



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 5/13/2008

GAIN Report Number: CH8410

China, Peoples Republic of

Market Development Reports

Business Travel in Beijing

2008

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Report Highlights: With more than 3,000 years of history, time-honored Beijing is home to more than 9,000 diplomatic missions, international companies, organizations, research institutes, universities, municipal & provincial offices, and countless historic landmarks. As the political and cultural capital of modern China, this large and bustling city has opened its doors to the world as the 2008 Olympic Games host. Based on a rising standard of living, high per capita incomes and significant influence over the rest of the country, Beijing is a place few should ignore when doing business in China. This report provides a brief overview of the city, and some useful suggestions for visitors planning to do business here in Beijing.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Beijing ATO [CH4]
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I. INTRODUCTION



Time-honored Beijing, the political and cultural center of modern China, has a history of over 3,000 years, and served as the Middle Kingdom's capital for more than 800 years over 4 dynasties. Today, the city is home to over 9,000 diplomatic missions, multinational corporations and organizations as well as municipal-provincial offices. In addition, Beijing boasts a population of over 17 million residents, including 12 million

permanent residents. According to a recent report by the Population Institute of Beijing University, Beijing's population is likely to soar to more than 20 million by 2020, largely due to the continued influx of migrants from other parts of the country. Beijing is one of the largest and wealthiest cities in China with a per capita GDP of \$7,000 and urban per capita disposable income of over \$3,030 in 2007; these figures represent significant increases from previous years making Beijing one of China's fastest-growing cities. Beijing is also home to countless historic landmarks, six of which are on UNESCO's World Heritage List: the Temple of Heaven, Forbidden City, Summer Palace, Ming Tombs, Great Wall and Zhoukoudian. Today, the large and bustling city is feverishly preparing to host the 2008 Olympic Games. With its large population, upcoming 2008 Olympics, and significant influence over the rest of China, Beijing is a market few should or can ignore when doing business in China

II. THE CITY OF BEIJING

Beijing has been the capital since 1153 during the Jin Dynasty with successive Yuan, Ming and Qing Dynasties. However, in the 13th Century the city was put on the world map when traveler Marco Polo discovered the city's splendor and riches. As a result of over 800 years' construction and expansion, today Beijing has become one of most influential and booming urban city's in the world. Beijing is a Special Municipality directly under the control of China's Central Government. Consequently, Beijing

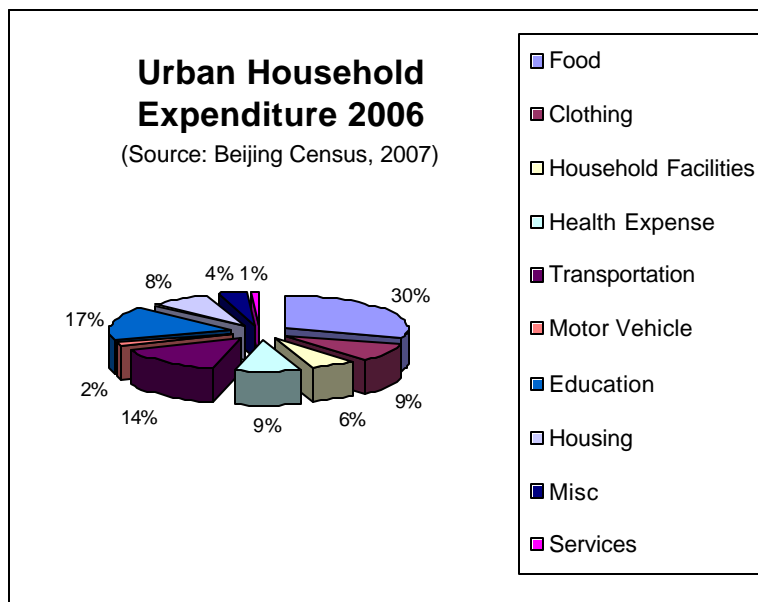


enjoys the same status as a province and its mayor has cabinet-level rank. The city covers an area of about 18,000 square kilometers currently divided into 18 districts: Dongcheng, Xicheng, Chongwen, Xuanwu, Chaoyang, Fengtai, Shijinshan, Haidian, Mentougou, Fangshan, Tongzhou, Shunyi, Changping, Daxing, Huairou, Pinggu, Miyun and Yanqing. Many major trading, banking and commercial businesses including the Agricultural Trade Office (ATO) Beijing are located within the Central Business District (CBD) in Chaoyang District. In general, Beijing is structured with Tian'anmen Square at its center while the city's main thoroughfare, Chang'an Boulevard, runs 38 kilometers East-West. Located 1.5 hours by car due west of Beijing is Tianjin, North China's largest costal city. Tianjin is on the Bohai Sea and serves as the major industrial base and water gateway to Beijing and Hebei Province. Tianjin is also a Special Municipality like Beijing and a number of plans are in place to

integrate the urban areas over the next decade. As one example of this is a planned Beijing-Tianjin high-speed rail designed to travel at speeds in excess of 300 KM which is scheduled to be operational by the time of the Beijing Olympics. It will reduce the travel time between Beijing and Tianjin to about 30 from the current 80 to 90 minutes.

III. THE ECONOMY

Beijing serves as both the nation's capital and as the economic center in the Northern and Western China. The city's economy continues to develop at a rapid pace, and the per capita GDP grew 8.9% in 2007, hitting \$7,370. Consequently, the Beijing municipal government predicts per capita GDP will reach \$8,000 by the end of 2008. The government's goal is to achieve per capita GDP of \$10,000 according to their Five-year Plan. The Mayor of Beijing states the city is committed to an accelerated phase of urbanization, economic growth, and international standard moderation over the next five years. The capital's external trade continues to grow with total import and export values reaching \$192.95 billion in 2007 with \$144.03 billion in imports at a growth rate of 19.9%. With all the good news, Beijing's economy faces a number of challenges with excessively rapid growth and large increases in real estate values and commodity prices.



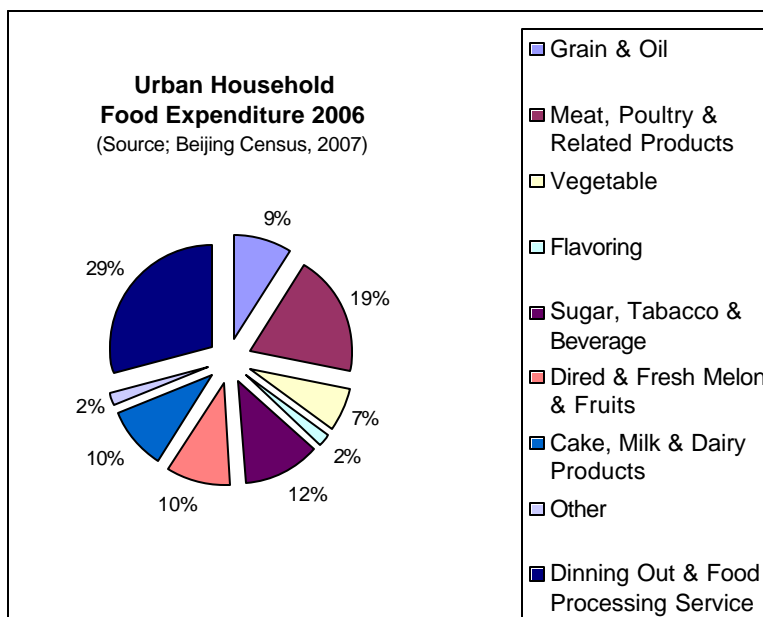
IV. THE CUSTOMER

Beijing is one of the wealthiest cities in China, and the per capita GDP continues to increase rapidly. By the end of 2007, Beijing had 12 million permanent and some 5 million temporary residents. Per capita disposable income continues to grow with rising per capita GDP, which reached \$3,030 in 2007. By mid 2007, Beijing had over 3.5 million private cars on the road, or 0.55 cars per household. Unfortunately, large gaps in income, education, and access to credit continued to widen the gap between some segments of society.

The nation's capital is also home to more than 400 research institutes and 162 institutions of higher education, including the most prestigious universities in China such as Beijing and Qinghua Universities, and The People's University. There are approximately 0.3 million local scientists and engineers, and over 70,000 international residents of more than one year in the city. By the end of 2006, more than 25% of local residents enjoyed access to higher education. Consequently, a growing number of middle class families continue to evolve in Beijing. Primary consumers for U.S. food and agricultural products are a large and growing population of well-educated, urban and affluent middle class residents. Whereas in the United States key consumers tend to be aged 40 – 55, in Beijing the average is much lower between the ages of 19 and 35. Increasingly these well informed consumers seek high-quality, safe, diverse and fashionable products. Tourists from overseas are also an important market segment with nearly 4.5 million international visitors in addition to millions of Chinese who visit Beijing for tourism and business. Beijing expects some 5.5 million visitors from overseas alone and another 20 million domestic visitors during the Olympic Games.

V. THE FOOD MARKET

With recent surges in expenditures for housing, autos, travel and even organic food products, it is evident Beijinger's are more interested in the quality of life. Disposable income continued to grow along with GDP, reaching \$3,030 per capita by the end of 2007. Based on Government economic goals, by 2010 the number should reach over \$10,000, and enhance individual consumption. Consequently, Beijing consumers, like most urban Chinese are consuming more meat, dairy, fruit and less traditional cereals and grains than ever before. Organic products have become a standard fixture in the market as affluent Beijinger's pursue improved health and a better quality of life.



In 2007, the price of food and agricultural products increased rapidly. Prices for meat, poultry and related products increased 28.7%; vegetables increased 9.8%; edible oil 17.3%, and eggs increased 18.6%. Lead by these price increases for food and agricultural products, overall consumer price levels for Beijing residents increased some 2.4% in 2007.

A decade ago most Chinese bought their groceries from open air "wet" markets, as supermarkets were few, uncompetitive, overpriced and lacked freshness. Since the opening of China's as well as Beijing's first Carrefour in 1995, numerous retailers have opened their doors to consumers eager for quality food items at competitive prices. Carrefour, with nine stores, Wal-Mart, with four and one Sam's Club, Metro with two stores, are all among the many grocery stores in Beijing with special aisles dedicated to imported food products, often arranged by the country of origin. Imported goods such as cheese, butter, and other dairy products, cereal, cookies, coffee, candy, beverages, wine and snack food are represented in wide variety in these supermarkets, with products from U.S., Spain, Germany, Switzerland, France, Canada, Italy, and Australia among them.



Expatriates are still a primary driver of imported food product consumer, since eating habits change slowly for both international as well as Chinese consumers.

In addition, countless convenience stores continue to pop up in the city, covering approximately 87% area of downtown, such as 7-Eleven, Watson's, Di Ya Tian Tian, which mainly sell snack foods, instant food and beverages. Convenience stores are also reaching the suburbs with 681 convenience stores located in Beijing's suburbs in 2006.

Beijing is home to some of China's most sophisticated food culture from ancient times. During the Ming Dynasty the capital was moved to Beijing with a diverse variety of foods

from all over China finding their way to Beijing. In addition to the delicate and subtle flavors of Imperial Cuisine, world-famous Peking duck and lamb hot pot are said to all have originated here. Now an international crossroads, Beijing diners savor the food and flavors of China's regional cuisine as well as an ever expanding range of international options. From the all-American brunch at Chef Too to upbeat Spanish Mare Notre, Beijinger's palates continue to grow along with their pocketbooks. As more consumers have the means to dine out, the hotel and restaurant sector has developed rapidly. According to Beijing government official statistics, Beijing restaurant profits reached to \$8.3 billion in 2006, contributed by more than 30,000 restaurants in this city. During Spring Festival 2007, revenues of the hotel and restaurant sector was more than RMB 62.9 million (\$8.86 million) over the 7-day holiday.

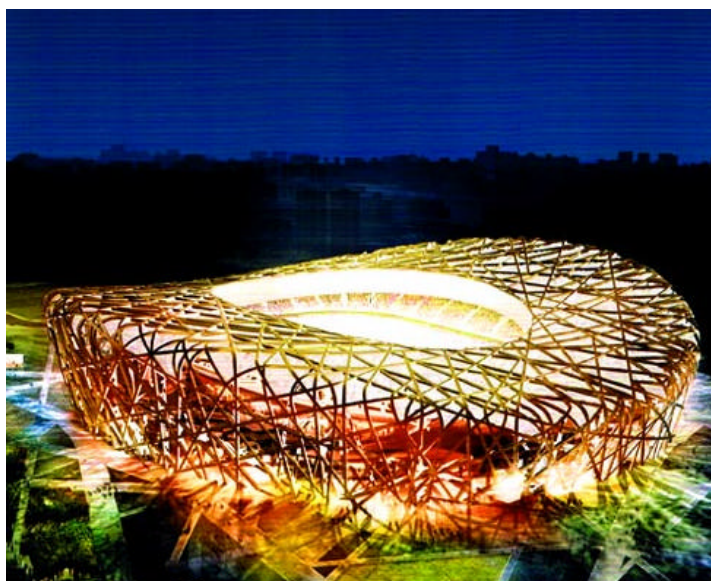
Nonetheless, young middle class Chinese are becoming a major consumer force and are not as price-sensitive as their elders, who often pursue a healthier and qualitative lifestyle. Currently, it is increasingly common for young housewives to purchase imported cereals, wine, butter, and cheese for daily consumption from the supermarket. After the launch of the "One Child Policy" in 1979, children have become the center of the family, and primary demand drivers for imported high quality and safe food products and merchandize in upscale packaging.



With China's accession to the WTO, tariff rates for many imported food have declined, and the strengthened Yuan (increased 6.59% against the \$ in 2007), making imports more affordable and attractive. American manufacturers, importers and distributors should take active steps to put their products on the shopping lists of Chinese consumers. In courting potential buyers, American traders need to pay special attention to the teen and young professional market segments, which often control family purse strings when it comes to the purchasing imports. Both promotion and advertising are good ways to develop this market. Once the market has been tapped, Chinese consumer interest in U.S. goods can create a considerable, dynamic market with strong demand. Help with navigating the market for interested suppliers from the U.S. is available from the Ag Trade Office.

VI. OLYMPICS 2008

The Games of 2008 Olympiad will serve as an information and economic gateway to Beijing and China for the world community. Spending and development effects related to the Games have already manifested themselves in the Beijing economy. The Beijing Municipal Statistics Bureau estimates the city will see no less than a 2% increase in GDP as well as 1.82 million vacant positions will be provided. Moreover, national gross output for China as a whole is expected to grow an additional 0.3 – 0.4% as a result of the Olympics according to the National Bureau of



Statistics. Beijing expects nearly 600,000 international visitors, including 430,000 ticket holders during the Olympic Games, in addition to 2.58 million domestic tourists, and the Beijing Government is working hard to cope with accommodation needs. According to the Beijing Tourism Bureau, 3.33 million lodging rooms will be needed daily during the Games, while 6.5 million rooms already in place, by August 2008 Beijing is expected to have 800 starred hotels providing approximately 130,000 rooms. According to China's largest online booking agent – Ctrip.com, hotel prices in Beijing during the Olympics has increased four to ten times over normal. One 4 star hotel in the city's CBD quotes its standard room rate at \$833 a day during the Olympic period compared to \$140 currently.



In preparation for the Olympics, the Beijing Government is working on several construction projects as well as developing cultural and environmental programs. In December 2007, Beijing started environmental improvements focused on areas within the fifth ring road. Forestation has reached 50% in Beijing and 70% in mountainous areas. As well, many chemical factories have been moved out of the city to reduce pollution. In addition to these environmental projects, Olympic venue construction continues to progress smoothly. At the end of April 2008, 36 of 37 competition venues were complete for the Olympics. Ten competition venues surround the Beijing Olympics Green Zone located to the North of the city between the 4th and 5th Ring Roads and the remainder spread across the city's eastern and western districts, university and northern suburbs. The design of the National Stadium – 'Bird's Nest' and the National Aquatic – 'Water Cube', are both situated in the Olympic Green representative of the traditional Chinese concept of a "round heaven and square earth". In addition to its use as the main Olympics venue for field events the Bird' Nest is also the site of the opening and closing ceremonies with a 91,000 seat capacity. The Water Cube was built from Overseas Chinese donations with swimming, diving and other aquatic events to take there.

A new subway line, which runs through the complex stadiums, gymnasiums and parks for the 2008 Beijing Olympic Games will begin operation in June 2008. By that time, Beijing is scheduled to have 9 lines in operation with a total length of 200 km. According to Beijing's city planning authorities, total subway lines will reach 19 with 561.5 km by the year 2020. Beijing also expanded its capital airport for the Olympic Games. The new terminal T3, which is the largest building in the world, opened in March of this year to relieve the overload of two other terminals. Last but certainly not least, the new CCTV headquarters, which has been called one of the top ten "Architectural Marvels of the World" stands 234 meters tall and is currently undergoing the installation of its glass surface for operation this August to accommodate the live broadcast of the 2008 Beijing Olympics.

Tickets to the Olympics have been available for online since April 2007 from the Beijing Olympic Committee official website: <http://www.tickets.beijing2008.cn>. The first, and second phases of applications and lotteries have ended, however, the third phase is still on-going. Some 4.2 million tickets have been ordered already. Tickets for the opening and closing ceremonies are the most sought after and are sold out followed by tickets for basketball, diving, swimming, rhythmic gymnastics and other competitions. Seventy-five percent of tickets are to be allocated-sold in China with the reminder available for overseas sales.



VII. TIPS FOR DOING BUSINESS IN BEIJING

1) BUSINESS ETIQUETTE

a) Chinese Names

Most Chinese have two or three syllable names; however, the most important to know is the family name. Normally, family names are pronounced or written first, before given names. When you address someone in China it is better to avoid using their first or given name unless you know them extremely well. It is usually a good idea to use salutations such as Mr., Mrs., Miss or title such as Director or Manager when addressing Chinese people.

b) Tipping

Usually, tipping is not required in China, and in some hotels and restaurants it is forbidden. However, it is not inappropriate to tip hotel staff that help with luggage, etc. Tips are rarely given in restaurants and taxis are never tipped.

c) Bring Plenty of Business Cards

Exchanging business cards is essential in conducting business in China. It is a very important custom to use both hands when presenting and receiving business cards, combined with a slight bow of the head. It's a good idea to have your name cards printed on both sides with one side in English and the other in Chinese. This can be done fairly quickly

After arrival in China, but if you have the time it's probably best to arrange this beforehand if you are on a tight schedule. Nearly everyone you meet will want to exchange or have your card so it is important to bring or prepare an ample supply even for a short visit.

d) Banquets & Receptions

When invited to a business meal, the Chinese like to share dishes together, family-style. The Chinese like to celebrate with food and will order more, often much more, than can be eaten, to express their appreciation. It would not be unusual for someone to refill your plate or bowl if it is empty, especially if you are a fast eater. Eventually, you will be too full to move. Sometimes, the host will give a toast at the meal. Often a choice of drinks, both alcoholic and non-alcoholic, is offered. Beware of the Chinese toast "Gan Bei" (bottoms up or literally "dry glass"), especially if you are drinking Chinese Bai Jiu (white liquor). It is polite to use both hands when offering or receiving anything, especially a drink. And remember, white rice sometimes has to be ordered separately; fried rice, noodles and soup come last in a traditional Northern Chinese meal. At meetings, seating will follow strict protocol, so let your host seat you. Start with a few pleasantries before discussing business.

e) Bring Small Gifts

Small gifts are a good idea and always welcome in Beijing and China. They can be small and inexpensive things such as food, pens, books or items with your corporate or organizational logo. A book with pictures of your country or region is also a good bet. However, some gifts are better avoided, such as clocks, chrysanthemums, shoes, green hats, and turtles, which are all considered in some way to be negative. Also, be sure **not to use** white paper for wrapping gifts; red would be a much better choice for nearly any occasion.

2) LEARN A LITTLE MANDARIN

Your Chinese clients or hosts will be flattered and very impressed if you show a little initiative and try to learn some basic Chinese. Try to learn a few simple greetings as below:

Ni Hao (Knee How):	Hello/How do you do?
Xie Xie (Shay Shay):	Thank you!
Zai Jian (Sy Jen):	Goodbye!

3) WORKING HOURS

Business and Government hours vary according to individual work ethics, but normally the government is open 8:00 am to 5:00 pm, Monday through Friday closed for lunch during the 11:00 am to 1:00 pm period. Visits are better scheduled at times neither too early nor too late in the day, and particularly not at or near lunchtime. China observes a number of national holidays but there are two major ones you need to keep in mind. The first is Spring Festival (Chinese Lunar New Year) that falls between the second half of January and first half of February (dates change year to year based on the lunar calendar). The second is National or Establishment Day holidays, which fall on October 1-7. Travel during these periods should be avoided if possible since almost all government offices, businesses and organizations will be closed during these times for a week, or more. Most hotels and restaurants are open during these holidays, but are often fully booked due to domestic tourism and travel.

4) CURRENCY

The RMB (Renminbi) is the official currency of China. The basic unit the Yuan is sometimes called “kuai” (in the same way a dollar is sometimes called a “buck”), and is divided into 10 Jiao or Mao (dimes). One Jiao is further divided into 10 Fen (cents). Chinese currency is available in 100, 50, 20, 10, 5 and 1 Yuan notes as well as 5 and 1 Jiao notes. Notes can be distinguished by their relative size, unique color and Latin numbers printed on them. Most major credit cards—American Express, MasterCard and Visa—are accepted at major hotels, restaurants and shops in Beijing. Many ATM machines will also accept most American ATM cards. However, when traveling outside of China’s major cities, it is best not to rely on credit or ATM cards.



5) BARGAINING

In the larger shops in Beijing, bargaining is no longer necessary. However, in many of the tourist markets and back-street shops, the buyer is expected to bargain before making a purchase. The seller’s initial price is often at least 50-75% higher than the item’s actual market price, and can sometimes be much higher. The best option for foreigners in Beijing is usually to bargain by countering the seller’s initial offer with a big smile and a much lower price. For example, if the seller offers an item at 60 RMB, the buyer might counter with 10 RMB, and so on. Also, during the process of haggling, it may be a good idea to walk away once you’ve offered your final price, and if you are called back, the price is right!

6) USEFUL BEIJING CONTACT INFORMATION

American Embassy Beijing
3 Xiu Shui Bei Jie, Chaoyang District
Tel: (86-10) 6532-3831

Police	Dial 110
Ambulance	Dial 120
Fire Department	Dial 119
Local Directory Assistant	Dial 114

Agricultural Office Beijing
5-2 Qi Jia Yuan Diplomatic Compound
Jianguomenwai, Beijing 100600
Tel: (86-10) 6532-1953
Email: AgBeijing@fas.usda.gov

Agricultural Trade Office (ATO) Beijing
Kerry Center South Tower
24th Floor, Suite #2425
No. 1 Guanghua Lu, Chaoyang District
Beijing, China 100020
Tel: (86-10) 8529-6418
Email: ATOBeijing@fas.usda.gov

Animal and Plant Health Inspection Service
Room 618, Beijing International Club Office Building
No. 21 Jianguomenwai Avenue
Beijing, China 100020
Tel: (86-10) 6532-3212

Beijing Municipal Government Official Website
<http://www.ebeijing.gov.cn>

Official Website of the Chinese Olympic Committee
<http://en.olympic.cn>

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