Doing Business in China

2012 Country Commercial Guide for U.S. Companies


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**Market Overview**

China responded quickly to the global economic downturn in 2008, and as a result of a combination of monetary, fiscal, and bank-lending measures, China’s GDP grew 9.2 percent in 2009, 10.3 percent in 2010, and 9.2 percent in 2011. GDP in 2012 is expected to grow 7.5 percent, with GDP projections for 2013 not expected to be far off that mark at between 8.3 percent and 8.8 percent. After a 2010 consumer price index (CPI) of 3.3 percent, China’s inflation rate rose to 5.53 percent in 2011.

China’s economy has seen enormous benefits from fixed asset investments, particularly in response to the financial crisis of 2008, which significantly reduced net exports. This investment-led growth, however, is widely perceived as non-sustainable and China’s leadership addressed this concern in its 12th Five-Year Plan (12th 5YP), which came out in 2011. The plan aims to increase consumption activity from approximately 35 percent of GDP in 2010 to 50 percent by 2015. In comparison, about 70 percent of the United States’ GDP is derived from consumption, whereas 63 percent of Brazil’s GDP is driven by consumption. The rebalancing of China’s economy should create opportunities for U.S. companies that provide consumer products and services. Environmental protection is also a high priority in the 12th FYP.

Despite China’s gradually slowing GDP, U.S. exports to China increased to $100 billion in 2011, up from $91 billion in 2010. The U.S. trade deficit with China widened to $295 billion, up from 2010’s deficit of $273 billion. China remains the United States’ second largest trading partner after Canada. U.S. agricultural, fishery, and forestry exports to China from January to December 2011 reached a new high of $21.9 billion, up 13 percent from 2010. China is the second-largest U.S. overseas market for agriculture, fish, and forestry exports. Given China’s rising incomes and demand for raw materials and finished foodstuffs, FAS forecasts that China’s imports will continue to grow well into the future.

China’s inbound FDI climbed nearly 16 percent in the first three quarters of 2011, reaching $95 billion, up from 15.9 percent in 2010. Similarly China’s outbound FDI rose 14.1 percent, for a total of $46.3 billion.

China’s rapid economic growth, especially in the urban areas, has led to a booming consumer market for high-end goods and services, including tourism and education. China will account for the consumption of about 20 percent of global luxury goods by 2015, or $27 billion. About 80 percent of people buying luxury items in China are 45 years or younger, whereas that percentage is only half for the United States. By 2020, China’s middle class is expected to account for around 45 percent of the population, or approximately 700 million people.
Despite these remarkable changes, China is still a developing country with significant economic divisions between urban and rural areas, albeit one with vast potential. The number of migrant workers remains high. In 2011, the urban population exceeded that residing in rural areas for the first time, with 690.79 million urbanites (more than double the U.S. population) versus 656.56 million rural dwellers. As of 2011, the per-capita disposable income of urban residents was $3,454 and the per-capita disposable income of rural residents stood at $1,105.

### Market Challenges

In addition to large multinationals, many of which continue to earn impressive returns on their exports to and investments in China’s market, American small and medium-sized enterprises (SMEs) are also active here. The U.S. Department of Commerce’s Commercial Service (CS) counsels American companies that in order to succeed in China’s market, they must thoroughly investigate their specific market, take heed of product standards, and pre-qualify potential business partners. Stumbling blocks that foreign companies often run into while doing business in China can be grouped into the following broad categories.

- China often lacks predictability in its business environment. China’s current legal and regulatory system can be opaque, inconsistent, and often arbitrary. Implementation of the law is inconsistent. Lack of effective protection of intellectual property rights is a particularly damaging issue for many American companies. Both those that already operate in China and those that have not yet entered the market have had their product IP stolen by Chinese companies.
- China has a government that, in some sectors of the economy, could be called mercantilist due to the significance of exports in the growth model. China has made significant progress toward a market-oriented economy, but parts of its bureaucracy still seek to protect local firms, especially state-owned enterprises, from imports, while encouraging exports.
- China retains much of the apparatus of a planned economy, with five-year plans setting economic goals, strategies, and targets. The State and the Communist Party directly manage the only legal labor union.

### Market Opportunities

- The growth of imports from the United States in many key sectors, such as energy, chemicals, transportation, medical equipment, construction, machinery and a range of services, suggests that China will remain an important and viable market for a wide range of products and services. With growing numbers of Chinese traveling abroad for education and leisure purposes, China’s contribution to U.S. educational institutions and the tourism industry is increasingly important as well.
- China is a challenging market and requires a strong understanding of a firm’s capabilities and in-depth knowledge of the market. Before making a decision to enter the Chinese market, potential exporters should first consider their own resources, past exporting experience, and have a willingness to commit a significant amount of time exploring opportunities for their products and services in China. CS has continued to emphasize that long-term relationships are key to
finding a good partner in China. To maximize their contacts, companies should aim at forming a network of relationships with people at various levels across a broad range of organizations.

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

**Market Entry Strategy**

CS welcomes contact with American companies that aim to initiate or expand exports to the Chinese market. Two of the primary objectives of U.S. policy with regard to China are (a) creating jobs and growing the American economy by increasing exports, and (b) ensuring our companies’ ability to compete on a level playing field. A company should visit China in order to gain a better perspective and understanding of its potential as a market. Given the size of China and its rapidly changing market, a visit to China can provide great insight into the country’s business climate and its people. Chinese company representatives 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.

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. CS in China offers a wide array of services to assist U.S. exporters in finding Chinese partners through a network of five Commercial Service posts in China (Beijing, Shanghai, Shenyang, Guangzhou, Chengdu). They also have a partnership with the China Council for the Promotion of International Trade (CCPIT) to provide services in 14 other major cities in China. U.S. companies are strongly encouraged to carefully choose potential Chinese partners and take the time to fully understand their distributors, customers, suppliers, and advisors.


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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.

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

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China’s fast-growing economy attracts international participation, including exports from U.S. small and medium-sized enterprises (SMEs). Unlike large international or multinational companies that establish operations for branding, marketing and various business activities in China, SMEs with limited budgets, when expanding their business, usually start with fostering a sales network through regional agents or distributors. Sales agents and distributors, however, can assist in keeping track of policy and regulation updates, both locally and nationally, collect market data, and quickly respond to changes. In addition, U.S. SMEs can take advantage of existing networks enjoyed by their agents and distributors and expand their business through such contacts.

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 controls 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 (US$148,000) in capitalization can obtain an import/export license.

In 2005, the Ministry of Commerce (MOFCOM) issued documents outlining 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 scope. The documents give provincial-
level agencies the authority to review and approve applications. Approval for new foreign enterprises occurs at the provincial level, and not the national level.

In 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 has sped up the application process, technical challenges still remain. Existing foreign-invested manufacturers that have expanded their business scope 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.

Distributors

A U.S. 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. Chinese law allows 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.

Local agents

China has many 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 import/export licensees. These sales agents then pay a commission to the licensee. They may be representative offices of Hong Kong-based or other foreign trading companies, or domestic Chinese firms with regional or partial national networks.

Establishing an Office

How to Establish a Representative Office in China

Note: Regulations in China change frequently. While the information below is current at the time of publication, we highly recommend that companies engage competent professional service providers to assist in this process. Second, in the last few years many companies have opted for a wholly foreign owned consulting or service enterprise rather than a representative office, as this offers more flexibility and allows invoicing and collection of RMB payments.
A Representative Office (RO) must consist of no more than 4 representatives (including Chief Representative) and they may not be engaged in any profit-making activities. RO’s can only engage in market research and investigation, promotional activities of products and services, liaison for the purposes of selling products or services, domestic procurement or domestic investment. The parent company must actually sign sales contracts.

Representative Office Establishment Application Process

Applications for most industry representative offices can be applied for directly at the Administration of Industry and Commerce (AIC) in the locality where the proposed representative office is to be established. If a company’s industry is designated “special,” the AIC office will direct the firm to MOFCOM, and the company will register with MOFCOM instead of AIC. All Foreign Representatives must register with a RO within 6 months of entry. Those who have not obtained approval or have not gone through the procedures for registration shall not be permitted to undertake business operations for the home office.

The applicant or agent must submit the following documentation on behalf of the investor:

- Application letter signed by the Chairman of the Board or the General Manager. The application letter should contain, in part, the following: a description of the company’s history, business and scope; the names of the Chairman of the Board, the General Manager and directors; the names of its major trading partners in China; its business volume; the proposed name of the representative office; the purpose for setting up the representative office and the scope of its activities; the duration of the office and its chief representative.
- Head office incorporation documents and a brief description of company. Head office incorporation documents include certified copies of the company’s business registration certificate, the certificate of incorporation, the memoranda and articles of association, etc.
- Original bank reference letter attesting to the company’s financial standing.
- Letter from U.S. state of incorporation’s Department of State, notarized by Chinese embassy/consulate, affirming that the foreign enterprise is a company in good standing.
- A letter appointing the chief representative to the representative office as well as the chief representative’s resume showing his/her work experience and educational/professional qualifications, copies of his/her identification, passport and photos.
- A copy of the lease agreement for the representative office’s premises from an approved unit (e.g., a hotel or commercial building, etc.).
- If the application is approved, an approval permit is normally issued to the representative office within one month after submission of the application. Having obtained the approval permit and business registration certificate from MOFCOM or the Administration for Industry and Commerce, other post registration formalities include: registering with the tax bureau, opening a bank account, completing a residence application with the local Public Security Bureau, applying to the Customs Administration for permission to import office equipment and daily necessities for use by the representative office and its
personnel, appointing a Foreign Enterprise Employment Agent to recruit local Chinese employees, etc.

The registration of a representative office is required in order to lawfully employ Chinese nationals, to open a bank account or to use business cards that identify the company’s presence in China. Additionally, the company’s representative would be unable to obtain a multiple entry visa or legally rent an apartment without a commercial domicile registration booklet. This booklet is obtainable only after the registration of the representative office is complete. The employment of Chinese nationals as employees is normally facilitated with the assistance of a local foreign enterprise employment agent. These agencies handle the process of establishing the proper protocol for employing and paying local employees.

No one may be a Representative of a RO if:
- Sentenced to a criminal penalty for committing crimes detrimental to national security or public welfare of the People’s Republic of China.
- If formerly the individual was deregistered, or whose registration was withdrawn or that was ordered closed by relevant authorities due to illegal activities that were detrimental to the national security or public welfare of the PRC in the last 5 years.

Renewal
Representative offices must submit annual reports to SAIC or AIC between March 1st and June 30th of each year with all proper documentation required.

Franchising

Some foreign companies are beginning to establish multiple retail outlets under a variety of creative arrangements, some of which function as 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 region) or sell to a master franchisee, which then leases out and oversees several franchise areas within a territory.

The 2011 revision of the “Catalogue Guiding Foreign Investment” removes companies involved in franchising from the ‘restricted’ category. As such investment is no longer listed elsewhere in the catalogue, this activity is considered ‘permitted’, meaning it has less stringent approval and partnership requirements. This movement, along with doctrine in the 12th Five-Year Plan (12th 5YP) to encourage more domestic consumption, should be considered when evaluating this business structure. Chinese consumers tend to be very brand conscious. Many urban consumers have traveled overseas and perceive value in branded products or services with foreign names.

It is important for entities considering a franchise model for expansion to consider steps to protect their brand and image. Prior to making substantive moves into the market, including negotiations with potential partners or franchisees, companies should consult with appropriate counsel regarding trademark registration or other concerns regarding intellectual property rights. Also, companies should evaluate after sale service and other considerations that may affect their brand image.
The regulations affecting franchisors and their operations are the “Regulations on the Administration of Commercial Franchises” (Franchise Regulations). The Franchise Regulations, together with the “Administrative Measures for the Information Disclosure of Commercial Franchises” (Information Disclosure Measures) and the “Administrative Measures for Archival Filing of Commercial Franchises” (Archival Filing Measures) have been issued by MOFCOM.

One key aspect to China's regulations governing franchising is the two-plus-one requirement. This requirement stipulates that franchisors own at least two directly operated outlets anywhere in the world before being allowed to operate a franchise model in China. One of the most difficult aspects of franchising in China is finding qualified franchisees. Franchising is still a relatively new concept in China, with many Chinese still unfamiliar with it. Moreover, collecting royalty payments and ensuring that the franchisee maintains the integrity of your brand are formidable challenges. Industry experts recommend that companies first open their own stores in China to show the market that the business concept works and to solidify its brand positioning before attempting a franchise model. Another suggested approach is to find a franchise partner for Mainland China in a more developed area such as Hong Kong, Taiwan and Singapore.

Direct Marketing

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.” These new regulations are quite restrictive, however. Multi-level marketing (MLM) organizations are characterized as illegal pyramids, compensation is capped at 30 percent based on personal sales, and language exists that requires the construction of fixed location “service centers” in each area where sales occur. To obtain a direct sales license from the government, further barriers exist as evidenced by a three-year foreign experience rule, and a required RMB 20-100 million bond deposit, among other requirements. Several major international companies have had success in overcoming these barriers. Having said this, the Chinese Government is slow to approve direct-sales license applications for new entrants over the past few years. In general, the Chinese central government and the relevant authorities at central and local levels tend to heavily regulate and supervise this industry.

Joint Ventures / Licensing

Joint ventures, although a useful way to limit investment and quickly access the market, entail some degree of risk (loss of control of investment, theft of intellectual property, conflicts of interest, etc.). Most U.S. investment in China is now in the form of 100 percent U.S.-owned companies, rather than joint ventures. As China has opened its market, the number of wholly owned foreign entities (WOFE’s) has increased. To date nearly 75 percent of new investments are WOFE's. A U.S. company contemplating a JV should clearly understand what their partner brings to the table and what benefits there might be to establishing a JV rather than a WOFE.
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 Chinese 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 percent to 20 percent (depending on the technology involved and the existing applicable bilateral tax treaty) is withheld on royalty payments.

**Selling to the Government**

In 2003, China implemented the Government Procurement Law (GPL) which generally reflects the United Nations Model Law on Procurement of Goods and the WTO’s Agreement on Government Procurement (GPA). China’s government procurement (GP) market was about $130 billion in 2010, according to China’s Ministry of Finance (MOF), an increase of roughly 19 percent over 2009 figures. However, that number does not include most government-funded construction projects or public works, which are governed by the Tendering and Bidding Law (TBL) administered by the National Development and Reform Commission. While there are no official figures for projects covered by TBL, analysts estimate such procurement may exceed $200 billion.

In accordance with its commitment upon accession to the WTO, China committed to initiate negotiations for accession to GPA. The initial offer was submitted in 2007, a first revised offer was made in 2010, and a second revised offer was made in 2011. The U.S. and other GPA parties have noted that significant improvements will be needed in China’s next offer. In particular, while the second offer covered a limited number of sub-central entities (provinces and municipalities), GPA parties such as the U.S. would prefer State-Owned Enterprises (SOEs) that provide government functions be included as well.

The United States and China have restated their cooperation in order to accelerate China’s accession to the WTO GPA. Moreover, in the 2010 Joint Commission on Commerce and Trade (JCCT), China committed, for the purposes of government procurement, to treat products produced in China by foreign-invested enterprises (FIEs) the same as products produced in China by Chinese enterprises. Late in 2011, the Ministry of Finance announced that 30 percent of GP would be directed toward SMEs to strengthen that sector of the economy.

A “Buy-China” clause in China’s government procurement law requires an additional approval process for imported goods or services. At the end of 2009, China issued a document implementing regulations for the GPL, proposing a domestic content requirement standard for government procurement as well as preferences for products with indigenous innovation (II). These II preferences have been eliminated as of July 2011, when the Ministry of Finance (MOF) issued regulations preventing the enforcement of these preferences. The United States Government continues to press for stronger measures to eliminate II preferences given to products deemed indigenously innovated, and as of December 1, 2011 sub-central governments were ordered to discontinue any II preferences through the State Council Office Circular [2011] Number 41. There are also additional opportunities for sales of products that are not available in
China, cannot be purchased on reasonable commercial terms in China or are for use abroad.

China’s evolving GP market is adopting new approaches to the procurement process. For example, electrical equipment bids are now accepted over the internet via Chinabidding.com. This portal provides a comprehensive listing of government procurement opportunities for this type of equipment all centralized in one location. The service is also available in English and requires registration in order to submit bids. Additional portals for other product categories may exist or be in development.

Direct sales to the Chinese military are also possible. However, restrictions on this type of business exist both in the United States and China. U.S. manufacturers should contact the Department of Commerce’s Bureau of Industry and Security (202-482-4811) and the U.S. State Department Office of Defense Trade Controls (202-663-2980) for guidance before selling goods or technology to the Chinese military.

**Distribution and Sales Channels**

In recent years, China liberalized its distribution system to provide full trading and distribution rights for foreign firms in most industry sectors, yet exceptions remain in place for the distribution of books, film and audio recordings. New laws removed earlier restrictions on size requirements for trading and distribution firms, thus paving the way for competition from small businesses.

While the outright prohibition of foreign invested firms to import, export and distribute goods in China has improved, the licensing and approval process remains difficult, time consuming and highly opaque. A standard business license is typically issued by municipal commercial agencies, in China referred to as the Administration of Industry and Commerce. Distribution rights for such industries are often approved by a higher-level authority, a municipal or provincial Commission of Commerce. This effectively adds another layer of bureaucratic hurdles a foreign investor will need to navigate.

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.

**Selling Factors / Techniques**

**Relationships**

Personal relationships (guanxi in Chinese) in business are critical. Guanxi is deeply rooted in Chinese culture and a necessary tool for getting things done. In any business transaction, your counterpart will want to know with whom they are dealing before getting in too deeply. It can sometimes take many months to develop these types of relationships. American businesses need to understand this aspect of the business culture and take a patient approach.

Thus, 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 smoother business development in China.

Localization

Though Chinese customers welcome U.S.-made products in general, they still prefer to have localized customer support from a manufacturer, such as on-site training, service centers in China, local representatives, and catalogues and manuals in Chinese. While a rapidly growing percentage of the management work-force in first-tier cities speak English, U.S. exporters should understand the limits of English language proficiency in China and do their utmost to see that all materials are ‘user friendly’, in other words, in good Chinese. On a similar note, certain modifications must be made to accommodate local tastes, customs and systems.

Logistics

U.S. exporters should keep in mind that timely delivery and adequate inventory are crucial to success in the Chinese market. Thus, it is important to consider the capabilities of an agent or distributor. Logistics in China have become easier in recent years with the continuous improvement of highway, air, rail and port infrastructure, and transportation options have increased. Most of the major international logistic companies are now operating in China, although the Chinese Government still imposes some restrictive policies when it comes to providing domestic services.

Electronic Commerce

The Chinese Government has a fairly open attitude towards e-commerce in China. Both Chinese and international businesses are actively investing and establishing online sales channels. According to the Boston Consulting Group (BCG), the number of internet shoppers in China hit 145 million in 2011, ranking second in the world after the United States. The group also predicts that China will become the world’s largest e-commerce market in 2015 with the number of internet shoppers hitting 329 million.

Just about everything is being purchased online. Examples include household goods, apparel, books, electronics, food items and luxury goods. China Internet Network Information Center (CINIC) estimates have total online sales in China exceeding RMB 523 billion for 2010, up 109 percent from 2009. Online sales now account for almost 3.3 percent of China’s total retail sales.

While e-commerce in China has great potential, some major impediments exist. China remains a cash-based society, and the use of credit cards is limited. Local distribution channels are not well developed for delivery of items purchased over the internet. Online retailers have a reputation for poor after-sales service versus traditional retail stores. Consumers still have less confidence with the internet environment and limited awareness of the need for appropriate internet security software products.

Despite these impediments, several Chinese internet companies have been very successful in adapting to the local market and developing an effective cash-on-delivery or bank transfer payment model. Players such as tmall.com (part of taobao.com which is China’s largest online retailer), amazon.cn, dangdang.com, and 360buy.com are key
online retailers. In fact, it is becoming common for Chinese consumers to shop online at one of these websites, and well-known Western brands are continuing to flock to these websites. However, U.S. companies wanting to sell products on Chinese e-commerce portals must establish a firm presence in China. A ‘presence’ can be a subsidiary company, a JV, a wholly-owned entity or even a local distributor/agent. Few Chinese e-commerce portals are able or willing to deal with custom clearance and after-sales management for importing products. Chinese portals rely heavily on foreign companies to handle these issues themselves. Of course, this may change at some point in the years to come as Chinese portals expand domestically and globally and logistics companies work more closely with these portals.

Trade Promotion and Advertising

Advertising

Advertising is an effective way to create product awareness among potential consumers in China. Channels for mass advertising include publications, radio, television, outdoor, online (blogs, bulletin boards, search engines), in-store and sponsorship. Advertising in China is regulated by the “Advertising Law of the People’s Republic of China” (Advertising Law), which was 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 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. Notably, foreign businesses without a Chinese business license gained through establishing an office in China are not permitted to advertise in China.

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. All of the major international advertising firms are present in China. According to the China Investment Consulting website, overall advertising revenues were $33.6 billion (142.48 RMB) in 2010. The 2011 estimated advertising revenues hit $38.3 billion. While television advertising remains the largest percentage of total expenditures, internet advertising is expected to outpace newspaper advertising by 2012.

Now that China is in the midst of a consumer revolution, foreign products that make use of 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.

Trade Shows and Missions
In 2010, approximately 5,040 trade events were held in 76 cities in China. The total number of shows, many held in smaller cities, continues to grow between 15 to 20 percent annually. Of the 5,040 shows, 837 were held in Beijing, Shanghai and Guangzhou. In general, exhibitions can be excellent venues to gauge market interest, develop leads and make sales. Most are sponsored or co-sponsored by government agencies, professional societies, or the China Council for the Promotion of International Trade (CCPIT). Some shows are organized by American, Hong Kong or other foreign show organizers. Show participation costs are sometimes high since pricing options for available booth space for foreign companies at shows is often limited to certain areas within events. 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.

In 2012, CS in China will support U.S. Pavilions at trade shows around China in different industry sectors. The U.S. Pavilion concept is part of the U.S. Department of Commerce's initiative to promote American goods and services in key Chinese markets.

Updated information about these shows can be found on our website at: http://www.buyusa.gov/china/entrade_events.html. In addition, a list of trade shows that are screened by the U.S. Department of Commerce appears in Chapter 9 of this report. Upcoming Department of Commerce trade missions can be found at: http://www.trade.gov/trade-missions.

Pricing

Most Chinese consumers are highly sensitive to price. The 9.1 percent annual inflation on food items in 2011 demonstrates this steep rise in prices. Industrial and government procurement purchasing decisions are also often focused primarily around price points and less around product and service quality. With carefully packaged service programs, however, Chinese industrial buyers can be convinced to pay a premium for higher quality products. Attractive export/import financing programs can also be an important tool for exporters, and Japanese and European equipment manufacturers often use them. Refer to Chapter 7 for additional information on export financing assistance opportunities for U.S. companies.

Chinese consumers do, however, regularly demonstrate a keen desire to pay a significantly higher price for products that provide a sense of prestige and sophistication. In 2011, China became the third largest market for global luxury brands, accounting for almost 25 percent of global sales of consumer luxury products. Simply carrying an imported label can often, though not always, be enough to put products into a premier price category. A recent store check by the Commercial Service’s Shanghai office found imported U.S. children’s vitamins priced at $55 for a 100-tablet bottle, with the same product selling for $12 in the United States. While a significant portion of such price differences is attributable to import duties and value-added tax, perceived higher quality and greater prestige of imported products has allowed importers to build in large profit margins. Refer to chapter 5 for more information on duties and taxes.
The ability to provide adequate after-sales service is an important selling point and can distinguish a company from its competitors. Wholly owned service companies and foreign invested enterprises are now able to provide sales service and after-sales customer support in China. Heightened consumer awareness 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. This, of course, requires a certain degree of localization, and a commitment to training the local sales and service force.

Protecting Your Intellectual Property

As China liberalizes its trade regime and continues to further open its markets under its World Trade Organization (WTO) commitments, new products and industries are increasingly present. Additionally, 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 scouring the internet for market opportunities. While this has many positive effects for the Chinese economy, one ancillary effect of the growing trade and market liberalization has been the simultaneous growth in infringement of intellectual property rights (IPR), including the export of products that violate 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 or defer taking steps to protect their IP rights in China.

Intellectual property rights are territorial. U.S. companies must secure relevant rights in China in a timely fashion in order to be protected under Chinese law. Separately, 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.

China’s IPR Commitments

As part of its Protocol on Accession to the WTO, China committed to full compliance with the WTO’s Agreement on Trade-Related Aspects of Intellectual Property Rights (the “TRIPs Agreement” or “TRIPs”), as well as other TRIPs-related commitments. Although some progress has been made, the Chinese Government has yet to implement effective enforcement measures to deter widespread infringement of intellectual property rights. Currently, some of these laws are being revised or under consideration for amendment. In late 2008, China announced a new National IPR Strategy. In October 2010, Premier Wen Jiabao and the State Council (China’s cabinet) announced a new “Special IPR Campaign” of enhanced enforcement of intellectual property rights. In November 2011, during a bilateral meeting of the Sino-U.S. Joint Commission on Commerce and Trade (JCCT), Vice Premier Wang Qishan announced that China will establish a permanent office to continue the Special Campaign’s enforcement efforts. Rights holders should ensure that the steps they take are based on the most recent legal developments.

Apart from China’s WTO commitments, China has signed a number of international and bilateral agreements regarding IPR. China is a member of the World Intellectual Property Organization (WIPO) Convention, the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Madrid System for the International Registration of Marks, otherwise known as the “Madrid Protocol,” the Universal Copyright Convention, the Geneva Phonograms Convention, and the Patent Cooperation Treaty.
During 2002, the WIPO Copyright Treaty and WIPO Performance and Phonograms Treaty (the “Internet Treaties”) came into effect worldwide. The treaties help define global standards needed to keep pace with distribution of copyright over global networks. In March 2007, China acceded to the two WIPO Internet Treaties. As of June 30, 2010, the China Internet Network Information Center (CNNIC) reported an estimated 420 million internet users. [http://www.cnnic.cn/en/index/0O/index.htm](http://www.cnnic.cn/en/index/0O/index.htm). It is critical that the Chinese Government aggressively enforce against copyright infringement occurring over the internet. Enforcement against various types of cybercrimes, such as internet piracy and sales of counterfeit and pirated goods over the internet, however, tends to be weak.

The two countries have cooperative programs concerning technology and criminal justice, and continue to discuss IPR issues on a bilateral as well as multilateral basis. From 2007 until recently, though, U.S. and Chinese interests diverged significantly over China’s continued unsatisfactory record of enforcing and protecting IPR. On April 9, 2007, the United States Trade Representative (USTR) filed two cases against China before the WTO, alleging: (1) weaknesses in China’s legal regime for protection and enforcement of copyrights and trademarks; and (2) market-access restrictions in China on products of copyright-intensive industries. The Chinese Government reacted strongly to the U.S. action, severely curtailing IPR cooperation outside of Geneva, taking IPR discussions out of the Joint Commission on Commerce and Trade (JCCT) dialogue, and cancelling many cooperative IPR programs, at considerable cost to the United States.

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

The trademark claim concerned the practice of China Customs’ removing the trademark from counterfeit goods, such as handbags and apparel, then opting for one of the following disposal actions, none of which was acceptable to rights holders: (1) donating the goods to charities; (2) re-selling the goods with the profits given to charities; or (3) simply releasing the goods back to the vendor. The WTO held China in partial violation of TRIPs Agreement, in that simple removal of an unlawfully affixed trademark is insufficient to allow release of the goods back into the commercial stream. However, the panel did not find China to have violated its authority of disposing infringing goods as it deemed appropriate.

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

**IPR Climate**

For 2012, industry associations representing copyright and consumer-goods industries report high levels of piracy and counterfeiting of all types of copyrighted products. Additionally, U.S. copyright entities report difficulty in entering the Chinese market due to
barriers on creative content, which may violate some of China’s WTO commitments. http://www.iipa.com/rbc/2012/2012SPEC301CHINA.PDF.


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

China has administrative and criminal enforcement mechanisms at its disposal to combat IPR infringement and theft. Inadequate enforcement of IPR laws and regulations, however, remains a serious problem. Enforcement is uneven and inconsistent, with local interests hindering prosecution. Administrative penalties for IPR violations, in the form of fines and seizures, have little deterrent effect because they lack the severity of criminal penalties, such as imprisonment. Fines often are amortized into the cost of manufacturing the counterfeit or pirated product. Consequently, for the infringer, payment of a fine is merely the cost of doing business. Chinese law insufficiently criminalizes the import and export of IPR-infringing goods. It also does not deem unauthorized downloading of copyrighted materials as a violation, unless the rights holder can demonstrate that the infringer was motivated by profit.

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

**IPR Enforcement Strategies**

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

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

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

**IPR Enforcement Systems**

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

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

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

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

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

In 2006, China developed a national network of 50 IPR complaint centers, with a "12312" hotline number, effective throughout China. Since then, the Ministry of Commerce has renamed them as “12312 Commercial Complaint Centers,” and is responsible for their management. These call centers handle not only IPR complaints, but also reports concerning market order. The Ministry of Commerce requires that each province and larger municipalities establish a “12312 Commercial Complaint Center.” Additional information may be found at: www.12312.gov.cn. Note, though, that the site is presented only in Chinese. Another hotline is “12315” for consumer-protection issues, under the direction of the State Administration for Industry and Commerce.
China also has specialized IPR tribunals in major and secondary cities, and an IPR division in the Supreme People's Court. China, though, lacks specialized criminal IPR prosecutors, such those with the Computer Crime and Intellectual Property Section of the U.S. Department of Justice. In late 2005, authorities established a dedicated criminal intellectual property office within the Ministry of Public Security, which has developed investigative templates for police officers involved in intellectual property matters.

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

**Patents**

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

Domestic and foreign patent applications have increased steadily, since China’s Patent Law was first enacted in 1984. Recently, the Patent Law was revised for the third time, and went into effect on October 1, 2009.

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

On January 1, 1994, China acceded to the Patent Cooperation Treaty (PCT). China now is obligated to perform international patent searches, and conduct preliminary examinations of patent applications. In early 2003, in a positive development, China amended its legislation to further harmonize with international practice regarding examination of PCT applications. Later, in mid-2003, China issued new rules regarding compulsory licensing of patents according to certain defined circumstances and procedures. In late 2005, SIPO promulgated a regulation regarding compulsory licensing of pharmaceutical products to prevent or cure infectious diseases during public-health crises. In 2007, China ratified the protocol amending the WTO’s TRIPs Agreement, allowing pharmaceutical products made under compulsory license to be exported to countries lacking production capacity, as well as permanently enabling developing and least-developed member countries to produce or import generic versions of patented drugs to deal with epidemics. The revised Patent Law allows for easier
granting of a compulsory license for pharmaceuticals under Article 50, and for semiconductor technology under Article 52. To date, however, there have not been any reported instances of compulsory licensing of patents.

U.S. companies have begun filing for protection of utility-model and design patents in China. While only cursory examination is performed on utility-model and design-patent applications, the belief now is that some protection is better than none at all. For utility-model patents, foreign ownership of such rights is as low as one percent compared to total registrations. In design-patent matters, Chinese companies, after viewing a new design on a competitor’s web site or at a trade fair, file for protection of the designs belonging to the competitor or foreign company. While such patents may be invalidated, the process is time-consuming and expensive. SIPO has attempted to limit this type of “patent squatting.” As a result, American companies increasingly are filing utility-model and design-patent applications to mitigate their exposure, though this practice is less commonly employed in the United States. U.S. companies also should consider obtaining other appropriate rights, such as trademark registrations, before any public display or product introduction in order to minimize problems. Doing so ensures obtaining priority filing dates and, in the case of patents, lessens exposure to other issues, such as lack of novelty.

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

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

**Copyrights**

In March 1992, China established bilateral copyright relations with the United States. In October 1992, it acceded to both the Berne Convention for the Protection of Literary and Artistic Works and the Universal Copyright Convention. In April 1993, China joined the Geneva Phonograms Convention. Following accession to the Berne Convention, China explicitly recognized computer software as a literary work, granting fifty years of protection to computer programs without mandatory registration requirements for foreign
rights holders. In addition to amendments to China’s Copyright Law, its Supreme People’s Court has taken steps to address digital and internet-based copyright issues. In March 2007, China acceded to the two WIPO Internet Treaties, known formally as the WIPO Copyright Treaty and WIPO Performance and Phonograms Treaty. Internet piracy is a widespread phenomenon, particularly as internet penetration spreads throughout China. Industry groups report that piracy on university campuses is widespread, including textbook piracy and illegal downloads of music and movies. In late 2006, significant efforts were initiated to address these problems. The United States asked for increased governmental coordination as well as legislative changes in copyright enforcement.

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

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

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

**Trademarks**

Based in Beijing, the China Trademark Office is a sub-agency of the State Administration for Industry and Commerce, and is the most active trademark office in the world by the number of applications filed. This arrangement is similar to that of the United States Patent and Trademark Office, an agency of the United States Department of Commerce. China’s trademark regime generally comports with international standards, with the principal exception being China’s historical lack of equal recognition accorded to foreign well-known trademarks.

In 2003, China revised its ministerial regulations for well-known marks. The rules required companies alleging infringement to prove that their marks are well-known within China based on sales, marketing, and advertising figures. As a result, some foreign marks have achieved well-known-mark status, and should be accorded the same enhanced enforcement available to domestic Chinese well-known marks. In addition to the administrative registration process, China’s civil-litigation courts have recognized trademarks as well-known. In 2007, a Beijing court recognized an unregistered foreign
mark as well-known, a first in Beijing and an important step in according protection for foreign marks. However, such recognition of a foreign mark as well known is extremely rare; rights holders still should consider securing their rights in a timely fashion through the appropriate registration procedure. Another major challenge is the lengthy delay in examination of new trademark applications due to the rapid growth in filings. U.S. companies are advised to file as early as possible.

China protects geographical indications (GIs) using several different vehicles. One scheme uses certification and collective marks under the trademark system. The China Trademark Office is responsible for protecting GIs in this manner.

Separately, China has an unusual two-agency *sui generis* system for registration of GIs, the first under the Administration for Quality Supervision, Inspection, and Quarantine (AQSIQ) which roughly is the equivalent of the United States Consumer Product Safety Commission, and the second for agricultural products administered through the Ministry of Agriculture. Note, however, that neither the AQSIQ nor the Ministry of Agriculture can protect a GI as a trademark. To acquire protection of a GI as a trademark, it must be registered with the China Trademark Office.

In October 1989, China joined the Madrid System for the International Registration of Marks, otherwise known as the “Madrid Protocol,” allowing for reciprocal trademark registrations to member countries. The United States acceded to the Madrid Protocol in 2006.

China has a "first-to-file" system which can allow an unscrupulous third party to attempt registration of popular foreign and Chinese marks without knowledge of the legitimate trademark owner. “Trademark squatters,” as well as “domain-name squatters” (see below), have the potential for creating all manner of problems when the legitimate rights holder attempts to register its mark or domain name. Consequently, foreigners seeking to do business in China should consider registering their word mark and/or design mark, the Chinese-calligraphy equivalent of the word mark, the pinyin transliteration, and the internet domain name.

In addition to Mainland China, rights holders would be well-advised to consider registering its marks and the variants discussed in Hong Kong and Taiwan. On occasion, the China Trademark Office will cancel registration of marks held in the name of Chinese agents of U.S. distributors who, without authorization, registered such marks in their own name. Separately, the State Administration for Industry and Commerce registers company and enterprise names.

In September 2010, China, the United States, Japan, and the European Union met in Beijing to convene the first-ever conference focusing on the trademark-squatting issue in China. Of special note was the fact, instead of only foreign interests complaining about trademark squatting, numerous Chinese rights holders and trademark attorneys now voiced their concern about the issue as well. In June 2011, a follow-up meeting was held in Beijing.

**Domain Names**

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

Under China’s trademark law, foreign companies without a presence in China must utilize a registered Chinese trademark agent or Chinese law firm to submit a trademark application. Foreign attorneys or the Chinese agent may prepare the application. China’s trademark law is undergoing revision, with a new law not likely to be promulgated until 2012 or 2013.

Trade Secrets

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

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

The TRIPs Agreement mandates that China provide protection for certain non-disclosed clinical data used in securing regulatory approvals. The Ministry of Agriculture has adopted implementing rules for this TRIPs obligation. In 2002, China passed Article 35 of the “Implementing Regulation of the Pharmaceutical Administration Law of the People’s Republic of China” to address data-exclusivity issues. It remains unclear, however, whether China’s regulations concerning data exclusivity provide sufficient protection for innovator data contained in applications for marketing approval that generic drug producers submit.

Layout Designs of Integrated Circuits
China adopted regulations for the protection of integrated-circuit layout designs as part of its WTO accession. The State Intellectual Property Office handles registration. Administrative and civil enforcement measures exist to protect these designs.

**Regulation of Technology Licensing**

The Chinese Government continues to seek new technology through selective introduction of foreign investment and technology transfer. In a policy entitled “indigenous innovation,” China is promoting development of its own technology and intellectual property through proprietary research and development facilities. It seeks to use Chinese knowledge and expertise where possible, through government-procurement rules, standards-setting initiatives, and investment policy.

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

**IPR Protection at Trade Fairs**

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

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

At the beginning of 2007, the Department of Commerce (DOC) launched an initiative to protect IPR at trade fairs that it sponsors or supports. The plan seeks to ensure a basic level of IPR protection at any trade fair which the Department and/or the U.S. Commercial Service (CS) sponsors or provides substantial support. It requires that all U.S. exhibitors attest that they have not knowingly infringed IPR, a declaration that all Department-supported trade fairs eventually will require. The initiative requires the organizers of U.S. Pavilions and members of the U.S. Commercial Service to explain to American exhibitors the IPR protection policies of each trade fair. They also must be ready to assist U.S. exhibitors in securing legal representation to enforce their rights during the fair.

In February 2007, the program was officially launched in China with an assignment to benchmark the IPR protection policies and procedures of trade-fair organizers who arrange over three dozen trade fairs which DOC and CS in China sponsor each year. The Commercial Service and the China Mission of the U.S. Patent and Trademark Office continually review these policies and procedures, monitor effectiveness during trade fairs, work with China’s Ministry of Commerce and IPR authorities to improve the effectiveness of IPR protection, and leverage DOC-CS support as an incentive to improve IPR protection at individual trade fairs.

Protection of Property Rights

As outlined in the “Dispute Settlement and Protection of Property Rights” sections of Chapter 6 entitled “Investment Climate,” the Chinese legal system mediates acquisition and disposition of property. Besides the weaknesses of Chinese courts outlined below, there are limits on ownership of two significant property rights in China: real estate and intellectual property.

Warning Signs of a Scam

Although China’s booming economy offers great opportunities for U.S. companies, businesses looking to invest or export to any foreign country should always exercise caution. Several exporters have reported unsolicited buyer interest from China and elsewhere that later turned out to be bogus. While not all unsolicited interest is fraudulent, American companies should always be wary when considering such invitations. Requests for advance payments, samples or prototypes to be sent in advance of sales negotiations, cash for a banquet far in excess of typical costs, cash for travel expenses for an “essential” U.S. meeting, all pose red flags indicating that a business opportunity may be fraudulent. To report a suspicious business offer from China, contact your local U.S. Export Assistance Center (http://export.gov/usoffices/index.asp) or the China Business Information Center at: chinabic@trade.gov. CS in China can assist exporters through a range of fee-based due-diligence services listed on our website: http://www.buyusa.gov/china/en/our_services.html#_section4
Protecting Your Intellectual Property in China

Several general principles are important for effective management of intellectual property ("IP") rights in China. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in China than in the United States. Third, rights must be registered and enforced in China under local laws. Intellectual property rights are territorial and stop at the border’s edge. Your U.S. trademark and patent registrations will not protect you in China. Similarly, there is no "international copyright" that will protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Chinese market. Intellectual property is primarily a private right. The U.S. Government generally cannot enforce rights for private individuals in China or elsewhere. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Chinese law. The U.S. Commercial Service can provide a list of local lawyers:


While the U.S. Government stands ready to assist, there is little it can do if the rights holders have not taken these fundamental steps to secure and register their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. Government can provide a political resolution to a legal problem may find their rights eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. Under no circumstances should U.S. Government advice be seen as a substitute for a rights holder’s obligation to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner, and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner, and then fail to transfer the rights should the partnership end. Keep an eye on your cost structure, and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in China require constant attention. Work with legal counsel familiar with Chinese laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.
It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both China- and U.S.-based. These include:

- The U.S. Chamber of Commerce in Washington, D.C., and local American Chambers of Commerce in various Chinese cities
- The National Association of Manufacturers (NAM)
- The International Intellectual Property Alliance (IIPA)
- The International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy of the U.S. Chamber of Commerce
- The International Anti-Counterfeiting Coalition (IACC)
- The Pharmaceutical Research and Manufacturers of America (PhRMA)
- The Biotechnology Industry Organization (BIO)

**IP Resources**

Much information on protecting IP is freely available to American rights holders. Some excellent resources for companies regarding intellectual property include the following:

- Information about patent, trademark, or copyright issues – including enforcement issues in the U.S. and other countries: Call the STOP! Hotline at 1-866-999-HALT (4258), or register at: www.stopfakes.gov.

- Information about registering trademarks and patents in both the U.S. and foreign countries: Call the U.S. Patent and Trademark Office (PTO) at 1-800-786-9199, or visit: www.uspto.gov.

- Information about registering for copyright protection in the United States: Call the U.S. Copyright Office at 1-202-707-5959, or visit: www.copyright.gov.

- Information about evaluating, protecting, and enforcing intellectual property rights, and IPR’s importance to businesses: Review the free on-line training program available at: www.stopfakes.gov.

- For small and medium-sized enterprises (SME), the U.S. Department of Commerce offers a "SME IP-Advisory Program," available through the American Bar Association, which provides one hour of free IP legal advice for those wishing to do business in Brazil, China, Egypt, India, Russia, and many other countries. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html.

- Information on obtaining and enforcing intellectual property rights and market-specific IP toolkits, visit www.stopfakes.gov. This site is linked to the PTO website (www.uspto.gov) for registering trademarks and patents in both the U.S. and foreign countries. It also is connected to the website of U.S. Customs and Border Protection’s e-recordation portal (https://apps.cbp.gov/e-recordations/).
which allows rights holders to record registered trademarks and copyrights, empowering CBP officers with more information to interdict imports of infringing products. Rights holders also can peruse recordings of previous webinars that cover a wide variety of IP topics.

- The U.S. Patent and Trademark Office has positioned IPR Attachés and Officers in key markets around the world. The PTO has two representatives in China. In Beijing, Ms. Nancy Kremers serves as the Senior IPR Attaché at the U.S. Embassy, and can be reached at: nancy.kremers@trade.gov. In Guangzhou, Mr. Conrad Wong is the IPR Officer at U.S. Consulate General. Please contact him at: conrad.wong@trade.gov.

**Due Diligence**

While China is one of the most promising global markets, it is also one of the most challenging environments for American companies. Many U.S. companies are able to profitably enter and operate in the Chinese market, but each year a large number of firms face serious difficulties that frequently result in costly and disruptive local business disputes.

A large number of these disputes might have been successfully avoided through due diligence. The primary causes of commercial disputes between Chinese and American companies include 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 or entering into a partnership agreement.

Both U.S. and Chinese service providers with offices in China conduct due diligence investigations. The fees charged by these companies should typically be considered a worthwhile investment to ensure that the local customer or partner is financially sound and reliable. As a part of the overall due diligence process, CS is able to assist American companies to evaluate potential business partners through its International Company Profile service. As a general rule of thumb, CS in China strongly encourages more due diligence in China than one would typically need in the United States. CS also supplies a number of useful reference documents to help identify and minimize business risks in China.

**Local Professional Services**

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.

**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.

**Attorneys**

Over one hundred U.S. and international law firms have received approval to register in China as foreign law firms, and currently operate in China. Foreign law firms registered in China are restricted to advising clients on legal matters pertaining to the jurisdiction where they are licensed and general international business practices. Although a foreign lawyer may not offer a legal opinion, clients can obtain assistance with structuring transactions, drafting contracts and resolving disputes. Only attorneys licensed in China may appear in court and provide legal advice on Chinese legal matters. Chinese lawyers are allowed to work at foreign law firms, but they may not practice law as licensed Chinese attorneys. Foreign lawyers are not permitted to qualify to practice law in China and are not allowed to form joint ventures with Chinese lawyers.

The legal services that a foreign law office can provide are limited to: 1) providing consulting services to its clients with regard to the home legal affairs for which it is licensed and international conventions and practices; 2) providing legal services to its clients or Chinese law firms with regard to legal affairs in the country/region for which it is licensed; 3) entrusting Chinese law firms with regard to China legal affairs on behalf of its foreign clients; 4) establishing long-term contractual relationships with Chinese law firms with regard to legal clientele; and 5) providing information with regard to the impact of Chinese legislation.

**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.

**Advertising**

Almost 100,000 advertising firms exist in China, of which perhaps 400 are foreign invested enterprises. Many major international advertising firms have established a presence in China. Companies new to the market can gain valuable advice from top-notch advertising firms on how to craft an effective advertising strategy that is responsive to Chinese consumer preferences and cultural differences. Advertising is strictly regulated in China, and penalties for violation of the law through misleading advertisements, unauthorized use of national symbols, or other prohibited forms of advertising are subject to fines.
The U.S. Commercial Service maintains lists of U.S. law, accounting and consulting firms with offices in China, as well as lists of Chinese firms with whom the Commercial Office or its customers have had favorable dealings. Local professional services can be found at: http://www.buyusa.gov/china/enbsp_listing.html.

**Web Resources**

U.S. Commercial Service, U.S. Department of Commerce, China (English)
www.export.gov/china

International Trade Administration, U.S. Department of Commerce
www.trade.gov (now built into the export.gov/china site)

China Trade Show Events
http://export.gov/china/tradeevents/eg_cn_043294.asp

American Chamber of Commerce, China
www.amchamchina.org

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

American Chamber of Commerce, South China
www.amcham-southchina.org/

U.S.-China Business Council
www.uschina.org

U.S. Embassy, Beijing
beijing.usembassy-china.org.cn/

U.S. Consulate, Shanghai
shanghai.usembassy-china.org.cn/

U.S. Consulate, Guangzhou
guangzhou.usembassy-china.org.cn/

U.S. Consulate, Chengdu
chengdu.usembassy-china.org.cn/

U.S. Consulate, Shenyang
shenyang.usembassy-china.org.cn/

The Chinese Central Government’s Official Web Portal
http://english.gov.cn/

Guide to Investment in China (site of China’s Ministry of Commerce)
http://fdi.gov.cn/index.htm

American Chamber of Commerce 2011 American Business in China Whitepaper
http://www.amchamchina.org/whitepaper2011
American Chamber of Commerce 2011 Business Climate Survey
http://www.amchamchina.org/businessclimate2011

Business Forum China
http://www.businessforum-china.com/

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

Commercial Sectors

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- Safety Security Market
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- Travel and Tourism
- Franchising
- Air Pollution
- ICT Equipment and Software
- Green Building
- Agricultural Sectors

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- Cotton
- Fish and Fish Products
- Hides and Skins
- Processed Food Products
- Soybeans
- Tree Nuts
- Wood and Wood Products

Education and Training

Overview

U.S. colleges and universities remain the preferred overseas destination for students from China, which remains the leading source of foreign students in the United States. Short-term training programs, technical schools and workshops in specialized fields as well as business education are particularly sought after. In December 2011, China’s National Development and Reform Commission (NDRC) along with the Ministry of Commerce (MOFCOM) jointly released a revised edition of the Guiding Catalogue on Foreign Investment in Industry, replacing the 2007 edition. The 2011 revised Catalogue adds “training and vocational education” to the so-called “encouraged” list of industries for foreign direct investment. (The Catalogue includes four categories: "encouraged," "restricted," "prohibited" and "permitted"). U.S. educational organizations can also sell teaching materials and equipment, convey the latest methodologies and case studies, exchange faculty, and provide educational consulting services.
In the 2010/11 academic year, nearly 158,000 Chinese students travelled to the United States to study. That constitutes a 23.5 percent increase from the previous academic year in the number of Chinese students going to the United States. Still, this increase is a deceleration from the nearly 30 percent rate of growth experienced the year before.

<table>
<thead>
<tr>
<th>Year</th>
<th># of Students From China To United States</th>
<th>% Change from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>157,558</td>
<td>23.5%</td>
</tr>
<tr>
<td>2009/10</td>
<td>127,628</td>
<td>29.9%</td>
</tr>
<tr>
<td>2008/09</td>
<td>98,235</td>
<td>21.1%</td>
</tr>
<tr>
<td>2007/08</td>
<td>81,127</td>
<td>19.8%</td>
</tr>
<tr>
<td>2006/07</td>
<td>67,723</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

Source: Institute of International Education

There is no doubt that the desire by Chinese students to enroll in U.S. institutions is high, fueled by increasing disposable incomes. Although the majority of Chinese students are still pursuing degrees in business, engineering and sciences, there appears to be an increase in demand for vocational classes and utilization of community colleges to upgrade skills to increase earning potential as well. This matches the recent move by the Chinese Government to encourage foreign direct investment in vocational education and training.

U.S. institutions should 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. Thus, university admissions officers should be aware of and counsel prospective students on visa procedures affecting travel to the United States.

A common approach used by U.S. schools to recruit Chinese students is through local education agents. Over one thousand education agents are estimated to exist in China, with about 300 of them having obtained proper licensing from the Ministry of Education (down from around 400 the year before). U.S. schools are encouraged to vet education agents carefully before engaging their services. Bear in mind that the industry lacks sufficient oversight and that complaints about education agents are common. The Commercial Section of the U.S. Embassy and U.S. Consulates can offer guidance regarding how to use reputable, licensed education agents.

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

**Web Resources**

**Education Events Approved by China’s Ministry of Education**

**China International Education Exhibition (CIEET) Tour 2012**
Date: March 10-25

**China Education Expo 2012**
Date: October (Date TBD)
Website: [http://www.chinaeducationexpo.com/](http://www.chinaeducationexpo.com/)

**Ministry Of Education**
Department of International Cooperation and Exchanges
37, Damucang Hutong
Xidan, Beijing 100816, China
Tel: (86 10) 6609-6275
Fax: (86 10) 6601-3647

**U.S. Commercial Service Contact Information in China**

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Maggie Qiu, Commercial Specialist
U.S. Embassy, Commercial Section
55 An Jia Lou Road
Beijing 100600, China
Tel: (86 10) 8531-4157
Fax: (86 10) 8531-3949
Email: jing.qiu@trade.gov

**Shanghai**
Wenjuan Zhan, Commercial Specialist
Foreign Commercial Service
U.S. Consulate General in Shanghai
Tel: (86 21) 6279-8958
Fax: (86 21) 6279-7639
Email: wenjuan.zhan@trade.gov

**Guangzhou**
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Foreign Commercial Service
U.S. Consulate General Guangzhou
14/F China Hotel Office Tower
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Tel: (86 20) 8667-4011 ext. 628
Fax: (86 20) 8666-6409
Email: eileen.bai@trade.gov
**Overview**

Aircraft, Spacecraft, and related parts (HS Code 88)  Unit: USD thousands

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Imports</td>
<td>9,615,616</td>
<td>11,344,382</td>
<td>12,452,888</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>4,593,207</td>
<td>5,244,817</td>
<td>5,016,502</td>
</tr>
<tr>
<td>% of U.S. Imports</td>
<td>48</td>
<td>46</td>
<td>40</td>
</tr>
</tbody>
</table>

Data Sources: Global Trade Atlas

China is one of the world’s fastest growing civil aviation markets. The industry has grown at double-digit rates for several years. Industry forecasts expect growth to remain strong over the medium term, averaging 7 percent over the next 20 years.

In order to keep pace with demand, China is forecast to require 5,000 new aircraft valued at $600 billion over the next 20 years. Most of these will be single-aisle aircraft designed for short-haul domestic travel. Commercial opportunities in the civil aviation market include final assembly and tier-one suppliers, small niche parts manufacturers, airport design and construction companies, and general aviation among others.

The Chinese face three key challenges that threaten to limit this growth: inadequate infrastructure, overly restrictive airspace, and limited skilled human resources. In November 2010, Chinese military and civilian authorities issued a joint statement outlining liberalization of airspace below 4,000 meters (13,000 feet) by 2020. Personnel training and capacity building are a priority for regulators, airlines, airport operators and manufacturers. U.S. firms often use training programs to establish productive partnerships with Chinese clients. Associations such as the U.S.-China Aviation
Cooperation Program (ACP) can serve as valuable vehicles for smaller firms to leverage similar opportunities.

Sub-Sector Best Prospects

Aircraft Parts: Manufacture and Repair

<table>
<thead>
<tr>
<th>Aircraft parts (HS Code 8803)</th>
<th>Unit: USD thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Imports</td>
<td>2009</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>1,037,802</td>
</tr>
<tr>
<td>% U.S. Imports</td>
<td>444,609</td>
</tr>
</tbody>
</table>

China’s import market for aircraft parts and components exceeded $1.6 billion in 2010, an increase of over 23.5 percent compared with last year. China’s demand for aircraft parts can be attributed to a number of factors including an increasing capacity utilization rate, the age and expansion of China’s aircraft fleet, and the domestic production and assembly of aircraft.

There are 1,745 registered commercial transport aircraft in China with an average age of five years, and as the fleet continues to age, it will require parts and equipment for routine maintenance and repair. Though there are a number of major domestic aircraft and parts manufacturers scattered throughout China, the sector is still underdeveloped, creating a strong demand for reliable imported products and technologies to ensure quality standards.

China’s domestic aircraft part and assembly manufacturing sector is also growing. In addition to approximately 200 small aircraft parts manufacturers, there are also a number of regionally-based major manufacturers concentrated in Shanghai, Chengdu, Xi’an, Jiangxi and Shenyang. China’s domestic manufacturing base is developing, as reflected by the commitments of large aircraft and engine manufacturers to expand procurement in China over the long term. However, most highly technical and sophisticated parts and assemblies will continue to be imported until production quality meets international standards. At the present time, domestic manufacturers do not have the ability to produce all of the qualified materials and parts.

Airports

China currently has 180 civil aviation airports, including the world’s second busiest in Beijing, with plans to expand aggressively to 244 by 2020. The government announced plans to invest $64 billion to build and improve 97 airports by 2021, including 78 green field projects. The expansion will place 80 percent of China’s population and 96 percent of its GDP within 100 kilometers of the nearest airport, greatly enhancing the potential for aviation growth.

The airport system at present is highly concentrated, with top airports suffering from major congestion. The top three airports located in Beijing, Shanghai and Guangzhou account for 1/3 of all traffic, while the top 14 airports handle 2/3 of total traffic nationwide. Local industry estimates indicate that 40 of China’s airports are already at or near capacity, with another 29 expected to reach this limit within the next two years. To
relieve congestion, China opened 19 new airports over a three-year period from 2009-2011.

Construction of the long-awaited second airport in Beijing could begin in 2012. The airport is expected to be built in the southern part of China's capital, with an expected capacity of 100 million passengers a year. The bidding process of Terminal Area Designing was completed at the end of 2011.

International companies will have opportunities to participate in both airport design and infrastructure construction. Qualified companies may be approved to compete with domestic companies via a bidding process for design, consultation, surveillance, management, and construction of designated civil airport projects. So far, Beijing Capital Airport, Shanghai Pudong Airport, Shanghai Hongqiao Airport, Shenzhen Huangtian Airport, and Guangzhou’s new Baiyun Airport have all been designed by international companies.

Ground service is another area in which foreign companies can actively participate. Beijing Capital Airport, Guangzhou Baiyun Airport, and Chengdu Shuangliu Airport have all established joint ventures with foreign partners (Singapore, Indonesia and UK) in ground services. Shanghai Airport Ground cooperated with Cargo Warehouse and Lufthansa set up a joint venture. China Air Oil Supply Corporation (CAOSC) has established many joint ventures with foreign companies to provide air oil supply services.

General Aviation

General Aviation (GA) remains an underdeveloped part of China's aviation industry, but it is poised for growth. Local industry contacts estimate that China has about 1,000 GA aircraft, compared with more than 220,000 in the United States, including only about 100 large business jets. Yet the number of total GA flight hours in 2011 grew 16 percent to 455,000, clearly indicating the industry’s growth potential.

Strict military control over roughly 70 percent of all Chinese airspace is the single largest factor limiting growth of this industry. A welcome change came in November 2010 when civilian and military authorities issued a joint reform document calling for liberalization of low altitude airspace under 4,000 meters (13,000 feet). Implementation of the reform will roll out in three stages, starting with an Experimental Phase in Guangzhou and Shenyang. The policy outlines a national rollout by 2015, and a final deepening and consolidation by 2020. While the details remain vague, this policy shift indicates clear support for GA and should have large and positive impacts on the sector. Market potential is vast. In the southern province of Guangdong alone (one of the two pilot areas), market demand is estimated at 200-250 aircraft worth $1-1.25 billion.

Opportunities

China Commercial Aircraft Summit 2012
Date: April 25-27, 2012
Venue: Intercontinental Pudong Shanghai China
Contact: Haway Huang, Sales Manager, Oppland Organizers
Tel: (86 21) 5058-9600
Fax: (86 21) 5058-5987
Email: hawayh@opplandcorp.com  
Website: http://www.opplandcorp.com/aero/index.htm

**China General Aviation Forum 2012**
Date: June 26-28, 2012  
Venue: Beijing King Wing Hot Spring Hotel  
Organizer: Shanghai World Expo Group  
Contact: Ms. Enlin Chao  
Tel: +1 (925) 439-3799 ext. 14  
Fax: +1 (925) 439-3268  
Email: EnlinChao@UniworldUSA.com  
Website: http://www.chinacivilaviation.com/GAForum/en/default.asp

**6th China Civil Aviation Development Forum**
Date: May, 2012  
Venue: Beijing TBD  
Organizer: Civil Aviation Authority of China (CAAC)  
Contact: Richard Wang, Sales Manager  
Tel: (86 10) 5825-0412  
Fax: (86 10) 6472-0514  
Email: caacforum@camic.cn  
Website: http://www.ccadf.cn/ccadfEN/indexen.htm

**6th AvioniChina (China International Conference & Exhibition on Avionics & Testing Equipment)**
Date: September 26-28, 2012  
Venue: Shanghai Science and Technology Exhibition Center  
Organizer: Grace Fair International Ltd.  
Contact: Mr. Jasper Shi, Director Overseas Marketing  
Tel: (86 10) 6439-0338  
Email: jasper@gracefair.com  
Website: www.avionichina.com

**Air Show China**
Date: November 13-15, 2012  
Fax: (86 75) 6337-6415  
E-mail: zhuhai@airshow.com.cn  
Website: http://www.airshow.com.cn/en/

**Web Resources**

**Government Authorities**
Civil Aviation Administration of China (CAAC), www.caac.gov.cn  
Air Traffic Management Bureau: http://www.atmb.net.cn  
Center of Aviation Safety Technology: http://www.castc.org.cn/

**Airlines**
Air China, www.airchina.com.cn  
China Eastern Airlines, www.ce-air.com
China Southern Airlines, www.cs-air.com
Shanghai Airlines, www.shanghai-air.com
Spring Airlines, www.air-spring.com

Aircraft Manufacturers
Aviation Industry Corporation of China (AVIC), http://wwwavic.com.cn
Commercial Aircraft Corporation of China (COMAC), http://www.comac.cc/

MRO Facilities
Aircraft Maintenance and Engineering Corporation (AMECO), www.ameco.com.cn
Shanghai Technologies Aerospace Co. (STARCO), http://www.staero.aero/starco.html
Guangzhou Aircraft Maintenance Engineering Co. (GAMECO), www.gameco.com.cn
Taikoo Aircraft Engineering Company Limited (TAECO), www.taeco.com
MTU Maintenance (Zhuhai), www.mtuzhuhai.com
GE Engine Services (Xiamen)
Sichuan Snecma Aero Engine Maintenance Company Ltd. (SSAMC), www.snecma.com

Aircraft Trading Companies
China Aviation Supplies Corporation (CASC), www.casc.com.cn

Other
CAAC news: http://www.caacnews.com.cn/ (in Mandarin)
Civil aviation industry analysis report:
http://www.ocn.com.cn/reports/2006084minyonghangkong.htm (in Mandarin)

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Email: cui.shiyang@trade.gov
Railway and Metro Industry

Overview

Railway Industry

During the 11th Five-Year Plan period (2006-2010), China’s rail network carried a total of 7.28 billion passengers, and 16.24 billion tons of freight. By the end of 2011, China had a total of 91,000 kilometers of railway, which is utilized to meet freight and passenger demand, ranking second in the world in terms of length. Freight volume reached 3.6 billion tons in 2010, 300 million tons more than in 2009. By the end of 2010, electrified railway mileage reached 42,000 kilometers, becoming the second longest in the world.

China is in the high-speed rail era. Its high-speed rail network reached 8,358 kilometers at the end of 2010 and is expected to exceed 13,000 kilometers by 2012 and 16,000 kilometers by 2015. High-speed railways are incorporated as part of the country's "express railway network," which is expected to reach 45,000 kilometers in length by 2015. The express railway network includes railways of three speeds: arterial rail lines at a speed of 300 km/h, intercity and extension and linking lines at 200-250 km/h, and railways in western China with speeds of 160-200 km/h.

Metro Industry

China is now the world’s largest market for urban rail transit. By the end of 2010, more than 40 urban rail lines totaling some 1,400 kilometers had been in service in 12 cities on the Chinese mainland, including Beijing, Shanghai, Guangzhou, Shenzhen and Wuhan. To date, 36 cities in China have proposals to construct urban rails, of which 28 cities have won official approval. The 28 cities are planning 87 lines exceeding 2,500 kilometers in total by 2015, with a total investment of RMB 1 trillion.

Sub-Sector Best Prospects

Rail Industry technology and equipment:
1. Rail safety
2. High speed EMU
3. Communication, signaling and IT systems
4. Track maintenance for high speed rail
5. Traction power supply in high speed rail
6. Passenger station design and construction
7. Heavy haul transport
8. Plateau rail
9. Energy conservation and environmental protection

Metro industry technology and equipment:
10. Urban rail vehicles
11. Communication and signaling
12. Power supply and distribution

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Opportunities

Railway Industry Opportunities

The investment scale of the new railway line during 12th Five-Year Plan (12th 5YP) period (2011–2015) should reach 30,000 kilometers. By the final phase of the 12th 5YP, the total railway operating mileage is planned to increase from the current 91,000 kilometers to around 120,000 kilometers. 60 percent of lines will be electrified, while 50 percent will be double-track lines. The high speed railway will reach 16,000 kilometers. Railway in the western area could reach 50,000 kilometers. The number of new and renovated railway stations will reach a total of 1,015. At the same time, there will be a large number of advanced technical equipment put into use.

During the 12th 5YP period, the total railway investment is expected to reach RMB 2.8 trillion. Compared with railway new line investment during the 11th 5YP, new line investment during the 12th 5YP period is expected to increase by 87.5 percent, with total investment to increase by 41.4 percent.

It is estimated that by 2020, an additional RMB 2 trillion will be invested, of which approximately RMB 600 billion will be earmarked for development of infrastructure related to passenger-dedicated lines, the coal corridor, western lines, and inter-regional connections. China’s total rail network will exceed 120,000 kilometers in length, possibly reaching 150,000 kilometers, and 17,000 kilometers of rail will accommodate double-decker trains. In 2012, total fixed asset investment in railways will reach RMB 500 billion, including RMB 400 billion for construction.

Metro Industry Opportunities

In 2011, NDRC approved 13 metro rail lines, including Hefei, Changchun, Dalian, Wuhan and Shenzhen. 2,500 kilometers will be completed during the 12th 5YP period. By 2015, 35 cities in China will have metro; there will be around 158 metro lines in total; and total mileage of Metro in China will reach to around 4,200 kilometers with a total investment of $178 billion. By 2020, China is expected to have 6,100 kilometers of urban rail lines.

Example of Metro Projects in Key Cities:

<table>
<thead>
<tr>
<th>City</th>
<th>Current Metro Lines</th>
<th>Current Metro Mileage (KM)</th>
<th>2020 Planned Metro Lines</th>
<th>2020 Planned Metro Lines (KM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>9</td>
<td>250</td>
<td>20</td>
<td>887</td>
</tr>
<tr>
<td>Beijing</td>
<td>8</td>
<td>200</td>
<td>19</td>
<td>700</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>7</td>
<td>190</td>
<td>19</td>
<td>570</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>4</td>
<td>80</td>
<td>16</td>
<td>585</td>
</tr>
</tbody>
</table>
Web Resources

Major Shows/Exhibitions:

**China Modern Railways 2012**
Approved and hosted by: The Ministry of Railways in China
Show dates: TBD
Show venue: Beijing Exhibition Center
http://www.modernrailways.com.cn/

**Metro China**
Approved by: Ministry of Commerce, P. R. China
Host: China Communications and Transportation Association (CCTA),
Urban Rail Transit Committee
Show dates: TBD
Show venue: TBD
http://www.metro-china-expo.com/

**American Rail Working Group (ARWG)**
The U.S. Embassy Commercial Section in Beijing launched an American Rail Working Group (ARWG) in January 2009 to strengthen public-private cooperation in the rail sector. The ARWG features 34 U.S. company members, and benefits from close relationships with the Chinese Ministry of Railway (MOR), U.S. Department of Transportation (DOT), Federal Rail Administration (FRA), U.S. Trade and Development Agency (TDA), U.S. State Department and the U.S. Export-Import Bank. The group meets regularly in Beijing as well as via conference call. New company members are welcome to join. For ARWG membership enquiries, please contact the U.S. Embassy Commercial Section in Beijing by email: aiqun.peng@trade.gov

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**Medical Device and Healthcare Service Market**

**Overview**

China is now the world's second largest market for medical equipment. Based on the information from China Association for Medical Devices Industry (CAMDI), in recent years China's medical equipment market has been growing at 15 percent annually, and
reached a total size of RMB 100 billion in 2010 (about US$156 million), ranking second in the world behind the United States. The domestic production volume of low to mid-range medical equipment and products ranked top in the world at 75 percent; high-end products only accounted for 25 percent, showing that the majority of medical equipment and products produced by domestic Chinese manufacturers are low-tech. Several foreign companies such as General Electric (GE), Philips, and Hitachi supply 80 percent of China’s high-end medical equipment. Clinical laboratory equipment and reagent sales are growing at about 15 percent to 20 percent annually.

According to statistics from the China Chamber of Commerce for Import and Export of Medicines and Health Products (CCCMHPIE), by the end of 2010 China’s import and export value of medical equipment reached $22.7 billion, an increase of 23.47 percent over 2009. For more detailed information, refer to the list below of top three countries and market share in the import and export of medical equipment to China in 2010.

Medical Device Import and Export Value in 2010 by Top 3 Countries (in billion dollars)

<table>
<thead>
<tr>
<th>By Country</th>
<th>Import</th>
<th>Share</th>
<th>Export</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>7.34</td>
<td>100%</td>
<td>13.86</td>
<td>100%</td>
</tr>
<tr>
<td>US</td>
<td>2.26</td>
<td>31%</td>
<td>3.87</td>
<td>28%</td>
</tr>
<tr>
<td>Germany</td>
<td>1.27</td>
<td>17%</td>
<td>0.78</td>
<td>6%</td>
</tr>
<tr>
<td>Japan</td>
<td>1.11</td>
<td>15%</td>
<td>1.44</td>
<td>10%</td>
</tr>
</tbody>
</table>

China’s healthcare market is severely underdeveloped and offers significant potential for U.S. companies interested in expanding into the Chinese market. The Chinese Government has mandated $124 billion to develop basic healthcare infrastructure in hopes of providing basic healthcare coverage for all Chinese. China has over 20,000 hospitals, 85 percent of which are publicly-owned; the remaining 15 percent, approximately 2,000 hospitals, are private or China-foreign joint venture hospitals. Due to China’s aging population, uneven location of medical resources, and chronic diseases, existing healthcare services cannot meet the huge demand of the current population. To narrow the gap between the huge demand for healthcare services and the shortage of public resources and hospitals, the government is encouraging social capital or investment into high-end or privately-owned hospitals to meet the gap of public hospitals in its 12th FYP. More privately-owned or foreign-invested hospitals are expected to be established in China. Growth of hospitals will encourage the development of the medical device market in China.

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.

Barriers exist with an uncertain regulatory environment and extensive delays in registration and re-registration of products, although efforts are reportedly being made to reduce the large backlog. Additionally, pricing, tender, and bar code systems also play a role of delaying a company’s entry into the Chinese medical device market.
Best Prospects / Services

The Best selling prospects in the healthcare sector include:

- In vitro diagnostic equipment and reagents: Clinical and diagnostic analysis equipment, diagnostic reagents, medical test and basic equipment instruments.
- Implantable and intervention materials and artificial organs: Interventional materials, implantable artificial organs, contact artificial organs, stent, implantable materials, and artificial organ assisting equipment.
- Therapeutic products: Tri-dimensional Ultrasonic focused therapeutic system, body rotary Gamma knife, simulator, linear accelerator, laser diagnostic and surgery equipment, nuclide treatment equipment, physical and rehabilitation equipment.
- Medical diagnostic and imaging equipment: Black & white and colored supersonic diagnostic unit, sleeping monitor, digital X-ray system, MRI, CT, DR, and ultrasound equipment.
- Surgery and emergency appliances: Anesthesia ventilation systems and components: high frequency surgery equipment, high frequency and voltage generators.
- Healthcare Information Technology related equipment and products: Medical software, computer-aided diagnostic equipment, and hospital information systems (HIS, CIS, and HLT).
- Medical equipment parts and accessories.
- Health services: hospitals.

Trade Events

China Med 2012
The 24th International Medical Instruments & Equipment Exhibition
Dates: March 23-25, 2012
Venue: China National Convention Center, Beijing
Address: No.7 Tianchen East Road, Chaoyang District, Beijing, China
Website: http://www.chinamed.net.cn/en/Visitor.asp

China Medical Equipment Fair (67th CMEF Spring 2012)
Date: April 17-20, 2012
Venue: Shenzhen Convention & Exhibition Center
Shenzhen, China
Phone: (86 10) 8455-6603
Fax: (86 10) 8202-2922
Website: http://en.cmef.com.cn/

SINO-Dental 2012
Dates: June 9-12, 2012
Location: China National Convention Center (CNCC), Beijing
Add: No. 7 Tianchen East Road, Chaoyang District, Beijing, China
Website: www.chinamed.net.cn/en/Default.asp

MEDTEC China
Dates: September 26-27, 2012
Location: Shanghai-Intex, No. 88 Lou Shan Guan Road, Shanghai 200336, China
Website: http://www.devicelink.com

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Safety Security Market

Overview

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China’s safety and security market exceeded $4.12 billion in 2011. As one of the world’s fastest growing economies, China is undertaking numerous, large-scale projects including airports, sports stadiums, and metro systems that will require extensive security systems. In addition, municipalities are installing emergency response systems to improve security and bolster response times. On a consumer level, China’s growing middle class is demanding high-quality, residential security equipment and services. Before selling in China, U.S. exporters need to be aware of Chinese certification requirements, as well as potential U.S. export controls. Overall, the sector is expected to maintain rapid growth and create export opportunities by expanding to an estimated $8.5 billion by 2015.

Sub-Sector Best Prospects

Much of the demand in the safety and security industry is related to digital technology, security guard communications systems, network technology for inspection control systems, and emergency warning systems.

• Inspection control systems: This will continue to be a high-growth sector. Panasonic, Samsung, Sony, JVC, and Sanyo dominate the market in China’s high-grade inspection control market.
• Security guard communication systems: China’s domestic enterprises dominate in this sector and foreign enterprises such as U.S. companies BI and HID, the UK’s TDSI, and Israel’s DDS occupy the majority of the security guard communications market.
• Emergency warning systems: There is high demand for intelligent airport systems. Foreign companies dominate the market for high-end products, leading the trend towards integrated safety and security systems.
• Detection Equipment: Since China’s domestic manufacturers lack capacity to supply the market, foreign products in this field are in high demand.

Opportunities

The safety and security sector remains a highly-regulated industry in China. In most cases, when local safety and security engineering companies win tenders for large projects, they need to import equipment and technology. U.S. exporters should look for opportunities to provide products and to partner with Chinese engineering firms that often have strong connections with the Chinese Government.

Resources

Major Trade Shows

Shanghai International Disaster Reduction and Public Security Exhibition 2012
Date: October 10-12, 2012
Venue: Shanghai World Expo Exhibition and Convention Center
http://www.china-disaster.com

2012 China International Exhibition on Public Safety and Security
Date: October 22-25, 2012
Venue: China International Exhibition Center (New), Beijing  
http://www.securitychina.com.cn

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## Marine Industries

### Overview

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012 (estimated)</th>
<th>2013 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Market Size</strong></td>
<td>62,894</td>
<td>66,809</td>
<td>69,481</td>
<td>71,565</td>
</tr>
<tr>
<td><strong>Total Local Production</strong></td>
<td>101,500</td>
<td>108,605</td>
<td>112,949</td>
<td>116,337</td>
</tr>
<tr>
<td><strong>Total Exports</strong></td>
<td>40,285</td>
<td>43,544</td>
<td>45,286</td>
<td>46,645</td>
</tr>
<tr>
<td><strong>Total Imports</strong></td>
<td>1,679</td>
<td>1,748</td>
<td>1,818</td>
<td>1,873</td>
</tr>
<tr>
<td><strong>Imports from the U.S.</strong></td>
<td>25</td>
<td>46</td>
<td>48</td>
<td>49</td>
</tr>
<tr>
<td><strong>Exchange Rate: 1 USD</strong></td>
<td>6.77</td>
<td>6.55</td>
<td>6.55</td>
<td>6.55</td>
</tr>
</tbody>
</table>

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *China Shipbuilding Industry Association
**Global Trade Atlas (HS code: 89 Ships, Boats and Floating Structures.)

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

China has seen rapid development of its marine industry over the past few years. China has more than 3 million square kilometers of water territory and 32,000 kilometers of coastline, with more than 1,400 harbors and 210,000 cargo ships. As the world’s largest exporter, China has become a center of maritime activity, and China’s major state-owned shipping and shipbuilding companies are among the world’s largest. According to the Ministry of Land and Resources of the People’s Republic of China, the marine industry will gradually become one of the pillars of China’s economy.

According to the statistics of Global Trade Atlas, China’s total value of ship imports and exports reached $41.9 billion in 2010, of which ship imports accounted for $1.68 billion. Trade volume could reach a historic high of approximately $45 billion in 2011. However, oceanic pollution and the industry's structural imbalances, currency appreciation and cost increases continue to present challenges for the development of the marine industry.

### Sub-Sector Best Prospects

Best prospects in China’s marine industries include shipbuilding and related accessories, recreational marine, and port related accessories and sea transportation.

**Shipbuilding**

Chinese shipbuilding deliveries and orders have experienced fast growth for seven consecutive years, and China is currently ranked second in the world in both categories. According to statistics from the China Shipbuilding Industry Association, China’s shipbuilding output was 65.60 million deadweight tons (DWT) in 2010, rising 55
percent from 2009. According to statistics issued by Clarkson, a UK consultant, Chinese shipbuilding deliveries were 61.77 million DWT from January to November of 2011, with an increase of 8.8 percent compared with the same period in 2010. New ship orders were 75 million DWT in 2010, which was up 189 percent compared with the same period in 2009. The market share of Chinese shipbuilding output, new ship orders and ship orders in hand respectively accounted for 41.9 percent, 48.5 percent and 40.8 percent of world totals in 2010. (Source: Analysis on China’s Shipbuilding Industry by China Shipbuilding Industry Association)

The country plans to build three major shipbuilding bases in the Bohai Gulf area, East China Sea and South China Sea. When completed in 2015, the Changxing base will be the largest shipyard in the world with annual shipbuilding capacity reaching 8 million tons.

In February 2009, China’s State Council approved a revitalization plan for the Chinese shipbuilding industry. According to the plan, the government will encourage financial institutions to expand financing to purchasers of ships and extend financial support for domestic buyers of long-range ships until 2012. The plan will also support the industry by stabilizing production, growing domestic market demand, developing marine engineering equipment, supporting consolidation of the industry through mergers and acquisitions, as well as technical innovations.

China needs high-technology, machinery and management tools for the shipbuilding industry. The best prospects for shipbuilding include: raw materials, coating equipment and coating materials; computer aided design (CAD) software and associated technologies for ship design and construction, equipment maintenance, Global Positioning Systems (GPS), navigation and on-board computer systems, and cutting and welding technology and related equipment. China has routinely sought foreign design support for large marine engineering projects, but to date has relied heavily on European and Asian firms. With marine engineering projects a targeted area of growth in the industry revitalization plan, and with U.S. expertise in offshore energy projects, there will be increasing opportunities for U.S. design firms in this segment.

Recreational Marine Industry

With rapid economic growth, China’s recreational marine market is forecast to expand sharply in the coming years. In 2010, China imported over $90 million worth of yachts and pleasure vessels, which was an increase of 133 percent compared with 2009 (Source: Global Trade Atlas). Based on the confidence that pleasure boats will become one aspect of the country’s expanding upper and middle-class lifestyle, provincial governments, property developers and boat builders are all investing heavily in this industry. Business experts estimate that the market will pick up speed in the next few years, and the overall market size may reach $10 billion over the next decade, which presents significant opportunities for the export of U.S. pleasure boats, accessories, marina planning and construction materials (Source: China Boat Industry and Trade Association).

Although there are presently only a handful of marinas in China, dozens more are under construction or in the planning process. Many luxury residences in major cities incorporate waterways and boating facilities in their developments. The Shanghai government has decided to build marinas and cruise ship centers along the downtown
riverfront 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 are in the planning process include Zhoushan, Qingdao, Dalian, Ningbo, Beihai, Dongguan, Shengzhen and Hainan Island.

**Port Construction and Sea-Transportation**

China is allocating significant capital for port and waterway construction to meet significant growth in freight volume. Since 2004, China has stepped up its construction of ports with 467 berths built or rebuilt in 2010. China's port flow is increasing at exponential rates, reflecting foreign trade growth. 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. In 2010, the cargo turnover of all ports in China exceeded 8.9 trillion tons, rising 16.7 percent from 2009, and container throughput reached 146 million TEU which was an annual increase of 19.4 percent. The port of Shanghai is by far the busiest in the world. The cargo turnover of Shanghai port exceeded 650 million tons and container flow reached 29 million twenty-foot equivalent units (TEU) in 2010. Both of these two indexes have surpassed Singapore, making it the world’s largest port *(Source: China Ports Year Book 2011)*.

To facilitate global trade, most ports in China are placing emphasis on expanding capacity, upgrading port facilities, and modernizing operations. The products and technologies in high demand are vessel traffic management information systems, laser-docking systems, terminal tractors, dredging equipment and security equipment for ports and vessels to enable them to comply with the International Ship and Port Security Code (ISPS).

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-kilometer causeway bridge. The master plan calls for the completion of 50 berths by 2020, which will cost over $10 billion. It also includes a logistics park and new harbor city on the mainland. Lianyungang, a northern port city in Jiangsu Province, is racing to build an international port after winning State Council approval to construct a 300,000 DWT deepwater channel and a 300,000 DWT berth for handling crude oil and ore, in conjunction with development of the neighboring Yangshan Deep Water Port in Shanghai and the existing Ningbo Port.

**Opportunities**

China’s marine equipment industry currently lags behind the shipbuilding industry. Equipment that is in high demand includes machinery, key electric-mechanical equipment, communications systems, diesel engine crankshafts and their key components, high-powered diesel engines, ship superstructures, products that facilitate the deep-sea operation of ocean exploration ships, high-grade steel plates and section bars, and environmentally friendly paint. Other potential prospects for shipbuilding can be seen in markets for coating equipment, 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 boats are one of the best prospects for exporters. China’s recreational marine industries are poised to expand rapidly in the coming years. Confident that pleasure boats will become incorporated into the lifestyle of China’s growing wealthy class, provincial governments, property developers and boat builders are all investing heavily in this expanding industry, presenting significant opportunities for U.S. exporters of pleasure boats, accessories, marina planning services and construction materials.

Web Resources

1. Ministry of Transport of China (MOT)
   http://www.mot.gov.cn

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

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

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

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

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

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

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

9. China Boat Industry & Trade Association
   http://www.cansi.org.cn
According to the Office of Travel & Tourism within the U.S. Department of Commerce, the number of Chinese travelers to the United States will increase by 232 percent from 2010 to 2016. China is expected to overtake Germany and France in total number of travelers to the U.S. by 2016.

A Chinese tourist spends, on average, about $6,000 per trip, and the contribution to the U.S. economy makes China's outbound tourism market a key component to President Obama's National Export Initiative.
American tour operators, district marketing offices, hotels and airlines will need to cooperate with each other, as well as with government entities, in order to capture more of this highly profitable market. To foster cooperation, industry players and the Commercial Service are in the process of revitalizing a VisitUSA Committee.

### Sub-Sector Best Prospects

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Return to top</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury Travel in the U.S.</td>
<td>Cruise Line Travel</td>
</tr>
<tr>
<td>Wine Tour Packages</td>
<td>MICE</td>
</tr>
<tr>
<td>Golf Tourism</td>
<td>Wedding/Honeymoon Travel</td>
</tr>
<tr>
<td>Travel to National Parks</td>
<td>Better Service Support for FIT</td>
</tr>
</tbody>
</table>

### Web Resources

- Brand USA – http://www.thebrandusa.com/
- Discover America – http://www.discoveramerica.com/
- U.S. Travel Association (USTA) – http://www.ustravel.org/
- National Tour Association (NTA) – http://www.ntaonline.com/
- China National Tourism Administration – Chinese regulatory agency, the U.S. does not have an equivalent bureau. http://en.cnta.gov.cn/

### Franchising

#### Overview

Franchising shows promise in China. Statistics from China Chainstore & Franchise Association (CCFA) show that enterprises from more than 70 industries have applied for franchise operations, including enterprises from the traditional sectors of catering,
retailing, and individual and business services. Currently, China has 4,500 franchises and chain store companies creating over 5 million jobs nationwide.

Challenges to U.S. franchise firms include a relatively weak regulatory system, increasing costs of labor and real estate and a lack of qualified Chinese franchisee candidates. The most recent 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. In addition, franchise firms must file with the local commercial authority for record within 15 days after the execution of the initial franchise contract.

### Best Products / Services

The Chinese franchising market is dominated by traditional franchise operations like food and beverage (F&B) and retail outlets. According to CCFA, nearly 40 percent 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 sectors such as car rental and services, budget hotel chains, general business services and fitness.

### Success Factors to Consider

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.

Foreign franchise brands are receiving greater interest from second and third-tier market developers. Additionally, we are seeing an increase in F&B companies entering the market as wholly owned enterprises to manage the brand, demonstrate proof-of-concept and create a strong foothold prior to expanding into the franchise model.

### Resources

**International Franchise Association**  
[www.franchise.org](http://www.franchise.org)

**China Chain Store and Franchise Association**  
Website: [http://www.ccfa.org.cn](http://www.ccfa.org.cn)
Air pollution is one of the biggest environmental challenges to public health facing China today. The major source of air pollutants in Chinese cities has gradually shifted from conventional coal combustion to a mixture of coal combustion and motor vehicle emissions.

Common waste gas emissions are primarily composed of four main pollutants - SO2, soot, industrial dust and Nitrogen Oxide (NOx). Although emission trends have shown improvement in recent years, in 2010 the total SO2 discharge in China was still 21.85 million tons and total NOx emissions, monitored since 2006, had risen by 9.4 percent over the previous year. (See chart below)

<table>
<thead>
<tr>
<th>Year</th>
<th>SO2 Discharge (10,000 tons)</th>
<th>Soot Discharge (10,000 tons)</th>
<th>Industrial Dust (10,000 tons)</th>
<th>NOx (10,000 tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Industrial</td>
<td>Municipal</td>
<td>Total</td>
</tr>
<tr>
<td>2001</td>
<td>1947.8</td>
<td>1566.6</td>
<td>381.2</td>
<td>1069.8</td>
</tr>
<tr>
<td>2002</td>
<td>1926.6</td>
<td>1562</td>
<td>364.6</td>
<td>1012.7</td>
</tr>
<tr>
<td>2003</td>
<td>2158.7</td>
<td>1791.4</td>
<td>367.3</td>
<td>1048.7</td>
</tr>
<tr>
<td>2004</td>
<td>2254.9</td>
<td>1891.4</td>
<td>363.5</td>
<td>1094.9</td>
</tr>
<tr>
<td>2005</td>
<td>2549.3</td>
<td>2168.4</td>
<td>380.9</td>
<td>1182.5</td>
</tr>
<tr>
<td>2006</td>
<td>2588.8</td>
<td>2237.6</td>
<td>351.2</td>
<td>1088.8</td>
</tr>
<tr>
<td>2007</td>
<td>2468.1</td>
<td>2140</td>
<td>328.1</td>
<td>986.6</td>
</tr>
<tr>
<td>2008</td>
<td>2321.2</td>
<td>1991.3</td>
<td>329.9</td>
<td>901.6</td>
</tr>
<tr>
<td>2009</td>
<td>2214.4</td>
<td>1865.9</td>
<td>348.5</td>
<td>847.7</td>
</tr>
<tr>
<td>2010</td>
<td>2185.1</td>
<td>1864.4</td>
<td>320.7</td>
<td>829.1</td>
</tr>
</tbody>
</table>

YoY Growth Rate (%) | -1.3 | -0.1 | -7.9 | -2.2 | -0.1 | -7.2 | -14.3 | 9.4 | 14.1 | -5.2
In response to these trends, the Chinese Government has focused some policy and regulatory attention on measures aimed at mitigating the emissions of dangerous nitrous oxides, with one such example being the Ministry of Environmental Protection’s “Notice of Fossil-Fuel Fired Power Plant Nitrogen Oxide Emission Prevention and Treatment Policy,” issued on January 27, 2010. This official government policy has established the framework by which NOx emissions reduction actions will be taken under the 12th 5YP, which took effect on January 1, 2011. The policy applies to all coal-fired power plants and co-generation units, 200 MW or larger, except in designated “Focus Areas,” where it applies to all units regardless of size. In addition, it is mandatory that all new, rebuilt, or retrofitted units that have undergone expansion install Low-NOx Combustion Technologies. All units currently in operation, within their scheduled operating life cycles, that do not meet stipulated NOx emission standards are required to install flue gas de-NOx technology.

Another notable measure put forth by the Chinese Government in 2011 is the revision of China’s Ambient Air Quality Standards. In late 2011, China released a revised version of the standards for public opinion soliciting, which for the first time includes monitoring of PM 2.5 in the monitoring of ambient air quality. These standards are scheduled to be released in early 2012, with compulsory enforcement beginning in 2016. These new standards have triggered a tremendous round of equipment purchases throughout China, bringing about huge market opportunities for producers of PM2.5 monitoring equipment.

China’s 12th 5YP (2011-2015) is further strengthening the monitoring market. In his speech at the 2009 Conference on China Environmental Monitoring Work, Vice Minister Wu Xiaoqing outlined the top priorities of environmental monitoring work for the 12th 5YP. Given these priorities, U.S. air monitoring equipment suppliers should focus on the following market opportunities in China from 2011-2015:

- Expand existing monitoring networks to rural areas.
- Increase monitoring capacity to achieve total volume monitoring of pollutants.
- Establish an environmental monitoring information platform for publishing and releasing relevant information.

The various plans and regulations mentioned above will invariably trigger commercial opportunities in the air pollution market. U.S. firms are facing both domestic and international competition, including government-subsidized Japanese and European competitors. Though experiencing rapid growth, the domestic industry is still in a nascent stage of development, due to its short development history, decentralized management, inadequate financing and poor enforcement. U.S. air quality monitoring equipment is well received, and is often considered high-quality in terms of data accuracy, timeliness and product lifecycle. In order to seize these emerging opportunities, U.S. companies should develop suitable market entry and pricing strategies.
The demand for modern environmental monitoring instruments in China remains high, with urgent need for advanced NOx emission reduction equipment, automatic monitoring systems and online continuous monitoring systems.

Types of NOx emission reduction equipment technology:
- Combustion Modification
- SNCR (Selective Non-Catalytic Reduction)
- SCR (Selective Catalytic Reduction)
- Combination Methods

Rising concerns about China's environment have led to a surge in demand for the following environmental monitoring instruments:

1. Automatic air monitoring systems on the ground: high value-added equipment which is automatic, multi-functional, instant, systematic, and intelligent is considered the most promising in China. Typical products:
   - On-line and/or automatic continuous emission monitoring systems for key pollution sources
     - Carbon Monoxide (CO)
     - Sulfur Dioxide (SO2)
     - Nitrogen Oxides (NO-NO2-NOX)
     - Ozone (O3)
     - Particulate Matter (PM10/2.5)
   - Automatic and continuous monitoring systems for organic pollutants
     - Volatile Organic Compounds (VOCs)
   - On-line dust monitors
   - On-site portable emergency gas monitoring equipment
   - Portable and personal particulate monitors

2. Remote monitoring systems: Investments will also increase for satellite ground systems and satellite image analysis systems to analyze the quality of the environment and changing long-term trends. China's emphasis on the protection of the ecological environment has created an enormous demand for remote sensing satellites and monitoring equipment. The industry is gradually transferring from solely ground monitoring stations to both ground and remote monitoring. Potential segments include:
   - Vehicle-borne equipment, such as mobile monitoring vans
   - Ship-borne equipment
   - Satellite-borne equipment and instruments, such as lesser radar monitors for pollution
   - GSM/GPRS modem technology (allowing remote control and data retrieval from air quality monitoring stations located almost anywhere)

3. Quality Assurance (QA) and Quality Control (QC) laboratory equipment, which is needed in all monitoring stations and laboratories. Instruments include:
   - PM2.5 samplers
   - SO2 analyzers
   - NOx analyzers
   - PM10 samplers
   - Dynamic gas dilution/mixing/calibration systems
• High precision flow meters

Below is a list of major prospective buyers in China:

• Ministry of Environmental Protection (MEP)
• China National Environmental Monitoring Center
• Local environment protection bureaus and environmental monitoring centers:

National key pollution sources – Major industries below:
• Power plants
• Petrochemicals
• Refineries
• Building materials (especially cement)
• Metallurgy

Other prospective buyers
• Heavily polluting enterprises engaged in the above industries
• Laboratories, research institutes (environment academies), and universities
• Enterprises/Organizations that need high-level industry hygiene and health standards:
  o Center for Disease Control (CDC)
  o Hazardous gas leakage monitoring in industries like petrochemical and chemicals

Web Resources

Chinese Association of Environmental Protection Administration Industry
http://www.chinaenvironment.com

China National Environmental Monitoring Center
http://www.cnemc.cn/

Beijing Environmental Monitoring Center

Guangdong Environmental Monitoring Center
http://gdemc.gov.cn/

Guangzhou Environmental Monitoring Center
http://www.gemc.gov.cn/

Ministry of Environmental Protection Environmental Monitoring Department
http:// www.mep.gov.cn/

Tianjin Environmental Monitoring Center
http://www.tjemc.org.cn/lxwm/lxwm.asp

Shanghai Environmental Monitoring Center
http://www.semc.com.cn
U.S. Commercial Service Contact Information in China

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Fax: (86 10) 8531-3701
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ICT Equipment and Software

Overview

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The **12th Five-Year Plan (12th FYP)**, announced in 2011 and covering years 2012-2017, included extensive and specific policy support for many sectors of the ICT industry. These sectors have been designated as **Strategic Emerging Industries (SEIs)**, including "next generation information technology" such as high-performance integrated circuits (IC), cloud computing, and mobile communication networks.

China has designated seven SEIs and plans to spend $1.7 trillion over the course of the FYP in order to create a more robust ICT industry that will not only compete on a global scale, but provide new standards for the rest of the world's industries to follow. During the first year of the new 12th FYP, U.S. ICT exports to China decreased. This could be a result of specific Chinese Government policy support for the domestic sector, though more probably because of the sluggish world-wide economy. Total domestic consumption of ICT products (HS codes 8517 through 8548) totaled $317.62 billion. China’s Ministry of Industry and Information Technology estimated the total ICT market size to be $1.48 trillion, which is presumed to include trade in services.

<table>
<thead>
<tr>
<th>Trade in ICT goods</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Market Size</td>
<td>219.18</td>
<td>284.31</td>
<td>317.62</td>
</tr>
<tr>
<td>Domestic Production</td>
<td>295.54</td>
<td>375.91</td>
<td>431.00</td>
</tr>
<tr>
<td>Total Exports</td>
<td>249.08</td>
<td>320.03</td>
<td>364.80</td>
</tr>
<tr>
<td>Total Imports</td>
<td>172.71</td>
<td>228.42</td>
<td>251.42</td>
</tr>
<tr>
<td>Imports from US</td>
<td>10.47</td>
<td>13.25</td>
<td>11.95</td>
</tr>
</tbody>
</table>

**Sources:** Global Trade Atlas, UN Comtrade  
**Note:** calculated using HS 8517 – 8548

**Best Prospects**

**Semiconductors**

The 12th FYP included support incentives for IC and Light Emitting Diode (LED) manufacturers. Most new fabrication plants built in China receive subsidies or other support from local governments, and as a result many foreign companies are establishing fabrication facilities in China. Between 2008 and 2010 foreign companies invested in forty-six percent of new LED fabrication facilities. Possibly because of increased foreign investment into production capacity in China, the US saw a 19.43% drop in the value of semiconductor exports to China in 2011.

<table>
<thead>
<tr>
<th>Semiconductors (HS 8542)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Market Size</td>
<td>120.75</td>
<td>157.94</td>
<td>171.10</td>
</tr>
<tr>
<td>Total Domestic Production</td>
<td>41.23</td>
<td>47.33</td>
<td>50.99</td>
</tr>
<tr>
<td>Total Exports</td>
<td>23.63</td>
<td>29.65</td>
<td>32.91</td>
</tr>
<tr>
<td>Total Imports</td>
<td>103.10</td>
<td>140.26</td>
<td>153.00</td>
</tr>
<tr>
<td>Imports from US</td>
<td>6.11</td>
<td>7.90</td>
<td>6.37</td>
</tr>
</tbody>
</table>

**Sources:** Global Trade Atlas, UN Comtrade

China has experienced overall growth in the semiconductor industry, but mostly manufactures low and mid-range semiconductors. Equipment necessary for manufacturing wafers and LEDs are mostly imported from abroad. Increased foreign
investment in wafer and LED fabs in China should increase demand for high-end semiconductor manufacturing technology.

Software
China’s software industry remains a key focus for the nation’s central government, with incentives for both domestic growth and foreign investment. At present, the market remains diverse and highly fragmented, with over 16,000 locally-certified software companies, approximately 40,000 registered software products, and more than one million software-industry professionals. Over the next few years, the industry is expected to experience more consolidation. Overall, China’s software industry still lacks core technologies, high-end software development talent, and consistent high quality software products. Moreover, foreign brands enjoy a large market share in the high-end segment of the software market, with local software products comprising less than 30 percent of the market.

### Packaged Software (HS 852329 and 852340) (millions USD)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Market Size</td>
<td>2,770.14</td>
<td>3,432.85</td>
<td>3,890.11</td>
</tr>
<tr>
<td>Total Domestic Production</td>
<td>1,228.69</td>
<td>1,282.22</td>
<td>1,494.49</td>
</tr>
<tr>
<td>Total Exports</td>
<td>1,198.50</td>
<td>1,212.78</td>
<td>1,409.64</td>
</tr>
<tr>
<td>Total Imports</td>
<td>2,739.95</td>
<td>3,363.41</td>
<td>3,805.27</td>
</tr>
<tr>
<td>Imports from US</td>
<td>565.35</td>
<td>612.24</td>
<td>628.45</td>
</tr>
</tbody>
</table>

Although packaged software imports from the US continue to rise, the best prospects for US firms are for high-end software solutions requiring a certain level of customization. As an indication of the rapidly changing marketplace and delivery methods such as cloud services, the true size of China’s software market is unknown. The preceding table includes only packaged units tracked on Global Trade Atlas and UN Comtrade. Other entities, such as MIIT, estimate that China’s software market grew to over $290 billion in 2011. Best prospects for 2012 include:

**Application software and specialty software**
Solutions pertaining to enterprise resource planning (ERP), customer relationship management (CRM), service-oriented architecture (SOA), middleware, and open-source software will have good prospects in the China market.

**High-end enterprise management systems software**
Solutions that address database management systems, systems management software products, and networking security software products remain some of the fastest growing areas for foreign firms selling in the China marketplace.

**Specialty software**
Customized software targeted for a specific industry or market sector is a market segment in which foreign firms have an estimated 70 percent of the market. U.S. firms hold a strong position in such areas as firmware, as well as gaming, automation, digital imaging, storage, and security software.
Cloud Computing
Cloud computing and other cloud services are a recent development in China. China has allocated $103 million dollars to help guide the business-led development plan, led by indigenous companies like Baidu and Alibaba. Considered a SEI, many pilot projects are underway in select cities such as Beijing, Shanghai, Shenzhen, Wuxi and Hangzhou. Domestic businesses developing cloud technology in these cities can be expected to receive subsidies. Despite the recent investment, cloud computing isn’t expected to be applied on a large scale until the 13th FYP, when the industry will be worth up to an estimated $156 billion. Current figures value China’s cloud industry at $9.63 billion. Recent large, private investments by some of China’s major mobile carriers further indicate the importance placed on domestic cloud development: China Mobile recently invested $1.9 billion into a cloud datacenter located in Hohhot, Inner Mongolia. China Mobile’s goal is to use the center to assist the roll-out of their 4G network and TD-LTE standard. China Unicom and China Telecom have also reportedly invested $1.6 billion and $1.9 billion, respectively, within Inner Mongolia.

Green Building
Overview
China has the world’s largest construction market. According to the Ministry of Housing and Urban-Rural Development (MOHURD), over the next decade, China will build half of the world’s new buildings and is currently adding 2 billion square meters of floor space annually.¹

China is set to reduce its energy consumption and made carbon dioxide emissions a “binding goal” in its 12th Five-Year Plan for Economic and Social Development. Many provinces and cities have drafted their own enforcement plans; every city is planning to be an “eco-city” by not only retrofitting old buildings but also by building new low carbon buildings.

Sub-Sector Best Prospects
Green building products that meet the new energy efficiency standards in new, unique or economically competitive ways have a potential market in China. Some of the best prospects for China’s market are:

- Green-design techniques
- HVAC systems
- Solar products
- Grey water, water reuse systems, and landscape materials
- New building materials
- New technologies & products

¹ Sources: Qiu Baoxing, Vice Minister of Ministry of Housing Urban and Rural Development, from China Green Building Conference and Expo, 2010.4.
According to the China Greentech Initiative Report, the following building materials are the target energy efficient products in China.

- **Concrete**: slag cement and fly ash content; autoclaved aerated concrete
- **Insulation**: Expanded (EPS) and Extruded Polystyrene (XPS)
- **Roofing**: Reflective Systems Vegetated Roofs TPO membranes
- **Windows and Doors**: double-glazed low-solar-gain Low-E Glass
- **Lighting**: T series light fixtures CFL and LED bulbs
- **HVAC**: absorption chillers, variable frequency drives (VFD), energy recovery wheels, air purifying equipment
- **In door building materials**: low-emission, thermal and noise reduction, and insulation
- **Integrated design**

On December 2010, the Ministry of Finance, Ministry of Science and Technology, MOHURD, and the State of Energy Bureau jointly announced government subsidies for solar roofing systems to promote the development of solar products in China. Due to China’s geographical structure, heat preservation, insulation, translucence, and ventilation are very important in China’s different regions. For example, in northern China, it is imperative to reduce the amount of energy used via heating supply. Improvements to heat preservation in new and old buildings are vital to achieving this goal. New types of energy conservation products, such as wall-structure preservation products, and heat supply measuring systems have been used extensively in these areas.

### Opportunities

According to Liu Zhifeng, Director of China Real Estate Research Committee, in the next decade, China’s real estate construction market has great potential due to economic development and urbanization. In the next 10 years, China’s urbanization will reach 65-70 percent and the urban resident population will increase by another 300 million. Other than the development of commercial, tourism, senior housing and industrial real estate, China still needs to complete 800 million square meters of residential housing in order to accommodate the urban population. This should take another 10 years. China’s 12th FYP indicated that 36 million apartments will be built. China also plans to invest $158.7 billion on “Nation City and Town Sewage Treatment and Renewable Construction Plan.”

Within China’s 12th FYP for China’s Economic and Social Development, many provinces and cities have drafted their own development plans.

For example:

- By the end of 2012, Fujian province plans to invest $152 billion for construction, the government is encouraging them to use new types of wall materials and other emergency efficiency building products.
- Jiangxi province has set up the goal of emergency efficiency: new buildings must reduce the emergency likelihood by 50 percent, while the design standard enforcement should reach 100 percent.
- Guangzhou city has announced that it is mandatory for all government buildings to adapt to green building standards.
Nanjing city plans to make the “Hexi New City” a sustainable “green energy efficient, and land efficiency project” in time for the “Youth Olympics” in 2014.

Henan province plans to invest $115 billion on infrastructure and real estate projects.

Fujian province plans to invest $119 billion in the construction industry by 2020.

Tibet Autonomous Region plans to invest $174 million on infrastructure and environment.

Beijing plans to build 100 “Sunny Schools” using solar energy for electricity, water, and heating system.

Sichuan province: the urban population of Sichuan province will reach 48 percent by 2015.

In 2012, Hunan Province plans to invest $3.2 billion (RMB 20 billion) into the Daxiangxi area. The purpose is to transform it into an ecological tourism and economic development area.

Xinjiang Uygur Autonomous Fukang city invested $1 billion (RMB 158 million) for city construction.

According to the “National Airport Allocation Plan”, China will upgrade, expand and build 244 airports by the end of 2020. For example: Beijing’s second capital airport will be located in Daxing County, Beijing. The airport is expected to be operational by 2015, and will serve 600 million passengers per year.

Xi’an City will build 3.73 million square meters of affordable housing, and Chongqing city will build 30 million square meters by the year 2013.

According to MOHURD’s Qinghai branch, Qinghai province plans to invest $11.2 billion (RMB 75 billion) in real estate development by 2015.

By 2015, Nanchang city plans to build 231 key projects, with total investment to reach $23 billion (RMB 155.2 billion). The projects will include fast transportation systems with modern transportation hubs, bio-landscape gardens, and a renewable development demonstration city.

By 2015, Hubei province plans to build 1,000 eco-demonstration towns and villages. The water supply pipe line will reach 98 percent of the province, the garbage treatment rate will reach 85 percent, and the urbanization rate will reach 52 percent in Hubei province.

Nanjing city plans to use geo-thermal technology in their buildings, and 60 percent of new buildings plan to include this technology by 2013.

During the 12th FYP period, Wuhan city plans to invest $2 billion (RMB 13.8 billion) in green landscape projects.

Web Resources

BMEXPO China 2012
Date: May 12-14, 2012
Venue: China International Exhibition Center, Beijing
Organizer: China Building Material Federation
Tel: (86 10) 8808-2303 8808-2308
Fax: (86 10) 8808-2305
Email: xxd@cbme.cn
Email: info@bmexpochina.com
Website: http://www.bmexpochina.com/web
The 11th China International Heating, Ventilation & Air Conditioning Expo  
Date: March 3-5, 2012  
Venue: China International Exhibition Center, Beijing, China  
Tel: (86 10) 8460-0666/0667  
Fax: (86 10) 8460-6669  
Website: www.cihe-hvac.com

Build & Décor  
Date: March 2-5, 2012  
Venue: China New International Exhibition Center, Beijing, China  
Organizer: CIEC Exhibition Company Limited  
Tel: (86 10) 8460-0913  
Fax: (86 10) 8460-0754  
Email: Liangchen@ciec-expo.com  
Website: www.build-decor.com

The 7th International Conference on Intelligent, Green & Energy Efficient Building & New Technology and Products Expo  
March 28-30, 2013  
Venue: Beijing International Convention Center (Guojia Huiyi Zhongxin)  
Tel: (86 10) 5893-3559  
Fax: (86 10) 5893-3632  
Email: dost-moc@mail.cin.gov.cn, igbc@chinagb.net  
Web: www.chinagb.net

China Refrigeration 2012  
Date: April 11-13, 2012  
Venue: New International Exhibition Center, Beijing.  
Organizer:  
Mr. Zhou Jinglong / Ms. Peng Lu, Beijing International Exhibition Centre (BIEC)  
Ms. Zhang Ping / Mr. Zhong Weiqin, Chinese Association of Refrigeration(CAR)  
Ms. Zhang Leihua / Ms. Zhao Rui, China Refrigeration and Air-conditioning Industry Association(CRAA)  
Tel: (86 10) 5856-5888 | Fax: (86 10) 5856-6000  
Email: jinglong@biec.com.cn; penglu@biec.com.cn  
Website: www.cr-expo.com

2011 7th China (Shanghai) International Energy-saving & Advanced Wall Material Exhibition  
Date: August 16-19, 2011  
Shanghai New International Expo Centre (SNIEC)  
Phone: (86 21) 6117-9628  
Fax: (86 21) 6191-6497  
Email: infojiancai@163.com

Contacts:  
Ministry of Housing and Urban-Rural Development  
http://www.mohurd.gov.cn/
See also: http://www.uschina.org/public/china/govstructure/govstructure_part5/

China Building Materials Industries Association
http://cbmia.cbminfo.com/english/eindex.htm

China Energy Conservation Program

Ministry of Environmental Protection of China
http://www.mep.gov.cn/

US China Build (a program of Evergreen Building Products Association)
http://www.uschinabuild.org

CS China Energy Webpage and Newsletter

CS China Design Construction Webpage

China Greentech Initiative

U.S.-China Energy Cooperation Program
http://www.uschinaecp.org

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Diana Liu, Commercial Specialist
Diana.Liu@trade.gov
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 products. U.S. agricultural, fishery, and forestry exports to China from January to December 2011 reached a new high of $21.9 billion, up 13 percent from 2010. China is the second-largest U.S. overseas market for agriculture, fish, and forestry exports. Given China’s rising incomes and demand for raw materials and finished foodstuffs, FAS forecasts that China’s imports will continue to grow well into the future. Exports continue to be dominated by bulk commodities, notably soybeans ($10.5 billion), cotton ($2.6 billion), and corn ($0.8 billion). However, intermediate products exports also did well, with hides and skins reaching a record export level of $1.2 billion. Importantly, U.S. exports of consumer-oriented food products, which represent high value-added products, also hit a record $2.0 billion of exports to China in 2011. In this category, record sales were set for red meats (pork) at $0.6 billion, dairy products at $0.4 billion, processed fruits and vegetables at $0.2 billion and nuts at $0.2 billion. Wine and beer exports were a record $65 million.

China’s agriculture, fishery and forestry exports to the United States during calendar year 2011 were $8.2 billion, up 12 percent from the previous year. The United States is China’s second-largest overseas market for agriculture, fish and forestry exports.

Due to the changing regulatory environment in China, U.S. exporters are advised to carefully check import regulations. Individuals and enterprises interested in exporting U.S. agriculture, fishery, and forestry commodities to China should contact the FAS offices (listed below) as well as USDA Cooperator organizations. Exporters of U.S. agricultural commodities should also review the FAS website (http://www.fas.usda.gov), which features general information about trade shows and other promotional venues to showcase agricultural products, FAS-sponsored promotional efforts, export financing and assistance, and a directory of registered suppliers and buyers of agricultural, fishery, and forestry goods in the United States and abroad.

The Animal Plant Health Inspection Service also operates an office in Beijing.
Best Prospects

Animal Feed  
Cotton  
Fish and Fish Products  
Hides and Skins  
Processed Food Products  
Soybeans  
Tree Nuts  
Wood and Wood Products

Web Resources

Offices

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Annual GAIN Reports

FAS publishes a wide range of reports on agriculture, agricultural markets and market access issues and regulations, including over 230 reports in 2010. These reports are available on the FAS webpage at: http://gain.fas.usda.gov/Pages/Default.aspx.
Chapter 5: Trade Regulations, Customs and Standards

- Import Tariffs
- Trade Barriers
- Import Requirements and Documentation
- U.S. Export Controls
- Temporary Entry
- Labeling and Marking Requirements
- Prohibited and Restricted Imports
- Customs Regulations and Contact Information
- Standards
- Trade Agreements
- Web Resources

Import Tariffs

A comprehensive guide to China’s customs regulations is the Customs Clearance Handbook (2012), compiled by the General Administration of Customs (China Customs). This guide contains the tariff schedule and national customs rules and regulations, and can be purchased at bookshops in China, or be ordered from the following:

China Customs Press Online Bookstore  
http://www.haiguanbook.com/shop/  
1st Floor, East Wing,  
General Administration of Customs of PRC,  
No. 6, Jianguomen Nei Street,  
Dongcheng District, Beijing, China  
Phone: (86 10) 6519-5616  
Fax: (86 10) 6519-5127  
E-mail: bjjyssd@sina.com  
GAC Website: http://english.customs.gov.cn/publish/portal191/

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.
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. According to Customs Order 954, the “Administrative Regulation on Examination and Determination of the Dutiable Value of Imported and Exported Goods”, China Customs is tasked with assessing a fair valuation to all imports. To assess a value, all Customs officers have access to a valuation database that lists appropriate valuations for various imports, based on international market prices, foreign market prices and domestic prices. Customs officers check the price reported by the importer against this database. Normally, Customs officers will accept the importer’s price. However, if the reported value is too far out of line with the database, the Customs officer will estimate the value of the goods based on methods listed in Article 7 of the PRC Administrative Regulations.

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.

VAT rebates up to 17 percent (a full rebate) are available for certain exports. The Chinese Government frequently adjusts VAT rebate levels to fulfill industrial policy goals. Exporters complain that it takes months to obtain the rebates and amounts are often miscalculated. Also, rebates are limited by the local budgets, and coastal provincial authorities often run out of funds for rebates well before the end of the year. The applicable rebate method varies according to the date the enterprise was established.

The U.S. signed a tax treaty with China that took effect on January 1, 1987. It provides certain benefits and allows for the avoidance of double taxation, but in order to enjoy the benefits provided by the tax treaty, non-residents (enterprises and individuals) must register with their local tax authorities in accordance with Circular 124.

There is also a Business Tax (BT) to be paid by service providers who received income from providing services (generally 5 percent on gross income). A new law effective January 1, 2009 requires service providers located outside of China to pay the BT as long as the service recipient is located in China, and it is paid by the service recipient by withholding a portion of the payment payable (normally 5 percent) to the provider. The policy is not in accordance with our tax treaty and the U.S. Government has complained about it to SAT. They have agreed to convert the BT to VAT and started a pilot program in Shanghai. However, it is not yet a nation-wide policy and the BT is still in force.

Furthermore, in March 2007, the National People's Congress passed a unified Corporate Income Tax Law 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 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 continues to be applied.

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 2007 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 (US$252.8) per month, per employee.

**Trade Barriers**


**Import Requirements and Documentation**

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**

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral 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 re-export of sensitive dual-use controlled commodities, software, and technologies ("items"). BIS implements U.S. export controls on all items falling under the jurisdiction of the Export Administration Regulations (EAR) including dual-use items. "Dual-use" refers to items or technologies that have both civilian commercial and military applications. Additional information on export controls and BIS, including the EAR, can be found online at: www.bis.doc.gov.

The primary goal of BIS is to protect U.S. national security interests and promote foreign policy objectives. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues. BIS’s Export Administration reviews license applications for exports, re-exports and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, Export Administration provides information on BIS programs, offers seminars on complying with the EAR, provides guidance on licensing requirements and procedures, and presents an annual Update Conference as an outreach program to industry.

BIS’s Office of Export Enforcement is staffed with criminal investigators who investigate allegations of illegal exports of dual-use items. BIS posts Export Control Officers as attaches in Beijing, Hong Kong, New Delhi, Moscow, Singapore, and the United Arab Emirates.

Under the EAR, a license is required to export or re-export certain dual-use items 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 established procedures for arranging end-use visits in China. Implementation of the EUVU helps ensure that the intended recipients of U.S. exports of controlled dual-use items are using these items for their intended purposes and facilitates licensing determinations. U.S. exporters are required to obtain an End-User/End-Use Statement from MOFCOM for licensed transactions valued over $50,000 as part of the license application process. In certain circumstances, an End-user/End-Use Statement may be required for transactions of a lower dollar value.

In June 2007, the U.S. Government published a regulation introducing changes to export control policy towards China, known as the “China Rule.” This regulation states that the United States seeks to facilitate exports to legitimate civilian end-users to China, while preventing exports that would enhance China’s military capability. BIS also established a new Validated End-User (VEU) program, which allows qualified end-users who have an established track record of engaging in only civil activities to receive exports of specified items without individual licenses. Changes to the VEU program, including additions and deletions of VEU-authorized companies, are published in the Federal Register. 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.

U.S. exporters can obtain information about how dual-use export license requirements may apply to the sale of their goods to China by submitting a commodity classification request to BIS. The commodity classification provides information on Export Control
Classification Number of the item as well as any applicable restrictions on exporting that item. Exporters also can request a written advisory opinion from BIS concerning how the regulations apply. Information on commodity classifications, advisory opinions, commodity jurisdiction, and export licenses can be obtained through the BIS website at www.bis.doc.gov or by contacting the Office of Exporter Services:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322

Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347

Information about U.S. export controls on dual-use items can be obtained from BIS Export Control Officers at the Foreign Commercial Service, U.S. Embassy Beijing, Tel: (86 10) 8531-3301/4484 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 re-export of crime control and crime detection equipment and instruments listed in the EAR to China. The Tiananmen Sanctions also prohibit the export to China of defense articles and defense services subject to the International Traffic in Arms Regulations (ITAR). These restrictions apply regardless of the end-user in China.

In 1999, the U.S. Congress passed P.L. 105-261, which permits the export to China of missile-related equipment or technology only if the President first certifies to Congress that the specific proposed export is not detrimental to the United States space launch industry and the equipment or technology to be exported, including any indirect technical benefit, will not measurably improve China’s missile or space launch capabilities.

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, Denied Persons List, Specially Designated Nationals List, and Debarred List, is available on the BIS website at: http://www.bis.doc.gov/complianceandenforcement/liststocheck.htm. A consolidation of all U.S. Government sanctions lists can be found at: http://export.gov/ecr/eg_main_023148.asp. U.S. exporters who engage in transactions with listed parties may themselves become subject to administrative and/or criminal penalties.

Additionally, the U.S. Department of State also imposes sanctions relating to proliferation of weapons of mass destruction and arms control. On June 28, 2005, President Bush signed Executive Order 13382, which amended E.O. 12938 by providing sanctions against entities that finance and support proliferation activities. Chinese entities have been sanctioned under this Executive Order, as well as under the Iran Nonproliferation Act of 2000 (P.L. 106-178), Iran-Iraq Arms Nonproliferation Act of 1992, and Executive Order 12938, as amended (E.O. 13094, E.O. 13882). Additional information on these sanctions can be found on the State Department website at: http://www.state.gov/t/isn/c15231.htm

Other agencies also regulate exports of more specialized items. For example, the U.S. Department of State’s Directorate of Defense Trade Controls (DDTC) administers U.S. export control regulations covering defense articles and services that appear on the U.S. Munitions List (USML), including satellites and related technologies. Information on U.S.
Department of State export licensing procedures, the ITAR, and the Arms Export Control Act (AECA) can be found at: [http://www.pmddtc.state.gov/](http://www.pmddtc.state.gov/) or at Tel: (202) 663-1282. The point of contact for U.S. Department of State licensing issues at the U.S. Embassy Beijing is the Economic Section, Tel: (86 10) 8531-3000, Fax: (86 10) 8531-4949.

**Temporary Entry**

1. **Trade Shows & Exhibitions**
Participants of trade shows and exhibitions can come into China on tourist visas and travel in-country. Notebook computers, cameras and portable printers can be brought into China as personal belongings. Business firms seeking to bring in exhibits and items for display should consult with customs authorities or the show organizers for regulation on the procedures and to obtain copies of appropriate forms.

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

A local sponsor with authority to engage in foreign trade may sponsor small exhibitions or technical seminars, requiring less than 1,000 square meters in exhibition space. Customs will handle the tariff exemption formalities based upon a guarantee of re-export that is signed between the sponsor and the foreign party.

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

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

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

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

Definition:
The import commercial sample is referred to those articles imported specified for the reference purpose of placing an order.

Related Regulations:
Even if items can enter free of charge, it should be declared by the consignee or agent that registered in Customs.

Imported commercial samples subject to import controls should only be imported with licenses. It is recommended to consult with Customs at the destination before samples are sent from the origin country.

Imported commercial samples with no commercial value should be imported duty and VAT free, while all the other imported commercial samples are subject to duty and VAT.

Imported commercial samples that belong to companies that have not registered with Customs need to apply for temporary registration to Customs. It is recommended to consult the destination before samples are sent from the origin country.

Notifications:
If the commercial sample is made of any dangerous materials, it is recommended to send them directly to the final destination, and carriers and the final destination should be consulted prior to the samples being sent from the origin.

The normal operation for customs clearance in Beijing takes three days.

Never consign commercial samples to an individuals’ name or hotel address.

It is highly recommended to check on the China Customs Regulations before sending samples.

4. Passenger Baggage
Reasonable quantities of items for personal use by short-term visitors may be imported duty-free. An individual is allowed to carry under $6,000 worth of foreign currency without having to declare it to Chinese Customs upon arrival.

5. Advertising Materials and Trade Samples
The General Administration of China Customs released a new regulation that went into effect on July 1, 2010. The objective is to further monitor import and export of samples and advertising articles into China. The regulation stipulates the following:

Removal of duty-free value limit of RMB 400. As a result, all shipments containing samples and advertising articles will be taxed according to their respective commodity HS codes. Exemption of Taxes now only applies to shipments fulfilling the following criteria.

a) Shipments with import tax less than RMB 50; and/or
b) Shipments with no business value, to be applied by shippers from Monday to Friday (domestic overseas), that pass strict physical inspection by China Customs.

c) Only those parties who have registered with China Customs can declare shipments (i.e. China shipper, China consignee, and agent).

The following samples, regardless of value are dutiable: motor vehicles, bicycles, watches, televisions, recorders, radios, electric gramophones, cameras, refrigerators, sewing machines, photocopiers, air conditioners, electric fans, vacuum cleaners, acoustic equipment, video recording equipment, video cameras, amplifiers, projectors, calculators, electronic microscopes, electronic color analyzers and their major parts. In these cases, the shipper should not only use the word "sample" on the Air Waybill and Commercial Invoice, but also include a detailed description of the commodity. For more information contact the Customs General Administration of the People’s Republic of China at: www.customs.gov.cn.

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

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

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

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

Prohibited and Restricted Imports

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

In addition, rules went into effect in June 1999 which further restrict or prohibit the importation of certain commodities related to the processing trade. The "Catalogue of Commodities Which are Restricted or Prohibited from Importing for Use in the Processing Trade" is designed to shift the direction of China's processing trade toward handling commodities with higher technological content and greater value-added potential. The catalogue identifies the following "prohibited commodities": used garments; used publications with licentious content; radioactive or harmful industrial waste; junk cars, used automobiles or components; seeds, seedlings, fertilizers, feed, additives, or antibiotics used in the cultivation or breeding of any export commodity. The catalogue lists seven general types of "restricted commodities": raw materials for plastics, polyester sections, raw materials for chemical fibers, cotton, cotton yarn, cotton cloth, and some steel products. This list has been updated yearly since 1999, with the last one published in 2010: (http://cys.mofcom.gov.cn/aarticle/al/201009/20100907166511.html)

However, these reports only show updates and do not reflect the final list. U.S. firms should contact the China General Administration of Customs for guidance regarding the import of any of these products. (See below for contact information)

All wood packages should carry an IPPC mark, or it will be subject to further 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 January 1, 2006.

Scrap: In 2007, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) published a "Notice Regarding Renewal Procedures for the License and Registration of Overseas Enterprises of Imported Scrap Materials," an English version of which can be found on their website. All written application materials should be marked "Renewal Application Materials for Registration of Overseas Supplier Enterprise for Scrap Materials" and mailed to:
Division of Inspection & Supervision,
General Administration of Quality Supervision, Inspection & Quarantine of the P.R. of China (AQSIQ)
No. 9, MaDian East Road, Haidian District, Beijing 100088, China
Telephone for Enquiry: (86 10) 8226-0092.

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China General Administration of Customs
http://english.customs.gov.cn/default.aspx

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Overview

The 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) coordinate compulsory certification and testing, including the China Compulsory Certification (CCC) 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 27,000 national standards (known as GB standards, or guobiao in Chinese), of which slightly less than 13 percent 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 23 categories that include some 254 items and 489 HS codes, such as 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 aforementioned CCC mark, be obtained by a manufacturer before selling in or importing to China. Please refer to the Commodity List of Products Requiring the China Compulsory Certification for more information at: http://www.shciq.gov.cn/templates/detail.jsp?id=9577. 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 the CCC mark described above.

Standards Organizations

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

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

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

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 23 categories including 254 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. At present, no foreign entities have been certified to participate in this process. 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 also sponsors CCC mark seminars in cities across the United States. 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, which is also administered by AQSIQ.

Accreditation

The China National Accreditation Service for Conformity Assessment (CNAS) is the national accreditation body of China solely responsible for the accreditation of certification bodies, laboratories and inspection bodies, which is established under the approval of the Certification and Accreditation Administration of China (CNCA) and authorized by CNCA in accordance with the Regulations of the People's Republic of China on Certification and Accreditation. Accredited bodies list can be found on the CNAS website: http://eng.cnas.org.cn/col712/index.htm1?colid=712.

Publication of Technical Regulations

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

Labeling and Marking

Based on the Food Safety Law which went into effect June 1, 2009, imported pre-packed food shall have labels and instructions in Chinese. The labels and instructions shall conform to this law, other relevant laws, administrative regulations and national food safety standards of China, and state the place of origin as well as the name, address and contact information of the domestic agent.

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 or being sold in China.

Labeling and marking requirements are mostly made by different industry authorities. However, 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.
Web Resources

For a comprehensive list of accredited technical committees in China:

For a complete list of products required to obtain China Compulsory Certification:
(up-to-date English link not available)

For free notifications of proposed technical regulations and standards:
[www.nist.gov/notifyus](http://www.nist.gov/notifyus)

For free, weekly updates of standards activity in China, go to the Department of Commerce, International Trade Organization Standards web page:

For information regarding rules of importation from AQSIQ, including a very useful map with links to local bureaus of entry-exit and quarantine:

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**Openness to Foreign Investment**

**Introduction**

China attracted $105.7 billion in foreign direct investment (FDI) in 2010, second only to the United States. China's sustained high economic growth rate and the expansion of its domestic market help explain its attractiveness as an FDI destination. However, foreign investors often temper their optimism regarding potential investment returns with uncertainty about China's willingness to offer a level playing field to foreign investors in the long term. In addition, foreign investors face a range of difficulties related to China's current investment climate. These include industrial policies that protect and promote state-owned and other domestic firms, equity caps and other restrictions on foreign ownership in many industries, weak intellectual property rights (IPR) protection, a lack of transparency, corruption and an unreliable legal system.

China has a legal and regulatory framework granting it the authority to promote investment in specific regions or industries it wishes to develop and to restrict foreign investment deemed not to be in its national interest or that might compete with state-condoned monopolies or other favored domestic firms. Many regulations contain undefined key terms and standards and are applied in an inconsistent manner. Potential investment restrictions are much broader than those of many developed countries, including the United States.

**Investment Policies**
The Chinese Government has stated that it welcomes foreign investment. In particular, China seeks to promote investment in higher value-added sectors, including high technology research and development, advanced manufacturing, clean energy technology, and select modern services sectors. Export-oriented investments also often receive government support. A major goal of China's investment policies is to encourage the domestic development of technological innovation and know-how. Investment projects that involve the transfer of technology or the potential for "indigenous innovation" tend to be favorably received by China's investment authorities. Foreign investors have said they must often weigh China's market potential and its interest in attracting technology against China's inability or unwillingness to protect investors' intellectual property.

China has indicated that it plans to restrict foreign investment in resource-intensive and highly-polluting industries, citing basic manufacturing as an example. In addition, China appears to discourage foreign investments in sectors: 1) where China seeks to develop domestic firms into globally competitive multinational corporations; 2) that have benefited historically from state-authorized monopolies or from a legacy of state investment; or 3) deemed key to social stability. It also discourages investments that are intended to profit from currency, real estate, or asset speculation.

China seeks to spread the benefits of foreign investment beyond its relatively wealthy coastal areas by encouraging foreign companies to establish regional headquarters and operations in Central, Western, and Northeastern China. China publishes and regularly revises a Catalogue of Priority Industries for Foreign Investment in the Central-Western Regions, which outlines incentives to attract investment in targeted sectors to those parts of China.

**Five-Year Plan**

China defines its broad economic goals through five-year macro-economic plans. The most significant of these for foreign investors is China's Five-Year Plan on Foreign Capital Utilization. The most recent version was released in November 2006 and promised greater scrutiny of foreign investment projects. The plan called on China to: 1) realize a "fundamental shift" from quantity to quality in foreign investment by 2010; 2) focus on introducing advanced technology, management expertise and talent; 3) pay attention to the environment and energy efficiency when evaluating investments for government approval; 4) restrict foreigners' acquisition of "dragon head" enterprises (i.e., premier Chinese firms); 5) prevent the "emergence or expansion of foreign capital monopolies;" 6) protect "national economic security," particularly "industrial security;" and 7) prevent the "abuse of intellectual property rights protection not favorable to the indigenous innovation of Chinese enterprises." The next plan is expected to be released in 2012.

**Catalogue for the Guidance of Foreign Investment in Industries**

China outlines its specific foreign investment objectives primarily through its Catalogue for the Guidance of Foreign Investment in Industries, most recently revised in December 2011. The catalogue delineates sectors of the economy where foreign investment is "encouraged," "restricted" and "prohibited." Investment in sectors not listed in the catalogue is considered permitted. China "encourages" investment in sectors where it believes it will benefit from foreign assistance or technology. Investment is "restricted"
and "prohibited" in sectors that China deems sensitive, that touch on national security, or which do not meet the goals of China's economic development plans. The catalogue notes many sectors where equity caps limit foreign ownership, often to a minority share, giving Chinese partner firms significant control and allowing them to benefit from technology transfer.

**Problems with the Catalogue**

The catalogue reflects China's market access restrictions. Contradictions between the catalogue and other measures have confused investors and added to the perception that investment guidelines do not provide a secure basis for business planning. Even in encouraged and permitted sectors, regulations apart from the catalogue often detail additional restrictions on the specific forms of investment that are allowed. Chinese regulators are not bound to follow the catalogue and instead maintain the flexibility to ignore its guidance and restrict or approve foreign investment for other reasons. China may also adopt new regulations or make unannounced policy decisions that supersede the most recently published edition of the catalogue. 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.

**China's Foreign Investment Approval Regime**

According to the Interim Measures for the Administration of Examining and Approving Foreign Investment Projects, issued in October 2004 and still in effect, all proposed foreign investments in China must be submitted for approval to the National Development and Reform Commission (NDRC) or to provincial or local Development and Reform Commissions, depending on the sector and value of the investment. NDRC's approval process includes assessing the project's compliance with China's laws and regulations, its national security implications, and its economic development ramifications. In some cases, NDRC also solicits the opinions of relevant Chinese industrial regulators and "consulting agencies," which may include industry associations that represent domestic firms. The State Council may also weigh in for high-value projects in "restricted" sectors.

Once NDRC approves a project, investors apply to the Ministry of Commerce (MOFCOM) for approval to legally establish a company. MOFCOM (or, depending on the sector and value of the investment, the provincial or local Department of Commerce) is responsible for three reviews: 1) a review of all foreign investment in China; 2) an anti-monopoly review of certain mergers and acquisitions; and 3) a security review of certain mergers and acquisitions. Foreign investors next apply for a business license from the State Administration of Industry and Commerce (SAIC), which allows the firm to operate. Once a license is obtained, the investor registers with China's tax and foreign exchange agencies. Greenfield investment projects must also seek approval from China's Environmental Protection Ministry and its Ministry of Land Resources.

**Mergers and Acquisitions and the Anti-Monopoly Law**

MOFCOM's Anti-Monopoly Bureau reviews mergers and acquisitions (M&A) above a certain threshold and meeting certain criteria specified in China's Anti-Monopoly Law (AML). While the AML calls for evaluation of the merger's effect on competition, it also
allows antitrust regulators to consider factors other than consumer welfare. The AML states that China will protect the “lawful activities” of state-regulated monopolies and state-owned enterprises (SOEs).

As of November 2011, MOFCOM had reviewed over 250 M&A transactions, approving 97 percent unconditionally and approving nine transactions with conditions. Seven of the M&A cases approved with conditions involved offshore transactions between foreign parties. As of January 2012, MOFCOM’s Anti-Monopoly Bureau had dealt with two American acquisitions of Chinese companies, rejecting one and approving the other.

**Problems with China’s Foreign Investment Approval Regime and the Anti-Monopoly Law**

All proposed foreign investments in China are evaluated on a case-by-case basis, allowing significant discretion on the part of Chinese regulators to impose unexplained restrictions on new investment projects and to take into account the interests of domestic competitors. This ad hoc system diminishes the transparency of China’s investment regulations and adds to investor uncertainty. Although the law does not expressly state that joint ventures fall under its scope, MOFCOM requires joint ventures to submit notification under the AML. AML implementation also suffers from a lack of decision-making transparency. MOFCOM decisions to block or conditionally clear proposed M&A transactions are the only administrative decisions required to be publicized, so the majority of MOFCOM reviews have left no public record. MOFCOM’s published decisions are brief and often provide little substantive analysis.

**Merger & Acquisition Security Review**

In February 2011, China released the State Council Notice Regarding the Establishment of a Security Review Mechanism for Foreign Investors Acquiring Domestic Enterprises. The notice established an interagency Joint Conference, led by NDRC and MOFCOM, with the authority to block foreign mergers and acquisitions of domestic firms that it believes may have an impact on national security. The Joint Conference is instructed to consider not just national defense security but also national economic security and basic social order implications when reviewing transactions. Some provincial and municipal departments of commerce have posted on the internet a Security Review Industry Table that lists industries not related to defense potentially subject to this review mechanism; however, MOFCOM has declined to confirm that this list reflects official Chinese policy.

**Investment Restrictions in “Vital Industries and Key Fields”**

The December 2006 “Guiding Opinions Concerning the Advancement of Adjustments of State Capital and the Restructuring of State-Owned Enterprises” called on China to consolidate and develop its state-owned economy, including enhancing its control and influence in “vital industries and key fields relating to national security and national economic lifelines.” The document defined “vital industries and key fields” as “industries concerning national security, major infrastructure and important mineral resources, industries that provide essential public goods and services, and key enterprises in pillar industries and high-tech industries.”
The Chairman of the State-Owned Assets Supervision and Administration Commission (SASAC), when the document was published, listed industries in which the state should maintain "absolute control" (aviation, coal, defense, electric power and the state grid, oil and petrochemicals, shipping, and telecommunications) and "relative control" (automotive, chemical, construction, exploration and design, electronic information, equipment manufacturing, iron and steel, nonferrous metal, and science and technology). China maintains that these lists do not reflect its official policy.

China’s State Assets Law is intended to safeguard China's economic system, promote the "socialist market economy," fortify and develop the state-owned economy, and enable SOEs to play a leading role in China's economy, especially in "vital industries and key fields." The law requires China to adopt policies to encourage SOE concentration and dominance in industries vital to national security and "national economic security."

Additional Laws Related to Foreign Investment

China's State Secrets Law gives the government broad authority to classify information as a “state secret,” creating uncertainty and potential risk for investors negotiating with SOEs or operating in sensitive sectors. The Contract Law encourages contractual compliance by providing legal recourse, although enforcement of judgments continues to be a problem. Additional investment-related laws include but are not limited to: the Administrative Permissions Law; the Arbitration Law; the Corporate Income Tax Law; the Enterprise Bankruptcy Law; the Foreign Trade Law; the Government Procurement Law; the Insurance Law; the Labor Contract Law; the Law on Import and Export of Goods; and the Securities Law.

Rankings

The following table lists China's most recent rankings compiled by organizations that monitor an economy's economic freedom, business regulations, and perceived level of corruption.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
<th>Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency International Corruption Perceptions Index</td>
<td>2011</td>
<td>3.6/10</td>
<td>75/183</td>
</tr>
<tr>
<td>Heritage Foundation and Wall Street Journal Index of Economic Freedom</td>
<td>2011</td>
<td>52/100</td>
<td>135/183</td>
</tr>
<tr>
<td>World Bank Ease of Doing Business Index</td>
<td>2012</td>
<td>N/A</td>
<td>91/183</td>
</tr>
</tbody>
</table>

Conversion and Transfer Policies

Foreign-invested enterprises in China do not need pre-approval to open foreign exchange accounts and are allowed to retain income as foreign exchange or convert it into RMB without quota requirements. Foreign exchange transactions on China's capital account no longer require a case-by-case review by the State Administration of Foreign
Exchange (SAFE). Instead, designated foreign exchange banks review and directly conduct foreign exchange settlements.

The Chinese Government registers all commercial foreign debt and limits foreign firms’ accumulated medium and long-term debt from abroad to the difference between total investment and registered capital. Foreign firms must report their foreign exchange balance annually.

Expropriation and Compensation

Chinese law prohibits nationalization of foreign-invested enterprises except under “special” circumstances. Chinese officials have said 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 formula to be used in calculating the amount. The Department of State is not aware of any cases since 1979 in which China has expropriated a U.S. investment, though the Department has notified Congress of several cases of concern.

Dispute Settlement

Chinese officials typically urge firms to resolve disputes through informal conciliation. If formal mediation is necessary, Chinese parties and the authorities typically promote arbitration over litigation. Many contracts prescribe arbitration by the China International Economic and Trade Arbitration Commission (CIETAC). Some foreign parties have obtained favorable rulings from CIETAC, while others question CIETAC’s procedures and effectiveness. Other arbitration commissions exist and are usually affiliated with the government at the provincial or municipal level. For contracts involving at least one foreign party, offshore arbitration may be adopted. Arbitration awards are not always enforced by Chinese local courts. Investors may appeal to higher courts in such cases.

Formal commercial disputes between investors are heard in economic courts. China’s court system is not independent of the government, and the government often intervenes in disputes. Corruption may also influence local court decisions and local officials may disregard the judgments of domestic courts. China’s legal system rarely enforces foreign court judgments.

Reports of business disputes involving violence, death threats and hostage-taking involving Americans have increased recently, although American citizens and foreigners in general do not appear to be more likely than Chinese nationals to be subject to this treatment. Police are often reluctant to intervene in what they consider to be internal contract disputes.

Investor-state disputes leading to arbitration are rare in China. China has never lost an arbitration case resulting from an investment dispute. 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).

Performance Requirements and Incentives
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 World Trade Organization (WTO) standards on intellectual property and trade-related investment measures.

In practice, however, local officials and some regulators prefer investments that develop favored industries and support the local job market. In addition, Chinese regulators have reportedly pressured foreign firms in some sectors to disclose intellectual property content or license it to competitors, sometimes at below market rates.

Many localities – including special economic zones, development zones and science parks – court foreign investors with packages of reduced income taxes, resource and land use fees, and import/export duties, as well as priority treatment in obtaining basic infrastructure services, streamlined government approvals, and funding support for start-ups. These packages may also stipulate export, local content, technology transfer, or other requirements.

Right to Private Ownership and Establishment

In China, all commercial enterprises require a license from the government. There is no broad right to establish a business. Disposition of an enterprise is also tightly regulated. The Administrative Permissions Law requires reviews of proposed investments for conformity with Chinese laws and regulations and is the legal basis for China's complex approval system for foreign investment.

Protection of Property Rights

The Chinese legal system mediates acquisition and disposition of property. Chinese courts have an inconsistent record in protecting the legal rights of foreigners.

Tangible Property Rights

All land in China is owned by the state. Individuals and firms, including foreigners, can own and transfer long-term leases for land, structures, and personal property, subject to many restrictions. China's Property Law stipulates that residential property rights will be automatically renewed while commercial and industrial grants shall be renewed absent a conflicting public interest. A number of foreign investors have seen their land-use rights revoked as neighborhoods are slated by the government for development. Investors report compensation in these cases has been nominal.

China's Securities Law defines debtor and guarantor rights and allows mortgages of certain types of property and other tangible assets, including long-term leases as described above. Foreigners can buy non-performing debt through state-owned asset management firms, but bureaucratic hurdles limit their ability to liquidate assets.

Intellectual Property Rights

China acceded to the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty in 2007. China is also a member of the Paris Convention for the Protection of Industrial Property, the Berne Convention
for the Protection of Literary and Artistic Works, the Madrid Trademark Convention, the
Universal Copyright Convention, and the Geneva Phonograms Convention, among other
conventions.

China has updated many of its laws and regulations to comply with the Agreement on
Trade-Related Aspects of Intellectual Property (TRIPS). However, in 2009 a WTO
dispute settlement panel found that some aspects of China’s IPR regime are
inconsistent with its obligations under TRIPS. Industry associations representing
software, entertainment, and consumer goods continue to report high levels of piracy in
China. Trademark and copyright violations are widespread. During its “Special IPR
Campaign” from October 2010 through June 2011, China emphasized criminal
prosecutions against IPR violations, particularly in the copyright area. In general,
however, criminal penalties for infringement are seldom applied. Administrative
sanctions are typically non-transparent and are so weak as to lack a deterrent
effect. While litigation awards in recent years have been larger than in previous years,
civil sanctions against infringement tend to be of limited effect.

Significant regional differences exist in IPR 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. In November 2011, China announced the formation of a permanent,
State-Council-led IPR enforcement office to coordinate intellectual property protection at
the national level.

Transparency of Regulatory System

China’s legal and regulatory system is complex and generally lacks consistent
enforcement. Foreign investors rank inconsistent and arbitrary regulatory enforcement
and lack of transparency among the major problems they face in China’s market.

The State Council’s Legislative Affairs Office (SCLAO) posts many proposed regulations
and many draft rules on its website for public comment, though usually for less than 30
days. Central government ministries and agencies have increased the number of draft
trade and economic-related departmental rules made available on their own ministry
websites for public comment, but comment periods can be extremely brief and the
impact of public comments on final regulations is not clear. Foreign investors report that
Chinese regulators at times rely on unpublished internal guidelines that affect their
businesses. SCLAO has issued 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.

Efficient Capital Markets and Portfolio Investment

Bank loans continue to provide the vast majority of credit in China, although other
sources of capital, such as corporate bonds, equity financing and private equity financing
are expanding their scope, reach and sophistication. Regulators use administrative
methods, such as lending quotas, to control credit growth, for instance in the aftermath
of a government-encouraged dramatic expansion of lending in 2008-2009 to combat the impact of the global financial crisis on China's economy.

The People's Bank of China (PBOC), China's central bank, continues to maintain a floor on lending rates that is 2-3 percentage points above the ceiling on deposit rates, thereby preserving a healthy profit margin on bank loans. The ceiling on deposit interest rates has consistently been below the rate of inflation in recent years, making real interest rates negative. The result is a net flow of capital from depositors to banks. Favored borrowers, particularly SOEs, benefit from what is effectively subsidized capital. Small- and medium-sized enterprises (SMEs), by contrast, experience the most difficulty obtaining bank financing, instead financing investments through retained earnings or informal channels. Many SMEs in China obtain financing from other Chinese firms. Some financial industry think-tanks are investigating ways to formalize and regulate this lending channel.

Non-bank financing has expanded over the last few years, with increasing numbers of Chinese firms opting to seek capitalization by publicly listing their stock, either inside or outside of China. Most foreign portfolio investment in Chinese companies occurs on foreign exchanges, primarily in New York and Hong Kong. In addition, China permits limited access to RMB-denominated markets for portfolio investment by certain foreign institutional investors. Direct portfolio investment by private equity and venture capital firms is also rising rapidly, although from a small base.

### Competition from State-Owned Enterprises

China's leading SOEs benefit from preferential government policies and practices aimed at developing bigger and stronger national champions. SOEs enjoy administrative monopolies over the most essential economic inputs (hydrocarbons, finance, telecoms, electricity) and considerable power in the markets for others (steel, minerals). SOEs have long enjoyed preferential access to credit. Provincial governments have reportedly used their power to deny operating licenses to persuade reluctant owners to sell out to bigger state-owned suitors.

China has two sovereign wealth funds: The China Investment Corporation (CIC) and SAFE. CIC is overseen by a board of directors and a board of supervisors. SAFE is a government agency that reports directly to the PBOC. The SAFE Administrator serves concurrently as a PBOC Vice-Governor. CIC and SAFE invest a very limited amount of their funds domestically. The funds are required neither to submit their books to independent audit nor to publish annual reports, although CIC issued its first annual report in 2009.

### Corporate Social Responsibility

Corporate social responsibility (CSR), or what is more commonly known as sustainability, is a new concept for domestic companies in China and is less widely accepted than in the United States. Investors looking to partner with Chinese companies or expand operations with Chinese suppliers face challenges ensuring domestic firms meet international standards in such areas as labor, the environment and good manufacturing practices. China's 12th Five-Year Plan highlights sustainability issues as a means to draw attention to the subject. Foreign-invested enterprises tend to follow generally
accepted CSR principles, and most report annually on their CSR policies and achievements.

### Political Violence

The risk of political violence directed at foreign companies operating in China remains small. Some violent but unconnected protests have occurred in all parts of China, but such mass incidents generally involved local residents protesting corrupt officials, environmental and food safety concerns, and confiscated property.

### Corruption

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

According to Chinese law, accepting a bribe is a criminal offence with a maximum punishment of life in prison or death in "especially serious" circumstances. The maximum punishment for offering a bribe to a Chinese official is five years in prison, except when there are "serious" or "especially serious" circumstances, when punishment can range from five years to life in prison. A February 2011 amendment to the Penal Code made offering large bribes to foreign officials or officials of international organizations a punishable offense.

The Supreme People’s Procuratorate and the Ministry of Public Security investigate criminal violations of laws related to anti-corruption, while the Ministry of Supervision and the Communist Party Discipline Inspection Committee enforce ethics guidelines and party discipline. China's National Audit Office also inspects accounts of state-owned enterprises and government entities.

China ratified the United Nations Convention against Corruption in 2005 and participates in Asia-Pacific Economic Cooperation (APEC) and Organization for Economic Cooperation and Development (OECD) anti-corruption initiatives. China has not signed the OECD Convention on Combating Bribery.

### Bilateral Investment Agreements

China has bilateral investment agreements with over 100 countries, including Austria, the Belgium-Luxembourg Economic Union, France, Germany, Italy, Japan, South Korea, Spain, Thailand and the United Kingdom. China’s bilateral investment agreements cover expropriation, arbitration, most-favored-nation treatment, and repatriation of investment proceeds. They are generally regarded as weaker than the investment treaties the United States seeks to negotiate. The United States does not have a bilateral investment agreement with China. The United States and China concluded a bilateral taxation treaty in 1984.
OPIC and Other Investment Insurance Programs

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

Labor

Human resource issues remain a major concern for American companies operating in China. Difficulties in hiring appropriately skilled labor, navigating many new and often ill-defined labor and social safety net laws, restrictions on the mobility of workers, and the lack of independent trade unions combine to create a challenging environment for foreign-invested enterprises.

Independent trade unions are illegal in China. Officially sanctioned trade unions must affiliate with the All-China Federation of Trade Unions (ACFTU), which is an arm of the Communist Party. It is illegal for employers to oppose efforts to establish ACFTU unions. While worker protests and work stoppages occur regularly, the right to strike is not protected by law.

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 a lack of freedom of association and the right to strike, Chinese labor laws generally meet international labor standards. However, enforcement of existing labor regulations is poor.

Foreign-Trade Zones / Free Ports

China's principal bonded areas include Shanghai, Tianjin, Shantou, three districts within Shenzhen (Futian, Yantian and Shatoujiao), Guangzhou, Dalian, Xiamen, Ningbo, Zhuhai and Fuzhou. Besides these official duty-free zones identified by China's State Council, numerous economic development zones and open cities offer similar privileges and benefits to foreign investors.

Foreign Direct Investment Statistics

Data Limitations

Investment from and to some economies, including but not limited to the British Virgin Islands, the Cayman Islands, Hong Kong, and Macau, may mask the ultimate source/destination of the investment. Some analysts have noted that investment from and to Taiwan may be underreported.

Chinese FDI data do not include much of the high dollar-value minority equity stakes that American financial services firms have taken in major Chinese lenders. In addition, China does not classify reinvested locally-generated profits as new investment.
**FDI as a Percentage of Gross Domestic Product**

According to the United Nations Conference on Trade and Development, China's FDI stock equaled 10 percent of its gross domestic product (GDP) in 2010; China's FDI inflows equaled 2 percent of GDP.

*Foreign Direct Investment Flows for 2010 (Top 10 Sources of Origin)*

<table>
<thead>
<tr>
<th>Country/Economy of Origin</th>
<th>Millions of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>60,567</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>10,447</td>
</tr>
<tr>
<td>Singapore</td>
<td>5,428</td>
</tr>
<tr>
<td>Japan</td>
<td>4,084</td>
</tr>
<tr>
<td>United States</td>
<td>3,017</td>
</tr>
<tr>
<td>South Korea</td>
<td>2,692</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>2,499</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2,476</td>
</tr>
<tr>
<td>Samoa</td>
<td>1,773</td>
</tr>
<tr>
<td>France</td>
<td>1,238</td>
</tr>
</tbody>
</table>

Source: China Commerce Yearbook 2011

*Cumulative* Foreign Direct Investment for 2010 by Selected Source of Origin

<table>
<thead>
<tr>
<th>Country/Economy of Origin</th>
<th>Millions of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>456,212</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>111,846</td>
</tr>
<tr>
<td>Japan</td>
<td>73,565</td>
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<tr>
<td>United States</td>
<td>65,223</td>
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<tr>
<td>Taiwan</td>
<td>52,016</td>
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<tr>
<td>South Korea</td>
<td>47,303</td>
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<tr>
<td>Singapore</td>
<td>46,859</td>
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<tr>
<td>Cayman Islands</td>
<td>21,588</td>
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<tr>
<td>Germany</td>
<td>17,181</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>17,084</td>
</tr>
</tbody>
</table>

Source: China Commerce Yearbook 2011

*Cumulative values are totals of the data collected each year, are not adjusted for inflation, and do not account for divestment.

**Flow of Outbound Direct Investment for 2010 (Top 10 Destinations)**

<table>
<thead>
<tr>
<th>Destination</th>
<th>Millions of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>38,505</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>6,119</td>
</tr>
<tr>
<td>Destination</td>
<td>Millions of U.S. Dollars</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>199,055</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>23,242</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>17,256</td>
</tr>
<tr>
<td>Australia</td>
<td>7,868</td>
</tr>
<tr>
<td>Singapore</td>
<td>6,069</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>5,787</td>
</tr>
<tr>
<td>United States</td>
<td>4,874</td>
</tr>
<tr>
<td>South Africa</td>
<td>4,153</td>
</tr>
<tr>
<td>Russia</td>
<td>2,788</td>
</tr>
<tr>
<td>Canada</td>
<td>2,602</td>
</tr>
</tbody>
</table>

Source: China Commerce Yearbook 2011

**Stock of Outbound Direct Investment for 2010 (Top 10 Destinations)**

<table>
<thead>
<tr>
<th>Destination</th>
<th>Estimated Current Value in Billions of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intel</td>
<td>4.8</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>4.5</td>
</tr>
<tr>
<td>Motorola</td>
<td>4.1</td>
</tr>
<tr>
<td>Ford</td>
<td>3.0</td>
</tr>
<tr>
<td>Carlyle Group</td>
<td>3.0</td>
</tr>
<tr>
<td>Coca-Cola</td>
<td>3.0</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>2.3</td>
</tr>
<tr>
<td>DuPont</td>
<td>1.2</td>
</tr>
<tr>
<td>Microsoft</td>
<td>1.0</td>
</tr>
<tr>
<td>Alcoa</td>
<td>0.8</td>
</tr>
<tr>
<td>Cummins</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: China Commerce Yearbook 2011

**Selected Major Foreign Direct Investments by U.S. Companies**
How Do I Get Paid (Methods of Payment)

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

1. Letters of Credit

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

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

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

2. Documentary Collections

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

3. Other Methods
a. Contract Advance (for wire remitted funds, therefore also called as T/T Finance):
It is a specially tailored product for transactions under open account contract wherein T/T payment terms are called for. Upon arrival of goods, the Chinese importer may apply for this service whereby a Chinese bank may advance the importer the payment to the exporter. The importers are to repay this advance after the goods are sold and the proceeds are received. Before applying for a contract advance, the importer needs to apply to the Chinese bank for a T/T Finance facility, which may be granted after assessment of the importer’s financial status.

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

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

How Does the Banking System Operate

Banking System in China

Cooperation and competition co-exist between Chinese banks and foreign banks in China.

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

Tasked to formulate and implement monetary policy, the People’s Bank of China (PBOC) is China’s central bank and reports to the State Council. The State Council, however, maintains oversight of the PBOC and makes 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 monetary instruments, including setting interest rates 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.

The China Banking Regulatory Commission (CBRC) was launched on April 28, 2003 to improve the efficiency of bank supervision and allow the PBOC to further focus on the country’s macro-economic and currency policy and to take over the bank supervisory role from the PBOC. 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 banking system in China.

2. The ‘Big Five’ Chinese Commercial Banks

The largest five state-owned banks in China, the Industrial and Commercial Bank of China (ICBC), the Bank of China (BOC), the China Construction Bank (CCB), the Agricultural Bank of China (ABC), and Bank of Communications dominate the banking system and together account for well over half of all loans and deposits in China’s banks. Several have become some of the largest banks in the world as valued by market capitalization. For example, Industrial and Commercial Bank of China and China Construction Bank are the world’s largest and second largest banks by market value. While the State, operating through the Ministry of Finance, continues to own a majority stake in each of these institutions. These five banks all are publicly listed in Chinese stock markets and also on international bourses. The “Big Five” constitute the absolute majority of bank lending in China. Bank lending remains the most important financing vehicle in the country; equity finance and the corporate bond market remain very small in comparison, while bank lending constitutes roughly 80 percent of total lending. The majority profits of a Chinese bank comes from the difference between the interest rate paid to depositors and the lending rate to the borrowers, which a generous spread is set by the central bank in order to protect the banks from fierce competition.

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 (EXIM) - were established in 1994 to take over the government-directed spending functions of the four state-owned commercial banks (ICBC, CCB, BOC and ABC). 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 EXIM specializes in trade financing. The policy banks like EXIM are able to provide preferential loans with very flexible payment schedules at less than half the interest offered by any of the commercial banks. However, in the last decade the government has steered the policy banks in a new direction and put in motion a dramatic commercialization movement.

4. Second Tier Joint-Stock Commercial Banks

The second-tier joint-stock commercial banks include 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. Since 2010, the joint-stock commercial banks in China have witnessed remarkable improvement in asset quality, risk control, profitability and managerial system through constant reform and development.

5. City Commercial Banks

There are altogether 147 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, Nanjing 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.

According to latest statistics from the CBRC, by the end of 2010, the size of deposits and loans in city commercial banks reached RMB 6.1 trillion and RMB 3.6 trillion respectively, of which loans of small- and medium-enterprises comprise RMB 1.1 trillion. By the end of 2010, the outstanding non-performance loans of city commercial banks are RMB 32.56 billion, a drop of RMB 5.13 billion compared with the beginning of the year; the NPL ratio is 0.9 percent, 0.4 percentage points lower than the year beginning; the average capital adequacy ratio is 12.8 percent; liquidity ratio is generally in good situation and the leverage ratio is under control.

6. Rural Commercial Banks and Rural Credit Cooperatives

Rural credit cooperatives, much closer to rural areas and farmers than any other banking institutions, have created large numbers of financial products which met the needs of rural economy and gained popularity among farmers. In the past 60 years, rural credit cooperative workers have been dedicated to serving agriculture, rural areas, and farmers. Nearly 80,000 branches, with 800,000 workers in counties and rural areas, served 0.8 billion rural residents, provided almost 80 percent of rural household loans and provided 80 percent financial coverage of the under-banked villages and towns in China.

In early 2011, the CBRC selected first five Rural Commercial Banks, i.e., Beijing Rural Commercial Bank, Shanghai Rural Commercial Bank, Chongqing Rural Commercial Bank, Chengdu Rural Commercial Bank, Zhangjiagang Rural Commercial Bank, to carry out the implementation of Basel II pilot. In July 2011, CBRC issued a "Rural Banking Institutions on the Implementation of Basel II Guidance". The implementation of Basel-oriented comprehensive risk management system for rural commercial banks is aimed at narrowing their gap with the other commercial banks, and to enhance their management level and the core competitiveness and to achieve sustainable development.

7. Foreign Banks in China

At present, the scope of business and regulatory standards for foreign banks registered in China is consistent with that for the Chinese banks. A foreign bank registered in China can operate the foreign exchange and RMB business to enterprises and individuals, and comply with the same requirements as for a Chinese bank in terms of capital adequacy, credit concentration limits, savings and loan ratio, liquidity and other prudential provisions. Branches of foreign banks can conduct foreign exchange business and limited RMB business (only for foreigners in China); those foreign bank branches in China that were approved to conduct RMB business can absorb no less than RMB 100 million from the Chinese citizen for each deposit.

As of the end of September 2011, there were 39 foreign banks locally incorporated in China (consists of 247 branches and subsidiaries), 1 foreign financial company, 93 foreign bank branches and 207 representative offices, from 47 different countries. Over the past decade, the annual compound growth rate of foreign banks reached 19 percent, and the annual compound growth rate of their profits reached 26 percent.
The top five locally incorporated foreign banks’ assets all exceed of RMB100 billion, which reach the level of national joint-stock commercial banks. To become a locally incorporated bank in China, a foreign bank needs to apply to the Chinese Banking Regulatory Commission, as well as gain approval from SAFE to bring working capital onshore. The process of doing so is frequently lengthy.

Foreign-Exchange Controls

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. This system had been informally suspended in 2008 during the financial crisis, but was reinstated June 18, 2010. Since then, the RMB has appreciated slightly against the USD. The PBOC authorized SAFE to regulate the inter-bank foreign exchange spot and forward markets. Starting from October 1, 2008, companies must report any overseas payment with a payment term over 90 days from the date shown on the import declaration form to SAFE — no matter the amount — or they will not be allowed to arrange the overseas payment. The accumulated reported overpayment amount in one calendar year can’t exceed 10 percent of total importation amount of the last year.

On October 30, 2008, SAFE published a notice stipulating that from November 15, 2008, when an enterprise enters into a contract that contains a clause for the pre-payment for purchases, the enterprise must register (with SAFE) the contract within 15 working days after the contract is signed. The enterprise also must register the foreign exchange repayment within 15 days before the remittance. If the contract does not contain a pre-payment clause but a foreign exchange repayment is nevertheless required, the enterprise must register the contract and the foreign exchange prepayment within 15 working days before the remittance. As to the amount of the pre-payment, in principle, the enterprise pre-payment quota cannot exceed 10 percent of the total payment the enterprise has made for importation in the past 12 months. However, enterprises handling large, complete sets of equipment are exempt.

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 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 the service trade are simplified with the examination and approval procedures relaxed.

3. Procedures related to sales of foreign exchange to resident individuals have been further trimmed and the limits on purchase of foreign exchange have been increased. 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 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.

**Project Financing**

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

**Export Credits**

The U.S. Export-Import Bank (Ex-Im 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 China’s Ministry of Finance (MoF). 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 Ex-Im Bank is also open for limited-recourse, project financing 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 United States. Project financing is also available from the various multilateral financial institutions as described 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 James S. Lewis, Senior Business Development Officer of Global Business Development Division, Export-Import Bank of the United States (202) 565-3716 (telephone), james.lewis@exim.gov or (202) 565-3961 (fax) Exposure fee calculations and applications can be found on-line at www.exim.gov.

U.S. Trade and Development Agency

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

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

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

Multilateral Agencies

The World Bank, based in Washington, D.C., maintains a 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," and can be viewed at: http://www.devbusiness.com/about.asp
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. The website can be viewed at: 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 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 its Beijing office, Tel: (86 10) 5860-3000, Fax: (86 10) 5860-3100. Website: www.ifc.org.

The Asian Development Bank (ADB) is a multilateral development finance institution, based in Manila, which is dedicated to reducing poverty in the Asia and Pacific region through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, it is owned by 67 members. The ADB extends loans and provides technical assistance to its developing member countries for a broad range of development projects and programs. It also promotes and facilitates investment of public and private capital for economic and social development.

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. Tel: (86 10) 6642-6601, Fax: (86 10) 6642-6606. Website: www.adb.org.

Web Resources

OPIC: http://www.opic.gov
Trade and Development Agency: http://www.tda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

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Business Customs

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. When receiving a card, use two hands and study it. Acknowledge it with thanks and initiate conversation, when feasible. Use an interpreter, if available, to make sure you are communicating correctly and/or understanding the other person correctly. Don’t miss an opportunity to develop an appropriate new business contact, as relationships, called guanxi in Mandarin, remain very important in China.

Travel Advisory

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

For the most up-to-date information related to traveling and living in China, please see the Department of State’s Country Specific Information on China at http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1089.html.

China experiences a moderate rate of crime. To reach the police in China, dial “110,” the local equivalent of 911. Recent assaults at nightclubs and bars highlight the need to check local expatriate publications when planning outings. Pickpockets are particularly active in crowded markets and foreigners are often sought out as primary targets. Foreigners have often had bags or backpacks stolen when they set them down momentarily in a shop or put them on a chair in a restaurant; avoid keeping your passport in a bag. Thefts from taxis have also become more common and travelers are especially urged to hold purses or computer bags and to be sure drivers are not given the opportunity to leave with the traveler’s luggage in the car or trunk. Petty theft from hotel rooms is uncommon but visitors are advised not to leave valuables lying loose or unattended in their rooms. Use safe deposit boxes or safes in rooms, or at the front desk, where provided. Use caution if approached by individuals purporting to be English-language or art students, and avoid sellers of pirated or fake products. These transactions are illegal and should be avoided.
Americans arriving without valid passports and Chinese visas are not permitted to enter China and may also be subject to fines. Visitors traveling to China on a single entry visa should be reminded that trips to Hong Kong or Macau Special Administrative Regions are treated as a visit outside Mainland China. If the traveler tries to return to Mainland China after a visit to one of these two destinations but only has a single entry visa, they will be denied entry. Visitors facing this dilemma should apply for a new visa at the Chinese Ministry of Foreign Affairs or the China Travel Service in Hong Kong to re-enter China. Transit through China without a visa is permitted in some circumstances but to avoid problems, check your itinerary and the most recent Chinese visa regulations to be sure your trip meets the regulations. Recent travel advisories and other useful information can be found on the U.S. State Department’s travel website: http://travel.state.gov/.

If traveling to China, remember to connect with the U.S. Embassy and Consulates through the Department of State’s Smart Traveler Enrollment Program: https://travelregistration.state.gov/ibrs/ui/.

**Visa Requirements**

A valid passport and visa are required to enter China. A visa must be obtained from Chinese Embassies and Consulates before traveling to China; ask for a one-year, multiple-entry visa. Americans arriving without valid passports and the appropriate Chinese visa are not permitted to enter and can be subject to a fine and immediate deportation at the traveler's expense. Travelers should not rely on Chinese host organizations claiming to be able to arrange a visa upon arrival. Chinese authorities have recently tightened their visa issuance policy, in some cases requiring personal interviews of American citizens and regularly issuing one or two entry visas valid for short periods only. The **standard visa reciprocity is multiple entry/12 months and visitors should request a Chinese visa of that validity to avoid problems.**

Please note that visas are required to transit China in most circumstances. 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 especially sure to obtain visas allowing multiple entries.

For information about visa requirements and other entry requirements and restricted areas, travelers should consult the Embassy of the People’s Republic of China (PRC) at 2300 Connecticut Avenue N.W., Washington, D.C. 20008, or telephone (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 website at: http://www.china-embassy.org/eng/

The Chinese Embassy’s visa section may be reached by e-mail at chnvisa@bellatlantic.net. The service hotline is (202) 337-1956 and the fax number is (202) 588-9760. 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, but Americans resident in the United States should apply for a visa before leaving, if possible.
Americans who overstay or otherwise violate the terms of their Chinese visas will be subject to a RMB 500 fine per day up to a maximum of RMB 5,000. Although you can expect processing delays and receive a warning, you are not necessarily denied a new visa or have further action taken against you. In extreme cases, you could be expelled from the country and prohibited re-entry for 5 years. Travelers should note that international flights departing China are routinely overbooked. Travelers are advised to reconfirm departure reservations and check in early at the airport. **Note that if you lose your passport or become the victim of passport theft, you will not only need to obtain a new U.S. passport, but you will need to obtain a replacement visa before you will be able to depart China. This process can take as long as one week.**

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

U.S. companies that require travel of foreign businesspeople to the United States should be advised that, especially during the summer and during other busy travel times, there may be a significant wait time for applicants to schedule a visa interview and a small percentage of Chinese visa applicants, particularly those in scientific and technical fields, require additional processing that may take three weeks or more to complete. Chinese companies also usually require invitation letters and have internal travel approval process that may take several weeks. U.S. companies should send invitation letters to Chinese business contacts as early as possible. Visa applicants should go to the following links.

State Department Visa Website: [http://travel.state.gov/visa/index.html](http://travel.state.gov/visa/index.html)
State Department Visa Website: [http://travel.state.gov/visa/visa_1750.html](http://travel.state.gov/visa/visa_1750.html)

**Telecommunications**

International and domestic phone calls can be made with little difficulty in China, particularly in the major cities. International and domestic calls can typically be made directly from hotel rooms and phone cards and pre-paid cellular phone chips are widely available. Phones can be rented at the airport arrival terminals for short term use.

**City Codes**
Cities shown are where the U.S. Government has an Embassy or Consulate. For calls made within China, add a “0” before the city code. For calls made to China, dial “86” before the city code. When calling China from the United States, add “011” before the country code.
Beijing: 10
Chengdu: 28
Guangzhou: 20
Shanghai: 21
Shenyang: 24
Wuhan: 27
Telephone Operators
Local Directory Assistance (some English): 114
International Directory Assistance (some English): 115
Domestic Long Distance Operator (some English): 113, 173

Other Numbers (Emergencies)
U.S. Embassy: 011-8610-8531-4000. Within Beijing, dial 8531-4000 (American Citizen Services) and listen for the menu options. For after-hours emergencies only, dial 8531-3000, and ask the operator or the Marine Guard receiving the call to let you speak to the Duty Officer.

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

Emergency/Fire (Chinese): 119
Police (Chinese): 110

Transportation

Taxis

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

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

Airlines

Add “010” before the number, except 400 or 800 calls, if outside Beijing

Cathay Pacific/Dragon Air 400-888-6628/ (86 10) 6453-2566 (airport office)
Japan Airlines 400-888-0808
Korean Airlines 400-658-8888 (press “3” for English)
Malaysian Airlines (86 10) 6505-2681 (press “2” for English)/ 10-6459-0206 (airport)
Delta/Northwest 400-814-0081 (press “3” English)
Qantas 800-819-0089 (press “1” for English)/ (86 10) 6567-9006 (press “101” for English)
Singapore Airlines (86 10) 6505-2233 (press “2” for English)
Thai Airways (86 10) 8515-0088 (press “0” for English)
United 800-810-8282 (press “1” for English)
Vietnam Airlines (86 10) 8454-1196

Be sure to confirm which airport/terminal your departure flight will use in Beijing (Terminal 2 or Terminal 3) or in Shanghai (Hongqiao or Pudong) as they are miles apart.
Language

Mandarin Chinese is the national language, spoken by over 70 percent of Chinese. Other than Mandarin there are six major Chinese dialects, as well as numerous local dialects. Pinyin refers to the standardized Romanization system used to represent the pronunciation of Chinese characters; it is used throughout China on signs. Chinese characters are all written the same, but are pronounced differently in each dialect. China employs simplified characters but most areas outside the Mainland, including Hong Kong, Macau, Taiwan and Southeast Asia, use traditional characters. For business purposes it is important to provide contacts with bilingual business cards, usually with Chinese characters on one side, English on the other. Titles and company names should be translated with care into Chinese to ensure a positive meaning.

Health

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): 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 language, 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 medical facilities in China that will treat foreigners can access that information at the Embassy’s website. Information for consular districts can be accessed by clicking “locations” in the upper right-hand corner of this site.

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. Rural clinics are often reluctant to accept responsibility for treating foreigners, even in emergency situations.

Medical Insurance

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and if it will cover emergency expenses such as a medical evacuation. U.S.
medical insurance plans seldom cover health costs incurred outside the United States unless on a reimbursable basis or if supplemental coverage is purchased. Furthermore, U.S. Medicare and Medicaid programs do not provide payment for any 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., or even to Hong Kong, may cost well in excess of USD 100,000. 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 with a medical emergency.

SOS International, Ltd.
Beijing International SOS Clinic
Suite 105, Wing 1, Kunsha Building
No 16 Xinyuanli, Chaoyang District
Beijing 100027, China
Tel (86 10) 6462-9112
Fax (86 10) 6462-9188
Website: http://www.internationalsos.com/en/asia-pacific_china.htm

MEDEX Assistance Corporation 871 Poly Plaza Beijing 100027
Toll Free Number from China to the United States: 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
Website: 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.
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,
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.

Local Time, Business Hours, and Holidays

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, Ürumqi, and all other parts of the country. However, western China does follow a later work schedule to coincide with daylight hours.

Business Hours

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

2012 Holiday Schedule

Mission China is scheduled to be closed on the following dates in observance of the 2012 official American and Chinese holidays:

<table>
<thead>
<tr>
<th>**</th>
<th>Date</th>
<th>Day</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>**</td>
<td>January 1</td>
<td>Sun</td>
<td>New Year’s Day</td>
</tr>
<tr>
<td>***</td>
<td>January 2</td>
<td>Monday</td>
<td>New Year’s Day</td>
</tr>
<tr>
<td>*</td>
<td>January 16</td>
<td>Monday</td>
<td>Martin Luther King, Jr.’s Birthday</td>
</tr>
<tr>
<td>**</td>
<td>January 22-25</td>
<td>Sun-Wed</td>
<td>Chinese (Lunar) New Year</td>
</tr>
<tr>
<td>*</td>
<td>February 20</td>
<td>Monday</td>
<td>Presidents’ Day</td>
</tr>
<tr>
<td>**</td>
<td>April 4</td>
<td>Wednesday</td>
<td>Tomb Sweeping Day</td>
</tr>
<tr>
<td>**</td>
<td>May 1</td>
<td>Tuesday</td>
<td>International Labor Day</td>
</tr>
<tr>
<td>*</td>
<td>May 28</td>
<td>Monday</td>
<td>Memorial Day</td>
</tr>
<tr>
<td>**</td>
<td>June 23-25</td>
<td>Sat-Mon</td>
<td>Dragon Boat Festival</td>
</tr>
<tr>
<td>*</td>
<td>July 4</td>
<td>Wednesday</td>
<td>Independence Day</td>
</tr>
<tr>
<td>*</td>
<td>September 3</td>
<td>Monday</td>
<td>Labor Day</td>
</tr>
<tr>
<td>**</td>
<td>Sep 30-Oct 4</td>
<td>Sun-Thu</td>
<td>Mid-Autumn Festival &amp; Chinese National Day</td>
</tr>
</tbody>
</table>
Please note that this schedule is subject to change if the PRC government makes any adjustments to CY 2012 legally-recognized Chinese holidays.

2012 Chinese Government Holidays:

- **New Year**: Jan. 1, 2, 3, three days; Work: Dec.31 Sat.
- **Lunar New Year**: Jan. 22-28, seven days; Work: Jan.21 Sat. and Jan.29 Sun.
- **Tomb Sweeping Day**: April 2, 3, 4, three days; Work: March 31 Sat and April.1 Sun.
- **Labor’s Day**: April 29, 30, May 1, three days; Work: April 28 Sat.
- **Dragon Boat Day**: June 22, 23, 24, three days.
- **Mid-Autumn Festival, Chinese National Day**: Sep.30 – Oct.7, eight days; Work: Sep.29 Sat.

**Temporary Entry of Materials and Personal Belongings**

Although travelers will notice that Customs officials at the airports do not routinely inspect baggage upon arrival, random searches are possible. China allows an individual to import 400 cigarettes (600, if you are staying more than six months), two bottles of wine or spirits (verify current allowable quantity at the duty free shop before you purchase), and a reasonable amount of perfume. Cash amounts exceeding USD 6,000 (or equivalent in other foreign currency) should be declared.

Chinese law prohibits the import of cold cuts and fresh fruit. There are limits on other items, such as herbal medicine that can be taken out of the country. Rare animals and plants cannot be exported. Cultural relics, handicrafts, gold and silver ornaments, and jewelry purchased in China have to be shown to customs upon leaving China. If these items are deemed to be “cultural treasures” they will be confiscated. All bags are X-rayed.

It is illegal to import any printed material, film, and tapes, etc. that are “detrimental to China’s political, economic, cultural, or ethical interests. As with tapes, books or DVDs that “contain state secrets or are otherwise prohibited for export” can be seized on departing China.
U.S. Embassy Beijing: http://beijing.usembassy-china.org.cn
China Council for the Promotion of International Trade (CCPIT): www.ccpit.org
National Development and Reform Commission (NDRC) http://en.ndrc.gov.cn/ (English)
Chinese Ministry of Commerce: http://english.mofcom.gov.cn/
American Chamber of Commerce China (Amcham): http://www.amchamchina.org
Chinese Government: http://english.gov.cn

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Chapter 9: Contacts, Market Research and Trade Events

- Contacts
- Market Research
- Trade Events

Contacts

A. State Commissions

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

B. Chinese Ministries

Ministry of Agriculture
11 Nongzhanguan Nanli, Chaoyang District, Beijing 100125, China
Minister: Han Changfu
Main Line: (86 10) 5919-1830/1883
Mr. Xu Yubo, U.S.-China Cooperation: (86 10) 5919-3327; Prior referral needed via U.S. Embassy if requesting a meeting
Fax: (86 10) 5919-1831
Website: http://english.agri.gov.cn

Ministry of Transport
11 Jianguomennei Dajie, Dongcheng District, Beijing 100736, China
Minister: Li Shenglin
Main Line: (86 10) 6529-2327
International Affairs: (86 10) 6529-2206/2208
Fax: (86 10) 6529-2345
Website: www.moc.gov.cn (no English page)
Public Holiday Contacts: jtbweb@moc.gov.cn
1371-779-3170

Ministry of Housing and Urban-Rural Development
9 Sanlihe Lu, Haidian District, Beijing 100835, China
Minister: Jiang Weixin
Main Line: (86 10) 5893-4114
Technical matters: (86 10) 5893-3575
International Affairs: (86 10) 5893-4049
Fax: (86 10) 6831-2524
Ministry of Culture
10 Chaoyangmen Beijie, Dongcheng District, Beijing 100020, China
Minister: Cai Wu
Main Line: (86 10) 5988-1114
International Affairs: (86 10) 5988-2005/2004
Fax: (86 10) 5988-1986/2005
Website: http://www.ccnt.gov.cn/English/index.html

Ministry of Education
37 Damucang Hutong, Xidan, Xicheng District, Beijing 100816, China
Minister: Yuan Guiren
Main Line: (86 10) 6609-6114
International Affairs: (86 10) 6609-6275
Fax: (86 10) 6601-3647
Website: http://www.moe.gov.cn/publicfiles/business/htmlfiles/moe/moe_2792/index.html

Ministry of Finance
3 Nansanxiang, Sanlihe, Xicheng District, Beijing 100820, China
Minister: Xie Xuren
Main Line: (86 10) 6855-1781/6855-1782
International Affairs: (86 10) 6855-1175
Fax: (86 10) 6855-1125
Website: www.mof.gov.cn (no English page)

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

Ministry of Commerce
2 Dongchang'an Avenue, Beijing 100731, China
Minister: Chen Deming
Main Line: (86 10) 5165-1200, ext. 612/613/623
International Affairs: (86 10) 6519-8830
Fax: (86 10) 6567-7512
Website: http://english.mofcom.gov.cn/

Ministry of Environmental Protection (MEP)
115 Xizhimennei Nanxiaojie, Beijing 100035, China
Minister: Zhou Shengxian
Main Line: (86 10) 6655-6006
International Affairs: (86 10) 6655-6495/6496
Fax: (86 10) 6655-6010
Website: http://english.mep.gov.cn
Ministry of Health (MOH)
1 Xizhimenwai Nanlu, Xicheng District, Beijing 100044, China
Minister: Chen Zhu
Main Line: (86 10) 6879-2114
International Affairs: (86 10) 6879-2297
Fax: (86 10) 6879-2295
Website: www.moh.gov.cn (no English page)

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

Ministry of Justice
10 Chaoyangmen Nandajie, Chaoyang District, Beijing 100020, China
No.16, Xibianmen Xilijia, Xuanwu District, Beijing 100053, China
Minister: Wu Aiying
Main Line: (86 10) 6520-5114
International Affairs: (86 10) 6520-6239
Fax: (86 10) 6520-5866
Website: http://english.moj.gov.cn/

Ministry of Human Resources and Social Security (MOHRSS)
12 Hepingli Zhongjie, Dongcheng District, Beijing 100716, China
Minister: Yin Weimin
Main Line: (86 10) 8420-1114
International Affairs: (86 10) 8423-3379
Fax: (86 10) 8423-3320
Website: www.mohrss.gov.cn (no English page)

Ministry of Land and Resources
No.64 Fu Nei Street, Xicheng District, Beijing 100812, China
Minister: Xu Shaoshi
Tel: (86 10) 6655-8407/8408/8420
Fax: (86 10) 6612-7247
Website: www.mlr.gov.cn/mlrenglish/

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

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

Ministry of Science and Technology
15B, Fuxinglu, Haidian District, Beijing 100862, China
Minister: Wan Gang
Main Line: (86 10) 5888-1800
International Affairs: (86 10) 5888-1300/1301
Fax: (86 10) 5888-2556
Website: www.most.gov.cn/eng/index.htm

Ministry of Water Resources
2 Baiguanglu Ertiao, Xuanwu District, Beijing 100053, China
Minister: Chen Lei
Main Line: (86 10) 6320-2114
International Affairs: (86 10) 6320-2825
General Office (86 10) 6320-2699
Fax: (86 10) 6320-2822
Website: www.mwr.gov.cn/english/

C. Bureaus and Administrations Directly Under the State Council

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

Civil Aviation Administration of China
155 Dongsi Xidajie, Beijing 100710, China
Minister: Li Jiaxiang
Main Line: (86 10) 6409-1114
International Affairs: (86 10) 6409-1295
Fax: (86 10) 6401-6918
Website: www.caac.gov.cn (no English page)

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

China National Tourism Administration
9A Jianguomennei Dajie, Beijing 100740, China
Chairman: Shao Qiwei
Main Line: (86 10) 6520-1114  
Marketing and International Cooperation Department: (86 10) 6520-1810  
Fax: (86 10) 6513-7871  
Website: http://en.cnta.gov.cn/

State Administration for Industry and Commerce  
8 Sanlihe Donglu, Xicheng District, Beijing 100820, China  
Director: Zhou Bohua  
Main Line: (86 10) 6801-0463/6801-3447  
International Affairs: (86 10) 6803-1508  
Fax: (86 10) 6801-0463/6802-3447  
Website: http://www.saic.gov.cn/english/index.html  
dfa@saic.gov.cn

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

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

General Administration for Quality Supervision, Inspection and Quarantine  
No.9 Ma Dian Road East, Haidian District, Beijing 100088, China  
Director: Zhi Shuping  
Main Line: (86 10) 8226-0114  
International Affairs: (86 10) 8226-1693/1955  
Fax: (86 10) 8226-0552  
Website: http://english.aqsiq.gov.cn/

State Administration of Taxation  
5 Yangfangdian Xilu, Haidian District, Beijing 100038, China  
Commissioner: Xiao Jie  
Main Line: (86 10) 6341-7114  
International Affairs: (86 10) 6341-7901  
Fax: (86 10) 6341-7870  
Website: http://202.108.90.130/n6669073/index.html

The State Food and Drug Administration (SFDA), under the Ministry of Health - MOH  
26 Xuanwumen Xidajie, Beijing 100053, China  
Commissioner: Shao Mingli  
Main Line: (86 10) 6831-3344
International Affairs: (86 10) 8833-0813
Fax: (86 10) 6831-0909
Website: http://www.sfda.gov.cn

State Forestry Administration
18 Hepingli Dongjie, Beijing 100714, China
Director: Jia Zhibang
Main Line: (86 10) 8423-8625/8423-8303
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: http://english.sipo.gov.cn/

National Copyright Administration
40# Xuanwumenwai Dajie, Xuanwu District, Beijing 100052, China
Director: Liu Binjie
Main Line: (86 10) 8313-8000
International Affairs: (86 10) 8313-8736 / 8313-8735
Fax: (86 10) 6528-0038
Website: www.ncac.gov.cn

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

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

National Energy Administration (NEA)
38 Yuetannanjie, Xicheng District, Beijing 100824, China
Administrator: Zhang Guobao
Tel: (86 10) 6850-5670
Fax: (86 10) 6850-5673
Website: www.ndrc.gov.cn
D. Offices under the State Council

**The Central People's Government**  
Zhongnanhai, Beijing 100017, China  
Secretary General: Ma Kai  
Tel: (86 10) 8805-0813  
Fax: (86 10) 6307-0900  
Website: www.gov.cn

**Hong Kong and Macau Affairs Office of the State Council**  
77 Yuetannanjie, Beijing 100045, China  
Director: Liao Hui  
Tel: (86 10) 6857-9977  
Fax: (86 10) 6857-6639  
Website: www.hmo.gov.cn

**State Council Information Office of the PRC**  
6 Lianhuachi East Road, Huatian Building. 26/F, Beijing, China  
Director: Wang Chen  
Tel: (86 10) 5888-0320  
Website: www.scio.gov.cn

**Legislative Affairs Office**  
33 Ping'anli Xidajie, Xicheng Dist., Beijing 100035, China  
Director: Song Dahan  
Tel: (86 10) 6309-7599  
Website: www.chinalaw.gov.cn/article/english

**Office of Overseas Chinese Affairs office of the 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 of the State Council**  
Zhongnanhai, Beijing 100017, China  
Director: Xie Fuzhan  
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, China  
Director: Wang Yi  
Tel: (86 10) 6857-1900  
Fax: (86 10) 6832-8321  
Website: www.gwytb.gov.cn
E. Institutions

**China Meteorological Administration**
46 Zhong Guan Cun South Street, Haidian District, Beijing 100081, China
Director: Zheng Guoguang
Tel: (86 10) 6840-7703
Website: [www.cma.gov.cn](http://www.cma.gov.cn)

**China Securities Regulatory Commission**
19 Jinrong Avenue, Xicheng District, Beijing 100033, China
Chairman: Guo Shuqing
Tel: (86 10) 8806-1000
Fax: 86-10-6621-0205
Website: [www.csrc.gov.cn](http://www.csrc.gov.cn)
consult@csrc.gov.cn

**Chinese Academy of Engineering**
No.2 Bingjiaokou Hutong, Beijing 100088, China
President: Zhou Ji
Tel: (86 10) 5930-0000
Fax: (86 10) 5930-0001
Website: [www.cae.cn/en/](http://www.cae.cn/en/)

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

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

**Development Research Center of the State Council**
225 Chaoyangmennei Avenue, Dongcheng District, Beijing 100010, China
President: Li Wei
Tel: (86 10) 6523-6066
Fax: (86 10) 6523-6060
Website: [www.drc.gov.cn/english/](http://www.drc.gov.cn/english/)

**Chinese Academy of Governance**
6 Changchunqiaolu, Haidian District, Beijing 100089, China
President: Ma Kai
Tel: (86 10) 6892-9260
Website: [www.nsa.gov.cn](http://www.nsa.gov.cn) (no English page)

**China Earthquake Administration**
63 Fuxing Lu, Haidian District, Beijing 100036, China
Director: Chen Jianmin
F. Bureaus Supervised by Commissions and Ministries

State Administration of Foreign Exchange
Huarong Plaza, 18 Fuchenglu, Haidian District, Beijing 100048, China
Director: Yi Gang
Tel: (86 10) 6840-2265
Website: http://www.safe.gov.cn/model_safe_en/index.jsp?id=6

State Administration of Traditional Chinese Medicine
1 Gongti West Road, Chaoyang District, Beijing 100026, China
Commissioner: Mr. Wang Guoqiang
Tel: (86 10) 5995-7666
Website: www.satcm.gov.cn/ (no English page)

State Administration of Cultural Heritage
10 Chao Yang Men Bei Da Jie, Dongcheng District, Beijing 100020, China
Director: Li Xiaojie
Tel: (86 10) 8463-6599
Fax: (86 10) 5988-1573
Website: http://www.sach.gov.cn/

State Administration of Foreign Experts Affairs
Room 50307, No.1 ZhongGuanCun South Street, Haidian District, Beijing 100873, China
Director: Zhang Jianguo
Tel: (86 10) 6894-8899
Fax: (86 10) 6846-8006
Website: http://www.safea.gov.cn/english/

State Bureau of Surveying & Mapping
28 Lianhuachi West Road, Beijing 100830, China
Director: Mr. Xu Deming
Tel: (86 10) 6388-2221
Fax: (86 10) 6388-2221
Website: www.sbsm.gov.cn and (en) http://en.sbsm.gov.cn/

State Administration of Grain
A11, Guohong Building (C), Muxudi Beili, Xincheng District, Beijing 100038, China
Director: Nie Zhengbang
Tel: (86 10) 6390-6078
Website: http://www.chinagrain.gov.cn/english/index.html

China National Light Industry Council
22 Fuchengmen Waidajie 2nd St., Haidian District, Beijing 100833, China
Chairman: Bu Zhengfa
Tel: (86 10) 6839-6114

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

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

China Petroleum and Chemical Industry Association
Building 16, 4th District, Anhuili, Yayuncun, Beijing 100723, China
Director: Li Yong-Wu
Tel: (86 10) 8488-5415
Fax: (86 10) 8488-5391
Website: www.cpcia.org.cn/English.htm

State Postal Bureau
A8 Bei Lishilu, Xicheng District, Beijing 100868, China
Director: Ma Junsheng
Tel: (86 10) 8832-3021/3022
Fax: (86 10) 8832-3014
Website: www.chinapost.gov.cn
(en) www.chinapost.gov.cn/folder12/2008/10/2008-10-3117985.html

China National Textile and Apparel Council
Rm 207, Tower B, Huaye International Center, 39 Dongsihuan Zhonglu, Beijing 100025, China
President: Xia Lingmin
Tel: (86 10) 8587-2528
Fax: (86 10) 8587-2555
Website: www.cntac.org.cn
(en) http://english.ctei.gov.cn/Services/90722.htm

State Tobacco Monopoly Bureau
55 Yuetan South Street, Xicheng District, Beijing 100045, China
Chief Commissioner: Jiang Chen Kang
Tel: (86 10) 6360-5000, 5852/5782
Fax: (86 10) 6360-5036
Website: www.tobacco.gov.cn

G. Associations & Corporations

All-China Federation of Industry and Commerce
70 Deshengmen Xidajie, Beijing 100035, China
Chairman: Huang Meng Fu
Tel: (86 10) 5805-0500
Website: www.acfic.org.cn

China Council for the Promotion of International Trade (CCPIT)
China Huaneng Group
4 Fuxingmennei St., Xicheng Dist., Beijing 100031, China
President: Cao Peixi
Tel: (86 10) 6322-8800
Fax: (86 10) 6322-8866
Website: www.chng.com.cn
(en) http://www.chng.com.cn/eng/

China Nonferrous Metals Industry Association
Rm 1106, 11/F. 62 Xizhimen Beidajie, Haidian District, Beijing 100082, China
President: Kang Yi
Tel: (86 10) 8229-8684
Fax: (86 10) 8229-8548
www.cmra.cn/en

People’s Insurance Company of China
#69 Xuan Wu Men Dong He Yan Jie, Beijing 100052, China
President: Wang Yincheng
Tel: (86 10) 8315-7607
Fax: (86 10) 8315-7607
Website: www.piccnet.com.cn

H. Corporations

China International Trust and Investment Corporation
Capital Mansion, 6 Xinyuan Nanlu, Chaoyangqu, Beijing 100004, China
President: Tian Guoli
Tel: (86 10) 6466-0088
Website: www.citic.com
(en) http://www.citic.com/wps/portal/encitic

China National Offshore Oil Corp.
No.25 Chaoyangmen Beidajie, Beijing 100010, China
President: Yang Hua
Tel: (86 10) 8452-1010
Fax: (86 10) 6460-2600
Website: www.cnooc.com.cn
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China National Petroleum Corp.
9 Dongzhimen Beidajie, Dongcheng District, Beijing 100007, China
President: Zhou Jiping
China National Tobacco Corporation  (see State Tobacco Monopoly Bureau)
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President: Zhang Yuxia
Tel: (86 10) 6360-6303
Fax: (86 10) 6360-5793

China North Industries Corp.
12Am Guang An Men Nan Jie , Beijing 100053, China
President: Mr. Zhao Gang
Tel: (86 10) 6352-9988
Fax: (86 10) 6354-0398
Website: www.norinco.com.cn

China Petro-Chemical Corporation
22 Chaoyangmen North Street, Chaoyang District, Beijing 100728, China
President: Wang Tianpu
Tel: (86 10) 5996-0114
Fax: (86 10) 5976-0111
Website: www.sinopec.com.cn and (en) http://english.sinopec.com/

China State Construction Engineering Corporation
15 Sanlihe Rd., Xicheng District, Beijing 100037, China
President: Yi Jun
Tel: (86 10) 8808-2888
Fax: (86 10) 8808-2958

China State Shipbuilding Corporation
No. 72 Kunminghu Nanlu, Haidian District, Beijing 100097, China
President: Li Changyin
Tel: (86 10) 8859-8000
Fax: (86 10) 8859-9000

Everbright Industrial Corporation
25 Taipingqiao St., Beijing 100045, China
President: Tang Shuangning
Tel: (86 10) 6363-6363
Fax: (86 10) 6363-9963
Website: www.ebchina.com (no English page)

I. American Chambers of Commerce/Trade Associations

Association for Manufacturing Technology
Rm. 2507 Silver Tower
American Chamber of Commerce China
Chairman: Ted Dean
The Office Park, Tower AB, 6th Floor
No. 10 Jintongxi Road, Chaoyang District
Beijing 100020, China
Tel: (86 10) 8519-0800
Fax: (86 10) 8519-0899
Website: www.amchamchina.org

American Soybean Association
Mr. Zhang Xiaoping, Country Director
Suite 1016, China World Tower 1
Beijing 100004, China
Tel: (86 10) 6505-1830
Fax: (86 10) 6505-2201
Website: www.asaimchina.org

American Equipment Manufacturers (AEM)
Suite 501, China Resources Building
8 Jianguomenbei Avenue
Beijing 100005, China
Amy Wang, Representative
Tel: (86 10) 8519-1566
Fax: (86 10) 8519-1567
Website: http://www.aem.org/Intl/Global/China/index.asp
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Council of American States in China (CASIC)
Shanghai Center, Suite 631
1376 Nanjing West Road
Shanghai 200040, China
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Email: info@casic.us
Website: www.casic.us

Packaging Machinery Manufacturers’ Institute (PMMI)
Jason Bian, Director, PMMI China Office
Suite 13G, No. 888 WanHangDu Rd.
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Email: jbian@pmmi.org
Website: www.pmmi.org; www.pmmichina.org

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**Shanghai Agricultural Trade Office**
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**American Consulate General Guangzhou**
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**Bureau of East Asia & Pacific Affairs**
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Office of Business Affairs
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Fax: (202) 647-3953
Website: [http://www.state.gov/](http://www.state.gov/)

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**Foreign Agricultural Service**
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Washington, D.C. 20250-0052
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Fax: (202) 690-0193
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Tel: (202) 720-7420
Fax: (202) 690-4374
Office of U.S. Trade Representative
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Fax: (202) 395-3911
Website: www.ustr.gov

U.S. Export-Import Bank of the United States
811 Vermont Avenue N.W.
Business Development Office
Washington, D.C. 20571
Tel: (202) 565-3946 or (800) 565-3946
Fax: (202) 565-3723
Website: www.exim.gov

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U.S. Chamber of Commerce
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Washington, DC 20062
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Fax: (202) 822-2491
Website: www.uschamber.com

U.S.-China Business Council
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Website: www.uschina.org

Market Research

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 and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and the service is free.

Trade Events

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

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

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Chapter 10: Guide to Our Services

The President’s National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. 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
• Gain access to the full range of U.S. Government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government’s trade promotion resources for new and experienced exporters, please click on the following link: www.trade.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: www.export.gov

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the U.S. Department of Commerce’s Trade Information Center at (800) USA-TRAD(E).

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: MarketResearchFeedback@trade.gov

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