

China

Location: Eastern Asia, between North Korea and Vietnam, bordering the East China Sea, Korea Bay, Yellow Sea and South China Sea

Capital: Beijing

Land: Total= 9,596, 961 sq km, an area slightly smaller than the US

Population: 1,336,718,015 (July 2011 est.)

Language: Standard Chinese or Mandarin (Putonghua, based on the Beijing dialect), Yue (Cantonese), Wu (Shanghainese), Min-bei (Fuzhou), Minnan (Hokkien-Taiwanese), Xiang, Gan, Hakka dialects and minority languages

Climate: extremely diverse with tropical conditions in the south and subarctic in the north

Agriculture: world leader in gross value of agricultural output

Major Agricultural Products: rice, wheat, potatoes, corn, peanuts, tea, millet, barley, apples, cotton, oilseed; pork, fish

GDP (purchasing power parity): \$9.872 trillion (2010 est.)

country comparison to the world: 3

(official exchange rate): \$5.745 trillion

GDP Growth: 10.3% (2010 est.)

Import Commodities: electrical and other machinery, oil and mineral fuels, optical and medical equipment, metal ores, plastics, organic chemicals

Partners: Japan 12.27%, Hong Kong 10.06%, South Korea 9.04%, US 7.66%, Taiwan 6.84%, Germany 5.54% (2009)

Exports Commodities: electrical and other machinery, including data processing equipment, apparel, textiles, iron and steel, optical and medical equipment

Partners: US 20.03%, Hong Kong 12.03%, Japan 8.32%, South Korea 4.55%, Germany 4.27% (2009)

Government: Communist state. Chief of State is President Hu Jintao; Vice President XI Jinping; Head of government is Premier Wen Jiabao; Executive Vice Premier Li Lequiang

Business: Business etiquette is important in China. Timing is everything and punctuality is seen as a virtue. Always address a Chinese associate as Mr./Ms. (surname), or (title) and (surname). Using titles is a sign of respect. Business cards are a very important document and should be respected. Use both hands to both present and receive name cards, and always spend at least 10-20 seconds reviewing a business card you have received. Also, before you engage in business, do research to understand key cultural concepts and have basic knowledge of Chinese history and the political, economic and social challenges in the country.

Economic Highlights: China responded quickly to the economic downturn in 2008 and, as a result of monetary, fiscal and bank-lending measures, China's GDP grew 9.2 percent in 2009 and 10.3 percent in 2010. Accompanying this rise, U.S. exports to China increased in 2010 by over 32 percent to almost \$92 billion.



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Market Challenges: China lacks predictability in its business environment and the current legal and regulatory system can be inconsistent and often arbitrary. There are also issues with protection of intellectual property rights, and both those that operate in China and those that do not have had their product IP stolen by Chinese companies.

China retains much of the apparatus of a planned economy. The understanding of free enterprise and competition is incomplete in some sectors and political connections or goals at times trump commercially-based decisions. Companies interested in the Chinese market should carefully evaluate risks.

Market Opportunities: The growth of imports from the U.S. in a number of key sectors suggests that China will continue to be an important market for a wide range of products and services. Industries such as energy, chemicals, transportation, medical equipment, construction, machinery tourism and education remain viable areas for trade.

The Foreign Ag Service operates six offices in China for the purpose of expanding exports of U.S. agriculture. From January to November 2010, exports from the U.S. to China were up thirty-eight percent from the same period in 2009, setting a new record for the highest level in history. With China's rising incomes and demand for raw materials and finished foodstuffs, FAS forecasts that China's imports will continue to grow well into the future.

Trade Regulations, Customs and Standards: China import tariff rates are divided into six categories: general rates, most-favored-nation rates, agreement rates, preferential rates, tariff rate quote rates and provisional rates. On top of these tariff duties, both foreign and domestic enterprises are required to pay VAT and business taxes. VAT is assessed after the tariff and incorporates the value of the tariff. The general VAT rate is 17 percent but the government can adjust this down when it deems necessary. Small businesses are subject to VAT at the rate of 4 percent or 6 percent, and unlike other VAT payers, are not entitled to claim input tax credits for VAT paid on their purchases.

Necessary documents for importation vary by product but may include a bill of lading, invoice, shipping list, customs declaration, insurance policy, sales contract, import quota certificate for general commodities, import license, inspection certificate issued by the General Administration of the PRC for Quality Supervision, Inspection and Quarantine (AWSIA), and other safety and/or quality licenses.



Sources:

U.S. Commercial Service, Department of Commerce. (2011). *China*
Country Commercial Guide. Retrieved from <http://www.buyusainfo.net/>.

The World Factbook 2011. Washington, DC: Central Intelligence Agency, 2011.
<https://www.cia.gov/library/publications/the-world-factbook/index.html>