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Doing Business in China

Market Overview

Amidst slowing Chinese growth, growing concern about national security implications of technology supply chains, and U.S. and Chinese retaliatory tariffs, many American companies are increasingly pessimistic about their prospects in the Chinese market. Still, China accounted for more than a quarter of global GDP growth in 2018, and, despite a falling growth rate, is on track to account for more than a quarter of global GDP growth in 2019 – more than the EU, Japan, India, Brazil, and Mexico combined. Chinese consumers, especially in smaller Chinese cities, have a growing demand for high quality U.S. products.

China's growth dipped down to 6.6% in 2018, its slowest in nearly 30 years, and most analysts expect this rate to slide again in 2019. Many economists remain concerned about China's medium-term growth prospects due to the slow pace of economic reforms, failure to bring debt levels under control, and an uncertain external environment. Maintaining politically acceptable economic growth without further exacerbating the buildup in debt will be a major challenge for the Chinese leadership.

U.S. exports to China in 2018 were $120.34 billion, down from $129.89 billion in 2017. That downward trend continues as of the writing of this report – U.S. exports of China were down 20% YoY through April of 2019. U.S. exports of services to China were $58.9 billion in 2018.

While China's leadership has, in response to increasing global concerns about Chinese economic policy, repeated long-standing commitments to gradually open China's market further to foreign participants and remove barriers to increased imports, tangible progress has been marginal at best. Indeed, foreign companies report growing concerns about the business climate in China. China continues to rely upon industrial policy tools – including subsidies, market access restrictions, pressures to transfer technology, and other support for domestic competitors – to drive the economy. These policy tools undermine the ability of foreign firms to operate on a level playing field in the Chinese market. Furthermore, the Chinese Communist Party's control over every economic actor in the market has increased. The United States continues to vigorously advocate for a more balanced, reciprocal, and fair bilateral economic relationship. Despite these serious challenges, market potential does exist for foreign companies, particularly those operating in industries such as energy efficiency, clean technology, and healthcare, where critical Chinese needs provide opportunities for mutual benefit.

Market Challenges

China is a challenging place to do business. In its 2019 *American Business in China White Paper*, the American Chamber of Commerce in China (AmCham) noted that the business outlook of their companies shifted from one of cautious optimism to cautious pessimism. AmCham reports that American businesses in China faced headwinds arising from inconsistent and generally unfavorable interpretation of regulations, rising costs of doing business, increased competition from Chinese competitors, and regulatory compliance risks. AmCham's 2019 survey found that over half of its member companies experienced an increase in non-tariff barriers in 2018.

Day-to-day business operations present a variety of obstacles. The World Bank in its 2019 *Ease of Doing Business Report* ranks China 46th out of 190 countries in ease of doing business. Despite significant Chinese government efforts to streamline bureaucracy and reduce red tape, foreign companies continue to complain about lengthy and opaque administrative procedures, especially with respect to permits, registration, and licensing.

China also continues to pursue industrial policies that limit market access for imported goods, foreign manufacturers, and foreign services providers, while offering substantial government guidance, resources, and regulatory support to Chinese industries. The principal beneficiaries of these policies are state-owned enterprises, as well as other favored domestic companies attempting to move up the economic value chain. Provincial and local governments often have an ownership stake in private companies, incentivizing support of these enterprises.

Foreign enterprises continue to report that Chinese government officials may condition approvals on a foreign enterprise's agreement to transfer technology, conduct research and development in China, satisfy performance requirements relating to exportation or the use of local content, or make valuable, deal-specific commercial concessions.

While foreign firms largely continue to report profitability in China, their profit margins are shrinking. This reflects increasing competition, rising costs, heightened regulatory impediments, a shrinking labor pool, and—in many sectors—overcapacity.

As of June 1, 2019, China has announced several rounds of retaliatory tariffs on U.S. imports, ranging from 5% to 25% on a total of $110 billion in goods. The list of applicable tariffs is available here: $50 billion tariff list: List 1- $34 billion, List 2- $16 billion; $60 billion Tariff list: List 1- 25% tariff, List 2- 20% tariff,List 3- 10% tariff, List 4- 5% tariff. On May 13, 2019, China's State Council Customs Tariff Commission (SCCTC) announced that China would implement a trial exclusion process for imports from the United States that are subject to additional tariffs in retaliation for Section 301 tariffs. The process will be administered in two batches. The first batch applies to products on China's $50 billion list announced June 2018 and $16 billion list announced 2018. Applications will be accepted from June 30 - July 5, 2019. Batch 2 applies to products on China's $60 billion list which was initially announced on August 2018. Exclusion Applications for Batch 2 will be accepted from September 2, 2019 until October 18, 2019. To qualify for the exclusion an applicant must explain whether any of the following factors are applicable:

- Difficulties the applicant faces in seeking an alternative source for good:
- Whether the tariffs cause serious economic harm to the applicant; and
- Whether tariffs will have a major negative structural impact on the relative industries (including, inter alia, impact on industry development, technological progress, employment, and environmental protection) or lead to serious social consequences/

Products included on the exclusion list in principle will be entitled to exclusion from additional tariffs going forward and refunds on additional tariffs that have already been collected. This process is in the trail stage and many factors ranging from the application criteria to the application determination are unclear.

Market Opportunities

China's vast size, growing wealth, changing demographics and economic transformation will continue to create opportunities for U.S. firms. China's growing middle class will create market opportunities across a number of industries. China's manufacturing economy – already 50% larger than the manufacturing economy in the United States – will continue to evolve away from low-cost, labor-intensive manufacturing toward more technology-intensive high value-added production. According to AmCham's most recent member survey, companies in the aerospace, healthcare services, and retail and distribution industries were most optimistic about China's investment environment. Consumer-based, R&D-intensive, service-sector companies view the continued rise of China's affluent middle class as a key driver for growth in China. Companies in the services sector expect to benefit from the globalization of Chinese companies and increased outbound investment. Some top sectors we will explore in this report include:

- Agriculture
- Aviation
- Environmental Technology
- Medical Devices
- Pharmaceuticals
- Tourism

Market-Entry Strategy

As always, companies should consider their own resources, previous export or business experience abroad, and long-term business strategy before entering the China market. Representation in China by a Chinese agent, distributor, or partner who can provide essential local knowledge and contacts is often critical for success, but finding the right Chinese agent or partner requires preparation, patience and hard work.

Given the enormous size of the China market, U.S. companies should view it in geographic segments and search for business partners, agents, or distributors that can cover specific geographical areas or industry sectors. It is best to start in first-tier cites, such as Beijing, Shanghai and Guangzhou, where businesspeople have more experience in dealing with foreign companies. While the first-tier markets may be more saturated, they offer an easier entrée into China through which U.S. companies can then expand into second and third tier cities, often working with their existing business partners or even identifying new partners. Moreover, potential business partners that specialize in specific industry segments are also important to consider as they make have connections to the large state-owned and private enterprises often representing the most likely end-users.

The following are some important considerations for U.S. companies to consider when exploring business opportunities in China.

- Agents and distributors tend often specialize in one region or one end-user, so the agent who ably represents a product in Shanghai, may fail in Guangzhou. A firm that sells testing and monitoring equipment to China's vast state-owned petrochemical industry may not have good channels into the municipal wastewater treatment sector.
- China's consumer market is fragmenting by geography, income levels and age. Even niche markets – older people in third and fourth tier cities, for example – can be profitable.
- A strategy the focuses on a niche or a specific region can often be the best initial approach for smaller companies. First-tier cities are the most logical place to start when entering the China market for the first time.
- Government officials play an oversized role in the economy. Firms should seek to understand how their product or service is regulated and by which agency.

Intellectual property rights holders should understand how to protect their IP under Chinese law before entering the China market and should conduct thorough due diligence on potential partners or buyers before entering into any transaction. All companies and IP rights holders should consult closely with lawyers who have extensive experience with the China market.

The U.S. Department of Commerce's United States and Foreign Commercial Service (USFCS) offers customized solutions to help U.S. companies, including small- and medium-sized enterprises, succeed in the China market. USFCS stands ready to help U.S. companies develop comprehensive market-entry or expansion plans, learn about export- and customs-related requirements, obtain export financing, and identify potential partners, agents, and distributors through business matchmaking programs, trade shows, and trade missions led by senior U.S. government officials. As starting point, Commercial Service China offer the Initial Market Check (IMC) that delivers an assessment for a product or service's market potential in specific city or region in China.

The U.S. Department of Agriculture's Foreign Agricultural Service (FAS) provides equivalent-level trade services at no cost for U.S. companies interested in exporting agricultural, fishery, and forestry products through their Agricultural Trade Offices. FAS maintains offices in Beijing, Chengdu, Guangzhou, Shanghai, and Shenyang. FAS works with USDA agencies and other U.S. food safety-related agencies (the United States Food and Drug Administration) to coordinate the U.S. response to newly arising sanitary, phytosanitary, and technical barriers to trade, such as identifying and resolving challenges posed by new procedures introduced

at port or acquiring, translating, and coordinating the U.S. response to draft regulations that could affect U.S. exports.

Political Environment

For background information on the political and economic environment, please see See the State Department's website https://www.state.gov/countries-areas/china.

Selling U.S. Products & Services

Establishing an Office

Foreign companies have a wide range of options for establishing a presence in China, including as a wholly foreign-owned enterprise, through a joint venture, by opening a representative office, and other investment vehicles. Each option has its own advantages, disadvantages, and risks. Firms seeking to establish a presence in China should work with qualified, experienced legal advisors.

Representative Office

Setting up a representative office (RO) is a mechanism for establishing a presence in China that has no registered capital requirements. However, an RO's scope is quite limited: ROs may not engage in any profit-making activities, and can only legally participate in market research, investigation, promotional activities of products or services, liaison for the purposes of selling products or services, domestic procurement, or domestic investment. Since a RO is a not an independent legal entity in China, their parent company is responsible for signing any sales contracts and must have an established history of more than two years.

Applications for most industry ROs can be directly submitted to the Administration of Industry and Commerce in the locality where the proposed RO is to be established. The registration of a RO is required to employ Chinese nationals, to open a bank account, and/or to use business cards that identify the company's presence in China. ROs may employ no more than four foreign representatives at a time. ROs are not considered Chinese legal persons, and therefore are limited in hiring ability, issuing invoices, and receiving payments in RMB.

Wholly Foreign-Owned Enterprise

A wholly foreign-owned enterprise (WFOE) is a limited liability company with complete ownership by foreign investors. A large majority of new foreign investments in China are WFOEs, rather than JVs. As Chinese legal entities, WFOEs experience greater independence than ROs, are allowed exclusive control over carrying out business activities while abiding by Chinese law and are granted intellectual and technological rights. However, the process of establishing a WFOE can be relatively long. The Chinese government issued a new foreign investment law in March 2019 and plans to issue corresponding implementing guidance, which may impact registration requirements for WFOEs when the new law goes into force in January 2020.

Joint Venture/Licensing

A joint venture (JV) is a company that's ownership is split between foreign investors and Chinese investors. JVs are often established when companies enter industries that are required by law to have a local partner or are still heavily controlled by the government. The benefits of engaging in a JV for foreign investors can include low production and labor costs, as well as taking advantage of local partner's access to capital, technology, distribution channels, and local expertise. Chinese authorities' interest in JVs stem from the desire to observe new technologies and management practices. However, the risk of forming a Sino-Foreign JV include loss of control of investment, theft of intellectual property, differences in business culture, and conflicts of interest. A U.S. company contemplating a JV should clearly understand what their partner brings to the table and what benefits there might be to establish a JV rather than a WFOE.

There are two types of JVs:

Equity Joint Venture (EJV)

- The profits and losses of the EJV are distributed proportionately to each party and their respective interests and investments in the EJV.

- The foreign investors must hold at least 25% of the equity interest in the registered capital of the EJV.

Cooperative or Contractual Joint Venture (CJV)

According to Baker & McKenzie, cooperative joint ventures in China could take two forms:

Acco Cooperative joint ventures take one of two different forms:

- a "pure" cooperative joint venture in which no legal entity separate from the contracting parties is established and the parties make their contributions to the project and bear therisk of profit and loss directly; and
- a "hybrid" cooperative joint venture in which a separate business entity is established and registered and the parties' liabilities are generally limited to their capital contributions to the entity.

Furthermore:

- The profits and losses of the CJV are distributed to parties according to the provisions that were outlined in the CJV contract.
- The foreign investors are not required to provide a minimum foreign contribution, which allows them to take part in a JV without owning a major share.

Regulations in China change frequently for all three structures listed above and are likely to do so in coming months as China implements its new foreign investment law. Companies are encouraged to seek assistance from professional service providers during the process of establishing a business in China.

Franchising

Exporting franchises from the U.S. to China works in much the same way as franchising domestically; the Chinese franchisee pays a percentage of revenue to the American franchisor as a royalty fee for using the brand, while the franchisor provides support and expertise.

The regulations affecting franchisors and their operations may be found in the Regulations on the Administration of Commercial Franchises (Franchise Regulations), the Administrative Measures for the Information Disclosure of Commercial Franchises (Information Disclosure Measures) and the Administrative Measures for Archival Filing of Commercial Franchises (Archival Filing Measures). These have all been issued by China's Ministry of Commerce (MOFCOM) and, taken together, cover all regulatory aspects of franchising.

One key aspect of China's regulations governing franchising is the two-plus-one requirement, which stipulates that franchisors own at least two directly operated outlets anywhere in the world before being allowed to operate a franchise model in China. Additionally, a franchisor shall disclose to its franchisee relevant information in writing at least thirty days prior to the conclusion of a commercial franchise contract.

Foreign franchise brands are receiving greater interest from second and third-tier city market developers as markets in Beijing and Shanghai become more saturated. It is noteworthy that many of the major locations abandoned by foreign multinationals over the past few years were in first-tier cities where their Chinese story began; this is a phenomenon largely attributed to growing real estate costs. High rent is expected to continue to negatively impact more foreign franchises in Beijing and Shanghai. However, there is room for growth in China's west and inland regions which boast advantages such as lower labor costs, reasonably-priced real estate facilities, a rising middle class, and untapped consumer spending.

Additionally, there is an increasing trend of food and beverage companies entering the market as wholly-owned enterprises to manage their brand, demonstrate proof-of-concept, and create a strong foothold prior to expanding into the franchise model. It is important for entities considering a franchise model to consider steps

to protect their brand and image. Prior to making substantive moves into the market, including negotiations with potential partners or franchisees, companies should consult with appropriate counsel regarding trademark registration and other concerns relating to intellectual property rights protection. For more information on how to better protect IPR overseas, please refer to this Stop Fakes website. Also, companies should evaluate after sale service and other related considerations that may affect their brand image.

In addition, foreign franchisors often find that brand logos and associated images, as well as the products themselves, need to be tailored to the unique tastes of Chinese consumers in a way that still preserves the core product and brand.

One of the most difficult aspects of franchising in China is finding qualified franchisees. This is largely since local investors are reluctant to invest in brands if they are unsure about their acceptance by Chinese consumers. Given this concern, industry experts recommend that companies first open their own stores in China to show the market that the business concept works and to solidify its brand positioning before attempting a franchise model. While such an approach generally results in higher costs and slower expansion in the short term, it allows direct control of the brand and products while learning about the local business culture and customer preferences.

Using an Agent to Sell U.S. Products and Services

China's fast-growing economy attracts international participation, including exports from U.S. small and medium-sized enterprises (SMEs). Unlike large international or multinational companies that establish operations for branding, marketing and various business activities in China, SMEs with limited budgets usually start with fostering a sales network through regional agents or distributors. Sales agents and distributors can assist in keeping track of policy and regulatory updates, both locally and nationally, collect market data, and quickly respond to changes.

However, there are some drawbacks to agents. Employing a third-party results in additional costs and firms may also lose some control and visibility over sales/marketing. Agency has implications for intellectual property rights protection and using an agent can increasing the risk of products being copied or counterfeited.

Given the above considerations, companies need to select agents and distributors carefully. Companies should conduct due diligence, verify any information that is provided, and act on red flags. There is no specific standard for international due diligence; however, some of the frequently asked questions in the following checklist may be useful in a company's investigation of a potential business partner:

- Do they represent any competing companies/products?
- Can you communicate effectively with your counterpart?
- Are they legitimately registered?
- Who are the shareholders?
- Are they financially sound?
- Is it possible to arrange a site visit to their office/facility?

Once they have an agent(s) in place, U.S. companies should:

- Insist that all permits and approvals (especially critical approvals such as trademark filings or deeds) are translated or reviewed by a reputable third party.
- Hold frequent phone calls to review performance and problems and visit in-person at least once a year.
- Monitor the U.S. and third country markets for possible IPR infringements originating in China.

Direct Marketing

Direct selling is defined by Chinese regulators as a type of business model involving the recruitment of direct marketing sales agents or promoters and the selling of products to end-consumers outside fixed business locations or outlets.

As part of China's WTO commitment, the Chinese government agreed to allow market access for wholesale or retail trade services away from a fixed location. However, the regulations are quite restrictive, especially regarding multi-level marketing (MLM) organizations, which are characterized as illegal pyramids under the regulations. Sales promoters earn commission only according to their sales performance and the proportion of payment to sales promoters should not exceed 30% of the income generated from sales. Furthermore, commission paid to a salesman is not allowed to be calculated based on the MLM structure, and direct selling firms must have fixed-location service centers in each jurisdiction (generally a city) where sales occur to provide after-sales service and consultation. To obtain a direct sales license, firms must have three years of relevant foreign experience, a 20-100 million RMB ($2.9-14.5 million) bond deposit, and an 80 million RMB ($11.6 million) registered capital threshold, among other requirements. The Chinese government has remained slow to approve direct-sales license applications for new entrants over the past few years. The industry remains closely watched and tightly regulated at both the central and local levels.

Selling to the Government

China's current government procurement regime is governed by two primary laws: the Government Procurement Law, which is administered by the Ministry of Finance and governs purchasing activities conducted with fiscal funds by state organizations and other organizations at all levels of government in China; and the Tendering and Bidding Law, which falls under the jurisdiction of the National Development and Reform Commission, imposes uniform tendering and bidding procedures for certain classes of procurement projects in China, notably construction and public works projects, without regard for the type of entity that conducts the procurement. China has yet to join that the WTO Government Procurement Agreement (GPA) and these laws both cover important procurement projects that would be eligible for coverage under the GPA.

The U.S. Government imposes restrictions on the sale of many items to the Chinese military. Restrictions on this type of business exist both in the United States and China. For example, the United States restricts the export of munitions items to China. U.S. manufacturers should contact the Department of Commerce's Bureau of Industry and Security (202-482-4811) and the U.S. State Department's Directorate of Defense Trade Controls (202-663-2980) for guidance before selling items to the Chinese military.

The U.S. Department of Commerce's Advocacy Center coordinates U.S. government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with overseas governments and government agencies. The Advocacy Center helps to ensure that sales of U.S. products and services have the best possible chance of competing abroad. Advocacy assistance is wide and varied but often involves companies that want the U.S. Government to communicate a message to foreign governments or government-owned corporations on behalf of their commercial interest, typically in a competitive bid contest.

Many governments finance public works projects through borrowing from multilateral development banks. Please refer to "Project Financing" Section in "Trade and Project Financing" for more information.

Distribution & Sales Channels

While the ability of foreign-invested firms to import, export, and distribute goods in China has improved, the licensing and approval process remains difficult, time consuming, and highly opaque. A standard business license, which contains a "scope of business" that details the activities the firm is permitted to undertake, is issued by municipal Administrations of Industry and Commerce. Most businesses require further permits or permissions from other regulators. For example, a distributor of medical devices will require both a business license with the appropriate scope of business from the Agency of Industry and Commerce as well as a permit from the local Food and Drug Administration.

Sales channels available to foreign companies selling in China include trading companies, distributors, and local agents and internet platforms.

Selling Factors & Techniques

Industrial and commercial sales in China tend to be driven by initial price. More corporate and government buyers are realizing the value of quality and the importance of considering the lifecycle cost of products, but U.S. firms with premium offerings still face pressure to lower prices to meet those of lower-quality local offerings. The dynamic in the consumer market is very different, with Chinese consumers willing to dole out substantial funds on brands with a perceived or actual quality advantage. Sales channels tend to be complex and divided by region and/or end-user.

Proper marketing and advertising are critical in both the consumer and industrial markets. China's advertising market is large and sophisticated. Personal relationships (guanxi in Chinese) in business continue to be important. Counterparts prefer to know who they are dealing with before getting involved too deeply. Chinese colleagues and partners are often looking for common ground to build a team that can be trusted. These relationships take time to develop. To be successful, American businesses should understand this aspect of the business culture and embrace a patient approach.

While it remains important for exporters, importers, and investors to establish and maintain close relationships with their Chinese counterparts and relevant government agencies, the market dynamic in China has shifted. Chinese businesspeople have become more sophisticated and are experienced dealing in the global marketplace. They have adopted modern methods to selling products and services through online platforms and are utilizing new technologies to get products to consumer faster and more efficiently. However, this should not prevent U.S. companies from working with business partners that specialize in selling specific produces and/or whose coverage is region specific.

U.S. companies must develop product brochures and materials in Chinese to sell their products in China. While an increasing number of Chinese are speaking English, the numbers are still relatively low, particularly in second and third tier cities.

Localization

Though Chinese customers welcome U.S.-made products in general, they still prefer localized customer support from a manufacturer, such as on-site training, service centers in China, local representatives, and catalogues and manuals in Chinese. While a growing percentage of the management work-force in first-tier cities speak English, U.S. exporters should understand the limits of English language proficiency in China and do their utmost to see that all materials are professionally translated into Chinese. Being able to communicate in the native language will enhance the relationship between the parties and helps to clarify technical issues, planning issues, logistical issues, and contractual issues.

Logistics

Logistics in China have become less arduous in recent years with increased transportation options and continued improvement to highway, air, railway, and port infrastructure. Most domestic goods travel by truck (more than 80% according to data compiled by Armstrong & Associates Inc) but increasing air travel and a relatively new aircraft fleet mean that domestic air transport is an increasingly viable option for higher-value goods. Most major international logistics companies are now operating in China, although they face regulatory barriers that limit their ability to provide domestic services. Logistics costs in China tend to be high – the most recent estimate of China's National Development Reform Commission is that logistics costs are 14.9% of China's GDP, far above the 8%-9% of advanced economies. China ranked 26th in the World Bank's 2018 Logistics Performance Index, with a particularly low score in customs clearance.

eCommerce

Overview and Current Market Trends

China is the world's largest eCommerce market with over 50% of global eCommerce transactions coming from China. In 2018, China's online retail transactions reached $1.33 trillion and are forecasted to reach $1.99 trillion by the end of 2019. In 2018, the number of digital buyers in China surpassed 560 million with the total number projected to reach 634 million in 2020. By that year, China's eCommerce market is predicted to be larger than those of the U.S., UK, Japan, Germany, and France combined, according to Dezan Shira & Associates.

Domestic eCommerce (B2C), Cross-Border eCommerce, and B2B eCommerce

The eCommerce space in China is dominated by domestic platforms, namely Alibaba's Taobao and Tmall (55% market share) and JD.com (25% market share). Pinduoduo, a new model of social media eCommerce firm that leverages group purchasing, has overtaken dozens of competitors in the past two years to become the third largest platform, with 5.7% market share. Platforms such as Suning, Kaola, Vipshop, Gome, Yihaodian, Dangdang, JMei, and others make up the remaining market share. Cross-border eCommerce is experiencing significant growth; estimates suggest that the current $122 billion of cross-border eCommerce transactions could grow to $199 billion by 2022.

U.S. companies seeking to sell products on China's eCommerce platforms can choose either to establish a presence in China or use cross-border eCommerce to sell products directly from abroad. American firms can also take advantage of China's cross-border eCommerce bonded warehouses. These special bonded zones create a pathway that streamlines Chinese Customs procedures and makes conducting cross-border eCommerce easier for buyers and sellers. There are more than a dozen (and growing) cross-border eCommerce bonded zones in China. Through this channel, Chinese consumers can purchase no more than 5,000 RMB ($735) per transaction and no more than 26,000 RMB ($3820) per year. American companies seeking to sell through one of these special zones need to work with local authorized partners who have integrated systems to record transactions with China Customs.

Major Buying Holidays

"Singles Day", November 11, is the busiest online shopping day of the year when huge discounts are offered on every eCommerce platform. For some brands, up to 80% of revenue is generated on that day. In 2018, Alibaba recorded sales of about $31 billion on Singles Day, $10 billion of which was spent in the first hour. Other holidays such as Valentine's Day and Chinese New Year are also aggressive online shopping periods.

eCommerce Intellectual Property Rights

Intellectual property rights infringement across China's many eCommerce platforms is common. The primary method of enforcing intellectual property on eCommerce platforms is through notice-and-takedown procedures, which allow rights holders to request that the platforms delist or "takedown" links offering infringing products, based on established intellectual property rights. For patent and trademark infringement, similar to enforcement offline, companies must have those rights registered ***in China*** in order to be accepted by eCommerce platforms. In addition, it is critical that companies familiarize themselves with the takedown procedures for the larger eCommerce platforms in China, as different platforms have different procedures for accepting takedown notices. Finally, monitoring large Chinese eCommerce platforms for infringing goods can be time-consuming, and oftentimes companies rely on local agents to monitor the platforms in a regular and cost-effective manner. Despite these challenges, a growing percentage of business-to-business and business-to-consumer sales occur on eCommerce platforms in China, and effective IP enforcement strategies must have an online component.

Trade Promotion & Advertising

China is the world's second-largest advertising market, featuring consistent double-digit growth and a projected market of more than $105 billion in 2019. Internet ad spending is now rapidly outpacing TV ad spending. In 2018, internet advertising spending in China was over three times the size of TV adverting spending. China's retail boom and increasing competition among retailers is causing China's advertising industry to grow even faster than the economy as a whole.

Many major international advertising firms have established a representative office in China and have teamed up with Chinese partners, through joint ventures and other types of partnerships, to offer their services in the market. Companies new to the market can gain valuable advice from top-notch advertising firms on how to craft an effective advertising strategy that is responsive to Chinese consumer preferences and cultural differences.

The advertising industry in China remains heavily regulated, and the national and provincial governments still exercise control over content. Advertising in China is regulated by the Advertising Law of the People's Republic of China (Advertising Law), which was updated in 2015. The updates to the Advertising Law introduced several major changes impacting online advertising, health claims, celebrity endorsers, and false advertising.

Major changes include:

- Expanding the law's purview to include online advertising;
- Obliging telecommunications firms, internet service providers, and websites to remove illegal/misleading advertisements;
- Disallowing dietary supplements companies to imply that they are "necessary" for good health;
- Prohibiting the use of spokespeople in many types of health-related advertising;
- Broadening definitions of "advertising" and "false advertising";
- Restricting children's advertising;
- Restricting tobacco advertising.

Notably, foreign businesses must work with a licensed partner to advertise in China.

The State Administration for Market Regulation's (SAMR) Advertising Supervision and Management Department acts as the main advertising regulator, but other bodies such as the Ministry of Culture and Tourism and the National Radio and Television Administration's Media Management Division also play an active role in controlling print and television content. SAMR's advertising regulator is responsible specifically for regulating advertisements in pursuit of consumer protection.

Social Media Marketing

With China in the midst of a consumer revolution, foreign products that make use of advanced marketing, advertising, and research techniques are leading the way. Brand awareness is increasingly important, and sophisticated advertising is beginning to play a key role in attracting the Chinese consumer. Social media is a crucial aspect of any good marketing strategy in China. In January 2019, there were approximately 1 billion social media users in China, which now accounts for a third of the world's active social media users.

WeChat is China's most popular mobile social network application, with over 1 billion daily active users in 2018, accounting for nearly all of the social media users in China. With WeChat, brands can access potential consumers through creative marketing to capture a wide market share in China. The platform allows retailers to feature online stores, has a convenient third-party payment function, and allows for push messages that introduce new product lines or deliver promotions. There are various options for building a brand on WeChat, including a subscription account where brands can push out consistent messaging and a service account to create a platform to manage eCommerce and customer service. Online wallets like WeChat's own WeChat Pay, or Alibaba's Alipay, are the payment methods of choice; analysts expect 85% of all online shopping in China will be done on mobile devices by 2021; in the U.S. that number is only 54%.

The Twitter-like Weibo, messaging app QQ, and short video app Douyin are other popular Chinese social media platforms. U.S. companies interested in exploring social media avenues and working with these sorts of social media players should work with a local marketing partner to develop a strategy and support implementation.

Pricing

Most Chinese consumers are highly sensitive to price. Industrial and government procurement purchasing decisions are often focused primarily around price points and less around product and service quality. With carefully packaged service programs, however, Chinese industrial buyers can be convinced to pay a premium for higher quality products. Attractive export/import financing programs can also be an important tool for exporters. Refer to Chapter 7 for additional information on export financing assistance opportunities for U.S. companies.

Chinese consumers have demonstrated a willingness to pay a significantly higher price for products that provide a sense of prestige and sophistication. Simply carrying an imported label can often, though not always, be enough to put products into a premier price category. While a significant portion of such price differences are attributable to import duties and value-added tax, perceived higher quality and greater prestige of imported products has allowed importers to reap large profit margins. Refer to Chapter 5 for more information on duties and taxes.

Sales Service/Customer Support

The ability to provide adequate after-sales service is an important selling point and can distinguish a company from its competitors. Foreign invested enterprises are now able to provide sales service and after-sales customer support in China. Heightened consumer awareness has given U.S. companies with strong international brands an advantage in the Chinese market, as American products and services are generally considered to have superior sales and customer support standards. This, of course, requires a certain degree of localization, and a commitment to training the local sales and service force.

In addition, there are other new challenges in the Chinese market such as food safety and product warranty issues. In recent years, a few notable American companies have been criticized in China for not providing adequate customer service. American companies should be aware of the increased importance of food safety and product warranty issues in China. U.S. companies need to develop a public relations strategy to address customer concerns in a very price sensitive market like China where customer expectations of the private

sector are high. In China, customers often use social media outlets to express their dissatisfaction over products and services and do not hesitate to involve appropriate government bodies to obtain a response from private sector service providers.

Protecting Intellectual Property

Intellectual property theft is widespread in China, but firms can and must take steps to protect and enforce their intellectual property rights. Firms should consider several general principles for effective management of their intellectual property. China presents unique challenges due to the size of its market and ongoing difficulties implementing a robust IPR protection and enforcement system.

Since joining the World Trade Organization in 2001, China has strengthened its legal framework and amended its intellectual property (IP) laws and regulations to better comport with international practices. However, despite stronger statutory IP protection, China continues to be a haven for counterfeiting, digital piracy, and IP theft. Most world trade in counterfeits originates in China, and most counterfeit products seized at the U.S. border are manufactured in China. In addition, China's digital piracy rate is one of the highest in the world. The Office of the United States Trade Representative and the Commission on the Theft of American Intellectual Property estimate that Chinese theft of American IP costs the United States between $225 billion and $600 billion annually.

Chinese agencies and courts have expressed a commitment to addressing the problem, and progress has been made, particularly in China's first-tier cities. However, U.S. companies doing business in China continue to face a range of IP challenges, including bad-faith trademark registrations, trade secret theft, online piracy and counterfeiting, adverse technology transfer requirements, and rigorous IP ownership and research and development localization requirements. Structural impediments to administrative, civil, and criminal IP enforcement also pose obstacles to protecting companies' IP rights in China.

Companies planning to do business in China should understand that the U.S. and Chinese IP legal systems are different. For example, registration of rights in the United States does not automatically confer rights in China. It is important to become familiar with the differences between the two systems and to develop and implement a comprehensive strategy for protecting IP in China.

IP Attaché Contacts:

Beijing:

Duncan Willson

U.S. Embassy Beijing

55 Anjialou Road

Chaoyang District

Beijing, China 100600

T: 86-10-8531-4812

Duncan.Willson@trade.gov

Shanghai:

Vacant (Contact Duncan Wilson)

U.S. Consulate General Shanghai

Shanghai Center, East Tower, Suite 631

1376 Nanjing West Road

Shanghai, China 200040

Office Phone: +86 21-6279-8558

Guangzhou:

Conrad Wong

U.S. Consulate General

43 Hua Jiu Road

Guangzhou, China 510623

Office Phone: +86 20-3814-5533

Conrad.Wong@trade.gov

Due Diligence

While China is a promising market, it is also one of the most challenging environments for American companies. Many U.S. companies can profitably enter and operate in the Chinese market, but each year a large number of firms face serious difficulties that result in costly and disruptive local business disputes.

Many of these disputes could be successfully avoided through standard due diligence. The primary causes of commercial disputes between Chinese and American companies include breach of contractual payment obligations, irregularities in accounting practices, financial mismanagement, undisclosed debt, and the struggle for control within joint ventures. These problems can be minimized by investigating the financial standing and reputation of Chinese companies before signing contracts or entering into partnership agreements.

China's evolving policy environment over the last decade has created challenges in carrying out what would be considered routine due diligence in the United States and many countries. Rather than a consolidated privacy law, there is be a patchwork of 10 separate laws that leave a lot of gray area for China's officials and judges to determine violations, which often seem to have political motivations. Of particular note, Article 253 of the PRC Criminal Law, adopted in February 2009, made government agencies and organizations in the fields of finance, telecom, transportation, education, or healthcare criminally liable for providing personal information on Chinese citizens collected during their routine work. Application of this law has been expanding in the years since. Furthermore, the country cut off access to much of the information that was visible in publicly available records from the State Administration of Industry and Commerce beginning in the summer of 2012.

Despite these challenges, both U.S. and Chinese service providers with offices in China conduct due diligence investigations. The fees charged by these companies should be considered a worthwhile investment to ensure the local customer or partner is financially sound and reliable.

As part of the overall due diligence process, the Department of Commerce is able to assist American companies in evaluating potential business partners through the International Company Profile (ICP) service. USFCS strongly encourages more due diligence in China than American companies would typically need in the United States or most other international markets.

Online Due Diligence Resources

Online corporate retrieval database maintained by the Administration for Industry and Commerce of PRC.

Online corporate retrieval database maintained by the Hong Kong Companies Registry.

Search engine for WeChat official accounts and articles.

Local Professional Services

The system for regulation of foreign commercial activity in China is difficult to navigate and is not fully transparent. Companies new to the market are strongly encouraged to retain professional services to structure commercial transactions. Establishing a wholly foreign-owned subsidiary, joint venture, or representative office requires compliance with complex contract approval requirements, business registration requirements, taxation regulations and statutes, and labor regulations. Many U.S. banks, accountants, attorneys, and consultants have established offices in China and are familiar with Chinese requirements. Some Chinese professional service providers also have substantial experience serving foreign clients.

Accountants

Chinese law requires representative offices and foreign-invested enterprises engage the services of accountants registered in China to prepare official submission of annual financial statements and other specified financial documents. All the major U.S. accounting firms have established offices in China and provide services including audit, tax and advisory services, the preparation of investment feasibility studies, and setting up accounting systems that follow Chinese law. Only Chinese-licensed CPAs have the authority to issue audit reports and review documents. Foreign accountants cannot issue independent reports.

Attorneys

Competent legal services are available from both foreign and domestic law firms in China. Foreign law offices are severely restricted in the type of services that they can provide in China, but they can refer existing clients to qualified local counsel.

Management Consultants

Foreign companies new to the Chinese market often engage the services of local consultants to develop market entry strategies, conduct due diligence investigations, and identify potential investment partners, sales agents and customers. Most of the major foreign consulting firms are active in the Chinese market, along with a number of small niche players, as well as many local companies.

The U.S. Department of Commerce maintains lists of U.S. law, accounting and consulting firms with offices in China, as well as lists of Chinese firms with whom the Commercial Office or its customers have had favorable dealings.

Market Research Firms

The Nielsen Company Ltd. http://www.nielsen.com/

Ipsos China Ltd. http://www.ipsos.com/

United Research China http://www.china-urc.com/

KPMG https://home.kpmg.com/cn/en/home.html

Deloitte https://www2.deloitte.com/cn/en.html

PWC https://www.pwccn.com/

Principal Business Associations

China Council for the Promotion of International Trade (CCPIT)

1 Fuxingmenwai Street, Beijing 100860, China

Chairman: Jiang Zengwei

Tel: (86 10) 8807- 5650

China Nonferrous Metals Industry Association

3/F, Chuang Jing Tower, No.38 South Shouti Road,

Haidian District, Beijing

President: Shang Fushan

Tel: (86 10) 5889-2027

China Association of Enterprises with Foreign Investment (CAEFI)

2/F, Building3, #28 Donghouxiang, Andingmenwai Dajie, Beijing, China

President: Chen Deming

Tel: (86 10) 6451-6903

Website: http://caefi2.mofcom.gov.cn/

China Iron and Steel Association (CISA)

#46, Dongsixi Dajie, Beijing, China

Chairman: Gao Xiangming

Tel: (86 10) 6513-3322-1331

Website: http://english.chinaisa.org.cn/do/index.jsp

China Associations of Automobile Manufacturers (CAAM)

15/F, Block A, Huirong Building, 106 Lianhuachi E. Rd, Xicheng District, Beijing

Chairman: Zhu Yanfeng

Tel: (86 10) 6397-9900

Website: http://www.caam.org.cn/

All China Fedeation of Industry and Commerce

#70, Deshengmenxi Dajie, Beijing, China

Chairman: Gao Yunlong

Tel: (86 10) 5805-0500

Website: http://www.chinachamber.org.cn/

American Chambers of Commerce/Trade Associations

All-China Federation of Industry and Commerce 70 Deshengmen Xidajie, Beijing 100035,

ChinaChairman: Gao YunlongTel: (86 10) 5805-0738

Email: acfic@acfic.org.cn

American States Association in China

F5, B Block Jiajingtiancheng Mansion

A2 Zhonghuan Nanlu, Wangjing Beijing 100102, China

Tel: (86-10) 8472-1382

Fax: (86-10 8472-1210

Association for Manufacturing Technology

Rm. 2507 Silver Tower 2 Dongsanhuan North Road

Chaoyang Distrjing 100027, China

Chief Representative: Li Xingbin

Email: lixingbin@amtchina.org

Tel: (86 10) 6410-7374/7375

American Chamber of Commerce China

Floor 3, Gate 4, Pacific Century Place

2A Workers' Stadium North Road, Chaoyang District, Beijing, 100027

President: Alan Beebe

Tel: (86 10) 8519-0800

Fax: (86 10) 8519-0899

E-mail: amcham@amchamchina.org

American Soybean Association

Suite 1016, ChinaWorld Tower 1

Beijing 100004, China

Tel: (86 10) 6505-1830

Council of American States in China (CASIC)

Room 807-811

No.399 Nanjing West Road Shanghai, China

Tel: (86 21) 2308-1188

Fax: (86 21) 2308-1199

Email: casic@casic.us

Association of Equipment Manufacturers (AEM)

Suite 501, China Resources Building

8 Jianguomenbei Avenue

Beijing 100005, China

Tel: (86 10) 8519-1566

U.S.-China Business Council

CITIC Building, Room 10-01

19 JianguomenWaidajie Beijing 100004, China

President: Craig Allen

Tel: (86 10) 6592-0727

Fax: (86 10) 6512-5854

Email: info@uschina.org.cn

U.S. Grains Council

ChinaWorld Tower 1, Room 1010C

1 JianguomenWaidajie, Beijing 100004, China

Tel: (86 10) 6505-1314, 6505-2320

United States Information Technology Office (USITO)

Suite 1104, 11th Floor,

Sun Palace Building No. 12

Taiyanggong Middle Road Chaoyang District, Beijing 100028 PRC

Tel: (86 10) 8429-9070

Fax: (86 10) 8429-9075

U.S. Wheat Associates

Room 1009, 10th Floor

China World Office 1

No. 1 Jianguomenwai Avenue

Beijing 100004, China

Tel: (86 10) 6505-3866

China Association for Medical Devices Industry (CAMDI)

Room 1101, Building No.18,Jianwai SOHO, No.39 Middle Dongsanhuan Road,

Chaoyang District, Beijing

President: Zhao Yixin

Tel: (86 10) 6549-9320

China Semiconductor Industry Association (CSIA)

No.27 Wanshou Rd.

Haidan District, Beijing 100846

Chairman: Jiang Shangzhou

Tel: (86 10) 6820-7449

China Photovoltaic Industry Association (CPIA)

Electronics Building, No. 27 Wanshou Road,

Haidian District, Beijing 100886

President: Jifan Gao

Tel: (86 10) 6820-0513

China Electronic Production Equipment Industry Association

Room 208, Building A, 49 Fuxing Road,

Haidan District, Beijing 100036

President:

Tel: (86 10) 6886-0519

China Software Industry Association

4th Floor, Building A, Zhongsoft Building, No. 55 Xueyuan South Road,

Haidian District, Beijing 100081

Tel: (86 10) 6211-8505

There are also Chinese associatons for almost every industry and profession – far too many to list here – and those associations often play an important role in setting standards and regulating the market. U.S. exporters should learn which industry associations are active in their area of business.

For a list of the top industry associations in China please visit:

http://www.chinabizservices.com/news/2013/0701/40.html

Limitations on Selling U.S. Products and Services

For information on limitations on selling U.S. products and services please refer to:

The U.S. Government's National Trade Estimate Report on Foreign Trade Barriers

Department of State Investment Climate Statement

Web Resources

U.S. Commercial Service, U.S. Department of Commerce, China (English)

U.S. Commercial Service, U.S. Department of Commerce, China (Chinese)

International Trade Administration, U.S. Department of Commerce

China Trade Show Events

American Chamber of Commerce, Beijing

American Chamber of Commerce, Shanghai

AmCham Shanghai's Trade & Investment Center

American Chamber of Commerce, South China

U.S.-China Business Council

U.S. Embassy, Beijing

U.S. Consulate, Shanghai

U.S. Consulate, Guangzhou

U.S. Consulate, Chengdu

U.S. Consulate, Shenyang

U.S. Consulate, Wuhan

The Chinese Central Government's Official Web Portal

AmCham China's "2019 American Business in China White Paper":

AmCham Shanghai's "2016 China Business Report": https://www.amcham-shanghai.org/

The Council of American States in China (CASIC)

Leading Sectors for U.S. Exports & Investments

Agricultural Industry

Overview

The United States Department of Agriculture (USDA), 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. agricultural, fishery, and forestry products. In 2018, China was the fourth largest market for U.S. food and agricultural exports at $13.2 billion, a drop from its second-place status the year before. This represented a 45% decline from 2017 due to the additional tariffs on U.S. exports imposed by China in mid-2018. China continues to have a strong appetite for soybeans, cotton, pork and pork variety meats, hides and skins, forestry and fisheries products, and dairy products. Despite a sharp decrease in U.S. soybean exports to China in 2018, soybeans maintained the number one share of U.S. agricultural and related exports by value at 24%

Prospects for a rebound in U.S. agricultural exports remain constrained by China's increasingly opaque and unresponsive legal system and the additional import tariffs China assessed on many U.S. food and agricultural products in response to the United States' 232 and 301 trade actions. For more information about the U.S. products affected by these trade actions, see the FAS Global Agricultural Information Network (GAIN) reports in response to the U.S. 232 trade action and U.S. 301 trade action. Every month China issues new entry requirements – certificates, registration, attestation – that do not necessarily increase product safety but push the onus of ensuring food safety away from Chinese food regulators. Often these new requirements are not notified to the WTO for public comment and are not announced until implementation is imminent. China's erratic rule-making also often subjects U.S. products to scrutiny that is not faced by domestic producers. China is also extending the scope of its food regulations to cover products traded under new platforms which may begin to dampen prospects for e-commerce traded products.

U.S. exports of bulk agricultural commodities saw the most dramatic drop in 2018, led by soybeans, which were down 75%. Sorghum, wheat, and corn shipments were also all sharply lower, while cotton exports were down just 6%. Intermediate agricultural product exports were also down in 2018 compared to 2017, primarily as a result of reduced hides & skins, hay, and soybean oil exports. In contrast to bulk and intermediate exports, and despite the increase in tariffs, overall consumer-oriented exports continued to be relatively strong in 2018 and were down just 3%. Among consumer-ready foods, pork, dairy, and fresh fruit saw the largest declines year to year. The largest increases were for tree nuts (where a crackdown on border trade resulted in more nuts arriving directly from the United States), prepared food, and beef (due mainly to the fact that U.S. beef had market access for only half of 2017). Agricultural-related product exports were down slightly in 2018 as a result of smaller forestry and fishery product exports, although shipments of ethanol and distilled spirits increased.

China is allowing the formation of trade associations. Since the agricultural reforms of the 1970s, the country has encouraged the privatization of state-owned enterprises and the creation of new companies and services to support the agricultural and manufacturing sectors. However, attention to the creation of entities capable of independently representing businesses without government oversight has received little support. Chinese companies have been highly reluctant to voice their opinions regarding new regulations, standards, and incident enforcement. Now trade associations are beginning to appear at the provincial, regional, and national levels and may begin to play a more active role in food regulation and oversight. China's agribusiness is also following a parallel track of consolidating many small holdings and creating companies that are regionally or vertically integrated. This includes conglomerates that handle animal genetics and feed processing to process animal products and Chinese chain restaurants, bakeries, and coffee shops that span the entire country.

Consumers continue to exhibit concern for food safety, a driving factor for imports, which are seen as being more heavily inspected and generally safer than local products. The impact has been particularly strong for dairy products and seafood, and to especially include those products for children and food ingredients as Chinese manufacturers seek to avoid problems with locally sourced ingredients. Food safety is also driving a portion of e-commerce sales of imported food products. Many consumers consider imported food products purchased directly from overseas through e-commerce channels to more authentic and safer than those purchased through traditional stores.

Since 2013, China has embarked on a comprehensive review of its food safety and agricultural standards, including an extensive overhaul of its National Food Safety Law. Due to the changing regulatory environment in China, U.S. exporters are advised to carefully check import regulations. Individuals and enterprises interested in exporting U.S. agriculture, fishery, and forestry commodities to China should contact the FAS offices (listed below) as well as USDA Cooperator organizations. Exporters of U.S. agricultural commodities should also review the FAS website (http://www.fas.usda.gov), which features general information about trade shows and other promotional venues to showcase agricultural products, FAS-sponsored promotional efforts, export financing and assistance, and a directory of registered suppliers and buyers of agricultural, fishery, and forestry goods in the United States and abroad.

The Animal Plant Health Inspection Service also operates one office in Beijing and the Food Safety Inspection Service is working to establish an office in Beijing.

U.S. Exports of Agricultural, Forestry, and Fishery Products to China

2015-2019

Cumulative to Date Values in Millions of U.S. Dollars

Product/Category	2015	2016	2017	2018	Jan-Feb 2018	Jan-Feb 2019	Percent change Jan-Feb 2018/2019
Wheat	160	205	351	105	21	0	--
Corn	163	40	142	50	2	0	--

Coarse Grains (ex. corn)	2,115	1,030	839	530	249	0	--
Rice	-	-	1	-	-	-	83
Soybeans	10,489	14,203	12,253	3,145	1,997	1,205	-40
Oilseeds (ex. soybean)	2	3	5	1	--	0	--
Cotton	859	554	978	924	298	120	-60
Pulses	24	26	25	11	1	2	67
Tobacco	197	172	162	158	9	0	--
Other Bulk Commodities	24	151	56	46	17	3	-84
Bulk Total	14,033	16,384	14,813	4,971	2,595	1,330	-49
Soybean Meal	6	10	7	12	1	1	-31
Soybean Oil	13	104	24	2	--	--	-32
Vegetable Oils (ex. soybean)	48	47	42	42	6	6	9
Animal Fats	1	7	2	2	--	--	-40
Live Animals	1	1	10	8	--	9	8,233
Hides & Skins	1,268	948	945	607	135	88	-35
Hay	331	355	341	274	48	24	-50
Distillers Grains	1,632	470	62	44	6	1	-81
Feeds & Fodders NESOI	377	379	267	232	41	26	-35
Planting Seeds	119	88	131	146	27	27	-3

Sugar, Sweeteners, Bev. Bases	19	12	11	11	1	1	30
Other Intermediate Products	478	425	424	473	69	78	12
Intermediate Total	4,295	2,845	2,267	1,852	335	261	-22
Beef & Beef Products	-	-	31	61	11	10	-10
Pork & Pork Products	427	713	662	571	107	87	-19
Poultry Meat & Prods. (ex. eggs)	49	33	36	47	11	4	-63
Meat Products NESOI	45	26	12	17	3	5	72
Eggs & Products	1	1	2	3	--	--	112
Dairy Products	451	386	577	500	86	60	-31
Fresh Fruit	137	186	226	177	25	6	-74
Processed Fruit	95	100	134	116	12	12	-1
Fresh Vegetables	4	3	1	1	--	--	-90
Processed Vegetables	137	152	117	123	14	19	38
Fruit & Vegetable Juices	27	12	14	16	2	2	17
Tree Nuts	208	182	243	328	35	29	-18
Chocolate & Cocoa Products	35	31	27	34	4	4	-5
Snack Foods NESOI	51	37	34	35	4	3	-32
Breakfast Cereals	29	32	30	21	2	1	-53

Condiments & Sauces	10	10	11	11	1	2	59
Prepared Food	91	126	139	181	16	35	118
Wine & Beer	63	91	86	68	12	6	-47
Non-Alcoholic Bev. (Ex. juices)	34	35	34	42	7	5	-23
Dog & Cat Food	1	3	7	6	1	1	-10
Other Consumer Oriented	9	7	4	3	--	1	154
Consumer Oriented Total	1,903	2,166	2,428	2,363	353	291	-18
Distilled Spirits	15	11	12	18	2	2	-24
Forest Products	2,066	2,543	3,194	2,868	506	268	-47
Fish Products	1,037	962	1,232	1,054	155	103	-34
Agricultural Related Products	3,253	3,830	4,512	4,022	713	373	-48
Agricultural & Related Products Total	23,484	25,224	24,019	13,208	3,996	2,255	-44

Source: U.S. Census Bureau Trade Data. For up to date information, visit https://apps.fas.usda.gov/Gats/default.aspx

Leading Sub-Sectors

China continues to lead global demand for soybeans, which are crushed and used for livestock feed and edible vegetable oil. However, the advent and spread of African Swine Fever (ASF) in China beginning in 2018 is expected to dampen Chinese demand for soybeans in 2019, as is China's additional 25% duty on U.S. soybeans.

Likewise, ASF has already taken a toll on China's swine and pork production for 2019. By the end of 2019, the total swine inventory will be down 13% to 374 million head. Pork production will decrease by 5% to 51.4

million metric tons (MT), with the reduced supply only slightly offset by weakened demand. To cover the domestic supply gap, China will increase pork imports by 33% to 2 million MT. While U.S. pork products still face retaliatory Chinese tariffs of up to 62% and process verification requirements, if these are removed, U.S. producers could significantly increase exports to China.

Overall dairy consumption in China is stable, with higher-end fresh milk and yogurt products replacing milk-based beverages. Consumers continue to prefer imported dairy products for quality and food safety reasons, resulting in increased imports across the dairy sector. Imports of Ultra High Temperature (UHT) Pasteurized milk will continue to rise, albeit at a slower rate than in the past and will further penetrate third- and fourth-tier cities in China. The vast majority of imports continue to come from the European Union, New Zealand, and Australia which enjoy free trade agreements with China. The biggest consumption change has been growing Chinese middle-class demand for yogurt products, with producers diverting increasingly large accounts of fluid milk and whole milk powder (WMP) into yogurt production. The majority of imported UHT milk is ordered through e-commerce channels by young professionals in the larger cities.

China remains a top market for U.S. whole and processed tree nut exports. Nuts and seeds are a traditional snack food in China. Walnuts remain the favorite nut among Chinese consumers as walnuts are considered a health food that contributes to overall brain health. Imported nuts such as almonds, pistachios, pecans, and macadamia nuts are holding an increasingly large market share as a result of rising incomes and enhanced consumer awareness about the nutritional attributes of nuts.

Opportunities

Animal Feed

ASF hit China for the first time in mid-2018, and subsequently spread to all of the country's provinces. The disease is expected to have a serious impact on China's swine herd and reduce China's animal feed consumption in 2019 and beyond. However, China still holds more than half of the world's commercial swine, requiring massive imports of animal feed inputs, like soybeans and sorghum. U.S. alfalfa is expected to remain a major high-quality forage choice for China's commercial dairy farms. Additionally, in April 2017, China lowered value-added taxes on primary agricultural products from 13% to 11%. The country's animal husbandry industry continues to modernize. Part of this modernization trend includes importing higher quality feed ingredients, to provide animals with the most nutritional and efficient feed diet.

Cotton

China's cotton imports are forecast slightly higher on a strong pace of imports to date and potential expansion of China's import quota. This recovering trend is also supported by the Chinese textile industry seeking to source higher-grade cotton from foreign suppliers to stay competitive in export markets.

Dairy Products

U.S. imports are constrained in large part by slow approvals of U.S. dairy facilities and products under China's new registration regulations. Once resolved, imports of milk-based products are expected to increase. Consumer continue to prefer imported dairy products for their perceived safety and quality advantages over domestic products. Consumers are increasingly purchasing ready-to-drink yogurts, whey protein, and the hotel restaurant and institutional (HRI) sector is interested in sourcing U.S. cheeses.

Tree Nuts

Nut consumption, especially for imported nuts, will remain strong. Chinese consumers are drawn to products with nutrition and health benefits, and nuts are perceived to not only promote health and beauty but are also

convenient snacks for working professionals and children. E-commerce is an important marketing venue for imported tree nuts due to their long shelf life, convenient packaging, and long-distance shipping suitability.

Beef

Beef consumption has been increasing in China as urban consumers gain affluence and gain a taste for new protein sources beside pork. Furthermore, Chinese consumer concerns about ASF in pork will increase demand for beef and other animal proteins. With its limited domestic supply, China will increase its beef imports by an estimated 20% in 2019. Notably, in order to diversify the number of beef suppliers, China's General Administration of Customs (GACC) has granted or restored market access for a number of countries in the last two years, including the United States. China is still in the process of granting access to U.S. facilities to ship U.S. beef to China, and beef supplies which meet the requirements for market access are relatively low. Subsequently, U.S. beef prices in China have been higher relative to other importing countries. U.S. beef exporters should continue to educate importers, distributors, and consumers about the positive attributes and grading system leading to the high quality and safety of U.S. beef.

Wood and Wood Products

U.S. wood is recognized in the China market for its sustainable supply, high and consistent quality, and reliable grading system. However, demand for U.S. wood in 2019 is expected to be negatively impacted by the additional tariffs imposed by China since September 2018. Moreover, China's overall demand for wood is projected to be relatively flat in 2019 due to the general slowdown of the economy. China's furniture and interior design markets, who are major buyers of imported wood, are impacted by the macro economy downturn.

Consumer Oriented Products in Second-tier Cities

While imported food products are abundant in China's largest first-tier cities, second-tier cities offer largely untapped opportunities for U.S. food and agricultural exporters. In years past, most imported food and agricultural products entered China through ports located at or near first-tier cities. This was where the cold chain was most advanced, and also nearest to where most potential consumers lived. However, cold chain and logistics in China have improved dramatically due to technological advances and the rise of e-commerce. Second-tier city importers and distributors are increasingly seeking to make direct connections with U.S. exporters in order to avoid broker fees from first-tier importers and to quickly deliver the freshest and highest quality products to local consumers. U.S. exporters and industry associations will find that marketing and promotion activities are usually less expensive, and partners are more willing to engage, when compared to first-tier city partners.

U.S. Department of Agriculture Offices

Agricultural Affairs Office: AgBeijing@usda.gov

Agricultural Trade Office – Beijing: ATOBeijing@usda.gov

Agricultural Trade Office – Guangzhou: ATOGuangzhou@usda.gov

Agricultural Trade Office – Shanghai: ATOShanghai@usda.gov

Agricultural Trade Office – Chengdu: ATOChengdu@usda.gov

Agricultural Trade Office – Shenyang: ATOShenyang@usda.gov

Animal and Plant Health Inspection Service:

https://www.aphis.usda.gov/aphis/ourfocus/internationalservices/offices/contact_us_pages/contact_us_beijing_china

Web Resources

FAS Home Page: http://www.fas.usda.gov

FAS Data & Analysis

FAS publishes a wide range of reports on agriculture, agricultural markets and market access issues and regulations. These reports are available on the FAS website: https://www.fas.usda.gov/data

FAS Offices Overseas

https://apps.fas.usda.gov/overseas_post_directory/index.asp

Automotive

Overview

China continues to be the world's largest vehicle market with the Chinese government expecting that automobile output will reach 30 million units by 2020 and 35 million by 2025. According to the China Association of Automobile Manufacturers, over 27 million vehicles were sold in 2018. This included 23.79 million passenger vehicles, down 4.08% from 2017, and 4.38 million commercial vehicles, an increase of 5.05%. The decline in passenger vehicle sales is the first annual decline in at least 20 years.

(Unit: # of vehicles)

	2014	2015	2016	2017	2018
Chinese Vehicle Production	23,491,900	24,597,600	28,028,000	29,015,000	27,809,000
Chinese New Energy Vehicle Production	74,763	340,471	517,000	794,000	1,500,000
Chinese Vehicle Exports	950,000	755,500	708,000	1,063,800	1 ,041,000
Chinese Imports of Foreign Vehicles	1,430,000	1,101,900	1,041,000	1,246,800	1,140,000
Chinese Vehicle Imports from the United States	291,690	307,425	235,760	280,208	190,100
Vehicles Purchased in China	22,833,590	24,944,000	28,361,000	29,198,000	27,908,000

Sources: Global Trade Atlas, Ministry of Industry and Information Technology, China Association of Automobile Manufacturers

Effective July 1, 2018, China trimmed tariffs on imported cars from 25% to 15% of their wholesale value. It also cut tariffs on 218 categories of imported car parts, reducing them to a standardized 6%. However, in June 2018, China imposed an additional 25% tariff on $50 billion in U.S. imports with $34 billion taking effect on July 6, 2018 and the balance of $16 billion on August 23. This tariff included most U.S. made autos and auto parts at rates between 5% and 25%. In December 2018, China announced that it would temporarily suspend these new tariffs on autos and auto parts until March 31, 2019. As of June 1, 2019, these retaliatory tariffs on auto parts will go into force. In addition to tariffs, all autos in China are subject to an engine displacement-based consumption tax that can reach 40% for the largest engines. Also, all passenger cars and medium and small size commercial vehicles valued 1.3 million RMB excluding VAT (approximately $188,000) and above are subject to an additional 10% "Luxury Car Consumption Tax".

Autos, including new energy vehicles (NEVs), are one of 10 sectors of the Made in China 2025 program, a government initiative to upgrade the country's industry from low cost mass production to higher value-added advanced manufacturing. For NEVs, the government's goal is to produce 1 million electric and plug-in hybrid cars in China by 2020, with domestic production accounting for at least 70% of the country's market share. Moreover, China aims to sell 3 million domestically branded NEV's in 2025 with a minimum of 80% of the country's NEV market share. China's "Automobile Mid and Long-Term Development Plan", released in April 2017, supports this initiative; aiming to make China a "strong" auto power within ten years. This plan highlights

the development of NEVs and connected and autonomous vehicles as an opportunity for China to dominate this emerging market. Several ambitious targets have been set relating to the creation of national champions in auto parts/brands, connected car technology, driver assistance, and autonomous systems. Additional guidelines focus on NEV engines, plug-in hybrid engines, fuel cell systems and key components, charging stations, battery manufacturing facilities, and testing equipment.

Historically, consumer level subsidies, from both the central and provincial/municipal governments, have played a significant role in spurring domestic NEV sales. Though the stated aim of these subsidies is to support the development of the domestic NEV industry, since imported vehicles do not qualify, it also has the effect of making imported vehicles less cost competitive. MIIT announced in March 2019 that it would cut the maximum subsidies by 50% for 2019 and phase out all subsidies by the end of 2020, which will increase the price competitiveness of imported vehicles.

As China moves away from its consumer-level subsidy program, the government has introduced a fleet quota system specifying that automakers, including joint ventures and auto importers, are required to manufacture or import a minimum percentage of NEVs relative to their total manufacturing or importing. The 2019 NEV production quota is 10% of total produced vehicles and 12% for 2020 based on a credit system which reduces the total requirement. Quotas for 2021 and beyond have not yet been released. Automakers that do not meet these targets are required to purchase NEV credits from other automakers that exceeded the production quotas or forgo sales of some amount of internal combustion engine vehicles.

Leading sub-sectors

Automotive Aftermarket

The Chinese parts and repair aftermarket is projected to reach $188 billion by 2020. The Chinese automotive parts market is dominated by foreign and joint venture companies with a 70% revenue share in2017.

Specialty Auto Parts

China's specialty auto parts market reached approximately $3.5 million in 2018, registering an annual growth rate of about 30%. The car modification business remains popular in some developed cities despite the fact that China's "Road Safety Law" essentially prohibits modifications. Nonetheless, foreign specialty equipment companies have seen the market potential. The International Trade Administration (ITA) continues to engage with Chinese industry and government representatives on aftermarket issues and has provided information on how the United States regulates its aftermarket, including specialty equipment. The Specialty Equipment Market Association (SEMA) has a Market Development Cooperator Program (MDCP) award with ITA to help U.S. specialty parts companies grow their exports to China.

Recreational Vehicles

China's RV market has undergone significant changes over the past several years, including a national focus on the development of tourism, campgrounds and the RV industry. With a growing demand for RVs and a shift in consumers' travel preferences, tourism experts in China anticipate a surge of RV-related businesses in the coming years. In 2017, China ranked second as a destination market for U.S. RVs with exports totaling $19.9 million compared to $13.7 million in 2016. Of these exports, towable RVs (travel trailers) comprised 76% of RV exports with motorhomes making up the remaining 24%. In 2018, U.S. RV exports to China dropped to $3 million with towable units accounting for 60% of exports. This decline was primarily due to increased tariffs imposed that year. According to the "2018 Top Markets Report: Recreational Transportation," it is estimated that Chinese consumers could purchase up to 500,000 RVs by 2020.

Autonomous and Connected Vehicles

The nascent industry of autonomous driving vehicles (ADV), as a priority sector for development in China, presents new areas of opportunity for high quality automotive component and IT companies. "The Connected Vehicle Industry Development Plan 2020" sets specific goals for ADVs including the reduction of vehicle traffic accidents by 30%, increase traffic efficiency by 10%, and decrease fuel consumption by 5%. The plan also calls for at least 50% of the vehicles being equipped with driver assistance (DA), partial assistance (PA) or conditional assistance (CA). The development of ADVs in China faces challenges relating to standards development, on-road testing, cyber security, geographic data collection, and intellectual property protection amongst others.

Trade Shows

Chengdu International Trade Fair for Automotive Parts and Aftermarket Services

Chengdu, May 23-25

All in Caravaning

Beijing, June 14-16

China International Motorcycle Trade Exhibition

Chongqing, September 20-23

China International Auto Modification and Accessories Expo

Shanghai October 13-15

Web Resources

Ministry of Transport of China (MOT): http://www.mot.gov.cn

China Associations of Automobile Manufacturers (CAAM): http://www.caam.org.cn/

China Automobile Dealers Association: http://www.china-cada.org.cn

China Automotive Technology and Research Center (CATARC): http://www.catarc.ac.cn/ac_en/

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

Certification and Accreditation Administration (CCC Certification): http://www.cnca.gov.cn/

Ministry of Information and Technology (MIIT): http://www.miit.gov.cn

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Aviation

Overview

Aircraft, Spacecraft, and related parts (HS Code 88)

	2016	2017	2018
China's Exports	3,454	3,672	4,613
China's Imports	26,246	30,675	35,297
Imports from the U.S.	14,370	16,120	17,706
U.S. share of China 's imports	55%	53%	50%
Exports to the U.S.	1,133	1,260	1,168

Source: Global Trade Atlas Unit: $ millions

Having experienced double-digit annual rates for many years, China is the world's second largest civil aerospace and aviation services markets and one of the world's fastest growing. Commercial opportunities in China's civil aerospace and aviation services markets exist in virtually every subsector including: civil and general aviation aircraft; engines and parts; maintenance, repair and overhaul (MRO); and airport design, equipment and services, among others.

China's government, which has long considered the development of its aviation system a national priority, has spent $100s of billions to establish airlines, build and upgrade airports, develop domestic manufacturing capabilities, train new pilots, and increase domestic maintenance capacity. China is the largest foreign market for U.S. aerospace products with U.S. firms exporting $17.7 billion in products to China in 2018, 50% of China's total aerospace product imports. In 2018, China's civil aviation transportation turnover reached 121 billion ton-kilometers; passenger traffic for 2018 reached 610 million passengers.

By the end of 2018, China had more than 59 airlines (passenger & cargo) and 3,615 civil aircraft (an increase of 10% over 2017). According to China's 13th Five Year Plan, by 2020, China will have more than 4,500 civil aircraft. China's top three airlines - Air China, China Southern, and China Eastern - are already among the world's top 10 carriers by passenger volume. By the end of 2018, the number of Chinese civil airports grew to 235, and China expects to have more than 260 civil airports by 2020. 37 Chinese airports exceed 10 million passengers annually with Beijing, Shanghai and Guangzhou airports alone accounting for a quarter of total passengers traveling in China.

Though China is still in the early stages of developing general aviation (GA), there are significant opportunities for U.S. companies in China. In 2017, in a bid to speed development of the sector, the Civil Aviation Administration of China (CAAC) removed 30 GA related rules. They reduced GA flight plan approvals from one week to one day, increased the number of aircraft maintenance and repair certifications, and eased regulations on UAVs, repair work, and flight paths. Most importantly, China is looking to deregulate the use of airspace for GA at lower altitude levels.

The expansion of China's aviation market creates both opportunities and challenges for U.S. companies. Commercial opportunities in the civil aviation market include tier-one suppliers to Chinese OEMs, niche parts

manufacturers, airport design and construction companies, MRO, and GA among others. However, U.S. companies face strong competition from European companies and increasingly from local Chinese firms as well.

Leading Sub-Sectors

Aircraft Parts: Manufacture and Repair

According to the U.S. Department of Commerce, China imported $18.875 billion in aircraft in 2018, an increase of 11.6% over 2017. As a result of the ongoing build-out of China's fleet, China's aircraft manufacturing and repair industry reached $39 billion in 2017, up 7% from 2016. China's aviation services market is expected to overtake the United States as the world's largest by 2022 and the country is estimated to need over 7,000 commercial aircraft in the next 20 years. The best short-term opportunity for U.S. aerospace parts companies is in supplying parts for China's commercial aircraft fleet which is dominated by western aircraft. With growing capacity utilization, the growth and aging of China's aircraft fleet, and the domestic production and assembly of aircraft, China's demand for parts will undoubtably rise with annual growth rates expected to reach 10% in the near future.

A second opportunity is in supplying parts to China's emerging aircraft manufacturers. China is aggressively working to develop a globally competitive aerospace manufacturing industry and a number of U.S. companies are already key partners for the Commercial Aircraft Corporation of China's (COMAC's) ARJ21 regional jet and C919 narrow body civil aircraft and the Aviation Industry of China's (AVIC's) MA700. China has several more aircraft in the design phase. There are also opportunities for U.S. companies in China's fledgling general aviation manufacturing industry. In the short run, Chinese built aircraft are not yet competitive but strong growth in China's aviation manufacturing sector over the long term is now possible.

China's domestic aircraft parts and assembly manufacturing sector is growing and developing. In addition to approximately 200 small aircraft parts manufacturers, there are also several regionally-based major manufacturers concentrated in Shanghai, Chengdu, Xi'an, Nanchang, Harbin, Shenyang, and Shijiazhuang. Although large aircraft and engine manufacturers have continued to expand their domestic procurements for long-term development, the most highly technical and sophisticated parts are still imported. For example, over 8,000 Boeing airplanes fly throughout the world with integrated China-built parts and assemblies. China contributes components to all Boeing airplane models currently under production.

Airports

As noted above, aviation services in China are growing dramatically and civil aviation airports are experiencing similar growth. According to the CAAC, in 2018, Chinese airports handled 1,264 billion passengers, up by 10.2% over 2017. Beijing Capital International Airport recorded nearly 100 million passengers in 2017, ranking first nationwide, followed by Shanghai Pudong, Guangzhou Baiyun, Chengdu Shuangliu, Shenzhen Baoan, Kunming Changshui, Xi'an Xianyang, Shanghai Hongqiao, Chongqing Jiangbei and Hangzhou Xiaoshan". The following table shows China's top 10 airports with annual passenger throughput of 10 million or more:

Airports	Passenger Throughput			
	Rank	2017	2016	Year-to-Year %

Beijing/Capital	1	95,786,296	94,393,454	1%
Shanghai/Pudong	2	70,001,237	66,002,414	6%
Guangzhou/Baiyun	3	65,806,977	59,732,147	10%
Chengdu/Shuangliu	4	49,801,693	46,039,037	8%
Kunming/Changshui	5	45,610,651	41,980,339	9%
Shenzhen/Baoan	6	44,727,691	41,975,090	7%
Shanghai/Hongqiao	7	41,884,059	40,460,135	4%
Xi'an/Xianyang	8	41,857,229	36,994,506	13%
Chongqing/Jiangbei	9	38,715,210	35,888,819	8%
Hangzhou/Xiaoshan	10	35,570,411	31,594,959	13%

(Source: CAAC website)

According to the Civil Aviation Administration of China (CAAC)'s 13th Five Year Plan (2016 – 2020), China will continue major new airport construction including the Beijing Daxing International Airport which is the largest new airport under construction and commence 44 new airport construction projects, including the Chengdu Tianfu Airport which will be the 2nd largest new airport project in China. These 44 projects present significant opportunities for U.S. companies to sell equipment and services, including airport design, green construction, energy efficiency equipment, airport security equipment, ground support, terminal related equipment, and daily operations management.

General Aviation (GA)

In China, airspace is tightly controlled by the Chinese military and the airspace classification system does not treat GA air activities separately. Strict military control over roughly 70% of all Chinese airspace is the largest single factor limiting growth of this industry. As such, GA is still underdeveloped in China . In addition, ongoing government austerity programs make the optics of GA ownership challenging for some potential buyers.

Despite these challenges, China is a growing market for business aircraft, helicopters, and other general aviation aircrafts. Currently, China has 2,503 general aviation aircraft and 202 certified general aviation airports. China has 436 general aviation companies, more than 3,100 general aviation pilots, and more than 20 flight training schools. A number of Chinese pilot trainees travel to the Unites States or third countries for flight training as well.

Although the size of the GA fleet, and flight hours are still relatively small, the potential importance of this industry to the Chinese economy in the long term has led aircraft OEMs and Chinese government officials to devote significant resources towards growing general aviation capacity. Chinese government plans call for more than 200 new GA airports by 2020. China has many remote areas where GA can be a cost-effective solution. According to CAAC, Chinese GA OEMs located in Guangdong, Shandong, Hunan, Henan, Hebei, Liaoning, Chongqing, and other provinces have put into operation 17 GA fixed wing and rotary aircraft models. Much like the commercial aircraft sector, China has also invested in a GA industry structure that includes equipment manufacturing, operation, maintenance, airport construction, air traffic control services, and financial services.

The government has committed to gradually opening access to low-altitude airspace and to streamlining the examination, approval, and record-keeping requirements for general aviation flights. A welcome change came in November 2010 when civilian and military authorities issued a joint reform document calling for the partial

deregulation of airspace under 4,000 meters with the intermediate step of opening up of airspace below 3,000 meters by 2020. There is currently a three-phase plan to deregulate GA airspace, with a pilot program in Shenyang, Guangzhou, Hainan Island, Changchun, Tangshan, Xi'an, Qingdao, Hangzhou, Ningbo, Kunming, and Chongqing. The plan is currently in the second phase, with airspace under 1,000 meters now accessible to General Aviation aircraft in these pilot locations.

In its 13th Five Year Plan on General Aviation Development, CAAC announced that by 2020, China plans to have more than 5,000 general aviation aircraft and 500 general aviation airports and reach 2 million flight hours. The plan calls for accelerating the development of the GA sector, delegates the approval of new airports to the provincial governments, and encourages private investment in building airports.

Challenges

While China has allowed access to many U.S. aviation service providers, difficulties remain for U.S. airlines, including access to commercially viable take-off and landing slots, restrictions on all-cargo flight take-off and landing times and co-terminalization, or flying between two Chinese airports by all-cargo flights in China. In addition, China favors domestic airlines when allocating take-off and landing slots. China needs to bring its regulatory regime in line with its commitments to the United States and to increase transparency of the slot allocation process.

The surge in air traffic has significantly increased demand on the country's large and complex airspace system. Although the system has a world-class safety record and continues to grow in passenger and cargo aircraft operations, it exhibits signs of stress, including persistent delays at airports nationwide and a continuing shortage of slots. These delays and slot shortages are due to the limits placed on the use of China's national airspace for civil aviation purposes, inefficiencies in airspace operations, capacity management that relies on a command and control structure, and ripple effects from the resulting congested airspace when arriving at or departing from Chinese airports. China needs to undertake systematic efforts to further open its air space and modernize its air traffic management system to reduce inefficiencies and congestion and accommodate future growth.

Trade Events

The 18th Aviation Expo China

Sept. 18-20, 2019• Beijing, China

http://www.beijingaviation.com/

The 7th Shanghai International Aerospace Technology and Equipment Exhibition 2019

Nov. 15-17, 2019• Shanghai, China

http://www.airexpochina.com/web/en/

Asian Business Aviation Conference & Exhibition (ABACE)

Apr. 21-23, 2020• Shanghai, China

https://abace.aero/2020/

Air Show China 2020

Nov. 10-15, 2020• Zhuhai, China

http://www.airshow.com.cn/

Web Resources

Government Authorities

Civil Aviation Administration of China (CAAC) https://www.caac.gov.cn/en/SY/

Air Traffic Management Bureau: https://www.atmb.net.cn

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Construction and Green Building

Construction Overview

Construction Industry Data (China 2018-2021)				
	2018	2019 (forecast)	2020 (forecast)	2021 (forecast)
Construction Industry value (USD Billion)	893.58	968.06	1,049.19	1117.42
Construction Industry Value, Real Growth (% year to year)	5.1	5.9	6.1	4.3
Construction Industry Value (% of GDP)	6.8	6.8	6.8	6.7

Exchange Rates: $1= RMB 6.7
Source: National Sources, BMI Research

China is the world's largest construction market and the United States is China's second largest source of imports for the construction industry, with an import market share of 13%. However, over the last several years, the construction market in China has slowed as the country looks to shift to a services-led economy and implement more sustainable construction policies. The construction industry is forecasted to grow at an annual average of 5% in real terms between 2019 and 2023. This stands in contrast with the 9.9% annual average recorded from 2008-2017.

China is also looking to shift away from large scale infrastructure projects toward more locally oriented projects. Projects such as water supply and treatment plants, road improvements, urban metro systems, and public parks align with the 13th Five-Year Plan's (FYP) goals of reducing road traffic and pollution, redeveloping dilapidated housing, and promoting the growth of small and medium-sized cities. Replacing old heating infrastructure in cities also provides a niche opportunity.

Growth in the residential and non-residential construction segments will be more muted, as a structural slowdown in China's economy negatively impacts demand for new commercial and industrial buildings. Residential construction will experience slow but stable growth, as additional restrictions on home purchases are implemented in an attempt to cool the housing market.

China's Increasing Emphasis on Green Building

Increasing urbanization as well as national priorities on stability and sustainability have helped China expand its commitments to conserve resources and reduce greenhouse gas emissions through green construction. The ongoing State Council Green Building Action Plan, launched in 2014, mandates that public buildings such as schools, hospitals, museums, stadiums, and affordable housing, as well as any single building area over 20,000 square meters, such as airports, railway stations, hotels, restaurants, shopping malls, offices, and other large public buildings, must meet the green building standards of China's 3-Star Rating System GBEL (The Green Building Evaluation Label). This system is administered by the Ministry of Housing and Urban-Rural Development (MOHURD) and evaluates projects based on six categories: land, energy, water, resource/material efficiency, indoor environmental quality, and operational management. The Green Building Action Plan also provides for the refurbishment of some 400 million square meters of existing urban housing in northern China and 400,000 rural dwellings will be subject to major thermal rehabilitation works.

The U.S. Leadership in Energy and Environmental Design (LEED) certification is also prevalent in China. In 2018, LEED-certified Grade A office buildings exceeded 523 million square meters across greater China, an increase of 7.3% from the previous year, and accounted for over 27% of the total market share in ten prominent cities. Due to their increased sustainability, stability and social responsibility, Grade A offices position companies to better weather a downward commercial real estate market. Moreover, according to the CBRE, the average occupancy of premium LEED projects in China is 10% higher and the rental fee is 25% higher than comparable non-LEED buildings.

U.S. Industry Standards

In response to China's leadership's emphasis on the country's urbanization with a wide range of green buildings practices, U.S. industry standards continue to play a major role in serving the needs of the Chinese green building community. According to the Green Business Certification Inc. (GBCI), China ranks 1st among countries and regions for LEED certification and is dedicated to a greener and more sustainable built environment. In addition, the WELL Building Standard™, created by New York-based Delos and focuses on human health and wellness in the built environments, is becoming increasingly popular in China. As of April 28, 2018, the total registered WELL projects in China has reached 4,923,000 square meters by a handful of leading Chinese real estate developers.

Trade Shows & Events

Green Architecture and Construction Materials Expo 2019

Shanghai New International Expo Centre

CRH EXPO 2020 (China Refrigeration Exhibition)

April 9th-11th, 2020, Beijing International Expo Centre

China International Trade Fair for Heating, Ventilation, Air-Conditioning, Sanitation & Home

Comfort Systems

May 6-8, 2020 Beijing, New China Int'l Exhibition Center, Beijing

Green Build China 2010

October 23-24, Shanghai Tower

China International Lighting & Intelligent Application Expo

15-17 Oct 2019, Beijing

The 14th Int'l Conference on Green and Energy-Efficient Buildings and New Technologies Expo

April 3–4, 2019, Shenzhen, China

U.S. Green Build 2020

14 - 16 November 2020, McCormick Place, Chicago, Illinois

Web Resources

Ministry of Housing and Urban-Rural Development: http://www.mohurd.gov.cn

Ministry of Ecology and Environment: http://www.mee.gov.cn

China Engineering and Consulting Association: http://www.chinaeda.org/

Science -Technology and Industrialization Promotion Center of MOHURD: http://www.cstcmoc.org.cn/

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Education and Training

Overview

U.S. colleges and universities remain the preferred overseas destination for students from China. According to the Annual Report on Chinese Students' Overseas studies, 43% of respondents named the U.S. as their preferred choice. However, this was a 9% drop from the previous year. According to the 2018 Open Doors Report, during the 2017-2018 academic year, 363,341 students from China studied in the U.S. This constitutes a 3.6% increase from the previous year – continued a trend of slowing growth. China remains the leading country of origin for the ninth year in a row, comprising 33.2% of all international students studying in the U.S. In 2018, Chinese students at U.S. colleges and universities contributed $12.55 billion to the U.S. economy. The U.S. Department of Commerce, sees he education market in China as a top prospect for U.S. education services providers: http://trade.gov/topmarkets/pdf/Education_China.pdf

The U.S. continues to attract a growing number of undergraduate students from China with 18.1% (up 14.6% from last year) of recent graduates undertaking Optional Practical Training (OPT). This is a one-year employment opportunity directly related to a particular area of study through a student F1 Visa. In 2016-17, the breakdown of Chinese individuals studying in the U.S. was 40.9% undergraduate, 36% graduate students, and 7.7% other.

Year	Number of Students From China to United States	% Change from Previous Year
2017/18	363,341	3.6%
2016/17	350,755	6.8%
2015/16	328,547	8.1%
2014/15	304,040	10.8%
2013/14	274,439	16.5%
2012/13	235,597	21.4%
2011/12	194,029	23.1%
2010/11	157,558	23.5%
2009/10	127,628	29.9%

Source: Institute of International Education

Chinese children are provided with nine years of free, compulsory education from elementary to junior high school. On November 7, 2016, the National People's Congress (NPC) revised the "Private Education Promotion Law," banning private, for-profit schools from offering compulsory education to first- through ninth-graders.

Leading Sub-Sectors

Short-term training programs, technical schools, and workshops in specialized fields as well as business education are particularly popular in Chinese education. In December 2011, China's National Development and Reform Commission (NDRC) along with the Ministry of Commerce (MOFCOM) jointly released a revised edition of the *Guiding Catalogue*, on Foreign Investment in Industry, which added "training and vocational education"

to the "encouraged" list of industries for foreign direct investment. The catalogue includes four categories: "encouraged," "restricted," "prohibited," and "permitted". Therefore, U.S. educational organizations can also market teaching materials and equipment, convey the latest methodologies and case studies, exchange faculty, and provide educational consulting services. In addition, Chinese high schools have created a significant number of international programs to promote study abroad opportunities for younger students. College tours geared towards high school students, especially when paired with intensive English summer programs, is an emerging trend

Opportunities

The desire of Chinese students to enroll in U.S. institutions is high. It is fueled by increasing disposable incomes and the prestige associated with attending well-known U.S. institutions. Qualified Chinese students, exchange scholars, and their dependents also become eligible to receive multiple-entry visas valid for up to five years, which also supports demand for U.S. education.

U.S. institutions will have to remain active in the promotion of American education in China, since competition for Chinese students from other English-speaking countries has increased. An expanded domestic education market has also created greater opportunities for students to pursue higher education without leaving China. This will continue as Chinese officials actively advocate for partnerships with foreign institutions that offer a "0+4" joint degree, meaning all academic work takes place in China but the degree obtained is valid in both China and the country of the partner institution.

Education technologies and e-learning products are also gaining traction through large-scale deployment and content digitization efforts in the various federal, provincial, and municipal school systems. Other trends include high demand for English language learning, consumer demand for online test prep products, and increasing enrollment in online education. One trend that is unique to China is the high demand for early childhood learning products, leading to the rapid adaption and implementation of e-learning solutions in early childhood. Also growing in popularity are community colleges with affordable tuition and 2+2 transfer agreements as a **pathway to a four-year degree.**

Education Events

China International Education Exhibition:

https://www.cieet.com

China Education Expo: http://chinaeducationexpo.com/english

Global Education Technology (GET) Conference: https://www.getchinaforum.com/

Global Education Summit: http://www.ges-china.com/2018/en/?page=0

China Education Innovation Expo China Early Childhood Education Conference & Early Childhood Education Resources Expo: http://en.cecec.org/

Web Resources

Ministry of Education, Department of International Cooperation and Exchanges

http://www.moe.gov.cn/publicfiles/business/htmlfiles/moe/moe_2792/index.html

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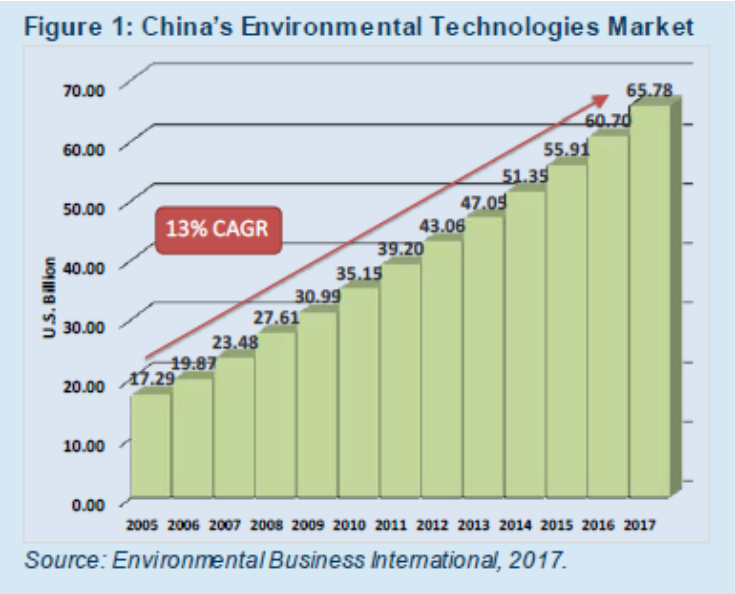
Environmental Technology

Overview

China is the largest and fastest growing emerging market for environmental technologies. According to China's Ministry of Ecology and Environment, the overall environmental technologies market in China (including goods and services) is estimated to be valued at $77.27 billion in 2019.



China is strengthening efforts to improve environment quality and enhance environmental governance during the 13th Five-Year Plan period (2016-2020). The 13th Five-Year Plan promotes a cleaner and greener economy, with strong commitments to environmental management and protection, clean energy, emissions controls, ecological protection and security, and the development of green industries. The Chinese government announced its "zero tolerance" for polluters, launching a pollution control campaign in 2017 targeting about 62,000 irregular enterprises in the Beijing-Tianjin-Hebei region and surrounding cities. Steps are being taken to implement pollution control action plans, strictly enforce various environmental indices, and promote pollutant discharge standards and the reduction of total emissions by more than 10%. Measures include the orderly relocation, transformation or closure of heavily polluting enterprises in built-up urban areas, and the implementation of clean production transformation in key industries. The plan calls for regulatory requirements for industrial pollution sources to meet emissions standards to be fully implemented. Moreover, polluting enterprises that fail to meet discharge standards will be revamped, projects that cause serious pollution will be banned, urban domestic sewage and refuse treatment will be fully implemented, and the enforcement of the relevant laws will be strengthened, according to the plan.

In January 2018, China's first Environmental Protection Tax Law came into force with the aim of strengthening the enforcement of environmental regulations. It replaces the pollutant discharge fees which China had been collecting for nearly 40 years. Taxes collected are now based on the volume of the pollutants discharged. The local government has the right to set the tax range and incentives to collect the tax since all the tax income belongs to the local government. The reliance on monitoring and incentives to reduce emissions should result in opportunities for environmental technology firms.

In March 2018, the Ministry of Environmental Protection (MEP) changed its name to the Ministry of Ecology and Environment (MEE) and took on the following new functions:

- Climate change and emissions reduction policies, formerly under the National Development and Reform Commission (NDRC)
- Underground water pollution regulation, formerly under the Ministry of National Land and Resources
- Watershed environmental protection, formerly under the Ministry of Water Resources
- Agricultural pollution control, formerly under the Ministry of Agriculture
- Marine conservation, formerly under the State Oceanic Administration
- Environmental protection during project implementation, formerly under the State Council's South-to-North Water Diversion Project Construction Committee

This change is considered a milestone for China in its fight against pollution and serves as a potential remedy to the fragmented and overlapping structure that has long plagued China's environmental governance. Under the new Environmental Protection Law, MEE is authorized to seize, impound or close facilities that cause serious environmental pollution. It also allows them to order entities discharging excessive levels of pollutants to limit or cease production in order to rectify the problem. Penalties and punishments for non-compliance have been drastically increased.

Although China's environmental regime has improved with the development of a national legal framework, enforcement remains weak in many areas. Market barriers, particularly those related to protection of intellectual property, continue to make China a challenging market for U.S. companies.

Air Pollution Control

Air pollution is arguably the most egregious environmental problem plaguing China. The central government has placed improving air quality as a priority on its agenda for the next several years, with China's Premier pledging in March 2017 to "bring back blue skies" and work faster to address air pollution.

The amended Air Pollution Prevention and Control Law (Air Pollution Law), approved by the National People's Congress in September 2015 and took effect on January 1, 2016, established various legal mechanisms to improve air quality. In its 13th Five Year Plan, China requires cities to reach eighty percent of "good" or "excellent" air quality days by 2020 and for the first time, included Volatile Organic Compounds (VOCs) as a target for emission reduction (the 13th FYP aims to reduce VOC emissions by ten percent over the next five years). According to Chna File (2016), the addition of VOCs is ambitious because its reduction will require regulating many more sources of pollution than does managing sulfur dioxide and nitrogen oxides.

Waste Management and Recycling

According to the World Bank, over the next decade, China's municipal solid waste (MSW) generation is expected to increase on pace with its rapidly urbanizing population and is likely to reach 1.39 million tons per day by 2025. In 2017, the government began taking steps to develop a domestic solid waste management and recycling market. China Dialogue (2017) reports that the State Council issued a plan in March 2017 to make sorting household waste a requirement, and in July 2018, NDRC released a new regulation requiring cities and towns to establish a comprehensive fee-based system for household waste collection and processing by 2020. The government recently tightened limits on landfills, as well, and 46 cities have established recycling quotas, including Beijing and Shanghai, according to Bloomberg News (2018). In 2017, China also announced a ban on the import of most types of scrap and recoverable materials, including most plastic, paper and metals. By 2020, all materials classified as "solid waste" are expected to be banned from importation. On the other hand, China's demand for scrap and recyclables continues to be strong, while the country's recycling infrastructure, although burgeoning, is not yet mature. Although uncertain for now, it is worth watching whether foreign companies can take part in building China's recycling capabilities.

The Chinese government is particularly interested in waste-to-energy (WTE) as a means to address the country's increasing MSW generation. MDPI, Energies (2015) reports that China's 13th Five Year Plan calls for $41.3 billion in investment in the development of incineration plants by 2020. Based on a report by the World Energy Council (2016), the country more than doubled its WTE capacity between 2011-2015. According to the MDPI, Energies (2015), WTE projects often rely on a public-private partnership (PPP) model. Given the central government's ambitious plans for the build-out of WTE infrastructure, China is likely to remain the world's largest and fastest-growing market for WTE technology until at least 2020, according to Waste to Energy 2016/2017 Extract, 9th Edition. Solid waste in China has a relatively high moisture content and thus delivers low calorific values when incinerated. Companies with particular expertise in managing such combustion efficiency challenges are likely to find opportunities in this sector.

Water and Wastewater Treatment

Aggressive construction of water treatment plants continues as China works to improve water quality and enhance access to drinking water and sanitation services. In 2016, the 13th Five-Year Plan established a new discharge standard for wastewater treatment plants (WWTPs). In the coming years, China hopes to protect drinking water sources and improve the water quality of centralized drinking sources. The government hopes to expand and promote the protection and management of important water resources. According to an article by Woody Chan in China Water Risk (2017), rural wastewater is still neglected, however, with a treatment rate of only 22%. The government aims to increase this coverage to 70% by 2020. Tightening of national regulations will provide retrofit opportunities for existing plants to move beyond mechanical treatment alone and introduce improved chemical and biological methods.

Opportunities

Solid opportunities exist for U.S. companies in the following areas:

- Air Pollution Control
- Ambient Air Monitoring
- Industrial Air Pollution Reduction
- Power Plant Emissions Reduction
- Mobile Source Emissions Control
- Solid Waste and Recycling
- Recycling of Discarded Electronics
- Hazardous Waste Management
- Promotion of Waste-to-Energy (WtE)
- Municipal Water and Wastewater Treatment and Plant Development
- Sludge Treatment
- Groundwater Monitoring, Pollution Prevention, and Remediation
- Water Efficiency and Reuse
- Process and Produced Water
- Soil Remediation
- Environmental Engineering and Consulting

Trade Shows & Events

IE expo 2020

April 21-23, 2020

Shanghai, China

China International Environmental Protection Exhibition & Conference (CIEPEC)

June, 2019

Beijing, China

IE Expo Guangzhou

September 18-20, 2019

Guangzhou, China

Web Resources

Ministry of Ecology and Environment

China National Environmental Monitoring Center

China Environmental News

China Solid Waste

Water China

China City Water

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Machinery

Overview

China's machinery industry is one of the leading pillars of the country's economy. Its main business revenue increased about 6.05% in 2018, reaching $3.18 trillion in value. China's manufacturing industry recovered in 2018 with greater than expected trade exports, indicating a stable development of the world's second-largest economy. According to the data from China Customs, exports accounted for $429 billion and imports were approximately $202 billion from January to October in 2018, an increase of 12.1% and 19.1% respectively from 2017.

However, problems such as rising costs and decreasing demand still exist, putting pressure on the Chinese government to ensure the industry's stability. In the next few years, the Chinese government aims to control capital outflow to foreign industries such as real estate, sports, and entertainment while focusing on overseas investment for high tech manufacturing technology industries.

The low-end machinery market is dominated by SMEs, mainly due to their cost-cutting structures, price-based competition, and ability to crowd out larger enterprises to some extent. Chinese machinery SMEs is mainly clustered in and around Shanghai, Shandong Province, Jiangsu Province, and Zhejiang Province. The high-end machinery market is largely composed of state-owned enterprises and international market players. These companies can differentiate their products beyond the reach and capabilities of local, smaller competitors and therefore possess significant intellectual property assets in terms of patents, licenses, and trademarks while leveraging their globally recognized brands. According to data from the China Die Mold Industry Association, there were 2,023 enterprises in the machine tools industry in China in 2013. 959 belonged to State owned enterprises, accounting for 47.4% of the industry and employing over 500,000 people.

Best prospects

China's economic restructuring includes focusing on the development of advanced manufacturing and high-tech industries. Given this focus, sub-sectors that offer the most promising business opportunities are CNC machine tools, robotics, 3D printing equipment, and energy-efficient and environment protection equipment.

Machine Tools

The majority of domestic machine tool companies have upgraded their product structure and used more innovative technology. The import market is still focusing on high-precision, intelligent high-end Computer Numerical Control (CNC) machine tool and accessories.

As the world's largest machine tool market, the main business revenue of machine tools reached about $106 billion in 2018, with a year-on-year growth of 8.3% from the previous year. According to data from China Customs, imports valued $16.5 billion, up 8.5%, and exports valued $13.6 billion, up 16.8% from 2017. More than half of all high-end CNC machine tools and accessories were imported from Japan and Germany; fewer than 20 Chinese companies can provide medium and high-end CNC machine tools. Local industry experts expect that the demand for metal cutting, forming machine tools, and accessories will face challenges of continued growth in 2019.

Industrial Robotics

According to the Robotics Industry Development Plan for 2016-2020, the Chinese government pledges to support the expansion of the nation's industrial robotics industry, which aims to produce 500,000 China-made industrial robots annually by 2020. The plan also forecasts that sales of service robots will exceed about $4 billion by 2020.

As the world's largest consumer market for industrial robots, China produced 148,000 units in 2018, an increase of 4.6% from 2017. The low and medium end Chinese-made industry robotics faced fierce competition, while foreign companies dominated the high-end market. Imports totaled 71,800 units and exports reached 46,800 units in 2018, a drop of 12% and an increase of 28% respectively from 2017. According to the International Federation of Robotics (IFR), 73% all robotic equipment produced went to China, Korea, Japan, the United States, and Germany. The average growth of China's robot market over the past five years period stood at 17% per year with a predicted continued growth.

Die & Mold

China's die and mold industry is in a critical period of improving its equality and efficiency. Along with Germany, Japan, and South Korea, the United States was one of the major markets for Chinese importers. According to data from China Customs, two-way trade was $8.2 billion in 2018,with imports totaling $2.1 billion and exports totaling $6.1 billion, an increase of 9.06% and 4.3% respectively from 2017. Data also showed that exports mainly originated from Guangdong, Jiangsu, Zhejiang, and Shanghai, accounting for 83% of exports and totaled around $5 billion. Jiangsu, Guangdong, Shanghai, Jilin, and Zhejiang accounted for 68% of imports of about $1.4 billion. Based on data from the China Die and Mold Industry Association, sales were over $26.8 billion in 2016 and are expected to reach $32.6 billion by 2020.

Opportunities for U.S. Firms

Made in China 2025 is a Chinese government initiative to upgrade China's machinery industry to be capable of manufacturing major machine goods with their own innovation and intellectual property rights, as well as meeting the country's needs in the energy, transportation, new material and agriculture equipment sectors. Another top priority is to adopt high-tech intensive manufacturing by making best use of foreign capital, management expertise, and advanced technology.

As China strives to improve the country's manufacturing industry, U.S. firms, known for being innovative and producing high quality products, will be offered an unprecedented opportunity to export their high quality and endurable industrial products and components/parts to Chinese manufacturers in different sectors: die and mold, robotics, and CNC machinery sectors in particular. However, U.S. exporters will face challenges in pricing and protecting their intellectual property rights.

Market Entry & Obstacles

Entering the Chinese market often relies heavily upon personal relationships developed and maintained at all levels of distribution. Many companies utilize multiple sales channels to overcome the size and cultural diversity of the country. Chinese companies are very price-conscious, which can affect after-sales service. Labor costs have continued to increase in recent years. While the cost of maintaining service, plans is often factored into machinery sales, it is important for exporters to consider this as they determine pricing. Some regions and municipalities may have requirements to provide localized after-sales service, which would require on-site training or local manufacturer representatives be present.

In addition, a license must be obtained from the U.S. Department of Commerce before exporting or re-exporting certain items to China. The U.S. Department of Commerce's Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations that regulate the export and re-export of purely commercial items, items that have both commercial and military applications, and less sensitive military items.

Intellectual Property Rights (IPR): China, presents unique market entry challenges related to the protection and enforcement of intellectual property rights.

Useful Information

Association of Manufacturing Technology (AMT) China: **https://www.amtchina.org/en/index.asp**

China Machinery Industry Federation (CMIF): **http://cmif.mei.net.cn/**

China General Machinery Industry Association (CGMA): **http://www.cgmia.org.cn/**

China Heavy Machinery Industry Association (CHMIA): **http://www.chmia.org/**

China Machine Tool & Tool Builders' Association: **http://www.cmtba.org.cn/**

Trade Events

China International Industry Fair

Sep 17-21, 2019

National Exhibition and Convention Center (Shanghai): www.ciif-expo.com

China International Machine Tool & Tools Exhibition

June 8-12, 2020

New China International Exhibition Center (Beijing): www.cimes.net.cn

China International Machine Tool Show

April 15-20, 2021

New China International Exhibition Center (Beijing): www.cimtshow.com

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Medical Devices

Overview

In 2018, China's health expenditure was $777 billion and accounted for 5.7% of China's GDP, which is a far lower percentage than countries like the U.S. (17%), Germany (11%), Canada (10%), and Japan (10%). Health expenditure, as a percentage of GDP, is expected to increase to between 6.5-7% by 2020. Globally, the medical device market is approximately 42% of the size of the pharmaceuticals market. In China, however, the percentage is much lower at approximately 14%. This demonstrates the significant growth potential of the sector.

Medical Device in China	2016	2017	2018	2019
Market Size	53.62	64.49	78.81	96.30 (estimated)
Local Production	40.64	46.01	52.12 (estimated)	59.04 (estimated)
Exports	14.27	15.16	16.10(estimated)	17.10 (estimated)
Imports	13.68	14.91	16.25 (estimated)	17.71 (estimated)
Imports from the U.S.	4.56	4.80	5.06 (estimated)	5.33 (estimated)

Source: China Association for Medical Device Industry, Industry Estimate, BMI Research (Unit: USD billion)

The medical device market is one of the fastest growing market sectors in China, with the industry maintaining double-digit growth for over a decade. In 2018, the medical device market reached $78.81 billion, an increase of 22% over 2017. Over 70% of this growth was fueled by hospital procurement. However, China's medical device density (MDD) remains among the lowest in the world, at $6 per person, compared to developed countries where the MDD usually exceeds $100.

2016-2018 China's Import of Medical Device from Top 3 Countries

	USD (millions)	% Share	% Change

Partner Country	2016	2017	2018 (estimate)	2016	2017	2018 (estimate)	2017/ 2016	2018/ 2017 (estimate)
U.S.	4.56	4.80	5.06	33.30	32.20	31.14	5.41	5.41
Germany	2.33	2.57	2.83	17.00	17.20	17.40	10.08	10.08
Japan	1.26	1.39	1.52	9.20	9.30	9.40	10.09	10.09

Source: BMI Research

As of November 2018, China had approximately 32,000 hospitals, 12,072 of which are public hospitals. Despite the number of private hospitals, which are typically small, healthcare product procurement is still driven by large public hospitals. All hospitals are classed into three levels (tier one, two and three) based on hospital size and capability. Tier three is the most comprehensive of general hospitals with a bed capacity exceeding 500. They are responsible for providing specialized health services, conducting medical education and scientific research, and serving as medical hubs providing care to multiple regions.

Chinese hospitals consider U.S. products to be of superior quality and the most technologically advanced. Thus, these hospitals welcome medical equipment and products with high-technology content. U.S. firms garner nearly 75% of the local revenues from tier three hospitals and the remainder from tier two hospitals. In an effort to capitalize on China's burgeoning medical device market, U.S. firms have expanded their local presence in China while also targeting the country's rural population. At the same time, Chinese domestic medical device companies are consolidating, upgrading quality, and beginning to compete in medium-level technology niches. With the government policy of supporting and encouraging domestic medical device innovation, some local manufacturers are growing stronger and competing with foreign suppliers.

Market Entry

Medical devices are regulated by the National Medical Products Administration (NMPA). There are two departments dealing with medical devices: Department for Medical Device Registration, responsible for pre-market approvals, and Department for Medical Device Supervision, responsible for post-market supervision. The registration process depends on the classification of the device:

1) Class I devices are those with the lowest risk to the human body and are subject to lower controls
2) Class II devices have a higher degree of risk, such as electrotherapy equipment, and are subject to tighter controls
3) Class III devices comprise active implantable, such as pacemakers. This class is the most stringently controlled and requires very detailed documentation.

All imported Class I devices are subject to a notification process with NMPA. Class II and Class III imported devices are required to undergo a registration process with the NMPA. Applications for Class III devices must be supported by clinical trial data. Applications for imported Class II devices need to be supported by clinical trial data if the device is not included in an exemption list where the requirement is waived due to the existence of similar devices on the Chinese market or where the safety and efficacy of a device can be demonstrated through non-clinical assessment. The review process incorporates a full technical and administrative review. Innovative and high-risk products may also require review by an expert panel. Approved devices will be issued with a registration certificate which is valid for five years. Applications for registration renewals need to be submitted no later than six months before expiry to allow sufficient time for the renewal process.

On June 26, 2018, the Ministry of Justice issued a notification announcing draft changes to China's medical device regulations under Decree No. 650. The proposed changes intend to ease registration requirements as follows: 1) manufacturers will be able to submit their own product testing reports as an alternative to third-party test reports; 2) clinical evaluation reports will not be required for Class II devices in premarket applications; and 3) imported innovative medical devices will not require approval in the country of origin as a pre-requisite for market registration in China.

In an effort to further cut medical costs and standardize medical services, the newly-formed National Health Security Administration (NHSA), introduced the Diagnosis Related Groups (DRG) /100 single-disease payer system in some pilot provinces. By the end of May 2018, 30 provinces successively issued DRG guidance documents. Many foreign companies have concerns that once the medical devices/consumables are bundled in the medical package, they will be immediately replaced by much-cheaper domestically-manufactured equivalent and the overall healthcare quality will suffer. The implementation of two cost control pilot projects in the pharmaceutical sector, the "4+7" policy and the Two Invoice System, are areas of concern in the medical device sector as well. The "4+7" policy refers to the volume-based procurement policy in which a successful bidder on a specific drug receives the guaranteed purchase of the drug by all public hospitals in the 4 directly managed municipalities and 7 major cities in other provinces. The Two Invoice System is a policy that allows for a maximum of two invoices between a manufacturer and a hospital. Industry experts believe these policies may also be implemented in the medical device sector, which currently follows a different management system.

According to the State Council issued *Opinions on the Reform of the Review & Approval System for Drugs and Medical Devices* No. 4, major reforms proposed included accelerated review of any innovative medical devices. There are currently two fast-track review processes besides the standard product registration route: 1) Emergency Approval Process for medical devices (CFDA No. 565, 2009) are applicable for emergency public health incidents and 2)Innovative Medical Device Special Review Procedure (Order 83, November 2018), which has replaced the Special Approval Process for Innovative Medical Devices (CFDA No. 13, 2014), which offers an expedited approval route for devices that are the first of their kind in China and for which an innovation patent has been obtained in China. According to the 'Priority Approval Process for Medical Devices' (CFDA No.168, 2016), devices qualifying for the high-priority reviews will consist of devices that diagnose or treat cancer or rare disorders that show significant clinical advantages over existing treatments, devices that offer new treatment and diagnosis methods for diseases commonly affecting children or the elderly, and other devices that are urgently needed and for which there are currently no effective treatment options.

Opportunities

The best-selling prospects in the medical device sector include:

- In vitro diagnostic equipment and reagents: clinical and diagnostic analysis equipment, diagnostic reagents, medical test and basic equipment instruments, and point of care testing (POCT).
- Orthopedics
- Implantable and intervention materials and artificial organs: Interventional materials, implantable artificial organs, contact artificial organs, stent, implantable materials, and artificial organ assisting equipment
- Therapeutic products: Tri-dimensional ultrasonic-focused therapeutic systems, body rotary gamma knife, simulator, linear accelerator, laser diagnostic and surgical equipment, nuclide treatment equipment, physical and rehabilitation equipment
- Medical diagnostic and imaging equipment: black & white and colored supersonic diagnostic units, sleeping monitor, digital X-ray system, MRI, CT, DR, and ultrasound equipment
- Surgical and emergency appliances: anesthesia ventilation systems and components: high frequency surgical equipment, high frequency and voltage generators

- Healthcare Information Technology related equipment and products: medical software, computer-aided diagnostic equipment, and hospital information systems (HIS, CIS, and HLT)
- Medical equipment parts and accessories

Trade Shows & Events

MEDTEC China 2019

September 25-27, 2019

Shanghai, China

DenTech China 2019

October 30-November 2, 2019

Shanghai, China

Dental Show Central China

November 30- December 2, 2019

Wuhan, China

2020 Dental South China

March 2-5, 2020

Guangzhou, China

2019 CAME Annual Meeting

July 19-22, 2019

Suzhou, China

Web Resources

State Administration for Market Regulation (SAMR): http://samr.saic.gov.cn/

National Healthcare Security Administration: http://www.nhsa.gov.cn/

The National Health Commission (NHC): http://www.nhfpc.gov.cn/

China Association of Medical Device Industry (CAMDI) http://en.camdi.org/

China Chamber of Commerce for Medicines and Health Products (CCCMHPIE) http://en.cccmhpie.org.cn/

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Pharmaceuticals

Overview

According to BMI Research, China is the world's largest producer of pharmaceutical ingredients. China's pharmaceutical market value reached almost $134 billion in 2018 and is expected to grow to $154 billion by 2020. This increase will make China's pharmaceutical market become the second largest in the world, with surging revenue propelling industry value significantly closer to that of the United States. The latter is forecasted to reach $382 billion in 2020, according to BMI Research. With the Chinese government increasing investment in healthcare and R&D, China presents great opportunities for innovative products and technologies and collaboration between international and domestic pharmaceutical companies.

Drivers for China's healthcare market, such as the country's aging population, rising health awareness, and increasing total and per capita expenditures on healthcare, will boost the growth of the pharmaceutical market, but the growth rate will be volatile year-to-year. Macro-economic influences on pharmaceutical industry growth are becoming negative. Chinese hospitals will have to confront severe issues related to restriction of the use of antibacterial drugs and stricter control on health insurance disbursement. Multinational pharmaceutical firms in China are facing challenges including pricing pressure, uncertain drug approval times, and the implementation of drug regulatory reforms.

Provincial and county level healthcare markets in China will become increasingly important for multinational pharmaceutical companies. This follows government reforms to channel patient volumes to local medical facilities as well as the saturation of the major hospital markets in tier one cities. Foreign firms seeking to make this shift will have to navigate the significant variances across provinces, strong competition from local drug makers, as well as lower levels of disease awareness among the rural populace.

The market is dominated mostly by the generics and ingredients sectors, which focus on small margins and are often associated with questionable quality. Due to low purchasing power and a robust local manufacturing sector, generic drugs ($85.3 billion) seized a large share of China's pharmaceutical market ($219.9 billion). Sales of over-the-counter (OTC) medicines ($18.37 billion) are supported by a cultural acceptance of self-medication and fairly liberal sales channels while patented drugs ($30.0 billion) account for just 13.9% of China's pharmaceutical market. The World Health Organization (WHO) reported that Chinese pharmaceutical companies typically only reinvest 5% to R&D activities, which is largely geared towards "me-too" or "me-better" initiatives.

Pharmaceutical Market in China	2016	2017	2018	2019 (Estimated)
Pharmaceutical Sales	176.776	197.553	219.91	235.02
Prescription Drug Sales	92.495	103.833	116.158	124.727
Generic Drug Sales	68.635	76.722	85.385	91.252

OTC Medicine Sales	15.646	16.998	18.367	19.041
Patent Drug Sales	23.860	27.161	30.774	33.474

Source: BMI Research (USD Billions)

Market Access

Positive developments:

China Joins the International Council for Harmonization (ICH).

In 2017, China joined the ICH as its eighth regulatory member. China promised to gradually transform its pharmaceutical regulatory authorities, industry, and research institutions to implement the international coalition's technical standards and guidelines, and to actively accelerate the entry of international drugs into the Chinese market, as well as support the innovation and competitiveness of its domestic pharmaceutical industry.

Acceptance of International Clinical Trial Data.

On July 10, 2018, China's National Medical Products Administration (NMPA) published *Technical Guidelines for the Acceptance of Overseas Clinical Trial Data for Drugs*. The guidelines open the door for the registration of pharmaceutical drugs and medical devices that have already undergone clinical trials in other countries, which previously could not be approved for the Chinese market without undergoing domestic clinical trials. This allows for faster access to the Chinese market with much lower costs for foreign pharmaceutical and medical device manufacturers.

Revision of the National Essential Medicines List (NEML) and National Drug Reimbursement List (NDRL).

- These two drug lists are critical for foreign pharmaceutical companies interested in the Chinese market. The NEML was updated in October 2018 and the NDRL was last updated in 2017 after 8 years without any changes. The 2017 NDRL saw a 15% growth to include 2,535 drugs, which included 1,297 western-style medicines (an increase of 11%). This included a focus on pediatrics and major illnesses including cancer, hepatitis, and renal and cardiovascular diseases. China's newly established National Healthcare Security Administration (NHSA) is working on updating the NDRL in 2019 along with plans for more frequent revisions as well as plans to include more innovative drugs.

Leading Sub-Sectors

- Chemical Drugs
- Biotechnology market
- Traditional Chinese Medicine (TCM)

Opportunities

Although there have been significant regulatory improvements, foreign firms continue to raise concerns about the regulatory and IP protection challenges as well as pricing, procurement, and reimbursement. Nonetheless, opportunities exist in the following areas:

- Patent drugs for Tier-3 hospitals

- Drugs for life-threatening diseases such as cancer, lung and liver diseases
- New drug research and development
- Pharmaceutical manufacturing
- Off patent generic growth (as GQCE enforcement improves)

Trade Shows

PharmChina

May 13-15, 2019

Shanghai, China

Natural Health & Nutrition Expo (NHNE)

May 13-15, 2019

Shanghai, China

2019 China BioMed Innovation & Investment Conference – International Forum Series – USA

September 20-23, 2019

Suzhou, China

Web Resources

China's National Medical Products Administration (NMPA): http://www.nmpa.gov.cn/

Center for Drug Evaluation of the CFDA (CDE): http://www.cde.org.cn/

National Institute for Food and Drug Control (NIFDC): http://www.nicpbp.org.cn/

Ministry of Human Resources and Social Security (MOHRSS):

http://www.mohrss.gov.cn/

National Development and Reform Commission (NDRC): http://www.en.ndrc.gov.cn/

National Health Commission (NHC): http://www.nhc.gov.cn/

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Oil and Gas

Overview

In 2018, China had record oil and gas imports and remains the number one crude oil importer in the world after surpassing the United States in 2017 and is the number two natural gas importer, behind Japan.[1] In the same year, China was the world's fifth largest oil producer but aims to clean up the environment and reduce reliance on coal. All these and ensuring energy security by increasing oil and gas reserves are strong drivers for the import growth. China's central government aims to enhance domestic energy security through increasing domestic exploration and reducing imports.[2] In addition, the lack of infrastructure has hampered progress on transitioning use of coal to natural gas. This is why China's 13th Five Year Plan on oil and gas topics are filled with goals for self-sufficiency and infrastructure construction. Related reforms in recent years and the near future may open up new opportunities for private and foreign companies.

Historically, U.S. companies had a very weak presence in China's oil and gas market. China's oil and gas market (both upstream and downstream) has been dominated by three national oil companies (NOC): Sinopec, China National Petroleum Corporation (CNPC), and China National Offshore Oil Corporation (CNOOC).

In China's upstream industry, international oil companies (IOCs) and international service companies have established their presence in China mostly through partnering with these NOCs and a few other Chinese companies and only accounts for 2% and 5% of China's oil and gas production.[3] Since the United States lifted its oil and gas export ban and experienced the shale revolution, U.S. companies have also been able to enter the Chinese market through crude oil and natural gas exports. In 2018, Cheniere formed the first ever long-term LNG supply contract with CNPC. However, market trends suggest natural gas may continue to be primarily purchased through the spot market.

Recent reforms are likely to create more competitors for the three NOCs and new ways for U.S. companies to to participate in the China market. In 2015, China loosened its regulations and began allowing private companies to apply for import and refining authorizations and reforms in the past few years has led to an increase in imports as well as refinery capacity for local companies. In March 2019, the Chinese government announced plans to create a new national pipeline company, named China Pipelines Corp., which will take over the control of all transportation and pipelines from the three NOCs. This change will ensure that a new major SOE will have its main focus on building infrastructure as well as draw in private investment.

Despite goals to increase self-sufficiency, China's reliance on imports of crude oil and natural gas will likely remain strong due to China's challenging geology. U.S. firms engaging in oil and gas commodity trading will continue to have great potential in the market. In general, areas with high government support and low domestic product maturity offer the best prospects for foreign companies. Local industry experts believe that crude oil and natural gas, including liquefied natural gas (LNG), will be leading sub-sectors of prospects for U.S. exporters. In addition, oil and gas exploitation technologies will continue to have market opportunities in China.

Crude Oil

According to China Custom's statistics, crude oil imports rose 10.1% in 2018 versus the previous year to a record 461.9 million tons, or 9.24 million barrels of oil per day (bpd). This establishes China as the top crude

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[1] International Energy Adminsitration

[2] Reuters, https://www.reuters.com/article/us-china-economy-oil/chinas-record-2018-oil-gas-imports-may-be-cresting-wave-as-industry-slows-down-idUSKCN1PG0CR

[3] Wood Mckenzie, Q1 2018

oil importer for the second year running. Presently, Russia is China's top crude oil supplier, followed by Saudi Arabia, Angola, Iraq, and Oman. The United States was the fastest growing crude oil supplier to China in 2018, up by 1,994% since 2016. New refinery capacity and strategic inventory stockpiling, combined with declining domestic oil production, were the major factors contributing to the recent increase in China's crude oil imports.

Overall, China's reliance on oil importation continued climbing in 2018 and accounted for 69.8% of consumption according to a report released by CNPC. It is predicted that 80% of China's crude oil supply will be imported by 2030. Based on this trend and the United States' growing crude oil production, there will continue to be opportunities for crude export to China.

Natural Gas

Natural gas is China's fastest growing major fuel which saw demand quadruple in the past decade. According to International Energy Agency (IEA) statistics, global demand for natural gas is forecast to increase at an average of 1.6% over the next five years with emerging Asian markets as the main engine for demand. China alone accounts for a third of global demand growth through 2022 thanks in part to the country's "Blue Skies" policy and the strong drive to improve air quality. This will be the main driver for gas consumption growth in China, led by the chemical and manufacturing sectors. Meanwhile, gas demand in the residential and commercial sectors are clearly benefiting from the ongoing coal-to-gas conversion. The Chinese government expects gas to provide 10% of the country's energy mix by the end of the 13th Five Year Plan period (2016-2020).

In 2018, China consumed 276.6 billion cubic meters (bcm) of natural gas, an increase of 16.6% over 2017. China's gas output rose to a record 157.3 billion cubic meters (bcm), up 6.7% from 2017, according to the data released by the National Bureau of Statistics of China. To fill the gap between local production and market demand, China's imports of natural gas soared to 125.4 billion cubic meters (bcm) in 2018, which was a 31.7% year-on-year increase. This indicates that 45.3% of China's gas demand was met by imports in 2018. It is estimated that China's reliance on imported natural gas will rise to 50% by the end of 2020. The United States exports to China in the form of LNG. Exports of LNG from the United States quadrupled from 2016 to 2017, according to the U.S. Energy Information Administration, and exports to China made up 15% of U.S. LNG exports. Based on existing trends, it is likely that a significant increase of U.S. LNG shipping to China in the coming five years when U.S. LNG export facilities are built and placed into operation.

On import infrastructure, the Chinese government allows privately-owned companies to build LNG receiving terminals along the eastern coastline and in southern China. ENN, Guanghui, Jovo, and Changchun Sinoenergy, among many others, are constructing terminals near Shanghai and Guangzhou to prepare for receiving LNG ships from outside China, including LNG from the United States. Given that the current global economic downturn is impacting China, the LNG market will remain a spot market for at least a few more years. LNG buyers will be hesitant to enter long-term contracts with suppliers. As more natural gas infrastructure, including LNG receiving terminals, pipelines, and distribution networks, will be built in China, the demand will continue to rise.

Oil and Gas Exploration

Supporting China's goal to reduce oil and gas reliance on imports, China's NOCs are spending a lot of money in oil and gas exploration, with CNPC planning to increase its budget fivefold.[4] With much untapped reserves and new discoveries in the Tianjin and Xinjiang regions, China hopes to discover its own "shale revolution". Despite

[4] https://oilprice.com/Energy/Crude-Oil/Chinas-CNPC-To-Boost-Oil-Exploration-Budget-Fivefold.html

holding 31.6 Tcf of technically recoverable shale gas resources, shale gas producers face China's complex topography, and the remote location of shale resources has increased the price and time required for drilling new shale gas wells. Since the geology of Chinese shale has proven difficult to develop, the government is incentivizing producers to increase investment and production.

Foreign participation in China's shale gas development is limited, and lack of competition and uncertain regulations continue to frustrate international companies' efforts. Nonetheless, ample subsidies, legal reform, and productivity targets are among the reasons companies are still investing in China's shale gas sector. U.S. companies that specialize in drilling, extraction equipment, pipeline monitoring systems, or providing operational services for shale gas developers may benefit from the growth of the Chinese shale gas market. In addition, companies with expertise in seismic analysis and water treatment and production efficiency technologies will also be well-positioned as the market continues to develop. Chinese operators, leading Chinese state-owned oil companies, and new players that have been rewarded shale gas development licenses in previous mineral rights auctions, are interested in partnering with experienced IOCs to deal with the complex topographical conditions in China.

Oil and Gas Equipment

Chinese domestic companies dominate the equipment manufacturing market, particularly at the lower-end of the market. China's State-Owned Enterprises (SOEs) control approximately 66% of the market for well-drilling equipment. Small- and medium-sized private companies in China make-up 19% of the market while foreign companies make up 10% of the market and supply advanced complete-set equipment.

With the growth of and the increasing competition from local Chinese equipment suppliers, U.S. oil and gas equipment companies will have more challenges in the market. Nevertheless, those companies who have unique solutions and expertise will continue to enjoy the opportunities offered by the development of China's oil and gas industry. As China's reliance on imports of crude oil and natural gas for the country's economic development continues to rise, U.S. firms engaging in oil and gas commodity trading will have more opportunities in the market.

Trade Events

U.S.-China Oil and Gas Industry Forum

October 2019
Texas, US

China International Petroleum & Petrochemical Technology and Equipment Exhibition

March, 2020
Beijing, China

Web Resources

Government Authorities

National Energy Administration:	http://www.nea.gov.cn/
Ministry of Natural Resources:	http://www.mnr.gov.cn/
National Development and Reform Commission:	http://www.ndrc.gov.cn/

National Food and Strategic Reserves Administration: http://www.lswz.gov.cn/

Ministry of Ecology and Environment: http://www.mee.gov.cn/

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Rail and Urban Rail

Overview

China's Rail Investment/Operating Mileage/Passenger Volume/Freight Volume

	2016	2017	2018
Fixed Asset Investment (billions)	$117.0	$121.1	$117
Operating Mileage (kilometers)	124,000	127,000	131,000
Passenger Traffic Volume (billions)	2.8	3.1	3.4
Freight Volume (billion tons)	3.3	3.7	4.0

(Source: National Railway Administration of China website and South China Morning Post)

Railway transportation continues to play a key role in China's economic development. In 2018, China's railway operating mileage reached 131,000 kilometers, ranking second after the United States, while its high-speed railway operating mileage reached 29,000 kilometers, ranking first worldwide. China plans to have 150,000 kilometers of operating rail lines by 2020.

China's double-track mileage reached 76,000 kilometers, an increase of 5.6% over 2017; and the double-track rate is 58%, 2.6% higher than 2017. China has 92,000 kilometers of electrified railway and an electrification rate of 70%, an increase of 1.8% over 2017. Railway mileage in western China grew to 53,000 kilometers, an increase of 1,000 kilometers or 1.9% over 2017. The volume of goods transported by railway increased every year from 2016 to 2018.

China has 21,000 locomotives of which 38% are diesel and 62% are electric. China has 72,000 passenger cars and 830,000 freight cars, which is a freight car increase of 66,000 over 2017. China plans to continue to invest heavily in new rolling stock through 2020 with 900 new high-speed trains, 4,000 locomotives, and 210,000 freight wagons on order.

Urban Rail Transit Industry

China is the world's largest urban rail market. By the end of 2018, 37 cities in China had metro/light rail operation lines with a combined length of 5,760 km, up 693 km over 2017. Beijing, Shanghai and Guangzhou have the largest rail transit systems in China with cities in east China continuing to experience the fastest growth in urban rail transit in China. In 2018, China spent $81.5 billion on the construction of urban rail transport, up 14.9% year-on-year and a total of 6,370 km of new lines were under construction. China plans to have a total of 9,500 km expected in operation country wide by 2021 with Jinan, Lanzhou, Changzhou, Xuzhou and Huhhot expected to place new metro lines in operation in 2019.

American Rail Working Group (ARWG)

The U.S. Embassy Commercial Section in Beijing (USFCS Beijing) launched an American Rail Working Group (ARWG) in January 2009 to strengthen public-private cooperation in the rail sector. The ARWG currently

features 15 U.S. company members and benefits from close partnerships with the Chinese railway and urban rail sector. The ARWG meets regularly in Beijing and USFCS Beijing organizes industry road shows and seminars in China for ARWG members.

New company members are welcome to join.

For ARWG membership inquiries, please contact the U.S. Embassy Commercial Section in Beijing by email: aiqun.peng@trade.gov

Opportunities

In the freight rail market, according to China's National Railway Administration (NRA), by 2020 China plans to grow its railway freight volume to 4.2 billion tons. To achieve this goal, Chinese railway authorities and operational organizations are seeking new technologies and services to continue to improve cargo shipping efficiency and lower operating costs.

By 2020, China's urban rail transit market is expected to have a total of 7,700 km of urban rail lines.

Opportunities also exist for American companies as the suppliers to China Railway Rolling Stock Corporation (CRRC), the world's largest supplier of rail transit equipment for the railway and urban rail sector, for both the China market and third country rail markets.

Rail Industry Technology and Equipment

- Locomotives: brake system, compressor, radiator, and other parts;
- Rolling Stock/Freight car: brake system, coupler, door control, and other parts;
- Wheel/rail optimization by wheel/rail profile design and management, wheel/rail friction control and lubrication;
- New track design, new track components;
- Track maintenance technologies; track/vehicle detection and monitoring technologies;
- IT systems;
- Power generators;
- Railway design and construction technologies;
- Railway safety;
- Passenger station design and construction;
- Energy conservation and environmental protection.
- Metro/Light Rail Industry Technology and Equipment
- Urban rail rolling stock and components;
- Communication and signaling;
- Power supply and distribution;
- Electromechanical systems;
- Security technology and equipment;
- IT system;
- Engineering and construction, survey, and design;
- Track maintenance;
- Friction and noise control.

Trade Shows & Events

14th Shanghai International Exhibition of Intercity and Urban Mass Transit
http://www.railmetrochina.com/
Shanghai, China

Web Resources

National Railway Administration (NRA): http://www.nra.gov.cn

China Railway Corporation (C.R.): http://www.china-railway.com.cn/

CRRC Corporation Limited: http://www.crrcgc.cc/

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Technology and ICT

Overview

China's information and communication technology (ICT) market is among the most dynamic sectors in the economy. By 2021, the market is projected to reach $8.1 trillion, representing 55% of China's GDP, according to information technology (IT) consulting firm IDC. China's ICT imports in 2017 totaled $528 billion, while its exports reached $781 billion. Competition from Chinese firms is strong, as the quality of domestic hardware, software, and services has continued to improve.

As China's ICT market develops, certain sub-sectors that have been driving growth (e.g., smart phones) are predicted to become saturated; future growth will be fueled by integrating ICT technologies into, and transforming, traditional industries.

For international firms, big opportunities in China's ICT market are tempered by real challenges. Due to rapidly maturing domestic competition, foreign companies no longer have a dominant market share in many of China's ICT sub-sectors. Chinese firms have been adept at mastering technologies and shaking up markets, often by offering low prices. U.S. firms are increasingly partnering to stay in the market. As the market matures, there are fewer first-time buyers of ICT. China's cost advantages have also declined as production is increasingly moved elsewhere.

China's ICT policy environment presents a serious challenge. China views the sector through a commercial and national security lens. Policies intended to ensure security often appear to do so at the expense of foreign companies' interests. Issues related to China's dynamic policy landscape in the ICT market are discussed in greater detail below. Furthermore, despite stronger intellectual property protection, high levels of piracy remain.

China's ICT Hot Topics and Trends

Implementation of the Cybersecurity Law

China's first Cybersecurity Law went into effect on June 1, 2017. The law establishes a framework for regulating China's networks on national security grounds, and for the supervision of the ICT sector more generally. The law details the security obligations of internet products and service providers, institutes rules for the transmission of data, and enhances the rules on personal data protection. China continues to roll out implementing measures for the law. Lack of clarity about how the law will be enforced remains a top concern for many ICT companies active in China's market.

Data privacy is a critical component of the Cybersecurity Law and is an area where the Chinese government has been particularly active. In 2019, China's National Cybersecurity Standards Technical Committee (known as TC260), proposed modifications to the Personal Identification Information Specification. This specification, the first version of which went into effect in May 2018, defines what constitutes personal identification information under China's Cybersecurity Law. China's new data measures trends attracted significant industry concern due to inconsistencies with international practices on data transfer and data localization, which could heavily impact international businesses' operations.

Emerging Technology Markets

Industrial big data and the industrial internet are two major efforts aligned with China's Made in China 2025 initiative. In 2019, there has been clear demand for these new technologies as China's industrial internet

architecture is now in place. Internet of vehicles (IoV) and smart vehicles will be another emerging subsector with the development and integration of smart platform/vehicle operating system, artificial intelligence (AI), and 5G technologies. Virtual reality (VR), augmented reality (AR), and artificial intelligence (AI) are also emerging technology areas where China is focused.

Leading Sub-Sectors

Semiconductors and Semiconductor Manufacturing Equipment

Over the past decade, China has consistently ranked as one of the largest and fastest growing country markets for U.S. semiconductors and semiconductor manufacturing equipment and will continue to do so in the near term. According to the Semiconductor Industry Association (SIA), China represents 50% ($168 billion) of the $336 billion global semiconductor market. Headwinds brought on by slowing global demand for ICT products, slowing transitions to smaller IC manufacturing nodes, and a strong dollar, however, will be exacerbated by China's opaque policies and unprecedented state-led investment to develop an indigenous semiconductor industry. China's policies, which are intended in part to reduce reliance on international semiconductor imports, create medium and long-term uncertainties for U.S. industry prospects in the Chinese market. While a gap remains between China's demand and production of semiconductors, with the support of the Chinese government – including significant state funding directed by state-guided investment funds – some Chinese semiconductor companies are looking to develop core technologies that allows China to bridge that gap. In recent years, many new 12-inch semiconductor fab projects have been announced in China, including projects in Xiamen, Hefei, Nanjing, Wuhan, and Chengdu.

Cloud Computing

Although China is a fast-growing, important market for global cloud computing, the country presents serious challenges for U.S. cloud providers. Regulatory restrictions, including strict requirements to operate with a local partner, some aspects of governmental decision-making, and local competition make China a problematic market for even large experienced U.S. providers. Operating in China therefore requires substantial resources, flexibility, and a long-term outlook.

Smart City Development in China

"Smart City" is a loosely-defined term applied to everything from urban design to higher education policy. But the most accepted definition is the use of information technology to solve urban problems including related to managing traffic, stabilizing electric grids, allocating and coordinating emergency services, and providing more city information to people and managers than has ever been available before.

Xiong'an New District

On April 1, 2017, President Xi Jinping announced that three counties in Hebei Province would be designated as the "Xiong'an New Area." Located about 100 kilometers southwest of Beijing, Xiong'an will house institutions and companies currently struggling to find space in the crowded capital. According to a 2017 study by Morgan Stanley, Xiong'an will draw in as much as ¥2.4 trillion ($380 billion) in investment, or thirteen times what China spent on the construction of the Three Gorges Dam. Xiong'an is also expected to help accelerate the development of the wider Beijing-Tianjin-Hebei area, which is intended to be a northern regional powerhouse driving China's economy, akin to the Pearl River Delta in the south and the Yangtze River Delta in the east.

Chinese officials have emphasized the importance of technological innovation for Xiong'an. China's top three technology companies—Baidu, Alibaba, and Tencent— have also announced their intention to establish branches in Xiong'an. Government officials have also stated this new area is intended to be a "demo area" for

sustainable, modern, and innovative urban model which is open for all cutting-edge technologies. The Chinese government intends to issue a Xiong'an-specific "negative list" for foreign investors. Foreign companies may find business opportunities as Xiong'an's construction continues.

Policies

Policy/Regulation-Led Market Barriers

With the booming growth of China's digital economy, cybersecurity has become critically important to Chinese regulators. China's Cybersecurity Law took effect on June 1, 2017 and is designed to promote national security. Implementing measures for the law – including those on cybersecurity review and cross-border data flow – will have a large, but as of now unknown, effect on foreign firms and the development of the ICT industry as a whole. China continues to introduce new laws and measures related to the Cybersecurity Law for public comment in advance of future implementation.

Multi-Level Protection Scheme (MLPS)

Foreign firms must comply with China's Multi-Level Protection Scheme, (MLPS), which seeks to protect information networks from being damaged or attacked. Products are classified from one to five, one being the lowest and five being the most critical to China's national security, social order, and economic interests. Technology products at MLPS levels three and above must include at least some domestic IP. MLPS also requires that traditional IT products at level three or above be subject to rigorous testing. Few foreign companies are licensed to sell products at level three.

On June 27, 2018, China released the draft "Cybersecurity Classified Protection Regulations" (sometimes referred to as MLPS 2.0) for public comment. MLPS 2.0 emphasizes protection of critical information infrastructure (CII), as highlighted in the Cybersecurity Law, and expands the scope of MLPS to cover some emerging technologies such as cloud computing, big data, and internet of things (IOT) technologies. The United States government will continue to monitor development of this measure as it currently remains in the draft phase.

Web Resources

Ministry of Industry and Information Technology (MIIT): http://www.miit.gov.cn/

Ministry of Science and Technology: http://www.most.gov.cn/

China Academy of Information and Telecommunications Technology (CAICT): http://english.catr.cn/

China Electronics Standardization Institute (CESI): http://www.cesi.cn/

China Institute of Electronics (CIE): http://www.cie-info.org.cn/

China Communications Standards Association (CCSA): http://www.ccsa.org.cn/

China Electronics Chamber of Commerce (CECC): http://www.cecc.org.cn/

Trade Shows

NEPCON China April 24-26, 2019

Shanghai, China

http://www.nepconchina.com/en/home1

2019 China International Big Data Industry Expo May 26-29, 2019

Guiyang, China

http://www.bigdata-expo.org/

2019 China International Software and Information Service Fair (CISIS) Dalian, China

June 12-15, 2019

http://www.cisis.com.cn/

CES Asia

Shanghai, China

June 13 -15, 2019

http://www.cesasia.cn/

ITS EXPO

Shenzhen, ChinaJune 20-22, 2019

http://www.its-expo.com/index.php?lang=en

http://en.nabshowshanghai.com/

The 11th China International Internet of Things Technologies and Application Exhibition

Shenzhen, China

July 31, 2019

http://www.shiotexpo.com/

China Digital Entertainment Expo & Conference (China Joy)

Shanghai, China

August 2-5, 2019

http://2019.chinajoy.net/

China Beijing International High-tech Expo (CHITEC)

Beijing, China

October 24-27, 2019

http://english.chitec.cn/

SEMICON China

Shanghai, China

March 18-20, 2020

http://www.semiconchina.org/

China (Shanghai) International Technology Fair (CSITF)

Shanghai, China

April 2020

http://www.csitf.cn/en/index.aspx

InfoComm China

Chinese National Convention Center, Beijing, China

July 17-19, 2020

http://www.infocomm-china.com/en/

China Hi-Tech Fair

Shenzhen, China

November 13-17, 2019

http://www.chtf.com/

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Travel and Tourism

Overview

China has become one of the most important outbound tourism markets in the world. Chinese outbound travelers reached 134 million in 2018, an increase of 3% or 4 million travelers from 2017.

The United States is an increasingly popular destination for Chinese travelers. In 2018, China ranked as the 5th largest international market (and 3rd largest overseas market) for the United States. According to the National Travel and Tourism Office, 3.2 million Chinese travelers visited the U.S. in 2017, constituting a 4% increase over 2016. In 2018, there was no growth in tourism from China and arrivals remained stable.

The United States received more than $35 billion in spending from Chinese tourists on travel and tourism related goods and services in 2017 (final 2018 data is not yet available). China is the largest travel export market for the U.S. The charts below illustrate Chinese travel trends in the U.S. through 2018.

Top International Arrivals to the U.S. between 2014 and 2018 (millions)

Rank	Country of Residence	2015	2016	2017	2018	% change 2017 to 2018
1	Canada	20.7	19.29	20.21	21.2	4.9%
2	Mexico	18.37	18.99	17.82	18.5	3.9%
3	United Kingdom	4.91	4.59	4.48	4.6	3.9%
4	Japan	3.79	3.6	3.59	3.4	-2.8%
5	China (excl. HK)	2.63	3.05	3.17	2.9	-5.7%
6	Germany	2.28	2.05	2.08	2.0	-0.9%
7	South Korea	1.78	1.98	2.33	2.2	-5.3%
8	Brazil	2.23	1.73	1.91	2.2	15.5%
9	France	1.77	1.64	1.67	1.6	1.6%
10	Australia	1.45	1.35	1.32	1.2	-2.0%

Source: U.S. Department of Commerce, ITA, National Travel and Tourism Office

Leading Sub-Sectors

As China rebalances its economy to promote consumerism as a greater driver of economic growth, the best sub-sector prospects for U.S. travel and tourism suppliers include luxury travel experiences, such as winery tours, fine dining, golf courses, and other leisure activities. While group tours to well-known American destinations are still pre-eminent, more Chinese travelers are becoming interested in venturing off the beaten path to visit places of natural beauty and of cultural and historical significance.

Opportunities

While the 3.2 million visitors from China in 2017 represented substantial growth from an already significant number of travelers, this figure represents about 2% of the 131 million outbound travelers from China. This suggests that substantial opportunity remains for the U.S. travel service industry to capture a greater share of the Chinese market and should encourage the industry to focus on understanding the complexities of the Chinese travel market. Currently, 16 U.S. cities are connected by non-stop flights to Chinese cities. The top three states for inbound Chinese visitors are California, New York, and Hawaii with 1.3 million, 800,000, and 300,000 Chinese visitors respectively per year.

Emerging Trends in Chinese-U.S. Visitation

While package tours still account for 70% of Chinese tourism to U.S., the "Frequent Independent Traveler (FIT)" segment is witnessing rapid growth. Tastes in travel and travel experiences are changing with a decrease in the average age of Chinese travelers and an increase in the availability of online resources to research and purchase travel services independently. The Chinese travel market is rapidly shifting from a multi-destination to a multi-experience focus. The FIT traveler profile is often young (18-44), highly educated, affluent, tech-savvy, and English-speaking.

There is growing demand for travel to U.S. destinations outside the most frequented gateway cities (i.e. New York, Los Angeles, and San Francisco) as more and more Chinese visitors can afford increasing amounts of international travel. This demand creates travel service opportunities for historically less-popular U.S. destinations by Chinese visitors. To attract more visitors, less-frequented destinations should take the time to understand the Chinese traveler and articulate the unique value of their respective destinations.

Profile of the Chinese Traveller to the U.S.

The average age of Chinese travelers to the U.S. is in their mid-thirties, and the average travel party size is 1.8 people. Travelers visit an average of 1.8 states and approximately 34% of travelers visit friends and family during their stay in the U.S. The median length of a trip is 14 days and most spend between $8,000 to $10,000 per traveler. Furthermore, the median household income for Chinese travelers visiting the U.S. has fallen from $49,000 to $45,000. This may indicate that overseas travel to the U.S. is becoming more accessible to the Chinese population. Finally, about 43% of Chinese travelers are choosing the U.S. as their first international trip. The U.S. is the only long-haul destination ranked in the top ten destinations for Chinese travelers.

Electronic Visa Update System (EVUS)

The successful launch of EVUS in November 2016 marked the full implementation of the 10-year visa validity for Chinese travelers. The implementation of the visa validity agreement in November 2014 resulted in a 53% increase as compared to the previous 12-month period. Chinese travelers' demand for visas continues to be strong. Mission China issued over 1.69 million non-immigrant visas (NIV) to Chinese travelers in fiscal year 2017, a decrease of over 25% from the previous year due mainly to the introduction of the ten-year visa. This number represents over 20% of worldwide NIV issuances. According to the National Travel and Tourism Office of the U.S. Department of Commerce, China is expected to have 4.2 million visitors to the United States by 2021, becoming the United States' largest source of overseas travelers, excluding Canada and Mexico.

Challenges

It is important to note that as the Chinese government continues to develop its policy governing the travel and tourism sector, in which new policies, guidelines, and regulations may be imposed. Key bilateral policy challenges include restrictions on foreign travel companies from directly selling outbound travel to Chinese citizens, limiting access of foreign owned global distribution systems (GDS) to the Chinese market, and preventing Chinese failure to abide by guidelines of the U.S.-China Bilateral Air Transport Agreement ("the Agreement"). Given that the Chinese have not met their obligations under the Agreement, including making available to U.S. airlines commercially viable landing and take-off slot times at major Chinese airports, further expansion of opportunities under the Agreement still appear unlikely at this time.

Furthermore, any difficulties in the U.S.-China trade relationship may adversely impact Chinese travel to the United States. At the time of writing, the RMB has weakened against the USD. A devalued Chinese currency may decrease the purchasing power of potential overseas Chinese travelers who are the largest foreign traveler spenders in the U.S. market.

Market Entry

With regard to long-term entry into the China market, travel and tourism organizations have two ways to enter the market. The first is to establish a direct office in China. To do this, the travel and tourism supplier should obtain a registration license from the Ministry of Culture and Tourism. The second method is to contract with a marketing/PR company to represent and/or promote their organization or destination. The second method is the one that has been adopted by the majority of U.S. destinations.

Commercial Service China has staff dedicated to serve the tourism market in Beijing, Shanghai, Guangzhou, Chengdu, Shenyang, and Wuhan. BrandUSA now has four representative offices in China located in Beijing, Shanghai, Guangzhou, and Chengdu. The Commercial Service and BrandUSA operate collaboratively in China to organize and support U.S. pavilions at major travel trade shows around China, run broad-based marketing campaigns, and other tourism events and programs. U.S. destinations and travel and tourism suppliers should consider working with the Commercial Service for their initial entry into the China outbound tourism market.

Trade Shows & Events

Beijing International Travel Mart

Beijing, China

September 4 – 5, 2019

Beijing: China Incentive Business Travel and Meeting Exhibition (MICE)

Beijing, China

August 28-29, 2019

Kunming: China International Travel Mart (CITM)

Kunming, China

November 15-17, 2019

Guangzhou: Guangzhou International Travel Fair

Guangzhou, China

March 1-3, 2020

Shanghai: ITB China

Shanghai, China

May 15-17, 2019

Web Resources

Brand USA

Visit the USA

U.S. Travel Association (USTA)

National Tour Association (NTA)

Commercial Service China Tourism Team

National Travel and Tourism Office (NTTO)

2016 China Market Profile for Travel and Tourism

NTTO 2016-2022

NTTO Inbound Data Page

U.S. Commercial Service Contact for Travel and Tourism Sector

U.S. Consulate General WuhanJing Wang, Jing.Wang@trade.gov

T: +86 27-8555-7791 x2808

M: +86 186-7279-1637

Customs, Regulations & Standards

Trade Barriers

Following China's accession to the WTO in 2001, the Chinese government took significant steps to revise its laws and regulations in a manner consistent with WTO obligations and to strengthen its role in the global economy. Nevertheless, despite progress in many areas, significant barriers for U.S. companies still exist. The U.S. government has demanded that the Chinese government address these barriers and to vigorously enforce U.S. and international trade laws and obligations.

For more information on specific barriers, please see the U.S. government's National Trade Estimate Report on Foreign Trade Barriers.

A report on China's compliance with WTO rules since joining that organization is published by the United States Trade Representative (USTR) and titled "2017 Report to Congress on China's WTO Compliance" (January 2018).

Import Tariff

The Customs Clearance Handbook (2016), compiled by the General Administration of Customs (China Customs), is a comprehensive guide to China's customs regulations. This guide contains the tariff schedule and national customs rules and regulations, and can be purchased at bookshops in China or ordered from the following online bookstore:

China Customs Press Online Bookstore

1st Floor, East Wing,

General Administration of Customs of PRC, No. 6, Jianguomen Nei Street,

Dongcheng District, Beijing, China

Phone: (86 10) 6519-5616

Fax: (86 10) 6519-5127

E-mail: bjjyssd@sina.com

Tariff Rates

China Customs assesses and collects tariffs. Import tariff rates are divided into six categories: general rates, most-favored-nation (MFN) rates, agreement rates, preferential rates, tariff rate quota rates, and provisional rates. As a member of the WTO, imports from the United States are assessed at the MFN rate. The five Special Economic Zones, open cities, and foreign trade zones within cities offer preferential duty reductions or exemptions. Companies doing business in these areas should consult the relevant regulations.

China may apply tariff rates significantly lower than the published MFN rate for goods that the government has identified as necessary to the development of a key industry. For example, China's Customs Administration has occasionally announced preferential tariff rates for items in the automotive, steel, and chemical sectors.

Customs Valuation

The dutiable value of an imported good is its Cost, Insurance, and Freight (CIF) price, which includes the normal transaction price of the good, plus the cost of packing, freight, insurance, and seller's commission. According to Customs Order 954, the "Administrative Regulation on Examination and Determination of the Dutiable Value of Imported and Exported Goods," China Customs is tasked with assessing a fair valuation to all imports.

To assess a value, all China Customs officers have access to a valuation database that lists appropriate valuations for various imports, based on international market prices, foreign market prices, and domestic prices. China Customs officers check the price reported by the importer against this database. Normally, China Customs officers will accept the importer's price. However, if the reported value is too far out of line with the database, the China Customs officer will estimate the value of the goods based on methods listed in Article 7 of the PRC Administrative Regulations. For agricultural products, China Customs information frequently does not reflect seasonal changes in pricing or the effects of quality/grade on pricing. As a general rule, China Customs will charge against the highest price reflected in their database. The Foreign Agricultural Service (U.S. Department of Agriculture) is working with China Customs to improve their understanding of agricultural products pricing.

Taxes

On top of normal tariff duties, both foreign and domestic enterprises are required to pay value-added taxes (VAT) and business taxes. VAT is assessed on sales and importation of goods and processing, repairs, and replacement services. Business taxes are assessed on providers of services, the transfer of intangible assets, and/or the sales of immovable properties within China. VAT is assessed after the tariff and incorporates the value of the tariff. China is bound by WTO rules to offer identical tax treatment for domestic and imported products. VAT is collected regularly on imports at the border. Importers note that their domestic competitors often fail to pay taxes. VAT rebates up to 17% (a full rebate) are available for certain exports. The Chinese government frequently adjusts VAT rebate levels to fulfill industrial policy goals. Exporters complain that it takes months to obtain the rebates and amounts are often miscalculated. Also, rebates are limited by local budgets and coastal provincial authorities often run out of funds for rebates well before the end of the year. The applicable rebate method varies according to the date the enterprise was established.

The U.S. signed a tax treaty with China that took effect on January 1, 1987 (United States The People's Republic of China Income Tax Convention). It provides certain benefits and allows for the avoidance of double taxation, but in order to enjoy the benefits provided by the tax treaty, non-residents (enterprises and individuals) must register with their local tax authorities in accordance with Circular 124. The corporate income tax rate in China is 25%. The law includes two exceptions to the 25% flat rate: one for qualified small-scale and thin profit companies, which will pay 20%, and another to encourage investment by high tech companies, which will pay 15%. Additional incentives are available for investments in resource and water conservation, environmental protection, and work safety. Preferential tax treatment for investments in agriculture, animal husbandry, fisheries, and infrastructure development continue to be applied.

In recent years, China has periodically cut import tariffs to improve Chinese citizens' access to cutting edge products, to introduce further competition in the market, and in the spirit of the government's promises to open the Chinese market. In May 2018, China announced the reduction in tariffs on 1,449 eight-digit tariff lines for most-favored nations by an average reduction of 55.9%.

During the APEC meetings in Beijing in November 2015, China agreed to participate in the expansion of the WTO's Information Technology Agreement (ITA Expansion). On October 26, 2016, China submitted its ITA expansion commitments to WTO Director-General Roberto Azevêdo for inclusion in its WTO schedule of concessions. China's commitments were ratified by the country's Standing Committee of the National People's Congress on September 3, 2016, and China commenced implementation of its first tariff cuts on covered goods from September 15, 2016.

Import Requirements & Documentation

Normally, the Chinese importer (agent, distributor, joint-venture partner, or FIE) will gather the documents necessary for importing goods and provide them to Chinese Customs agents. Necessary documents vary by

product but may include standard documents such as a bill of lading, invoice, shipping list, customs declaration, insurance policy, and sales contract as well as more specialized documents such as an import quota certificate for general commodities (where applicable), import license (where applicable), inspection certificate issued by the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) or its local bureau (where applicable), and other safety or quality licenses.

To help U.S. exporters of food, fishery and forestry products to China, the United States Foreign Agricultural Service (FAS), including the Agricultural Affairs Office in Beijing, prepares about 100 reports each year. These reports include new developments in commodities markets, changes in the hotel and restaurant sector, and announcements and analysis of new regulatory requirements. As China is a continental economy with diverse ecosystems and a vast variety of food preferences, it is also home to eight ministries involved in regulating food safety, quality, and trade. These agencies run the gamut of food regulation, inspection, packaging, canning, storage, labeling, quality control, record keeping and import requirements. Chinese regulators are engaged in releasing new rules that reflect the requirements and support the implementation of the 2015 Food Safety Law. These include numerous new measures issued by the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) such as registration requirements for grains and oilseeds (AQSIQ Decree 177), and live seafood (Decree 183). Similarly, the China Food and Drug Administration (CFDA) has issued registration requirements for infant formula recipes (CFDA Decree 26), health foods (CFDA Decree 22), foods for special medical purposes (CFDA Decree 24), and new requirements for on-line food trading. To help U.S. exporters navigate the many layers of regulation, FAS publishes three guides to educate exporters on the requirements, procedures, and bottlenecks that may occur for their industries. The three most significant annual reports are the:

Exporter Guide to China: This report targets those who are completely new to exporting to China.

Food and Agricultural Import Regulations FAIRS Country Report: This report identifies key regulations by commodity sector and level of processing.

FAIRS Export Certificate Report: This report identifies commodity and facility certification requirements.

Labeling/Marking Requirements

Chinese import inspection authorities point to labeling as one of the major reasons for noncompliance reports which has generated a lot of consumer complaints. Labeling and marking requirements are mostly made by different industry authorities. However, all products sold in China must be marked in the Chinese language. The State Administration for Quality Supervision, Inspection, and Quarantine (AQSIQ) requires imported and exported (but not domestic) food items such as candy, wine, nuts, canned food, and cheese to have labels verified and products tested for quality before a good can be imported or exported.

Many products imported to China must receive a China Compulsory Certification (CCC) marking before sale. The CCC marking is a conformity assessment system required for the importation and sale of goods in China. It is implemented by China National Certification and Accreditation Administration (CNCA) for the protection of national security, human health or safety, animal and plant life or health, and environment and prevention of deceptive practices. Products not meeting the requirements may be held at the border by Chinese customs and subject to other penalties. Once it is determined that a product must comply with the CCC mark, a completed application must be submitted to the CNCA. This must be accompanied by sample t4esting from an accredited Chinese laboratory, and factory inspections by Chinese inspectors. The application may then be evaluated and a CCC marked will be affixed to the product if the application is approved. Follow-up inspections must be conducted every 12-18 months. A complete list of products that require a CCC mark can be found on the China Laws, Standards, and Customs Regulation page of export.gov.

According to the Food Labeling Standards of China (GB7718-2011), imported foods shall have clear markings that indicate the country of origin, in addition to the name and address of the general distributor registered in the country. Please note that labeling standards are currently under review to reflect requirements under the 2015 Food Safety Law and are expected to be issued soon.

Products requiring the CCC mark, in addition to undergoing an application and testing process, must have the mark physically applied on products before entering or being sold in China. Many electronic products require the CCC mark.

Pursuant to the 2015 Food Safety Law, pre-packaged food must be labeled and must include the following information:

- Name, specification, net content, and date of production;
- Table of ingredients or formulation;
- Producer name, address and contact information;
- Shelf life;
- Code of product standard(s);
- Storage requirements;
- Generic name of the food additives as used in the national standard;
- Production License Number; and
- Other information that must be indicated in accordance with applicable laws, regulations, and food safety standards.

The labels of staple and supplementary foods for infant consumption and other specific populations must also list main nutritional ingredients and their contents. A series of national food safety standards were developed to provide specific guidance in product labelling:

Date of issuance	Effective Date	Standard Number	Standard-in Chinese	Standard-in English
4/20/2011	4/20/2012	GB7718-2011	预包装食品标签通则	Standard for the Labelling of Prepackaged Foods
10/12/2011	1/1/2013	GB28050-2011	预包装食品营养标签通则	Standard for Nutrition Labelling of Prepackaged Foods
11/29/2013	6/1/2015	GB29924-2013	食品添加剂标识通则	General Standard for the Labeling of Food Additives
12/26/2013	5/1/2015	GB13432-2013	预包装特殊膳食用食品标签	The Labelling of Pre-packaged Foods for Special Dietary Uses

In addition, in December 2016, the China Food and Drug Administration began requiring infant formula powder producers to review their infant formula labels and ensure that labels are in compliance with the relevant laws, regulations, rules and standards. More specific information is provided in the Infant Formula section of the FAS FAIRS Country Report.

Labelling of agriculture biotech products is governed by the Administrative Measures for Agricultural GMO, which is discussed Section VII of FAS FAIRS Country report.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related materials. The Department of Commerce's Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export, reexport, and transfer (in-country) of commodities, software, and technology (collectively "items") falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance the United States' 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. BIS also enforces antiboycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation, and strategic trade issues.

The EAR controls certain exports, reexports, or in-country transfers of purely commercial items, items that have both commercial and military applications (i.e., "dual-use" items), and less sensitive military items.

Items subject to the EAR may require a license prior to export, reexport, or transfer (in-country). BIS's Export Administration reviews license applications for exports, reexports, and deemed exports/reexports (technology transfers to foreign nationals in/outside of the United States) subject to the EAR. Through its Office of Exporter Services, Export Administration also provides information on BIS programs, conducts seminars at locations across the United States on the EAR's requirements and compliance thereof, and provides guidance to individual exporters via telephone and e-mail. BIS also provides web-based guidance on export controls, including links to amendments to the EAR, videos and webinars on export control topics, and electronic decision tree tools to facilitate an exporter's export control-related determinations. BIS's Export Enforcement is staffed with federal law enforcement agents who investigate illegal exports of items subject to the EAR and enforcement analysts who analyze intelligence and other information to assess the bona fides of parties and evaluate export transactions in support of investigations. BIS also posts regional Export Control Officers in Beijing, Dubai, Frankfurt, Hong Kong, New Delhi, and Singapore to conduct end-use verifications, perform industry outreach and liaise with foreign government counterparts on export control matters of mutual interest.

Under the EAR, a license is required to export, reexport, or transfer (in-country) certain controlled items to end users in China. See the Commerce Control List in Supplement No. 1 to Part 774 of the EAR for item-specific information. In some cases, an end-use check, which can take the form of either a Pre-license Check (PLC) or Post-Shipment Verification (PSV), is also required. U.S. exporters are required to obtain an End-User Statement from China's Ministry of Commerce (MOFCOM) for licensed transactions valued over $50,000 as part of the license application process. In certain circumstances, an End-User Statement may be required for transactions of a lower dollar value.

Generally, the licensing policy for China is to approve items for civil end use to civil end users. There is a presumption of denial for items that would make a direct and significant contribution to China's military capabilities. Items that are destined to a military end user or for military end use are reviewed with a presumption of denial. See parts 742 and 744 of the EAR. End users in China can apply for the Validated End-User (VEU) program. This allows end users who have an established track record of engaging in only civil activities to receive exports of specified items without the need for their suppliers to first obtain individual

export or reexport licenses. Interested companies can apply by submitting a request for an advisory opinion to BIS, as described in Section 748.15 of the EAR.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their goods to China. If necessary, a commodity classification request may be submitted in order to determine how an item is controlled (i.e., the Export Control Classification Number (ECCN)). Exporters may also request a written advisory opinion from BIS about the application of EAR's licensing requirements.

Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322

Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347 ECDOEXS@bis.doc.gov

Exporters are also urged to check lists identifying specific end users (persons, companies and entities) that are under U.S. government sanctions or for whom export licenses or other authorization may be required. Information on these lists, which include the Entity List, Denied Persons List, Unverified List, Specially Designated Nationals List, and Debarred List, is available on the BIS website.

A consolidation of export screening lists of the Departments of Commerce, State, and the Treasury can be found online. Exporters who engage in unauthorized transactions with listed parties may themselves become subject to administrative and/or criminal penalties.

sensitive personal data, and certain types of real estate transaction

Related Controls

Other U.S. agencies regulate exports of more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls administers U.S. export controls covering defense articles and defense services that appear on the U.S. Munitions List under the ITAR. Information on U.S. Department of State export licensing procedures, the ITAR, and the Arms Export Control Act can be found at Tel: (202) 663-1282.

The point of contact for U.S. Department of State licensing issues at the U.S. Embassy Beijing is the Economic Section, Tel: (86) (10) 8531-3000, Fax: (86) (10) 8531-4949.

Temporary Entry

Trade Shows & Exhibitions

Participants in trade shows and exhibitions need a Type M trade visa to enter China and can travel within the country. Notebook computers, cameras, and portable printers can be brought into China as personal belongings. Business firms seeking to bring in exhibits and items for display should see the rules below on temporary entry and consult the show organizers for regulation on the procedures and to obtain copies of appropriate forms.

Goods imported in China for display or demonstration at trade shows and exhibitions are exempt from customs duty, provided they are re-exported within six months. The time for re-export may be extended with China Customs approval. The exhibition organizer must obtain advance approval from China Customs, provide certain shipping documents and a list of items to be exhibited, and coordinate with China Customs officials. China Customs may sometimes request a guarantee in the form of a deposit or letter.

A local sponsor with authority to engage in foreign trade may sponsor small exhibitions or technical seminars, requiring less than 1,000 square meters in exhibition space. Customs will handle the tariff exemption formalities based upon a guarantee of re-export that is signed between the sponsor and the foreign party.

Food and beverage exhibition "not-for-sale" sample-entry rules are frequently not acknowledged by Chinese authorities. Under the current system, such samples are officially subject not only to full tariff and taxes, but product and labeling registration requirements. Trade show organizers may be able to obtain exceptions; however, these are largely of a one-off nature. It may also be possible to obtain exceptions to registration and labeling regulations at a given port by working through the local ATO office. However, such arrangements require substantial lead times and cannot be guaranteed.

Some exhibits or samples imported under the temporary not-for-sale regulations may be sold after the trade event is completed, in which case the duties owed on these items are levied by Customs.

According to the Corporation for International Business, the ATA Carnet Issuing authority in China no longer requires a cover letter along with the carnet presented to Chinese customs inspectors. The CIB is an ATA Carnet Service Provider of the U.S. Council for International Business (USCIB), New York City. USCIB is the Guaranteeing and Issuing Association for the ATA Carnet in the United States, under appointment of the U.S. Bureau of Customs and Border Protection. Interested firms can contact the CIB by sending an e-mail to carnets@atacarnet.com or by calling the CIB Carnet hotline (800 ATA-2900).

Companies are advised that freight forwarders will help to prepare a declaration form and Chinese Customs requests the model and serial numbers for high-value exhibits. Requirements may differ for types of products to be imported. In addition, fumigation is required for all wooden packing materials, in accordance with IPPC standards, and must bear the IPPC symbol.

Importing Commercial Samples

Importing commercial samples are those articles imported specifically for the purpose of placing an order.

Even though they may enter import tax and duty free, commercial samples, professional equipment, and goods for exhibitions must have proper documentation before entering China as they are subject to import controls. ATA Carnets can now be used for commercial samples and other temporary imports entering China. A Carnet is an international customs and temporary export-import document that is accepted in 87 countries, and simplify the process of bringing commercial samples, professional equipment, and many goods for exhibitions in to China. Items that are eligible for a Carnet enter China import tax free and duty free upon the presentation of an ATA Carnet document. Carnets cannot be used for consumer goods, agricultural products, and most other non-temporary imports.

Imported commercial samples that belong to companies that have not registered with Customs need to apply for temporary registration to Customs. It is recommended to consult the destination before samples are sent from the origin country.

Notifications

If the commercial sample is made of any dangerous materials, it is recommended to send them directly to the final destination, and carriers and the final destination should be consulted prior to the samples being sent from the origin.

The normal operation for customs clearance in Beijing takes three days. Never consign commercial samples to an individuals' name or hotel address. It is highly recommended to check on the China Customs Regulations before sending samples.

Passenger Baggage

Reasonable quantities of items for personal use by short-term visitors may be imported duty-free. An individual is allowed to carry under $6,000 worth of foreign currency without having to declare it to Chinese Customs upon arrival.

Advertising Materials and Trade Samples

Shipments containing samples and advertising articles are taxed according to their respective commodity HS codes, unless they fulfill the following criteria:

Shipments with import tax less than US $8, and/or

Shipments with no business value, to be applied by shippers from Monday to Friday (domestic overseas), that pass strict physical inspection by China Customs, and/or

Only those parties who have registered with China Customs can declare shipments (i.e. China shipper, China consignee, and agent).

The following samples, regardless of value are dutiable: motor vehicles, bicycles, watches, televisions, recorders, radios, electric gramophones, cameras, refrigerators, sewing machines, photocopiers, air conditioners, electric fans, vacuum cleaners, acoustic equipment, video recording equipment, video cameras, amplifiers, projectors, calculators, electronic microscopes, electronic color analyzers and their major parts. In these cases, the shipper should not only use the word "sample" on the Air Waybill and Commercial Invoice, but also include a detailed description of the commodity. For more information contact the Customs General Administration of the People's Republic of China.

Representative Offices' Personal Effects and Vehicles

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

Processing Materials and Parts

Raw materials, components, spare parts, auxiliary materials, and packaging materials imported by FIEs for the production of goods which will be re-exported are exempt from customs duty and VAT. The materials and components must be processed into products and exported within one year from the date of importation. In special circumstances, an FIE can apply to extend the date of export to a total time no longer than two years from the date of importation. Bonded warehouses may be established within the FIE and are subject to supervision by Customs.

Warehouses

Goods that are allowed to be stored at a bonded warehouse for up to one or two years are limited to: materials and components to be used for domestic processing subject to re-exportation; goods imported under special Customs approval on terms of suspending the payment of import duties and VAT; goods in transit; spare parts for free maintenance of foreign products within the period of warranty; and fuel for aircraft and ships.

At the end of the two-year period, the goods must be imported for processing and re-exported, licensed for import, or disposed of by Customs. Customs duties and VAT may be assessed depending upon the degree of processing done in China. Goods imported under normal import contracts are not allowed to be stored in bonded warehouses.

Prohibited & Restricted Imports

The following items are prohibited from entering China: arms, ammunition, and explosives of all kinds; counterfeit currencies and counterfeit negotiable securities; printed matter, magnetic media, films, or photographs which are deemed to be detrimental to the political, economic, cultural and moral interests of China; lethal poisons; illicit drugs; disease-carrying animals and plants; foods, medicines, and other articles coming from disease-stricken areas; old/used garments; and local currency (RMB). Food items containing

certain food colorings and additives deemed harmful to human health by the National Health and Family Planning Commission (NHFPC) are also barred entry.

In addition, China restricts or prohibits the importation of certain commodities related to the processing trade. The "Catalogue of Commodities Which are Restricted or Prohibited from Importing for Use in the Processing Trade" is designed to shift the direction of China's processing trade toward handling commodities with higher technological content and greater value-added potential.

The catalogue identifies the following "prohibited commodities": used garments; used publications with licentious content; radioactive or harmful industrial waste; junk cars, used automobiles or components; seeds, seedlings, fertilizers, feed, additives, or antibiotics used in the cultivation or breeding of any export commodity. The catalogue lists seven general types of "restricted commodities": raw materials for plastics, polyester sections, raw materials for chemical fibers, cotton, cotton yarn, cotton cloth, and some steel products. This list was updated yearly beginning in 1999, with the last one published in 2010.

However, these reports only show updates and do not reflect the final list. U.S. firms should contact the China General Administration of Customs for guidance regarding the import of any of these products. (See below for contact information).

All wood packages should carry an IPPC mark, or it will be subject to further requirements. The latest rule is called the Measures for the Administration of Quarantine and Supervision of Wooden Packages of Imported Goods, promulgated by AQSIQ, effective from January 1, 2006.

Scrap

Scrap: In 2007, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) published a "Notice Regarding Renewal Procedures for the License and Registration of Overseas Enterprises of Imported Scrap Materials." All written application materials should be marked "Renewal Application Materials for Registration of Overseas Supplier Enterprise for Scrap Materials" and mailed to:

Division of Inspection & Supervision, General Administration of Quality Supervision, Inspection & Quarantine of the P.R. of China (AQSIQ)

No. 9, MaDian East Road, Haidian District, Beijing 100088, China

Tel: (86 10) 8226-0092

Customs Regulations

For information on China's Customs Regulations, please refer to their website: China General Administration of Customs

Standards for Trade

Overview

The Standardization Administration of China (SAC) is the central body for all activity related to developing and promulgating national standards in China. The China National Certification and Accreditation Administration (CNCA) coordinates compulsory certification and testing, including the China Compulsory Certification (CCC) mark. Following a recent reorganization of China's government agencies, SAC and CNCA are sub-agencies under the State Administration of Market Regulation (SAMR), a government agency that includes the functions of the former General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), among others. Standards in China fall into at least one of five broad categories: national standards, industry standards, local or regional standards, enterprise standards for individual companies, and association standards. National standards (also called "GB" standards) can be either mandatory (technical regulations) or voluntary. Either

way, they take precedence over all other types of standards. Association standards are a new concept established as part of a reform to China's standardization system (see below for more information on this reform) and are intended to be driven by industry and other stakeholder organizations.

Exporters to China should be aware of a few regulatory requirements in the standards and testing area. First, it is important to note that laws and regulations can reference voluntary standards, thereby making the voluntary standard, in effect, mandatory. Second, for certain products, such as some electrical products, information technology products, consumer appliances, fire safety equipment and auto parts, China requires that a safety and quality certification mark (the aforementioned CCC mark) be obtained by a manufacturer before selling in or importing to China. This process can take some time. Third, numerous government agencies in China mandate industry-specific standards or testing requirements for products under their jurisdiction, in addition to the GB standards and the CCC mark described above. This often leads to onerous and duplicative testing requirements.

Standards

China is in the process of significantly reforming its standardization system with a stated goal of decreasing the number of mandatory standards and employing both a top-down standards development system like the European Union and a bottom-up system like in the United States. China's revised Standardization Law, which went into force in 2018, along with subsequent implementing measures, defines a new system that includes national standards development by technical committees (TC) and allows for other standards setting processes. TCs developing national or GB standards must be accredited by the SAC. These TCs are comprised of members from government agencies, private industry associations, companies (sometimes representatives of foreign-invested companies may participate, but often do so with limited voting rights), and academia.

Under recent reforms to China' standardization process, industry alliances are also being formed to develop association standards, which are intended to be developed according to processes such as the market-driven system in the United States. Some business community experts are concerned about the independence of the process for setting association standards and about potential mechanisms for association standards to become national standards.

Additionally, government agencies such as the National Development and Reform Commission (NDRC), and the Ministry of Industry and Information Technology (MIIT), can approve and promulgate technical regulations that may reference voluntary standards, rendering them mandatory.

In 2018 and early 2019, Chinese regulators issued further policies to implement standardization reform, including guidelines for proposals to draft national standards, a plan to provide incentives for "pioneering" enterprise standards, and a plan to draft or revise over 500 recommendatory national standards in 2019. In addition, China has embarked on a long-term research project that aims at developing a national standards strategy, called China Standards 2035.

China has repeatedly stated that it intends to become a significant player in international standards organizations and has made efforts to increase its profile in the international standards development organizations. Recently, these efforts have included hosting the 83rd International Electrotechnical Commission to be held in October 2019 and encouraging standards cooperation and harmonization efforts in neighboring countries.

Testing, Inspection & CertificationConformity Assessment

CNCA is the primary government agency responsible for supervision of China's conformity assessment policies, including its primary safety and quality mark, the CCC mark. CNCA supervises the work of the China National

Accreditation Service for Conformity Assessment (CNAS), which accredits certification bodies and laboratory and inspection facilities. Product Certification.

The China Compulsory Certification (CCC) mark is China‘s national safety and quality mark. The mark is required for 19 categories of130 products, ranging from electrical fuses to toaster ovens to automobile parts to information technology equipment. About 20% of U.S. exports to China are on the product list. If an exporter‘s product is on the CCC mark list, it cannot enter China until CCC registration has been obtained, and the mark is physically applied to individual products as an imprint or label. Domestic products also cannot be sold in China without obtaining registration and applying the mark on individual products.

After years of U.S. government advocacy, Chinese regulators have streamlined CCC management. In2018, the SAMR and CNCA published two lists of products to be removed from the existing CCC catalogue, and lists of existing CCC products that will subsequently be considered CCC compliant through self-declaration. In addition, starting April 1, 2019, SAMR took over the approval of CCC exemption applications from the General Administration of Customs of China (GACC). Exporters should carefully review China’s CCC catalogues as China continues to make modifications to the list of products requiring a CCC mark.

Obtaining the CCC Mark involves an application process with authorized Chinese certification bodies. At present, five foreign testing organizations have been designated to test certain categories of products to CCC mark GB standards.

The application process can take several months or more and can cost upward of $4,500 in fees, in addition to inspectors’ travel costs. In 2018, the State Council called for an increase in the number of CCC certification agencies, in an effort to reduce CCC compliance costs and in turn improve China’s business environment. The CCC process includes sending testing samples to a Chinese laboratory and testing in those labs to ensure the products meet safety and/or electrical standards. Applicants’ factories are also required to undergo inspection to determine whether the product line matches the samples tested in China. Finally, Chinese testing authorities approve the design and application of the CCC logo on the applicant‘s products. Some companies, especially those with a presence in China and with a dedicated certification/standards staff, are able to manage the application process in-house. Other exporters can tap the expertise of standards consultants based both in the United States and in China who can provide application management services and handle all aspects of the application process.

The U.S. Department of Commerce maintains a comprehensive CCC mark website to help U.S. exporters determine whether they need the CCC mark and how to apply.

Though the CCC mark is China‘s most widely required product certification mark, other product certification requirements exist. These include, for example, requirements for boilers and 81 pressure vessels, under a product certification regime administered by the Special Equipment Licensing Office of SAMR. Another product certification scheme is required for certain measurement equipment, known as Certificate of Pattern Approval, which is also administered by SAMR.

Conformity Assessment

CNCA is the primary government agency responsible for supervision of China‘s conformity assessment policies, including its primary safety and quality mark, the CCC mark. CNCA supervises the work of the China National Accreditation Service for Conformity Assessment (CNAS), which accredits certification bodies and laboratory and inspection facilities.

Accreditation

The China National Accreditation Service for Conformity Assessment (CNAS) is the national accreditation body of China solely responsible for the accreditation of certification bodies, laboratories, and inspection bodies as authorized by the CNCA in accordance with the Regulations of the People's Republic of China on Certification and Accreditation. The list of accredited bodies can be found on the CNAS website.

Over the past few years, CNCA has gradually designated a few foreign organizations for testing certain categories of products for the CCC mark. For example, in 2014, UL was designated for testing HVAC equipment; in 2016, it was designated for testing motors and audio and video products; and in January 2017, it was designated for testing wire and cable. Additional foreign lab designations will likely make the CCC process much less cumbersome and expensive.

Publication of Technical Regulations

China is obligated to notify other World Trade Organization members of proposed technical regulations that would significantly affect trade. Notifications are made through the Technical Barriers to Trade (TBT) committee notification point. All members, including China, are required to allow for a reasonable amount of time for comments to proposed technical regulations (i.e., compulsory standards). Historically, China habitually only allowed comment periods of a few weeks, as opposed to the standard of 30 to 60 days practiced by other nations and recommended by the TBT committee.

Contact Information for Trade Standards

Ru Wang, Commercial Specialist (Ru.Wang@Trade.gov)

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Trade Agreements

China has bilateral investment agreements with over 100 countries and economies, including Austria, the Belgium-Luxembourg Economic Union, Canada, France, Germany, Italy, Japan, South Korea, Spain, Thailand, and the United Kingdom. China's bilateral investment agreements cover expropriation, arbitration, most-favored-nation treatment, and repatriation of investment proceeds. They are generally regarded as weaker than the investment treaties the United States seeks to negotiate.

China maintains 16 Free Trade Agreements (FTAs) with its trade and investment partners, and is negotiating or implementing an additional eight FTAs. China's FTA partners are ASEAN, Singapore, Pakistan, New Zealand, Chile, Peru, Costa Rica, Iceland, Switzerland, Maldives, Georgia, Hong Kong, Macao, and Taiwan. China has also recently signed FTAs with Korea and Australia, both of which include a chapter on investment.

Web Resources

For a comprehensive list of accredited technical committees in China

For a complete list of products required to obtain China Compulsory Certification

For free notifications of proposed technical regulations and standards

For information regarding rules of importation from AQSIQ, including a very useful map with links to local bureaus of entry-exit and quarantine

Investment Climate Statement

For the Investment Climate Statement for China, please visit the following: https://www.state.gov/reports/2019-investment-climate-statements/china/

Trade & Project Financing

Methods of Payment

In China, there are many ways to finance imports. The most common are letters of credit and documentary collections. No matter what method is used, the Chinese importer needs to apply for the foreign exchange amount for the trade transaction from the State Administration of Foreign Exchange (SAFE). Please see the below section on "Foreign-Exchange Controls" for more information.

Letters of Credit

China, as a member of the International Chamber of Commerce since 1995, is subject to the Unified Customs and Practice (UCP) 600 code that governs letters of credit.

Most Chinese commercial banks, e.g., Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of Communications, China Merchants Bank, and CITIC Bank, have the authority to issue letters of credit (L/C) for both imports and exports. Foreign banks with branch or representative offices in China can also issue letters of credit.

Documentary Collections

This method of payment is similar to a letter of credit, but less formal and more flexible. Just as with letters of credit, the exporter submits a full set of trade documents for payment collection to the bank designated in the contract. The bank will send the documents to the home office, which examines them and, in some cases, passes them to the buyer for further examination. Payment is made after the documents have met the approval of all parties. This method of payment provides only limited coverage against default. It can be considerably less expensive than a letter of credit but should be used with caution. It is the responsibility of the exporter to determine the specific instructions to be used in the collection letter.

Please refer to the Bank of China for further details on application qualifications and a flowchart of the process.

Contract Advance (for wire remitted funds, also called T/T Finance)

This is a specially tailored service for transactions under open account contract wherein T/T payment terms are called for. Upon arrival of goods, the Chinese importer may apply for this service whereby a Chinese bank may advance the importer the payment to the exporter. The importers are to repay this advance after the goods are sold and the proceeds are received. Before applying for a contract advance, the importer needs to apply to the Chinese bank for a T/T Finance facility, which may be granted after assessment of the importer's financial status.

Import Factoring

Import factoring is suitable for Open Account (O/A) import business. At the request of the supplier and in the light of a Chinese bank's internal appraisal of the importer's credit standing, the bank can offer the supplier a credit line, under which the bank will not only protect the export receivables assigned to the Chinese bank against the importer's credit risk, but also provide the importer with financial management services as well. The importer needs to select O/A as the payment term when negotiating with the supplier and suggest the supplier to submit factoring application to a Chinese bank, i.e., the import factor, through the supplier's local export factor. Upon receipt of the supplier's application, the import factor will notify the supplier of the credit line decision after comprehensive assessment of the importer's credit standing. The supplier will dispatch goods and assign the related export receivables to the import factor in accordance with the approved credit line. When the factored invoices come due, the import factor will remind the importer to effect payment.

Banking Systems

China's 13th Five Year Plan for the Finance Sector

Opening of Chinese Financial Market

In April 2019 at the Boao Forum, Yi Gang, Governor of People's Bank of China, announced the following measures, which have since been implemented:

- Eliminating the requirement for having at least one domestic securities firm among Chinese partners in a joint venture securities firm
    a. This is in the process of being implemented.
- Quadrupling, as of May 1, 2019, the quota for mainland-Hong Kong stock link to 52 bn RMB ($8.3 bn) northbound and 42 bn yuan southbound;
- Allowing qualified foreign investors to start insurance agent and adjuster businesses
    a. This was implemented in June 2018.
- Opening up the business scopes of foreign insurers allowing equal access as domestic insurers
    a. This was implemented.
- Encouraging foreign investment in trust, financial leasing, auto financing, currency brokerage, and consumer financing;
- Setting zero foreign equity cap on new financial asset investment firms and wealth management firms set up by commercial banks
    a. This has not yet been completely eliminated.
    b. The foreign equity cap was raised to 51%. Foreign firms have considered expanding but none have been approved.
- Completely removing the pre-establishment two-year operation requirement for foreign insurers. In addition, a London-Shanghai stock link will be launched by the end of the year.

The following measures were announced at the 2018 Boao Forum but have not been fully implemented at the time of publication:

- Giving national treatment for foreign banks and financial asset management firms by eliminating equity restrictions and allowing foreign banks to set up branches and subsidiaries at the same time by the end of 2018
- Raising equity restrictions for foreign securities, fund management, futures, and life insurance firms to 51% and eliminating the restrictions by 2021;
- Eliminating any business scope restrictions on joint venture securities firms in alignment with those for domestic firms.

In May 2019, CBIRC Chairman Guo Shuqing announced 12 new opening up measures in the financial sector. The measures have not yet been implemented:

1) Upper equity limits for a single Chinese-funded bank and a single foreign-funded bank in a Chinese commercial bank will be abolished;
2) Requirements will be abolished for foreign banks to have $ 10 billion in assets before being allowed to set up a legal entity in China and for foreign banks to have $ 20 billion in assets before being able to set up a branch in China;
3) Requirement will be abolished for foreign financial institutions to have $ 1 billion in assets before being allowed to invest in a trust company;
4) Foreign financial institutions will be allowed to invest in foreign-funded insurance firms operating in China;

5） Requirements will be abolished for foreign insurance brokerage companies to run insurance brokerage business at least 30 years in China and with total assets of no less than $ 200 million;
6） Requirement will be abolished that the only Chinese or major shareholder of a Chinese-foreign joint venture bank must be a financial institution;
7） Foreign financial institutions and banking insurance institutions controlled by private capitals will be encouraged to launch equity, business and technology cooperation;
8） Foreign insurance groups will be allowed to invest and set up insurance institutions;
9） Domestic foreign insurance groups will be allowed to set up insurance institutions according to the same qualification requirement as the Chinese insurance groups;

10) Market entry requirements will be relaxed for both Chinese and foreign financial institutions to set up consumer finance company;

11) Foreign banks will not need approval to conduct RMB business and will be able to conduct RMB business when they kick off business;

12) Foreign banks will be permitted to engage in agency collection and payment service.

New Foreign Investment Law

In March 2019, the National People's Congress approved a new foreign investment law that aims to aims to prohibit forced technology transfer and illegal government meddling into foreign business practices. The measure will replace the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises. The law is set to come into force on January 1, 2020.

The law includes provisions that:

- Explicitly bars Chinese JV partners from stealing IP and commercial secrets from their foreign partners
- Prohibits government officials from using administrative measures to pursue forced technology transfers and makes them criminally liable if they do so
- Ensures foreign investors will receive equal treatment when applying for licenses and participating in government procurement and the formulation of standards
- Shields foreign investments from arbitrary expropriation except in select circumstances for "national security reasons" in which case the company will be given "fair and reasonable compensation"

However, there are concerns about the law's vagueness and ability to be enforced. The American Chamber of Commerce in China expressed reservations about the law's lack of detail and consultation with the business community. Skeptics argue that Chinese courts will still side with domestic companies during disputes. The full text of the law can be read here in both English and Chinese.

Foreign Exchange Controls

China maintains a "closed" capital account, meaning companies, banks, and individuals can't move money in or out of the country except in accordance with strict rules.

The People's Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE) regulate the flow of foreign exchange in and out of the country and set exchange rates through a "managed float" system. Companies must report any overseas payment with a payment term over 90 days from the date shown on the

import declaration form to SAFE —no matter the amount—or they will not be allowed to arrange the overseas payment. The accumulated reported overpayment amount in one calendar year can't exceed 10% of total importation amount of the last year.

When an enterprise enters into a contract that contains a clause for the pre-payment for purchases, the enterprise must register (with SAFE) within 15 working days after the contract is signed. The enterprise also must register the foreign exchange repayment within 15 days before the remittance. If the contract does not contain a pre-payment clause but a foreign exchange repayment is nevertheless required, the enterprise must register the contract and the foreign exchange prepayment within 15 working days before the remittance. As to the amount of the pre-payment, in principle, the enterprise pre-payment quota cannot exceed 10% of the total payment the enterprise has made for importation in the past 12 months. However, enterprises handling large, complete sets of equipment are exempt.

On December 30, 2016, China People's Bank of China issued Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions, with the goal of targeting money laundering, terrorism financing and fake outbound investment transactions. As a result of the law, banks and other financial institutions in China have to report all domestic and overseas cash transactions of more than 50,000 RMB **(appro.. $7350)**, compared with 200,000 RMB **(approx. $29,400)** previously. Banks will also need to report any overseas transfers by individuals of $10,000 or more. In addition, all banks must report to central government on every single foreign exchange transaction of at least $5 million. SAFE will supervise and halt any on-going ODI projects in which Chinese investors still need to transfer more than $50 million out of the country. Only once they have vetted the authenticity and legality of the company's ODI plans will the green light be given.

U.S. Banks and Local Correspondent Banks

Among the 41 locally incorporated foreign banks in China, there are eight from the U.S. that operate about 80 branches and representative offices in China.

- Citibank
- Bank of America Merrill Lynch
- BNY Mellon
- East West Bank
- JPMorgan Chase Bank
- Morgan Stanley Bank International
- SPD Silicon Valley Bank

Project Financing

Export Credits

The U.S. Export-Import Bank (Ex-Im Bank), an independent agency of the U.S. government, seeks to increase the competitive position of U.S.-based exporters in overseas markets by supporting the financing of U.S. export sales. Generally speaking, Ex-Im Bank guarantees the repayment of loans or makes loans to international purchasers of U.S. goods and services. Ex-Im Bank also extends export credit insurance thus protecting U.S. exporters against the risks of non-payment for political or commercial reasons. A reasonable assurance of repayment on every transaction financed must be provided.

The Ex-Im Bank first signed a Framework Agreement with China's Ministry of Finance (MoF) in 2005. According to this agreement, a Chinese bank (usually China EXIM) acted as the borrower, with the MoF providing a sovereign guarantee of the borrower bank's obligations for imports from the U.S. for Chinese government projects. The Sovereign Guaranteed Loan Program (SGLP) was created to help strengthen

economic and trade ties between the two countries by offering beneficial terms to boost U.S. exports of advanced technology and equipment.

SGLP's provided key advantages in a waiver of import duties and VAT for eligible projects, procedures to facilitate the approvals process for Chinese buyers, and a pre-negotiated form of Master Guarantee Agreement to streamline documentation. The program helped finance a wide range of exports to China, ranging from renewable energy, medical equipment, and environmental products to transportation, telecommunications, and other infrastructure equipment.

However, the SGLP is currently unable to be offered. In April 2017, the Ex-Im Bank and China's Ministry of Finance (MoF) discussed the need for a new framework agreement after China implemented its New Budget Law in 2015. While the law was meant to better manage local government debts, the law restricted China EXIM and MOF's ability to support the SGLP under the existing agreement. The U.S. Ex-Im Bank and China's Ministry of Finance (MoF) remain in the process of negotiating a new agreement. Until further agreement between the two sides is reached, SGLP cannot be offered.

Although the SGLP is currently restricted, other financial services from the Ex-Im bank are available for Chinese buyers of U.S goods and services for the short, medium and long term. Please refer to the U.S. Ex-Im Bank for further details.

For private sector borrowers, U.S. Ex-Im Bank will accept financial statements audited according to acceptable accounting practices with auditor's notes and statements that adequately disclose financial conditions and afford a reasonable basis for reliance on the information provided. The terms and conditions of standard export financing are governed by the OECD Arrangement on export credits.

For U.S. Ex-Im Bank direct loans, lending rates (commercial interest reference rates or CIRR) are set monthly and are based on a spread above U.S. treasuries. The U.S. Ex-Im Bank is also open for limited-recourse, project financing in China. Such a project is one in which anticipated cash flows can cover debt service repayment to lenders and payment of dividends to shareholders and is without government guarantees. Loans under this program will be available to companies operating investment projects that require imports from the United States. Project financing is also available from the various multilateral financial institutions as described below.

For more information concerning U.S. Ex-Im Bank programs and application procedures contact:

Richard Pearson

Business Development Officer, Global Business Development, Export-Import Bank of the United States

tel. (202) 565-3709,

richard.pearson@exim.gov.

*Exposure fee calculations and applications can be found on-line.

U.S. Department of Agriculture

The USDA GSM-102 program provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products. By reducing financial risk to lenders, credit guarantees encourage exports to buyers in countries — mainly developing countries — that have sufficient financial strength to have foreign exchange available for scheduled payments.

The program is available to exporters of:

- high-value, consumer-oriented, processed products such as frozen foods, fresh produce, meats, condiments, wine, and beer;

intermediate products such as hides, flour, and paper products; and bulk products such as grains, oilseeds, and rice.

Multilateral Development Banks

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders.

Learn more by contacting the Commercial Liaison Offices to the Asian Development Bank and the World Bank.

Asian Infrastructure Investment Bank (AIIB)

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank based in Beijing with a AAA credit rating. The AIIB, which was founded in 2016, currently has 70 members as well as 27 perspective members; members are not limited to the Asian continent, though are separated into regional and non-regional members. The U.S. and Japan are not members.

The mission of the bank is to improve social and economic outcomes in Asia, with India, Indonesia, and Turkey being among the three largest recipients of funds. The main area of promotion for the AIIB is cross-border infrastructure. The bank is not directly related to the Chinese government; however, a Chinese-appointed director holds 27% voting power giving China veto power in the AIIB.

Web Resources

Export-Import Bank of the United States

Country Limitation Schedule

OPIC

Trade and Development Agency

SBA's Office of International Trade

USDA Commodity Credit Corporation

U.S. Agency for International Development

Commercial Liaison Office to the Asian Development Bank

Commercial Liaison Office to the World Bank

Asian Infrastructure Investment Bank (AIIB)

Business Travel

Business Customs

Business/name cards are ubiquitous in Chinese business and will almost always be exchanged upon meeting a stranger in such a context. The card should be held in both hands when offered to the other person; offering it with one hand is considered ill mannered. When receiving a card, use two hands and study it. Acknowledge it with thanks and initiate conversation, when feasible. Use a competent interpreter, to make sure you are communicating correctly and/or understanding the other person correctly. Do not miss an opportunity to develop an appropriate new business contact, as relationships, called guanxi in Mandarin, remain very important in China.

Travel Advisory

The threat level for all China posts is considered low for crime and medium for terrorism. Americans should exercise increased caution in China due to arbitrary enforcement of local laws as well as special restrictions on dual U.S.-Chinese nationals.

For the most up-to-date information related to traveling and living in China, please see the Department of State's Country Specific Information on China.

China experiences a moderate rate of crime. Violent crime is less common but does occur. Violent crime affecting the expatriate community most often occurs in the bars and clubs of China's various nightlife districts. To reach the police in China, dial "110," the local equivalent of 911. Pickpockets are particularly active in crowded markets and foreigners are often sought out as primary targets. Foreigners have often had bags or backpacks stolen when they set them down momentarily in a shop or put them on a chair in a restaurant; avoid keeping your passport in a bag. Thefts from taxis have also become more common and travelers are especially urged to hold purses or computer bags and to be sure drivers are not given the opportunity to leave with the traveler's luggage in the car or trunk.

Petty theft from hotel rooms is uncommon but visitors are advised not to leave valuables lying loose or unattended in their rooms. Use safes in rooms or safe deposit boxes at the front desk when provided. Use caution if approached by individuals purporting to be English-language or art students and avoid sellers of pirated or fake products. These transactions are illegal and should be avoided.

Americans arriving without valid passports and Chinese visas are not permitted to enter China and may also be subject to fines. Visitors traveling to China on a single-entry visa should be reminded that trips to Hong Kong or Macau Special Administrative Regions are treated as a visit outside Mainland China. If the traveler tries to return to Mainland China after a visit to one of these two destinations but only has a single-entry visa, they will be denied entry. Visitors facing this dilemma should apply for a new visa at the Chinese Ministry of Foreign Affairs or the China Travel Service in Hong Kong to re-enter China. Transit through China without a visa is permitted in some circumstances, see visa requirement information below, but to avoid problems, check your itinerary and the most recent Chinese visa regulations to be sure your trip meets the regulations. Recent travel advisories and other useful information can be found on the U.S. State Department's travel website.

If traveling to China, remember to connect with the U.S. Embassy and Consulates through the Department of State's Smart Traveler Enrollment Program.

Visa Requirements

Entry & Exit

- Obtain a visa prior to arrival and have a passport with at least six months' validity remaining. The lack of either will result in a fine and immediate deportation.
- Apply for a ten-year multiple entry visa, useful for repeated travel or trips to Hong Kong or Macau with returns to China.
- You must have a valid visa to exit China and you must leave China before the expiration of the listed duration of stay.

Lack of a visa, having an expired visa or overstaying your visa can result in detention and fines.

- Apply for a visa extension from the Entry/Exit Bureau before attempting to leave the country. Do not expect your request to be expedited, so apply ahead of time.
- Visit the website of the Embassy of the People's Republic of China for current visa information.

The Tibet Autonomous Region (TAR), requires special permits for tourist travel, most often obtained through a Chinese travel agent. If you do enter a restricted area without the requisite permit, you could be fined, taken into custody, and deported for illegal entry. To learn more about specific entry requirements for Tibet or other restricted areas, check with the Embassy of the People's Republic of China.

The U.S. Department of State is unaware of any HIV/AIDS entry restrictions for visitors to or foreign residents of China.

Transiting China

- When transiting certain international airports, you may stay in mainland China without a Chinese visa.
- The duration of allowed stay and how broadly you may travel varies by region.
- Transiting without a visa requires a valid passport, a visa for your onward destination (if necessary), and an onward ticket from the same location.
- You must inform your airline upon check-in, and get an endorsement stamp at the immigration desk before leaving the airport.
- Consult the Chinese Embassy/consulate for a current list of eligible airports and more detailed guidance.

During Your Stay

- Failure to register with the police within 24 hours of arrival in the country could result in fines and deportation. You can register with hotel staff or the local police station.
- Carry your valid U.S. passport and Chinese visa or residence permit at all times.
- Entry and exit requirements are strictly enforced, as are restrictions on activities allowed by any particular visa class.
- Police, school administrators, transportation officials, and hotel staff may check your visa to make sure you have not overstayed. If you overstay your visa's duration of stay, you may be denied service by hotels, airports and train stations, be charged an RMB 500 fine per day up to a maximum of RMB 10,000 and face possible detention.

If you encounter problems in Tibet, the U.S. government has limited ability to provide assistance, as the Chinese government does not usually authorize U.S. government personnel to travel there, even to provide consular assistance to U.S. citizens.

Dual Nationality: China does not recognize dual nationality.

If you are a dual national of the United States and China, the Chinese government will usually not permit the U.S. Embassy to provide consular assistance to you unless you entered China on a U.S. passport with a valid Chinese visa. Regardless of your travel documents, if you are a dual national, or otherwise have ethnic or

historical ties to China, it is possible that Chinese authorities will assert that you are a Chinese citizen and deny your access to U.S. consular representatives if you are detained.

If you are a naturalized U.S. citizen or have a possible claim to Chinese citizenship, and you are traveling to China, you should ensure that you are well informed about Chinese law and practices relating to determination and loss of Chinese citizenship, including the possible need to formally renounce Chinese citizenship, cancel a household register ("hukou"), etc. Chinese authorities generally consider a child born in China to at least one Chinese parent to be a Chinese citizen, even if the child was issued a U.S. passport at the time of birth. If you have or had a claim to Chinese citizenship and your child is born in China, prior to departing China with your child, you should contact the local Public Security Bureau and/or Entry-Exit Bureau for information on obtaining a travel document.

Information about dual nationality can be found on our website. Contact the Embassy of the People's Republic of China for specific information on China's immigration and nationality laws.

Currency

The People's Republic of China's currency is officially called the Renminbi (RMB) and is also known as the Yuan. Colloquially, locals and expatriates may use the Chinese word "kuai," as in "that book is 50 kuai." The distribution of counterfeit Chinese currency continues to plague official and private Americans. Unsuspecting Americans are passed fraudulent notes at restaurants, stores, and taxi cabs. Large numbers of 100 RMB and 50 RMB counterfeit notes continue to circulate, while even fake 20 RMB and 10 RMB (roughly three and two dollars respectively) denominations have been introduced in Beijing and other parts of the country.

Telecommunications/Electric

International and domestic phone calls can be made with little difficulty in China, particularly in the major cities. International and domestic calls can typically be made directly from hotel rooms and phone cards and SIM cards are widely available. Phones can be rented at the airport arrival terminals for short term use.

City Codes

Cities shown are where the U.S. Government has an Embassy or Consulate. For calls made within China, add a "0" before the city code. For calls made to China, dial "86" before the city code. When calling China from the United States, add "011" before the country code.

Beijing: 10

Chengdu: 28

Guangzhou: 20

Shanghai: 21

Shenyang: 24

Wuhan: 27

Hong Kong: 852

Local Directory Assistance (some English): 114

Other Numbers (Emergencies)

U.S. Embassy: 011-86 10-8531-3000. Within Beijing, dial 8531-3000 (American Citizen Services) and listen for the menu options. For after-hours emergencies only, dial 8531-3000, and ask the operator or the Marine Guard receiving the call to let you speak to the Duty Officer.

Additional important information, including travel advisories, can be found at the Misson China's U.S. Citizen Service's website.

Emergency/Fire (Chinese & English): 119

Police (Chinese & English): 110

Medical Emergency (Chinese & English): 120

All visitors should be aware that they have no expectation of privacy in public or private locations. The U.S. Embassy regularly receives reports of human and technical monitoring of U.S. citizens.

All hotel rooms and offices are considered to be subject to on-site or remote technical monitoring at all times. Hotel rooms, residences, and offices may be accessed at any time without the occupants' consent or knowledge. Elevators and public areas of housing compounds are also under continuous surveillance.

All means of communication--telephones, mobile phones, faxes, e-mails, text messages, etc.--are likely monitored. The government has access to the infrastructure operated by the limited number of internet service providers (ISPs) and wireless providers. Wireless access to the Internet in major metropolitan areas is becoming more common.

Transportation

Taxis

Metered taxis are plentiful and can be hailed along most main streets, especially near hotels and major sightseeing attractions. Taxis are a convenient and inexpensive means of transport, especially if you have your destination address written in Chinese. Transportation is easily arranged at the front door of the hotel. Concierge desks have cards with the name and address of the hotel in Chinese and can assist with giving instructions to the taxi driver. The use of unregistered or "black" taxi cabs continues to be a concern. In a limited number of cases, Americans using "black" taxi cabs have reported being sexually assaulted, have had their luggage stolen, or have been charged exorbitant fares.

Didi

Didi, China's version of Uber, has become increasingly popular. Didi is an app-based transportation service provider based in Beijing. Didi has over 550 million users in over 400 cities around China. Didi's services in China include taxi hailing, private car hailing, ride-sharing, and bike sharing via Ofo. Didi cars are very popular in most Chinese cities. Didi has an English version of their app that can be linked to a foreign credit card as well as a foreign phone number. Didi Express cars, the cheapest and most popular option, tend to be similar in price to metered taxis if not cheaper. Didi cars are metered, with an estimate given before starting the trip. Payment is made through the app.

Airlines

Airline	Number	Note
American Airlines	400-818-7333	Press "2" for English
Cathay Pacific/ Dragon Air	400-888-6628	(86 10) 6453-2566 (airport office)
Japan Airlines	400-888-5301	

Korean Airlines	400-658-8888	Press “3” for English
Malaysian Airlines	+85-2300-10736	
Delta Airlines	400-120-2364	Press “3” English
Qantas	800-819-9495	Press “2” for English
Singapore Airlines	(86 10) 6505-2233	Press “2” for English
Thai Airways	(86 10) 8515-0088	Press “0” for English
United Airlines	400-883-4288	Press “3” for English
Vietnam Airlines	+84-127-668-7977	

Please be advised that while air connections within China are plentiful, the frequency and length of delays has steadily worsened over the past couple years. It is not uncommon for an internal flight to be delayed for hours. Be sure to confirm which airport/terminal your departure flight will use in Beijing (Terminal 2 or Terminal 3) or in Shanghai (Hongqiao or Pudong) as they are miles apart.

Language

Mandarin Chinese is the national language, spoken by over 70% of Chinese. Other than Mandarin there are six major Chinese dialects, as well as numerous local dialects.

Pinyin refers to the standardized Romanization system used to represent the pronunciation of Chinese characters; it is used throughout China on signs. Simplified Chinese characters are written the same across Mainland China despite being pronounced differently in each dialect. For business purposes, it is important to provide contacts with bilingual business cards, usually with Chinese characters on one side, English on the other. Titles and company names should be translated with care into Chinese to ensure a positive meaning.

Cantonese is often spoken in southern China and Hong Kong.

Health

Western-style medical facilities with international staff are available in Beijing, Shanghai, Guangzhou and a few other large cities. Many other hospitals in major Chinese cities have so-called VIP wards (*gaogan bingfang*). These feature reasonably up-to-date medical technology and physicians who are both knowledgeable and skilled. Most VIP wards also provide medical services to foreigners and have English-speaking doctors and nurses.

Most hospitals in China will not accept medical insurance from the United States, with the exception of the following hospitals:

- Beijing United Family Hospital,
- Beijing Friendship Hospital,
- International Medical Center in Beijing,
- Peking Union Medical Center, and
- Shanghai Family Health United.

Travelers will be asked to post a deposit prior to admission to cover the expected cost of treatment. Hospitals in major cities may accept credit cards for payment. Even in the VIP/Foreigner wards of major hospitals, however, American patients have frequently encountered difficulty due to language, cultural, and regulatory differences. Physicians and hospitals have sometimes refused to supply American patients with complete copies of their Chinese hospital medical records, including laboratory test results, scans, and x-rays. All Americans traveling to China are strongly encouraged to buy foreign medical care and medical evacuation insurance prior to arrival. Travelers who want a list of medical facilities in China that will treat foreigners can access that information at the Embassy's website. Information for consular districts can be accessed by clicking "locations" in the upper right-hand corner of this site.

Ambulances do not carry sophisticated medical equipment, and ambulance personnel generally have little or no medical training. Therefore, injured or seriously ill Americans may be required to take taxis or other immediately available vehicles to the nearest major hospital rather than waiting for ambulances to arrive. In rural areas, only rudimentary medical facilities are generally available. Rural clinics are often reluctant to accept responsibility for treating foreigners, even in emergency situations.

Medical Insurance

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and if it will cover emergency expenses such as a medical evacuation. U.S. medical insurance plans seldom cover health costs incurred outside the United States unless on a reimbursable basis or if supplemental coverage is purchased. Furthermore, U.S. Medicare and Medicaid programs do not provide payment for any medical services outside the United States. However, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas, including emergency services such as medical evacuations.

When making a decision regarding health insurance, Americans should consider that many foreign doctors and hospitals require payment in cash prior to providing service and that a medical evacuation to the U.S., or even to Hong Kong, may cost well in excess of $100,000. Uninsured travelers who require medical care overseas often face extreme difficulties. When consulting with your insurer prior to your trip, ascertain whether payment will be made to the overseas healthcare provider or if you will be reimbursed later for expenses you incur. Some insurance policies also include coverage for psychiatric treatment and for disposition of remains in the event of death.

Raffles Medical Clinic, UnitedHealthcare Global, and Heathrow Air Ambulance offer medical insurance policies designed for travelers.

Raffles Medical Clinic Beijing (Formerly Beijing International SOS Clinic)

Address: Suite 105, Wing 1, Kunsha Building, No 16 Xinyuanli, Chaoyang District, Beijing 100027, China

Telephone: (86 10) 6462-9112

UnitedHealthcare Global (Formerly MEDEX Assistance Corporation)Email: safetrip_info@uhcglobal.com

U.S. toll free:1-800-732-5309

International: 1-410-453-6380

Immediate assistance:

Email: assistance@uhcglobal.com

U.S. toll free: 1-800-527-0218

International: 1-410-453-6330

Address: 8501 LaSalle Road, Suite 200, Baltimore, MD 21286, USA

Heathrow Air Ambulance

Heathrow is an air evacuation service with offices in the United States and England. Travelers can pre-arrange air evacuation insurance and other emergency travel assistance. This service also has a business plan to assist foreigners who lack travel insurance.

Address: Heathrow Air Ambulance Service, 15554 FM, Suite 195 Houston, TX. 77095-2704.

Telephone: 1-800-513-5192

Fax: 1-832-934-2395.

E-mail: info@heathrowairambulance.com

Useful information on medical emergencies abroad, including overseas insurance programs, is provided in the Department of State's Bureau of Consular Affairs brochure, Medical Information for Americans Traveling Abroad.

Other Health Information

Air pollution is a significant problem throughout China. Travelers should consult their doctor prior to travel and consider the impact seasonal smog and heavy particulate pollution may have on them. The U.S. Embassy and Consulates have air quality monitors to measure PM 2.5 particulates as an indication of the air quality at the following website: http://www.stateair.net/

Poor sterilization practices are problems in China, contributing to transmission of diseases such as hepatitis, which is endemic in China. In order to protect themselves from blood and other tissue borne disease such as hepatitis and HIV, travelers should always ask doctors and dentists to use sterilized equipment and be prepared to pay for new syringe needles in hospitals or clinics. Tuberculosis is endemic in China.

Most roads and towns in Tibet, Qinghai, parts of Xinjiang, and western Sichuan are situated at altitudes over 10,000 feet. Travelers in these areas should seek medical advice in advance of travel, allow time for acclimatization to the high altitude, and remain alert to signs of altitude sickness.

In 2018, the State Department received medical confirmation that a U.S. government employee in China experienced a constellation of symptoms and findings similar to the affected U.S. government personnel and family members in Cuba, though it is unknown if the cause is the same. As a result of additional voluntary medical screenings, the Department had sent 15 individuals to the United States for further evaluation. Of those 15, 14 were found not to have a constellation of symptoms and objectives findings similar to that of the Havana Cohort. One individual is indeterminate. In the many months since the medical confirmation of symptoms in Guangzhou, the same constellation of symptoms has not been seen in anyone else in China. While the symptoms are similar to those personnel affected in Cuba, it is not known if the cause is the same.

While on travel in China, if the traveler experiences any unusual, unexplained physical symptoms or events, auditory or sensory phenomena, or other health concerns, they should contact their health care provider to

determine whether a medical evaluation and/or treatment is advisable. Symptoms to be attentive for include dizziness, headaches, tinnitus, fatigue, cognitive issues, visual problems, ear complaints and hearing loss, and difficulty sleeping.

Prior to departing for China, travelers are advised to consult the CDC's traveler's health website, prior to departing for China.

Local Time, Business Hours and Holidays

Time throughout China is set to Beijing time, which is eight hours ahead of GMT/UTC. When it's noon in Beijing it's also noon in far-off Lhasa, Urumqi, and all other parts of the country. However, western China does follow a later work schedule to coincide with daylight hours.

Business Hours

China officially has a five-day work week, although some businesses stretch to six days. Offices and government departments are normally open Monday to Friday between 8:30 AM and 5 PM, with some closing for one or two hours in the middle of the day.

Embassy Holidays for 2019

The Embassy is open from 8:00 a.m. to 5:00 p.m. Monday through Friday. We are closed on the following American and Chinese holidays in 2019 and 2020:

Note	Holiday	Dates	Weekdays
***	New Year's Day	January 1	Tuesday
*	Martin Luther King, Jr.'s Birthday	January 21	Monday
**	Chinese (Lunar) New Year	February 4-7	Monday-Thursday
*	Presidents' Day	February 18	Monday
*	Tomb Sweeping Day	April 5	Friday
**	International Labor Day	May 1	Wednesday
*	Memorial Day	May 27	Monday
**	Dragon Boat Festival	June 7	Friday
*	Independence Day	July 4	Thursday
*	Labor Day	September 2	Monday
**	Chinese National Day and Mid-Autumn Festival	September 30-Oct 3	Monday-Thursday
*	Columbus Day	October 14	Monday
*	Veterans Day	November 11	Monday
*	Thanksgiving Day	November 28	Thursday

*	Christmas Day	December 25	Wednesday

*American Holidays

**Chinese Holidays

***American and Chinese Holidays 2019 Embassy Holiday Schedule

Please note that this schedule is subject to change if the PRC government makes any adjustments to legally-recognized Chinese holidays.

Temporary Entry of Materials or Personal Belongings

Although travelers will notice that China Customs officials at the airports do not routinely subject baggage to careful inspection upon arrival, random searches are possible. China allows an individual to import 400 cigarettes (600, if they are staying more than six months), 100 cigars, two bottles of wine or spirits (verify current allowable quantity at the duty free shop before you purchase), and a reasonable amount of perfume. Cash amounts exceeding $5,000 (or equivalent in other foreign currency) should be declared.

Chinese law prohibits the import of cold cuts and fresh fruit. There are limits on other items, such as herbal medicine, that can be taken out of the country. Rare animals and plants cannot be exported. Cultural relics, handicrafts, gold and silver ornaments, and jewelry purchased in China have to be shown to customs upon leaving China. If these items are deemed to be "cultural treasures" they will be confiscated.

It is illegal to import any printed material, film, and tapes, etc. that are "detrimental to China's political, economic, cultural, or ethical interests." Tapes, books or DVDs that "contain state secrets or are otherwise prohibited for export" can also be seized on departing China.

Web Resources

U.S. Embassy Beijing

U.S. Foreign Commercial Service, China

China Council for the Promotion of International Trade (CCPIT)

National Development and Reform Commission (NDRC)

Chinese Ministry of Commerce

American Chamber of Commerce China (AmCham)

U.S.-China Business Council

Chinese Government