U.S. Department of State
FY 2000 Country Commercial Guide: China

The Country Commercial Guides for China and was prepared by U.S. Embassy Beijing and released by the Bureau of Economic and Business in July 1999 for Fiscal Year 2000.

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at China's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

China is rich in contradictions for U.S. firms. The world's most populous nation, China covers an area larger than the United States. Yet the China market is small and concentrated in a few areas along the eastern seaboard. China is one of the world's oldest civilizations, with thousands of years of history, literature and culture. Yet the People's Republic is a mere 50 years old and most of the laws and regulations governing business and trade have been written in the past twenty years. Courtesy toward guests is a virtue in Chinese culture, and Chinese people can be extraordinarily hospitable and kind. Yet everyday discourse in China is rude and confrontational and the China market is full of cheats and swindlers. China is a communist country; the first article of the Chinese constitution states that China is a socialist country under the leadership of proletariat. Yet, over the past twenty years China has moved from a planned to market economy and is now in many ways more capitalist than communist.

The stunning contradictions in China have been nurtured by the unprecedented changes of the past twenty years. Since the beginning of the policy of "reform and opening-up" in 1979, China's economy has grown more than tenfold. Previously rationed goods such as bicycles, textiles and grains are now in over-supply. Foreign invested firms, practically none existent in the 1970s, now number over 300,000 and account for almost 50% of China's exports. Foreign trade has grown from $38 billion in 1980 to over $325 billion in 1998. Although most Chinese firms remain relatively small, under-capitalized and poorly managed, there are pockets of excellence in Chinese industry. Chinese firms have competed successfully with world leaders in the white goods and home electronics markets. Chinese PC manufacturers have won back market share from such firms as Compaq and IBM.

These economic changes have brought relative prosperity to millions of Chinese, and that prosperity has been accompanied by a great expansion of personal liberties for the average Chinese enjoyed by most Chinese.

For over two hundred years foreign firms have been entranced by the enormous potential of the China market, a potential that remains largely unfulfilled. U.S. exports to China were only slightly more than $14 billion in 1998, only two percent of our global exports, and less than U.S. exports to China's smaller neighbors such as South Korea ($16.5 billion), Singapore $15.7 billion and Taiwan ($18.1 billion). U.S. firms are major investors in China and in 1998 actual U.S. investment in China rose to almost $4 billion, but this is still less than U.S. investment in the U.K. ($4.6 billion) or Mexico ($4.7 billion) and is only slightly more than what U.S. firms invested in South Korea ($3.1 billion). The cumulative U.S. direct investment in China is dwarfed by our investments in Europe, Japan and Latin America.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank on CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at HTTP:// WWW.STAT-USA.GOV, HTTP://WWW.State.Gov/, HTTP://WWW.MAC.DOC.GOV. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. Exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at 202-482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

A. Major Trends and Outlook

China's economic growth continued to slow down in the first half of 1999, and retail prices continued to decline causing concerns about deflation. The government expected GDP to grow by 7% in real terms compared with 1998, when official growth was just shy of the target of 8%. The 1998 result was already the lowest return in the past seven years and would have been much lower without the government's special infrastructure spending package, which helped stimulate the economy in the third and fourth quarters. Official figures put out by the Chinese government are generally acknowledged to reflect major economic trends but are affected with an upward bias by incorrect, often even exaggerated, reporting from the provinces.

Most analysts credit China for having achieved a "soft landing" for its economy -- single digit inflation and stable growth that contrasts sharply with the inflationary expansion of 1993-1994. But structural problems, especially in the industrial and financial sectors, combined with the problem of reducing employment levels in the state enterprise system, pose serious challenges to long-term, economic growth. A tight monetary policy and administrative price controls have reined in inflation, now recorded at negative 2-3 percent per year. Government policy emphasizes keeping inflation well below the real rate of economic growth but seems incapable of stimulating even a modest amount of inflation. Deflation is likely to continue until the government boosts wages significantly.

Some pressure to devalue the currency (renminbi) remains, but China has received international acclaim maintaining the value of its currency since the outbreak of the Asian financial crisis in late 1997. Some financial experts believe that China will have to widen the band in which the currency trades if exports do not pick up, investment flows deteriorate, and deflation continues. Since the crisis began, however, China has enjoyed large surpluses in its trade and investment accounts and has accumulated a war chest of $147 billion in official reserves, more than ample to defend the exchange rate.

The government has stepped up its efforts at downsizing the state sector, but investment in this sector accounted for nearly all of new investment in 1998. State-owned enterprises (SOEs) represent a long-term drag on the economy, a problem which the government recognizes and seeks to correct through such pilot projects as in the plan to downsize 1,000 key SOEs. The SOEs have close linkages to the banking system through delinquent "policy loans" that constrain the pace of financial market reforms. Tight monetary policies and constraints on bank lending have also led to a build-up of inter-company "triangular" debt, estimated at almost RMB 1 trillion. Total inventories in the SOEs at the end of 1998 remained high and grew by 25% in real terms, accounting for 28 percent of total sales. The growth of these stockpiles, which consist of goods that are not marketable because of poor quality or lagging demand, distort data the data on industrial output. SOE sales were up in the first four months of 1998, but profits were down sharply.

The central government acknowledges that unemployment as well as interregional and intra-regional income disparities are serious concerns. The average per capita disposable income of urban residents in 1998 was RMB 5425 (US$656) while rural per capita cash income was RMB 2,160 (US$251), with some areas having incomes of below half that average. The World Bank estimates that as many as 400 million Chinese live below the poverty line.

China's chronic and growing labor surplus is not reflected in the official unemployment rate of 3.2%. The official data do not account for the approximately 23 million considered to be underemployed in the state sector or the 80-120 million surplus rural workers who make up the so-called "floating population" that migrates between agriculture and construction jobs and that are at other times unemployed. A more accurate estimate of urban unemployment, cited by private researchers, would be 10-15%.

B. Principal Growth Sectors

The value added by industry to GDP rose reached RMB 3.4 trillion in 1998, an increase of 8.9% over 1997, in real terms. Growth rates in different industrial sectors continue to shift the composition of output away from SOEs to the non-state sector, which has grown by two to three times the rate of state-owned industry.

Retail sales in 1998 indicated only a slight growth in consumption. Retail sales of consumer goods reached RMB 2.9 trillion, up 6.8 percent over 1997 in nominal terms and about 9% with deflation taken into account. Retail demand rose only 7% in the first four months of 1999, contributing to deflation.

C. Government Role in the Economy

Since the beginning of reform in 1980, the role of the government in the economy has been strong. Adjustments in purchase prices for grain and other commodities, wage increases for state workers, and difficulty in collecting national taxes have contributed to a decline in official government revenues as a share of GDP. "Off-budget revenues" in many government agencies, however, may, in some cases, equal official budget allocations.

The current policy of administrative price controls is at variance with achieving maximum efficiency through market-oriented reforms. Controls on the price of transportation services and some grains were eliminated at the beginning of 1996. Further elimination of controls on commodity and energy prices, including coal prices, would benefit lower-income interior areas. The cautious stance on price reform and the importance placed on other state planning functions is likely to continue.

D. Infrastructure Investment

Infrastructure investment is a key element of China's economic growth potential, with major infusions scheduled for the road, railway, port, telecommunications, oil and gas, and coal sectors. The economy faces a glut of electricity in the coastal areas, but transmission systems and development in the interior will require continued investment. 1998, infrastructure investment grew by more than 20 percent in nominal terms, and the funds earmarked for investment rose by 21 percent, to about RMB 1.1 trillion.

The tight credit policy which Chinese officials have implemented in recent years to control inflation has narrowed the range of projects the central authorities will support. The credit squeeze means that only the highest priority projects, like the Three Gorges Dam, are likely to be approved. Domestic capital accounted for over 90 percent of investment in infrastructure in 1998. These funds come from an increasing variety of sources, including special construction fund, generated from surcharges, for example, on electricity usage and rail freight, provincial and local government sources, and domestic loans from the China Development Bank and other policy banks.

Chinese officials have said they want roughly 15-20% of infrastructure investment to come from foreign sources, but shifting foreign investment away from export-oriented industries presents some difficulties. Infrastructure investments have long payback periods, with no ready source of foreign exchange. Concerns about China's legal structure, enforceability of contracts, access to foreign exchange, the cumbersome approval process, etc., all work against foreign participation in infrastructure projects, particularly in the road, rail and power sectors. But obstacles to foreign involvement in infrastructure projects are slowly being removed. For example, changes in rules governing current account transactions have gone a long way toward solving the problem of guaranteeing foreign exchange convertibility.

III. Political Environment

Although there has been considerable reform of China's economic model -- from a centrally-planned economy to a market-oriented one -- the same is far less true true of the PRC's political system. The Chinese Communist Party (CCP) still dominates the entire political apparatus, and its leaders make all major policy decisions. Party members hold most senior government positions at all levels of administration. Ultimate authority rests with the 22 members of the CCP Politburo and, in particular, its seven-member Standing Committee. Ministries and lower-level counterparts implement policy on a day-to-day basis, and China's parliament, the National People's Congress (NPC), reviews and approves legislation and nominees for government offices. Many provincial governments -- especially those in fast-growing coastal regions -- actively adapt central government policy decisions to suit local needs. Senior leaders generally agree on the need for further economic reform, but stability is still a paramount concern, and there remain differences within the leadership over the content, pace, and goals of reform.

The September 1997 15th Communist Party Congress enhanced the power of Party General Secretary Jiang Zemin and endorsed policies to restructure, close, or privatize the bulk of China's state-owned enterprises. These policies were affirmed in March 1998 during the first annual session of the Ninth NPC, which also passed a sweeping reform of China's government apparatus. The number of ministries and commissions was reduced from 40 to 29, and by the end of the year the number of central government civil servants had been cut approximately in half. The plan called for similar reductions in lower levels of government within three years. The March 1998 session of the NPC also approved Zhu Rongji's appointment as Premier and former Premier Li Peng's as Chairman of the NPC's Standing Committee. At its March 1999 session, the NPC approved revisions to bring the Constitution in line with principles approved at the 15th CCP Congress, including the legitimation of private enterprise and the importance of rule of law.

China faces a growing disconnect between the demands of its reforming economy and society and a political system that is largely ill-suited to meet their needs. The yawning disparities between urban and rural incomes, a large "floating population" of itinerant workers, and corruption are chief potential threats to stability. So far, none has prompted the kind of mass protest movement that erupted in Beijing in the spring of 1989. The central authorities prefer to minimize tensions through the implementation of pragmatic policies, and they recognize that moves to reduce personal and economic freedoms would harm China's long-term interests. Nonetheless, the national leadership would respond forcefully if confronted with what it regarded as another serious threat to its monopoly on political power. An unexpected, day-long sit-in by approximately 10,000 quasi-religious cultists outside the Zhongnanhai leadership compound in downtown Beijing on April 25, 1999, offered a dramatic example of the sorts of challenges likely to confront the CCP as China continues to open and become more pluralistic.

Political relations with the U.S. deteriorated following the accidental bombing of the Chinese Embassy in Belgrade, Yugoslavia, in May 1999. A survey of several dozen U.S. firms in China conducted by the Embassy two weeks after the bombing revealed little impact on business relations. Although the bilateral relationship will not fully recover until the incident is laid to rest, many bilateral technical and other substantive exchanges continue between the U.S. and Chinese governments.

IV. MARKETING U.S. PRODUCTS AND SERVICES

A. Distribution and Sales Channels

Trading Companies: Generally, foreign companies are not permitted to directly engage in trading in China, with the exception of the direct marketing of a portion of the products manufactured in China, or the establishment of wholly owned foreign trading companies in some free trade zones with limited access to markets outside these zones. Accordingly, U.S. exporters need to use a domestic Chinese agent for both importing into China and marketing within China. Only those trading companies authorized by the central government to handle exports and imports are permitted to sign import and export contracts. Since the beginning in 1998, some private and collectively-owned enterprises in the manufacturing sector have been granted this authorization. Some import/export trading firms extend their scope of business to represent foreign manufacturers as their distributors, in arrangements similar to a "manufacturers representative".

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 & affiliates in China. However, given transportation and communication difficulties as well as regional peculiarities, most of these trading companies cannot provide diversified coverage throughout China.

Local agents: In addition to trading companies, China is witnessing an explosion in local sales agents who handle internal distribution and marketing. Most of these firms do not have import/export authorization. They are the next layer down the distribution chain, buying imported products from those that do. They may be representative offices of Hong Kong or other foreign trading companies, or domestic Chinese firms with regional or partial national networks.

Given China's size and diversity, as well as the lack of agents with wide-reaching capabilities, it makes sense to engage several agents to cover different areas, and to be cautious when giving exclusive territories. China can be divided roughly into at least five major regions: the South (Guangzhou), the East (Shanghai), the Central/North (Beijing-Tianjin), West China and the Northeast.

The U.S. Foreign Commercial Service’s (USFCS) Agent/Distributor Service (ADS) program was designed to help U.S. exporters find appropriate sales agents and representatives in China. This service may be ordered through any U.S. Department of Commerce district office or U.S. Export Assistance Center. For a fee of $250, USFCS searches for potential agents or distributors for your product in a specific geographical area. Regional ADSs are available from the USFCS offices in Beijing, Shanghai, Guangzhou, Shenyang, and Chengdu, but nation-wide searches are not available. An ADS is an excellent way to gauge interest in your product and begin the process of finding a suitable representative.

Establishing a Representative Office: Representative offices are the easiest type of offices for foreign firms to set up in China, but these offices are limited by Chinese law to performing "liaison" activities. As such, they cannot sign sales contracts or directly bill customers or supply parts and after-sales services for a fee, although most representative offices perform these activities in the name of their parent companies. Despite limitations on its scope of business activities, this form of business has proved very successful for many U.S. companies as it allows the business to remain foreign-controlled.

China's Company Law, which has been in effect since July 1, 1994, permits the opening of branches by foreign companies but, as a policy matter, China still restricts this entry approach to selected banks, insurance companies, accounting and law firms. While representative offices are given a registration certificate, branch offices obtain an actual operating or business license and can engage in profit-making activities.

Establishing a representative office gives a company increased control over a dedicated sales force and permits greater utilization of its specialized technical expertise. The cost of supporting a modest representative office ranges from $250,000 to $500,000 per year, depending on its size and how it is staffed. The largest expenses are rent for office space and housing, expatriate salaries and benefits.

Establishing a Chinese Subsidiary: A locally incorporated equity or cooperative joint venture with one or more Chinese partners, or a wholly foreign-owned enterprise (WFOE), may be the final step in developing markets for a company's products. In-country production avoids import restrictions -- including relatively high tariffs -- and provides U.S. firms with greater control over both intellectual property and marketing.

The role of the Chinese partner in the success or failure of a joint venture cannot be over-emphasized. A good Chinese partner will have the connections to help smooth over red tape and obstructive bureaucrats; a bad partner, on the other hand, can make even the most promising venture fail. Common investor complaints concern conflicts of interest (e.g., the partner setting up competing businesses), bureaucracy and violations of confidentiality. American companies should bear in mind that joint ventures are time-consuming and resource-demanding, and will involve constant and prudent monitoring of critical areas such as finance, personnel and basic operations in order for them to be a success.

Some companies prefer to establish a WFOE rather than a joint venture, with a view to retaining greater management control, due to concerns over intellectual property rights (IPR) protection, desire for simplicity, or for other reasons of corporate policy. The law on WOFEs requires that they either provide advanced technology or be primarily export-oriented, and restricts or prohibits them in a number of service and public utility sectors. However, an increasing number of U.S. companies find WOFEs, which now account for roughly 20% of all foreign-invested enterprises (FIEs), to be a viable entry vehicle to the China market, taking much less time and money to set up than a joint venture (see Chapter IV).

Licensing: Technology transfer is another initial market entry approach used by many companies. It offers short-term profits but runs the risk of creating long-term competitors. Due to this concern, as well as intellectual property considerations and the lower technical level prevailing in the China market, some firms attempt to license older technology, promising higher-level access at some future date or in the context of a future joint venture arrangement.

Licensing contracts must be approved by and registered with the Ministry of Foreign Trade and Economic Cooperation (MOFTEC). A tax of 10-20% (depending on the technology involved and the existing applicable bilateral tax treaty) is withheld on royalty payments (see Section F of this Chapter).

Franchising: China has no laws as yet which specifically address franchising, but many foreign companies are beginning to establish multiple retail outlets under a variety of creative arrangements, including some which for all practical purposes function like franchises. Virtually all of the foreign companies who operate multiple-outlet retail venues in China either manage the retail operations themselves with Chinese partners (typically establishing a different partner in each major city) or sell to a master franchisee which then leases out and oversees several franchise territories within the territory.

Direct selling: Major U.S. direct selling companies entered the China market in the early- to mid-1990’s, when China’s legal and regulatory framework for this industry was not very clear. Direct selling was quickly modeled after by domestic Chinese companies, some of whom abused this legitimate format of doing business and operated scams to rip off consumers and evade taxes. In early 1998, the Chinese government started implementing a series of strict controls over this industry, culminating in the re-licensing of all direct selling companies. Although a few major U.S direct selling companies were re-issued the business license, restrictions are severe and requirements many, resulting in difficult business environment. The U.S direct selling industry is working pro-actively with various Chinese government departments and agencies, as part of an overall effort toward China’s WTO accession, to construct a fairer business climate in this industry.

E-commerce: The Chinese government has adopted an open attitude towards the advent of E-commerce in China. There is considerable amount of interest among both Chinese and international businesses in establishing a sales channel on-line. Investment environment, however, is still premature due to the lack of clear defined regulatory powers over the industry, an effective Chinese certificate authentication system, secure and reliable on-line settlement system, and an efficient physical delivery system. Many U.S. IT sector companies have been actively engaged in jointly developing these systems in China.

B. Selling Factors/Techniques

Relationships: Personal relationships in business are critical. The Chinese feel more comfortable dealing with "old friends," and 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 will help ensure smoother development of business in China.

Foreign Currency: Chinese companies are not permitted to retain foreign exchange. In business deals with Chinese companies, U.S. companies have been asked to keep a portion of the Chinese companies hard currency earnings in foreign bank accounts to avoid reporting and turning it over to the foreign exchange control authorities. As part of an effort to clamp down on corruption and tighten foreign exchange control, the Chinese government is coming down hard on such practices.

In contrast, FIEs are permitted to retain foreign exchange contributed to or earned by the enterprise. On December 1, 1996, China made its currency convertible on the current trade account. However, foreign exchange balancing requirements remain in effect in other Chinese laws and regulations and in joint-venture contractual arrangements.

Chinese companies are, however, able to purchase the foreign currency necessary for authorized imports and foreign-currency obligations such as licensing fees, royalties, and loans by authorized entities.

C. Advertising and Trade Promotion

Advertising: Advertising is an effective way to create product awareness among potential consumers in China. Channels for mass advertising include publications, radio, television and billboard displays, as well as sports sponsorship. There are many advertising companies in China, including Chinese, foreign and Chinese-foreign joint ventures.

China's 1995 Advertising Law contains guiding principles that set broad requirements. For example, one of the requirements is that advertising should "safeguard the dignity and interests of the State." Comparison advertising is not allowed, nor is use of superlatives. Prices for advertising are regulated by the State, and are higher for foreign than local companies, although the Chinese government has promised to eliminate such price discrimination.

Trade Shows and Missions: Hundreds of exhibitions are now held annually in China. Most are sponsored or co-sponsored by government agencies, professional societies, or the China Council for the Promotion of International Trade (CCPIT). Shows are also organized by U.S., Hong Kong, state trade departments, and other professional show organizers. Show participation costs are high and many reach only a local audience.

Electronic Commerce and the Internet: The rapid growth of the Internet raises interest in using "e-commerce" in China. Users will grow by a factor of ten times in two years, from two million in 1998 to a projected twenty million in the year 2000. Though China remains a developing country, the ambitious use of high technology has made inroads with the growth of governmental and business-to-business forms of e-commerce. Government at all levels seeks to use technology to inform the public about laws, deal with customs and simplify procedures, and businesses are beginning to conduct bidding, process sales and handle contacts on-line. In addition, direct marketing and sales-on-line have begun despite the lack of credit card usage and distribution difficulties. Despite the nascent stage of e-commerce, China offers a growing market for firms using or selling related information technology products.

Major Publications in China

China Daily
15 Huixin Dongjie, Chaoyang District
Beijing 100029, China
Tel: (8610) 6492-4488
Fax: (8610)6491-8377
Website: http://www.chinadaily.com

People’s Daily

#2 Jintai Xilu, Chaoyang Menwai
Beijing 100733, China
Tel: 6509-2216   6509-1016
Fax: (8610) 6509-1816
Website:
http://www.peopledaily.com.cn

Economic Daily
#2 Bai Zhi Fang Dong Jie, Xuanwu District
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Tel: (8610) 6351-0762
Fax: (8610) 6353-9408
Website:
http://www.economicdaily.com.cn

Beijing Youth Daily
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Fax: (8610) 6733-3704
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http://www.bjyouth.com.cn

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Guangzhou, 510085
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Fax: (8620) 8776-5103
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http://www.ycwb.com.cn

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Guangzhou, 510085 ,China
Tel: (8620) 8761-0127
Fax: (8620) 8776-5797, 8766-5240
Website: http://www.gd-hk.deyin.com

Information Times
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Fax: (8620) 8738-1557
Website:
http://www.cninfotimes.com

Guangdong Commercial News
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Guangzhou 510080, China
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Fax: (8620) 8765-4020

Asian Pacific Economic Times
Add: 369 Tian He North Rd.
Guangzhou 510610, China
Tel: (8620) 3880-0217, 3880-3185
Fax: (8620) 3880-0445
Website: http://www.china-newspapers.com/asia-p-news

Nanfang Daily
Add: 289 Guangzhou Da Dao Zhong
Guangzhou, 510601, China
Tel: (8620) 8737-3998
Fax: (8620) 8737-5203

Nanfang Weekend
289 Guangzhou Da Dao Zhong,
Guangzhou 510601, China
Tel: (86-20) 8739-6882
Fax: (86-20) 8737-0368

D. Product Pricing and Customer Service

Most Chinese consumers are sensitive to price and will usually choose the less expensive product unless they can be swayed by better after-sales service or clearly better product quality. For larger purchases, attractive financing that lowers the effective price is offered by Japanese, European and other foreign governments companies of these countries respectively, and may make some U.S. products less competitive.

Foreign companies are normally not permitted to directly provide after-sales service and customer support for their products sold into China. FIEs can provide such services on products that they manufacture in-country. Foreign firms some times engage authorized Chinese entities to provide service, often on a contractual basis, or to establish service centers jointly that can provide both spare parts and after-sales service. American companies complain that such arrangements give them inadequate control over the quality of customer service and result in the loss of customer confidence. Some companies opt to provide regular servicing from bases outside of China, such as Hong Kong. American firms, with the support of the U.S. government, are pressing for relaxation of these restrictions.

E. Sales to the Government

Government procurement is a decentralized process with each Ministry or other government body establishing their own procurement guidelines. Business with China’s Government is usually conducted through state-owned/controlled companies affiliated with a particular ministry. China's government procurement practices are often not consistent with open and competitive bidding. Chinese government procurement is, for the most part, non-transparent. Purchases for virtually all projects in China are subject to at least one, and usually several, approvals from governments at various levels. While tenders for projects funded by international organizations are usually openly announced, most government procurement is by invitation only. Competition is by direct negotiation rather than by competitive bid. Goods and vendors for large projects that are covered in the annual state plan are frequently designated during the planning process. All information, from solicitation to award, remains secret and is known only to those companies involved or to officials in the planning and industrial ministries. Direct sales to the Chinese Military are also a possibility. While restrictions on this type of business exist both in the United States and in China, U.S. manufacturers have successfully sold a wide variety of products to the Chinese Military through the General Logistics Department of the People’s Liberation Army (PLA).

F. Intellectual Property Rights (IPR) Protection

The U.S. and China signed an IPR Memorandum Of Understanding (MOU) in 1992, pursuant to which China improved its laws governing IPR protection over the following two years and joined the Berne Copyright and Geneva Phonograms Conventions. The March 1995 extension of the IPR MOU sets out a plan for enforcing IPR and grants market access to certain products. In 1998, in an effort to improve IPR coordination and enforcement, China established a new organization, the State Intellectual

Property Office (SIPO). As envisioned, SIPO will eventually have authority over the Patent Office, the Trademark Office, and the National Copyright Administration. At present, however, SIPO only controls the Patent Office, with which it is co-located. The Trademark Office falls under the authority of the State Administration of Industry and Commerce, while the National Copyright Administration is controlled by the State Printing and Publishing Administration.

Enforcement: Large-scale violations of intellectual property rights in China, including counterfeiting and smuggling, often overwhelm enforcement efforts. In recent years, China has had considerable success in closing down factories that produced illegal optical disks (CD's, VCD's, and CD-ROMs) computer software products – only to see an increase in such products smuggled across its borders. The authorities have also conducted thousands of raids at both the manufacturing and the retail level, resulting in the confiscation of counterfeit or smuggled products. In 1999, the State Council issued a decree admonishing government agencies to purchase only legal computer software.

At the same time, in 1998, in reaction to continuing IPR violations, over twenty U.S. companies in China formed an informal coalition to draw the attention of Chinese and U.S. Government authorities to the counterfeiting problem, and to propose ways of strengthening enforcement. These companies estimate their annual losses due to counterfeiting at over USD 1 billion. Severely limited market access for products such as foreign movies and computer software provides an additional incentive for smugglers and counterfeiters. Some U.S. companies have devoted considerable on-the-ground resources to combating IPR violations, with mixed results.

Enforcement options: The Chinese government agencies most often involved in enforcement actions are the Quality and Technical Supervision Bureau (TSB) and the State Administration of Industry and Commerce (SAIC). U.S. companies have also reported success in registering trademarks, patents and copyrights with the Customs General Administration, which can then confiscate infringing products. The Trademark Office and the National Copyright Administration also can take action in cases involving trademark and copyright infringement. In addition, China's court system can be utilized to enforce IP rights. In fact, China has established special IPR chambers in the Supreme Court and in many Intermediate Courts, whose judges have had special training in IPR protection. Compared with the administrative agencies (such as the SAIC and the TSB), which reportedly sometimes conduct raids within hours of receipt of a complaint, the court system is relatively slow.

Patents: Under China's patent law enacted in 1984, domestic and foreign patent applications have increased steadily. Patent protection was extended in January 1993 to pharmaceutical and chemical products, as well as processes; the period of protection was lengthened to 20 years. The amendments also provide the patent-holder the right of importation and expand the scope of patent infringement to include unauthorized sale or importation of products manufactured with the use of patented processes. Under the provisions of the MOU, China extends transitional administrative protection to some U.S. pharmaceutical and agrichemical products for up to seven-and-a-half years.

China acceded to the patent cooperation treaty on January 1, 1994, and will perform international patent searches and preliminary examinations of patent applications. Under the patent law, foreign parties must utilize the services of a registered Chinese agent to submit the patent application. Preparation of the application may be done by foreign attorneys or the Chinese agent.

Copyrights: In March 1992, China established bilateral copyright relations with the U.S. and in October 1992 acceded to both the Berne Convention and the Universal Copyright Convention. China also joined the Geneva Phonogram Convention in April 1993. Following accession to the Berne Convention, China explicitly recognized computer software as a literary work and extended protection to computer programs for 50 years without mandatory registration requirements.

Trademarks. Although problems remain with enforcement, China's trademark regime basically conforms to world standards. In October 1989, China joined the Madrid Pact for protection of trademarks; the latter grants reciprocal trademark registration to member countries. China amended its trademark regime in February 1993 to add special regulations for criminal prosecution for trademark infringement.

Legal framework: As of mid-year in 1999, China was engaged in revising its basic IPR laws - patent, trademark and copyright - in an apparent effort to bring their provisions more into accord with international practice. No drafts have been released to the public as yet.

China has a "first-to-register" system that requires no evidence of prior use or ownership, leaving registration of popular foreign marks open to anyone. The Unfair Competition Law extends IPR protection to trade dress. Under the trademark law, foreign parties must utilize the services of registered Chinese agents to submit the trademark application. Preparation of the application may be done by foreign attorneys or the Chinese agent.

Trade secrets: In September 1993, the Chinese government adopted the Law Against Unfair Competition. This law defines unfair competition to include conduct that infringes the "lawful rights" of another business operator, including acts that violate "commercial secrets" rights. Commercial secrets which can bring economic benefits to the authorized users and which are protected by taking appropriate security measures are defined to include technical and operational information not available to the public. Sanctions under the law include civil remedies such as damages, administrative sanctions such as fines, and criminal penalties for "serious violations." China is further obligated to protect trade secrets under the Paris Convention for the Protection of Industrial Property, to which it is a signatory.

Regulation of Technology Licensing: Technology transfer by foreign companies is governed by 1985 regulations on technology import contracts, which include contract-licensing patents, trademarks, know-how or trade secrets; contracts for technical services; and other technology import contracts. Contracts transferring intellectual property as part of the foreign equity contribution to FIEs are generally regulated by laws concerning foreign investment. Technology licensing contracts must be approved by MOFTEC or its provincial commissions. Some of the issues of particular concern to U.S. companies include:

*The licensor cannot require confidentiality beyond the duration of the contract, except where the supplier provides improvements to the technology, and most technology contracts are not to extend beyond 10 years.

*The licensor cannot restrict sales channels or impose unreasonable restrictions on the export of products produced with the licensed technology.

*Special approval is required for extended confidentiality, export restrictions, and preferential treatment for payment of royalty tax.

G. Local Professional Services

Licensing technology, opening a representative office and establishing a subsidiary in China all involve Chinese tax and other laws, as well as complex questions on structuring and business practices that necessitate the use of attorneys, accountants and consultants familiar with Chinese requirements.

Chinese law requires representative offices and FIEs to retain the services of accountants registered in China to prepare for official submission of annual financial statements and other specified financial documents. To date, only Chinese accountants and joint-venture accounting firms may provide these services. However, all the major international public accounting firms have offices in China and operate a thriving practice providing services to foreign firms, from advice on tax matters to assistance in setting up accounting systems and preparation of feasibility studies.

Only attorneys licensed in China may appear in court and advise on questions of Chinese law. At present, foreigners are not permitted to qualify to practice Chinese law, nor are foreign law firms permitted to form joint ventures with Chinese lawyers. Registered foreign law firms in China are restricted to advising on the law of their own jurisdictions. Nonetheless, many U.S. and international law firms which have had years of experience in doing business in China are an invaluable source of advice and guidance in setting up ventures, drafting agreements and resolving disputes. As of mid-1999, there were 105 foreign law firms registered with the Ministry of Justice, including 26 firms from Hong Kong, and 27 firms from the United States. Foreign law firms are allowed to open only a single office in China, and may not employ Chinese attorneys in that office.

Commercial Service posts in China maintain lists of U.S. law, accounting and consulting firms with offices in China, as well as of Chinese firms with which the office or its customers have had favorable dealings.

H. Due diligence

Doing business in China is not easy. Chinese bureaucratic organizations may have unclear or overlapping authority. Laws may be vague or contradictory. For U.S. companies, the single most prevalent cause of trade and investment disputes has been the joint venture partner. For this reason, there is a trend towards wholly-owned foreign enterprises. At the same time, in many cases there are good reasons for U.S. companies to seek a Chinese joint venture partner: a Chinese company can assist by providing advice, local experience, and connections, as well as plant and equipment. Due diligence is the key to locating a reputable company. Both Chinese and U. S. firms with offices in China conduct due diligence investigations; the latter include Dunn & Bradstreet, Kroll Associates, and Pinkerton Consulting Services. Investigations are done for a fee, of course, but companies should measure this fee against the possible costs of attempting to cooperate with a local company which turns out to be unreliable. The U.S. Commercial Service's International Company Profile (ICP) service is not offered in China.

V. Leading Sectors for U.S. Exports and Investment

A. Best Prospects for Non-Agricultural Goods

1. AGC Agricultural Chemicals
2. ICH Fine and specialty Chemicals
3. TEL Telecommunications Equipment
4. CSF Computer Software
5. FRA Franchising
6. PMR Plastic Materials and Resins
7. BLD Building and Construction Materials
8. DRG Pharmaceuticals
9. POL Pollution-Control Equipment
10. MED Medical Devices
11. MTL Machine Tools
12. APG Air Traffic Control Equipment
13. TRA Tourism

Below are the descriptions and statistics for the best prospective U.S. commercial exports to China for 1997-1999 (in US$ millions). The exchange rate used was 8.27 RMB to 1US$. All statistics are unofficial.

1. Agricultural Chemicals (AGC)

China's agriculture-related markets have been the subjects of great attention. Imports of chemical fertilizers have grown rapidly in recent years, ranking among the top U.S. exports to China. China lacks the raw materials to produce many products such as potassium and phosphate fertilizers, and domestic chemical fertilizers can just meet 86.5% of total market demand. However, China still restricts imports of nitrogenous fertilizers such as urea to protect local producers. Imports of pesticides and herbicides have also been rising substantially, although China’s exports of pesticides have exceeded imports since 1994. The government’s control of import quotas are still seen as an obstacle for exporting agricultural chemicals to the local market. China’s accession to the World Trade Organization (WTO) would gradually phase out the quotas.

	1997	1998	1999
Total Market Size	10,845	11,850	12,400
Total Local Prod.	8,125	9,400	10,000
Total Exports	440	750	870
Total Imports	3,160	3,200	3,270
Total Imports from U.S.	1,165	1,200	1,220

*The above figures are calculated in US$ millions (1,000,000's)

2. Fine and specialty Chemicals (ICH)

The fine and specialty chemical industry is a development priority for China’s chemical industry. China needs to import many fine and specialty chemicals and intermediates to meet the increasing market demand for chemicals with a wide variety, good quality, and a high level of technology. These imports are not all reflected in the statistics below because of complex multi-national supply relationships. If GDP growth rates remain at approximately 7 to 8 percent, there will still be substantial growth in the fine and specialty sector, as indicated below.

	1997	1998	1999
Total Market Size	7,720	7,870	8,330
Total Local Prod.	7,040	7,400	7,800
Total Exports	1,700	1,830	1,970
Total Imports	2,380	2,300	2,500
Total Imports from U.S.	262	280	300

*The above figures are calculated in US$ millions (1,000,000's)

3. Telecommunications Equipment (TEL)

Since the early 1990s, China’s telecommunications market has grown about 20 percent per year. In 1999, China plans to invest about $20 billion in its telecommunications sector. The break-up of China Telecom into fixed-line, mobile, satellite and paging entities and the transfer of the paging section to China Unicom may introduce some competition into the services market. The Chinese Government is also considering the entry of new telecommunications operators such as the China Cable TV Network Corporation and the China Railway Telecommunications Company. These competing companies will seek the best quality products at the lowest price, possibly leading to increased equipment sales opportunities for foreign firms.

China's Ministry of Information Industry (MII) is expected to: digitize public and private networks; build a nationwide broadband network using fiber optic cable, microwave and satellite systems; expand the nationwide GSM mobile network and deploy CDMA systems; improve management and billing systems; and promote internet usage, especially electronic commerce. By the end of 1999, MII plans to add 15.1 million to its current 96 million fixed line telephone users, 14.7 million to its current 29 million mobile phone users, and two million to its current one million data communications users. MII predicts that year-end nationwide teledensity will almost attain 13 percent while urban telephone penetration will reach 29 percent.

In early 1999, MII introduced a telecommunications product licensing system, which requires the issuance of a license for all telecommunications equipment before being marketed in China. MII encourages operators to purchase domestically manufactured products to support national telecommunications manufacturers. MII is also pressing for reviews of joint venture contracts to ensure that foreign partners are transferring sufficient amounts of technology. Greater flexibility is sometimes shown to foreign companies that have exclusive technology or are willing to invest in priority areas such as rural inland China.

Because of its need for increased mobile phone capacity, China decided to commercialize the U.S.-developed CDMA system in April 1999. China Unicom, the only carrier licensed to build and operate the CDMA system, plans to invest $834 million in CDMA infrastructure this year. The operator expects to achieve a capacity of 2.6 million lines by the end of 1999 and 12 million by the end of 2000. China also needs to provide more bandwidth, both terrestrial and satellite, for its growing market demand for information services. China is aggressively laying fiber optic cables throughout the country and is deploying ATM, xDSL, and DWDM, among other transmission technologies. China has issued licenses to China Telecom, China Unicom and Jitong Communications to test internet protocol telephony in 25 major cities. If the tests prove successful, additional licenses will be issued.

China's telecommunications services sector remains closed to direct foreign participation. However, China is engaged in WTO accession discussions that may eventually open both the basic and value-added services markets. Telecommunications specialists realize that China requires foreign expertise to develop the sector and a number of foreign companies already provide various kinds of telecommunications consulting services. Foreign companies have had less success entering the services market using the Chinese-Chinese-Foreign (CCF) financing model with China Unicom. In August 1998, the Chinese Central Government raised concerns about this investment model and called for a review of the over 40 CCF contracts. China Unicom and its foreign partners are still seeking to resolve this issue in a way that is fair to all parties.

Best subsector prospects within this sector include:
Cellular networks, especially CDMA systems;
Internet telephony networks;
Broadband transmission technologies;
Transmission media such as fiber optic cable and satellite;
Paging networks;
Telecommunications consulting services, especially management, billing, and customer care.

	1997	1998	1999
Total Market Size	10,000	11,500	13,000
Total Local Production	5,000	6,500	7,500
Total Exports	2,000	2,000	2,500
Total Imports	7,000	7,000	8,200
Total Imports from U.S.	800	800	850

*The above figures are calculated in US$ millions (1,000,000's) and represent unofficial estimates.

4. Computer Software (CSF)

Major growth in software markets may be imminent. The biggest problem remains in the illegal copying of software as the piracy rate is over 90%. But government commitments to buy legal copies and the Y2K flaws in illegal copies may create new demand. For now, the most sought after retail products are games and entertainment software. The highest dollar value software are operating systems and database management software and Japan remains a large competitor in the computer game industry. Most U.S. computer products appear to enter China via grey marketing channels from Hong Kong and do not appear in official Chinese trade statistics. The following figures do not include the software used in telecommunication switches.

	1997	1998	1999

Total Market Size	1,500	1,970	2,170
Tot. Local Prod.	500	700	800
Total Exports	1	1	1.1
Total Imports	800	1,000	1,300
Total Imports from U.S.	720	900	1,000

*The above figures are calculated in US$ millions (1,000,000's) and represent unofficial estimates.

5. Franchising (FRA)

Despite the slowdown in GDP growth rate to the officially targeted 7% for 1999, the swelling consumer demand for choice and variety has created worthwhile opportunities across the retail spectrum. Growth in retail spending slowed down from 10% to 1 – 2% between 1998 to 1999 nationwide. In major coastal cities, however, this slow-down is much less noticeable. Already Asia's largest retail market outside of Japan, by 2005 China is projected to be home to more than 230 million middle-income consumers who will earn over $1,000 annually, whose retail spending combined will exceed $900 billion.

Franchising has proven a promising mode of entry into China's consumer markets and tapping into portions of that spending. China's consumers are very open to experimentation with American-style shopping and food & beverage outlets. They are seeking higher standards of service, better product quality and wider selection, and more comfortable and sanitary venues in which to spend and consume. American food service franchises are exceptionally popular in China, and are poised to capture dominant shares of this burgeoning market. American brands such as the McDonald's, KFC and Pizza Hut have become household names, with hundreds of outlets established nationwide. Other American franchises such as Subway and Schlotzsky's are also quickly making their way to more Chinese cities. The potential for franchise development in many lucrative markets, however, is presently still unexplored. Best prospects include food & beverage, automotive servicing, film processing, health & entertainment (including video rental and movie theaters), bicycle and sporting goods outlets, education and test preparation services.

	1997	1998	1999 est.
Total Market	344,400	392,500	435,675
Total Local Production	341,000	388,400	430,680

Total Exports	N/A	N/A	N/A
Total Imports	3,400	4,100	5,800
Total Imports from U.S.	1,100	1,600	2,240

*The above figures are calculated in US$ millions (1,000,000's) and represent unofficial estimates.

6. Plastic Materials and Resins (PMR)

The plastic materials and resins market in China is being driven by demand for higher quality products with the explosive development of end-user industries. Many imports are coming from Asian competitors whose currencies have plummeted during the Asian financial crisis.

The local market requires imports of polyethylene (LDPE and HDPE), polypropylene (PP), polystyrene (PS), acrylonitrile butadiene styrene (ABS) and polyvinyl chloride (PVC). This market is subject to the fluctuations of its up-stream supply and down-stream market demand. Engineering plastics, which possess special physical and chemical properties, are used widely in various industries as special materials.

U.S. products such as engineering plastic materials and additives, with high-technology inputs, are very competitive in the local market. This segment is expected to grow faster than any other.

	1997	1998	1999
Total Market Size	8,830	10,450	11,610
Total Local Prod.	2,870	3,300	3,780
Total Exports	440	530	620
Total Imports	6,400	7,680	8,450
Total Imports from U.S.	550	610	670

*The above figures are calculated in US$ millions (1,000,000's)

7. Building and Construction Materials (BLD)

The U.S.-China Presidential Housing Initiative, agreed upon in 1998 in Beijing provides for increased cooperation between the two countries on building China’s housing. Perhaps more influential to U.S. companies’ ability to compete will be China’s accession to WTO. Currently, China’s tariff rates for many building materials attempt to “encourage” local production over exports.

Still, the housing market projects continued growth for the near term. While Chinese authorities claim a residential growth rate of 35 percent over the past few years, most analysts agree that a more realistic estimate for the near term would be around 15-20 percent. The per person amount of living space in urban China has already gone from 3.6 square meters in 1990 to 8 square meters in 1998. The goal for 2005 is 12 square meters per person, keeping the housing market booming. Housing construction in Shanghai alone was 15 million square meters in 1996, 16.8 in 1997, 15 in 1998 and an estimated 12 in 1999.

There are three basic types of housing in China. “Commodity” and “Benefit” housing, which both fall under the heading of “Economical” housing are the most common types. (Benefit housing was allotted to workers by their employers up until late 1998.) These two types of housing generally cost in the $272-302 (2250 – 2500 RMB) per square meter range. The third group amounts to less than one percent of all housing, and is geared towards expatriates and wealthy Chinese. This type of housing starts at the $700-1000 (5800-8300 RMB) per square meter level.

Although there continue to be building projects at hand, the number of empty residential and commercial structures coupled with China’s recent efforts at making lending institutions more profitable are of increasing concern. In Beijing and Shanghai the glut has already reduced prices of commercial real estate, while more new buildings continue to go up.

In addition to construction of buildings, the Chinese government has made great strides in upgrading the transportation infrastructure here. Roads and bridges, railroads and stations, light rail and subways, airports and seaports are all included in the Ninth-Five-Year-Plan (1996-2000), which called construction a “pillar industry”, worthy of government investments of substantial time and money to support construction projects. For example, in 1998, 431 billion renminbi (RMB) ($52.1 billion) was spent on urban housing, and 216.8 billion RMB ($26.2 billion) was spent on highways. Although this Plan is nearing its conclusion, predictions are that infrastructure construction including will remain a major component of the government’s Tenth 5-Year Plan which is now being formulated.

While there is intense competition between foreign companies (mainly from Japan, Taiwan, Germany, Italy, Hong Kong and Korea), U.S. companies have fared well in many of the sub-sector categories, shown by an analysis of official Chinese import statistics.

The data provided below summarize the import trend of building materials, based on imports in several HTS categories. These categories only represent imports of
stone products, wood products, ceramics and glass products and so must therefore be viewed as incomplete, though representative of general trends.

	1997	1998	1999
Total Market Size	43963.1	47597	52530
Total Local Production	45,300	49,000	54,000
Total Exports 4356.8	4521.3	4690	
Total Imports 3019.9	3118.3	3220	
Total Imports from U.S.	248.7	241.2	245

*The above figures are calculated in US$ millions (1,000,000's) and represent unofficial estimates. Production numbers are estimates based on Chinese statistics. Trade numbers are based on Chinese customs figures for the above four groups of HTS codes.

8.   Pharmaceuticals (DRG)

Until recently, China's pharmaceuticals market has been one of the fastest growing markets in the world. From 1990-1996, the western pharmaceutical market grew almost 20% annually and has now expanded into a $14 billion market. While overall demand should continue to grow at 10%, import and joint-venture product market share and profits are expected to fall. Joint-venture drugs account for 50-60% of the drug market. In 1998, the value of imported drugs dropped to $1 billion. Due to pressures from the reimbursement system, which favors domestic medicines, import drug market share will continue to gradually shrink. The challenges facing U.S. exporters and j-v companies exist in a changing healthcare environment which now includes great individual contributions for health insurance coverage, the prospect of individual choice for hospital services and healthcare products, and new retail outlets for medicines.

Recently implemented central and local government price and profit control measures aimed at containing the rising costs of healthcare, and in particular, medicines, may unfairly disadvantage imported and joint-venture products in pricing and treatment. Also, the government's National Essential Drug Bulletin, which lists all drugs that are available for state reimbursement, promote domestic companies by listing only those foreign drugs which do not have a domestic substitute. The lack of intellectual property rights enforcement is another key concern as are regulatory barriers.

The drug distribution system is inefficient and adds considerably to the retail cost of medicines. It is hoped that WTO accession will open the distribution system by allowing private and foreign firms to operate in the distribution system.

In 1998, gross domestic output value reached $19 billion, increasing 14% over the previous year. The domestic industry is characterized by non-branded generic production, overproduction and losses. The government is undertaking the consolidation of the over 6,000 pharmaceutical enterprises, of which 71% are state- and collectively-owned.

It is estimated that most hospitals derive over 60% of their revenue from prescription sales and hospitals remain the main outlets for pharmaceuticals, with 70 - 85% of all medicines sold through hospital pharmacies. This will change with the separation of hospital pharmacies from health care services, and with the growing numbers of retail pharmacy outlets. The trend is already evident. By 1998, the retail value of drugs increased from 5% to 15%, and in some areas reached 20% - 30%. Retail pharmacy outlets are expected to grow in numbers once the government introduces its system to classify drugs as over the counter (OTC). SDA announced it would implement the OTC system in 1999.

The young sub-sector market for dietary supplements has taken off in the past several years. Experts estimate that the industry, currently worth $2.4-3.6 billion, will grow to $6.1 billion in 2000 and $12.1 billion in 2010. Despite recent setbacks due to the Asian economic crisis, the industry promises to continue this trend as growing numbers of consumers seek products with curative, weight loss and other health enhancing effects. The number of dietary supplement domestic suppliers has increased 30-fold since 1992. Complicated product registration requirements and inexperienced and inefficient distributors are common obstacles to export and sales. (The following statistics do not include this industry sub-sector.)

	1997	1998	1999
Total Market Size	17,549.48	20,116.01	22,469.29
Total Local Production	17,306.04	19,728.89	22,490.93
Total Exports	639.29	693.55	598.64
Total Imports	243.44	387.12	577.00

Total Imports from U.S.	20.87	35.04	34.97

*The above figures are calculated from Chinese Customs statistics (only registered imports therefore are included) and production figures from SETC (which include traditional Chinese medicine production). (US$ millions/1,000,000's)

9. Pollution-Control Equipment (POL)

Quantifying the Chinese environmental market is difficult because accurate data is scarce and environmental goods and services do not fit cleanly into standard customs classifications. China spent roughly $ 8.7 billion on the environment pollution treatment in 1998, rising 14.5% of that in 1997. Chinese authorities hope to boost environmental spending to 1.5% of GDP by 2000, about $16.8 billion annually based on official growth projections, to address China’s most pressing environmental needs. The market is growing rapidly, but only a portion of it is truly accessible to foreign firms due to financing and hard currency constraints, low-cost local competition, closed bidding practices and other market barriers. Products enjoying the best sales prospects include low-cost flue gas desulfurization systems, air and water monitoring instruments, drinking water purification systems, vehicle emissions control and testing devices, industrial wastewater treatment equipment, and resource recovery technologies. Most end-users and regulators hold an extremely favorable opinion of U.S. technology.

Most large U.S. environmental firms have concentrated on World Bank and Asian Development Bank projects. The future may be brighter as affluent coastal cities begin to dramatically increase environmental spending, multinational investors uncork new sources of demand, and municipalities experiment with new project financing models. As income levels rise in a huge country with acute environmental needs, China’s environmental market may grow to become one of the world’s largest. However, American companies may find that their competitors have already gained firm beachheads because these firms are now winning contracts with the help of concessional financing, grants, and other tied aid from third country governments. According to UNDP statistics, environmental tied aid programs are not drying up, and many U.S. companies cite this as their biggest competitive challenge.

	1997	1998	1999
Total Market Size	3,452	4,042	4,835

Total Local Production	1,440	1,800	2,250
Total Exports	38	50	65
Total Imports	2,050	2,292	2,650
Total Imports from U.S.	307	368	450

*The above figures are calculated in US$ millions (1,000,000's) and represent unofficial estimates.

10. Medical Devices (MED)

China is the second largest medical-device market in Asia (after Japan), estimated at more than $1.4 billion for 1998. The market is now the third largest in the world for high-tech equipment like CT, Nuclear Medicine, MRI and Ultrasound equipment. Imports account for 40-50% of market share, with the U.S. controlling 16-18% of the total market, followed by Japan and Germany. Although figures are highly variable depending on the market segment, market growth in general is expected to be about 10% over the next three years. Local manufacturers continue to lose ground to imports in many important segments of the market.

There are currently more than 200 foreign medical-device companies operating in China. Domestic production capability continues to grow, although the vast majority have yet to comply with GMP guidelines. Domestic industry strength will continue to be in the low- to medium-technology range and therefore may not be directly competitive with many imported products.

The Chinese health care system is currently in a state of change. Over past several years, the Chinese Government has instituted a series of reform measures in both the urban and rural health care systems. Major equipment purchases must now be preceded by a letter of need issued by the Ministry of Health. Price caps/controls and a reimbursement list, not unlike that seen in the pharmaceutical sector, are also designed to bring down costs. Regulatory system reforms have been undertaken although registering products with the SDA, which has serious resource constraints, can still be a lengthy process.

Decision to enter into this highly competitive market should be taken carefully, even though steady economic growth, a large and growing population, and increased wealth with a commensurate increase in access to health care should make this an attractive market in the long term. Most companies in the market today, however, report that it may take years to realize profits on an investment in China.

	1997	1998	1999
Total Market Size	2,851.24	3,697.98	4,931.18
Total Local Production	2,781.14	3,627.57	4,731.61
Total Exports	186.25	209.84	157.12
Total Imports	256.35	280.25	356.69
Total Imports from U.S.	75.22	104.17	157.27

* The above estimates are calculated from Chinese Customs statistics (only registered imports are included) and production figures from SDA (which do not exclude non-medical device production at local enterprises). (US$ millions/1,000,000's)

11. Machine Tools (MTL)

In spite of continued U.S. export control restrictions on the sale of machine tools to China, U.S. manufactured machine tools are still sought by Chinese buyers. This year China will host the Sixth Biannual China International Machine Tool (CIMT) Trade Show in Beijing October 20-26, 1999. This event is one of the largest trade events in China for U.S. exporters. The USDOC-AMT (Association of Manufacturing Technology) American Pavilion generally fills an entire hall floor at the China International Trade Exhibition Center.

In a special preparatory trade promotion activity for 1999, AMT has organized a large U.S. machine tool delegation. From Sept. 12-24, 1999, it will visit 24 entities in the following cities in Eastern China - Shanghai, Nanjing, Wuxi, Jiangyin, Suzhou, and Kunshan. The aim of the delegation is to incite buyer interest for U.S. exhibitor products at CIMT the following month in Beijing. Delegation members will look at potential user sites and offer on the spot advice on the unique versatility and effectiveness of U. S. machine tools for specific end-user needs and applications. AMT is coordinating this event with the Shanghai Commercial Center.

Sophisticated American numerically controlled machine tools are always the first choice by automobile and aircraft manufacturers and Chinese Universities. However, ever stricter USDOC export controls, USDOC export license processing delays, USDOC license rejections, stringent U.S. Consular Service business visa requirements, Chinese government passport processing emnt and visa delays and rejections, are driving Chinese buyers to look toward Germany and Japan for their machine tool needs.

	1997	1998	1999 EST
Total Market Size	3214	2870	2969
Total Local Prod'n	1893	1713	1750
Total Exports	281	234	213
Total Imports	1602	1391	1492
Total Imports from U.S.	120.9	101.61	118

*The above figures are calculated in US$ millions (1,000,000's) and represent unofficial estimates. The source of the 1997 and 1998 figures is the China Machine Builders Tool Builders Association (CMBTA). The figures for 1999 are FCS estimates based on CMBTA first quarter results.

12. Air Traffic Control Equipment (APG)

Although not expanding at the rates earlier predicted, China's aviation market is still growing at rates above the world average, putting tremendous strain on China's limited air traffic control (ATC) infrastructure. Recognizing the inherent safety and resulting public relations issues associated with an air traffic control system, the Chinese Government remains committed to updating not only individual airport systems but also to adding up to ten area control centers (ACC) over the next 10-15 years.

Chinese aviation authorities are familiar with the technical superiority of U.S. high tech products, and the reliable service and training that U.S. suppliers provide to their customers. While competition from the French is especially fierce, U.S. exports in this sector have been steadily growing, while the Italians have lost market share to both US and French firms.

The data provided below summarize the import trend of ATC products, based on imports in several HTS categories. These categories only represent imports of radar, remote radio control apparatus, navigational aids, and parts thereof, so must therefore be viewed as incomplete, though representative of general trends.

Industry analysts and business people agree that the Chinese authorities have available and are willing to spend up to $500 million during the next five years on core components of ATC equipment.

	1997	1998	1999
Total Market Size	120	140	170
Total Local Production	0	0	0

Total Exports	0	0	0
Total Imports	120	140	170
Total Imports from U.S.	30	55	119

*The above figures are calculated in US$ millions (1,000,000's) and represent unofficial estimates.

13. Tourism (TRA)

The number of Chinese visitors traveling to the United States has been steadily growing over the past 10 years. However, the Chinese government has yet to designate the United States as one of China's official tourist destination countries. Chinese citizens who visit the United States are technically not tourists. For the purpose of U.S. visa applications, most Chinese visitors to the United States go under the category of "business trips." Nonetheless, almost all Chinese visitors build a significant tourist component into their itinerary ranging from a half-day stop at Disneyland to a multi-city tourism spree across the country.

Before embarking on their trip, most Chinese tourists consult friends who have visited the United States before. They then carefully plan their itinerary to ensure that they pack in as many sites as possible. Some of the top U.S. destinations for Chinese tourists include Los Angeles, San Francisco, Honolulu, Las Vegas, Orlando, New York City, and Washington, DC. Seldom do Chinese tourists travel to one U.S. location for a longer period of time unless they are visiting family. The largest concentrations of Chinese in the United States are located in the vicinity of Los Angeles, San Francisco, New York City, and Houston. By now, many Chinese have already visited the United States at least once so they are now seeking out more non-traditional destinations. This may provide additional U.S. cities with an opportunity to develop Chinese tourism.

Except for official Chinese government delegations, which by Chinese law must fly Chinese airlines, most Chinese visitors prefer the service and courteousness of U.S. carriers such as United Airlines and Northwest Airlines. Chinese visitors tend to reside in hotels that fall into the mid-range category and they are often willing to stay in the suburbs to secure a more reasonable room price. Chinese travelers to the United States dine almost exclusively at Chinese eating establishments and are even willing to drive far out of their way in order to find Chinese food.

Travel experience to various countries leaves many Chinese tourists convinced that U.S prices for quality name brand products are the lowest in the world. Most visitors come to the United States with long shopping lists and have a mall or two on the travel agenda. This desire to shop in the United States is facilitated by the official allocation of $2,000 in foreign exchange to each Chinese citizen going on overseas tours. It appears, however, that most visitors bring many times the official quota by exchanging local currency for U.S. dollars on the gray market.

U.S. Exports of Travel & Tourism Services to China, 1994-97
in US Millions

	1994	1995	1996	1997
Mainland China:				
Travel	369	406	807	1,101
Passenger Fares	9	18	100	142
Total (Travel & Tourism)	378	424	907	1,243
Hong Kong:				
Travel	567	644	624	741
Passenger Fares	249	325	380	471
Total (Travel & Tourism)	816	969	1,004	1,212
Mainland China and Hong Kong:				
Travel	936	1,050	1,431	1,842
Passenger Fares	258	343	480	613
Total (Travel & Tourism)	1,194	1,393	1,911	2,455
Percentage Share of Regional Total				
China:				
Travel	2.1	2.0	3.7	5.1
Passenger Fares	0.1	0.2	1.3	1.9
Total (Travel and Tourism)	1.6	1.5	3.1	4.3
China and Hong Kong:				
Travel	5.4	5.1	6.5	8.5
Passenger Fares	4.0	4.6	6.3	8.3
Total (Travel and Tourism)	5.0	5.0	6.5	8.4

Source: ITA/TD/SIF/OSI, based on estimates in the Survey of Current Business, Oct. 1998

B. Best Prospects for Agricultural Goods

1. Grains
2. Grass Seeds
3. Oilseeds
4. Poultry Meat
5. Hides and Skins
6. Snack Foods
7. Fresh Fruits

8. Beef and Pork Variety Meats
9. Dairy Ingredients
10. Seafood
11. Forest Products

1. Grains

Wheat	PS&D Code: 0410000
Corn	PS&D Code: 0440000
Barley	PS&D Code: 0430000

Although the volume of trade is likely to fluctuate depending on domestic production, China’s demand for wheat, corn and barley is expected to grow in the next few years. The underlying demand factors in the next five years will be limited land for local production, increasing population, better incomes as well as changing consumer preferences, which will favor greater wheat and corn consumption over rice. Imports continue to be controlled by the central government and purchases are dominated by the state grain monopoly, COFCO. However, the WTO accession package being discussed with China calls for allowing greater access to China’s markets by private importers. For more information go to http://www.fas.usda.gov to view the Grain and Feed Annual, report number CH9012.

	MY1997/98	MY1998/99	MY1999/00
Total Market Size	228.5	238.9	237.7
Total Local Production	231.1	238.5	234.5
Total Exports	6.2	3.0	3.0
Total Imports	3.6	3.4	6.2
Total Imports from U.S.	0.4	0.7	1.4

Unit: Million Metric Tons

2. Grass Seeds

China’s quest to beautify its cities, curb soil erosion and growing deserts and improve its forage industry is causing the grass seed market to expand rapidly. Growth has been especially strong in the last two years, due to the floods of 1998 and concerns over environmental degradation. U.S. grass seeds compose 75 percent of the import market, due to their superior quality and aggressive marketing efforts by U.S. seed organizations. Future annual growth in total imports is forecast to be 30 percent for the next 2 years. Major competitors of the U.S. are Australia and New Zealand. For more information go to http://www.fas.usda.gov to view the Planting Seeds Annual, report number CH8060.

	MY1997/98	MY1998/99	MY1999/00
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	1,299	2,600	3,200
Total Imports	3,051	4,000	5,200
Total Imports from the U.S.	2,280	3,000	3,900

(Unit: metric tons)

3. Oilseeds

Soybeans	PS&D Code: 2222000 (beans)
Soybean Meal	PS&D Code: 0813100 (meal)
Soybean Oil	PS&D Code: 4232000 (oil)

Long-term prospects for soybeans and soybean products are expected to continue improving in future years. In 1998, China imported some 2.6 MMT of soybeans, 570 TMT of soybean meal, and 420 TMT of soybean oil from the U.S. alone. Short-term prospects however, have declined due to the Asian financial crisis and a general slowdown in China’s economy, which has caused demand for soybean products to fall. Recent policy changes in China have also favored imports of soybeans over soybean products.

Short-term prospects are weakest for soybean meal, which has been most directly affected by the slowdown in the livestock sector. Persistent rumors of a reinstatement of the 17% VAT on soybean meal have also served to keep imports low. Oil demand remains high, but imports have fallen. This year, the government has delayed announcing import quotas for vegetable oil for several months, and quotas are expected to be lower than in the past as the government seeks to boost prices in support of the domestic crushing industry. As a result of the constraints placed on processed products and declining domestic production, soybean imports continue to grow, though an increasing portion of these imports are coming from South America. Competition is also growing from imported rapeseed. For more information go to http://www.fas.usda.gov to view the Oilseeds Annual, report number CH9014.

Soybeans

	MY1997/98	MY1998/99	MY1999/00
Total Market Size	17,500	17,170	17,670
Total Production	14,728	13,850	14,050
Total Exports	168	180	180

Total Imports	2,940	3,500	3,800
Total Imports from U.S	1,890	2,600	3,000

Unit: 1,000 metric tons

Soy Meal

	MY1997/98	MY1998/99	MY1999/00
Total Market Size	12,760	11,455	12,185
Total Production	8,580	8,220	8,500
Total Exports	18	15	15
Total Imports	4,198	3,250	3,500
Total Imports from U.S.	795	570	665

Unit: 1,000 metric tons

Soy Oil

	MY1997/98	MY1998/99	MY1999/00
Total Market Size	2,945	2,738	2,895
Total Production	1,775	1,718	1,775
Total Exports	80	80	80
Total Imports	1,250	1,100	1,200
Total Imports from U.S.	380	420	440

Unit: 1,000 metric tons

4. Poultry Meat

China is a net exporter of poultry meat, but because its export and import markets are disjointed, both exports and imports are expected to exhibit double-digit growth through the end of the century. The primary exports are live birds to Hong Kong and de-boned chicken pieces to Japan. The import sector consists primarily of frozen parts such as feet, wings, wing tips, legs, and gizzards. The rapid rise of the fast food industry in China, both domestic and foreign-owned chains, bodes well for continued strong demand for imported poultry meat. Import statistics reported below are based on USDA PS&D data and take into account transshipments through Hong Kong into Southern China. For more information go to http://www.fas.usda.gov to view the Poultry Semi-Annual Report, report number CH9802.

	1997	1998	1999
Total Market Size	10,760	11,320	11,860
Total Local Production	10,400	10,700	11,000
Total Exports	420	380	400
Total Imports	780	780	760
Total Imports from U.S.	500	480	470

Unit: 1,000 metric tons)

5. Hides & Skins PS&D Code: 2111000

China is a major market for imported bovine hides and skins which are processed and used in finished leather goods for export. Over 50 percent of hide imports enter China via Hong Kong as re-exports. The finished leather export industry relies on high quality hides for raw material, making U.S. hides extremely competitive. During the past 3 years the U.S. market share has grown to 24 percent. Demand for U.S. hides will continue to grow as consumers of China’s finished leather products demand better quality. Demand for imported semi-finished leather and wet blues is forecast to increase more quickly than for raw hides. South Korea and Taiwan presently are the leading suppliers of semi-finished leather and wet blues. However, South Korea’s raw hide imports are believed to originate in the U.S. Recent slowing demand abroad for Chinese finished leather products and falling hide prices could threaten U.S. hide exports to China in the short run. Rising Chinese income levels will create a future market for high quality finished leather goods, bringing increased demand for U.S. hides. For more information go to http://www.fas.usda.gov to view the Hides and Skins Market Brief, report number CH8055.

	1997	1998	1999
Total Market Size	1,624	1,794	1,698
Total Local Production 2/	350	357	363
Total Exports	76	63	65
Total Import 1/	1,350	1,500	1,400
Total Imports from U.S.1/	450	600	600

Unit: 1,000 Metric Tons

1/ Imports are estimated and include re-exports through Hong Kong.
2/ Production is estimated.

6. Snack Foods

Reliable statistics are not yet available on China’s consumption, production, or trade of snack foods, but U.S. trade data clearly reflects the increasing demand for this high-value product. In the 1993-1997 period, U.S. direct exports of snack foods to China increased at an annual rate of 42 percent to a record high of $12 million in 1997. Regional economic crisis and restructuring of the state sector slowed down China’s economy in 1998, and U.S. direct exports of snack foods for that period fell over 25% to $8.6 million. Improving living standards, combined with consumers interest in convenience and quality, continue to generate demand for imported snack foods. A mild economic recovery and stabilizing regional markets are expected to push U.S. exports back up as much as 15% in 1999. When considering the broader category of snack foods that includes nuts and chocolate (which are not included below, but are experiencing steady market growth), the following data are conservative. Hong Kong remains an important conduit for these products, and it is certain that the below figures grossly underestimate the actual sales of U.S. snack foods in China.

	1997	1998	1999
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Total Imports from U.S.	12,000	8,600	10,000

Unit: U.S.$1,000

7. Fresh Fruits

Although China's fruit production is huge, important export opportunities still exist thanks to the country's poor post harvest storage and handling practices and facilities. Imported U.S. varieties that have done well to date include apples, oranges, plums, and table grapes.

At the present time, Washington state apples, Washington state cherries, and California table grapes are the only U.S. fruits with full access to China. A recently negotiated agreement will allow U.S. citrus full access soon. Although U.S. pears and many types of stone fruit currently do not have access due to phytosanitary restrictions, ongoing negotiations between USDA and China's Ministry of Agriculture may result in access in the near future. A few Chinese importers have licenses to import U.S. fruits (other than apples, cherries, and grapes) for hotels and supermarkets that cater to overseas visitors.

A large amount of China's fresh fruit imports enter the country through Guangdong province, which borders Hong Kong, and then is distributed to most of China's major cities. Much of this fruit is not recorded in China's official customs statistics, but appears in Hong Kong transshipment data. The value of these fresh fruit transshipments exceeded U.S.$ 170 million in 1998. For more information go to http://www.fas.usda.gov to view the Citrus Annual (report number CH8645), the Fresh Deciduous Fruit Annual (report number CH8630), and the Stone Fruit Situation (report number CH9602).

	1997	1998	1999
Total Market Size	N/A	N/A	N/A
Total Local Production	50,893	54,529	57,000
Total Exports	602	564	550
Total Imports	638	646	655
Total Imports from U.S.	8	13	15

Unit: 1,000 Metric Tons

8. Beef & Pork Variety Meats

Similar to poultry parts, there is a tremendous demand in China for beef and pork cuts of all types. Since many livestock parts are not eaten by American consumers, America has a large supply of beef stomach and pork tongue, ears, hearts, stomach, kidneys, liver, intestines, feet, and tails at reasonable prices. Beef stomach (omasum) can be legally imported and is in high demand. Beef and pork are not permitted entry into China by the State Administration for Entry-Exit Inspection and Quarantine (SAIQ), except for consumption in major hotels, restaurants and the food processing industry. However, consumption of imported meats is on the rise in China, most of which enters via Hong Kong through various ports in Guangdong Province and then is shipped north in insulated trucks or rail cars. China's total imports of beef and pork in 1998, including muscle meat and offal, exceeded 217 thousand tons, more than 80 percent of which was re-exported from Hong Kong. Imports of these products increased by over 50 percent in 1998. For more information go to http://www.fas.usda.gov to view the Livestock Annual, report number CH9037.

9. Dairy Ingredients PS&D Code: 0224200

While Australia, New Zealand, and the EU presently are China's primary dairy suppliers, the United States will become more competitive in the future, as Federal dairy support prices fade away by 2002. Whey powder is the U.S.'s leading dairy export commodity to China. Presently, no whey powder is produced in China. Strong demand for whey as an ingredient in piglet feed and baby formula will remain strong. There also is potential for dry milk powder exports, as consumers demand increasing quantities of domestically produced ice cream and yogurt. For more information go to http://www.fas.usda.gov to view the Dairy Annual Report, report number CH8047.

Powder Milk (Non-fat & Whole fat)

1997 1998 1999

Total Market Size	435	461	481
Total Local Production	390	411	431
Total Exports	8	8	8
Total Imports	53	58	58
Total Imports from the U.S.	6	7	8

(Unit: 1,000 metric tons)

10. Seafood

China has been one of the largest producers of seafood products in the world for several years, making the country also one of the world's biggest seafood exporters. However, China's ocean fishing fleet catches and inshore fishing resources are facing difficulties meeting demand. China also imports a large amount of seafood from other countries. Aside from the United States, Russia, Argentina, Japan, and South Korea have been major seafood exporters to China. U.S. exports of seafood to China include salmon, pollack, squid, flat fish, sole, king crab, and yellow croaker. For higher value products such as crustaceans and molluscs, Australia, Canada, and the countries of Southeast Asia are major U.S. competitors. For more information go to http://www.fas.usda.gov to view the Live Seafood Market Brief, report number CH8637.

	1997	1998	1999
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	746	823	890
Total Imports	492	683	750
Total Imports from U.S.	85	65	68

11. Forest Products

Despite the current economic slowdown, forest products imports have continued to grow, and the prospects for continued growth are excellent. Increased import demand is being driven by growing consumption and declining domestic supplies. The government's housing reform campaign has helped to stimulate consumption by increasing the demand for wood products for interior decoration and furniture. Demand is greatest for hardwood products, as Chinese consumers are unfamiliar with softwood. There has also been growth in the construction of wood-frame housing, though this has been restricted to the very high end of the market.

The decline in domestic supply is largely the result of China's current ban on logging in state forests. The ban was instituted as a result of floods in 1998, which were blamed on the effects of over-logging. The ban has already brought about modest increases in domestic timber prices. The government responded by reducing tariffs on a wide range of wood products in early 1999. U.S. exporters to this market face strong competition from European hardwoods and from tropical hardwoods from Southeast Asia.

Roundwood

	1997	1998	1999
Total Market Size	63,288	59,032	55,139
Total Production61,308	56,800	52,623	
Total Exports	24	22	20
Total Imports	2,004	2,254	2,536

Unit: 1,000 metric tons

Temperate Hardwood Lumber

	1997	1998	1999
Total Market Size	8,825	8,273	7,788
Total Production	8,300	7,636	7,025
Total Exports	308	300	292
Total Imports	833	937	1,055

Unit: 1,000 metric tons

Note: Statistics are derived from the FAS 1998 Forest Products Annual Report, and do not reflect the impact of the logging ban. Updated statistics will be available in the 1999 Annual. To view the 1999 Forest Products Annual (report number CH9042) after July 15th go to http://www.fas.usda.gov t. Roundwood and temperate hardwood lumber statistics do not reflect trade in finished furniture, veneer, plywood, etc.

VI. TRADE REGULATIONS AND STANDARDS

A.   Import Tariffs and Custom Regulations

The most comprehensive guide to Chinese Customs regulation is The Practical Handbook on Import & Export Tax of the Customs of the PRC, compiled by the General Customs Administration. This guide contains the tariff schedule and national customs rules and regulations. It may be obtained for 220 RMB plus shipping and handling from:

Xing Sheng Zhong Hai Fa Xing Zhong Xing Company.
#6 JianNei DaJie
Dong Cheng Qu, Beijing 100730.

Phone: (8610) 6519-5923   Fax: (8610) 6519-5616.

Tariff Rates: The Customs General Administration (CGA) assesses and collects tariffs. In addition, it collects a value-added-tax (VAT), generally equal to 17%, on imported items. Import tariff rates are divided into two categories: the general tariff and the minimum (most-favored-nation) tariff. Imports from the United States are assessed at the minimum tariff rate, since the U.S. has concluded an agreement with China containing reciprocal preferential tariff clauses. The five Special Economic Zones, open cities, and foreign trade zones may offer preferential duty reduction or exemption. Companies doing business in these areas should consult the relevant regulations.

Customs Valuation. According to Chinese Customs regulations, the dutiable value of an imported good is its c.i.f. price, which includes the normal transaction price of the good, plus the cost of packing, freight, insurance, and seller's commission. In practice, Chinese customs valuation remains non-transparent and arbitrary. Customs officials have discretionary authority to ignore the invoice or transaction price as the principal basis for valuation.

B. Trade Barriers

China administers a complex system of non-tariff trade barriers. The U.S.-China market access Memorandum of Understanding (MOU) signed in 1992 commits China to curtail most of these barriers by 1997. The MOU also confirms that only barriers that are imposed by the central authorities will be enforceable. This provision is significant because it precludes replacement of central control by local controls.

Some of the current trade barriers that U.S. firms face are:

Import Licensing: While China is in the process of eliminating a great number of import licensing requirements, licenses will continue to be required after the MOU is implemented for certain items including rubber products, wool, grains, oilseeds and oilseeds products, cotton, cotton passenger vehicles, and hauling trucks.

Quotas: After implementation of the MOU, some 42 categories of commodities will remain affected by quotas, including watches, automobiles, grains, edible oils, cotton, and motorcycles. Import quotas for machinery and electronic items, as well as carbonated beverages, are set by the State Economic and Trade Commission under the State Council, while the State Development and Planning Commission administers quotas for a variety of general commodities. Quota allocation largely remains non-transparent to outsiders.

Administrative Controls: Certain designated commodities must go through an automatic registration process and secure a “Certificate of Registration for the Import of Special Commodities” prior to importation. The certificate is valid for six months.

Thirty-one categories of goods which were previously controlled through the administrative import approval process but not subject to import license requirements, including certain machinery production lines, electronic equipment, and construction materials and equipment, had controls removed under the MOU.

Transparency: The MOU commits China to publish all relevant laws, rules, regulations, administrative guidance and policies governing foreign trade that are not currently published. In conjunction with this commitment, China designated the MOFTEC Gazette (Wengao) as the official register for publication of all laws and regulations relating to international trade. To ensure that unpublished internal regulations are non-enforceable, only published laws and regulations should be implemented. However, transparency still remains a problem. The website of the Ministry of Foreign Trade and Economic Relations (MOFTEC) at www.moftec.gov.cn is a good first source of information on Chinese Foreign Trade Law.

Anti-Competitive Practices: China’s first law on unfair competition went into effect at the beginning of December 1993. It forbids the use of money and materials or other means as bribes to sell goods but allows discounts or commissions openly offered and properly recorded. U.S. suppliers have complained that such practices in China put them at a competitive disadvantage.

C. Import Documentation

Normally, the Chinese importer (agent, distributor or joint-venture partner) handles documentation requirements. Necessary documents include the bill of landing, invoice, shipping list, sales contract, an import quota certificate for general commodities (where applicable), import license (where applicable), inspection certificate issued by the State Administration for Entry & Exit Quarantine and Inspection Bureau

(SAIQ) or its local bureau (where applicable), insurance policy, and customs declaration form.

D. U.S. Export Controls

As result of the findings presented in the Cox Report released by Congress in June of 1999, The U.S. Administration is currently under enormous pressure from Congress to stringently enforce all U.S. Dept. of Commerce Export Administration regulations on high tech trade with China, and it is attempting to deter the passage of new laws by Congress which will further tighten U.S. Government regulations covering high technology trade with China.

The Enhanced Proliferation Control Initiative (EPCI), has led the U.S. to require closer scrutiny of end-users of U.S. exports of all kinds. This regulation requires a Validated License application if the exporter has "reason to know" that the end-users might be involved in missile, nuclear or chemical weapons proliferation.

A new law passed by Congress in late 1997 requires that the US Government do post shipment verifications on all High Performance Computers(HPC) shipped to one of 50 countries including China. An HPC is defined as any computer over 2000 MTOPS of performance. This includes workstations with two Pentium III microprocessors, and will cover some new single processor laptops that will be released for sale early in 2000. This regulation is causing longer order booking to shipping date delays in HPC computer sales that HPC vendors had not experienced before in making sales to China. One bottleneck in the process is the requirement that a MOFTEC issued EUC must be obtained before the computer is shipped to China. Due to the large numbers of such certificates needed and due to the fact the issuing department only has five employees, this single procedure can take weeks to months.

In addition the Tiananmen Sanctions of 1990 are still in effect and curtail the sale of crime control equipment to the police of China and the sale of defense electronics to the Chinese military.

U.S. Export Applications: A USDOC dual-use export license application that does not present to the USDOC reviewers serious Chinese end-user concerns is usually approved by the USDOC in about one week. In the past only 15 to 20 USDOC export license applications a year will require a Pre-License Check (PLC). In the case of a PLC, the Department of Commerce requests MOFTEC permission for an FCS officer from the Embassy to visit the site of an end-user to determine the bona-fides of the end-user for the actual end-use of the product. This must be done before Commerce will act further on the export license application. Again a PLC requirement is not normally invoked. But when it is U.S. Government inter-agency coordination in Washington and coordination between the Commercial Service and MOFTEC in China can lead to time delays of two to three months. If in the end no PLC can be affected the license may not be issued at all.

As of June 1999,in reaction to the accidental May 1999 NATO bombing of the Chinese Embassy in Belgrade, Serbia, MOFTEC has temporarily postponed responding to all U.S. Government end-use visit requests. It is not clear when these visits will resume. This situation will make it less likely that an export license will be issued were a PLC is required.

For more information on U.S. export controls, exporters should view the BXA website at www.bxa.doc.gov or contact:

BXA Exporter Services Division		
Washington, D.C.	Tel:	202-482-4811
	Fax:	202-482-3322
Newport Beach, CA	Tel:	714-660-0144
	Fax:	714-660-9347
Santa Clara, CA	Tel:	408-748-7450
	Fax:	408-748-7470
U.S. Embassy-Beijing, Commercial Section:		
Mark Bayuk BXA-CS Officer	Tel:	86-10-6532-6924
	Fax:	86-10-6532-3297

In mid 1999 Satellite and related technology licensing authority was transferred from the Dept of Commerce to the Dept. of State. For information on State Department export licensing procedures see the relevant State Dept website of the Office of Defense Trade Controls at http://www.pmdtc.org. The point of contact for State Department Licensing matters at U.S. Embassy Beijing is the Economic Section Tel: 86-10-6532-3431, Fax 86-10-6532-6422.

E. Chinese Export Controls

Prohibited Exports. China maintains export bans and restrictive licensing procedures on certain items. Products banned from export include musk, copper, platinum, specified chemical compounds, and products whose export is banned under international treaties. Products subject to strict licensing controls include dual-use chemicals, chemical precursors, heavy water, and exports of fish, fresh vegetables and fruits to Hong

Kong and Macao. Foreign-invested enterprises are restricted to exporting out of China only the products they manufacture.

The export licensing system is administered by MOFTEC and designated local offices. An export tendering system for a limited but growing number of products has also been introduced. Most licenses are valid for a single use within three months after issuance. For certain items, including 26 categories of agricultural and petroleum products, licenses are granted for six months with multiple use up to 12 times.

Other items that may not leave China include all items that are prohibited from being imported. (See next paragraph) In addition, manuscripts, printed matter, magnetic media, photographs, films or other articles, which involve state secrets; valuable cultural relics; and endangered animals and plants may not be exported.

On June 10, 1998 China promulgated Regulations on the Administration of the export of dual-use(military and civil) Nuclear Facilities and related technologies of the People's Republic of China. The export licenses required under these regulations are issued by MOFTEC.

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

F. Inspection Standards

Import Commodity Inspection: Chinese law provides that all goods included on a published Inspection List, or subject to inspection pursuant to other laws and regulations, or subject to the terms of the foreign trade contract, must be inspected prior to importation, sale, or use in China. In addition, safety license and other regulations also apply to importation of medicines, foodstuffs, animal and plant products, and mechanical and electronic products.

Chinese buyers or their purchase agents must register for inspection at the port of arrival. The scope of inspection undertaken by local commodity-inspection authorities entails product quality, technical specifications, quantity, weight, packaging, and safety requirements. The standard of inspection is based upon compulsory Chinese national standards, domestic trade standards or, in their absence, the standards stipulated in the purchase or sale contract.

To meet the arrival inspection requirements, it is advisable that Chinese quality certification be obtained from Chinese authorities prior to shipment of goods to China. The quality and safety certification process appears to require extensive investigation and may be time-consuming. If your products are required to have this certification, contact the State Administration for Entry & Exit Quarantine and Inspection (SAIQ) at 15 Fangcaodi Xijie, Chaoyang District, Beijing 100020 China; tel: (86-10) 6599-4328 or fax: (86-10) 6599-4306.

SAIQ has established a non government office in the United States to facilitate U.S. exporters in the quality certification and marking process, but this is NOT the address to mail a product certification application.

CCIC (China National Import & Export Commodities Inspection Corporation) North American Inc.

Mailing address: Office Address:
917 Sago Palm 1509 W. Cameron AV.
Suite 252
West Covina, CA 97190 West Covina, CA 91790
Tel: 626-813-0011
Fax: 626-813-9181

The National Institute of Standards (NIST) did a workshop on Chinese standards in Beijing March 10-12, 1999. The summary of the workshop results can be viewed at the following NIST website;
http://ts.nist.gov/ts/htdocs/210/216/chinafile/brochure.htm.

A point-of-contact in the USDOC on standards is Ms. Lauren Brosler-Saadat at Tel: 202-482-4431 Fax: 202-482-0975.The point-of-contact at FCS-Beijing is Mark Bayuk at Tel: 86-10-6532-6924 or Fax:86-10-6532-3297.

Security Software Certification: Hardware and software used for data security or encryption require special security software certification before they can be sold in China. This is separate from the SACI quality assurance procedures. FCS has done a International Marketing Insight(IMI) on this matter and it was

published in June of 1999 under the title “Security Software Certification”
The office that does this certification is the:
China National Information Security Testing Evaluation and Certification Center (CNISTEC).
No. 36 Xinjiang Gongmen
Hai Dian District, Beijing 100091
Tel: 86-10-6879-6484 Fax: 86-10-6288-0411

Quarantine Inspection: A 1992 quarantine law provides the legal basis for the quarantine inspection of animals, plants and their products, as well as the containers and packaging materials used for transporting these items. The law also establishes the Chinese Animal and Plant Quarantine Administration (CAPQ), since replaced by the State Administration for Entry and Exit Quarantine and Inspection Bureau (SAIQ), which is under the administrative control of China Customs. SAIQ has the responsibility to carry out import and export inspections.

The importer must submit an application in advance and the products must undergo the required inspections upon arrival in China. Contracts must specify the requirements for inspection under China's law, as well as indicate the necessary quarantine certificates to be issued by the appropriate agency in the exporting country. Catalogues of the Class A and B infectious or parasitic diseases of animals and the catalogues of the diseases, pests and weeds dangerous to plants are determined and announced by the SAIQ. The U.S. Department of Agriculture maintains an office of the Animal and Plant Health Inspection Service (APHIS) in Beijing. The office is able to answer questions about Chinese quarantine laws and is the equivalent of the SAIQ. Contact Dale Maki, Tel: 86-10-6505-4575, Fax: 86-10-6505-4574. The APHIS website is http://wwww.aphis.usda.gov.

G.   Labeling and Marking Requirements

Under Chinese law governing safety and product-quality standards, certain imported commodities must be inspected and certified to be in compliance with compulsory national, domestic trade or contractually stipulated standards (see Section I). Once a quality certificate for a product is issued, a safety label can be affixed.

All products sold in China must be marked -- in the Chinese language -- with the relevant information. The National Health and Quarantine Administration requires imported (but not domestic) food items such as candy, wine, nuts, canned food and cheese to be affixed with a laser sticker evidencing the product's safety. Importers are charged US$ five to seven cents per sticker, and the stickers must be affixed under State Administration.

Food Labeling Law: As of October 1, 1995 a national Chinese regulation was put into effect for the implementation of food label standards. This Chinese law requires that all packaged food products (except bulk) must have Chinese labels clearly stating the type of food, brand name, trademark, manufacturer’s name and address, country of origin, ingredients, date of production and sell-by date. This law applies to imported as well as locally-packaged products. English-language versions of the new regulations and other rules about food additives, such as Food Laws, Labeling Requirements, Food Additives Regulations, Pesticides and other Contaminants, Organic “Green” Food Standards, and Copyright/Trademark, will be obtained in the Food & Agricultural Import Regulations & Standards Report (FAIRS). This report can be accessed by going to http://www.fas.usda.gov, report number CH9010. Please contact Audrey Talley, USDA/Foreign Agricultural Service, tel: (202) 720-9408; fax: (202) 690-0677.

H. Special Import Provisions

Firms seeking the following exemptions should consult with Customs authorities for information on the procedures and to obtain copies of appropriate forms.
Representative Offices: Resident 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.

Foreign-Invested Enterprises (FIEs): China permits four types of FIEs -- equity joint ventures (EJVs), cooperative (contractual) joint ventures (CJVs), wholly foreign-owned enterprises (WFOEs), and foreign-invested joint stock companies. A complicated set of rules exempts selected FIEs from some Customs duties and VAT. Companies should consult the relevant regulations.

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 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. Bonded warehouses may be established within the FIE and are subject to supervision by Customs.

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

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.

For more information on agricultural trade policy, go to http://www.fas.usda.gov to access the 1999 China Annual Trade Policy Report.

I. 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 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, new rules went into effect in June 1999 which further restrict or prohibit the importation of certain commodities related to the processing trade. Jointly issued by MOFTEC and the State Economic and Trade Commission, the "Catalogue of Commodities Which are Restricted or Prohibited from Importing for Use in the Processing Trade" is designed to shift the direction of china's processing trade toward handling commodities with higher technological content and greater value-added potential.

The catalogue identifies the following "prohibited commodities:" used garments; used publications with licentious content; radioactive or harmful industrial waste; junk cars, used automobiles or components; seeds, seedlings, fertilizers, feed, additives, or antibiotics used in the cultivation or breeding of any export commodity. The catalogue lists seven general types of "restricted commodities:" raw materials for plastics, polyester sections, raw materials for chemical fibers, cotton, cotton yarn, cotton cloth, and some steel products. U.S. firms should contact the China General Administration of Customs for guidance regarding the import of any of these types of products.

J. Customs Contact Information

Beijing:
General Administration of Customs
Foreign Affairs Division
6 Jianguomenwai DaJie
Tel: 86-10-6519-5399
Fax: 86-10-6512-8849

Website: http: // www.customs.gov.cn

VII. INVESTMENT CLIMATE
(INCOMPLETE see section Major U.S. Investors In China on page 65 or marked in bold)

Please note the following acronyms are used throughout the text:

FDI = foreign direct investment

FIEs = foreign-invested enterprises, including foreign/Chinese equity joint ventures, cooperative or contractual joint ventures, and wholly-foreign-owned companies

MOFTEC = Ministry of Foreign Trade and Economic Cooperation

SDPC = State Development and Planning Commission (known prior to early 1998 as the State Planning Commission or SPC)

SEZs = The five Special Economic Zones of Shenzhen, Zhuhai, Hainan, Xiamen and Shantou.

VAT = China's value-added tax, applied at each stage of processing or sale/resale. For most goods, VAT is currently 17 percent of the value of a good added at each stage of production/sale.

A. Openness to Foreign Investment

1. Government Attitude Toward Foreign Private Investment; Introduction and General Overview

Since 1978, China has actively sought foreign direct investment (FDI) and technology to promote its modernization efforts and accelerate its export trade capabilities. Austerity measures in 1988-89 and the political tensions following the 1989 Tiananmen incident led to a temporary deterioration of the investment environment. However, with looser credit and new calls for reform and opening following Deng Xiaoping's celebrated trip to south China in early 1992, a number of new cities and sectors were opened to foreign investors. In fact, the period in between 1992 and 1996 was the heyday of American investor decisions to commit to and enter the China market, according to a recent survey of U.S. investment in China done by the U.S. Embassy. Since 1992, China has progressively expanded the areas of its economy which are open to foreign investment, including opening a number of more sensitive sectors, including those in the services industry, on an "experimental" and limited basis. China has also introduced new incentives designed to attract more foreign investment in high technology areas.

For the past six years, China has been the second largest recipient of FDI in the world, after the United States. According to Chinese statistics, actual FDI in China since 1979 reached a cumulative total of just over $267 billion by the end of 1998, with over $45 billion last year, roughly the same amount as in 1997.

There are signs, however, that the rapidly increasing FDI inflows of recent years may be slowing. The total value of newly pledged foreign investment contracts dropped in the first half of 1999; actual FDI inflows decreased as well. The number of new projects has also declined significantly although this has been partially offset by the increase in the size of new ventures. The Asian financial crisis is partly responsible for the slowdown, as investment from other Asian countries and overseas Chinese has fallen. Investment will probably not be affected by the Chinese demonstrations against the U.S. in May in the aftermath of the tragic mistaken bombing of the PRC mission in Belgrade, with most U.S. businesses viewing the demonstrations and the anti-American rhetoric as a "blip" in our larger economic relationship and citing accession to the WTO as the key to China's success in attracting investment in the future.

2. Encouraged vs. Restricted vs. Prohibited Investment

China places great emphasis on guiding new foreign investment towards "encouraged" industries. Over the past four years, China has implemented new policies introducing further incentives for investments in high-tech industries and in the central and western parts of the country in order to stimulate development in these less developed areas. However, U.S. investors in the Southwest have been troubled this past year by the failure of local authorities in a number of instances to fulfill their contractual obligations. In December 1997, China published revised lists (originally promulgated in July 1995) of sectors in which foreign investment would be encouraged (i.e. basic infrastructure and high-technology industries), restricted or prohibited. The regulations relating to the "encouraged sectors" were designed to direct FDI to areas in which China could benefit from foreign assistance and/or technology; the policies relating to the restricted and prohibited sectors were designed to protect domestic industries for political, economic or national security reasons -- particularly with regards to the service and general infrastructure industries.

Nevertheless, in order to better prepare for the increased foreign competition which would result from its eventual accession to the World Trade Organization (WTO), China has been gradually relaxing some restrictions on areas of restricted investment. Since 1992, for example, new service sectors, including retailing, foreign trade, insurance, finance and tourism, have been opened and expanded on a pilot project basis, with limits on number and location.

Furthermore, in March 1998, Premier Zhu Rongji announced plans to reform the state-owned enterprise system by restructuring and/or eliminating most of China's 270,000 SOEs within the next 3-5 years. Even though it is unlikely that China will be able to do more than cut back a bit on the actual number of SOEs, Zhu's public policy is a clear signal regarding China's intent to reform SOE's and make them responsible for debts incurred. Zhu also indicated that he would welcome foreign participation in the restructuring process, though largely in non-sensitive sectors. Despite Zhu's announcement, concerns about inflation and social instability have constrained implementation of SOE reforms.

3. Foreign Exchange and Convertibility

On December 1, 1996, China announced full convertibility of its currency on the current account and instituted new, more liberal regulations allowing foreign-invested and domestic enterprises to freely convert currencies for current account transactions (e.g., trade transactions and profit repatriation). In 1998, however, China began tightening up on the scrutiny of underlying documentation to prevent rampant fraud, creating difficulties for many foreign and domestic companies requiring access to hard currency to complete transactions (see section A.2).

In 1996, foreign bank branches in the Pudong area of Shanghai were first allowed to engage in local currency business, though this was mainly limited to providing services to foreign-invested enterprises (FIEs). In 1998, China expanded the Pudong rules for local currency business to foreign banks in Shenzhen. To date, about a dozen foreign bank branches have been authorized to engage in this limited local currency business.

4. Taxes and Tax Incentives

As of June 1999, China's trade performance was still showing a marked weakness as a result of the lingering effects of the regional economic slowdown and the declining EURO. For these reasons, the Chinese government continued the VAT rebate system in an effort to maintain the profit margins of exporters, particularly those in the SOE sector. State Taxation Administration officials plan to eventually phase out the rebates in an effort to modernize the current two-tier tax system for domestic and foreign enterprises. Discrepancies between central government, provincial and local tax regulations hamper foreign investment, particularly in remote and impoverished areas.

The complicated tax incentive system has proven difficult to implement. The Tax Administration is currently at work on a planned unification of the two enterprise income tax laws for foreign and domestic enterprises. State Taxation Administration officials do not anticipate that this revision will be completed in calendar 1999 but some important first steps have been taken. Collection efforts have been centralized and the responsibility for assessment and filing of returns will be shifted to the taxed enterprise by the end of 1999. A standardized reporting and payment procedure will be implemented nationwide to reduce overpayments and loopholes.

The State Taxation Administration is currently working on the simplification of the VAT rebate system. The goal is to standardize, as much as possible, both the VAT tax charged and rebate received. The intention is to eliminate situations where similar products produced by different industries are taxed at different rates. One formulation under consideration would result in all products with a 17 percent VAT tax rate having their rate lowered to 14 percent with a 5 percent rebate and all products taxed at 13 percent would have their rate reduced to nine percent with no rebate. There is also some consideration being given to reinstating a zero VAT and rebate system for the processing trade.

Currently, FIEs and domestic enterprises pay either VAT or business taxes, depending on the nature of their business and the type of products involved. VAT applies to enterprises engaged in importation, production, distribution or retailing activities. The general VAT rate is 17% but necessities, such as agricultural and utility items, are taxed at 13%. Certain limited categories of goods are exempt from VAT. Enterprises regarded as small businesses (annual production sales of less than RMB 1 million or annual wholesale or retail sales of less than RMB 1.8 million) are subject to VAT at the rate of 6%. Unlike other VAT payers, small businesses are not entitled to claim input tax credits for the VAT paid on their purchases. Different standards apply regarding VAT rebates. The applicable rebate method is a function of the establishment date of the enterprise.

5. Basic Laws and Regulations Covering and/or Affecting Direct Investment

Regulations and periodic updates on China's investment projects and conditions can be found on MOFTEC's website: www.moftec.com.

The 1979 "Law on Chinese-Foreign Equity Joint Ventures" is the fundamental piece of legislation dealing with foreign investment in China. Implementing regulations issued in 1983 -- which, like the joint venture law, have subsequently been amended -- detailed the form and organization of equity joint ventures, ways of contributing investment, and rules on the organization of the board of directors and management. Provisions also covered acquisition of technology, the right to use land, taxes, foreign exchange control, financial affairs, and hiring and firing of workers. Other implementing regulations providing similarly detailed rules on "wholly-foreign owned enterprises" and "contractual joint ventures" were promulgated in 1986, 1988, 1990 and 1995. Another important central government decree was the October 1986 "Provisions of the State Council Encouraging Foreign Investment" (commonly referred to as the "22 Articles"). Certain parts of this legislation dealt with tax treatment, hiring practices, and guarantees of autonomy from government interference.

In June 1995 the Chinese government issued new investment guidelines in the form of two documents, "Interim Regulations Guiding Foreign Investment" and the "Industrial Catalogue Guiding Foreign Investment." The guidelines did not break new policy ground but instead clarified existing practices by the Government and, for the first time, listed the sectors in which the Chinese Government encouraged, restricted or prohibited foreign investment. The Government's stated intention in promulgating the guidelines was to better channel foreign investment into infrastructure-building and basic industries, especially into those involving advanced technologies and high value-added export-oriented products. A revised "Industrial Catalogue Guiding Foreign Investment" was reissued in December 1997 and included a number of additions and deletions in all three categories of "encouraged" "restricted" and "prohibited" areas for foreign investment.

The Chinese government has also issued a steady stream of "administrative opinions" and "provisional measures" to address specific, and often technical, issues related to approval of foreign investments. For example, in November 1996, MOFTEC issued a document entitled "Opinion on the Examination and Approval of Foreign Investment Enterprises." The "Opinion" provided additional clarification on requirements for foreign investment in a number of specific sectors, including road transport, commercial retailing, translation services, hotels, ports, real estate and railroads. The opinion also provided guidance to supplement laws and regulations related to the establishment of certain types of FIEs, such as share companies and holding companies.

6. Contract Law

In March 1999, in an effort to standardize business practices, the NPC passed a unified contract code, covering all forms of economic and civil agreements. The Contract Law, which is more comprehensive, more detailed, and possibly easier to enforce than the current fragmented system, will govern all contracts, public and private, and will have a major impact on how Chinese and foreign companies meet their obligations in the China market.

The law's stated purpose is to protect the legal rights of all parties while allowing them to determine their own remedies for dispute resolution and breach of contract; to promote foreign investment; and to allow the people's courts to "clearly and decisively" try economic cases as stipulated by the law. While the law is viewed as a step in the right direction with regard to transparency and enforcement, chapters related to technology remain problematic. The Contract Law will enter into force on October 1, 1999.

7. Securities Law

The new Securities Law, scheduled to go into effect on July 1, 1999, codifies and strengthens previous administrative regulations governing the underwriting and trading of corporate shares, as well as the activities of China's stock exchanges (currently in Shanghai an Shenzhen). As currently written, the law does not apply to the underwriting or trading of foreign currency shares ("B" shares). These are subject to separate administrative regulations and are for sale only to foreign legal persons. June 1999 press reports suggested that "private" or non-state-owned companies would be allowed to freely list "B" shares. Few non-state-owned firms are allowed to sell "A" shares.

8. Government Procurement

Concerns over the WTO consistency of the draft tendering law led the National People’s Congress (NPC) on April 9 to make a surprise announcement that it had decided to break out key sections relating to government procurement into a separate law. Sources at the State Development and Planning Commission (SDPC) and the NPC confirmed that while the tendering law (which will now govern only state administered capital construction and infrastructure projects) is still expected to be finalized during the summer of 1999, the new government procurement law is not expected to be implemented for another three and one half years.

The Chinese government has estimated that it could save over $9.6 billion annually by requiring government purchases over a certain size to be conducted by tender. Sources say that the main reason it has decided to delay implementation is to allow more time for the key state-owned enterprise (SOE) sector to complete its ongoing reform. In many cases, SOEs have been required to make purchases through certain approved suppliers or operate on a long term contract basis. Chinese officials say that changing these arrangements would, in the short term, disrupt both the SOEs and their supporting industries.

9. Forms of Foreign Ownership

In those sectors where foreign investment has been allowed, FIEs can exist as holding companies, wholly foreign-owned enterprises, equity joint ventures, contractual (or cooperative) joint ventures or foreign-invested companies limited by shares. Under China's company law, foreign firms can now also open branches in China.

A partnership enterprises law promulgated by China in February 1997 is unclear on whether foreign persons or entities can establish partnerships under the law.

10. Investment Screening Procedures

Potential investment projects usually go through a multi-tiered screening process. The first step is approval of the project proposal. The central government has delegated varying levels of approval authority to local governments. Until a few years ago, only the Special Economic Zones (SEZs) and open cities could approve projects valued at up to $30 million. Such approval authority has now been extended to all provincial capitals and a number of other cities throughout China. Most other cities and regions are limited to approving projects valued below USD10 million. Projects exceeding these limits must be approved by MOFTEC and the SDPC. If an investment involves USD100 million or more, it must also obtain State Council approval. MOFTEC, however, is authorized to review all projects, regardless of size.

The approval process for projects over $30 million has become less of an obstacle than in the past, but government officials are still required to evaluate each project against official guidelines to determine whether it promotes exports which increase foreign currency income, introduces advanced technology, or provides technical or managerial training. Even if it meets one or more of these requirements, a project may still be rejected if the contract is considered unfair, the technology is available elsewhere in China or China already has sufficient production capacity. Sometimes the political relationship between China and the home country of the foreign investor enters into the equation in the approval process.

China is currently reviewing proposals to streamline approvals by simplifying licensing procedures and by raising the threshold requiring central government approval from USD 30 million to USD 100 million.

11. Investment Incentives

China's complex system of investment incentives has developed and expanded since the late seventies. The Special Economic Zones of Shenzhen, Shantou, Zhuhai, Xiamen and Hainan, 14 coastal cities, dozens of development zones and designated inland cities all promote investment with unique packages of tax incentives. (The Pudong area in Shanghai is particularly noteworthy as a location for Chinese experiments in liberalization, which are then extended nationwide. In recent years, Chinese authorities have also established a number of free ports and bonded zones.

Foreign investors sometimes may have to negotiate incentives and benefits directly with the relevant government authorities; some incentives and benefits may not be conferred automatically. The incentives available include significant reductions in national and local income taxes, land fees, import and export duties, and priority treatment in obtaining basic infrastructure services. The Chinese authorities have also established special preferences for projects involving high-tech and export-oriented investments. Priority sectors include transportation, communications, energy, metallurgy, construction materials, machinery, chemicals, pharmaceuticals, medical equipment, environmental protection and electronics.

China encourages reinvestment of profits. A foreign investor may obtain a refund of 40 percent of taxes paid on its share of income, if the profit is reinvested in China for at least five years. Where profits are reinvested in high-technology or export-oriented enterprises, the foreign investor may receive a full refund. Many foreign companies invested in China have adopted a strategic plan which requires reinvestment of profits for growth and expansion.

12. Export and Import Policy

China has begun to reform its highly-controlled trade regime to reflect its growing role as a major trading nation and to advance its case for membership in the World Trade Organization (WTO). Although China, for the most part, limits the right to import and export goods to certain Chinese companies, it has greatly expanded the number of companies authorized to do so. In 1996, China began allowing a very limited number of foreign companies to form foreign trade joint ventures with Chinese partners in the Pudong area of Shanghai. In 1999, China announced that it would soften the terms for establishing foreign trade joint ventures and expand the scope and number of pilot projects. Under WTO, with few exceptions, China will grant trading rights to foreign companies.

The first and largest of the duty free import/export zones is in Pudong's Waigaoqiao free trade district which can approve projects up to USD 30 million. The zone administration has established four commodity VAT markets to provide the VAT invoices necessary for sale of goods into the domestic market.

In October 1992, the U.S. and China signed a Memorandum of Understanding (MOU) which committed China:

-- to phase out non-tariff import barriers including licensing requirements, quotas, controls, and other restrictions;

-- to publicize all laws related to trade and refrain from enforcing unpublished laws;

-- to reduce tariffs on a range of goods and eliminate scientifically unsound standards and testing barriers.

In addition, China adopted the Harmonized System for customs classification and statistics, eliminated import regulatory taxes, and stated that it would not use import-substitution measures. The U.S. and China have met a number of times to discuss and cooperate on the implementation of the Market Access Agreement, which was supposed to have been fully phased in by January 1, 1998. Nonetheless, a significant number of non-tariff barriers not covered in the 1992 MOU still remain and restrictions on trading rights continue to impede access to China's market.

Examples of the barriers include:

-- The Chinese Government has banned the import of nine generic medicines. In addition, in late 1998 it implemented price caps on pharmaceuticals, claiming it was doing so to contain health care costs. The regulations may drive some multinationals and bulk pharmaceutical exporters out of the USD12 billion Chinese pharmaceutical market and push others into the red. Over the past 5 years, foreign drug companies have invested nearly USD500 million in almost 1,500 joint ventures in China. Foreign and joint-venture sales account for up to 80 percent of the market in some of China’s larger cities. Instead of fixing permitted prices, the new caps specify profit margins. Companies must open their books for inspection and will be allowed profit margins ranging from 8 percent for ordinary medicines to as much as 25 percent for new drugs that cannot be made in China. The problem is that the new margins are based on each drug’s production costs, ignoring research spending and other shared overheads, which far exceed the manufacturing outlay for new medicines. The new regulations also fix a 25 percent marketing overhead.

--For manufactured goods, China requires quality licenses before granting import approval, with testing based on standards and specifications often unknown or unavailable to foreigners and not applied equally to domestic products. In the Market Access MOU, China committed to applying the same standards and testing requirements to both foreign and domestic nonagricultural products. These standards would have to conform to WTO requirements upon China's accession to the international trading organization.

--China abolished direct subsidies for exports on January 1, 1991. Nonetheless, many of China's manufactured exports receive indirect subsidies through guaranteed provision of energy, raw materials or labor supplies. Other indirect subsidies are also available such as bank loans that need not be repaid or enjoy lengthy or preferential terms. Tax rebates are available for exporters as are duty exemptions on imported inputs for export production.

13. National Treatment

Article 6 of the May 1994 Foreign Trade Law provides for extension of national treatment, on a reciprocal basis, to contracting parties of international treaties to which China is also a party. Article 23 of this law provides for extension of market access and national treatment in services under similar conditions. In practice, however, China's restrictive foreign trade and investment regulations deny foreign companies national treatment in almost all service and most industrial sectors. Eventually, China will have to grant unconditional national treatment as part of its accession to the WTO.

14. Acquisition and Takeovers

This concept, as understood in the West, is rarely applicable to the foreign investment environment in China. A simple share buy-out could occur under existing regulations, but would be subject not only to the approval of all partners in a given venture but also to the supervising Chinese government agency. Only a few such deals have been approved and consummated. Foreigners can also purchase shares in a small minority of Chinese companies listed on Chinese stock exchanges, but foreign portfolio investment is currently restricted to less than majority ownership.

15. Government-Financed Research and Development

A significant amount of research and development funding is allocated through the "Torch" program of the State Science and Technology Commission. The "Torch" program is a Chinese Government initiative aimed at promoting commercial application of the products of science and technology research. China encourages foreign joint ventures (but not wholly foreign-owned companies) to participate in Torch programs as a way of introducing high technology.

An August 1998 report on the "Torch" program noted that fifty-three new national high technology industrial zones were created in the early part of the 1990's, bringing the total number of high-tech industrial zones to over 110. Statistics from the end of 1997 recorded 13,7000 enterprises in the various zones. The same August 1998 report indicated that enterprises in the five Science and Technology parks (Beijing, Suzhou, Hefei, Xian, and Yantai) were officially open to members of ASEAN countries to promote internationalization of China's high and new technology industry under the auspices of the "Torch" program. These same parks may be included into a broader program opening them for cooperation with APEC members, extending the cooperation beyond ASEAN and eventually offering access for U.S.-invested companies to Chinese government-sponsored non-military projects.

B. Conversion and Transfer Policies

In periods when foreign currency was relatively scarce in China, profits that were not generated in foreign exchange could only be repatriated with great difficulty. Since 1994, however, China's foreign reserves have grown rapidly (exceeding $146 billion by mid-1999), and FIEs have generally enjoyed liberal access to foreign exchange. China announced full convertibility in the current account in December 1996 and implemented new, liberal measures that allow foreign investors to freely convert currencies for trade and profit-repatriation transactions. Capital account transactions remain controlled.

In October 1997, China issued "Provisions on the Administration of Foreign Exchange Accounts in China" that established new procedures for setting up and maintaining foreign exchange accounts held by FIEs and foreign individuals. While all FIEs are entitled to open and maintain a foreign exchange account for current account transactions, the enterprise must first apply to China's State Administration of Foreign Exchange (SAFE) for permission.

SAFE grants permission for the account and establishes a limit, based on an enterprise's anticipated foreign exchange operational needs, beyond which foreign exchange must be converted to local currency. Foreign representative offices and individuals may also open such accounts. No limits are placed on the amount such accounts can hold, though reports for transactions involving more than U.S. $10,000 must be filed by the bank. In general, the restrictions on FIE accounts are less onerous than for wholly Chinese-owned firms.

The Provisions also set up procedures for establishing foreign exchange accounts for capital account transactions, which involve more complex reporting and qualification requirements. In the case of foreign exchange accounts for both current and capital account transactions, the final onus for compliance has been shifted to the financial institutions. A parallel regulation covering qualification and approval for the establishment of overseas foreign exchange accounts by foreign-invested and Chinese enterprises was also issued in October 1997.

Most joint-venture contracts still require that FIEs balance their foreign exchange (forex) receipts and expenditures, though this requirement is ignored in practice. SAFE officials stress that their policy is clear and that such contract provisions will not be enforced by SAFE if China's foreign exchange reserves begin to decline. While the new, liberal regulations on forex conversion did away with the need for each foreign exchange transaction to be approved, FIEs are still required to submit to annual reviews to determine if they comply with all Chinese laws and regulations, as well as the contract provisions. The reviews could conceivably be used to enforce the forex balancing provisions in FIE contracts.

In the summer of 1998, SAFE began to crack down hard on the practice of submitting false or "padded" documents in an effort to skirt the regulations on capital account transactions. SAFE also began to enforce rigorously the rules requiring each investment contract to receive a clean bill of health from the tax and customs authorities. The crackdown seems to have affected trade more than investment, but local attorneys report a slowdown in receiving clearances for some transactions because of nervousness and uncertainty on the part of Chinese bankers. SAFE has set up a hotline and internet web site to respond to complaints from traders and investors and has pledged to intervene with its local officers if there is a dispute.

C. Expropriation and Compensation

There have been no cases of expropriation of foreign investment since China opened to the outside in 1979. In fact, the Joint Venture Law was amended to forbid nationalization, except under "special" circumstances. Such protection had already existed for Taiwan investments and wholly-owned foreign enterprises. The "special" circumstances have not yet been defined; officials claim that they would include national security considerations and obstacles to large civil engineering projects. Chinese law calls for compensation of expropriated foreign investments, but does not define the terms of compensation.

Nevertheless, there have been investment dispute cases in which local authorities have sometimes intervened on the part of a Chinese company in a manner considered unfair and capricious by the foreign investor. For example, local courts have occasionally intervened to prevent the sale or transfer of foreign-owned property, pending resolution of a commercial dispute between a foreign company and Chinese company. In general, most cases have been resolved through negotiation between the commercial parties and/or intervention of central authorities.

A number of cases remain outstanding. A U.S. company which invested in Henan found its joint venture partner apparently shifting its profits from the joint venture to the partner's trading company and establishing a separate factory in China to produce items identical to those produced and sold under the joint venture trademark. In another case, a U.S. firm's assets in its joint venture in Hubei Province were stripped, pursuant to a local court ruling about which the U.S. company received no advance notice; the U.S. company has appealed this case to Hubei provincial as well as to national authorities for several years, thus far without satisfactory result. It seems likely that as the number of investors increases in China, such examples will also increase.

D. Dispute Settlement

Although China is a member of the International Center for the Settlement of Investment Disputes (ICSID) and has ratified the New York Convention on the Enforcement of Foreign Arbitral Awards, it places strong emphasis on resolving disputes through informal conciliation and consultation. If it is necessary to employ a formal mechanism, the authorities greatly prefer arbitration through Chinese agencies. Litigation is considered only reluctantly as a final option. Many foreign investors have found the Chinese approach time-consuming and unreliable and have noted that PRC authorities may be unwilling to restrain Chinese joint venture partners from asset-stripping as a case winds its way through arbitration or the courts.

Investment contracts often stipulate arbitration in Stockholm because the forum there is considered neutral. Most Chinese contracts stipulate arbitration by the China International Economic and Trade Arbitration Commission (CIETAC). Another forum for resolving investment and trade disputes is the Beijing Conciliation Center (BCC), an organization affiliated with the China Council for the Promotion of International Trade (CCPIT). The BCC signed an agreement with the American Arbitration Association (AAA) in 1992 whereby the BCC and AAA would work together in joint conciliation to resolve trade and investment disputes between U.S. and Chinese parties.

One problem is that even when a foreign company wins in arbitration, the People's Intermediate Court in the locality where the foreign venture is situated may choose not to enforce the decision.

1. China's Legal System

The supreme legislative authority in China rests in the NPC and its Standing Committee, which works primarily through the Legislative Affairs Committee. In accordance with the 1982 Constitution, the State Council and the People's Congresses at the provincial and municipal level each have the authority to formulate administrative regulations and local legislation that are not inconsistent with national law.

China's formal legal system consists of the People's Courts, the People's Procuratorate, and the Public Security Bureau. In cooperation with the NPC, the Supreme Court interprets new laws and then passes its guidance down to lower courts. Party and officials in other government departments sometime interfere in court decisions. China's top leaders undoubtedly play a major role in deciding sensitive political cases. China's legal system is a mixture of common law and continental legal systems, but it places relatively less emphasis on legal precedents.

The 1979 Organic Law of the People's Courts of the People's Republic of China authorized the establishment of economic courts at China's National Supreme Court and three levels of provincial courts. The economic courts are given jurisdiction over contract and commercial disputes between Chinese entities; trade, maritime, and insurance; other business disputes involving foreign parties; and various economic crimes including theft, bribery, and tax evasion. China has also established a special Intellectual Property Rights Division in the State Council and in many intermediate level courts. In 1994, the lowest level of provincial courts started to try economic cases involving foreign parties. Foreign lawyers cannot act as attorneys in Chinese courts, but may be present informally. During the past year, the U.S. has been working with China on projects relating to commercial and economic law under the umbrella of the U.S.-China Joint Committee on Commerce and Trade as a part of President Clinton's Initiative on the Rule of Law.

2. Mortgages/Secured Interests in Property

Under Chinese law, the land is owned by the "people" and cannot be privately owned. However, enterprises, including FIEs, can obtain long-term leasehold rights to use the land. Moreover, individuals and enterprises can own and dispose of buildings and other forms of property.

In October 1995, China put into effect a new "Guarantee (Security) Law" -- the first national legislation covering mortgages, liens, rules on guarantors for debt and registration of financial instruments as pledges for debt. The law defines debtor and guarantor rights and provides for mortgaging of property, including land and buildings, as well as other tangible assets such as machinery, aircraft or other types of vehicles. While some areas of the law remain unclear, such as how the transfer of property under foreclosure is effected, the law represents an important step forward. Prior to October 1995, there was no comprehensive legislation protecting the rights of mortgage holders, though there were guarantee laws in effect in some provinces and localities.

3. Bankruptcy

China's bankruptcy law, passed in December 1986, provides for creditors' meetings to discuss and adopt plans for the distribution of bankrupt property. The resolutions of creditors' meetings, which are binding on all creditors, are adopted by a majority of the attending creditors, who must account for more than half of the total amount of unsecured credit.

Nevertheless, even Chinese officials contemplating broad enterprise reforms recognize the inadequacy of China's current bankruptcy law. The 1986 civil law failed to address bankruptcy of individuals, private companies, and township and village enterprises (TVEs), including -- for private companies and TVEs -- how to handle the distribution of liquidated assets and settlements for current workers and pensioners. A 1991 civil procedure law and implementing regulations of the State Council made some progress in dealing with bankruptcies of private companies, TVEs and FIEs. A major problem for Chinese commercial banks is the formal and informal constraints on liquidating the assets of non-performing state enterprise loans.

China continues to work on additional legislation to address the inadequacies of current bankruptcy laws. Internal debates continue over the relationship among the bankruptcy law, reform of state-owned enterprises, and labor rights. As of mid-1999, the Chinese government had still not implemented a comprehensive and effective bankruptcy law, though an "experiment" with allowing some companies to declare bankruptcy continues.

E. Performance Requirements/Incentives

1. Export Requirements

Export requirements, while not formally required by Chinese law, are stipulated in many contracts between Chinese and foreign partners. Many foreign businesses report that such criteria are less onerous than before and, in any case, will be done away with under WTO. However, MOFTEC and SDPC still strongly encourage contractual clauses with such targets. Such requirements are usually negotiated between the investment contract partners and the various government bodies as part of the process of obtaining government approval for the investment. While failure to meet export targets has not resulted in withholding of rights to purchase foreign exchange, Chinese officials still examine export performance when reviewing annual certifications. These certifications are necessary for FIEs to obtain foreign exchange at China's banks.

2. Local Content

Chinese regulations grant foreign-funded enterprises freedom to source inputs both in China and abroad, though priority is given to Chinese products when conditions are equal. Chinese regulations forbid the imposition of "unreasonable" geographical, price, or quantity restrictions on the marketing of a licensed product. The foreign venture, thus, retains the right to purchase equipment, parts, and raw materials from any source.

Nonetheless, Chinese officials strongly encourage localization of production. Investment contracts often call for foreign investors to commit themselves gradually to increase the percentage of local content. Such provisions and plans for sourcing production inputs are factors which are considered by Chinese officials in the approval process for foreign investment projects. Other incentives to source inputs locally include a partial rebate of value-added taxes on the local content of exports.

Under China's current automotive industrial policy, no joint venture will be approved unless it provides for a "high percentage" of local content. The percentage for local content that is negotiated between companies and officials in the auto joint venture contracts is generally 40 or more percent, and is usually raised over time. (Note: Chinese Customs has granted preferential treatment for the import of foreign parts to domestic automobile manufacturers when their local content exceeded a certain percentage. End note.) The poor quality of many domestically-produced inputs, however, makes localization difficult for joint ventures, specially in high-tech sectors.

3. Technology Transfer

Most joint ventures involve the transfer of technology through a licensing agreement, the transfer of technology from a third party, or the transfer from the foreign partner as part of its capital contribution.

While China's investment laws and regulations do not require technology transfer, they strongly encourage it, and foreign investors are likely to encounter pressure to agree to it. A range of incentives is available to attract technology transfer. (Again, these incentives would be abolished under WTO.) See Section I, paragraph xx on Contract Law and technology transfer.

4. Employment Of Host-Country Nationals

Rules for hiring Chinese nationals depend on the type of establishment (wholly foreign-owned, joint venture, or representative office). (See section N on labor regulations.) Although wholly foreign-owned companies are not required to nominate Chinese nationals to their upper management, in practice, expatriate personnel normally occupy only a small number of managerial and technical slots. In some ventures, there are no foreign personnel at all.

The amended Chinese-foreign equity joint venture law provides that the joint venture partners will determine, by consultation, the chairman and vice chairman, leaving open the possibility for a foreign or a Chinese representative to hold either of these positions. If the foreign side assumes the chairmanship, the Chinese party must have the vice chairmanship, and vice versa.

While FIEs are free to recruit employees directly or through agencies, representative offices of foreign companies must hire all local employees under contract with approved "labor services companies." These labor services companies pay contracted local employees only a portion of the salary paid by foreign companies for their services and the employees remain technically employed by the labor services company.

5. Enforcement Procedures for Performance Requirements

Article 13 of the same joint ventures law provides that the failure of a party to fulfill the obligations prescribed by the contract is a basis for termination of the joint venture. To the extent that performance requirements such as local content and export performance are typically part of contracts establishing joint ventures, Article 13 implicitly provides the legal basis for enforcing performance requirements.

Membership in the WTO would require China to sharply restrict the use of three commonly used trade-related investment measures (TRIMS): local content requirements, contractual obligations requiring imports be balanced against exports, and foreign exchange controls.

F. Right to Private Ownership and Establishment

In China's partially-reformed economy, there are numerous restrictions placed on the establishment of business enterprises for both the Chinese and foreign investor. With regard to the Chinese investor, 1999 amendments to the Chinese Constitution elevated the status of private enterprise in China. Although not aimed at foreign entrepreneurs, these provisions may have a favorable impact on the investment climate by raising the comfort level of foreign businessmen accustomed to a private enterprise-based economy.

With regard to foreign investors, Investment Guidelines published in June 1995, and revised in December 1997, attempt to channel foreign investment into various encouraged sectors and limit or block foreign investment in certain restricted and prohibited sectors. Major sectors of the Chinese economy -- particularly in services and infrastructure -- remain largely or completely closed to foreign investment.

In part to better prepare for increased foreign competition which would result from its eventual accession to the World Trade Organization (WTO), China has been gradually relaxing some restrictions on ownership and establishment. Since 1992, for example, new service sectors, including retailing, foreign trade, insurance, finance and tourism, have been opened and expanded on an experimental basis, with limits on number and location.

-- China has currently approved 17 retail joint ventures -- in 11 cities and SEZs -- on a single-store basis and two on a chain-store basis. It has recently announced plans to expand both the number and locations of these pilot projects. Foreign investment in such joint ventures is limited to a minority stake over thirty years. In addition, investment in specialty retailing is allowed only if all the products sold in the stores are produced in Chinese factories owned by the foreign investor.

-- To date, thirteen foreign insurance companies have been approved to do limited business in Shanghai, including one American firm with licenses to operate in both Shanghai and

Guangzhou. (A total of four American firms now have licenses in China.) All of the firms are limited in the products they can offer and the customers they can solicit. Discussions to open additional cities to foreign insurers are currently underway.

-- In 1999, China announced that foreign travel agencies would be allowed to open joint-venture travel agencies in China and that it would remove geographic restrictions on foreign financial institutions (of which there are about a dozen) and law firms.

China is also encouraging, on a limited basis, foreign investment in other hitherto-closed sectors. In August 1993, China announced plans to allow foreign investment in roads and harbors. Since then, a number of foreign investors have taken on minority stakes in toll roads and port facilities such as container handling terminals. In May 1994, China announced it would allow foreign investors to take up to a 35-percent stake in Chinese airlines (with the percentage of voting shares limited to 25 percent). The first such investment occurred in late 1995, when a consortium led by an American investor purchased a 25-percent stake in Hainan Airlines. In mid-1994, foreign investment was also allowed in selected gold mines.

G. Protection of Property Rights

Chinese law provides that all land is owned by "the public," and individuals cannot own land. . However, consistent with the policies of reform and opening to the outside, individuals, including foreigners, can hold long-term leases for land use. They can also own buildings, apartments, and other structures on land, as well as own personal property.

H. Transparency of the Regulatory System

Although more than 150 major laws and regulations apply to foreign investment, China's legal and regulatory system remains characterized by a general lack of transparency and inconsistent enforcement. Investors may also face excessive bureaucratic influence in joint venture operations. Since the original legislation and regulations on foreign investment were formulated, some measures have been introduced to simplify procedures for foreign should venture into the China market investors. However, these laws and regulations are still fraught with ambiguities, and no prospective foreign investor without experienced counsel.

I. Capital Markets and Portfolio Investment

The development of China's domestic capital markets has not kept pace with the needs of the economy, but two stock exchanges have been established in Shanghai (in November 1990) and the city of Shenzhen in southern China's booming Guangdong Province (July 1991). Other regional "securities exchange centers" have had their ups and downs and were recently closed by the newly established China Securities Regulatory Commission (CSRC). After five years of debate, a Securities Law was finally passed in late 1998 (to be implemented in 1999). Despite the tougher penalties for insider trading and other forms of fraud, the CSRC's lack of experienced personnel and the need for China to adopt and enforce international accounting standards remain major problems.

Although in theory FIE's may apply for permission to raise capital directly on China's stock and bond markets, the approval process is not transparent and permission is practically impossible to obtain. (Capital costs tend to be higher in China than elsewhere, so many FIE's prefer to use offshore funding sources.) With one exception, foreign brokerages are barred from underwriting local currency shares (A shares), and all foreign-invested brokerages must restrict their trading activities to foreign currency shares (B shares) that make up a tiny fraction of the market. On a case by case basis, foreign legal persons are allowed to purchase unlisted shares in domestic firms.

1. Banking

China's capital markets are dominated by a state banking sector that generally channels funds to state-owned enterprises on the basis of public policy rather than market considerations. Other domestic firms must find different sources of financing, including direct investment, gray-market sales of stock, and borrowing from other firms or non-bank institutions. Foreign firms that need working capital, whether foreign exchange or local currency, may obtain short-term loans from China's state-owned commercial banks. However, priority lending is often given to investments which bring in advanced technology or produce goods for export. In general, foreign-invested firms, which can keep forex accounts in commercial banks, borrow funds from abroad, registering all foreign loans with the State Administration for Foreign Exchange (SAFE). Along with the

People's Bank of China, SAFE regulates the flow of foreign exchange into and out of China.

With the creation of three policy banks in 1994 -- the Import-Export Bank of China, the China Development Bank (formerly the State Development Bank of China), and the Agricultural Development Bank -- China attempted to make a clear division between policy banking and commercial banking. The government has encouraged banks to target non-SOEs. In Shanghai, for example, banks are clearly scrutinizing small and medium-size enterprises and have provided credit guarantees to small -- including private -- enterprises. Nevertheless, China's mostly state-owned commercial banks continue to carry a heavy percentage of non-performing assets (some observers say more than 30 percent of the total). The People's Bank of China (China's central bank) reorganized its regulatory structure in 1998, and announced plans to set-up asset-management companies to take over the bad loans and help the commercial banks meet international capital adequacy standards. Most observers, however, believe it will take many years for China to re-capitalize its banks along international lines.

2. Restrictions On Debt-Equity Ratios

According to regulations promulgated in March 1987, the Chinese Government restricts the debt-to-equity ratio of foreign-funded firms and sets minimum equity requirements. For investments under USD 3 million, debt cannot exceed 30 percent of the total investment. The debt/capital ratio for investments in the USD 3-10 million, USD 10 - 30 million, and over USD 30 million ranges cannot exceed 50, 60, and 70 percent respectively. Debt for investments over USD 60 million is limited to two-thirds of the total value of the investment.

J. Political Violence

Corruption, layoffs from state-run enterprises, the growing gap between coastal regions and the interior, and economic disparities between rural and urban areas have at one time or another contributed to dissatisfaction among the Chinese populace. As China continued to push forward in 1998 and 1999 with the restructuring of state-owned enterprises, unemployment and other social pressures have been on the rise. As a result, there have been a growing number of local labor actions. Declining rural incomes have contributed to a similar increase in protests by farmers in the countryside. To date, local authorities have generally dealt with these protests in a peaceful manner and have not resorted to violence. In early 1999, however, there were a number of isolated violent actions by disgruntled individuals who -- in some cases motivated by personal, not political reasons -- exploded bombs on public buses, in markets, and along railroad tracks.

In May 1999, there were also acts of violence directed against U.S. diplomatic facilities in China, and some American fast-food franchises, because of NATO's mistaken bombing of China's Belgrade embassy. This violence lasted several days after which business quickly returned to normal. In other parts of China, the northwest has been troubled by occasional unrest among minority ethnic and religious groups. China has not encountered widespread political activity since the student demonstrations of 1989, both because the government has worked to minimize tensions and because most people recognize that Beijing is able and willing to forcibly repress any sizeable anti-government protests.

K. Corruption

Despite a high-profile Government effort to combat official corruption, and the existence of harsh penalties for those convicted of corruption, the practice remains widespread in China. According to Chinese Government statistics, nationwide in 1998, three Ministerial-level officials and hundreds of other senior officials were charged with corruption. The former head of the Central Government's Anti-Corruption Bureau was himself disciplined for involvement in corruption. Banking and finance are among the sectors most afflicted by corruption, as are government procurement and construction projects. Premier Zhu Rongji has targeted corruption in the construction industry because of the safety hazards created by shoddy construction.

Offering and receiving bribes are both crimes under Chinese law, but it is unclear if giving a bribe to a foreign official in another country is a crime. Bribes cannot be deducted from taxes. Based on surveys reported in the Western media, including one done by the U.S. Embassy, and on general views expressed by foreign business people and lawyers in China, it is clear that U.S. firms consider corruption in China a hindrance to FDI.

Those convicted of corruption can be sentenced to lengthy prison terms or, in particularly serious cases, death. The Government can also impose administrative penalties against those who participate in corruption. These penalties range from official warnings to dismissal from the civil service. Three different

Government bodies and one Communist Party organ are responsible for combating corruption in China: the Supreme People's Procuratorate, the Ministry of Supervision, the Ministry of Public Security, and the Communist Party Committee for Discipline Inspection. The Procuratorate and the Ministry of Public Security are responsible for investigating criminal violations of China's anti-corruption laws, while the Ministry of Supervision and the Party Discipline Inspection Committee enforce Government ethics and Party discipline.

The U.S. Department of State has been working with China's Ministry of Supervision on an exchange to address issues of corruption and good government practices. The State Department's Inspector General visited China in mid-1997. In June 1998, a delegation from the Ministry of Supervision reciprocated the Inspector General's trip by visiting Washington for discussions with the State Department's Office of the Inspector General and other U.S.

Government agencies responsible for fighting corruption. The two sides are considering steps for bilateral cooperation in this area, including additional exchanges.

L. Bilateral Investment Agreements

The U.S. does not have a bilateral investment treaty with China due to disagreement on a number of issues, such as national treatment, third party arbitration, and compensation for expropriation. At present, such subjects should be addressed in investment contracts.

China has entered into bilateral investment agreements with more than 50 countries, including Japan, Germany, the United Kingdom, France, Italy, Thailand, Romania, Sweden, the Belgium-Luxembourg Economic Union, Finland, Norway, Spain, Canada, and Austria. The provisions of these agreements cover such issues as expropriation, arbitration, most-favored-nation treatment, and transfer or repatriation of proceeds. In general, these investment agreements only address the treatment of investments after establishment and do not grant national treatment for establishment.

M. OPIC and other Investment Insurance Programs

In the past, OPIC had a very active program in

China. OPIC's program in China has been suspended since the Tiananmen incident in June 1989, first by Executive Action, and then by the legislative sanctions that took effect in February, 1990. OPIC continues to honor outstanding political risk insurance contracts. At the end of 1990, 31 U.S. investments with approximately 300 million dollars had OPIC political risk insurance. OPIC programs will remain suspended in China subject to U.S. foreign policy concerns, the terms of the sanctions legislation enacted, and improvements in worker rights conditions.

Although OPIC may remain unavailable for the foreseeable future, the Multilateral Investment Guarantee Agency (MIGA), an organization affiliated with the World Bank, can be a source of political risk insurance for investors interested in investing in China. Some commercial insurance companies also offer political risk insurance, as does the People's Insurance Company of China (PICC).

N. Labor

1. Labor Availability

FIEs can take over a joint venture partner's work force, hire through a local labor bureau or job fair, advertise in newspapers, or rely on word of mouth. As described in the above section on performance requirements, however, representative offices, for the most part, must hire their local employees through a labor services agency. Skilled managers are often in short supply, although many companies have found an abundance of recent university graduates who are talented and highly motivated; they can command salaries almost on a par with expatriates, which does not make localization any less expensive for many companies. Shortages can be especially acute in south China, which has far fewer institutions for higher education than exist in the north. While engineers and technicians can sometimes be difficult to find, finding -- and keeping -- managers and those with marketing skills is especially difficult. Foreign ventures often find workers move rapidly from job to job within the foreign-invested and growing private sectors.

2. Compensation

Workers are paid a salary, hourly wages, or piece-work wages. The provision of subsidized services, such as housing and medical care, is common, and compensation beyond the basic wage constitutes a large portion of a venture's labor expenses. With recent moves by China to reform the housing system and promote home purchases through a mortgage system, however, employer-provided housing is decreasing. Investors should check whether they will have to provide housing and other incentives in the locality in which they establish.

Local governments also tax enterprises and workers to support social security and unemployment insurance funds. Tax rates for social security may run as high as twenty percent of an enterprise's total wage bill. Individuals must also contribute four percent of their salary. In general, foreign ventures are free to pay whatever wage rates they want above a locally designated minimum wage. Chinese income-tax laws often make it desirable to provide greater subsidies and services rather than higher wage rates. Such decisions are often taken after observing local practice. China's national labor law specifies rates for payment of overtime compensation under various circumstances.

3. Termination of Employment

The ability to terminate workers varies widely based on location, type, and size of enterprise. Terminating individual workers for cause is legally possible but may require prior notification/consultation with the local union. In general, it is easier to fire in south China than in the north China, and in smaller enterprises than in larger ones. Large-scale layoffs, especially in north China, can arouse opposition from the local government and from the workers themselves. Where workers are hired by short-term contracts or agreements, it is generally relatively easy to let them go at the end of the contract period.

4. Worker Rights

The Joint Venture Law and China's 1994 Labor Law, effective January 1995, require joint ventures to allow union recruitment, but do not require a joint venture actually to set up the union (as management does in state enterprises). China's labor law provides for the establishment of collective labor contracts to specify wage levels, working hours, working conditions, and insurance and welfare. In recent years, most coastal provinces have passed stricter regulations that require unions in all FIEs. Beginning in 1996, the All-China Federation of Trade

Unions (ACFTU) launched a drive to conduct collective negotiations in at least 90 percent of FIE's, and official Chinese newspapers have claimed that this target has been reached. However, anecdotal evidence suggests that this claim is far from accurate. Foreign ventures should be aware that according to Chinese law it is illegal to oppose efforts to establish officially-sanctioned unions. Most collective negotiations, however, appear to be pro-forma in nature. Although China is a signatory to a number of ILO conventions, it has signed no key ILO conventions on freedom of association or forced labor.

O. Foreign-Trade Zones/Free Ports

China's principal duty-free import/export zones are located in Dalian, Tianjin, Shanghai, Guangzhou, and Hainan. In addition to these officially-designated zones, many other free trade zones offering similar privileges exist and are incorporated into SEZs and open cities throughout China. However, restrictions and charges often apply and can affect venture operations and business in the latter zones.

To make progress toward a consistent national trade regime as part of its WTO accession, China has indicated that it will not introduce any new investment incentives for its SEZs and will decrease existing incentives over time. China's Customs Administration claims success in controlling the duty-free importation of production inputs into the Zones, but the lack of physical barriers makes it difficult to control the flow of non-duty items out of the Zones.

Considerable attention was placed on the status of the SEZs in the run up to and aftermath of the March 1995 session of the NPC with zone officials from Shenzhen attempting to enhance their zone's autonomy, and delegates from primarily inland parts of China requesting that SEZ privileges be reduced further. During and after the NPC meeting, the central government leadership made a series of statements emphasizing that there would be no changes in China's basic policies towards SEZ's. Similar statements appeared periodically in Chinese official publications throughout 1996 and 1997.

P. Foreign Direct Investment in China's Economy an Major Investors

FIEs in China are acknowledged as the most efficient part of the Chinese economy and play a particularly significant role in China's trade, accounting for 55 percent of China's imports and 44 percent of exports in 1998. Among the 324,620 FIEs approved, a total of 250,000 are operational, employing 18 million people -- the equivalent of approximately 11 percent of China's non-agricultural population. FIEs approved in 1998 are expected to generate an additional 1 to 1.5 million jobs over the next 2 years. In 1998, China's foreign-related tax revenues increased 26 percent to USD 14.9 billion, accounting for 14 percent of the nation's tax revenues from industry and commerce (Note: Tax revenue from wholly foreign-owned enterprises accounts for more than 95 percent of foreign-related tax revenue.) The industrial output of FIEs reached USD 188 billion, accounting for 27 percent of China's total industrial output.

Foreign investment stock in China is difficult to estimate given a lack of available sophisticated data. Every year China publishes direct investment inflow statistics that, added together from the earliest significant investments in 1979, total $267 billion. However, this figure does not take depreciation, disinvestment or current value into account. An FDI stock figure published by China's State Statistical Bureau (SSB) for 1996 is probably more reliable and can be used as a base to calculate historical stock. By adding realized FDI figures for 1997 and 1998 to this base, total realized FDI stock in China stood at USD 154 billion. This is equivalent to 16 percent of China's 1998 GDP of $962 billion. Total realized FDI in 1998 totaled $45.463 billion, or approximately 5 percent of China's 1998 GDP.

Major U.S. Investors In China

A large number of U.S. companies have established and are expanding direct foreign investments in China. Major foreign investors in China include General Motors, Cargill, Motorola, Coca Cola, ARCO, Ford, Amoco, United Technologies, Hewlett-Packard, and General Electric.

Q. U.S. Embassy Survey Of American Investors

In December 1998, the U.S. Embassy in Beijing, with the assistance of the Gallup Organization, undertook a survey of

American investors in China. The Embassy received a total of 286 valid questionnaires, representing a margin of error of 4.8 percent. The major findings are highlighted below:

-- The lure of the China market -- with its 1.2 billion potential customs, increasingly sophisticated middle class, growing industrial base and explosion of retail stores -- stands out as the primary reason why U.S. companies invest in China, according to a new U.S. Embassy mail survey conducted with the assistance of the Gallup Organization.

-- Only ten percent of American investors indicated that they were using China primarily as an export platform base.

-- Most U.S. companies import more than they export; they have not been contributing to America's trade deficit with China

-- Fifty-two percent of respondents reported that they had achieved a positive return on their initial investment; fifty-seven percent report that they are currently earning a profit.

-- Fifty-seven percent of reporting firms have reinvested in the current venture; a smaller portion have reinvested in other ventures that support the original venture or in new ventures not associated with the original venture.

-- Nearly half of 108 firms that currently are not profitable have reinvested in the current venture in anticipation of a future profit.

-- U.S. business is, on the whole, frustrated with many aspects of the business environment in China. The biggest problems: transparency of laws and regulations (62 percent of those reporting), cost of doing business (59 percent), customs procedures/export procedures (58 percent) and foreign exchange regulations/exchange rate risk (54 percent).

-- Companies rated almost equally the impact of U.S. trade sanctions, U.S.-China relations, the economic slowdown in Asia, the U.S. annual Most Favored Nation debate and China’s accession to the World Trade Organization on their operations in the PRC (over 50 percent characterized the impact as “major” or “moderate”). Nineteen percent said the Asian crisis had a significant impact on them, with 52 percent saying the impact was minimal.

-- Thirty-seven percent of respondents rated the China market as good or very good, 44 percent rated it average and 19 percent called it bad or very bad

-- Half of the respondents are cautiously optimistic about their investment prospects over the next 12 months, and they plan to expand their operations in China slowly over the next five years.

-- Fifty-five percent of respondents said that they would definitely invest in China if they had to make this decision over again; 31 percent indicated that they probably would make the same decision.

VIII. Trade and Project Financing

A. Banking System

China's banking system is changing rapidly under the impetus of economic reforms. At the top of the system is China's central bank, the People's Bank of China (PBOC), which sets monetary and, together with the State Administration of Foreign Exchange (SAFE), foreign-exchange policies. According to the 1995 Central Bank law, the State Council maintains oversight of PBOC policies.

Below the central bank are the state-owned commercial banks: Bank of China, People's Construction Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, and Bank of Communications.

In the midst of the reforms of the 1980s, the government established some new investment banks that engage in various forms of merchant and investment banking activities. Many of the 240 or so international trust and investment companies established by government agencies and provincial authorities, however, experienced severe liquidity problems after the bankruptcy of the Guangdong International Trust and Investment Corporation (GITIC) in late 1998. The largest surviving ITIC is China International Trust and Investment Corporation (CITIC), which has a banking subsidiary known as CITIC Industrial Bank.

Three new government "policy" banks have been established since 1994. These banks will take much of the financial responsibility for financing economic and trade development and state-invested projects included in the government's five-year economic plans.

They are the China Development Bank (formerly the State Development Bank of China) and Agricultural Development Bank Export-Import Bank of China.

B. Foreign-Exchange Controls

The PBOC and the SAFE regulate the flow of foreign exchange in and out of the country, and set exchange rates through a "managed float" system. To better control this flow, almost all Chinese enterprises and agencies are required to turn over all foreign- exchange earnings to the banking system, in exchange for renminbi (large exporters were allowed to retain up to 15% of their earnings beginning in late 1997). When foreign exchange is required for import and other authorized transactions, they then apply to designated banks that are members of the interbank foreign-exchange market to purchase the funds.

Foreign-invested enterprises (FIEs) are permitted to keep foreign exchange in forex accounts at commercial banks. The Chinese government has eliminated the foreign-exchange swap centers on which FIEs used to trade among themselves, and FIEs have been integrated into the formal banking system.

Since 1995 China has required that FIEs submit an annual report on their foreign-currency transactions, known as the Foreign-Exchange Examination Report. This report must be prepared by a certified public accountant registered in China and approved by SAFE and is necessary to qualify for foreign-exchange privileges. The purpose of the report is to ensure that FIEs' foreign-exchange earnings from exports are sufficient to meet their own requirements as well as any obligation to repatriate profits. Once the report is approved, firms are provided a stamped Foreign Exchange Registration Certificate, which will enable them to obtain foreign exchange. China's goal of achieving a fully convertible currency by the year 2000 has been pushed back because of the Asian financial crisis.

On July 1, 1996, China began to allow all FIEs in China to buy and sell foreign currency and exchange the renminbi in authorized banks for trade and services, debt payment and profit repatriation. The PBOC has lifted limits on exchanging and remitting currency for non-trade purposes and raised the ceilings for the amount of foreign exchange for private use. In mid-1998, however, SAFE cracked down on the pervasive practice of exploiting loopholes and lax enforcement procedures to get around the controls on capital transactions. Since then, traders have complained of delays as their underlying documentation is screened more closely by SAFE and other regulatory authorities, including the tax administration. SAFE has been responsive to appeals that it streamline its system.

Foreign banks, their branches and Sino-foreign joint ventures are allowed to act as authorized banks, buying or selling foreign exchange from, or to, foreign-funded ventures. But foreign-funded banks are not allowed to accept renminbi deposits or make renminbi loans except in the experimental zones of Shanghai's Pudong district and Shenzhen. Elsewhere, foreign branches are prohibited from accepting RMB deposits (liabilities) but can maintain RMB accounts to provide foreign-exchange conversion for their customers. China has pledged to expand the scope of renminbi business gradually and to eliminate geographical restrictions.

C. General Financing Availability

The sources of financing available for U.S. exporters and investors are:

The World Bank: The World Bank, based in Washington, D.C., maintains a large loan program in China. The world Bank's purpose is to help borrowers reduce poverty and improve living standards through sustainable growth and investment. China represents the World Bank's second largest commitment worldwide. The Bank's program policies in China continue to shift away from key infrastructure projects in transportation and energy toward environmental and agriculture support. The World Bank publishes bidding opportunities in the United Nations publication "Development Business." This is available by subscription from United Nations, P.O. Box 5850, Grand Central Station New York, New York 10163-5850.

The World Bank conducts procurement by the rules of international competitive bidding through Chinese tendering organizations; nonetheless, successful bidding requires close coordination with the Chinese government entity responsible for developing a project at the consulting stage, when specifications are being established.

The International Finance Corporation (IFC): 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. IFC's core business is "project finance" and it currently has over US$ 1.2 billion invested in "project finance" undertakings in China. These are projects with anticipated cash flows that can cover debt-service repayment to lenders and payment of dividends to shareholders. They are without government guarantees. IFC can be contacted through its Washington, D.C. Headquarters at (202) 473-0631 or at its Beijing office (Fax: (86-10) 6501-5176).

The Asian Development Bank (ADB): China continues to be one of ADB's largest borrowers. Loans are largely for infrastructure and environmental projects. 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 Overseas Economic Cooperation Fund (OECF) of Japan: The OECF is a Japanese government organization which extends long-term, below-market interest rate loans to China. In the 1997-1999 period some US$1.4 billion will be available for 130 projects under the Fourth Yen Loan. These projects are described in the "OECF Quarterly Report Supplement" available from the Public Relations Division of the OECF in Tokyo at (81) 3 3215-1307.

Many U.S. companies have been successful in obtaining contracts under these loans either on their own or by working in conjunction with large Japanese trading firms. Potential bidders must begin working with Chinese ministries and end-users at the consultant (pre-feasibility study) stage when specifications are being developed for the project. This is usually a year or two before the tender is formally published. OECF projects tend to be in infrastructure, environmental and agricultural sectors.

The Japanese Export Import Bank also offers untied credits which are medium- or long-term loans at market interest rates. Approximately 30% of JEXIM's credits are untied and these are also subject to international competitive bidding.

Bilateral government loans: The Chinese actively seek low-interest, long term loans, particularly from European countries. These soft loans are designed to support their country's exporters and are usually offered under annual government-to-government protocols not tied to particular projects. U.S. firms, otherwise competitive on price and quality, sometimes lose contracts because they can not compete with such loans.

The U.S. Export Import Bank (Eximbank) has established a procedure whereby it can consider matching competitors' soft loan terms, once there is proof of such an offer. Eximbank will not initiate a soft-loan offer. A U.S. firm should consult with a Commercial Service officer if it believes it is competing against a soft loan.

Export credits: Chinese end-users have become more interested in using foreign export credits to finance imports. Eximbank offers a full range of loans, guarantees, and insurance for firms exporting products with at least 51% U.S. content. Eximbank works with the Bank of China and the State Development Bank, and will work with other banks, including China Construction Bank, Industrial and Commercial Bank of China and Bank of Communication, assuming full faith and credit guarantees are available from the Chinese government. The rates and terms of such financing are governed by the OECD arrangements on export credits. Lending rates are set by the OECD and are called Commercial Interest Reference Rates (CIRRs).

D. Terms of Payment

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

Letters of credit: Although the Bank of China dominates China's trade-finance business, several banks, other major Chinese banks have the authority to issue letters of credit for Chinese imports. These include the China Construction Bank, industrial and Commercial Bank of China, Agricultural Bank of China and CITIC Industrial Bank. Foreign banks with branch or representative offices in China (see Appendix D) can also issue letters of credit.

There are a few peculiarities about letters of credit issued by Chinese banks. First, local Chinese courts have issued injunctions, from time to time, barring Chinese banks from clearing letters of credit whose underlying documentation has been challenged. The central government has issued guidance against this practice, which should gradually disappear. Second, China is not a member of the International Chamber of Commerce and, therefore, is not subject to the Unified Customs and Practices (UCP) 400 code regarding international trade payments. Thus, in Chinese practice, terms and conditions are generally negotiable and set on a transaction-by-transaction basis in the form of a "silent" confirmation. Banks can generally be found to take this modest risk.

Documents against payment: 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 rather thin coverage against default. It can be considerably less expensive than a letter of credit, but should be used with caution.

Other methods:

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

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

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

E. Insurance

Insurance: The China operations of the Overseas Private Investment Corporation (OPIC) have been under suspension since the Tiananmen incident of 1989 (see section VII M. above). The U.S. Ex-Im Bank has programs which provide guarantees and credit risk insurance to exporters. Contact Ex-Im at (800) 565-EXIM. Some private companies, such as American International Group, also offer export credit insurance policies for China.

F. Project Financing

Chinese officials have for years been experimenting with various limited-recourse project financing schemes. Long awaited Build-Operate-Transfer (BOT) laws have been delayed, however, and the overall private finance climate has cooled off during the past year. The U.S. Ex-Im Bank is seeking to implement a limited-recourse project-financing program 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 which require imports from the U.S. Project financing is also available from the various multilateral financial institutions as described in Section C above.

IX. Business Travel

Visa: For U.S. citizens to travel to China, a Chinese visa needs to be obtained before embarking on the trip. A few different types of visas are issued to visitors, including the tourist visa (Type L) that allows the bearer one- to two entries to stay up to one month each time. Consult the Chinese Embassy or Consulate General on obtaining the right type of visa or apply through a travel.

Those who wish to work and stay in China for extended periods of time need to apply for employment visa (Type Z), which allows multiple entries into China and is valid for up to one year. The application process is long and bothersome and requirements many, including a complete physical check-up. Upon expiration, the Type Z visa can be renewed with reasonable amount of effort & paperwork.

Trade Shows & Exhibitions: Participants can come into China on tourist visas and travel in-country. Notebook computers, cameras, portable printers, VCRs can be brought into China as personal belongings.

Business firms seeking to bring in exhibits and items for display should consult with Customs authorities for regulation on the procedures and to obtain copies of appropriate forms.

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 three months. The exhibition organizer must obtain advance approval from the 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 500 square meters, without first seeking approval from MOFTEC. 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 the Customs. In the case of deposit

Passenger Baggage: Reasonable quantities of items for personal use by short-term visitors may be imported duty-free. Other items such as cameras, televisions, stereo equipment, computers, and tape recorders must be declared and may be assessed a duty depending upon the item's value.

Advertising Materials and Trade Samples: Samples and advertising materials are exempt from customs duty and VAT if the item's value does not exceed RMB 200. Samples and advertising materials concerning certain electronic products, however, are subject to customs duty and VAT regardless of value.

Representative Offices: Resident 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.

Overseas Assignment to China: expatriate managers who are assigned to work in China need to apply for employment visas (see above). On their first trip into China on the Z visa, they are entitled to bring duty-free reasonable and personal- and household- use items including the otherwise dutiable items such as VCR, PC, video cameras, etc.

APPENDIX A

COUNTRY DATA

Population

	1997	1998	1999	2000
Population (in millions)	1,236	1,249	1,263	1,276
Population Growth Rat	1.1%	1.1%	1.1%	1.1%

Note: Actual growth rate for 1996 is assumed for 1997, 1998, and 1999 and is used to produce population estimates for those years.

Religion: Officially atheist, but traditionally pragmatic and eclectic; most important religions are Taoism, and Buddhism, followed by Islam and Christianity.

Languages: Standard Chinese is generally spoken by educated people throughout China, but there are dozens of major local dialects such as Cantonese, Shanghainese, Minbei, Minnan, Xiang, Gan, and Hakka.

Work week: Official work week is 40 hours per week.

DOMESTIC ECONOMY

	1997	1998	Proj'd	
	(actual)		1999	2000
GDP (RMB trillions) /1	7.477	7.955	8.432	9.275
GDP Growth (percent)/2	8.3	7.8	7.0	7.0
GDP Per Capita (US$)	733	769	824	878
Government Spending as % of GDP	13	14	15	16
Retail Price Inflation (percent)	2.8	-0.8	0.0	3.0
Unemployment (percent) /3	3.0	3.1	3.2	3.3
Total For. Ex. Reserves (US$bn)	140	142	147	145
Average Exchange Rate (RMB/US$)	8.25	8.28	8.28	8.28
Foreign Debt (US$ billions)	131.0	146	145	143
Debt Service Ratio	8.7	7.9	8.5	8.5

Notes:
1/ 1997 and 1998 are actuals; 1999 and 2000 are Embassy estimates.
2/ At current prices.
3/ At constant prices.

4/ Official Chinese estimate of urban unemployment. Unofficial estimates range from 8-15%.

APPENDIX B

TRADE DATA

(US$ Billions)

Category	1998 (actual)	Proj'd 1999	Proj'd 2000
Total PRC exports /1	183.7	174.5	192.0
Total PRC imports /1	140.4	146.9	153.8
U.S. exports to PRC /2	14.3	12.2	14.0
U.S. imports from PRC /2	71.2	79.0	87.7
Total US agric exp to PRC	1.7	N/A	N/A
Total US agric imp from PRC	1.1	N/A	N/A

1/ PRC Customs General Administration for 1998, U.S. Embassy estimate for 1999 and 2000.
2/ U.S. Department of Commerce for 1998, U.S. Embassy estimate for 1999 and 2000.
3/ From Trade & Marketing Analysis Branch/TEAD/IPT/FAS/USDA for 1998.

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APPENDIX C

INVESTMENT STATISTICS

The data provided below have been obtained from MOFTEC and the SSB. The statistics are simple data collected at the point of MOFTEC approval of a foreign investment contract (data on number and value of foreign investment contracts) or based on required reporting by FIEs of committed capital (actual investment utilized). Cumulative values for both contracted and actual foreign investment are simple totals of the data collected each year. As such, they do not reflect historical stock, do not take into account divestment, nor are they adjusted for inflation. More sophisticated data on foreign investment is not currently available in China.

It should be noted that China's FDI data include investment from Hong Kong, a special administrative region of China, as well as Taiwan and Macao. In addition, a significant amount of FDI from Hong Kong and Macao, is actually investment by mainland Chinese companies via subsidiaries in Hong Kong or Macao. The mainland Chinese companies seek to capitalize on Chinese Government incentives, such as tax breaks, which are available to foreign investors but not domestic investors. Estimates on how much of the FDI attributed to Hong Kong investors, and therefore, included in overall FDI totals, which is actually mainland Chinese company funds, range from 10-30 percent of the total Hong Kong FDI in China.

Table 1 -- Contractual and Utilized Foreign Direct Investment in China from All Sources (1979-1998) (In USD Millions)

	Number of New Contracts	Contractual FDI	Utilized FDI
1979-82	920	4,958	1,769
1983	638	1,917	916
1984	2,166	2,875	1,419
1985	3,073	6,333	1,956
1986	1,498	3,330	2,244
1987	2,233	3,709	2,314
1988	5,945	5,297	3,194
1989	5,779	5,600	3,393
1990	7,273	6,596	3,487
1991	12,978	11,977	4,366

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1992	48,764	58,124	11,008
1993	83,437	111,436	27,515
1994	47,549	82,680	33,767
1995	37,011	91,282	37,521
1996	24,556	73,276	41,726
1997	21,001	51,003	45,257
1998	19,799	52,102	45,463
Total	324,620	572,495	267,315

Table 2 -- U.S. Contractual and Utilized Foreign Direct Investment in China (1979-1998)(In USD Millions)

Year	Number of New Projects	Contractual FDI	Utilized FDI
1979-82	21	281	13
1983	25	470	5
1984	62	165	256
1985	100	1,152	357
1986	102	541	326
1987	104	342	263
1988	269	370	236
1989	276	641	284
1990	357	358	456
1991	694	548	323
1992	3,265	3,121	511
1993	6,750	6,813	2,063
1994	4,223	6,010	2,491
1995	3,474	7,471	3,083
1996	2,517	6,915	3,443
1997	2,188	4,937	3,239
1998	2,238	6,484	3,898
Total	26,665	46,619	21,247

Table 3 -- China's Contractual and Utilized Foreign Direct Investmest by Country (1998) (in USD Millions)

	Number of New Contracts	Contractual FDI	Utilized FDI
Hong Kong	7,805	17,613	18,508
Virgin Is.	622	6,136	4,031

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U.S.	2,238	6,484	3,898
Singapore	566	3,002	3,404
Japan	1,198	2,274	3,400
Taiwan	2,970	2,982	2,915
Korea (ROK)	1,309	1,641	1,803
U.K.	220	1,682	1,175
Germany	208	2,375	737
Thailand	97	563	719
France	201	489	715
Macao	264	307	422
Malaysia	144	326	340
Cayman Is.	41	793	324
Canada	416	947	316
Others	1500	4,015	2,754
Total	19,799	52,102	45,463

Countries and regions with the highest cumulative utilized FDI in China as of December 19998 were, in declining order, Hong Kong, Japan, U.S., Taiwan, Singapore, Republic of Korea, Virgin Islands, U.K., Germany and Macao.

Countries and regions with the greatest utilized FDI in China for 1998 were, in declining order, Hong Kong, Virgin Islands, U.S., Singapore, Japan, Taiwan, Republic of Korea, U.K., Germany and the Netherlands.

Note: Many foreign firms, including from the U.S., are registered in the Virgin Islands and the Cayman Islands for tax considerations.

Table 4 -- China's Contractual and Utilized Foreign Direct Investment by Sector (1998)(In USD Millions)

	Number of New Contracts	Contractual FDI	Utilized FDI
Agriculture, Forestry, Animal Husbandry, and Fisheries	876	1,204	624
Mining	168	852	578
Manufacturing	13,477	30,827	25,582
Utilities	142	1,968	3,103
Construction	318	1,750	2,064
Transport, Warehousing,			

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Postal and Telecomm. Svcs.	274	2,301	1,645
Wholesale and Retail Trade and Food Services	1,184	1,314	1,181
Real Estate	834	6,647	6,410
Social Services	1,634	3,012	2,963
Health Care, Sports and Social Welfare	40	142	97
Education, Culture, Arts, Radio, Film and Television Industry	14	22	68
Scientific Research and Comp. Technical Services	169	156	39
Others	669	1,906	1,108
Total	19,799	52,102	45,463

APPENDIX D

U.S. AND CHINESE CONTACTS

1. Chinese Government Organs Contact List

A. State Council

General Office of the State Council:
2 Fuyou St., Beijing 100017
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26 Xuanwumen Xidajie, Beijing 100053, China
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Director: Jiang Ying
Tel: (86-10) 6209-3289/6209-3276
Fax: (86-10) 6201-9615
Contact: Qiao Dexi, Director General of International Cooperation

State Press and Publication Administration
85 Dongsi Nandajie, Beijing 100703, China
Director: Yu Youxian
Tel: (86-10) 6512-4433 ext.2708 or 2709/6527-6930
Fax: (86-10) 6512-7875
Contact: Deng Yuha, Director of Foreign Affairs

State Sport General Administration
9 Tiyuguanlu, Chongwen District, Beijing 100763, China
Minister: Wu Shaozu
Tel: (86-10) 6711-2233 Ext. 2324
Fax: (86-10) 6711-5858
Contact: Tu Mingde, Deputy Director of Foreign Affairs Office

State Statistical Bureau
75 Yuetannanjie, Sanlihe, Beijing 100826, China
Director: Liu Hong
Tel: (86-10) 6857-3311
Fax: (86-10) 6857-6354

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Contact: Du Weiqun, Director of Foreign Affairs Office

E. Offices

Foreign Affairs Office
Zhongnanhai, Beijing 100017, China
Director: Liu Huaqiu
Tel: (86-10) 6309-8375
Fax: (86-10) 6309-8375
Contact: Li Dongdu, Deputy Director

Hong Kong and Macao Affairs Office
77 Yuetannanjie, Beijing 100037, China
Director: Liao Hui
Tel: (86-10) 6857-6808
Fax: (86-10) 6857-6639
Contact: Zhang Xiaoming, Director of Foreign Affairs

Information Office
22 Anyuanbeili, Chaoyang, Beijing 100029, China
Director: Zhao Qizheng
Tel: (86-10) 6491-2924/6491-2971
Fax: (86-10) 6491-2919
Contact:

Legislative Affairs Office
9 Wenjinjie, Beijing 100017, China
Director: Yang Jingyu
Tel: (86-10) 6309-4168
Fax: (86-10) 6309-7699
Contact: Yuan Liang, Director of Foreign Affairs

Office of Overseas Chinese Affairs
35 Fuwaidajie, Beijing 100037, China
Director: Guo Dongpo
Tel: (86-10) 6832-9955
Fax: (86-10) 6401-4639
Contact: Xiong Changliang, Director of Division of American Affairs

Research Office
Zhongnanhai, Beijing 100017, China
Director: Gui Shiyong
Tel: (86-10) 6309-7785
Contact:

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State Economic Restructuring Office
22 Xi'anmen Dajie, Beijing 100017, China
Director: Liu Zhongli
Tel: (86-10) 6309-6437/6309-7749
Fax: (86-10) 6601-4562
Contact: Wang Dongjiang, Director of Foreign Affairs Department

Taiwan Affairs Office
270a Fuwaidajie, Beijing 100037, China
Director: Chen Yunlin
Tel: (86-10) 6832-8320
Fax: (86-10) 6832-8321
Contact:

F. Institutions

China Meteorological Bureau
46 Baishiqiaolu, Haidian District, Beijing 100081, China
Director: Wen Kegang
Tel: (86-10) 6840-6462
Fax: (86-10) 6217-4797
Contact: Wang Cai Fang, Director of International Affairs

Chinese Securities Regulatory Commission
16 Jinrongdajie, Xicheng District, Beijing 100032, China
Director: Zhou Zhengqing
Tel: (86-10) 6621-1188/6621-0166

Chinese Academy of Engineering
3 Fuxinglu, Haidian District, Beijing 100038, China
President:
Tel: (86-10) 6851-9685
Fax: (86-10) 6851-9694
Contact: Qian Zuosheng, International Cooperation Division

Chinese Academy of Sciences
52 Sanlihe, Xicheng District, Beijing 100864, China
President: Lu Yongxiang
Tel: (86-10) 6859-7289
Fax: (86-10) 6851-2459

Chinese Academy of Social Sciences
5 Jianneidajie, Beijing 100732, China
President: Li Tieying
Tel: (86-10) 6513-7915
Fax: (86-10) 6513-8154

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Contact: Mr. Zhang Youyun

Development Research Center
22 Xi'anmendajie, Beijing 100017, China
Director: Wang Mengkui
Tel: (86-10) 6309-9568/6309-9162/6601-3381/6601-8009
Fax: (86-10) 6601-3530

National School of Administration
11 Changwajie, Haidian District, Beijing 100081, China
President: Wang Zhongyu
Tel: (86-10) 6892-9337
Fax: (86-10) 6842-7895
Contact: Lu Lingxiang

State Seismological Bureau
63 Fuxing Lu, Haidian District, Beijing 100036, China
Director: Chen Zhangli
Tel: (86-10) 6821-5977
Fax: (86-10) 6821-0995
Ca: 222351 Ssb Cn
Contact: Zhu Zhilong

Xinhua News Agency
57 Xuanwumen Xidajie, Beijing 100803, China
Director: Guo Chaoren
Tel: (86-10) 6307-3767
Fax: (86-10) 6307-3735

G. Bureaus Supervised by Commissions and Ministries

State Administration for Inspection of Import and Export Commodities
Jia 10 Chaowai Dajie, Beijing 100020, China
Director: Tian Runzhi
Tel: (86-10) 6599-4600
Fax: (86-10) 6599-4305
Contact: Qiu Yiliang, Director of Supervision & Control Division

State Administration of Foreign Exchange
18 Fuchenglu, Beijing 100037, China
Director: Li Fuxiang
Tel: (86-10) 6840-2147
Fax: (86-10) 6840-2147
Contact: Mr. Deng Jian

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State Administration of Traditional Chinese Medicine
Building 13, Bajiazhuang Dongli, Chaoyang District, Beijing 100026, China
Director: Zhu Qingsheng
Tel: (86-10) 6506-3322
Fax: (86-10) 6595-0776

State Bureau of Cultural Relics
29 Wusidajie, Shatan, Dongcheng District, Beijing 100009, China
Director: Zhang Wenbin
Tel: (86-10) 6401-5577
Fax: (86-10) 6401-3101
Contact: Wang Limei

State Bureau of Foreign Experts Affairs
Friendship Hotel, Haidian District, Beijing 100086, China
Director: Wan Xueyan
Tel: (86-10) 6842-5528
Fax: (86-10) 6846-8001

State Bureau of Surveying & Mapping
9 Sanlihelu, Baiwanzhuang, Beijing 100830, China
Director: Jin Xiangwen
Tel: (86-10) 6834-0873
Fax: (86-10) 6832-1893

State Coal Industry Bureau
21 Hepingli Beijie, Beijing 100713, China
Director: Zhang Baoming
Tel: (86-10) 6421-7766
Fax: (86-10) 6423-5838
Contact: Bai Ran, Chief of General Office

State Grain Reserve Bureau
Zijincheng Hotel, 15 Suojiafen, Haidian District, Beijing 100088, China
Director: Luo Zhiling
Tel: (86-10) 6225-6688 ext. 307/6225-4529

State Internal Trade Bureau
25 Yuetan Beijie, Xicheng District, Beijing 100834, China
Director: Yang Shude
Tel: (86-10) 6839-2000
Fax: (86-10) 6839-1296

State Light Industry Bureau

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Yi 22 Fuwaidajie, Beijing 100083, China
Director: Chen Shineng
Tel: (86-10) 6839-6114
Fax: (86-10) 6803-0153
Contact: Mr. An Zhi

State Machine-building Industry Bureau
46 Sanlihelu, Xicheng District, Beijing 100823, China
Director: Shao Qihui
Tel: (86-10) 6859-4965
Fax: (86-10) 6851-3867

State Metallurgical Industry Bureau
46 Dongsi Xidajie, Dongcheng District, Beijing 100711, China
Director: Wang Wanbin
Tel: (86-10) 6513-3322
Fax: (86-10) 6513-1942
Contact: Ru Zhiai

State Oceanography Bureau
1 Fuxingmenwai Dajie, Beijing 100860, China
Director: Zhang Dengyi
Tel: (86-10) 6804-2695
Fax: (86-10) 6803-0799
Contact: Li Jingguang, Director of International Affairs

State Petrochemical Industry Bureau
Building 16, 4 District, Anhuili, Yayuncun, Chaoyang District, Beijing 100723, China
Director: Li Yongwu
Tel: (86-10) 6491-4455
Fax: (86-10) 6491-5717

State Postal Bureau
Jia 8 Beilishilu, Xicheng District, Beijing 100808, China
Director: Liu Liqing
Tel: (86-10) 6831-5837
Fax: (86-10) 6831-5732

State Textile Industry Bureau
12 Dongchang'anjie, Beijing 100742, China
Director: Du Yuzhou
Tel: (86-10) 6308-1718
Fax: (86-10) 6513-6020

State Tobacco Monopoly Bureau

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No. 26 West Xuanwumen Avenue, Xuanwu District, Beijing 100053, China
Director: Ni Yijin
Tel: (86-10) 6360-5000
Fax: (86-10) 6360-5950

H. Associations & Corporations

All-China Federation of Industry and Commerce
93 Beiheyan Dajie, Beijing 100006
Chairman: Jing Shuping
Tel: (86-10) 6513-6677 Ext. 2233, 2234
Fax: (86-10) 6513-1769
Contact: Li Zhongshang, Director of Liaison Department

China Council for the Promotion of International Trade
1 Fuxingmenwai Street, Beijing 100860
President: Yu Xiaosong
Tel: (86-10) 68013344
Fax: (86-10) 68011370
Contact: Wang Jingzhen, Director of Liaison Department

China Huaneng Group
Room 901, Huaneng Building, 23a Fuxing Road, Haidian District
Beijing 100036, China
President: Liu Jinlong
Tel: (86-10) 6829-7649
Fax: (86-10) 6822-3349
Contact: Xu Fangjie (Manager of International Department)

China International Trust and Investment Corporation
Capital Mansion, 6 Xinyuan Nanlu, Chaoyangqu, Beijing 100004
China
President: Wang Jun
Tel: (86-10) 6466-1195
Fax: (86-10) 6466-1186
Contact: Huang Xiang, Division Chief of Public Relations

China National Automotive Industry Corporation
27b Liuyin Jie, Xichengqu, Beijing 100009, China
President: Cai Shiqing
Tel: (86-10) 8812-7146
Fax: (86-10) 8812-1733
Contact: Mao Junmin, Director of Foreign Affairs

State Nonferrous Metals Industry Administration

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Yi 12 Fuxing Lu, Xicheng, Beijing 100814, China
President: Zhang Wule
Tel: (86-10) 6397-1797
Fax: (86-10) 6396-4409
Contact: Bian Aang, Head of Foreign Affairs Department

China National Offshore Oil Corp.
Jingwin Building 2a, Dongsanhuan Beilu, Beijing 100027, China
President: Wei Liucheng
Tel: (86-10) 6466-2195
Fax: (86-10) 6466-2994
Contact: Zhu Dazhi, Manager of Foreign Affairs

China National Petroleum Corp.
P.O. Box 766, Liupukang, Beijing 100724, China
President: Ma Fucai
Tel: (86-10) 6201-6107, 62094798
Fax: (86-10) 6209-4806
Contact: Li Huaiqi, Director of Foreign Affairs Department

China National Tobacco Corporation:
#26. B. Xuwumenwai, Xi Da Jie District, Beijing, 100053, China
President: Ni Yi Jin
Tel: (86-10) 6360-5033
Fax: (86-10) 6360-5036
Contact: Yang Yongan, Director of Foreign Affairs Department

China North Industries Corp.
Avang An Men Nan Street, Jia 12, Beijing 100053, China
President: Li De
Tel: (86-10) 6354-7535
Fax: (86-10) 6354-0398
Contact: Mo Li Cheng, Manager of Foreign Affairs

China Petro-chemical Corporation
#6 Hui Xin Dong Jie Jia, Beijing 100019, China
President: Li Yizhong
Tel: (86-10) 6499-9930
Fax: (86-10) 6426-6731/6421-8356
Contact: Zhang Ying, Head of Foreign Affairs Department

China State Construction Engineering Corporation
9 Sanlihe Rd., Xicheng District, Beijing 100835, China
President: Ma Tingui
Tel: (86-10) 6839-3445
Fax: (86-10) 6839-3445

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Contact: Li Jianguo, Director of Foreign Affairs Department

China State Shipbuilding Corporation
5 Yuetanbeijie, Xicheng District, Beijing 100861, China
President: Wang Rongshang
Tel: (86-10) 6831-8833
Contact: Li Jian, Head of Foreign Affairs Department

Everbright Industrial Corp.
#6 Fu Xing Men Wai Street, Everbright Building, Beijing 100045, China
President: Zhu Xiaohua
Tel: (86-10) 6856-1226
Fax: (86-10) 6857-1121
Contact: Wang Xiaoren, Director of Foreign Affairs

People's Insurance Company of China
#69 Xu Wu Men Dong He Yan Jie, Beijing 100052, China
President: Sun Xiyue
Tel: (86-10) 6315-2033 (Foreign Affairs Office)
Fax: (86-10) 6315-2033
Contact: Yu Zhendong, Division Chief

2. Chambers of Commerce/Trade Associations

American Association for Manufacturing Technology
SAS Royal Hotel, Suite 310/312
6A Beisanhuan Road
Chaoyang District
Beijing 100028
Tel: (86-10) 6467-2924
Fax: (86-10) 6467-7830

American Chamber of Commerce in Beijing
Richard Latham, Chairman
Mike Furst, Executive Director
Room 318, Great Wall Sheraton Hotel
Beijing 100026
Tel: (86-10) 6590-5566, X 2378
Fax: (86-10) 6590-5273

American Soybean Association
Phillip W. Laney, Representative
China World Tower, Room 1323
Beijing 100004
Tel: (86-10) 6505-1830, 6505-1831, 6505-3533

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Fax: (86-10) 6505-2201

China Chamber of International Commerce (co-located with CCPIT, see below)
1 Fuxingmenwai Street
Beijing 100860
Tel: (86-10) 6851-3344
Fax: (86-10) 6851-1370

China Council for the Promotion of International Trade (CCPIT)
Yu Xiaosong, Chairman
1 Fuxingmenwai Street, Beijing 100860, China
Tel: (86-10) 6801-2867
Fax: (86-10) 6801-7153
Contact: Yu Jianlong, Foreign Affairs Department

Construction Industry Manufacturers Association (CIMA)
No. 6 Southern Capital Gymnasium Road
Room 458, Office Tower
New Century Hotel
Beijing 100044
Tel: (86-10) 6849-2403
Fax: (86-10) 6849-2404

U.S.-China Business Council
Baldinger Tam, Chief Representative
CITIC Building, Room 902
Beijing 100004
Tel: (86-10) 6500-2255, ext.3920
Fax: (86-10) 6512-5854, 6592-0727

U.S. Grains Council
Todd Meyer, Director
China World Tower, Room 1320
Beijing 100004
Tel: (86-10) 6505-1314, 6505-1302
Fax: (86-10) 6505-2320

U.S. Wheat Associates
Zhao Shipu, Director
China World Tower, Room 1318
Beijing 100004
Tel: (86-10) 6505-1278, 6505-3866
Fax: (86-10) 6505-5138

United States Information Technology Office (USITO)

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Mark Mecham, Deputy Director
C314 Lufthansa Center Office
50 Liangmahe Road
Chaoyang District
Beijing 100016
Tel: (86-10) 6465-1540
Fax: (86-10) 6465-1543

3. Market Research Firms

China International Economic Consultants, Inc.
Yao Jirong, President
13/f Capital Mansion
6 Xin Yuan Nan Road
P.O. Box 9412
Beijing 100004
Tel: (86-10) 6466-0088 ext.131011309/6466-3015 (director)
Fax: (86-10) 6466-2468

Consultec
Zhang Shiming, President
B-12 Guanghua Road, Jianguomenwai, Beijing 100020
Tel: (86-10) 6505-1565 (director)/6505-2255, ext.1215
Fax: (86-10) 6505-1571

The Gallup Organization
Guo Xin
225 Chaoyang Men Wai Street
China Air Svc.,
Beijing 100020
Tel: (86-10) 6553-4828
Fax: (86-10) 6552-4826

MTI - Management Technologies International, Inc.
Jack Snell
410-411 Santra Building
3 Hepingli West Road, Chaoyang District
Beijing 100013
Tel: (86-22) 6429-8974/6420-1199
Fax: (86-22) 6429-4905

Sinofile Information Services Ltd.
David Jacobson, Founder and Managing Director
A85 Tonglinge Street
Xicheng District, Beijing 100031
Tel: (86-10) 6605-9198/97

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Fax: (86-10) 6605-9194

Clear Thinking Ltd.
Fenella Barber, Marketing Director
203 Profit Tower
17 Chaoyangmenwai Dajie
Chaoyang District
100020 Beijing
Tel: (86-10) 6599-1630/1/2/3
Fax: (86-10) 6599-1639

BMRB International
Duncan Falzon, Chief Representative
Suite 919-922 International Enterprise Plaza
#5 Jingrong Street
Xicheng District
Beijing 100032
Tel: (86-10) 8809-1821
Fax: (86-10) 8809-1598

AC Nielsen
Frances Luk, Manager
Fullink Plaza #8 Chaoyangmenwai Dajie Room 1201
Beijing 100020
Tel: (86-10) 6588-0188
Fax: (86-10) 6588-0199

MadeforChina.com
Byron Constable, Director of Internet Research
4th Floor, 7 Xinzhong Jie, Dongzhimenwai
Dongcheng District
Beijing 100027
Tel: (86-10) 6415-3464
Fax: (86-10) 6415-1086

4. Banks

World Bank
Country Director: Yukon Huang
Building A, Fuhua Mansions
#8 Chaoyangmen North Avenue
Dongcheng District, Beijing 1000027
Tel: 6554-3361
Fax: 6554-1686

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Chinese:

AGRICULTURE BANK OF CHINA
Kong Jie, Director of Foreign Affairs Office
40 Fucheng Road, Yulong Hotel 3/F #3008
Beijing, China 100046
Tel: (86-10) 6841-5588 x 23007-23009/2301
Fax: (86-10) 6847-5321

BANK OF CHINA (Headquarters)
Xing Ping, Chief of American & Oceanic Division
410 Fuchengmennei Dajie
Beijing, China 100818
Tel: (86-10) 6601-1829; 601-6688 (SB)
Fax: (86-10)6601-4096

CHINA CONSTRUCTION BANK Headquarters)
Zhou Xiaochuan, President
Wan Binjiang, Director of Foreign Affairs Office
25 Jinrong Dajie
Beijing, China 100032
Tel: (86-10) 6397-4488/6759-8578/6759-8562 (Foreign Affairs Office)
Fax: (86-10) 6759-8569
Contact: Ms. Li Li

CITIC INDUSTRIAL BANK
Dou Jianzhong, President
Fu Hua Mansion, 8 Chaoyangmenbeidajie, Chaoyang District
Beijing , China 100027
Tel: (86-10) 6554-1895
Fax: (86-10) 6554-2181

COMMUNICATIONS BANK OF CHINA (Headquarters)
18 Xianxia Lu, Shanghai 200335
Tel: (86-21) 6275-1234 Ext. for Int'l Department
Fax: (86-21) 6270-6330

EVERBRIGHT BANK OF CHINA
Zhu Xiaohua, President
Peng Yiping, Office of Foreign Affairs
Everbright Building
No. 6 Fuxingmenwai Dajie
Beijing 100045
Tel: (86-10) 6856-1302;
6856-5577

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Fax: (86-10) 6856-1301

EXPORT IMPORT BANK OF CHINA
Zhou Keren, President & Chairman
Zhu Wengen, General manger of Int'l Department
Jinyun Building
A43 Xi Zhimen Bei Dajie
Beijing, China 100044
Tel: (86-10) 6227-8899
Fax: (80-10) 6227-7637

HUAXIA BANK
111 Xidanbeidajie, Xicheng District, Beijing 100032
Ye Huatang, Director of Int'l Business Dept.
Tel: (86-10) 6618-8777
Fax: (86-10) 6618-8333

INDUSTRIAL & COMMERCIAL BANK OF CHINA (Headquarters)
Liu Tinghuan, President
Han Ruixiang, Chief Manager of Foreign Affairs
15 Cuiwei Road
Beijing 100036
Tel: (86-10) 6821-7273
Fax: (86-10) 6821-7920

INVESTMENT BANK OF CHINA
Cai Jinniu, Deputy GM of International Department
1 Fuwai Dajie, Sichuan Mansion, Beijing 100037
Tel: (86-10) 6384-9938
6836-4987, 6836-4959 x60
Fax: (86-10) 6836-4959

MERCHANTS BANK
5/F., Building AB, No. 3 Huaqiang Beilu
Shenzhen 518031
Guangdong Province
Tel: (86-755) 377-7888/229-0000
Fax: (86-755) 377-6421

MINSHENG BANK OF CHINA
Jing Shuping (Director)
Scitech Tower Torch Hall, 22 Jianguomenwai Street Beijing 100004
Tel: (86-10) 6526-9610/6526-9578 (Mr. Wen Hua)/6858-8575 (Int'l Department)
Fax: (86-10) 6526-9593

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SHANGHAI PUDONG DEVELOPMENT BANK
50 Ningbo Road, Shanghai 200002
Tel: (86-21) 6329-6188
Fax: (86-10) 6323-2036

SHENZHEN DEVELOPMENT BANK
5047 Shennan Dong Lu
Shenzhen 518028, Guangdong
Tel: (86-755) 208-8888
Fax: (86-755) 208-1018

CHINA DEVELOPMENT BANK
Chen Yuan, President
Ms. Wang Yuan, Int'l Cooperation Finance Department
29 Fuchengmen Wai Dajie
Beijing, China 100046
Tel: (86-10) 6830-6688/6830-6561/6830-6568
Fax: (86-10) 6830-6521
Contact: Mr. Chai Zhi Wei, Foreign Affairs Division

U.S.:

AMERICAN EXPRESS BANK
Beijing Representative Office
Ms. Li Yue Xian, Deputy Representative
Room 2313, China World Trade Centre
Beijing 100004
Tel: (86-10) 6505-2838/6505-4307
6505-4626
Fax: (86-10) 6505-4626

Guangzhou Representative Office
CI, G/F Central Lobby, Guangdong
International Hotel, 339 Huanshi Donglu
Guangzhou 510060
Tel: (86-20) 331-1771
Fax: (86-20) 331-8400

Shanghai Representative Office
Ms. Yang Wei Juan, Deputy Representative
Room 1502, Ruijin Building, 205 Mao Ming Nan Road
Shanghai 200002
Tel: (86-21) 6472-7589
Fax: (86-21) 6472-8400

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BANK OF AMERICA
Beijing Branch
Ben K. L. Cheng, VP, Branch Manager
Unit 9-16, Level 26
China World Tower,
China World Trade Centre
Beijing 100004
Tel: (86-10) 6505-3545/6505-3508
6505-2609 x16
Fax: (86-10) 6505-3509

Guangzhou Branch
Mr. Herman Wu, Manager
Bank of America Plaza
Unit 2506-2509, 25/F
No. 555 Renmin Zhong Road
Guangzhou 510180
Tel: (86-20) 8130-0888
Fax: (86-20) 8130-0899

Shanghai Branch
Shaw Tao, Manager
18th Floor, Soush Tower
Shanghai Securities Exchange Building
528 Pudong Road (South)
Pudong New Area, Shanghai 200120
Tel: (86-21) 6881-8686
Fax: (86-21) 6881-8816

BANK OF BOSTON
Beijing Representative Office
Ms. Xia Zhong, Chief Representative
10-D, CITIC Building
19 Jianguomenwai Dajie, Beijing 100004
Tel: (86-10) 6593-1850
Fax: (86-10) 6593-1852

BANK OF THE ORIENT
Xiamen Branch
Ernest Go, Manager
2nd Floor, No. 25 Xinsheng Lu, HuLi
Xiamen 361006
Tel: (86-592) 602-5778
Fax: (86-592) 602-5798

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BANKERS TRUST COMPANY
Beijing Representative Office
Simon Wen, Chief Representative
A1, Liu Li Tun Bei Li
Chaoyang District, Beijing 100016
Tel: (86-10) 6594-2496
Fax: (86-10) 6594-2497

CHASE MANHATTAN CORPORATION
Beijing Branch
Christian Murck, Chief Representative
Room 516 Fulllink Tower B
Beijing 100020
Tel: (86-10) 6588-1039
Fax: (86-10) 6588-1040

Tianjin Branch
Juan Van Wassenhove, General Manager
14/F., Tianjin International Building, 75 Nanjing Road Tianjin 300050
Tel: (86-22) 2339-9111
Fax: (86-22) 2339-8111

CHEMICAL BANK
Shanghai Representative Office
700A, 1376 Nanjingxi Road Shanghai Business City, Shanghai 200002
Tel: (86-21) 6279-7288
Fax: (86-21) 6279-8101

CITIBANK, N.A.
Beijing Representative Office
Ms. Deng Ning, Chief Representative
16/F, Tower 1, Beijing Bright China Chang-An Building
No. 7 Jianguomennei Ave.
Dong Cheng District
Beijing 100005
Tel: (86-10) 6510-2933
Fax: (86-10) 6510-2932

Guangzhou Representative Office
Dong Shaowen, Manager
Room 1703, Main Building, Guangzhou Int'l Hotel, 339 Huanshi Donglu, Guangzhou 510098
Tel: (86-20) 8332-1711

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Fax: (86-20) 8331-1323

Shanghai Branch
Bell Chong, Manager
20/F Marine Tower
No. 1 Pudong Ave.
Shanghai 200120
Tel: (86-21) 5879-1200
Fax: (86-21) 5879-5933

Shenzhen Branch
Bruce Leung, General Manager
37/F., International Financial Building
23 Jianshe Road
Shenzhen 518001
Tel: (86-755) 223-2338 Ext. 92300
Fax: (86-755) 223-1238

Xiamen Representative Office
Paul Jie, Chief Representative
8/F. Miramar Hotel Xiamen 361006
Tel: (86-592) 603-1666Ext.818
Fax: (86-592) 602-0615

FAR EAST NATIONAL BANK
Beijing Representative Office
Li Mei, Chief Representative
Room 911, Scitech Tower
No.22 Jianguomenwai Avenue
Beijing 100004
Tel: (86-10) 6512-2288 Ext. 52911
Fax: (86-10) 6515-9117

FIRST NATIONAL BANK OF BOSTON
Shanghai Representative Office
Gu Quanbin, Chief Representative
4/F., Room 1110, Shanghai Union Building, 100 Yanan Road East
Shanghai 200002
Tel: (86-21) 6321-2357/6320-3772
Fax: (86-21) 6321-2353

FIRST NATIONAL BANK OF CHICAGO (Bank One as of September 1999)
Beijing Representative Office
Min-Hua Hu, Chief Representative
Room 1605, CITIC Building
Beijing 100004

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Tel: (86-10) 6500-3281/6500-3514; 6500-2255 x 1640/41/50
Fax: (86-10) 6500-3166

REPUBLIC NATIONAL BANK OF NEW YORK
Beijing Representative Office
Li Baoliang, Chief Representative
Room 2201, Liang Ma Tower, Chao Yang District
Beijing 100004
Tel: (86-10) 6590-6548/6590-6549
Fax: (86-10) 6590-6943

CHINA INTERNATIONAL FINANCE CO. LTD. (SECURITY PACIFIC NATIONAL BANK JV)
Leung Foo Wah, General Manager
33/F., International Financial Building
23 Jianshe Road, Shenzhen, Guangdong, PRC 518001
Tel: (86-755) 225-1510/223-7567
Fax: (86-755) 223-7566

5. U.S. Embassy Contacts
U.S. EMBASSY BEIJING
No. 3 Xiu Shui Beijie
Beijing, China 100600
Tel: (86-10) 6532-3831

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

AMBASSADOR'S OFFICE
Ambassador James R. Sasser
Tel: (86-10) 6532-3831, x6400
Fax: (86-10) 6532-6422

DCM William McCahill, Jr.
Tel: (86-10) 6532-3831, x6800Fax: (86-10) 6532-6422

DEFENSE ATTACHE OFFICE
Brig. General Karl Eikenberry
Defense Attache
Tel: (86-10) 6532-3831, x6667Fax: (86-10) 6532-2160

ECONOMIC SECTION
Minister-Counselor for Economic
Affairs, Robert Ludan

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Tel: (86-10) 6532-3831 x6827
Fax: (86-10) 6532-6422
Deputy, Robert Goldberg
Tel: (86-10) 6532-3831 x6539
Fax: (86-10) 6532-6422

FOREIGN COMMERCIAL SERVICE
Minister-Counselor for Commercial
Affairs, Alan Turley
Tel: (86-10) 6532-6924
Fax: (86-10) 6532-3297
Deputy : William Zarit
Tel: (86-10) 6532-6924 x6107
Fax: (86-10) 6532-3297

FOREIGN AGRICULTURAL SERVICE
Agricultural Affairs Office
Minister-Counselor for Agricultural
Affairs, Suzanne Hale
Tel: (86-10) 6532-3431 x5400
Fax: (86-10) 6532-2962
Shanghai Agricultural Trade Office
Scott Reynolds, Attache
Tel: (86-21) 6279-8622
Fax: (86-21) 6279-8336
Guangzhou Agricultural Trade Office   Susan Theiler, Attache
Tel: (86-20) 8667-7553
Fax: (86-20) 8666-0703
Animal and Plant Health Inspection Service
Dale Maki, Attache
Tel: (86-10) 6505-4575
Fax: (86-10) 6505-4574

POLITICAL SECTION
Minister-Counselor for Political
Affairs, James Moriarty
Tel: (86-10) 6532-3831 x6848
Fax: (86-10) 6532-6423
Deputy, Kenneth Jarrett
Tel: (86-10) 6532-3831 x6157
Fax: (86-10) 6532-6423

VISA SECTION
Minister-Counselor for Consular Affairs
Tel: (86-10) 6532-3431 x5467
Fax: (86-10) 6532-3178

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Non-Immigrant Visas, Jim Levy
Tel: (86-10) 6532-3431 x5345
Fax: (86-10) 6532-3178

AMERICAN CITIZEN SERVICES
Consul, Mary Kay Carlson
Tel: (86-10) 6532-3431 x5137
Fax: (86-10) 6532-4153

AMERICAN CONSULATE CHENGDU
No. 4 Lingshiguan Road, Section 4
Renmin Nanlu
Chengdu 610041
Consul General, Cornelius Keur
Tel: (86-28) 555-3119;
558-3520
Commercial Officer
Tel: (86-28) 558-3992
Fax: (86-28) 558-9221

AMERICAN CONSULATE GUANGZHOU
No. 1 South Shamian Street
Guangzhou 510133
Consul General,
Edward Mckeon (from July 1st)
Tel: (86-20) 8188-8911
Fax: (86-20) 8186-2341
Principal Commercial Officer,
Ned Quistorff
Tel: (86-20) 8667-4011
Fax: (86-20) 8666-6409

AMERICAN CONSULATE SHANGHAI
1469 Huaihai Zhong Lu
Shanghai 200031
Consul General: Raymond F. Burghardt
Tel: (86-21) 6433-6880
Fax: (86-21) 6433-4122
Principal Commercial Officer: Will Center
Tel: (86-21) 6279-7630
Fax: (86-21) 6279-7639

AMERICAN CONSULATE SHENYANG
No. 52, 14th Wei Road
Heping District

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Shenyang 110003
Consul General: Kary Wycoff
Tel: (86-24) 2322-1198
Fax: (86-24) 2322-2206
Commercial Officer:
Tel: (86-24) 2322-1198, ext. 144, 147
Fax: (86-24) 2322-2206

6. Washington-based USG China Contacts

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

Multilateral Development Bank Office
Brenda Ebeling, Director
Tel: (202) 482-3399
Fax: (202) 482-5179

TPCC Trade Information Center
Tel: 800-USA-TRADE

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

U.S. DEPARTMENT OF AGRICULTURE
International Trade Policy
Asia American Division
Foreign Agricultural Service
Stop 1023
14th and Independence SW
Washington, D.C. 20250-1023
Tel: (202) 720-1289

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Fax: (202) 690-1093
Email: deatonl@fas.usda.gov

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

OFFICE OF U.S. TRADE REPRESENTATIVE
China Desk
600 17th Street, NW
Washington, DC 20506
Tel: (202) 395-5050
Fax: (202) 395-3911

U.S. Ex-Im Bank
Business Development Office
Washington, D.C.
Tel: 202-565-3900
Fax: 202-565-3723
Website: www.exim.gov

7. U.S.-Based Multipliers

U.S.-CHINA BUSINESS COUNCIL
Robert Kapp, President
1818 N Street, N.W., Suite 500
Washington, D.C. 20036-5559
Tel: (202) 429-0340
Fax: (202) 775-2476

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APPENDIX E

MARKET RESEARCH

FY-1999 International Market Insight (IMI) Reports

1998 Spring Cosmetics and Detergents Fair
1999 the First Hebei International Agricultural Fair, China
Accessing the Chinese Telecommunication Market- Opportunities and Challenges
Agro-Foodtech China
An IPR Success Story
Animal Husbandry Projects in Sichuan
Aviation/Airport China ‘99 (8th Expo)
Background on the Current China Housing Situation
Big Demand for High Quality Building Material in Chengdu
CAAC Southwest Airport Construction
CAPP’99
Categories of Agricultural Machinery Needed in the Inner Mongolia Autonomous Region
Chain Store Regulations in Shanghai
Chengdu's Trade Show Itinerary for 99
China Aviation Industries General Corporation
China Begins Developing Computer-Based Long-Distance Education
China Building 99 Show
China Computer Market
China Considers Breaking up China Telecom
China Construction Machinery Industry Association Press Conference
China Forms a Chain Store & Franchise Association
China Forms Another Domestic Telecommunications Carrier
China Infrastructure & Cement Markets '99
China Nuclear Power Industry
China Revises Licensing Process for Telecom Equipment
China Tests IP Telephony
China to Take Steps to Open Construction Market
China Unicom Outlines Development Plans
China Waives Value Added Tax on Selected Imported Pesticides
China-Pharm’98
China's Ministry of Education Outlines its Long Distance Education Plans

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China's State Administration of Coal Industry After Reorganization
Chinese Anti-Corruption Campaign
Chinese Authorities Contradict Each Other of Internet Telephony
Chinese Content in China's Infrastructure Projects
Chinese Telecom Operators Urged to Buy Local Equipment
Chongqing April 99 Trade Fair
Chongqing City Websites
Computer Prices Decline in China
Consumption Patterns of Urban Youth
Contact Inside the Ministry of Information Industry
Contacts Inside The State Administration of Radio, Film and Television
Cosmetics Market Diversity
Directory of Software Organization & Companies in Sichuan
Environment Market Prospect in Sichuan Province
Establishment of the China Insurance Regulatory Commission
Guangzhou Bus Project Update
Guangzhou New Airport Design Award
Health Care Related Exhibitions for 99 in China
Import & Export Licensing Issued to Privately Owned Chinese Enterprises
Import Inspection on Electronics Appliance
Increased Video Conferencing Investment Offers U.S. Firms Sales Opportunities
Information on Chengdu
Information on the Dental Equipment Market in Sichuan
Intellectual Property Rights in China
Internet Access on Cable TV
Intl Agro Expo China (Dongguan)
Introduction to State Economic & Trade Commission
Introduction to the Ministry of Agriculture
Introduction to the Ministry of Foreign Trade & Economic Cooperation
Leadership Change in China Unicom
Leasing Company Seeking Medical, Telecommunications & Power Equipment
Metro ’99 Guangzhou
MII Announces Price Cuts for Telecom Services
Motorcycle Industry in China
Municipal Engineering '99
New Highway Projects in China
New Opportunities in Telecommunications Resulting From Recent Regulatory Changes
New Urban Medical Insurance System in China
Opening Travel Service Industry

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Opportunities for Satellite Earth Stations Equipment Vendors or Service Providers
Opportunities for Wireless Local Loop (Well) Technologies
OTC Drugs
Projects Newly Issued by Chongqing
Proposed Demonstration Projects of US Building Materials at "Pacific Village" in Tianjin
Proposed Demonstration Projects of us Building Materials in Northern and Southern China
Regulated Telecommunications Competition: Is It Getting Out of Control?
Second China United States Telecommunication Summit
Sichuan Gas Development and Conservation
Sichuan Province Second Batch of Projects1
Sichuan's Projects in Building Materials
South China Delegation to NAB 99
The Chinese Government's Plan to Fully Adopt Clean Fuel for Public Transportation and Build Clean Fuel Filling Stations
Spectrum of Shoes
State Development Planning Commission
Status of Chain Store Business in 98
The 1999 Infrastructure Investment and Finance Forum-BOT
Tontru Information Industry Group Co., Ltd.
Tour Firms Get Wider Access
Updates on China Aviation Supplies I&E Corporation
World Bank Loan for Sichuan Environment Protection
World Congress of International Union of Architects to be Held in China

FY-1999 Industry Sector Analysis (ISA) Reports

Airport/Ground Support Equipment
Broadband Network Equipment
Cable TV Program
Chemical Industry
Chemicals Production Machinery
China's Telecommunications Equipment Market
Computer Application Software
Computer Internet Service
Dietary Supplements (Health Food)
Electrical Power Transmission Distribution Equipment
Electronic Commerce
Electronics Industry Production and Testing Equipment
Energy Efficient Building Materials
Furniture Market
Guangdong's Banking Sector

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Guangdong’s Chemical Industry
Internet Market in Guangdong
Medical Devices in Southwest China
Plastics Production Machinery
Power Generation Investment and Financing
Renewable Energy in South China
Retail Sector Overview-Update
Retail/Franchise Market
Retail/Franchise Market in Guangdong
Solid Waste Management and Resource Recovery Technologies
Supermarkets in China
Telecommunications in Southwest China
The Dental Equipment Market in Southwest China
US Foods/Wine Markets in Southwest China
Vehicle Emissions Control Equipment

ISAs Scheduled for FY 2000

Air Pollution Control Technologies
Agricultural Chemicals
Plastic Materials and Resins
Machine Tools
MBA Training Services
Internet Protocol Telephony Equipment
Broadcasting Equipment
Cellular Telephony Equipment
Renewable Energy in China
Farm Equipment for Animal Husbandry
Internet Service Providers
Information Appliances and Personal Computers
Computer Application Software
Automotive Aftercare
Home Furnishings
Health Care Services
Pharmaceutical Manufacturing Equipment
CNC Machine Tools in Shanghai
China's Ship Building and Raw Materials Sector
Telecom Developments in Shanghai
Municipal Sewage Treatment Equipment in Shanghai
Biotechnology for Environmental Industry in South China
Banking Services in South China
Supermarket Equipment in Guangdong
Energy Efficiency Equipment and Services in Guangdong

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TRADE EVENT SCHEDULE

International Chemical Industry Fair' 2000

Date:	September 19-22, 2000
Venue:	China International Exhibition Center, Beijing
Sponsor:	The State Administration of Petroleum and Chemical Industries
Organizer:	CCPIT Sub-council of Chemical Industry
Contact:	Ms. Liu Li
Tel:	86-10-6427 2720 / 6427 2721
Fax:	86-10-6422 5384

ChinaPlas 2000
14th International Exhibition on Plastics and Rubber Industries

Date:	July, 2000
Venue:	TBD, Shanghai
Organizer:	EUROMAP / ADSALE
Contact:	ADSALE
Tel:	(852)2811-8897
Fax:	(852)2516-5024
Email:	aes@adsaleexh.com

International Petroleum & Petrochemical Exhibition

Date:	2001
Venue:	TBD
Organizers:	The State Administration of Petroleum and Chemical Industries China National Petroleum Corp.(CNPC) China Petrochemical Corp.(SINOPEC)
Contact:	E.J. Krause & Associates, Inc.
Tel:	86-10-6841 5250
Fax:	86-10-6841 1728

Chengdu International Chemical Industry Products Exhibition

Date:	end of May, 2000 (specific dates to be announced)
Venue:	Chengdu Convention & Exhibition Center
Sponsor:	CCPIT Sichuan Sub-council, Sichuan Chemical Industry Bureau, and State chemical Industry Import and Export Company.
Organizer:	CCPIT Sichuan Sub-council
Contact:	Mr. Zhang JIping, Director
Tel:	86-28-333-6693/339-2822
Fax:	86-28-333-6693

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Chengdu International Fair for Environmental Products, Equipment and Technologies

Date:	Late March, 2000 (Exact days will be announced)
Venue:	Chengdu International Exhibition & Convention Center
Sponsor:	The State Environmental Protection Administration Hongkong Council for the Promotion of Productivity
Organizer:	CCPIT Sichuan Sub-council
Contact:	Mr. Zhang Jiping
Tel:	86-28-333-6693
Fax:	86-28-339-2822

China Waste & Resources '2000

Date:	April, 2000
Venue:	Beijing
Contact:	CCPIT – Beijing Sub-council
Tel:	86-10-6526 5302 / 6527 2384
Fax:	86-10-6526 9675

Beijing 2nd International Environmental Protection Exhibition 2000

Date:	April 11-14, 2000
Venue:	Beijing Agricultural Exhibition Hall
Organizer:	Beijing International Exhibition & Economic Relations & Trade Association
Contact:	Together Expo Limited
Tel:	852-2881 5889
Fax:	852-2890 2657

Water China '2000
--China International Water Treatment Technology and Equipment Exhibition

Date:	September, 2000
Venue:	TBD
Sponsors:	Ministry of Science and Technology, Ministry of Construction, State Environmental Protection Administration.
Organizer:	China Technology Market Management & Promotion Center

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Contact: Mr. Guo Jianjun, Ms. Li Yihui, Mr. Liang Hui
Tel: 86-10-8207 9384 / 8207 9212
Fax: 86-10-8207 9384

Automotive - Auto China '2000
Date: June 6-13, 2000
Venture: China International Exhibition Center
Frequency: Biennial
Starting: 1993
Organizers: China Automotive Industry International Corporation, China Council for the Promotion of International Trade Sub-Council of Automotive Industry, Society of Automotive Engineering of China, Hina International Exhibition Corp.,
Contact: Ms. Yimei Wen,
Tel: 86-10-6493-8403, 6491-5259, 5493-8394
Fax: 86-10-6496-8699

Other Transport - China Transpo '2000
The Fifth International Exhibition on Road and Water Transport Technology & Equipment
Time: October, 2000 (date to be confirmed)
Venue: China Agricultural Exhibition Hall
Organizers: 1. Beijing CCPIT
Contact: Mr. Chai Yingjie,
Tel: 8610-6422-7788 ext. 615
Fax: 8620-6425-1287, 6425-1040
Organizers 2. The Transport Technology Exchange Center, Ministry of Communications
Contact: Mr. Liu Song
Tel: 8610-6491-4811, 6495-3232, 6495-3233
FAx: 8610-6491-4814

China Building '99
The 5th China International Exhibition for Building Materials, Building Systems, Construction Machinery and Architecture
Time: December 1-4,1999
Venue: China International Exhibition Center
Sponsor: The Ministry of Construction and The State Administration of Building Materials Industry
Organizers: Mr. Bai Xiaogang, Director of Exhibition Dept.
CCPIT Building Material Sub-Council
The state Administration of Building Industry
Add: 11 Sanlihe Rd., Baiwanzhuang, SABMI Head Office Building, Beijing 100831, China
Tel: 8610-6803-7227, 6804-1566, 6804-1567

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Fax: 8610-6834-6980, 6803-7220
Email: ccpitbms@public3.bta.net.cn
http://www.chinabuilding.cn.net

The 6th China International Machine Tool Show
Date: 1999/10/20-1999/10/26
Venue: China International Exhibition Center, Beijing
Profile: Manufacturing equipment, metal cutting & forming, non-traditional processing machine tool, accessory , CNC system an drive, robot
Frequency: Biennial
Organizer: China Machine Tool & Tool Builders' Association
Contact: Kong Linggan
Tel: 86-10-68595959
Fax: 86-10-68595994

PT/Expo Comm November 1999, Guangzhou, China
Organizer: China National Postal Telecom Appliances Corp.
Tel: 86-10- 6351-8942
Fax: 86-10- 6352-3723

PT/Expo Comm October 2000, Beijing, China
Organizer: China National Postal Telecom Appliances Corp.
Tel: 86-10- 6351-8942
Fax: 86-10-6352-3723

SuperComm April 2001, Shanghai, China Telecommunications Industry Association
Tel: (202) 383-1482
Fax: (202) 383-1495

China Pharm '99
Dates: October 26-29, 1999
Venue: China World Trade Center,
Organizer: International Exchange Center, SDA
Tel: (86-10) 6831-334, ext. 1307;
Fax: (86-10) 6831-4596; 6831-3931

The China National Medical Equipment Fair/Fall
Dates: Nov 7-11, 1999
Venue: Int'l Convention and Exhibition Center, Guangzhou
Organizer: China National Corp. of Medical Equipment Industry
Tel: (86-10) 6834-9374

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Fax: (86-10) 6831-5675

Sinomed ‘2000
Dates: April 2000
Organizers: Ministry of Health, Worldwide Convention
Tel: (8610)-6510-1657/8
Fax: (8610) 6510-1659

Chinamed '2000
Dates: May 10-14, 2000
Venue: China World Trade Center
Organizers: Health Department of the General Logistics Department of the Chinese People’s Liberation Army and others
Tel: (8610) 6505-3832
Fax: (8610) 6505-3260

14th Chengdu International Fair for Medical Instruments, Health Products, Pharmaceutical Machinery and Medicine Packaging Machinery
Date: end of March, 2000 (specific dates to be announced)
Venue: Chengdu Convention & Exhibition Center
Sponsor: CCPIT Sichuan Sub-council, Sichuan Provincial Drug Administration, Sichuan Health Bureau
Organizer: CCPIT Sichuan Sub-council
Contact: Mr. Zhang Jiping, Director
Tel: 86-28-333-6693/339-2822
Fax: 86-28-333-6693

Medical Shanghai International Medical Instrument, Equipment & Technology Exhibit
Date: June 27 - 30, 2000
Venue: Shanghai Exhibition Center
Contact: Ms. Sherry Sun
Add: Suite 6A, No. 829 Yanan Zhong Lu, Da An Square, Shanghai 200040
Tel: 86-21-6279-1306
Fax: 86-21-6279-1291

Pharmacy Shanghai
International Exhibition on Production, Packaging Equipment, Instrument and Technology for Pharmaceuticals
Date: June 27 - 30, 2000
Venue: Shanghai Exhibition Center
Contact: Ms. Sherry Sun

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Add:	Suite 6A, No. 829 Yanan Zhong Lu, DaAn Square, Shanghai 200040
Tel:	86-21-6279-1306
Fax:	86-21-6279-1291

Meditech China 2000

Date:	Tentatively scheduled: October 2000
Contact:	Mr. Li Zhenkang
Organizer:	Shanghai International Exhibition Corporation
Add:	28 Jinling Xi Lu, Shanghai 200021 China
Tel:	86-21-6387-2828
Fax:	86-21-6386-9400
Email:	siec@stn.sh.cn

Computer World Expo 99

Date:	Sept.7-10, 1999
Venue:	Beijing
Organizer:	Computer World Publication
Tel:	(86-10) 6825-5302
Fax:	(86-10) 6825-9768
Email:	ccwexpo@ccw.com.cn
Web Page:	http://www.ccwexpo.com.cn

Comdex CHINA

Date:	March 2000
Venue:	China International Exhibition Center
Tel:	(86-10) 6817-6131
Fax:	(86-10) 6680-3860
E-mail:	bjtjx@public3.bta.net.cn

NepCon Beijing 2000

Date:	April 2000
Organizer:	CCPIT Electronics Sub-Council
Tel:	(86-10) 6820-7928/7929
Fax:	(86-10) 6827-2288
Web Page:	http://nepcon-china.asiansources.com

The 7th Chengdu International Telecommunication Trade Exhibition

Date:	In the early ten days of May , 2000 (specific dates to be announced)
Venue:	Chengdu Convention & Exhibition Center
Sponsor:	CCPIT SICHUAN SUB-COUNCIL
Organizer:	CCPIT SICHUAN SUB-COUNCIL
Contact:	Mr. Zhang Jiping, Director
Tel:	86-28-333-6693/339-2822
Fax:	86-28-333-6693

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The 7th Chengdu International Department Store Trade Fair

Date:	Mid November, 2000
Venue:	Sichuan Provincial Exhibition Hall
Sponsor:	Hong Kong Trade Council, Sichuan Commerce Bureau
Organizer:	CCPIT, Sichuan Sub-council
Contact:	Mr. Zhang Jiping
Tel:	86-28-333-6693
Fax:	86-28-333-6693, 339-2822

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