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# Investing in China: A Business and Logistical Review

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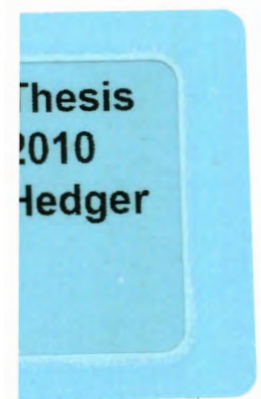
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## ABSTRACT

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China is a country with a quickly growing economy and a large labor pool, making it an attractive destination for foreign investments. This paper focuses on the factors that affect foreign investment in China and provides information on the current state of politics, business, culture, and transportation. Since China's entry into the World Trade Organization in 2001, the country has engaged in massive reform of many of its policies and practices, making it more feasible than ever for foreign investors to expand business into China's borders. China's commitment to promoting economic growth through political changes, more organizational structure options for foreign investors, access to a full spectrum of labor needs, and improvements to transportation infrastructure have led the country to see a huge increase in the amount and type of investments by foreign enterprises. While the eastern seaboard of China has seen the most economic, technological, and infrastructure growth and improvement in recent years, the country as a whole is opening its doors more widely to global opportunities. Learning to understand and exploit the resources and opportunities China has to offer can help foreign investors to realize success in many different areas of business.

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# **1 INTRODUCTION**

This paper provides a review of China's current political climate, business climate, business culture, economy, and transportation structure. While this paper is focused on the eastern seaboard of China, much of the information is applicable to the country as a whole.

Geographically, China is a country located in the southeastern region of Asia that boasts an area of about 9.6 million square kilometers. Figure 1.1 shows a map of China. The country is home to mountain ranges, hills, plains, rivers, many small islands, and a mainland coastline that borders the Pacific Ocean. China is divided into 23 separate provinces, all of which recognize Beijing as the national capital. There are about 56 distinct ethnic groups in China, most of which have their own languages. However, all of the country recognizes Chinese as the national written and spoken language (Brief Introduction to China).

The Chinese Communist Party (CCP) is the official form of rule in China, with a Party Congress that meets at least once every three years. The National People's Congress (NPC), the President, and the State Council are all governmental spots that lie underneath the CCP that carry out the rules, laws and ideologies of the CCP. However, in recent years, the CCP and the governmental structure have let people and organizations of China be more influential in law and politics, especially on the country's eastern seaboard. This has led to the country's quickly growing economy and the opening up of China to the world (Politics in China).



Figure 1.1 Map of China

Source: (Chinese Political Units)

## **2 LITERATURE REVIEW**

### **2.1 Economic and Trade History**

China has historically been a self-sufficient nation, placing geopolitical power over economics for many centuries. Whether controlled by an emperor or political party, China has traditionally been reluctant to open itself up to outside trade without harsh restrictions on foreigners or some sort of political/power gain (Culkins, 2000, p. 461).

#### **2.1.1 Zhou: The Beginning**

China's economic history begins in the Zhou Dynasty (1027-256 BC) during which time the Great Wall of China (the Wall) was first built. Although China was not unified at this time, the Wall was a means of keeping the Huns out of China's northern states. The Wall greatly inhibited China's ability to trade, but security meant more to the Chinese at the time than economic growth did. Nonetheless, about the last 50 years of the Zhou dynasty were years of increases in trade, especially between Chinese peasants and the Huns. Chinese people traded agricultural products for Hun horses, and then resold those horses within China (Culkins, 2000, pp. 461-462).

#### **2.1.2 Qin: China Unifies**

The Qin dynasty began in 221 BC and is credited with unifying China. The Qin dynasty was known for having a very strong military, and setting up the first formal government in the now united China. The Wall was rebuilt, language and writing were standardized, and many public works

projects were completed including roadways and irrigation systems. Probably the most notable historical fact about the Qin dynasty was the infamous 6,000 person terra cotta army that surrounded the tomb of Shi-huang-di to protect the ruler from anyone trying to follow him into the afterlife (Qin Dynasty).

Although the Qin dynasty realized many domestic accomplishments, it did not make any intentional advancements in trade. It was only because of Shi-huang-di's act of militarizing a transportation route that this route eventually turned into what came to be known as the Silk Route. The Silk Route would eventually be used to trade China's surplus of agricultural goods for other items with foreign nations (Culkins, 2000, p. 462).

### **2.1.3 Han: Beginning Trade with the Silk Route**

The Han dynasty began around 202 BC. The Silk Route in central Asia was used increasingly as a trade route, notably by Romans who grew very fond of Chinese Silk. The coastal region also began to see a small amount of sea trade, mostly with Rome and India. Chinese inventions during the Han dynasty including porcelain (china), the water-powered mill, and shoulder collars used on large animals for plowing all aided in keeping China preserve trade surpluses. China's ability to offer attractive goods led the Emperor Wu-di to establish a "tribute" system with outside traders. He demanded that foreign representatives come to him and kowtow (kneel and bow in respect) to observe his superiority. However, this eventually led to economic losses for China. The Emperor would provide these emissaries with lavish gifts to boast about China's wealth and would host the

representatives for months at a time. The amount of business that these foreigners brought to China was not equal to the amounts of gifting that Wu-di showed to his guests (Culkins, 2000, p. 463).

#### **2.1.4 Tang: Trade Grows**

The Tang dynasty, beginning in 618 AD, was substantially more involved in trade than the previous Han dynasty. Trade by both sea and land had grown almost exponentially, emphasizing relationships with India and western Asia. Beginning with Emperor Gao Zong, trading ports and warehousing were seen for the first time in China. It was at these locations that foreigners could meet to buy Chinese silk and precious metals, as well as trade for other commodities. A map of Chinese trade routes is shown in figure 2.1.

However, as tradition implies, culture was more of a concern for China in this period than was economic growth. China let trade emaciate with Japan, created barriers on trade routes and sent officials to govern market places. Licenses for selling goods and foreign trade were both limited by the government, and it was made harder for businessmen to enter into industry. In fact, any person wishing to take part in the trade industry was forced to make large cash investments and offer “marriageable” daughters to foreign enterprises (Culkins, 2000, pp. 463-464).

### 2.1.5 Song: Branching Out

The Song dynasty began in 960 AD and brought about an expansion to China's trading industry.

Hong Kong and Shanghai became important areas for foreign traders, and China extended its trading business to include Korea.





Figure 2.1 Ancient Chinese Trade Routes

Source: (Silk Trade Route)

China mostly imported raw goods in bulk and exported items that were processed, including books, art, silk, and porcelain products. Vietnam was the only region at this time that exported fine goods, like perfume and ivory, to China (Culkins, 2000, p. 464).

### **2.1.6 Yuan: Age of Exploration**

The Yuan dynasty began in 1279 AD and was witness to one of history's greatest explorers: Marco Polo. China increased in size due to the conquest against the Mongolians and began trading in greater amounts both by caravan and by sea. However, Arab and Persian traders dominated trade between China and central Asia at this time despite China's much-sought-after exports of gun powder, paper money, medicine, and art. It was around this time that Marco Polo entered China where he served the ruler Kublai Khan for 17 years before returning to Europe. Polo praised China's many modern advances including paper money, coal, weapons, and the bureaucratic government. Although Polo's interest with the Chinese was shared with them five centuries later, the Chinese looked down upon Europeans in general. Europe was just too small of a player in China's trade industry for the Chinese to think of the region as being worthy of concern (Culkins, 2000, p. 464).

### **2.1.7 Ming: Ideology Trumps Economic Opportunity**

The Ming dynasty beginning in 1368 is most notably the time of Zheng He and his Seven Voyages. War began in Vietnam causing Emperor Yong-le to deploy troops to end trouble with the Japanese. Zheng He was deployed with a fleet of ships to "remoralize" troops. Zheng He

neglected his mission and instead sailed out to 52 separate destinations, forming relationships with new and old trade partners. China's technological advances in ship building were far beyond that of any other nation at the time, and China could have easily took control over all of East Asia. However, Emperor Yong-le cut the funding of Zheng He and his fleet, seeing only the cost of the expedition and not the great opportunity for commerce and power that could have ensued. It was then that the British founded the East India Company in 1600 which eventually dominated the whole region (Culkins, 2000, p. 465).

### **2.1.8 Zheng He and the Seven Voyages**

Zheng He began his first voyage in 1405 with 317 ships and 28,000 men. The voyage began with a stop in central Vietnam before the fleet ultimately made its way through the Straits of Malacca.

On its way back to China, Zheng He and his fleet defeated a pirate captain who had been terrorizing ships in the Straits. The fleet returned home and would make another voyage the next year.

Zheng He did not accompany his men on the second voyage in 1407. The main mission of the voyage was to return the Siamese ambassador to his home after he had made his way China. The fleet again made stops at several different nations including Ceylon and Calicut.

The third voyage began in 1409 and was of much importance. Realizing that it would be in China's interest to form a relationship with the nation of Malacca, Zheng He directed his fleet to the Malay Peninsula. There, Zheng showed his recognition of Paramesawara as the legitimate ruler of

Malacca and presented him a document officially declaring the city as a vassal of China. This meant that China would provide protection in exchange for allegiance and trade considerations in the Straits. The fleet later landed at Ceylon where internal conflicts were at hand. The Chinese lured the Sinhalese troops away from the city and took over, installing a new ruler. This voyage brought about respect to the Ming dynasty from many ambassadors representing many different nations.

The fourth voyage began in 1414, three years after the completion of the third voyage. This voyage took the fleet along the coastline of India, and brought about a huge amount of Chinese influence in the Indian Ocean. During a stop at Bengal by Zheng He, his fleet was able to possess a giraffe which they brought back to the Emperor. The Chinese regarded giraffes as magical creatures akin to a unicorn.

The fifth voyage began in 1417 after the Chinese court was moved to Beijing from Nanjing, and after repairs were made to the Grand Canal. Zheng He and his fleet brought 19 ambassadors back to their homes after visits to China, and explored the Arabian and African coastlines. The fleet even made a stop persecution of Muslims in Quanzhou before returning home with another giraffe for the Emperor, this time from Africa.

The sixth voyage began in 1421, again returning various ambassadors back to their homes. During this time The Forbidden City was made the site of the new capital of China in Beijing. Many political upheavals were realized shortly after the sixth voyage, including the death of Emperor

Zhu Di, upon which time his eldest son, Zhu Zhanji, took the throne. Emperor Zhu Zhanji issued an edict to end the voyages of Zheng He and his fleet, but permitting one last trip to inform foreign nations of the change in leadership and to encourage them to, "follow the way of heaven and to watch over the people so that all might enjoy the good fortune of lasting peace."

The seventh voyage began in 1431 in order to carry out the wishes of the new emperor, Zhu Zhanji. Zheng He died on the return trip and was buried at sea (Johnson). Figure 2.2 illustrates the travel patterns of Zheng He's seven voyages.

### 2.1.9 Qing: A Period of Growth and Ultimate Decline

The Qing dynasty began in 1644 during which time the population of China doubled from 150 million to 300 million. This can be attributed to the increase in food supply from the country. China was so prosperous during this time that American Charles Thomson urged America to model its own development after that of China. Still, China remained indifferent to trade with other nations during this period, and missed out on a huge opportunity for economic growth. Emperor Qian-long even went so far as to inform King George III of England that China was superior to England, and that China is not in need of anything from any foreign land. That led Sir Robert Hard, a British customs official, to agree that England need not have anything to do with China.

It was unfortunate, however, that British trade relied on the Chinese exports of silk and tea to keep trade going between Europe, India, and China. The British were not allowed settle in certain areas around Canton and Macao, to do any trade outside of 13 specified trading locations, to learn

Chinese, or to deal with any other than a few specific merchants who had the monopoly on trade at that time (known as cohong). Because of this, China ended up basically controlling European trade by 1760.



Figure 2.2 Zheng He's Seven Voyages

Source: (China's Great Armada, Admiral Zheng He, map, 2008)

American export trade with China during this period was based on seal and sea otter furs. Trade quickly expanded to include Turkish opium, Chilean copper, and rice, among other goods. Imports into the US from China included mostly tea, silk, and porcelain, but these imports declined due to America's shift towards coffee and cotton. Table 2.1 shows imports to China from the United States from 1817-1832.

Since European goods were of little interest to the Chinese, the Europeans had to find a commodity to trade for China's silk and tea. Opium from India became that commodity. Opium was outlawed in China, but it still found its way into the country and mass addiction ensued. The smuggled drug resulted in a huge outflow of Chinese silver that hurt China's currency system. Some even encouraged China's government to legalize the drug to get a handle on the devastation.

During what is known as the "Opium War", China appointed Lin Zexu as commissioner to Canton (a system that enabled China to control trade with the West). Zexu banned opium trade and even burned opium found in British possession. The Treaty of Nanking came about in 1842. The treaty included China surrendering Hong Kong to Britain, paying a war indemnity, opening more coastal ports to foreign trade, and ending the *cohong*. Opium was also legalized in China and could be imported with a 5% tax.

By the end of the Qing dynasty, China's economy was suffering. The country experienced increased poverty levels due to war and bad trade policy. Tea trade drastically decreased due to



the crop being grown in Europe and India, and Europe and Japan took the silk market away from China by learning how to control silkworm disease.

Year	Furs %	Opium %	Sandalwood %	Silver %	Other %
1817-18	4.3	8.4	2.9	78.8	5.6
1818-19	4.5	5.5	1.6	74.7	13.7
1819-20	2.8	1.2	1.2	77.2	17.6
1820-21	3.3	0.0	1.3	63.7	31.7
1821-22	6.7	5.8	3.7	64.1	19.7
1822-23	3.8	0.0	1.7	75.5	19.0
1823-24	4.3	2.1	1.1	64.9	27.6
1824-25	3.0	3.2	0.7	72.8	20.3
1825-26	3.3	0.0	0.4	73.6	22.7
1826-27	6.7	0.8	2.2	47.9	42.4
1827-28	4.2	13.9	3.7	42.5	35.7
1828-29	8.0	24.2	3.8	21.7	42.3
1829-30	4.9	28.0	1.1	28.7	37.3
1830-31	2.6	26.4	13.0	6.0	52.0
1831-32	5.5	7.2	0.2	21.9	65.2
1832-33	3.7	6.4	0.8	19.0	70.1

**Table 2.1 Chinese imports from the United States**

Source: (Culkins, 2000, p. 468)

China still exported some goods including soybeans, vegetable oil, and animal hides, but by 1933 China's imports were only 4.5% of GNP (gross national product). Table 2.2 shows exports from China to the United States from 1870-1929.

#### **2.1.10 Communism: The Modern Trade**

Communism began in China in the 1900s. The country's new form of government continued the tradition of "ideology over economics", striving to be self-sufficient. This inhibited China's ability to successfully be a part of trade with foreign countries as each region was directed to produce certain quotas of certain goods to sustain China's inhabitants, rather than letting economics markets and regional natural resources dictate outputs.

Since China's entry into the WTO (World Trade Organization), the country has started opening itself up to foreign trade. More goods are being exported due to economic factors as opposed to ideology, but some of China's old ways still remain. The country still feels "superior" to Western nations in terms of culture, and still sees itself as a self-sustaining country. Nevertheless, growing opportunities for foreigners show China's realization of the necessity of foreign trade (Culkins, 2000, pp. 468-471). 2008 detailed trade data for China can be found in appendix A.

Year	Chem., drugs, dyes %	Hides %	Oil, veg. %	Rice, rice flour %	Raw silk %	Tea %	Raw wool %
1870	4.4	0.0	0.6	3.6	3.3	67.0	0.0
1875	4.0	0.0	1.5	6.9	5.1	64.9	0.0
1880	5.0	0.3	0.7	4.5	31.9	45.9	0.0
1885	2.1	2.3	1.2	4.5	23.2	49.3	0.6
1890	2.5	0.8	0.9	3.7	27.5	42.2	5.0
1895	4.9	2.3	0.6	2.4	26.9	36.8	8.3
1901	5.4	7.9	0.7	2.7	34.4	26.5	3.4
1905	6.1	9.1	1.5	1.8	31.6	21.2	11.2
1911	1.3	10.5	8.5	1.4	38.6	8.4	8.7
1915	1.6	13.1	7.2	3.6	28.1	7.7	13.3
1920	4.0	15.1	9.5	0.2	26.4	1.2	2.6
1922	0.0	5.1	6.1	0.0	41.5	1.6	7.2
1929	0.5	14.2	0.0	0.0	26.6	2.4	0.5

Table 2.2 Chinese Exports to the United States

Source: (Culkins, 2000, p. 470)

## 2.2 Economy

China's economy started to boom in the late 1970's to early 1980's when the government recognized the need to move away from a Communist economy to more of a free-trade, capitalist economy. One of the reasons that China has grown so much in such little time is because the country was so far behind economically to begin with. While the United States and European countries were innovating, designing, researching, and experimenting to grow their economies, China was playing catch-up. The government was able to hire top consultants from around the world to help the country implement successful policies and procedures of other countries, while avoiding those policies and procedures that proved to be detrimental. Needless to say, there was really no trial-and-error stage for China, because it was simply copying the things that already worked.

While China could become the world's largest economy at some point in time, it is uncertain what will happen when China's economy is on the same level as the rest of the world's top economies. China has shown no ability for self-innovation or being able to proceed into its economic future on its own. Furthermore, China's overwhelming labor force is becoming more educated and more competitive. The country may not be able to entice foreign investors to come to China if and when the multitudes of low-cost labor are no longer available.

China's economic growth may also be affected by the government's future plans to increase regulations, even out the income gap, increase the quality of medical care, and improve social

security, among other things. These issues could either improve or hinder China's economy depending on the direction taken by the government and even the Chinese population in the future.

When it comes down to it, China's future is one big question mark. Will China be able to continue growing its economy when the path trudging by other countries comes to an end? Will the growing population of educated workers and wage competition push out foreign investors? Will privately-owned businesses established by Chinese citizens be able to extend China's economy even further? These are all questions that can not be answered. Too many variables exist to even venture a guess at this point, but for now China's economy is still booming (Saxon, 2007, pp. 26-31).

### **2.3 Political Climate**

The government and the general population in China are two very different things. In America, it is the people that get to choose law makers and make and change policy. In China, the people have very little, if no, influence on what the government does. While the citizens of China are allowed to express negative views of the government (to some extent), the government historically does not want, nor take into account, the concerns or opinions of the people.

However, since China has become more open to world trade, and definitely since its acceptance into the World Trade Organization in 2001, the government has allowed the appearance, and even feeling, of freedom to people and businesses where it does not interfere with the government's

agenda. The government has even gone so far as to hear the concerns of a small number of people on the country's income gap. Although these steps may seem small, the China of today is a far cry from the intellectually suffocating regimes from years before (Saxon, 2007, pp. 16-18).

### 2.3.1 Censorship

While China may appear to be providing at least some types of freedom, the government still severely restricts and controls all types of information. The government has complete control over the Chinese media, including the actual information provided by the media, and when the information can be dispersed. China only has one official media agency, Xinhua, and expects that all television broadcasts, newspaper articles, and internet websites will follow the guidelines issued by the Communist Party to Xinhua.

While the government maintains strict control over the media, one might think that the widespread use of the internet in China would bring about more access to ideas that would otherwise be restricted by the Chinese Communist Party. However, the Communist Party has hired over 30,000 government agents to patrol the use of the internet in China. Many American-based companies such as Yahoo! and Google have actually surrendered to the content restrictions and manipulations demanded by the Chinese government in order to stay visible in the country.

In one instance, Yahoo! provided e-mail evidence used to jail a Chinese journalist who was criticizing the government's restrictive role in the media.

China's government has taken many steps to keep the Communist Party in control when it comes to information. Laws have been passed concerning acceptable information, Chinese-based websites must be registered with the government, and those people choosing to use cybercafés can only gain internet access through the use of identification cards. While the government may provide the appearance of some freedoms, businesses need to take into account the effect that restrictive and manipulative Communist Party media control would have on potential success (Saxon, 2007, pp. 18-21).

### **2.3.2 U.S.-China Relations**

Historically, the Chinese government has owned almost all of the business in China. The economy was based around providing for the Chinese people with little consideration for profit or globalization. Since China entered the World Trade Organization, China's economy has been booming. The Communist Party has taken advantage of capitalist countries investing in communist China. While the government is working to open up and foster opportunities for free trade and private enterprise, the motivation is still Communist. The government is looking to make China a global force through a somewhat capitalist economy and then make political Communist demands.

While China does look at the United States as a military threat, the country is very open to U.S. business. China obviously does not condone or promote the U.S.'s democratic political system and sees America's ideas and ways of life a danger to the Chinese government's control.



However, the business brought to China by the U.S. and other 1<sup>st</sup> world countries provides China an opportunity to grow both economically and politically.

China will more than likely use the new gains from private for-profit enterprises to build its Communist military and promote its Communist agenda. From a business standpoint it is essential to differentiate between the seemingly capitalist market, and the strict Communist government. While setting up business in China may provide excellent business opportunities it is wise to stay aware of the government's activities, especially as a United States business (Saxon, 2007, pp. 22-26).

## 2.4 Wages and Personnel

One of the reasons that China has been an attractive option for American investors and businesspeople is the availability of labor and the low cost of that labor. However, according to Dexter Roberts, "the No. 1 challenge today is finding and keeping good workers" in China. Labor turnover is approaching 50%, and wages are rising. This may mean the end of low-cost manufacturing in China sometime in the future. The processes of wage increases is fairly slow, and some companies have moved away from the higher-priced coastal region towards China's inland areas. Other companies have implemented different strategies including more training and education to allow Chinese workers to be employed in higher-technology industries, or implementing energy saving plans in Chinese plants. However, wages are still substantially lower in China as compared to the United States which still makes China a viable option for American

investors and businesspeople (Roberts, 2006, pp. 32-35). Table 2.3 shows the average wages for various industries in different provinces in China. Figure 2.3 shows a chart compares the national average wages of the various industries according to table 2.3. The wages shown are in RMB (yuan). One Chinese yuan is approximately 0.1495 U.S. dollars. Refer to appendix B for additional wage and employment data for the year of 2008.

Region	Total	Mfg.	Transport, Storage, and Post	Information Transmission, Computer Service, and Software	Wholesale and Retail Trade	Financial Intermediation	Investing in China 25	
							Leasing and Business Services	Scientific Research, Technical Services, and Geological Prospecting
National Total	19643	18752	15973	32244	10939	22457	16501	20636
Beijing	36506	37112	19977	53010	23088	61713	25742	34898
Tianjin	23368	26085	23748	33785	15606	26295	13514	24545
Hebei	14548	17582	12777	23494	6824	15237	9225	16699
Shanxi	12437	12468	13894	17953	6178	15103	8353	13109
Inner Mongolia	13916	17942	13604	17367	7867	14060	12511	14060
Shaanxi	18412	18559	14688	35486	10466	20171	11915	17600
Shandong	13764	15206	10909	21777	6935	15559	11824	14140
Heilongjiang	14966	15702	12784	26318	8400	18407	9069	14084
Shanghai	34651	32330	25903	62821	25038	42544	22990	30928
Jiangsu	21409	25000	17031	32533	11452	24173	15931	23744
Zhejiang	28906	34733	22718	44263	20288	31578	20137	28627
Anhui	12095	13563	9473	19158	6163	14475	8483	13348
Fujian	20853	20562	18181	33158	13375	26245	14538	19913
Jiangxi	12901	12707	14011	16831	7782	15390	10783	12804
Shandong	16638	17681	16124	24660	8006	19924	12805	17264
Henan	13655	14570	12566	19377	7169	16595	10321	14986
Hubei	12658	14247	11827	16517	6923	14539	9943	14610
Hunan	15097	15022	12565	21361	10337	18159	13380	14853
Guangdong	29067	28574	25936	42966	18296	33426	21306	32963
Guangxi	15227	17571	13999	23783	8558	17341	10396	14944
Hainan	15786	15928	15571	27898	8810	19979	10607	11709
Chongqing	16037	16372	12506	25298	10497	22300	10805	14478
Sichuan	16374	15303	13171	23069	10055	20550	12559	19913
Guizhou	14462	18801	13280	18426	8630	16121	11884	14090
Yunnan	15362	18490	13810	19343	11068	15133	14861	14827
Tibet	26499	23092	22759	45466	14036	32525	15988	31626
Shaanxi	15235	16218	14506	26772	7290	17032	9853	14977
Gansu	13099	17544	14843	13104	7397	13991	10345	14470
Qinghai	18314	21364	18227	24594	9986	19235	12874	21917
Ningxia	16423	18793	15341	26867	9268	19532	11282	13876
Xinjiang	17351	17724	17767	23338	13082	20680	12666	16201

Table 2.3 Averages Wages in China by Industry and Region

Source: (Saxon, 2007, pp. 242-243)

### National Average Wages (RMB) for Various Industries in China

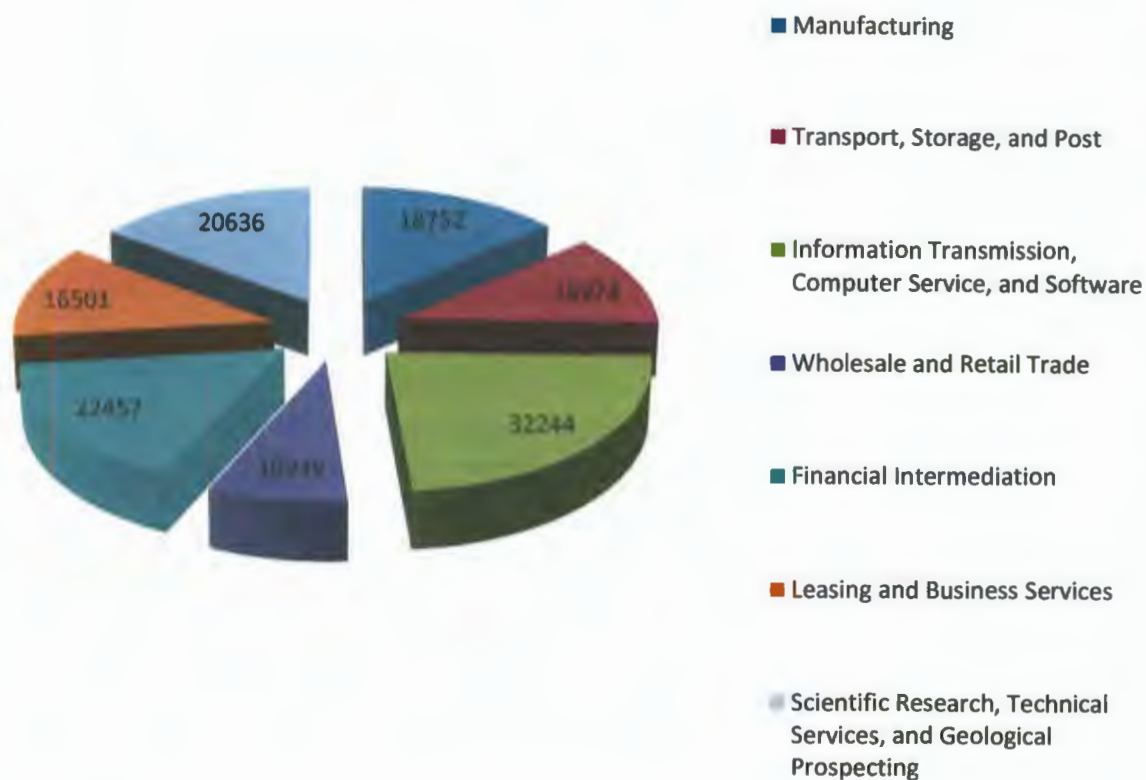


Figure 2.3 Comparison of National Average Wages in China by Industry

Source: (Saxon, 2007, pp. 242-243)

## 2.5 Manufacturing

American companies have historically outsourced to a number of different countries including Mexico, India, and China. China is an attractive option for American company outsourcing for a number of reasons, the biggest of which is cost. Manufacturing production costs in China are about 1/9 of the costs of comparable manufacturing in America. The largest part of manufacturing, in many cases, is labor cost and China offers eight to ten times lower hourly wages as compared to manufacturing wages in America. This fact doubled with China's large and educated labor supply makes the country a smart choice, especially when labor is the main part of a manufacturing business.

China also beats American pricing in areas such as building construction, utility, insurance, tax, and regulatory costs. This is not only due to relatively low labor costs, but also the difference in laws and regulations. As compared to America, China has much less stringent regulations on environmental and safety codes, building codes, and handicap considerations. This results in reduced cost and less red tape for businesses in general.

Another aspect that makes China a favorable location for manufacturing is the country's growing infrastructure. China's dictatorship government allows for changes and improvements to happen quickly. The country is working to develop both land and air infrastructure at a fast pace to better serve the transportation needs of manufacturing, among other industries.

Of course, there are downsides to doing business in China. Hidden costs exist that are not a part of American business. For example, costs may be incurred to motivate employees, gain “favorable and expedited government attention, obtain contracts, or buy gifts for business partners. Other potential shortcomings of manufacturing in China may include lack safety, quality workmanship, intellectual property protection, and ethics. All of these factors need to be weighed against the positive aspects of outsourcing manufacturing to China to be sure to make the right move (Saxon, 2007, pp. 3-14).

## **2.6 Importing and Exporting**

China has made a number of changes to its import/export laws in recent years, mainly due to the country’s agreement with the WTO. China has either cancelled or modified import/export quotas on many goods and now controls much of what the country imports with tariffs or licensing.

China’s imports are divided into four categories: prohibited items, restricted imports, free imports, and imports managed by tariffs. Depending on the type of goods, quota management and/or licensing may be needed for importation, as well as approval from the State Council for quota controlled items. Even free imports are tracked to a certain degree, requiring registration.

However, because of China’s WTO agreement, some import exemptions do exist for foreign-invested operations concerning quotas and licensing. Table 2.4 outlines the various approval documents needed for importing special commodities into China.

<b>Commodity</b>	<b>Item</b>	<b>Approving Authorities</b>	<b>Approval Documents</b>
Endangered wild animals and plants		Application should be made by the importer to the provincial wild animals and plants administration department, which should prepare a recommendation within 10 working days of the application and submit it together with all application materials to the State Council's wild animals and plants administration department for approval.	Import and Export Approval Certificate
Food products	Labelling	Application should be made prior to imports by the distributor or agent of imported food products for food labelling examination to the designated inspection and quarantine authorities, which should submit application materials together with preliminary examination results to the General Administration of Quality Supervision, Inspection and Quarantine for approval.	Imported Food Labelling Examination Certificate
Cosmetics	Labelling	Application for cosmetics labeling examination should be made by the distributor or agent of imported cosmetics to the General Administration of Quality Supervision, Inspection and Quarantine 90 working days before submitting the goods for inspection.	Imported Cosmetics Examination Certificate
Drugs	Anabolic agents and peptide hormones	Application should be made by the importer to the State Food and Drug Administration, which should decide within five days on whether the application is accepted and decide within 10 days of the acceptance of application whether imports are allowed.	Special Drugs Import Licence
	Narcotic drugs and psychotropic drugs	Application should be made to the State Food and Drug Administration.	Narcotic Drugs Import Licence or Psychotropic Drugs Import Licence

**Table 2.4 Approval Documents for Various Commodities**

Source: (Hong Kong Trade Development Council, 2008)

China also imposes certain limitations on exporting goods. For example, the exporting of certain scarce natural resources from China or goods sent to a region with a limited market may be restricted. Any entity that wishes to export goods must apply for an export license and may also have to gain approval from the Ministry of Commerce before doing so.

Both import and export entities are subject to something called “enterprise categorization” that is performed by Chinese Customs. In short, each entity is put into one of four categories ( A, B, C, or D) based on the credibility of the organization. Category A organizations have access to a number of perks ranging from exemption of random inspection of goods to priority in customs registration. Category B organizations are those that do not have special privileges, but are still credible enough to be treated “normally.” Category C organizations require special monitoring and control, such as inspecting most import/export goods and requiring that deposits be made on charges incurred. Category D organizations are under very strict supervision. Every category D organization must have all of its good inspected, face severe fines, and may even be “disqualified” from some import/export services (Hong Kong Trade Development Council, 2008). Figure 2.4 depicts a flow chart for Chinese importing and exporting, and tables 2.5 –2.13 depict Chinese import/export statistics for the United States and the world ranging from 2000-2009. Appendix C contains the Customs Law of the People’s Republic of China.



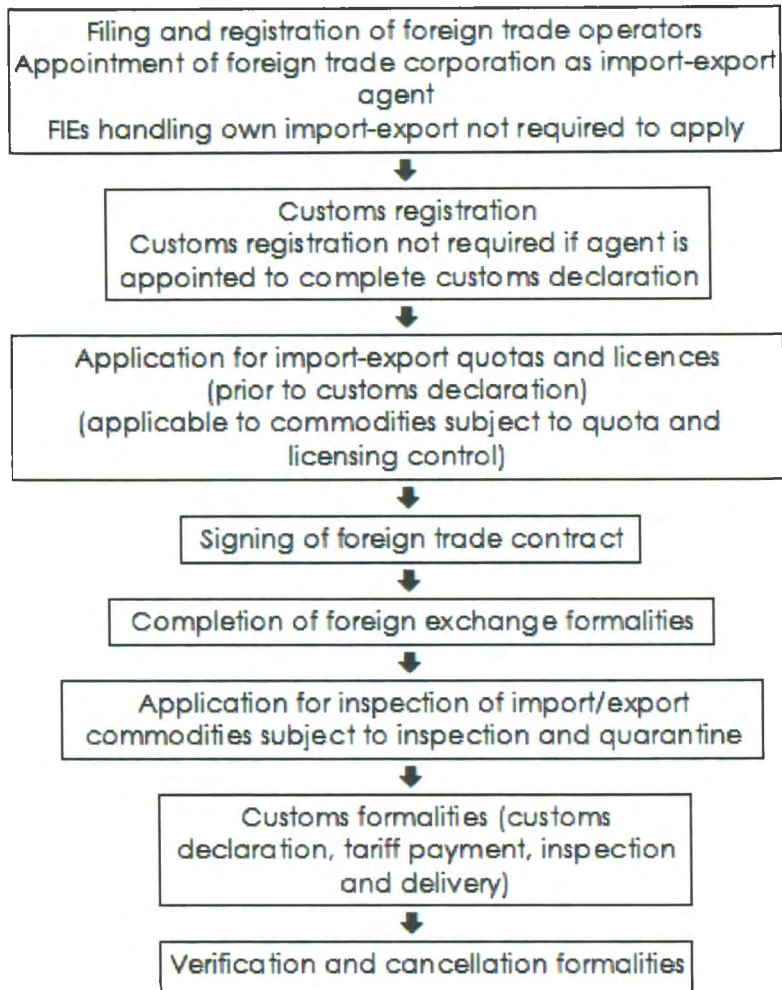


Figure 2.4 Flow Chart for Importing and Exporting in China

Source: (Hong Kong Trade Development Council, 2008)

China's Trade with the United States (\$ billion)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>US exports</b>	16.3	19.2	22.1	28.4	34.7	41.8	55.2	65.2	71.5	69.6
<b>% change</b>	24.4	18.3	15.1	28.5	22.2	20.6	32.1	18.1	9.5	-2.6
<b>US imports</b>	100.0	102.3	125.2	152.4	196.7	243.5	287.8	321.5	337.8	296.4
<b>% change</b>	22.3	2.2	22.4	21.7	29.1	23.8	18.2	11.7	5.1	-12.3
<b>Total</b>	116.3	121.5	147.3	180.8	231.4	285.3	343.0	386.7	409.2	366.0
<b>% change</b>	22.6	21.4	21.2	22.8	28.0	23.3	20.2	12.7	5.8	-10.6
<b>US balance</b>	-83.7	-83.0	-103.1	-124.0	-162.0	-201.6	-232.5	-256.3	-266.8	-226.8

Table 2.5 China / United States Trade

Source: (USCBC, 2010)

<b>Top US Imports from China 2009 (\$ billion)</b>			
<b>HS#</b>	<b>Commodity description</b>	<b>Volume</b>	<b>% change over 2008</b>
<b>85</b>	<b>Electrical machinery and equipment</b>	<b>72.9</b>	<b>-9.2</b>
<b>84</b>	<b>Power generation equipment</b>	<b>62.4</b>	<b>-4.2</b>
<b>61,62</b>	<b>Apparel</b>	<b>24.3</b>	<b>1.5</b>
<b>95</b>	<b>Toys and games</b>	<b>23.2</b>	<b>-14.6</b>
<b>94</b>	<b>Furniture</b>	<b>16</b>	<b>-17.4</b>
<b>72,73</b>	<b>Iron and steel</b>	<b>8</b>	<b>45.9</b>
<b>64</b>	<b>Footwear and pants thereof</b>	<b>13.3</b>	<b>-7.9</b>
<b>39</b>	<b>Plastics and articles thereof</b>	<b>8</b>	<b>-10.1</b>
<b>42</b>	<b>Leather and travel goods</b>	<b>6</b>	<b>-18.9</b>
<b>90</b>	<b>Optics and medical equipment</b>	<b>5.6</b>	<b>-9.4</b>

**Table 2.6 Top United States Imports from China, 2009**

Source: (USCBC, 2010)

Top US Exports to China 2009 (\$ billion)			
HS#	Commodity description	Volume	% change over 2008
85	Electrical machinery and equipment	9.5	-16.8
12	Oil seeds and oleaginous fruits	9.3	26.5
84	Power generation equipment	8.4	-13.8
88	Air and spacecraft	5.3	4.5
39	Plastics and articles thereof	4.4	14.1
90	Optics and medical equipment	4.0	6.0
72, 73	Iron and steel	3.5	6.9
47	Pulp and paperboard	2.5	9.4
29	Organic chemicals	2.4	15.1
87	Vehicles, excluding railway	1.9	2.3

**Table 2.7 Top United States Exports to China, 2009**

Source: (USCBC, 2010)

China's Trade with the World (\$ billion)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Exports</b>	249.2	266.1	325.6	438.2	593.3	762	969	1220.5	1430.7	1201.7
<b>% change</b>	27.8	6.8	22.4	34.6	35.4	28.4	27.2	26	17.3	-16
<b>Imports</b>	225.1	243.6	295.2	412.8	561.2	660	791.5	956.1	1132.6	1005.6
<b>% change</b>	35.8	8.2	21.2	39.8	36	17.6	19.9	20.8	18.5	-11.2
<b>Total</b>	474.3	509.7	620.8	851	1154.6	1421.9	1760.4	2176.6	2563.3	2207.2
<b>% change</b>	31.5	7.5	21.8	37.1	35.7	23.2	23.8	23.6	17.8	-13.9
<b>Balance</b>	24.1	22.5	30.4	25.5	32.1	102	177.5	264.3	298.1	196.1

Table 2.8 China's Trade with the World

Source: (USCBC, 2010)

China's Top Exports 2009 (\$ billion)			
HS#	Commodity description	Volume	% change over 2008
85	Electrical machinery and equipment	301.1	-12.0
84	Power generations equipment	236.0	-12.2
61,62	Apparel	100.5	-11.1
72,73	Iron and steel	47.3	-53.6
94	Furniture	38.9	-9.1
90	Optics and medical equipment	38.9	-10.2
28,29	Inorganic and organic chemicals	32.0	-24.5
89	Ships and boats	28.4	44.9
64	Footwear	28.0	-5.7
87	Vehicles, excluding railway	27.9	-28.9

Table 2.9 China's Top Exports, 2009

Source: (USCBC, 2010)

China's Top Imports 2009 (\$ billion)			
HS#	Commodity description	Volume	% change over 2008
85	Electrical machinery and equipment	243.8	-8.5
27	Mineral fuel and oil	124.0	-26.8
84	Power generation equipment	123.7	-10.9
26	Ores, slag, and ash	70.0	19.0
90	Optics and medical equipment	67.0	-13.8
39	Plastics and articles thereof	48.5	-0.7
28,29	Inorganic and organic chemicals	42.4	-50.7
72,73	Iron and steel	36.7	4.7
74	Copper and articles thereof	29.5	13.3
87	Vehicles other than railway	28.4	5.2

Table 2.10 China's Top Imports, 2009

Source: (USCBC, 2010)

China's Top Trade Partners 2009 (\$ billion)			
Rank	Country/region	Volume	% change over 2008
1	United States	298.3	-10.6
2	Japan	228.9	-14.2
3	Hong Kong	174.9	-14.1
4	South Korea	156.2	-16.0
5	Taiwan	106.2	-17.8
6	Germany	105.7	-8.1
7	Australia	60.1	0.7
8	Malaysia	52.0	-3.0
9	Singapore	47.9	-8.8
10	India	43.4	-16.3

Table 2.11 China's Top Trade Partners, 2009

Source: (USCBC, 2010)



<b>China's Top Export Destinations 2009 (\$ billion)</b>			
<b>Rank</b>	<b>Country/region</b>	<b>Volume</b>	<b>% change over 2008</b>
<b>1</b>	<b>United States</b>	<b>220.8</b>	<b>-12.5</b>
<b>2</b>	<b>Hong Kong</b>	<b>166.2</b>	<b>-12.8</b>
<b>3</b>	<b>Japan</b>	<b>97.9</b>	<b>-15.7</b>
<b>4</b>	<b>South Korea</b>	<b>53.7</b>	<b>-27.4</b>
<b>5</b>	<b>Germany</b>	<b>49.9</b>	<b>-15.7</b>
<b>6</b>	<b>The Netherlands</b>	<b>36.7</b>	<b>-20.1</b>
<b>7</b>	<b>United Kingdom</b>	<b>31.3</b>	<b>-13.3</b>
<b>8</b>	<b>Singapore</b>	<b>30.1</b>	<b>-6.9</b>
<b>9</b>	<b>India</b>	<b>29.7</b>	<b>-6.1</b>
<b>10</b>	<b>Australia</b>	<b>20.6</b>	<b>-7.2</b>

**Table 2.12 China's Top Export Destinations, 2009**

Source: (USCBC, 2010)

China's Top Import Suppliers 2009 (\$ billion)			
Rank	Country/region	Volume	% change over 2008
1	Japan	130.9	-13.1
2	South Korea	102.6	-8.5
3	Taiwan	85.7	-17.0
4	United States	77.4	-4.8
5	Germany	55.8	0.0
6	Australia	39.4	5.4
7	Malaysia	32.3	0.7
8	Brazil	28.3	-5.3
9	Thailand	24.9	-3.0
10	Saudi Arabia	23.6	-23.9

**Table 2.13 China's Top Import Suppliers, 2009**

Source: (USCBC, 2010)

## 2.7 Business Culture

China's culture is in a state of change due to the country's growing economy. People are becoming more educated, more concerned with money and business, more materialistic, and more individualistic. On the other hand, the 36 Strategies, made up of old proverbs and stories and taught in junior high school in China, play a huge role in Chinese culture today. Unfortunately for the foreign investor, the 36 Strategies teach the Chinese to win at any cost, whether it is manipulation, lying, or stealing. While (most) Americans have some sort of ethics code and a sense of honor that they live and do business by, and inherently assume that the Chinese share the values, the Chinese are taught to use these values and assumptions against the Americans in order to "win".

The 36 Strategies is only one example of how Chinese culture plays a role in business. It is important for foreign investors to understand how all aspects of Chinese culture can impact business, both positively and negatively (Saxon, 2007, pp. 54-56).

### 2.7.1 The Importance of Relationships

Chinese culture, social, political, and economical, is centered on relationships. Many opportunities in business come about because of who one knows and how well one knows them. Because of this, it is important *especially* for foreign investors to start making connections to Chinese individuals right away, and to maintain those connections. Common traditions in China include keeping in contact with almost everyone one does business with, giving gifts, and doing

favors. As stated by Mike Saxon, “a web of strong personal relationships will help ensure smoother development of business in China, as well as all kinds of other advantages” (Saxon, 2007, pp. 56-57).

### 2.7.2 The Significance of Hierarchy

Chinese government as well as Chinese business centers around hierarchy, and which position an individual holds in relation to another individual (Saxon, 2007, p. 57). When in the presence of individuals of varying degrees of influence and control it is vital to be able to distinguish between the ranks. For example, within the government the highest rank is the ministry, followed by the bureau, and lastly the department. An individual working for one of the organization will have, respectively, the ministry title prefix of *bu*, the bureau title prefix of *ju*, or the department title prefix of *si*. The head of any of the organizations will have the title suffix *zhang*, meaning “head” or “chief.” So the head of the ministry would be given the title *buzhang*. Deputy heads for any of the departments will have the suffix *fu*, which means “vice.”

A common tradition in China is inflating the position of an individual when the individual's superiors are not present as a form of flattery among deputy officials. This concept relates back to the importance of relationships. In the instance of meeting the vice Mayor, people may simply call him/her Mayor instead of vice Mayor to gain favor. It is key, though, to not inflate the title of an individual if his/her superiors are present, as it may insult the superior.

While an American business person may understand the importance of hierarchy and strive to honor the traditions of the Chinese, it is a common mistake to drift towards the Chinese individual who speaks the best English. This is a mistake that should be avoided, in order to not insult other Chinese individuals that may exceed the rank of the best English speaker. Going back to the importance of relationships, an American investor or business person would hurt his/her relationship with the Chinese individual that feels threatened by a deeper friendliness the American seems to have with the Chinese individual's subordinate. Americans, and other foreign investors, should make learning and sticking to the cultural expectations of hierarchy a priority if one wants to stay on the road to economic success in China (Pflanker, 2007, pp. 90-94).

### 2.7.3 Guanxi

Guanxi does not translate well into English because the American people do not have a custom like this. Literally, guanxi translates to "relationship" or "connection" but in the business world has a much deeper and broader meaning. While some Americans may think that guanxi is connected to corruption, this is not necessarily so. It is true that strings will be pulled, favors will be called in, and rules will be bent or broken all in the name of guanxi, but it is because of a feeling of closeness and obligation in Chinese culture, as opposed to material rewards.

Guanxi, like many other aspects of Chinese business, has to do with hierarchy. Family comes first, friends come second, and then classmates. Family, no matter how distantly related, is a top priority. This means getting jobs, promotions, contracts, and business deals is altogether easier if

one knows a relative that can be of assistance. The Chinese will even hold classmates in high regard, regardless of the actual intensity of the relationship.

Guanxi is something that no individual doing business in China can get around, and it goes both ways. If an American does a favor, no matter how small, for a Chinese individual, that individual will know that he/she is in debt to the American and will pay the favor back at some point in time.

On the same token, if a Chinese individual does any sort of favor for an American, that individual will be expect to be paid back the favor by the American, even if it is many years down the road.

Guanxi is such a huge force in China that it is estimated only 60% of monetary court judgments are actually paid, foreign and domestic. Judgments are passed down to district enforcement departments which are expected to enforce the rulings of the court. However, because of guanxi, enforcement officials usually have relationships with individuals in their respective jurisdictions and will not enforce the judgment in order to maintain guanxi and not hurt relationships.

Guanxi can not be overestimated and can actually help Americans and other foreign investors to gain favor with the Chinese and realize business success. The Chinese take guanxi very seriously and expect everyone, foreign and domestic, to abide by the guanxi way (Pflanker, 2007, pp. 97-100).

### 2.7.4 Face

Face is both a social and psychological phenomenon in the Chinese culture that can be compared to what Americans think of as reputation. The more casual form of face is known as mianzi in China. Mianzi pertains to simple matters, like bickering with family in public. In this case, one may lose mianzi if other see him/her having a small family dispute. The other more severe form of face is lian. This pertains to grave matters that cause great shame and embarrassment. For example, if it becomes public knowledge that an individual's spouse is cheating, the individual would lose lian.

In business matters, face has a lot to do with pride. Negotiating business deals with the Chinese often comes down to the point of a Chinese individual's desire to save face. For example, an American may be trying to buy a product or service from a certain Chinese individual. As the American raises his/her offer, the Chinese individual will lower his/her offer. It may come to a point where the final offer by the American is very close to the last offer by the Chinese Individual. At this point, the Chinese individual may ask the American to raise his/her offer by a menial amount in order for the Chinese individual to "save face" and not be seen as caving to the American's offer. This sort of behavior will be more common when other Chinese people are observing or participating in the negotiation, as the Chinese do not want to lose face in the presence of other Chinese. It is, then, important to leave a little room during negotiation for a "face saving" cost (Pflanker, 2007, pp. 94-96).

Another important aspect of saving face is the Chinese's habit of appearing to understand when they do not. However, challenging a Chinese individual to prove that the individual really understands what is being asked will cause that individual to lose face. Instead, asking oblique questions to make sure the individual is grasping a concept is a way to let the individual save face while ensuring understanding. Also, a Chinese individual may choose to answer a question when the individual does not know the answer, as opposed to saying, "I don't know" in order to save face. In this case, trying to verify facts is the only way to make sure the false information is not trusted.

The simple answer of "yes" and "no" is also a gray area in China. The Chinese do not actually have a word that means "no." Rather, the Chinese have a word that means "not yes." If a Chinese individual means no, they will say maybe, and if a Chinese individual says yes, it usually means maybe. This is another way for the Chinese to save face. Saying no might make an individual look incapable. Since yes actually means maybe, there is less pressure on the Chinese individual to perform, and consequently less risk of losing face. The confusion surrounding yes, no, and maybe can sometime be cleared up by a very fluent interpreter whom can put the answers of the Chinese in his/her own words to let Americans have a better understanding of what a Chinese individual really means.

One last are where the Chinese can lose face in when a mistake happens and an apology is necessary. A Chinese individual will openly and willfully apologize with "I'm sorry" when a little



mistake happens out of the individual's control. When it comes to a mistake of work or judgment by a Chinese individual, the individual will not apologize. Rather, the individual will rationalize the judgment or offer the reasons for the actions that he/she took. If the individual were to apologize for something that was wrong that was directly associated with something the individual did, he/she would lose face.

Many different areas of Chinese society, politics, and business are affected by saving face. This can be a tricky area to navigate, especially for an American or other foreign investor not attuned to this Chinese tradition. The use of an interpreter to clear up miscommunications along with a basic understanding of what to expect from the Chinese pertaining to saving face will make doing business in China more comfortable for Americans (Saxon, 2007, pp. 57-59).

### **2.7.5 Giving and Receiving Gifts**

Giving and receiving gifts is an essential part of effective and successful business relationships in China. As stated by a Hong Kong business man, "a businessman even with a lot of capital, but without Li (gifts), will get nowhere in China. But a man with a lot of gifts, even a man who is short of capital, could be successful." This is why it is important to understand the meaning of gifts, how to give gifts, and how to accept them in the Chinese business environment (Quanyu, Andrulis, & Tong, 1994, p. 215).

### 2.7.5.1 *The Meaning of Gifts*

Gift giving in China has evolved somewhat in recent years. For the most part, the thought that goes into a gift as well as the magnitude of the gift insinuates one of three things: respect and friendship, the act of paying an individual back for a gift received, or asking for a favor. If one is seeking a favor, for example asking someone to use his/her power or influence to help the individual, it is expected that the gift given will be extremely thoughtful and even highly valuable. It is estimated that the Chinese people spend about 10% of their income buying gifts for these particular reasons, and will even go so far as to borrow money to buy gifts. This shows just how important the meaning of gift giving actually is in Chinese culture.

It may be hard for one to discern between a gift and a bribe, especially in business situations. The difference is fairly subtle and is not always black-and-white. The difference between a gift and a bribe depends on the intention and result of the gift, among other things. If, for example, a gift is given to a public official in the hopes of the official conducting illegal action, this would be a bribe. In this instance both the gift giver and recipient would be punished by law. However, sometimes gifts are given to “lubricate the inefficient bureaucratic machine” in China and not necessarily to bribe a person into illegal activity. Even though this may seem somewhat unethical to an American, a gift given in this manner is usually not seen as a bribe in Chinese culture. Generally, if the gift is not a bribe for illegal activity, the gift is just that; a gift (Quanyu, Andrulis, & Tong, 1994, pp. 215-220).

### 2.7.5.2 *How to Give Gifts*

Gifts in Chinese business culture are not simply appreciated, but expected. It is almost common knowledge in China that one cannot have successful business partnerships and relationships without gift giving between the involved parties. Along this line, it is important to give gifts when the opportunity presents itself, not just when one needs help or needs a favor. A good practice is to keep a number of gifts of varying value and meaning on hand and give them out when it seems appropriate. However, one should not keep the various gifts in plain sight or be seen picking through the gifts as this may seem impersonal or rude.

The act of presenting a gift to an individual is also a subject that deserves consideration. It is Chinese tradition to deliberately undervalue the gift that is being given. One should not flaunt the fact that he/she gave a gift, but should rather implore the recipient to accept the gift with a statement such as, "the gifts are too small to express my true meaning, but please accept them."

In many instances the act of giving the gift is just as important as the gift itself.

One last aspect to remember when giving gifts is that the act of giving a gift does not mean that the favor one requests will be granted, even if the gift is accepted (if indeed one asks for a favor in return). In this case, the recipient may give another gift in return or give money for the approximate amount of the gift. If a gift is refused by the recipient, this may mean that the recipient is unable to help the gift giver, that the recipient does not want to owe the gift giver a favor, or that the gift was too small for the favor being asked by the gift giver. This is an awkward

situation for the both the gift giver and the recipient. This is why it is important for gift givers to give an ample amount of thought to the reason for the gift, the recipient, and to the gift itself (Quanyu, Andrulis, & Tong, 1994, pp. 220-226).

### **2.7.5.3 How to Accept Gifts**

Just as the act of presenting a gift to an individual is a vital part of the gifting process, so is the act of accepting a gift. Usually when a gift is received in America, it is customary to immediately open a gift and give praise and thanks for the gift received. In China, however, it is inappropriate to open a gift immediately upon receipt. Rather, an individual accepting a gift should take the gift unopened and express gratitude. Opening a gift in public is seen as rude and can make the gift giver feel very uncomfortable. Once opened in private, it is wise to thank the gift giver again and give praise and thanks for the gift. Also important to bear in mind is that once a gift is received, the gift giver will expect another gift or favor in return no matter how long after the first gift was given. The process of giving and receiving gifts in China can be a difficult one to navigate, but is vitally important for successful business relations with the Chinese (Quanyu, Andrulis, & Tong, 1994, pp. 224-26).

## **2.8 Business Law and Organizational Structure**

In general, China's government is working diligently towards changing laws to make them more practical in today's modern society. The biggest problem with China's legal system is the inability of enforcement, both on the policing level and the level of the courts.

China still maintains a “rule by law” type of legal system, as opposed to a “rule of law” system.

The latter suggests that the law is separate from and supreme to the government; that anyone and everyone is subject to it. This is the type of legal system found in America. Even if congressmen/women break the law, they are subject to the penalties put forth by that law. Rule by law, on the other hand, means that law is more of a tool that the government uses to get what it wants and do what is in its best interest. Because of this, China’s communist government still retains somewhat of a grip on the country and everything in it, including foreign business (Pflanker, 2007, pp. 48-53).

### **2.8.1 Business Law Reform**

Entry into the WTO (World Trade Organization) mandates that China makes some changes to its laws and policies to make them more democratic. China also knows that it must make changes simply to remain competitive in business. China has changed thousands of laws since entry into the WTO, which is good economically for foreign investors, but also makes it difficult to stay up-to-date on the latest set of laws.

Along with massive changes to business law in China, it is also becoming easier to resolve disputes and have access to courts. Trying to enforce verdicts is an entirely different matter, and will be discussed at greater lengths later in this paper. But, China as a whole really is making advancements trying to make laws more complete and rational, and trying to make court rulings more consistent and fair.

Another area worth noting concerning Chinese law reform is China's willingness to take suggestions for future law and policy changes. Chinese citizens as well as business people and even foreign entities can provide input at open forum hearings. This does not mean that the input is always put to practical use, but it is a step in the right direction (Pflanker, 2007, pp. 53-55).

### **2.8.2 Business Law Drawbacks**

Law reform might come as a pleasant surprise to foreign investors given China's history of being closed off to outsiders. It is still pertinent to remember, however, that China is still ruled by communism. As stated before, enforcement of policy and law is an issue that still needs a good deal of attention in China. Although more robust laws are passed to protect and encourage business, many people choose to simply ignore the laws. Furthermore, some officials will turn a blind eye to law-breaking or even encourage it if it is in their own best interest. Given the massive population of China, even those officials that want to enforce the law do not have the means necessary to police so many people. So, the combination of some officials intentionally ignoring those that break the law combined with not having enough officials to effectively enforce the law in the first place makes China susceptible to corruption.

Even though enforcement issues still exist, those individuals that do get caught are usually punished harshly. Almost every single defendant that goes to court will receive a guilty verdict, and the sentences are extreme. The death penalty is still used generously in China, and not just for murders. Economic crimes, such as taking a bribe from someone, can be punishable by death.

Although no solid figures exist, it is estimated by some that between 5,000-10,000 executions are undertaken each year in the country of China.

These examples of harshness are a sad reminder of how communism still has a stronghold on China. Even though China has a legislature that meets to discuss and reform policy, and even though China's constitution lays out a plethora of individual rights, the Communist party needs still trump everything. The Communist party will pass down laws for the legislature to pass (none of which the legislature had denied), and it will also intervene in court cases, and override laws for the good of the party. With no external "checks and balances" the communist party is free to do whatever it wants, whenever it wants, and this includes intervening with foreign business affairs (Pflanker, 2007, pp. 52-58).

### **2.8.3 Organizational Structure**

Historically for foreign investors the only option for investment in China was to do a joint venture with a Chinese businessperson. However, since China's entry into the WTO, more options are available for the foreign investor. The main choices of most foreigners are undertaking a joint venture, opening a representative office, or developing a wholly foreign-owned enterprise.

#### **2.8.3.1 Joint Ventures**

While most foreign investors may cringe at the thought of a joint venture, there are some distinct advantages. Since the Chinese people look at foreigners as outsiders, it may be hard for foreign investors to gain favor both financially and politically. It is to the advantage of an investor to have

some concrete relationships built within the business circle in China and to also have favorable relationships in the political arena to make things move through China's bureaucracy. This can be obtained more simply through a joint venture with Chinese individuals as opposed to going it alone, especially since these types of relationships in China take a considerable amount of time to develop. Also, having a Chinese partner that knows his/her way around the idiosyncrasies of China's labor force and general ways of doing business will save a lot of effort. It can also be easier to obtain necessary assets such as land and business licenses when working with a Chinese partner that already has his/her foot in the door.

Although advantages do exist, some disadvantages still play a part when considering a joint venture. Chinese culture ingrained in many of the country's citizens may make the goals of a Chinese partner differ from the goal of foreign investors. For example, most foreign investors are interested in improving profit and gaining market share. A Chinese partner may be more concerned with creating jobs for Chinese citizens and putting more money into government taxes. Because of this, a Chinese partner may not necessarily care what the profit of an organization is, but about how much the organization is contributing to China as a country and to its people. This can cause a rift in the goals and business plans, especially if the success of the organization really depends on the cooperation of the Chinese partner. These disadvantages paired with communication issues that may arise due to language and cultural barriers can lead to organizational failure.



Joint ventures have both advantages and disadvantages that must be evaluated before making a decision. If one chooses to undertake a joint venture in China, the key aspect of a successful venture is to choose the right partner. The Chinese partner should have the same vision and goals for the organization as well as share the ethical and moral obligations of the foreign investor. One should be sure that the Chinese partner has been truthful about what the partner has promised to deliver (land, business license, financing, etc.). If the venture goes sour because of issues that arise with the Chinese partner, trouble could be in the future of the investor. As previously discussed, court judgments can be hard to come by no matter how cut-and-dry the case may be. And even if a judgment is issued in favor of the investor, getting the appropriate party to enforce a judgment is a completely different, and difficult, matter (Pflanker, 2007, pp. 59-67).

### ***2.8.3.2 Wholly Owned Foreign Enterprises***

Wholly owned foreign enterprises (WOFEs) are those organizations owned 100% by one or more foreign entities. Many foreign investors are intrigued by establishing a WOFE because of its simplicity and ease of control as compared to joint ventures. WOFEs began to appear early in the 1990s but have been a more popular option since China's entry into the WTO. Most WOFEs in China are structured for manufacturing exports, as the country of China provides large tax breaks for organizations providing jobs for goods that are made solely for sale outside of the country. If a WOFE make goods for sale in China, the organization faces much higher taxes than domestic-owned companies (Pflanker, 2007, pp. 67-68).

One of the smaller downsides of a WOFE is that most must provide “advanced technology or be primarily export-oriented” (Saxon, 2007, p. 143). This is not necessarily bad for most foreign investors since China is picked as an outsource country where goods can be made at a low price and then sold to consumers elsewhere at a good profit. One big disadvantage of WOFEs, however, is the lack of local knowledge and valuable relationships foreign investors lose when deciding not to include a Chinese partner in the organization. Certain bureaucratic processes and be sped up, sourcing can be made easier, assets can be attained more quickly, and the workforce can be tapped more efficiently when a knowledgeable Chinese partner is chosen for a joint venture as opposed to setting up a WOFE. WOFEs will always be seen as “foreign” by the Chinese people, even when the organization provides jobs and contributes to the economy and the government. This can lead to a sort of “cold shoulder” by certain consumers, officials, and other businesspeople.

Despite the negative aspects of WOFEs, there are some obvious benefits. Foregoing the option of a joint venture with a Chinese partner will keep the company free from the differences a Chinese partner would have with the foreign investor. The goals of the company will not be compromised by loyalty to the Communist party, sourcing from dishonest or low quality Chinese suppliers to give business to a friend or family member will not be an issue, and having to bring a lawsuit, which would likely be unsuccessful, against a Chinese partner would never happen. These advantages paired with being able to Control exactly what happens and having a great deal of

business activity visibility is in a lot of cases enough to convince a foreign investor to form a WOFE (Pflanker, 2007, pp. 67-69).

### **2.8.3.3 Representative Offices**

Representative offices are those organizations which do not buy or sell goods in China for commercial purpose. Some restrictions apply on representative offices in China, such as the location of the office or how staff workers can be hired. Opening a representative office is a good choice for foreign investors that are looking to create a branch of an established company in China. Setting up an office takes a relatively short period of time as compared to joint ventures or wholly owned foreign enterprises and is much simpler to do. Also, goods can be marketed and sold out of the representative office as long as the contract for the goods is made between the end user and the parents company, not the representative office itself. This is a good option for foreign investors that want to do market research or need a certain amount of staff in China to deal with marketing, sales, and other business issues (Pflanker, 2007, pp. 69-70).

## **2.9 Intellectual Property**

Intellectual property and the protection of it is a hot button issue with many foreigners looking to make a business investment in China. What one must understand is the complete difference of culture and mindset that exists between China and Western nations. Countries such as the United States value individual rights. Allowing individuals to have personal freedoms and rights, including credit where credit is due, is simply a way of life. In China, individual rights are more of an

afterthought. China will do what benefits the country as a whole, not what benefits individuals.

Most Chinese citizens grow up believing that everything belongs to humanity; sort of like saying everyone has a right TO everything, but no one can have the rights OF something. This obviously leads to a lot of human rights issues, one of which is the right to intellectual property.

Because the Communist party oversees every aspect of life and business in China, it will do what it wants to benefit its power. While intellectual property rights, among many other individual rights, are promised by the Chinese government to satisfy the WTO, the government simply does not see how enforcing individual intellectual property on a routine basis will benefit the Communist party or China as a nation. Therefore, the enforcement of the perceived “rights” to intellectual property is dragging at best. For example, it is estimated that 92% of the software in China is pirated, compared to 22% in the United States. The Chinese government will, at times, engage a large amount of resources to massively enforce intellectual property rights for certain things for a relatively short period of time (for example, raiding counterfeit DVD stands on the streets of Shanghai). This can be compared to a United State STING operation that takes down a large drug lord. But, once the “raid” is over, it does not take very long for the counterfeit business to start back up again, usually in the same location.

What the Chinese government fails to understand concerning the protection of intellectual property rights is the lack of creativity that comes from knowing that an individual’s intellectual property will not be protected. If one’s ideas and hard work will just be stolen, why put in the

effort? This leads to a lack of innovation and invention, and could even result in slowing economic growth. The Communist party will only begin to enforce laws pertaining to intellectual property rights once it perceives the benefits, whether political, economical, or otherwise, that it will gain.

Even in this sort of hostile environment, there are a few steps one can take to try to protect intellectual property rights. Avoiding giving away design patents to Chinese laborers is a step in the right direction. For example, assembling a product in several subassemblies at various different locations in China and then combining them into the final assembly in the United States is one way of trying to keep a patent safe. Beyond that, registering the patent with China's State Intellectual Property Office may make it easier if a suit needs to be filed addressing stolen intellectual property. Trying to protect copyrights is more difficult, as most copyrighted items are easily available to the public. The only time the Chinese government will take an active role in protecting copyrights is when it sees an advantage in doing so. For example, protecting the Olympic symbols was of importance to the Chinese government because of the revenue it generated by selling Olympics-branded goods when the Olympics came to Beijing in 2008.

A larger problem comes into view when one takes the time to realize that not only patents and copyrights are counterfeited in China, but also pharmaceuticals, pet food, vitamins, and food. This is dangerous because of the health-related problems that could easily arise from these sorts of items that are not manufactured at an acceptable quality level. Despite the obvious dangers, consistent enforcement of regulations pertaining to counterfeiting the above mentioned products

is non-existent. The Chinese government may see more and more of an obligation to protect intellectual property rights in the future as technology becomes more of a factor in global economy, and when it feels more pressure both internally and externally to pay better attention to health concerns. This is really the only way that protection of intellectual property in China will improve (Saxon, 2007, pp. 89-95).

## 2.10 Logistics

China's logistics division is fairly underdeveloped considering the amount of economic growth the country has experienced in recent years. Because most of China's businesses in the past have been state-owned, organizations tended to transport their own goods and outsourcing logistics functions was basically unheard of. China does not currently have an intermodal rail system or any type of established trucking system to meet the logistical needs of many non-state-owned organizations. International logistic organizations such as UPS only offer international service, and the few domestic logistics companies that do exist do not offer very many services (Shaw & Wang, 2002, pp. 1-3). Figure 2.5 illustrates the top 20 third-party logistics organizations in China for 2006.

For the most part, the process of importing and exporting goods is relatively easy. Problems start to arise when shipments are made *within* China, as many shipments are lost, stolen, or damaged. China's government has been working to ease regulations for third party logistics organizations and some foreign-owned enterprises are working in conjunction with Chinese organizations to

make moving goods in China easier. Still, a lot of progress has yet to be made in the area of domestic materials movements in China. Although many companies both foreign and domestic are beginning to get their feet wet in the third party logistics sector, China's government and the country's mediocre infrastructure make it hard to move good efficiently (The Economist Intelligence Unit Limited, 2005, pp. 5-6).

### China's 20 Leading Transport and Logistics Businesses, 2006 (revenue, RMB billion)

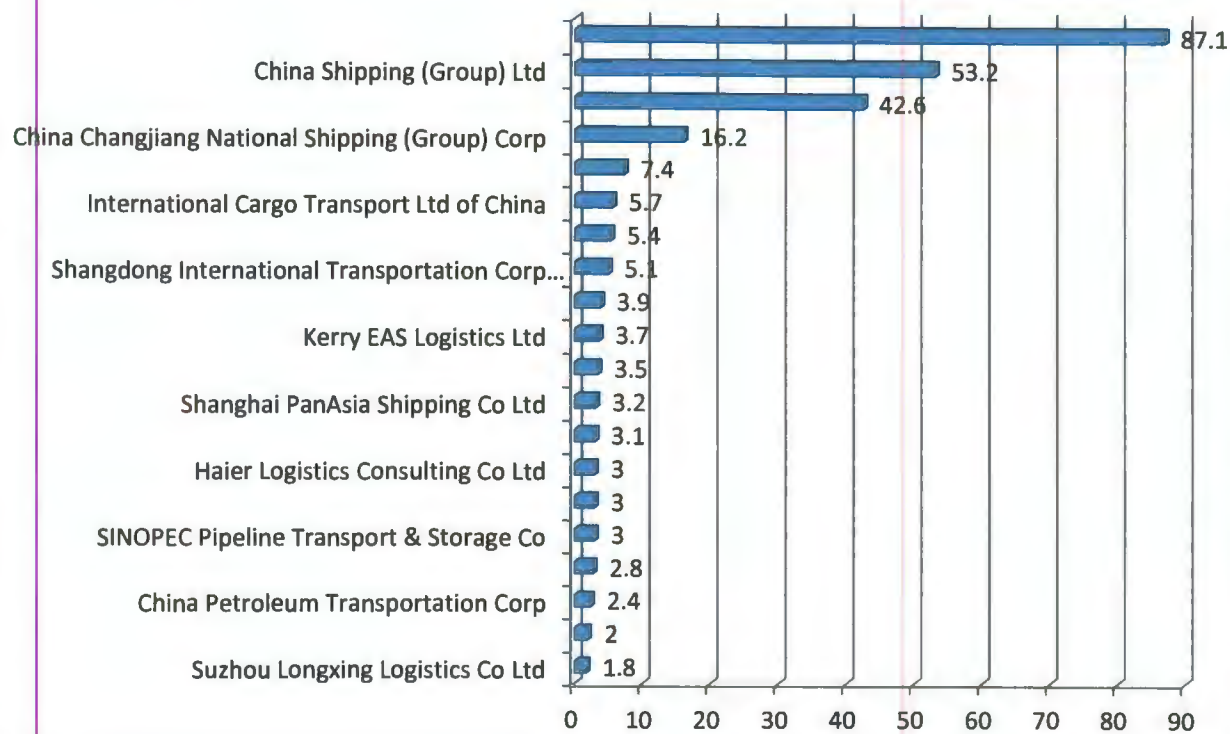


Figure 2.5 China's 20 Leading Transport and Logistics Businesses, 2006

Source: (KMPG, 2008)



## 2.11 Highways

China National Highways consist of a network of roadways that go through China's mainland. The speed limit on most highways is 80km/h but enforcement of this limit is rare, and most people travel at whatever speed they feel comfortable. The highways are labeled "Gxxx". The "G" stands for "national" and each "x" is a number. Five north-south highways and seven east-west highways make up the main part of the grid and are part of the "000" series. The 100 series highways all originate in China's capital of Beijing and stretch out to other regions of the country. The 200 series highways go north-south, and the 300 series highways go east-west.

China has been ramping up highway construction in recent years, and by the end of 2004 offered 1.871 million kilometers of roadway including a fair amount of expressways to modernize China's mainland transportation system. In 2005 the National Expressway Network Plan was approved by China's government to connect the capitals of each Chinese province to one another (China National Highways).

Over 4000km of expressway have been built each year since the National Expressway Network Plan was approved and the project has greatly improved transportation in China. China's government feels that the expressway system will open up the whole country to better social and economic opportunities by promoting the transportation of goods throughout the mainland (China Railway Construction Corporation Limited, 2008). Table 2.14 depicts the total kilometers of highways in different regions of China in 2008, table 2.15 depicts the amount of freight moved on

China highways by region in 2008, and tables 2.16-2.19 depict the 000-300 series highways in China, the connecting cities of each highway, and each highway's total distance in kilometers.

While many kilometers of highways are built every year, the volume of traffic is growing faster than the available highway infrastructure. More than 70% of freight transportation (mostly short trips averaging 59km) happens on highways and transportation issues are arising. Some trucking companies are making illegal modifications to their vehicles to be able to hold more capacity to ease the pain of dense traffic. Lost and damaged goods resulting from truck transportation is also common, which just drives up costs for manufacturers, warehouses, and distribution centers.

Planned improvements to China's highway infrastructure should help balance out traffic and freight issues, such as building highways that connect China's eastern seaboard to China's mainland. China's government is well aware of the problems with the highway transportation system and are taking a number of big steps to address these issues (Goh & Ling, 2003, pp. 889-893)

## **2.12 Railways**

China currently has three categories of railroads: national, JV, and local. Four of the eight railways in China connect Beijing to other cities (Guangzhou, Shanghai, Kowloon, and Harbin). The other four north-west railroads connect Shenyang to Guangzhou, Datong to Zhanjiang, Baotou to Liuzhou, and Lanzhou to Kunming. Six main railroads run east-west and connect Beijing to Lhasa,

Nanning to Xian, Lianyungang to Shankou, Shanghai to Kunming, Chongqing to Zhanjiang, and Kunming to Zhanjiang. Figure 2.6 shows a map of China's railway system.

Region	Total Length of Highways (km)	Expressway and Class I to IV Highways				Highways Below Class IV
		Expressway	Express way	First Class	Second Class	
Beijing	20340	20135	777	797	2669	205
Tianjin	12060	12060	835	611	2392	
Hebei	149503	137459	3233	3288	15241	12044
Shanxi	124773	114215	1965	1407	13402	10558
Inner Mongolia	147288	109646	1879	2888	11582	37643
Liaoning	101144	80421	2747	2292	15214	20723
Jilin	87099	74531	925	1899	8714	12568
Heilongjiang	150845	104102	1044	1534	7743	46744
Shanghai	11497	11497	637	364	2775	
Jiangsu	140930	129326	3725	7423	20590	11603
Zhejiang	103652	97349	3073	3795	8596	6304
Anhui	148827	134669	2506	385	10077	14158
Fujian	88607	66461	1767	509	6988	22146
Jiangxi	133815	77343	2284	1199	8561	56472
Shandong	220688	217101	4285	7048	23799	3587
Henan	240645	170223	4841	547	23352	70423
Hubei	188366	153665	2719	1566	16043	34701
Hunan	184568	118717	2001	660	6089	65852
Guangdong	183155	154878	3823	9052	18272	28277
Guangxi	99273	73052	2181	819	8115	26222
Hainan	18563	11264	660	210	1315	7300

(continued on next page)

Region	Total Length of Highways (km)	Expressway and Class I to IV Highways	Expressway			Highways Below Class IV
			Express way	First Class	Second Class	
Chongqing	108632	58978	1165	420	6573	49654
Sichuan	224482	140764	2156	2022	10924	83718
Guizhou	125365	64044	924	139	2706	61321
Yunnan	203753	124526	2512	633	4859	79227
Tibet	51314	22728			952	28586
Shaanxi	131038	107618	2466	719	6347	23420
Gansu	105638	58381	1316	147	5076	47257
Qinghai	56642	32649	215	206	4984	23994
Ningxia	21008	19403	1002	225	2255	1605
Xinjiang	146652	81319	640	1410	9021	65333

Table 2.14 Highway Lengths in China by Region, 2008

Source: ((China Statistical Yearbook 2009, 2009)

Region	highway 10,000 tons	Region	highway 10,000 tons
Beijing	18689	Chongqing	54589
Tianjin	18160	Sichuan	103068
Hebei	91342	Guizhou	25272
Shanxi	66710	Yunnan	39119
Inner Mongolia	60941	Tibet	711
Liaoning	92938	Shaanxi	60713
Jilin	23558	Gansu	18201
Heilongjiang	35424	Qinghai	6805
Shanghai	40328	Ningxia	21762
Jiangsu	95625	Xinjiang	40039
Zhejiang	91625		
Anhui	140381		
Fujian	38367		
Jiangxi	70270		
Shandong	216604		
Henan	118198		
Hubei	52759		
Hunan	98759		
Guangdong	101429		
Guangxi	64884		
Hainan	9489		

**Table 2.15 Amount of Freight Moved in Chinese Highways, 2008**

Source: (China Statistical Yearbook 2009, 2009)

### China 000 Series Highways

Highway Number	Connecting Area 1	Connecting Area 2	Distance (km)
10	Tongjiang	Sanya	5,700
5	Suifenhe	Manzhouli	1,280
20	Beijing	Fuzhou	2,540
25	Dangdong	Lhasa	4,590
30	Beijing	Zhuhai	2,310
35	Qinghao	Yinchuan	1,610
40	Erenhot	Hekou	3,610
45	Lianyungang	Hu'erguosi	3,980
50	Chongqin	Zhanjiang	1,430
55	Shanghai	Chengdu	2,970
65	Shanghai	Ruilin	4,090
75	Hengyang	Kunming	1,980

Table 2.16 China 000 Series Highways

Source: (China National Highway - Definition)

### China 100 Series Highways

Highway Number	Connecting Area 1	Connecting Area 2	Distance (km)
101	Beijing	Shenyang	879
102	Beijing	Harbin	1,311
103	Beijing	Tanggu	149
104	Beijing	Fuzhou	2,387
105	Beijing	Macao	2,653
106	Beijing	Guangzhou	2,505
107	Beijing	Shenzhen	2,509
108	Beijing	Kunming	3,356
109	Beijing	Lhasa	3,855
110	Beijing	Yinchuan	1,135
111	Beijing	Jiagadaqi	1,965
112	Gaobeidian	Hebei	1,965

**Table 2.17 China 100 Series Highways**

Source: (China National Highway - Definition)



### China 200 Series Highways

Highway Number	Connecting Area 1	Connecting Area 2	Distance (km)
201	Hegang	Dalian	1,860
202	Heihe	Dalian	1,710
203	Mingshui	Shenyang	673
204	Yantai	Shanghai	1,019
205	Shanhaiguan	Guangzhou	3,024
206	Yantai	Shantou	2,419
207	Xilinhot	Hai'an	3,788
208	Erlinhot	Changzhi	1,055
209	Hohhot	Beihai	3,276
210	Baotou	Hanning	3,013
211	Yinchuan	Xi'an	645
212	Lanzhou	Chongqing	1,195
213	Lanzhou	Yunnan	3,170
214	Xining	Jinghong	3,345
215	Hongliuyuan	Golmud	591
216	Altay	Baluntai	853
217	Altay	Kuche	1,023
218	Huocheng	Xinjiang	1,073
219	Yecheng	Lazi	2,279
220	Dongying	Zhengzhou	570
221	Harbin	Tongjiang	662
222	Harbin	Yichun	358
223	Haikou	Yulin	320
224	Haikou	Yulin	293
225	Haikou	Yulin	427
227	Xining	Gansu	338

**Table 2.18 China 200 Series Highways**

Source: (China National Highway - Definition)

### China 300 Series Highways

Highway Number	Connecting Area		Distance (km)
	1	Connecting Area 2	
301	Suifenhe	Manzhouli	1,608
302	Tumen	Ulanhot	981
303	Ji'an	Xilinguole	1,201
304	Dandong	Huolin'guole	874
305	Zhuanghe	Linxi	816
306	Suizhong	Keshiketeng Banner	480
307	Xincum	Yinchuan	1,349
308	Qindao	Shijiazhuang	786
309	Rongcheng	Lanzhou	2,372
310	Lianyungang	Tianshui	1,359
311	Xuzhou	Xixia	738
312	Shanghai	Huocheng	4,552
314	Urumqi	Hongqilapu	1,748
315	Xinging	Kashi	3,048
316	Fuzhou	Lanzhou	2,678
317	Chengdu	Naqu	2,028
318	Shanghai	Zhanmuzhen	5,334
319	Xiamen	Chengdu	3,027
320	Shanghai	Ruili	3,748
321	Guangzhou	Chengdu	2,168
322	Hengyang	Guangxi	1,119
323	Ruijin	Lincang	2,926
324	Fuzhou	Kunming	2,583
325	Guangzhou	Nanning	831
326	Xiushan	Hekou	1,674
327	Heze	Lianyuang	421
328	Nanjing	Hai'an	295
329	Hangzhou	Shenjiamen	296
330	Shouchang	Wenzhou	331

**Table 2.19 China 300 Series Highways**

Source: (China National Highway - Definition)

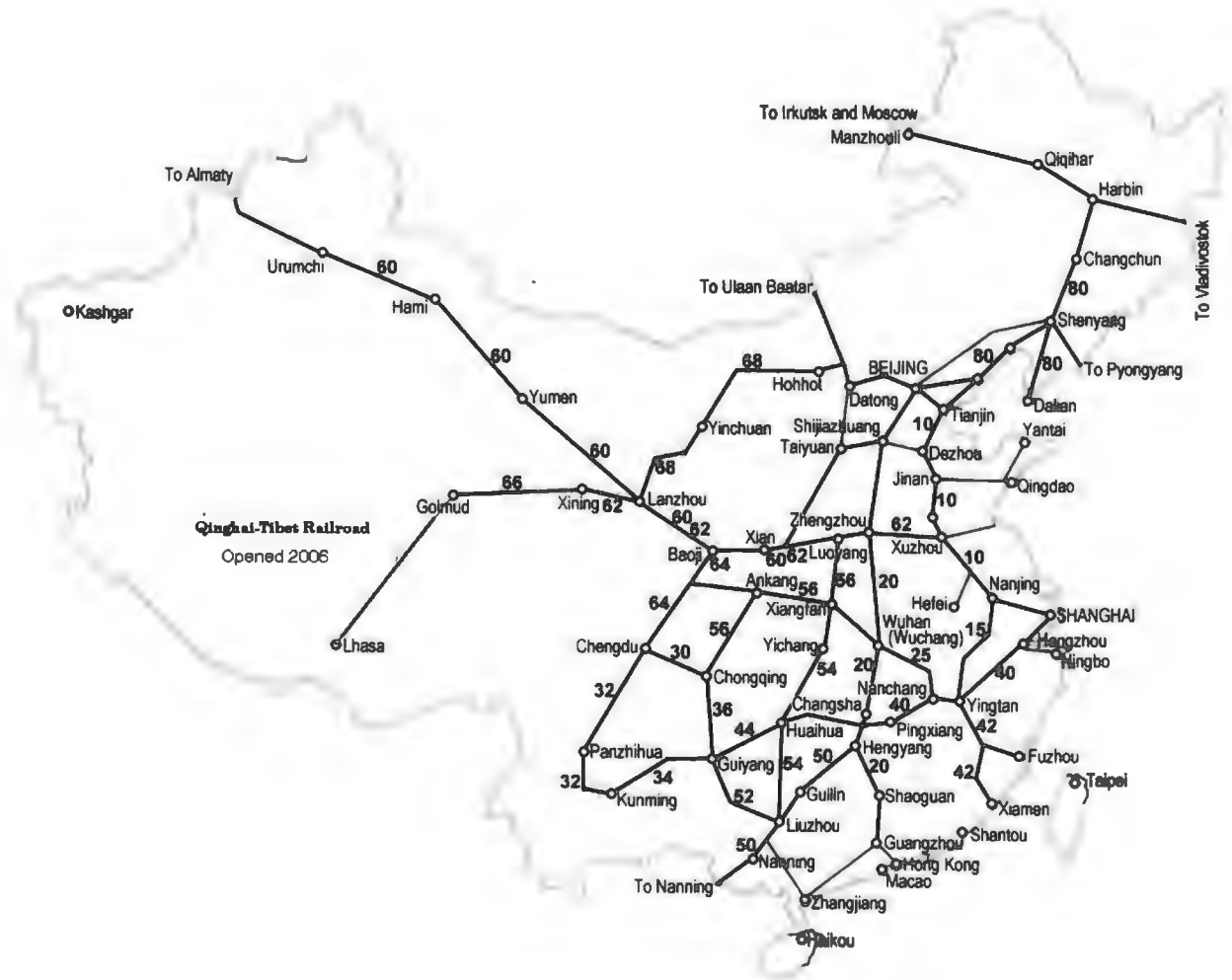


Figure 2.6 Map of China's Railway Network

Source: (Map of Chinese Railroad Network)

Railways have seen an increase in freight volume every year since the 60's and railways as a freight transportation option was only surpassed by trucking sometime in the 1980's. Today, it is still the second-most popular method of transporting freight through China. However, in terms of ton-kilometers, hauling freight by rail beats highway trucking mostly because railways are used for long-haul trips as opposed to trucking's popularity for short-haul trips. Much of what trains haul in China are bulk items like iron, coal, and steel, making regions rich in natural resources utilize the railways more often. Table 2.20 lists major cities that are serviced by the railway system.

As with highway infrastructure usage, railway infrastructure usage is maxed out despite steady growth in terms of track laid. In fact, more than 50% of those looking to use rail transportation had to find different modes to utilize. Since railroads are used, for the most part, to transport natural resources many organizations looking to move manufactured and commercial goods have a lot of trouble utilizing China's railway system.

China is constantly looking to improve its railway system, including building a new line to connect Kunming to Singapore and building more lines for the Eurasia Continental Bridge to connect China to the Netherlands. Two particularly interesting projects include building a high-speed line between Beijing and Shanghai that will make travel time decrease from 14 hours to less than 5 hours, and building a high-speed line from Beijing to Guangzhou that will decrease travel time from 24 to 14 hours. Along with laying new track, China is also working on making containerized

transportation easier with better handling facilities and tracking systems to help with intermodal transportation.

### Major Cities Serviced by the Railway System

Datong	Luoyang	Shanghai	Xiamen
Dezhou	Macao	Shantou	Xian
Fuzhou	Manzhouli	Shaoguan	Xiangtan
Golmud	Nanchang	Shengyang	Xining
Guangzhou	Nanjing	Shijiazhuang	Xuzhou
Guilin	Nanning	Taipei	Yantai
Guiyang	Ningbo	Taiyuan	Yinchuan
Haikou	Panzhuhua	Tianjin	Yingtian
Hami	Pingxiang	Ulaan Baatar	Yumen
Hangzhou	Pyongyang	Urumchi	Zhanjiang
Harbin	Qingdao	Wuhan	Zhengzhou
Hefei	Qiqihar	Wuchang	

**Table 2.20 Major Cities Serviced by the Railway System in China**

Source: (Names of Major Cities served by Railroads)

China is also letting foreign investors invest in railway projects throughout China to upgrade railway systems and improve overall infrastructure (Goh & Ling, 2003, pp. 893-897). Tables 2.21-2.23 contain data on railway length by region, amount of freight moved by rail, and amount of national railway traffic by cargo type for 2008.

### 2.13 Inland Waterways

China has over 5,600 rivers stretching over 119,000 km that make up its inland waterway system. The Pearl, Huaihe, Yangtze, and Helongjiang rivers make up most of the waterway system. The Yangtze River navigable length is 58,000 km by itself which is half of the total navigable distance for inland waterways. These inland waterways boast about 2,000 ports, 85 of which can handle 10,000 deadweight tonnage ships. Many projects are underway to improve the ability of inland waterway transportation including a US\$220 million project in Hunan province, growth projects in the Yangtze around Shanghai, and a dam project for electrical power. One of the more interesting projects is building the world's largest ship lock comprised of two lines with five steps each that can accommodate ships carrying 10,000 tons.

Improvements to the inland waterway system should decrease river barge transportation costs by 37% and increase annual capacity to 50 million tons. Upgrading ports and building new inland river channels throughout the country will give China greater opportunities for inland waterway transportation into the future (Economic and Social Commission for Asia and the Pacific).

Region	Length of Railways in Operation (km)	Region	Length of Railways in Operation (km)
Beijing	1166.5	Chongqing	1290.5
Tianjin	764.3	Sichuan	3006.1
Hebei	4853.5	Guizhou	1962.2
Shanxi	3323.8	Yunnan	2308.8
Inner Mongolia	6840.3	Tibet	2517.1
Liaoning	4194.7	Shaanxi	1195.3
Jilin	3828.6	Gansu	2435.4
Heilongjiang	5755.2	Qinghai	1676.4
Shanghai	316.1	Ningxia	811.4
Jiangsu	1657.0	Xinjiang	2760.5
Zhejiang	1319.3		
Anhui	2871.0		
Fujian	1618.4		
Jiangxi	2650.5		
Shandong	3633.3		
Henan	4041.9		
Hubei	2711.0		
Hunan	2894.8		
Guangdong	2164.8		
Guangxi	2731.4		
Hainan	387.3		

Table 2.21 Length of Railways in China by Region, 2008

Source: (China Statistical Yearbook 2009, 2009)



Region	Railways (10k tons)	National	Local	Joint-venture
		Railways (10k tons)	Railways (10k tons)	Railways (10k tons)
Beijing	1836	1733	104	
Tianjin	12210	3903	8306	
Hebei	14750	13361	1376	12
Shanxi	60152	58122	542	1488
Inner Mongolia	38357	27294	2691	8372
Liaoning	19141	17400	1742	
Jilin	7422	7118	305	
Heilongjiang	17795	16993	801	
Shanghai	1012	1012		
Jiangsu	5575	5118	457	
Zhejiang	3830	3331	74	426
Anhui	12014	10505	1509	
Fujian	3642	3642		
Jiangxi	6046	5383	663	
Shandong	17970	15404	2566	
Henan	16279	13831	2448	
Hubei	6460	5886	487	86
Hunan	5892	5601	291	
Guangdong	7105	6263	477	365
Guangxi	8041	5456	398	2187
Hainan	570	570		

(continued on next page)

Region	Railways (10k tons)	National	Local	Joint-venture
		Railways (10k tons)	Railways (10k tons)	Railways (10k tons)
Chongqing	2203	2086	117	
Sichuan	7915	7454	461	
Guizhou	6683	6683		
Yunnan	5224	4983	241	
Tibet	26	26		
Shaanxi	22615	7576		15039
Gansu	5512	5512		
Qinghai	2310	2310		
Ningxia	4400	3329	1071	
Xinjiang	6048	6048		
Not Classified by Region	1319	1311		7

**Table 2.22 Cargo Hauled on the Railway System in China by Region, 2008**

Source: (China Statistical Yearbook 2009, 2009)

Item	2007			2008		
	Freight Traffic (10 000 tons)	Freight Ton-kilometers (million ton-kilometers)	Average Transport Distance (km)	Freight Traffic (10 000 tons)	Freight Ton-kilometers (million ton-kilometers)	Average Transport Distance (km)
<b>Total</b>	<b>261239</b>	<b>2185613</b>	<b>837</b>	<b>273932</b>	<b>2336032</b>	<b>853</b>
Coal	122081	741632	607	134325	836028	622
Coke	9327	86550	928	8775	86009	980
Petroleum	12702	115831	912	12671	116236	917
Steel and Iron, and Non-Ferrous Metal	21594	232889	1078	20716	237386	1146
Metal Ores	27577	172752	626	29796	193092	648
Nonmetal Ores	9187	60913	663	9054	65911	728
Mineral Building Materials	8032	40328	502	9518	43623	458
Cement	3541	13985	395	3549	15836	446
Timber	3729	51654	1385	2935	41354	1409
Chemical Fertilizers and Pesticides	8152	111233	1365	7811	114795	1470
Grain	10471	167199	1597	11470	199415	1739
Cotton	386	14440	3738	388	14981	3859
Salt	1356	10177	751	1413	11215	794
Others	23105	366031	1584	21511	360151	1674

Table 2.23 Cargo Hauled on the Railway System in China by Cargo Type, 2008

Source: (China Statistical Yearbook 2009, 2009)

Tables 2.24-2.26 depict the length of inland waterways by region, the amount of freight on inland waterways by region, and the number of berths in ports of inland rivers, respectively, for 2008.

## 2.14 Seaports

China is first in the world for cargo throughput and for the number of containers handled in seaports with Shanghai being the world's busiest port (China Overview).

According to Ernst G. Frankel in an article for the *Maritime Policy and Management* journal, "China has invested more in its port development than the rest of the world combined" since 1985. The country has made efforts to improve current ports as well as add new ones while making municipal governments take on responsibility for regional ports and removing that responsibility from the state government. Some ports in China are even privately owned. Over eight major ports and more than 30 smaller ports are now served by expanding railway systems that give the ports better access to mainland China.

As with most state-owned enterprises, bureaucracy and inefficient management affect coastal ports. Management in state-owned ports is appointed by the Ministry of Communications, so there remains somewhat of a disconnect between serving the Chinese government and serving the capitalist market. However, China is moving in the direction of port privatization. Many major ports in different areas are undergoing joint-venture ownership or are owned wholly by different

Chinese companies. While Shanghai's port is still owned by the Municipal Government,

Hutchinson Wampoo obtained a 51% ownership of the port's container terminals.

Region	Length of Navigable Inland Waterways (km)	Region	Length of Navigable Inland Waterways (km)
Beijing		Chongqing	4218
Tianjin	88	Sichuan	10720
Hebei		Guizhou	3425
Shanxi	467	Yunnan	2539
Inner Mongolia	2403	Tibet	
Liaoning	413	Shaanxi	1066
Jilin	1456	Gansu	860
Heilongjiang	5131	Qinghai	329
Shanghai	2226	Ningxia	117
Jiangsu	23596	Xinjiang	
Zhejiang	9695		
Anhui	5576		
Fujian	3245		
Jiangxi	5638		
Shandong	1012		
Henan	1267		
Hubei	8181		
Hunan	11495		
Guangdong	11844		
Guangxi	5413		
Hainan	343		

Table 2.24 Length of Navigable Inland Waterways in China by Region, 2008

Source: (China Statistical Yearbook 2009, 2009)

Region	Inland Waterways (10,000 tons)	Region	Inland Waterways (10,000 tons)
Beijing		Chongqing	6971
Tianjin	3744	Sichuan	3736
Hebei	830	Guizhou	737
Shanxi	2	Yunnan	339
Inner Mongolia		Tibet	
Liaoning	9267	Shaanxi	165
Jilin	125	Gansu	28
Heilongjiang	757	Qinghai	
Shanghai	43060	Ningxia	
Jiangsu	38511	Xinjiang	
Zhejiang	43656	Not Classified by Region	7469
Anhui	27774		
Fujian	15193		
Jiangxi	4616		
Shandong	10013		
Henan	3964		
Hubei	12681		
Hunan	11494		
Guangdong	33934		
Guangxi	10198		
Hainan	5246		

Table 2.25 Freight Transported by Inland Waterways in China by Region, 2008

Source: (China Statistical Yearbook 2009, 2009)

Name	Total			For Productive Use			For Nonproductive Use	
	Length of Quay Line (m)	Number of Berths (unit)	10 000 Ton Class	Length of Quay Line (m)	Number of Berths (unit)	10 000 Ton Class	Length of Quay Line (m)	Number of Berths (unit)
Chongqing	4126	82		3603	65		523	17
Wanzhou	7480	52		6490	44		990	8
Yichang	2466	39		2216	33		250	6
Wuhan	20879	247		17877	213		3002	34
Huangshi	3347	65		3045	59		302	6
Jiujiang	1240	16		1110	14		130	2
Anqing	10460	149		8701	129		1759	20
Chizhou	6705	89		6705	89			
Tongling	4825	95		4760	94		65	1
Wuhu	11931	159	3	10111	129	3	1820	30
Maanshan	5811	105		5766	104		45	1
Nanjing	29611	320	43	28019	297	43	1592	23
Zhenjiang	16388	251	27	16148	249	27	240	2
Taizhou	5855	47	8	5831	46	8	24	1
Yangzhou	3039	51	5	3039	51	5		
Jiangyin	11163	63	27	11163	63	27		
Changzhou	3144	14	6	3144	14	6		
Nantong	14466	114	36	14122	110	36	344	4
Shanghai(Inland Rivers)	90103	1869		90103	1869			

Table 2.26 Berth Information for Inland Waterway Ports in China, 2008

Source: (China Statistical Yearbook 2009, 2009)



Since this change in ownership, the port has seen increased transportation access and better overall management. It is actually in China's interest to keep this pattern of privatization alive. It decreases the need for Chinese government entities to pour money into infrastructure and management and it transfers debt away from China to the new owners. Table 2.27 shows a list of China's top ten seaports.

Several provinces on the eastern seaboard of China have added equipment and container terminals to meet the demands of the increasingly popular containerized shipping industry. Because the eastern seaboard of China is home to many foreign investors and increases in industry most containers shipped in through China's coastal ports stay within a few hundred kilometers of the coast.

One of the current problems with Chinese ports is the separation of transportation modes. Currently maritime transportation is separated into foreign going, coastal water, and inland water, and there is really no coordination between the three areas. Each of the three focused only on what their own tasks were, which made logistical efficiency pretty much nil.

Despite this drawback, China has "one of the largest and most modern" shipping fleets in the world. According to Ernst G. Frankel, "China's fleet carries over 70% of its raw material imports and nearly 50% of its foreign trade by volume and about 38% by value." While COSCO (China Ocean Shipping Company) has traditionally monopolized coastal port shipping, some new companies are starting to get in the mix. Most of these companies are regional, but some are in

direct competition with COSCO. This is just one more example of China opening up to free-trade

(Frankel, 1998, pp. 236-248).

**China's Top 10 Seaports**

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1	Shanghai
2	Qingdao
3	Shenzhen
4	Ningbo
5	Guangzhou
6	Tianjin
7	Xiamen
8	Dalian
9	Lianyungang
10	Yingkou

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**Table 2.27 China's Top 10 Seaports**

Source: (Top ten sea ports in China, 2007)

Tables 2.28-2.29 show berth information for seaports, and amount of freight transported by sea by commodity, respectively, for 2008.

## 2.15 Airports

China had over 150 commercial airports as of 2002, most of which are concentrated in the country's eastern region. Figure 2.7 illustrates the location of airports in China, Taiwan, Hong Kong, and Macau. The major airports are labeled and the minor ones are shown with small dots. The number of airports is expected to reach 237 by the end of this year (2010). Many major airports have plans to increase capacity especially along China's eastern seaboard, but the throughput of cargo transported by air did increase by a factor of 3 from 1992-2002. Hong Kong is, and has long been, one of the most important areas for air transport because of its location and ability to transport between China and Taiwan. However, air cargo throughout all of China has been on the rise along with the expansion of air fleets.

Much of the domestic freight transported by air in China is carried on passenger planes. This works well for China since passenger ticket prices are regulated, making the cost to ship cargo minimal as compared to shipping by cargo plane. Most international cargo that is transported by air is usually carried by cargo planes, but international connections are somewhat limited and cargo handling is still inefficient. Table 2.30 depicts some China's major airlines, and table 2.31 shows a list of China's airports along with each airport's code. Tables 2.32-2.36 give data on China's top five airports: Beijing Capital International Airport, Guangzhou Baiyun International

Airport, Shanghai Hongqiao International Airport, Shenzhen Baoan International Airport, and Kunming Wujiaaba International Airport, respectively.

Name	Total			For Productive Use			For Nonproductive Use	
	Length of Quay Line (m)	Number of Berths (unit)	10 000 Ton Class	Length of Quay Line (m)	Number of Berths (unit)	10 000 Ton Class	Length of Quay Line (m)	Number of Berths (unit)
Dalian	36825	222	76	33168	198	76	3657	24
Yingkou	10974	54	33	10685	49	33	289	5
Qinhuangdao	13712	75	42	12394	54	42	1318	21
Tianjin	27715	139	75	26357	128	75	1358	11
Yantai	14220	85	42	12897	71	42	1323	14
Qingdao	16636	69	48	15618	63	48	1018	6
Rizhao	9294	37	32	9294	37	32		
Shanghai	114931	1141	137	68191	604	137	46740	537
Lianyungang	7855	37	31	7406	33	31	449	4
Ningbo-Zhoushan	61566	667	94	59345	607	94	2221	60
Shantou	8953	86	17	8752	82	17	201	4
Guangzhou	43183	503	56	40062	461	56	3121	42
Zhanjiang	11429	99	29	10250	82	29	1179	17
Haikou	2710	34	3	2710	34	3		
Basuo	1729	10	7	1559	9	7	170	1
Sanya	715	7		510	4		205	3

Table 2.28 Berth Information for China's Seaports, 2008

Source: (China Statistical Yearbook 2009, 2009)

Type of Freight	2008		
	Total 10k tons	Out-port 10k tons	In-port 10k tons
Coal and Its Products	88949	55518	33431
Petroleum, Natural Gas and Their Products	44970	15379	29591
Metal Ores	67643	14418	53224
Steel and Iron	18265	11872	6392
Mineral Building Materials	30228	10121	20107
Cement	3245	1299	1946
Timber	1821	963	858
Nonmetal Ores	6033	2524	3509
Chemical Fertilizers and Pesticides	1466	839	627
Salt	627	84	543
Grain	9135	3299	5836
Others	157217	81695	75523

Table 2.29 Freight Shipped by Sea in China by Commodity, 2008

Source: (China Statistical Yearbook 2009, 2009)



Figure 2.7 Location of China's Airports

Source: (Jiang & Ren, 2003, pp. 1-11)



<b>Major Airlines</b>	<b>Major Private Carriers</b>
Air China	East Star Airlines
China Eastern Airlines	JuneYao Airlines
China Southern Airlines	OK Airlines
Hainan Airlines	Spring Airlines
Shangdong Airlines	United Eagle Airlines
Shanghai Airlines	
Shenzhen and Kunpeng Airlines	
Sichuan Airlines	
Xiamen Airlines	

**Table 2.30** List of China's Major Airlines

Source: (Voyage, 2005)

Airport Code	Airport Name	Airport Code	Airport Name
AKU	Aksu	LYG	Lianyungang
AQG	Anqing	LZH	Liuzhou
AYN	Anyang	LYA	Luoyang
BSD	Baoshan	LUZ	Lushan
BAV	Baotou	LUM	Luxi Mangshi
BHY	Beihai	LZO	Luzhou
PEK	Beijing Capital	MXZ	Meixian
NAY	Beijing Nanyuan Airport	MDG	Mudanjiang
CGQ	Changchun	KHN	Nanchang
CGD	Changde	NAO	Nanchong
CNI	Changhai	NKG	Nanjing
CSX	Changsha	NNG	Nanning
CIH	Changzhi	NNY	Nanyang
CZX	Changzhou	NGB	Ningbo
CHG	Chaoyang	IQM	Qiemao
CTU	Chengdu	TAO	Qingdao
CIF	Chifeng	IQN	Qingyang
CKG	Chongqing	SHP	Qinhuangdao
DLC	Dalian	NDG	Qiqihar
DDG	Dandong	SYX	Sanya
DAT	Datong	SHA	Shanghai Hongqiao
DAX	Daxian	SHF	Shanhaiguan
DYG	Dayong	SXJ	Shanshan
DZU	Dazu	SWA	Shantou
DSN	Dongsheng	SZO	Shanzhou
DNH	Dunhuang	HSC	Shaoguan
ENH	Enshi	SHS	Shashi
FUG	Fuyang	SHE	Shenyang
FYN	Fuyun	SZX	Shenzhen
FOC	Fuzhou	SJW	Shijiazhuang
KOW	Ganzhou	SYM	Simao
GOQ	Golmud	TYN	Taiyuan
GHN	Guanghan	TSN	Tianjin
LHK	Guanghua	TGO	Tongliao
CAN	Guangzhou Baiyun	TXN	Tunxi

(continued on next page)

Airport Code	Airport Name	Airport Code	Airport Name
KWL	Guilin	HLH	Ulanhot
KWE	Guiyang	URC	Urumqi
HAK	Haikou	WXN	Wanxian
HLD	Hailar	WNZ	Wenzhou
HMI	Hami	WUH	Wuhan
			Wuzhou
HGH	Hangzhou	WUZ	Changzhoud
HZG	Hanzhong	XIY	Xi An Xianyang
HRB	Harbin	SIA	Xi An Xiguan
HFE	Hefei	XMN	Xiamen Int'L
HEK	Heihe	XFN	Xiangfan
HNY	Hengyang	XIC	Xichang
HET	Hohhot	XIL	Xilinhot
HTN	Hotan	XEN	Xingcheng
HHA	Huanghua	XIN	Xingning
HYN	Huangyan	XNN	Xining
JMU	Jiamusi	XUZ	Xuzhou
JGN	Jiayuguan	ENY	Yan'An
JIL	Jilin	YNJ	Yanji
TNA	Jinan	YNT	Yantai Laishan
JDZ	Jingdezhen	YBP	Yibin
JHG	Jinghong Gasa	YIH	Yichang
JJN	Jinjiang	YLN	Yilan
CHW	Jiuquan	INC	Yinchuan
KRY	Karamay	YIN	Yining
KHG	Kashi	YIW	Yiwu
KRL	Korla	YUA	Yuanmou
KMG	Kunming	UYN	Yulin
KCA	Kuqa	ZHA	Zhanjiang
LHW	Lanzhou	ZAT	Zhaotong
LZD	Lanzhou Lanzhoudon	CGO	Zhengzhou
ZGC	Lanzhou Zhongchuan	ZUH	Zhuhai
LXA	Lhasa	ZYI	Zuny
LIA	Liangping		

Table 2.31 List of China's Airports and Airport Codes

Source: (MapXL Inc.)

General Info		Runways				
Country	China	ID	Dimensions	Surface	PCN	ILS
ICAO ID	ZBAA					
Time	UTC+8		10499 x 164 feet			
Latitude	40.080111	<u>18R/36L</u>	3200 x 50 meters	ASPHALT	095FBWT	YES
	40° 04' 48.40" N		12468 x 197 feet			
Longitude	116.584556	<u>18L/36R</u>	3800 x 60 meters	ASPHALT	108FBWT	YES
	116° 35' 04.40" E					
Elevation	116 feet					
	35 meters					
Type	Civil					
Magnetic Variation	006° W (01/06)					
Operating Agency	CIVIL GOVERNMENT, (LANDING FEES AND DIPLOMATIC CLEARANCE MAY BE REQUIRED)					
Alternate Name	BEIJING					
Near City	Beijing					
International Clearance Status	Airport of Entry					

Table 2.32 Beijing Capital International Airport Data

Source: (WorldAeroData.com)

General Info		Runways				
Country	China	ID	Dimensions	Surface	PCN	ILS
ICAO ID	ZGGG	(Click for details.)				
Time	UTC+8	<a href="#">02R/20L</a>	12467 x 197 feet 3800 x 60 meters	CONCRETE.	109RBWT	YES
Latitude	23.392436 23° 23' 32.77" N	<a href="#">02L/20R</a>	11811 x 148 feet 3600 x 45 meters	CONCRETE.	109RBWT	YES
Longitude	113.298786 113° 17' 55.63" E					
Elevation	50 feet 15 meters					
Type	Civil					
Magnetic Variation	002° W (01/06)					
Beacon	Yes					
Operating Agency	CIVIL GOVERNMENT, (LANDING FEES AND DIPLOMATIC CLEARANCE MAY BE REQUIRED)					
Alternate Name	GUANGZHOU					
Near City	Guanghouz					
Operating Hours	24 HOUR OPERATIONS					
International Clearance Status	Airport of Entry					

Table 2.33 Guangzhou Baiyun International Airport Data

Source: (WorldAeroData.com)

General Info		Runways				
Country	China	ID (Click for details.)	Dimensions	Surface	PCN	ILS
ICAO ID	ZSSS	<a href="#">18/36</a>	11154 x 190 feet	ASPHALT	074RBWT	YES
Time	UTC+8		3400 x 58 meters			
Latitude	31.197875 31° 11' 52.35" N					
Longitude	121.336319 121° 20' 10.75" E					
Elevation	10 feet 3 meters					
Type	Civil					
Magnetic Variation	005° W (01/06)					
Operating Agency	CIVIL GOVERNMENT, (LANDING FEES AND DIPLOMATIC CLEARANCE MAY BE REQUIRED)					
Alternate Name	SHANGHAI HONGQIAO					
Near City	Shanghai					
Operating Hours	24 HRS					
International Clearance Status	Airport of Entry					

Table 2.34 Shanghai Hongoiao International Airport Data

Source: (WorldAeroData.com)

General Info		Runways				
Country	China	ID				
ICAO ID	ZGSZ	(Click for details.)	Dimensions	Surface	PCN	ILS
Time	UTC+8	<a href="#">15/33</a>	11155 x 148 feet	CONCRETE.	072R8WT	YES
Latitude	22.639258		3400 x 45 meters			
	22° 38' 21.33" N					
Longitude	113.810664					
	113° 48' 38.39" E					
Elevation	13 feet					
	4 meters					
Type	Civil					
Magnetic Variation	002° W (01/06)					
Operating Agency	CIVIL GOVERNMENT, (LANDING FEES AND DIPLOMATIC CLEARANCE MAY BE REQUIRED)					
Alternate Name	SHENZHEN					
Near City	Shenzhen					
Operating Hours	24 HRS					

Table 2.35 Shenzhen Baoan International Airport Data

Source: (WorldAeroData.com)

General Info		Runways				
Country	China	ID	Dimensions	Surface	PCN	ILS
ICAO ID	ZPPP	(Click for details.)				
Time	UTC+8	<a href="#">21-Mar</a>	11155 x 148 feet	CONCRETE.	055RBWT	YES
Latitude	24.992364		3400 x 45 meters			
	24° 59' 32.51" N					
Longitude	102.743536					
	102° 44' 36.73" E					
Elevation	6217 feet					
	1895 meters					
Type	Civil					
Magnetic Variation	001° W (01/06)					
Operating Agency	CIVIL GOVERNMENT, (LANDING FEES AND DIPLOMATIC CLEARANCE MAY BE REQUIRED)					
Alternate Name	KUNMING					
Near City	Kunming					
Operating Hours	24 HRS					
International Clearance Status	Airport of Entry					

Table 2.36 Kunming Wujiaba International Airport

Source: (WorldAeroData.com)



Express delivery is a relatively new service offered only by China Post Airlines, utilizing the Shanghai Hongqiao airport as the hub airport. China Post Airlines uses its network to offer overnight delivery to 20 major cities in China as well as over 100 smaller cities surrounding the major ones. International companies such as Fed-Ex and UPS offer international shipment services and usually partner with domestic Chinese organizations to make deliveries in China's mainland.

Air transport in China is rivaled mostly by rail, as improvements in delivery speed and rail networks are being made. Some rail organizations are working to haul cargo on high-speed lines or on passenger trains to make delivery between major cities faster. Some Chinese air companies even partner with rail organizations to maximize efficiency and minimize costs for delivery. Air transportation also competes with highway transportation in a sense, especially between major cities. Vast improvements have been made to China's highway infrastructure and vehicles are able to travel at higher speeds and travel less distance due to new highway and expressway networks. However, these improvements also make access to airports easier. For the most part, competition between air and highway is minimal, and having greater highway access to airports actually makes cargo transportation from airports to destinations in China easier.

Since China's entry into the WTO, foreign investors have been able to invest much more in China's air industry. Foreign investors can now own 49% of shares in domestic airlines as opposed to only 35% before entry into the WTO. This has increased the efficiency of China's air industry and has

allowed for an increase in technology. Airport infrastructure is expected to keep improving as demand and market pressures increase (Jiang & Ren, 2003, pp. 1-11). Tables show the number of civil aviation routes, airports, and aircraft for 2008, as well as civil aviation traffic and flying time for incremental years from 1990 to 2008.

Item	2008
<b>Number of Civil Aviation Routes (line)</b>	<b>1532</b>
International Routes	297
Domestic Routes	1235
Regional Routes	49
<b>Length of Civil Aviation Routes (km)</b>	<b>2461840</b>
International Routes	1120166
Domestic Routes	1341674
Regional Routes	68592
<b>Number of Civil Airports (unit)</b>	<b>152</b>
<b>Number of Civil Aircraft (unit)</b>	<b>1961</b>
Aero Transport	1259
Air bus	1155
Boeing 747	37
Boeing 737	527
Boeing 757	52
Boeing 767	22
MD-90	22
MD-82	
Airbus A310	
Airbus A320	186
BB-146	
Puddle-jumper	104
General Aircraft	484
Teaching Verifying Aircraft	218

Table 2.37 Civil Aviation Routes, Airports, and Aircrafts in China, 2008

Source: (China Statistical Yearbook 2009, 2009)

Item	1990	1995	2000	2005	2007	2008
<b>Passenger Traffic (10 000 persons)</b>	<b>1660</b>	<b>5117</b>	<b>6722</b>	<b>13827</b>	<b>18576</b>	<b>19251</b>
International Routes	114	368	690	1225	1692	1519
Domestic Routes	1346	4419	6031	12602	16884	17732
Regional Routes	200	330	403	509	541	500
<b>Passenger-tons (10 000 person-km)</b>	<b>230479</b>	<b>681303</b>	<b>970543</b>	<b>2044928</b>	<b>2791725</b>	<b>2882799</b>
International Routes	516910	114971	232815	4524063	6184134	5772650
Domestic Routes	157655	528723	737728	1592522	2173312	2305534
Regional Routes	211333	376094	502405	709205	767865	718211
<b>Freight Traffic (ton)</b>	<b>369722</b>	<b>101114</b>	<b>196712</b>	<b>3067168</b>	<b>4018485</b>	<b>4076376</b>
International Routes	81102	229632	492356	771551	1173063	1194708
Domestic Routes	239467	702557	147476	2295618	2845422	2881668
Regional Routes	49153	78956	135442	169247	166813	156221
<b>Freight Ton-kilometers(10 000 ton-km)</b>	<b>81825</b>	<b>222981</b>	<b>502683</b>	<b>788954</b>	<b>1163867</b>	<b>1196023</b>
International Routes	43830	115894	291550	452450	748134	773683
Domestic Routes	31647	96604	211133	336504	415733	422340
Regional Routes	6348	10483	19495	26263	26129	24089
<b>Total Air Traffic Ton-kilometers (10 000 ton-km)</b>	<b>249950</b>	<b>714385</b>	<b>122500</b>	<b>2612724</b>	<b>3652993</b>	<b>3767652</b>
International Routes	82595	201250	465190	855235	1299921	1288988
Domestic Routes	145156	474660	759818	1757488	2353072	2478663
Regional Routes	22199	38475	56878	89509	94370	87925
<b>Flying Time of General Aviation (hr)</b>	<b>42524</b>	<b>39485</b>	<b>48707</b>	<b>84859</b>	<b>109570</b>	<b>110706</b>
Flight for Agriculture and Forestry	22674	16838	22922	25428	28001	24691
Forest Protection Service	3573	2410	3927	6508	7088	6000
Afforestation	4605	1713	4060	1929	1698	1555
Flight for Industry	19850	22647	25785	36514	44873	50591

Table 2.38 Civil Aviation and Freight Traffic in China

Source: (China Statistical Yearbook 2009, 2009)

## **3 MATERIALS AND METHODS**

### **3.1 Overview**

The focus of this paper is to provide an overview of different factors that may come into play for a foreign entity looking into doing a business investment in China. The subjects covered in this paper were chosen based on the author's knowledge obtained from the Master of Managerial Logistics program at North Dakota State University, as well as review of books and online research. The materials used for literature review were mostly a combination of books, journal articles, and websites.

### **3.2 Research and Review of Documents, Data and Maps**

This paper includes literature review, data, and maps on the country of China, primarily on China's eastern seaboard. China's eastern seaboard is currently the most active region in terms of economic growth and foreign investment, but much of the information in this paper is relevant not only to the eastern seaboard, but to the whole country of China.

The books used for literature review were focused on the current politics, economics, business culture, and current business practices in China. The books were obtained from the NDSU library on the main campus as well as the library located at Barry Hall. All information from journal articles was captured through the use of Google Scholar and NDSU's library web site by searching for

subject-specific information or searching specific journals. Information from internet websites was obtained from searching Google or Google Scholar for subject-specific information. Many sections of this paper include information from a variety of sources, as it was the author's intention to capture a broad range of knowledge.

It is the assumption of the author that any information obtained about government, business and business culture applies directly to China's eastern seaboard because of the fact that the Eastern China is experiencing the most interest from foreign investors. It is also assumed by the author that any differences in government, business culture, or business practices in other regions of China would be minimal. Information concerning wages, manufacturing, and economics are overviews of the country of China as a whole, as data specific to China's eastern seaboard could not be found. Information concerning highways, rail, inland waterways, and seaports is an overview of China as a whole. This approach was used because it is the author's assumption that this information would be more useful to the reader as compared to information on these subjects being presented only on China's eastern seaboard.

This paper provides the reader with the amount of detail the author feels would be most useful for a person or organization requiring of overview of business in China for the purpose of deciding whether or not to look into a foreign investment opportunity in China.

### 3.3 Statistics and Tabulation

This paper did not require the author to perform any statistics or tabulations. All statistics and tabulations were taken from other sources in order to provide the reader with an indication of China's current state and direction in different areas. This paper was not specific enough in any area to require any further statistics or tabulation by the author, as the data from the sources of the literature review was determined by the author to be sufficient for the purpose of this paper.



## **4 RESULTS AND DISCUSSION**

### **4.1 Business**

This paper brought to light many factors that affect foreign investors doing business in China.

Politics, business culture, and organizational structure play a huge role in the success of any business, and especially any ventures by foreign organizations or foreign businesspeople.

#### **4.1.1 Politics**

It was made obvious through literature review of multiple sources that it is critical that a foreign investor to become very familiar with the political system in China. This can be achieved in a number of ways, but only the people that live and work in China really know how the political system works. As discussed, a lot of differences exist between the actual laws of China and the laws that are enforced. But, the laws that are enforced are enforced harshly with penalties much greater than foreigners are used to, especially in more liberal countries like the United States. China's Communist Party controls most legal aspects of the Chinese business industry, and the laws may be deceiving. Even though China is continually becoming more liberal is providing individual and business rights, those rights are not always enforced. In many cases it is important to have a respected Chinese contact if a foreign investor wants to get anywhere legally in the country of China. Unlike the United States, laws are made to benefit the state as opposed to the individual or the business. Foreign investors should be wary and should do a good amount of

research or find a trustworthy Chinese contact to help guide them through the highly-politicized Chinese business world.

#### 4.1.2 Business Culture

Business culture in China is dramatically different than in the United States. While ethics is a huge part of doing business in the United States, being ethically lenient is almost a requirement for doing business in China. Chinese people expect to give and receive gifts as a sign of good faith, and expect that favors will be repaid by gift giving or by bending rules. It is common knowledge in the United States business world that it is unacceptable to accept or receive gifts from prospective business partners, clients, or suppliers. Penalties exist in the United States for doing so, even if the gift is small in nature. This can make it difficult for foreign investors from the United States or from other countries that have business ethics that clash with those of China. As mentioned, it is almost impossible in China to do business without the tradition of giving and receiving gifts, so it is up to the foreign investor to decide how to proceed in this manner. It is a very delicate matter which can result in a Chinese individual feeling disrespected and refusing to do business with a foreign investor, but it can also result in the foreign investor being found guilty of bribery in China, which is penalized harshly.

One other big area of business culture in China is guanxi. As discussed, this is a type of close relationship that citizens of China form. Guanxi is very, very important in business dealings in China. It usually takes a lot of time, and a lot of gifts and favors, to form this relationship.

However, once formed, guanxi has a lot of benefits and would be especially useful for a foreign investor. If guanxi is formed between a foreign investor and a Chinese individual that is in a position to aid the investor, the Chinese individual would feel more compelled to be of service. He/she would more than likely go out of his/her way to provide the investor with information, financial assistance, or even important business contacts that could help the investor's business succeed. If two foreign investors need assistance in the same area, say getting a business license, and investor1 has formed guanxi with someone in a position of power, that person would help investor1 even if investor2 has gone through the whole bureaucratic process and deserves the license more. While this seems somewhat unethical and unfair, this is the way business goes in China.

#### **4.1.3 Organizational Structure**

This paper discussed three types of organizational structure options in China: joint ventures, wholly owned foreign enterprises, and representative offices. All three have benefits and drawbacks, and it is extremely important for a foreign investor to thoroughly research all three options before making a decision about the organizational structure they choose to employ. The type of business being opened, the amount and type of resources needed, and what area of the world the product or service being offered is meant for are all things that need to be taken into account by the foreign investor.

While joint ventures give a lot of power to the Chinese individual or organization being partnered with, it also gives the foreign investor access to a lot of contacts, tax incentives, and other resources that would not be as readily available otherwise. Wholly owned foreign enterprises, on the other hand, leave all of the power to the foreign investor which can help protect intellectual property and keep financial goals intact. However, wholly owned foreign enterprises face difficulties in obtaining helpful relationships with Chinese organizations and individuals, and have restrictions on the products and services that can be offered, as well as restrictions on selling those products and services in China. Representative offices are relatively easy to set up and are usually the fastest way to open a location in China. On the other hand, there are severe restrictions on what representative offices can do, such as not being able to sell anything from the office, and who can work for the representative office.

It is very important for any foreign investor to consider what the goals of the organization will be, and which organizational structure would serve the organization best. Researching options and weighing the pros and cons of each type of organizational structure is crucial and will be one of the big deciding factors in organizational success.

## **4.2 Logistics**

Domestic logistics is an area in China that is far behind other developed countries. While China's economy continues to see growth increases and more foreign investors are choosing China as a business destination, moving goods throughout the country and having access to third party

logistics services is a nightmare. Only a relatively few number of third party logistics companies actually exist in China, and many global third party logistics companies do not to business domestically in the country.

This being said, huge opportunities exist for foreign players looking to start a third party logistics company in China. A majority of domestic movements are made by the organizations that produce the products to be moved, and this is hugely inefficient and very cost ineffective.

Utilizing knowledge and behaviors of third party logistics companies from other regions of the world, a foreign investor would have a lot of opportunity for success. Being able to offer door-to-door service and having a way of coordinating shipments for multiple organizations is an ability not yet present in China, and could be a lucrative area of investment for a foreign investor.

For a foreign investor that needs third party logistics services for their organization in China, finding these services will be difficult and usually disappointing. A foreign investor opening an organization in China will probably have to plan to move goods on their own for the time being.

Some services are available, but are largely unreliable and limited.

## **4.3 Transportation**

### **4.3.1 Highways**

While China's highway system has been historically undeveloped and ill managed as compared to other developed countries, China has made vast improvements in recent years. The country's

commitment to opening itself up to global trade and foreign business has led to some drastic developments. It is now easier than ever to travel by highway in China thanks to new highway and expressway systems, especially on China's eastern seaboard.

Still, the enforcement of speed and weight limits is still behind the times, and controlling traffic is an issue. Goods are often lost or stolen from trucks traveling on China's roadways, and policing is either non-existent or uncommonly strict. Planning for good movements along highways is difficult, and even more so for foreigners not familiar with China's network of roadways.

Improvements continue to be made every day, and hopefully China's government will find a way to make transportation along highways easier and more organized as time goes on. Engineering not only the roadways themselves but also light systems and policing patterns will be a big deciding factor as to the future of China's highway system.

#### **4.3.2 Railways**

The railway system in China is actually very good as compared to other developed countries.

China is making good use of its current railway capacity, and is expanding the amount of track laid as well as adding more high-speed lines, especially between large cities on the country's eastern seaboard. China's railways haul a lot of cargo over the country's vast distance and have a lot of stations where freight can be loaded and unloaded.

The problem with China's current railway system is that its capacity is almost maxed out. Even though the whole system is fairly efficient, cargo shipped by rail is increasing and the country will soon be unable to accommodate all of the freight if it does not increase its capacity soon. In fact, some shippers are looking to other means of transportation because of limited capacity available for cargo on China's railway system.

As a foreign investor, utilizing the railway system can be an important part of doing business.

While the railway system is fairly easy to use, access to it might become an issue in the near future. The improvements China is able to make in amount of track laid, speed of transportation, and the capacity that the railways system is able to accommodate will dictate the future of the country's railway system, and the ability of foreign investors to utilize it as a method of transportation.

#### **4.3.3 Inland Waterways**

The inland waterway system in China is fairly extensive and is used on a regular basis. Inland waterways in China are very capable of handling large amounts of cargo, and improvements being made to the inland waterway system should reduce shipping costs by up to 37% as mentioned earlier in this paper. This is another example of China's commitment to opening up to globalization and trying to make foreign investment more feasible.

The combination of improvements of the inland waterway system in China and the maxed-out capacity of the railway system will probably make transportation by inland waterway a more

attractive option for foreign investors looking to transport goods domestically in China. Having such an extensive network helps shippers have more options and flexibility when it comes to domestic logistics and transportation in China. Continued improvements to the inland waterway system will help China offer better services for foreign investors when it comes to shipping and will make shipping across China's vast expanse of land easier.

#### **4.3.4 Seaports**

The current seaport infrastructure in China is good, and the management of the seaports continues to improve as ownership transfers from the government to private investors. As stated earlier in this paper, China leads the world in seaport throughput. This has to do with the vast amount of foreign and domestic investment that is happening in the country, and China has really worked to make the seaports accessible and efficient.

The main problem with seaport transportation is getting freight moved from the seaports to other areas in China. This problem is being addressed as more highway and railway lines are being built to accommodate the amount of cargo needing to be moved from port to inland destinations. As ship sizes continue to increase across the world, China will no doubt have to make modifications to its seaports to allow these ships to dock. However, having management and ownership shift from government to private investors will more than likely make this process happen more quickly and efficiently. As China continues to improve on not only seaport infrastructure, but on



management and inland transportation, the country will probably stay at the forefront of seaport usability.

#### 4.3.5 Airports

China's airport transportation currently works fairly well. Because China's passenger ticket prices are regulated, shipping cargo by passenger plane is quite cost effective. China has a number of major airports along the eastern seaboard, and plans are underway to increase capacity of these airports and make improvements to infrastructure.

The main problem with Chinese airports is the lack of airports in the western and mid region of the country. This causes problems for shippers looking to move freight by air in regions of China other than along the coast and eastern region. Also, the market for cargo planes is fairly limited since shipping in passenger planes is such a lucrative option. Combining these two aspects together can prove to be problematic not only for foreign investors but for shippers in general moving cargo domestically. Since the number of airports is low in a lot of the country, the capacity of those airports is limited, and the number and frequency of passenger planes to those airports is less than in the eastern region, it might be difficult to get cargo to those areas quickly and at a reasonable price.

Fortunately, shippers in China have more options other than just air cargo. But, shippers could have problems with urgent shipments when transportation by air would be the best option. As China moves into the future, it will be interesting to see if the country addresses this issue. The

growing economy in China might demand that changes be made, and China may have to respond quickly.

## **5 CONCLUSION AND RECOMMENDATIONS**

### **5.1 Conclusions**

China is a land of great opportunity for foreign investors. Various factors affect all aspects of foreign investment in China, and any person or organization looking into investing in the country should consider China's business traditions, politics and laws, logistics, and transportation, among many other aspects. While investing in China is a popular option for many United States businesspeople, and businesspeople from around the world, this type of undertaking deserves a lot of research and consideration before making a decision.

China's business culture may make opening a business in China difficult. It has been concluded by the author that it is essential for any foreign investors to have a very comprehensive view of China's business culture, including how that culture differs from the one that the investor is used to, and how different aspects of the culture may conflict with the financial and ethical goals of the investor. Because of the way business is done in China in general, expectations for opening a business in China should be drastically different that expectations for opening a business in the United States or other home countries of a foreign investor. An investor should expect some resistance from Chinese individuals because of cultural differences, and should expect to spend a great deal of time forming relationships and *guanxi* with Chinese politicians, business people, and local individuals. The Chinese business world functions very differently than other societies, and

expecting to simply transplant certain systems or ways of doing business from the home country of the foreign investor to a business in China will most likely result in disappointment and frustration.

The type of organizational structure is another crucial decision that must be made a foreign investor. Depending on the goals of the foreign investment and the resources needed for it, the right organizational structure needs to be chosen to meet those goals and needed resources. It is concluded by the author that choosing to do a joint venture will more than likely result in better business and political relationships in a quicker fashion as compared to other structures.

However, if the goal of the foreign investment is primarily seeing short-term financial gains, the foreign investor would be in conflict with the Chinese partner. The Chinese partner will possibly be more concerned with job creation and the good of Chinese citizens, leading the author to believe that the financial goals of the foreign investor will not be as high of a priority for the Chinese partner. If aggressive financial goals are important to the foreign investor, the author feels that a wholly owned foreign enterprise is a better option. Using this structure, the foreign investor will have full control over the business's finances and operations. However, gaining favor with Chinese business people and politicians will be difficult. The author feels that this can be overcome by allocating a lot of time to forming relationships before the business is formed, and in the early stages of starting the business. The last option for organizational structure, opening a representative office, is the best option, in the opinion of the author, for a foreign investor looking

to open an office and get operations underway quickly. This is a good way to “get your foot in the door” and begin forming relationships and learning about the Chinese business industry without pouring a great amount of resources into the business. However, a lot of restrictions exist when opening a representative office and would not be the best option if the foreign investor that wants to utilize China’s low-cost labor market.

The logistics market in China, particularly the third party logistics market, is fairly undeveloped and unreliable. It has been concluded by the author that any foreign investor needing a robust third party logistics partner in China should seriously consider other options. However, many opportunities exist for both foreign and domestic investors to start up third party logistics enterprises. The author feels that entering the market should be fairly easy and cost-effective, as the competition in this area is low, and the expectations of organizations utilizing third party logistics is probably relatively low as well. In the author’s opinion, developing a reliable and efficient third party logistics business for domestic movements in China would prove to be a great opportunity in a field that will more than likely see a great amount of growth in the future.

The transportation infrastructure in China is fairly developed and a number of options exist for the transportation of freight. It is becoming much easier to utilize the different modes of transportation, but expanding and improving transportation infrastructure and capacity will need to take place in the future. Utilizing airports and seaports to import goods from other countries or export goods from China is an option that works well for both foreign and domestic business

owners. The major transportation problems seem to come to light when trying to transport goods domestically around China, and the author feels that this deserves attention. This problem goes back to the lack of third party logistics, but also has to do with the lack of organization of connecting transportation routes, and the lack of effective transportation laws and the enforcement of those laws. While China is making a lot of improvements, most of the improvements are focused on infrastructure and the author feels that more attention needs to be paid to law enforcement and traffic pattern analysis by China's government.

Nevertheless, the author can conclude that the improvements made to various transportation modes and infrastructure is helping China be more accessible to global business. The author feels that China's seaports are sufficient for the amount of freight being handled by the ports, and that the management of the ports is increasing in efficiency which will continue to make the use of these ports by foreign investors easier and more cost effective as time goes on. Importing and exporting goods for foreign investors should be a smooth process, but attention needs to be paid to transportation through China's mainland.

## 5.2 Recommendations

Foreign investors have the potential to turn business opportunities into successful ventures in China's growing economy, but it is not for everyone. It is recommended that any foreign investor considering doing business in China take a good look at what the investor wants to get out of the foreign venture, how feasible those goals are. Performing a SWOT analysis (strengths,

weaknesses, opportunities, and threats), or an analysis of similar nature, of the market and of the type of business the investor is considering getting into will help the investor decide if investing in China is the right move.

If a foreign investor does decide to go forward with a business venture in China, deciding which organizational structure is best for the investor will also be a vital step. The investor should do in-depth research of all the benefits and drawbacks of each type of organizational structure (wholly owned foreign enterprise, joint venture, and representative office) and decide which structure is the best for the market being entered, the type of business being established, and the goals of the investment.

Becoming familiar with organizational culture and the politics in China is something of a daunting task, but can be accomplished in a number of ways. The investor should investigate the kinds of relationships that can be taken advantage of through the type of organizational structure chosen for the investment. The foreign investor should also dedicate a good amount of time to forming relationships with various Chinese businesspeople, political authorities, and individuals that have access to the resources needed to make the foreign investment successful. It is recommended that the foreign investor dedicate him/herself to beginning to form these relationships prior to setting up an office or a business. The Chinese will look at foreigners, for the most part, as “outsiders”, and it will take a certain amount of time to gain the trust and favor required from these individuals to start tapping them as resources. However, once these relationships are

established, they will more than likely be solid and will be a welcome advantage throughout the investment.

If a foreign investor needs to transport a good amount of cargo or products throughout China, it is recommended that the investor plan to ship his/her own goods, at least for a period of time until the third party logistics sector in China is more well-established. If the investor does choose to use third party logistics organizations to move goods throughout the country, he/she should plan on delays, disorganization, and disruptions. While this is unfortunate, the current state of logistics in China is poor and this cannot be ignored. However, the investor should take full advantage of the transportation options that China has to offer, whether the investor chooses to move products by him/herself or by utilizing third party logistics.

The transportation infrastructure in China is very advanced in some areas, such as seaports and airports on the eastern seaboard. The prices and level of efficiency offered by seaports and airports are good, and transporting goods by these methods is a good option. Other transportation infrastructures, such as highways, railways, and inland waterways, are decent and are being improved. The capacity, speed of transit, and reliability of these modes is progressing and will be of more and more use as time goes on. Foreign investors should research the different modes to determine prices, speed of transit, and mode reliability in the areas that goods will be shipped to and should make informed decisions. Transportation in China is not the same as the United States or other areas of the world, and the investor should not make generalized



assumptions. Some areas of China, such as the eastern seaboard, have very advanced infrastructure and organization when it comes to transportation modes, but other areas are less developed. The types of transportation to be utilized depends largely on the regions being shipped from/to, and should be analyzed by the investor prior to setting up transport for goods.

China's economy is growing rapidly and many positive changes in politics, business opportunities, and transportation are being made every day. China is continually opening itself up more and more to the global market, and many opportunities exist for foreign investors. Becoming familiar with the aspects discussed in this paper that affect foreign investment in China and making the right decisions for one's Chinese business venture provide foreign investors with the ability to obtain success.

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## APPENDIX A: 2008 China Trade Data

Item	Total Assets (100 million yuan)	Working Capitals (100 million yuan)	Original Value of Fixed Assets (100 million yuan)	Total Liabilities (100 million yuan)	Total Owners' Equities (100 million yuan)
	<b>Total</b>	<b>75118.3</b>	<b>55621.9</b>	<b>10374.2</b>	<b>52246.8</b>
<b>Wholesale Trade</b>	<b>58737.5</b>	<b>45133.4</b>	<b>5832.2</b>	<b>40792.2</b>	<b>17949.8</b>
Wholesale of Farm Produce and Livestock Product	2957.7	1891.4	360.0	2132.0	825.7
Wholesale of Food, Beverages and Tobaccos	6401.3	4859.9	1167.2	3074.0	3327.3
Wholesale of Rice, Flour and Edible Oil	1207.5	977.9	146.0	1027.4	180.1
Wholesale of Tobaccos	3187.0	2445.4	699.4	686.9	2500.1
Wholesale of Textiles, Garments and Daily Consumer Articles	3999.5	3123.5	369.9	2882.6	1117.0
Wholesale of Garments	1518.3	1196.1	152.0	1091.1	427.2
Wholesale of Culture, Sports Appliances and Equipment	1168.8	880.2	142.9	756.0	412.7
Wholesale of Medicines and Medical Appliances	2446.4	2022.8	200.5	1881.7	564.6
Wholesale of Mineral Products, Building Material and Chemical Products	27981.2	21104.1	2755.3	19727.1	8258.6
Wholesale of Coal and Related Products	3453.2	2569.4	272.9	2078.8	1374.5
Wholesale of Petroleum and Related Products	6303.1	3858.0	1528.6	3761.5	2546.1
Wholesale of Metal Materials	11998.2	9786.8	490.1	9229.7	2768.5
Wholesale of Building Materials	1796.8	1343.8	155.7	1335.7	461.2
Wholesale of Chemical Fertilizer	1310.9	1072.5	85.0	1041.6	269.3

(continued on next page)

Item	Total Assets (100 million yuan)	Working Capitals (100 million yuan)	Original Value of	Total Liabilities (100 million yuan)	Total Owners' Equities (100 million yuan)
			Fixed Assets (100 million yuan)		
Wholesale of Machinery, Hardware and Electronic Equipment	10105.1	8234.9	598.7	7522.2	2582.9
Wholesale of Motor Vehicles, Motorcycles and Parts	2335.8	1863.6	116.3	1702.6	633.1
Wholesale of Household Electrical Appliances	1329.8	1136.1	40.7	1096.2	233.6
Wholesale of Computer, Software and Peripherals	596.9	518.2	43.6	437.1	159.9
Trade Broker and Agency	2231.5	1887.8	82.2	1808.3	423.2
Other Wholesale not Classified Elsewhere	1445.9	1128.9	155.4	1008.2	437.8
<b>Retail Trade</b>	<b>16380.8</b>	<b>10488.5</b>	<b>4542.1</b>	<b>11454.7</b>	<b>4913.7</b>
Integrated Retail	6236.5	3509.7	2206.9	4615.6	1620.9
Retail of General Merchandise	3778.6	1983.8	1403.0	2656.7	1121.9
Retail of Supermarkets	2291.3	1423.6	739.9	1836.4	454.9
Retail of Food, Beverages and Tobaccos	348.0	213.4	118.0	204.0	144.0
Special Retail of Textiles, Garments and	753.9	536.5	179.7	569.8	184.0
Daily Consumer Articles					
Retail of Garments	526.5	371.1	132.8	408.4	118.1
Retail of Culture, Sports Appliances and Equipments	760.8	484.1	234.8	440.9	319.8
Retail of Sports Goods	23.0	15.7	5.5	17.0	6.0
Retail of Books	477.8	270.2	183.9	259.7	218.1
Retail of Medicines and Medical Appliances	678.3	521.1	119.8	515.4	162.9
Retail of Medicines	645.6	492.8	116.2	489.6	156.1
Retail of Motor Vehicles, Motorcycles, Fuel and Parts	5326.2	3539.0	1285.2	3456.0	1857.8
Retail of Motor Vehicles	3713.9	2774.7	605.0	2803.0	910.8
Retail of Fuel of Motor Vehicles	1465.7	652.1	653.1	552.6	900.7
Special Retail of Household Electric Appliances	1508.4	1216.6	160.3	1109.4	399.0

(continued on next page)



Item	Total Assets (100 million yuan)	Working Capitals (100 million yuan)	Original Value of Fixed Assets (100 million yuan)	Total Liabilities (100 million yuan)	Total Owners' Equities (100 million yuan)
Retail of Household Electric Appliances	1159.0	937.3	114.6	880.2	278.9
Retail of Computer, Software and Peripherals	198.7	161.0	19.2	123.2	75.4
Retail of Communication Equipment	122.7	94.2	23.2	88.0	34.7
Special Retail of Hardware, Furniture and Decoration Materials	400.4	230.9	136.4	288.8	111.6
Non-shop and Other Retailers	368.4	237.2	101.0	254.7	113.6
Distribution of Mail Order and E-commerce	62.1	56.8	3.8	62.2	-0.1

Table 0.1 China's Domestic Assets and Liabilities of Wholesale and Retail Trades by Sector, 2008

Source: (China Statistical Yearbook 2009, 2009)



Item	2004	2005	2006	2007	2008
<b>Total Value of Imports and Exports</b>	<b>95539.1</b>	<b>116921.8</b>	<b>140971.4</b>	<b>166740.2</b>	<b>179921.5</b>
(RMB 100 million yuan)					
Total Exports	49103.3	62648.1	77594.6	93455.6	100394.9
Total Imports	46435.8	54273.7	63376.9	73284.6	79526.5
Balance	2667.5	8374.4	14217.7	20171.1	20868.4
<b>Total Value of Imports and Exports</b>	<b>11545.5</b>	<b>14219.1</b>	<b>17604.0</b>	<b>21737.3</b>	<b>25632.6</b>
(USD 100 million)					
Total Exports	5933.2	7619.5	9689.4	12177.8	14306.9
Primary Goods	405.5	490.4	529.2	615.1	779.6
Manufactured Goods	5527.7	7129.2	9160.2	11562.7	13527.4
Total Imports	5612.3	6599.5	7914.6	9559.5	11325.6
Primary Goods	1172.7	1477.1	1871.3	2430.9	3623.9
Manufactured Goods	4439.6	5122.4	6043.3	7128.6	7701.7
Balance	320.9	1020.0	1774.8	2618.3	2981.3
<b>Number of Projects for Contracted Foreign</b>	<b>43664</b>	<b>44001</b>	<b>41473</b>	<b>37871</b>	<b>27514</b>
<b>  Direct Investment</b> (unit)					
<b>Total Amount of Foreign Investment</b>	<b>640.72</b>	<b>638.05</b>	<b>670.76</b>	<b>783.39</b>	<b>952.53</b>
<b>Actually Utilized</b> (USD 100 million)					
Foreign Direct Investments	606.30	603.25	630.21	747.68	923.95
Other Foreign Investments	34.42	34.80	40.55	35.72	28.58
<b>Registered Foreign-funded Enterprises</b>					
Number of Registered Enterprises (household)	242284	260000	274863	286232	434937
Total Investment (USD 100 million)	13112	14640	17076	21088	23241
Registered Capital (USD 100 million)	7285	8120	9465	11554	13006
Capital from Foreign Investors	5580	6319	7406	9211	10389

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Item	2004	2005	2006	2007	2008
<b>Economic Cooperation with Foreign Countries &amp; Regions (USD 100 million)</b>					
Contracted Value	276.98	342.16	716.48	853.45	1130.15
Contracted Projects	238.44	296.14	660.05	776.21	1045.62
Labor Services	35.03	42.45	52.33	66.99	75.64
Value of Turnover Fulfilled	213.69	267.76	356.95	479.00	651.16
Contracted Projects	174.68	217.63	299.93	406.43	566.12
Labor Services	37.53	47.86	53.73	67.67	80.57

**Table 0.2 China's Foreign Trade and Economic Cooperation**

Source: (China Statistical Yearbook 2009, 2009)

Year	100 million Yuan				USD 100 million			
	Total Imports & Exports	Total Exports	Total Imports	Balance	Total Imports & Exports	Total Exports	Total Imports	Balance
1978	355.0	167.6	187.4	-19.8	206.4	97.5	108.9	-11.4
1980	570.0	271.2	298.8	-27.6	381.4	181.2	200.2	-19.0
1985	2066.7	808.9	1257.8	-448.9	696.0	273.5	422.5	-149.0
1990	5560.1	2985.8	2574.3	411.5	1154.4	620.9	533.5	87.4
1991	7225.8	3827.1	3398.7	428.4	1357.0	719.1	637.9	81.2
1992	9119.6	4676.3	4443.3	233.0	1655.3	849.4	805.9	43.5
1993	11271.0	5284.8	5986.2	-701.4	1957.0	917.4	1039.6	-122.2
1994	20381.9	10421.8	9960.1	461.7	2366.2	1210.1	1156.1	54.0
1995	23499.9	12451.8	11048.1	1403.7	2808.6	1487.8	1320.8	167.0
1996	24133.8	12576.4	11557.4	1019.0	2898.8	1510.5	1388.3	122.2
1997	26967.2	15160.7	11806.5	3354.2	3251.6	1827.9	1423.7	404.2
1998	26849.7	15223.6	11626.1	3597.5	3239.5	1837.1	1402.4	434.7
1999	29896.2	16159.8	13736.4	2423.4	3606.3	1949.3	1657.0	292.3
2000	39273.2	20634.4	18638.8	1995.6	4742.9	2492.0	2250.9	241.1
2001	42183.6	22024.4	20159.2	1865.2	5096.5	2661.0	2435.5	225.5
2002	51378.2	26947.9	24430.3	2517.6	6207.7	3256.0	2951.7	304.3
2003	70483.5	36287.9	34195.6	2092.3	8509.9	4382.3	4127.6	254.7
2004	95539.1	49103.3	46435.8	2667.5	11545.5	5933.2	5612.3	320.9
2005	116921.8	62648.1	54273.7	8374.4	14219.1	7619.5	6599.5	1020.0
2006	140971.4	77594.6	63376.9	14217.7	17604.0	9689.4	7914.6	1774.8
2007	166740.2	93455.6	73284.6	20171.1	21737.3	12177.8	9559.5	2618.3
2008	179921.5	100394.9	79526.5	20868.4	25632.6	14306.9	11325.6	2981.3

Table 0.3 China's Total Value of Imports and Exports

Source: (China Statistical Yearbook 2009, 2009)

Country (Region)	2007			Total (UDS 10,000)	2008	
	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)		Exports (UDS 10,000)	Imports (UDS 10,000)
<b>Total</b>	<b>21737260<sub>2</sub></b>	<b>121777576</b>	<b>95595026</b>	<b>25632552<sub>3</sub></b>	<b>143069307</b>	<b>113256216</b>
<b>Asia</b>	<b>11878005<sub>8</sub></b>	<b>56787403</b>	<b>61992655</b>	<b>13667046<sub>4</sub></b>	<b>66411850</b>	<b>70258614</b>
Afghanistan	17181	16944	238	15432	15163	269
Bahrain	48715	38470	10245	78639	65508	13132
Bangladesh	345906	334489	11417	468798	455607	13191
Bhutan	539	539		846	846	
Brunei	35876	11268	24608	21943	13054	8888
Myanmar	207784	169970	37814	262532	197777	64755
Cambodia	93399	88293	5107	113437	109554	3883
Cyprus	70585	69783	802	113546	112487	1059
Korea DPR	197633	139249	58384	279284	203243	76041
Hong Kong, China	19724045	18443625	1280420	20364488	19072903	1291585
India	3862856	2401146	1461710	5184427	3158538	2025889
Indonesia	2499641	1260133	1239508	3151605	1719311	1432293
Iran	2058965	728405	1330560	2775762	816343	1959420
Iraq	145318	68738	76580	265283	127116	138166
Israel	530994	365600	165394	604982	425700	179282
Japan	23595096	10200859	13394237	26673250	11613245	15060004
Jordan	118136	109929	8207	194931	182613	12318
Kuwait	362926	133863	229062	679012	175130	503881
Laos	26386	17794	8592	40237	26811	13426
Lebanon	71734	69872	1862	109672	108345	1327
Macao, China	292137	264099	28038	290796	260212	30585
Malaysia	4638632	1768927	2869705	5355657	2145517	3210140

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Country (Region)	2007			2008		
	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)
Maldives	2507	2479	28	3297	3155	142
Mongolia	203460	68295	135165	243343	90783	152561
Nepal	40037	38558	1479	38159	37561	598
Oman	727029	54756	672273	1242136	79452	1162685
Pakistan	689327	578905	110422	705787	605107	100680
Palestine	3765	3750	15	4103	4078	25
Philippines	3061576	749792	2311784	2863698	913223	1950474
Qatar	120888	62088	58800	238579	107416	131163
Saudi Arabia	2536697	780728	1755968	4184617	1082347	3102270
Singapore	4714398	2962030	1752368	5247707	3230581	2017126
Korea Rep.	15985081	5609886	10375195	18606991	7393199	11213792
Sri Lanka	143211	138408	4803	169063	163009	6054
Syria	187674	186847	827	230322	229336	986
Thailand	3463812	1197343	2266469	4129309	1563635	2565674
Turkey	1176802	1047563	129240	1256925	1060631	196293
United Arab Emirates	2003565	1702362	301203	2825694	2364369	461325
Republic of Yemen	270834	96305	174529	439446	118458	320987
Vietnam	1511758	1189130	322628	1945845	1512213	433632
P. R. China	8577298		8577298	9246120		9246120
Taiwan, China	12448688	2345980	10102707	12921499	2587706	10333793
Timor Leste	951	946	5	953	943	11
Kazakhstan	1387777	744586	643191	1755234	982451	772783
Kirghizia	377923	366554	11369	933338	921205	12133
Tadzhikistan	52405	51377	1028	149993	147968	2024
Turkmenistan	35268	30254	5014	83038	80194	2844

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Country (Region)	2007			Total (UDS 10,000)	2008	
	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)		Exports (UDS 10,000)	Imports (UDS 10,000)
Uzbekistan	112819	76474	36345	160670	127781	32888
Other Countries	27	15	12	41	24	17
<b>(Regions) in Asia</b>						
<b>Africa</b>	<b>7365693</b>	<b>3729773</b>	<b>3635920</b>	<b>10720686</b>	<b>5123992</b>	<b>5596694</b>
Algeria	386641	270548	116093	460113	375191	84922
Angola	1411841	122975	1288866	2532499	294247	2238252
Benin	208369	197056	11313	242428	231411	11016
Botswana	14519	11875	2644	35307	16915	18391
Burundi	1371	1303	67	1780	1768	12
Cameroon	45659	29658	16002	85847	37928	47919
Canary Is.	5394	5394		1971	1971	
Cape Verde	1469	1469		1495	1495	
Central Africa	1548	887	661	3273	1130	2144
Ceuta	65	65		63	62	1
Chad	14975	6568	8407	12153	7993	4160
Comoros	765	765		2544	2544	
Congo	326971	43398	283573	434598	61428	373170
Djibouti	16570	16406	164	25406	25227	179
Egypt	467253	443280	23973	630320	587426	42894
Eq. Guinea	178997	9268	169728	254526	27739	226787
Ethiopia	86162	77449	8712	131238	123072	8166
Gabon	119828	10255	109573	193222	13960	179261
Gambia	19387	18532	855	17889	17572	316
Ghana	127489	122137	5352	184129	174789	9340
Guinea	35621	26385	9236	35976	33446	2530

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Country (Region)	2007			2008		
	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)
Guinea-Bissau	745	727	17	739	615	124
Cote d'Ivoire	45321	41257	4064	60208	53150	7058
Kenya	95902	93091	2811	128406	124933	3472
Liberia	80592	80265	328	114299	113705	594
Libya	241007	86258	154750	422944	164045	258899
Madagascar	35814	32847	2966	66776	60259	6517
Malawi	4283	4207	76	8916	8105	811
Mali	16117	12527	3590	23068	16773	6295
Mauritania	70662	13724	56938	123323	18909	104414
Mauritius	28942	28440	502	32579	32009	571
Morocco	258611	216222	42389	280998	234893	46106
Mozambique	28450	16025	12425	42188	29599	12588
Namibia	40319	24554	15766	52534	24317	28218
Niger	3078	3074	5	16688	16681	7
Nigeria	433292	379584	53708	727543	676705	50838
Reunion	8734	8733	1	11562	11557	5
Rwanda	5843	3479	2363	8895	5937	2958
Sao Tome & Principe	178	178		190	189	2
Senegal	35545	33292	2253	40652	40155	497
Seychelles	1188	742	446	1781	1413	368
Sierra Leone	6418	5847	571	8409	7877	532
Somalia	2833	2661	172	4053	4034	19
South Africa	1404633	742826	661807	1785259	861762	923497
Western Sahara	2	2		6	6	
Sudan	570803	153679	417124	820022	187433	632589

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Country (Region)	2007			Total (UDS 10,000)	2008	
	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)		Exports (UDS 10,000)	Imports (UDS 10,000)
Tanzania	79718	59358	20360	108203	95044	13159
Togo	139891	137281	2610	124914	121824	3090
Tunisia	51223	48191	3032	78717	69686	9031
Uganda	22209	20219	1990	24716	23010	1706
Burkina Faso	19873	4369	15504	10868	4619	6248
Congo DR	55323	9306	46018	181844	23458	158386
Zambia	59267	19781	39486	78685	26435	52250
Zimbabwe	34438	20161	14277	28131	13310	14821
Lesotho	5781	5656	124	8134	7964	170
Melilla	413	413		282	282	
Swaziland	3254	1321	1933	3188	2060	1128
Eritrea	2917	2665	252	3145	2898	247
Mayotte	526	526		583	583	
Other Countries	652	610	41	458	441	17
<b>(Regions) in Africa</b>						
<b>Europe</b>	<b>42752139</b>	<b>28784856</b>	<b>13967283</b>	<b>51148109</b>	<b>34342205</b>	<b>16805904</b>
Belgium	1765252	1267938	497314	2020827	1487130	533697
Denmark	641284	458985	182299	816545	556830	259715
United Kingdom	3943179	3165627	777552	4561452	3607274	954178
Germany	9409722	4871429	4538293	11499888	5920895	5578993
France	3366845	2032739	1334105	3893844	2330592	1563253
Ireland	636369	443835	192533	707055	432417	274638
Italy	3138042	2116961	1021080	3826782	2662879	1163903
Luxembourg	230472	205297	25175	384848	355449	29399
Netherlands	4634239	4141783	492456	5121800	4591858	529942

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Country (Region)	2007			2008		
	Total (USD 10,000)	Exports (USD 10,000)	Imports (USD 10,000)	Total (USD 10,000)	Exports (USD 10,000)	Imports (USD 10,000)
Greece	342342	325297	17045	426007	407459	18548
Portugal	221096	182632	38464	270459	231710	38749
Spain	2095841	1652846	442995	2622267	2079868	542398
Albania	15488	8854	6634	28436	19611	8826
Andorra	72	71	1	121	117	5
Austria	400432	155203	245229	489077	176996	312082
Bulgaria	97066	81265	15800	134163	112484	21678
Finland	1035850	656417	379433	1088284	734953	353331
Gibraltar	100	100		2329	2328	1
Hungary	622504	501496	121008	747906	609685	138220
Iceland	12796	9232	3565	12824	9314	3511
Liechtenstein	3443	994	2449	4030	864	3167
Malta	70346	32748	37598	151636	106646	44990
Monaco	1908	773	1134	2675	1534	1141
Norway	381488	220012	161476	470912	256113	214800
Poland	766518	655293	111225	1043480	904037	139443
Romania	236570	208423	28147	324982	288992	35990
San Marino	151	141	10	249	193	55
Sweden	869069	454885	414184	1015443	511628	503815
Switzerland	944443	360046	584398	1126239	390935	735304
Estonia	67450	58465	8986	67682	58813	8869
Latvia	70604	68454	2150	86699	84898	1801
Lithuania	82183	80214	1969	108911	105998	2913
Georgia	19233	17674	1559	29641	29289	353
Armenia	8921	5143	3777	8072	6921	1151

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Country (Region)	2007			2008		
	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)
Azerbaijan	47656	47512	144	80096	68610	11486
Byelorussia	83981	22722	61259	85919	36136	49782
Moldavia	5139	4999	141	7388	7127	261
Russia	4815478	2846620	1968858	5690861	3307585	2383276
Ukraine	653144	586581	66563	876030	756628	119402
Slovenia	80348	69293	11055	109576	96421	13156
Croatia	158288	151526	6763	180982	174199	6784
Czech	496558	413478	83080	650019	549748	100270
Slovak	220592	147060	73531	294977	196604	98373
Macedonia	8516	7534	983	8400	7072	1328
Bosnia & Herzegovina	8121	5392	2729	7944	7283	661
Vatican City State	24	24		42	42	
Faroe Islands	750	62	688	955	129	826
Serbia	36752	35441	1312	50480	49252	1228
Montenegro	5477	5342	135	8872	8660	213
<b>Latin America</b>	<b>10265030</b>	<b>5153940</b>	<b>5111090</b>	<b>14340599</b>	<b>7176204</b>	<b>7164395</b>
Antigua and Barbuda	39524	39524		52955	52948	8
Argentina	990085	356635	633450	1441608	505473	936135
Aruba	1055	1043	11	1121	1098	23
Bahamas	18073	16261	1812	38595	38534	61
Barbados	3586	3473	113	2936	2794	142
Belize	2602	2602		4249	4246	3
Bolivia	15307	9672	5636	32916	17856	15060
Brazil	2971409	1137226	1834183	4867090	1880746	2986344
Cayman Is.	1077	1077		3567	3567	

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Country (Region)	2007			2008		
	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)	Total (UDS 10,000)	Exports (UDS 10,000)	Imports (UDS 10,000)
Chile	1469616	441556	1028060	1735962	618680	1117281
Colombia	335696	226117	109580	411334	298793	112541
Dominica	10418	7357	3061	7791	7575	216
Costa Rica	287342	56678	230664	288968	61916	227052
Cuba	228571	117025	111546	225785	135480	90306
Curacao	3705	3705		3675	3675	
Dominica Rep.	61277	51292	9984	80418	65789	14629
Ecuador	108359	94240	14119	239603	154701	84902
French Guyana	302	302		346	346	
Granada	302	297	4	382	378	4
Guadeloup e	1793	1793		2867	2856	11
Guatemala	84243	79622	4621	94592	93442	1150
Guyana	8340	6530	1811	8834	7098	1736
Haiti	8793	8160	633	13338	12590	748
Honduras	28920	27311	1608	33975	32361	1615
Jamaica	28457	24611	3846	29427	28869	557
Martinique	1513	1513		2721	2720	1
Mexico	1496940	1170611	326329	1755674	1386649	369025
Montserrat	67	67		7	4	2
Nicaragua	21562	21223	339	25908	25561	347
Panama	558787	557998	789	794365	789391	4974
Paraguay	48550	46582	1968	78883	76351	2532
Peru	601639	167850	433789	726648	277437	449211
Puerto Rico	55718	42013	13705	68561	45998	22563
Saba	2	2				

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Country (Region)	2007			Total (US\$ 10,000)	2008	
	Total (US\$ 10,000)	Exports (US\$ 10,000)	Imports (US\$ 10,000)		Exports (US\$ 10,000)	Imports (US\$ 10,000)
Saint Lucia	695	684	12	674	669	5
Saint Martin	260	260		262	262	
Is. Saint Vincent & Grenadines	2660	2660		8479	5859	2620
El Salvador	35691	35218	473	38042	37447	595
Surinam	7023	6717	306	10639	10273	366
Trinidad and Tobago	28356	26303	2053	37376	34963	2413
Turks & Caicos Is.	91	91		138	138	
Uruguay	95734	61558	34176	165164	102769	62395
Venezuela	585681	283286	302395	993304	336598	656706
Virgin Is. (E)	11637	11626	11	5783	5727	56
St. Kitts- Nevis	259	258	1	279	265	14
Andreas Is. (N)	3165	3165		5180	5155	25
Other Countries (Regions) in Latin America	144	144		180	160	19
<b>North America</b>	<b>33252284</b>	<b>25211509</b>	<b>8040776</b>	<b>36834226</b>	<b>27427243</b>	<b>9406982</b>
Canada	3033482	1935569	1097913	3446923	2179588	1267335
United States	30206716	23267655	6939061	33374348	25238355	8135993
Greenland	3855	56	3799	3787	141	3646
Bermuda	8201	8199	2	9154	9154	
Other Countries (Regions) in North America	30	30		14	5	9
<b>Oceanic and Pacific Islands</b>	<b>4951455</b>	<b>2110096</b>	<b>2841359</b>	<b>6611439</b>	<b>2587812</b>	<b>4023627</b>
Australia	4383000	1798966	2584034	5968240	2224726	3743513

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Country (Region)	2007			2008		
	Total (US\$ 10,000)	Exports (US\$ 10,000)	Imports (US\$ 10,000)	Total (US\$ 10,000)	Exports (US\$ 10,000)	Imports (US\$ 10,000)
Cook Islands	298	113	184	267	87	180
Fiji	6625	6368	257	9201	9109	92
Gambier Is.	20	14	6	38	38	
Nauru	4	4				
New Caledonia (Fr)	40840	3076	37764	16420	5300	11120
Vanuatu	2135	2094	40	3508	3464	43
New Zealand	369792	216017	153775	440188	250953	189235
Norfolk Islands	175	175		100	94	6
Papua New Guinea	68098	21259	46839	85927	34406	51521
Society Is.	360	358	1	392	392	1
Solomon Is.	19252	1018	18234	22689	1190	21499
Tonga	736	732	4	798	797	2
Samoa	1185	1155	30	2787	2525	261
Kiribati	1669	1669		246	246	
Tuvalu	670	664	6	4625	4625	
Micronesia Commonwealth	949	917	32	425	424	1
Marshall. Is.	51725	51722	4	45696	45696	
Republic of Palau	74	74		312	306	6
Polynesia (F)	2817	2680	137	2992	2695	297
Other Countries (Regions) in Oceanic	1029	1016	13	739	737	1
<b>Others</b>	<b>5942</b>		<b>5942</b>	<b>5849</b>		<b>5849</b>

Table 0.4 China's Value of Imports and Exports by Country (Region) of Origin/Destination

Source: (China Statistical Yearbook 2009, 2009)

Item of export	2007		2008	
	Volume	Value (UDS 10,000)	Volume	Value (UDS 10,000)
Live Hogs (10 000 heads)	161	26133	164	38270
Live Poultry (10 000 heads)	1635	3456	1166	3399
Frozen, Fresh Beef (10 000 tons)	3	7932	2	9550
Frozen, Fresh Pork (10 000 tons)	13	28375	8	27565
Frozen Chicken (10 000 tons)	8	13039	7	15666
Aquatic and Seawater Products(10 000 tons)	183	474820	175	517708
Fresh Eggs (million units)	1006	5838	1216	8013
Cereals and Cereals Flour (10 000 tons)	986	218917	181	75857
Rice (10 000 tons)	134	48787	97	48326
Maize (10 000 tons)	492	87533	27	7942
Vegetables (10 000 tons)	622	421648	624	416654
Fresh Vegetables (10 000 tons)	412	172605	415	155138
Mandarins and Oranges (ton)	472579	20549	748814	36227
Apples (ton)	1019235	51260	1153325	69834
Pine Nut Kernels (ton)	7882	8161	4178	4768
Soybean (10 000 tons)	46	19650	47	35146
Peanuts (10 000 tons)	29	28123	23	30652
Edible Vegetable Oil (ton)	166348	16928	247623	40156
Sugar (ton)	110529	4835	58403	2708
Natural Honey (ton)	64354	9438	84865	14711
Tea (ton)	289436	60714	296940	68226
Dried Capsicum (ton)	56064	12514	96476	17997
Canned Pork (ton)	44247	8504	31563	8747
Canned Mushroom (ton)	396144	64293	422371	65206
Beer (10 000 liters)	20571	10085	24170	12952

Casings (ton)	68802	57241	67642	84141
Feathers and Down for Stuffing (ton)	31199	33426	29846	29618
Medical Materials (ton)	240556	41745	188296	45145
Flue-cured Tobacco (ton)	120320	30351	116127	33430

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Item of export	2007		2008	
	Volume	Value (US\$ 10,000)	Volume	Value (US\$ 10,000)
Cigarette (10 000 items)	7831	25219	6834	24869
Wood Sawn (cu.m)	74750	38971	68532	40142
Raw Silk (ton)	0		2	
Cashmere (ton)	13753	33712	13431	33379
Cotton (Cotton Wool) (ton)	3075	24635	2421	19621
Natural Graphite (10 000 tons)	21004	3253	16361	3410
Natural Magnesium Carbonate, Magnesia (10 000 tons)	67	10323	60	16398
Fluorite (10 000 tons)	227	33533	233	52057
Barite (10 000 tons)	54	10157	66	19061
Talcum (10 000 tons)	311	13510	384	20099
Aluminum Oxide (ton)	66	9354	69	13247
Coal (10 000 tons)	31893	1878	44142	2956
Coke and Semi-coke (10 000 tons)	5317	329550	4543	524027
Crude Oil (10 000 tons)	1530	305396	1213	580737
Petroleum Products Refined (10 000 tons)	389	168710	416	297955
Paraffin Wax (10 000 tons)	1551	914955	1703	1366516
Tungstates (ton)	60	52765	60	74546
Zinc Oxide and Zinc Peroxide (ton)	5526	12051	5421	11560
Synthetic Organic Dyestuffs (ton)	54425	14087	32779	6174
Medical and Pharmaceutical Products (ton)	28433	100309	23621	116236
Medicaments of Chinese Type (ton)	3	600602	4	810353
Pharmaceutical Goods (ton)	53204	15580	60281	17435
Detergent (ton)	7	70842	6	98033
Fireworks and Firecrackers (ton)	13404	12218	8	16712
Resin and Resin Acids (ton)	23396	49493	8	49500
	6	27427	9	27194
	35883		9	
	9		7	
	32921			
	4			



Rubber Tyres units)	(10 000	32583	709312	31227	806031
Paper and Paperboard in Rolls tons)	(10 000	422	314728	361	327914
Cotton Yarn (ton)		58377	193347	54724	197312
Silk m)	(10 000	6	78641	7	82242
		25004		25617	

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Item of export	2007		2008	
	Volume	Value (UDS 10,000)	Volume	Value (UDS 10,000)
Cotton Cloth (10 000 m)	721696	852791	805966	1021657
Flax or Ramie Woven Fabric (10 000 m)	22497	43413	19642	41992
Synthetic Short Fibre and Cotton-fibre Mixture Woven Fabric (10 000 m)	277157	198308	276913	229411
Carpets (10 000 sq.m)	32122	131528	41757	160752
Bags of PP or PE Strip(Except Turnover Bags) (10 000 units)	399722	63364	474191	80453
Cement (10 000 tons)	3301	115043	2604	109880
Plate Glass (10 000 sq.m)	30917	81140	27762	91505
Glass Products		278202		348404
Porcelain and Pottery Ware for Household Use (10 000 tons)	195	178754	172	184096
Pig Iron and Spiegeleisen (10 000 tons)	69	25472	25	12792
Billet and Crude Forgings (10 000 tons)	643	291943	129	132559
Rolled Steel (10 000 tons)	6265	4413283	5923	6344213
Unwrought Copper and its Alloys (ton)	126578	95620	102724	85404
Rolled Copper (ton)	499678	379981	517522	415724
Unwrought Aluminum and its Alloys (ton)	545586	133799	841292	213619
Rolled Aluminum (10 000 tons)	185	593276	190	636604
Unwrought Zinc and Zinc Alloys (ton)	276714	105566	71320	14744
Unwrought Tin and Tin Alloys (ton)	23582	31593	559	1131
Unwrought Antimony (ton)	8230	3958	9453	5268
Unwrought Manganese (ton)	281875	77003	240547	85293
Iron or Copper Nails, Bolts, etc. (10 000 tons)	259	334268	270	449683
Hand Tools and Tools for Machines(10 000 tons)	131	441471	120	481296

Fans sets)	(10 000	54001	273685	48694	270603
Textile Machinery			152577		156548
Sewing Machines (Including Industrial Use) sets)	(10 000	1201	99357	1094	93571

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Item of export	2007		2008	
	Volume	Value (UDS 10,000)	Volume	Value (UDS 10,000)
Machine Tools (10 000 sets)	832	165129	629	210605
Electric Calculator (10 000 sets)	47513	101146	44739	97889
Automatic Data Processing Machines and Components (10 000 sets)	145137	12371465	143236	13501909
Parts for Auto Data Processing Equipment(ton)	130	3229414	118	3137133
Bearings (10 000 units)	326520	155429	334998	205937
Electric Motors and Generators (10 000 sets)	390569	561924	370769	659768
Static Converters (10 000 units)	283933	918537	287078	1043189
Primary Cells and Batteries (million units)	22093	150378	22523	158206
Electric Accumulators (10 000 units)	307493	634195	286100	727528
Telephone Sets (10 000 sets)	67749	3876101	70023	4149148
Radio Sets(including Sound Recording Apparatus) (10 000 sets)	35640	489072	29011	444647
TV Sets (including a Complete Set of Spare Parts) (10 000 sets)	5103	904485	5138	1057797
Electrical Capacitors (ton)	72396	215453	74584	232764
Electrical Apparatus for Switching or Protecting Electrical Circuits		961958		1188017
Diode and Semi Conductors (million units)	241215	882033	253547	1573393
Insulated Wire or Cable (ton)	162	1002409	169	1193972
Containers (10 000 units)	313	877524	303	909215
Motor Vehicles and Chassis (10 000 units)	61	681009	67	904883
Parts of Motor Vehicles		1227721		1481509
Bicycles (10 000 units)	5923	216563	5659	255477
Ships (unit)	106388	1194429	217362	1912327
Cameras (10 000 sets)	1		1	
	2125	8458	12364	741178

Medical Instruments and Appliances			345873		449507
Wrist Watches units)	(10 000	63833	116572	55036	125334
Clocks sets)	(10 000	33443	54315	26990	55144

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Item of export	2007		2008	
	Volume	Value (US\$ 10,000)	Volume	Value (US\$ 10,000)
Furniture		2214640		2691118
Garments(Excluding Knitwear and Crochet)		4364379		4676329
Garments, Knitted or Crocheted		5687136		5455564
Leather Shoes (10 000 pairs)	131178	956127	112586	980903
Cloth Shoes With Outer of Rubber or Artificial Plastic Materials (including Gym Shoes) (10 000 pairs)	144437	342837	138050	394376
Plastic Articles (10 000 tons)	766	1447648	730	1582613
Toys		848363		863461
Footballs, Basketballs and Volleyballs (10 000 units)	18088	27377	19652	34676
Umbrellas (10 000 units)	91340	126365	92888	147722
Bamboo Products (ton)	72944	18965	70845	22250
Rattan Products (ton)	36037	14731	31642	17624
Straw Mats and Straw Products (ton)	57759	19035	53580	21917
Wickerwork (ton)	125234	43301	143387	60257
Mechanical and Electrical Products		70117093		82292974
High and New-tech Products		34782546		41561105

**Table 0.5 China's Main Export Commodities by Value and Volume**

Source: (China Statistical Yearbook 2009, 2009)

Item of import	2007		2008	
	Volume	Value (USD 10,000)	Volume	Value (USD 10,000)
Cereals and Cereals Flour (10 000 tons)	155	53394	154	73179
Wheat (10 000 tons)	10	2871	4	1480
Paddy and Rice (10 000 tons)	49	22804	33	20841
Soybean (10 000 tons)	3082	1147217	3744	2181265
Edible Vegetable Oil (10 000 tons)	838	623606	816	897734
Sugar (10 000 tons)	119	37960	78	31850
Natural Rubber (including Latex) (10 000 tons)	165	325741	168	430182
Synthetic Rubber (including Latex)(10 000 tons)	141	284306	120	334031
Logs (10 000 cu.m)	3709	535061	2957	518362
Wood Sawn (10 000 cu.m)	650	176627	709	202416
Paper Pulp (10 000 tons)	847	554903	952	670556
Wool and Wool Tops (10 000 tons)	33	190507	30	180193
Cotton (10 000 tons)	246	347916	211	349238
Synthetic Fibers Suitable for Spinning (10 000 tons)	51	104677	32	74615
Polyester Fibers (10 000 tons)	20	29273	15	23206
Polyacrylonitr Fibers (10 000 tons)	28	63355	15	37291
Iron Ore (10 000 tons)	38309	3379557	44356	6053163
Manganese Ores (10 000 tons)	663	130236	757	346975
Copper Ores (10 000 tons)	452	881644	519	1044015
Chromium Ores (10 000 tons)	609	154966	684	271438
Aluminum Oxide (10 000 tons)	512	197399	459	177569
Coal (10 000 tons)	5102	242161	4040	350911
Crude Oil (10 000 tons)	16317	7977091	17888	12933500
Petroleum Products Refined (10 000 tons)	3380	1643675	3885	3004432

Ethylene Glycol tons)	(10 000	480	484774	522	527806
Telephthalic Acid tons)	(10 000	699	614197	594	532574
Carprolactam tons)	(10 000	47	110100	45	108423
Pharmaceutical Products (ton)		46525	388909	66753	551682

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Item of import	2007		2008	
	Volume	Value (USD 10,000)	Volume	Value (USD 10,000)
Chemical Fertilizers, Manufactured	1169	290627	622	348121
(Actual Weight) (10 000 tons)				
Urea	542	27	67	10
(ton)				
Compound Fertilizers of Nitrogen, Phosphor and Kalium (10 000 tons)	135	38528	64	40256
Diammonium Phosphape (10 000 tons)	54	14997	10	12610
Potassium Chloride (10 000 tons)	941	228724	514	283105
Polyethylene in primary Forms (10 000 tons)	286	386307	302	466308
Polypropylene in Primary Forms (10 000 tons)	307	386293	279	401213
Polystyrene in Primary Forms (10 000 tons)	381	590959	340	589971
ABS Copolymers (10 000 tons)	217	361750	195	362829
Polyvinyl Chloride in Primary Forms (10 000 tons)	130	127754	113	125651
Slices or Chips of Polyethylene Terephthalate (10 000 tons)	29	36692	78	223088
Pesticides (ton)	41260	23144	44316	29538
Paper and Paperboard (Unchopped in Shape)(10 000 tons)	398	347989	352	352458
Rolled Steel (10 000 tons)	1687	2055261	1543	2343253
Copper and Copper Alloys (10 000 tons)	173	1192913	170	1166012
Rolled Copper (10 000 tons)	105	773803	93	756725
Aluminum and Aluminum Alloys (10 000 tons)	28	62993	26	56414
Rolled Aluminum (10 000 tons)	69	318474	62	318884
Boilers (set)	492	10789	473	9205
Compressors for Refrigerating Equipment (10 000 sets)	1482	88744	1464	95793
Machine Tools (set)	107672	707220	88623	758742

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Item of import	2007		2008	
	Volume	Value (USD 10,000)	Volume	Value (USD 10,000)
Valves 000 sets) (10	20283	318409	23210	436161
Automatic Data Processing Machines and Components 000 sets) (10	48174	2239653	54279	2540173
Telephone Sets (10 000 sets)	1873	190106	2007	190395
Sound Recording Apparatus 000 sets) (10	634	38299	669	25452
(including a Complete Set of Spare Parts)				
TV Sets 000 sets) (10	121	13800	64	8534
Cathode-ray TV Picture Tube 000 sets) (10	921	32521	628	22654
Motor Vehicles (unit)	312085	1089536	407530	1512529
Cars (including a Complete Set of Spare Parts) (unit)	139867	500973	154521	635566
Trucks (including a Complete Set of Spare Parts) (unit)	7659	44079	8719	55362
Dump Trucks (including a Complete Set of Spare Parts) (unit)	337	37639	203	17253
Chassis with Engines (unit)	894	3055	990	4735
Parts of Motor Vehicles		1064249		1108689
Aircraft (unit)	314	926544	308	876523
Ships (unit)	2575	88590	2517	113723
Medical Instruments and Appliances		243080		287919
Mechanical and Electrical Products		49898421		53865586
High and New-tech Products		28698567		34194091

Table 0.6 China's Main Import Commodities by Volume and Value

Source: (China Statistical Yearbook 2009, 2009)

Region	2007 Foreign-funded enterprises (USD 10, 000)			2008 Foreign-funded enterprises (USD 10, 000)		
	Total	Exports	Imports	Total	Exports	Imports
<b>National Total</b>	<b>125516381</b>	<b>69537077</b>	<b>55979304</b>	<b>140992119</b>	<b>79049270</b>	<b>61942848</b>
Beijing	4952240	2170256	2781983	5680020	2305587	3374433
Tianjin	5412377	2822784	2589592	5722366	2889470	2832896
Hebei	1048506	655308	393198	1671332	975029	696303
Shanxi	147990	89867	58123	221303	127618	93685
Inner Mongolia	79136	47102	32034	149335	90470	58865
Liaoning	3131050	1765978	1365072	3709289	2026502	1682786
Jilin	493652	103342	390310	571685	134324	437361
Heilongjiang	114721	69591	45130	139005	80686	58319
Shanghai	19313539	9774791	9538748	21768521	11355935	10412585
Jiangsu	28005209	15554352	12450857	30349018	17495269	12853749
Zhejiang	7107326	4721495	2385831	8350689	5422144	2928545
Anhui	548379	260257	288122	701238	319369	381869
Fujian	4624326	2899214	1725112	5212205	3250376	1961829
Jiangxi	496838	182943	313895	886991	377632	509359
Shandong	6655705	4027221	2628484	8438159	5059486	3378673
Henan	257840	143129	114710	320204	171126	149078
Hubei	556076	276851	279225	735954	378604	357351
Hunan	166803	95076	71727	193352	105041	88310

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Region	2007 Foreign-funded enterprises (USD 10,000)			2008 Foreign-funded enterprises (USD 10,000)		
	Total	Exports	Imports	Total	Exports	Imports
Guangdong	40821906	23222207	17599699	43848739	25567121	18281618
Guangxi	288997	109258	179739	454363	161968	292395
Hainan	145792	51734	94058	240462	65245	175216
Chongqing	302297	72378	229919	364846	95901	268945
Sichuan	496322	216031	280292	821698	354933	466765
Guizhou	24415	16503	7912	37301	23804	13497
Yunnan	55764	39314	16450	63625	42694	20931
Tibet	138	72	66	601	64	537
Shaanxi	161132	87275	73857	208113	110053	98060
Gansu	26707	23213	3494	19994	16711	3283
Qinghai	12273	1638	10635	25805	4591	21214
Ningxia	40806	16296	24510	54698	18473	36225
Xinjiang	28119	21600	6519	31207	23040	8167

**Table 0.7 China's Value of Imports and Exports of Foreign-Funded Enterprises by Region**

Source: (China Statistical Yearbook 2009, 2009)

## APPENDIX B: China Employment and Wage Data

Region	Total Employed			Composition in Percentage			
	Persons (10 000 persons)	Primary Industry	Secondary Industry	Tertiary Industry	Primary Industry	Secondary Industry	Tertiary Industry
<b>National Total</b>	<b>77480.0</b>	<b>30654.0</b>	<b>21109.0</b>	<b>25717.0</b>	<b>39.6</b>	<b>27.2</b>	<b>33.2</b>
Beijing	1173.8	66.0	256.5	851.3	5.6	21.8	72.5
Tianjin	503.1	78.1	203.9	221.2	15.5	40.5	44.0
Hebei	3651.7	1488.4	1195.5	967.8	40.8	32.7	26.5
Shanxi	1583.5	642.8	417.4	523.3	40.6	26.4	33.0
Inner Mongolia	1103.3	556.7	186.2	360.4	50.5	16.9	32.7
Liaoning	2098.2	698.2	534.7	865.3	33.3	25.5	41.2
Jilin	1143.5	511.0	227.8	404.8	44.7	19.9	35.4
Heilongjiang	1670.2	775.6	343.0	551.6	46.4	20.5	33.0
Shanghai	896.0	49.4	352.1	494.5	5.5	39.3	55.2
Jiangsu	4384.1	917.1	1945.4	1521.6	20.9	44.4	34.7
Zhejiang	3691.9	671.6	1715.5	1304.8	18.2	46.5	35.3
Anhui	3594.6	1605.3	971.7	1017.5	44.7	27.0	28.3
Fujian	2079.8	647.8	739.7	692.2	31.1	35.6	33.3
Jiangxi	2223.3	903.9	609.6	709.8	40.7	27.4	31.9
Shandong	5352.5	2001.2	1691.5	1659.8	37.4	31.6	31.0

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Region	Total Employed			Composition in Percentage			
	Persons (10 000 persons)	Primary Industry	Secondary Industry	Tertiary Industry	Primary Industry	Secondary Industry	Tertiary Industry
Henan	5835.5	2847.3	1563.9	1424.2	48.8	26.8	24.4
Hubei	2875.6	1016.7	706.7	1152.1	35.4	24.6	40.1
Hunan	3811.0	1889.9	762.2	1158.8	49.6	20.0	30.4
Guangdong	5478.0	1552.6	1831.5	2094.0	28.3	33.4	38.2
Guangxi	2807.2	1549.4	561.9	695.8	55.2	20.0	24.8
Hainan	412.1	221.5	46.6	144.0	53.8	11.3	34.9
Chongqing	1837.1	681.2	488.6	667.3	37.1	26.6	36.3
Sichuan	4874.5	2192.7	1068.3	1613.5	45.0	21.9	33.1
Guizhou	2301.6	1206.0	261.2	834.4	52.4	11.3	36.3
Yunnan	2679.5	1678.6	328.2	672.7	62.6	12.2	25.1
Tibet	160.4	89.3	16.8	54.4	55.7	10.4	33.9
Shaanxi	1946.6	910.4	403.5	632.6	46.8	20.7	32.5
Gansu	1388.7	734.4	198.6	455.7	52.9	14.3	32.8
Qinghai	276.8	123.3	59.0	94.5	44.5	21.3	34.2
Ningxia	303.9	136.4	76.2	91.4	44.9	25.1	30.1
Xinjiang	813.7	419.9	111.5	282.3	51.6	13.7	34.7

**Table 0.1 Number of People Employed in China by Region and Industry, 2008**

Source: (China Statistical Yearbook 2009, 2009)

Region	Total (all earnings in yuan)	Agriculture, Forestry, Animal Husbandry and Fishery	Mining	Manufacturing	Production and Distribution of Electricity, Gas and Water	Construction	Transport, Storage and Post
Beijing	55844	26114	60057	39076	72195	37950	45285
Tianjin	39990	28373	52659	34095	72031	41101	45725
Hebei	24276	9618	37249	21037	36434	18210	25666
Shanxi	25489	16566	37851	20268	33920	19744	29422
Inner Mongolia	25949	13189	32123	22352	40921	17679	31163
Liaoning	27179	7517	36040	25669	34361	20891	28745
Jilin	23294	12039	29163	24036	28807	16017	23845
Heilongjiang	21764	10017	27869	21093	28481	19067	24833
Shanghai	52122	29615	61381	42311	72262	55114	47143
Jiangsu	31297	14728	33111	25688	53702	23154	30227
Zhejiang	33622	30338	26469	23816	64424	25056	39596
Anhui	25703	12473	43838	22509	31002	20539	22247
Fujian	25555	14496	23797	20678	39701	24251	32801
Jiangxi	20597	12478	20503	17573	27453	16584	27684
Shandong	26234	19387	36133	21340	33497	20395	31235
Henan	24438	13455	37649	20993	31321	19388	26387
Hubei	22384	10610	24727	22065	28872	18894	22991
Hunan	24146	13322	21007	22188	29899	18566	24484
Guangdong	33282	12905	36224	25249	48868	22917	42613
Guangxi	24798	13617	22385	21181	33704	21207	28112
Hainan	21767	10823	24119	18914	32599	17677	34239
Chongqing	26640	16459	25985	24131	39953	20658	25090
Sichuan	24725	15231	28632	22046	30484	17746	27344
Guizhou	23979	16890	24487	22224	42457	16899	26288
Yunnan	23305	13537	23629	22681	37459	16081	30067
Tibet	44055	25289	29304	19486	43148	18445	38043
Shaanxi	25478	16985	33305	20910	32949	16844	28960
Gansu	23632	14400	34354	24895	30370	13445	27913
Qinghai	30101	21849	33732	23742	35955	18529	33827
Ningxia	30050	16458	52281	22917	45153	19373	29595
Xinjiang	24686	14499	40857	24999	33229	21082	36244

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Region	Wholesale and Retail Trades	Hotels and Catering Services	Financial Intermediation	Real Estate	Leasing and Business Services	Scientific Research, Technical Services, and Geological Prospecting	Management of Companies and Enterprises
Beijing	57768	28379	135192	42923	58327	71895	372
Tianjin	30968	20385	69862	37002	22948	60819	314
Hebei	13465	13780	32649	21868	17300	36825	186
Shanxi	13835	11934	31352	15919	15918	27614	143
Inner Mongolia	18470	16108	35824	20480	22445	31047	202
Liaoning	22694	16624	39968	22408	17420	37816	189
Jilin	17642	14920	30675	18539	22500	30112	143
Heilongjiang	19052	17790	33742	17980	17961	34096	143
Shanghai	49606	28323	116636	45459	43996	75642	406
Jiangsu	25458	20557	52051	34455	25442	48834	261
Zhejiang	33442	21301	77773	37291	28778	50491	284
Anhui	16965	14321	32652	22145	20884	28850	167
Fujian	24676	17501	56965	30428	23244	36583	226
Jiangxi	18128	13829	29324	18285	15726	25533	157
Shandong	18254	17646	40297	24426	24085	36770	211
Henan	16945	16460	34618	21928	21418	28998	203
Hubei	17158	13484	35661	21165	19248	32107	157
Hunan	22457	15460	31879	24337	20280	31400	191
Guangdong	32093	20944	78781	32450	34755	58143	261
Guangxi	18503	13816	45979	23481	19600	30827	161
Hainan	18609	15633	43707	20430	20762	23619	151
Chongqing	22129	15309	44635	23666	21085	41326	172
Sichuan	20949	16531	42055	21818	26158	42806	169
Guizhou	22698	12784	48292	15552	19970	25942	161
Yunnan	22185	13380	42672	17896	21306	26264	153
Tibet	29175	18895	60720	35757	28261	48289	261
Shaanxi	15183	16123	39246	31592	20330	36815	193
Gansu	15312	13961	27511	14910	16682	26746	191
Qinghai	19153	14389	36723	24131	18651	44408	211
Ningxia	24147	14295	46484	23086	19914	31069	203
Xinjiang	23332	17136	39158	19617	17931	29939	202

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Region	Education	Health, Social Securities and Social Welfare	Culture, Sports and Entertainment	Public Management and Social Organization
Beijing	52952	60199	65056	57460
Tianjin	44226	43841	43146	52603
Hebei	25592	23770	21340	25035
Shanxi	24061	20590	21277	24100
Inner Mongolia	30434	28880	27861	29791
Liaoning	31762	27657	29565	31561
Jilin	26372	22555	21842	24427
Heilongjiang	27495	25782	25543	27619
Shanghai	56221	62764	55888	58721
Jiangsu	35205	37404	40249	48257
Zhejiang	48815	50830	47433	55527
Anhui	25400	25104	22793	28675
Fujian	31361	32893	29704	34144
Jiangxi	22433	24982	23794	22047
Shandong	31032	30504	36088	29722
Henan	26512	25438	23075	25446
Hubei	22437	22787	23082	26800
Hunan	27683	30647	26441	26071
Guangdong	34306	42314	40962	44661
Guangxi	24374	27399	28627	31166
Hainan	26570	27172	24469	30015
Chongqing	27487	32535	27752	32591
Sichuan	23491	30020	25859	29540
Guizhou	23546	25575	24699	25787
Yunnan	22484	23236	20164	27478
Tibet	46688	42811	47352	50377
Shaanxi	29860	26016	21079	24980
Gansu	24897	23022	22676	25053
Qinghai	36426	32695	31526	34068
Ningxia	30542	27099	29963	30683
Xinjiang	26536	26166	25554	28983

Table 0.2 Average Chinese Wages by Region and Sector, 2008

Source: (China Statistical Yearbook 2009, 2009)

## **APPENDIX C: Customs Law of The People's Republic of China**

### **Chapter I General Provisions**

**Article 1** This Law is formulated for the purpose of safeguarding state sovereignty and national interests, strengthening Customs supervision and control, promoting exchanges with foreign countries in economic affairs, trade, science and technology, and culture and ensuring socialist modernization.

**Article 2** The Customs of the People's Republic of China is a governmental organization responsible for supervision and control over all arrivals in and departures from the Customs territory (hereinafter referred to as the territory ). It shall, in accordance with this Law and other related laws and administrative regulations, exercise control over means of transport, goods, travellers' luggage, postal items and other articles entering or leaving the territory (hereinafter referred to as inward and outward means of transport, goods and articles), collect Customs duties and other taxes and fees, prevent and combat smuggling, compile Customs statistics and handle other Customs operations.

**Article 3** The State Council sets up the Customs General Administration, which is charged with the responsibility of carrying unified administration of all the Customs offices throughout the country.

Customs offices are set up by the State at ports of entry open to foreign trade and at places and regions that require concentrated Customs operations. The subordination of one Customs office to another shall not be restricted by administrative divisions.

The Customs offices exercise their functions and powers independently in accordance with the law and are accountable to the Customs General Administration.

Article 4 In the Customs General Administration, the State sets up a special police department responsible for the investigation of smuggling crimes, which is staffed with special anti-smuggling police officers and charged with the responsibility of conducting investigations, making detentions and arrests, and carrying out preliminary inquiries related to smuggling cases under its jurisdiction.

The police department responsible for the investigation of smuggling crimes shall fulfill its responsibility of conducting investigations, making detentions and arrests and carrying out preliminary inquiries in accordance with the Criminal Procedure Law of the People's Republic of China.

The police department responsible for the investigation of smuggling crimes may, based on relevant regulations of the State, set up its branch offices, which shall, in accordance with the law, hand over to the competent People's Procuratorate for prosecution of the smuggling cases of which they have completed investigations under their jurisdiction.

Local public security organs at all levels shall assist the Customs police department responsible for the investigation of smuggling crimes to perform its duty according to law.

Article 5 The State maintains a counter-smuggling mechanism of joint suppression, unified handling and comprehensive governance. The Customs General Administration is responsible for organizing, coordinating and managing counter-smuggling initiatives.

Detailed regulations in this regard shall be formulated by the State Council.

Smuggling cases discovered by the concerned administrative enforcement departments and involving administrative penalties shall be handed over to the Customs for its settlement according to law; Those cases suspected of involving a crime shall be transferred to the Customs police department and local police department to be dealt with according to the division of their jurisdiction and following a legal procedure.

Article 6 Customs shall exercise the following powers:

(a) to check inward and outward means of transport, examine inward and outward goods and articles, and detain those in violation of this Law or other relevant laws and administrative regulations;

(b) to examine the identification documents of persons entering or leaving the territory, interrogate the suspects violating this Law or other relevant laws and administrative regulations, and investigate the illegal activities thereof;

(c) to examine and replicate contracts, invoices, accounts, bills, records, documents, business letters and cables, audio and video products and other materials related to the inward and outward means of transport, goods and articles, and detain those relevant to the inward and outward means of transport, or goods and articles found in violation of this Law or other laws and administrative regulations;

(d) to search, within Customs surveillance zones and the designated coastal or land border area in the vicinity of a Customs office, the means of transport suspected of involving in smuggling activities, and the places suspected of concealing smuggled goods and articles, and search the body of smuggling suspects; to detain, subject to approval from the head of a regional Customs office or the head of its subordinate Customs office authorized by the former, the means of transport, and the goods and articles suspected of involving in smuggling activities, and the persons suspected of having committed a crime in smuggling; the length of detention of smuggling crime suspects shall be no longer than 24 hours, which may be extended to 48 hours under special circumstances;

to search, while investigating a smuggling case beyond Customs surveillance zones and the designated coastal or land border area in the vicinity of a Customs office, subject to approval from the head of a regional Customs or that from the head of its subordinate Customs authorized by the former, and with the presence of the persons concerned, the

means of transport suspected of involving in smuggling activities, and the places suspected of concealing smuggled goods and articles other than citizens' residences.

Provided a witness is present, the Customs is entitled to effect such examination without the presence of the person concerned and may detain the means of transport, goods, articles suspected of smuggling, as proved by evidence.

The designated coastal or land border areas shall be defined by the Customs General Administration and the public security department under the State Council in collaboration with the concerned provincial governments.

(e) to inquire while investigating a smuggling case, subject to approval from the head of a regional Customs or the head of its subordinate Customs authorized by the former, about the bank accounts and remittances of the suspected persons in financial institutions or postal services.

(f) to pursue, and continue to pursue beyond, Customs surveillance zones and the designated coastal or land border area in the vicinity of a Customs office, the means of transport or persons defying and escaping from Customs control for seizure and bring them back to be properly dealt with;

(g) to be equipped weapons to ensure proper fulfillment of its responsibility. Rules governing carriage and use of arms by Customs officers shall be formulated by the

Customs General Administration in collaboration with public security department under the State Council, and approved by the State Council.

(h) to exercise other powers that is afforded to the Customs by the law and administrative regulations.

Article 7 Local authorities and departments of the State Council shall support the Customs establishments in performing their responsibilities according to law, without illegally giving intervention in the Customs enforcement operations.

Article 8 All inward and outward means of transport, goods and articles shall enter or leave the territory at a place where there is a Customs office. Under special circumstances where there is a need to enter or leave the territory temporarily at a place without a Customs office, permission shall be obtained from the State Council or the department authorized by the former, with all the Customs formalities duly completed in accordance with this Law.

Article 9 Unless otherwise provided for, the declaration of import or export goods and the payment of duties and taxes may be completed by the exporters or importers on their own, and such formalities may also be completed by their entrusted Customs clearing agent registered with the Customs.

The declaration on inward and outward articles and payment of duties thereon may be made by the owner of the articles or by his entrusted person.

Article 10 Any Customs clearing agent entrusted by the exporter or the importer of import or export goods to complete Customs formalities in the principal's name shall produce to the Customs a letter of authorization and comply with all the provisions governing the principal provided for in this Law.

Where a Customs clearing agent is entrusted by the importer or exporter of import or export goods to complete Customs formalities in its own name, it shall bear the same legal liability as the importer or exporter.

A principal shall, in the case of entrusting a Customs clearing agent to complete the Customs formalities, provide to the enterprise true information regarding the entrusted declaration. Enterprises so entrusted shall verify where appropriate the authenticity of the information provided by the principal.

Article 11 The importer or exporter of import or export goods, and the Customs clearing agent shall be registered with the Customs according to law to make the Customs declarations. Individuals making declarations to the Customs shall obtain the qualification in this field according to law. Any enterprise without registration with the Customs and



any individual without obtaining qualification to make declarations to the Customs shall not be allowed to engage in making declarations to the Customs.

Any Customs clearing agent and individual engaged in making a declaration to the Customs shall not illegally make Customs declaration on behalf of others or go beyond their approved business scope.

Article 12 The concerned entity or individual shall give true answers to inquiries made by the Customs when performing their duty in accordance with the law, and be cooperative.

No entity or individual shall obstruct the Customs from performing their duty.

Where Customs officers meet with violent resistance while carrying out their duty, the public security units and the People's Armed Police performing related tasks shall provide assistance.

Article 13 The Customs shall establish a system whereby activities in violation of the provisions in this Law shall be reported.

All entities and individuals have the right to report to the Customs on activities violating the provisions of this Law.

The Customs shall give spiritual encouragement or material rewards to such entities or individuals for meritorious service in reporting or assistance which leads to the discovery and seizure of Customs offences in violation of this Law.

The Customs shall keep the identities of the reporters confidential.

## **Chapter II Inward and Outward Means of Transport**

Article 14 When a means of transport arrives at or departs from a place where there is a Customs office, the person in charge of the means of transport shall make an accurate declaration to the Customs, submit relevant papers for examination and accept Customs control and examination.

The inward and outward means of transport staying at a place with a Customs office shall not depart there unless permitted by the Customs.

Before a means of transport moves from one place with a Customs office to another place with a Customs office, it shall comply with control requirements of the Customs and complete Customs formalities. No means of transport is allowed to change its course and leave the territory unless it is properly cleared.

Article 15 The inward means of transport which has entered the territory but has not made the declaration to the Customs, and the outward means of transport which has cleared the Customs but has not left the territory shall move along the route specified by competent communication authorities. In the absence of such specifications, the routes shall be designated by the Customs.

Article 16 The Customs shall be notified in advance either by the person in charge of the means of transport or by the relevant transport and communication department of such

details as when an inward or outward vessel, train or aircraft will arrive and depart, where it will stay, where it will move to during its stay and when the loading or unloading of goods and articles will take place.

Article 17 The loading and unloading of import or export goods and articles onto and from any means of transport and embarking and disembarking of its passengers shall be subject to Customs control.

Upon completion of such loading and unloading, the person in charge of the means of transport shall submit to the Customs documents and records reflecting the actual situation of the loading and unloading.

Articles carried by individuals embarking on and disembarking from an inward and outward means of transport shall be truly declared to the Customs and be subject to Customs examination.

Article 18 When an inward and outward means of transport is being checked by the Customs, the person in charge of the means of transport shall be present, and open holds, cabins, rooms or doors of the means of transport at the request of the Customs. Where smuggling is suspected, the person in charge of the means of transport shall dismantle the part thereof which may conceal smuggled goods and articles, and remove the goods and materials.

In accordance with work requirements, the Customs may dispatch officers to perform duties on board the means of transport. The person in charge of the means of transport shall provide them with convenience.

Article 19 An inward means of transport belonging to countries or regions outside the territory or an outward means of transport domestically owned inside the territory shall not be transferred or devoted to other uses prior to completion of Customs formalities and payment of Customs duties.

Article 20 Where inward and outward vessels and aircraft are concurrently engaged in transportation of goods and passengers within the territory, Customs approval shall be obtained and requirements for Customs control shall be fulfilled.

Customs formalities shall be completed in the case of an inward and outward means of transport wishing to shift to domestic transport business.

Article 21 Coastal transport vessels, fishing boats and ships engaged in specific operations at sea may not carry, obtain on an exchange basis, purchase and transfer inward and outward goods and articles without the Customs approval.

Article 22 When, owing to force majeure, an inward or outward vessel or aircraft is forced to berth, land or jettison and discharge goods and articles at a place without a Customs

office, the person in charge of the means of transport shall immediately report to the Customs office nearby.

### **Chapter III Inward and Outward Goods**

Article 23 Import goods, throughout the period from the time of arrival in the territory to the time of accomplishment of all Customs formalities, export goods, throughout the period from the time of declaration to the Customs to the time of departure from the territory; and transit, transshipment and through goods, throughout the period from the arrival in the territory to the time of departure from the territory, shall be subject to Customs control.

Article 24 The importer of import goods and the exporter of export goods shall make an accurate declaration and submit the import or export licensing documents and relevant papers to the Customs for examination. In the absence of import or export licensing documents; goods subject to import or export restrictions by the State shall not be released. Specific measures for handling such matters shall be enacted by the State Council.

Declaration of import goods shall be made to the Customs by the importer within 14 days of the declaration of the arrival of the means of transport; declaration of export

goods shall be made by the exporter upon the arrival of the goods at Customs surveillance zone, and 24 hours prior to loading unless otherwise specially approved by the Customs.

Where the importer fails to declare the import goods within the time limit prescribed in the proceeding paragraph, a fee for delayed declaration shall be imposed by the Customs.

Article 25 Declaration for import and export goods shall be made in paper form and by electronic means.

Article 26 After the acceptance by the Customs, goods declaration and the relevant documents as well as their contents are not allowed to be amended or withdrawn unless the reason is deemed valid and approved by the Customs.

Article 27 Prior to the declaration, the importer of the import goods, upon the approval of the Customs, may check goods or draw samples. The goods required for quarantine according to law, shall not be drawn samples unless they are qualified for the quarantine standard.

Article 28 All import and export goods shall be subject to Customs examination. While the examination is being carried out, the importer of the import goods or the exporter of the export goods shall be present and responsible for moving the goods and opening and restoring the package. The Customs shall be entitled to examine or re-examine the goods

or take samples from them without the presence of the importer or the exporter whenever it considers this necessary.

Import and export goods may be exempted from examination if an application has been made by the importer or exporter and approved by the Customs General Administration.

Article 29 Unless specially approved by the Customs, import and export goods shall be released upon Customs endorsement only after the payment of duties and taxes or the provision of security by the importer or exporter.

Article 30 Where the importer of the import goods fails to declare the import goods to the Customs within three months of the declaration of the arrival of the means of transport, the goods shall be taken over and sold off by the Customs according to law.

After the costs of transport, loading and unloading and storage and the duties and taxes are deducted from the money obtained from the sale, the remaining sum, if any, shall be returned to the importer provided that he submits an application to the Customs within one year of the sale of the goods; those restricted for importation by the State subject to the licensing documents which fails to be submitted, shall not be returned. If nobody applies within the time limit, or the money shall not be returned, the money shall be turned over to the State Treasury.



Inward goods misdischarged or over-discharged confirmed by the Customs may be taken out of the territory or imported upon completion of necessary formalities by the person in charge of the means of transport carrying the goods or the importer or the exporter of the goods within three months of the discharging. When necessary, an extension of three months may be granted through Customs approval. If the formalities are not completed within the time limit, the goods shall be disposed of by the Customs in accordance with the provisions laid down in the preceding paragraph.

Where goods listed in the preceding two paragraphs are not suitable for storage over long period, the Customs may, according to actual circumstances, dispose of them before the time limit is reached.

Import goods declared to be abandoned by the importer or the owner shall be taken over and sold off by the Customs according to law. The money thus obtained shall be turned over to the State Treasury after the costs of transport, loading, unloading and storage are deducted.

Article 31 Goods that are temporarily imported or exported with the approval of the Customs shall be re-transported out of or into the territory within six months. An extension may be granted in special circumstances through Customs approval.

**Article 32** The operation of the storage, processing, assembling, exhibition, transportation and consignment sales of bonded goods, and the operation of duty free shop shall be complied with the requirements of Customs control and approved by as well as registered with the Customs.

The transfer of ownership of the bonded goods and their being admitted to and removed from the bonded premises are subject to the Customs formalities concerned, Customs control and examination.

**Article 33** The enterprises dealing with inward processing are required to register with the Customs with relevant authorized documents and contracts of inward processing. The yield rate of the products resulting from inward processing shall be fixed by the Customs in accordance with the relevant provisions.

The products resulting from inward processing shall be re-exported within the time limit.

The imported materials used in the operation approved by the State to be bonded, are subject to closing the case after verification by the Customs; those duties and taxes collected in advance shall be granted repayment in accordance with the relevant provisions.

The Customs shall collect duties and taxes on the bonded materials according to law against the approved documents on importation for home use for certain reasons,

provided that the bonded materials for or the products from inward processing are placed under home use. Where restrictions are laid down by the State, licensing documents for importation shall also be required to be submitted to the Customs.

Article 34 The special Customs controlling areas such as bonded areas authorized by the State Council to be established in the territory of the People's Republic of China, shall be in the execution of control by the Customs in accordance with the relevant national provisions.

Article 35 Customs formalities for import goods shall be completed by the importer at the Customs office through which the goods enter the territory; those for export goods shall be completed by the exporter at the Customs office through which the goods depart from the territory.

If applied for by the importer or the exporter and approved by the Customs, Customs formalities for import goods may be completed at the Customs office of destination, and those for export goods at the Customs office of departure. The transport under Customs transit shall comply with the control requirements by the Customs. When necessary, the goods may be transported under Customs escort.

Where the goods enter or leave the territory by electric cables, pipelines or other special means of conveyance, the importers shall report at regular intervals to the designated Customs office and complete Customs formalities as required.

Article 36 All transit, transshipment and through goods shall be truthfully declared by the carrier to the Customs office through which the goods enter the territory, and shall be transported out of the territory within the designated time limit.

The Customs may examine such goods whenever it considers this necessary.

Article 37 The goods under Customs control, without Customs permission, shall not be opened, taken, delivered, forwarded, changed, repacked, mortgaged, pledged, held a lien, transferred the ownership, changed the marks, used for other purpose or disposed by other means.

Seals affixed by the Customs shall not be opened or broken without Customs authorization.

Where a people's court delivers a verdict, ruling or an administrative authority concerned makes a decision to dispose of the goods under Customs control, the person concerned is required to accomplish all the necessary Customs formalities.

Article 38 The enterprises dealing in storage of Customs warehoused goods are required to be registered with the Customs and complete the formalities of receipt, storage and delivery in accordance with Customs provisions.

The storage of the goods under Customs control outside Customs surveillance zone is subject to Customs approval and control.

Those violating the provisions of the preceding two paragraphs or causing destruction or irrecoverable loss of the goods, with the exception of force majeure, the person who is responsible for keeping the goods under Customs control, is subject to the payment of duties and taxes as well as legal liability accordingly.

Article 39 The Customs General Administration shall draw up, independently or jointly with the departments concerned under the State Council, rules for control over inward and outward containers; rules for control over the salvage of inward and outward goods and sunken vessels; rules for control over inward and outward goods involved in small volumes of border transactions and other rules over inward and outward goods not specified concretely in this Law.

Article 40 Where the State specifies the provisions in respect of prohibitions or restrictions on inward and outward goods and articles, Customs shall carry out control in accordance with laws, administrative regulations, and the provisions of the State Council

or the provisions laid down by its departments concerned who are authorized upon laws and administrative regulations. The detailed rules of control shall be specified by the Customs General Administration.

Article 41 The origin of import and export goods shall be determined according to the provisions on the rules of origin laid down by the State.

Article 42 The classification of import and export goods shall be decided according to the provisions on the classification of commodities laid down by the State.

Customs may require the importer of import goods and the exporter of export goods to provide with the information indispensable for determination of classification. Customs may, whenever necessary, carry out laboratory analysis and inspection and such results confirmed by Customs shall be taken as the basis of classification.

Article 43 Customs may issue administrative rulings on pre-classification, etc. in respect of goods intended to be imported and exported subject to the written application by importer of import goods and exporter of export goods.

The administrative rulings on pre-classification of certain goods, etc. shall apply to other identical import and export goods.

The administrative rulings on classification made by Customs shall be publicized.

Article 44 Customs may carry out protection of intellectual property rights, which are related to import and export goods according to laws and regulations.

Where the status of intellectual property rights need to be declared to the Customs, the importer of import goods and the exporter of export goods as well as their agents are required to make an accurate declaration and submit legal certificates for intellectual property rights to the Customs according to the provisions of the State.

Article 45 Customs are entitled to carry out Customs audit over accounts, accounting vouchers, declaration documents and other relevant information as well as the import and export goods of the enterprises and institutions directly related to import and export within the period of three years from the date of release of import and export goods or within the period when the bonded goods, goods relieved or deducted from duties and taxes are subject to Customs control and of three years thereafter. The detailed rules shall be laid down by the State Council.

## Chapter IV Inward and Outward Articles

Article 46 Inward and outward luggage carried by travellers and inward and outward postal items shall be limited to reasonable quantities for personal use and subject to Customs control.

Article 47 All inward and outward articles shall be accurately declared to the Customs by the owner and subject to Customs examination.

Seals affixed by the Customs are not allowed to be opened or broken without authorization.

Article 48 The loading, unloading, transshipment and transit of inward and outward mailbags shall be subject to Customs control. A waybill shall be submitted to the Customs by the postal service.

The postal service shall inform the Customs in advance of the schedule for the opening and sealing of international mailbags. The Customs shall dispatch officers on time for the purpose of control and examination on the spot.

Article 49 Inward and outward postal items are not allowed to be posted or delivered by the operators unless they have been released after Customs examination.

Article 50 Articles upon approval by and registration with the Customs, temporarily entering or leaving the territory with the exemption from duties and taxes, are required



to be taken out or brought in by the person, who originally carried them into or outside the territory.

Transit passengers are not allowed to leave in the territory, the articles they bring in, without Customs approval.

Article 51 The Customs shall, in accordance with Article 30 of this Law, dispose of the inward and outward articles declared to be abandoned by the owner, the articles for which the Customs formalities are not completed or to which no one makes a claim and inward postal items which can neither be delivered nor be returned.

Article 52 Inward and outward articles for official or personal use by foreign missions or personnel enjoying diplomatic privileges and immunities shall be dealt with in accordance with the related laws and administrative regulations.

#### **Chapter V Customs Duties**

Article 53 Customs duties shall be collected on goods permitted to be imported or exported and on articles permitted to enter or leave the territory by the Customs according to law.

Article 54 The importer of import goods, the exporter of export goods and the owner of inward and outward articles shall be the persons obliged to pay Customs duties.

**Article 55** The Customs valuation of import and export goods shall be determined by the Customs on the basis of the transaction value of the goods. If the transaction value cannot be ascertained, the Customs valuation shall be determined by the Customs according to law.

The Customs valuation of import goods shall include the value of the goods, cost of transport, charges associated with transport of the goods and cost of insurance occurred before the goods are unloaded at the entering point of the territory of the People's Republic of China; the Customs valuation of export goods shall include the value of the goods, cost of transport, charges associated with transport of the goods and cost of insurance occurred before the goods are loaded at the leaving point of the territory of the People's Republic of China, from which the amount of export duties shall be deducted.

The Customs valuation of inward and outward articles shall be determined by the Customs according to law.

**Article 56** Duty reduction or exemption shall be granted to the following import and export goods and inward and outward articles:

- (a) advertising items and trade samples of no commercial value;
- (b) materials presented free of charge by foreign governments and international organizations;

- (c) goods to which damage and loss occurred prior to Customs release;
- (d) articles of a quantity or value within the fixed limit;
- (e) other goods and articles specified by law as items subject to duty reduction or exemption; and
- (f) goods and articles specified as items subject to duty reduction or exemption by international treaties to which the People's Republic of China either a contracting party or an acceding party.

Article 57 Duty reduction or exemption may be granted to import and export goods of specific areas, specific enterprises or for specific purposes. The State Council shall define the scope and formulate the rules of such duty reduction or exemption.

All import goods to which duty reduction or exemption have been granted in accordance with the preceding paragraph shall be used only in specific areas, specific enterprises or for specific purposes. They shall not be utilized otherwise unless Customs approval is obtained and duties are paid.

Article 58 Ad hoc duty reduction or exemption not within the scope specified in Article 56 and the first paragraph of Article 57 of this Law shall be decided by the State Council.

Article 59 Temporary duty reduction or exemption shall be granted to goods approved by the Customs as temporary import or export goods and to bonded goods imported by

special permission after the importer or exporter of the goods submits to the Customs a deposit of an amount equal to the duties or provides a security.

Article 60 The person obliged to pay the Customs duties and taxes on import and export goods shall pay the amount payable within 15 days from the date of issuance of the duty memorandum. In case of failure to meet this time limit, a fee for delayed payment shall be imposed by the Customs. Where the person obliged to pay the Customs duties and taxes or the surety fails to pay the duties within 3 months, the Customs may take the following coercive measures on approval of the director of regional Customs or the authorized director of the subordinate Customs:

- (a) to notify the bank of deposit of the person concerned or other financial institution to deduct the amount of duties due from its deposits in written form;
- (b) to offset the duties and taxes with the proceeds from the selling of the goods subject to duty payment according to law;
- (c) to detain and sell the goods or other property of the person concerned at an amount which is equal to the payable duties and taxes to offset the duties according to law;

Customs shall impose a fee for delayed payment of duties which has not been paid by the obligatory duty payer or the surety at the same time while taking the coercive measures

The payment of duties on inward or outward articles shall be made prior to their release by the obligatory duty payer.

Article 61 Where there is an obvious indication of transferring, concealing the duty-payable goods and other property by the obligatory duty payer of the import or export goods before the due date of duty payment, the Customs may ask the obligatory duty payer to provide a security; If he cannot provide a security for duty payment, the Customs may take the following measures to secure the collection of duties and taxes on approval of the director of regional Customs or the authorized director of the subordinate Customs:

(a) to notify the bank in which the obligatory duty payer has opened an account or other financial institution to suspend paying the amount of duties due from the deposits of the duty payer in written form;

(b) to detain the goods or other property which are equal to the value of the duties to be paid

The Customs shall discharge the measures to secure the duties as soon as the obligatory duty payer pays the duties before the due date of duty payment; The Customs may, on approval of the director of regional Customs or the authorized director of subordinate Customs, inform the bank in which the obligatory duty payer has opened an account or other financial institution to deduct the amount of duties due from the

deposits which has been suspended in written form, or sell the goods or other property detained to offset the duties according to law.

If the measures to secure duties are taken in an improper way, or the Customs fails to discharge the measures for secure the Customs duties when the obligatory duty payer has paid the duties before the due date, and damages are caused to the legitimate interest of the obligatory duty payer, the Customs shall bear its compensation liability according to law.

Article 62 Where the Customs finds that the duties are short-levied or not levied on a consignment of import or export goods or on inward or outward articles after the release, the Customs shall collect the money payable from the obligatory duty payer within one year of the previous duty payment or the release of the item. If the short-levied or non-levied duties are attributable to the duty payer's violation of the Customs regulations, the Customs may collect the unpaid amount from him within 3 years.

Article 63 Where the duties are over-levied, the Customs, upon discovery, shall refund the money without delay. The obligatory duty payer may ask the Customs for refunding within one year of the date of duty payment.

Article 64 Where the obligatory duty payer is involved in a dispute over duty payment with the Customs, he shall pay the duties, and may apply for administrative

reconsideration in accordance with relevant provisions; if the decision is still considered unacceptable, he may file a suit in a people's court according to law.

Article 65 The collection of taxes collected by the Customs on behalf of other government departments at importation of the goods shall be dealt in accordance with relevant provisions for collection of Customs duties.

### **Chapter VI Customs Security**

Article 66 In case where the importer or exporter asks the Customs to release the goods before the determination of goods classification or Customs valuation, or presentation of effective declaration documents or completion of other Customs formalities, the Customs shall release the goods against the securities provided by the importer or exporter which is compatible with his legal obligation according to law. Securities shall not be required in case as provided by laws and administrative regulations.

Laws and administrative regulations specially provided for the securities for obligation of fulfilling Customs formalities shall be abided by first.

The Customs shall not release goods against securities in circumstances where the import or export goods and inward or outward articles related are subject to national restriction and relevant license or documents could not be provided, and other circumstances where the laws and administrative regulations have provided for.

**Article 67** Any legal person, other organization and natural person who is capable of fulfilling Customs security may be the surety, unless the law otherwise provided.

**Article 68** The guarantor may provide security by the following property and rights:

- (a) Chinese Yuan (Renminbi) and other convertible currencies;
- (b) draft, cashier's check, check, bond and certificate of deposit;
- (c) letter of guarantee issued by the bank and other financial institutions; and
- (d) other property and rights ratified by the Customs according to law.

**Article 69** The surety shall assume his obligation within the guaranty period. The guarantor's performance of security obligation shall not prevent the guaranteed from fulfilling other Customs formalities.

**Article 70** Regulations on Customs securities shall be formulated by the State Council.

## **Chapter VII Enforcement Supervision**

**Article 71** Customs shall, in the course of carrying out duties, abide by laws and regulations, safeguard national interests, enforce the law strictly in pursuant to the legal authorization and procedure and accept supervision.

**Article 72** Customs personnel shall enforce the law impartially, be probity and self-disciplined, devote himself to his duties, render services with civility, and shall not commit the following acts:



- (a) to shield, connive at smuggling or collude with others in smuggling;
- (b) to illegally confine personal disengagement, search body, residence or premises, inspect or detain means of transport, goods and articles;
- (c) to seek expedience for oneself or others by jobbery;
- (d) to extort or receive bribery;
- (e) to betray the State, commercial and Customs operational confidentiality;
- (f) to abuse powers, intentionally create difficulties or delay in supervision or inspection;
- (g) to purchase, distribute or occupy confiscated smuggling goods and articles illicitly
- (h) to engage or engage in disguised form in profit-making operations;
- (i) to carry out duties in violation of legal procedures or exceed the authorization;
- (j) other malpractice.

Article 73 Customs shall, according to the necessity of carrying out duties in compliance with laws and regulations, strengthen Customs personnel construction and make them possess good political and operational qualifications.

The Customs professional staff shall have legal and relevant professional knowledge, conform to the job requirements of special post set by Customs.

Customs shall, in accordance with national regulations, take examination openly, assess strictly and employ selectively by excellency while recruiting personnel.

Customs shall conduct training and assessment to its personnel in political ideology, legal system and Customs operation. Customs personnel must accept training and assessment periodically, whoever fail to pass the examinations shall not keep carrying out duties.

Article 74 The Customs General Administration shall implement the periodical rotating system for the heads of local Customs ;

The head of Customs shall report to his superior Customs about his work, present the situations on carrying out his duties accurately. The Customs General Administration shall assess the directors of regional Customs periodically, and the regional Customs shall assess the heads of its subordinate Customs periodically.

Article 75 The administrative enforcement of Customs and its personnel shall accept the supervision of supervising departments in accordance with law; the anti-smuggling police shall accept the supervision of the People's Procuratorate when proceeding investigations.

Article 76 The auditing department conducts audit supervision on fiscal income and expenses of Customs, and it has the right to run special audit investigation on matters related to national fiscal income and expenses handled by Customs.

Article 77 The superior Customs shall conduct supervision over enforcement of the Customs at a lower level. The superior Customs may alter or repeal any inadequate settlement or decision according to law made by Customs at a lower level.

Article 78 Customs shall, in accordance with the provisions of this Law and other related laws and administrative regulations, establish and strengthen internal surveillance system, conduct supervision and inspection on the execution of laws and administrative regulations and the observance of disciplines by its personnel.

Article 79 The responsibility and authorization of the main posts in charge of documents examination, inspection and release of goods, external auditing and investigation inside Customs shall be clear, and these posts should be separated and restricted mutually.

Article 80 Any entity and individual shall have the right to accuse and impeach the acts of Customs and its personnel that violate the laws and disciplines. The departments receiving the accusations and impeachment shall investigate in time according to their respective responsibilities by law where they have the right to do so. The departments receiving the accusations and impeachment and those are responsible for dealing with this matters shall keep secrecy for libelants and prosecutors.

Article 81 While investigating and handling cases of illegality, Customs personnel shall withdraw in any of the following situations:

- (a) Where he is a party or a close relative of a party to the case;
- (b) Where he or his close relative has an interest in the case;
- (c) Where he has any other relations with a party to the case that could affect the impartial settlement of the case.

### **Chapter VIII Legal Responsibilities**

Article 82 Breach of this Law and relevant laws and administrative regulations, evasion of Customs control, defraud payable impost, elusion of national inward and outward prohibition or restriction in any of the situations listed below shall be deemed as smuggling:

- (a) to transport, carry or mail into or out of the territory goods and articles prohibited or restricted by the State from entering or leaving the territory or goods and articles subject to render duties and taxes according to law ;
- (b) to sell within the territory, without Customs permission and without having paid the payable duties and taxes or producing relevant licensing document, bonded goods, goods under specific duty reduction or exemption and other goods, articles or inward foreign means of transport under Customs control;
- (c) to have other acts evading Customs supervision and control that constitute smuggling;

If any of the acts listed in the preceding paragraph does not constitute the crime of smuggling, the Customs may, while confiscating the smuggled goods, articles and illegal proceeds obtained therefrom, concurrently impose a fine on the person or persons concerned; goods or articles that are specially or repeatedly used for smuggling, means of transport that are specially or repeatedly used for smuggling shall be confiscated, equipment specially made for concealing smuggled goods or articles shall be demolished or confiscated.

Where any of the acts listed in the first paragraph of this Article that constitutes a crime, the person or persons concerned shall be investigated for criminal liability according to law.

Article 83 Any of the following acts shall be deemed as smuggling actions and punished in accordance with the provisions of Article 82 of this Law:

(a) whoever purchases the imported goods or articles by smuggling directly and illegally from the smugglers;

(b) vessels and their crew members which transport, purchase or sell goods or articles prohibited or restricted by the State from being imported or exported, or transport, purchase or sell goods subject to duties and taxes according to law without legal certificates in inland sea, territorial waters, boundary rivers and boundary lakes.

Article 84 Whoever counterfeits, falsifies, purchases or sells Customs documents, conspires with smugglers and provides loans, funds, account numbers, invoices, certificates or Customs documents, conspires with smugglers and provides transport, storage, mailing or other conveniences, where the case constitutes a crime he shall be investigated for criminal liability according to law; where the case does not yet constitute a crime, the Customs may, while confiscate the illegal proceeds obtained therefrom, concurrently impose a fine on the person or persons concerned.

Article 85 Any individual who carries or mails articles for personal use into or out of the territory in a quantity exceeding the reasonable limit fails to declare to Customs according to law shall be ordered to pay the duties and a fine may be imposed thereof.

Article 86 A fine may be imposed for any of the following acts which violate this Law and the illegal proceeds obtained therefrom shall be confiscated if there any:

- (a) for a means of transport to enter or leave the territory at a place without a Customs office;
- (b) to fail to inform the Customs of the arrival or departure time, the place of stay or any change of the place of an inward or outward means of transport;
- (c) to fail to declare truthfully to the Customs the import or export of goods or articles or the transit, transshipment and through goods;

(d) to fail to accept, in accordance with relevant provisions, the check and inspection by

Customs of the means of transport, goods or articles entering or leaving the territory;

(e) for an inward or outward means of transport to load or unload inward or outward

goods or articles or embark or disembark passengers without Customs approval;

(f) for an inward or outward means of transport staying at a place with Customs office to

leave without Customs approval;

(g) for an inward or outward means of transport, on the way from a place with Customs

office to another, failing to complete the Customs formalities and without Customs

approval, to move out of the territory or to a place within the territory without Customs

office;

(h) for an inward or outward means of transport to engage concurrently or change to

engage in domestic transport without Customs approval;

(i) for an inward or outward vessel or aircraft which, due to force majeure, being forced to

anchor or descend at a place without Customs office, or chuck or unload goods or articles

within the territory, to fail to report to Customs nearby without reasonable excuse;

(j) to open and dismantle, collect, deliver, forward, transpose, refit, mortgage, impawn,

keep, transfer, replace label, shift to other use or conduct other treatment on goods

under Customs supervision and control without Customs permission;

(k) to open or break Customs seals without permission;

(l) while engaging in such operations as transportation, storage and process of goods under Customs supervision and control, the records of loss of goods or related records are untrue without reasonable excuse; or

(m) to have any other acts violating provisions of Customs supervision and control.

Article 87 Where an enterprise approved by Customs engaging in related operations violates relevant provisions of this Law, Customs may order it to correct, render it a warning, suspend it from engaging in related operations or revoke its registration.

Article 88 Whoever engages in declaration business without Customs registration or occupation qualification of declaration shall be banned by Customs, the illegal proceeds obtained therefrom shall be confiscated, and a fine shall be imposed concurrently;

Article 89 Where a Customs clearing agent or its staff engaging in declaration declares on behalf of others illegally or conducts its declaration operation that exceeds its business scope, Customs may order it to correct, impose a fine on it or suspend it from operating; if the circumstance is serious, Customs may revoke its declaration registration or its occupation qualification for declaration.

Article 90 Where an importer of import goods or an exporter of export goods, a Customs clearing agent or its staff bribes Customs personnel, Customs may revoke its declaration



registration or its occupation qualification and concurrently impose a fine; whoever constitutes a crime shall be investigated for criminal liability according to law and shall not be re-registered to be a Customs clearing agent or re-acquire a declaration qualification certificate.

Article 91 Whoever imports or exports goods which constitute infringement on the intellectual property rights under protection by laws and administrative regulations of the People's Republic of China which violating the provisions of this Law, the infringing goods shall be confiscated by Customs and a fine shall be imposed thereof; where the case constitutes a crime the person or persons concerned shall be investigated for criminal liability according to law.

Article 92 Goods, articles or means of transport detained by Customs according to law shall not be disposed of before the People's Court makes a judgement or Customs makes a decision of punishment. However, hazard goods or such goods and articles not suitable for storage for a long time as fresh and live ones, perishable ones or easy to be expired ones and goods or articles that the owner applies to sell off in advance may, on approval of director of regional Customs or the authorized director of a subordinate Customs, be sold off in advance according to law, and Customs shall keep the money thus obtained and inform the owner of the goods or articles.

The smuggled goods or articles, illegal proceeds obtained therefrom, means of transport or equipment specially made for smuggling being confiscated by judgement of the People's Court or punishment decision of Customs shall be disposed by Customs according to law, the money thus obtained and the fine imposed by Customs shall be turned over to the State Treasury.

Article 93 Where a person concerned refuses to carry out punishment decision of Customs overdue nor apply for reviewing or file a lawsuit to the People's Court, the Customs giving the punishment decision may hand over his security or, sell off the detained goods, articles or means of transport of the party and hand over the money thus obtained according to law, or apply to the People's Court for a compulsory execution.

Article 94 When inspecting inward and outward goods and articles, Customs shall compensate for the actual loss where it causes damage to goods and articles being inspected.

Article 95 Customs shall bear compensation liability when illegally detaining goods, articles and means of transport and rendering losses in legal rights and interests of the person concerned.

Article 96 Customs personnel shall be imposed upon administrative sanctions according to law where he has any of the acts listed in Article 72 of this Law; the illegal proceeds

obtained therefrom shall be confiscated if there any; where the case constitutes a crime they shall be investigated for criminal liability according to law.

Article 97 Where fiscal income and expenses of a Customs breach laws and regulations, it shall be treated according to the provisions of laws and regulations by the auditing department and relevant departments; the person in charge which bearing direct responsibilities and other persons directly responsible shall be imposed upon administrative sanctions according to law; where the case constitutes a crime they shall be investigated for criminal liability according to law.

Article 98 Failing to keep secrecy for labelant, accuser or informant according to the provisions of this Law, the person in charge which bearing direct responsibilities and other persons directly responsible shall be imposed upon administrative sanctions according to law by the entity to which they belong or relevant entities.

Article 99 Where Customs personnel fail to withdraw according to the provisions of this Law in investigating and handling cases of illegality, the person in charge which bearing direct responsibilities and other persons directly responsible shall be imposed upon disciplinary sanctions according to law.

#### **Chapter IX Supplementary Provisions**

Article 100 Terms used in this Law are defined as follows:

The term "regional Customs" means the Customs under the direct leadership of the Customs General Administration and responsible for the administration of the Customs work in a certain area. The term "subordinate Customs" means the Customs under the leadership of a regional Customs and dealing with specific Customs formalities.

The term "inward and outward means of transport" means various vessels, vehicles, aircraft and animals of burden which enter or leave the territory carrying persons, goods and articles.

The term "transit, transshipment and through goods" means goods which come from a place outside the territory and pass through the territory en route to a place outside the territory. Among them, "transit goods" are those which pass through the territory by land, "transshipment goods" are those which do not pass through the territory by land but call for a change of the means of transport at a place with a Customs office, and "through goods" are those which are carried into and out of the territory by the same vessel or aircraft.

The term "goods under Customs control" means import and export goods, transit goods, transshipment goods and through goods listed under Article 23 of this Law, goods granted with specific duty reduction and exemption, temporary import and export goods,

bonded goods and other inward and outward goods for which Customs formalities have not been completed.

The term "bonded goods" means goods which have entered the territory, approved by the Customs as items for which no formalities are performed in the way of duty payment, and will be reshipped out of the territory after being stored, processed or assembled in the territory.

The term "Customs surveillance zone" means any seaport, railway and highway station, airport, border pass or international postal matter exchange where there is a Customs office, any other place where Customs control is conducted, or any place without a Customs office but which has been approved by the State Council as a point of entry into and exit from the territory.

Article 101 The State Council will draw up rules governing the control over the means of transport, goods and articles of other parts of the territory entering and leaving the Special Economic Zone and other specially designated areas.

Article 102 This Law goes into effect as of July 1, 1987 whereupon the Provisional Customs Law of the People's Republic of China promulgated by the Central People's Government on April 18, 1951 is annulled therefrom.

Source: (General Administration of Customs of the People's Republic of China, 2007)