



**U.S.  
COMMERCIAL  
SERVICE**

*United States of America  
Department of Commerce*

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*U.S. Commercial Service  
U.S. Embassy and Consulates  
The People's Republic of China*

# 通向中国

## *Contact China*

A Resource Guide for  
Doing Business in the People's Republic of China



# CONTACT CHINA



A Resource Guide for Doing Business in the People's Republic of China

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## Who we are:

The U.S. Commercial Service (CS) is a branch of the U.S. Department of Commerce that specializes in helping U.S. companies sell their products and services worldwide. With a network that spans out across the entire United States and more than 80 countries around the world, FCS utilizes its global presence and international marketing expertise to target the best markets for you!

### Mission:

Specifically, our mission in China is to assist U.S. companies export to China. We accomplish this by:

- offering business counselling and advocacy to overcome potential challenges or barriers
- introducing you to the best distributors and agents
- providing world-class market research
- setting-up trade events to promote your product and services

All this professional support at an affordable rate!

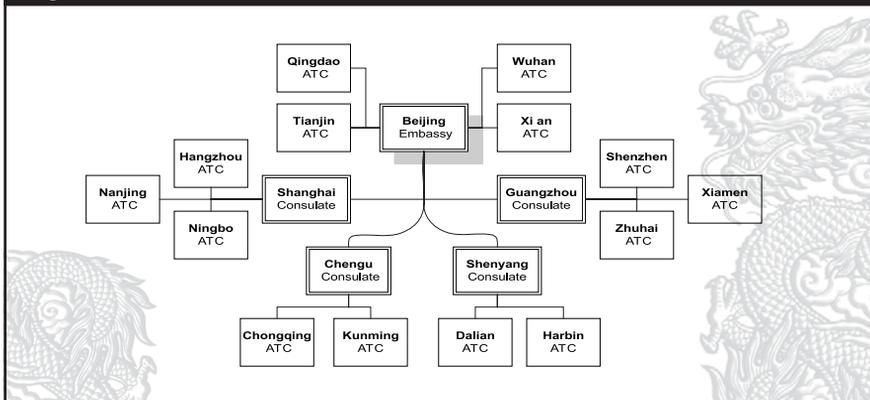
*Please view the next section entitled “How we can help you” for more information on our services!*

### Where we are located:

We offer our services from our headquarters at the U.S. Embassy in Beijing and U.S. Consulates in Shanghai, Guangzhou, Chengdu, and Shenyang as well as 14 newly emerging markets also known as American Trading Centers (ATCs): Chongqing, Dalian, Hangzhou, Harbin, Kunming, Nanjing, Ningbo, Qingdao, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an, and Zhuhai. From our convenient locations we can access all of China!

*Please view the section entitled “Regional Briefs” for more information on each location!*

### Organization:



## How we can help you:

Whether you are a U.S. Exporter looking to enter the Chinese market, or a U.S. Company with existing Chinese operations wishing to extend your reach and visibility in the market, the U.S. Commercial Service in China will provide a solution that suits your needs. From finding a partner to market research to trade events, the Commercial Service is your one-stop shop for export information and assistance.

*For a comprehensive list of all our products and services, please visit our website at <http://www.buyusa.gov/china/en/howhelpus.html>*

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**Business Consulting:** Get personalized, expert advice on China market entry strategies:

### —> Export Assistance Centers

U.S. Export Assistance Centers are the place to start, if you have an international business inquiry. Located throughout the United States, they bring U.S. Government export promotion resources to your doormat. These centers help you increase international sales by providing:

- Export and trade finance counseling
- Market research
- Access to business contacts
- Trade promotion events and programs
- International contract bidding support through the U.S. Advocacy Center

For your nearest EAC location, please visit [www.export.gov/comm\\_svc/eac.html](http://www.export.gov/comm_svc/eac.html)

**Finding Chinese Partners:** Find the right representation for your exports and open the door to the Chinese market through the following services:

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### —> Gold Key Service (GKS)

If you are planning a trip to China, then consider our GKS! We will identify key contacts and setup appointments during your trip- typically four per day - with potential agents, distributors, major end-users, key government officials, and other anyone you're interested in meeting. In addition, we provide a comprehensive briefing on doing business in China that includes topics such as: the Chinese business environment, U.S.-China relationships, and effective market-entry methods. Six weeks lead-time is recommended. Don't speak Chinese? Upon request, we offer interpreters to accompany you throughout your meetings.

Can't make the 13-hour flight? Try our Videoconference version of GKS! For more information on details and costs, please view the following website: <http://www.buyusa.gov/china/en/videocon.html>

### —> Platinum Key Service (PKS)

If you need guidance beyond simply market entry, then checkout our Platinum Key Service. PKS provides long-term, sustained support for your firm's activities in the China market. Whether you need help in developing and implementing a market entry strategy, are involved in a major project, or require U.S. government advocacy on a protracted trade dispute, PKS is tailored specifically to your unique needs to ensure that you receive the focused attention for success. A dedicated account executive will help you: design and implement a strategy, provide you with a single point of contact, and oversee the delivery of all our services to you. Each month you will receive a monthly progress report from your account executive.

### —> International Company Profile (ICP)

Through ICP we assist U.S. companies to enter international business relationships with

confidence. ICP reports help U.S. companies evaluate the reliability and capabilities of potential business partners by providing a detailed standardized or customized report on relevant Chinese companies. We provide fast (20 days) and reliable reports created in conjunction with reputable investigation/risk analysis firm: Sinotrust. Reports include up-to-date information such as: bank and trade references, product lines, financial data, and much more!

### —> Featured U.S. Exporters (FUSE)

Promote your company by featuring it on our website! Introduce your company to the Chinese market by providing Chinese importers and commercial buyers with a promotional listing on our Chinese website! We will translate a description of the product or service you seek to represent, distribute or sell and then will add this description along with an appropriate image and our contact details to our on-line directory of U.S. exporters. Interested importers will refer to us for any queries or requests and once we confirm the importer's viability, we will forward the trade inquiry to you.

To view an example of how a listing will appear please visit <http://www.buyusa.gov/china/en/samplelisting.html>

Standardized Services	SME Company*	SME New-to-Export Companies using Service for first time	Large Company*
Gold Key Service (Matchmaking)	\$700	\$350	\$2,300
International Company Profile (Due diligence)	\$600	\$350	\$900
International Partner Search (Prequalified business contacts)	\$550	\$350	\$1,400
Featured U.S. Exporter (Overseas web promotion)	\$150	\$75	\$300
Business Service Provider (Web listing of export services)	\$300	-	\$600

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**Market Research and Resources:** Target the best trade opportunities with our world-class research and analysis reports:

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### —> Customized Market Research (CMR)

Assess the China market with our CMR service. We tailor market research to your specific product and help you define key sectors of the China market. Reports will provide you with timely market intelligence on local and foreign competitors, sales channels, market size and trends, and key industry contacts. You have the flexibility to design your own research with customized questions or to choose from a Core Menu of standardized questions.

Costs: depend on the scope of work

### —> Commercial Service Publications

We offer a wide range of publications about business in China, including:

- Country Commercial Guide (CCG): an annual report on China's economy and business
- Industry Sector Analyses (ISA): in-depth industry reporting
- International Market Insights (IMI): brief, topical reporting  
[www.buyusa.gov/china/en/fmr.html](http://www.buyusa.gov/china/en/fmr.html)
- China Pulse (CP): a free, monthly e-newsletter for U.S. companies interested in the Chinese market  
[www.export.gov/china](http://www.export.gov/china)

#### Did you know?

##### China Pulse

China Pulse is Commercial Service China's monthly e-newsletter full of useful China business information gathered from a wide variety of Chinese and international sources. Subscribe to China Pulse for monthly updates on the China market, including:

- latest business news;
- exciting export opportunities;
- and inside strategies to help you maximize your success in the China market

China Pulse is sent free only over the internet. To learn more about China Pulse and other commercial publications, please visit our website at <http://www.buyusa.gov/china/en/publications1.html>

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**China Trade Shows and Events:** Deliver your message to the right audience by effectively promoting your company's products and services at International trade shows

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### —> Single Company Promotion (SCP)

SCP offers you an excellent opportunity to access potential buyers by promoting your company at International trade shows! We can identify and gather in a single venue your ideal

target audience at promotional/press events, seminars, product/service launches, or receptions. By allowing us to present product or service seminars, we will help you make the right acquaintances and deliver your message successfully! And with the U.S. Pavilion's cooperation you have access to special opportunities such as: prime locations at expositions, fully furnished booths, on-site counseling and support throughout the show, and much more!

### Did you know?

#### Trade Events

The U.S. Department of Commerce, The U.S. Commercial Service constructs U.S. Pavilions at key trade shows throughout China to promote American goods and services. Developed in coordination with major Chinese exhibition companies, the U.S. Pavilions provide a unique opportunity for American companies to be involved in key international exhibitions around China.

Find information on upcoming trade events in China by visiting:  
<http://www.buyusa.gov/china/en/chinashows.html>

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**Additional Assistance in China:** In addition to the U.S. Commercial Service, the following agencies are available to assist your company:

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### —> Market Access and Compliance (MAC)

MAC identifies and overcomes trade barriers, resolves trade policy issues, and ensures that our trading partners fully meet their obligations under our trade agreements. MAC ensures access to world markets for American compa-

nies and workers so they can compete on a "level playing field." For more information on MAC, please visit <http://trade.gov/mac/>.

### —> Import Administration (IA)

IA is the lead unit on enforcing trade laws and agreements to prevent unfairly traded imports and to safeguard jobs and the competitive strength of American industry. From working to resolve disputes to implementing measures when violations are found, we are there to

protect U.S. companies from unfair trade practices. For more information on IA, please visit <http://trade.gov/ia/index.asp>.

### —> **China Business Information Center (China BIC)**

China BIC is the federal government's most comprehensive source of China trade information. The China Business Information Center (BIC) takes the work out of gathering international trade information, helps the U.S. exporter to evaluate export readiness, pursue trade opportunities and achieve international business objectives. For more information on BIC, please visit <http://www.export.gov/china/>.

### —> **Bureau of Industry and Security Office of Export Enforcement (BIS)**

BIS is responsible for advancing U.S. national

security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. The Office of Export Enforcement monitors export control requirements in foreign destination countries. For more information on BIS, please view the section entitled "U.S. Export Control" in this booklet or visit <http://www.bis.doc.gov/>.

### —> **Standards Liaison Office**

The Standards Liaison Office coordinates standards activities through the International Trade Administration and with other governmental agencies. We can provide information, answer questions, and put you in touch with other standards experts. For more information on the Office, please visit <http://www.ita.doc.gov/td/standards/>.

#### **Did you know?**

##### **The American Chamber of Commerce**

The American Chamber of Commerce in the People's Republic of China (AmCham-China) represents U.S. companies and individuals doing business in China. The chamber membership comprises more than 1500 individuals representing more than 700 companies. Although based in Beijing, AmCham-China has affiliates in other cities and its members have operations throughout the country. The chamber's mission is to provide a forum for Americans engaged in business in China and to work with Chinese and U.S. government authorities to help foster vibrant and constructive commercial relations between the two countries.

AmCham-China's programs and services include aggressive U.S. and Chinese government relations efforts, a regular calendar of presentations on topics of interest to the American business community, social events, business surveys (including an annual compensation survey and a survey of office and expatriate housing costs), an annual White Paper on American Business in China, a monthly magazine China Brief, and an annual membership directory.

[www.amcham-china.org.cn](http://www.amcham-china.org.cn),  
[www.amcham-shanghai.org](http://www.amcham-shanghai.org)

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**Financial Agencies:** The following agencies collaborate with us by financially assisting US companies exporting to China:

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### —> U.S. Export-Import Bank (Ex-Im)

Ex-Im offers its short-, medium-, and long-term programs to financially support the sale of U.S. exports to China. For more information please contact Ex-Im Bank's Business Development Office in Washington, D.C. For more information contact Ex-Im at:

#### *U.S. Export-Import Bank*

811 Vermont Avenue, N.W.  
 Washington, DC 20571, USA  
 Tel: (202) 565-3946  
 Fax: (202) 565-3931  
 Toll-Free: (800) 565-EXIM  
 Website: [www.exim.gov](http://www.exim.gov)

### —> Trade and Development Agency (TDA)

TDA provides funding for feasibility studies, orientation visits, specialized training grants, business workshops, and various forms of technical assistance that enable American businesses to compete for developmental infrastructure and industrial projects in developing countries. For more information contact TDA at:

#### *U.S. Trade and Development Agency*

1000 Wilson Boulevard, Suite 1600  
 Arlington, VA 22209, USA  
 Tel: (703) 875-4357  
 Fax: (703) 875-4009  
 Email: [Info@ustda.gov](mailto:Info@ustda.gov)  
 Website: <http://www.ustda.gov/>

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**Flyers:** For each of our services we can send our most recently updated flyer! Please contact us for a hard copy or to download them yourself visit: <http://www.buyusa.gov/china/en/mediakit2007.html>

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### U.S. Commercial Service China Website

Access our best source: our website! There you can find the most current information on our services, the content of this booklet and much more!

Our bilingual site contains:

- Detailed descriptions of CS China products, services, and resources
- Information on regional Chinese markets
- Lists of upcoming trade events
- Links to other useful websites

*So if you want to know more, visit us at [www.buy0usa.gov/china/en/!](http://www.buy0usa.gov/china/en/)*

# How the U.S. Embassy and Consulates Can help you:

Commercial Service China's link with the U.S. Embassy and Consulates connects your company with a superior support system that extends well beyond just the Commercial Service.

U.S. Embassy and Consulates websites:

- Beijing: <http://Beijing.USEmbassy.gov>
- Chengdu: <http://Chengdu.USConsulate.gov>
- Guangzhou: <http://Guangzhou.USConsulate.gov>
- Shanghai: <http://Shanghai.USConsulate.gov>
- Shenyang: <http://Shenyang.USConsulate.gov>

The following section provides a brief description of relevant Embassy and Consulate offices in **alphabetical order**:

## —> Agricultural Section (FAS, U.S. Department of Agriculture)

FAS works to increase the sale of U.S. agricultural products to China. It focuses on market intelligence and government relations, with a particular interest in improving China's agricultural trade-policy environment and access to the Chinese market. The FAS Agricultural Trade Offices in Shanghai (covering Northern and Eastern China) and Guangzhou (covering Southern and Western China) sponsor promotional activities, support existing U.S. products, and aggressively help to promote and introduce new products from the United States.

## —> Economic Section (ECON, U.S. Department of State)

ECON oversees U.S.-China economic policy and trade and investment policy issues. It directly supports economic negotiations and exchanges with a wide range of Chinese government contacts, including talks on China's implementation of WTO commitments, market access problems, intellectual property rights issues, APEC, and broad-based economic policy dialogue. Economic officers welcome the

opportunity to brief visiting U.S. businesspersons on economic developments in China.

## —> Environment, Science, Technology & Health Section (EST&H, U.S. Department of State)

EST&H manages official cooperation between the U.S. and China by improving understanding and cooperation between the Chinese and US governments. It also compiles reports on environment, science, technology and health related topics of interest to U.S. business. Over 200 EST&H section reports are available at <http://www.buyusainfo.net/adsearch.cfm>

## —> Political Section (PS, U.S. Department of State)

PS plays an important role in advocacy by explaining U.S. Government policies and positions to the Chinese Government and the general public. PS reports on an array of topics from non-proliferation and human rights to Chinese political developments and social changes. PS also supports many high-level visitors to Beijing, including Congressional, Judicial, and Executive branch officials.

**—> Public Affairs Section (PAS, U.S. Department of State)**

PAS manages the U.S. Government's official information as well as educational and cultural exchange activities in China. PAS is the official voice of the Embassy in China. Through its Press Section, PAS handles all public affairs matters and media relations concerning the Embassy, the United States Government and its policies toward China.

**—> American Citizen Services (ACS)**

ACS assists American citizens in China by offering a variety of services such as passport and notary related services as well as providing tax and voting information and advice to Americans visiting/residing in China. ACS also provides emergency assistance to American citizens in distress.

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

**—> Visa Unit**

The U.S. Embassy and Consulates process both nonimmigrant and immigrant visas to the U.S. Please note that Commercial Service cannot facilitate or interfere in the visa process. U.S. firms who are planning to sponsor and/or host Chinese business travelers should ensure that they are fully familiar with the applicant(s), provide them with invitation letters, and advise them to accurately fill out their application forms before assisting them. Please visit the Visa Unit's website for more information [www.beijing.usembassy-china.org.cn/niv-info.html](http://www.beijing.usembassy-china.org.cn/niv-info.html)

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*Please view the section entitled "Contacts" for the U.S. Embassy contact information!*

# Market Overview

The following section provides a brief overview on the China Market. It concentrates on China's challenges, opportunities, and market entry strategies. It has been extracted from the China Country Commercial Guide (CCG), one of our Commercial Service publications, and may be considered a sample of the type of market research we offer our clients.

To download and view the entire CCG, please see: <http://www.buyusa.gov/china/en/ccg.html>

China's exceptional economic growth continues as the country further integrates with the global economy. U.S. companies are benefiting, as evidenced by rapid and sustained increases in U.S. exports to China. Over the past several years, increases of U.S. exports to China averaged well over 20 percent. In 2006, the increase of U.S. exports to China topped 30 percent, helping to make China the fastest growing foreign market for U.S. goods.

China-U.S. total trade exceeds USD 260 billion, placing China as our second biggest trading partner behind Canada. Although U.S. imports of Chinese goods greatly exceeds U.S. exports to China, China is our fourth largest export market. U.S. exports to China passed USD 50 billion in 2006.

China's robust economy, once again, hit a ten percent growth rate in 2006, according to China's National Bureau of Statistics. Inflation, although still relatively modest, is a chief concern among policy makers given the strain of such strong growth. Year-end forecasts see inflation ticking up only moderately higher than 2005. China's manufacturing base helped the country hit record trade surplus levels in 2006. Foreign investment is strong with China

remaining as one of the largest receivers of foreign capital. The nation's rate of consumer consumption jumped by an estimated 14 percent last year. China's economic miracle is tempered by a number of looming threats, namely a rapidly aging population and perilously deteriorating environment.

Despite these remarkable changes, China is still a developing country, albeit one with vast potential. Spread over a population of 1.3 billion, China's colossal economy does not represent a large amount of disposable income for each person. Per capita income in China is around USD 1,700. Yet, surprisingly, China stands as the world's third largest market for luxury goods behind Japan and the United States. The income distribution within the country is highly uneven with urban centers, such as Beijing, enjoying a per capita income of more than double the nation's average. Some calculate those with per capita income over USD 8,000 to be more than 200 million. That said, China's per capita income figures are poised to change dramatically. Over the next several years, many economists predict a surge in the number of people achieving middle class status.

## Market Challenges

American companies continue to have mixed experiences in China. Many have been extremely profitable, while others have struggled or failed. To be a success in China, American companies must thoroughly investigate the market, take heed of product standards, pre-qualify potential business partners and craft contracts that assure payment and minimize misunderstandings between the parties. The problems of doing business in China can be grouped in four large categories:

- China often lacks predictability in its business environment. A transparent and consistent body of laws and regulations would make the Chinese market more predictable. However, China's current legal and regulatory system can be opaque, inconsistent, and often arbitrary. Implementation of the law is inconsistent. Lack of effective Chinese government protection of intellectual property rights is a particularly damaging issue for many American companies, both those that operate in China and those that do not, have had their products stolen by Chinese companies.
- China has a government that practices mercantilist style policies. China has made significant progress toward a market-oriented economy, but parts of its bureaucracy still protect local firms, especially state-owned firms, from imports, while encouraging exports. WTO accession will mitigate these tendencies over time - but progress is only gradual.
- China retains much of the apparatus of a planned economy. A five-year program sets economic goals, strategies, and targets. The State and the Communist Party directly manage the only legal labor union. In many sectors of the Chinese business community, the understanding of free enterprise and competition is incomplete. Certain industrial sectors are prone to over-investment. Excessive investment leads to over production, bad debt and declining prices in affected industries.
- Foreign businesses tend to under-estimate the challenges of market entry in China. Encouraged by a government eager for foreign capital and technology, and entranced by the prospect of 1.3 billion consumers, thousands of foreign firms have charged into the Chinese market. These companies often do not sufficiently investigate the market situation - common pitfalls involve carefully reviewing product standards and conformity assessments, such as China's Compulsory Certification (CCC); fully understanding legal issues, like protecting intellectual property rights; and properly vetting local business partners.

It is important to understand that while continued reform is absolutely essential for China to achieve the economic growth it requires and to fully participate in the world trading community, in many areas, the necessary changes have not yet taken place. Companies must deal with the current environment in a realistic manner. Risk must be clearly evaluated. If a company determines that the risk is too great, it should seek other markets.

In this environment, it is necessary for American companies to have a well-planned strategy. We provide a brief document entitled "Tips for Doing Business in China" which represents a guideline of what companies should consider before entering the China market.

*To view this document, please visit*  
<http://www.buyusa.gov/china/en/chinabiztips.html>

## Market Opportunities

The growth of imports from the United States in many key sectors, such as energy, chemicals, machinery, telecommunications, medical equipment, construction, financial services, and franchising suggests that China will remain an important and viable market. If China implements its commitments under the WTO in a thorough and systematic manner, the number of sectors with market potential accessible to American companies will continue to expand dramatically.

China's population is approximately 23 percent of the world's total. China's integration into the global economy is fueling accelerated change in many markets and global economic growth. It is likely that China will continue to grow at a rapid pace for some time.

### Did you know?

#### China in the WTO: What it Means for U.S. Business

On December 11, 2001 China became the 143<sup>rd</sup> member of the WTO (World Trade Organization). And although China has already been working hard on liberalizing their economy for over 20 years, this accession truly validates their long march. For U.S. interests, China's accession is a very positive thing. With the WTO we can expect lower market barriers, a more transparent investment environment, tariff reductions, support of WTO dispute resolution, and development of a working legal system in China. But bear in mind, while these reforms will happen, they will not take place overnight. Many of the reforms are being phased in over the next few years while others we may not see for over a decade.

For more information and a free .pdf version of CS China's WTO guide booklet, please visit [www.buyusa.gov/china/en/wto.html](http://www.buyusa.gov/china/en/wto.html)

## Market Entry Strategy

The U.S. Embassy and the U.S. Department of Commerce welcome contact with American companies to initiate or expand exports into the China market. Two of the primary objectives of U.S. policy with regard to China are (a) growing the American economy by increasing exports thereby reducing the bilateral trade imbalance and (b) ensuring that the Chinese government fully complies with its commitments to the WTO in order to expand our companies' ability to compete on a more level playing field.

A company should visit China in order to gain a better perspective and understanding of its potential market and location. Especially given China's rapidly changing market and large area, a visit to China can provide a company great insight into the country, the business climate, and its people. Chinese companies respect "face-to-face" meetings, which can demonstrate a U.S. company's commitment to working in China. Prospective exporters should note that China has many different regions and that each province has unique economic and social characteristics. One should be careful not to generalize about such a large country.

Continued long-term relationships are key to finding a good partner in China. To maximize its contacts, companies should aim at forming a network of relationships with people at various levels across a broad range of organizations.

Agents are commonly used in China by U.S. companies to initially create these relationships. Localized agents possess the knowledge and contacts to better promote U.S. products and

break down institutional, language, and cultural barriers. The U.S. Commercial Service Beijing offers a wide array of services to assist U.S. companies with U.S. exports in finding Chinese partners. U.S. companies are strongly encouraged to carefully choose potential Chinese partners and take the time to understand their distributors, customers, suppliers, and advisors.

*Please view the previous section entitled "How we help you" for more information on our services!*

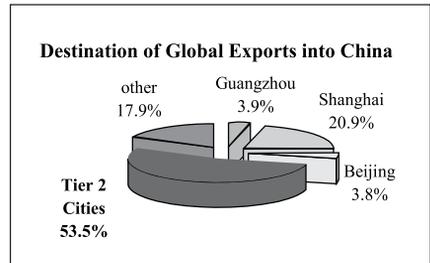
China is a very large country with multiple economic sub-regions. In 2005, the Department of Commerce established fourteen previously mentioned "American Trade Centers," field offices in coordination with the China Council for the Promotion of International Trade (CCPIT). These offices cover the important regional markets in China. They are designed to assist American exporters to identify possible agents, buyers, importers or distributors in these markets through the normal DOC services at standard DOC prices.

*Please view the section entitled "Regional Briefs" for more information on ATCs and our other locations!*

## Regional Briefs:

China's unprecedented growth and the opportunities it presents are no longer a secret to anyone in the business world. While megacities such as Beijing and Shanghai have long captured much of the spotlight, it is behind the scenes in second-tier cities where one can witness the real source of China's economic growth. Unlike what one might expect, the majority of China's imports are not ending up in Shanghai, Beijing, or Guangzhou. Rather, a select group of fourteen emerging market cities account for an astonishing 53% of China's total imports, almost double the amount of the three megacities combined.

The first half of this section covers China's newly emerging markets and will help your company establish which one is best for your particular industry or product. No briefing on China would be complete without discussing the megacities. The second half of the section is dedicated to our five post cities and their designated regions, also known as consular districts.



## Emerging Markets: The “New” Chinese Marketplace

### Chongqing - The Gateway to Western China

Located on the edge of the Yungui Plateau, Chongqing lies at the intersection of the Jialing and Yangtze rivers. Chongqing has historically been a major inland port and an important channel for delivering goods from southwestern provinces to China’s eastern coastal areas. One of only four municipalities that are directly administered by the central government, Chongqing is southwestern China’s largest ground, water, and air transportation hub. The city serves as a major industrial center and is well endowed with a host of natural resources. As one of the chief beneficiaries of the central government’s Western Development strategy, Chongqing is being groomed to help facilitate the development of inland China.

Chongqing’s leading imports from the United States include: agricultural products, oil equipment, aircraft parts, power plant generators, electronic devices, chemicals, medical equipment and manufacturing machinery.

#### Chongqing’s top imports for foreign goods:

- Integrated Circuits
- Paper & Forest Products
- Oil & Gas
- Packaging Materials
- Medical Devices

### Dalian - Gateway to Northeast China

Located on the isthmus of the Liaodong Peninsula in the bay of Korea, Dalian is the principle marine gateway of Northeast China. Home to the largest deep water port in Manchuria, Dalian handles roughly 70% of the region’s cargo and 90% of the region’s container transportation. The city has trade links with over eighty countries and imports nearly USD \$1.5 billion worth of US goods a year.

In addition to being a crucial port city, Dalian is one of China’s most heavily developed industrial areas. In recent years, Dalian has made great strides to move itself up the high-tech manufacturing value chain. The city is set to host Intel’s most advanced wafer fabrication facility in Asia. With a total investment from Intel of around US\$4 billion, the facility has been earmarked to become the largest foreign high-tech investment in all of China.

#### Dalian’s top imports for foreign goods:

- Electronic Components
- Integrated Circuits
- Coal Mining Equipment
- Machine Tools
- Construction Equipment

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## Hangzhou - "The finest city in the world"

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Located 110 miles south of Shanghai, Hangzhou is the capital of Zhejiang province and one of the Yangtze River Delta's most economically vibrant cities. Regarded by Marco Polo as "beyond dispute the finest and the noblest city in the world," Hangzhou is now revered for its popular tourist destinations and pro-business atmosphere. For three consecutive years, Hangzhou was ranked as the #1 City in China for business by Forbes magazine. Moreover, Hangzhou has the 8<sup>th</sup> highest per capita GDP in China. Hangzhou and Shanghai are currently in negotiations over a USD \$4 Billion project that will link the two cities with the world's first inter-city Maglev train line. The new line is scheduled to be completed by 2010 and should cut travel time between the two cities to under half an hour.

### Hangzhou's top imports for foreign goods:

- Electronic Components
- Integrated Circuits
- Paper & Forest Products

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## Harbin - Manchuria's Industrial Giant

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Located on the banks of the Songhua River in central Manchuria, Harbin is the industrial and economic center of Northeastern China. Since the launch of the "Northeast Revitalization" initiative, Harbin has been the recipient of hundreds of millions of dollars of Central government aid aimed at enhancing the industrial strength of China's Northeast. As a result of state-owned enterprise reforms and renewed political initiatives, demand for a variety of foreign equipment and techniques has increased as the region endeavors to modernize its manufacturing base. The United States is Harbin's second largest trading partner (after Russia), providing 5.5% of the city's foreign imports. Harbin's leading imports from the U.S. include electromechanical, high-tech and agricultural products.

### Harbin's top imports for foreign goods:

- Oil & Gas
- Integrated Circuits
- Electrical Power Generation
- Machine Tools
- Agricultural Equipment

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## **Kunming - City of Eternal Spring**

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Known for its temperate climate, beautiful surroundings and tremendous ethnic diversity, Kunming is the capital of Yunnan province. Because of its close proximity to Southeast Asia, the city serves as a hub for China's developing trade relations with its southern neighbors. Members of the Association of Southeast Asia Nations (ASEAN) have elected to include Kunming in the organization's proposed free trade zone. In an effort to help further facilitate international trade, the Yunnan provincial government is constructing a railway network linking Kunming with Myanmar, Laos, Vietnam, Cambodia, Thailand and Malaysia. Kunming's role as a regional hub is expected to help accelerate the city's development.

### **Kunming's top imports for foreign goods:**

- Electrical Power Generation
- Machine Tools
- Electronic Components
- Construction Equipment
- Oil & Gas
- Semiconductor Manufacturing

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## **Nanjing - Southern Capital and Regional Hub**

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Located in the Yangtze river basin, Nanjing is the political, economic and cultural center of Jiangsu Province. Considered one of China's four great ancient capitals, modern Nanjing has emerged as eastern China's second largest commercial center. The city ranks seventh in overall competitiveness among Chinese cities and was recently ranked by Forbes magazine as being one of the top ten commercial cities in China. Nanjing's growing industrial sector benefits from the city's abundance of natural resources and close proximity to Shanghai.

Firms from the United States have historically fared well in Nanjing. Over a thousand American companies have operations in the city. In 2005, the U.S. ranked as Nanjing's second largest trading partner.

### **Nanjing's top imports for foreign goods:**

- Integrated Circuits
- Electronic Components
- Machine Tools
- Electrical Power Generation
- Packaging Materials

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## Ningbo - Economic anchor of the Yangtze River Delta

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An ancient harbor on the East China Sea, Ningbo was one of the first cities to benefit from China's economic liberalization. In the two decades since its opening-up, Ningbo has emerged as China's fourth largest port and one of the key economic and industrial hubs of the Yangtze River delta. Ningbo is ranked by the World Bank as having the 18th best investment climate for foreign firms in China. US companies have already begun to catch on to the opportunities of exporting to Ningbo; almost 5% of the cities imports- over USD \$1.4 billion worth- originate from the United States.

### Ningbo's top imports for foreign goods:

- Electronic Components
- Integrated Circuits
- Paper & Forest Products
- Semiconductor Manufacturing
- Medical Devices

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## Qingdao - Jewel of Shandong

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Located on the southern tip of the Shandong Peninsula, Qingdao is one of eastern China's major economic centers... Nestled between mountains and ocean, Qingdao's unique cityscape is spotted with lovely beaches, classic European architecture and ample green landscape. The city is well known for its historic and scenic tourist attractions, as well as being one of the best places in China to live and do business.

Qingdao has been honored by the World Bank as one of China's six "Golden cities" (a measure of investment climate, harmoniousness, governance and other measures). In recent years, Qingdao has attracted billions of dollars in foreign direct investment and engages in trade with virtually every country in the world. Among the city's 17,854 foreign investment projects, 76 Fortune 500 companies have established projects in Qingdao.

### Qingdao's top imports for foreign goods:

- Integrated Circuits
- Machine Tools
- Construction Equipment
- Packaging Materials

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## Shenzhen - A true economic miracle

Located in the southern Pearl River delta just across the border from Hong Kong's New Territories, Shenzhen has been one of the fastest growing cities in the world since its opening-up in the late 1970s. Once a small fishing village, Shenzhen is now the busiest port in China and the largest manufacturing base in the world. Shenzhen is a major center for foreign investment and trade- the bustling city imports more goods than any other city in China. Shenzhen was recently ranked by the World Bank as having the second best investment climate for foreign firms and third most effective local government in all of China.

### Shenzhen's top imports for foreign goods:

- Electronic Components
- Integrated Circuits
- Telecom
- Construction Equipment
- Electrical Power Generation
- Packaging Materials

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## Tianjin - China's next coastal megacity

Located just 75 miles southeast of Beijing, Tianjin is China's third largest city and one of the fastest growing economies in the country. One of only four municipalities that are directly administered by the central government, Tianjin is being groomed by national planners to become one of the key industrial and distribution hubs of North-Central China. Tianjin lies at the crossroads of six national highways as well as seven expressways and is home to the sixth largest port in China.

Tianjin is the United States' fifth largest trading partner in China, and ranked by the World Bank as having one of the top-twenty best investment climates for foreign firms in China. The city's rapid growth has been accompanied by a dramatic increase in its demand for foreign goods-Tianjin's imports from numerous key industries have increased by double-digit figures in recent years. The United States is Tianjin's third largest trading partner- 10% the city's imports originate in the U.S.

### Tianjin's top imports for foreign goods:

- Electronic Components
- Integrated Circuits
- Machine Tools
- Telecom
- Paper & Forest Products
- Construction Equipment
- Oil & Gas
- Packaging Materials
- Medical Devices

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## Wuhan - Regional Hub in the Heart of China

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Located at the crossroads of the Han and Yangtze rivers, Wuhan serves as the capital of Hubei province. Virtually equidistant from Guangzhou and Beijing, Wuhan is widely considered to be one of the most important industrial, financial, commercial and educational hubs central China.

Wuhan's main imports from the United States include machinery and electric products, medical instruments, and agricultural products. Industry in Wuhan centers on optic-electronic information, automobile and steel manufacturing, pharmaceuticals and biological engineering.

### Wuhan's top imports for foreign goods:

- Electronic Components
- Integrated Circuits
- Machine Tools
- Security
- Medical Devices

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## Xiamen - Prosperous Port by the Taiwan Strait

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Located on an island across the strait from Taiwan, Xiamen was one of the first Special Economic Zones established by the central government. Xiamen boasts one of the most vibrant economies in southeast China and has been honored by the World Bank as one of China's six "Golden cities" (a measure of investment climate, harmoniousness, governance and other measures). Xiamen is widely regarded as one of the cleanest cities in China and is home to the country's 7<sup>th</sup> largest port and 4<sup>th</sup> largest Airport. The United States is Xiamen's second largest trading partner (after Taiwan) and supplies 11% of the city's imports.

### Xiamen's top imports for foreign goods:

- Electronic Components
- Integrated Circuits
- Electrical Power Generation
- Paper & Forest Products
- Construction Equipment

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## Xi'an - Ancient Capital and Modern Hub

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Located in the Wei River Valley at the foot of the Qinling mountain range, Xi'an is the capital of Shaanxi Province. Once considered one of the four great ancient capitals of China, modern Xi'an is the most industrialized and developed city in northwestern China and is one of the country's most popular tourist destinations. Xi'an is one of the PRC's ten largest cities and has the 39<sup>th</sup> highest per capita GDP in the country. Xi'an imports more goods from the United States than any other country- 29% of the city's imports come from the United States.

In the last five years, Shaanxi Province's transportation infrastructure has been upgraded to improve transport flow and distribution logistics. These upgrades have led Shaanxi to become one of central China's key transportation hubs. As a result of these improvements, Shaanxi has become the largest hub on the new Europe-Asia land route.

### Xi'an's top imports for foreign goods:

- Electronic Components
- Electrical Power Generation
- Oil & Gas
- Medical Devices

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## Zhuhai - Pearl of Southern China

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Located adjacent to Macau at the southern end of Guangdong province, Zhuhai was one of the first cities designated by the Chinese central government as a Special Economic Zone (SEZ). Since that time, Zhuhai has become an important manufacturing base and deep-water port.

Logistics is one of Zhuhai's service industry priorities due to close trading ties with Hong Kong and Macao. The city is the only deep harbor in the west-end of the Pearl River Delta, making it a crucial transportation hub. After completion of the Hong Kong-Zhuhai-Macao Bridge, industry experts predict that ground, sea and air transport will increase significantly because the bridge will connect these ports with ground cargo arriving from the Beijing-Zhuhai Highway.

Zhuhai's major trading partners include the U.S., Hong Kong, Japan, Germany and Macau. The United States has become Zhuhai's sixth-highest import source.

### Zhuhai's top imports for foreign goods:

- Electronic Components
- Integrated Circuits
- Construction Equipment
- Electrical Power Generation
- Machine Tools

*For further information please contact the corresponding CS Post:*

City:	CS Contact:
Dalian	Shenyang
Qingdao	Beijing
Nanjing	Shanghai
Xi'an	Beijing
Wuhan	Beijing
Harbin	Shenyang
Chongqing	Chengdu
Shenzhen	Guangzhou
Ningbo	Shanghai
Zhuhai	Guangzhou
Xiamen	Guangzhou
Kunming	Chengdu
Hangzhou	Shanghai
Tianjin	Beijing

*Please view the section entitled "Contacts" for each city's relevant contact information!*

### **CS in China's Newly Emerging Markets:**

For each of these cities, the U.S. Commercial Service connects you directly with local, on-the-ground contacts, while giving you the staff support you need. Through a partnership with China's national trade promotion organization (China Council for the Promotion of International Trade), we put a network of trade experts in China at your fingertips. We specialize helping established US Companies expand their geographical range and market reach, all while assuring you the quality of service American businesses have come to expect from the U.S. Commercial Service.

## China's Megacities:

### Beijing

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**Main industries:** tourism, electronics, telecommunication eq., chemicals, agriculture, automobile, machinery, metallurgy, textiles, garments, and household appliances.

**Sectors to watch:** construction, environment, travel and tourism, transportation, medical devices and equipment, banking technology

*Beijing's consular district covers the following regions/provinces: Xinjiang Uygur, Qinghai, Gansu, Ningxia, Inner Mongolia, Shaanxi, Shanxi, Hebei, Hubei, Henan, Hunan, Shandong, Tianjin, and Jiangxi.*

Beijing is the capital of the People's Republic of China making it China's political center as well as an important cultural and commercial center. Beijing is officially classified as a separate municipality with the same status and responsibilities as a province. This special status implies Beijing receives preferential treatment from the Chinese Government such as a right to independent foreign investment approval by its municipal government for up to 30 million USD, thus making Beijing an attractive location for foreign investment in China. However, a major challenge in Beijing is energy shortages.

## Exports:

Total exports to Beijing from all countries amount to 10,299.21 million USD<sup>1</sup>, which represents 3.4% of all of China's exports<sup>2</sup>. 17.48% of these exports to Beijing are from the U.S. with a total value equivalent to 10,299.21 million USD making the US a prime exporter to Beijing.

## FDI:

As mentioned above, Beijing appeals to FDI. In 2005, Beijing received 6,517.49 million USD worth of Foreign Direct Investment (FDI) from the entire world. The U.S. is responsible for 2% of its FDI (135.77 million USD) with 300 signed contract projects for the year 2005.

### *Additional Information:*

The local dialect "Putonghua" has been adopted as China's official language, that which is used in the educational system. China has only one time zone and it is set according to Beijing time.

*NB: All information is based on 2005 data.*

## Shanghai

**Main industries:** automotive, electronics, telecommunications, machinery, textiles, iron, steel, and petrochemicals

**Sectors to watch:** ICT, telecommunications services, transportation infrastructure (ports, metro and light rail), distribution services, environmental technologies, architectural and engineering services, industrial equipment, machine tools, and manufacturing process controls

*Shanghai's consular district covers the following regions/provinces: Jiangsu, Anhui, Zhejiang, and Shanghai.*

The Shanghai Municipality has the same political status of a province and receives preferential treatment from the Chinese Government, particularly as an incubator for reforms and pilot projects. It is the industrial, financial, and commercial center of China. Costs tend to be somewhat higher in Shanghai than in nearby cities, but the business environment is generally more transparent. CS

## Exports:

About 25 percent of China's total exports pass through Shanghai's ports. The total value of imports from all countries that remains in Shanghai is worth 64318.43 million USD, which represents of 21.26% of China's Imports. In 2005, U.S. exports to the municipality amounted to 6,657.502 million USD; this means 10.35% of Shanghai imports were from the U.S., a considerable amount.

<sup>1</sup> <http://www.bjstats.gov.cn/tjnj/2006-tjnj/index-english.htm>

<sup>2</sup> <http://www.stats.gov.cn/tjsj/nds/2006/indexeh.htm>

**FDI:**

Foreign direct investment is especially significant in Shanghai, where foreign invested companies account for roughly half of Shanghai's trade and 20% of jobs. Contracted FDI for Shanghai in the year 2006 was USD 15 billion, up 5% from 2005. The U.S. share of Shanghai's cumulative contracted FDI in 2005 was over USD 10 billion, or about 10 % of Shanghai's total. There are about 4,900 U.S.-invested projects in Shanghai, including companies such as GM, Intel, AIG, GE, Kodak and UPS.

**Additional information:**

The American Chamber of Commerce in Shanghai is the largest in Asia, with over 3,100 members and attracts 50 new companies per month. More than 20,000 Americans are long-term residents of the consular district and many more work on short-term visas.

*NB: All information is based on 2005 and 2006 data.*

**Guangzhou**

**Main industries:** Agriculture, Forestry, Animal Husbandry, Fishery, Construction, Transport Telecommunications, Financial and insurance industry, Estate

**Sectors to watch:** Infrastructure Construction, Public Affair, Environmental Protection and Improvement, Social Order

*Guangzhou's consular district covers the following regions/provinces: Guangdong, Fujian, Hainan Island, and the Guangxi Autonomous Region.*

<sup>3</sup> book

Guangdong province has a multilateral relationship with China's Central Government. Within the province are Hong Kong and Macao each with separate administrations, policies for trade, investment, tax, education, health, and currency. Guangzhou is the largest commercial center in southern China as well as a logistics and service center. Its private sector can be described as healthy with flexible policies and competitive costs, yet faces potential challenges such as over-investment.

**Exports:**

Total exports to Guangzhou are 22.083.879 million USD, or 4% of China's total imports. With regards to the U.S., 88.21% of Guangzhou's imports are from the U.S. That is equivalent to 886.951 million USD.

**FDI:**

- a. Total FDI USD value 12,364 billion in Guangdong USD<sup>3</sup>
- b. US % and value of FDI in city/region
- c. Number of US projects

**Additional Information:**

Southern China was the first region in China to open-up to the outside world and now accounts for over 40% of China's trade. Much of the development in Southern China, especially in Guangdong, has been fueled by the region's proximity to the Hong Kong Special Administrative Region (HKSAR) and Taiwan. Hainan is increasingly beginning developed as a tourist center

*NB: All information is based on 2005 data.*

## Chengdu

**Main industries:** electronics, machinery, pharmaceuticals, chemicals, metallurgy and food processing industries Key industries include motorcycle and automobile production, machinery, metallurgy, chemicals and pharmaceuticals.

**Sectors to watch:** Agriculture, Construction, Securities and Insurance, Public Affair, Environmental Protection

*Chengdu's consular district covers the following regions/provinces: Sichuan, Yunnan, Guizhou, Chongqing Municipality, and the Tibet Autonomous Region.*

Cengdu is regarded as both a commercial center and manufacturing center despite much of its province, Sichuan, being rural. Indeed, government policies are focused on bridging the income disparity and attaining social stability. Chongqing Municipality, formerly part of Sichuan Province, was designated as a special region reporting directly to the Central Government in 1997. Overall, Southwest China is an attractive region for foreign enterprises with a cost-basis less than half that of the major coastal cities in the east.

### Exports:

Chengdu's total imports amount to 738.378 million USD, which is equal to .24% of all of China's imports. U.S. exports to Cengdu are worth 157.773 million USD, which represents 21.37% of all the imports to the city.

### FDI:

- d. Total FDI USD value 550 mil
- e. US % and value of FDI in city/region
- f. Number of US projects

### Additional Information:

Central government is promoting the "Great Western Development" initiative, which specifically targets inland regions such as Sichuan Province that have historically lagged behind more prosperous east coast cities. The results thus far have been impressive, with consistent growth over the past five years.

*NB: All information is based on 2005 data.*

## Shenyang

**Main industries:** natural resources (coal, oil, iron ore and timber), agriculture (corn, soybean and wheat), animal husbandry, forestry, and heavy industry base

**Sectors to watch:** information technology, food processing and services, dairy industry, pollution control, port development, transportation logistics, resort development, ethylene plant, desalination of seawater, shipbuilding platform, automotive electronic and machinery, and bio fuel

*Shenyang's consular district covers the following regions/provinces: Liaoning, Jilin, and Heilongjiang.*

Liaoning represents a major industrial province, with over 100 years experience in industrial development. It is acknowledged as a center for heavy industry and raw materials<sup>4</sup>. Shenyang, specifically, is known as an economic, cultural, trade and commercial hub of China's Northeast, as well as a cultural and historical center.<sup>5</sup> Local Shenyang government has undergone a series of State-owned Enterprise (SOE) reforms known as "Revitalize Northeast". This has been to meet the demands of a market economy, yet has resulted in high unemployment within the city.

#### Exports:

Total exports from all countries to Liaoning amounted to 17.574<sup>6</sup> billion USD in 2005 of which 1163.044<sup>7</sup> million USD worth went to Shenyang. This signifies that 5.87% of all of China's imports go to Liaoning. Total imports from the U.S. to Shenyang were 99.653 million USD worth in 2005, which is equivalent to 8.57% of all of Shenyang's imports.<sup>8</sup>

#### FDI:

- g. Total FDI USD value: FDI in 2005 = 11.016 bil rmb contracted<sup>9</sup>
- h. US % and value of FDI in city/region
- i. Number of US projects:

*NB: All information is based on 2005 data.*

*Please view the section entitled "Contacts" for each city's relevant contact information!*

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<sup>4</sup> china briefing book

<sup>5</sup> <http://www.shenyang.gov.cn/web/resource/hlzd-yw/hlzd-yw-01.htm>

<sup>6</sup> book

<sup>7</sup> World atlas

<sup>8</sup> World Atlas

<sup>9</sup> book

## Best Prospects

### Agricultural Export

The United States Department of Agriculture, through the Foreign Agricultural Service (FAS), operates six offices in the People's Republic of China for the purpose of expanding exports of U.S. agriculture, fishery, and forestry product exports. U.S. agricultural, fishery, and forestry exports to China in 2007 were over \$8 billion, the highest level in history. China is now the fourth largest U.S. overseas market. Given China's rising incomes and demand for raw materials and finished foodstuffs, FAS forecasts its imports will continue growing well into the future.

Given the changing regulatory environment in China since its accession to the WTO in 2001, U.S. exporters are advised to carefully check the import regulations. Individuals and enterprises interested in exporting U.S. agricultural, fishery, and forestry commodities to China and Chinese importers interested in sourcing American agricultural, fishery, and forestry commodities should begin by contacting the overseas FAS offices and the USDA Cooperator organizations listed below. In addition to contacting these offices, exporters of U.S. commodities should review the main FAS website (<http://www.fas.usda.gov>). The website features general information for all exporters, including information on opportunities to showcase agricultural products in China at trade shows and other promotional venues, FAS sponsored promotional efforts, how to determine export readiness,

export financing and assistance, and a directory of contacts both in the United States and abroad who registered as either suppliers or buyers of agricultural, fishery, and forestry goods.

The following is a small, sample compilation of report highlights from publicly available Global Agricultural Information Network (GAIN) reports written and published by FAS offices in China. Exporters of U.S. food, beverage, agricultural, fishery, and forestry commodities can view the full text of these and other reports by accessing the following website (<http://www.fas.usda.gov/scripts/attacherep/default.asp>).

### China Food Retail Report (GAIN Report CH7821)

China's modern food retail sector, comprising supermarkets, hypermarkets, warehouse clubs and convenience stores, has been growing by double-digit figures annually since the mid-1990's, displacing wet markets and other traditional outlets. With markets in the affluent coastal cities approaching saturation, many chains are expanding to second- and third-tier urban centers with populations of 3-10 million. While some retailers are quitting the market or going bankrupt, mergers and acquisitions are rapidly altering the national retail scene. Development in procurement systems and retail distribution networks has not kept pace however, and most retail chains still rely on independent suppliers. Outside the major urban centers, the penetration of imported products remains relatively low, although intermediate and

consumer-ready products hold good potential. Growing food safety concerns in China should particularly benefit multinational retailers with their reputation for higher food safety and store sanitation standards.

### **Oilseed Annual (GAIN Report CH7012 and CH7013)**

China's oilseed demand in marketing year (MY) 2007/08 is forecast to continue growing due to increases in animal production, utilization of commercially produced animal feeds, and human consumption. Total oilseed supply is forecast to grow by about two percent, while oilseed meal production is forecast to increase by four percent. The limited availability of land and low productivity in China mean that almost all of the increase in oilseed product supplies in MY 07/08 will be made up by imports. Imports of soybeans, palm oil, soybean oil, and fishmeal are all forecast to increase to meet steadily increasing demand.

### **Sweet and Savory Snack Market in China (GAIN Report CH7415)**

The Chinese sweet and savory snacks market continues to expand rapidly due to strong growth in disposable income, changing tastes and lifestyles including the emergence of indulgence foods. In 2006, combined sales revenue for sweet, savory, and chocolate confectionary snacks exceeded \$6 billion in China. In large part, the snack market is driven by growing demand for convenience and novelty often provided by Western-style candy, chips, and popcorn. In addition, as consumers become more aware of food safety, quality, and nutrition,

fruit and nut snacks have become particularly popular. Thus, busy lifestyles and less time available for consuming traditional meals, the demand for snack foods is expected to continue to grow, and create excellent opportunities for U.S. exporters.

### **Hides and Skins Market (GAIN Report CH7623)**

Fueled by a robust economy, growing middle class and status as the world's largest manufacturer of leather products, it's no wonder Chinese demand for U.S. hides in 2006 resulted in exports of \$1.05 billion, roughly half of U.S. foreign sales and, in fact, the third largest U.S. export category to China after soybeans and cotton. Chinese tanneries and manufacturers appreciate the thickness and high quality grains, not to mention consistent supply of U.S. hides. While continued sales growth depends on the health of the global as well as Chinese economy, increasing environmental concerns, rising labor costs, strengthening yuan and less favorable VAT policies are pressing challenges.

### **Stonefruit Annual (GAIN Report CH7017)**

Peach and nectarine production is forecast at 8.8 MMT in MY2007, up 5 percent from the previous year. Plum production is forecast to increase by 11 percent over the previous, largely due to an anticipated peak year in the production cycle. The Chinese government is developing a fruit traceability system that can help improve the quality and safety of domestically produced fruit destined for export and eventually their competitiveness in the world market. Cherry production is forecast at 145,000 MT in MY2007,

up 21 percent from the previous year. Strong consumer demand has led to rapid increase in cherry imports.

### Dairy Report (GAIN Report CH7080)

China's total 2008 milk production is expected to increase by nine percent to 39.1 MMT with cow milk accounting for 97 percent of output. Despite increasing costs of production, higher international prices have pushed domestic production upwards and reduced imports. China's NDFM and WFMP imports in 2008 are expected to fall by seven and 11 percent to 39,000 MT and 51,000 MT respectively. China's whey imports in 2007 are also expected to fall by 12 percent, but import value is expected to increase considerably as a result of higher international prices. The United States is the second largest whey supplier to China. AQSIQ has accepted USDA/AMS export health certificates for U.S. dairy exports to China.

### Biotechnology Annual (GAIN Report CH7055)

The Chinese government continues to place great importance on biotechnology in agriculture and has committed to investing US\$500 million in research and development from 2006-2010. China is the world's sixth largest producer of biotech enhanced crops and it remains the largest market for U.S. biotech agricultural products. However, domestic political factors continue to prevent China from commercializing any biotech staple food crops, most significantly rice and corn. Persistent concerns about the biosafety regulations established six years ago add to the uncertainties over some aspects of the trade in biotech products. This document is

an update of the 2005 report (CH5069) and includes the most recent approvals for domestic production and importation and current policy issues of concern relating to the regulatory process.

## Agrochemicals

### Overview

	Agricultural Chemicals (AGC)		
	Unit: (Million USD)		
	2005	2006	2007
Total Market Size	12,498	12,861	12,702
Total Local Production	11,676	12,376	14,232
Total Exports	2,411	2,211	4,643
Total Imports	3,233	2,696	3,113
Total Imports from U.S.	482	377	174

\* All figures in the above table represent unofficial estimates. No accurate figures are available.

### Market Overview

China's agricultural chemical market has been the subject of great attention, and one of the biggest agro-chemical consumers and a large agro-chemical importer. Agro-chemical exports to China ranked as the top destination for U.S. fertilizer exports until 2003. In 2006, China imported \$337 million in fertilizers and \$40.40 million in pesticides from the U.S., accounting for 13.57% and 19% of total imported fertilizers and pesticides respectively. U.S. DAP (Diammonium Phosphate) has a strong position in the China fertilizer market. In 2006, China imported \$321.07 million of DAP from the U.S., accounting for 80.86% of total DAP imports. China's goal is to rely less on fertilizer imports in the

future, but domestic output cannot meet the total market demand, forcing China to import high-concentration and compound fertilizers. On the other hand, in the first eleven months of 2007, China's fertilizer export rushed to three times of the previous year, showing a prosperous market trend. The import of such fertilizer is still controlled by a quota management system.

China's accession to the WTO provides benefits to U.S. fertilizer exporters. On accession, tariffs dropped 6% from the 11% import duty rate. On September 19, 2007, China's Ministry of Commerce (MOFCOM) released the 2008 fertilizer import tariff rate quotas (TRQs).

In addition, based on the WTO commitment, from December 11, 2006 China started to allow foreign companies to gain the right to retail and distribute fertilizers. China's fertilizer circulation field will face more fierce competition. In the telephone interview with a U.S. fertilizer exporter, its experts held that it is a great positive move and will untie their company in China market. Fertilizer exporters should apply to MOFCOM for license to be authorized to retail and distribute fertilizer in China. It will bring more business opportunities to U.S. exporters in China.

In the last several years, the U.S. has held the No.1 position among pesticides exporters to China. China is taking measures to regulate the pesticide market to prevent toxic runoff and alleviate risks of consumer poisoning. The proportion of herbicides and fungicides within pesticides production has increased. The proportion of output of the pesticides featuring high performance, low toxicity and better safety

characteristics has also increased. Imports of high efficiency, low toxicity, and low residual pesticides have strong market prospects, mainly as an alternative to highly toxic Chinese pesticides. However, foreign suppliers currently face discriminatory product testing requirements.

## Best Products/Services

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### Fertilizer

Local producers have yet to meet the growing local market demand, especially for phosphate and potassium fertilizer, which are limited natural resources. China still must rely on importing fertilizers in large quantities.

- Nitrogen fertilizer
- Phosphate fertilizer
- Potash fertilizer

### Pesticides

High efficiency, low toxicity pesticides have strong market prospects. Although domestic output of pesticides satisfies local demand in most areas, domestic production of high efficiency herbicides, high-efficiency and low-toxicity insecticides and fungicides cannot meet the demand both in terms of quantity and quality. China aims to curtail the application and production of highly-toxic pesticides, especially organo-phosphorous biocides, since the high-toxic pesticides take up about 36% of the country's total consumption.

- Herbicides
- Environmentally safe insecticides
- Biopesticides
- New technologically advanced pesticides
- Because the Chinese government now emphasizes environmentally sound technologies, pesticides will have to meet new

requirements.

In recent years, the Pesticides Inspection Institute under the Ministry of Agriculture put forward detailed measures for pesticides. It emphasized both quality and safety issues so as to: 1) enforce registration administration and promote pesticides structural adjustment; 2) enforce supervision and standardize the pesticides market; 3) strengthen supervision and control of pesticide residue and improve the safety of agro-products. These measures implied more strict control on imported pesticides. U.S. exporters should keep a close eye on related new laws, regulations, and measures.

#### US Commercial Service Contact Web Site

<http://www.buyusa.gov/china/en/agrochemicals.html>

## Safety and Security Market

### Overview

China's safety and security market demand is growing rapidly. In 2006 the Chinese security market reached about USD7.5 billion and the year over year growth is at 20%. The growth is mainly in government, financial services, traffic control, and residential security. Industry experts estimate that by 2020 China's safety and security market will reach USD 30 billion.

With 108 new airports to be constructed in the next five years, airport security has become a critical safety issue for the Chinese government. Increasing tourism and a rise in air cargo volume will also necessitate an upgrade of security technology at existing major airports to improve safety and efficiency.

### Best Products/Services

Much of the safety and security demand will focus on high-tech equipment, such as digital technology, entrance guard communication systems, network technology for inspection control systems, and warning systems.

- **Inspection control systems:** This has been a high-growth area in recent years and remains very competitive. Panasonic, Samsung, Sony, JVC, and Sanyo occupy a majority of the market share in China's high-grade inspection control market.
- **Entrance guard communication systems:** China's domestic enterprises occupy the majority share in the entrance guard systems sector, and foreign enterprises, such as US companies BII and HID, UK company TDSI, and Israeli company DDS, occupy the majority share of the communication systems market.
- **Warning systems:** There is major demand for intelligent airport systems. Foreign companies dominate the market for high-grade products, leading the trend towards integrated safety and security systems.
- **Detection Equipment:** *As China's domestic manufacturers lack capacity to produce enough equipment, foreign products in this field are in high demand.*
- **Fire Protection Equipment:** *Domestic competition in this sector is strong. All imported equipment must first obtain safety certification from the China Fire Bureau.*

#### US Commercial Service Contact Web Site

<http://www.buyusa.gov/china/en/firesecurity.html>

## Automotive Components Market

### Overview

China's Automotive Components Market  
(USD Millions)

	2005	2006	2007(as of Nov)
Total Market Size	71,360	73,164	93,630
Total Local Production	64,470	63,8230	82,891
Total Exports	6,471.052	8,730.787	12,106.411
Total Imports	6,809.545	9,342.905	10,739.195
Imports from the U.S.	308.462	498.737	613.366

**Notes:** Data for Total Market Size and Total Local Production are from a professional auto consultant company; Data for Total Exports, Total Import, and Imports from the U.S. are based on products with HS codes 8706, 8707, 8708, 84073410, 84073420, and 84079090.

China is now the second largest automotive market in the world, trailing only the United States and Europe. China has about 6000 automotive enterprises, which are scattered in five sectors: motor vehicle manufacturing, vehicle refitting, motorcycle production, auto engine production, and auto parts manufacturing. This includes approximately 100 OEMs, with 40 producing passenger vehicles, and over 4000 registered auto parts/accessories companies. All tiers of the industry are being driven by the booming sales of the OEM sector. Nearly 80% of the revenue for the auto parts and accessories market is through new vehicle sales. However, revenue from after market is increasing rapidly.

Shanghai and its surrounding provinces (Zhejiang, Jiangsu, and Anhui) are the centers for component manufacturing, representing

around 44% of national production. Shanghai is home to Shanghai General Motors, Delphi, Visteon, and other notable American automotive companies and, as such, provides a good starting point for U.S. automotive component exporters to begin to explore the Chinese market. Other major automotive centers in China include Guangzhou (South China), Chongqing (West China), and Changchun (North China).

### Best Products/Services

- Engines for motor vehicles and motorcycles;
- Auto and motorcycle casting blanks;
- Key automotive parts and components including disc-type breaking assembly, drive axle assembly, automatic transmission box,, engine admission supercharger, engine displacement control device, electric servo steering system, viscous continuous shaft device (for four-wheel drive), air shock absorber, air suspension frame, hydraulic tappet, and compound meter;
- Auto electronic devices and instruments (including control systems for engine, chassis and vehicle body);
- Fuel cell technology;
- Automotive accessories;
- After market products

### Opportunities

In 2008, it's estimated that ten million new motor vehicles in China will be sold. As of November 2007, China had already produced 8.8 million vehicles, a 33.33% rise over 2006's figures.

China's fulfillment of WTO requirements has helped drive new vehicle sales. As of July 1,

2006, China fulfilled its WTO requirements by lowering import tariffs for auto parts and accessories to 10% and import tariffs for new automobiles to 25%. The reduction of tariffs on automotive parts and China's agreement to eliminate local content requirements after WTO entry have placed domestic automotive parts manufacturers in direct competition with their international counterparts.

The main goals for automotive components, parts, and accessories manufacturers are to improve technology and quality and to develop design capability. Most of the domestic automotive parts manufacturers' R&D capabilities are limited due to the small scale of their operations and a shortage of capital as compared to international companies. In the next five years, the Chinese Government will continue to encourage foreign investment in automotive component development and manufacturing. In the meantime, there is a growing market for imports and American products are generally highly regarded by Chinese customers.

The reductions in automobile tariffs will make it much more cost effective for U.S. firms to export finished vehicles to China and reduced tariffs on parts will allow companies to import essential components that cannot currently be found domestically. Additionally, as China's restrictions on trading and distribution are reduced, American companies are gaining the right to distribute most products, including automobiles and related parts, in any part of China.

The Chinese government has launched the "National Projects of Electric Vehicles," that

encourages the development of environmentally friendly automobiles. So U.S. company possessing clean energy parts and technologies will have more opportunities in the Chinese market.

### US Commercial Service Contact Web Site

[www.buyusa.gov/china/en/transportation.html](http://www.buyusa.gov/china/en/transportation.html)

## Coal Mining Equipment

### Overview

	China's Coal Market		
	Million USD		
	2005	2006	2007 (estimated)
Total Market Size	2,943.4	3,310.6	3,588
Total Local Production	2,657.2	3,038.5	3,250
Total Exports	304.3	403.1	338.6
Total Imports	590.5	675.2	867.3
Imports from the U.S.	153.9	95.6	0.097

**Sources:** China Customs, China National Coal Association, China's Energy Conditions and Policies

Coal makes up about 70% of total primary energy consumption in the country. China's coal-producing area exceeds 550,000 square kilometers. By 2006, coal reserves stood at 1,034.5 billion tons, and verified exploitable reserves accounted for 13% of the world total, ranking China third globally. China is the world's largest coal producer, accounting for nearly 28% of the world's annual production. In 2007, China's coal production reached 2.37 billion tons, an 8% increase.

Chinese-made coal mining equipment occupies a dominant market-share of approximately 90% domestically. Chinese companies are develop-

ing the capacity to manufacture high-tech mining equipment, such as super-power electric haulage shearers, hydraulic support systems, and armored face conveyers. Nevertheless, most of mining equipment produced in China still remains 10 to 15 years behind that of other countries with respect to mining efficiency, equipment quality, environmental protection of mines, and safety. U.S. coal mining equipment manufacturers and coal mine investors face long-term opportunities in China's coal industry.

### **Best Products/Services**

U.S. companies enjoy their greatest competitive advantage in supplying heavy coal mining machines and systems. For underground mining, U.S. firms compete well in the following categories: longwall shearers, stageloaders, continuous miners, batch haulage vehicles, road headers, hydraulic roof support systems, and armored face conveyors. For open-pit mining, U.S. firms compete well in the following categories: electric mining shovels, walking draglines, blast hole drills, and heavy mining trucks.

Coal mine safety remains a critical issue in China. In 2007, China saw 3,786 coal mine accidents deaths. In order to address the issue of safety, the Chinese government closed 2,969 small coal mines in 2007 (below 30,000 tons of production capacity) that the government felt were unsafe. According to the State Administration of Coal Mine Safety Supervision, China will invest USD 6 billion over the next several years to purchase safety equipment for large state-owned coal mines. This investment will create significant opportunities for foreign companies to

export safety equipment to China. Best prospects include: coal mining safety equipment, security equipment, gas control systems, and fire monitoring and control equipment.

### **Opportunities**

Due to an insufficient supply of electricity, China will continue to invest heavily in coal production. Many analysts predict that China will need to invest over \$151 billion in coal infrastructure by 2020. The investment will cover the following areas:

- Construction of new coal mines and coal bases
- Improvement of coal mine safety
- Clean coal processing technology
- Coal conversion technology (including coal liquefaction and coal gasification)
- Coal bed methane development and utilization

In order to improve mine management and increase coal production, the Chinese government has established new policies to encourage foreign investment in the sector. This shift in policy has included granting foreign companies the rights for the mineral geological exploitation.

### **US Commercial Service Contact Web Site**

[www.buyusa.gov/china/en/environmental.html](http://www.buyusa.gov/china/en/environmental.html)

## Construction Equipment Market

### Overview

	2004	2005	2006 (Estimated)
Total Market Size	USD 10.6 billion	USD 16 billion	USD 17.9 billion
Total Local Production	USD 4.3 billion	USD 13 billion	USD 13.9 billion
Total Exports	USD 99 million	USD 2.9 billion	USD 4.5 billion
Total Imports	USD 6.4 billion	USD 3.0 billion	USD 4.0 billion
Imports from the U.S.	USD 25 million	USD 369 million	USD 405 million

(Source: China Customs statistics for construction equipment.)

The Chinese construction equipment market presents many opportunities and challenges for American companies seeking to increase their sales in China. In 2006, China's total exports exceeded the total imports for the first time. Many American companies (e.g. Caterpillar, John Deere, and Terex) have successfully entered the Chinese market but are increasingly producing locally. They have become the key players in China's construction equipment industry. Second, the Chinese government is supporting local companies in the international market. Recently, some U.S. companies trying to acquire shares in state-owned companies have encountered delays in obtaining approval from the Ministry of Commerce. Meanwhile, U.S. companies are facing fierce competition from Korean, Japanese, German, and domestic manufacturers.

Rapid development of urban centers, China's aggressive western regions infrastructure development plans, and the 2010 Shanghai World Expo should provide more opportunities for the construction market. The construction market is a major driver of China's economy. During the 11th Five Year period (2006-2010),

the plan for total construction is estimated to reach 2 billion square meters each year. According to the Industrialization Report issued by the Ministry of Construction's Promotion Center for Housing, by 2010, China will have built 80 billion square meters of new housing. By 2020, estimates are 205 billion square meters.

Under the 11th Five-Year Plan, China will invest \$26 billion in the construction of eight hydro-power projects and \$5.9 billion in transferring electricity from western to eastern China. The total investment for water conservation and hydropower projects will exceed \$104 billion. China will not only develop hydroelectricity and nuclear power plants, but will also be exploring and developing large coal bases. China recently explored 28 mid-to-large gas fields, and the development of gas fields and pipelines will also offer potential construction opportunities. Under the 11th Five Year Plan, China plans to build 4 major pipelines for oil and natural gas transport. Furthermore, China will be expanding several key airports and build new sub-branch airports.

The best opportunities for U.S. exports of construction equipment include the following: concrete machines, excavators, shovel loaders, lifts, self-propelled bulldozers, angle dozers, graders, levelers, scrapers, mechanical shovels, tramping machines, and road rollers.

## Opportunities

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### Railway Project

According to the 11th Five-Year Plan, the total investment in railway construction will reach USD 160 billion in the next five years. Such a large-scale project with high standards to be completed in a relatively short time will create demands for mechanical equipment. The following equipment appears to be in highest demand: rotary drilling rigs, excavators, concrete pump trucks, loaders, cranes, etc.

### Highway Project

According to the National Highway Plan, the highway construction, known as "7918" Net, will consist of 7 highways starting from the capital, 9 highways from north to south, 18 highways from west to east. Currently 34% of the plan is finished, 19% is under construction and still 47% yet to begin. The annual average investment will reach USD 18 billion by 2010.

### South-North Water Diversion Project

The vast South-North Water Diversion Project started in 2002. The purpose is to divert water from the Yangtze River in the south to China's north, where water is in critical need for agricultural and industrial applications. The project consists of three south-to-north canals, and will cost USD59 billion; when completed in 2010 it will pump about 13 trillion gallons of

water to the north every year.

Shanghai will host the World Expo from May 1 through October 31, 2010. To support the event, the Shanghai government will invest over US \$10 billion in infrastructure modernization (harbor, airport, city transportation, and cultural facilities).

## Major Shows

### The 10th Beijing International Construction Machinery Exhibition & Seminar (9th BICES)

October 16-19, 2009

Beijing Jihua International Convention & Exhibition Centre

Organizer: China Construction Machinery Association

<http://www.e-bices.org/en/index.asp>

### CONEXPO®Asia 2009 (CONEXPO Asia

Construction Machinery Exposition) December 2009

Organizer: Association of Equipment Manufacturers (AEM)

China Chamber of Commerce for Import and Export of Machinery and Electronic

<http://conexpoasia.aem.org/EN/index.asp>

### US Commercial Service Contact Web Site

[www.buyusa.gov/china/en/machinetools.html](http://www.buyusa.gov/china/en/machinetools.html)

## Banking Services

### Overview

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After China's banking sector opened completely to foreign banks on December 11, 2006, export opportunities have developed for foreign commercial banks. However, major Chinese commercial banks will continue to dominate the retail banking market. In addition, domestic commercial banks have successfully restructured

their operations. A dynamic process of interaction and integration is already underway between domestic and foreign banks as noted by the strategic investments made by foreign banks.

### **Best Products/Services**

#### ***- Private banking services and wealth management that target high net worth individuals***

Nearly 30 Chinese banks currently offer RMB-denominated wealth management services. RMB-denominated private banking services and wealth management services are among the two best business prospects currently being offered by leading foreign banks in China, such as Citibank, Standard Chartered, HSBC and ABN AMRO.

#### ***- Credit Cards:***

Foreign-funded banks can issue RMB-denominated credit cards after they become locally incorporated banks. All foreign-funded and Chinese banks are required to have good risk management and control systems and IT support systems in place to hedge risks in the issuance of credit cards in China. The People's Bank of China, the central bank, is responsible for the operation and management of the payment system.

#### ***- SME Financing Market:***

According to the National Development and Reform Commission (NDRC), the products manufactured or services offered by China's 40 million small and medium sized enterprises (SME) comprise about 60 percent of China's GDP. Chinese banks, especially city commercial banks, consider SMEs to be their target

clients. More and more foreign banks in China are beginning to realize the great opportunities available through offering financing to SMEs.

#### ***- Residential Home Mortgage Loan Services:***

In comparison to Chinese commercial banks, foreign banks are disadvantaged by the lower number of outlets and employees that they have. Therefore, the foreign banks in China target high-end customers, such as foreign residents in China and wealthy Chinese individuals for the residential home mortgage loan market. HSBC, Standard Chartered, the Bank of East Asia, Citibank and Deutsche Bank, to name a few, are among the leading foreign banks that promote residential home mortgage loan services in China.

### **Opportunities**

1. Private banking and the retail banking sector: China's high net worth individuals (with assets larger than USD1 million to invest) are an important segment. The rising household income levels and an increasingly wealthy population continue to foster demand for a wide range of wealth management products. A report by Boston Consulting Group stated that nearly 310,000 households in China each hold net investment assets worth more than US\$1 million. China is now fifth in the world in terms of having the largest number of millionaires.

2. Corporate banking sector:

Since large private and state-owned enterprises can now obtain financing from the capital market, they become less dependent upon bank loans. As a result, SMEs are becoming valuable clients to both the Chinese and foreign banks.

At present, only 30 percent of SMEs financing demands can be satisfied because they normally find it difficult to obtain any type of credit from large banks. Most second-tier joint stock banks and city commercial banks have already made the SMEs their target clients. Standard Chartered, Citibank and HSBC have all started SME financing activities. Foreign banks have more experience in market segmentation, better credit and risk control, good access to the international market and more simplified procedures for credit approvals, all of which serve to attract Chinese enterprises as clients.

### 3. Corporate banking sector:

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### Resources

China Banking Regulatory Commission (CBRC)  
<http://www.cbrc.gov.cn/english/home/jsp/index.jsp>

HSBC, China

[www.hsbc.com.cn](http://www.hsbc.com.cn) (click on link for English)

Citibank, China

[www.citibank.com.cn](http://www.citibank.com.cn) (click on link for English)

### US Commercial Service Contact Web Site

[www.buyusa.gov/china/en/bank.html](http://www.buyusa.gov/china/en/bank.html)

## Education and Training

### Overview

Recent data indicates that U.S. colleges and universities remain the preferred overseas destination for Chinese students. Short-term training programs and workshops in specialized fields as well as business education are particularly sought after. U.S. educational organizations can also sell teaching materials and equipment, convey the latest methodologies and case studies, lend or exchange faculty, and provide educational consulting services.

### Best Products/Services

In 2007, 67,700 students chose the United States as their destination. Compared to the mid-1980's, when only 4,900 students enrolled overseas.

The desire for Chinese students to enroll in U.S. institutions is high, fueled by increasing disposable incomes. Chinese professionals are attending vocational classes and using e-learning to upgrade their skills to increase their earning power. Many experts believe that e-learning is ideal for China because it solves much of China's education needs. With its limited education resources, China can use long distance learning to educate its 200 million

elementary and high school students. To that end, in October 2000 China's Ministry of Education launched the "All Schools Connected" project, which will equip all of China's 550,871 K-12 schools with e-learning systems by 2010. The Ministry also encouraged 67 top universities to offer e-learning degrees to produce more talent for the country's burgeoning economy. The nation's very best high schools can also create Internet schools to train teachers and tutor students in far-flung regions. Private companies also heeded the e-learning call, many now offer vocational training and certification exam preparation online.

U.S. institutions will have to remain active in the promotion of American education in China, as competition for Chinese students from other English-speaking countries increases and as the expansion of the domestic education market in China creates an increasing number of opportunities for students to pursue higher education without leaving China. With this in mind, University admissions officers should be aware of and counsel prospective students on visa procedures affecting travel to the United States.

### **US Commercial Service Contact Web Site**

[www.buyusa.gov/china/en/entertainmedia.html](http://www.buyusa.gov/china/en/entertainmedia.html)

## **Franchising**

### **Overview**

Franchising shows promise in China. Although the concept of franchising was introduced to China in the last ten years, its development made important inroads into this growing

consumer market. Enterprises from more than 80 industries have applied for franchise operations, including enterprises from the traditional sectors of catering, retailing, and individual and business services. Currently, China has 2100 franchise and chain store companies, and the number is rising rapidly. Challenges to U.S. franchise firms include a relatively weak regulatory system and a lack of qualified Chinese franchisee candidates. New legislation released by the Ministry of Commerce stipulates that franchise firms can start franchising in China as long as they own and operate two company-owned stores for one year in any part of the world.

### **Best Products/Services**

The Chinese franchising market is dominated by traditional franchise operations like food and beverage (F&B) and retail outlets. Nearly 40% of all franchisers in China are engaged in such industries. U.S. franchisers established a particularly strong foothold in the (F&B) market. Franchising opportunities abound in non-F&B industries. The best prospects in this form of franchising include car rental and services, education, training, real estate, dry cleaning, and executive search.

### **Opportunities**

Major international franchise firms have established the following best practices for doing business in China:

- Register the brand in China before entering the China market.

- Find local partners who can help navigate the local business environment.

Understand the cultural differences and adjust market access strategies accordingly.

Have an ability and willingness to localize your product if necessary, without changing the core product.

Minimize the price of the final product and the franchising fee to achieve rapid expansion and mass acceptance.

### **US Commercial Service Contact Web Site**

[www.buyusa.gov/china/en/retail.html](http://www.buyusa.gov/china/en/retail.html)

## **Machinery**

### **Overview**

Machinery industry (HS: 84) in China has been categorized into agricultural machinery, internal combustion engine, engineering machinery, apparatus and instrument, office machine, petrochemical and general machinery, heavy machinery, machine tools, electrical engineering and apparatus, machinery parts, food and packaging machinery, auto cars and other civil use machinery. The leading provinces and cities for machinery trading are Guangdong, Jiangsu, Shanghai, Zhejiang, Beijing, Shandong, Tianjin and Liaoning. Asia has been China's biggest trading partner for machinery products with an import/export value of \$ 146.8 bn. in 2006, dominating China's machinery trading market and realizing \$16.7 bn surplus to China. In the first six months of 2007, China's imports were led by office machines, which increased by 96.9% over the same period the previous year, followed by food packaging machinery and auto at a rate of 32.5% and 30%, respectively. U.S. exports to China, led by office machinery, accounted for 8.85% and 8.73% of the market

share in 2006 and 2007, and ranked No. 3 and No. 4 respectively, after Japan, Germany and South Korea.

Electrical machinery (HS: 85), overlapping with machinery for some sectors, consists of automatic data processing equipment, communication equipment, consumer electronic appliance, electronic components and electronics equipment, transportation vehicle, instrument, and machinery parts. China's electrical machinery trade grew by \$200 bn to \$977.2 bn from 2005 to 2006. Electronic components led China's imports in 2006 with a value of \$138 bn, of which U.S. exports accounted for \$33 bn, an increase of 31.3% year-on-year, following Japan, South Korea, Taiwan, and then Germany. The major products exported from the U.S. to China were integrated circuits and communication equipment and parts.

China's Machine tool (HS: 8466) industry has experienced a fast growth over the past few years, and will continue to expand to serve the country's economic development especially for the key industries - automobile, aviation and aerospace, shipbuilding, railway, power and high-tech. China is the world largest machine tool producer. However, limited by the immature precision machine tool technology and foreign country's export restriction, most of the country's machine tool equipment are at a low technology level. The U.S. is one of the major countries that exports to China, but it is facing great competition with Japan and Germany, and sometimes Italy.

Source - China Machinery Industry Yearbook 2007, and World Trade Atlas.

## Best Products/Services

The Chinese government has provided financial incentives for machinery manufactures to invest in fixed assets to modernize facilities and increase efficiencies.

Mining elevator equipment, agricultural transportation vehicle, hay machinery, combined harvester, scraper, and pile driver and drawer should continue to have export prospect in China.

For machine tools, China will still rely on

importing for precision CNC machine tool, laser-cutting tool, CMM, automated quality control and robotic assembly system. U.S. companies should check the export control for certain products with the export control office at Commercial Service Beijing or at its website of [www.bis.doc.gov](http://www.bis.doc.gov), before conducting business transaction.

### US Commercial Service Contact Web Site

[www.buyusa.gov/china/en/machinetools.html](http://www.buyusa.gov/china/en/machinetools.html)

## Marine Industry

### Overview

	2005	2006	2007(Estimated)
Total Market Size	US\$ 85.8 billion	US\$154.5 billion	US\$ 167.3billion
Total Local Production*	US\$ 90.0 billion	US\$162.1 billion	US\$ 178.3 billion
Total Exports**	US\$ 4.7 billion	US\$ 8.1billion	US\$ 12.1billion
Total Imports **	US\$ 0.5 billion	US\$ 0.5 billion	US\$ 1.1billion
Imports from the U.S. **	US\$ 15.0 million	US\$ 5.3 million	US\$ 20.9million

Source of data: \*Communiqué on Land and resources of China

\*\*China Customs (HS code: 89 Ships and boats and floating structures.)

This section covers the use and development of the various sea-related industries, including shipbuilding, port, pleasure boat, sea communications and transportation, offshore oil and gas, sea-related chemicals and sea fishery, etc.

China has seen rapid development of its marine industry over past few years. China has more than 3 million square kilometers of sea areas, with more than 1,400 harbors and 210,000 cargo ships. According to the "Communiqué on Land and resources of China 2006" issued by Ministry of Land and Resources of P.R.C., the value of increase of sea-related industries have

constituted 4.01% of GDP in 2006; and the aggregate marine industries will gradually become one of the pillar industries of China's economy.

According to the statistics of China Customs, China's total ship import and export values reached US\$8.6 billion in 2006, of which ship import accounted for US\$0.5 billion. Trade volume would rise to a historical high of US\$ 13.2billion in 2007. However, oceanic pollution and the industry's structural imbalances continue to present challenges for the development of marine industry.

## Opportunities

### Shipbuilding

Since 1999, the output of China's shipbuilding industry has been ranked number three in the world. According to the statistics from Commission of Science, Technology and Industry for National Defense (COSTIND), China's shipbuilding output was 14.52 million deadweight tonnages (DWT) in 2006. And the output is expected to reach a historical high of 18 million DWT in 2007, with a yearly increase of about 24 percent. In 2007 the new shipbuilding orders was 70 million DWT, which surpassed the Korea raking the first in the world. China's backlog orders were also dramatically increased 90%, exceeding 130 million DWT in 2007. (China Ship News) And Chinese shipyards filled about 20 percent of global orders for ships measured by cargo capacity. Shanghai Waigaoqiao Shipbuilding Co, the country's top shipbuilder, churned out 3.11 million DWT of ships in 2006, making it the world's eighth-largest shipyard. And sixteen shipyards in China were included in the top 50 shipyards in the world.

According to the government's National Medium and Long-Term Plan of the Shipbuilding Industry, issued in August 2006, China's shipbuilding industry is expected to become the No. 1 shipbuilding power in the world by 2015.

The central government's 11th five-year plan (2005 to 2010) pointed out that the key to strengthening the shipping industry lies in design capability, marine equipment supply, large-scale shipbuilding construction, and optimizing the three main ship types: bulk-carriers, oil tankers, and container vessels. Emphasis will be put on

hi-tech ships, new ship designs and ocean engineering equipment, which have additional added value.

China urgently needs hi-technology, machinery and management for the shipbuilding industry. The best prospects for shipbuilding are raw materials, coating equipment and coating materials, CAD(Computer aided design) software and associated technology for ship design and construction, equipment maintenance,

high-tech equipment such as GPS, navigation and on board computer systems, cutting and welding technology and related equipment.

### Pleasure Boat

With the rapid growth of the economy, China's recreational marine market is forecast to expand sharply in the coming years. In 2007, China imported over 25 million US Dollars yachts and pleasure vessels, which has an increase of 130% compared with 2006. (China Customs) Based on the confidence that pleasure boats will become a part of life style in the country's expanding wealthy and the middle-class, provincial governments, property developers and boat builders are all investing heavily in this industry. Business experts estimated that the market would pick up speed in the next few years, and the overall market size would reach US\$10billion over the next decade, which presents significant opportunities for the exports of U.S. pleasure boats, accessories, marina planning and construction materials. (China Boat Industry and Trade Association)

## Port and Sea-Transportation

China is allocating a massive amount of money to the port and waterway construction to meet the significant growth of freight volume. Since 2004, China has stepped up the infrastructure construction of ports. China's port throughput is increasing at exponential rates, reflecting a booming foreign trade. According to the China Transportation Association, freight turnover at major ports reached 5.57 billion tons in 2007. Container traffic at Chinese ports also increased 25% to 116 million Twenty-foot Equivalent Units (TEUs). The container throughput of Shanghai port exceeded 26 million in 2007, surpassing Hong Kong to rank second globally.

And the cargo throughput reached 560 million tons in 2007, making Shanghai the world's busiest port for the third consecutive year. Eight ports in mainland China, namely Shanghai, Shenzhen, Qingdao, Tianjin, Guangzhou, Xiamen, Ningbo and Dalian, are included among the 30 top container harbors in the world.

To facilitate the global trade, most ports in China are putting emphasis on expanding the capacity and upgrading the port facilities as well as the modernization of operations. The products and technologies in high demand are Vessel Traffic Management Information System, laser-docking systems, terminal tractors, dredging equipments and security equipment for the ports and vessels to abide to International Ship and Port Security Code (ISPS).

## Marina development

The Shanghai municipal government is in the process to announce plans for the city's yachting

industry development over the next two decades. The success of Shanghai's bid to host the 2010 World Expo will push the boat industry to develop more rapidly. Shanghai Government has decided to build marinas and cruising shipping centers along the downtown river as part of the efforts to remake Shanghai into a world-class city.

Other cities and areas that either have on-going marina projects, or in the planning process include Zhoushan, Qingdao, Dalian, Ningbo, Beihai, Dongguan, Shengzhen and Hainan Island.

## Deepwater Port

China is building more deep-water berths to handle the larger fifth and sixth generation container vessels. The largest project is the construction of Yangshan deep-water port, approximately 20 miles offshore from Shanghai and linked to the mainland by a 32.5-kilometre causeway bridge. The first phase was completed and put into operation at the end of 2005, including 5 new berths and a capacity of 2 million TEUs per year. And a second phase opened in December 2006, adding four berths on a 1.4-kilometer waterfront with a designed handling capacity of 2.1 million TEUs annually. The original plan is to complete 50 berths by 2020, which will cost over US\$10 billion.

## US Commercial Service Contact Web Site

[www.buyusa.gov/china/en/ace.html#\\_section5](http://www.buyusa.gov/china/en/ace.html#_section5)

## Oil and Gas Industry

### Overview

Unit: Million metric tons

Crude Oil / Natural Gas (not include equipment)	2004	2005	2006	2007
Total Market Size	291.27 / 40.98	299.57 / 49.95	307.28 / 53.10	345.98 / 66.38
Total Local Production	174.06 / 40.98	180.84 / 49.95	168.42 / 53.10	186.7 / 66.38
Total Exports	5.49 / 0	8.07 / 0	6.34 / 0	3.89/0
Total Imports	122.70 / 0	126.80 / 0	145.20 / 0	163.17/0
LNG Imports		2.91 in 2007, increased 323.7%		
Imports from the U.S.		Extremely limited		

Sources of Data: China Customs. Estimates are unofficial.

China now ranks number two in world energy consumption (behind the United States and ahead of Japan). Economists predict that by 2020, China's oil and gas consumption will be about 5 billion barrel of equivalence (BOE). The Chinese government continues to push through reform and industry restructuring measures in order to encourage the necessary investment needed to meet energy demand growth. The same high growth in demand also exists in the natural gas sector.

Natural gas is the fastest growing fuel in China's energy mix. Natural gas consumption in China is expected to rise to over 10% by 2020 in light of increasing LNG imports as well as domestic discoveries. From 2006 to 2020, China's natural gas infrastructure construction will involve a CNY 220 billion investment. The Chinese government is continuing its efforts to create a more transparent gas environment to encourage investment by creating a gas law and appropri-

ate downstream gas regulations.

*On the oil side, China became a net importer of crude oil in 1996. Imports are expected to rise from 1.7 million barrels per day in 2001 to 4.2 million barrels per day in 2010, and to 9.8 million barrels per day in 2030. China continues to focus on the development of domestic oil resources throughout the country. Increased oil exploration and development activity are moving west and will be focused on the Tarim, Junggar, and Tu-Ha Basins. At the same time, oil fields currently producing have been on the decline for over a decade. As a result, the domestic supply of oil will be insufficient to meet demand forecasts. Thus, there will be an increased reliance on imported oil in the future, especially on sources of crude oil from the Middle East.*

China's liberalized finished oil products retail market is expected to bring deregulated prices and lower entry barriers to its domestic players. Three months into the official opening of the wholesale market, the top question is how to win the gas station wars and outpace the greater downstream competition in China.

China's dependency on imported crude oil hit a record high of 46% in 2007. In order to boost China's strategic oil reserve system, the China Petroleum Reserve Center (established on Dec 18, 2007) will be responsible for ensuring that three batches of state strategic oil reserve bases totaling 12 tanks with a storage capacity of 66 million tons and capable of supplying national demand for 37 days, will be fully filled within 15 years. In addition to the oil reserve, an oil products reserve system is also under construction in a bid to ease the tight supply of oil products amid high crude prices. The Chinese government has approved the construction of an 800,000 cbm oil products storage tank (the largest in China) in Wanzhou in western Chongqing Municipality.

U.S. companies will continue to find significant opportunities in providing advanced technologies in upstream and downstream oil and gas construction and development. Many Chinese end-users have favorable opinions of American products and are eager to do business with American companies. China's booming natural gas industry will spur the demand for single space related products, equipment, and engineering services. American equipment has a reputation for technological excellence and quality.

### Opportunities

Most opportunities for U.S. companies will continue to be in supplying equipment and services for China's rapidly growing oil and natural gas industry.

- Equipment and services for LNG carrier construction

- Oil and gas exploration and production equipment services, including onshore blocks, deep-water offshore blocks, gas fields
- Oil and Gas transmission equipment and services
- Exploration and development of high sulfur content gas fields

### Commercial Service Contact Web Site

[www.buyusa.gov/china/en/oilgas.html](http://www.buyusa.gov/china/en/oilgas.html)

## Power Generation

### Overview

China's Power Generation Market			
	Million USD		
	2005	2006	2007 (estimated)
Total Market Size *	18,750	21,057	24,093
Total Local Production	16,913	18,384	20,837
Total Exports **	7,632	9,951	12,508
Total Imports **	4,633	5,954	7,192
Imports from the U.S. **	234	269	287

Sources: \* China Electric Equipment and Instrument Net

\*\* China Customs data

In 2007, the installed capacity in China reached 622 million kW, and the amount of power generated was 2,870 billion kWh, making China's the world's second-largest power generator and the fastest-growing power generation market. According to the International Energy Agency, China will invest a total of nearly USD 2 trillion in electricity generation, transmission, and distribution over the next 30 years to meet rapidly growing electricity demand. Half of that investment will be in power generation, while the other half will go to transmission and distribution.

Thermal energy accounts for 77.82% of China's capacity, while hydropower provides 20.67% and nuclear power less than 1.6% of total capacity. With the limited supply of fossil fuels available for power generation, the Chinese government is encouraging alternative forms of power supply, such as hydropower, wind power, solar power, etc. China has unveiled an energy plan as part of its 11th five-year plan. Under the plan, China aims to increase the country's renewable energy supply to 15% of the country's energy needs by 2020.

### **Best Products/Services**

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The most competitive products and services for U.S. companies will be in advanced thermal power generation (including large-capacity gas turbines, super critical and ultra super critical large capacity coal-fired power generation equipment, clean coal technology, and combine cycle technology), alternative power supplies (including wind, solar, and nuclear), power dispatching systems, telecommunications equipment for the power industry, management software, and ultra high voltage transmission equipment and management systems. Safety equipment also has strong market potential for U.S. companies.

### **Opportunities**

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By 2020, China plans to build 30 nuclear generators of one million kW and above, bringing the country's total nuclear capacity to 40 GW. In December 2006, U.S. technology was selected for 4 new reactors planned to be built in Zhejiang and Shandong provinces in 2007 and 2008.

There is also strong demand for the following products:

900 MW and above thermal power generating equipment, gas turbines

700 MW and above hydro power turbines, large-capacity pump storage units, advanced nuclear power station equipment, clean-coal technology power generating equipment

300 MW and above cogeneration and trigeneration units

600 MW and above air cooling power generation units

Combine cycle units

300 MW and above circulating fluidized-bed boilers and Integrated Gasification Combined Cycle (IGCC) units

750 kV and above transmission line equipment  
1.3 MW capacity and above wind turbines, thermal power plant flue gas desulphurization equipment, power industry automation equipment, power grid safety supervision and control software and equipment, and middle and high voltage capacitors.

### **Resources**

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China Electric Equipment and Instrument Net  
<http://www.cpeinet.com.cn/>

Chinese Renewable Energy Industries Association  
<http://www.creia.net>

### **US Commercial Service Contact Web Site**

[www.buyusa.gov/china/en/power.html](http://www.buyusa.gov/china/en/power.html)

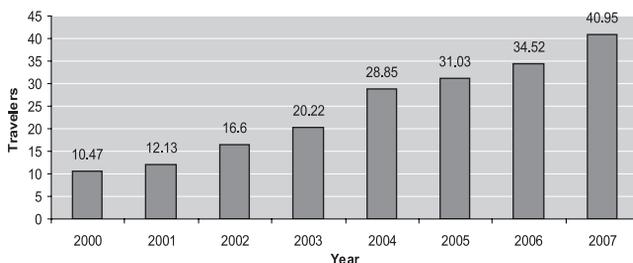
## Travel and Tourism Market

### Overview

China is rapidly becoming one of the most important outbound tourism markets in the world. According to the UN World Travel Organization (UNWTO), China is the fastest growing travel market in the world, and is

estimated to reach 100 million international travelers by 2020. According to the China National Tourism Administration (CNTA), China's outbound travelers reached 40.95 million in 2007, an 18.6% increase over the previous year. China will continue to be the largest travel market in Asia.

### Chinese Outbound Travelers (millions)



Source: China National Tourism Administration (CNTA)

The United States is becoming an increasingly popular destination for Chinese travelers. In 2006, China ranked as the 17<sup>th</sup> largest international market for the United States, with over

320,000 Chinese visitors to the U.S. Chinese visitors spent a record \$2.1 billion in the U.S. in 2006, with average expenditure of \$6,000 per person.

### Chinese Visitor and Spending Trends in the United States

#### Semiconductors

#### China's Local IC Manufacturing Output Volume and Sales Values

Year	2000	2001	2002	2003	2004	2005	2006
Arrivals (thousands)	249	232	226	157	203	270	320
% Change	30%	-7%	-3%	-30%	29%	33%	19%
Total Travel & Tourism Receipts1	1,424	1,326	1,185	858	1,115	1,534	2,073
% Change	50%	-7%	-11%	-28%	30%	38%	35%

Source: United States Department of Commerce

Note: (1) includes travel receipts at U.S. Destinations and passenger fare receipts / exports on U.S. carriers.

On December 11, 2007, the U.S. and China signed a memorandum of understanding (MOU) to facilitate Chinese group leisure travel from China to the United States. U.S. destinations can now market themselves in China, and the agreement also provides the necessary framework to permit group leisure travel from China to the United States. This agreement complements the expansion of air services that the United States and China agreed to at the May Strategic Economic Dialogue.

Prior to this agreement, Chinese travel agencies could only organize and market leisure tour group packages to countries that have a bilateral agreement with China, often referred to as Approved Destination Status (ADS) agreements. As of January 2008, China granted ADS status to 134 countries and regions, and implemented the program in 91 countries (<http://www.cnta.gov.cn/zhuanti/cjy/index.asp>). The tourism MOU between China and the United States fulfills that function, and opens this market for U.S. companies. The U.S. travel and tourism industry will benefit from the tourism MOU. Chinese visitation is forecasted to reach 579,000 Chinese travelers to the U.S. by 2011, which will increase tourism related exports.

For more information about this agreement, please see the following link [http://www.commerce.gov/NewsRoom/TopNews/index.htm?fragmentNewsRoomLists\\_NextRow=11&ssYear=2007&ssMonth=12](http://www.commerce.gov/NewsRoom/TopNews/index.htm?fragmentNewsRoomLists_NextRow=11&ssYear=2007&ssMonth=12)

### Opportunities

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The number of Chinese international travelers is expected to rise quickly as the Chinese government continues to ease industry

regulations, disposable incomes continue to rise, and more Chinese travelers seek to travel outside Asia to United States and other long-haul destinations.

Prior to the signing of MOU, most Chinese groups traveled on mixed business and tourist itineraries. This has led to significant growth opportunities in the business travel and the meetings, incentives, conventions, and exhibition (MICE) segments. In the past, tour groups combined business and leisure travel itineraries. In recent years, large-scale incentive travel has become a common tool for rewarding Chinese employees, and this will continue to be an area of strong growth

### US Commercial Service Contact Web Site

[www.buyusa.gov/china/en/tourism.html](http://www.buyusa.gov/china/en/tourism.html)

## Water and Wastewater Treatment

### Overview

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China continues to face severe water pollution and water scarcity problems. China generated 53.7 billion tons of wastewater; municipal wastewater and industrial wastewater account for 55% and 45% respectively. It is expected that total wastewater will continue growing due to rapid urbanization and industrialization, to reach 64 billion tons in 2010. The current wastewater treatment infrastructure is inadequate, and there will be continued construction of new facilities and upgrading of existing ones, resulting in a large demand for related technology and equipment. However, competition for projects is also fierce, both from foreign suppliers that can provide good technology, as well as from domestic suppliers that can offer competitive prices.

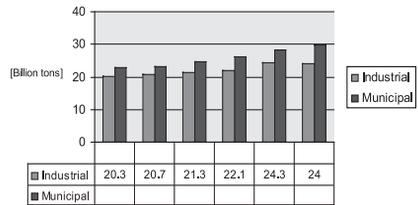
China's water situation has been an important issue on two fronts - water pollution and water availability. One third of China's river courses, lakes, and coastal areas are severely contaminated as a result of municipal, industrial and agricultural discharges. Over 17,000 counties and towns have no wastewater treatment plants, and nearly 300 million people are currently drinking contaminated water. In addition, China has very low water resources per capita (one quarter of the world average), and they are unevenly distributed (e.g. one tenth in northern and western areas).

With rapid urbanization and industrialization, wastewater generation levels in China are continuously increasing. As the chart below shows, municipal wastewater generation grew much faster than industrial wastewater. This is because there is stronger government (central and provincial) enforcement and stricter penalties for wastewater discharge for industrial enterprises than for local authorities.

### Best Products/Service

In the 11<sup>th</sup> Five-Year Plan, two major targets set by the central government are constructing a water-saving society and treating water pollution. It aims to provide safe drinking water to 100 million residents, and treat more than 60% of sewage, up from the current 55%. In order to meet the goals, 1,000 new WWTPs (representing investment of RMB 330 billion) will be constructed, raising total daily treatment capacity to 10,000 tons. China will begin to levy sewage treatment fees throughout the country in the coming five years, with aims to decrease the total volume of primary pollutants by 10% by 2010.

Municipal and industrial wastewater generation in China, 2001-2006



Source: Analysis based on data from State Environmental Protection Administration

It is anticipated that the following technology and associated technology transfer needs and product demand will provide the most opportunities:

- Biological de-nitrification and phosphorus removal technologies,
- Membrane separation and manufacturing technologies and equipment,
- Manufacturing technology of anaerobic biological reactor,
- High concentration organic wastewater treatment technology and equipment,
- Series-standard water and wastewater treatment equipment family with high efficiency, format...
- Water saving technologies and equipment,
- Water treatment agents,
- Water and wastewater treatment facility operation and management service,
- Natural water body rehabilitation technology, and
- Sea water desalination

### Opportunities

#### South-to-North Water Diversion Project

The construction of the South-to-North Water Diversion Project will create a large water supply

and wastewater treatment market. In the water destination areas, including Beijing, Tianjin, Hebei, Henan, Shandong and Jiangsu, the construction or expansion of water plants and piping systems will offer market opportunities worth USD6.09 and 5.92 billion respectively. In addition, water pollution control will be a major part of the Eastern Route project. USD1.93 billion is the planned investment for the construction of municipal wastewater treatment plants. These projects are located in Jiangsu, Shandong, Hebei, Tianjin, Anhui and Henan Provinces.

### Three Gorges Watershed Area

The Three Gorges Area is located in Yichang, Hubei Province. To maintain water quality at a good level, wastewater treatment projects will be implemented in Hubei, Sichuan, Guizhou, Yunnan Provinces and Chongqing Municipality. From 2006 to 2010, 146 projects with a total budget of USD0.93 billion will be carried out. According to a recent report dated December 30, 2005, China plans to build 20 more sewage disposal plants in the Three Gorges Reservoir area in central Hubei Province on the Yangtze River to further improve water quality in the reservoir. These projects will be built in Zigui, Xingshan, Badong, Yuan'an, Enshi and Lichuan counties in the reservoir area. Meanwhile, the province will build 20 garbage-processing plants in the next five years with an additional daily handling capacity of 1,000 tons.

### Beijing 2008 Olympic Games

Beijing, as the host city of 2008 Olympic Games, also has ambitious plans to develop its wastewater treatment infrastructure. According

to the Beijing City Planning Department, nine wastewater treatment plants, 1000 km long wastewater main pipelines, nine wastewater reclamation and reuse facilities, and four sludge digesting facilities will be completed. The total investment will be USD1.45 billion.

### US Commercial Service Contact Web Site

[www.buyusa.gov/china/en/environmental.html](http://www.buyusa.gov/china/en/environmental.html)

## Medical Equipment

### Best Prospects

China is now the world's third largest market for medical equipment, according to information provided by the China Association for Medical Devices Industry (CAMDI), and continues to grow at a tremendous pace. The information released at CAMDI's annual meeting in January 2008 indicated that the total size of China's medical equipment market topped RMB70 (about \$9.3) billion and the figure is expected to reach as high as RMB120 (about \$16) billion by the end of 2010. The annual increase in sales of large, high-end medical equipment was reported at between 14% and 15%. The foreign share of this market segment also increased by 20%. Clinical laboratory equipment and reagent sales are growing at about 15 to 20% per annum. According to incomplete figures from the World Trade Atlas, China's imports of medical equipment accounted for over USD 4.4 billion in 2006 and USD 5.1 billion during the first 11 months of 2007.

Chinese end users consider U.S. products to be of superior quality and the most technologically advanced. China's hospitals particularly

welcome medical equipment and products with high-technology content. At the same time, domestic medical device companies are consolidating, upgrading quality, and beginning to compete in medium-level technology niches. According to the information given by CAMDI, China had over 12,243 medical device manufacturers as of October of 2006, of which only 60 have sales valued at over RMB100 million. Among the industry's top 10 manufacturers, seven are foreign invested firms or joint ventures. In 2006, the U.S. was the top supplier country with \$1.6 billion worth of exports and during January to November 2007, American exporters sold nearly \$1.5 billion worth of equipment. German exports topped \$837 million in 2006, and reached \$878 million during January to November 2007. Japan came in a strong third in 2006 with \$827 million in exports but dropped to \$790 million for 2007. Positive indicators fueling imports and increased domestic production include the desire to utilize a wider array of advanced technologies in China's over 18,000 domestic hospitals & clinics. Currently about 15 percent of the medical devices in use were made in the 1970s. These are expected to be replaced by new ones according to statistics compiled by CAMDI. The Chinese government's healthcare system reform policy is now being shaped as a result of discussion among 16 ministries and commissions. It is expected to be released in early 2008. It is anticipated that changes in healthcare coverage such as offering basic, wider coverage for people in urban areas and formalization of a new countryside cooperative medical scheme designed to cover the large

population in the rural areas, will create a large demand for medical devices at hospitals of all sizes in China. Decisions expected concerning procurement for hospitals on a centralized basis or by province will likely have a significant impact on how companies will sell to healthcare institutions in the coming years because of the government's efforts to address concerns over accessibility and affordability of healthcare. Other concerns for U.S. and foreign suppliers center around the uncertain regulatory environment and extensive delays in registration and re-registration of products though efforts are reportedly being made to reduce the large backlog.

**Table 1:**

China's Imports of Medical Devices during the first 11 month of 2006 and 2007 in million dollars (HS9018/19/20/21/22, 902720/30/50/80/382200)

	2006	2007
World	4361	5046
US	1492	1808
share%	34.21%	35.83%
Germany	756	878
share%	17.34%	17.40%
Japan	746	790
share%	17.11%	15.66%

Source: World Trade Atlas

**Table II:**

China's Imports of Medical Devices during 2006 and the first 11 months of 2007 in million dollars (HS9018/19/20/21/22, 902720/30/50/80/382200)

	2006	Jan-Nov.2007
World	4832	5046
US	1648	1808
share%	34.11%	35.83%
Germany	837	878
share%	17.32%	17.40%
Japan	827	790
share%	17.11%	15.66%

Best selling prospects include:

- Therapeutic Products:  
Tri-dimensional Ultrasonic focused therapeutic system, body rotary Gamma knife, simulator, linear accelerator
- Medical Diagnostic Products:  
Black & white and colored supersonic diagnostic unit, sleeping monitor, digital X-ray system, MRI, CT, DR
- Operating & Emergency Appliances:  
Anaesthesia ventilation systems
- Components: High frequency and voltage generators

#### **US Commercial Service Contact Web Site**

<http://www.buyusa.gov/china/en/healthcare.html>

## U.S. Export Controls

The United States imposes export controls to protect national security interests and participates in various multilateral arms control regimes to prevent the proliferation of weapons of mass destruction. The Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and re-export of sensitive dual-use controlled commodities and technologies. "Dual-use" refers to items or technologies that have both civilian commercial and military applications. BIS implements U.S. export controls on "dual use" and commercial items. Additional information on export controls and BIS, including the Export Administration Regulations (EAR), can be found on the Internet at [www.bis.doc.gov](http://www.bis.doc.gov).

The primary goal of BIS is to protect U.S. national security interests and promote economic and foreign policy objectives. BIS also enforces anti-boycott laws, coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues, and assists U.S. exporters in complying with export control regulations, international arms control agreements and export licensing procedures. The Office of Exporter Services provides information on BIS programs, offers seminars on complying with the EAR and licensing requirements and procedures, and presents an annual Update Conference as an outreach program to industry. The Office of Export Administration processes applications to license exports, re-exports and deemed exports

(technology transfers to foreign nationals in the United States). The Office of Export Enforcement is staffed with approximately 100 Special Agents and investigates illegal transfers of dual-use goods and technologies. BIS Special Agents are also posted as attaches (Export Control Officers) in Beijing, Hong Kong, New Delhi, Moscow and the United Arab Emirates.

For more information on Export Controls, please view our Country Commercial Guide at <http://www.buyusa.gov/china/en/ccg.html> or contact BIS at:

### *Bureau of Industry and Security*

Website: <http://www.bis.doc.gov/>

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CS - Hong Kong Website: www.buyusa.gov/

hongkong

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www.hongkong.usconsulate.gov

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*Bureau of Industry and Security*

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*U.S. National Trade Data Bank*

STAT-USA, HCHB, Room 4885

U.S. Department of Commerce

Washington, DC 20230

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China Website: [www.asachina.org](http://www.asachina.org)

U.S. Website: <http://www.soygrowers.com/>

### *Association of Equipment Manufacturers (AEM)*

China Resource Building, Suite 501

No.8 Jianguomenbei Avenue

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 Houston, TX 77006  
 Tel: (713) 524-4311  
 Fax: (713) 524-7656  
 Website: [www.chinahouston.org](http://www.chinahouston.org)

*Los Angeles*

443 Shatto Place  
 Los Angeles, CA 90020  
 Tel: (213) 807-8088  
 Fax: (213) 380-1961  
 Website: [www.chinaconsulatela.org](http://www.chinaconsulatela.org)

*New York*

520 12th Avenue  
 New York, NY 10036  
 Tel: (212) 868-7752  
 Fax: (212) 502-0245  
 Website: [www.nyconsulate.prchina.org](http://www.nyconsulate.prchina.org)

*San Francisco*

1450 Laguna St.  
 San Francisco, CA 94115  
 Tel: (415) 674-2900  
 Fax: (415) 563-0494  
 Website: [www.chinaconsulatesf.org](http://www.chinaconsulatesf.org)

## Useful Websites

### Chinese Government Resources

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Beijing Foreign Economic and Trade Commission  
[www.tpbjc.gov.cn](http://www.tpbjc.gov.cn)

China Council for the Promotion of International Trade  
[www.ccpit.gov.cn](http://www.ccpit.gov.cn)

China Economic Information Network  
[www.cei.gov.cn](http://www.cei.gov.cn)

China Internet Network Information Center  
[www.cnnic.net.cn](http://www.cnnic.net.cn)

China National Tourism Administration  
<http://old.cnta.gov.cn/lyen/index.asp>

Department of Travel & Tourism Industries  
<http://tinet.ita.doc.gov/>

General Administration of Civil Aviation of China  
[www.caac.gov.cn](http://www.caac.gov.cn)

Ministry of Commerce  
[www.mofcom.gov.cn](http://www.mofcom.gov.cn)

Ministry of Communications  
[www.moc.gov.cn](http://www.moc.gov.cn)

Ministry of Foreign Affairs  
[www.fmprc.gov.cn](http://www.fmprc.gov.cn)

Ministry of Health  
[www.moh.gov.cn](http://www.moh.gov.cn)

Ministry of Information Industries  
[www.mii.gov.cn](http://www.mii.gov.cn)

Ministry of Railroads  
[www.china-mor.gov.cn](http://www.china-mor.gov.cn)

National Bureau of Statistics  
[www.stats.gov.cn/english](http://www.stats.gov.cn/english)

National Development and Reform Commission  
<http://en.ndrc.gov.cn/>

State Food and Drug Administration  
[www.sda.gov.cn](http://www.sda.gov.cn)

### China Associations

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China Association of Automobile Manufacturers  
<http://caam.org.cn/caam/caam.web/>

China Chain Store and Franchise Association  
[www.cdfa.org.cn](http://www.cdfa.org.cn)

China Engineering Plastics Industry Association  
[www.cepia.cn](http://www.cepia.cn)

China Machine Tool & Tool Builders' Association  
[www.cmtba.org.cn](http://www.cmtba.org.cn)

China Plastics Processing Industry Association  
[www.cppia.com.cn](http://www.cppia.com.cn)

China Tendering and Bidding Association  
[www.ctba.org.cn](http://www.ctba.org.cn)

General Administration of Quality Supervision,  
 Inspection and Quarantine  
[www.aqsiq.org](http://www.aqsiq.org)

### General China Resources

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China Big Yellow Pages  
[www.chinabig.com](http://www.chinabig.com)

Business - China.com  
[www.business-china.com](http://www.business-china.com)

China.com  
[www.china.com](http://www.china.com)

China Business World  
[www.cbw.com](http://www.cbw.com)

China Daily  
[www.chinadaily.com.cn](http://www.chinadaily.com.cn)

China Online - The Information Network for China  
[www.chinaonline.com](http://www.chinaonline.com)

China Yahoo  
<http://cn.yahoo.com/>

Hong Kong Trade and Development Council  
[www.tdc.org.hk](http://www.tdc.org.hk)

### Other

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Asian Development Bank  
[www.adb.org](http://www.adb.org)

World Trade Organization  
[www.wto.org](http://www.wto.org)

## Editor's Caution

The economic and business environment in China is constantly changing which means that some of the information in this book may be out-of-date before you even read it. To help us improve next year's book, please send suggestions by fax or email to the Commercial Service Office in Beijing. We plan to post major changes to Contact China on our Website.

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## U.S. Commercial Service - China

[www.buyusa.gov/china/en](http://www.buyusa.gov/china/en)

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### Beijing - Office

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No.55 An Jia Lou Rd.  
Beijing 100600  
Tel: (86-10) 8531-3000  
Email: [Beijing.Office.Box@mail.doc.gov](mailto:Beijing.Office.Box@mail.doc.gov)

### Shanghai - Office

Shanghai Center, Suite 631  
1376 Nanjing West Road  
Shanghai 200040, China  
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Fax: (86-21) 6279-7639  
Email: [Shanghai.Office.Box@mail.doc.gov](mailto:Shanghai.Office.Box@mail.doc.gov)

### Chengdu - Office

4 Lingshiguan Lu, Renmin Nanlu Section 4  
Chengdu 610041, China  
Tel: (86-28) 8558-3992/9642  
Fax: (86-28) 8558-9221/3520  
Email: [Chengdu.Office.Box@mail.doc.gov](mailto:Chengdu.Office.Box@mail.doc.gov)

### Shenyang - Office

52 Shi Si Wei Road, Heping District  
Shenyang 110003, China  
Tel: (86-24) 2322-1198  
Fax: (86-24) 2322-2206  
Email: [Shenyang.Office.Box@mail.doc.gov](mailto:Shenyang.Office.Box@mail.doc.gov)

### Guangzhou - Office

14/F China Hotel Office Tower, Room 1461  
Liu Hua Road  
Guangzhou 510015, China  
Tel: (86-20) 8667-4011  
Fax: (86-20) 8666-6409  
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