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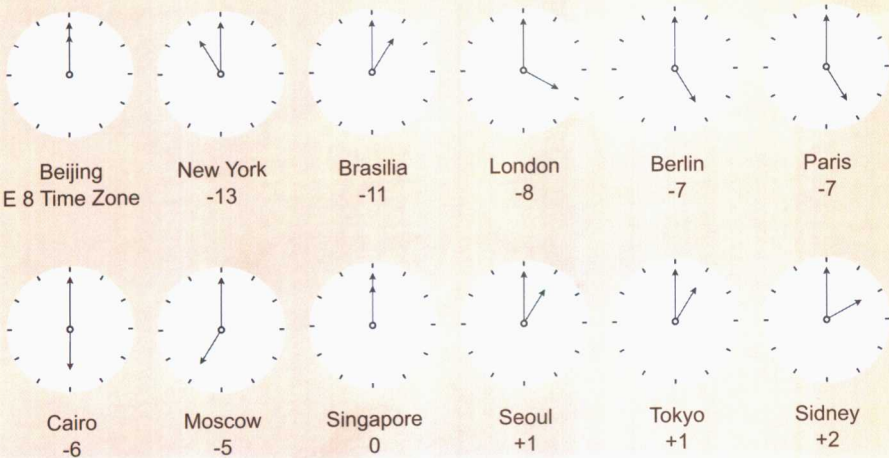
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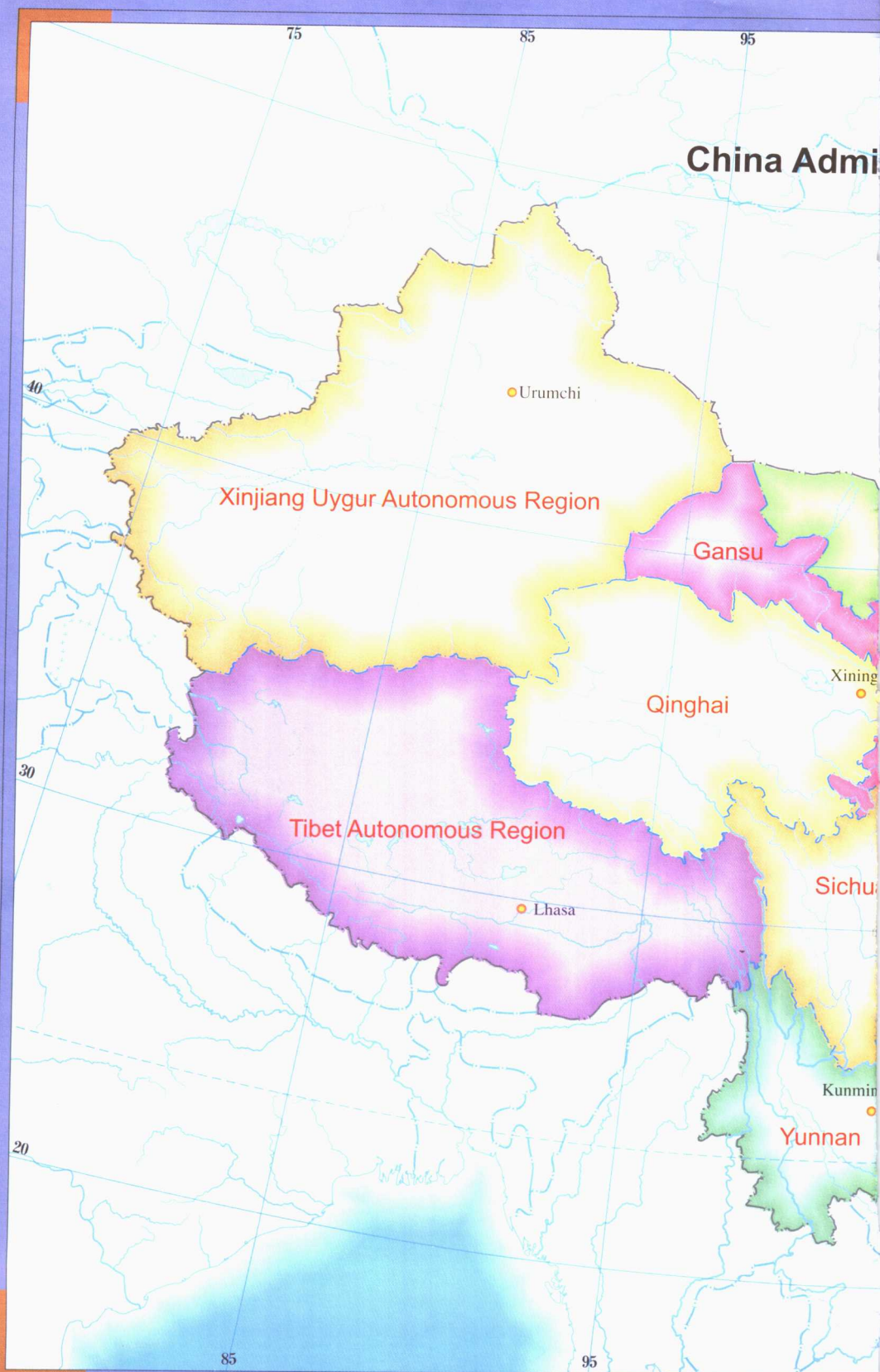
Location of China in the World



City Time Differences



SBD78/01



Administrative Map



CONTENTS

Foreword	6
 Business Background	10
Geography	10
Population	15
Politics	18
Society	25
Finance	40
Communications	48
Telecom	54
Energy	57
 Industries and Markets	62
Economy in General	62
Industrial Policies	65
Agriculture and Farm Produce Market	72
Industry and The Market For Industrial Products	78
Service Sector and Policy For Its Development	119
Market for Consumer Goods	139
List of Industries, Products and Technologies Currently Encouraged by the State for Development	155
 Foreign Trade	176
An overview	176
Right of Import-Export Management	181
Administration of Imported and Exported Commodities	185
Policies on Customs Duty	190
Policies on Processing Trade	190
 Foreign Investment	196
Current Situation of Foreign Investment	196
Forms of Foreign Investment	198
Basic Policy on Foreign Investment	206

Special Economic Zone and Development Zone	215
Establishment of Foreign-Invested Enterprises	226
Taxation Policies Governing Foreign-Invested Enterprises	232
Land, Labor and Foreign Exchange Management	235
Provisions on Guiding the Orientation of Foreign Investment	245
Catalogue for the Guidance of Foreign Investment Industries	250
Intellectual Property Rights	276
Laws and Statutes Concerning Intellectual Property Rights	276
Application for Trademark and Patent Rights	280
Commitment for the Protection of Intellectual Property Rights	282
Around China	288
A Survey	288
Urban Development	356
The Western Development	360
List of Advantageous Industries for Foreign Investment in Provinces, Autonomous Regions and Municipalities Directly under the Central Government in the Central and Western Parts	377
Commercial Activities	388
Acquisition of Commercial Information	388
Work and Life	392
Appendix: Organs and Websites	399
Central Organs	399
Local Information	406
Sector Information	413
Trade and Investment	416
Society, Media and Tourism	427
Embassies in China	431
Long Distance Call Area Codes of Main Cities and Regions in China	448

FOREWORD

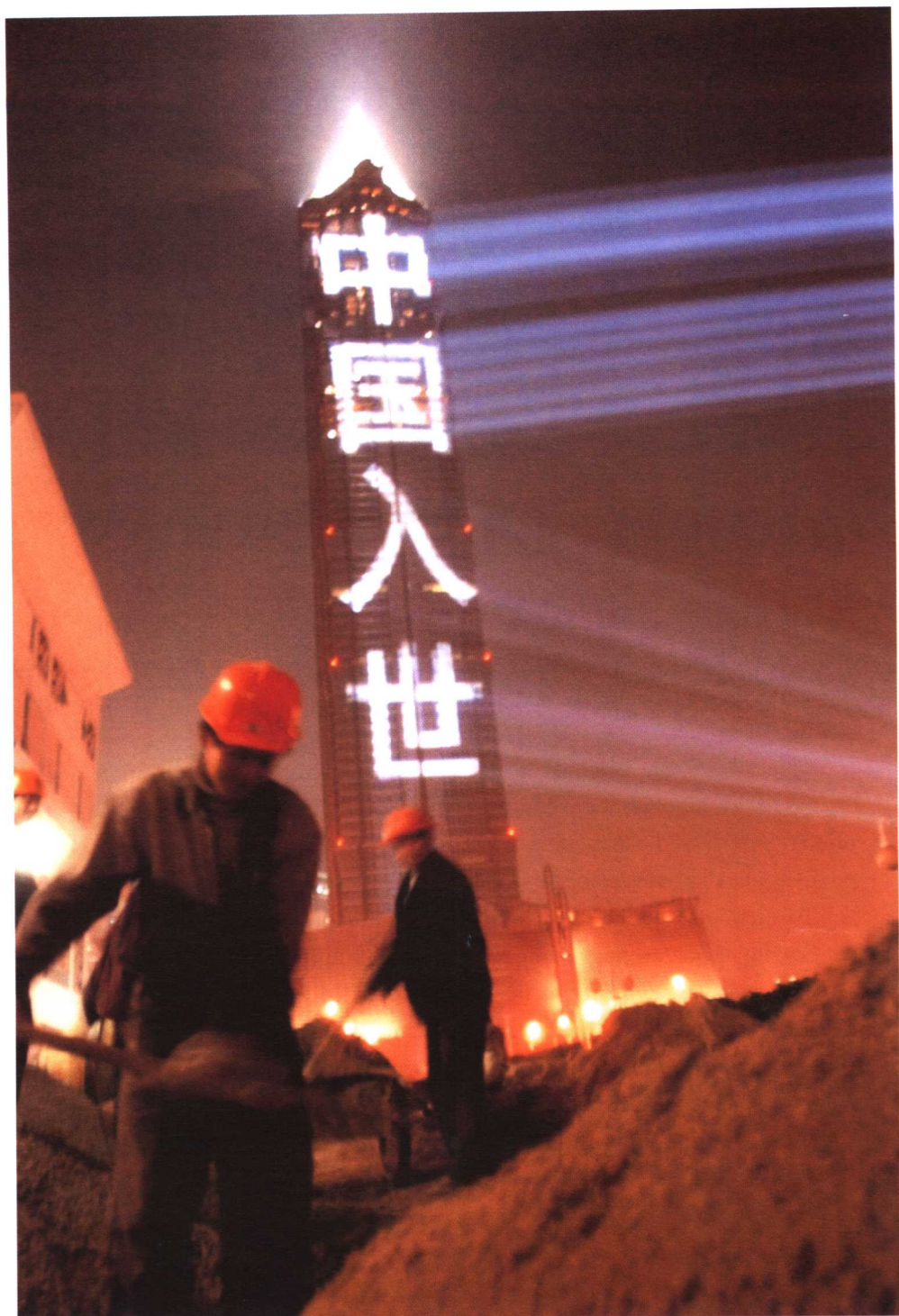
A certain day in the year of 2001, the president of a foreign company paid a visit to China intending to sell some technical know-how related to insurance to the Chinese. However, what made him surprised was that instead of selling something to China he bought from China a set of computer software related to insurance business management.

“If you know nothing about what is happening in China, it means you are ignorant about it.” Many foreign businessmen who have been to China say so. Then what is really happening in China?

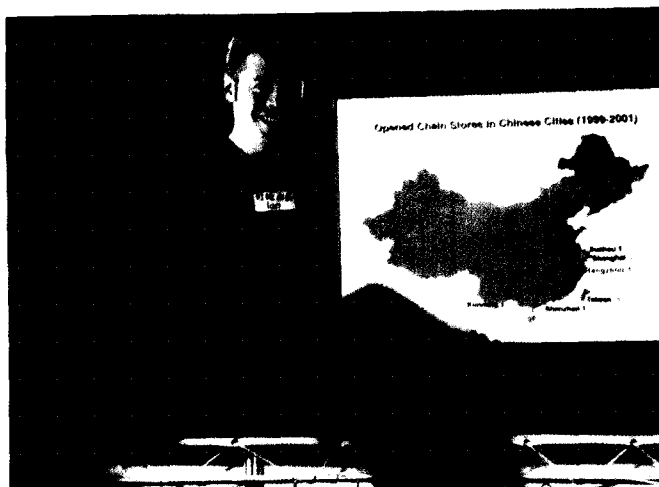
At least in the latest twenty years or so, China has seen the most rapid development of economy in the world. Just take a look ahead of you, what meets your eyes is high-rises, modern plants, a metropolis suddenly emerging on the horizon, and freeways extending thousands of kilometers. But all this is only the front cover of the “Story of China”. What attracts you most will be the overall economic transformation—from planned economy to market-oriented economy—and the construction of an open and democratic society ruled by laws.

Twenty years ago, almost none could forecast the China of today. In those days, everything should be arranged by the state, from enterprise production to the people’s life. The then China was almost short of everything except human beings and coupons were a must to buy anything. It was also during those days, the door of China was open to the outside world and groups of businessmen and entrepreneurs entered. The story that follows sounds quite logical. China becomes a big nation for foreign trade and a piece of hot land for foreign businessmen’s investment as well. It seems that China is to be the “manufacturing center” of the world.

The fact that China uses a period of twenty years to cover a distance that takes other countries to do so for 100 years or so is a great achievement itself. If you have



The night China gained WTO membership



Overseas retail businesses aim at Chinese markets

not gone through the process, what you can see is only the exciting results or disheartening problems—the problems a developing country is sure to face with. The key issue is that the time spent for China to solve these problems is much shorter than many other countries. Some

transnational corporations say that they have plants all over the world but the efficiencies of the plant in China are the best.

Once China was eulogized as “a country with the ground paved with gold” just like a myth but China was also suspected that its “economy is going to collapse”. No matter what the world opinions are, a strong trend can be seen, i.e. foreign funds keep on pouring into China under the situation of global economic concession. That is the strength of market.

China, a market with strong attraction, is well worth a survey from various angles.

So far as purchasers are concerned, products “Made in China” are no longer primarily processed commodities. Instead, they are surging high towards high-tech products and their advantage of products, “cheap but good”, is consistent.

To suppliers, though the Chinese people are not wealthy yet, China, as a big nation with the largest population in the world, is consuming quite a large volume of products, manufactured either at home or abroad. The Chinese people, open-minded and self-confident, know how to enjoy foreign commodities and their services. In 2001, an expert of economic analysis reminded merchants of various countries in one of his research reports that “in case you have not seen any Chinese tourists yet, please be ready to receive them in your store as you can make money out of them for fifty years”.

To investors, China, having entered the WTO, is available with even free and standardized investment environments.

The Chinese people, under ever-changing environments, have come to see that many principles and ideas left from the past are no longer applicable to solving the present issues. The new environments need you to know yourself as well as the

others and will make you readjust yourself in time. The present China is more challengeable than any period in the history but is also more attractive than any other places in the world to do business with. This growing nation has attracted 25 million people in the world outside of China to learn the Chinese language. No matter out of what considerations, they have stepped onto the short cut to contact China by doing so.

This book "China Business" is not only for the purpose of listing various kinds of details for those intending to do business with China, but also helping the readers to understand the business environments in China, such as the real picture, the economic plan in the next few years and the actual operational status of business activities. The book will also provide the readers with the fundamental knowledge to appraise the Chinese market and to be engaged in this market. To speak the truth, even if more information is contained in this book, these issues still cannot be clearly stated. Therefore, in the appendix of this book we list quite a number of valuable internet websites and a list of periodicals and organizations, institutions, and diplomatic missions so that our readers can get more and prompt information and different views and statements from the websites.

The large numbers of information and data quoted in the book are mainly from government systems, such as the relevant publications of the State Statistical Bureau and the trade reports of the State Economic and Trade Commission. The credit should go to the government with higher and higher diaphaneity and the society with more and more developed information. Anyhow, what should be pointed out here is that the business environments and various kinds of data mentioned in this book, unless otherwise stated, include only the Chinese mainland, not involving Hong Kong, Macao and the Taiwan area.

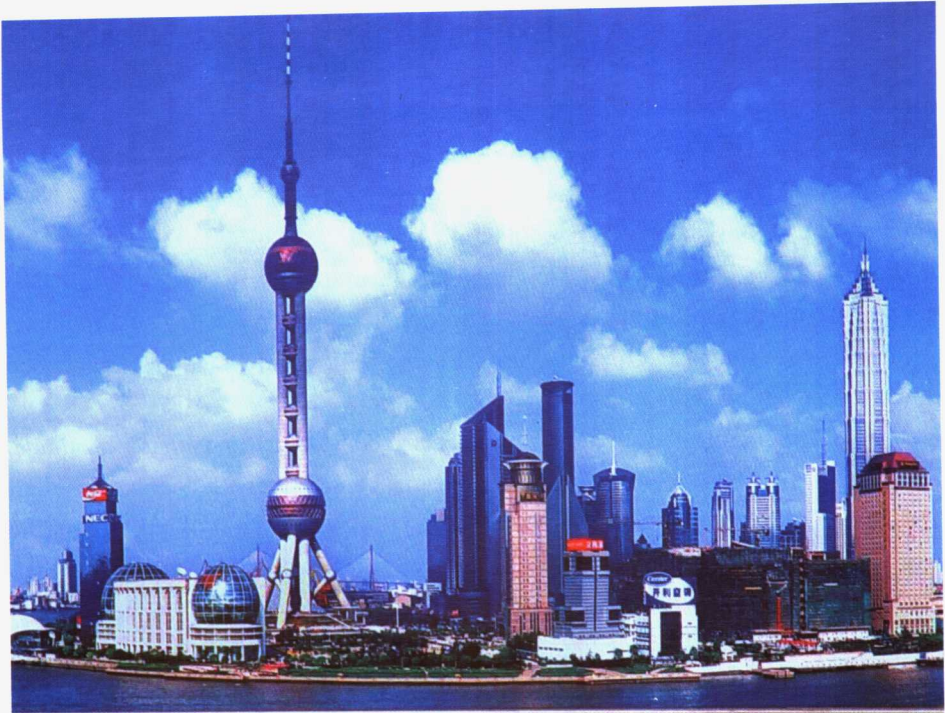
When young, we all heard a fairy tale about a pony wading across the river: an old ox says the river is too shallow but a little sheep says it is too deep. For the gigantic dragon of China that is surging swiftly upward, what we provide here is merely odd bits of information. Only by stepping into the water, we are sure, can you really know whether the river is too deep or too shallow.

BUSINESS BACKGROUND

The ancient Chinese alleged that favorable climatic, geographical and human conditions were the factors affecting the result of winning or losing a battle and the rise and fall of a family or a nation as well. To do business in China, one must know business environments, including natural, social, political and economic environments. Due to the extensive content involved, it's impossible for us to give a systematic interpretation in one chapter. That is why the background is raised first and large amount of content is dispersed in the following respective chapters. A careful reader may have already noticed that the whole book, in fact, is talking about the business environments in China.

GEOGRAPHY

Where is China? China is in the east part of Asia and on the west coast of the Pacific Ocean with all its territory lying to the north of the equator. Viewed from the map, China looks like a crowing rooster. The distance between the south and north inside the territory is 5,500 kilometers. When the Northeastern region of China is freezing cold and people are carrying out various kinds of touring and trading activities like ice and snow festivals one by one, Guangdong and Hainan Provinces in the south are still as warm as spring. The distance between the east and the west is 5,200 kilometers with the time difference of over four hours. When the people of Shanghai in the eastern region start to work at eight or nine o'clock in the morning, Urumchi, the westernmost capital city of Xinjiang, has just woken up. Don't expect anyone to answer your phone call at such an early hour like this unless it is an extraordinary call. Everywhere in China, the Beijing time is used as the standard time. Beijing is located at the E8 time zone, eight hours earlier than the Greenwich time.



New Business Card of Shanghai: Pudong

How large is China? The land space of China, almost as large as Europe, is around 9,600,000 square kilometers, the third largest country in the world. Along the land boundary of 22,000 kilometers there are fifteen neighboring countries. China adjoins the Democratic People's Republic of Korea in the east; Russia and Mongolia in the northeast and north respectively; Kazakhstan, Kirghizstan, Tadzhikstan, Afghanistan and Pakistan respectively in the west; and India, Nepal, Sikkim, Bhutan,

Myanmar, Laos and Viet Nam respectively in the southwest and the south. On the eastern part and southeastern part of China is the coastline with the length of 18,000 kilometers, neighboring six countries, the Republic of Korea, Japan, Philippines, Brunei, Malaysia and Indonesia, separated apart from each other by the seas from the north to the south. The total population of these twenty-one neighboring countries amounts to two billion. With the population of China added, it makes a half of the world. A Chinese saying goes "Neighbors are dearer than distant relatives". The neighborhood relationship also applies to the neighboring countries. The diplomatic policy China pursues is a good-neighbor friendly policy and China has established diplomatic relations with all the peripheral countries.

Around 98% of the territory of China is located between 20^o and 50^o north latitude, around 50% of which belongs to damp and semi-damp area with adequate rainfall and sunlight, and plenty of resources of living things. When looking around the world, one can see that most of the land around the line of 30^o north latitude is the so-called "Tropic" desert, arid and dry, a land of desert and semi-desert. On the contrary, the same line in China, the Yangtze River Valley, is a densely-populated region with a splendid view of green mountains and blue waters. Though the northwestern region is arid and dry with desert here and there, it has rich resources of oil and gas, a land of treasures now. The east faces the Pacific Ocean, providing excellent conditions for ocean shipping, sea fishery and oceanic industries.

In the total land space of China, 33% is mountain region, 26% plateau, 19% basin, 12% plain and 10% hills. Though the mountain regions are not advantageous to traffic and agricultural development, they are rich in resources of forest, grassland, minerals, water energy and tourism.

Qinling Mountain—Huaihe River is the demarcation line of the climate between the south and north in China. In summer, the whole nation is generally hot and rainy and there is no big difference in temperature between the south and north. In winter, most regions in China are cold and dry and the temperature difference between the south and the north is very obvious. Precipitation is mainly in summer time. In the south, the rainy season is longer, concentrated in May ~ October while that in the north is shorter, concentrated in July ~ August. The distribution rule of the precipitation region is that in the east there are more raining days than in the west, decreasing gradually from the southeastern coastline regions to the northwestern inland regions. The difference of climate in various places is rather obvious. For instance, the winter in the northeastern region is long and severe. Harbin, the capital of Heilongjiang Province, has always been known as an "ice city" while Hainan Province in the south has a long summer with no winter at all, imbued with a strong flavor of tropical



The Great Wall remains the same, but China has changed.

scenery. Kunming, the capital of Yunnan Province in the southwestern region, is like spring all the year round, renowned as a “spring city”.

China is rich in natural resources. So far the mineral products with the reserves verified amount to 156 varieties. Many nonferrous metal minerals such as tungsten, lead, zinc, titanium, tin, smithsonite, nickel, and rare-earth metal rank first or at the forefront in the world; nonmetal minerals such as gypsum, barite, phosphate rock, mica, asbestos and kaolin also rank at the forefront in the world; and among the energy resources, the reserves of verified coal, petroleum and natural gas are rather impressive and the reserves and availability of the hydraulic power rank first in the world too.

In line with the differences of the economic development and geography, the whole country can be divided into three economic regions: the eastern, the middle and the western. The eastern region, mostly plain and hilly land, is in the vicinity of seas with profound industrious foundation, fairly perfect infrastructures, higher level of science and technology, better culture and education, and sound management and administration. Since the reform and opening-up, the Central Government has given more favorable policies to the eastern region. Special economic zones, open cities along the coast and economic development zones are mainly scattered in this region.

The middle region is located at the hinterland of China. The economic development in this region is slower than that in the eastern region but the industrial foundation is still good enough, having rich energy resources and natural resources of non-ferrous metals and ferrous metals, and petrochemical industry. It has a number of cities and regions with high-developed industries and science and technology and is the main production region of grains, cotton and edible oils.

The western region, covering around 70% of the land area of the whole country, has very remarkable reserves of energy and minerals such as hydraulic energy, petroleum, natural gas, coal, rare-earth minerals, and nonferrous metals. The western region adjoins more than ten nations and regions, an important passageway leading from China to some other countries in Asia and some countries in Europe and having the regional advantages to develop economic and trade cooperation with the peripheral nations. Nevertheless, due to various reasons in the fields of natural conditions, history, culture, policies and systems, the western region is still rather underdeveloped. In the year of 2000, the Central Government started to carry out the western development strategy on a large scale, giving it much consideration in favorable policies and fund investment. The development of infrastructure construction in the respects of communications, energy, and telecom in the western region is so fast that one can see changes with each passing year.

A Chinese saying goes “A certain area of water and soil raises a certain kind of people in that area”. When doing business in China, one has to consider the differences of nature, economy, society and culture in various parts of China. Just for a few examples. In case of selling bicycles, don't go to the mountain city Chongqing and when one takes an insurance policy on property in some places along the coast-

line of southeastern China, typhoon should be considered. According to a survey, the infiltration rate of skin-care cream in Beijing and Tianjin is both over 60% while in Shanghai and Guangzhou both lower. The main reason is that the demand for skin-care

New packing of Coca-Cola on festival market, showing Da Afu, a traditional Chinese mascot in the form of a clay figurine

