Doing Business In China: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In China

Market Overview Return to top

- China's exceptional economic growth continues as the country further integrates with the global economy. U.S. companies are benefiting, as evidenced by rapid and sustained increases in U.S. exports to China. Over the past several years, increases of U.S. exports to China averaged well over 20 percent. In 2007, the U.S. exports to China increased by 5.7 percent according to the Census Bureau, helping to make China the fastest growing foreign market for U.S. goods. China-U.S. total trade is USD 354.1 billion, placing China as our second biggest trading partner behind Canada. Although U.S. imports of Chinese goods greatly exceed U.S. exports to China, China is our third largest export market. U.S. exports of goods to China are USD 58.3 billion for the year in 2007.

- China's robust economy had a growth rate of 11.5 percent in 2007, according to Xinhua News Agency. China's inflation surged to 6.9 percent, its highest rate in 11 years for the period January-November 2007. Chinese policy makers will have a tough time in 2008 battling inflation, according to China's Vice Finance Minister Li Yong in January 2008. China's manufacturing base helped the country hit record trade surplus levels of USD 262.2 billion in 2007, according to China's Customs statistics. Foreign investment is strong with China remaining as one of the main destinations for foreign capital investment. The nation's rate of consumer consumption increased by an estimated 16.3 percent for the period January through September 2007, according to a report by the Chinese Academy of Social Sciences (CASS). China's economic miracle is tempered by a number of looming threats, namely a rapidly aging population and a perilously deteriorating environment.

- 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. 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 Chinese citizens with a per capita income over USD 8,000 to be more than 200 million. 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. (China has not yet released its Statistics of per capita income in 2007.)

- In Chapter 4, we highlight the best prospect sectors for U.S. companies to export to China.

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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 accession 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 carefully reviewing product standards and conformity assessments, such as China's Compulsory Certification (CCC); fully understanding legal issues, like protecting intellectual property rights; and 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. If China implements its commitments under the WTO in a thorough and systematic manner, the number of sectors with market potential accessible to American companies will continue to expand dramatically.

- More detailed information can be found in Chapter 4.

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- 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 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 important 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 the country, please click on the link below to the U.S. Department of State Background Notes.

www.state.gov/r/pa/ei/bgn for all countries throughout the world.

http://www.state.gov/r/pa/ei/bgn/18902.htm for China specific information.

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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Since WTO 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: www.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 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. Distribution

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.

Establishing an Office

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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.

Since July 1, 2004, foreign trading companies, manufacturers, forwarding companies, contractors, consulting firms, advertising firms, investment companies, leasing companies and other economic and trade organizations have been 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 has 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 in strengthening the regulatory framework, franchising in China still remains fraught with legal difficulties and complications that contribute to the challenges surrounding market entry. While these regulations provide a relaxation of the requirements surrounding registration of a franchise, the scope of disclosure necessary and the liability of the franchisors also leave several outstanding issues. It is unclear as to the government’s interpretation of directly operated outlets, JV outlets, as well as to the length of the “cooling-off” period.

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” by December 11, 2004. Nine months after this commitment date, 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 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 Return to top

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 Return to top

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

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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 Return to top

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, 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. According to CTR Market Research Company, advertising expenditure in mainland China totaled RMB 312 billion in 2007. 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, and is predicted to increase by 12 percent in 2008 due to the Beijing Olympic Games. China's regular television viewing population is 95 percent of China's

1.3 billion people. Major articles sold on television include toiletries, foodstuffs, pharmaceuticals, liquor, home electronics and real estate. Newspapers and periodicals are also major advertising channels, although advertising in newspapers declined by one percent in 2007. Mobile phone advertising is also growing rapidly.

The online advertisement industry is currently one of the fastest growing advertising channels. The online advertising industry expenditures increased 48 percent in 2007, reaching a total of RMB 11.6 billion for the year. Online advertising now makes up approximately four percent of all advertising expenditures and is predicted to increase its market share over the next few years.

Advertising expenditures by industry sector in 2007 showed some variation by industry type. The automotive sector showed major growth with a 33 percent increase in advertising in 2007. The automotive sub-sector for sport utility vehicles (SUVs) showed a stunning 75 percent increase in advertising in 2007. The household appliances industry also showed growth in advertising with a 13 percent increase in 2007. Pharmaceuticals had a nine percent increase, while the cosmetics and bathroom products sector only showed a three percent increase in 2007.

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 will be 768 events in 76 cities in Mainland China in 2008 (not including 27 in Hong Kong, 5 in Macao). A large portion (42%) of these shows will be held in three tier-one cities such as 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. In 2008, CS China will participate in thirteen shows in Shanghai, eight in Beijing, three in Shenzhen, two in Guangzhou, and in one each in Tianjin, Shenyang, Zhuhai and Xiamen.

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 13 of this report. Upcoming Department of Commerce trade missions can be found at: http://www.ita.doc.gov/doctm/tmcal.html.

Pricing Return to top

Most Chinese consumers are sensitive to price and will usually choose the less expensive product unless they can be swayed by better after-sales service or significantly better product quality. However, the younger Chinese consumer is 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.

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 2007, 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.

Until July 2004, China Customs used eight-digit codes exclusively in its harmonized tariff system, as opposed to the more detailed ten-digit codes. Without detailed codes, Customs officers had wide discretion to general categories for imports. In 2004, the Ministry of Commerce announced the use of ten-digit codes for certain items including chemicals, internal combustion engines, pumps and automobiles. The adjusted codes took effect on July 1, 2004. 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. Just prior to its WTO accession, China released new valuation regulations. Under these regulations, China Customs has been tasked with assessing a fair valuation for all imports. To tackle this task, 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 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 to 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 or those engaged in wholesaling or retailing of goods with annual sales of less than RMB 1.8 million) 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 processed 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 encourage exports in such sectors as IT and biomedical products (full 17% rebate) and discourage exports in sectors such as steel, cement and textiles (5% to 13% rebate) and coal and natural gas (no rebate). 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. Although the VAT rebates have been used to unfairly support domestic Chinese industry by discriminating against foreign products, the U.S. has been successful in some cases in resolving such issues through the dispute settlement mechanism of the WTO.

China's opening to foreign banks in December 2006 revealed the complexity and immaturity of China's tax system. The State Administration for Tax (SAT), the China Banking Regulatory Commission, various local tax authorities and other government bodies were presented with the problem of clarifying guidelines for foreign banks and a slew of tax burden issues.

The 10th National People's Congress on March 16, 2007 enacted the Enterprise Income Tax Law, which served to unify income taxes levied on foreign and domestic enterprises in compliance with China's WTO obligations. Prior to this domestic companies paid at a higher rate than foreign.

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. However, along with the 2004 relaxation of controls in the services sector in general, wholly owned service companies and FIEs have been able to start providing sales service and aftersales customer support inside China.

Customer rights and sales service standards are fairly new concepts in China. The China Consumers' Association (CCA) was established in 1984 and the Law of the People's Republic of China on Protecting Consumers' Rights and Interests was adopted in 1993 "to protect the legitimate rights and interests of consumers." The CCA along with local branches, consumer advocacy groups and industry bodies regulate and supervise sales service and customer support standards. The CCA provides consumer information and consultation services, supervises and inspects commodities and services, mediates consumer complaints, and acts as a consumer advocacy body.

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

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As China liberalizes its trade regime and continues to further open its markets under its 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, 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.

IPR rights are generally 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.

In spite of apparent progress towards improving its intellectual property legal and regulatory regime, China continues to be a very challenging environment for IPR protection and enforcement. Criminal penalties are seldom applied, while administrative sanctions are typically non-transparent and so weak as to lack deterrent effect. Civil sanctions tend also to be of limited effect. Trademark and copyright violations are blatant and widespread. There are widespread technology transfer practices, which 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. Within China, significant regional differences exist, with some areas showing higher levels of protection of IPR, while 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.

Several general principles are important for effective management of IP rights in China. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in China than in the U.S., different remedies may be more or less cost-effective depending on specific circumstances. Third, there are different types of rights that might need to be obtained in China from the United States, such as Chinese language trademarks, or utility models or design patents. Fourth, generally statute of limitations for infringement is shorter in China than in the United States; rights holders may need to act more quickly and definitively in order to fully enforce their rights. Fifth, rights holders need to obtain competent and ethical counsel. While the U.S. Government is willing to assist with general support, we cannot offer legal advice. Furthermore, failure to take steps to legally enforce rights in a timely fashion can, over time, severely prejudice rights holders' positions. There may be little that can be done if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. There are numerous U.S. government resources that are available to assist companies seeking to better protect their rights, some of which can be obtained by writing to: USPTOChina@mail.doc.gov.

1. China's IPR Commitments

As part of its Protocol on Accession to the WTO, China committed to full compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), as well as other TRIPS-related commitments. During the lead-up to WTO accession in December 2001,as well as during the year following, China adopted revised patent, trademark and copyright laws, as well as implementing regulations, in addition to numerous other ministerial or local rules and regulations.. The Supreme People's Court and the Supreme People's Procuratorate have also issued many judicial interpretations. Although some progress has been made, the Chinese Government has yet to implement effective enforcement measures to deter widespread infringements of intellectual property rights. At this time, many of these laws are now under consideration for further significant revision. In addition, a new National IPR Strategy is taking shape. 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 Protocol, the Universal Copyright Convention, and the Geneva Phonogram 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 China aggressively enforce copyright over the Internet. In March 2007, China acceded to the two WIPO Internet Treaties. However enforcement against all types of cybercrimes, including Internet piracy and sales of counterfeit and pirated goods over the Internet 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 sets out a plan for enforcing IPR, and grants market access to certain products. The two countries also have cooperative programs on technology and criminal justice, and continue to discuss IPR issues in bilateral as well as multilateral fora. On April 9, 2007, the USTR filed two WTO cases against China, challenging: 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 by severely curtailing IPR cooperation outside of Geneva, taking IPR out of the JCCT dialogue and canceling many cooperative IPR programs, at considerable cost.

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 copyrights "hard goods" (publications, CD's, DVD's, etc.) were pirated, with records and music at 85% and business software at 82%.

Many consumer goods companies report that, on average, 20 percent of their products in the Chinese market are counterfeited. Chinese companies experience similar, or even greater, problems with piracy and counterfeits in their home markets. These problems are compounded by widespread squatting on the rights of others' trademarks, company names, domain names, or design patents, theft by employees of trade secrets, exports of infringing products, and other challenges. Further, Chinese-origin infringing goods are also found throughout the world.

Inadequate enforcement of IPR laws and regulations, through either judicial or administrative means, remains a serious problem. Enforcement of IPR regulations is uneven and is sometimes impeded by local interests. Administrative penalties for IPR violations have little deterrent effect. Chinese law does not sufficiently criminalize the import and export of IPR-infringing goods or the unauthorized uploading of copyrighted materials without profit motivation.

Limited market access for products such as foreign movies and entertainment software as well as restriction in investment in distribution channels provide additional incentives for smugglers and counterfeiters. Authorities have also conducted tens of thousands of raids at both the manufacturing and the retail level, resulting in the confiscation of counterfeit or smuggled products. Nonetheless, large markets continue to openly sell pirated and counterfeit products despite repeated U.S. Government requests to shut down and prosecute vendors selling infringing goods, with many such markets located in prominent areas of major Chinese cities or at border crossings, such as the Silk Market in Beijing or at the border with Hong Kong.

3. IPR Enforcement Strategies

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/. Combating IPR violations in China is a long-term, multi-faceted undertaking that is also linked to general rule of law developments in Chinese society. Different industries have typically pursued different strategies based on a variety of factors: the pervasive nature of the IPR violation, the sophistication of the pirate or counterfeiter, difficulties in delivering the legitimate product through legitimate channels, the nature of the right being infringed and the types of rights available in China, 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 a day when China engages in fair, robust and deterrent IPR enforcement within China as the first course of action for aggrieved rights holders facing problems in China, however that day does not yet appear imminent. However, in certain instances, U.S. companies may also be able to obtain some measure of relief for export-oriented infringement activities by bringing litigation or seeking Customs enforcement outside of China, in order to protect foreign markets outside of China.

In 1998, foreign multi-national companies in China formed a coalition -- now called the Quality Brands Protection Committee (QBPC) -- to draw attention to the trademark counterfeiting problem and to propose ways of strengthening enforcement. QBPC has gained recognition from Chinese authorities as an organization authorized to protect their products, and has been recognized internationally for its enforcement efforts. QBPC has expanded its membership and offers technical support for trademark enforcement in China, as well as other areas involving IPR protection and enforcement. Many other organizations involved in intellectual property matters also have a presence in China, such as the Research and Development Pharmaceutical Association of China (RDPAC), the Business Software Alliance, the Motion Pictures Association, the International Federation for Phonographic Industries (IFPI), and the International Trademark Association, although the scope of all such organizations' work may be constrained by Chinese regulations. Some U.S. trade associations representing specific industries, such as the Semiconductor Industry Association (SIA) also have presences in China and focus considerably on IPR issues. In addition, broad industry organizations in China, such as the U.S. Information Technology Industry Office, the American Chamber of Commerce, and the U.S.-China Business Council have been active in IPR issues as well.

Chinese authorities are attempting to address the need for increased education on IPR matters by establishing IPR law centers at many universities, notably People's University, Beijing University, Tsinghua University, Chinese University of Politics and Law, Fudan University, Jinan University, among others. Chinese IPR professionals are also studying in foreign countries, frequently with the assistance of international organizations. During the past years, the United States and other foreign governments, as well as private organizations, have also conducted numerous national and local training efforts focused on China's WTO obligations, including civil, criminal and administrative and Customs enforcement. We look forward to continued engagement to help improve China's IPR system.

4. IPR Enforcement System

Initial recourse in countering infringements is frequently sought through the intervention of local administrative enforcement agencies. A disadvantage to administrative action is that administrative authorities, unlike courts, lack nationwide jurisdiction and can thus only provide a local remedy. Also, the decision making process often lacks transparency and can be significantly impaired by "local protectionism". These administrative agencies need assistance from law enforcement authorities to conduct raids, requiring yet unattainably high levels of cooperation and coordination in many instances.

The Chinese government agencies most often involved in administrative enforcement actions are the General Administration of the PRC for Quality Supervision, Inspection, and Quarantine (AQSIQ) (formerly the Quality and Technical Supervision Bureau), various divisions of the State Administration of Industry and Commerce (SAIC), the National Copyright Administration of China (NCAC), Ministry of Culture, and the General Customs Administration of China (GCAC), and the State Food and Drug Administration (SFDA). Administrative enforcement of patents by the State Intellectual Property Office (SIPO) and Customs is also possible, with trademarks being the most frequently enforced by Customs. If the rights holder has registered its IPR with Customs, Customs can detain or confiscate products that infringe registered patents, trademarks or copyright, upon either import or export, as well as impose a fine. However such confiscations can require coordination, support and the posting of a substantial bond at the port where the goods are seized. Many other national and local Chinese government agencies are also involved in IPR policy and enforcement, some of which have overlapping responsibility with other organizations and/or concurrent enforcement authorities. Jurisdiction on key issues is often fragmented, making coordination of enforcement efforts difficult. The USPTO offices in China (Beijing, Shanghai and Guangzhou) are always interested in hearing from companies who have specific proposals where we may be able to support exchanges with businesses to better inform Chinese enforcement agencies regarding how to identify infringing goods or improve enforcement in specific industrial sectors.

China's revised IPR laws now generally provide for referral for criminal prosecution when criminal IPR violations are uncovered by administrative agencies. Such measures had become increasingly important in order to bring down high piracy and counterfeiting rates and to deter organized crime which has become involved in various forms of IPR piracy and counterfeiting. However, thresholds for criminal prosecution are high, police and prosecutors may lack familiarity with IPR criminal matters, an excessive level of formality may be required of evidence produced by the victim, and the relationship between criminal and administrative actions, including handling of recidivists and preserving evidence, is still developing. China has published various procedural rules for improving the transfer of administrative cases to criminal prosecution, which have not yet resulted in **adequate** increases in cases.

China continues to determine the magnitude of certain IPR violations and penalties by the posted sales price of the infringing goods rather than the harm 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 and instead now requires that a minimum value of illegal business activity be proven. Thus, contrary to prior practice, large amounts of unsold infringing products can now form the basis of a criminal prosecution. The judicial interpretation does not provide a clear formula for valuation, however, and only a modest increase in the number of criminal trademark prosecutions has resulted. Some cases have not been prosecuted or have resulted in light penalties because courts have used the relatively low value of the infringing products, as opposed to the retail value of legitimate products, to calculate the amount of illegal activity. A new judicial interpretation on counterfeit pharmaceuticals is expected in 2008.

In 2006, China developed a national network of 50 IPR Complaint Centers (with a "12312" hotline for every area code) and a coordinating website (www.ipr.gov.cn). The site includes some English language content and allows for the online filing of IPR complaints (while an English template facilitates understanding the required information fields, complaints must be completed in Chinese to be accepted and forwarded on to the appropriate IPR or enforcement agency for action). Other hotlines include "12315" for trademark issues (the State Administration of Industry and Commerce (SAIC)) and "12390" for copyright issues. China has also established special IPR courts, as part of its civil litigation panels, in all provinces, major cities, and at the Supreme People's Court. China lacks specialized criminal IPR prosecutors, such as the U.S. Computer Crimes and Intellectual Property Section of the Department of Justice. In late 2005, a specialized criminal intellectual property office was established within the national Ministry of Public Security, which has become a model nationwide for local police investigations in intellectual property matters. As part of its TRIPS obligations, China also provides for rights of appeal of final decisions by SIPO and the Chinese Trademark Office regarding the validity of a patent or trademark. The Supreme People's Procuratorate, which is similar to our Attorney General, operates independently and as a co-equal branch of government with the courts and executive branch (State Council). Many Chinese judges, prosecutors and police lack adequate legal training and the effectiveness of criminal procedures are thereby undermined. The Supreme People's Court 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 to provide preliminary injunctive relief for various IPR matters.

5. Patents

In 1998, China reorganized its patent office as the State Intellectual Property Office in an effort to improve IPR coordination and enforcement. As of this writing, additional reorganization of China's IPR agencies, possibly by consolidating the patent office with other agencies, may occur in the spring of 2008. . SIPO is however actively involved in coordinating the drafting of a National IPR Strategy as part of China's own efforts to boost its IPR protection and enforcement.

Since China's Patent Law was first enacted in 1984, domestic and foreign patent applications have increased steadily. A new patent law is currently under consideration for adoption as early as 2008. Patent protection was extended in January 1993 to pharmaceutical and chemical products, as well as processes; the period of protection was lengthened to 20 years. The amendments also provide the patent-holder the right to exclude others from importing infringing products and expand the scope of patent infringement to include unauthorized sale or importation of products manufactured with the use of patented processes. China does not yet provide a similar scope of protection to certain biotechnology and business method patents as in the United States. Under proposed revisions to the patent law, American companies may also need to insure that they obtain any necessary consent in exploiting and disclosing Chinese genetic resources.

China acceded to the Patent Cooperation Treaty on January 1, 1994, and will perform international patent searches and preliminary examinations of patent applications. Under the Patent Law, foreign parties without a business presence in China must utilize the services of a registered Chinese agent to submit the patent application. Foreign attorneys or the Chinese agent may do initial preparation of the application. In early 2003, in a positive development, China amended its legislation to further harmonize with international practice regarding examination of Patent Cooperation Treaty applications. Also in mid-2003, China issued new rules regarding compulsory licensing of patents according to certain defined circumstances and procedures. In late 2005, SIPO also issued a rule 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 TRIP's Agreement which allows pharmaceutical products made under compulsory licenses to be exported to countries lacking production capacity, as well as making permanent the flexibility given developing and least developed member countries to produce or import generic versions of patented drugs to deal with epidemics.

There have not, however, been any reported instances of compulsory licensing of patents to date.

U.S. companies have not actively pursued protection for utility models or design patents in China. Foreign ownership of such rights is as low as one percent to total registrations (for utility models). In certain cases, Chinese companies, after viewing a new design on a competitor's website or at a trade fair, have filed for patent protection of the designs of a foreign company. While such patents may be invalidated, such a process can be time consuming and expensive. There are some limited efforts in place by SIPO to deter this practice. Although less commonly used in America, U.S. companies may wish to proactively consider applying for design patents in China as a way to reduce these risks. U.S. companies should also consider obtaining these and other appropriate rights, such as trademarks, in advance of any public display or product introduction in order to minimize such "squatting" problems and to insure obtaining priority filing dates and, in the case of patents, a range of issues, including lack of novelty**.**

Some Chinese scholars and officials have also begun to advocate that patent protection and other IP rights can be a "technical barrier to trade", a "monopolistic" or "unfair activity", or that foreign companies should be forced to license their patents as part of a national standards setting process. Chinese companies have begun to bring unfair competition cases against their competitors. With the enactment in 2007 of the Antimonopoly Law, these types of risks may need to be carefully evaluated, particularly in certain industrial sectors.

China's patent law does not currently afford "patent term restoration" to extend the patent term due to delays in marketing approval for patented pharmaceutical products. The State Food and Drug Administration implemented the Regulations for Implementation of the Drug Administration Law of the People's Republic of China in 2002 which contains article 35 which has "data exclusivity" provisions. However, problems of transparency and interagency coordination have prevented the establishment of an effective system of data exclusivity or patent linkage. It is hoped that China will formally adopt measures to improve the environment for pharmaceutical research and development. Additional challenges that innovative pharmaceutical companies face include: widespread counterfeiting, widespread availability of certain bulk active ingredients, patent challenges, and delays and restrictions in market access for their products. Various agreements were signed between our governments in 2007 that we hope will help facilitate further cooperation in the problem 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 and in October 1992, acceded to both the Berne Convention and the Universal Copyright Convention. China also joined the Geneva Phonogram Convention in April 1993. Following accession to the Berne Convention, China explicitly recognized computer software as a literary work and extended protection to computer programs for 50 years without mandatory registration requirements for foreign rights holders. In addition to amendments to China's Copyright Law, China's 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. Internet piracy has become an increasingly widespread phenomenon, particularly as Internet penetration spreads in China. Industry groups report that piracy on university campuses is widespread, including textbook piracy and Internet piracy. In late 2006 there were some significant new efforts underway in this area that may help address these problems. The United States has also asked for increased ministerial coordination, as well as legislative changes, in copyright enforcement.

Insufficient 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, and furthermore may require compulsory licensing of certain books used to implement national education plans. Delays may occur in content review for entertainment software, which must be reviewed by two ministries for both Internet-based content and physical (CD) 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 are still subject to the same ceiling of 20 revenue sharing foreign films per year and do not come close to fulfilling the market's demands, causing consumers to turn to pirated DVDs or VCDs in order to watch films that are not otherwise legally available. Periodically, SARFT, the State Administration for Radio, Film and Television, appears to undertake de factor or de jure blackouts or suspension of content review of new releases, which have also been of concern to many rights holders.

7. Trademarks

China's Trademark Office 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 new regulations require companies alleging infringement to prove that their marks are well-known within China based on sales, marketing, and advertising figures. Foreign marks have now begun to be designated as well-known, and should be accorded the enhanced enforcement available to well-known domestic marks. In addition to the administrative registration process, China's civil courts have also recognized trademarks as well-known in the context of civil litigation. In 2007, a Beijing court recognized an unregistered foreign mark as a well-known mark, a first in Beijing and an important step. However, such recognition of foreign marks as well known is very rare, so rights holders should still consider securing their rights in a timely fashion through appropriate registration procedures. Another key challenge is the long delays in trademark prosecutions due to the rapid growth in filings. U.S. companies are advised to file early.

China also protects geographical indications using certification and collective marks under the trademark system, as well as a sui generis system administered by the Administration for Quality Supervision Inspection and Quarantine (AQSIQ) and a reportedly complementary system for agricultural products administered by the Ministry of Agriculture (MOA). U.S. companies interested in protection their GI's may wish to consider using these systems.

In October 1989, China joined the Madrid Protocol for reciprocal trademark registration to member countries. The United States acceded to the Madrid Protocol in 2006. China has a "first-to-register" system, leaving registration of popular foreign marks potentially vulnerable to third parties. Foreigners seeking to distribute their products in China should consider registering their foreign mark and/or logo, any Chinese language translations or transliterations, as well as appropriate Internet domains. Foreign companies have frequently found that Chinese "squatters" have registered trademarks or brand names for products the foreign companies own or had previously registered in Hong Kong or Taiwan but neglected to register in Mainland China. The Chinese trademark office has on occasion cancelled marks held by Chinese agents of U.S. distributors who without authorization registered such marks in their own name. Registration of company names is handled by the Enterprise Name Registration Division of the State Administration for Industry and Commerce (SAIC).

Domain Names: A domain name serves as an address on the Internet while a trademark protects words, names, symbols, sounds or colors that distinguish goods and services from those manufactured or sold by others and indicates the source of the goods. But ".CN" domain names very similar to non-Chinese domain names can lead to confusion as to the source of goods and services. In China, the China Internet Network Information Center (CNNIC, under the Ministry of Information Industries (MII)) authorizes service providers to register ".CN" domain names. In the summer of 2007, following CNNIC guidance, many of these authorized registrars voluntarily reduced their fees for registering (and in some cases, maintaining for one year) a ".CN" domain name to as little as one RMB ($0.13). This has led to a flood of unsolicited offers to U.S. domain name owners from Chinese offering to register their domain names as ".CN" names. When Americans express interest, they are sometimes advised that the ".CN" versions of their names have already been registered but can be purchased at exorbitant prices (from domain name squatters). CS has directed U.S. inquirers to CNNIC's website (www.cnnic.cn), which is available in English. It 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 the services of registered Chinese trademark agents or Chinese law firms to submit the trademark application. Foreign attorneys or the Chinese agent may prepare the application. China's trademark law is currently under revision with a new law likely to be promulgated in 2009.

8. Trade Secrets

Trade secret protection is widely pursued by Chinese and foreign companies in China. The Law To Counter Unfair Competition (1993), which is also under consideration for revision , protects commercial secrets, which are defined as information which can bring economic and practical benefits to the authorized users and which are protected by taking appropriate security measures by 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. Various laws and rules by the Ministry of Labor and Social Security and other ministries on a national or local level also provide for enforcement of non-compete provisions with employees based on their access to business secret information. In order for such non-compete provisions to be effective, reasonable compensation must be provided to the employee. Further

changes to these requirements may occur as a result of the recent amendments to China's Labor Law in 2007.

China is required by the TRIPS Agreement to 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 provide implementing regulations for data exclusivity. It remains unclear, however, whether China's regulations on data exclusivity provides sufficient protection against reliance on innovator data in applications for marketing approval submitted by generic drug producers.

9. Semiconductor Layout Designs

China adopted regulations for the protection of semiconductor layout designs as part of its WTO accession. Registration is handled by SIPO. 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 also actively promoted development of its own research and development facilities and has sought through a variety of laws and measures, including government procurement rules, standards setting and investment approvals to use Chinese technology where possible. Laws concerning foreign investment generally regulate contracts transferring intellectual property as part of the foreign equity contribution by foreign invested enterprises. China's 1985 regulations on technology import contracts as well as subsequent regulations on technology export, which included contract licensing, patents, trademarks, know-how, trade secrets, and contracts for technical services have been replaced by a new regime. Among the principal relaxation in controls on technology licensing contracts is that such contracts are now submitted to the Ministry of Commerce or its provincial commissions for filing, rather than for substantive review. In addition, the former restriction that most technology contracts are not to extend beyond 10 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 the commercial negotiations, despite changes in Chinese law to record, but not review such agreements. In addition, proposed revisions to other laws may affect the ability of foreign R&D institutions in China to file patents overseas without obtaining a foreign filing license or equivalent.

11. IPR Protection at Trade Fairs

"Protection Measures for Intellectual Property Rights during Exhibitions" were promulgated on January 1, 2006 by the Ministry of Commerce, State Administration for Industry and Commerce (SAIC, Trademarks), State Bureau of Copyright (NCAC) and the State Intellectual Property Office (SIPO, Patents). These guidelines, which are not mandatory, recommend that trade fairs lasting at least three days set up IPR Complaint

Centers supported by personnel from local bureaus that handle trademarks, copyrights and patents. If the organizer does *not* set up an IPR Complaint Center, it is supposed to help complaining rights holders get in touch with the local IPR authorities to register their complaints, which are handled through administrative procedures and sanctions. Various localities have also issued similar rules, including Beijing Municipality in 2007.

The 2006 guidelines, which seek to remove IPR infringing goods from displays through cooperation between local IPR authorities and trade fair organizers, operate on a "three strikes and you're out" principle. Feedback from complaining U.S. rights holders to date suggests that some local IPR authorities have not "gotten the message" on the new initiative, since some have refused to get involved even after being contacted by trade fair organizers. Where IPR Complaint Centers have been set up, documentary requirements for right holders to establish their rights seem inconsistent and overly burdensome. And even when U.S. rights holders have documented their rights to the satisfaction of the IPR Complaint Centers, alleged infringers are merely "punished" with a warning to remove the offending products from their displays (3 strikes); in some cases, rights holders discover the infringers replace offending products once they think "the heat is off."

At the beginning of 2007, the Department of Commerce launched an initiative to protect IPR at trade fairs sponsored or supported by the Department. The initiative seeks to insure a basic level of IPR protection at any trade fair on which the Department of Commerce and/or the U.S. Commercial Service sponsors or provides substantial support. It includes a requirement for all U.S. exhibitors to attest that they have not knowingly infringed IPR, an attestation which will eventually be required by all trade fairs which seek Department support. The initiative requires the organizers of U.S. Pavilions and the U.S. Commercial Service to communicate to U.S. exhibitors the IPR protection policies of the each trade fair as well as to help U.S. exhibitors secure legal representation during the fair to enforce their rights. The initiative was officially launched in China in February, with a tasking to benchmark the IPR protection policies and procedures of the trade fair organizers who mount the over three dozen trade fairs which DOC and CS/China support each year. CS and PTO will review these policies and procedures, monitor effectiveness during trade fairs, cooperate with China's Ministry of Commerce and IPR authorities to improve the effectiveness of IPR protection, and will use the leverage of official USDOC/CS support as an incentive to improve IPR protection at individual trade fairs.

12. IPR Resources

In addition to Chinese government and various private consulting and law firm resources, a great deal of information on protecting IPR is freely available to U.S. rights holders: To set up a free, one-on-one consultation with a U.S. Government expert, call: 1-866-999-HALT or register at www.StopFakes.gov. Register online for a free one-hour consultation with a private attorney at: http://www/abanet.org/intlaw/china. Please also find our U.S. Embassy Beijing IPR toolkit: http://www.usembassy-china.org.cn/ipr/. A wealth of information on handling IPR problems is available at www.stopfakes.gov, which is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection Website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR. Rights holders may also wish to participate in the Ambassador's annual IPR

Roundtable and other U.S. Mission sponsored or co-sponsored events IPR programs. For more information, contact: USPTOChina@mail.doc.gov.

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.

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

Prior to 1992, most foreign law firms were registered as consulting firms. Since that time, 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. Recently, China has removed restrictions on the number of offices that may be opened by a particular law firm and a growing number of international firms now have offices in both Shanghai and Beijing. 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. In accordance with China's WTO commitments, wholly foreign-owned enterprises in advertising services were permitted to operate in China as of December 10, 2005. 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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USCS's program and services to U.S. exporters
http://www.buyusa.gov/china/en/programs.html

Gold Key Service
http://www.buyusa.gov/china/en/gks.html

International Company Profile (ICP)
http://www.buyusa.gov/china/en/icp.html

International Partner Search (IPS)
http://www.buyusa.gov/china/en/ips.html

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

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

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

Agricultural Exports

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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 in 2007 were over $8 billion, the highest level in history. China is now the fourth largest U.S. overseas market. 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) or the FAS Beijing website (http://www.usdachina.org). 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.

USDA offices provide both required and voluntary reports on market opportunities and constraints including information on policy developments, agricultural production, trade, supply and demand situations, as well as sector reports, e.g. hotels, restaurants, and institutions. Information is available on the FAS website: http://www.fas.usda.gov/scriptsw/attacherep/default.asp. The end of this chapter contains a few report highlights from the USDA Global Agricultural Information Network (GAIN reports) viewable on the website.

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CALIFORNIA PRUNE BOARD
MID-AMERICAN INTERNATIONAL
AGRI-TRADE COUNCIL/FOOD EXPORT USA
SOUTHERN UNITED STATES TRADE ASSOCIATION
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Disclaimer: This list is provided for convenient reference and as such does not imply discrimination towards or endorsement of any particular company or individual.

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) and selecting options for the desired commodity, time period, and country.

Agricultural Trade Offices also report on specific city markets in their regions. For more information, contact ATO Beijing or ATO Shenyang for Northern provinces, ATO Shanghai for eastern and western provinces, and ATO Guangzhou or ATO Chengdu for southern provinces.

China Food Retail Report (GAIN Report CH7821)
China's modern food retail sector, comprising supermarkets, hypermarkets, warehouse clubs and convenience stores, has been growing by double-digit figures annually since the mid-1990's, displacing wet markets and other traditional outlets. With markets in the affluent coastal cities approaching saturation, many chains are expanding to second- and third-tier urban centers with populations of 3-10 million. While some retailers are quitting the market or going bankrupt, mergers and acquisitions are rapidly altering the national retail scene. Development in procurement systems and retail distribution networks has not kept pace however, and most retail chains still rely on independent suppliers. Outside the major urban centers, the penetration of imported products remains relatively low, although intermediate and consumer-ready products hold good potential. Growing food safety concerns in China should particularly benefit multinational retailers with their reputation for higher food safety and store sanitation standards.

Oilseed Annual (GAIN Report CH7012 and CH7013)

China's oilseed demand in marketing year (MY) 2007/08 is forecast to continue growing due to increases in animal production, utilization of commercially produced animal feeds, and human consumption. Total oilseed supply is forecast to grow by about two percent, while oilseed meal production is forecast to increase by four percent. The limited availability of land and low productivity in China mean that almost all of the increase in oilseed product supplies in MY 07/08 will be made up by imports. Imports of soybeans, palm oil, soybean oil, and fishmeal are all forecast to increase to meet steadily increasing demand.

Sweet and Savory Snack Market in China (GAIN Report CH7415)
The Chinese sweet and savory snacks market continues to expand rapidly due to strong growth in disposable income, changing tastes and lifestyles including the emergence of indulgence foods. In 2006, combined sales revenue for sweet, savory, and chocolate confectionary snacks exceeded $6 billion in China. In large part, the snack market is driven by growing demand for convenience and novelty often provided by Western-style candy, chips, and popcorn. In addition, as consumers become more aware of food safety, quality, and nutrition, fruit and nut snacks have become particularly popular. Thus, busy lifestyles and less time available for consuming traditional meals, the demand for snack foods is expected to continue to grow, and create excellent opportunities for U.S. exporters.

Chicken Paw Report (GAIN Report CH7006)
Despite being China's single largest chicken paw supplier, the U.S. poultry industry still faces many challenges that threaten its ability to continue expanding or even maintaining its current export level. High quality and higher profit margin product from Brazil and Argentina is an increasingly attractive alternative to U.S. product. Meanwhile, U.S. producers remain reluctant to modify their production lines to meet FSIS standards and compete with Brazilian producers. Lingering concerns of additional U.S. plant delistings, zero-tolerance salmonella standards, and scant profits have discouraged investment, despite burgeoning Chinese chicken paw demand. Nevertheless, until U.S. producers modify production lines to improve quality, not only do they remain vulnerable to supply increases from South American competition, they fail to maximize their potential in exporting high-value poultry parts to a growing market.

Hides and Skins Market (GAIN Report CH7623)
Fueled by a robust economy, growing middle class and status as the world's largest manufacturer of leather products, it's no wonder Chinese demand for U.S. hides in 2006 resulted in exports of $1.05 billion, roughly half of U.S. foreign sales and, in fact, the third largest U.S. export category to China after soybeans and cotton. Chinese tanneries and manufacturers appreciate the thickness and high quality grains, not to mention consistent supply of U.S. hides. While continued sales growth depends on the health of the global as well as Chinese economy, increasing environmental concerns, rising labor costs, strengthening yuan and less favorable VAT policies are pressing challenges.

China Spirits Market (GAIN Report CH7063)

China’s spirits sales were $25.1 billion in 2006, representing 43% of all alcoholic drinks consumed and making it China’s number one alcoholic beverage in current value terms. Spirits consumption revolves around baijiu, followed by whiskey and grape brandy. U.S. whiskey and bourbon exports to China grew 118% in 2006, with total sales of $5.9 million. Foreign spirits currently make up 10% of domestic spirits sales with the greatest growth potential in high-end baijiu, the burgeoning Scottish whiskey sector, and “healthier” spirits alternatives. For U.S. exporters, overcoming market barriers such as a lack of brand awareness and a lack of consumer knowledge about different spirit types are vital to competing against the emerging wine sector and popular beer market. FAS China's Agricultural Trade Offices are available to provide export assistance for U.S. spirits producers.

Fisheries Annual (GAIN Report CH7094)
In 2008, China's aquatic production is forecast at 56.2 MMT, up from the estimated 54.7 MMT in 2007. Production growth is mainly driven by strong domestic consumption due to greater disposable income growth and export-oriented aquatic processing. Aquatic trade value is forecast to increase from the estimated $9 billion for export and $3.6 billion for import in 2007 with trade surplus approaching $6 billion. China is the largest importer of U.S. seafood products, while the United States is the second largest buyer of China's aquatic products. The new U.S.-China Agreement on Food and Feed Safety is expected to enhance the safety of China's aquatic product exports to the United States and facilitate trade in 2008 and beyond.

China Solid Wood Market (GAIN Report CH7057)
Planting Seeds Annual (GAIN Report CH7091)
In MY07/08, China's planting seed supply for its main crops, including grain, oilseeds (soybeans, rapeseed and peanut) and cotton is expected to be sufficient with high surplus of hybrid corn and rice varieties. Imports of seeds for vegetables, turf grass, fruit/melon, and sunflower are expected to continue growing in MY07/08. Domestic seed marketing continues to be fragmented albeit the on-going reform and consolidations. The restrictive policy on seed trade, gentically engineered (GE) seeds, and foreign investment in the seed industry remains in place.

Potato Annual (GAIN Report CH7073)
China fresh potato production in MY07/08 is forecast at 75.6 million tons, up 5 percent from the previous year as a result of growing consumer demand. Average fresh potato prices have risen 15 percent annually over the previous three years. Processed potato products are forecast to rise up to 10 percent in the coming years due to western style and fast food outlet expansion. MY06/07 frozen French fry (FFF) consumption is estimated to rise by 10 percent over the previous year and is forecast to rise another 15 percent in MY07/08. Imported FFF in MY06/07 is estimated at 55,000 tons, unchanged from the previous year. FFF production is estimated to represent 53 percent of domestic consumption in MY06/07, while only accounting for 46 percent in MY05/06.

Stonefruit Annual (GAIN Report CH7017)

Peach and nectarine production is forecast at 8.8 MMT in MY2007, up 5 percent from the previous year. Plum production is forecast to increase by 11 percent over the previous, largely due to an anticipated peak year in the production cycle. The Chinese government is developing a fruit traceability system that can help improve the quality and safety of domestically produced fruit destined for export and eventually their competitiveness in the world market. Cherry production is forecast at 145,000 MT in MY2007, up 21 percent from the previous year. Strong consumer demand has led to rapid increase in cherry imports.

Dairy Report (GAIN Report CH7080)
China's total 2008 milk production is expected to increase by nine percent to 39.1 MMT with cow milk accounting for 97 percent of output. Non-fat dry milk (NFDM) production is expected to increase by two percent to 65,000 MT in 2008. Whole-fat milk powder (WFMP) production in 2008 is expected to increase by nine percent to 1.3 MMT due to strong domestic demand. Despite increasing costs of production, higher international prices have pushed domestic production upwards and reduced imports. China's NFDM and WFMP imports in 2008 are expected to fall by seven and 11 percent to 39,000 MT and 51,000 MT respectively. China's whey imports in 2007 are also expected to fall by 12 percent, but import value is expected to increase considerably as a result of higher international prices. The United States is the second largest whey supplier to China. AQSIQ has accepted USDA/AMS export health certificates for U.S. dairy exports to China.

Grain and Feed Annual (GAIN Report CH7015)
China's total grains output rose in MY06/07 over the previous year as a result favorable weather and increased acreage. Increased acreage was in response to higher market prices supported by government programs. Corn production in MY07/08 is forecast at 143 million metric tons (MMT) and corn imports in MY07/08 are forecast at 800,000 MT, driven by growth in the livestock sector and expanded industrial use. Wheat production in MY06/07 is estimated to be 103 MMT, up 6 percent, and rice production for MY06/07 is estimated at 181 MMT, up slightly from the previous year. In MY06/07 and MY07/08 China is estimated to be a net wheat and rice exporter, due to three straight years' increase in grain production and declining consumption.

Livestock Annual (GAIN Report CH7076)
In August 2007, China agreed to lift its ban on U.S. bone-in beef and bovine offal from cattle under 30 months based on its ban lifting on U.S. boneless beef from cattle under 30 months in June 2007. However, the United States did not accept the offer because it did not follow OIE guidelines supporting trade in all products and ages with a "risk-controlled" country such as the United States. Post estimates that China has lost over 10 million pigs as a result of Porcine Reproductive and Respiratory Syndrome (PRRS) in 2006 and 2007. Despite this, FAS Beijing forecasts China's pork production in 2008 to recover by 2 percent to 48 MMT. High prices for all meat should push 2008 beef production up by 3 percent to 8.1 MMT. However, increased beef and other production in 2008 may not offset decreased pork production in 2007. As a result, tight meat supplies should continue into 2008 and encourage meat imports.

Poultry Annual (GAIN Report CH7073)
FAS Beijing forecasts China's broiler production in 2008 to increase by five percent to 11.4 million MT. This increase will be partially driven by outbreaks of Porcine Reproductive and Respiratory Syndrome that have resulted in the loss of more than ten million swine over the year. With tighter pork supplies and higher prices, Chinese customers have mostly substituted broiler meat for pork. This will likely increase imports of broiler cut imports in 2008 that are forecast to increase by nine percent to 560,000 MT. The United States will continue to be the largest supplier to China, but U.S exports via Hong Kong transshipments face competition from Brazil and Argentina. In addition, market access for U.S. products could face difficulties resulting from a zero tolerance rule for certain pathogens.

Tree Nut Annual (GAIN Report CH7017)
Post forecasts walnut production at 460,000 metric tons in marketing year 2007, up eight percent from 2006. This increase is a result of increasing yields in Shanxi province, expanded acreage, favorable returns, and significant government support. These factors are also expected to increase production further as the new plantings begin bearing. Walnut consumption remains strong and is forecast to increase by about eight percent to 436,250 metric tons, while demand for other tree nuts is more dependent on prices. Walnut imports are likely to increase to fulfill domestic demand. The United States remains the single largest exporter of walnuts to China, with MY 2006 exports to China valued at $9.9 million. Almond and pistachio imports are also forecast to increase to 2,000 metric tons and 16,000 metric tons respectively.

Biotechnology Annual (GAIN Report CH7055)
The Chinese government continues to place great importance on biotechnology in agriculture and has committed to investing US$500 million in research and development from 2006-2010. China is the world’s sixth largest producer of biotech enhanced crops and it remains the largest market for U.S. biotech agricultural products. However, domestic political factors continue to prevent China from commercializing any biotech staple food crops, most significantly rice and corn. Persistent concerns about the biosafety regulations established six years ago add to the uncertainties over some aspects of the trade in biotech products. This document is an update of the 2005 report (CH5069) and includes the most recent approvals for domestic production and importation and current policy issues of concern relating to the regulatory process.

AgroChemicals

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Agricultural Chemicals (AGC)

Unit: (Million USD)

	2005	**2006**	**2007**
Total Market Size	12,498	12,861	12,702
Total Local Production	11,676	12,376	14,232
Total Exports	2,411	2,211	4,643
Total Imports	3,233	2,696	3,113
Total Imports from U.S.	482	377	174

* All figures in the above table represent unofficial estimates. No accurate figures are available.

Market Overview

China's agricultural chemical market has been the subject of great attention, and one of the biggest agro-chemical consumers and a large agro-chemical importer. Agro-chemical exports to China ranked as the top destination for U.S. fertilizer exports until 2003. In 2006, China imported $337 million in fertilizers and $40.40 million in pesticides from the U.S., accounting for 13.57% and 19% of total imported fertilizers and pesticides respectively. U.S. DAP (Diammonium Phosphate) has a strong position in the China fertilizer market. In 2006, China imported $321.07 million of DAP from the U.S., accounting for 80.86% of total DAP imports. China's goal is to rely less on fertilizer imports in the future, but domestic output cannot meet the total market demand, forcing China to import high-concentration and compound fertilizers. On the other hand, in the first eleven months of 2007, China's fertilizer export rushed to three times of the previous year, showing a prosperous market trend. The import of such fertilizer is still controlled by a quota management system.

China's accession to the WTO provides benefits to U.S. fertilizer exporters. On accession, tariffs dropped 6% from the 11% import duty rate. On September 19, 2007, China's Ministry of Commerce (MOFCOM) released the 2008 fertilizer import tariff rate quotas (TRQs). The total 2008 TRQs will be 3.3 million tons of urea imports, 6.9 million tons of diammonium phosphate (DAP) and 3.45 million tons of NPK compound fertilizers. Of the TRQs, 2.97 million tons of urea, 3.8 million tons of DAP and 1.76 million tons of NPK are for state trading while non-state trading TRQs will be 330,000 tons of urea, 3.1 million tons of DAP and 1.69 million tons of NPK. The import volumes within the quota are levied an import duty of 1%, while imports exceeding the quota are levied a duty of 50%.

In addition, based on the WTO commitment, from December 11, 2006 China started to allow foreign companies to gain the right to retail and distribute fertilizers. China's fertilizer circulation field will face more fierce competition. In the telephone interview with a U.S. fertilizer exporter, its experts held that it is a great positive move and will untie their company in China market. Fertilizer exporters should apply to MOFCOM for license to be authorized to retail and distribute fertilizer in China. It will bring more business opportunities to U.S. exporters in China.

In the last several years, the U.S. has held the No.1 position among pesticides exporters to China. China is taking measures to regulate the pesticide market to prevent toxic runoff and alleviate risks of consumer poisoning. The proportion of herbicides and fungicides within pesticides production has increased. The proportion of output of the pesticides featuring high performance, low toxicity and better safety characteristics has also increased. Imports of high efficiency, low toxicity, and low residual pesticides have strong market prospects, mainly as an alternative to highly toxic Chinese pesticides. However, foreign suppliers currently face discriminatory product testing requirements.

Best Products/Services

Fertilizer

Local producers have yet to meet the growing local market demand, especially for phosphate and potassium fertilizer, which are limited natural resources. China still must rely on importing fertilizers in large quantities.

- Nitrogen fertilizer
- Phosphate fertilizer
- Potash fertilizer

Pesticides

High efficiency, low toxicity pesticides have strong market prospects. Although domestic output of pesticides satisfies local demand in most areas, domestic production of high efficiency herbicides, high-efficiency and low-toxicity insecticides and fungicides cannot meet the demand both in terms of quantity and quality. Some raw pesticides and intermediates rely on imports, such as aniline with o-dihydroxybenzene, furphenol and tripoly-nitrogen-chlorine dialdyl. China aims to curtail the application and production of highly-toxic pesticides, especially organo-phosphorous biocides, since the high-toxic pesticides take up about 36% of the country's total consumption.

- Herbicides
- Environmentally safe insecticides
- Biopesticides
- New technologically advanced pesticides
- Because the Chinese government now emphasizes environmentally sound technologies, pesticides will have to meet new requirements.

Opportunities

Fertilizer

9th China International Agrochemical & Crop Protection Exhibition
Date: March 12-14, 2008

Venue: Shanghai Everbright Convention and Exhibition Center, Shanghai, China
Profile: chemical pesticides, chemical fertilizer, crop-protection and agrochemical bio-engineering technology, agrochemical machinery and horticultural specialized machine and equipment, agricultural plastic
Frequency: Annual
Organizers: CCPIT Sub-council of Chemical Industry
Co-Organizers:
- China Association of Pesticide Industry
- China Nitrogen Fertilizer Industry Association
- China Phosphate Fertilizer Industry Association
- China Humic Acid Industry Association

Supporters:
- China Petroleum and Chemical Industry Association
- Institute of Plant Protection of Chinese Academy of Agricultural Sciences
- Institute of Agricultural Resources and Regional Planning of CAAS
- Institute of Environment & Sustainable Development in Agriculture of CAAS

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Pesticides

The Ministry of Agriculture and National Development and Reform Commission set strict regulations on importing newer, higher-tech pesticide products. Pesticide products that have not been used before in China must be registered with the Ministry of Agriculture and tested at designated agricultural research and development centers. Proper certification of each pesticide usually takes 2-3 years. Imports or exports of pesticides without the Certificates of Pesticide Import and Export Registration (CPIER) are banned, according to the Ministry of Agriculture.
In recent years, the Pesticides Inspection Institute under the Ministry of Agriculture put forward detailed measures for pesticides. It emphasized both quality and safety issues so as to: 1) enforce registration administration and promote pesticides structural adjustment; 2) enforce supervision and standardize the pesticides market; 3) strengthen supervision and control of pesticide residue and improve the safety of agro-products. These measures implied more strict control on imported pesticides. U.S. exporters should keep a close eye on related new laws, regulations, and measures.

Resources

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Web Sites

China Fertilizer Information Net
www.china-fertinfo.com.cn

China Agricultural Means of Production Net
www.ampcn.com

China Chemical Information Net
www.chinachemnet.com.cn

China National Chemical Industry Information Center
www.cncic.gov.cn

International Fertilizer Association (IFA)
www.fertilizer.org

The Fertilizer Institute (TFI)
www.tfi.org

Safety and Security Market

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China's safety and security market demand is growing rapidly. In 2006 the Chinese security market reached aboutUSD7.5 billion and the year over year growth is at 20%. The 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 USD 30 billion.

With 108 new airports to be constructed in the next five years, airport security has become a critical safety issue for the Chinese government. Increasing tourism and a rise in air cargo volume will also necessitate an upgrade of security technology at existing major airports to improve safety and efficiency.

Best Prospects/Services 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.

- 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.

Opportunities Return to top

For the peaceful city goal, in 2007, the Chinese government invested about 7.4 billion RMB (USD$937 million) in 26 cities. The other 38 pilot cities will be accepted into the program.

In order to improving and strengthening police science and technology level, from 2004 to 2006, the government invested nearly 10 billion RMB (USD$1.27 million) in 21 cities. In 2008, 87 cities will receive equivalent investment. The 108 cities and their investment levels are listed in the appendix of the report.

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1. Major Trade Shows

2008 China International Exhibition on Public Safety and Security
Date: December 9-12, 2008
Venue: China International Exhibition Center，Beijing, P.R.China
http://www.securitychina.com.cn/2008/english.htm

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Automotive Components Market

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China's Automotive Components Market (USD Millions)

	2005	2006	2007 (as of Nov)
Total Market Size	71,360	73,164	93,630
Total Local Production	64,470	63,8230	82,891
Total Exports	6,471.052	8,730.787	12,106.411
Total Imports	6,809.545	9,342.905	10,739.195
Imports from the U.S.	308.462	498.737	613.366

Notes: Data for Total Market Size and Total Local Production are from a professional auto consultant company; Data for Total Exports, Total Import, and Imports from the U.S. are based on products with HS codes 8706, 8707, 8708, 84073410, 84073420, and 84079090.

China is now the second largest automotive market in the world, trailing only the United States and Europe. China has about 6000 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 Return to top

- Engines for motor vehicles and motorcycles;
- Auto and motorcycle casting blanks;
- Key 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

Opportunities Return to top

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.

China’s fulfillment of WTO requirements has helped drive new vehicle sales. As of July 1, 2006, China fulfilled its WTO requirements by lowering import tariffs for auto parts and accessories to 10% and import tariffs for new automobiles to 25%. The reduction of tariffs on automotive parts and China’s agreement to eliminate local content requirements after WTO entry have placed domestic automotive parts manufacturers in direct competition with their international counterparts.

The main goals for automotive components, parts, and accessories manufacturers are to improve technology and quality and to develop design capability. 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. 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 a growing market for imports and American products are generally highly regarded by Chinese customers.

The reductions in automobile tariffs will make it much more cost effective for U.S. firms to export finished vehicles to China and reduced tariffs on parts will allow companies to import essential components that cannot currently be found domestically. Additionally, as China’s restrictions on trading and distribution are reduced, American companies are gaining the right to distribute most products, including automobiles and related parts, in any part of China. Previously, foreign companies could only distribute parts to one interior destination in China and could not ship or distribute products between cities without employing a Chinese freight company.

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

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1. Major Shows/Exhibitions:

April 20-28
Auto China 2008
Beijing New International Exhibition Center
http://www.autochina.com.cn

The 6h Guangzhou International Automobile Air-conditioning & Cold Chain Technology Exhibition China
March 15-18, 2008
http://buy.ecplaza.net/search/1s1nf20sell/exhibition

Automotive Manufacturing in China
April 16-19, 2008
Great Wall Sheraton Hotel, Beijing
www.cbuauto.com

China Chongqing International Auto Industry Fair 2008
Date: June 11-15
Chongqing International Convention Exhibition Center
http://www.autochongqing.com

China International Auto Parts Expo
November, 2008
Beijing International Exhibition Center
www.iapechina.com

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Coal Mining Equipment

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China's Coal Market Million USD

	2005	2006	2007 (estimated)
Total Market Size	2,943.4	3,310.6	3,588
Total Local Production	2,657.2	3,038.5	3,250
Total Exports	304.3	403.1	338.6
Total Imports	590.5	675.2	867.3
Imports from the U.S.	153.9	95.6	0.097

Sources: China Customs, China National Coal Association, China's Energy Conditions and Policies

Coal makes up about 70% of total primary energy consumption in the country. China's coal-producing area exceeds 550,000 square kilometers. By 2006, coal reserves stood at 1,034.5 billion tons, and 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 tons, an 8% increase.

Chinese-made coal mining equipment occupies a dominant market-share of approximately 90% 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 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 face 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.

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 $151 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.

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Chinese weblinks for coal mining:

National Development and Reform Commission
http://www.sdpc.gov.cn/

State Administration of Coal Mine Safety
http://www.chinasafety.gov.cn/

China National Coal Association
http://www.chinacoal.org.cn

China Energy Net

http://www.china5e.com

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Construction Equipment Market

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	2004	2005	2006 (Estimated)
Total Market Size	USD 10.6 billion	USD 16 billion	USD 17.9 billion
Total Local Production	USD 4.3 billion	USD 13 billion	USD 13.9 billion
Total Exports	USD 99 million	USD 2.9 billion	USD 4.5 billion
Total Imports	USD 6.4 billion	USD 3.0 billion	USD 4.0 billion
Imports from the U.S.	USD 25 million	USD 369 million	USD 405 million

(Source: China Customs statistics for construction equipment.)

The Chinese construction equipment market presents many opportunities and challenges for American companies seeking to increase their sales in China. In 2006, China's total exports exceeded the total imports for the first time. Many American companies (e.g. Caterpillar, John Deere, and Terex) have successfully entered the Chinese market but are increasingly producing locally. They have become the key players in China's construction equipment industry. Second, the Chinese government is supporting local companies in the international market. Recently, some U.S. companies trying to acquire shares in state-owned companies have encountered delays in obtaining approval from the Ministry of Commerce. Meanwhile, U.S. companies are facing fierce competition from Korean, Japanese, German, and domestic manufacturers.

Rapid development of urban centers, China's aggressive western regions infrastructure development plans, and the 2010 Shanghai World Expo should provide more opportunities for the construction 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 Industrialization Report issued by the Ministry of Construction's Promotion Center for Housing, by 2010, China will have built 80 billion square meters of new housing. By 2020, estimates are 205 billion square meters. Construction spending in China increased 165% in the last four years, according to the National Bureau of Statistics of China, and is still expanding at 25% annually.

Under the 11th Five-Year Plan, China will invest $26 billion in the construction of eight hydropower projects and $5.9 billion in transferring electricity from western to eastern China. The total investment for water conservation and hydropower projects will exceed $104 billion. China will not only develop hydroelectricity and nuclear power plants, but will also be exploring and developing large coal bases. China recently explored 28 mid-to-large gas fields, and the development of gas fields and pipelines will also offer potential construction opportunities. Under the 11th Five Year Plan, China plans to build 4 major pipelines for oil and natural gas transport. Furthermore, China will be expanding several key airports and build new sub-branch airports.

The best opportunities for U.S. exports of construction equipment include the following: concrete machines, excavators, shovel loaders, lifts, self-propelled bulldozers, angle dozers, graders, levelers, scrapers, mechanical shovels, tramping machines, and road rollers.

Opportunities Return to top

Railway Project

According to the 11th Five-Year Plan, the total investment in railway construction will reach USD 160 billion in the next five years. Such a large-scale project with high standards to be completed in a relatively short time will create demands for mechanical equipment. The following equipment appears to be in highest demand: rotary drilling rigs, excavators, concrete pump trucks, loaders, cranes, etc. Due to changes in tariff exemptions that are expected to come into force March 1, 2007, some products mentioned may incur higher tariffs when imported to China.

Highway Project

According to the National Highway Plan, the highway construction, known as "7918" Net, will consist of 7 highways starting from the capital, 9 highways from north to south, 18 highways from west to east. The total will reach 85,000km. Currently 34% of the plan is finished, 19% is under construction and still 47% yet to begin. The annual average investment will reach USD 18 billion by 2010. Together with the railway project, this creates further demand for construction equipment.

South–North Water Diversion Project

The vast South–North Water Diversion Project started in 2002. The purpose is to divert water from the Yangtze River in the south to China's north, where water is in critical need for agricultural and industrial applications. The project consists of three south-to-north canals, and will cost USD59 billion; when completed in 2010 it will pump about 13 trillion gallons of water to the north every year. The middle route of the three canals is the most complicated and will provide the most market opportunities for American construction equipment manufacturers that offer advanced technology. Different types of equipment are needed for the project, including scrapers, excavators, vibratory rollers, dump trucks, truck cranes, etc.

World Expo 2010, Shanghai

Shanghai will host the World Expo from May 1 through October 31, 2010. To support the event, the Shanghai government will invest over US $10 billion in infrastructure modernization (harbor, airport, city transportation, and cultural facilities). Major projects include:

Public transportation:

- 270 kilometers of metro lines
- 400 kilometers of road improvement
- One under-river tunnel
- 6300km^2 parking space
- Country pavilions in the Expo Park

Airport:

- Two runways
- One new terminal

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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)**
  October 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

- **CONEXPO® Asia 2009 (CONEXPO Asia Construction Machinery Exposition)**
  December 2009
  Organizor: Association of Equipment Manufacturers (AEM)
  China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME)
  phone +1-800-867-6060, +1-414-272-0943, fax +1-414-272-2672
  email: info@conexpoasia.com
  http://conexpoasia.aem.org/EN/index.asp

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Banking Services

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After China's banking sector opened completely to foreign banks on December 11, 2006, export opportunities have developed for foreign commercial banks. However, major Chinese commercial banks will continue to dominate the retail banking market. In addition, domestic commercial banks have successfully restructured their operations. A dynamic process of interaction and integration is already underway between domestic and foreign banks as noted by the strategic investments made by foreign banks. In short, both opportunities for cooperation and competition are expected between Chinese banks and foreign banks.

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- *Private banking services and wealth management that target high net worth individuals*

Nearly 30 Chinese banks currently offer RMB-denominated wealth management services. RMB-denominated private banking services and wealth management services are among the two best business prospects currently being offered by leading foreign banks in China, such as Citibank, Standard Chartered, HSBC and ABN AMRO.

- *Credit Cards:*

Foreign-funded banks can issue RMB-denominated credit cards after they become locally incorporated banks. All foreign-funded and Chinese banks are required to have good risk management and control systems and IT support systems in place to hedge risks in the issuance of credit cards in China. The People's Bank of China, the central bank, is responsible for the operation and management of the payment system.

- *SME Financing Market:*

According to the National Development and Reform Commission (NDRC), the products manufactured or services offered by China's 40 million small and medium sized enterprises (SME) comprise about 60 percent of China's GDP. Chinese banks, especially city commercial banks, consider SMEs to be their target clients. More and more foreign banks in China are beginning to realize the great opportunities available through offering financing to SMEs.

- *QFII custodian & QDII custodian*

In 2003, a qualified foreign institutional investors (QFII) scheme was introduced to allow foreign institutional investors, such as UBS, Deutsche Bank and Citigroup Global and others to engage in the securities sector on the Chinese mainland. At present there are more than 50 approved QFII entities.

China also launched the qualified domestic institutional investor (QDII) system in July 2006, allowing QDIIs to raise Renminbi funds from domestic individuals and institutions and buy foreign currency from the State Administration of Foreign Exchange for overseas investment. As of the end of September 2007, 21 commercial banks have obtained a total of US$16.1 billion worth of foreign exchange quota for agent offshore wealth-management. The quota for five fund management companies is US$19.5 billion, and the quota for 14 insurance companies is US$6.57 billion. The total QDII quota has reached US$42.17 billion.

- Residential Home Mortgage Loan Services:
In comparison to Chinese commercial banks, foreign banks are disadvantaged by the lower number of outlets and employees that they have. Therefore, the foreign banks in China target high-end customers, such as foreign residents in China and wealthy Chinese individuals for the residential home mortgage loan market. HSBC, Standard Chartered, the Bank of East Asia, Citibank and Deutsche Bank, to name a few, are among the leading foreign banks that promote residential home mortgage loan services in China.

Opportunities

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1. Private banking and the retail banking sector:

China's high net worth individuals (with assets larger than USD1 million to invest) are an important segment. The rising household income levels and an increasingly wealthy population continue to foster demand for a wide range of wealth management products. A report by Boston Consulting Group stated that nearly 310,000 households in China each hold net investment assets worth more than US$1 million. China is now fifth in the world in terms of having the largest number of millionaires.

In addition, with the increase in the number of individuals purchasing houses, cars and consuming other products, banks that offer better mortgages, auto loans, credit card products and other services will have competitive advantages.

2. Corporate banking sector:

Since large private and state-owned enterprises can now obtain financing from the capital market, they become less dependent upon bank loans. As a result, SMEs are becoming valuable clients to both the Chinese and foreign banks. At present, only 30 percent of SMEs financing demands can be satisfied because they normally find it difficult to obtain any type of credit from large banks. Most second-tier joint stock banks and city commercial banks have already made the SMEs their target clients. Standard Chartered, Citibank and HSBC have all started SME financing activities. Foreign banks have more experience in market segmentation, better credit and risk control, good access to the international market and more simplified procedures for credit approvals, all of which serve to attract Chinese enterprises as clients.

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Key Websites:

People's Bank of China (PBC)
http://www.pbc.gov.cn/english/

China Banking Regulatory Commission (CBRC)
http://www.cbrc.gov.cn/english/home/jsp/index.jsp

Bank of China Limited
http://www.boc.cn/en/static/index.html

Industrial and Commercial Bank of China
http://www.icbc.com.cn/e_index.jsp

China Construction Bank Limited
http://www.ccb.com/portal/en/home/index.html

Agricultural Bank of China
http://www.abchina.com/en/hq/index.jsp/lang=en/index.html

Bank of Communications
http://www.bankcomm.com/jh/en/index.jsp

China Merchants Bank
http://english.cmbchina.com/

China Everbright Bank
http://www.cebbank.com/ceb/html/english/index.html

CITIC Bank
www.ecitic.com/citicib/ (click on link for English)

China Minsheng Banking Co., Ltd.
http://www.cmbc.com.cn/index_en.shtml

Standard Chartered Bank, China
http://www.standardchartered.com.cn/e_index.html

HSBC, China
www.hsbc.com.cn (click on link for English)

Citibank, China
www.citibank.com.cn (click on link for English)

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Education and Training

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The number of Chinese students and employees studying overseas continues to grow. 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.

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In 2007, 67,700 students chose the United States as their destination. Compared to the mid-1980's, when only 4,900 students enrolled overseas. During the 2005-06 school year, Chinese students accounted for 12% of all international students enrolled in the U.S., becoming the second largest group of foreign students in the country.

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.

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Education Events Approved by China's Ministry of Education

China International Education Exhibition (CIEET) Tour 2008
Website: http://www.cieet.com/cieet/English/web/Welcome.htm

2008 China Education Expo
Website: http://www.chinaeducationexpo.com/

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Franchising

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Franchising shows promise in China. Although the concept of franchising was introduced to China in the last ten years, its development made important inroads into this growing consumer market. 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. New franchises are developing in the fields of commercial services, family services, automotive care, and education. Currently, China has 2100 franchise and chain store companies, and the number is rising rapidly.

Challenges to U.S. franchise firms include a relatively weak regulatory system and a lack of qualified Chinese franchisee candidates. New legislation released by the Ministry of Commerce stipulates that franchise firms can start franchising in China as long as they own and operate two company-owned stores for one year in any part of the world.

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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.

Franchising opportunities abound 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

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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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Major Shows/Exhibitions

CCFA Franchise Expo, Shanghai
www.ccfa.org.cn/english/index.jsp
September 28-30, 2008

Resources

International Franchise Association
1501 K Street NW, Suite 350
Washington, D.C.
(202) 662-0767
www.franchise.org

China Chain Store and Franchise Association
Tel: (86-10) 5191-6856
Fax: (86-10) 5191-6863
Website: **http://www.ccfa.org.cn**

Ministry of Commerce (MOFCOM)
Tel: (86-10) 6519-7327/7301
Fax: (86-10) 6519-7322
Website: http://www.mofcom.gov.cn

China Council for the Promotion of International Trade (CCPIT)
Sub-Council of Light Industry
Tel: (86-10) 6839-6468
Fax: (86-10) 6839-6422
Email: **ccpitsli@public3.bta.net.cn**
Website: **http://www.ccpit.org**

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Machinery

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Machinery industry (HS: 84) in China has been categorized into agricultural machinery, internal combustion engine, engineering machinery, apparatus and instrument, office machine, petrochemical and general machinery, heavy machinery, machine tools, electrical engineering and apparatus, machinery parts, food and packaging machinery, auto cars and other civil use machinery. In 2006, China's exports for machinery products reached $142.4 bn, a 36.2% increase over 2005; its imports increased by 19.6% to $141.6 bn the same year. The leading provinces and cities for machinery trading are Guangdong, Jiangsu, Shanghai, Zhejiang, Beijing, Shandong, Tianjin and Liaoning. Asia has been China's biggest trading partner for machinery products with an import/export value of $ 146.8 bn. in 2006, dominating China's machinery trading market and realizing $16.7 bn surplus to China. In the first six months of 2007, China's imports were led by office machines, which increased by 96.9% over the same period the previous year, followed by food packaging machinery and auto at a rate of 32.5% and 30%, respectively. U.S. exports to China, led by office machinery, accounted for 8.85% and 8.73% of the market share in 2006 and 2007, and ranked No. 3 and No. 4 respectively, after Japan, Germany and South Korea.

Electrical machinery (HS: 85), overlapping with machinery for some sectors, consists of automatic data processing equipment, communication equipment, consumer electronic appliance, electronic components and electronics equipment, transportation vehicle, instrument, and machinery parts. China's electrical machinery trade grew by $200 bn to $977.2 bn from 2005 to 2006. Electronic components led China's imports in 2006 with a value of $138 bn, of which U.S. exports accounted for $33 bn, an increase of 31.3% year-on-year, following Japan, South Korea, Taiwan, and then Germany. The major products exported from the U.S. to China were integrated circuits and communication equipment and parts.

China's Machine tool (HS: 8466) industry has experienced a fast growth over the past few years, and will continue to expand to serve the country's economic development especially for the key industries - automobile, aviation and aerospace, shipbuilding, railway, power and high-tech. 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 are at a low technology level. To meet the 11th Five Year Plan goal of developing key industries and national defense, China will innovate and upgrade its manufacturing technology for precision CNC machine tools. In 2006, China's import of machine tool products was $11.1 bn, an increase of 11.75% over 2005. The leading imported products were metal machine centers. The U.S. is one of the major countries that exports to China, but it is facing great competition with Japan and Germany, and sometimes Italy.

Source- China Machinery Industry Yearbook 2007, and World Trade Atlas.

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The Chinese government has provided financial incentives for machinery manufactures to invest in fixed assets to modernize facilities and increase efficiencies. In 2006, the Ministry of Finance amended the Catalog for Non-tax Exemption Imported Products, and added some new general machinery, metallurgy and mining machinery, food packaging machinery, environmental protection machinery, apparatus and instrument, and electronics equipment. Through this amendment, the Chinese government hopes to encourage the import of the machinery and electrical machinery products of higher technological level.

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 importing for precision CNC machine tool, laser-cutting tool, CMM, automated quality control and robotic assembly system. 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 conducting business transaction.

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U.S. Associations
Association of Manufacturing Technology (AMT)
www.amtonline.org
www.amtchina.org

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

Trade Shows

The 7th China International Equipment and Manufacturing Exposition (CIEME 2008)
September 1-5, 2008
Shenyang, China
www.zxexpo.com / www.cieme.org

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

The 10th China Dongguan International Mold and Metalworking Exhibition (CDIMME)
Nov 11-14, 2008
Dongguan, Guangdong, China
www.paper-com.com.cn

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Marine Industries

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	2005	2006	2007(Estimated)
Total Market Size	US$ 85.8 billion	US$154.5 billion	US$ 167.3billion
Total Local Production*	US$ 90.0 billion	US$162.1 billion	US$ 178.3 billion
Total Exports**	US$ 4.7 billion	US$ 8.1billion	US$ 12.1billion
Total Imports **	US$ 0.5 billion	US$ 0.5 billion	US$ 1.1billion
Imports from the U.S. **	US$ 15.0 million	US$ 5.3 million	US$ 20.9million

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, port, pleasure boat, sea communications and transportation, offshore oil and gas, sea-related chemicals and sea fishery, etc.

China has seen rapid development of its marine industry over past few years. China has more than 3 million square kilometers of sea areas, with more than 1,400 harbors and 210,000 cargo ships. According to the “Communiqué on Land and resources of China 2006” issued by Ministry of Land and Resources of P.R.C., the value of increase of sea-related industries have constituted 4.01% of GDP in 2006; 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 US$8.6 billion in 2006, of which ship import accounted for US$0.5 billion. Trade volume would rise to a historical high of US$ 13.2billion in 2007. However, oceanic pollution and the industry's structural imbalances continue to present challenges for the development of marine industry.

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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 14.52 million deadweight tonnages (DWT) in 2006. And the output is expected to reach a historical high of 18 million DWT in 2007, with a yearly increase of about 24 percent. In 2007 the new shipbuilding orders was 70 million DWT, which surpassed the Korea raking the first in the world. China’s backlog orders were also dramatically increased 90%, exceeding 130 million DWT in 2007. (*China Ship News*) And Chinese shipyards filled about 20 percent of global orders for ships measured by cargo capacity. Shanghai Waigaoqiao Shipbuilding Co, the country's top shipbuilder, churned out 3.11 million DWT of ships in 2006, making it the world's eighth-largest shipyard. And sixteen shipyards in China were included in the top 50 shipyards in the world.

According to the government's National Medium and Long-Term Plan of the Shipbulding Industry, issued in August 2006, China's shipbuilding industry is expected to become the No. 1 shipbuilding power in the world by 2015.

The central government's 11th five-year plan (2005 to 2010) pointed out that the key to strengthening the shipping industry lies in design capability, marine equipment supply, large-scale shipbuilding construction, and optimizing the three main ship types: bulk-carriers, oil tankers, and container vessels. Emphasis will be put on hi-tech ships, new ship designs and ocean engineering equipment, which have additional added value.

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.

Pleasure Boat

With the rapid growth of the economy, China's recreational marine market is forecast to expand sharply in the coming years. In 2007, China imported over 25 million US Dollars yachts and pleasure vessels, which has an increase of 130% compared with 2006. (*China Customs*) 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 US$10billion over the next decade, which presents significant opportunities for the exports of U.S. pleasure boats, accessories, marina planning and construction materials. *(China Boat Industry and Trade Association)*

Port and Sea-Transportation

China is allocating a massive amount of money to the port and waterway construction to meet the significant growth of freight volume. Since 2004, China has stepped up the infrastructure construction of ports. China's port throughput is increasing at exponential rates, reflecting a booming foreign trade. 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 116 million Twenty-foot Equivalent Units (TEUs). The container throughput of Shanghai port exceeded 26 million in 2007, surpassing Hong Kong to rank second globally.
And the 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.

To facilitate the global trade, most ports in China are putting 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 System, 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).

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 Bohai rim, 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 Fengxian district of Shanghai.

Marina development

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 Shanghai municipal government is in the process to announce plans for the city's yachting industry development over the next two decades. The success of Shanghai's bid to host the 2010 World Expo will push the boat industry to develop more rapidly. 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, Shengzhen and Hainan Island.

Deepwater Port

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 US$10billion. 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 2008
Date: 10--13 April 2008
Venue: Shanghai Exhibition Centre

Organizer: Shanghai CMPsinoexpo International Exhibition Co., Ltd.
Contact: Ms. Helena Gao
Tel: +86 21 64371178
Fax: +86 21 64370982
E-mail: helenagao@cmpsinoexpo.com
Web Site: http://www.cmpsinoexpo.com/boat/

China International Exhibition on Equipment for Shipbuilding Industry & Ship-design Technology 2008
Summit on Development of China Shipbuilding Industry 2008

Date: 28-30 July, 2008
Venue: ShangHai Everbright Exhibition & Convention Center
Organizer: Shanghai Pudong International Exhibition Corp.
Shanghai New Force Expo Service Co., Ltd.
Shanghai Xiecheng Ship Technology
Contact: Miss Yijing Mao
Tel: +86-21-65390331
Fax: +86-21-65397470
Email: csasi@online.sh.cn
Website: www.chinashipbuild-expo.com

Shiport China 2008
-The 6th International Shipbuilding, Ports and Marine Equipment Exhibition for China

Date: October 23 (Thu)-25 (Sat), 2008
Venue: Dalian World Expo Center
Organizer: Exhibition Management Office, Dalian Xinghai Exhibitions Co., Ltd.
Contact: Mr. Harbor Chai/Miss Chelsea Gao
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E-mail: shiportchina@gmail.com
Website: http://www.shiport.cn

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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Oil and Gas Industry

Overview

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Unit: Million metric tons

Crude Oil / Natural Gas (not include equipment)	2004	2005	2006	2007
Total Market Size	291.27 / 40.98	299.57 / 49.95	307.28 / 53.10	345.98 /66.38
Total Local Production	174.06 / 40.98	180.84 / 49.95	168.42 / 53.10	186.7 / 66.38
Total Exports	5.49 / 0	8.07 / 0	6.34 / 0	3.89/0
Total Imports	122.70 / 0	126.80 / 0	145.20 / 0	163.17/0
LNG Imports	2.91 in 2007, increased 323.7%			
Imports from the U.S.	Extremely limited			

Sources of Data: China Customs. Estimates are unofficial.

China now ranks number two in world energy consumption (behind the United States and ahead of Japan). Economists predict that by 2020, China's oil and gas consumption will be about 5 billion barrel of equivalence (BOE). The Chinese government continues to push through reform and industry restructuring measures in order to encourage the necessary investment needed to meet energy demand growth. The same high growth in demand also exists in the natural gas sector.

Natural gas is the fastest growing fuel in China's energy mix. Natural gas consumption in China is expected to rise to over 10% by 2020 in light of increasing LNG imports as well as domestic discoveries. From 2006 to 2020, China's natural gas infrastructure construction will involve a CNY 220 billion investment. The Chinese government is continuing its efforts to create a more transparent gas environment to encourage investment by creating a gas law and appropriate downstream gas regulations.

On the oil side, China became a net importer of crude oil in 1996. Imports are expected to rise from 1.7 million barrels per day in 2001 to 4.2 million barrels per day in 2010, and to 9.8 million barrels per day in 2030. China continues to focus on the development of domestic oil resources throughout the country. Increased oil exploration and development activity are moving west and will be focused on the Tarim, Junggar, and Tu-Ha Basins. At the same time, oil fields currently producing have been on the decline for over a decade. As a result, the domestic supply of oil will be insufficient to meet demand forecasts. Thus, there will be an increased reliance on imported oil in the future, especially on sources of crude oil from the Middle East.

China's liberalized finished oil products retail market is expected to bring deregulated prices and lower entry barriers to its domestic players. JThree months into the official opening of the wholesale market, the top question is how to win the gas station wars and outpace the greater downstream competition in China.

China’s dependency on imported crude oil hit a record high of 46% in 2007. In order to boost China’s strategic oil reserve system, the China Petroleum Reserve Center (established on Dec 18, 2007) will be responsible for ensuring that three batches of state strategic oil reserve bases totaling 12 tanks with a storage capacity of 66 million tons and capable of supplying national demand for 37 days, will be fully filled within 15 years. In addition to the oil reserve, an oil products reserve system is also under construction in a bid to ease the tight supply of oil products amid high crude prices. The Chinese government has approved the construction of an 800,000 cbm oil products storage tank (the largest in China) in Wanzhou in western Chongqing Municipality.

U.S. companies will continue to find significant opportunities in providing advanced technologies in upstream and downstream oil and gas construction and development. Many Chinese end-users have favorable opinions of American products and are eager to do business with American companies. China’s booming natural gas industry will spur the demand for single space related products, equipment, and engineering services. American equipment has a reputation for technological excellence and quality.

Opportunities Return to top

Most opportunities for U.S. companies will continue to be in supplying equipment and services for China’s rapidly growing oil and natural gas industry.

- Equipment and services for LNG carrier construction
- Oil and gas exploration an production equipment services, including onshore blocks, deep-water offshore blocks, gas fields
- LNG liquefaction equipment and services, LNG transportation, LNG-receiving terminal construction
- Oil and Gas transmission equipment and services
- Exploration and development of high sulfur content gas fields

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Major Shows:

CIPPE 2008/CIOOE 2008
The China International Petroleum & Petrochemical Technology and Equipment Exhibition / China International Offshore Oil and Gas Equipment & Technology Exhibition
Date: April 7-9, 2008
Venue: International Exhibition Center (new venue), China

Contact: Ms. Cindy-Ling Wang (for the U.S. pavilion)
T: 86 10-85296655 ext.851
F: 86 10-85296558
Email: ling.wang@mail.doc.gov
Website: http://www.buyusa.gov/china/en/cippe2007.html or http://www.cippe.com.cn

2008 Shanghai the 3rd International Oil and Gas Pipeline and Storage Technology Equipment Exhibition (SIPE 2008)

Date: August 20-22, 2008
Venue: Shanghai International Exhibition Center

Organized by: Shanghai Pudong Exhibition Co., Ltd.

Address:RM501-509 NO.501 GUANGYUE ROAD SHANGHAI,CHINA
POSTCODE: 200434
Tel: 86-21-65929965
Fax: 86-21-65282319
E-mail: info@aiexpo.com.cn

The 7th Xinjiang International Petroleum & Petrochemical Equipment and Technology Exhibition (XJPPE)

Date: July 22-24 , 2008
Venue: China Xinjiang International Exhibition Center

Organizer: Xinjiang Zhenwei International Exhibition Co., Ltd.

Address: M, 15th floor, Huifeng Mansion , No.56 Zhenxie Road , Urumqi,China
Post code: 830002

Tel: 86-991-2321006

Fax： 86-991-2321606
Contact: Betty Tian (86013579925722)

Addia Ma (86013999102038)

The 7th China(Dalian) International Oil Processing & Chemical Industry Exhibiton 2008

Date: TBD
Venue: Dalian Xinghai Convention & Exhibition Center
Contact: Zhang Hong Ling

T: 86-411-82644428
F: 86-411-82645808
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http://www.cnpv.com/
http://www.chinapipe.net/

Petroleum and Petrochemical Equipment:
http://www.wwce.net/
http://www.chemnet.com.cn/
http://www.jx.cn/
http://www.oillink.com.cn/
http://www.oilinfo.com.cn/
http://www.sinopec.com.cn/
http://www.cnpc.com.cn/
http://www.petrochina.com.cn/
http://www.cnooc.com.cn/
http://www.sinochem.com.cn/

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Liu Yang

Power Generation

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China's Power Generation Market Million USD

	2005	2006	2007 (estimated)
Total Market Size *	18,750	21,057	24,093
Total Local Production	16,913	18,384	20,837
Total Exports **	7,632	9,951	12,508
Total Imports **	4,633	5,954	7,192
Imports from the U.S. **	234	269	287

Sources: * China Electric Equipment and Instrument Net
** China Customs data

In 2007, the installed capacity in China reached 622 million kW, and the amount of power generated was 2,870 billion kWh,, making China's the world's second-largest power generator and the fastest-growing power generation market. According to the International Energy Agency, China will invest a total of nearly USD 2 trillion in electricity generation, transmission, and distribution over the next 30 years to meet rapidly growing electricity demand. Half of that investment will be in power generation, while the other half will go to transmission and distribution.

Thermal energy accounts for 77.82% of China's capacity, while hydropower provides 20.67% and nuclear power less than 1.6% of total capacity. With the limited supply of fossil fuels available for power generation, the Chinese government is encouraging alternative forms of power supply, such as hydropower, wind power, solar power, etc. China has unveiled an energy plan as part of its 11th five-year plan. Under the plan, China aims to increase the country's renewable energy supply to 15% of the country's energy needs by 2020.

Best Products/Services

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删除的内容:

The most competitive products and services for U.S. companies will be in advanced thermal power generation (including large-capacity gas turbines, super critical and ultra super critical large capacity coal-fired power generation equipment, clean coal technology, and combine cycle technology), alternative power supplies (including wind, solar, and nuclear), power dispatching systems, telecommunications equipment for the power industry, management software, and ultra high voltage transmission equipment and management systems. Safety equipment also has strong market potential for U.S. companies.

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By 2020, China plans to build 30 nuclear generators of one million kW and above, bringing the country's total nuclear capacity to 40 GW. In December 2006, U.S. technology was selected for 4 new reactors planned to be built in Zhejiang and Shandong provinces in 2007 and 2008.

There is also strong demand for the following products:

- 900 MW and above thermal power generating equipment, gas turbines
- 700 MW and above hydro power turbines, large-capacity pump storage units, advanced nuclear power station equipment, clean-coal technology power generating equipment
- 300 MW and above cogeneration and trigeneration units
- 600 MW and above air cooling power generation units
- Combine cycle units
- 300 MW and above circulating fluidized-bed boilers and Integrated Gasification Combined Cycle (IGCC) units
- 750 kV and above transmission line equipment
- 1.3 MW capacity and above wind turbines, thermal power plant flue gas desulphurization equipment, power industry automation equipment, power grid safety supervision and control software and equipment, and middle and high voltage capacitors.

Resources

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China Electric Equipment and Instrument Net
http://www.cpeinet.com.cn/

State Electric Regulatory Commission
http://www.serc.gov.cn/

Chinese Renewable Energy Industries Association
http://www.creia.net

Guangzhou Institute of Energy Conversion
http://www.giec.ac.cn/

Zhuhai New Energy Research Institute
http://www.china-new-energy.com/

China New Energy Information Net
http://www.newenergy.org.cn/

China Sustainable Energy Program
http://www.efchina.org/

China Solar Energy Information Net
http://www.chinasolar.com.cn/

China Bio-gas Information Net
http://www.china-biogas.cn/

Guangzhou Institute of Energy Conversion
http://www.giec.ac.cn/

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Upcoming Exhibition

The U.S. Commercial Service will organize a U.S. Pavilion at the 12th International Exhibition on Electrical Power Equipment and Technology (EP Beijing) from Nov. 12, 2008 to Nov. 14, 2008 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:
www.2456.com/ep

Travel and Tourism Market

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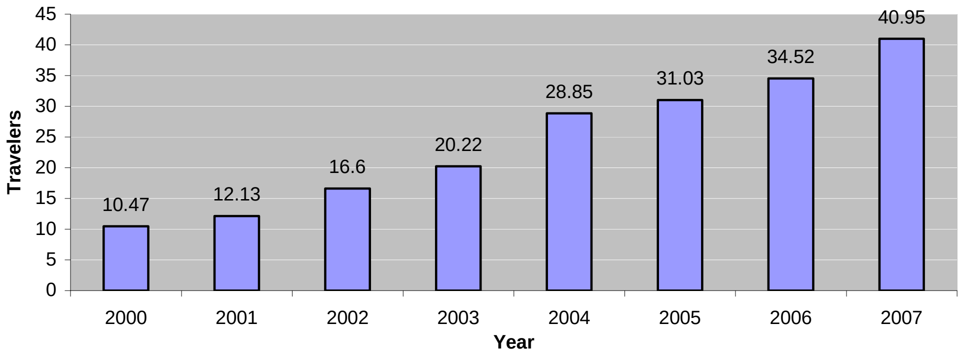
China is rapidly becoming one of the most important outbound tourism markets in the world. According to the UN World Travel Organization (UNWTO), China is the fastest growing travel market in the world, and is estimated to reach 100 million international travelers by 2020. According to the China National Tourism Administration (CNTA), China's outbound travelers reached 40.95 million in 2007, an 18.6% increase over the previous year. China will continue to be the largest travel market in Asia.

Chinese Outbound Travelers (millions)



Source: China National Tourism Administration (CNTA)

The United States is becoming an increasingly popular destination for Chinese travelers. In 2006, China ranked as the 17th largest international market for the United States, with over 320,000 Chinese visitors to the U.S. Chinese visitors spent a record $2.1 billion in the U.S. in 2006, with average expenditure of $6,000 per person.

Chinese Visitor and Spending Trends in the United States

Year	2000	2001	2002	2003	2004	2005	2006
Arrivals (thousands)	249	232	226	157	203	270	320
% Change	30%	-7%	-3%	-30%	29%	33%	19%
Total Travel & Tourism Receipts[1]	1,424	1,326	1,185	858	1,115	1,534	2,073
% Change	50%	-7%	-11%	-28%	30%	38%	35%

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

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 themselves in China, and the agreement also provides the necessary framework to permit group leisure travel from China to the United States. This agreement complements the expansion of air services that the United States and China agreed to at the May Strategic Economic Dialogue.

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. As of January 2008, China granted ADS status to 134 countries and regions, and implemented the program in 91 countries (http://www.cnta.gov.cn/zhuanti/cjy/index.asp). The tourism MOU between China and the United States fulfills that function, and opens this market for U.S. companies. The U.S. travel and tourism industry will benefit from the tourism MOU. Chinese visitation is forecasted to reach 579,000 Chinese travelers to the U.S. by 2011, which will increase tourism related exports.

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

Another important development in 2007 was the Chinese government's announcement that China's holiday schedule will be expanded in 2008. Previously, there were three week-long holiday periods for Chinese New Year, International Labor Day, and National Day. Beginning this year, there will be two week-long holiday periods and an additional 5 holidays. China's 2008 holiday schedule is:
New Year's Day (January 1)
Chinese New Year (February 6-8)
Tomb Sweeping Day (April 4)
International Labor Day (May 1)
Dragon Boat Festival (June 9)
Mid-Autumn Festival (September 15)
National Day (October 1-3)

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The number of Chinese international travelers is expected to rise quickly as the Chinese government continues to ease industry regulations, disposable incomes continue to rise, and more Chinese travelers seek to travel outside Asia to United States and other long-haul destinations.

Prior to the signing of MOU, most Chinese groups traveled on mixed business and tourist itineraries. This has led to significant growth opportunities in the business travel and the meetings, incentives, conventions, and exhibition (MICE) segments. In the past, tour groups combined business and leisure travel itineraries. In recent years, large-scale incentive travel has become a common tool for rewarding Chinese employees, and this will continue to be an area of strong growth. Some Chinese travel agencies have already started to design one-week and two-week U.S. tour packages priced between $2,700 and $4,200. There will be additional export opportunities for U.S tour operators, airlines, hotels, as well as U.S. destinations after the agreement is implemented.

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Major Trade Shows:

World Travel Fair (WTF)
March 27-30, 2008
Shanghai, China
http://www.worldtravelfair.com.cn/china/index.asp

China International Travel Mart (CITM)
Nov 20-23, 2008
Shanghai, China
http://www.citm.com.cn

China Outbound Travel and Tourism Market (COTTM)
April 14-16, 2008
Beijing, China
http://www.cottm.com/

Beijing International Tourism Expo (BITE)
June 19-21, 2008
Beijing, China
http://www.beijingbite.com/main_chn/welcome.htm

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

USFCS Offices in China
Travel and Tourism Website for promotion opportunities and policy updates:
http://www.buyusa.gov/china/en/tourism.html.

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Water and Wastewater Treatment

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China continues to face severe water pollution and water scarcity problems. China generated 53.7 billion tons of wastewater; municipal wastewater and industrial wastewater account for 55% and 45% 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 inadequate, and there will be continued construction of new facilities and upgrading of existing ones, resulting in a large demand for related technology and equipment. However, competition for projects is also fierce, both from foreign suppliers that can provide good technology, as well as from domestic suppliers that can offer competitive prices.

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 costal areas are severely contaminated as a result of municipal, industrial and agricultural discharges. 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 2006, 420 out of 669 cities suffered from water scarcity.

With rapid urbanization and industrialization, wastewater generation levels in China are continuously increasing. As the chart below shows, municipal wastewater generation grew much faster than industrial wastewater. This is because there is stronger government (central and provincial) enforcement and stricter penalties for wastewater discharge for industrial enterprises than for local authorities.

Best Products/Services

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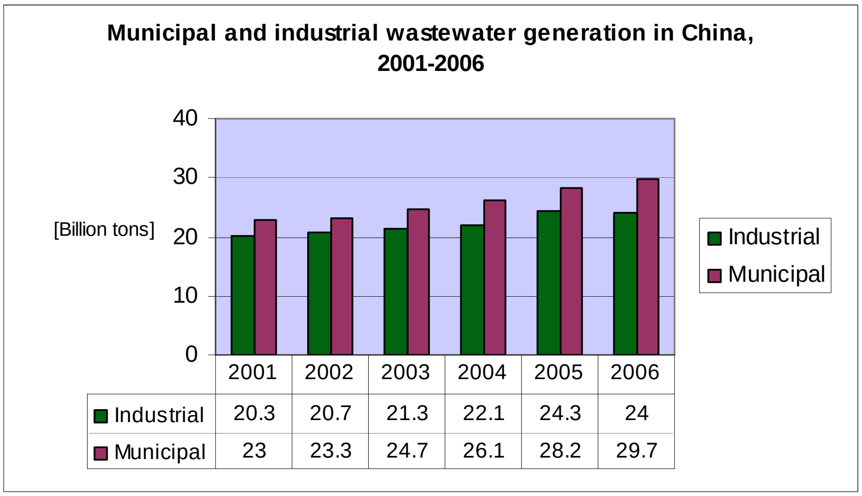
In the 11th Five-Year Plan, two major targets set by the central government are constructing a water-saving society and treating water pollution. It aims to provide safe drinking water to 100 million residents, and treat more than 60% of sewage, up from the current 55%. In order to meet the goals, 1,000 new WWTPs (representing investment of RMB 330 billion) will be constructed, raising total daily treatment capacity to 10,000 tons. China will begin to levy sewage treatment fees throughout the country in the coming five years, with aims to decrease the total volume of primary pollutants by 10% by 2010.



Source: Analysis based on data from State Environmental Protection Administration

It is anticipated that the following technology and associated technology transfer needs and product demand will provide the most opportunities:

- Biological de-nitrification and phosphorus removal technologies,
- 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, format…
- Water saving technologies and equipment,
- Water treatment agents,
- Water and wastewater treatment facility operation and management service,
- Monitoring instrument,
- Natural water body rehabilitation technology, and
- Sea water desalinization

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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 USD6.09 and 5.92 billion respectively. In addition, water pollution control will be a major part of the Eastern Route project. USD1.93 billion is the planned investment for the construction of municipal wastewater treatment plants. These projects are located in Jiangsu, Shandong, Hebei, Tianjin, Anhui and Henan Provinces.

Three Gorges Watershed Area
The Three Gorges Area is located in Yichang, Hubei Province. To maintain water quality at a good level, wastewater treatment projects will be implemented in Hubei, Sichuan, Guizhou, Yunnan Provinces and Chongqing Municipality. From 2006 to 2010, 146 projects with a total budget of USD0.93 billion will be carried out. According to a recent report dated December 30, 2005, China plans to build 20 more sewage disposal plants in the Three Gorges Reservoir area in central Hubei Province on the Yangtze River to further improve water quality in the reservoir. These projects will be built in Zigui, Xingshan, Badong, Yuan'an, Enshi and Lichuan counties in the reservoir area. Meanwhile, the province will build 20 garbage-processing plants in the next five years with an additional daily handling capacity of 1,000 tons.

Beijing 2008 Olympic Games
Beijing, as the host city of 2008 Olympic Games, also has ambitious plans to develop its wastewater treatment infrastructure. According to the Beijing City Planning Department, nine wastewater treatment plants, 1000 km long wastewater main pipelines, nine wastewater reclamation and reuse facilities, and four sludge digesting facilities will be completed. The total investment will be USD1.45 billion.

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

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Major shows:

CIEPEC+EPTEE 2008
(U.S. Foreign Commercial Service Shanghai will set up a U.S. pavilion)
Date: April 27-29, 2008
Venue: Intex-Shanghai & Shanghai Mart
Embassy contact: Stellar Chu, Commercial Specialist
T:(86-21) 6279 7630
F:(86-21) 6279 7639
Email: Stellar.Chu@mail.doc.gov
Organizer contact: Ms. Hope Sai, Marketing Manager
Shanghai ZM International Exhibition Co., Ltd.
Tel: (86-21) 5459 2318X327
Fax: (86-21) 5425 3480
Email: hope.expo@gmail.com
www.eptee.com

2008 China International Environmental Protection Fair - 2008 CIEPF

Time: June 26-28, 2008
Venue: Dalian Star-Sea Convention& Exhibition Center
Sponsor: SEPA
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Dalian Municipal Government
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Fax: (86-411) 8253 8616/61
Email: market@sinoexhibition.com
www.sinoexhibition.com/ep

Useful websites:

http://www.zhb.gov.cn/
State Environmental Protection Administration

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

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

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

http://www.environment.ita.doc.gov/
U.S. Dept. of Commerce - China Environmental Market

http://www.tda.gov
U.S. Trade Development Agency

http://www.adb.org/China/
Asian Development Bank

FCS China Environmental Team:
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Medical Equipment

Best Prospects

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China is now the world's third largest market for medical equipment, according to information provided by the China Association for Medical Devices Industry (CAMDI), and continues to grow at a tremendous pace. The information released at CAMDI's annual meeting in January 2008 indicated that the total size of China's medical equipment market topped RMB70 (about $9.3) billion and the figure is expected to reach as high as RMB120 (about $16) billion by the end of 2010. The annual increase in sales of large, high-end medical equipment was reported at between 14% and 15%. The foreign share of this market segment also increased by 20%. 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 over USD 4.4 billion in 2006 and USD 5.1 billion during the first 11 months of 2007.

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 had over

12,243 medical device manufacturers as of October of 2006, of which only 60 have sales valued at over RMB100 million. Among the industry's top 10 manufacturers, seven are foreign invested firms or joint ventures. In 2006, the U.S. was the top supplier country with $1.6 billion worth of exports and during January to November 2007, American exporters sold nearly $1.5 billion worth of equipment. German exports topped $837 million in 2006, and reached $878 million during January to November 2007. Japan came in a strong third in 2006 with $827 million in exports but dropped to $790 million for 2007. 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. These are expected to be replaced by new ones according to statistics compiled by CAMDI. The Chinese government's healthcare system reform policy is now being shaped as a result of discussion among 16 ministries and commissions. It is expected to be released in early 2008. It is anticipated that changes in healthcare coverage such as offering basic, wider coverage for people in urban areas and formalization of a new countryside cooperative medical scheme designed to cover the large population in the rural areas, will create a large demand for medical devices at hospitals of all sizes in China. Decisions expected concerning procurement for hospitals on a centralized basis or by province will likely have a significant impact on how companies will sell to healthcare institutions in the coming years because of 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 though efforts are reportedly being made to reduce the large backlog.

Table 1:
China's Imports of Medical Devices during the first 11 month of 2006 and 2007 in million dollars
(HS9018/19/20/21/22, 902720/30/50/80/382200)

	World	**US**	**share%**	**Germany**	**share%**	**Japan**	**share%**
2006	4361	1492	34.21%	756	17.34%	746	17.11%
2007	5046	1808	35.83%	878	17.40%	790	15.66%

Source: World Trade Atlas

Table II:
China's Imports of Medical Devices during 2006 and the first 11 months of 2007 in million dollars
(HS9018/19/20/21/22, 902720/30/50/80/382200)

	World	**US**	**share%**	**Germany**	**share%**	**Japan**	**share%**
2006	4832	1648	34.11%	837	17.32%	827	17.11%
Jan-Nov.2007	5046	1808	35.83%	878	17.40%	790	15.66%

Best selling prospects include:

•Therapeutic Products:
Tri-dimensional Ultrasonic focused therapeutic system, body rotary Gamma knife, simulator, linear accelerator

• Medical Diagnostic Products: Black & white and colored supersonic diagnostic unit, sleeping monitor, digital X-ray system, MRI, CT, DR
• Operating & Emergency Appliances:
Anaesthesis ventilation systems• Components: High frequency and voltage generators

Resources

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China Medical Equipment Fair (CMEF Shenzhen)

The China Medical Equipment Fair (CMEF) was first introduced in 1979 and has become the largest event of its kind in China. The most recent Fair in Chengdu during Oct. 24-27, 2007, featured over 1,965 exhibitors from over 20 countries. Leading foreign exhibitors include GE Healthcare, Siemens, J&J, Medtronics, Toshiba, Hitachi, Kodak, Fuji, Drager, Aloka, etc. CMEF attracts a large professional trade audience of medical device distributors from across the country. A recent survey conducted by the show organizer indicated that as high as 53% of the more than 50,000 domestic attendees were distributors or agents. This semi-annual Fair series provides opportunities for U.S. exhibitors to identify, screen, and evaluate prospective distributors. For general information about this trade show, please contact shuquan.li@mail.doc.gov or visit our web showcase for the US Pavilion at the certified trade fair at www.buyusa.gov/china/en/cmef2007.html.

CMEF 2007 Spring
Date: April 18-21, 2008
Venue: Shenzhen Convention Center
Phone: 8610-6510-2751

Fax: 86-10-6517-1476

Website: http://en.cmef.com.cn/

Medtec China

Canon Communications LLC based in Los Angeles, U.S, will organize a MedTec China event at INTEX in Shanghai during Sept. 9-11, 2008. Based on the success of the 2007 Fair, support is again planned by the U.S. Comemrcial Service at the Consulate in Shanghai, pending confirmation of certification by the US Department of Commerce. At the show, local manufacturers will have access to hundreds of leading medical OEM suppliers from around the globe providing a vast array of equipment, materials, and services. In addition to a major exhibition, MEDTEC China is expected to again also feature a conference with presentations by CAMDI, the State Food & Drug Administration (SFDA), and other government organizations. For general information about this trade show and to reserve space, visit the organizer's website at www.devicelink.com/expo/shanghai07/, or contact Commercial Specialist, Lynn.Jiao@mail.doc.gov, in Shanghai.

Date: September 9-11, 2008
Venue: Intex Center, Shanghai
Contact: Kevin O'Keefe
Phone: 1 310 445 4200
E-mail: kevinokeefe@cancom.com

CHINA MED 2008

In 2007, the organizer reported that 599 exhibitors, including 147 foreign companies from over 20 countries and regions participated in a total exhibition area of 29,280 square meters. More than 30,000 visitors, including over 1,000 professional buyers for medical equipment from military hospitals and 200 buyers from civil hospitals, are expected to attend. Most of the trade visitors will be from medical institutions. A conference organized by leading academic committees within the PLA is planned. For general information about this trade show and to reserve space, visit the organizer's website: www.chinamed.net.cn/en/Default.asp

Date: April 3-5, 2008
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

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Chapter 5: Trade Regulations and Standards

Import Tariffs

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China's December 11, 2001 WTO accession represented a major step forward in the United States' ongoing effort to open China's market to U.S. goods and services and in China's efforts to join the world economy. In the past, China restricted imports through high tariffs and taxes, non-tariff measures, trading rights restrictions, and other barriers. Chinese officials are increasingly aware, however, that such protective measures contribute to endemic economic inefficiencies.. To address these problems, the Chinese Government agreed to dramatically reduce many barriers as part of its WTO accession. China's final package of commitments codifies the bilateral concessions China made to the United States in the Market Access Agreement of November 15, 1999. China's accession to the WTO resulted in continued high economic growth and acceleration in China's domestic reform process and further opened its market to U.S. goods and services.

China has made required tariff cuts according to the terms of accession and lifted restrictions on granting trading rights to foreign enterprises.. In addition, China has substantially reduced the number of goods subject to import quotas and as part of its WTO commitments has committed to phase out or continue to notify to the WTO of all remaining quotas.

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: (86)(10) 8527-1610; Fax/Phone (86)(10) 8527-1611

Additional information is also available at
www.customs.gov.cn/YWStaticPage/3972/c4538048.htm

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. In the past, foreign firms have sometimes benefited from policies aimed at attracting foreign investment into key sectors, such as high technology. For example, some foreign-invested high technology firms did not pay a duty on imported manufacturing equipment.

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, Custom 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 or those engaged in wholesaling or retailing of goods with annual sales of less than RMB 1.8 million) 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. In July 2007, new regulations took effect that decreased or eliminated the VAT export tax rebate for certain product categories. The Chinese government cut rebates on 2,268 commodities (37 percent of all exports) in low value-added industries including textiles, apparel, shoes, paper products, and furniture. Rebate ranges for these products dropped from 13-17 percent to 5-11 percent. The government also eliminated all VAT refunds for 553 products whose manufacture creates heavy pollution and/or is resource intensive, including metals, steel, leather, fertilizers, and chemical products. Previously, these products had VAT rebate rates between 5 and 13 percent.

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 per month, per employee.

Trade Barriers

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Folowing 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 dual-use controlled commodities and technologies. "Dual-use" refers to items or technologies that have both civilian commercial and military applications. BIS implements U.S. export controls on "dual use" 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, reexports 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 illegal transfers 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 will be authorized to receive certain U.S.-controlled items without requiring individual export licenses. 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 include 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 $5000 to $50,000 with the exception of certain commodities in category 6A003, which will still require End-User/End-Use Statements for exports valued at $5000 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) 66-0144	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) 8529-6655 ext 810 or fax: (86)(10) 8529-6558.

In 1990 the U.S. Congress passed P.L. 101-246, commonly referred to as the “Tiananmen Sanctions”, which restrict the export and reexport 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.

Certain High Performance Computers are subject to license requirements when exported and reexported to China. On April 24, 2006, BIS published a Final Rule changing the formula for calculating computer performance from a Composite Theoretical Performance (CTP) expressed in Millions of Theoretical Operations Per Second (MTOPS) to Adjusted Peak Performance (APP) measured in Weighted TerraFLOPS (WT). This change recognizes the enormous and rapid advances in computer and semiconductor manufacturing technologies that have taken place and lifts controls on common microprocessors. Additionally, this new computer metric, WT, is based on double precision floating-point (DP FP) computational ability and focuses on controls on special order, high end computers of greatest national security significance such as those with vector systems and proprietary cluster systems. Additional information on the APP can be found at http://a257.g.akamaitech.net/7/257/2422/01jan20061800/edocket.access.gpo.gov/2006/06-3647.htm. Additionally, the National Defense Authorization Act (NDAA) requires BIS to conduct Post-Shipment Verification end-use checks on High Performance Computers shipped to certain countries including China. Additional information on regulations applying specifically to the export of High Performance Computers to end-users in China can also be found on the BIS website.

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 reexports 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 whom 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. On December 23, 2005, the Federal Register published the names of seven Chinese entities that have been sanctioned under this Executive Order. Chinese entities have also been sanctioned pursuant to 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) 6532-3831 or fax: (86)(10) 6532-6422.

Standards

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- Standards Organizations
- Conformity Assessment
- Product Certification
- Accreditation
- Publication of Technical Regulations

Overview

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.

Standards Organizations

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 foreign companies but often with limnited voting rights), and academia.

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

Conformity Assessment

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.

Product Certification

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 $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.

Accreditation

The China National Accreditation Service for Conformity Assessment (CNAS)is China's primary accreditation body and it accredits certification body, laboratory and inspection body. Currently, no mutual recognition agreements with U.S. organizations exist.)

Publication of Technical Regulations

China's designated notification authority, the Ministry of Commerce, gives notice of proposed standards, technical regulations, and conformity assessment procedures, as required by the TBT Agreement. Almost all of these notices have come from AQSIQ however, and might not included measures that other agencies should make available.

As required by World Trade Organization Agreement rules, China maintains a National Inquiry Point to answer inquiries related to draft and finalized technical regulations, standards, conformity assessment procedures, and other related issues. The inquiry point is under AQSIQ.

China's WTO TBT National Inquiry Point
7 Madian Dong Lu
Haidan District
Beijing, China 100088
Tel: 86-10-8826-0618
Fax: 86-10-8226-2448
e-mail: tbt@aqsiq.gov.cn
http://www.tbt-sps.gov.cn

Labeling and Marking

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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.

Trade Agreements

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In December 2001, China became a member of the World Trade Organization after more than 14 years of negotiations, making China party to the Technical Barriers to Trade (TBT) Agreement, Sanitary and Phytosanitary (SPS) Agreement, Trade Related Intellectual Property (TRIPs) Agreement, and other multilateral agreements. China did not sign on to the plurilateral Government Procurement Agreement (GPA) when acceding to WTO, but submitted an application to the *GPA* along with an initial offer at the end of 2007. The text of China's Accession Protocol as well as the Report of the Working Party on the Accession of China is available in printed form through the WTO. The Protocol on the Accession of the People's Republic of China, along with relevant attachments, and the Report of the Working Party on the Accession of China, signed by China and other WTO members, have become part of the Marrakesh Agreement that established the World Trade Organization, binding China and other WTO members to the obligations spelled out in the agreements mentioned above. Any trade agreement signed by China and (an)other country/ies, should be in accordance with the rights and obligations enumerated in the above documents.

In addition to the World Trade Organization, China has also entered into numerous trade agreements, including Free Trade Agreements (FTA) with ASEAN, Chile and Pakistan, and recently was negotiating FTAs with several countries including Australia and New Zealand.

Prohibited and Restricted Imports

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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 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. Jointly issued by the Ministry of Foreign Trade and Economic Cooperation and the State Economic and Trade Commission and parts of SETC were restructured in 2003 to form MOFCOM), 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.

Wood Package: All wood packages should carry IPPC mark, otherwise 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. 01, 2006.

Customs Contact Information Return to top

General Administration of Customs
Foreign Affairs Division
6 Jianguomenwai Avenue
Beijing
Tel: 86-10-6519-5243 or 6519-5399
Fax: 86-10-6519-5394
General Administration of Customs Website: www.customs.gov.cn

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Ministry of Foreign Affairs
www.fmprc.gov.cn

National Development and Reform Commission
www.ndrc.gov.cn

Ministry of Education
www.moe.edu.cn

Ministry of Science and Technology
www.most.gov.cn

Commission of Science Technology and Industry for National Defense
www.costind.gov.cn

The Ministry of Public Security
www.mps.gov.cn

Ministry of Justice
www.legalinfo.gov.cn

Ministry of Finance
www.mof.gov.cn

The Ministry of Land and Resources
www.mlr.gov.cn

Ministry of Construction
www.cin.gov.cn

Ministry of Communications
www.moc.gov.cn

Ministry of Information Industry
www.mii.gov.cn

Ministry of Agriculture
www.agri.gov.cn

Ministry of Water Resources
www.mwr.gov.cn

Ministry of Culture
www.ccnt.gov.cn

Ministry of Commerce
www.mofcom.gov.cn

Ministry of Health
www.moh.gov.cn

State Administration For Industry & Commerce
www.saic.gov.cn

Customs General Administration
www.customs.gov.cn

State Environmental Protection Administration of China
www.sepa.gov.cn

State Intellectual Property Office
www.cpo.cn.net

General Administration of Quality Supervision, Inspection and Quarantine
www.aqsiq.gov.cn/cms/template/index.html

Standardization Administration of the People's Republic of China
www.sac.gov.cn/home.asp

Certification Accreditation Administration
www.cnca.gov.cn

State Food and Drug Administration
www.sfda.gov.cn

China Special Equipment Inspection and Research Center
www.csei.org.cn/csei

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Chapter 6: Investment Climate

Openness to Foreign Investment

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The volume of foreign direct investment inflows in China grew more than 17 percent in 2007 to $74.8 billion, according to Ministry of Commerce statistics. American direct investment in China continued to drop, as it has since 2002. Mainland China was the world's fifth largest foreign direct investment destination, after the United States, the United Kingdom, France, and the Netherlands, according to the United Nations Conference on Trade and Development (UNCTAD). Outbound investment from China in 2007 increased notably from a small base and will continue to grow significantly in future years, as China encourages leading domestic firms to acquire key technologies, brands, and access to natural resources abroad.

Investors continued to face a lack of transparency, inconsistently enforced laws and regulations, weak IPR protection, corruption, industrial policies protecting local firms, and an unreliable legal system incapable of guaranteeing the sanctity of contracts. Despite these challenges, China remained an attractive market in which to invest. The American Chamber of Commerce has reported that American firms' operations in China are more profitable than they are in the United States.

In 2007, China adopted new laws and regulations codifying procedures to review inward investment, continuing a trend from 2006. These laws and regulations appear to give Chinese regulators discretion to shield inefficient or monopolistic enterprises from foreign competition. The United States Government has raised its concerns about these laws and regulations and will continue to monitor developments closely in 2008. Several of the most important measures are described in this section, below.

While insisting it remained open to inward investment, China's leadership stated that China would more actively seek 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.

Investment Requirements

Although China has revised many laws and regulations to conform to WTO investment requirements, in practice, Chinese industrial planners encourage investments that meet 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.

Investment Guidelines

China outlines its 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. Contradictions between the catalogue and other measures, some of which are outlined below, have 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.

Foreign Investment Catalogue
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 specific restrictions in various sectors, like caps on foreign ownership and permissible types of investment. The catalogue is intended only as a general guideline, not a fully exhaustive list of restrictions. 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. In sectors where catalogue revisions reflect policies China has already adopted, few new implementing measures may be required.

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." Even in encouraged and permitted sectors, regulations apart from the Catalogue often specify restrictions on the specific forms of investment that are allowed. 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.
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. U.S. investors have

expressed concern about China's prohibition of investment in the production and development of genetically modified plant seeds.

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.

Administrative Measures Restricting Investment

In 2007, China adopted measures that could be used to limit foreigners' ability to participate in the domestic market. In August 2007, the National People's Congress passed China's Anti-monopoly Law, which takes effect in August 2008. Legal experts generally agree that the text of the law meets international standards. However, several provisions in the law suggest it could be used to help the Chinese government manage competition with local and state-owned firms, rather than promote it. For example, Article 31 states that China will establish a process to review proposed inward investments for national security concerns. China is currently drafting implementing regulations for the law.

In December 2006, the State Council published an expansive list of sectors deemed critical to the national economy, including "pillar" industries such as equipment manufacturing, automobiles, electronic information, construction, iron and steel, non-ferrous metals, chemicals, survey and design, and science and technology. The State-owned Assets Supervision and Administration Commission (SASAC), charged with overseeing the government of China's stakes in state owned enterprises (SOE's), which developed the list, said it intended to restrict foreign investment in state-owned firms in these fields.

In November 2006, the NDRC released a Five-Year Plan on foreign investment, which promised greater scrutiny over foreign capital utilization. The plan calls for the realization of a "fundamental shift" from "quantity" to "quality" in foreign investment from 2006 to 2010. The focus would 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. The new policy is intended 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."

In August 2006, the Ministry of Commerce (MOFCOM) and five other government agencies issued revised rules for foreign mergers and acquisitions that established a legal basis for 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 claim these regulations are broadly based on and equivalent to the U.S. interagency Committee on Foreign Investment in the United States (CFIUS) process (a 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 are not yet complete, foreign investors have reported that they face greater difficulties purchasing controlling stakes in prominent firms and several prominent proposed deals are stalled.

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. For example, 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.

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. FDI in banking is expected to rise as more foreign banks that have incorporated in China obtain licenses to operate and conduct local currency business.
Onerous requirements limit foreign investment in service sectors, like education, culture, arts, radio, film, and television broadcasting.

Laws Governing Investment and 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 Company Law, Insurance Law, Arbitration Law, Labor Contract Law, described in Section N of this report, and other tax 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 Catalogue on Foreign Investment, in a regularly updated 100-page booklet, known as “China Investment Guide.”

Conversion and Transfer of Foreign Exchange

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China has been gradually loosening foreign exchange regulations facing foreign-invested firms. While China permits foreign investors liberal access to foreign exchange for current account transactions, like repatriating profits, capital account (financial investment) transactions 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’ quota to borrow foreign currency and several foreign firms have noted increased difficulties in getting approval to bring in foreign capital to expand their business.

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 against the massive capital inflows China has 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 Return to top

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. China limits foreigners' access to certain sectors of the economy, as outlined in Section A. The United States has not formally determined that China has expropriated any investments since reforms began in 1979, however the Department of State has notified Congress of several cases of concern.

Dispute Settlement Return to top

Foreign firms have experienced inconsistent results with all of China's dispute settlement mechanisms, none of which are independent of the government. The government often intervenes in high profile disputes. Corruption may also influence local court decisions and local officials may flaunt the judgments of domestic courts. China's legal system rarely enforces foreign court judgments.

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 offensives. 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 sectors the government views as key to its economic development or national security face an array of often opaque regulations that limit operations and may impose 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, which 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 22% of total FDI in 2004. 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 2005, China had reduced by more than half the number of SEZ's, at the national and sub-national levels, to around 2000.

Together, these incentives amount to an ad hoc system. In November 2007, China agreed to terminate subsidies benefiting Chinese exporters 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 Return to top

In China, all commercial enterprises require a license from the government. Disposition of an enterprise is tightly regulated. China's amended Company Law, effective January 1, 2006, did not greatly affect foreign investment rules; rather, it focused on problems prevalent in domestic companies.

Chinese laws clearly define the structures of foreign investments. The most important distinction 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 experienced disagreements with local partners about board of director decisions, capital formation, dividend distributions, and other matters and China loosened 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 consideration 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. China bars securities firms operating in China from the domestic private equity business and limits foreign private equity firms' investment exit options. As a result, most foreign venture capital and private equity investments in China are conducted via offshore entities. NDRC is currently developing rules and regulations regarding private equity, which it will likely announce in 2008.

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 prohibition.

In 2007, a new Partnership Enterprise Law came into effect, aiming to encourage venture capital investment and the expansion of professional services firms. The Partnership Enterprise Law only governs domestic partnerships, however, and the State

Council is expected to issue rules governing establishment of foreign partnerships under sometime this year.

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, there are two 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, 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 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, 50 years for industrial purpose, to 70 years for residential use. China's Property Law, passed by the National People's Congress in March 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 property and other tangible assets. Important areas of the law remain unclear – such as how to affect 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 has requested WTO dispute settlement consultations with China on IPR protection and enforcement issues. 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 report high levels of piracy. The Business Software Alliance estimates that 82% of the business software that was used in China in 2006 was pirated, a decline of two percentage points from 2005. 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 $3.9 billion to $5.4 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 tend also to be of limited effect. Trademark and copyright violations are blatant and widespread. There are widespread technology transfer practices, which 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 June 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. 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. 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. In 2005, China also required that government-procured computers come re-loaded with legal software. China began establishing specialized IPR complaint centers in provincial capitals and other large cities in the spring of 2006.

Improving protection of intellectual property rights is the United States Government’s highest priority in its economic relationship with China. To that end, the American Ambassador to China sponsors an annual roundtable on intellectual property attended by hundreds of U.S. investors, and numerous IPR activities. For further information on the roundtable and other USG IPR programs contact: usptochina@mail.doc.gov.

Transparency of Regulatory System

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China's legal and regulatory system is complex, contradictory, and lacks 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.

China has made some progress in publicizing its regulations. The State Council's Legislative Affairs Office 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.

Chinese agencies have increased the number of draft trade and investment related regulations made available for public comment, including from foreign parties. 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 6% by Q307 from 8% in 2006, according to PBOC statistics. Moreover, many of these NPLs are "legacy loans" made many years ago when state banks financed the quasi-public services provided by state-owned enterprises (housing, healthcare, medical care). NPLs on new loans have been under 2% since 2003, according to the China Banking Regulatory Commission (CBRC).

Bank loans continue to provide the vast majority of credit, accounting for roughly 85% of formal financial sector financing. The People's Bank of China (PBOC), China's central bank, continues to maintain a floor on lending rates that is between 2-3 percentage points above the ceiling on deposit rates, thereby maintaining a healthy profit margin on bank loans. This raises borrowings cost for the most credit worthy borrowers, which are usually large firms, both state and foreign-owned. Commercial banks are increasingly being urged by regulators to limit financing to projects 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.

Alternate financing methods have expanded over the last few years. Regulators are increasingly proactive in supporting both state-owned and private Chinese firms to list on domestic exchanges. In 2007 alone, over $87.1 billion was raised on the A Share market, with over $57.7 billion of this coming from initial public offerings. Bond markets remain a small source of funding at $13.6 billion in the first three quarters of 2007, though recent moves to shift regulatory authority for bonds issues of listed companies to the China Securities Regulatory Commission appears to be a positive step, though China's nascent bond markets are not yet able to provide a robust alternative method of financing. Nevertheless, Chinese authorities have 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 obtain financing in light of increased restrictions on borrowing in foreign currency, which can be an obstacle to financing expansion. 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 52 foreign firms by December 2007 and distributed over $9.9 billion of the $10 billion quota. At the May 2007 meeting of the U.S.-China Strategic Economic Dialogue, China agreed to raise the annual quota to $30 billion by the end of 2007, and additional quota allocations are expected in the first half of 2008.

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 tepid in 2007 given China's roaring A-share market and expectations of continued appreciation of the *renminbi*. Nevertheless, 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 2007. 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 2006, China raised the profile of its anti-corruption drive by sacking high-ranking officials, including the Shanghai Municipal Communist Party chief, who concurrently had been a member of the Party's Politburo. In another high-profile case, in July 2007, China executed its former top food and drug regulator for taking bribes to approve untested medicine. The National Audit Office continued to inspect 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.

Corruption remains endemic. Surveys show that it limits U.S. firms' investment. Banking, finance, government procurement, and construction are most affected. Anti-corruption efforts are hampered by the lack of independent investigative bodies and courts. Senior officials and family members are suspected of using connections to avoid investigation or prosecution for alleged misdeeds.

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.

In China, giving or accepting bribes 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 5 years to life; RMB 5,000 to 50,000 gets 1 to 7 years; less than RMB 5,000 is punishable by up to 2 years.

It is not 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 mis-categorize a bribe and deduct it from revenues.

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.

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, Austria, and Thailand. These agreements cover expropriation, arbitration, most-favored-nation treatment, and repatriation of investment proceeds.

The United States and China signed an agreement on investment guaranties, which entered into force in 1980. In December 2006, the United States and China committed to explore the possibility of a bilateral investment agreement. China has also signed treaties to avoid double taxation with the United States and dozens of other economies.

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Labor

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Human resource constraints top American Chamber of Commerce companies' list of operating challenges 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. While talented and motivated university graduates are abundant, many firms find they must invest heavily in additional training. At the same time, many Chinese workers with high-demand qualifications move rapidly from job to job within the growing foreign-invested and private sectors.

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. Mandatory health, workplace injury and maternity insurance are additional labor costs. Enterprises that merge with state-owned firms may also be required to provide dormitory housing. Other firms pay into a housing fund that amounts to as much as 10% of payroll. Local governments require contributions to pension and unemployment insurance funds that can also amount to 20% of an enterprise's wage bill. (Employees also contribute 3-8% of salary.) Regulations on non-wage compensation differ by locality. Chinese law limits, and requires premium compensation for, overtime work.

China's Labor Contract Law may make it more difficult for employers to release staff. Labor regulations in general vary widely according to location, type, and size of enterprise. Terminating a worker for cause may require prior consultation with the local labor bureau and labor union. In general, it is easier to release workers in southern China than in the northeast, and in smaller enterprises than in larger ones. Foreign firms generally do not encounter problems releasing workers at the end of a short-term contract. However the Labor Contract Law favors the use of indefinite term employment contracts. Enterprises that hire workers from state-owned enterprises usually find it difficult to terminate employment. Large-scale layoffs from long-established state-owned firms have created tensions and prompted demonstrations. In some cases, limited violence has occurred. The Chinese government did not issue regulations to implement the Labor Contract Law before it went into effect in January 2008, creating significant uncertainty.

China's labor laws allow 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.

It is illegal in China to oppose efforts to establish officially sanctioned unions. The Communist Party controls the country's sole recognized workers' organization, the All-China Federation of Trade Unions (ACFTU). Independent trade unions are illegal. The Trade Union law requires enterprises with ACFTU unions to contribute 2% of their wage bill to the union. Since mid-2006, the ACFTU has engaged in a centralized campaign to organize chapters in foreign firms. 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 FIE's have faced negative publicity arising from labor disputes related to domestic partners or suppliers.

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 2007, 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.

Investment Trends and Statistics Return to top

The top sources of FDI in China in 2007 were: Hong Kong, the British Virgin Islands, South Korea, Japan, Singapore, the United States, the Cayman Islands, Western Samoa, and Taiwan. Of note, many 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 also witnessed 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 single out foreign investment for preferential treatment. The elimination of certain tax benefits for foreign investors, described in Section E, is expected to 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 has fallen in line with this trend. 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 does 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 continue to grow by reinvesting locally generated profits in China, but 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 (1979-2007)
(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)
Total	758,874

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 (1979-2007) (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
Total	56,571

Source: Ministry of Commerce

Table 3 -- China's Utilized and Cumulative Foreign Direct Investment (in non-financial sectors) by Selected Source Economy as of 2007(In $ millions)

	Utilized FDI	**Cumulative FDI**
Hong Kong	27,703	307,468
Virgin Islands	16,552	73,717
Korea	3,678	38,676
Japan	3,589	61,563
Singapore	3,185	33,188
United States	2,616	56,571
Cayman Islands	2,571	13,326
Western Samoa	2,169	9,492
Taiwan	1,774	45,666
Total (All Sources)	74,768	692,894

Source: Ministry of Commerce

Table 4 -- China's Utilized Foreign Direct Investment by Sector, in 2006 (In $ millions) (2007 data not yet available)

	2006 Realized FDI	*'05 – '06(%) +/-*
Agriculture, Forestry, Animal Husbandry & Fisheries	599	-17%
Mining	461	30%
Manufacturing	40,077	-6%
Electricity, gas and water supply	1,281	-8 %
Construction	688	40%
Transport, Warehousing,	1,985	9 %
Information Transmission, Computer	1,070	5%
Service and Software Wholesaling and Retail	1,789	72%
Hotels and Restaurants*	828	48%
Banking and Insurance	6,741	-45%
Real Estate Management	8,230	52%
Leasing and Business Service	4,223	13%
Scientific Research and Polytechnic Services	504	48%
Water conservation, environment and public facility management	195	40%
Social Services	504	94%
Health Care, Social Security & Welfare	15	-62%
Education	29	61%
Culture, Sports and Entertainment	241	-21%

Public management and Social Organizations	7	75%

Source: China Commerce Year Book-2007

Table 5 -- Role of FDI in China's Economy (In $ millions) (2007 data not yet available)

	2006	*% Change*	*% of 2006 Nat. Fig.*
FIE-Generated Industrial Value Added	188,885	18.8%	27.8%
FIE-Generated Exports	563,835	67%	58.2%
FIE-Generated Imports	472,616	22.5%	59.7%
FIE-Generated Tax Revenues	66,357	28.5%	20.8%
2004 FDI inflows/GDP	-	-	3.6%
2004 FDI stock/GDP	-	-	33.2%
2004 FDI share of total fixed investment	-	-	7.2%

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

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.

Motorola ($3.6 billion) – Motorola is the largest foreign investor in China's electronics industry with more than 9,000 employees in China. Motorola's investment includes $800 million in 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 (over $2 billion) – GM plans to invest up to $5 billion in China over the next 5 years. Current investments include a $1 billion stake in Shanghai GM, $472 million 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. There are also plans for a $250 million investment in a corporate campus with research facilities.

Wal-Mart (over $2 billion) – In 2007, Wal-Mart acquired local hypermarket chain Trustmart for $1 billion. As of December 2007, Wal-Mart operated 95 stores in 51 cities under its Supercenter, SAM'S CLUB and Neighborhood Market brands. Wal-Mart employs more than 40,000 associates in China.

Anheuser-Busch ($1.8 billion) – As of December 2006, Anheuser-Busch's investments in China included a 27 percent stake in Tsingtao Brewery , China's largest beermaker; 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. Anheuser-Busch plans to invest in a new plant in Guangdong province, a $63 million investment set to be completed by 2008.

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 a research and development center in Shanghai. In 2007, GE Commercial Finance invested $50 million in China's Credit Orienwise Group Limited.

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.

DaimlerChrysler ($1.5 billion) – All DC business units are present, including Mercedes-Benz Car Group, Chrysler Group, its Commercial Vehicle Division and DC Financial Services.

Coca-Cola ($1.25 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 2007, Coca-Cola launched a new global research center and headquarters in Shanghai, an investment of $80 million.

Exxon Mobil ($1 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, a $5 billion downstream and chemicals venture in China agreed to by ExxonMobil, Sinopec, Saudi Aramco and China's Fujian province was formally approved after 12 years of negotiations. ExxonMobil will have a 25% share 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's Motor Research and Development Center, a $28 million investment, opened only 6 months after groundbreaking.

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 December 2006, DuPont announced the formation of a joint venture with Dunhuang Seed Co., one of China's largest seed production companies, to market new hybrid corn products. By 2010, DuPont expects to double its total investment to $1.2 billion.

Alcoa ($1 billion) – In 2006, Alcoa invested $95 million in a joint venture with Shanxi Yuncheng Engraving Group to produce aluminum brazing sheets at a plant outside Shanghai. Alcoa will be managing partner in the venture, holding a 70% interest.

United Technologies ($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. United Technologies has over 35 JV and WOFE**,**entities, with over 14,000 employees in 293 offices in 73 cities. They also maintain 16 factories and two research centers.

IBM (more than $420 million) – Includes a $300 million organic chip packaging base in Shanghai and $18 million in Beijing Jinchangke International Electronics Co., with Great Wall Computer Shareholding Corp. In 2006, IBM announced it would participate in a $180 million investment fund in China with Lehman Brothers.

Cummins (over $200 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. Cummins plans to invest $300 million in China through 2010.

Microsoft – Microsoft has announced it intends to invest $100 million a year on R&D in China through 2011. Press reports in February 2007 indicated Microsoft would establish a $20 million R&D center in Shanghai for its online MSN service.

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

In China's liberalized economic regime, there are many ways to finance imports. The most commonplace are letter of credits and documentary collections. Under these methods, foreign exchange is allocated by the central government for an approved import.

1. Letters of credit

Although the Bank of China dominates China's trade-finance business, most Chinese commercial banks (e.g., 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 imports. Foreign banks with branch or representative offices in China can also issue letters of credit.

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. However, in local Chinese practice, terms and conditions are generally negotiable and set on a transaction-by-transaction basis in the form of a "silent" confirmation whereby 'A notifying bank appends its confirmation to a transaction without being instructed to do so by the opening bank (source: http://www.ubs.com/1/e/about/bterms/content_s.html).

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. Bank or Enterprise Loans: Many Chinese companies have relationships with local banks or other enterprises that will loan funds for the purchase imports.

b. Foreign Supplier Loan: The supplier helps to finance, on behalf of the Chinese buyer, the purchase of its equipment.

c. Proceeds sharing/cooperative joint venture: Some suppliers will enter into a cooperative joint venture to ensure the sale and financing of their equipment.

How Does the Banking System Operate Return to top

A. Banking System

In accordance with China's WTO obligations, the banking sector opened on schedule to foreign banks on December 11, 2006. On the same date, "The Regulations of the PRC on Administration of Foreign-funded Banks" promulgated by the State Council went into effect. The new Regulations signify the Chinese government's resolve to further promote opening of the banking sector, while strengthening the supervision of banks' prudential considerations and risk-focus. Through these regulations, China seeks to ensure the sustainable and healthy development of the banking industry. Major Chinese commercial banks will continue to dominate the market for retail banking services for the foreseeable future. However, domestic commercial banks have undergone significant restructuring through effective reforms and many have accepted foreign banks as strategic investors. In short, cooperation and competition will co-exist between Chinese banks and foreign banks.

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'

In 1995, the government introduced the Commercial Bank Law to standardize the operations of China's commercial banking institutions. 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. In April 2005, the State Council injected USD 15 billion (RMB 124 billion) through Central SAFE Investment Ltd., which let ICBC's core capital stand at RMB 248 billion. On October 25, 2005, the ICBC was renamed the Industrial and Commercial Bank of China Limited, which marks the stock system reform of China's largest commercial bank. On January 27, 2006, ICBC entered into strategic investment and cooperation agreements with Goldman Sachs Group, Allianz Group and American Express Limited. They invested a combined total of USD 3.782 billion. On October 27th 2006, the ICBC issued its IPOs simultaneously in the Shanghai and in Hong Kong stock exchanges and successfully raised USD 21.9 billion from the equity market. This is the world's largest IPO to date and qualified ICBC as one of the largest listed banks in the world.

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. At the end of 2003, China's State Council instructed China SAFE Investments Limited to inject capital totaling USD22.5 billion into CCB, which was subsequently reformed as a shareholding commercial bank in 2004. In June 2005, the Bank of America signed a strategic cooperation agreement with CCB to purchase nine percent of CCB's shares. This was done through a USD2.5 billion pre-IPO purchase of existing shares from CCB's largest shareholder – China SAFE Investments Ltd. The Bank of America will also have an option to purchase additional shares in the future to increase its ownership in CCB to as much as 19.9 percent. In July 2005, Temasek became CCB's second strategic foreign investor following the Bank of America. On October 27, 2005, the CCB was listed on the Hong Kong Stock Exchange. This was a precedent-setting achievement for a Chinese state-owned commercial bank in the international market. On Dec. 29 2006, the CCB announced that it completed the acquisition of 100 percent share of Bank of America (Asia), at the price of HK$ 9.71 billion, representing 1.32 times Bank of America Asia's net assets as at 31 December 2006. After this purchase, Bank of America (Asia) will change its name to China Construction Bank (Asia) Limited, and will complete all changes of logo and names at its outlets and in its certificates and documents.

The Agriculture Bank of China (ABC) is the fourth largest bank in China. It specializes in providing financing to China's agricultural sector and offers wholesale and retail banking services to farmers, township and village enterprises (TVEs) and other rural institutions. As instructed by the government, the ABC will experience a similar stock system reform procedure in the near future.

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 Bank (which was newly established in early 2006).

2nd–Tier Joint-Stock Commercial Banks	**Foreign Investor(s)**	**Share Percentage**
Guangdong Development Bank	Citi Group IBM Credit	20% 4.74%
Bank of Communications	HSBC	19.9%
Shanghai Pudong Development Bank	CitiBank	5% (optional acquisition will be 24.9%)
Shenzhen Development Bank	New Bridge Capital General Electric (GE)	17.89% 7.3%
China Minsheng Bank	Asia Finance Co. Limited IFC	4.55% 1.1%
Bohai Bank	Standard Chartered	19.9%
Huaxia Bank	Deutsche Bank Sal Oppenheim	9.9% 4.1%
Industrial Bank	Hang Seng Bank IFC GIC of Singapore	15.98% 4% 5%

(Source: IMF working paper by Lamin Leigh and Richard Podpiera, <**The Rise of Foreign Investment in China's Banks—Taking Stock>**)

5. City Commercial Banks

There are altogether 117 city commercial banks in China, including the Bank of Shanghai, Bank of Beijing, Tianjin City Commercial Bank, Shenzhen City Commercial Bank, Guangzhou City Commercial Bank, Jinan City Commercial Bank, Hangzhou City Commercial Bank, Nangjing City Commercial Bank, Ningbo City Commercial Bank, Wuxi City Commercial Bank, Wuhan City Commercial Bank and Xian City Commercial Bank etc. The Banks of Beijing and Shanghai are the largest city commercial banks. Each have investment agreements with foreign strategic investors. The Xian City Commercial Bank, Jinan City Commercial Bank, Hangzhou City Commercial Bank, Tianjin City Commercial Bank and Nanjing City Commercial Bank also have investments from foreign partners. Please refer to the table below.

Chinese City Commercial Banks	**Foreign Investors**	**Share Percentage (%)**
Bank of Shanghai	HSBC IFC Shanghai Commercial Bank	8% 7% 3%
Bank of Beijing	ING Group IFC	19.9% 5%
Tianjin City Commercial Bank	ANZ	20%
Xian City Commercial Bank	Bank of Nova Scotia IFC	12.5% 12.4%
Jinan City Commercial Bank	Australia's Commonwealth Bank	11% (optional acquisition to 20%)
Nanjing City Commercial Bank	BNP Paribas IFC	19.2% 5%
Hangzhou City Commercial Bank	Australia's Commonwealth Bank; ADB	19.9% 5%

(Source: an IMF working paper by Lamin Leigh and Richard Podpiera, <**The Rise of Foreign Investment in China's Banks—Taking Stock>**)

City commercial banks' assets only represent 5 percent of the nation's banking assets, and in most cities, city commercial banks can't compete with the 'Big Four' in terms of retail deposits. Therefore, the city commercial banks focus on servicing local small and medium-sized enterprises (SMEs).

Asset quality remains a problem in most city commercial banks, since many evolved from the city credit cooperatives, which historically had bad assets. However, the best of the city commercial banks, such as the Bank of Beijing and the Bank of Shanghai, can match the 'Big Four' Banks and the second tier shareholding commercial banks in terms of profitability and asset quality.

With the help of their foreign strategic investors, some major city commercial banks have began to do business across the regions. For example, the Bank of Beijing and the Bank of Shanghai have set up their branches in Tianjin and Ningbo, respectively.

6. Rural Credit Cooperatives/ Rural Commercial Banks/Rural Cooperative Banks

In June 2003, rural credit cooperatives (RCCs) started their reform program. The restructured RCCs are classified into three types, namely rural commercial banks, rural cooperative banks and credit unions. At present, there are 12 rural commercial banks (such as the Beijing Rural Commercial Bank and the Shanghai Rural Commercial Bank), 34 rural cooperative banks (including the Tianjin Cooperative Bank), 172 county-level credit unions and 17 provincial credit unions.

Ever since the CBRC released its control over foreign investment in the credit rural commercial or cooperative banks in July 2006, foreign banks have started to invest in these institutions because they consider them an effective and cheap way to penetrate China's rural financing market. On July 11, 2006, Dutch Rabo Bank and IMF invested in the Hangzhou United Rural Cooperative Bank and acquired 10 percent and 5 percent shares, respectively. On November 21, 2006, ANZ invested more than USD 252 million into Shanghai Rural Commercial Bank and acquired its 19.9 percent shares.

B. Banking System Reform

Currently, the 'Big Four' banks occupy a dominant share in China's banking industry, accounting for 52 percent of total banking assets. Therefore, the banking industry reform has been centered on them. Progress has been made in recent years to transform the 'Big Four' banks from the wholly state-owned banks into modern financial corporate entities with good corporate governance, sound operations, well-defined business strategies, strong financial conditions and competitiveness in international markets. Among the 'Big Four', the Agricultural Bank of China is the only one that still must undergo restructuring. By comparison, the ICBC, CCB and BOC all have completed restructuring, reached strategic investment agreement with their foreign partners, and got listed on the stock market. Furthermore, the CBRC announced on May 17, 2006, that it would require the 'Big Four' banks to keep their bad debt ratios below 5 percent in the wake of their restructuring efforts. They are also required to maintain their capital adequacy at a minimum of 8 percent.

The reform of the banking system has been accompanied by the Chinese leadership's decision to decontrol interest rates gradually over an indefinite period of time. Market-based interest rate reform aims at establishing the pricing mechanism for deposits and lending rates, based on market supply and demand. The central bank would continue to adjust and guide interest rates and allow this market mechanism to play a dominant role in financial resource allocation.

The sequence of the reform, as outlined by the PBOC, is to liberalize the interest rate of foreign currency before that of domestic currency, lending before deposit, large amount and long term before small amount and short term. As a first step, the PBOC liberalized the interest rates for large deposits (USD 3 million and over) and loans in foreign currency in September 2000. Rates for deposits below USD 3 million remain subject to PBOC control. In March 2002, the PBOC unified foreign currency interest rate policies for Chinese and foreign financial institutions in China. Small foreign exchange deposits of Chinese residents with foreign banks in China were included in the PBOC interest rate administration of small foreign exchange deposits, so that domestic and foreign financial institutions are treated fairly with regard to the interest rate policy for foreign exchange deposits.

As interest rate liberalization progressed, the PBOC has liberalized, simplified or abandoned 119 categories of interest rates initially under control since 1996. At present, 29 categories of interest rates remain subject to PBOC control. On January 4, 2007, Shanghai Interbank Offered Rate (Shibor), a new interest rate indicator, formally went into operation. The mechanism will give the central bank real-time market information on interbank interest rates, and may become a new benchmark for the money market. China's current benchmark interest rate is a controlled rate, based on the deposit and loan interest rates of financial institutions. Shibor, as a market-determined interest rate mechanism, injects real-time market information into China's monetary control policy.

Foreign-Exchange Controls

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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.

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.

The PBOC will, together with relevant authorities, organize and implement the above policy measures respectively. In the meantime, the PBOC will closely track and analyze the development of the balance of payments, timely adjust related polices, avoid risks so as to safeguard national economic and financial stability.

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Since its accession to the WTO in December 11, 2001 China has in steps openly 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 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.

According to the CBRC's 2006 annual report, by the end of, there were 29 foreign financial institutions holding shares in 20 large, medium and small sized commercial banks in China. The first foreign invested bank was established in Shenzhen in 1981 and there are now 312 foreign banks operating in China. According the CBRC's 2006 annual report, by the end of, 74 foreign banks from 22 different countries and regions established 200 branches and 61 sub-branches in 25 Chinese cities, including Shanghai, Beijing and Shenzhen etc. Additionally, 186 foreign banks from 41 countries and regions established 242 representative offices also in 24 cities. Certain other lesser entities are not specified in the above total.

The total local and foreign currency assets of the foreign-funded banks amounted to USD118.8 billion, accounting for 2.1 per cent of total banking assets in China. Deposits amounted to USD33.4 billion, and combined loans totaled USD54.9 billion.
(Deposits and loans are not showed in the annual report. Assets are calculated using assets in Renminbi and the exchange rate in December, 2006)
(Source: CBRC's 2006 annual report
http://zhuanti.cbrc.gov.cn/subject/subject/nianbao/english/Table%20of%20Contents.pdf)

Although foreign banks have less than two percent share of the total market, they are well positioned with a presence in China's largest coastal cities. Over the past five years, leading players such as HSBC, Citigroup, Standard Chartered and Bank of America Corporation have invested more than USD 20 billion to acquire shares in Chinese banks. On average, their NPLs are lower than 3 percent and they also have better corporate governance. In terms of business development, they can offer stronger financial products, including credit cards.

Foreign Banks' Name	Origin of Country	Branch	Sub – Branch	Representative Office	Total Outlets
HSBC	U.K.	17	45	0	62
Bank of East Asia	Hong Kong, China	18	30	4	54
Standard Chartered	U.K.	13	17	2	32
Citibank	U.S.	9	18	1	28
Hang Seng Bank	Hong Kong, China	11	15	3	29
Sumitomo Mitsui Bank	Japan	7	2	4	13
BNP Paribas	France	4		2	7

(Source: websites of the banks)
http://www.hsbc.com.cn/1/2/hsbc-china
http://www.hkbea.com/hk/cs/contact/index.htm
http://www.standardchartered.com.cn/home/aboutus.html
http://www.citibank.com.cn/CNGCB/APPS/portal/loadPage.do?tabId=home&path=/info/det/branches.htm
http://www.hangseng.com/hsb/eng/abo/cu/home/index.html?From='eHome_Tab'&To='ContactUs'
http://www.smbc.co.jp/global/network.html
http://www.bnpparibas.com.cn/en/locations/agencies.asp)
Total outlets of Bank of East Asia and BNP Paribas include their headquarters according to the websites.)

Trade and Project Financing Return to top

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.

2. Direct grants

U.S. Trade & Development Agency fund feasibility studies, orientation visits, specialized training grants, business workshops and technical assistance worldwide. TDA is active in more than 60 countries and, after a 12-year break, reopened its programs in China in 2001. In order to be eligible for assistance, projects must have a procurement process open to U.S. firms, represent an opportunity for sales of U.S. goods and services and be a development priority of the country where the project is located. Contact Mr. Geoff Jackson, Regional Director for Asia/Pacific, at TDA's Arlington, VA office. Tel: (703) 875-4357, Fax: (703) 875-4009. In China, contact the TDA Representative, Ms. Wan Xiaolei, at the U.S. Commercial Service, U.S. Embassy Beijing at Tel: (86-10) 8529-6655, x839, Fax: (86-10) 8529-6558.

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. Yukon Huang, Country Director, can be contacted at tel: (8610) 6554-3361. 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 1.2 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 Ms. Karin Finkelfton at the Beijing office, Tel: (8610) 6554-4191, Fax: (8610) 6554-4192. Website: www.ifc.org.

The Asian Development Bank (ADB) is a multilateral development finance institution owned by 61 member countries, including 34 emerging market countries in Asia. The ADB provides loans and technical assistance to governments for specific projects and programs. In 2002, its loan approvals totaled USD 5.7 billion for 89 loans and four equity investments. Co-financing for the year amounted to USD 2.7 billion.

In 2002, the PRC, was the ADB’s third largest lending and technical assistance borrower (15.3 percent or USD 868 million). The ADB’s cumulative public sector lending to the PRC reached USD 12.04 billion at the end of December 2002. Between 1988 and 2002, the ADB approved about USD 233 million in loans and equity investments for private sector projects in China.

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.

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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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Colors and Clothing

Colors

In Chinese culture there are three central colors: red, black and white. Red, being the color of blood, symbolizes the positive aspects of life such as happiness, wealth, fame etc. Red is always associated with good luck. Black, being the color of faces is associated with dirt, sin, evil, disasters, sadness, cruelty and suffering among other negative things. Black signifies bad fortune and must not be worn during festivals, wedding celebrations etc. or used in-home decoration. Black symbolizes a lack of civilization and backwardness. However, traditions associated with this color are quickly fading, and among the younger generations black can be frequently seen as a clothing color.

White symbolizes the mother's milk and is intermediate between red and black, balancing the two colors. It signifies moderation, purity, honesty and life, but is also used at funerals, as it is believed it can harmonize all elements. It can be used in all rituals and ceremonies, as it is essentially neutral. Other colors are classified according to their relative darkness and lightness and associated significance thereof.

Clothing

There are no specific rules in Chinese custom governing dress. Traditional costumes are rarely worn and clothing is usually chosen for comfort or according to the fashion of the day. Bright colors are preferred for clothing in Chinese culture, but the color of one's clothing is generally suited to the environment: for example manual workers and farmers will often wear dark colors because of the nature of their work. Some conventions are considered with regards to age: the elderly are not encouraged to 'dress young', for example t-shirts and jeans.

Speech and Greeting conventions

Many western visitors to China have had a rude shock: Chinese conversations in public tend to be loud and highly audible- to western ears the conversationalists appear to be arguing.

However, Chinese etiquette states that the best way to speak is softly and with one's head slightly bowed. 'Answering back' to those older is considered ill mannered: the advice of elders should be accepted. Children who answer back or swear are considered bad mannered and their parents are held responsible.

Chinese men speaking loud are not considered bad mannered: a woman speaking loudly is, and may have abuse and ridicule heaped upon herself. The correct way of greeting a person is very important in Chinese culture: inappropriate greeting is considered very much undesirable. Among strangers, acquaintances or at formal occasions the greeting (in Mandarin) 'Ni Hao' (or 'Nin Hao if much respect is meant) meaning, literally 'you good?' is used. The phrase 'Have you eaten?' is used as a more familiar greeting and testifies to the centrality of food in Chinese culture. Chinese culture considers it impolite to meet someone and not ask him/her to eat: he/she may be hungry!

The traditional Chinese 'handshake' consists of interlocking the fingers of the hands and waving them up and down several times. This is today rarely used (except during festivals, weddings and birthdays of the elderly), and the western style handshake is ubiquitous among all but the very old or traditional. When greeting, a slight bow often accompanies the handshake, with the bow being deeper the more respect is being proffered to the person, for example an elderly person or someone of high social status.

The Chinese tend not to greet those close to them with greetings that may bear a negative slant such as 'you're looking sad' or 'you're looking tired': this is deemed improper. In formal contexts, or when addressing an elder or person with high status it is considered highly inappropriate and rude to address the person by their given name. They should be addressed according to their designation, for example 'Mr Tang, Doctor Liu, Chairman Lee' etc.

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.

Miscellaneous customs and beliefs

Numbers

Numbers play a role second only to food in Chinese custom and culture. It is believed that numbers can determine a person's fate- for example in the naming of a child. Certain numbers are considered lucky, and others unlucky. The luckiest number in Chinese culture is eight, as the Chinese for eight sounds like the word for 'lucky'. Four, conversely is a very unlucky number as in Chinese it sounds like the word for death. Thus Chinese adhering to the customs try to avoid the number four in, for example, car
(Source: Network Center of MOFCOM)

Travel Advisory

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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.

Passports and visas are required. Americans arriving / transiting without valid passports and Chinese visas are not permitted to enter China and may also be subject to fines. Visas are required to transit China on the way to and from Mongolia or North Korea. Those 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/

Visa Requirements

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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 will 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 5,000 RMB (approximately $600) 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 should be advised that visa applicants with certain background or visiting the U.S. for certain purpose might be subject to a security review handled via an interagency process. The process can delay visa issuance, although normally only 2-3 weeks. Therefore, it is best to apply well in advance of travel. Visa applicants should go to the following links:

State Department Visa Website: http://travel.state.gov/visa/index.html
United States Visas: http://www.unitedstatesvisas.gov
U.S. Embassy, Beijing: http://beijing.usembassy-china.org.cn

Telecommunications Return to top

International and domestic phone calls can be made without too much hassle 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.

Local/Domestic Calls

Most hotel rooms have phones at which local and domestic calls. Calls are usually free for guests and Y1 for non-guests. Local /Domestic calls can also be made from public pay phones or at domestic phones found at newspaper stands and kiosks on the street.
Long Distance/International Calls

International calls are quickly becoming cheaper if you use an IP card or a calling card (see Phone Cards following). If you are expecting a call-either international or domestic-try to advise the caller beforehand of your hotel room number as hotel operators often have trouble with or respond slowly to English names. (even at international hotels)

Phone Cards

There is a wide range of local and international phone cards available. International phone calls can also be made on IP (Internet Phone) cards which are sold at Y100 increments at most hotels, kiosks, and international cafes. To use, simply dial the local access number, enter the pin number, and the number you wish to call.
Important Telephone Numbers

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
Public Security Bureau (English Assistance) 6525-2729

Cellular Phones

Cell phones are becoming ubiquitous in China. It is important to note that the cell phone frequency of GSM networks in China (900 MHz and 1800 MHz) is different from the frequency in the United States (1900 MHz). Thus only cell phone users from the United States who have cell phone tri/quad-band frequency capability can use their phones in China. For these users, pre-paid SIM cards for local numbers are easily purchased at most supermarkets and phone kiosk.

Convenient cell phone rental services are also exist making it extremely easy for all travelers to obtain local phones and phone numbers. One such service allows for online reservation with foreign credit card and delivers/pick-ups the cell phone from anywhere in China's major cities. Please see: www.95teleweb.com for more details.

Cell Phone Dialing Instructions

Cell phone to Cell phone, dial the entire 11-digit number.

Cell phone to land line in Beijing first dial 010 and then the 8-digit number.

Cell phone to a landline in another Chinese city, dial 0+ two-digit city code, plus the number.

Cell phone to the US, dial 001+area code and number.

From a landline to a cell phone, dial the entire 11-digit number.

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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.

Take only metered taxis. In Beijing, fares start at RMB 10-RMB 12 and cost 2..00 RMB per kilometer depending on the size of the taxi. Drivers will give receipts if requested.

Beijing Taxi (some drivers speak English)	6852-4088
Capital Taxi (some drivers speak English)	6852-7998

Airlines

Cathay/Dragon Air	6518-2533
CAAC	6601-7755
Domestic/reconfirm	6601-3336
International/reconfirm	6601-6667
Japan Airlines	6513-0888/6459-0065
Korean Airlines	8453-8888
Malaysian Airlines	6505-2681
Northwest	6505-3505
Qantas	6467-3337/4794
Singapore Airlines	6505-2233
Thai Airways	6460-8899
United	6463-1111
United – Airport Information	6459-8855
Vietnam Airlines	8454-1196

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

International departure tax is 90 RMB, which can also be paid in U.S. dollars. 90 RMB is equivalent to $10.98 but is now supposed to be included in all tickets' final purchase price.

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The Pinyin System of Romanization

On January 1, 1979, the Chinese Government officially adopted the pinyin system for spelling Chinese names and places in Roman letters. A system of Romanization invented by the Chinese, pinyin has long been widely used in China on street and commercial signs as well as in elementary Chinese textbooks as an aid in learning Chinese characters. Variations of pinyin are also used as the written forms of several minority languages.

Pinyin has now replaced other conventional spellings in China's English-language publications. The U.S. Government has also adopted the pinyin system for all names and places in China. For example, the capital of China is now spelled "Beijing " rather than "Peking."

In the pinyin system, letters are pronounced much as they would be in American English with the following exceptions.

Complex initial sounds:

c – like the t's in it's
q – like the ch in cheap
x – like the sh in she
z –like the ds in lids
zh – like the j in just

Final Sounds:

e – Pronounced like "uh"
eng – like the ung in lung
ai – as in aisle
ui –pronounced way
uai – like the wi in side
i – like the i in skin
ua –like the wa in waft
ao – like the ow in now
ian – pronounced yen
ou – like the ow in dnow
uan – pronounced when

*When zh, ch, sh, zh are followed by an "i," the "i" is pronounced like an r.

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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.

Foreign-operated medical providers catering to expatriates and visitors are available in China.

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 $50,000. 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 Clinic address: Building C, BITIC Leasing Center
No. 1 North Road, Xingfu Sancun, Sanlitun, Chaoyang District, Beijing 100027
Beijing SOS International Clinic, telephone: (86-10) 6462-9112, Fax (86-10) 6462-9111.

For medical emergencies, please telephone the SOS International Alarm Center at (86-10) 6462-9100 from anywhere in Mainland China. From Hong Kong: (852) 2528-9900. From the U.S.: 1-215-245-4707. These phone lines are answered 24 hours by SOS International Alarm Center personnel. For information on purchasing health or travel insurance from SOS International, please telephone (1-800) 523-8930 (8:30 a.m. to 4:30 p.m. Eastern Time, Monday through Friday) in the U.S. or visit http://www.intsos.com/ on the Internet or e-mail: china.marketing@internationalsos.com .

SOS members calling with a medical emergency should first telephone the Alarm Center in Beijing at (86-10)6462-9100.

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 schedule so that they don't have to commute to work two hours before dawn.

12 noon in Beijing is the following time around the world:

Wellington	4PM
Sydney	2PM
Hong Kong	noon
Frankfurt	5am
Paris	5am
Rome	5am
London	4am
Montreal	11pm
New York	11pm
Los Angles	8pm

* Please note that China DOES NOT observe day light savings

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.

2008 Holiday Schedule

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

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

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China allows an individual to import 400 cigarettes (600 if you are staying more than six months), four bottles or wine or spirits, and a reasonable amount of perfume. Cash amounts exceeding US $5000 (or equivalent) should be declared.

Chinese law prohibits the import of cold cuts and fresh fruit. There are limits to 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 too China's political, economic, cultural, or ethical interests. As you leave China, any tapes, books DVDs that "contain state secrets or are otherwise prohibited for export" can be seized.

Shipping

Fedex's web-page includes a useful tool called *Global Trade Manager*, http://www.fedex.com/gtm/international/ "a one-stop resource for international shipping assistance" in 238 countries around the world including China. The *Global Trade Manager* can "help you find and print the right documents to accompany your international shipment saving you time and reducing the chance of your shipment being delayed at the border."

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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)
Ministry of Information Industry (MII): www.mii.gov.cn (Chinese)
Chinese Ministry of Commerce: http://english.mofcom.gov.cn/

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Chapter 9: Contacts, Market Research, and Trade Events

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- Trade Events

Contacts
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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

State Development and Reform Commission (or National Development and Reform Commission

38 Yuetannanjie, Xicheng District, Beijing 100824, China
Minister: Ma Kai
Main Line: (86-10) 6850-2114
International Affairs: (86-10) 6850-1343
Fax: (86-10) 6850-2117
Website: www.sdpc.gov.cn

B. Chinese Ministries

Ministry of Agriculture
11 Nongzhanguan Nanli, Chaoyang District, Beijing 100026, China
Minister: Sun Zheng Cai
Main Line: (86-10) 6419-3366
International Affairs: (86-10) 6419-2440
Fax: (86-10) 6419-2466
Website: www.agri.gov.cn

Ministry of Communications
11 Jianguomennei Dajie, Dongcheng District, Beijing 100736, China
Minister: Li Shenglin
Main Line: (86-10) 6529-2114
International Affairs: (86-10) 6529-2205
Fax: (86-10) 6529-2259
Website: www.moc.gov.cn

Ministry of Construction
9 Sanlihe Lu, Baiwanzhuang, Haidian District, Beijing 100835, China
Minister: Wang Guangtao
Main Line: (86-10) 5893-4114
International Affairs: (86-10) 5893-3833
Fax: (86-10) 6831-3669
Website: www.cin.gov.cn

Ministry of Culture
10 Chaoyangmen Beijie, Dongcheng District, Beijing 10020, China
Minister: Sun Jiazheng
Main Line: (86-10) 6555-1114
International Affairs: (86-10) 6555-1952
Fax: (86-10) 6555-1958
Website: www.ccnt.gov.cn

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

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

Ministry of Commerce
2 Dongchang'an Jie, Beijing 100731, China
Minister: Chen Deming
Main Line: (86-10) 6519-8114
International Affairs: (86-10) 6519-7217
Fax: (86-10) 6519-8904
Website: www.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) 6879-2292
Fax: (86-10) 6879-2295
Website: www.moh.gov.cn

Ministry of Information Industry
13 Xichang'anjie, Beijing 100804, China
Minister: Wang Xu Dong
Main Line: (86-10) 6601-4249
International Affairs: (86-10) 6601-1365
Fax: (86-10) 6601-1370
Website: www.mii.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

Ministry of Labor and Social Security
12 Hepingli Zhongjie, Dongcheng District, Beijing 100716, China
Minister: Tian Chengping
Main Line: (86-10) 8420-1114
International Affairs: (86-10) 8420-7243
Fax: (86-10) 8422-1624
Website: www.molss.gov.cn

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

Ministry of Personnel
7 Hepingli Zhongjie, Dongchen District, Beijing 100013, China
Minister: Yin Weimin
Main Line: (86-10) 8421-4883
International Affairs: (86-10) 8421-4867
Fax: (86-10) 8421-4867
Website: www.mop.gov.cn

Ministry of Public Security
14 Dongchang'anjie, Beijing 100741, China
Minister: Meng Jianzhu
Main Line: (86-10) 6520-2114
International Affairs: (86-10) 6520-3279
Fax: (86-10) 6524-1596
Website: www.mps.gov.cn

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) 5814-1855
Fax: (86-10) 6398-1065
Website: www.china-mor.gov.cn

Ministry of Science and Technology
15 Fuxinglu, Haidian District, Beijing 100038, China
Minister: Wang Gang
Main Line: (86-10) 5888-1800
International Affairs: (86-10) 5888-1333
Fax: (86-10) 5888-1334
Website: www.most.gov.cn

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) 6320-2383
Website: www.mwr.gov.cn

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) 6603-6447
Fax: (86-10) 6309-6382
Website: www.ggj.gov.cn

General Administration of Civil Aviation of China
155 Dongsi Xidajie, Beijing 100710, China
Director: Li Jiaxiang
Main Line: (86-10) 6409-1114
International Affairs: (86-10) 6409-1311
Fax: (86-10) 6401-6918
Website: www.caac.gov.cn

General Administration of Customs
6 Jianguomennei Dajie, Beijing 100730, China
Director: Mu Xinsheng
Main Line: (86-10) 6519-4114
International Affairs: (86-10) 6519-5980
Fax: (86-10) 6519-4354
Website: www.customs.gov.cn

National Tourism Administration

Jia 9 Jianguomennei Dajie, Beijing 100740, China
Director: Shao Qiwei
Main Line: (86-10) 6520-1114
International Affairs: (86-10) 6520-1819
Fax: (86-10) 6520-1800
Website: www.cnta.com

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

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

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

State General Administration for Quality Supervision and Inspection and Quarantine
No.9 Ma Dian Bridge East, Hai Dian District, Beijing 100088, China
Director: Li Changjiang
Main Line: (86-10) 8226-0114
International Affairs: (86-10) 8226-2176
Fax: (86-10) 8226-0552
Website: www.aqsiq.gov.cn

State Bureau of Taxation
5 Yangfangdian Xilu, Haidian District, Beijing 100038, China
Director: Xiao Jie
Main Line: (86-10) 6341-7114
International Affairs: (86-10) 6341-7925
Fax: (86-10) 6341-7870
Website: www.chinatax.gov.cn

State Food and Drug Administration
Jia 38 Beilishilu, Xicheng District, Beijing 100810, China
Director: Shao Mingli
Main Line: (86-10) 6831-3344
International Affairs: (86-10) 6831-1986

Fax: (86-10) 6833-7662
Website: www.sda.gov.cn

State Environmental Protection Administration
115 Xizhimennei Nanxiaojie, Beijing 100035, China
Minister: Zhou Shengxian
Main Line: (86-10) 6655-6114
International Affairs: (86-10) 6655-6520
Fax: (86-10) 6655-6521
Website: www.zhb.gov.cn

State Forestry Bureau
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

General Administration of Press and Publication
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

State Sport General Administration
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: Xie Fuzhan
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

General Office of the State Council
Zhongnanhai, Beijing 100017, China
Secretary General: Hua Jian Min
Tel: (86-10) 6309-6898
Fax: (86-10) 6309-3102
www. gov.cn

Hong Kong and Macau Affairs Office
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 of State Council
35 Fuwaidajie, Beijing 100037, China
Director: Li Haifeng
Tel: (86-10) 6832-7530
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

Chinese 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, Xicheng District, Beijing 100864
President: Lu Yongxiang
Tel: (86-10) 6859-7289
Website: www.cas.ac.cn

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

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

China National School of Administration
6 Changchunqiaolu, Haidian District, Beijing 100089
President: Hua Jian Min
Tel: (86-10) 6892-9665
Website : www.nsa.gov.cn

China Earthquake Administration
63 Fuxing Lu, Haidian District, Beijing 100036, China
Director: Chen Jianmin
Tel: (86-10) 6821-9525
Website: www.cea.gov.cn

F. Bureaus Supervised by Commissions and Ministries

State Administration of Foreign Exchange
18 Fuchenglu, Haidian District, Beijing 100037, China
Director: Ms. Hu Xiaolian
Tel: (86-10) 6840-2507
Website: www.safe.gov.cn

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
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

State Bureau of Surveying & Mapping
9 Sanlihelu, Baiwanzhuang, Beijing 100830, China
Director: Mr. Lu Xin-She
Tel: (86-10) 6832-1893
Website: www.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

China National Light Industry Council
Yi 22 Fuwaidajie, Beijing 100833, China
Chairman: Chen Shineng
Tel: (86-10) 6839-6228
Fax: (86-10) 6839-6351

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

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

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

China National Textile Industry Council
12 Dongchang'anjie, Beijing 100742, China
Director: Du Yuzhou
Tel: (86-10) 8522-9207/9205/9217
Fax:(86-10) 8522-9283
Website: www.cntac.org.cn

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

China Huaneng Group
40 Xue Yuan Nan Lu, Haidian District Beijing 100082, China
President: Li Xiaopeng
Tel: (86-10) 6229-1888
Fax: (86-10) 6229-1899
Website: www.chng.com.cn

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

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

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

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

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

China Petro-Chemical Corporation
6 Hui Xin Dong Jie Jia, Beijing 100029
President: Wang Tian-Pu

Tel: (86-10) 6499-9936
Fax:(86-10) 6421-8356
Website: www.sinopec.com.cn

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

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
Fax: (86-10)6803-9205/ 6803-1579
Website: www.csic.com.cn

Everbright Industrial Corp.
6 Fu Xing Men Wai Street, Everbright Building, Beijing 100045, China
President: Tang Shuangming
Tel: (86-10) 6856-0088
Fax: (86-10) 6856-1121
Website: www.ebchina.com

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

H. American Chambers of Commerce/Trade Associations

American Association for Manufacturing Technology
Rm. 2507 Silver Tower
2 Dongsanhuan North Road
Chaoyang District
Beijing 100027
Tel: (86-10) 6410-7374, 6410-7375/76
Fax: (86-10) 6410-7334

American Chamber of Commerce in Beijing
James Zimmerman, Chairman
Michael Barbalas, President
Suite 1903 China Resources Building
8 Jianguomenbei Avenue
Beijing 100005
Tel: (86-10) 8519-1920
Fax: (86-10) 8519-1910
Website: www.amcham-china.org.cn

American Soybean Association
Phillip W. Laney, Representative
China World Tower2, Room 902
Beijing 100004
Tel: (86-10) 6505-1830, 6505-1831, 6505-3533
Fax: (86-10) 6505-2201

American Equipment Manufacturers (AEM)
Suite 501 China Resources Building
8 Jianguomenbei Avenue
Beijing 100005
Li Kai En, Representative
Tel: (86-10) 8519-1566
Fax: (86-10) 8519-1567
Website: www.aem.org

U.S.-China Business Council
Robert Poole, Director of China Operations
CITIC Building, Room 1001
Beijing 100004
Tel: (86-10) 6592-0727
Fax: (86-10) 6512-5854,
Website: www.uschina.org

U.S. Grains Council
China World Tower 2, Room 901
Beijing 100004
Tel: (86-10) 6505-1314, 6505-1302
Fax: (86-10) 6505-0236
Website: www.grains.org

U.S. Wheat Associates
Zhao Shipu, Director
China World Tower2, Room 903
Beijing 100004
Tel: (86-10) 6505-1278, 6505-3866
Fax: (86-10) 6505-5138
Website: www.uswheat.org

United States Information Technology Office (USITO)
Greg Shea, Managing Director
Room 516, Beijing Fortune plaza office Tower, No.7 Dongsanhuan Zhong Lu
Chaoyang District, Beijing 100020, China
Tel: (86-10) 6530-9368/69/70
Fax: (86-10) 6530-9367
Website: www.usito.org

I. U.S. Embassy Contacts

U.S. Embassy Beijing

No. 3 Xiu Shui Beijie
Beijing, China 100600
Tel: (86-10) 6532-3831
Website: www:beijing.usembassy-china.org.cn

Mailing Address from U.S.:
U.S. Embassy Beijing
Department of State
Washington, D.C. 20521-7300

Ambassador's Office
Clark T Randt, Jr.
Tel: (86-10) 6532-3831, x 6400
Fax: (86-10) 6532-6422

Economic Section
Minister-Counselor for Economic Affairs: Robert Luke
Tel: (86-10) 6532-3831 x 6999
Fax: (86-10) 6532-6422

U.S. Commercial Service
Minister-Counselor for Commercial Affairs: Barry Friedman
Tel: (86-10) 8529-6655 x801
Fax: (86-10) 8529-6558
Deputy : Bill Brekke
Tel: (86-10) 8529-6655 x802
Fax: (86-10) 8529-6558

Foreign Agricultural Service
Agricultural Affairs Office
Minister-Counselor for Agricultural Affairs: Westman William
Tel: (86-10) 6532-1953
Fax: (86-10) 6532-2962

Beijing Agricultural Trade Office
Director: Laverne Brabant
Tel: (86-10) 8529-6418
Fax: (86-10) 8529-6692

Guangzhou Agricultural Trade Office
Director: Joanie Dong
Tel: (86-20) 8667-7553
Fax: (86-20) 8666-0703

Shanghai Agricultural Trade Office
Director: Wayne Batwin
Tel: (86-21) 6279-8622
Fax: (86-21) 6279-8336

Animal and Plant Health Inspection Service
Director: Theresa Boyle

Tel: (86-10) 6532-3212
Fax: (86-10) 6532-5813

American Consulate General Chengdu
No. 4 Lingshiguan Road, Section 4
Renmin Nanlu, Chengdu, China 610041
Consul General: James Boughner
Tel: (86-28) 8555-3119
Fax:(86-28) 8558-3520
Principal Commercial Officer: Eric Wolf
Tel: (86-28) 8558-3992
Fax: (86-28) 8558-9221

American Consulate General Guangzhou
No. 1 South Shamian Street, Guangzhou China 510133
Consul General: Robert Goldberg
Tel: (86-20) 8121-8000
Fax: (86-20) 8121-6296
Principal Commercial Officer: Ireas Cook
Tel: (86-20) 8667-4011
Fax: (86-20) 8666-6409

American Consulate General, Shanghai
1469 Huaihai Zhong Lu, Shanghai China 200031
Consul General: Kenneth Jarrett
Tel: (86-21) 6433-6880
Fax: (86-21) 6433-4122
Principal Commercial Officer: David Gossack
Tel: (86-21) 6279-7630
Fax: (86-21) 6279-7639

American Consulate General Shenyang
No. 52, 14th Wei Road, Heping District
Shenyang China 110003
Consul General: Steve Wickman
Tel: (86-24) 2322-1198
Fax: (86-24) 2322 2374
Principal Commercial Officer: Yause Pai
Tel: (86-24) 2322-1198
Fax: (86-24) 2322-2206

J. Washington-based USG China Contacts

U.S. Department of Commerce
International Trade Administration
Office of China Economic Area
Room 1229
14th & Constitution Avenue
Washington, D.C. 20230
Tel: (202) 482-3583
Fax: (202) 482-1576

Multilateral Development Bank Office
Tel: (202) 482-3399
Fax: (202) 482-5179

The China Business Information Center (CBIC)
U.S. Department of Commerce
Tel: 800-USA-TRADE
www.export.gov/china

U.S. Department of State
Office of China and Mongolia
Bureau of East Asia & Pacific Affairs
Room 4318, 2201 C Street, N.W.
Washington, D.C. 20520
Tel: (202) 647-6796
Fax: (202) 647-6820
Office of Business Affairs
Tel: (202) 746-1625
Fax: (202)647-3953

U.S. Department of Agriculture
International Trade Policy
Asia American Division
Foreign Agricultural Service
Stop 1023
14th and Independence SW
Washington, D.C. 20250-1023
Tel: (202) 720-1289
Fax: (202) 690-1093
Email: deatonl@fas.usda.gov

AgExport Services Division
Foreign Agricultural Service
Ag Box 1052
14th and Independence SW
Washington, D.C. 20250-1052
Tel: (202) 720-6343
Fax: (202) 690-4374
Trade Assistance & Promotion Office
Tel: (202) 720-7420

Office of U.S. Trade Representative
China Desk
600 17th Street, NW
Washington, DC 20506
Tel: (202) 395-5050
Fax: (202) 395-3911

U.S. Ex-Im Bank
Business Development Office

Washington, D.C.
Tel: 202-565-3900
Fax: 202-565-3723
Website: www.exim.gov

K. U.S.-Based Multipliers

U.S.-China Business Council
John Frisbie, President
1818 N Street, N.W., Suite 500
Washington, D.C. 20036-5559
Tel: (202) 429-0340
Fax: (202) 775-2476
Webiste: www.uschina.org

Market Research

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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/mrktresearch/index.asp.

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.

Trade Events

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Please click on the link below for information on all worldwide upcoming trade events.

http://www.export.gov/tradeevents/index.asp

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

In China the Commercial Service connects you with local, on-the-ground contacts in China, wile giving you the support of over 100 U.S. Department of Commerce staff in China and over 100 Export Assistance Centers throughout the Unites States.

Through a partnership between the U.S. Commercial Service and China's national trade promotion organization, the China Council for the Promotion of International Trade, the U.S. Commercial Service put a network of China trade experts at your fingertips, while assuring you the quality service American businesses have come to expect from the U.S. Commercial Service worldwide.

Operating in 19 cities across China our specialists can help you find an agent, or expand your geographical range and market reach. These cities include: Beijing, Shanghai, Guangzhou, Chengdu, Shengyang, Harbin, Dalian, Tianjin, Qingdao, Xian, Wuhan, Nanjing, Ningbo, Hangzhou, Chongqing, Kunming, Xiamen, Shenzhen, and Zhuhai.

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/china/en/programs.html

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.