jackson, Regional Director for Asia/Pacific, at USTDA's Arlington, VA office. Tel: (703) 875-4357, Fax: (703) 875-4009. In China, contact the USTDA Representative, Ms. Wan Xiaolei, at the U.S. Commercial Service, U.S. Embassy Beijing at Tel: (86-10) 8531-4534, Fax: (86-10) 8531-3701.

3. Multilateral Agencies

The World Bank, based in Washington, D.C., maintains a large loan program in China. The World Bank's purpose is to help borrowers reduce poverty and improve living standards through sustainable growth and investment. China represents the World Bank's second largest commitment worldwide. The Bank's program policies in China continue to shift away from key infrastructure projects in transportation and energy toward environmental and agriculture support. The World Bank publishes bidding opportunities in the United Nations publication "Development Business". This is available by subscription from the United Nations, P.O. Box 5850, Grand Central Station, New York, New York 10163-5850.

The World Bank conducts procurement by the rules of international competitive bidding through Chinese tendering organizations; nonetheless, successful bidding requires close coordination with the Chinese government entity responsible for developing a project at the consulting stage when specifications are being established. The World Bank has a local office in China. Mr. David Dollar, Country Director, can be contacted at tel: (8610) 5861-7600. The website URL is www.worldbank.org/.

As a member of the World Bank, the International Finance Corporation (IFC) has become increasingly active in China. It is mandated to assist joint venture and share holding companies with substantial non-state ownership to raise capital in the international markets. The IFC takes equity positions in these companies. The IFC's core business is "project finance," and it currently has over USD 1.5 billion invested in "project finance" undertakings in China. The projects have anticipated cash flows that can cover repayments to lenders and dividends to shareholders. They do not enjoy a government guarantee. The IFC can be contacted through its Washington, D.C. Headquarters at (202) 473-0631 or Mr. Mike Ipson, Country Manager at the Beijing office, Tel: (8610) 5860-3000, Fax: (8610) 5860-3100. Website: www.ifc.org.

The Asian Development Bank (ADB) is a multilateral development finance institution, based in Manila, is dedicated to reducing poverty in the Asia and Pacific region through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, it is owned by 67 members.

ADB extends loans and provides technical assistance to its developing member countries for a broad range of development projects and programs. It also promotes and facilitates investment of public and private capital for economic and social development. The PRC has received $19.25 billion loans in total assistance since joining the ADB in 1986. It is the second largest borrower and the second largest client for private sector financing.

Once a project is initially approved by the ADB and the Chinese Government, it is included in a monthly publication called "ADB Business Opportunities" which is available by subscription from the Publications Unit, Information Office, ADB, P.O. Box 789, Manila, Philippines, Fax: (632) 632-5122 or 632-5841. The Commerce Department has established a Multilateral Development Bank Operations Office (Fax: (202) 273-0927), which publishes information to assist companies in winning such contracts. The ADB Resident Mission in China is located in Beijing. Contact Toru Shibuichi, Resident Representative at Tel: (86-10) 6642-6601, Fax: (86-10) 6642-6606. Website: www.adb.org.

Web Resources

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Export-Import Bank of the United States: www.exim.gov

Country Limitation Schedule: www.exim.gov/tools/country/country_limits.html

OPIC: www.opic.gov

Trade and Development Agency: www.tda.gov

SBA's Office of International Trade: www.sba.gov/oit

USDA Commodity Credit Corporation: www.fsa.usda.gov/ccc/default.htm

China Banking Regulatory Commission: www.cbrc.gov.cn/english/index.htm

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Business/name cards are ubiquitous in Chinese business and will almost always be exchanged upon meeting a stranger in such a context. The card should be held in both hands when offered to the other person: offering it with one hand is considered ill mannered.

Travel Advisory Return to top

The threat level for all China posts is considered low for crime and medium for terrorism.

China experiences a moderate rate of crime, including recent incidents ranging from petty theft to murder. Pickpockets are particularly active in crowded markets and foreigners are often sought out as primary targets. Petty theft from hotel rooms is uncommon, but visitors are advised not to leave valuables lying loose or unattended in their rooms. Foreigners may be approached in tourist areas by individuals seeking to exchange U.S. dollars or to sell pirated or fake products, such as compact discs, in violation of intellectual property rights laws. These transactions are illegal and should be avoided.

Americans arriving or transiting without valid passports and Chinese visas are not permitted to enter China and may also be subject to fines. Visitors traveling to China on a single entry visa should be reminded that trips to Hong Kong or Macau Special Administrative Regions are treated as a visit outside Mainland China. If the traveler is planning to return to Mainland China after a visit to one of these two destinations on the same single entry visa, they will be denied entry. Visitors facing this dilemma will be required to apply for a new visa at the Chinese consulate in Hong Kong to gain re-entry into Mainland China.

Recent travel advisories and other useful information can be found on the U.S. State Department's travel website: http://travel.state.gov/

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Entry/Exit Requirements

A valid passport and visa are required to enter China and must be obtained from Chinese Embassies and Consulates before traveling to China. Americans arriving without valid passports and the appropriate Chinese visa are not permitted to enter and can be subject to a fine and immediate deportation at the traveler's expense. Travelers should not rely on Chinese host organizations claiming to be able to arrange a visa upon arrival. Chinese Authorities have recently tightened their visa issuance policy, in some cases requiring personal interviews of American citizens and regularly issuing one or two entry visas valid for short periods only.

Visas are required to transit China. Persons transiting China on the way to and from Mongolia or North Korea or who plan to re-enter from the Hong Kong or Macau Special Administrative Regions should be sure to obtain visas allowing multiple entries. Permits are required to visit Tibet as well as many remote areas not normally open to foreigners.

For information about landing visa requirements and other entry requirements and restricted areas, travelers may consult the Embassy of the People's Republic of China (PRC) at 2300 Connecticut Avenue N.W., Washington, D.C. 20008, or telephone (1-202) 328-2500, 2501 or 2502. For a list of services and frequently asked visa questions and answers, travelers can view the Chinese Embassy's web sites at http://www.china-embassy.org/ . The Chinese Embassy’s visa section may be reached by e-mail at chnvisa@bellatlantic.net . There are Chinese Consulates General in Chicago, Houston, Los Angeles, New York, and San Francisco. Americans traveling in Asia have been able to obtain visas to enter China from the Chinese visa office in Hong Kong and the Embassy of the People's Republic of China in Seoul, South Korea.
Americans who overstay or otherwise violate the terms of their Chinese visas will be subject to a maximum fine of RMB 5,000 (USD 730) and departure delays and may be subject to detention. Travelers should note that international flights departing China are routinely overbooked, making reconfirmation of departure reservations and early airport check-in essential.

In an effort to prevent international child abduction, many governments have initiated new procedures at entry / exit points. These often include requiring documentary evidence of relationship and permission for the child’s travel from the parent(s) or legal guardian if they are not present. Having such documentation on hand, even if not required, may facilitate entry/departure.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/index.html

United States Visas.gov: http://www.unitedstatesvisas.gov/

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International and domestic phone calls can be made with little difficulty in China, particularly in the major cities. International and domestic calls can typically be made directly from hotel rooms and phone cards and pre-paid cellular phone chips are widely available.

City Codes

Beijing: 10
Shanghai: 21
Hong Kong IDD Code: 852

Telephone Operators

Local Directory Assistance (some English) 114
International Directory Assistance (some English) 115
International Long Distance Operator (usually has English speaking operators) 115
Domestic Long Distance Operator (some English) 113, 173

Other Numbers

Emergency (Chinese) 119
Police (Chinese) 110

Additional important information can be found at the U.S. Embassy's U.S. Citizen Service's website: http://beijing.usembassy-china.org.cn/country_info.html

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Taxis

Taxis are plentiful and can be hailed along most main streets, especially near hotels and major sightseeing attractions. Transportation is easily arranged at the front door of the hotel. Taxis are a convenient and fairly inexpensive means of transport, especially if you have your destination address written in Chinese. Concierge desks have cards with the name and address of the hotel in Chinese and can assist with giving instructions to the taxi driver.

Beijing Taxi (some drivers speak English)	010-8456-6466
Capital Taxi (some drivers speak English)	800-610-5678/ 010-6406-5088

Airlines

Cathay Pacific/Dragon Air	400-888-6628 /86-10-6453-2533
Japan Airlines	400-888-0808
Korean Airlines	400-658-8888/ 86-10-8453-8421
Malaysia Airlines	86-10-6505-2681
Northwest	400-814-0081
Qantas	800-819-0089/ 86-10-6567-9006
Singapore Airlines	86 -10-6505-2233

Thai Airways	86-10-8515-0088
United	86-10-8468-6666
Vietnam Airlines	86-10-8454-1196/6463-8448

Ticket Reconfirmation: It is recommended that you reconfirm your ticket 72 hours in advance.

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Medical Facilities

Western-style medical facilities with international staffs are available in Beijing, Shanghai, Guangzhou and a few other large cities. Many other hospitals in major Chinese cities have so-called VIP wards (gaogan bingfang). These feature reasonably up-to-date medical technology and physicians who are both knowledgeable and skilled. Most VIP wards also provide medical services to foreigners and have English-speaking doctors and nurses. Most hospitals in China will not accept medical insurance from the United States, with the exception of the following hospitals, which are on the BlueCross BlueShield's worldwide network providers - overseas network hospitals' list

(http://www.fepblue.org/wasite/wabenefits/wa-benefitsoverseas04.html): Hong Kong Adventist Hospital, Beijing United Family Hospital, Beijing Friendship Hospital, International Medical Center in Beijing, and Peking Union Medical Center. Travelers will be asked to post a deposit prior to admission to cover the expected cost of treatment. Hospitals in major cities may accept credit cards for payment. Even in the VIP/Foreigner wards of major hospitals, however, American patients have frequently encountered difficulty due to cultural and regulatory differences. Physicians and hospitals have sometimes refused to supply American patients with complete copies of their Chinese hospital medical records, including laboratory test results, scans, and x-rays. All Americans traveling to China are strongly encouraged to buy foreign medical care and medical evacuation insurance prior to arrival. Travelers who want a list of modern medical facilities in China can access that information at the Embassy's website.

Ambulances do not carry sophisticated medical equipment, and ambulance personnel generally have little or no medical training. Therefore, injured or seriously ill Americans may be required to take taxis or other immediately available vehicles to the nearest major hospital rather than waiting for ambulances to arrive. In rural areas, only rudimentary medical facilities are generally available. Medical personnel in rural areas are often poorly trained, have little medical equipment or availability to medications. Rural clinics are often reluctant to accept responsibility for treating foreigners, even in emergency situations.

Medical Insurance

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and if it will cover emergency expenses such as a medical evacuation. U.S. medical insurance plans seldom cover health costs incurred outside the United States unless supplemental coverage is purchased. Further, U.S. Medicare and Medicaid programs do not provide payment for medical services outside the United States.

However, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas, including emergency services such as medical evacuations.

When making a decision regarding health insurance, Americans should consider that many foreign doctors and hospitals require payment in cash prior to providing service and that a medical evacuation to the U.S. may cost well in excess of USD50,000. Uninsured travelers who require medical care overseas often face extreme difficulties. When consulting with your insurer prior to your trip, ascertain whether payment will be made to the overseas healthcare provider or if you will be reimbursed later for expenses you incur. Some insurance policies also include coverage for psychiatric treatment and for disposition of remains in the event of death.

Two private emergency medical assistance firms, SOS International, Ltd., and Medex Assistance Corporation, offer medical insurance policies designed for travelers. Both of these companies have staff in China who can assist in the event of a medical emergency.

SOS International, Ltd.

Beijing International SOS Clinic
Suite 105, Wing 1, Kunsha Building
No 16 Xinyuanli, Chaoyang District
Beijing 100027, P.R China

Opening hours
Monday to Friday Normal hours: 8:00-18:00.
After hours surcharge: 20:00-8:00. Walk in and emergency
Tel 86 10 6462 9112
Fax 86 10 6462 9188

MEDEX Assistance Corporation
871 Poly Plaza
Beijing 100027
Toll Free Number from China to U.S.: 10811-800-527-0218
Email: info@medexassist.com (Baltimore, Maryland)
U.S. telephone: (1-800) 537-2029 or (1-410) 453-6300 (24 hours)
Emergencies (members only): (1-800) 527-0218 or (1-410) 453-6330
Web site: http://www.medexassist.com/

Medex members calling with a medical emergency should call Medex-Emergency in China at telephone (86-10) 6595-8510.

Other Evacuation Insurance Options:
Heathrow Air Ambulance
Heathrow is an air evacuation service with offices in the United States and England. Travelers can pre-arrange air evacuation insurance and other emergency travel assistance. This service also has a business plan to assist foreigners who lack travel insurance. Heathrow Air Ambulance Service,

15554 FM, Suite 195 Houston, TX. 77095-2704. Office telephone 1-800-513-5192. Office fax 1-832-934-2395. E-mail: info@heathrowairambulance.com

Useful information on medical emergencies abroad, including overseas insurance programs, is provided in the Department of State's Bureau of Consular Affairs brochure, *Medical Information for Americans Traveling Abroad*, available via the Bureau of Consular Affairs home page.

Other Health Information

Most roads and towns in Tibet, Qinghai, parts of Xinjiang, and western Sichuan are situated at altitudes over 10,000 feet. Travelers in these areas should seek medical advice in advance of travel, allow time for acclimatization to the high altitude, and remain alert to signs of altitude sickness. Reuse or poor sterilization practices are problems in China, contributing to transmission of diseases such as Hepatitis, which is endemic in China. In order to protect themselves from blood and other tissue borne disease such as Hepatitis and HIV, travelers should always ask doctors and dentists to use sterilized equipment and be prepared to pay for new syringe needles in hospitals or clinics. Tuberculosis is endemic in China. Air pollution is also a significant problem throughout China. Travelers should consult their doctor prior to travel and consider the impact seasonal smog and heavy particulate pollution may have on them. Travelers are advised to consult the CDC’s traveler’s health website at: http://www.cdc.gov/travel/eastasia.htm prior to departing for China.

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Time

Time throughout China is set to Beijing time, which is eight hours ahead of GMT/UTC. When it’s noon in Beijing it’s also noon in far-off Lhasa, Urumiqi, and all other parts of the country. However, Western China does follow a later work coincide with daylight hours

Business Hours

China officially has a five-day work week although some businesses stretch to six days. Offices and government departments are normally open Monday to Friday. They are typically open between 8:30 AM and 5PM with some closing for one or two hours in the middle of the day.

2009 Holiday Schedule

For the latest holiday schedule for the U.S. Embassy/Consulates please see:

http://beijing.usembassy-china.org.cn/holidays.html

Temporary Entry of Materials and Personal Belongings Return to top

China allows an individual to import 400 cigarettes (600 if you are staying more than six months), four bottles of wine or spirits, and a reasonable amount of perfume. Cash amounts exceeding USD5000 (or equivalent) should be declared.

Chinese law prohibits the import of cold cuts and fresh fruit. There are limits on other items, such as herbal medicine that can be taken out of the country. Rare animals and plants cannot be exported.

Cultural relics, handicrafts, gold and silver ornaments, and jewelry purchased in China have to be shown to customs upon leaving China. If these items are deemed to be "cultural treasures" they will be confiscated. All bags are X-rayed.

It is illegal to import any printed material, film, and tapes, etc. that are "detrimental to China's political, economic, cultural, or ethical interests. As any tapes, books DVDs that "contain state secrets or are otherwise prohibited for export" can be seized on departing China.

Web Resources Return to top

U.S. Embassy Beijing: http://beijing.usembassy-china.org.cn
U.S. Commercial Service, China: http://www.buyusa.gov/china/en/
China Council for the Promotion of International Trade (CCPIT): www.ccpit.org
National Development and Reform Commission (NDRC) http://www.ndrc.gov.cn/ (Chinese)
Chinese Ministry of Commerce: http://english.mofcom.gov.cn/
American Chamber of Commerce China (Amcham): www.amchamchina.org
U.S.-China Business Council: www.uschina.org
Chinese Government: www.english.gov.cn

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Chapter 9: Contacts, Market Research, and Trade Events

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- Market Research
- Trade Events

Contacts Return to top

A. State Commissions

State Commission of Science, Technology, and Industry for National Defense
A8 Fucheng Lu, Haidian District, Beijing 100037, China
Beijing 2940 Post Box
Minister: Zhang Qingwei
Main Line: (86-10) 6851-6733
International Affairs: (86-10) 8858-1475
Fax: (86-10) 8858-1514
Website: www.costind.gov.cn

National Development and Reform Commission (NDRC)
38 Yuetannanjie, Xicheng District, Beijing 100824, China
Director: Ma Kai
Main Line: (86-10) 6850-2000
International Affairs: (86-10) 6850-1343
Fax: (86-10) 6850-2117
Website: http://en.ndrc.gov.cn

B. Chinese Ministries

Ministry of Agriculture
11 Nongzhanguan Nanli, Chaoyang District, Beijing 100125, China
Minister: Sun Zheng Cai
Main Line: (86-10) 5919-3366
International Affairs: (86-10) 5919-2440
Fax: (86-10) 5919-2468
Website: www.agri.gov.cn (no English page)

Ministry of Transport
11 Jianguomennei Dajie, Dongcheng District, Beijing 100736, China
Minister: Li Shenglin
Main Line: (86-10) 6529-2114
International Affairs: (86-10) 6529-2206/2208
Fax: (86-10) 6529-2345
Website: www.moc.gov.cn (no English page)

Ministry of Housing and Urban-Rural Development
9 Sanlihe Lu, Haidian District, Beijing 100835, China

Minister: Jiang Weixin
Main Line: (86-10) 5893-4114
International Affairs: (86-10) 5893-4049
Fax: (86-10) 6831-2524
Website: www.cin.gov.cn (no English page)

Ministry of Culture
10 Chaoyangmen Beijie, Dongcheng District, Beijing 100020, China
Minister: Cai Bin
Main Line: (86-10) 5988-1114
International Affairs: (86-10) 59882005/2004
Fax: (86-10) 59881986/2005
Website: www.ccnt.gov.cn (no English page)

Ministry of Education
37 Damucang Hutong, Xidan, Xicheng District, Beijing 100816, China
Minister: Zhou Ji
Main Line: (86-10) 6609-6114
International Affairs: (86-10) 6609-6275
Fax: (86-10) 6601-3647
Website: www.moe.edu.cn/

Ministry of Finance
3 Nansanxiang, Sanlihe, Xicheng District, Beijing 100820, China
Minister: Xie Xuren
Main Line: (86-10) 6855-1114
International Affairs: (86-10) 6855-1175
Fax: (86-10) 6855-1125
Website: www.mof.gov.cn (no English page)

Ministry of Foreign Affairs
2 Chaoyangmen Nandajie, Chaoyang District, Beijing 100701, China
Minister: Yang Jiechi
Main Line: (86-10) 6596-1114
International Affairs: (86-10) 6596-3100
Fax: (86-10) 6596-1808
Website: www.fmprc.gov.cn/eng/default.htm

Ministry of Commerce
2 Dongchang'an Avenue, Beijing 100731, China
Minister: Chen Deming
Main Line: (86-10) 6512-1919
International Affairs: (86-10) 6519-8830
Fax: (86-10) 6519-8904
Website: http://english.mofcom.gov.cn/

Ministry of Health
1 Xizhimenwai Nanlu, Xicheng District, Beijing 100044, China
Minister: Chen Zhu
Main Line: (86-10) 6879-2114
International Affairs: (86-10) 6879-2297

Fax: (86-10) 6879-2295
Website: www.moh.gov.cn (no English page)

Ministry of Industry and Information Technology
13 Xichang'anjie, Beijing 100804, China
Minister: Li Yizhong
Main Line: (86-10) 6601-4249
International Affairs: (86-10) 6601-1365
Fax: (86-10) 6601-1370
Website: www.miit.gov.cn

Ministry of Justice
10 Chaoyangmen Nandajie, Chaoyang District, Beijing 100020, China
Minister: Wu Aiying
Main Line: (86-10) 6520-5114
International Affairs: (86-10) 6520-6239
Fax: (86-10) 6520-5866
Website: www.legalinfo.gov.cn/english/englishindex.htm

Ministry of Human Resources and Social Security
12 Hepingli Zhongjie, Dongcheng District, Beijing 100716, China
Minister: Yin Weimin
Main Line: (86-10) 8420-1114
International Affairs: (86-10) 8420-7243
Fax: (86-10) 8422-1624
Website: www.mohrss.gov.cn (no English page)

Ministry of Land and Resources
No.64 Fu Nei street , Xicheng District, Beijing 100812, China
Minister: Xu Shaoshi
Tel: (86-10) 66558001
Fax: (86-10) 66558004
Website: www.mlr.gov.cn/mlrenglish/

Ministry of Public Security
14 Dongchang'anjie, Beijing 100741, China
Minister: Meng Jianzhu
Main Line: (86-10) 6626-2114
International Affairs: (86-10) 6626-3279
Fax: (86-10) 6626-1596
Website: www.mps.gov.cn (no English page)

Ministry of Railways
10 Fuxing Lu, Haidian District, Beijing 100844, China
Minister: Liu Zhi Jun
Main Line: (86-10) 5184-0114
International Affairs: (86-10) 5184-1855
Website: www.china-mor.gov.cn (no English page)

Ministry of Science and Technology
Yi 15 Fuxinglu, Haidian District, Beijing 100862, China

Minister: Wan Gang
Main Line: (86-10) 5888-1800
International Affairs: (86-10) 5888-1300/1301
Fax: (86-10) 5888-2556
Website: www.most.gov.cn/eng/index.htm

Ministry of Water Resources
2 Baiguanglu Ertiao, Xuanwu District, Beijing 100053, China
Minister: Chen Lei
Main Line: (86-10) 6320-2114
International Affairs: (86-10) 6320-2383
Fax: (86-10) 6320-2556
Website: www.mwr.gov.cn/english/

C. Bureaus and Administrations Directly Under the State Council

Government Offices Administration of the State Council
22 Xi'anmen Dajie, Beijing 100017, China
Director: Jiao Huancheng
Tel: (86-10) 8308-6195
Fax: (86-10) 8308-6195
Website: www.ggj.gov.cn (no English page)

Civil Aviation Administration of China
155 Dongsi Xidajie, Beijing 100710, China
Director: Zhang Jiaxiang
Main Line: (86-10) 64092526
International Affairs: (86-10) 6409-1311
Fax: (86-10) 6401-6918
Website: www.caac.gov.cn (no English page)

General Administration of Customs
6 Jianguomennei Dajie, Beijing 100730, China
Director: Sheng Guangzu
Main Line: (86-10) 6519-4114
International Affairs: (86-10) 6519-5980
Fax: (86-10) 6519-4354
Website: http://english.customs.gov.cn/publish/portal191/

National Tourism Administration
Jia 9 Jianguomennei Dajie, Beijing 100740, China
Director: Shao Qiwei
Main Line: (86-10) 6520-1114
International Affairs: (86-10) 6520-1804
Fax: (86-10) 6512-2851
Website: http://en.cnta.gov.cn/

State Administration for Industry and Commerce
8 Sanlihe Donglu, Xicheng District, Beijing 100820, China
Director: Zhou Bohua
Main Line: (86-10) 68865-0000

International Affairs: (86-10) 6803-1508
Fax: (86-10) 6802-3447
Website: www.saic.gov.cn/english/default.htm

The State Administration for Religious Affairs
No.44, Hou Hai Bei Yan, Xi Cheng District, Beijing 100009, China
Director: Ye Xiaowen
Tel: (86-10) 6409-5114
Fax: (86-10) 6409-5000
Website: www.sara.gov.cn (no English page)

The State Administration of Radio, Film, and Television
2 Fuxingmenwai Dajie, Beijing 100866, China
Minister: Wang Taihua
Main Line: (86-10) 8609-3114
International Affairs: (86-10) 8609-2141
Fax: (86-10) 6801-0174
Website: www.sarft.gov.cn (no English page)

General Administration for Quality Supervision, Inspection and Quarantine
No.9 Ma Dian Bridge East, Hai Dian District, Beijing 100088, China
Director: Wang Yong
Main Line: (86-10) 8226-0114
International Affairs: (86-10) 8226-1693/1955
Fax: (86-10) 8226-0552
Website: www.aqsiq.gov.cn

State Administration of Taxation
5 Yangfangdian Xilu, Haidian District, Beijing 100038, China
Director: Xiao Jie
Main Line: (86-10) 6341-7114
International Affairs: (86-10) 6341-7901
Fax: (86-10) 6341-7870
Website: www.chinatax.gov.cn

Ministry Food and Drug Administration
Jia 38 Beilishilu, Xicheng District, Beijing 100810, China
Commissioner: Shao Mingli
Main Line: (86-10) 6831-3344
International Affairs: (86-10) 8833-0813
Fax: (86-10) 6833-7662
Website: www.sda.gov.cn

State Environmental Protection
115 Xizhimennei Nanxiaojie, Beijing 100035, China
Minister: Zhou Shengxian
Main Line: (86-10) 6655-6114
International Affairs: (86-10) 6655-6495
Fax: (86-10) 6655-6521
Website: www.zhb.gov.cn

State Forestry Administration
18 Hepingli Dongjie, Beijing 100714, China
Director: Jia Zhibang
Main Line: (86-10) 8423-9000
International Affairs: (86-10) 8423-8720
Fax: (86-10) 6421-9149
Website: www.forestry.gov.cn

State Intellectual Property Office
6 Xituchenglu, Jimenqiao, Haidian District, Beijing 100088, China
Director: Tian Lipu
Main Line: (86-10) 6208-3114
International Affairs: (86-10) 6208-3268
Fax: (86-10) 6201-9615
Website: www.sipo.gov.cn

National Copyright Administration
85 Dongsi Nandajie, Dongcheng District, Beijing 100703, China
Director: Liu Binjie
Main Line: (86-10) 6512-4433
International Affairs: (86-10) 6523-1141
Fax: (86-10) 6512-7875
Website: www.ncac.gov.cn

General Administration of Sport
2 Tiyuguanlu, Chongwen District, Beijing 100763, China
Minister: Liu Peng
Main Line: (86-10) 8718-2008
International Affairs: (86-10) 8718-2732
Fax: (86-10) 6711-5858
Website: www.sport.gov.cn

National Bureau of Statistics
75 Yuetannanjie, Xi Cheng District , Beijing 100826, China
Director: Ma Jiantang
Main Line: (86-10) 6857-3311
International Affairs: (86-10) 6857-6355
Fax: (86-10) 6857-6354
Website: www.stats.gov.cn

D. Offices under the State Council

The Central People's Government
Zhongnanhai, Beijing 100017, China
Secretary General: Hua Jian Min
Tel: (86-10) 6309-6898/6307-0950
Fax: (86-10) 6309-3102
www. gov.cn

Hong Kong and Macau Affairs Office of The State Council
77 Yuetannanjie, Beijing 100045, China

Director: Liao Hui
Tel: (86-10) 6857-9977
Fax: (86-10) 6857-6639
Website: www.hmo.gov.cn

Information Office Information Centre Legislative Affairs Office State Council PRC
225 Chaoyangmenwai, Dongcheng District, Beijing 100010, China
Director: Zhao Qizheng
Tel: (86-10) 8652-1199
Fax: (86-10) 6559-2364

Legislative Affairs Office
9 Wenjinjie, Beijing 100017, China
Director: Cao Kang Tai
Tel: (86-10) 6309-7599
Website: www.chinalaw.gov.cn

Office of Overseas Chinese Affairs office of the State Council
35 Fuwaidajie, Beijing 100037, China
Director: Wang Yi
Tel: (86-10) 6357-1900
Fax: (86-10) 6832-7538
Website: www.gqb.gov.cn

Research Office
Zhongnanhai, Beijing 100017, China
Director: Wei Liqun
Tel: (86-10) 6309-7785
Fax: (86-10) 6309-7803

Taiwan Affairs Office
No.6-1 Guang'An Men South Avenue, Xuanwu District, Beijing 100053
Director: Chen Yunlin
Tel: (86-10) 6857-1900
Fax: (86-10) 6832-8321
Website: www.gwytb.gov.cn

E. Institutions

China Meteorological Administration
46 Zhong Guan Cun Street, Haidian District, Beijing 100081, China
Director: Zheng Guoguang
Tel: (86-10) 6840-6114
Website: www.cma.gov.cn

China Securities Regulatory Commission
Tower A of Fukai Building
19 Jinrong Avenue, Xicheng District, Beijing 100032
Director: Shang Fulin
Tel: (86-10) 8806-1000

Website: www.csrc.gov.cn

Chinese Academy of Engineering
No.2 Bingjiaokou Hutong, Beijing 100088
President: Xu Kuang Di
Tel: (86-10) 5930 0264
Website: www.cae.cn

Chinese Academy of Sciences
52 Sanlihe Road, Xicheng District, Beijing 100864
President: Lu Yongxiang
Tel: (86-10) 6859-7114
Website: www.cas.ac.cn (no English page)

Chinese Academy of Social Sciences
5 Jiannei Dajie, Beijing 100732, China
President: Chen Kui Yuan
Tel: (86-10) 8519-5999
Website: www.cass.net.cn (no English page)

Development Research Center of the State Council
225 Chaoyangmennei Avenue, Dongcheng District, Beijing 100010
Director: Zhang Yutai
Tel: (86-10) 6523-0008
Website: www.drc.gov.cn/english/

China National School of Administration
6 Changchunqiaolu, Haidian District, Beijing 100089
President: Ma Kai
Tel: (86-10) 68929260
Website : www.nsa.gov.cn/cenep/# (no English page)

China Earthquake Administration
63 Fuxing Lu, Haidian District, Beijing 100036, China
Director: Chen Jianmin
Tel: (86-10) 6821-9525
Website: www.cea.gov.cn (no English page)

F. Bureaus Supervised by Commissions and Ministries

State Administration of Foreign Exchange
18 Fuchenglu, Haidian District, Beijing 100048, China
Director: Ms. Hu Xiaolian
Tel: (86-10) 6840-2507
Website: www.safe.gov.cn/model_safe_en/index.jsp?id=6

State Administration of Traditional Chinese Medicine
Building 13, Bajiazhuang Dongli, Chaoyang District, Beijing 100026
Director: Mr. Wang Guoqiang
Tel: (86-10) 6506-3322
Website: www.satcm.gov.cn

State Administration of Cultural Heritage
10 Chao Yang Men Bei Da Jie, Dongcheng District, Beijing 100020, China
Director: Shan Ji Xiang
Tel: (86-10) 5988 1572
Fax: (86-10) 5988 1573
Website: www.sach.gov.cn

State Administration of Foreign Experts Affairs
No.1 Zhong guan cun south street, Haidian District, Beijing 100873, China
Director: Ji Yunshi
Tel: (86-10) 6894-8899
Website: www.safea.gov.cn/english/

State Bureau of Surveying & Mapping
9 Sanlihelu, Baiwanzhuang, Beijing 100830, China
Director: Mr. Xu Deming
Tel: (86-10) 6832-1893
Fax: (86-10) 8837 4401
Website: www.sbsm.gov.cn and (en) www.en.sbsm.gov.cn

State Administration of Grain
11A, Muxudi Beili, Xincheng District, Beijing 100038, China
Director: Nie Zhengbang
Tel: (86-10) 6390-6078
Website: www.chinagrain.gov.cn/english/index.html

China National Light Industry Council
Yi 22 Fuwaidajie, Beijing 100833, China
Chairman: Chen Shineng
Tel: (86-10) 6839-6228
Fax: (86-10) 6839-6351
Website: www.clii.com.cn/english/

China Iron and Steel Association
46 Dongsi Xidajie, Dongcheng District, Beijing 100711, China
Director: Zhang Xiaogang
Tel: (86-10) 6513-3322
Website: www.chinaisa.org.cn/index.php?styleid=2

State Oceanic Administration
1 Fuxingmenwai Dajie, Beijing 100860, China
Director: Sun Zhi-Hui
Tel: (86-10) 6803-2211
Website: www.soa.gov.cn

China Petroleum and Chemical Industry Association
Building 16, 4 District, Anhuili, Yayuncun, Beijing 100723, China
Director: Li Yong-Wu
Tel: (86-10) 8488-5100
Fax: (86-10) 8488-5097

Website: www.cpcia.org.cn/English.htm

State Postal Bureau
A8 Bei Lishilu, Xicheng District, Beijing 100868 China
Director: Ma Junsheng
Tel: (86-10) 6606-9955
Fax: (86-10) 6641-9711
Website: www.chinapost.gov.cn
(en) www.chinapost.gov.cn/folder12/2008/10/2008-10-3117985.html

China National Textile and Apparel Council
12 Dongchang'anjie, Beijing 100742, China
Director: Du Yuzhou
Tel: (86-10) 8522-9100
Fax:(86-10) 8522-9174
Website: www.cntac.org.cn
(en) http://english.ctei.gov.cn/Services/90722.htm

State Tobacco Monopoly Bureau
No2 Building, 26 West Xuanwumen Avenue, Xuanwu District, Beijing 100053, China
Chief Commissioner: Jiang ChenKang
Tel: (86-10) 6360-5852/5782
Fax: (86-10) 6360-5036
Website: www.tobacco.gov.cn

G. Associations & Corporations

All-China Federation of Industry and Commerce
93 Beiheyan Dajie, Beijing 100006
Chairman: Huang Meng Fu
Tel: (86-10) 6513-6677
Website: www.acfic.org.cn

China Chamber of International Commerce (co-located with CCPIT, see below)
1 Fuxingmenwai Street
Beijing 100860
Tel: (86-10) 8807 5000
Fax: (86-10) 6801 1370

China Council for the Promotion of International Trade(CCPIT)
1 Fuxingmenwai Street, Beijing 100860
President: Wan Ji Fei
Tel: (86-10) 8807 5000
Fax:(86-10) 6801 1370
Website: www.ccpit.org
(en) http://english.ccpit.org/

China Huaneng Group
40 Xue Yuan Nan Lu, Haidian District Beijing 100082, China
President: Cao Peixi
Tel: (86-10) 6229-1888

Fax: (86-10) 6229-1899
Website: www.chng.com.cn
(en) www.chng.com.cn/minisite/en/index.html

China Nonferrous Metals Industry Association
Yi 12 Fuxing Lu, Haidian District, Beijing 100814, China
President: Kang Yi
Tel: (86-10) 6397-1859 / 6397 1618
Website: www.chinaia.org.cn

People's Insurance Company of China
#69 Xuan Wu Men Dong He Yan Jie, Beijing 100052, China
President: Wu Yan
Tel: (86-10) 6315-6688
Fax: (86-10) 6315-2033 / 6303-3589
Website: www.piccnet.com.cn
(en) www.piccnet.com.cn/english/gszleng/index.shtml

H. Corporations
China International Trust and Investment Corporation
Capital Mansion, 6 Xinyuan Nanlu, Chaoyangqu, Beijing 100004 China
President: Kong Dan
Tel: (86-10) 6466-0088
Website: www.citic.com
(en) www.citic.com/wps/portal/citicen

China National Offshore Oil Corp.
No.25 Chaoyangmen Beidajie, Beijing 100010
President: Fu Cheng-Yu
Tel: (86-10) 8452-1071/8452-1010
Fax: (86-10) 6452-1142
Website: www.cnooc.com.cn
(en) www.cnooc.com.cn/yyww/default.shtml

China National Petroleum Corp.
6 Liupukang, Xicheng District, Beijing 100724, China
President: Jiang Jiemin
Tel: (86-10) 6209-4114
Fax: (86-10) 6209-4205
Website: www.cnpc.com.cn/en

China National Tobacco Corporation
#26 B. Xuwumenwai, Xi Da Jie, Xuanwu District, Beijing, 100053
President: Jiang Cheng Kang
Tel: (86-10) 6360-5678
Fax: (86-10) 6360-5681

China North Industries Corp.
Guang An Men Nan Da Jie Jia 12, Beijing 100053, China
President: Mr. Zhang Guo-Qing
Tel: (86-10) 6352-9988

Fax: (86-10) 6354-0398
Website: www.norinco.com.cn
(en) www.norinco.com.cn/c1024/english/index.html

China Petro-Chemical Corporation
22 Chaoyangmen North Street, Chaoyang District, Beijing 100728, China
President: Su Shulin
Tel: (86-10) 6499-9936/8114
Fax:(86-10) 6421-8356
Website: www.sinopec.com.cn and (en) http://english.sinopec.com/

China State Construction Engineering Corporation
15 Sanlihe Rd., Xicheng District, Beijing 100037, China
President: Sun Wenjie
Tel: (86-10) 8808-2958
Fax: (86-10) 8808-2789
Website: www.cscec.com.cn and (en) www.cscec.com.cn/english/index.htm

China State Shipbuilding Corporation
No. 72 Kunminghu Nanlu, Haidian District, Beijing 100097, China
President: Li Changyin
Tel: (86-10) 6803-8833 6803-9205 6803-3947
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Website: www.csic.com.cn and (en) www.csic.com.cn/en/default.htm

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6 Fu Xing Men Wai Street, Everbright Building, Beijing 100045, China
President: Tang Shuangming
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Fax: (86-10) 6856-1121
Website: www.ebchina.com

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American Association for Manufacturing Technology
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2 Dongsanhuan North Road
Chaoyang District
Beijing 100027
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American Chamber of Commerce in Beijing
John Watkins, Chairman
Michael Barbalas, President
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Fax: (86-10) 8519-1910
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American Soybean Association
Phillip W. Laney, Representative
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American Equipment Manufacturers (AEM)
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Li Kai En, Representative
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Website: www.aem.org

Council of American States in China (CASIC)
Shanghai Center, Suite 631
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United States Information Technology Office (USITO)
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Fax: (86-10) 8531-3050

Guangzhou Agricultural Trade Office
Director: Joanie Dong
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Fax: (86-20) 8666-0703

Shanghai Agricultural Trade Office
Director: Wayne Batwin
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Fax: (86-21) 6279-8336

Animal and Plant Health Inspection Service
Director: Osvaldo Perez
Tel: (86-10) 8531-3040
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Renmin Nanlu, Chengdu, China 610041
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Fax:(86-28) 8556-5356
Principal Commercial Officer: Eric Wolff
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American Consulate General Guangzhou
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Fax: (86-20) 8121-6296
Principal Commercial Officer: Ireas Cook
Tel: (86-20) 8667-4011
Fax: (86-20) 8666-6409

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1469 Huaihai Zhong Lu, Shanghai, China 200031
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Principal Commercial Officer: David Gossack
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American Consulate General Shenyang
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The China Business Information Center (CBIC)
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Kellie Holloway Jarman
Matthew Quigley
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Multilateral Development Bank Office
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AgExport Services Division
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Trade Assistance & Promotion Office
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Office of U.S. Trade Representative
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Fax: (202) 395-3911
Website: www.ustr.gov

U.S. Export-Import Bank of the United States
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Business Development Office
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Website: www.exim.gov

L. U.S.-Based Multipliers

U.S.-China Business Council
John Frisbie, President
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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/marketresearch.html and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents.html

Please click on the link below for information on upcoming trade events in China.
http://www.buyusa.gov/china/en/chinashows.html

The U.S. Department of Commerce, Foreign Commercial Service will construct U.S. Pavilions at key trade shows throughout China to promote American goods and services.

Developed in coordination with major Chinese exhibition companies, the U.S. Pavilions provide a unique opportunity for American companies to be involved in key international exhibitions around China.

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

(Insert link to Products and Services section of local buyusa.gov website here.)

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