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Business Travel in Beijing

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Report Highlights: Beijing, China's political and cultural capital for nearly 800 years, is home to over 9,000 diplomatic missions, international companies, organizations, research institutes, universities, municipal-provincial offices, and countless historic landmarks. One of the largest and wealthiest cities in China, Beijing is in the midst of a major makeover in preparation for the 2008 Olympic Games. With a population exceeding 15 million, high per capita income, and significant influence over the rest of the country, Beijing is a place few should ignore when doing business in China. The report provides a brief introduction to the city, and useful suggestions for visiting Americans planning or doing business in Beijing.

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I. INTRODUCTION



Beijing, the political and cultural center of modern China, was established some 3,000 years ago, and served as the Middle Kingdom's capital through more than 800 years and 4 dynasties. The city is home to over 9,000 diplomatic missions, multinational corporations, international organizations, and municipal-provincial offices, as well as over 15 million residents. Beijing is one of the largest and wealthiest cities in China with a per capita GDP of \$6,210 and an urban per capita disposable income of over \$2,595 in 2006; 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, five of which are on UNESCO's World Heritage List: the Temple of Heaven, the Forbidden City, the Summer Palace, Ming Tombs and The Great Wall. Today, the large and bustling city is in the midst of a major makeover in preparation for the 2008 Olympics, and some visitors have described Beijing's emerging skyline as a never-ending landscape of construction cranes. With its large population, upcoming 2008 Olympics, and its 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 is a 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. A booming metropolis in northern China, the municipality of Beijing covers an area of about 18,000 square kilometers which is currently divided into 16 districts: Dongcheng, Xicheng, Chongwen, Xuanwu, Chaoyang, Haidian, Shijingshan, Fengtai, Shunyi, Changping, Mentougou, Tongzhou, Fangshan, Daxing, Huairou and Pinggu. Many major trade, banking and commercial businesses, including the Agriculture 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 coastal city. Tianjin is on the Bohai Sea and serves as the major industrial base and water gateway to Beijing and Hebei Province.



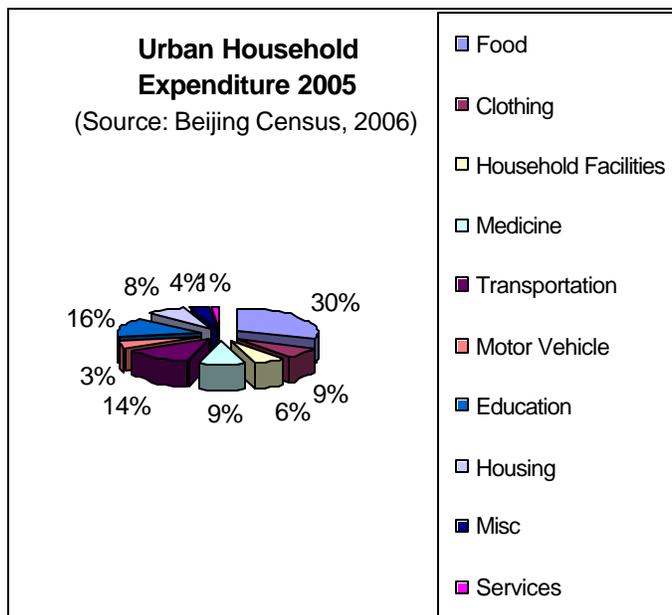
III. THE ECONOMY

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 for the past five years Beijing's GDP grew 12.1% on average, hitting \$100.52 billion in 2006. Beijing's per capita GDP was \$6,210 in 2006, placing it just behind Shanghai in terms purchasing power in China. Infrastructure investments and consumer demand continue to grow in Beijing, driven largely by preparation for the Olympics, and are estimated to reach 3 trillion Yuan by 2008.

IV. THE CUSTOMER

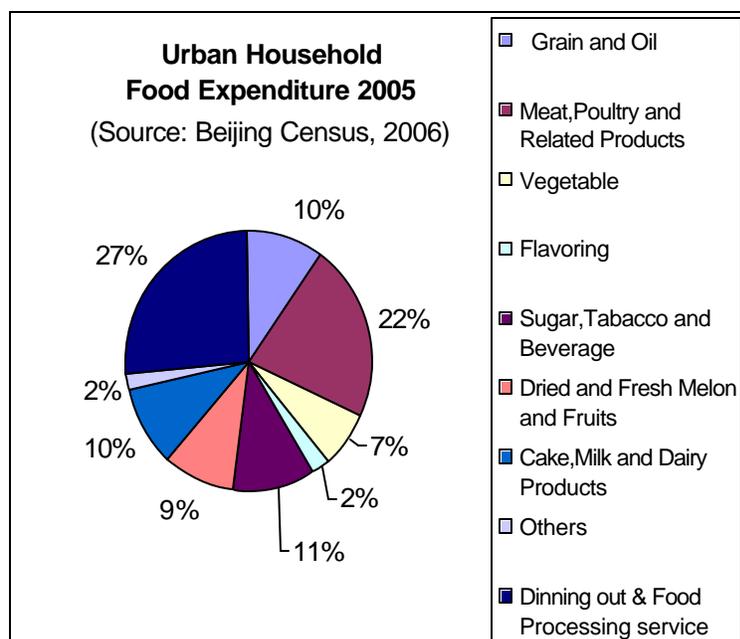
Beijing is one of the wealthiest cities in China, and the per capita GDP has been increasing rapidly in past five years. By the end of 2005, Beijing had 15.38 million permanent and some 4 million temporary residents. The residents' per capita disposable income has continued to grow with the rising per capita GDP, reaching \$2,595 in 2006. By 2006, Beijingers owned 9.3 automobiles per 100 people, with nearly 2 million private cars on the road. Unfortunately, the gaps in income, education, earnings and access to the market continued to widen between social groups.

Additionally, Beijing is home to more than 400 research institutes and 140 institutions of higher learning, including the most prestigious universities in China such as Beijing and Qinghua Universities, The People's University, and Beijing Normal. There are approximately 65,000 foreign and 1.2 million local professionals in the city, comprising more than 20% of the nation's total. The primary target consumers for U.S. food and agricultural products are the large and growing population of well-educated, urban and affluent middle class. Whereas in the United States the key consumers are aged 40 – 55, in Beijing they are teens and young adults, between ages 18 and 34, increasingly seeking high-quality, safe, diverse and fashionable food products. Expatriates and overseas Chinese, living and working in the capital in great numbers, are also an important market segment.



V. THE FOOD MARKET

With the recent increases in expenditure on cars, organic products and travel it is evident that Beijingers are paying more and more attention to the quality of their lives. Their disposable income has continued to grow alongside GDP, reaching \$2,595 per capita by the end of 2006. According to government estimates, by 2010 that number will reach \$10,000, greatly enhancing individual consumption. Consequently, Beijingers, like most urban Chinese, are consuming more meat, dairy, and fruit, but less traditional cereals and grains than ever before. As more consumers have the ability to dine out, the hotel and restaurant sector is also developing rapidly. According to U.S. Department of Commerce data, residents of Beijing are expected to spend around \$149 per capita on dining out in 2007. The food service market will continue to grow at 17%, and annual retail



sales are expected to reach \$157 billion in 2007. Compared with \$1,600 per person spent on dining out in the U.S. and \$1,050 per person in France, Beijing still has a lot of room for growth.

A decade ago most Chinese bought their groceries from open air "wet" markets, as supermarkets were few, uncompetitive, and overpriced. Since the opening of China's first Carrefour in 1995, numerous supermarkets have opened their doors to consumers eager for quality food items at competitive prices. Carrefour, with seven stores, Wal-Mart, with three stores and one Sam's Club, are among the many grocery stores in Beijing with special aisles dedicated to imported food, which the supermarkets usually arrange by the country of origin. Imported goods like 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 the main consumers of imported goods, since eating habits are hard to change, both for the foreign and the Chinese consumers.

Nonetheless, young middle class Chinese are becoming a major consumer force and are not as price-sensitive as their elders. Ever since the launch of the "One Child Policy" in 1979, children became the center of the family, and the primary drivers of demand for imported, high quality food products and merchandize in fancy packaging. For the young customers, conspicuous consumption has become both a status symbol and something that is hip and fashionable. U.S. food products enjoy an excellent reputation for quality, safety and attract the wealthier consumers. For now, local people purchase imported products mainly as gifts, both for their novelty and cultural appeal, but that is changing.

With China's accession to the WTO, tariff rates for imported food have declined, and the Yuan strengthened, 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 businesses should pay special attention to the teen and young professional segments, which often control the family's purse strings when it comes to the purchase of foreign goods. Both promotion and advertisement 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. Consultations for interested suppliers can be organized through the ATO.

VI. OLYMPICS 2008

The Games of the 2008 Olympiad will serve as an information and economic gateway to Beijing and China for the world community. Effects of Olympic spending and development 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. 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 during the Olympic Games, in addition to more than 2.58 million domestic tourists, and the Beijing municipal government is hard at work to cope with accommodation needs. By August 2008, Beijing is expected to have 800 starred hotels, providing approximately 130,000 rooms.



同一个世界 同一个梦想
One World One Dream

Seven starred hotels opened in 2006 and 10 are expected to open this year. Overall, Beijing has seen a more than 35% increase in the number of 5 star hotels opened over the last three years in preparation for the 2008 Olympics Games.

In preparation for the Olympics, the Beijing Government is working on several construction projects, as well as developing cultural and environmental programs. Construction of major Olympic Game venues, including the National Stadium and National Aquatics Center, as well as expansion of Beijing's Capital International Airport continue to make smooth progress, adhering to timeline and quality standards. The total length of the subway in Beijing will increase to 300 km by the time of the Olympic Games. The Beijing Speaks Foreign Languages Program and Office for Standardization of English Translation of Beijing Public Signs are running several campaigns to ensure that the city has enough foreign language speakers in time for the Olympics. Currently, some 4.87 million Beijing residents can speak English at different proficiency levels, close to the government objective of training 5 million speakers. Meanwhile, more than 280,000 Beijing residents have applied for volunteer positions during the Olympics. The Olympic motto, "One World, One Dream", serves as a unifying theme for many of the projects and campaigns undertaken by the municipal and central governments as they strive to prepare and bring Beijing to the international arena.



Tickets to the Olympics have been available for order online since April 2007 at the Beijing Olympics official website, <http://www.tickets.beijing2008.cn>. Over one million tickets have been ordered already, with tickets for the opening and closing ceremonies reportedly being the most popular, followed by tickets for basketball, diving and other competitions. Seventy-five percent of the tickets will be sold in China, with the remainder 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, with closure for lunch during the period from 11:00 am to 1:00 pm. 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 three 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 International Labor or May Day holidays normally observed May 1-7. The third 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 usually 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 denomination notes as well as 5 and 1 Jiao notes. These notes can be distinguished by their relative size, unique colors and, of course, the 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% 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 Trade Office (ATO) Beijing
Kerry Center South Tower
24th Floor, Suite #2425
No. 1 Guanghai Lu, Chaoyang District
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