U.S. Department of State
FY 2001 Country Commercial Guide: China

The Country Commercial Guide for China was prepared by U.S. Embassy Beijing and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

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I. EXECUTIVE SUMMARY

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.

Many of 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 non-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 $361 billion in 1999. 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. A burgeoning Chinese middle class lives in relatively comfortable flats fully equipped with the accoutrement enjoyed by most Westerners: refrigerator, TV, VCD player, stereo, air-conditioner. Such Chinese have enough disposable income to dress well, eat out when they want to and take trips to domestic tourist sites. Although personal cars and foreign travel are still relatively rare, the presence of these and other luxury goods and services in the media and in the lives of the members of China's upper class create a latent demand.

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 $13 billion in 1999, only 2% of our global exports, and less than U.S. exports to China's smaller neighbors such as South Korea ($23.0 billion) and Singapore ($16.2 billion), and even to Taiwan ($19.1 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. investments 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.

China is a market with vast potential. The trick is realizing that potential. China's pending accession to the World Trade Organization (WTO) will make it easier for U.S. firms to do this, but it is false to believe that WTO entry provides an end-all solution. Do your due diligence – twice. Opportunities are available in China, but companies must pay heed to the many obstacles. This report can help identify both.

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 economy picked up some momentum in the first half of 2000, and consumer prices increased for the first time in over two years. The government expected GDP to grow by over 7% in real terms, compared with the previous year, when the growth rate was 7.1%. Growth in 1999 was already the lowest in the past eight years and would have been much lower without a two-year special spending program that stimulated the economy from mid-1998 to mid-1999. (Official figures put out by the Chinese government are often inflated by incorrect, even exaggerated reporting from the provinces. They are generally acknowledged to reflect major trends.)

Many analysts credit China for achieving a "soft landing" for its economy — bringing about stable growth with low inflation after earlier bouts of inflationary excess. Stringent monetary policies actually caused consumer price levels to decline in 1998 and 1999. But some economists worry that China may not be able to create the high levels of investment and profitability needed to resolve the structural problems that beset the nation's state-owned sector, which has far too many workers and which includes huge state-owned banks that amassed a mountain of bad debt. Together with the chronic difficulty in finding employment for hundreds of millions of rural Chinese seeking a better life in the cities, these problems pose a serious long-term challenge.

Little pressure to devalue the currency (renminbi — RMB) existed in mid-2000. A growing gap between relatively lower Chinese interest rates and generally higher overseas rates, however, caused many individuals and corporations to shift their bank balances in China. (Foreign exchange controls help prevent the kind of capital flight that plagued Mexico, Thailand and other countries in earlier periods.) China received international acclaim for maintaining the value of its currency during and following the Asian financial crisis in late 1997. Although some believe China will widen the band in which its currency trades, China continues to enjoy large trade and investment surpluses and has accumulated a war chest of $156 billion in official reserves, more than ample to defend the exchange rate.

The government has stepped up its efforts to downsize many state-owned enterprises (SOEs), but investment in the state-owned sector accounted for most new investment in 1998 and 1999. The SOEs have close linkages to the banking system; most have built up huge balances of delinquent “policy loans” with the state-owned banks. Tighter control of the banking system has also led to a build-up of inter-company “triangular” debt, estimated at around RMB 1.3 trillion in 1999. SOE inventories remain high, although the increase in inventories for the economy as a whole slowed from 15% per year in 1998 to less than 6% in 1999. This slowdown occurred as SOEs finally wrote off their stockpiles of unmarketable or low-quality goods. SOE sales and profits were up sharply in the first five months of 2000. Losses at loss-making SOEs remained unchanged from the previous year (about RMB 36 billion).

The central government acknowledges that unemployment and income inequality are growing problems. The average per capita disposable income of urban residents in 1999 was $708 while rural per capita income was $266. Rural incomes were overstated because the value of farm produce consumed at home was included; actual cash held by farmers was much lower. The World Bank estimates that as many as 200 million Chinese live below the poverty line.

China’s chronic and growing labor surplus is not reflected in the official unemployment rate of 3.3%. The official data do not account for approximately 23 million people laid off “temporarily” in the state sector or 80-120 million surplus rural workers who make up a “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 reached RMB 3.5 trillion in 1999, an increase of 8.5% over 1998, in “real” (inflation-adjusted) 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. Recently growth was strongest in the communications, computer, and electronics components sectors, although basic industry continued to make up the bulk of total GDP.

Retail sales of consumer goods reached RMB 3.1 trillion in 1999, up 6.8% over 1998 in nominal terms and about 9% with deflation added in. Retail demand increased by more that 10% in nominal terms during the first five months of 2000 — the first time double-digit growth had been sustained for more than one month since 1997. Sales were strongest in the restaurant sector; demand for manufactures remained weak. (Chinese typically spend more money on eating out than their level of income would suggest because many of their needs, like housing, have been provided by the government free of charge. This is changing as individuals bear more and more of the cost of their education, health, housing and other social needs. The prices of these types of services continued to rise by double digits throughout the deflationary period.)

C. Government Role in the Economy

Since the beginning of reform in 1980, the role of the government in the economy has been strong. Although government revenue has been falling as a share of GDP, off-budget revenues and expenditures are equal to official allocations in many sectors. And, as the ultimate owner of SOEs, the government continues to control roughly two thirds of GDP and employment. The long-term plan is to sell the government share in most corporations to the public, except for industries deemed essential to national security. But the definition of national security is currently quite broad, including telecommunications, mass media, and other areas not included in other countries.

The government eliminated controls on the price of transportation services and some grains at the beginning of 1996. Controls on cotton were eliminated in 1999. Fuel prices have generally been in accord with international prices, although they are adjusted only once or twice a year. The government sets all interest rates and fees at financial institutions. Further elimination of price controls, especially coal prices, could benefit lower-income interior areas.

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. In 1999, infrastructure investment grew by only 6%, down from 20% the previous year. State planners have earmarked RMB 1.4 trillion in investment for the year 2000, about a 13% increase over 1999 in nominal terms.

The relatively tight credit policy implemented in recent years 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% of investment in infrastructure in 1998. These funds come from an increasing variety of sources, including special construction funds, surcharges on power and other utilities, provincial and local government budgets, and domestic loans from the China Development Bank and other banks.

Chinese officials have said they would prefer 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, the enforceability of contracts, access to foreign exchange, the cumbersome approval process, etc. work against foreign participation in infrastructure projects, particularly in the road, rail and power sectors. The impediments to foreign involvement in infrastructure projects are gradually disappearing. 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 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 legitimization 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 members of the Falun Gong spiritual movement outside the Zhongnanhai leadership compound in downtown Beijing in April 1999, offered a dramatic example of the sorts of challenges likely to confront the CCP as China continues to open and become more pluralistic. Falun Gong members continue to stage periodic protests; there are also frequent incidents of rural and labor unrest.

Political relations with the U.S. deteriorated following the accidental bombing of the Chinese Embassy in Belgrade, Yugoslavia, in May 1999. During the year since the bombing, bilateral relations have gradually recovered. The United States and China reached a settlement in December 1999 on claims for property damages resulting from the bombing. Conclusion of a WTO bilateral trade agreement in November 1999 was also a boost to bilateral ties.

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. Distribution rights may change after WTO accession but not in current trading activities. 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 and 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 wholly foreign-owned enterprise (WFOE, often pronounced "woofy") 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 WFOEs 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 WFOEs, 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. Within three years of WTO accession, restrictions on equity share, number of outlets and geographical area are to be eliminated.

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 electronic commerce in China. Interest among both Chinese and international businesses focuses on investing and on establishing vertical integration and sales channels on-line. Investment is risky, however, due to the lack of clearly 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, and WTO accession will increase the speed of these developments.

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, billboard displays, internet, and sports sponsorship.

China’s retail boom and increasing competition among retailers is making China’s advertising industry grow even faster than the economy as whole. According to China’s National Advertising Association (under the State Administration for Industry and Commerce, or SAIC), over-all advertising spending reached $ 7.5 billion in 1999, a 15.4 percent growth over 1998’s volume. China has about 64,000 advertising businesses, including more than 500 foreign joint ventures. Foreign advertising firms are limited to taking an equity stake of up to 51 percent in joint venture enterprises. All of the major international advertising firms are present in China.

Television advertising takes the largest single portion of the Chinese advertising market. China’s regular television viewing population is 84 percent of China’s 1.2 billion people. Major articles sold on television include toiletries, foodstuffs, pharmaceuticals, liquor, and home electronics. Television stations in big markets (Beijing, Guangzhou, Shanghai) require advertisers to book and pay for specific spots two to ten months in advance.

Now that China is in the midst of a consumer revolution, foreign products, complete with advanced marketing, advertising and research techniques, are leading the way. Brand awareness is increasingly important and sophisticated advertising is beginning to play a crucial role in charming the

Chinese consumer. Foreign products are expected to continue making inroads despite 1999 regulations calling for more control over customer surveys that help foreign firms enhance their marketing effectiveness.

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 the use of superlatives. Chinese restrictions within the advertising sector include requirements for the verification of safety and hygiene from the relevant ministries that monitor various consumer products. Censorship standards vary considerably throughout China.

MOFTEC and SAIC are the primary regulatory organizations for the advertising sector, but many other organizations, such as the Ministry of Culture and the State Administration of Radio, Film and Television, play an active role in controlling what ends up in print or on television.

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, and state trade departments, and other professional show organizers. Show participation costs are sometimes high and may only reach a local audience so companies are advised to scrutinize which shows to participate in. A list of trade shows that are screened by the U.S. Department of Commerce are listed in the appendix.

Electronic Commerce and the Internet: The rapid growth of the internet raises interest in using "e-commerce" in China. 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. Beijing and Shanghai SAICs have begun a licensing process to create a "reasonable and reliable market." In May 2000, nearly 30 internet companies were awarded licenses to sell online advertising.

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
Beijing 100054, China
Tel: (8610) 6351-0762
Fax: (8610) 6353-9408
Website: http://www.economicdaily.com.cn

Beijing Youth Daily
#66 Dong San Hua Nan Lu
Beijing 100021, China
Tel: (8610) 6731-7711
Fax: (8610) 6733-3704
Website: http://www.bjyouth.com.cn

International Business Daily
Building 14, Block 3, Fang Xingyuan, Fangzhuang
Beijing 1000078, China
Tel: (8610)6762-8419
Fax: (8610)6762-6878
Website: http://www.moftec.gov.cn

International Trade News
#28 Dong Hou Xiang, An Ding Men Wai
Beijing 100710, China
Tel: (8610) 6425-0466
Fax: (8610)6421-1398
Website: http://www.itn.com.cn

Renmin Youdian (People's Post & Telecommunication)
#11 An Yuan Lu, Chaoyang District
Beijing 100029, China
Tel: (8610)6496-2936/6496-2969
Fax: (8610)6496-2945
Website: http://www.chinainfo.com.cn

Beijing Business
Bai He Hall, 2/F Scitech Hotel
22 Jiangguomenwai Dajie
Beijing 10004, China
Tel: (8610) 6512-3388 ext 2338/2358

Fax: (8610) 6512-3415
Website: http://www.cbw.com/busbj

Jie Fang Daily
300 Hankou Road
Shanghai 200001, China
Tel: (8621)6352-1111
Fax (8621)6351-6517
Website: http://www.jfdaily.com.cn or www.jfdaily.com

Wen Hui Daily
50 Huqiu Road
Shanghai 200002, China
Tel: (8621)6321-1410
Fax: (8621)6323-9748
Website: http://www.whb.online.sh.cn

Shanghai News
300 Hankou Road
Shanghai 200001, China
Tel: (8621)6227-8800
Fax: (8621)6322-5073
E-mail: focus1@public6.sta.net.cn

Xin Min Evening News
839 Yan-an Zhong Road
Shanghai 200040, China
Tel: (8621)6279-1234
Fax:(8621)6247-3808
Website: http://www.xmwb.sh.cn

Guangzhou Daily
Add: 10 Tong Le Rd., Ren Min Zhong Rd
Guangzhou 510121,China
Tel: (8620) 8188-3088
Fax: (8620) 8188-2345
Website: http://www.asia1.com.sg/gzbao

Yang Cheng Evening News
Add: 733 Dong Feng Zhong Rd
Guangzhou, 510085
Tel: (8620) 8777-6211
Fax: (8620) 8776-5103
Website: http://www.ycwb.com.cn

GD-HK Information Times
Add: #1, 733 Dong Feng East Rd.

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

Information Times
99 Si You Xin Rd
Guangzhou, 510600 China
Tel: (8620) 8738-1168 ext. 8406, 8407
Fax: (8620) 8738-1557
Website: http://www.cninfotimes.com

Guangdong Commercial News
Add: 50 Dong Hua North Rd.
Guangzhou 510080, China
Tel: (8620) 8767-9981
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
Website: www.nanfangdaily.com.cn

Nanfang Weekend
289 Guangzhou Da Dao Zhong,
Guangzhou 510601, China
Tel: (86-20) 8739-6882
Fax: (86-20) 8737-0368
Website: www.nanfangdaily.com.cn

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 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. Foreign Invested Companies (FIEs) can provide such services on products that they manufacture in-country. Foreign firms sometimes 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.

E. Sales to the Government

In 1999, new regulations controlling government procurement were issued by the Chinese State Development Planning Commission (SDPC). While ostensibly making the system more transparent and open, it also centralizes the procedure much more. In the past, government procurement was conducted through state-owned/controlled companies affiliated with a particular ministry. Since these entities will remain the main end-users of the purchases, their participation in the process will probably continue.

China's government procurement practices have often not been consistent with open and competitive bidding and, for the most part, non-transparent. It is unclear at this point how the new regulations will streamline a system that previously was 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 but that is supposed to change under the new regulations. Goods and vendors for large projects that are covered in the annual state plan have been 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 (CDs, VCDs, 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 a 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 $1 billion. Severely limited market access for products such as foreign movies and computer software provides an additional incentive for smugglers and counterfeiters. Foreign companies have devoted considerable on-the-ground resources to combating IPR violations, with mixed results. In early 2000, a coalition of these companies did gain recognition from Chinese authorities as an official organization to protect their products.

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 agrochemical products for up to seven-and-a-half years. A revised patent law is now under review.

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: China is revising its copyright, trademark and patent laws to meet the requirements of TRIPS and WTO accession. The revised patent law is closest to completion, and the copyright and trademark laws are also likely to be revised.

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; and

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

G. Professional Services

The system for regulation of foreign commercial activity in China is difficult to navigate and non-transparent. Companies new to market are strongly encouraged to retain professional services to structure commercial transactions. Establishing a wholly foreign owned subsidiary, joint venture, or representative office requires compliance with complex contract approval requirements, business registration requirements, taxation regulations and statutes, and labor regulations. Many foreign banks, accountants, attorneys, and consultants have established offices in China and are familiar with Chinese requirements. Some Chinese professional service providers also have substantial experience serving foreign clients.

Accountants: Chinese law requires representative offices and foreign invested enterprises to engage the services of accountants registered in China to prepare officials submission of annual financial statements and other specified financial documents. Therefore, only Chinese accountants and joint venture accounting firms may provide these services. All the Big Five accounting firms (KPMG Peat Marwick, Pricewaterhouse Coopers, Deloitte Touche Tohmatsu, Ernst & Young, and Arthur Andersen) have established offices in China and provide services ranging from providing advice on taxation matters and preparation of investment feasibility studies, to setting up accounting systems that are in compliance with Chinese law. Among accounting firm clients, multinationals are shifting their focus from market entry strategies to business operation efficiency. During the past six years, their market share has grown from 2% to 30%.

Attorneys: During the past eight years, many U.S. and international law firms have received approval to register in China as a foreign law firm. Prior to l992, most foreign law firms were registered as consulting firms. More than one hundred foreign law firms currently operate in China, of which nearly thirty are based primarily in the United States. Foreign law firms registered in China are restricted to advising clients on legal matters pertaining to the jurisdiction where they are licensed and general international business practices. Although a foreign lawyer may not offer a legal opinion, clients can obtain assistance with structuring transactions, drafting contracts, and resolving disputes. Only attorneys licensed in China may appear in court and provide legal advice on Chinese legal matters. Foreign law firms are allowed to open only one office in China and are not allowed to employ Chinese lawyers in that firm. Foreign lawyers are not permitted to qualify to practice law in China and are not allowed to form a joint venture with Chinese lawyers

Management Consultants: Foreign companies new to the Chinese market typically engage the services of local consultants to develop market entry strategies, conduct due diligence investigations, and identify potential investment partners, sales agents and customers. More than 100,000 companies are active in the Chinese consulting industry, of which 65% are foreign firms that generate 85% of consulting industry revenue. Licensed and unlicensed firms compete in the market, and the regulatory environment for this services sector is unclear. Only four foreign consulting firms have received a consulting firm license – BCG, Arthur Andersen, China Consulting Association, and the

Lei-Da Group of Hong Kong.

Advertising: Approximately 64,000 advertising firms exist in China, of which 500 are foreign invested enterprises. Foreign advertising firms are limited to a 51% maximum equity stake. The major international advertising firms have established a presence in China. Companies new to market can gain valuable advice from top-notch advertising firms on how to effectively craft an effective advertising strategy that is responsive to Chinese consumer preferences and cultural differences. Advertising is strictly regulated in China, and penalties for violation of the law through misleading advertisements, unauthorized use of national symbols, or other prohibited forms of advertising are subject to fines of 100,000 RMB ($12,500).

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

H. Due Diligence

Undertaking a due diligence investigation prior to engaging in a trade or investment transaction can minimize risk of encountering commercial disputes. The primary causes of commercial disputes between Chinese and American companies concern breach of contractual payment obligations, irregularities in accounting practices, financial mismanagement, undisclosed debt, and struggle for control within joint ventures. These problems can be minimized by investigating the financial standing and reputation of local companies before signing contracts with them. Both U.S. and Chinese firms with offices in China conduct due diligence investigations; the former include Dun & Bradstreet, Kroll Associates, and Pinkerton Consulting Services. The fees charged by these companies may be considered a useful investment to ensure that the local customer or partner is financially sound and reliable. The U.S. Foreign Commercial Service's International Company Profile (ICP) is not offered in China at this time.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

A. Best Prospects for Non-Agricultural Goods and Services

1. Pharmaceuticals
2. Medical Devises
3. Insurance
4. Franchising
5. Telecommunications Equipment
6. Computers and Peripherals
7. Computer Software
8. Cable Television Equipment
9. Airport and Ground Support Equipment
10. Pollution Control Equipment
11. Machine Tools
12. Plastic Materials & Resins
13. Building Materials
14. Power Generation

15. Fine and Specialty Chemicals
16. Agricultural Chemicals

Below are the descriptions and statistics for the best prospective U.S. commercial exports to China for 1998-2000 (in $ millions). The exchange rate used was 8.27 RMB to $1. All statistics are unofficial.

1. Pharmaceuticals (DRG)

Until recently, China's pharmaceuticals market has been one of the fastest growing markets in the world. From 1990-1999, the western pharmaceuticals market grew almost 20% annually and has now expanded into a $22 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 joint venture 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. Now some regions are starting to introduce a tendering system in procurement of drugs which could also impact unfavorably imported and joint-venture drugs. It is hoped that WTO accession will open the distribution system by allowing private and foreign firms to operate in the distribution system.

In 1999, gross domestic output value reached $23 billion, increasing 21% 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). The OTC system has been introduced in 1999, and this will further increase the volume of drugs sold through the retail outlets. The government is now encouraging development of chain drug stores, but the full effect might not be seen several years later.

The young subsector market for dietary supplements has taken off in the past several years. Experts estimate that the industry, will grow to $6.1 billion this year and $12.1 billion in 2010. 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.)

	1998	1999	2000
Total Market Size	20,116	22,469	24,718
Total Local Production	19,728	23,920	24,716
Total Exports	693	625	687
Total Imports	387	628	691
Total Imports from U.S.	35	52	57

The above figures are calculated in $ millions from Chinese Customs statistics (only registered imports therefore are included) and production figures from SETC (which include traditional Chinese medicine production).

2. Medical Devices (MED)

China is the second largest medical-device market in Asia (after Japan), estimated at more than $4 billion for 1999. The market is now the third largest in the world for high-technology equipment like CT (Computed Topography), Nuclear Medicine, MRI (Magnetic Resonance Imaging) and Ultrasound equipment. Imports account for 40-50% of market share, with the U.S. controlling 37-39% of the total imported product market, followed by Japan and Germany. Although figures are highly varied depending on the market segment, market growth in general is expected to be about 10% over the next three years.

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 (Good Manufacturing Practice) guidelines. Domestic industry strength will continue to be in the low- to medium-technology range, although a small number of local manufacturers are now capable of producing certain high-end products.

The Chinese health care system is currently in a state of change. Over the past several years, the Chinese Government has instituted a series of reform measures in both the urban and rural health care systems in a bid to brake the rapid inflation of healthcare costs. 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 State Drug Administration, which has serious resource constraints, can still be a lengthy process. Overlapping regulation by different government agencies, including the State Administration for Entry-Exit

Inspection and Quarantine (SAIQ), State Administration for Quality and Technological Supervision and Inspection as well as the Ministry of Health (MOH) remains a problem for foreign medical equipment suppliers.

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.

	1998	1999	2000
Total Market Size	3,698	4,881	5,181
Total Local Production	3,628	4,363	4,712
Total Exports	210	428	463
Total Imports	280	846	931
Total Imports from U.S.	104	313	344

The above estimates are calculated in $ millions from Chinese Customs statistics (only registered imports are included and production figures are estimated from SETC and China Medical Device Association).

3. Insurance Industry (INS)

The insurance industry has shown rapid growth within the past few years, particularly the life insurance market, as Chinese citizens' average annual income has grown. In addition, the increase in private businesses, coupled with the decline of job opportunities in the state sector as a direct result of China's state reforms, has sparked people's interest in buying all types of insurance ranging from property to life.

The industry has been growing at an average annual rate of 26.7% since 1980. According to insurance specialists, in the next five years China's insurance industry should maintain a growth rate of 13%. By the end of 1999, total industry assets amounted to $30.7 billion, up 27.9% from 1998. Total insurance premiums for 1999 reached $16.78 billion, up 10% from 1998. In 1999, China's "insurance depth" (the proportion of premium income to GDP) was still only 1.67%, with an "insurance density" (average per capita premium income) of just $13.4 per person. Industry analysts estimate that by 2004, total insurance premiums should top $31.4 billion, achieving an "insurance depth" of 2% and "insurance density" of $24 per person. Other experts forecast the market will grow to about $120 billion in the next ten years.

As of the end of 1999, total assets of foreign-funded companies amounted to $0.53 billion, accounting for 1.7% of the total assets of China's insurance industry. The insurance premiums of foreign insurers in China in 1999 reached $0.22 billion, representing just 1.3% of the country's total. In Shanghai, which is one of only two cities "open" to foreign insurers, the market share of foreign-funded companies reached 13%.

By the end of 1999, there were 13 domestic Chinese insurers (four state-owned corporations and nine joint-stock companies). Insurance in China is still dominated by domestic companies. Of the thirteen domestic companies, the top five, People's Insurance Company of China, China Re, China Life, China Pacific and Ping An are national companies with the freedom to operate nationwide. Other local companies such as Hua An and Guotai have more restrictive business licenses, limiting them to particular regions.

To date there are 15 foreign insurers with operating licenses (nine in operation and six pending approval): four from the United States (AIG and Aetna in operation, and Chubb Group and John Hancock pending approval by China Insurance Regulatory Commission), two from Britain (Royal & Sun Alliance in operation and Prudential UK pending approval), two from Canada (Manulife in operation and Sun Life Assurance pending approval) plus one each from Japan (Tokio Fire and Marine in operation), Switzerland (Winterthur in operation), Germany (Allianz Dazhong in operation), France (Axa-UAP in operation) and Australia (Colonial Mutual in operation). In addition, China agreed in the EU-China Bilateral WTO Accession Agreement to immediately grant seven (five life and two non-life) licenses to EU members. The China Insurance Regulatory Commission recently granted (pending approval) two of these life insurance licenses to ING from Holland and Assicurazioni Generali from Italy. Altogether, over 110 overseas insurers from 17 countries and regions have set up 202 representative offices in 14 cities. These representative offices are not permitted to sell insurance products. Some of them are applying for and awaiting licenses; others focus on collecting information, studying the market and establishing relationships.

Growth of the insurance sector is poised to continue with the market opening commitments in the U.S.-China Bilateral WTO Accession Agreement and the EU-China Bilateral WTO Accession Agreement. Market access barriers such as restrictive licensing have been addressed in these agreements. China has agreed to grant licenses on a prudential basis, without numerical restrictions or discretionary "economic needs" tests. Companies can obtain a license if they have more than 30 years of experience in a WTO member country; a representative office established in China for two consecutive years; and global assets of more than $5 billion.

Additional WTO commitments include: All geographic restrictions will be phased out within three years of accession; internal branching is permitted consistent with the phase-out of geographic restrictions; reinsurance, master policy insurance and large-scale commercial risk insurance can be provided nationwide upon accession; health, pension and group products can be sold two and three years from accession, respectively; and brokerage services will be permitted.

	1998	1999	2000
Total Assets	24,000	30,700	39,200
Total Insurance Premiums	15,000	16,780	18,800
Foreign Insurers Premium	N/A	220	N/A
Insurance Depth	1.57%	1.67%	1.77%
Insurance Density	12	13	15

The above figures in the first three rows are calculated in $ millions and in the last row is calculated in $ ones, and represent official and unofficial estimates.

4. Franchising (FRA)

Strong economic growth, along with economic reform, has resulted in a tremendous expansion of China's retail industry in the past two decades. The environment of the retail sector turned sour during 1998-99, in part due to the Asian financial crisis. The growth rates of retail sales dropped to 6.8% in 1999 from an average annual growth rate of 21% during 1990-97. Latest statistics indicate that the retail sector has been improving since the beginning of 2000.

Franchising has proved a promising mode of entry into China's consumer markets and tapping into portions of Chinese 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 Starbucks are also quickly making their way to more Chinese cities.

The potential for franchise development in many lucrative markets, however, is presently still unexploited. 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.

Although franchising offers many advantages to foreign companies wanting to expand to China, it also presents many potential problems: There is a shortage of local management talent; Chinese laws on intellectual property rights are still weak; and laws governing franchises are inadequate.

As a result, some of the well-known international franchises, including McDonald's and KFC, are not operating as franchises. Instead, they are joint ventures and wholly foreign-owned outlets. Others, such as Dairy Queen and Subway, are operating as traditional franchises.

	1998	1999	2000
Sales of Chain Stores and Franchises	12,100	18,100	23,500

The above figures are calculated in $ millions and represent unofficial estimates.

5. Telecommunications Equipment (TEL)

China slowed down its investment in telecommunications infrastructure in 1999, investing $18.3 billion, 14% less than 1998. The two major reasons for this were the reorganization of the telecommunications service sector following the break-up of the monopolist China Telecom and the uncertainty of the telecommunications network's future until internet protocol (IP) became the dominant application in the second half of the year.

Despite the investment slowdown, by the end of 1999, the number of fixed line telephone subscribers increased by 24% to reach 110 million and mobile phone users increased by 76% to reach 43 million. Year-end nationwide teledensity reached 13% while urban telephone penetration reached 28%. By the end of May 2000, the number of fixed line telephone users jumped to 125 million and mobile phone users to 58 million.

China's efforts to prepare for accession to the World Trade Organization (WTO) and the introduction of IP telephony have brought more players into China's telecommunications service market: China Telecom, China Mobile, China Unicom, China Netcom, and Jitong Communications. Other entities like the Network Center of the State Administration of Radio, Film and Television (SARFT), the telecommunications division of the Ministry of Railway, and the National Power Corporation are lobbying heavily to become service providers using their existing infrastructure. 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) plans to expand the nationwide broadband network using fiber optic cable, microwave and satellite systems; build out the nationwide GSM mobile network and explore new services like mobile banking and internet access based on the existing GSM network; prepare for the deployment of third generation technology of mobile communications; improve management and billing systems; and promote internet usage, especially electronic commerce and electronic business.

China plans to invest $25 billion in telecommunication infrastructure in 2000. And by the end of the year, China expects to add 30 million fixed line users, 30 million mobile phone users, and 11 million data/multimedia communications users. Year-end nationwide teledensity is expected to reach 16% while urban telephone penetration will go to 29%.

Beginning in early 1999, MII required 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 monitors the operations of all Chinese-foreign joint ventures to ensure that their performance abides by their contractual obligations. Greater flexibility is sometimes shown to foreign companies that have exclusive technology or are willing to invest in priority areas such as inland China.

Although China has delayed the deployment of the U.S.-developed CDMA system, China Unicom, the only carrier licensed to build and operate the CDMA system, has not given up its plan to build a CDMA (IS-95 B or CDMA2000 1x, or TD-SCDMA) infrastructure, which might happen in 2001. China also plans to provide more bandwidth for its access network, both terrestrial and satellite, because of its growing market demand for information services. China is aggressively laying fiber optic cables throughout the country and is updating its backbone transmission network with the latest technologies, including ATM, SDH, and DWDM.

China's telecommunications services sector remains closed to direct foreign participation. However, China's WTO accession will eventually open both the basic and value-added services markets. According to the WTO Agreements China signed with the United States and the European Union, China is committed to:

opening immediately upon accession the key telecom services corridor in Beijing, Shanghai and Guangzhou, which carries about 75% of all domestic traffic, to foreign carriers with up to 25% foreign ownership in mobile services and 30% foreign ownership in value-added services;

phasing out all geographic restrictions for valued-added services within two years of accession; mobile services within five years; and domestic wireline services within six years; and

allowing 49% foreign ownership in mobile services within three years of accession in 17 major cities and within five years for all of China; 49% in international and domestic fixed line services within six years; and 50% in value-added services within two years.

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

	1998	1999	2000
Total Market Size	11,500	13,000	16,000
Total Local Production	6,500	7,500	9,400
Total Exports	2,000	2,500	3,000
Total Imports	7,000	8,200	9,600
Total Imports from U.S.	800	850	1,000

The above figures are calculated in $ millions and represent unofficial estimates.

6. Computers and Peripherals (CPT)

The Chinese computer market grew 16.2% in 1999, despite GDP growth of 7.1%, according to CCID, a research organization under the Ministry of Information Industry. The market size changed from $17.9 billion in 1998 to $20.8 billion in 1999, and the industry total output reached $24.8 billion. Software and computer service sectors expanded by 27.5% in 1999.

Driven by the fast development of the internet, as well as educational needs of children, in 1999 China sold 4.91 million PCs, an increase of 20.4% compared with 1998. The value for 1999 was $6 billion, a 6.4% increase compared to last year. About 35% of PCs sold were purchased by families.

Domestic brand computers took 51.7% market share, while foreign brands took 25.3% of the market. Although foreign brand computers have less market share than before, they are still the major players in the business computer field.

In 1999, the scanner market increased another 100%. Since more scanners under RMB 1000 ($121) are available on the market, families have begun to purchase them. At the other end, an increase of notebook computer sales dropped from 31.7% to 25.7% due to the booming personal digital assistant (PDA) market.

A key change is the entrance of several Chinese television manufacturers in the computer business. This has increased competition. In 2000, 5.6 million computers are expected to be sold by the end of the year.

Table: Computer and Peripheral Market in $ million

		1998	1999			
		Sales	Increase		Sales	Increase
	Mainframe	175	18.2%	224	28%	
	Mini	1966	-22.8%	3645	85.4%	
Station	6225	-19.9%		11,759	88.9%	
	PC server	108k	8.0%	129k	19.4%	
	Desktop	3,735k		16.0%	4,487k	20.1%
Notebook	237k	31.7%		298k	25.7%	
	Monitor	4,150k		14.6%	4,920k	18.6%
	Printer	1,831k		24.8%	2,342k	27.9%
Scanner	198k	90.4%		406k	105.1%	
	Switch	134k	34.0%	162k	20.9%	
	Hub	383k	66.5%	330k	-13.8%	
Network card	3,245k	170.4%		5,050k	55.6%	
	Modem	960k	60.0%	1,450k	51%	
	Router	124k	12.7%	1,350k	8.9%	

7. Computer Software (CSF)

Major growth in software markets is imminent, although illegal copying of software keeps the piracy rate over 90%. Significant new demand has been created by the government's commitment to buy legal copies and the removal of illegal software copies with Y2K flaws. For now, the most sought after retail products are games and entertainment software, but Windows 2000 did allow Microsoft to announce an 83% increase in China revenues. Stiff competition from Linux is emerging, which provides foreign vendors with an opportunity.

The highest dollar value software is in operating systems and database management software. Japan remains a strong competitor in the computer game industry. Most U.S. computer products appear to enter China via gray marketing channels from Hong Kong and do not appear in official Chinese trade statistics. The following figures do not include the software used in telecommunications switches.

	1998	1999	2000
Total Market Size	1,700	2,220	2,800
Tot. Local Prod.	700	900	1,300
Total Exports	10	10	20
Total Imports	1,000	1,300	1,500
Total Imports from U.S.	850	1,000	1,200

The above figures are calculated in $ millions and represent unofficial estimates.

8. Cable Television Equipment (AUV)

China has the world's largest number of cable TV subscribers; 80 million in 2000 and an expected

150 million by 2010. Chinese households have 264 million TV sets and the average cable fee per month is $1-2 for a typical 20-channel system. The country boasts 5,300 cable operators of which 1,300 are approved by the State Administration of Radio, Film and Television (SARFT). China's cable TV network stretches over 2.4 million kilometers, including 300,000 kilometers of fiber optic lines.

The value of China's cable TV equipment market reached $1.6 billion in 2000. Growing at a 45% clip, the equipment market is expected to be worth $6 billion by 2005 and the size of the entire cable TV market, including cable TV programming services, will reach $12 billion by that time. U.S. equipment for cable TV production, headends and networks make up a whopping 60% of China's imports in this sector, and U.S. equipment compose about 45% of all cable TV equipment sold in China, according to SARFT.

China's cable TV structure is, in many ways, a bottom-up phenomenon. The 1,300 approved stations are managed and financed autonomously by local governments, local SARFT branches or local Communist party committees. The additional 4,000 networks are run by even smaller operators. For instance, about 2,000 counties, 600 townships and villages and over 1,400 work units, factories and housing compounds run their own cable networks.

Among the focal points of China's cable TV equipment market are digital compression, intra-provincial and nationwide cable TV interconnects, and value-added service offerings, including the network management system, video-on-demand (VOD), music-on-demand (MOD), billing management system; SDH transmission system; SDTV transmission system, distance learning and medicine, e-commerce, video-conferencing, high-speed internet access and cable telephony.

The following detailed list, provided by SARFT, reflects the kind of equipment that China is importing. The main breakdown is between production and headend/network equipment.

The production equipment include camera/camcorders, videotapes, cables, monitoring systems, non-liner editing systems, 3D animation software, VCD production systems, audio consoles, audio gathering recorders, editors, tripods, projectors, caption generators, non-liner video workstations, MPEG compression systems, touch screens, microphones, recording systems, editing consoles, adapters, wireless communication systems, animation workstations, teltext production & playout systems, AV distant transmissions, lighting, audio amplifier speakers, amplifiers, digital video effect, monitors, batteries, CD players, SGI workstations, special AV cards, audio workstations, lighting consoles, earphones, and fittings and accessories.

The cable TV headend and network equipment include modulators, rack/cases, combiners, audio balance converters, end-user boxes, trunk amplifiers, power supply, distribution amplifiers, scramble & descramble systems, optical receivers, fiber splitters, fiber amplifiers, demodulators, consoles, AV splitters, logo generators, channel inserters, line amplifiers, power inserters, splitters, billing software, optical splitters, optical cables, mixers, screen walls, AV switchers, TV text readers, amplifiers, equalizers, lightning arresters, fiber connectors, cables, fiber adapters, filters, auto playout systems, AV processors, switchers, source graphic generators, computer management systems, attenuators, broadband amplifiers, channel selectors, optical transmitters, and fiber jumpers.

Although Chinese authorities do not allow direct foreign investment in television broadcast units, foreign companies can build cable systems and sell cable equipment. U.S. companies have sold equipment to construct many of SARFT's disparate cable TV networks. SARFT now oversees networks that stretch through over 20 provinces in China. U.S. companies have advantages over third country competitors in almost every kind of cable TV product, especially digital technology products, but prices for some U.S. products are considered higher than those of European and Japanese products, according to some Chinese distributors.

China's Central Television Station (CCTV) in the past only broadcast programs that it made by itself, but this year CCTV adopted a new regulation that allows the company to purchase TV programs that are made by other production studios. This will result in more independent production companies making TV programs. This may enhance equipment sales because of the expected intensified competition among production studios.

	1998	1999	2000
Total Market Sizes	605	1,209	1,600
Total Local Production	73	121	145
Total Exports	0.60	0.97	1.09
Total Imports	508	1,088	1,209
Total Imports from U.S.	266	605	726

The above figures are calculated in $ millions and represent unofficial estimates.

9. Air Traffic Control and Ground 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 airport infrastructure. Over 40 airports throughout China have already been built or upgraded in the past five years. An equal number of airports are slated for initialization or upgrade under China's next five-year plan, which begins in 2001.

China's aviation system is undergoing a major change from having a few wide-body aircraft make a few flights per day to major airports, to smaller 50-100 seat aircraft making many flights per day to more cities, some with very small airports. China has seen the advantages of using a hub-and-spoke air routing system, and should make the changeover to this system by 2005. There is intense competition for the right to become a hub, and unlike the United States, the hubs will likely be the Beijings and Shanghais of China, rather than smaller hub cities like Pittsburgh in the United States.

Airport development and construction covers a wide range of products and services, including initial design and engineering services, construction equipment, specialized runway and air traffic control equipment, cargo inventory management facilities, telecommunications, x-ray equipment, emergency vehicles and even retail concessions and airport management services. Specialized training for air traffic controllers could also be grouped under this broad and growing sector of the aviation market. U.S. companies are seen by the Chinese as the world leaders in many of these categories.

With a country as geographically large as China, hard currency tourism revenues growing rapidly, air cargo volume taking off, and local population becoming increasingly affluent, the government has placed a high priority on improving the entire air travel system. Much of the construction on the new airports has been done with local products rather than more expensive imports. One month after the opening of the Dalian airport (which used a small fraction of imports), the roof leaked during a mild rain. Unfortunately, this scenario is played out in many other cities. To the extent that U.S. firms are able to convince airport authorities of their superior quality, and resulting lower long-term costs, they will be better able to compete against the cheaper but better connected local suppliers. Local, cheaper products don't always win though. One-upmanship can be used to U.S. firms' advantage, as some airport authorities are using imported equipment to emphasize their own high status in the aviation community.

The data provided below summarize the import trend of airport equipment and services, based on imports in several HTS categories. These categories only represent imports of radar, remote radio control apparatus, navigational aids, elevators and escalators, baggage sorting and handling equipment systems, communication systems, signaling & safety equipment for airfields, special vehicles, baggage x-ray machines, and runway friction testers, so the statistics are best viewed as incomplete, though representative of general trends.

Industry analysts and business people agree that the Chinese authorities have available funding and the interest in purchasing nearly $500 million of air traffic control equipment during the next five years, although nearly $150 million will likely go to a single company for the area control centers.

	1998	1999	2000
Total Market Size	1,335	1,114	887
Total Local Production	539	328	315
Total Exports	191	178	173
Total Imports	928	922	745
Total Imports from U.S.	215	194	215

The above figures are calculated in $ millions and represent unofficial estimates. Trade numbers are based on Chinese customs figures for the HTS codes 842810, 84798940, 8526, 85281340, 85308000, 86080090, 870190, 87021020, 8705, 87091100, 90221910, and 90318090. Local production figures are calculated on the basis of combined information from the Chinese government and China Transportation Yearbook 1999.

10. Pollution-Control Equipment (POL)

Quantifying the Chinese environmental market is difficult because accurate data are scarce and environmental goods and services do not fit cleanly into standard customs classifications. China spent roughly $10 billion on environmental protection in 1999, equal to 1% of GDP and representing an increase of 15% over 1998. The Chinese hope to boost environmental spending to 1.5% of GDP by the end of 2000, but this seems unlikely at the time of publication. Although the nation as a whole appears to have fallen short of this goal, some booming coastal cities with enlightened leaders, such as Shanghai, Xiamen, and Dalian, claim to be spending 2-3% of local GDP on environment protection.

The overall 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. Large firms or consortiums that can provide turnkey solutions often have an edge.

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. China's accession to WTO will help U.S. environmental exporters by lowering tariffs and discouraging import substitution policies, but change is expected to be neither instantaneous nor dramatic in this sector.

China's WTO environmental services commitments cover sewage services, solid waste disposal services, cleaning services for exhaust gases, noise abatement services, nature and landscape protection services, and other environmental protection services. However, environmental monitoring and pollution source inspection are excluded. Under the bilateral WTO agreement, foreign service suppliers may provide environmental consultation services through cross-border delivery, without having to establish a representative office in China. All other foreign service suppliers may operate in China through a joint venture.

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 competitors from other developed countries have already gained firm beachheads because these firms are now winning contracts with the help of subsidized loans, grants, and other tied aid from their governments. According to the United Nations Development Programme (UNDP) statistics, environmental tied aid programs are not drying up, and many U.S. companies cite this as their biggest competitive challenge.

	1998	1999	2000
Total Market Size	4,030	4,700	5,500
Total Local Production	1,800	2,090	2,420
Total Exports	50	65	70
Total Imports	2,280	2,675	3,150
Total Imports from U.S.	360	450	510

The above figures are calculated in $ millions and represent unofficial estimates.

11. Machine Tools (MTL)

Sophisticated American numerically controlled machine tools are always the first choice in China. However, strict U.S. Department of Commerce (USDOC) export controls on five-axis machine tools, USDOC export license rejections, U.S. Consular Service business visa rejections, and lengthy visa processing times, continue to drive Chinese buyers to look toward Germany, Japan, England, Sweden, Switzerland for their machine tool needs.

In spite of continued U.S. export control restrictions on the sale of machine tools to China, U.S. manufactured machine tools are highly desired by Chinese buyers. As China prepares for WTO accession, China's basic manufacturing industries will need the most advanced machine tools to be able to even contemplate competing globally within the WTO. For example, the Chinese auto part manufacturing industry could have a great impact on U.S. auto parts manufacturers and suppliers if China can produce the sophisticated parts required by the U.S. auto industry. China will require advanced metallurgy processes and advanced machining capability to get into this market and stay alive.

European and Japanese machine tool competitors are cutting total machine tool line price quotes in China by manufacturing the lower end of their machine tool line in China. U.S. machine tool companies are now mulling over this idea but virtually no major U.S. machine tool manufacture is making machine tools in China, although some have some limited technical licensing agreements with Chinese machine tool builders.

The major China target market for U.S. machine tools builders are firms with ready money and poised to grow with the WTO. This kind of firm is most likely going to be a private manufacturing enterprise established in Zhejiang or Jiangsu provinces. These two provinces appear to have the largest number of large private enterprise manufacturers with the best manufacturing and marketing skills and are therefore are best prospects for machine tool sellers. The companies around Beijing are mostly State Owned Enterprises with limited capital and limited entrepreneurial ability.

There is virtually no market for the sale used machine tools in China unless the used equipment is part of the capital equipment of a JV or WFOE being set up or transferred to China.

The Association of Manufacturing Technology (AMT) the spokesman for the U.S. machine tool industry, has representative offices in both Beijing and Shanghai. Contact information for AMT-Beijing is:
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	1998	1999	2000
Total Market Size	2,870	3,113	3,424
Total Local Production	1,713	1,819	2,001
Total Exports	234	221	243
Total Imports	1,391	1,515	1,666
Total Imports from U.S.	102	126	133

The above figures are calculated in $ millions and represent unofficial estimates. The source of the 1998 and 1999 figures are the China Machine Builders Tool Builders Association (CMBTA). The figures for 2000 are USFCS estimates based on CMBTA first quarter results.

12. Plastic Materials and Resins (PMR)

The plastic materials and resins market in China is being driven by the demand end-user industries for higher quality products. According to the 1999 statistics, imports accounted for 2/3 of the total market demand. However, in recent years more imports have been coming from Asian competitors whose currencies plummeted during the Asian financial crisis.

The local market requires imports of general-purpose thermoplastic resins, including polyethylene (LDPE and HDPE), polypropylene (PP), polystyrene (PS), acrylonitrile butadiene styrene (ABS) and polyvinyl chloride (PVC). This market is subject to fluctuation of up-stream supply and down-stream market demand.

Special engineering plastics and other resins, which possess special physical and chemical properties, are used widely in various industries as special materials. U.S. engineering plastics products have high-technology inputs and are very competitive in the local market. These plastics are mostly used in special parts for autos, refrigerators, computers, fiber-optic cable and other hi-tech industries. This segment is expected to grow faster than any other.

China's accession to the WTO will provide significant benefits to U.S. plastics and resins exporters. China will reduce average chemical tariffs by more than 50% by January 1, 2005. Specifically, the average rate of 14.74% will be reduced to a final average rate of 6.9%. Quotas will be eliminated on virtually all chemical products upon accession. The remaining quotas on polyethylene terephthalate slices or chips will be eliminated in 2002. China has also agreed that any entity will be permitted to import most products, including plastics and resins, into China after a three-year phase-in period. U.S. companies operating in China will also be able to freely distribute plastics materials in China.

Market estimates below show sizeable increases from last year's calculations. This is due in part to price increases due to high oil prices and the success of China's anti-smuggling drive.

	1998	1999	2000
Total Market Size	12,282	13,650	15,150
Total Local Prod.	4,600	4,950	6,000
Total Exports	525	400	550
Total Imports	8,207	9,100	9,700
Total Imports from U.S.	570	600	680

The above figures are calculated in $ millions and represent unofficial estimates.

13. Building Materials (BLD)

The U.S.-China Presidential Housing Initiative, announced in 1998 in Beijing, provides for increased cooperation between the two countries on improving China's housing. Perhaps more influential to U.S. companies' ability to compete will be China's accession to the WTO. Currently, China's tariff rates for many building materials attempt to "encourage" local production over exports, thereby making U.S. marketing difficult. Having said this, the Chinese know that they lack the technology held by U.S. companies in the areas of environmentally-friendly and energy-saving building materials. Customs statistics is unavailable in these categories of materials simply because the idea is so new that specific HTS codes are not set aside for them yet.

Other technologies are also sought by the Chinese to build stronger, longer-lasting structures of higher quality with lower cost. U.S. companies already in the China market for structural products have found that their technologies are superior compared to the traditional earthen brick-based technology. U.S. companies providing these superior materials in a form the Chinese will find difficult to copy stand a good chance of entering and being successful in this market. But the International Property Right (IPR) question must be carefully considered by each firm, prior to entry. Many U.S. firms have been robbed of their ability to compete on the basis of quality because of the rampant use of poor quality counterfeits using their name and exterior design.

China's housing construction market continues to flourish. According to the Chinese Statistical Bureau, in the first four months of this year 67 million square meters of housing was started, up 33.6% from the previous year's numbers. Still, more than 90 million square meters of housing were lying idle in 1999, 21.2% more than in the same period of 1998.

Much of this discrepancy lies in the planning, or lack thereof, on the part of the developers. To take advantage of lower land costs, low income housing is often built too far away from jobs and transportation. But without adequate transportation, schools and jobs, Chinese choose to live in inferior conditions but closer to services. On the high end, properties go vacant because of an inflated impression of what expatriates will pay for poorly-designed homes with little to no storage space and quirky features unappealing to them.

China's commercial houses were sold at an average of 2,091 RMB ($253) per square meter in the first four months of 2000, up 3.8%. Housing prices for the selected regions of Beijing, Shanghai and Guangdong reached 4,704, 3,282 and 2,864 RMB ($570, $397, $347) per square meter, respectively. Projections for growth over the next few years are estimated to be into double-digits, although general economic factors could pull that down to 8-9%.

The housing mortgage system currently in place in China is unable to help the average person purchase a home. Efforts are being made to introduce a secondary mortgage market that would allow more people to use housing loans. Home loans, although having a legal limit of 30 years are usually granted for a shorter 10 – 12 year payback period after as much as 1/3 to ½ is given as a down payment. The financing is of critical importance as to how fast the housing market moves. Foreign companies are not allowed into this arena yet.

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 1999.) In Shanghai, for example, these two types of housing generally cost in the $272-302 (2,250 – 2,500 RMB) per square meter range. The third group amounts to less than 1% of all housing, and is geared towards expatriates and wealthy Chinese. This type of housing starts at the $700-1,000 (5,800-8,300 RMB) per square meter level.

While there is intense competition among 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.

	1998	1999	2000
Total Market Size	47,597	52,530	57,909
Total Local Production	49,000	54,000	58,860
Total Exports	4,521	4,690	5,911
Total Imports	3,118	3,220	4,960
Total Imports from U.S.	241	245	396

The above figures are calculated in $ millions 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.

14. Power Generation (ELP)

After two years of poor growth, China's power industry is again regaining momentum on the back of large investment in plant construction and further development of the power grid. According to official statistics, China invested 18.5 billion RMB ($223 million) in the sector during the first quarter of 2000. This represents a year-on-year rise of 17.6%.

In addition to higher investment, China has benefited recently from greater overall economic activity and growth in 1999. Because of this China generated 1.16 trillion kwh of electricity in 1999, up 6% from a year earlier. While there remains an oversupply of electricity in some parts of the country, especially in the economically depressed Northwest. China can expect sustained and significant increases in both demand for power and investment in the sector. China's largest power producer, the China State Power Corporation, plans to realize 8.6 billion RMB or just more than $100 million in profits this year.

China exports nearly as much electrical machinery as it imports.

	1998	1999	2000
China's World Imports	8,779	12,465	17,892
China's Worldwide Exports	9,945	10,875	16,170

In $ millions. Source: World Trade Atlas

Chinese power authorities are in the midst of a multi-year restructuring effort with the ultimate goal of a fully integrated national grid system and an independent, merchant power sales system. As outlined in the yet to be released 10th Five Year Plan (FYP), China will focus on development in the western provinces of China. The following lists the Chinese government's priorities in the next five years:

Western development: planned-for construction of five new hydro electric power stations with a total generating capacity of 10,000 mw;

Continued upgrading of existing power grid sub-systems and new interconnections;

Renovation or decommissioning of older, dirtier coal-fired thermal units many being replaced by more efficient natural gas burning units;

Building of a natural gas pipeline to transmit fuel from western gas fields to the eastern coastal areas of China;

Pilot projects and further investment in clean coal, renewable, and cleaner, more energy efficient generating technologies; and

China will begin building a few new nuclear power plants over the next five years. Fuel storage, transportation and handling equipment will continue to be in demand during this period.

While China recognizes the need for imported foreign technologies in this sector it also wants to nationalize them. China continues to demand full technology transfers and localization whenever possible. Provisions in the 1999 WTO agreement between China and the U.S., may give U.S. exporters some relief in these areas. Many U.S. power equipment manufacturers and related construction/ engineering firms have formed joint ventures to compete better domestically in this market.

U.S. companies should concentrate on those areas of this market that allow them to take advantage of the more sophisticated technologies they have available. Equipment, services and systems such as the following will be competitive: control, monitoring and safety equipment/systems; energy efficient products; environmental products; power generation and electric utilities management support products, services and computer software.

15. Fine and Specialty Chemicals (ICH)

The fine and specialty chemical industry is a development priority for China's chemical industry. Domestic producers of specialty chemicals lack the technology, financial resources and research staff to develop a variety of high quality and innovative chemicals with appropriate environmental standards. As a result, China relies on the imports of fine and specialty chemicals to meet the increasing market demand for a wide variety of high quality chemicals. China is looking to import very efficient multiple function fine and specialty chemicals with low heavy metal ingredients. Fine and specialty chemical additives are mainly used in industry sectors such as agriculture, textiles, health care, electronics, food and feed, medicine, household and industrial cleaning, automotive, paper, and plastics and rubber.

American products in this sector are rated as some of the best in the world. Chinese end-users of fine and specialty chemicals enjoy an open market and can choose their suppliers freely, either from domestic or international channels (except for those chemical products that are considered raw materials for the production of chemical weapons). The statistics from January to April 2000 show that industrial additives imported from Jiangsu ports of entry doubled as compared to the same period last year. If China's GDP growth rate remains at approximately 7 to 8%, the fine and specialty chemicals sector will grow substantially, as indicated below.

China's accession to the WTO will provide significant benefits to U.S. fine and specialty chemicals exporters. China will reduce average chemical tariffs by more than 50% by January 1, 2005. Specifically, the average rate of 14.74% will be reduced to a final average rate of 6.9%. Quotas will be eliminated on virtually all chemicals upon accession. The remaining quotas on polyethylene terephthalate slices or chips will be eliminated in 2002. China has also agreed that any entity will be permitted to import most products, including fine and specialty chemicals, into China after a three-year phase-in period. U.S. chemicals companies operating in China will also be able to freely distribute products in China.

	1998	1999	2000
Total Market Size	7,870	8,330	8,660
Total Local Prod.	7,400	7,800	8,200
Total Exports	1,830	1,970	2,070
Total Imports	2,300	2,400	2,500
Total Imports from U.S.	280	300	320

The above figures are calculated in $ millions. Because most fine and specialty chemicals are value-added elements of products that are sold in a complex multi-national market, only rough estimates of total imports can be calculated.

16. Agricultural Chemicals (AGC)

China's agriculture-related markets have been the subject of great attention. Agrochemical exports to China are very important for U.S. industries, ranking third to fourth among U.S. exports to China in recent years. In 1999, China imported $1,182 million in diammonium phosphate (DAP) from the Untied States, accounting for 93% of the total imported. It is likely that China will continue to rely on U.S. fertilizer imports because China lacks potassium resources and its phosphate is difficult to recover. These raw materials are essential elements of most fertilizers, such as DAP. Domestic output of fertilizer meets only 80% of the market demand, forcing China to import high-concentration and compound fertilizers to meet the remaining demand. However, China still restricts imports of nitrogenous fertilizers such as urea to protect local producers.

China is taking measures to regulate the pesticide market to prevent toxic runoff and poisoning of consumers. Therefore, imports of high efficiency, low toxicity and low residual pesticides have strong market prospects, mainly as a supplement to highly toxic Chinese pesticides. However, foreign suppliers currently face discriminatory product testing requirements.

China's accession to the WTO will provide dramatic benefits to U.S. fertilizer exporters. On accession, tariffs will drop 4% to 6% from the current 11% import duty rate. Quotas will be eliminated upon accession for urea and DAP and by 2002 for other fertilizers. The quotas will be replaced by a tariff-rate quota system with in-quota tonnage limits expanded each year. Moreover, all quotas must be fully allocated, forbidding the current practice of limiting imports by only allocating a certain portion of quotas each year. Perhaps most significant, foreign firms will gain the right to import and distribute fertilizers after a five year transition period, gradually dismantling the state-controlled trading monopoly.

	1998	1999	2000
Total Market Size	11,565	10,448	10,673
Total Local Prod.	8,779	8,630	9,145
Total Exports	486	670	830
Total Imports	3,268	2,488	2,358
Total Imports from U.S.	1,202	1,146	1,205

The above figures are calculated in $ millions and represent unofficial estimates.

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

Below are the descriptions and statistics for the best prospective U.S. agricultural exports to China for 1998-2000. The exchange rate used was 8.27 RMB to $1. All statistics are unofficial.

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 CH0009.

(Wheat, Corn, Rice)	MY1998/99	MY1999/00	MY2000/2001

Total Market Size	239	243	249
Total Local Production	245	244	226
Total Exports	4	11	4
Total Imports	3	4	6
Total Imports from U.S.	0	0	2

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 seed compose 75% of the import market, due to their superior quality and aggressive marketing efforts by U.S. seed commodity groups. Future annual growth in total imports is forecast to be 30% for the next 2 years. Major competitors of the United States are Australia and New Zealand. For more information go to http://www.fas.usda.gov to view the Planting Seeds Annual, report number CH9064.

	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	5,000	7,000
Total Imports from the U.S.	2,280	4,000	6,000

(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 likely to fall from current record levels, but will remain strong in future years. In 1999, China imported some 4.32 MMT of soybeans, 572 TMT of soybean meal, and 804 TMT of soybean oil. Imports of soybeans are currently on schedule to reach record levels, while imports of meal and oil have fallen, due to policies that favor imports of seeds over processed products. Under WTO, prospects for processed products will improve, as soybean oil imports will gain access to an initial tariff rate quota of 700 TMT. Demand for soybean meal has recovered in recent months as livestock production has increased. By contrast, massive imports of soybeans and rape seed early in the year has caused vegetable oil prices to slide. Continued high production of vegetable oil is expected to keep oil prices low for the near future. For more information go to http://www.fas.usda.gov to view the Oilseeds Annual, report number CH0012.

MY1998/99 MY1999/00 MY2000/01

Total Market Size	18,670	18,320	18,350
Total Production	15,000	13,900	15,300
Total Exports	188	180	250
Total Imports	3,858	6,000	3,800
Total Imports from U.S	1,890	4,500	1,500

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 during the next few years. 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 CH0806.

	1998	1999	2000
Total Market Size	11,149	11,810	12,160
Total Local Production	10,700	11,000	11,350
Total Exports	354	390	440
Total Imports	804	1,200	1,250
Total Imports from U.S.	496	750	800

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% 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%. 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.

1998 1999 2000

Total Market Size		1,794	1,698	1,800		
Total Local Production 2/			357		363	370
Total Exports	63	65		70		
Total Import 1/		1,500	1,400	1,500		
Total Imports from U.S.1/			600	600	700	

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% to a record high of $12 million in 1997. The 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.

However, 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 pushed 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 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 present, Washington state apples, Washington state cherries, California table grapes and, most recently, citrus from four states are the only U.S. fruits with full access to China. 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, grapes and citrus) 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 $170 million in 1998. For more information go to http://www.fas.usda.gov to view the Citrus Annual (report number CH9653), the Fresh Deciduous Fruit Annual (report number CH9637), 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. Due to the signing of the U.S. China-Agricultural Agreement beef is now permitted entry into China. Pork imports are still restricted 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 1999, including muscle meat and offal, exceeded 315 thousand tons, more than 50% of which was re-exported from Hong Kong. Imports of these products increased by over 40% in 1999. For more information go to http://www.fas.usda.gov to view the Livestock Annual, report number CH0008.

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 disappear by 2002. Whey powder is the U.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 CH9056.

Powder Milk (Non-fat & Whole fat)			1998	1999	2000	
Total Market Size		461	481	500		
Total Local Production			411	431	450	
Total Exports	8	8	8			
Total Imports	58	58		60		
Total Imports from the U.S.			7		8	9

(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	1998	1999	2000
Total Market Size	58,224	57,396	54,832
Total Production	55,560	52,217	49,320
Total Exports	16	11	8
Total Imports	2,680	5,190	5,520

Unit: 1,000 metric tons

Temperate Hardwood Lumber	1998	1999	2000
Total Market Size	7,057	6,488	5,971
Total Production	6,225	5,478	4,821
Total Exports	209	190	150
Total Imports	1,401	1,200	1,300

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. Roundwood and temperate hardwood lumber statistics do not reflect trade in finished furniture, veneer, plywood, etc.

VI. TRADE REGULATIONS AND STANDARDS

The signing of the U.S.-China Bilateral Market Access Agreement on China's Accession to the WTO on November 15, 1999 represents a major victory in the United States' ongoing effort to open China's market to U.S. goods and services. By encouraging structural reform and the rule of law, the Agreement will also support China's own domestic reform process.

A. Import Tariffs and Custom Regulations

The most comprehensive guide to Chinese Customs regulations 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. 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.

On top of normal tariff duties, both foreign and domestic enterprises pay either value-added tax (VAT) or business tax. A VAT of 17% applies to enterprises engaged in import-export, production, distribution or retailing activities. China offers a comprehensive program of tax incentives and concessions. In an attempt to stimulate exports, the State Tax Administration increased VAT rebates several times in 1999, up to 17% (a full rebate) for certain kinds of processed exports. Exporters complain that it takes months to obtain the rebates and amounts are often miscalculated.

Import taxes are also imposed for certain goods, notably in the textile and raw material sectors. China Customs announced on January 3, 2000, that it was cutting import taxes on a number of products by as much as 2%, effective January 1, 2000.

Customs Valuation: According to Chinese Customs regulations, the dutiable value of an imported good is its CIF price, which includes the normal transaction price of the good, plus the cost of packing, freight, insurance, and seller’s commission. In August 1998, the Customs Administration launched an ambitious program to standardize enforcement of customs regulations throughout China as part of a larger campaign to combat smuggling. The program has successfully reduced some of the flexibility of local customs officials to “negotiate” duties.

Tariff rates significantly lower than the published MFN rate may be applied in the case of goods that the government has identified as necessary to the development of a key industry. For example, under the terms of a new foreign investment policy announced on September 8, 1999, foreign-invested firms who produce certain types of high-tech goods or who are export-oriented will no longer have to pay duty on imported equipment not manufactured in China for the enterprise’s own use.

B. Trade Barriers

The Bilateral Agreement on China's WTO Accession is only the latest of fourteen trade agreements negotiated between the United States and China since 1979. These agreements cover everything from civil aviation and satellite exports to agriculture and intellectual property rights protection. Each of these agreements has played a role in China's gradual process of trade liberalization, and created new opportunities for U.S. exporters.

The Chinese government has recognized for a number of years that economic reform and market opening are cornerstones of sustainable economic growth. Nonetheless, these reforms have been difficult and often painful for certain constituencies, particularly in the aging industrial sector and heavily protected agricultural sector. Thus, while China today has a vastly more open and competitive economy than 15 years ago, there are still many significant barriers in place.

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

High tariffs: At present high tariffs constitute an effective import barrier. In early 2000, for example, some motor vehicles face tariffs of over 100%. U.S. industry points out that tariff rates for sectors in which China is trying to build international competitiveness remain especially high. Under the bilateral WTO agreement, once China accedes to the WTO its industrial tariffs will fall from an overall average of about 17% at present to an average of 9.4 % four years after accession. The motor vehicle tariffs will fall to 25% eight years after accession. Tariffs for U.S. priority agriculture products will fall from an average 31.5% to 14.4% three years after accession.

Import Quotas: WTO rules bar quotas and other quantitative restrictions. China has been gradually eliminating them and will continue this process after accession over a several year phase-in period. At present, however, quotas limit over 40 categories of commodities, including watches, automobiles, grains, edible oils, and certain textile products. Quota allocation largely remains non-transparent to outsiders. Officials at local and central levels evaluate the need for quantitative restrictions on particular products. Once demand has been determined, the central government allocates quota to provinces and special economic zones who distribute it to end-users.

In 1996, China introduced tariff rate quotas (TRQ) on imports of wheat, corn, rice, soybeans, and vegetable oils. The regulations governing TRQ administration have not been made public. Out-of-quota rates are currently as high as 121.6%. In bilateral WTO negotiations, the United States sought and won commitments to increase quota levels and transparency in administration.

Import Licensing: Since the early 1990s, China has eliminated many import license requirements, a process that is likely to continue as preparations are made for China's WTO accession. However, many products subject to import quotas also require import licenses, including some wool, grains, oilseeds and oilseed products, cotton, iron and steel products, commercial aircraft, passenger vehicles, fertilizer, hauling trucks, and rubber products. MOFTEC administers the licensing system, but as of late 1999 had given primary authority for approval and import of some agricultural items to the State Administration for Entry-exit Inspection and Quarantine (SAIQ). Import licenses are not easy to come by. The applicant must prove that the import is "necessary" and that there is sufficient foreign exchange available to pay for the transaction.

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.

Transparency: It is increasingly easy to find information about economic and trade regulations in the print and electronic media. The 1992 U.S.-China bilateral market access 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. Most government ministries have taken to publishing digests of their regulations, both in hardcopy and on their websites. The state council (www.cei.gov.cn) and MOFTEC (www.moftec.gov.cn) websites are good first sources of information on Chinese Foreign Trade Law. Economic newspapers now routinely carry the text of government policies and regulations. In addition, a number of commercial entities now offer databases and translations of many regulations.

However, despite this progress access is still a problem. Chinese officials routinely implement policies based on "guidance" or "opinions" not available to foreign firms and they have not always been willing to consult with Chinese and foreign industry representatives before new regulations are implemented. It can be extremely difficult to obtain copies of draft regulations, even when they have a direct effect on foreign investment.

Legal Framework: Laws and regulations in China tend to be far more general than in most OECD countries. This vagueness allows Chinese courts to apply them flexibly but also results in inconsistency. Companies have difficulty determining precisely whether or not their activities contravene a particular regulation. Agencies at all levels of government have rulemaking authority, resulting in regulations that are frequently contradictory. Finally, while there seems to be no shortage of rules and regulations, there are few procedures in place to appeal regulatory decisions.

Trading Rights: The Chinese government has moved to dismantle the near monopoly on import-export rights previously enjoyed by a tiny number of state-owned firms. Liberalization of the trading system was given a major push in early 1999 when MOFTEC announced new guidelines allowing a wide variety of Chinese firms to register to conduct foreign trade. The guidelines allow, for the first time, both manufacturing and "non-production" firms with annual export volumes valued in excess of $10 million to register for trading privileges. Some goods such as grains, cotton, vegetable oils, petroleum and related products are imported principally through state trading enterprises. Firms with trading rights must undergo an annual qualifications test and certification process.

Wholly owned foreign enterprises and individuals are still not permitted to directly engage in import-export activities. China has committed to eliminate restrictions on trading rights as part of its WTO accession bid. MOFTEC is working on guidelines to allow foreign companies, subject to certain restrictions, to directly engage in trade but has not revealed when the new regulations are scheduled to go into effect.

Local Agents: The ability of foreign firms to distribute directly their products in China is subject to strict limitations. In general, foreign firms are only allowed to distribute products that they manufacture in China and must go through local agents to distribute imported goods. China has agreed to gradually eliminate distribution restrictions as part of its bid to join the WTO.

Import Substitution Policies: China committed to eliminate all import substitution policies and regulations as one of the conditions of the 1992 market access MOU, but instances have continued to occur. Recent examples—in the fields of generic medicines, telecom equipment, pharmaceutical pricing, power generation, and the automotive industry—have been the result of informal directives that have not been publicly announced.

Anti-Competitive Practices: Anti-competitive practices in China exist in the form of monopolistic or monopsonistic practices designed to protect the state-owned sector. In some cases, industrial conglomerates operating as monopolies or near monopolies (such as China Telecom) have been authorized to fix prices, allocate contracts, and in other ways restrict competition among domestic and foreign suppliers. 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.

Anti-Dumping Regulations: China is beginning to use safeguard and antidumping measures to control surges in imports of certain products. The Chinese government issued a final determination in China's first-ever antidumping case against the United States on June 3, 1999. It determined that U.S. companies had dumped newsprint on the domestic market. As a result, China began to levy a 78% tariff on imports of newsprint from the United States. The tariff will be reviewed after five years. Companies may request a review at any time in the intervening period. The domestic newsprint industry in China is largely made up of aging state-owned firms that cannot compete effectively against the modern production methods of foreign producers. Foreign companies involved in the investigation complained that pricing methodologies used in making the determination were flawed and that the outcome was a predetermined conclusion.

China initiated an antidumping investigation against U.S., Japanese and German manufacturers of acrylic acid products on December 10, 1999. A preliminary determination in that case is expected in July 2000.

Services barriers: China's service sector has been one of the most heavily regulated parts of the national economy — and one of the most protected. The service liberalizations included in the bilateral WTO agreement will improve dramatically foreign access to this sector. The Chinese economy itself will benefit from the increased scope of services, professionalism and technologies that foreign investment in services will bring. There will be substantial efficiency gains to the domestic economy as well from increased foreign participation in financial, insurance, telecommunications, distribution and professional services, after sales service and repair businesses.

At present, however, foreign services providers are largely restricted to operations under the terms of selective "experimental" licenses. The strict operational limits on entry, and restrictions on the geographic scope of activities, severely limit the growth and profitability of these operations.

Since China's services sector remains underdeveloped and current foreign participation in the market is minimal, it is difficult to estimate how much such barriers to market access represent in lost U.S. exports of services. In some service sectors, such as insurance, even the most conservative estimates predict that total premiums will reach $15 - 30 billion in the next few years. If China were completely to lift barriers to market access in this sector, U.S. insurance providers could be expected to capture a portion of the Chinese market that could easily exceed $1-2 billion. In other services sectors, such as legal services, accountancy, and consulting, and where potential revenues are likely to be more modest, the lifting of barriers to market access would still result in significant increases in U.S. exports of services.

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

The Tiananmen Sanctions of 1990 are still in effect and sharply curtail U.S. exporter opportunities to sell crime control equipment to China's police agencies and defense electronics equipment to the Chinese military.

The United States Government's Enhanced Proliferation Control Initiative (EPCI), requires the U.S. Department of Commerce and exporters to closely scrutinize 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 law passed by Congress in late 1997 requires that the U.S. Government do post shipment verifications (PSV) on all High Performance Computers(HPC) shipped to one of 50 countries including China. An HPC is as of March 10, 2000 defined as any computer over 6,500 MTOPS(million theoretical operations per second) of performance. There is a USDOC requirement that a MOFTEC issued end-user certificate (EUC) must be obtained by the exporter before the computer is shipped to China. Ordinarily the computer importer or reseller in China applies for this document and passes it to the exporter. The MTOP level for HPC's will change from 6500 MTOPS to 12,500 MTOPS on August 14, 2000 unless objection is raised by Congress. For the most up-to-date information on this regulation change check the BXA HPC web-page at www.bxa.doc.gov/HPC.

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 year less than ten USDOC export license applications required a Pre-License Check (PLC). In the case of a PLC requirement, the Department of Commerce requests MOFTEC's 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. The time required to complete the entire process of a PLC may be two to three months. If in the end no Pre-license visit is permitted by the Chinese Government, an export license very likely will not be issued.

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
		Fax: 408-748-7470

U.S. Embassy-Beijing, Commercial Section

Mark Bayuk BXA Officer	Tel: 8610-6532-6924	Fax: 8610-6532-3297

In mid 1999, satellite and related technology licensing authority was transferred from the Department of Commerce to the Department 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. This year SAIQ established its website at www.ciq.gov.cn. The website, in chinese only, gives a wealth of information on China's import safety certification news, regulations, procedures, policies including reference to WTO accession, and an SAIQ organization chart. This is a valuable source of information but alas at this time only available in Chinese. Hopefully WTO accession will lead to the establishment of English language website pages to make this information easily accessible to all U.S. exporters.

Scrap pre-inspection in the United States: SAIQ has established an entity called CCIC in California for the pre-inspection of scrap paper exports to China.
China National Import & Export Commodities Inspection Corporation North America, Inc. (CCIC)
Mailing Address:
917 Sago Palm
West Covina, CA 97190
Office Address:
1509 W. Cameron AV, Suite 252
West Covina, CA 97190
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 at Tel: 202-482-4431 Fax: 202-482-0975.The point-of-contact at USFCS-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

SAIQ quality assurance procedures. USFCS has an International Marketing Insight (IMI) on this matter published in June 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://www.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 five to seven cents per sticker, and the stickers must be affixed under State Administration.

Food Labeling Law: On April 1, 2000, a new national Chinese regulation announced on February 15, 2000, was put into effect for the implementation of food label standards. The law supercedes both the Regulation on Management of Import-Export Food Labeling, announced on May 24, 1994, and the Regulation on Management of Labeling Inspection Attached to Import and Export Food, announced on April 21, 1994. 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, 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: materials and components to be used for domestic processing subject to re-exportation; goods imported under special Customs approval on terms of suspending the payment of import duties and VAT; goods in transit; spare parts for free maintenance of foreign products within the period of warranty.

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, 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: 86-10-6519-5263 or 6519-5246
Fax: 86-10-6519-5394
Website: http: // www.customs.gov.cn

VII. INVESTMENT CLIMATE

A. Openness to Foreign Investment

For the past seven years, China has been the second largest recipient of foreign direct investment (FDI) in the world after the United States. According to Chinese statistics, by the end of 1999, realized FDI in China since 1979 reached a cumulative total of just over $308 billion. The flow of new FDI into China dropped 11% in 1999, the first time Chinese statistics recorded a decline since China’s opening and reform began in 1979. The value of new contractual investment, a harbinger of future investments, dropped even faster, by 21%. China’s economic slowdown, uncertainties over how WTO accession would affect the investment climate, and the effects of the Asian Financial Crisis on China’s traditional investors contributed to the decline.

Government Attitude Toward Foreign Private Investment: China’s investment climate has changed dramatically in 2O years of reform and opening. In the early 1980’s, China restricted foreign investments to export-oriented operations and required foreign investors to form joint venture partnerships with Chinese firms in order to enter the market. Since the early 1990’s, however, China has allowed foreign investors to manufacture and sell a wide variety of goods on the domestic market. In the mid-1990's, China authorized the establishment of wholly foreign-owned enterprises, now the preferred form of foreign direct investment. However, the Chinese government's emphasis on guiding FDI into manufacturing has led to market saturation and overcapacity of that sector, while leaving China's service sector highly underdeveloped.

Encouraged Vs. Restricted Investment: In the past, China attempted to guide new foreign investment towards "encouraged" industries. Over the past five years, China has implemented new policies introducing new incentives for investments in high-tech industries and in the central and western parts of the country in order to stimulate development in less developed areas. In December 1997 and again in August 1999, China published revised lists (originally promulgated in July 1995) of sectors in which foreign investment would be encouraged, restricted or prohibited. Regulations relating to the encouraged sectors were designed to direct FDI to areas in which China could benefit from foreign assistance and/or technology, such as in the construction and operation of infrastructure facilities.

Policies relating to restricted and prohibited sectors were designed to protect domestic industries for political, economic or national security reasons. The list of restricted industries — which currently includes many service industries such as banking, insurance, and distribution — will soon dwindle to a small number, however, as China has committed itself to opening its service sector upon accession to the WTO. The production of arms and the mining and processing of certain minerals remain prohibited sectors.

Investment Incentives: China's has developed and expanded a complex system of investment incentives over the last twenty years. 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 investment and tax incentives. Chinese authorities have also established a number of free ports and bonded zones. In recent years, SEZs have sought to enhance their autonomy while officials from inland China have sought to reduce SEZ privileges. 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 SEZ investment incentives and will decrease existing incentives over time.

In 1999, China announced that it would offer special investment incentives to attract foreign investors to its highly-underdeveloped central and western regions. Although the government has yet to formalize concrete measures, it has proposed special tax breaks and rebates as an investment incentive. The government has also proposed giving regional governments the flexibility to specify their own "encouraged industries."

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. 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% 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 reinvests profits for growth and expansion.

The tax incentive system is complicated and difficult to implement. Discrepancies between central, provincial and local government tax regulations hamper foreign investment, particularly in remote and impoverished areas. Still, initial efforts at reform are beginning to level the playing field. Collection efforts have been centralized and the responsibility for assessment and filing of returns was shifted to the taxed enterprise in late 1999. A standardized reporting and payment procedure was also implemented nationwide to reduce overpayments and loopholes.

As part of a national campaign to standardize tax treatment and increase collection rates, the State Taxation Administration began work on a planned unification of the tax system in 1998. China's weak trade performance during most of 1999, however, put this process on temporary hold. The Chinese government, in fact, increased VAT rebates for selected exports twice in 1999. Despite the 1999 reprieve, State Taxation Administration officials plan to eventually phase out VAT rebates to increase tax revenues.

National Treatment: China has committed to grant unconditional national treatment as part of its accession to the WTO. Not all of the thousands of government officials understand this concept, however, and implementation is likely to pose intermittent problems. China has already initiated training programs to educate government officials on China's WTO obligations.

China's accession to the WTO is likely to accelerate the phase out of its two-tier tax system for domestic and foreign enterprises. Domestic enterprises have long resented rebates and other tax benefits enjoyed by foreign invested firms. The move towards national treatment will mean the gradual elimination of special tax breaks enjoyed by many foreign investors. In addition, increasingly sophisticated collection methods are reducing loopholes for all market participants.

Basic Laws And Regulations Covering and/or Affecting Direct Investment: The basic laws and regulations governing foreign direct investment in China are complex. A summary of those currently enforced is provided below. The Chinese central government is currently reviewing and revising all laws, rules, regulations, and guidelines for consistency with new WTO commitments. In some instances, it is drafting new legislation to deal with issues that have been previously unaddressed. The Chinese government acknowledges that it may be years before all the new and revised laws, regulations, and implementing guidelines are in place but is publicly committed to meeting China's WTO obligations.

The 1979 "Law on Chinese-Foreign Equity Joint Ventures" is the fundamental 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 provision 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 listed the sectors in which the Chinese Government encouraged, restricted or prohibited 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 interpreted laws and regulations related to the establishment of certain types of FIEs, such as share companies and holding companies.

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

Other laws relating to investment include:

Contract Law: China's contract law went into effect on October 1, 1999. Earlier in 1999, China's National People's Congress passed the new law to deal better with its increasing legal case load and to lay a firmer legal foundation for investment in China. The law's drafters hope that it will help prevent widespread contract fraud from consuming the nation's already overburdened court system. According to Chinese statistics, there are currently more than four billion new contracts registered with government industry and commerce bureaus each year; Chinese courts handle more than three million contract disputes annually.

The new Contract Law moves China closer to international legal norms and to greater legal transparency. It encourages stronger contractual compliance by providing legal recourse — although enforcement of judgments will continue to be a problem. However, the law's impact on the overall investment climate will be minimal, at least in the short- to medium-term. Most contracts involving foreign firms are still subject to government approval. Furthermore, domestic firms are not likely to alter their current business practices — including how they meet their contractual obligations — until penalties are enforced.

Securities Law: The Securities Law, effective on July 1, 1999, codifies and strengthens the administrative regulations that govern the underwriting and trading of corporate shares, as well as the activities of China's stock exchanges (currently in Shanghai and Shenzhen). The Securities Law does not distinguish between state-owned enterprises (SOEs) and non-SOEs. In practice, however, few non-SOEs have been allowed to sell local currency "A" shares. As currently written, the law does not apply to the underwriting or trading of foreign currency ("B") shares. In mid-1999, the government asserted that non-state firms would be allowed to freely list “B” shares and that they would gradually be allowed to list on the “A” share market as well. According to press reports, the “A” and “B” share markets will gradually be integrated within three years.

Tendering Law: Concerns over the WTO consistency of the draft tendering law led the National People’s Congress, on April 9, 1999, to make a surprise announcement that it had decided to move key sections relating to government procurement into a separate law. The tendering law (which will now govern only state administered capital construction and infrastructure projects) was finalized in 1999. The new government procurement law is not expected to be implemented until 2002. Until that time, provisional regulations issued in mid-1999 remain in force.

Acquisition And Takeovers: China’s lack of merger laws and policies and the absence of property rights guidelines have posed nearly-insurmountable obstacles for foreign mergers and acquisitions activity in China. While a simple share buy-out could occur under existing regulations, it would be subject not only to the approval of all partners in a given venture but also to the supervising Chinese government agency. The Chinese government has approved only a hand-full of such deals. Several Chinese economists are encouraging that these laws be rewritten to accommodate mergers and acquisitions. (Note: Foreigners can 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.)

Forms Of Foreign Ownership: In most 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.

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 $10 million. Projects exceeding these limits must be approved by MOFTEC and the SDPC. If an investment involves $100 million or more, it must also obtain State Council approval. MOFTEC, however, is authorized to review all projects, regardless of size. Note: Under the European Union-China bilateral WTO agreement signed in May 2000, China has agreed to raise the investment ceiling requiring central government approval from $30 million to $150 million for motor vehicle manufacturers.

The approval process for projects over $30 million has become less of an obstacle than in the past. However, 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 influences the approval process.

Research And Development: Poor links among government, university and industry researchers make it very difficult to efficiently utilize China's science and technology resources. Much of China's top scientific talent is not in universities but in a government bureaucracy (the Chinese Academy of Sciences) modeled after the USSR Academy of Sciences. Since the late 1980's, China has directed an increasing proportion of government research funds through peer review mechanisms at the National Natural Science Foundation of China (www.nsfc.gov.cn) and the Ministry of Science and Technology (www.most.gov.cn) in order to achieve better results from research funding. Some Chinese government programs such as "Torch" promote scientific research and its commercial applications yet the investment return on research and development, especially in the state sector, remains low. The central and local Chinese governments have also strongly promoted science parks which, in actuality, often just serve as low-tech assembly centers.

The political and economic structures of the old "planned economy" are still important obstacles. Inadequate intellectual property protections discourage Chinese companies from investing in research. Piracy often prevents companies from recapturing their investment in product research and development. Furthermore, technology utilized by SOEs tends to lag far behind that of the growing private sector, in part, because there are no incentives to conducting research and development activities under SOE auspices. There is a broad consensus among Chinese scientists and Chinese leaders that more reforms and greater IPR protection are needed. China continues to reform its science and technology system in order to create incentives for innovation and to tie science and technology research work more closely to the needs of the market.

Foreign companies' research and development centers in China have often focused on product localization. More recently, several companies, including Microsoft, have established research centers in China. The Chinese government has welcomed the establishment of these centers although some Chinese critics worry that the centers will create an "internal brain drain" of talent away from Chinese companies and research institutions to foreign companies.

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 $156 billion by early 2000), and FIEs have generally enjoyed liberal access to foreign exchange. On December 1, 1996, China announced the full convertibility of its currency on the current account (for trade in goods, services and remittance transactions, including profits). To prevent rampant fraud, in 1998, China tightened the scrutiny of underlying documentation. Bureaucratic procedures as authorities implemented the new regulations created difficulties for many foreign and domestic companies requiring hard currency to complete their transactions. Foreign bank branches are allowed to engage in foreign currency business according to the same rules as Chinese banks and to engage in limited local currency business.

All FIEs in China are entitled to open and maintain a foreign exchange account for current account transactions. In order to do so, an FIE must first apply to China's State Administration of Foreign Exchange (SAFE) for permission. After SAFE grants permission for the account, it establishes a limit, based on the FIE'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 $10,000 must be filed by a bank. In general, the restrictions on FIE accounts are less onerous than for wholly Chinese-owned firms. Establishing foreign exchange accounts for capital account transactions involve more complex reporting and qualification requirements.   The final onus for ensuring compliance rests with the banks, which, from time to time, interpret the regulations more or less strictly.

C. Expropriation and Compensation

Chinese law forbids nationalization of joint ventures, wholly foreign-owned enterprises, and investments from Taiwan, except under “special” circumstances. The Chinese government has not defined “special” circumstances” although officials claim that “special circumstances” 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.

There have been no cases of outright expropriation of foreign investment since China opened to the outside in 1979. However, the State Department believes that there are several cases that may qualify as expropriations under Section 527 of the FY94-95 Foreign Relations Authorization Act, most notably in the telecommunications sector. These apparent forced divestitures from legitimate projects raise questions about the stability of China’s investment climate in telecommunications as well as other industrial sectors.

D. Dispute Settlement

Arbitration: Although China is a member of the International Center for the Settlement of Investment Disputes (ICSID) and has ratified the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (a.k.a. the New York Convention), 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. Most foreign investors consider litigation as a final option and have found it to be time-consuming and unreliable. In addition, many foreign litigants have found the Chinese government 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.

Enforcement of arbitral awards is sporadic. Sometimes, even when a foreign company wins in arbitration, the People’s Intermediate Court in the locality where the foreign venture is situated may fail to enforce the decision. Even when the courts do attempt to enforce a decision, local officials often ignore court decisions with impunity.

There have also been investment dispute cases in which local authorities have 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.

Legal System: Chinese society is in transition from rule by man to rule of law. Most laws are general; details are specified in implementing regulations. Many foreign businesses report that Communist Party officials and officials in other government departments at times interfere in court decisions. China's top leaders undoubtedly play a big 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 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, intellectual property and insurance; other business disputes involving foreign parties; and various economic crimes including theft, bribery, and tax evasion. 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. Over the past two years, the United States 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.

Bankruptcy and Creditors' Rights: 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.

Even Chinese officials contemplating broad enterprise reforms recognize the inadequacy of China's current bankruptcy laws. However, debate continues over what additional legislation is needed. A major problem for Chinese commercial banks is the formal and informal constraints on liquidating the assets of non-performing state enterprise loans. The failure of the Guangdong International Trust and Investment Company (GITIC) in 1998 highlighted the need to develop specialized rules for financial institutions. For the time being, however, the Office of the National Leading Group for Merger, Bankruptcy and Re-employment and the State Economic and Trade Commission (SETC) have the final say with regard to large industrial SOE bankruptcies.

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. Chinese commercial banks have successfully repossessed vehicles from delinquent borrowers.

E. Performance Requirements/Incentives

China has agreed to implement the Agreement on Trade-Related Investment Measures (TRIMs) upon WTO accession. China has committed to eliminate and cease enforcing trade and foreign exchange balancing requirements and local content and performance requirements. It has also agreed not to enforce contracts imposing these requirements. China has also committed to only enforce laws or provisions relating to the transfer of technology or other know-how if they are in accordance with WTO terms on protection of intellectual property rights (IPR) and trade-related investment measures (TRIMS).

Export Requirements: Export requirements are inconsistent with WTO principles, and Chinese law has never formally listed export requirements. China has said it would not enforce export performance requirements in private contracts. However, in the past, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the State Development Planning Commission (SDPC) have strongly encouraged contractual clauses stipulating export requirements.

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 "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.

Chinese officials, however, still encourage localization of production. Investment contracts often call for foreign investors to commit themselves gradually to increase the percentage of local content. In addition, officials carefully examine the sourcing of inputs at various stages in the approval process for FIES. Effective implementation of China's WTO commitments should affect this bias.

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. Many regulations governing specific industries currently require such transfers. China has committed to enforce only those laws or other provisions relating to the transfer of technology or other know-how if they are in accordance with WTO provisions on protection of IPR and TRIMS. Despite these commitments, foreign investors may still encounter pressure to transfer technology.

Employment Of Host-Country Nationals: Rules for hiring Chinese nationals depend on the type of establishment. 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 foreign companies pay the contracted local employees' salary directly to the "labor services companies" that, in turn, give only a portion of the salary to the contracted employees. The employees remain technically employed by the labor services company.

F. Right to Private Ownership and Establishment

In the past, China restricted private ownership and establishment of business enterprises, particularly in the service sector. In 1999, China amended its constitution to provide a legal basis for private sector development. China has committed to reduce over time many restrictions on the private sector upon accession to the WTO. Nevertheless, some sectors — insurance, for example — will retain many restrictions.

China has agreed to grandfather all existing current market access and activities in all services sectors. This will protect existing American distribution services, financial services, professional and other service providers in China, including those operating under contractual or shareholder agreements or a license, from additional restrictions as China phases in its commitments.

G. Protection Of Property Rights

Land: 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.

Intellectual Property Rights: Chinese leaders have acknowledged that protection of patents, copyrights, and trademarks is needed to promote a "knowledge-based economy" in China. China has committed to full compliance with the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) upon accession to the WTO. It is now reviewing and revising its patent, trademark, and copyright laws to ensure compliance with TRIPS requirements. China is a member of the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property, the Berne Convention, the Madrid Trademark Convention, the Universal Copyright Convention, and the Geneva Phonogram Convention. The Chinese Government is still debating, however, whether China's Copyright Law will be brought into full compliance with the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

In spite of steady, significant progress in improving its intellectual property regime, IPR protection in China remains problematic. IPR enforcement, through either judicial or administrative means, remains a serious problem. Industry associations representing copyright and consumer goods industries report staggering levels of piracy and counterfeiting of all types of products. They also report increasing exports of IPR-infringing goods to other countries. The Business Software Alliance estimates that more than 90% of business software used in China is pirated. Consumer goods companies report that, on average, 20% of their products in the Chinese market are counterfeits. Chinese companies experience similar, or greater, problems with piracy and counterfeits. The administrative penalties for IPR violations, often no more than confiscation of the counterfeit products, are generally insufficient to deter counterfeiters. China's criminal sanctions against IPR violations are seldom used, in part, because of restrictions on types of admissible evidence and cumbersome procedures.

Combating IPR piracy in China is a long-term, multi-faceted undertaking. China has established special IPR courts in all provinces and major cities. Judges in Chinese courts are charged with fact-finding and have greater discretion in the adjudication of cases than those in the U.S. The lack of legal training of many of the trial court judges undermines the effectiveness of these courts. Authorities are attempting to remedy this training gap by establishing IPR law centers at Beijing University, Qinqhua University, and People's University. Chinese IPR professionals are also studying in foreign countries. The U.S. and the European Union have made IPR — and commercial dispute resolution — a key feature of "Rule of Law" discussions with Chinese authorities.

H. Transparency of the Regulatory System

China's legal and regulatory system lacks transparency and consistent enforcement despite the promulgation of thousands of regulations, opinions, and notices affecting foreign investment. Although the Chinese government has simplified the legal and regulatory environment for foreign investors in recent years, China's laws and regulations are still often ambiguous. Foreign investors continue to rank the arbitrary enforcement of regulations and the lack of transparency as two major problems in China's investment climate. No prospective foreign investor should venture into the China market without experienced counsel.

In accordance with China's WTO commitments, the State Council's Legislation Office recently announced that all of China's foreign trade-related and foreign-investment related laws, regulations, rules, and policy measures would be published. It further announced that China would use "proper ways and means" to help other WTO members and other pertinent individuals and enterprises understand those rules and regulations. The Legislation Office went on to acknowledge that, in the past, some departments and localities relied on their own internal documents to conduct business. Some even issued documents under their own "internal control" and resorted to "disguised forms of market blockades" and local protectionism. The State Council has announced that it is committed to stopping such practices in order to avoid international disputes.

I. Capital Markets and Portfolio Investment

The development of China's domestic capital markets has not kept pace with the needs of the economy. 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" 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 and implemented in June 1999. The law includes tougher penalties for insider trading, falsifying prospectuses and financial reports, and other forms of fraud. The CSRC lacks experienced personnel and has turned to the United Kingdom and other countries for more training. China's stock markets are gradually adopting accounting standards closer to those in use in other markets.

Although, in theory, FIE's may apply for permission to raise capital directly on China's stock and bond markets, the approval process is difficult. In the case of shares, the CSRC has indicated that it plans to treat FIEs the same as domestic firms.

The state banking sector dominates China's capital markets and 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 that bring in advanced technology or produce goods for export. Since 1998, Chinese interest rates have generally been lower than overseas, making it more attractive to explore onshore financing. Foreign-invested firms, which can keep foreign currency accounts in commercial banks, borrow funds from abroad and register 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.

In 1996, qualifying foreign bank branches in the Pudong area of Shanghai were allowed to engage in local currency business for the first time although this was mainly limited to providing services to foreign-invested enterprises (FIEs). In 1998, China expanded local currency business to foreign banks based in Shenzhen and widened their client base to include several nearby provinces (Zhejiang and Jiangsu for Shanghai; Guangdong, Guangxi, and Hunan for Shenzhen). Under WTO terms, China is required to end all geographical and other restrictions on foreign banks by 2006.

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 $3 million, debt cannot exceed 30% of the total investment. The debt/capital ratio for investments in the $3-10 million, $10-30 million, and over $30 million ranges cannot exceed 50, 60, and 70 %, respectively. Debt for investments over $60 million is limited to two-thirds of the total value of the investment.

J. Political Violence

Corruption, SOE layoffs, and economic disparities between rural and urban areas and between coastal and interior regions contribute to dissatisfaction among the Chinese populace. As China continues to implement its SOE restructuring campaign begun in 1998, unemployment and other social pressures have risen. As a result, there have been a growing number of local labor actions. Most of these have been fairly small and resolved peacefully. Some, however, including protests by 20,000 laid-off miners in China's northeast Liaoning province in early 2000, turned violent. Declining rural incomes have contributed to a similar increase in protests by farmers in the countryside. Local authorities have generally dealt with these protests in a peaceful manner and have not resorted to violence. Northwest China has been troubled by occasional unrest among minority ethnic and religious groups. As in years past, there were a number of isolated violent actions by disgruntled individuals who — in some cases motivated by personal, not political reasons.

Following NATO's mistaken bombing of China's Belgrade embassy in 1999, violent protests erupted at U.S. diplomatic facilities and a few American fast-food franchises throughout China. Soon after the bombing, government-controlled press discouraged protests or acts of violence against foreign investors. Most foreign investors in China believe that the chances of political violence are low because Beijing is able and willing to repress any sizeable anti-government protests.

K. Corruption

Corruption remains widespread in China despite the government's high-profile anti-corruption efforts and harsh penalties for those convicted of corruption. According to Chinese government statistics, three ministerial-level officials and hundreds of other senior officials were charged with corruption nationwide in 1999. In February 2000, a senior official from Jiangxi province was executed for receiving bribes and other abuses of power. Also in 2000, the government found other senior officials from Jiangxi and Guangxi provinces were involved in corruption scandals. There have been reports that other, more senior officials used their connections to avoid prosecution in other corruption investigations. Banking and finance are among the sectors most afflicted by corruption, as are government procurement and construction projects. Premier Zhu Rongji has criticized corruption in the construction industry resulting in safety hazards.

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 and 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.

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 and China's Ministry of Supervision are considering steps for bilateral cooperation in the area of corruption and good government practices. The United States also had provided some enforcement-related anti-corruption training to Ministry of Public Security, Ministry of Supervision, and Supreme People's Procuratorate officials. NGOs such as Transparency International are also exploring opportunities for cooperative programs to reduce corruption.

L. Bilateral Investment Agreements

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.

The United States does not have a bilateral investment treaty with China. Any American investor investing in China should make sure that expropriation and arbitration are covered in the terms of the contract.

M. OPIC and 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 had OPIC political risk insurance. OPIC programs remain suspended in China due to U.S. foreign policy concerns, the terms of the sanctions legislation enacted, and the need for improved worker rights.

Although OPIC insurance is unavailable, the Multilateral Investment Guarantee Agency (MIGA), an organization affiliated with the World Bank, can provide 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

Labor Availability: FIEs can integrate 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. Representative offices, for the most part, must hire their local employees through a labor services agency.

Skilled managers, especially those with marketing skills, are often in short supply although many companies have found an abundance of talented and highly-motivated recent university graduates. Experienced managers command salaries far greater than their counterparts in Chinese enterprises, making localization an expensive proposition for many companies. Finding and keeping engineers and technicians can also be difficult. Shortages of skilled labor are, at times, especially acute in south China due to the relative dearth of southern higher learning institutions. Many Chinese workers move rapidly from job to job within the foreign-invested and growing private sectors.

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 has been 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 pension and unemployment insurance funds. Tax rates for pension funds may run as high as 20% of an enterprise's total wage bill. Employees must also contribute between 3 to 8% of their salary, depending on the locale. In general, FIEs ventures are free to pay whatever wage rates they choose as long as it is above the locally-designated minimum wage. In practice, income-tax laws often make it desirable to provide greater subsidies and services rather than higher wage rates. Most FIES determine their methods and calculations of salaries and benefits after observing local practice. China's national labor law also requires compensation for overtime work.

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, layoffs are easier in south China than in the northeastern China, and in smaller enterprises than in larger ones. FIEs generally do not encounter problems letting workers hired on a short-term go at the end of the contract period. Large-scale layoffs by SOEs, especially in northeastern China, have led increasingly to worker demonstrations, though not to a degree that would threaten social stability.

Worker Rights: It is illegal under Chinese law to oppose efforts to establish officially-sanctioned unions. The Communist Party controls the country's sole officially recognized workers' organization, the All-China Federation of Trade Unions (ACFTU). Independent trade unions are illegal. China's Joint Venture Law and 1994 Labor Law require joint ventures to allow union recruitment but do not require a joint venture actually to set up the union — as required in SOEs. Many FIEs, including joint ventures, do not have unions although several coastal provinces have recently passed stricter regulations requiring that all FIEs have unions. FIEs without unions, however, often have worker organizations that perform functions similar to Chinese unions, such as organizing social and charitable activities.

China's Labor Law provides for collective labor contracts to specify wage levels, working hours, working conditions, and insurance and welfare. In 1996, the ACFTU launched a drive to conduct collective negotiations in at least 90% of FIEs, a target which the ACFTU claims to have reached. Most collective negotiations, however, appear to be pro-forma in nature. This is because local Communist party committees, rather than the workers themselves, control the selection of the union leaders who conduct collective bargaining.

Although China is a signatory to several ILO conventions, it has not signed key ILO conventions on freedom of association and collective bargaining.

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 economic development zones and open cities throughout China. However, restrictions and charges often apply and can affect venture operations and business in the latter zones.

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.

VIII. TRADE AND PROJECT FINANCING

A. Banking System

China's banking system has undergone significant changes in the last two decades: banks are now functioning more like banks than before. Nevertheless, China's banking industry has remained in the government's hands even though banks have gained more autonomy. Foreign participation in China's banking industry is severely restricted. China's expected accession to WTO is likely to lead to a significant opening of this industry to foreign participation.

Central Bank: At the top of the system is China's central bank, the People's Bank of China (PBOC), which has been charged with managing the money supply and credit, and supervising the banking system. PBOC, together with the State Administration of Foreign Exchange (SAFE), set foreign-exchange policies.

The PBOC supervises the banking sector's payment, clearing and settlement systems, and audits the operations and balance sheets of all financial institutions in China, as well as implements the regulations regarding the operation of the Commercial banks.

According to the 1995 Central Bank law, PBOC has full autonomy in applying the monetary instruments, including setting interest rate for commercial banks and trading in government bonds. The State Council maintains oversight of PBOC policies.

Commercial Banks: In 1995, the government introduced the Commercial Bank Law to commercialize the operations of the four state banks, the Bank of China (BOC), the China Construction Bank (CCB), the Agricultural Bank of China (ABC), and the Industrial and Commercial Bank of China (ICBC).

The Bank of China (BOC) specializes in foreign-exchange transactions and trade finance. It is estimated that BOC holds a 59% share of China's trade-finance business. The China Construction Bank (CCB) provides financing to infrastructure projects and urban housing development. The Agriculture Bank of China (ABC) specializes in providing financing to China's agricultural sector and offers wholesale and retail banking services to farmers, township and village enterprises (TVEs) and other rural institutions. The Industrial & Commerce Bank of China (ICBC), the largest bank in China, is the major supplier of funds to China's urban areas and manufacturing sector.

Years of government-directed lending has presented these banks with large amounts of non-performing loans. In 1999, the government established one asset management corporation (AMC) for each of these four banks to write off their non-performing loans.

Policy Banks: Three new "policy" banks—the Agricultural Development Bank of China (ADBC), China Development Bank (CDB), and the Export-Import Bank of China (Chexim)—were established in 1994 to take over the government-directed spending functions of the four state commercial banks. These banks are responsible for financing economic and trade development and state-invested projects.

CDB specializes in infrastructure financing; ADBC provides funds for agricultural development projects in rural areas; and Chexim specializes in trade financing.

Second Tier Commercial Banks: In addition to the big four commercial banks, there are smaller commercial banks. The largest ones in this group include the Bank of Communication, China Everbright Bank, CITIC Industrial Bank, Shanghai Pudong development bank, Shenzhen Development Bank , Guangdong Development Bank , Mingshen Bank and Hua Xia Bank. The second tier banks are generally healthier in terms of asset quality and profitability and have much lower non-performing loan ratios than the big four.

Trust and Investment Corporations: 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 corporations (ITICs) 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.

B. Foreign-Exchange Controls

The PBOC and SAFE regulate the flow of foreign exchange in and out of the country, and set exchange rates through a "managed float" system. To better control this flow, almost all Chinese enterprises and agencies are required to turn over their foreign currency earnings to the banks 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.

Foreign-invested enterprises (FIEs) are permitted to keep foreign exchange in foreign exchange accounts at commercial banks. The Chinese government has eliminated the foreign-exchange swap centers on which FIEs used to trade among themselves, and all 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 receive a stamped Foreign Exchange Registration Certificate that enables them to obtain foreign exchange. China's original 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 RMB 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 many of the loopholes used to get around the controls on capital account transactions. Many FIEs complained that delays occurred when SAFE screened their documentation more closely. SAFE has streamlined its system, but the requirement for proof that all relevant local taxes have been paid is a burden for many offshore service providers.

Foreign banks, their branches and foreign joint-venture banks are authorized to buy or sell foreign exchange from or to foreign-funded ventures. Foreign-funded banks or branches are not allowed to accept local currency deposits or to make RMB loans except if they have been specially licensed in the Pudong district of Shanghai and in Shenzhen, near Guangdong. Elsewhere, foreign banks and their branches are prohibited from accepting RMB deposits (liabilities) but may establish RMB accounts to convert currencies for their joint venture and foreign customers. China has pledged to expand the scope of RMB business gradually and to eliminate all geographical restrictions within five years of entering the World Trade Organization (WTO).

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 World Bank has a local office in China, but inquiries are best conducted through its U.S. offices or the local Chinese government entity.

The International Finance Corporation (IFC): Part of the World Bank, the IFC has become increasingly active in China. It is mandated to assist joint venture and share holding companies with substantial non-state ownership to raise capital in the international markets. The IFC takes equity positions in these companies. The IFC's core business is "project finance," and it currently has over $1.2 billion invested in "project finance" undertakings in China. The projects have anticipated cash flows that can cover repayments to lenders and dividends to shareholders. They do not enjoy a government guarantee. The IFC can be contacted through its Washington, D.C. Headquarters at (202) 473-0631 or 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. In early 2000, the ADB set up a representative office in Beijing.

In 1999, the Overseas Economic Cooperation Fund (OECF) and the Japanese Export-Import bank were merged by the Government of Japan and became the Japan Bank for International Cooperation (JBIC). The former OECF extended long-term, below market interest rate loans to countries worldwide. China was a major recipient. Described as 'untied aid,' the loans continue to be available to U.S. exporters under the new organization. Other, medium- and long –term loans at market interest rates will be made available to Japanese exporters, with as much as 30% of being un-tied and thus subject to competitive bidding.

Many U.S. companies have been successful in obtaining contracts under these loans, either on their own or 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 (JEXIM) offers medium- or long-term credits at market interest rates. Approximately 30% of JEXIM's credits are untied, and these are 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, however. 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 China Development Bank, and will work with other banks, including China Construction Bank, Industrial and Commercial Bank of China and Bank of Communication, assuming that 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, most Chinese commercial banks have the authority to issue letters of credit for imports. These include 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, from time to time local Chinese courts have issued injunctions that bar Chinese banks from clearing letters of credit whose underlying documentation has been challenged. The central government has issued guidance against this practice, which is gradually disappearing. 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. 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 small 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 that 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 will enter into a cooperative joint venture to ensure the sale and financing of their equipment.

E. Insurance

Insurance: Congress suspended the China operations of the Overseas Private Investment Corporation (OPIC) in 1989 (see section VII M. above). The U.S. Ex-Im Bank has programs that 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 experimented with limited- recourse project financing schemes. Long awaited Build-Operate-Transfer (BOT) laws have been delayed, however, and the overall private finance climate has cooled during the past few years. 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 that 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: U.S. citizens traveling to China must obtain a Chinese visa 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 agency.

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 and 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 in exhibition space, 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.

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 Value-Added Tax (VAT) if the item's value does not exceed RMB200. Samples and advertising materials concerning certain electronic products, however, are subject to customs duty and VAT regardless of value.

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

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 VCRs, PCs, and video cameras.

APPENDIX A

Country Data

Population

		1998	1999		2000	2001
Population (in millions)		1,248	1,259		1,272	1,284
Population Growth Rate	1.0%	1.0%		1.0%	1.0%	

Official growth rate for 1999 is assumed for 2000 forward 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 Mandarin 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

	1998	1999	2000	2001
GDP (RMB trillions)/2	7.835	8.205	8.779	9.482
GDP Growth (%)/3	7.8	7.1	7.5	7.5
GDP Per Capita ($)	769	769	824	878
Government Spending as % of GDP	14	15	15	15
Retail Price Inflation (%)	-0.8	-1.4	-0.5	0.0
Unemployment (%)/4	3.2	3.3	3.4	3.5
Total For. Ex. Reserves ($Bn)	145	155	167	175
Average Exchange Rate (RMB/$)	8.25	8.28	8.27	8.27
Foreign Debt ($ Bn)	146.0	151.8	157.6	163.4
Debt Service Ratio	10.9	8.3	7.7	7.1

Notes:

1/ 1998 and 1999 are actuals; 2000 and 2001 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 ($ Billions)

	1998	1999	2000
Total PRC exports /1	183.7	195.2	211.0
Total PRC imports /1	140.4	165.8	197.0
U.S. exports to PRC /2	14.3	13.1	15.1
U.S. imports from PRC /2	71.2	81.8	94.0
Total US agric exp to PRC/3	1.4	1.0	1.9
Total US agric imp from PRC/3	1.5	1.8	1.9

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

APPENDIX C

Investment Statistics

The Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the State Statistical Bureau provided the data below. The statistics on contractual FDI are simple data collected by MOFTEC at the point of contract approval. The statistics on realized investment are based on required reporting by FIEs of committed capital. Cumulative values for both contractual and realized FDI are simple totals of data collected each year. As such, they are not adjusted for inflation, do not take into account divestment, nor do they reflect investment stock. More sophisticated data on foreign investment is not currently available in China. However, MOFTEC has been working with the Organization for Economic Cooperation and Development on ways to improve statistical gathering and computation

China’s FDI data include investment from Hong Kong and Macao, which are special administrative regions (SARs) of China, as well as from Taiwan. Many mainland companies invest via Hong Kong and Macao subsidiaries in order to capitalize on investment incentives, such as tax breaks, which are only available to foreign, not domestic, investors. Analysts estimate that mainland Chinese funds flowing through Hong Kong account for 10-30% of Hong Kong’s total realized FDI in China. Further skewing Hong Kong and Macao statistics, many Taiwan firms invest in the mainland via these SARs in order to avoid the scrutiny of the Taiwan authorities.

Table 1 — Contractual and Realized Foreign Direct Investment in China from All Sources (1979-1999) (In $ Millions)

Year	**Realized FDI**	**Contractual FDI**
1979-82	1,769	4,958
1983	916	1,917
1984	1,419	2,875
1985	1,956	6,333
1986	2,244	3,330

l987	2,314	3,709
1988	3,194	5,297
1989	3,393	5,600
1990	3,487	6,596
1991	4,366	11,977
1992	11,008	58,124
l993	27,515	111,436
l994	33,767	82,680
l995	37,521	91,282
1996	41,726	73,276
l997	45,257	51,003
1998	45,463	52,102
1999	40,400	41,200
Total	**307,715**	**613,695**

Source: Ministry of Foreign Trade and Economic Cooperation
State Statistical Bureau

Table 2 — U.S. Contractual and Realized Foreign Direct Investment in China (1979-1999)
(In $ Millions)

Year	**Realized FDI**	**Contractual FDI**
1979-82	13	281
1983	5	470
1984	256	165
1985	357	1,152
1986	326	541
1987	263	342
1988	236	370
1989	284	641
199O	456	358
1991	323	548
1992	511	3,121
1993	2,063	6,813
1994	2,491	6,010
1995	3,083	7,471
1996	3,443	6,915
1997	3,239	4,937
1998	3,898	6,484
1999	4,200	6,000
Total	**25,447**	**52,619**

Source: Ministry of Foreign Trade and Economic Cooperation
State Statistical Bureau

Table 3 — China's Realized and Contractual Foreign Direct Investment by Selected Country
(In $ millions)

	REALIZED FDI			CONTRACTUAL FDI			
	1998	1999	% Change	1998	1999	% Change	
Hong Kong	18,500	16,400	(11.4)	17,600	13,300	(24.5)	
Japan	3,400	3,000	(11.8)	2,700	2,600	(3.7)	
Republic of Korea		1,800	1,300	(27.8)	1,600	1,500	(6.2)
Singapore	3,400	2,600	(23.6)	3,000	2,600	(13.4)	
Taiwan	2,900	2,600	(11.3)	3,000	3,400	13.3	
United States		3,900	4,200	7.7	6,500	6,000	(7.7)
European Union		4,000	4,500	12.5	5,900	4,100	(30.5)
Germany	700	1,400	89.2	2,400	900	(60.8)	
United Kingdom		1,200	1,000	(16.7)	1,700	1,100	(35.3)
France	700	900	22.2	500	500	(4.1)	
Total (All Sources)		**45,500**	**40,400**	**(11.0)**	**52,100**	**41,200**	**(21.0)**

(Percentages may not be exact due to rounding errors.)

Source: Ministry of Foreign Trade and Economic Cooperation
State Statistical Bureau

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 Realized Foreign Direct Investment by Sector
(In $ Millions)

	Utilized FDI			Contractual FDI			
	1998	1999	% Change	1998	1999	% Change	
Agriculture, Forestry, Animal Husbandry, and Fisheries					624	710	14
1,204	1,471	22					
Mining	578	557	(4)	852	322	(63)	
Manufac-turing		25,582	22,603	(12)	30,827	25,331	(18)
Utilities	3,103	3,702	19	1,968	1,635	(17)	
Construction	2,064	916	(54)	1,750	1,096	(37)	
Transport, Warehouse, Postal and Telecom Services				1,645	1,551	(6)	
2,301	1,114	(51)					
Wholesale and Retail Trade and Food Services				1,181	965	(18)	
1,314	1,204	(8)					
Real Estate	6,410	5,588	(13)	6,647	4,177	(37)	
Social Services	2,963	2,551	(14)	3,012	3,016	nil	
Health Care, Sports and Social Welfare			97	147	52	142	67
(53)							
Education, Culture, Arts, Radio, Film and TV Industry					68	61	(10)
22	73	231					
Scientific Research and Computer Technical Services					39	n/a	n/a

156	n/a	n/a				
Others	1,108	752	(32)	1,906	1,488	(22)
Total	**45,463**	**40,103**	**(11)**	**52,102**	**41,994**	**(21)**

(Percentages may not be exact due to rounding errors.)

Source: Ministry of Foreign Trade and Economic Cooperation
State Statistical Bureau

Table 5 — FOREIGN INVESTMENT ROLE IN CHINA'S ECONOMY (in USD millions)

	1998	**1999**	**% Change**	**% of 1999 National Figures**
FIE-Generated Industrial Value Added	46,400	59,900	12.9	20.7
FIE-Generated Exports	81,000	88,600	9.5	45.5
FIE-Generated Imports	76,700	85,900	11.9	51.8
FIE Taxes Paid	103,400	138,400	33.8	16.0

Source: Ministry of Foreign Trade and Economic Cooperation
State Statistical Bureau

APPENDIX D

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#26 B. Xuwumenwai, Xi Da Jie, Xuanwu District, Beijing, 100053
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Fax: (86-10) 6360-5036
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China North Industries Corp.
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China Petro-chemical Corporation
#6 Hui Xin Dong Jie Jia, Beijing 100019
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China State Construction Engineering Corporation
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Contact: Li Jianguo, Director of Foreign Affairs Department

China State Shipbuilding Corporation
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President: Wang Rongshang
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Contact: Li Jian, Head of Foreign Affairs Department

Everbright Industrial Corp.
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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
Rm. 2501 Silver Tower
2 Dongsanhuan North Road
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Beijing 100027
Tel: (86-10) 6410-7374, 6410-7385/76
Fax: (86-10) 6410-7334

American Chamber of Commerce in Beijing
Tim Stratford, Chairman
Mike Furst, Executive Director
Suite 1903 China Resources Building
8 Jianguomenbei Avenue
Beijing 1000005
Tel: (86-10) 8519-1920
Fax: (86-10) 8519-1910

American Soybean Association
Phillip W. Laney, Representative
China World Tower, Room 1323
Beijing 100004
Tel: (86-10) 6505-1830, 6505-1831, 6505-3533
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
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China Council for the Promotion of International Trade (CCPIT)
Yu Xiaosong, Chairman
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Fax: (86-10) 6801-7153
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Construction Industry Manufacturers Association (CIMA)
No. 6 Southern Capital Gymnasium Road
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New Century Hotel
Beijing 100044
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Fax: (86-10) 6849-2404

U.S.-China Business Council
Pat Powers, Chief Representative
CITIC Building, Room 902
Beijing 100004
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U.S. Grains Council
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U.S. Wheat Associates
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United States Information Technology Office (USITO)
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Consultec
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Fax: (86-10) 6505-1571

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

Fax: (86-10) 6552-4824

Sinofile Information Services Ltd.
David Jacobson, Founder and Managing Director
A85 Tonglinge Street
Xicheng District, Beijing 100031
Tel: (86-10) 6605-9198/97
Fax: (86-10) 6605-9194

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

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Duncan Falzon
Associate Director
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Fax: 8610 8809 1598

AC Nielsen
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Fax: (86-10) 6588-0199

4. Banks

World Bank
Country Director: Yukon Huang
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#8 Chaoyangmen North Avenue
Dongcheng District, Beijing   1000027
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Fax: 6554-1686

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Kong Jie, Director of Foreign Affairs Office
40 Fucheng Road, Yulong Hotel 3/F #3008
Beijing, China 100046
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Fax: (86-10) 6845-8621

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410 Fuchengmennei Dajie
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Wang Xunbing, President
Wan Binjiang, Director of Foreign Affairs Office
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Beijing, China 100032
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Contact: Ms. Li Li

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Fax: (86-10) 6554-1671/72

COMMUNICATIONS BANK OF CHINA (Headquarters)
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Fax: (86-21) 6270-6330

EVERBRIGHT BANK OF CHINA
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Everbright Building
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EXPORT IMPORT BANK OF CHINA

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HUAXIA BANK
111 Xidanbeidajie, Xicheng District, Beijing 100032
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INDUSTRIAL & COMMERCIAL BANK OF CHINA (Headquarters)
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INVESTMENT BANK OF CHINA (now merged with EVERBRIGHT BANK OF CHINA; please see below)

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Guangdong Province
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MINSHENG BANK OF CHINA
Jing Shuping (Director)
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SHANGHAI PUDONG DEVELOPMENT BANK
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Fax: (86-21) 6323-2036

SHENZHEN DEVELOPMENT BANK
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CHINA DEVELOPMENT BANK
Chen Yuan, President
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Chaoyang District, Beijing 100016
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Shanghai Representative Office
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Fax: (86-21) 6321-2353

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(Please see Bank One)

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5. U.S. Embassy Contacts

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Deputy : William Zarit
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Dale Maki, Attache
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First Secretary: Chuck Bennett
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Fax: (86-10) 6532-3178

AMERICAN CITIZEN SERVICES
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No. 4 Lingshiguan Road, Section 4

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Commercial Officer
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Principal Commercial Officer: Erin Sullivan
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6. Washington-based USG China Contacts

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International Trade Administration
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Multilateral Development Bank Office
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U.S. Trade Promotion Coordinating Committee
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
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Office of Business Affairs
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AgExport Services Division
Foreign Agricultural Service
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Trade Assistance & Promotion Office

Tel: (202) 720-7420

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U.S. Ex-Im Bank
Business Development Office
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7. U.S.-Based Multipliers

U.S.-CHINA BUSINESS COUNCIL
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APPENDIX E

Market Research

Fiscal Year 2000 International Market Insight (IMI) Reports

14th Chengdu International Medical Fair
2000 Sichuan International Seminar on New Types of Energy and their Application
2000's Sichuan Key Infrastructure Project List
'99 Sichuan Trade Fair on Environmental Technology
A Request for Indication of Interest for RFP - Master Plan and Urban Design for Shanghai's Huangpu Riverside Area
Accounting
Anhui Province, China Environmental Improvement Projects, Financed by the Asian Development Bank (ADB)
APEC Shanghai Model Port Project
Architecture in Beijing
Avic I and II
Bid For International Equipment Purchase, Suzhou Creek (3)Waste Transfer Station
Bid For International Equipment Purchase, Suzhou Creek (4) Mechanical Equipment Of Sewage

Pre-Treatment & Treatment Water Discharge Area
Bid For International Equipment Purchase, Suzhou Creek (5) Sewage Biological Treatment System And Equipment For Shanghai Shi Dong Kou Municipal Sewage Treatment Project
Bid for International Equipment Purchase, Suzhou Creek (6)
Bid for International Equipment Purchase, Suzhou Creek (7), Steel Bars and Cement for the Rehabilitation of the Hongkou Gang Water System
Bids for Irrigated Agriculture Intensification II Project
CDMA-Unicom Signs Agreement with Qualcomm
Chengdu ‘2000 Expo for the Products of Hi-tech and Higher Education
Chengdu Digital Urban Information System Project
Chengdu Guoteng Communication Co., Ltd - A Fast Growing Telecom Company in Southwest China
Chengdu Panda Mall Co., Ltd. Seeks American Retailers and Equipment Suppliers
Chengdu People’s Department Store Huanghe Commercial Building Co., Ltd. Seeks American Clothing and Stores
Chengdu Subway Project, Chongqing Rail Transit Project and Chongqing Subway Project
Chengdu Xiling Snow-Capped Mountain Tourism and Development Co., Ltd. is Seeking Snowmaking System
China Announces Regulations on Telecommunications Network Interconnection
China Aviation Report Forecasts Passenger Traffic Development
China EPA Head Discusses Challenges, Priorities
China Fair for International Investment and Trade (CFIIT)
China Housing Market and National Institute of Standards and Technology’s Role in the China Housing Market
China Housing Market and the National Institute of Standards and Technology’s (NIST) Role In the China Housing Market- General Feedback
China Internet Conference to be Held in June 2000
China Internet Survey Update
China Shipbuilding Statistics 1999
China Textile & Fashion Trade Fair
China’s 62nd Annual Spring Season Candy and Wine Exhibition
China’s Advertisement Market
China’s Boat Industry Overview
China’s First Amateur Pilot Training School Established
China’s Growing Aged Population
China’s IT Industry Exceeds Growth Goals for 1999
China’s Training and Education Market
Chongqing Airport Expansion Project
Chongqing Rail Transit Project and Chongqing Subway Project-Part II
Coastal and Harbor Working Boats
Commercial Opportunities For American Telecom Companies to Sell Equipment to Sichuan Unicom
Commercial Overview - Shenyang
Computer Products for Insurance and Securities Industries
Construction of a Nursing Home by Deyang Municipal Hospital of Sichuan Province
Dalian Shipyards - Marine Technology
DOC National Institute of Standards and Technology’s Role in the China Housing Market - Shanghai Feedback

Dongfang Electric Corporation Seeks Technology for Wastewater Treatment Equipment
E-Commerce Business in China
ELDO Group Seeks Building Products
Emeishan Municipal Solid Waste Project
End Trip Report of IBP to Weftec '99
Environmental Protection Efforts in Wuhan
EXPO COMM China South 99- Telecommunications, Wireless & Networking Event for South China
Five-year Plan for China's Insurance Industry
Ford's First Dealer in Sichuan, Southwest China
General Overview of China's Great Western Development Strategy
Getting the Goods Through- Where is the Snag?
Giving a Presentation in a Cross Cultural Setting
Guangzhou Mass Transit Projects
Guizhou Shengqi Herbs Co., Ltd
Health Care Related Exhibitions for 2000 in China
Highways and Expressways in Sichuan
Housing Trade Mission to Hong Kong and China, June 2000
Information on Guiyang, Capital of Guizhou Province
International Tendering for Shanghai Suzhou Creek Rehabilitation Project
Invitation for Bids for Chengnan Expressway Project Financed by the Asian Development Bank
Jiangyou Municipal Wastewater Project
Jiuzhai-Huanglong Airport and Guanyuan Airport
Joint MBA Programs in China
Key Food Industry Projects in Sichuan
Light Rail Transportation Projects in Northeastern China
List of Large-Scale Projects in Guizhou Province
Luzhou City and its New Projects
Management Consulting
Mega Group International Seeks Health Food Product Suppliers
Mianyang Factory Seeks Ultrasound Medical Equipment
New National Construction Tendering Laws for China
New Projects for the Year 2000 in Southwest China
Opportunities for Upgrading Technology in Sichuan's Key Enterprises
Outstanding Retail Management Opportunity in Shanghai
Panzhihua Airport Project
Panzhihua Municipal Wastewater Treatment Plant
Pollution Control Equipment
Port of Dalian - Marine Technology
ProPak China '2001 (7th EXPO)
Prospects For Airport Construction and Development in China
Regulatory Break Through on Toll Manufacturing Multi-Site Source Products
Renewable Energy Industry Development Plan in China
Seminar on E-Commerce Governance
Seminar on the Development and Financing Access of Small and Medium Enterprises (SME) in Guangdong
Shanghai Deep-Water Port Project

Shanghai Diamond Market
Shanghai Freeway Construction
Shanghai Imported Equipment Service Center
Shanghai Power Tries the Market
Shanghai Sees an Explosion of Training Centers
Shenyang Dawncom Group
Shenyang Info Tech Industry Overview
Sichuan 2000 Coastal Region Products Trade Fair & Foreign Investment Symposium
Sichuan Lomon Corporation Seeks Titanium White Production Equipment and Technology
Sichuan Mianyang Dongfang Electrical Machinery Co
Sichuan New Hope Group Seeks Ham Processing Equipment and Technology
Sichuan Tuopai Group Seeks Alcohol Production Equipment and Technology
Sichuan Tuopai Group Seeks Beer Production Equipment and Technology
Sichuan Wuliangye Groups Seeks Machine Tools and Plastic Material for Developing Plastic Processing Products
Sichuan Xin Xin Group Seeks Technology for Indoor Flowers
Silicon Valley in Southwest China
Six Key Projects of Environment Protection in Chongqing
State Council Orders Registration of Commercial Encryption
State Orders Registration of Commercial Encryption
Subways & Light Rail in China
Suzhou Creek Rehabilitation Project Bid II
The 2nd International Resource & Environment Protection Industry Expo (Rep'2000), Shanghai
The 4th China International Machinery and Equipment Show
The 4th International Electronic Commerce Summit
The 4th South China Int'l Die and Mold Industry Exhibition
The Development of Chinese Bank Cards
The First Hospital of West China University of Medical Sciences is Seeking an American Medical Distributor
The First University Hospital of West China University Medical and Sciences Seeks GLP Architect
The Ministry of Labor and Social Security in China
The Second Stage of Fu Nan Rivers Project
Tianjin to Expand its Port
Upgrading Technology Projects in 2000 in Yunnan
US China Renewable Energy Business Workshop and Study Tour in Northwest China
World Bank Funded Second Shaanxi Provincial Highway Project
Y2K Aftermath Report from China
Year 2000 Insurance Market Research Survey
Yunnan's Strategy for Western Development
Zhangjiang Port's Deepwater Plan
Zhenjiang and the Chemical Industry
Zhongguancun Computer Festival 2000: Beijing's Silicon Valley Third Generation
Zipingpu Hydropower Project - Sichuan's Largest Project in Year 2000

Fiscal Year 2000 Industry Sector Analysis (ISA) Reports

MBA Training Services

Air Pollution Control Technologies
Renewable Energy in China
Internet Protocol Telephony Equipment
Health Care Services
Information Appliances and Personal Computers
Farm Equipment for Animal Husbandry
Ticketing Systems for Subways/Metros and Light Rail
Aviation Training - Pilot, Flight Attendant, Maintenance
Agricultural Chemicals
Cable TV Equipment
Internet Service Providers
Machine Tools
Insurance Industry- Update
Plastic Materials & Resins
Computer Application Software
Building Products in Southwest China
Eye Care Products in Southwest China
Environmental Market Prospects in Southwest China
Biotechnology for Environmental Industry in South China
The Mold Making Industry in South China
Biotechnology for Environmental Industry in South China
The Floor Covering Market in Southern China
China's Ship Building and Raw Materials
Semi Conductor Market
Municipal Sewage Treatment

ISA's Scheduled for FY 2001

Air Pollution Control Equipment
ATM Machines and Bank Cards
Automotive Additives
Building Products
China's Amusement Industry
China's Telecommunications Equipment Market
Computer and Peripherals
Electronic Commerce Services
Franchising
Fund Management in China
Housing Interior Design Materials
Industrial Process Controls
Internet Content and Service Provider Industry
Packaging Machinery
Residential Building Materials and Services
Seaport Equipment and Technology
Sichuan Food Industry
Solid Waste Treatment Equipment
Travel and Tourism Services in Southwest China

APPENDIX F

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

2000 China International Telecommunications Exhibition & 14th PT/Expo Comm China '2000
Date: October 24-28, 2000
Venue: China International Exhibition Center, Beijing
Organizer: E.J. Krause & Associates Inc.
Tel: 86-10-8451-1832
Fax: 86-10-8451-1829
Email: ejk@public3.bta.net.cn

China Computerworld/IT China Solutions 2000
Date: September 2000
Venue: China International Exhibition Center, Beijing
Organizer: China Computerworld Publishing & Servicing Company, Infoex-world Services Ltd.
Tel: 86-10-68259420
Fax: 86-10-68259768
E-mail: Zhangwy@public3.bta.net.cn

2000 Chengdu International Furniture and Advertising, Printing Equipment Show
Date: September 23-27, 2000
Venue: 1/F #2 Exhibition Hall
Chengdu International Exhibition and Convention Center
Contact: Mr. Gu Huajun, Assistant to General Manager
Chengdu International Exhibition and Convention Center
Tel: 86-28-7641988
Fax: 86-28-7641988 or 7649999 ext. 3354, 3329
E-mail: cdiec@mail.sc.cninfo.net

Chengdu International Commodities Fair
Date: October 10-17, 2000
Venue: Sichuan Provincial Exhibition Hall
Organizer: CCPIT Sichuan

Contact: Mr. Zhang Jiping, Director of Exhibition Department
China Council for the Promotion of International Trade, Sichuan
Tel: 86-28-3336693
Fax: 86-28-332-6884
E-mail:ccpitsce@mail.sc.cninfo.net

China Southwest Industrial Automation and Instrument Show
Date: October 18-22, 2000
Venue: 1/F #1 Exhibition Hall
Chengdu International Exhibition and Convention Center
Contact: Mr. Gu Huajun, Assistant to General Manager
Chengdu International Exhibition and Convention Center
Tel: 86-28-7641988
Fax: 86-28-7641988 or 7649999 ext. 3354, 3329
E-mail:cdiec@mail.sc.cninfo.net
Mr. Zhang Jiping, Director of Exhibition Department
China Council for the Promotion of International Trade, Sichuan
Tel: 86-28-3336693
Fax: 86-28-332-6884
E-mail:ccpitsce@mail.sc.cninfo.net

3rd Chengdu International Grain and Feed Machine Technology and Equipment (tentative)
Date: Late October, 2000
Mr. Zhang Jiping, Director of Exhibition Department
China Council for the Promotion of International Trade, Sichuan
Tel: 86-28-3336693
Fax: 86-28-332-6884
E-mail:ccpitsce@mail.sc.cninfo.net

Chengdu International Fire Prevention and Public Security Technology Show
Date: Early November, 2000
Mr. Zhang Jiping, Director of Exhibition Department
China Council for the Promotion of International Trade, Sichuan
Tel: 86-28-3336693
Fax: 86-28-332-6884
E-mail:ccpitsce@mail.sc.cninfo.net

4th Chengdu International Industrial Material Show
Date: November 8-12, 2000
Venue: 1/F #1 Exhibition Hall
Chengdu International Exhibition and Convention Center
Contact: Mr. Gu Huajun, Assistant to General Manager
Chengdu International Exhibition and Convention Center
Tel: 86-28-7641988
Fax: 86-28-7641988 or 7649999 ext. 3354, 3329
E-mail:cdiec@mail.sc.cninfo.net

Chengdu International Electric Power and Irrigation Works Technology and Equipment Show (tentative)

Date:	Late November, 2000
	Mr. Zhang Jiping, Director of Exhibition Department
	China Council for the Promotion of International Trade, Sichuan
Tel:	86-28-3336693
Fax:	86-28-332-6884

E-mail:ccpitsce@mail.sc.cninfo.net

Chengdu International Plastic and Rubber Technology Exhibition (tentative)

Date:	Late December, 2000
	Mr. Zhang Jiping, Director of Exhibition Department
	China Council for the Promotion of International Trade, Sichuan
Tel:	86-28-3336693
Fax:	86-28-332-6884
E-mail:	ccpitsce@mail.sc.cninfo.net

The 2nd Guangzhou Int'l Exhibition on Pipe Equipment and Technology

Date:	September 12-15, 2000
Venue:	China Foreign Trade Center
Contact:	Cissy Cai, Frank Jaw, Guangdong International Trade & Exhibition
Address:	11/F Automation Building, 707 Dongfeng Road
	Guangzhou, 510080, China
Tel:	(20)8761-6600, 8761-6389
Fax:	(20)8761-2836

The 4th China Fair for International Investment & Trade

Date:	September 8-12, 2000
Organizer:	The Provincial People's Government of Fujian, The Municipal People's Government of Xiamen
Tel:	(86-591) 784-6650, 7856529
Fax:	(86-591) 782-9898
Sponsor:	The Ministry of Foreign Trade and Economic Cooperation (MOFTEC) of the People's Republic of China
Website:	www.chinafair.org.cn
E-mail:	china98@public.fz.fj.cn

The 2nd China International Elevator Industry Exhibition

Date:	September 12-15, 2000
Venue:	China Foreign Trade Center
Contact:	Cissy Cai, Frank Jaw, CCPIT, Guangdong Sub-Council, Guangdong International Trade and Exhibition Corp.
Address:	11/F Automation Building, 707 Dongfeng Road,
	Guangzhou, 510080, China
Tel:	(20) 8761-6600, 8761-6389
Fax:	(20) 8761-2836

The 2nd South China International Exhibition on Agriculture

Date:	September 20-23, 2000
Venue:	China Foreign Trade Center
Contact:	Cissy Cai, Frank Jaw, CCPIT, Guandgong Sub-Council, Guangdong International Trade and Exhibition Corp.
Address:	11/F Automation Building, 707 Dongfeng Road, Guangzhou, 510080, China
Tel:	(20) 8761-6600, 8761-6389
Fax:	(20) 8761-2836

International Exhibition on Airport 2000

Date:	November 7-10, 2000
Venue:	China Foreign Trade Center
Organizers:	Airport Department of General Administration of CAAC Air Traffic Management Bureau CAAC Central & Southern Regional Administration ofCAAC Guangzhou Baiyun International Airport China South Airlines (GROUP)
Host Contact:	Coastal International Exhibition Co., Ltd.
Address:	Room 3808 China Resources Building, 26 Harbour Road Wanchai, Hong Kong
Tel:	(852) 2827-6766
Fax:	(852) 2827-6870
Web:	http://www.coastal.com.hk/
E-mail:	general@coastal.com.hk

China Hi-Tech Fair 2000 International Exhibition on Biotech 2000

Date:	October 11-16, 2000
Organizer:	Ministry of Foreign Trade and Economic Cooperation, P.R. China Ministry of Science & Technology, P.R. China Ministry of Information Industry , P.R. China China Academy of Sciences Shenzhen Municipal Government
Host Contact:	Coastal International Exhibition Co., Ltd.
Address:	Room 3808 China Resources Building, 26 Harbour Road Wanchai, Hong Kong
Tel:	(852) 2827-6766
Fax:	(852) 2827-6870
Website:	http://www.coastal.com.hk/
E-mail:	general@coastal.com.hk

Airshow China 2000

Date:	6-12, November 6-12, 2000
Contact:	Todd Cai, Mark Zhou Zhuhai Airshow Co., Ltd.
Address:	4F Jinqiao Building, Jiu Zhou Avenue, Zhuhai City, Guangdong Province, P.R. China (P.O. Box: 519015)

Tel:	(756) 336-9152, 336-9235
Fax:	(756) 337-6415
Website:	www.airshow.com.cn
E-mail:	zharshow@pub.zhuhai.gd.cn

The 3rd Guangzhou International Exhibition Airport Facilities

Date:	November 8-11, 2000
Venue:	China Foreign Trade Center
Contact:	Cissy Cai, Frank Jaw, CCPIT, Guangdong Sub-Council, Guangdong International Trade and Exhibition Corp.
Address:	11/F Automation Building, 707 Dongfeng Road Guangzhou, 510080, China
Tel:	(20) 8761-6600, 8761-6389
Fax:	(20) 8761-2836

The 6th China International Exhibition on Machinery, Equipment, Diamond Tool, Technology and Products

Date:	November 14-17, 2000
Venue:	China Foreign Trade Center
Contact:	Bai Xiaogang, Xu Jing, CCPIT, Construction Materials Industry Sub-Council
Address:	11 Sanlihe Road, Baiwanzhuang, Beijing 100831, China
Tel:	(10) 6834-2388, 6804-1566, 6804-1567
Fax:	(10) 6834-6980, 6803-7220
E-mail:	ccpitbms@public3.bta.net.cn
Website:	http//:www.chinabuilding.cn.net

2000 Guangzhou International Motorcycle Exhibition (Motorcycle Guangzhou 2000)

Date:	November 23, 2000
Venue:	China Export Commodities Fair Exhibition Hall
Contact:	Mr. Wang Xia, CCPIT Auto-industry Sub-Council
Address:	46 Sanlihe Road,Xicheng Dist., Beijing, China 100823
Tel:	(10) 6859-5106, 6859-5103
Fax:	(10) 6859-5076

The 4th International Entertainment & Sports Facilities Exhibition

Date:	November 2000
Venue:	China Foreign Trade Center
Contact:	Huang Haijun, Guangdong International Physical Culture Exchange Center, Guangdong Xinhualian Economic and Trade Exhibition Corp. Ltd.
Address:	Room 2413 Yunshan Hotel, Xianle Zhong Road, Guangzhou
Tel:	(20) 8760-6452, 8760-6441
Fax:	(20) 8730-4041

The 7th China International Amusement Machines, Park Facilities & Components Exhibition

Date:	November 2000
Venue:	China Foreign Trade Center
Contact:	Huang Haijun, Guangdong Provincial Electronics Society, Guangzhou Xinhualian Economic and Trade Exhibition Corp. Ltd.
Address:	Room 2413 Yunshan Hotel, Xianli Zhong Road Guangzhou, 510075
Tel:	(20) 8760-6452, 8760-6441
Fax:	(20) 8730-4041

The 4th South China International Machinery & Tool Expo (SCMT 2000)

Date:	December 4-7, 2000
Venue:	China Export Commodities Fair Bldg., Guangzhou
Contact:	Mr. Fang Chuandong, Guangdong Kechuang Exhibition Ltd.
Address:	Rm G/H, 21/F, Western Block, Dongxing Mansion, 488 Huanshi Rd. Guangzhou 510075, China
Tel:	(20) 8762-9460, 8761-7370
Fax:	(20) 8761-9065

The 3rd China (Guangzhou) International Electric Equipment Technology Expo (CIEE 2000)

Date:	December 4-7, 2000
Venue:	China Export Commodities Fair Bldg., Guangzhou
Contact:	Mr. Huang Zhengliang, Guangdong Kechuang Exhibition Ltd.
Address:	Rm G/H, 21/F, Western Block, Dongxing Mansion, 488 Huanshi Rd. Guangzhou 510075, China
Tel:	(20) 8762-9460, 8761-7370
Fax:	(20) 8761-9065

The 5th Guangzhou International Automobile Exhibition

Date:	December 2000
Venue:	China Foreign Trade Center
Contact:	Song Changying, Zhongqi Foreign Trade and Economic Technology Cooperation Co.
Address:	15/F No. D, Jiali Building, Yayuncun, Beijing, 100101
Tel:	(10) 6493-8412, 6497-3895, 6493-8403
Fax:	(10) 6496-8699

7th International Industrial Materials and Component Processing Exhibition

Date:	October 9-11, 2000
Location:	Dalian For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409

2nd International Machine Tool, Cutter and Mould Exhibition

Date:	October 9-11, 2000
Location:	Dalian
	For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409

International Machine Tools Exhibition

Date:	October 9-11, 2000
Location:	Dalian
	For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409

3rd International Underwear and Beach-Wear Expo

Date:	October 11-14, 2000
Location:	Dalian
	For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409

National Autumn Cosmetics and Detergent Fair

Date:	October 19-22, 2000
Location:	Dalian
	For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409

International Computer-Aided Manufacturing Technology Expo

Date:	October 25-28, 2000
Location:	Dalian
	For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409

China Feather Down-Padded Products Export Fair; Dalian International Fur and Leather Goods Expo, Dalian Wool Cashmere and Knitwear Expo

Date:	November 1-5, 2000
Location:	Dalian
	For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409

Commodities Fair for New Year

Date:	December 11-17, 2000
Location:	Dalian

	For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409

Heilongjiang Tourism Fair

Date:	December 25-31, 2000
Location:	Dalian
	For more information, please contact US&FCS Shenyang
Tel:	(86-24) 8667-4011
Fax:	(86-24) 8666-6409