

Doing Business in China

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

China is one of the world's oldest civilizations, with thousands of years of history, literature and culture and an imperial system of leadership. The last century has seen significant changes in the way the country is ruled and in its political and economic relationship with the West.

The Chinese imperial system came to an end in 1911, when the Qing (Manchu) dynasty was overthrown and China was proclaimed a republic. The country then entered a period of warlordism until in 1927 the 'Kuomintang' (KMT) established a central government in Nanjing. The Chinese Communist Party (CCP) was founded in 1921 but broke with the KMT and was forced to flee into the interior in the Long March in 1934/35. Both KMT and CCP forces opposed Japan during World War Two but a civil war broke out from 1945-1949. CCP forces under Mao Zedong routed their KMT opponents and in 1949 Mao announced the establishment of the People's Republic of China.

The period between 1949 and Mao's death in 1976 was characterised by an ambitious political and economic restructuring programme which involved the collectivisation of industry, the establishment of communes and the redistribution of land. The Cultural Revolution from 1966-1976 brought enormous upheaval in the political system and Mao had to rely on the armed forces to maintain order and exercise control.

In December 1978, the CCP, inspired by Deng Xiaoping, launched a wide-ranging programme of economic and social reform which sought to modernise the economy, develop China's external relations (the 'open door policy') - especially with the West, and implement a gradual and limited liberalisation of Chinese society.

Political opposition to the more liberal reforms forced periods of retrenchment and in June 1989, following the brutal suppression of pro-democracy demonstrators in Beijing, political control swung firmly into the hands of conservative elements within the CCP. The Chinese government labelled the

demonstrations a 'counter-revolutionary rebellion' and clamped down on dissent. Prominent dissidents fled the country or went into hiding. Many activists were arrested. Jiang Zemin was appointed to State President in March 1993. Since then, the Party leadership has continued the economic reform programme, while also seeking to improve China's standing in the international community. Jiang retired as President in March 2003 and was replaced by Vice-President Hu Jintao.

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 during which time China has moved from a planned economy to a market economy.

In fact, China is the great economic success story of the past 25 years. In 1978, when economic reforms began, China was primarily an agrarian economy with virtually no private sector to speak of. By 2005 it had already become the workshop of the world and was the leading producer in terms of output of more than 100 kinds of manufactured goods, including 50% of cameras, 30% of air conditioners and televisions, 25% of washing machines and 20% of fridges¹. In 2009 China overtook Germany as the world's biggest exporter and surpassed the US to become the world's largest consumer of energy.

China's growth has been sustained and the economy grew 8.7 per cent in 2009, the best performance of all major economies. While the rise of China is easy to acknowledge, businesses constantly need to catch up with the speed and depth of change and development in China's large and complex market space. Whether selling, trading, investing or franchising, China offers opportunities in abundance to UK companies, large or small.²

Since reforms began, China has lifted two-thirds of its people out of poverty and in the last decade it has built enough roads to loop around the equator 16 times.

Not so long ago, doing business with China was seen as the preserve of large international companies or specialist operators. However, the past five years have seen an increasing number of UK companies of all sizes and in virtually every sector successfully exporting to, and investing in, China. But



Shortage of accountants in China

China is the world's fastest growing economy and is now the second largest economy after the US.

This growth, together with the increase in the number of companies seeking public listings and the impact of accounting compliance has pushed up the demand for qualified accountants.

China currently has around 130,000 qualified accountants, less than half the estimated 300,000 it needs. Even more accounting support staff are required. This massive shortage of accounting skills is threatening to curb the fast growing economy. The shortage is already limiting the number of large state-owned enterprises seeking public listings domestically, and some accountants in the region fear the long-term effects could be more severe if the situation is not addressed.

Clive Saunderson, a Beijing based Ernst and Young partner predicts 'that there will be a shortage of accountants for the next 10 years' which would hinder improvements in financial reporting and corporate governance, and reduce the rate of growth in China.

manufacturing is no longer the only game in town. Chinese companies are moving up the value chain in sectors such as computer gaming and software outsourcing, with some of the top companies growing from zero to international listings in under five years.

This trend is leading to increased opportunities for UK services in areas such as listings on the London Stock Exchange's Alternative Investments Market (AIM) and industrial design. And in a sign that the principal cities on the East Coast are maturing, multinationals are now investing in their first China R&D centres, principally in Beijing and Shanghai. These trends don't mean that the risks of doing business in China have changed – strategies for Intellectual Property Rights (IPR) protection and due diligence are still the building blocks for success.

UK-China Trade

The former British Prime Minister Tony Blair and Chinese Premier Wen Jiabao signed a Joint Statement in May 2004, announcing a "comprehensive strategic partnership" between the UK and China and a commitment to hold annual Summit meetings between the two leaders. Since then, our bilateral relations have expanded quickly and are now broader and deeper than ever before.

China's re-emergence as global economic and political power is dramatically changing the nature of international economic and political relations. China's impact on the UK economy is growing, and with it the opportunities and competitive challenges for UK business.

Current statistics on US-China Trade and China's World Trade figures are available at: <https://www.uschina.org/statistics/tradetable.html>

The UK's main exports to China are:

- Electronic and mechanical equipment and components;
- Information and communications technology;
- Precision instruments (medical, optical, photo, technical);
- Chemicals and plastics;
- Pharmaceuticals;
- Metals and ores.

China's main exports to the UK are:

- IT equipment;
- Clothing;
- Toys;
- Furniture;
- Plastics;
- electrical machinery, and
- telecommunications equipment.

The UK and China Governments have established Task Forces with the aim of enhancing the bilateral relationship in a number of areas including trade and investment.

UK Trade and Investment has identified key sectors where Chinese demand for British expertise is likely to be particularly strong:

- Financial services;
- Energy;
- ICT;
- Healthcare;
- Water;
- Aerospace;
- Automotive;
- Construction;
- Chemicals.

British investment in China is focused in the following sectors:

- Energy;
- Financial services;
- Construction/Infrastructure;
- Retail;
- Telecoms.

Reasons to do Business in China

Investment

China has been one of the world's major economic success stories since reforms began in 1978, and recently became the largest exporter in the world.

China received a total inflow of foreign direct investment in 2007 to \$75 billion and in the same year became the world's largest exporter.

The UK is the largest EU investor in China in cumulative terms with over 5,000 British-invested projects. Major UK companies with investments in China include Arup, BP, Shell, P&O, Rolls Royce, B & Q and Tesco.



The impact of joining the WTO

The terms by which China has agreed to join the World Trade Organisation (WTO) are bound to change large Chinese firms for ever. These large firms will face the full force of competition in the global market place. But the decision to join the WTO is not only of great importance for China but also for the whole developing world. Under the terms of the WTO agreement, China has agreed to unpick the intricate range of mechanisms which for at least the last two hundred years has supported the growth of its domestic corporations to the exclusion inbound businesses. In future China will find it difficult to limit the outside world to its domestic market.

The opportunities for world businesses in transacting with and within China are not limited to large corporations. An important element of **China's future success** is the speed at which employment opportunities in the SME sector can grow as entrepreneurs set up businesses to soak up employees shed from the massive re-structuring that is bound to take place within the large state enterprise organisations.

China Business World provides a listing of official investment guides and various joint-venture or other forms of investment opportunities in China. This can be viewed at: www.cbw.com/business/invest.html

Investment Zones

It is also worth taking into account the wide and somewhat confusing range of investment zones in China – all of which exist to encourage foreign companies to do business in their particular zone. It may be worth exploring whether there are any such zones in the areas of China you are looking at and what incentives are on offer. These range from State approved investment zones, which tend to have more experience and English language capability; to local government zones. But take legal advice on whether local incentives are real or might be revoked by central government a couple of years after you invest.

For more information, visit www.lehmanlaw.com/resource-centre/faqs/business-structures/

Opportunities in China

China currently has the fastest growing economy and the world's second-largest market. With a potential consumer market of more than 1.4 billion people, doing business in China has considerable potential for profit. In the last 20 years, output has quadrupled and China now has the world's second largest GDP. For further information, see:

www.ft.com/cms/s/0/677820ca-40bc-11e1-8fcd-00144feab49a.html#axzz117tU5vUp

Political controls remain tight even while economic controls continue to weaken. Anyone wishing to do business in China should be aware of both the huge potential for profit from a vast new market as well as the potential problems from uncertain controls and regulations.

China still practices strong protectionism for certain markets - in industries where China is trying to become more competitive in the global market, such as chemical production, vehicle manufacture and the production of construction materials. Its controls and regulations limit access by foreign investors to China's market through:

- a multiplicity of seemingly arbitrary rules and regulations many of which can vary by region;
- limited availability of foreign exchange;
- inadequate protection for intellectual property;

- barriers to market access and production controls;
- treating foreign businesses unequally compared to domestic companies;
- having no adequate mechanism for resolving disputes.

Notwithstanding all of the above negatives, China has improved its performance in recent years and seems intent to further improve the investment climate with new reforms. The Chinese government has adopted a more open stance with free trade and with this openness there has been an explosion of business and investment in China's businesses and markets. Opportunities exist in many markets including:

- agricultural chemicals
- aircraft, avionics, and support equipment
- computers and peripherals,
- computer software
- electronics components
- construction equipment and building supplies
- food processing and packaging machinery
- industrial process controls
- laboratory instruments
- medical and dental equipment
- oil and gas field machinery
- pharmaceuticals
- pollution control equipment
- printing equipment
- telecommunications equipment
- textiles



Population

The population of China is 1.338 billion (Source: World Bank, 2010) and is continuing to grow.

Recent years have seen a significant migration of the rural population as more people search for work in the cities, a result of huge growth in construction and the related disappearance of arable land. The urban population accounts for approximately 36% of the total population.

The population in Beijing reached 16.33 million in 2007 with 12.13 million permanent, registered residents and 4.19 million transients, who remained in the city for part of 2007. Other major centres such as Shanghai, Guangzhou and Wuhan are fast

approaching this figure. Large-scale migrations from rural to urban areas have been a significant feature in the development of municipalities in China during the 1990s, and account for the miles of suburbs that are now a feature of provincial capitals. 92% of the population is Han Chinese. There are 55 other ethnic groups, particularly in western and southern China and the border regions.

Growth of income in urban areas continues to outpace that in rural areas. There is a continuing rise in numbers of the middle class in China, who can increasingly afford to buy imported brands, luxury goods and foreign education for their children.

Staffing

Finding the people you need to run your business in China is not significantly different to recruitment in the UK. There are several recruitment agencies currently operating in China, and most operate under the same standards that you would expect of a firm in the West. They will do the sourcing, pre-interviewing of candidates and charge you a percentage of the placed staff's first year earnings or a one-off fee. In addition, there is an active web-based system of advertising both for job seekers and employers, which can be highly effective.

However, finding and retaining the right staff can be a challenge. People with the right mix of skills and experience are in great demand, and poaching is common. It is not uncommon for companies who get it wrong to experience staff turnover of 40% per annum.

It is essential to hire staff with the right language skills. Common mistakes include hiring Chinese staff from outside Mainland China who do not speak Mandarin to the level required, or alternatively hiring staff whose business English is not sufficiently fluent for their role.

Geography

China covers an area of 9,596,960 sq km making it twice the size of Western Europe and the third largest country in the world, after Russia and Canada. China is a highly diverse country and its terrain varies from plains, deltas and hills in the east to mountains, high plateau and deserts in the west. To the south its climate is tropical, whilst to the north it is sub-arctic. Less than

one-sixth of China is suitable for agriculture and the most fertile areas lie in the eastern third of the country, which is economically the most developed region.

The greater part of the country is mountainous (the lowest point is Turpan Pendi at 154 m and the highest point is Mount Everest at 8,850 m). The notable exception is the great China plain, triangular in shape with its apex near Beijing and its base along the Yangtze River between Yichang and Shanghai. The Yellow River and the Yangtze River roughly divide the country into north, central and southern China.



China shares a border with many Asian countries, notably Vietnam, North Korea and India. Land transport across these borders is restricted.

China Provinces, Municipalities and Autonomous Regions

Administratively, China is divided into three basic levels: provinces (autonomous regions, municipalities directly under the Central Government), counties (cities, banners, special districts, industrial-agricultural district, forest district), and townships (towns).

There are twenty-three provinces, five autonomous regions, and three municipalities directly under the Central Government. The administrative units under a province or an autonomous region include prefectures, autonomous prefectures, leagues, cities, counties, autonomous counties, banners, and autonomous banners. Under a county or an

autonomous county are townships, nationality townships, and towns. The municipalities directly under the Central Government and large cities are divided into districts and counties, while the autonomous prefectures are divided into counties, autonomous counties, and cities. The autonomous regions, autonomous prefectures, and autonomous counties are all nationality areas.

- Anhui Province
- Beijing (Peking) Municipality
- Fujian Province
- Gansu Province
- Guangdong (Canton) Province
- Guangxi Zhuang Autonomous Region
- Guizhou Province
- Hainan Province
- Hebei Province
- Heilongjiang Province
- Henan Province
- Hubei Province
- Hunan Province
- Jiangsu Province
- Jiangxi Province
- Jilin Province
- Liaoning Province
- Nei Mongol (Inner Mongolia) Autonomous Region
- Qinghai Province
- Ningxia Hui Autonomous Region
- Shaanxi Province
- Shandong Province
- Shanghai Municipality
- Shanxi Province
- Sichuan (Szechwan) Province
- Taiwan Province
- Tianjin Municipality
- Xinjiang Uygur Autonomous Region
- Xizang (Tibet) Autonomous Region
- Yunnan Province
- Zhejiang Province

Climate

In north China the climate is extreme, ranging from temperatures of -15°C (5°F) in December and January, to 40°C (104°F) in July and August. Dust storms can be expected during April and May. For most of the year Beijing is dry and dusty, the rainy season being restricted to July and August, when it can be very humid. Central China also experiences sub-zero temperatures in

winter and continues to be cold until the beginning of May.

The temperature in summer can rise as high as 45°C in cities such as Wuhan. Humidity is high all year round and can be uncomfortable in summer.

The rainy season lasts from March until June. The climate in southern China is in general sub-tropical, remaining fairly hot and humid until about the end of October. From the point of view of temperature, the best times of the year to visit China are late spring and autumn.

Government Structure

China is in practice a one party state. The National People's Congress (NPC) is indirectly elected. Direct elections for village leaders have also been conducted since 1988. They take place every three years, although it is unclear how genuine and effective they are. The legislature remains subject to Party leadership. However, since 1987 the NPC has been building its oversight capacity over the actions of the government.

Hu Jintao is the current Paramount Leader of the People's Republic of China. He has held the titles of General Secretary of the Communist Party of China since 2002, President of the People's Republic of China since 2003, and Chairman of the Central Military Commission since 2004, succeeding Jiang Zemin as the chief of the fourth generation of leadership of the Communist Party of China.

The 17th Party Congress of October 2007 provided President Hu with an opportunity to put his own stamp on the ideological agenda, advance his preferred candidates to senior positions and secure a political succession consistent with that programme. Whilst the "harmonious society" remained pre-eminent, Hu's singular success was in having his theory of "scientific development" written into the Party Constitution.

This means that although economic development will remain the key goal, growth will be balanced and sustainable in order to address imbalances in society between the prosperous cities and the impoverished rural hinterland. Although this will require innovation in methodology, it



will also be gradual and measured, not radical. This is indicative of Hu's consensus building style, following neither those advocating continued economic reform at all costs, nor the so-called 'new Left' who have called for more focus on social issues.

Although "democracy" was mentioned over 50 times in President Hu's speech, this was very much qualified as "democracy with Chinese characteristics" or "socialist democracy". He alluded to novel methods to increase popular participation in politics to effect electoral reforms at grass roots levels, and even allow direct elections of Party officials in limited circumstances at local levels. Yet the driving purpose is to ensure the long-term stability of Party rule.

Legal Background

The Chinese legal system is a complex amalgam of custom and statute, largely criminal law; rudimentary civil code in effect since 1 January 1987; new legal codes in effect since 1 January 1980; continuing efforts are being made to improve civil, administrative, criminal, and commercial law.

Establishing a Business in China

The following are the main types of business format used by foreign investors in China:

- Chinese-foreign equity Joint Ventures
- Joint Ventures
- Wholly foreign-owned Investment Enterprises
- Chinese Holding Company
- Branch Office
- Representative Office
- Partnership

Further detail on these formats is available at: www.lowtax.net/lowtax/html/asia_pacific/business/china_choosing_business_format.html#china1

A summary of the bureaucratic and legal hurdles an entrepreneur must overcome in order to incorporate and register a new firm, along with their associated time and set-up costs is provided at:

<http://www.doingbusiness.org/data/exploreeconomies/china/starting-a-business>. It examines the procedures, time and cost involved in launching a commercial or industrial firm with up to 50 employees and

start-up capital of 10 times the economy's per-capita gross national income (GNI). The information appearing on webpage was collected as part of the Doing Business project, which measures and compares regulations relevant to the life cycle of a small- to medium-sized domestic business in 183 economies. The most recent round of data collection for the project was completed in June 2011.

Chinese-foreign equity joint ventures

The Law of the People's Republic of China on Chinese Foreign Equity Joint Ventures (the Joint Venture Law) is the basic law on establishing Chinese foreign equity joint ventures. This legislation stipulates that an equity joint venture established within the territory of China must be approved by the Chinese Government and registered accordingly. Joint ventures in China are legal entities and subject to the jurisdiction and protection of Chinese Law.

It is general policy that joint ventures established within China's territory must promote the development of China's economy and the raising of scientific and technological levels. Joint ventures under application for establishment should, in accordance with government policy, comply with at least one of the following requirements:

- they must use advanced technical equipment and scientific managerial methods which help increase the variety, improve the quality and raise the output of products, and save energy and materials;
- they must be open to technical innovation so as to bring about quicker returns and bigger profits with less investment;
- they must help expand exports and thereby increase foreign currency receipts;
- they must help train technical and managerial personnel.

An application for establishing a joint venture will not be approved if:

- it is considered that it will be detrimental to China's sovereignty;
- will violate Chinese law;
- will not conform with the requirements for the development of China's national economy;
- will cause environmental pollution or will, due to obvious inequity in the agreements and articles of association



signed, impair the rights and interests of one of the parties.

Joint ventures are now permitted in most industries, except those restricted due to strategic or economic reasons. Virtually the entire country has been opened to foreign investment, (except for restricted regions).

A typical process, beginning with the identification of a potential joint venture partner and ending with the official state approvals, can take from one to two years or even longer.

Joint Ventures

The Law of the People's Republic of China on Chinese Foreign Cooperative Joint Ventures (the Law on Cooperative Joint Ventures) is applicable to this category of joint ventures.

A Chinese-foreign cooperative joint venture can generally be equated with a partnership. It is also referred to as a contractual joint venture, where the Chinese and foreign investors reach agreement, such as on:

- the conditions for investment or cooperation;
- the distribution of earnings or products;
- the sharing of risks and losses;
- the methods of operation and management; and
- the ownership of the assets at the termination of the joint venture.

Some people regard it as the primary stage in the development of the Chinese-foreign equity joint venture.

The forms of cooperative operation are relatively flexible, and more so than with the equity joint venture. The project can be large or small, the cooperative period can be long or short, and the amount of investments can be large or small. It is relatively easy to reach an agreement and results of the investments can be seen over a shorter period. Since a cooperative joint venture is a contractual cooperative relationship based on the mutual confidence and knowledge of the parties, the parties to it can reach mutually satisfactory arrangements.

The cooperative parties are jointly liable for the debts of a cooperative joint venture and must present guarantees from a bank or their parent company that they will fulfil their joint obligations. However, it is usual for the Chinese and foreign partners to register the

cooperative joint venture as a Chinese legal entity:

- A cooperative joint venture registered as a legal entity is a limited liability company and it assumes liability for debt within all its properties. Each party is liable to the cooperative joint venture to the extent of the capital subscribed or according to the conditions to which it contracted.
- Alternatively, the parties to a cooperative joint venture not registered as a legal entity can reach an agreement in the contract that at least one party can assume unlimited liabilities for the debt of the venture, and that the other party is liable for debt within the limit of the capital subscribed or the conditions to which it contracted. The party with unlimited liabilities has the right to represent the cooperative joint venture and to make final decisions when discussing major issues and is mainly responsible for the operation and management of the venture as well.

Wholly Foreign-Owned Investment Enterprises

A wholly foreign-owned investment enterprise is an independent legal entity and is the most popular of the three vehicles through which China allows direct foreign investment. It is established in China by foreign investors, exclusively with their own capital and in accordance with relevant Chinese laws. It can register as a Chinese legal entity in the form of a limited liability company and independently perform production and operation activities, subject to examination and approval and the issue of the business licence. Such enterprises are usually permitted in sectors which involve either hi-tech transfer or the export of the major part of production. Nevertheless, in many regions more liberal approaches are being taken.

The Law of the People's Republic of China on Wholly Foreign-owned Enterprises (the Law on Wholly Foreign-owned Enterprises) consists of the general principles and rules for:

- the legal status of the enterprise;
- the conditions for and scope and founding procedure of the establishment;
- encouraging and managing the enterprise;
- operating and managing the enterprise.

The wholly foreign-owned enterprise must be beneficial to the development of China's



Intellectual Property

The risk of Intellectual Property Rights (IPR) abuse is commonly cited by UK companies as one of the main deterrents to doing business in China. It is therefore advisable to explore the potential risk to your company's products before entering the market. Virtually all businesses in China – whether domestic or foreign – are at risk of some form of IPR abuse such as piracy, counterfeiting or industrial espionage. If you are thinking about doing business in China you should investigate the threat of IPR abuse of your products. You will need to establish how you can protect your rights, how much it will cost and what other steps you could take, such as including IPR in due diligence checks or finding ways to monitor the market for counterfeits of your products. An experienced independent IPR lawyer is invaluable in helping you to establish the best strategy for your company. There are a number of such experts in Hong Kong who have extensive knowledge of IPR.

There is a large body of legislation concerned with intellectual property and copyright. As well as its own comprehensive copyright and patent laws, China has signed several international treaties aimed at protecting copyright and intellectual property. The Ministry of Foreign Technology and Economic Co-operation (MOFTEC) website has news on the latest laws in China. Also there is a CD-ROM called 'China Laws' which is published by the China Legal System Publishing House. It has information on literally hundreds of Chinese laws: Legislative Affairs Office of the State Council. No. 9 Wenjinjie Beijing 100017, China E-mail: gala@public3.bta.net.cn Tel: + 86 10 6309 7599

economy, shall advance technology and equipment, and should export all or a large portion of its products. Some industries are forbidden or restricted for wholly foreign-owned enterprises.

Chinese Holding Companies

In recent years, some multinational corporations have been given approval by China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) to establish foreign-invested holding companies (also called umbrella companies). These Chinese holdings are analogous to those common in Western countries, although with some differences. After setting up some form of Chinese foreign-owned enterprise, being an equity joint venture or a cooperative enterprise, multinational corporations often wish to establish holding companies. This is done to increase investment or to reinvest in China, as well as to coordinate and manage their investment companies already established in China.

A holding company in China may invest in fields such as industry, agriculture, infrastructure and energy, as long as foreign investment in these sectors is encouraged or permitted by the State. A holding company may provide services like assisting or acting as an agent in purchasing activities, distributing products in domestic and international markets, providing after-sales services, balancing foreign exchange revenue and expenditure among the enterprises, assisting in the recruitment and employment of personnel, providing technical training, providing market promotion, offering consultancy and assisting in seeking loans and providing guarantees.

Branch Offices

A branch office in China is any office maintained for business purposes for which the company's main office holds ultimate responsibility. Because the People's Republic of China does not want to be in the position of not being able to control an entity, as it would not in the case of an offshore parent, China does not officially recognize branch offices of foreign parent firms or allow them to operate in China. The exceptions are branches of international banks which are allowed to operate as such.

Branch offices of domestically organized firms, including joint ventures that have foreign participants and Wholly Foreign-owned Enterprises, are recognized as long as

both the parent and the branch operate in China and are thus accessible to control by Chinese authorities.

The authorities can also grant permission for Chinese organized entities to operate branches outside China. Because of the difficulties, restrictions, and lack of legal standing, branch offices are not considered an appropriate vehicle for foreign investment in China.

Representative Offices

A representative office in China is an entity involved in business activities that do not result in a direct profit being earned by the office:

- The restrictions on its income-earning ability relegate a representative office to such tasks as conducting market research, providing customer information, coordinating the execution of existing contracts, and arranging contacts and local travel for visiting personnel.
- Sales, marketing or production activities are not allowed.

However, although the Chinese allow non-earning representative offices while prohibiting profit-making branch offices, in practice they allow some representative offices to function as quasi-branch offices. Many representative offices - some observers estimate the number at around half of all the representative offices in China - function as de facto branches engaged in income earning activities, although representative offices still cannot operate directly in production, buying or selling. The Chinese implicitly recognize that some representative offices earn income by having fairly detailed regulations for calculating the taxes due on such revenues. All funds needed to establish and operate a representative office are supposed to be channelled through the parent company and all of them must be formally sponsored by a Chinese organization, which assumes official responsibility for the foreign enterprise. Essentially, the Chinese host serves as a proxy parent from whom the government can demand official satisfaction if the guest office misbehaves. As such, the host becomes something of a hostage and is in a position to demand certain considerations from the foreign parent for its services.

The application and required documents must be submitted to the local MOFTEC office for review and approval. Upon approval, the representative office is required to register



with local authorities like the State Administration for Industry and Commerce and the tax bureau.

Taxation

The following is intended to provide a brief outline of tax issues. You should always take professional advice on these matters to determine the correct position according to your own personal circumstances.

Overview of China's Current Tax System³

Tax is the most important source of fiscal revenue of China. It is also an important economic lever utilized by the State to strengthen macro-economic regulation, which produces important impacts on China's economic and social development. After the tax system reform in 1994 and the fine-tuning of it in subsequent years, China has preliminarily built up a tax system adaptable to the socialist market economy, which has been playing an important role in assuring China's fiscal revenue, broadening the opening to the outside world and promoting the sustained, fast and healthy development of China's national economy.

Under the current tax system in China, there are 25 types of taxes, which, according to their nature and function, can be divided into the following 8 categories:

- Turnover taxes: It includes 3 kinds of taxes, namely, Value - Added Tax, Consumption Tax and Business Tax. The levy of these taxes is normally based on the volume of turnover or sales of the taxpayers in the manufacturing, circulation or service sectors.
- Income taxes: It includes Enterprise Income Tax (applicable to such domestic enterprises as state-owned enterprises, collectively-owned enterprises, private enterprises, joint operation enterprises and joint equity enterprises), Income Tax on Enterprises with Foreign Investment and Foreign Enterprises, and Individual Income Tax. These taxes are levied on the basis of the profits gained by producers or dealers, or the income earned by individuals.

Resource taxes: It consists of Resource Tax and Urban and Township Land Use Tax. These taxes are applicable to the exploiters engaged in natural resource exploitation or to the users of urban and township land. These taxes reflect the chargeable use of state-owned natural resources, and

aim to adjust the different profits derived by taxpayers who have access to different availability of natural resources.

- Taxes for special purposes: These taxes are City Maintenance and Construction Tax, Farmland Occupation Tax, Fixed Asset Investment Orientation Regulation Tax and Land Appreciation Tax. These taxes are levied on specific items for special regulative purposes.
- Property taxes: It compasses House Property Tax, Urban real Estate Tax, and Inheritance Tax (not yet levied).
- Behaviour taxes. It includes Vehicle and Vessel Usage Tax, Vehicle and Vessel Usage License Plate Tax, Stamp Tax, Deed Tax, Securities Exchange Tax (not yet levied), Slaughter Tax and Banquet Tax. These taxes are levied on specified behaviour.
- Agricultural taxes: The taxes belonging to this category are Agriculture Tax (including Agriculture specialty Tax) and Animal Husbandry Tax which are levied on the enterprises, Units and/or individuals receiving income from agriculture and animal husbandry activities.
- Customs duties: Customs Duties are imposed on the goods and articles imported into and exported out of the territory of the People's Republic of China.

Exporting

Chinese legislation covering imports and exports is regularly reviewed. Exporters are advised to consult their shipping agents for up-to-date information.

UK Trade and Investment encourages the availability of competitive export finance to all UK companies seeking to export goods or services or invest overseas. For further information visit: www.uktradeinvest.gov.uk

The Integrated Tariff of the United Kingdom contains helpful information on Importing or Exporting. It includes references to the relevant laws and regulations. For further information, visit: www.hmrc.gov.uk

Export licences (from UK)

You should check with Her Majesty's Revenue and Customs to see if a licence is required for any goods you wish to export to China. There are a number of licensing requirements, relevant to exports. These include:

- Common Agricultural Policy (CAP)

Licences:

- The Department for Business, Innovation & Skills (4BIS) Licences;
- Department for Environment, Food & Rural Affairs (DEFRA) Licences;
- Department of Culture, Media and Sports (DCMS) Licences.

An export licence is mandatory if you are exporting certain products. If a licence is required and is not presented at the time of export, the consignment will not be able to leave. For further information, visit:

www.hmrc.gov.uk

The BIS's Export Control Organisation is the first point of contact for information on export controls. They provide advice on many issues, including how to establish whether or not specific goods need an export licence, the different types of export licences, how to complete export licence application forms and how long they take to process. They are also the point of contact for Export Control Organisation publications and licence application forms. For further information visit:

www.bis.gov.uk/europeandtrade/strategic-export-control/index.html

The Defence Export Services Organisation (DESO) can provide information concerning the export of defence related equipment. For further information visit www.deso.mod.uk

For information concerning export controls on antiques and works of art, please visit the Department for Culture, Media and Sport website. For further information visit www.culture.gov.uk

Export Credits Guarantee Department (ECGD)

ECGD can provide insurance or arrange medium/long-term finance packages in a wide range of markets worldwide for UK exporters of capital goods and projects. They can also provide contacts for private sector insurance for UK exporters of consumables.

For more information on how ECGD may be able to help you visit the ECGD website at www.ecgd.gov.uk or contact their helpline: Tel: 020 7512 7887.

Technical Help for Exporters

Technical Help for Exporters (THE) is a service provided by the British Standards Institution (BSI) to provide information and advice on compliance with overseas statutory and other technical requirements.

THE produces a wide range of publications and provides a special updating service of information in some product fields. THE can supply detailed information on foreign regulations; identify, supply and assist in the interpretation of foreign standards and approval procedures; research and consult on technical requirements for a specific product; and provide translations of foreign standards, items of legislation and codes of practice. Fees vary according to the amount of work involved.

For further information visit the British Standards Institution (BSI) website at: www.bsi-global.com/Technical+Information or e-mail: THE@bsi-global.com

Export Documentation

SITPRO is the UK's trade facilitation body dedicated to simplifying the international trade process by cutting red tape. A company limited by guarantee, SITPRO is a Non-Departmental Public Body for which the Department of Trade and Industry has responsibility.

SITPRO manages the UK Aligned Series of Export documents, and licenses a network of approved suppliers to provide them. SITPRO also offer advice, briefings, publications and checklists covering various international trading practices.

Contact SITPRO for more help or information on export documentation and procedures:

SITPRO Ltd
Oxford House
8th Floor, 76 Oxford Street
London W1D 1BS, UK
Tel: +44 (0) 207 467 7280
E-mail: info@sitpro.org.uk
Web: www.sitpro.org.uk

Exporters are reminded of the importance of using the designation: The People's Republic of China on invoices and other documentation.

Labelling and Packaging Regulations

Labelling in Chinese and English is required on all consumer products. Labels need to provide information that includes placement of identification data, identification of the manufacturer, product information, expiry date, and standard quality disclosures. Additionally, many food products may also have to comply with hygiene and ingredients regulations.



External packaging must be strong and able to withstand tropical conditions of heat and extreme humidity. Rain is often extremely heavy and prolonged, compared with Britain, and is liable to penetrate anything which can quickly rust; leather and some textiles will mildew and foodstuffs will degenerate without adequate protective measures. Weather-proof wrappings, greasecoat wrappings for metal items and air-tight containers for foodstuffs, etc, are useful.

Importing

The Integrated Tariff of the United Kingdom contains helpful information on Importing or Exporting. It includes references to the relevant laws and regulations. For further information, visit www.hmrc.gov.uk

Import licenses

You should check with Her Majesty's Revenue and Customs to see if a licence is required for any goods you wish to import goods from China. There are a number of licensing requirements, relevant to imports. These include;

- Common Agricultural Policy (CAP) Licences,
- The Department for Business, Innovation & Skills (BIS) Licences;
- Department for Environment, Food & Rural Affairs (DEFRA) Licences,
- European Commission Licences,
- Forestry Commission Licences and
- Radio Communications Agency (RDA) Licences.

If a licence is needed and is not presented at the time of importation, the goods will not be allowed to enter the country.

Customs Duties

The latest available information about import duties, import control regulations, taxes, and other legislation in China affecting British exports, may be obtained through the UK Trade & Investment China Unit.

In line with increasing international pressure to "level the playing field" and open up its market, the Chinese government has reduced duties on a number of import commodities, though duties on alcohol, tobacco and electronic products remain generally high.

Trade Delegations

China is an enormous country, and business procedures vary from one province to another. Generally, businesses in the southern provinces of Guangdong and Fujian are the most likely to have authority to deal directly with foreigners. Shanghai is also relatively free of government interference. It is still difficult to do business in Beijing.

When sending a trade delegation to China:

- Make sure that you are meeting the decision makers - although Chinese companies are increasingly autonomous in their decision making, the vast majority are still state-owned, and in some cases executives must get approval from superiors in either the government or the party before making a decision.
- Ask to see a company's business registration documents to verify its right to do business with foreigners before you send a trade delegation.
- Remember that the Chinese will evaluate the seriousness of your trade delegation by the rank of your members.
- Note that although China accepts doing business with foreign women and a trade delegation should have no problem having women members, women have not traditionally headed trade delegations.
- You should also keep in mind that the Chinese are a group-oriented people and that they are more comfortable functioning as members of a group than as individuals.
- Remember that you will need an interpreter as English is not commonly spoken. Your interpreter should be multicultural as well as multilingual and able to pick up on feelings, nuances and pronunciations in both English and Chinese. You can assist your interpreter by briefing him thoroughly in advance of your visit.

As hosts, the Chinese will have a programme with events for your delegation, and most of your time will be taken up doing what they have planned. Little serious business will be done on the first day of a delegation's visit to China. This is a time for getting to know one another and for feeling out the personalities who will be involved in later negotiations. Use this time to get to know the Chinese side, and try to determine the status of all the members and their likely relations with one other. The first day may include a factory tour or visits to cultural landmarks, followed in the evening by a traditional Chinese banquet and other social events.

Terms of Payment

The usual method of payment is by irrevocable Letter of Credit (L/C) against presentation of sight draft and shipping documents, opened by the buyers through a Chinese bank in the port concerned. The Chinese authorities require to see the shipping documents in China before authorising payment.

Chinese Language

Language differences can be a big obstacle to meaningful interaction as few people in China speak English well. However, since English is now mandatory in most schools, over time the language barrier may change.

It is an immense asset to know some Mandarin Chinese. Mandarin Putonghua is the official national language in China and is taught at all schools, although there are many incomprehensible dialects.

An important dialect is Cantonese, which is spoken in Hong Kong, Guangdong and other southern regions. The writing systems however use exactly the same characters, regardless of the dialects which differ only in pronunciation. It is possible for a Cantonese speaker and a Fujianese speaker to communicate fluently in writing. But in conversation, they may communicate in Mandarin.

Chinese is a difficult language to speak and understand. There is no alphabet and there is no link between the sound uttered and the symbol which represents it.

Meaning is shown by a symbol, originally a pictograph, to which a phonetic value has been assigned. Chinese is a monosyllabic language and each character has its own pronunciation and its own meaning.

The written language in China differs considerably from that used in Hong Kong, Taiwan and overseas which still make general use of the traditional written forms. The other reform, Pinyin romanisation, is still only used in dictionaries, used to help with the learning of foreign languages and used as an aid to the international standardization of names.

A growing number of younger Chinese managers and government officials speak some English. But for formal meetings and negotiations you will still need an interpreter.

Transactions are made in foreign currency, but if the foreign company has access to local currency through its operations in China, it may consider being paid in Renminbi.

Advertising and Marketing

Market representation

There are many agents and consultants willing to act on behalf of United Kingdom companies wishing to do business in China. These range from large overseas trading firms with branch offices in China, to small specialist agencies based in the region. Lists of such companies may be obtained from the UK Trade & Investment China Unit), CBBC and the Commercial Section of the British Embassy.

An agent or consultant can prove invaluable to a company without the resources to establish a representative office in China, or to those needing additional business intelligence on business practices in the region. The main role of a representative office is to promote products and make contact with end users, to liaise with Chinese commercial and government organisations in matters relating to the company, and to follow up market opportunities.

Sales Promotion

Personal contact is vital to building a successful business relationship in China. Cold-calling approaches to Chinese companies by phone, fax or mail are unlikely to be effective. There is no substitute for face to face contact. Marketing literature should ideally be in Chinese, or if in English should include a Chinese summary.

Advertising

The Chinese advertising industry, which scarcely existed 15 years ago, grew to become the world's 11th largest by revenue in 1996, with a return of US\$3.7 billion.

A key factor in the growth of advertising (apart from China's economic expansion), has been the explosion of the media, with a rise to over 700 television stations, with a choice of 2,000 channels. Other developments include the rapid growth of cable television (now with over 70 million customers), and full-colour magazines. The top advertised categories of product are electronic and electrical goods, toiletries and

medicines, and wines and spirits. The Chinese Government has imposed a blanket ban on all forms of tobacco advertising except on billboards. Many of the world's major advertising agencies are present in China. Over 60% of advertising campaigns use advertisements specifically developed for the Chinese market.



British exporters are advised to consult their advertising agents, before embarking on an advertising campaign.

Business Hours

Government offices and state corporations are open from 08.30 to 17.30. Lunch hours vary both according to the locality and the weather but are generally from 11.30 until 13.30. Many offices are effectively closed on Friday afternoons. Banks are allowed to set their own business hours, but most are open from 09.00 to 17.30, closing between 12.00 and 13.30 for lunch.

In 1994, the Chinese labour laws were amended to provide for a two day weekend. Shops are unaffected by this, however, and most are open continuously between 09.00 and 20.30.

Chinese people rarely miss a meal, eating both lunch and dinner early. 11.30-12.00 to start lunch and 18.00 at the latest for dinner. It is, therefore, advisable to avoid scheduling meetings at lunchtimes if possible.

The British Embassy and Consulate-Generals are closed for lunch between 12.00 and 13.30.

Business Etiquette

The correct designation of China is *The People's Republic of China*, which should be used in all formal communications. The term 'China' may be used informally, but no qualifying adjective which might in any way suggest there is another China should ever be employed.

Normal British dress is always suitable, although in summer, lightweight or clothing made of natural fibres may be more



Guanxi – what is it?

Technically, "Guanxi" stands for any type of relationship. In the Chinese business world, however, it is also understood as the network of relationships among various parties that cooperate together and support one another. Guanxi means exchanging favours, which are expected to be done regularly and voluntarily.

"Guanxi" can take on many forms. It does not have to be based on money. It is completely legal in their culture and not regarded as bribery in any way. There is no need to feel uncomfortable about it. Trustworthiness of both the company and individual is an important component. Following through on promises is a good indication of this. Treating someone with courtesy while others treat him or her unfairly is another aspect. Frequent contact fosters friendship as well. Chinese feel obligated to do business with their friends first. There are risks with this system, as well. When something goes wrong, the relationships are challenged, and friendships quickly disappear.

comfortable. Business visitors are advised to take cool, comfortable footwear. Those who find the sun troublesome may find a lightweight hat useful. Women business travellers are advised to wear modest clothing at work, especially in a negotiation situation, as traditional Chinese gender concepts are still very influential in the workplace.

In China, the family name precedes given names. Thus Mr Li Hongjun should be addressed as Mr Li. It is currently fashionable to address a younger woman as "Miss" and an obviously older woman as "Madame". When addressing senior leaders, it is polite to the person's title in the appellation (for example, Director Wu). Although the term "comrade" is still used in official documents, it is no longer used in speech. Avoid calling a Chinese person by their given name alone unless specifically invited to do so.

Introductions are formal and your Chinese counterparts will usually be presented in order of seniority, and it will help to follow this procedure when introducing others in your group. Shaking hands is customary and business cards should always be presented with both hands: if the cards are printed in both Chinese and English, present your card with the Chinese face up. Small gifts will be appreciated; large gifts could be construed as bribery. Meetings are conducted formally and usually in a meeting or conference room. Be aware that most business propositions are accompanied by food, and it is expected to introduce business over a meal.

Chinese people can be extraordinarily hospitable and kind. Courtesy toward guests is a virtue in Chinese culture; everyday discourse in China can be seen as rude and confrontational. Avoid contradicting your Chinese hosts, particularly in public: the Chinese concept of "losing face" is much stronger than in Western cultures.

Building Relationships

In China, business relationships are personal relationships; establish a trusting personal relationship that demonstrates your respect. Chinese prefer to deal with past sellers, so strong ties must be developed to develop a secure business. The difficulties in cultivating solid and lasting relationships can be the biggest obstacle to success in China. A Chinese who does not already know a potential associate will hesitate to do

business with him until he has had time to get acquainted and to size up the potential associate's character and intentions.

Doing business in China depends on guanxi - 'connections', 'relationships' and, in a sense, 'influence'. People invariably rely on guanxi (instead of say, contract law, civil courts, business ethics, or such) to facilitate and cement their business dealings. It is a huge advantage for an outsider to be introduced as a friend or relation to a guanxi network by a member of the network. This gives you a certain 'insider' status; the local parties will make an effort to know you better and will expect mutual trust.

Understanding guanxi is more important than all the work researching and establishing foreign offices - after completing your first successful move into this vast market of opportunity, you will find all your efforts pointless and fail terribly in China without the practice of guanxi.

The best way to make contact with potential Chinese business associates is to have a mutual friend serve as an intermediary and introducer. There are also many business consultants who can provide assistance for a fee. Chambers of commerce, small business associations and Chinese international trade offices may help you to find contacts too.

Attitude towards Contracts

China is just beginning to institute the rule of law in business. Nevertheless, Chinese executives generally view written contracts as virtually meaningless compared to personal commitments between associates. In contrast to the Western (and Hong Kong) view, some Chinese still consider a contract to be a loose commitment to do business, not a legally binding document outlining every aspect of the business relationship:

- Some executives would rather sign a short agreement on the principle of doing business and allow subordinates to work out the details at a later time.
- Try to avoid this situation if you can, as it increases the chance of misunderstanding on both sides and necessitates further negotiations, which can be costly.
- While negotiating a detailed contract is important, remember that the Chinese often view any deal with foreigners as only one part of a larger, ongoing relationship.

Chinese Culture

Confucianism
Confucius (551-479 BC) largely shaped the modern mentality and culture of the Chinese people and society. The Chinese people call him Kong Fuzi or Kong Zi or Master Kong. Confucianism is not so much a religion as it is a code for social conduct. The basic principles of Confucian thought are:

- Obedience to and respect for superiors and parents
- Duty to family
- Loyalty to friends
- Humility
- Sincerity
- Courtesy

In the workplace, respect and status increase with age. Work units have a hierarchical structure, with a company supervisor at the apex directing the affairs of immediate assistants, who in turn direct the affairs of their subordinates.



Tao and Taoism
The philosophy of Taoism originated with Laozi (Laotse, Tao), who lived in the 6th century BC. One of the main principles of Taoism is the concept of *wuwei* or doing nothing. A quote attributed to Laozi, '*Do nothing, and nothing will not be done*', emphasises this principle. The idea is to remain humble, passive, non-assertive and non-interventionist. Sima Qian, a Chinese historian who lived from 145 BC to 90 BC, put it another way: '*Do not take the lead in planning affairs or you may be held responsible*'. Non-intervention or '*live and let live*' are the keystones of Tao. Harmony and patience are needed, and action is obtained through inaction. Taoists like to note that water, the softest substance, will wear away stone, the hardest substance. There have been different interpretations of Tao. Unlike philosophical Taoism, which has many Western followers, Chinese Taoism is a religion.

Transport and Travel

Air

Most visitors to China will arrive by air and air travel is still the most convenient way to travel in such a large country as China. There are regular services between major cities, with hourly services between the larger centres during the day. Most services are now operated with western aircraft. Return tickets can now be issued for all routes. It is not always possible to purchase or confirm tickets for Chinese domestic flights from outside China, but tickets may be bought and/or confirmed in the larger hotels on arrival. Travellers are advised to book tickets well in advance if intending to travel at or around the Spring Festival or other major Chinese holidays.

Many airlines serve China. British Airways and Air China both operate three direct services per week from London to Beijing – a flight time of approximately ten hours. Virgin flies direct to Shanghai (Pu Dong airport) 4 times per week.

From Hong Kong, Air China and Dragonair fly to many Chinese cities. There are now hourly flights to Beijing and Shanghai during the day.

Other airlines serving Beijing, Shanghai or Guangzhou include United, Northwest, JAL, ANA, Asiana, Singapore Airlines, Thai, Garuda, Philippines, Malaysian, Pakistan Airlines, El Al, Aeroflot, Taron, LOT and Mongolian Airlines.

Rail

Trains are inexpensive and, generally, are a safe mode of travel and transportation. They can be very crowded but are a popular way to travel, even for long distances.

Trans-Siberian express trains are noted for smuggling. Search your compartment and secure the cabin door before departure. Petty theft from overnight trains and buses is common.

Roads

In some parts of China the poor quality of roads and generally low driving standards leads to many and sometimes serious, accidents.

Sea

Although there is much sea transportation of freight, personal sea travel is best avoided. There have been several incidents of overcrowded ferries sinking, leading to loss of life. There have also been attacks of piracy in the South China Sea.

Hotels

There is a wide selection of joint venture hotels in Beijing, Shanghai and Guangzhou, including UK hotel chains such as Hilton International and Holiday Inn and an increasing number of such hotels in the other large cities, many of which offer a good standard of accommodation, business and leisure facilities and a bureau de change. If you are invited by a Chinese organisation, it is normal for them to make the reservations, but they may well book you into a wholly Chinese-owned hotel. These do not, however, generally offer the same level of accommodation and facilities as the joint venture hotels. It has become customary for hotels to quote room rates in US\$. A service charge of 15% is normal.

Travel Advice

The Foreign and Commonwealth Office (FCO) Travel Advice Unit provides up-to-date advice on problems that may arise owing to political unrest, violence, natural disasters and epidemics. Travel advice is available at www.fco.gov.uk

The FCO has advised against all but essential travel to the earthquake disaster zone in Sichuan Province. This includes areas in and around Beichuan, Dujiangyan, Mianyang and Wenchuan. The provincial capital of Chengdu and large parts of eastern Sichuan Province are now operating normally.

In May and June 2008 parts of southern China, including Yunnan and Guizhou Provinces, and Shanghai and Chongqing districts were affected by localised flooding. In late June 2008 Tibet reopened to foreign tourists. This follows violent protests in Lhasa, Tibet and widespread unrest in some Tibetan areas of neighbouring provinces in March 2008.

There is an underlying threat from terrorism in China. This reflects both the global risk of indiscriminate terrorist attacks and the possibility of terrorist acts by groups opposed to the Chinese Government.

Health advice

Travellers should check with their local health centre to find out what vaccinations they will need before going to China. No vaccination certificates are required by visitors from the United Kingdom, unless travellers visit any infected areas en route.

If visiting regions south of the Yangtze River between April and December, visitors are advised to take anti-malarial drugs. If regular supplies of prescribed drugs are required, visitors should bring a complete supply with them, sufficient to cover their stay plus one or two days extra in case of delays in their return journey. Prescribed medication should be carried in hand luggage only. It is sensible for visitors to bring medicine to counteract possible stomach upsets caused by changes of food and water. Those susceptible to insect bites should bring some form of mosquito repellent, even if travelling only in northern China.

Visitors requiring medical treatment for routine ailments and accidents will find Chinese health services reasonably efficient and conscientious. In emergencies, a doctor may be contacted through your host organisation or hotel staff. At present there are several foreign clinics in both Beijing and Shanghai able to offer western medical services, as well as in Guangzhou. It is preferable, where possible, to seek treatment only after consultation with the British Consular representative.

The FCO strongly recommend that you obtain comprehensive travel and medical insurance before travelling to China. The following are the main health concerns:

- Epidemics of Avian Influenza (Bird Flu) which first occurred in flocks of poultry in parts of Asia in 2004. Travellers to China are unlikely to be affected, but you should avoid live animal markets as well as places where you may come into contact with live poultry. The latest human fatality was in 2008.
- Note that an intestinal virus, a variant of hand, foot and mouth disease, has been affecting China. By 9 May 2008 there were over 61,000 reported cases, including 38 deaths, but cases have diminished rapidly since this time. Cases have occurred throughout China but the most affected Provinces were Guangdong, Anhui, Zhejiang, Shandong and Henan with children being at particular risk from the virus.

For further information on health issues visit the World Health Organisation website at www.who.int or the Department of Health's website at www.dh.gov.uk.

Passports/Visas

British nationals will require a valid passport and visa. One passport photo and the original passport must be submitted together with the visa application form. Ensure that your passport will be valid at least several days after the date on which you intend to return to the United Kingdom in case of delays in your return journey.

- If you are applying for a tourist visa you will need to supply travel information including return airline ticket, hotel booking and itinerary in China.
- If you are applying for a business visa you must have an invitation from a Chinese organisation such as a ministry, corporation or other institution. It is not unusual for foreign firms to request such invitations from a trading corporation. An invitation in the form of a fax is usually sufficient for the visa application.
- A single or double entry visa is usually valid for entry within 3 months from the date of issue.
- Multi-entry visas are normally valid for 6 months and only issued according to official invitation letters for business visitors.

For up-to-date information concerning visa charges and processing time, contact:
The Embassy of the Republic of China,
Chinese Consulate-General (in Manchester)
Chinese Consulate-General (in Edinburgh).

In Hong Kong, business visas can be obtained from:

China Travel Service (HK) Ltd
78 Connaught Road
Central Hong Kong
Tel: +852 28533533
Fax: +852 25422381

About the China-Britain Business Council (CBBC)

Whether you are first timers, just starting to develop your business in China, or you are already established in the market, the China-Britain Business Council (CBBC) can help you achieve success in one of Britain's key priority markets.

CBBC is the UK's leading agency helping British companies do business in China. It is a business led partnership between government and industry with a proven track record of promoting British trade in China dating back to the 1950s. CBBC is widely recognised and respected at the highest level of both Chinese and British Governments. They organise many useful high-level business events with trade related government ministers from both countries.

CBBC is a membership organisation with over 300 British company members who receive exclusive services. Companies join both for high-level contact and also because of the wide range of practical help that are on offer. Over one third of CBBC members are SMEs.

Check their website for more details at www.cbcc.org or call 020 7828 5176.

Useful Contacts

China Accounting and Taxation

- State Administration of Taxation - www.chinatax.gov.cn/n6669073/index.html
- Beijing Audit Institute of Certified Public Accountants - www.cpa800.com/english/about.htm
- Chinese Securities and Regulatory Commission - www.csrc.gov.cn/pub/csrc_en/
- Chinese Institute of Certified Public Accountants - www.cicpa.org.cn/english/

China-Britain Business Council (CBBC)

The China-Britain Business Council (CBBC) is UKTI's official service provider for China and is the leading organisation helping UK companies grow and develop their business with China.

3rd Floor, Portland House, Bressenden Place, London, SW1E 5BH, UK
Tel: +44 (0) 207 802 2000
Email: enquiries@cbbc.org
Website: www.cbbc.org

China Business Environment

- China business and information link - www.cbw.com
- China Business News - <http://cnbusinessnews.com/#axzz1I8H1Zg1u>
- Economic news, market analysis and statistical information about China - www.cei.gov.cn/default.aspx?tab=159
- Chinese National Bureau of Statistics - www.stats.gov.cn/english/newsandcomingevents/t20120120_402780233.htm
- A database of recent updates to Chinese law - <http://law.wustl.edu/chinalaw/intersou.html>
- TDC is the global marketing arm and service hub for Hong Kong-based manufacturers, traders and service exporters (English) - www.tdctrade.com

China Economic Review

China Economic Review

(www.chinaeconomicreview.com/) is the leading English language business journal about mainland China. It provides in-depth coverage on all aspects of trade and investment with the People's Republic. China Business Handbook is the essential business and travel guide to China. This is probably the largest China business index on the Internet.

Website:

http://export.gov/china/build/groups/public/@eg_cn/documents/webcontent/eg_cn_037539.pdf

China Foreign Investment

- Invest in China: official website of the newly formed Ministry of Commerce - www.fdi.gov.cn/pub/FDI_EN/default.htm
- China Council for the Promotion of International Trade - http://www.ccpitzj.gov.cn/index_E.php
- Waigaoqiao Free Trade Zone, Shanghai, one of China's earliest and largest free-trade zones - www.shme.com/intro/zone/zone16.htm

China Government and Other Official Bodies

- State Development Planning Commission Tel: 0086 10 6850 2968 Fax: 0086 10 6850 2728
- Ministry of Agriculture Tel: 0086 10 6419 2452 Fax: 0086 10 6419 2468
- Ministry of Communications Tel: 0086 10 6529 2215 Fax: 0086 10 6529 2201
- Ministry of Construction Tel: 0086 10 6839 4049 Fax: 0086 10 6831 3669
- Ministry of Culture Tel: 0086 10 6555 2035 Fax: 0086 10 6555 1934
- Ministry of Foreign Affairs Tel: 0086 10 6596 2600 Fax: 0086 10 6596 2660
- Ministry of Foreign Trade and Economic Cooperation Tel: 0086 10 6519 8804 Fax: 0086 10 65219 8904
- Ministry of Health Tel: 0086 10 6401 2133 Fax: 0086 10 6401 2369
- Ministry of Information Technology Tel: 0086 10 6603 8848 Fax: 0086 10 6601 1370
- Ministry of Science and Technology Tel: 0086 10 6853 0145 Fax: 0086 10 6851 2594
- People's Bank of China Tel: 0086 10 6619 4114 Fax: 0086 10 6601 5346
- Invest in China: official website of the newly formed Ministry of Commerce - www.fdi.gov.cn/pub/FDI_EN/default.htm
- People's Republic of China General Customs Administration - <http://english.customs.gov.cn/publish/portal191/>
- People's Republic of China State Administration of Foreign Exchange SAFE (English & Chinese) - www.safe.gov.cn/model_safe_en/index.jsp?id=6
- State Administration of Taxation - <http://202.108.90.130/n6669073/index.html>
- National Audit Office of the People's Republic of China (English & Chinese) - www.cnao.gov.cn/main/index.htm

The CIA Factbook

The CIA World Factbook has a wealth of business, economic and financial information about China.

Website: www.cia.gov/cia/publications/factbook/geos/Intro

UK Trade & Investment

The UK Government website with free information to help you export successfully. They provide more than 300 sector reports, giving an overview of sectors in countries where opportunities exist.

Tel: +44 (0) 207 215 8446

E-mail: mushtaq.bux@uktradeinvest.gov.uk

The US Embassy-China

The US Embassy-China website supports the Embassy Mission by providing valuable information on a variety of subjects, including bilateral trade issues such as market access and intellectual property rights, macroeconomic policy, sector specific government policies, and other topics such as labour issues. The section also supports visiting U.S. government delegations and maintains contacts with a variety of Chinese government organisations.

Website: <http://beijing.usembassy-china.org.cn/>

Country Data

Feature	Country Data
Country name	Conventional long form: People's Republic of China (Abbreviation: PRC). Conventional short form: China Local long form: Zhonghua Renmin Gongheguo Local short form: Zhong Guo
Local time	GMT+ 8 hours
Population	1.338 billion (Source: World Bank, 2010). China is the most populous country in the world.
Capital City	Beijing
Language/ Ethnic Groups/ Religion	Languages: Standard Chinese or Mandarin (Putonghua, based on the Beijing dialect), Yue (Cantonese), Wu (Shanghaiese), Minbei (Fuzhou), Minnan (Hokkien-Taiwanese), Xiang, Gan, Hakka dialects, Ethnic groups: China has 56 ethnic groups - Han Chinese 91.9%, Zhuang, Uygur, Hui, Yi, Tibetan, Miao, Manchu, Mongol, Buyi, Korean, and other nationalities 8.1% Religions: Daoist (Taoist), Buddhist, Muslim 2%-3%, Christian 1% (est.). Note: officially atheist.
Area	Area: Total: 9,596,960 sq km (land: 9,326,410 sq km, water: 270,550 sq km). The world's fourth-largest country (after Russia, Canada, and USA). Border countries: Afghanistan 76 km, Bhutan 470 km, Burma 2,185 km, Hong Kong 30 km, India 3,380 km, Kazakhstan 1,533 km, North Korea 1,416 km, Kyrgyzstan 858 km, Laos 423 km, Macau 0.34 km, Mongolia 4,673 km, Nepal 1,236 km, Pakistan 523 km, Russia (northeast) 3,605 km, Russia (northwest) 40 km, Tajikistan 414 km, Vietnam 1,281 km
Public/Statutory holidays	Holiday dates can be found at: http://en.wikipedia.org/wiki/Public_holidays_in_the_People's_Republic_of_China Almost all Government departments and companies are closed for the entire week of the Spring Festival and the entire week for National Day.
Dialling code from UK	0086
Local currency	The official currency of China is the Renminbi (RMB). The basic unit is known as the yuan - A yuan is divided into 10 jiao. A jiao is subdivided into 10 fen.
Banking system	China's central bank is the People's Bank of China (PBOC), under which are the state-owned specialised banks: Bank of China, People's Construction Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China and Bank of Communications. The Chinese government has established new investment banks which engage in various forms of merchant and investment banking activities on a profit-loss basis: China International Trust and Investment Corporation (CITIC), CITIC Industrial Bank and Investment Bank of China.
Weights and measures	China uses the metric system in weights and measures.
Electricity supply	The supply is at 220V, 50 AC. Plugs can be three-pronged angled, three-pronged round, two flat pins, or two narrow round pins. Conversion plugs may be difficult to find in China.

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

Acknowledgements and References

¹ Source: <http://www.isj.org.uk/index.php?id=777&issue=133>

² Source: <http://www.ukti.gov.uk/export/countries/asiapacific/foreast/china.html>

³ Source: <http://english.tax861.gov.cn/zgszky/zgszky01.htm>

⁴ The Department for Business, Innovation & Skills (BIS) was formerly known as the Department for Business, Enterprise and Regulatory Reform (BERR) and before that was called the Department for Trade & Industry (DTI).

⁵ Some of this publication is based on information provided by UK Trade and Investment and the Foreign and Commonwealth Office and Crown Copyright therein is duly acknowledged.

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