



DOING BUSINESS IN CHINA

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Introduction



CAPITAL: BEIJING



POPULATION

Total Population: 1,392,730,000

Natural Increase: 0.5%

Density: 148 Inhabitants/km²

Urban Population: 59.2%

Population of main cities: Shanghai (20,217,748); Beijing (16,446,857); Guangzhou (Canton) (10,641,408); Shenzhen (10,358,381); Tianjin (9,290,263); Wuhan (7,541,527); Dongguan (7,271,322); Foshan (6,771,895); Chengdu (6,316,922); Chongqing (6,263,790); Nanjing (5,827,888); Shenyang (5,718,232); Xi'an (5,206,253); Hangzhou (5,162,093)

Ethnic Origins: According to Chinese authorities, more than 92% of the population are of Han Chinese origin, with Zhuang, Uighur, Hui, Yi, Tibetan, Miao, Mandchous, Mongol, Buyi, Korean and other ethnic origins forming about 8% of the population. ([National Bureau of Statistics of China](#)).

Official Language: The national language is Mandarin; however, there are many different dialects and variants of it.

Other Languages Spoken: There are more than a hundred dialects, with Mandarin in the north and Cantonese in the south of the country. The official language coexists with the other languages (Mongolian, Uyghur, Korean, Tibetan) of the autonomous regions.

Business Language(s): When the foreign party does not speak Chinese, business discussions will generally be held in English.

Religion: The Chinese are generally atheists. That being said, Buddhism, Taoism and Confucianism are relatively widespread amongst senior citizens and attract a part of the well-to-do class today. There are also Christian and Muslim minorities.

Literacy Rate: 90.9%

National Currency: Chinese Yuan (Renminbi) (CNY)



COUNTRY OVERVIEW

Area: 9,562,910 km²

Type of State: The People's Republic of China is, according to the Constitution, a People's democratic dictatorship. It is a Communist State. Deng Xiao Ping proposed the phrase "market socialism" to describe the evolution of the PRC. China is characterized by a centralized unitary State fully administered by the Chinese Communist Party. The Party has all the jurisdiction and authority in the country.

Type of Economy: Second richest country in the world (GDP); emerging financial market.. Largest population in the world; highest GDP growth rate in the world over the last 10 years.

HDI*: 0.727/1

HDI (World Rank): 90/188

Note: () [The HDI](#), Human Development Index, is an Indicator Which Synthesizes Several Data Such as Life Expectancy, Level of Education, Professional Careers, Access to Culture etc.*



TELECOMMUNICATION

Telephone Code:

To call from China, dial 00

To call China, dial +86

Internet Suffix: .cn

Computers: 4.1 per 100 Inhabitants

Telephone Lines: 20.6 per 100 Inhabitants

Internet Users: 42.3 per 100 Inhabitants

Access to Electricity: 100% of the Population

Foreign Trade in Figures

Foreign Trade Indicators	2014	2015	2016	2017	2018
Imports of Goods <i>(million USD)</i>	1,959,233	1,681,951	1,587,431	1,841,889	2,135,748
Exports of Goods <i>(million USD)</i>	2,342,293	2,274,949	2,098,161	2,263,329	2,486,695
Imports of Services <i>(million USD)</i>	450,805	466,330	453,014	464,133	520,569
Exports of Services <i>(million USD)</i>	279,423	285,476	208,488	226,389	265,088

Source: WTO – World Trade Organisation, 2017

[See the latest updates in the Country Profile for China.](#)

Latest Update: December 2019

Economic and Political Overview

ECONOMIC OUTLINE

Economic Overview

China is the second largest global economy, the largest exporter and has the largest exchange reserves in the world. The global recession of 2009 interrupted its double figure growth and revealed the limits of an export-based growth strategy. However, China still has one of the fastest growing GDPs in the world, and in 2018 the economy grew 6.6%. Resilient external demand and robust domestic household consumption bolstered this growth, despite rising concerns about financial risks amid an economic restructuring led by the Communist government. New sectors like e-commerce and online financial services are gaining momentum in an economy dominated by export-oriented sectors. The trade tensions between the United States and China, however, are expected to start to affect growth in 2019. Therefore, GDP is likely to slightly decrease in 2019 and 2020, to 6.2%, according to IMF estimates.

By the end of 2018, inflation reached 2.2%, slightly higher than it was in 2017 (1.6%). For the next couple of years, inflation should remain stable, at 2.4% and 2.7%, in 2019 and 2020 respectively. Public debt is a reason for concern in China. Although the official figure for 2018 was 50.1%, the real number is thought to be much higher and is expected to rise in coming years. It is **estimated** that China's debt to GDP ratio is actually 300%, which Forbes deems as the country's biggest problem. Chinese credit level is high by international levels: corporate debt has reached 165% of GDP, and household debt - though still low - has risen by 15% of GDP over the past five years. In the past year, the government has been targeting spending cuts in its budget and President Xi Jinping has said that curbing loans to bloated state-owned enterprises is "the priority of priorities". The trade war between China and the United States, as well as policies to curb leverage and shadow banking, had been making it harder for companies to get funding in 2018. However, this prompted the authorities to introduce monetary-easing measures, such as freeing up banks to offer more loans to smaller businesses. Government Budget reached a record low of -4.2 percent of GDP in 2018, a trend that is expected to continue in 2019, when it's estimated to reach -4.5%. China's policymakers are expected to increase the budget deficit in the coming year, as a slowing economy and the downdraft from the trade war with the U.S. raise the need for a more active fiscal policy. In May 2017, for the first time since 1998, Moody's Investors Service downgraded China's sovereign credit rating. On the other hand, China still has large reserves of foreign currencies (estimated at USD 3 trillion) which could serve as a buffer to external sovereign volatility, together with a current account surplus of USD 200 billion.

China still has to face many challenges: an ageing population and shrinking workforce, the lack of openness of its political system and issues of competitiveness in an economy dependent on high capital spending and the expansion of credit. A large gap remains between the living standard of the cities and the countryside, between urban zones on the Chinese coast and the interior and western parts of the country, as well as between the urban middle classes and those who have not been able to profit from the growth of recent decades. These inequalities are becoming increasingly worrisome for both Chinese authorities and investors. Poverty has largely decreased in China and unemployment remains stable, at 4%. That rate is expected to remain unchanged in 2019 and 2020. According to the Minister of Human Resources and Social Security Yin Weimin, the low unemployment rate is largely due to the new digital economy and entrepreneurship. Many analysts say, however, that the government figure is an unreliable indicator of national employment levels, as it takes into account only employment in urban areas and does not measure the millions of migrant workers that arrive in the country every year. Finally, around 43 million people continue to live on less than USD 1 per day, which is the poverty line set by the government (according to official statistics, five years ago about 100 million people lived below that line).

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
GDP (billions USD)	12,062.29e	13,368.07e	14,140.16	15,269.94	16,579.11
GDP (Constant Prices, Annual % Change)	6.8e	6.6e	6.1	5.8	5.9
GDP per Capita (USD)	8,677e	9,580e	10,099	10,873	11,773

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
General Government Balance <i>(in % of GDP)</i>	-3.9	-4.8e	-6.1	-6.2	-6.1
General Government Gross Debt <i>(in % of GDP)</i>	46.8	50.6e	55.6	60.9	65.4
Inflation Rate (%)	1.6	2.1e	2.3	2.4	2.8
Unemployment Rate <i>(% of the Labour Force)</i>	3.9	3.8e	3.8	3.8	3.8
Current Account <i>(billions USD)</i>	195.12	49.09e	147.71	138.51	125.83
Current Account <i>(in % of GDP)</i>	1.6	0.4e	1.0	0.9	0.8

Source: IMF – World Economic Outlook Database, Latest available data

Note: (e) Estimated Data

Main Sectors of Industry

China has a highly diversified economy, dominated by the manufacturing and agricultural sectors. China is the most populated country in the world and one of the largest producers and consumers of agricultural products. The agricultural sector is estimated to employ 16.4% of the active population and accounts for about 8% of GDP, although only 15% of the Chinese soil (about 1.2 M km²) is arable. China is the leading global producer of cereals, rice, cotton, potatoes and tea. In terms of livestock, it also dominates sheep and pork livestock farming and the world's fish production. A series of plans have been aimed at transforming, modernising and diversifying agriculture to increase productivity. Additionally, the country is rich in natural resources, and has significant coal reserves (the country's primary energy source), which account for two-thirds of the total primary energy consumption. China is the world leader in the production of certain ores (tin, iron, gold, phosphates, zinc and titanium) and has significant petrol and natural gas reserves, making the country the fifth biggest oil producer in the world, with 3.8 million barrels a year.

The industry sector contributes to approximately 40.5% of China's GDP and employs 26.3% of the population. China has become one of the most preferred destinations for the outsourcing of global manufacturing units thanks to its cheap labour market, despite an increase in labour costs in recent years. China's economic development has coincided primarily with the development of a competitive and outward-oriented manufacturing sector. More than half of the Chinese exports are made by companies with foreign capital. Their share in the sector's added-value varies according to the industry: more than 60% for electronics and less than 20% for the majority of producer goods. The state sector still contributes approximately 40% to the GDP.

The services sector's share in the GDP is approximately 51.6% and it employs around 56% of the workforce. Even though the sector's GDP share has been growing in recent years, the service sector as a whole, encumbered by public monopolies and restrictive regulations, has not progressed. The development of the sector has been constrained by the country's focus on manufactured exports and the substantial barriers to investment in the sector. However, the Chinese government has been focusing more on the services sectors lately, particularly in sub-sectors such as finance, logistics, education, healthcare and it is also aiming to rank among the top exporters for transport, tourism and construction.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	26.6	28.3	45.2
Value Added <i>(in % of GDP)</i>	7.2	40.7	51.6
Value Added <i>(Annual % Change)</i>	3.5	5.8	7.8

Source: World Bank, Latest available data.

Learn more about [Market Analyses about China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Indicator of Economic Freedom

Score: 58,4/100
World Rank: 100
Regional Rank: 20

[Economic freedom in the world \(interactive map\)](#)

Source: [2019 Index of Economic Freedom, Heritage Foundation](#)

Business environment ranking

Score: 6.39
World Rank: 50/82

Source: [The Economist - Business Environment Rankings 2014-2018](#)

Country Risk

See the country [risk analysis](#) provided by [Coface](#).

Sources of General Economic Information

Ministries	Ministry of Commerce Ministry of Finance State Administration for Industry and Commerce Ministry of Land and Resources
Statistical Office	National Bureau of Statistics
Central Bank	The People's Bank of China (PBoC)
Stock Exchange	Shanghai Stock Exchange Shenzen Stock Exchange
Other Useful Resources	Chinability
Main Online Newspapers	China Daily Xinhuanet Economic Observer Online South China Morning Post People's Daily Online China.org.cn
Economic Portals	China Economic Net Alibaba

POLITICAL OUTLINE

Type of State The People's Republic of China is, according to the Constitution, a People's democratic dictatorship. It is a Communist State. Deng Xiao Ping proposed the phrase "market

socialism" to describe the evolution of the PRC. China is characterized by a centralized unitary State fully administered by the Chinese Communist Party. The Party has all the jurisdiction and authority in the country.

Executive Power	<p>The Chinese executive is supervised by the State Council (collegial body equipped with important powers) under which are Government commissions, ministries and other organisations with the rank of a ministry. According to the Constitution, the Council is 'the Supreme Administrative Body' of the Chinese Government, even if the majority of important measures are decided by the Political Bureau of the Chinese Communist Party (CCP). The Council thus plays an important role in the economic domain.</p> <p>The president is the head of state and is elected by the National People's Assembly. In general, he is also the general secretary of the Communist Party. He represents China in international institutions. The prime minister directs and controls government action, assisted by four deputy prime ministers. The CAE also includes 5 state councilors, who, like deputy prime ministers, have jurisdiction over several ministerial departments or commissions. The Secretary General of the Government is also a member of the CAE.</p>
Legislative Power	<p>The legislature is monocameral, composed of the National People's Congress (NPC). It is known as a 'Body of supreme power of the Government' and meets once per year in a plenary session. There are approximately 3,000 designated deputies elected to the NPC every five years by indirect vote of local bodies. Since the 1980s, it has been dominated by local or sectional interests. Deputies are the representatives of 23 provinces, five areas and four autonomous municipalities.</p> <p>The NPC comprises a delegation of the People's Liberation Army. The Standing Committee of the National People's Congress is appointed by the Political Bureau of the Central Committee of the Party. It sits instead of the NPC during its recess and exercises all its powers. It is composed of a President, 15 Vice-Presidents and 176 permanent members. The Standing Committee sits regularly, but it is the Bureau of the NPC which exerts its functions on a daily basis.</p> <p>Eligibility is controlled by the CCP, which also has a right to supervise the appointment of the executives and the senior officials of different administrative units.</p>
Main Political Parties	<p>The only political party in the country is CCP (Chinese Communist Party). There are eight other registered small parties, but they are all controlled by CCP.</p>
Current Political Leaders	<p>President: XI Jinping (since 14 March 2013) ; president and vice president indirectly elected by National People's Congress for a 5-year term Vice President : WANG Qishan (since 17 March 2018)</p>
Next Election Dates	<p>Presidential : March 2023 National People's Congress : late 2022 or early 2023</p>

Indicator of Freedom of the Press

World Rank: 177/180

Source: [2019 World Press Freedom Index, Reporters Without Borders](#)

Indicator of Political Freedom

Ranking: Not Free

Political Freedom: 7/7

Civil Liberties: 6/7

[Political freedom in the world \(interactive map\)](#)

Source: *Freedom in the World 2019*, Freedom House

Latest Update: December 2019

Trade Profile

FOREIGN TRADE IN FIGURES

Thanks to its enormous trade surplus over the past few years, China has become the world's largest exporter and ranks second among the world's largest importers. Despite its strict policies, the country is fairly open to foreign trade, which represents 37.8% of its GDP. China's main exports include transmission apparatus for radio-telephony (7.7%), automatic data processing machines and units (7%), electronic integrated circuits and microassemblies (3%), electrical apparatus for line telephony (2.4%), and parts and accessories for machines and vehicles (2.9%). On the other hand, the country mainly imports electronic integrated circuits and microassemblies (14.2%), petroleum oils (8.9%), iron ores (4.1%), gold (2.8%), and motor vehicles (2.7%).

The country's main partners are the United States, Hong Kong, Japan, South Korea, Vietnam, and Germany. Increasing tensions in the U.S. - China economic relationship have heightened business uncertainties, given that the US is the country's main trade partner (China's 2017 trade surplus with the U.S. was USD 275.81 billion, an all-time record). However, the Chinese government has been adopting looser economic policies to mitigate mounting risks to future growth.

Trade has become an increasingly important part of China's overall economy, and it has been a significant tool used for economic modernization. According to a statement by the General Administration of Customs, China reported a 7.9% increase in exports and 15.9% rise in imports for 2017. According to the World Bank, China's overall trade surplus for 2017 was USD 476.1 billion, a decline from USD 488,8 billion in 2016.

Foreign Trade Indicators	2014	2015	2016	2017	2018
Imports of Goods (<i>million USD</i>)	1,959,233	1,681,951	1,587,431	1,841,889	2,135,748
Exports of Goods (<i>million USD</i>)	2,342,293	2,274,949	2,098,161	2,263,329	2,486,695
Imports of Services (<i>million USD</i>)	450,805	466,330	453,014	464,133	520,569
Exports of Services (<i>million USD</i>)	279,423	285,476	208,488	226,389	265,088
Imports of Goods and Services (<i>in % of GDP</i>)	21.5	18.2	17.5	18.2	18.7
Exports of Goods and Services (<i>in % of GDP</i>)	23.6	21.4	19.8	20.0	19.5
Trade Balance (<i>million USD</i>)	435,042	576,191	488,883	475,941	395,171
Trade Balance (Including Service) (<i>million USD</i>)	221,299	357,871	255,737	217,010	102,921
Foreign Trade (<i>in % of GDP</i>)	45.1	39.6	37.2	38.1	38.2

Source: World Trade Organisation (WTO) - 2017; World Bank - 2017

Main Partner Countries

Main Customers (% of Exports)	2018	Main Suppliers (% of Imports)	2018
United States	19.2%	South Korea	9.6%
Hong Kong	12.1%	Japan	8.4%
Japan	5.9%	United States	7.3%
South Korea	4.4%	Germany	5.0%
Vietnam	3.4%	Australia	4.9%

Main Customers (% of Exports)	2018
Germany	3.1%
India	3.1%
Netherlands	2.9%
United Kingdom	2.3%
Singapore	2.0%

Source: Comtrade, 2017

Main Suppliers (% of Imports)	2018
Brazil	3.6%
Vietnam	3.0%
Malaysia	3.0%
Russia	2.8%

Main Products

2,494.2 bn USD of products exported in 2018	
Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras; still image video cameras and other video camera recorders; digital cameras	7.9%
Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s.	7.0%
Electronic integrated circuits and microassemblies	3.4%
Electrical apparatus for line telephony or line telegraphy, incl. line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones; parts thereof	2.2%
Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines of heading 8469 to 8472, n.e.s.	1.8%
Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing $\geq 70\%$ by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, n.e.s.; waste oils containing mainly petroleum or bituminous minerals	1.4%
Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles of heading 8701 to 8705, n.e.s.	1.4%

2,135.0 bn USD of products imported in 2018	
Electronic integrated circuits and microassemblies	14.7%
Petroleum oils and oils obtained from bituminous minerals, crude	11.2%
Iron ores and concentrates, incl. roasted iron pyrites	3.5%
Petroleum gas and other gaseous hydrocarbons	2.3%
Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702)	2.3%
Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured or in powder form	2.1%
Electrical apparatus for line telephony or line telegraphy, incl. line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones; parts thereof	2.0%
Soya beans, whether or not broken	1.8%
Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s.	1.6%
Liquid crystal devices not constituting articles provided for more specifically in other heading; lasers (excl. laser diodes); other optical appliances and instruments not elsewhere specified in chapter 90	1.6%

2,494.2 bn USD of products exported in 2018	
Lamps and lighting fittings, incl. searchlights and spotlights, and parts thereof, n.e.s; illuminated signs, illuminated name-plates and the like having a permanently fixed light source, and parts thereof, n.e.s.	1.2%
Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in modules or made-up into panels (excl. photovoltaic generators); light emitting diodes; mounted piezo-electric crystals; parts thereof	1.2%
Furniture and parts thereof, n.e.s. (excl. seats and medical, surgical, dental or veterinary furniture)	1.1%

Source: Comtrade, 2017

See More Products [More imports \(Intracen Data\)](#)
[More exports \(Intracen Data\)](#)

MAIN SERVICES

156.1 bn USD of services exported in 2016	
Other business services	37.14%
Travel	28.47%
Transportation	21.68%
Construction services	8.11%
Insurance services	2.60%
Government services	0.78%
Royalties and license fees	0.74%
Cultural and recreational services	0.48%

174.6 bn USD of services imported in 2016	
Transportation	46.17%
Other business services	24.78%
Royalties and license fees	13.74%
Insurance services	7.40%
Construction services	4.87%
Government services	1.82%
Cultural and recreational services	1.23%
Travel	n/a%

Source: United Nations Statistics Division, Latest Available Data

Exchange Rate System

Local Currency Chinese Yuan (Renminbi) (CNY)
 Exchange Rate Regime Managed floating exchange rate regime, allowing Central Bank interventions.
 Level of Currency Instability Significant risks of instability. Volatility may increase with China’s economic slowdown, a change in U.S. monetary policy or international pressures on the Government for a revaluation of the currency.

Exchange Rate on :

Monetary Indicators	2014	2015	2016	2017	2018
Chinese Yuan (Renminbi) (CNY) - Average Annual Exchange Rate For 1 USD	6.14	6.23	6.64	6.76	6.62

Source: World Bank - Latest available data.

TRADE COMPLIANCE

International Conventions	<p>Member of World Trade Organisation</p> <p>Party to the Kyoto Protocol</p> <p>Party to the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora</p> <p>Party to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal</p> <p>Party to the Montreal Protocol on Substances That Deplete the Ozone Layer</p>
Main International Economic Cooperation	<p>China is a member of the following organisations/agreements: Asia-Pacific economic cooperation Organisation (APEC), Bilateral Treaties and Accords, AFTA and ASEAN - China Free Trade Area.</p> <p>For more information, consult the list of Free Trade Agreements signed by China.</p>
Party of the ATA Convention on Temporary Admissions and Use of the Carnets	<p>Yes</p> <p><i>As a Reminder, the ATA is a System Allowing the Free Movement of Goods Across Frontiers and Their Temporary Admission Into a Customs Territory With Relief From Duties and Taxes. The Goods Are Covered By a Single Document Known as the ATA Carnet That is Secured By an International Guarantee System.</i></p> <p>Look Up the Other Member Countries And Read the Web Pages of the World Customs Organization Devoted to the ATA Carnet.</p>
Party of the TIR Convention	<p>No</p> <p><i>As a Reminder, the TIR Convention and its Transit Regime Contribute to the Facilitation of International Transport, Especially International Road Transport, Not Only in Europe and the Middle East, But Also in Other Parts of the World, Such as Africa and Latin America.</i></p> <p><i>The UNCTAD Website Allows You to Read the TIR Convention, See the List of Member Countries And to Find Further Information.</i></p>
Accompanying Documents For Imports	<p>Goods dispatched in China must be accompanied by the following documents:</p> <ul style="list-style-type: none"> - Certificates of origin - The unique data folder (DAU) - Commercial invoice (in 3 copies and in English.) - Sale contract in three copies - A certificate of plant health (for food and agricultural products) - A health certificate (for meat) - A certificate indicating fit for human consumption - A certificate of fumigation (for the wooden pallets). - Certificate of Community origin (for imports coming from the EU.) - Certificate of free sale for cosmetics. - Transport documents and packing lists. - Translation of the components/ingredients in Chinese.
Free Zones	<p>The Waigaoqiao zone: the Jingqiao zone, the Lujiazui zone and the Zhangjiang zone.</p> <p>The Zones are known as ZES: Shenzen, Zhuhai, Shantou , Xiamen, Qinghuandao</p>

For Further Information	Customs Ministry of Foreign Affairs Ministry of Commerce
Non Tariff Barriers	<p>Only companies or institutions authorised by the Ministry of Foreign Trade and Economic Co-operation (MOFTEC) can run foreign trade operations. Two methods are possible: Foreign Trade Companies or producing companies entitled to trade with foreigners (import for their personal use provided they have stable export balances). While only 14 companies were authorised to engage in foreign trade operations in China in 1979, there are nearly 9,000 companies authorised today.</p> <p>More than half of value imports to China are subject to import licenses. Initial authorisation is issued by various organisations (according to the product), but the final delivery is subject to acceptance by the MOFTEC. To obtain these authorisations, the importer must have exact foreign exchange reserves and justify the necessity to import. Delivery of licenses often depends on the sphere of activity, which may be encouraged, allowed, restricted or simply prohibited, according to the investments regulation promulgated by China. In any case, it is imperative to have solid relations within the Chinese Administration for obtaining these licenses.</p> <p>Many goods imported into China are subject to inspection. In order to ensure conformity with Chinese customs standards, certain products- textiles, in particular- are subject to inspection prior to arrival in China. Other products can undergo inspection at the port of entry.</p>
Sectors or Products For Which Commercial Disagreements Have Been Registered With the WTO	Paper, products containing metals (steel, iron, tin, etc), integrated circuits, automobile parts, intellectual property, etc.
Assessment of Commercial Policy	Pages of WTO dedicated to China Barriers to exchanges , inventoried by the United States Barriers to exchanges , inventoried by the EU Sanitary and phytosanitary barriers , inventoried by the EU

Learn more about [How to Export to China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

STANDARDS

National Standards Organisations	Standardisation Administration of China (SAC) Chinese Association for Standardisation
Integration in the International Standards Network	<p>Member of:</p> <ul style="list-style-type: none"> - The International Standardisation Organisation (ISO) and of the International Electronic Commission (IEC) - The APEC/SCSC, Sub-committee of Standards and Conformity of the Organisation of Asia-Pacific Economic Cooperation - The ASEM/TFAP/SCA, Plan and Standards of action for facilitation of commercial exchanges and evaluation of conformity of the Asia-Europe Dialogue (ASEM) - The Congress of Standards for the Pacific Zone (PASC)
Obligation to Use Standards	Standards in China fall into at least one of four broad categories: national standards, industry standards, local or regional standards, and enterprise standards for individual companies. National standards can be either mandatory (technical regulations,

protection of public health, private property and safety) or voluntary, and take precedence over all other types of standards. Laws and regulations can reference voluntary standards, thereby making the voluntary standard, in effect, mandatory. For certain products, China requires that a safety and quality certification mark (CCC) be obtained. 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.

Classification of Standards

[List of Chinese Codes and Standards.](#)

Assessment of the System of Standardization

Respect of standards is important for the Chinese.

Online Consultation of Standards

[Publications relating to the Chinese standards of the SAC.](#)

Certification Organisations

[CCC Chinese Obligatory Certification](#)
[Canadian Network on Corporate Accountability \(CNCA\)](#) Administration of Certification and Accreditation of China
[Certification Organisations](#)
[AQSIQ](#)

Associations of Standards Users

[Chinese Association for Standardization \(CAS\)](#)

Latest Update: December 2019

Tax System

CORPORATE TAXES

Tax Base For Resident and Foreign Companies An enterprise is resident in China if it is established in or if its place of effective management is in China. Effective management is defined as substantial and overall management and control over manufacturing and business operations, human resources, financial and property aspects of the entity. A foreign company also will be subject to tax in China if it has an "establishment" in China or if it derives income from China. The definition of an establishment is broad and includes also independent agents. When a foreign company has an establishment in China, it will be subject to China tax on all income effectively connected with that establishment.

Tax Rate

Standard rate	25%
Small-scale enterprises (annual taxable income of less than CNY 1 million)	10% (from 1 January 2018 to 31 December 2020)
High-technology enterprises (HNTE)	15%
Technology-advanced service enterprises	15%
Companies engaged in encouraged industries in certain regions (e.g. Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone, Zhuhai's Hengqin New Area, Pingtan Comprehensive Experimental Zone, Western Regions)	15%
Key software production enterprises and IC design enterprises	10%

Tax Rate For Foreign Companies Generally, foreign companies may only engage in indirect business activities through a representative office (RO) in China. ROs are similarly taxed as Chinese companies but are not allowed to sign contracts with Chinese customers or engage in direct business operations.

A non-tax resident enterprise that has no establishment or place in China is taxed only on its China-source income. A non-tax resident enterprise with an establishment or place in China shall pay taxes on business income derived by such establishment or place from sources in China as well as income derived from outside the country that is effectively connected with such establishment or place.

Capital Gains Taxation There is no separate capital gains tax; capital gains (and losses) of companies generally are combined with other operating income and taxed at the corporate income rate (25%).
The sale of real estate and net development costs are subject to the Land Appreciation tax at 30 to 60% (depending on the percentage of gain realised).

Main Allowable Deductions and Tax Credits Generally, all documented expenses, costs and losses in generating taxable income are deductible up to a limit: entertainment expenses are 60% deductible up to 0.5% of total income, advertising (up to 15% of total income) and donations (up to 12% of total income). Non-deductible items include dividends, management fees, Enterprise Income Tax (EIT) paid and late tax payment surcharge fees.

A deduction is allowed for amortisation of intangible assets, such as, but not limited to, patents, trademarks, copyrights, and land use rights. Generally, intangible assets have to be amortised over a period of not less than ten years. Organisational and start-up expenses are tax deductible fully in the first year of operation. Interest on loans is also tax-deductible (subject to conditions). Charitable donations are tax-deductible at up to 12% of the annual accounting profit. Non-charitable donations, as well as sponsorship expenditures that are non-advertising and non-charitable in nature, are not deductible. 200% of the salary expenses paid to handicapped staff are deductible.

For R&D expenses incurred for new technology, new products, or new craftsmanship, an extra 75% of the actual expenses incurred are also tax-deductible as an incentive (during the period from 1 January 2018 to 31 December 2020).

Tax losses can normally be carried forward for a maximum of five years starting from the year subsequent to the year in which the loss was incurred, while carryback of losses is not permitted.

Preferential tax treatment in the form of incentives are further granted to new high-technology enterprises (HNTE), companies in special economic zones (SEZ) and pilot free trade zones (FTZ), while exemptions may apply to agriculture, forestry, fishery, software, infrastructure and other specified environment and technology developments.

Other Corporate Taxes

VAT applies to the sale of goods, provision of processing, repair or replacement services within China and the import of goods into China. Rates vary depending on the taxpayers' sales revenue, type of goods and type of sector.

Business tax (3 - 20%) is levied on the sale of property and natural resources, as well as specific services provided in China, including: construction, financial and entertainment.

A real estate tax, which is based on the value of the property or rental received, is assessed annually on land and buildings used for business purpose or leased. The tax rate is 1.2% of the original value of buildings. A tax reduction of 10% to 30% is commonly offered by local governments. Alternatively, tax may be assessed at 12% of the rental value.

A land appreciation tax is levied on the gain from the disposal of properties at progressive rates from 30% to 60%. Land appreciation tax is deductible for CIT purposes.

A deed tax, generally at rates from 3% to 5%, may be levied on the purchase, sale, gift, or exchange of ownership of land use rights or real properties. The transferee/assignee is the taxpayer.

A consumption tax is imposed on specified categories of luxury and environmental unfriendly goods, including cigarettes, alcoholic beverages, high-end cosmetics, jewellery, gasoline, automobiles, battery and coating, etc. The tax liability is computed based on the sales amount and/or the sales volume, depending on the goods concerned.

For taxpayers that are subject to VAT, business tax or consumption tax, a national education surcharge tax of 3% and a city maintenance and construction surcharge tax apply. These surcharges are levied at a rate of 7% in cities, 5% in counties and 1% in other areas.

Stamp duty (0.005% - 0.1%) is levied on specific legal documents such as certificates of transfer of property rights and business account permits. Share transactions on a domestic exchange are also subject to a 0.1% tax.

Local authorities levy a resources tax on the exploitation of mineral products or the production of salt on territory within their jurisdiction. This tax is applied to the selling price for energy resources (e.g. natural gas, coal, crude oil) and to the volume of products sold or used for other taxable resources.

Local authorities may also charge a discretionary license tax for vehicles.

Other Domestic Resources

[State Administration of Taxation of the PRC](#)

[Doing Business: China](#), to obtain a summary of taxes and mandatory contributions

Country Comparison For Corporate Taxation

	China
Number of Payments of Taxes per Year	7.0
Time Taken For Administrative Formalities (Hours)	142.0
Total Share of Taxes (% of Profit)	64.9

Source: *Doing Business - 2017*.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. **** The Greater the Index, the Higher the Level of Investor Protection.

ACCOUNTING RULES

Accounting System

Accounting Standards The accountancy standards for companies were put into effect by the Ministry of Finances (MOF). China established its first complete standards specific to accountancy in 1997 and the MOF promulgated an additional 13 standards more specific to accountancy since then.

Chinese Accounting Standards for Business Enterprises (ASBEs) are mandatory for listed Chinese enterprises. Other Chinese enterprises are encouraged to apply the ASBEs, which are substantially in line with IFRS, except for certain modifications that reflect China’s circumstances and environment. China is committed to converge with IFRS.

Foreign Invested Enterprises (FIE) may prepare financial statements in accordance with other accounting standards or in other languages for global consolidation purposes. However, the Chinese authorities will only recognise and accept accounts in Chinese that are prepared based on Chinese accounting standards.

Accounting Regulation Bodies

[Ministry of Finance](#)

[CASC](#), Chinese Committee of Accounting Standards

[CICPA](#), Chinese Institute of Chartered Accountants

Accounting Law

Initially promulgated in 1985, the Accounting Law of December 1993 was updated in 1999. It includes the legal standards governing accountancy and forms the base for the

formulation of administrative rules and regulations for accounting.

Difference Between National and International Standards (IAS/IFRS) China adopted Accounting Standards for Business Enterprises (ASBEs) that are substantially converged with IFRS standards. ASBEs are imposed on all Chinese companies whose securities trade in a public market in China. Additionally, Chinese companies whose securities trade on the Stock Exchange of Hong Kong have the option to choose among IFRS Standards, Hong Kong Financial Reporting Standards (HKFRS), and Chinese Accounting Standards (ASBEs). According to latest [reports](#) (IFRS Foundation, 2017), 30% of Chinese companies that capitalise 69% of the market in Mainland China already use IFRS standards.

Accounting News [China Accounting News \(EIN\)](#)

Accounting Practices

Tax Year From 1 January to 31 December

Accounting Reports Audit reports normally contain a paragraph defining the 'task' or 'scope' and a paragraph of opinion. The paragraph of opinion aims to establish if the accounts were prepared according to the appropriate rules/regulations and any reservations in opinion must be elaborated above.

Statements of financial accounts or reports should comprise a balance sheet, profit and loss accounts, a report of gross self-financing margin, notes on the accounts and an account for appropriation of profits and losses.

For more information consult the website of [China Accounting](#) operating under the Ministry of Finance.

Publication Requirements Annual publication

Accountancy Profession

Accountants The Chinese Institute of Chartered Accountants oversees accountants in China.

Professional Accountancy Bodies [CICPA](#), Chinese Institute of Chartered Accountants website

Member of the International Federation of Accountants (IFAC) Yes

Member of Other Federation of Accountants Member of [the Confederation of Asian and Pacific Accountants \(CAPA\)](#) which represents national accountancy organisations in the Asia-Pacific region.

Audit Bodies Chinese law requires representative offices and foreign-invested enterprises to utilise the services of accountants registered in China to prepare official submissions of annual financial statements and other specified financial documents. Only Chinese accountants and joint venture accounting firms may provide these services. Companies must seek a statutory auditor to conduct an annual audit of the financial health of their organisation. To find an auditor, contact the [National Audit Office of China \(CNAO\)](#).

CONSUMPTION TAXES

Nature of the Tax	Value added tax (VAT) and Consumption tax
Standard Rate	While the standard rate is 16%, it varies depending on the taxpayer status, type of product and service and type of sector.
Reduced Tax Rate	For instance, small-scale taxpayers that fall within a certain sales threshold pay only 3% compared to general taxpayers who pay 16%. A reduced rate of 10% applies to sales or importation of necessity goods (e.g. agricultural products, water, gas), transportation services, postal services, basic telecommunications services, construction services, immovable property leasing services, sales of immovable properties, transfer of land-use right. A 6% VAT also applies to telecommunications services, financial services, modern services (except for leasing services), consumer services, sales of intangible properties (except for land-use right).
Exclusion From Taxation	Exported products are exempt from consumption tax. VAT is zero-rated for international transport services, including the cross-border and overseas transport of passengers and cargo, and R&D and design services for overseas entities.
Method of Calculation, Declaration and Settlement	The sales or importation of goods, the provision of services, and the sales of intangible properties and immovable properties are subject to VAT, whose rate is applicable on volume (taxation by volume) or on the value of the goods (ad valorem taxation). It is payable in RMB at the official rate at the time of import for imported products (at the customs, at the tax office for products manufactured locally).
Other Consumption Taxes	<p>For more information, consult the website of China Tax.</p> <p>Consumption tax applies to prescribed nonessential and luxury or resource-intensive goods (including alcohol, luxury cosmetics, fuel oil, jewellery, motorcycles, motor vehicles, petrol, yachts, golf products, luxury watches, disposable wood chopsticks, tobacco, certain cell and coating products), and it mainly affects companies involved in producing or importing these goods. The tax is calculated based on the sales value of the goods, the sales volume or a combination of the two. The proportional consumption tax rate is from 1% to 56% on the sales revenue of the goods. Exports are exempt.</p> <p>A separate consumption tax applies to certain luxury products and goods that are harmful for the environment (i.e. cigarettes, alcoholic beverages, high-end cosmetic products, jewellery, gasoil, cars, batteries and coating, etc). The tax due is calculated based on the sales amount and/or volume and on the type of good. A tobacco tax is levied on the purchase of tobacco leaves, at the rate of 20% on the purchasing value.</p> <p>China levies a motor vehicle acquisition tax on the purchase and importation of cars, motorcycles, trams, trailers, carts, and certain types of trucks. The rate is equal to 10% of the taxable consideration. A vehicle and vessel tax is also levied at fixed amounts according to the weight.</p>

INDIVIDUAL TAXES

Tax Base For Residents and Non-Residents	<p>Individuals who reside in China for 183 days or more in a tax year are considered residents for taxation purposes.</p> <p>Are considered China-domiciled the individuals who maintain residence in China because of their legal residency status, family, or economic ties and who habitually reside in China.</p> <p>Residents are taxed on their national and international incomes. Non-residents are taxed on the incomes earned in China.</p>
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Tax Rate

Income from Wages/Salaries	Progressive rates
Annual taxable income (after deducting the standard basic deduction, specific deductions, specific additional deductions, and other allowable deductions)	
CNY 0 - 36,000	3%
CNY 36,000 - 144,000	10%
CNY 144,000 - 300,000	20%
CNY 300,000 - 420,000	25%
CNY 420,000 - 660,000	30%
CNY 660,000 - 960,000	35%
CNY 960,001 and above	45%
Income from Private Businesses	Progressive rates (Taxable income = Total Revenue - Costs - Expenses - Losses)
CNY 0 - 30,000	5%
CNY 30,000 - 90,000	10%
CNY 90,000 - 300,000	20%
CNY 300,000 - 500,000	30%
CNY 500,001 and above	35%
Non-resident (employment income, remuneration for labour services, author's remuneration, royalties - calculated by each category on a monthly or transaction basis)	Progressive rates (3-45%)
CNY 0 - 3,000	3%
CNY 3,000 - 12,000	10%
CNY 12,000 - 25,000	20%
CNY 25,000 - 35,000	25%
CNY 35,000 - 55,000	30%
CNY 55,000 - 80,000	35%
CNY 80,001 and above	40%
Incidental income, rental income, interest income, dividends, and capital gains	Flat rate at 20%

Allowable Deductions and Tax Credits

Deductions and allowances are available, depending on the category of income. For wages and salaries received in China, individuals taxpayers also receive a flat monthly deduction of CNY 5,000.

Personal basic contributions are deductible. These include payments to housing funds and certain medical insurance, pension and unemployment insurance payments. Taxable income from personal services, royalties and remuneration from manuscripts and the leasing of property is net of a standard deduction for expenses that is equal to 20% of total income, with a minimum amount of RMB 800 per payment. Reasonable business expenses incurred in earning income from a business are deductible. Rental income is also subject to deduction (according to the monthly amount received). For sales of property, the original cost of the property and reasonable expenses incurred are deductible from the sales proceeds to determine the taxable income. Certain specific deductions also apply, including: child education (1,000 per child per month); continued education (400 per month or 3,600 per year depending on the type of qualified continued education); mortgage interest (1,000 per month); rental expense (800, 1,100, or 1,500 per month depending on the location); elderly care (up to 2,000 per month depending on the status of the taxpayer); major medical expense (qualified self-paid portion above 15,000 and capped at 80,000 per year for each eligible individual). Charitable contributions to qualified domestic non-profit organisations are deductible up to 30% of taxable income.

Special Expatriate Tax Regime

Residents are subject to individual income tax on their worldwide income. Non-residents are generally taxed only on their China-source income. For the rates applied on non-residents' income derived from employment, remuneration for labour services, author's remuneration, royalties, see the table above. Certain categories of income are considered China-source income regardless of whether the payments are made within China or not, including:

- Income derived from employment or contracted labour services performed within the territory of China
- Rental income in relation to property used within the territory of China
- Income derived from the transfer of real property located within China or other property transfer transactions incurred within the territory of China
- Income derived through the grant of various franchises to be used within the territory of China
- Interest and dividend income paid by companies, enterprises, other organisations, or resident individuals within the territory of China.

Capital Tax Rate

A fixed income tax rate of 20% will be applicable to income from fees, earnings, dividends, bonuses, lease income or on the transfer of property, accidental income and other products. Interests on bank deposits are exempt. Social security contributions vary according to the region (consult a list here).

DOUBLE TAXATION TREATIES

Withholding Taxes

Withholding tax rates in China are 10% for dividends, interest and royalties. A 6% VAT applies to interests and royalties (which could be waived in case of royalties paid for technology transfer).

SOURCES OF FISCAL INFORMATION

Tax Authorities

- [State Council of the PRC](#)
- [State Administration of Taxation of the PRC](#)
- [Organisational Chart of China's Tax Administration](#)
- [Department of Finance](#)

Other Domestic [Chinese Tax System](#)
Resources

Learn more about [Service Providers in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Learn more about [Taxes and Accounting in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

Legal Environment

BUSINESS CONTRACT

General Observation	You must specifically define the obligations of each party.
Law Applicable to the Contract	Law on contracts
Advisable Incoterms	Preferably an FOB or CIF incoterm should be chosen.
Language of Domestic Contract	The contracts can be written in English and Chinese. But in the event of conflict, Chinese contract will prevail, it is thus necessary to pay great attention to the translation.
Other Laws Which Can Be Used in Domestic Contracts	Possible, if the two parties agree.

INTELLECTUAL PROPERTY

National Organisations	National Office of intellectual property (SIPO) Trademark Office (SAIC)
Regional Organisations	Expert Group on Intellectual Property Rights (IPEG)
International Membership	Member of the WIPO (World Intellectual Property Organization) Signatory to the Paris Convention For the Protection of Intellectual Property Membership to the TRIPS agreement - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

National Regulation and International Agreements

Type of property and law	Validity	International Agreements Signed
Patent Patent Law 1992	20 years, non renewable	Patent Cooperation Treaty (PCT)
Trademark Law on Marks	10 years, renewable indefinitely	Trademark Law Treaty Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks
Design Patent Law	10 years	

Type of property and law	Validity	International Agreements Signed
<p>Copyright Copyright Law</p>	<p>During the lifetime of the author and 50 years after his or her death</p>	<p>Berne convention For the Protection of Literary and Artistic Works Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms Rome Convention For the Protection of Performers, Producers of Phonograms and Broadcasting Organizations WIPO Copyright Treaty WIPO Performances and Phonograms Treaty</p>
<p>Industrial Models Patent Law</p>	<p>10 years</p>	

LEGAL FRAMEWORK OF BUSINESS

Equity of Judgments

Equal Treatment of Nationals and Foreigners	The judiciary does not guarantee an impartial trial to a foreign national. A high degree of corruption has been reported in the country and within the CCP.
The Language of Justice	Mandarin-Chinese
Recourse to an Interpreter	Possible
Legal Similarities	The legal system is based on the Confucian philosophy of the social order by moral education. After the 1911 revolution, the Republic of China mainly adopted a legal code of Western type inspired by the German law. The establishment of the People's Republic of China in 1949 brought a Soviet system influenced by socialism. There does not exist a tradition of constructive law in China and the first civil code dates from the beginning of the year 1980. As compared to the Western laws, it is written in a rather incomplete fashion, which leaves an important place for arbitrary judgements. The law is subject currently to a progressive reform encouraged by external and internal pressures. The constitution in force currently was promulgated in December 1982.

The Different Legal Codes

Base of the state, individuals rights, and private property returned in constitution in 2004	Constitution of 1982 (after 2004 amendments)
Regulations on the litigations on environmental protection, taxation and customs, the quality of products, and opposition to administrative decisions	Administrative Law and Administrative Procedure Law
Civil Law (Property law and the General Law on Registered Trademarks)	Civil law, Civil Law Procedure
Criminal Law	Criminal law and Criminal Procedure Law
Labor Law	Labour Law

Commercial Law	Law on Contracts , Law on Prices , Foreign Trade Law , Law of Protection of Consumers , and Law against Unfair Competition
Company Law	Companies Law , Law on Foreign Company Venture Capital , and WFOE Law .

Checking National Laws Online [China Legislative Network System](#)
 Other Useful Resources [China Law Blog](#)
[LLRX.com](#), research guide to the Laws of China

Learn more about [Lawyers and Legal in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

The Jurisdictions

Supreme People's Court	Highest Court in the legal system of China. Hong Kong and Macao are out of the jurisdiction of supreme people's court.
Intermediate People's Court	The trial courts are responsible for criminal and civil cases.
Special Courts	Military court, Court of railway transport and Maritime Court of China.
Supreme People's Procuratorate	They exert their authority in cases endangering the safety of the State and public safety, damaging the economic order and violating the personal and democratic rights of the citizens and other important criminal causes.

Court Officials

The judge The Judge exerts the legal authority of the Government according to the law, he must judge a case according to the law.
 The judges are also cross-examiners who examine the witnesses.
 Differing from traditional courts, only evidence presented in the court is considered.

The prosecutor

Law minister Justice and prison administration, governs the lawyer's profession and supervises the examinations of admission to the law profession.

Lawyers The lawyer has an advisory role towards his client and must defend him.

Ministry of public safety It is the authority of the police force. The police is responsible for maintenance of law and order, conduct investigations and arrest suspects in criminal cases.
 May intervene in settling disagreements between private individuals.

Learn more about [Legal and Compliance in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

INTERNATIONAL DISPUTE RESOLUTION

Arbitration	China has several institutions for arbitration such as China International Economic and Trade Arbitration Commission (CIETAC). Only litigations containing an "external element" can be arbitrated outside China.
Arbitration Law	Arbitration law inspired from the CNUDCI model
Conformity to International Commercial Arbitration Rules	Party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.
Appointment of Arbitrators	The arbitration court comprises three arbitrators except for claims for an amount lower than 500000 RMB or if the parties can settle it otherwise. Each party can appoint an arbitrator or authorize the president of the CIETAC to name an arbitrator.
Arbitration Procedure	The official language is Chinese (except decision expressed by the parties). Arbitration can begin only after the plaintiff has lodged a request with the secretariat of the arbitration committee. The opposing party will have to present its written defense and evidence. An attempt at conciliation will be initially made. The court of arbitration will have to deliver its sentence in the 6 months following the date of constitution of the arbitration court. The final decision made by the court of arbitration is final, obligatory for the 2 parties and irrevocable. For more information, see the CIETAC site.
Permanent Arbitration Bodies	Center of Intellectual Property arbitration (Sectors Covered: Intellectual Property) International Economic and Commercial Arbitration Commission (CIETAC) (Sectors Covered: Economic and commercial)

Learn more about [Lawyers and Legal in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

Reaching the Consumers

CONSUMER PROFILE

Consumer Profile	<p>The Chinese population numbers 1.4 billion at the beginning of 2019, with a relatively small share of young people under 25 due to the one-child policy (1.60 children / women in 2018).). China has an average population density of 145.27 inhabitants / km², with population growth of around 0.53% per year. The ratio of men to women is broadly balanced with the 15-64 age group accounting for 72.04% of the total population. The base of Chinese consumers is made up of relatively young people (between 20 and 35 years old): generally educated, they tend to save less spend more on leisure than their parents make increasing purchases online, prioritise more quality over low prices. The areas of higher consumption are concentrated in major cities such as Beijing, Shanghai, Shenzhen and other Chinese urban areas with high per capita income and high purchasing power. According to statistics, the employment rate of academics in China is about 91.9% and there are more than 7.36 million people who graduated from a higher education or university. The agricultural sector employs about 16.4% of the labour force while the industrial sectors employs 26.3% of the population. Finally, the tertiary sector is the most represented category and employs 56% of the workforce in China. █</p>
Purchasing Power	<p>The Chinese market is varied in its composition. Some parts of the country have experienced increases in confidence and spending (particularly in coastal areas such as Shanghai), while others have experienced lower growth or even negative growth. The middle class represents about 240 million people (that is, 19% of the total population) according to the Chinese Academy of Social Sciences. According to McKinsey, the lower middle class is expected to have 520 million people by 2025. Today, 120 million Chinese still live on less than \$ 1 a day. According to World Bank data for 2017, GDP per capita (purchasing power parity) was US \$ 16,806.74. According to the ILO, Gross National Income per capita was 8826.90 USD for the same period. Gender income inequality was 36% lower for women of equal work, placing China in the 103rd place (out of 149 countries) - ILO. According to the National Bureau of Statistics of the People's Republic of China, per capita disposable income in China increased by 6.5 percent in 2018 to reach a level of 4.165 USD. There are still large disparities between rural and urban dwellers and growth has been stronger for this latter category of people. The Gini coefficient, which measures the level of inequality, increased slightly in 2017 vs 2016 to 46.7.</p>
Consumer Behaviour	<p>China is going through a consumption revolution: whereas in the past function and price were important factors in the buying decision buying behaviour has become more complex and Chinese consumers are taking increasing criteria into account when making a purchase. Brand awareness is becoming increasingly important and marketing is starting to play a key role in attracting Chinese consumers with advertising and research techniques. Chinese consumers believe that price is an indicator of the quality of a product, with price and sales services second. Certain aspects such as reimbursement guarantees of a product are less important. In general, the Chinese inquires a lot before purchasing, the main source of information being word of mouth. Chinese consumers are curious about what is on offer, especially with respect to foreign products.</p>

With the improvement of living standards people are increasingly focusing on high quality products (luxury goods manufacturers and service providers are experiencing

significant growth in China). As a result, the price a consumer is willing to pay for a product has increased in recent years. Consumers are now looking for the highest quality products and services and often look to the big brands. China is the largest market for luxury brands accounting for approximately 47% of global sales of luxury consumer goods.

The collective feeling is important in Chinese society the group taking precedence over the individual. Thus, the standards, preferences and norms of the group to which an individual belongs have a huge influence on buying habits. For this reason, advertising is often directed towards group recruitment rather than individuals. Today, the elite of the one-child generation aspire to a pleasant life and are not reserved in their spending - including education, luxury goods, travel, leisure and consumer goods - especially in big cities. For more and more Chinese consumption is often targeted at high-end products of major brands, as shown by the strong growth in sales of luxury cars. Similarly, once a product is adopted by the reference group, the craze it generates spreads rapidly and widely. Nevertheless, there is a development of independence and individuality in consumer behaviour in China. The country has more than 700 million active users of social networks and 300 million consumers who buy on e-commerce sites. Dematerialised and online payments are set to grow. Collaborative platforms like Tujia, Xiaozhu and AirBnb (Hong Kong, Macao and Taiwan are excluded) are present and used in China.

Household Consumption Expenditure

Sector	Percentage
Housing, electricity, gas, water and other fuels	18.0%
Hotels, cafes and restaurants	16.0%
Food and non-alcoholic drinks	10.0%
Leisure and culture	10.0%
Social protection	8.0%
Transport	6.0%
Clothing and Shoes	4.0%
Communication	3.0%
Furnishings, household equipment and routine household maintenance	2.0%
Health	2.0%
Education	1.0%

Source: [UN database](#); [Association of Chinese Consumers](#); [World Bank Data](#).

Consumer Recourse to Credit

Historically, China is a country with a very high savings rate one of the largest in the world. In recent years, Chinese consumers are getting into debt quickly. Data from China's central bank show that consumer loans are up 50% since 2016, when the government encouraged loans to households. The IMF believes that the debt ratio of Chinese households could double over the 2016-2022 period compared to the previous decade. Real estate loans represent the majority of new loans to Chinese households in terms of value, with auto loans growing even faster in percentage terms. Credit card debt is also growing rapidly: according to Deutsche Bank, short-term consumer credit is growing by 35% a year and could soon reach 40% a year

Growing Sectors Renewable energies, health, e-commerce, food and beverages, education, consumer goods, automotive, tourism, construction products and services, high-tech products.

Consumers Associations [Association of Chinese Consumers](#)

Population in Figures

Total Population: 1,392,730,000

Urban Population: 59.2%

Rural Population: 40.8%

Density of Population: 148 Inhab./km²

Men (in %) 51.7%

Women (in %) 48.7%

Natural increase: 0.46%

Medium Age: 33.0

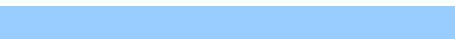

Ethnic Origins: According to Chinese authorities, more than 92% of the population are of Han Chinese origin, with Zhuang, Uighur, Hui, Yi, Tibetan, Miao, Mandchous, Mongol, Buyi, Korean and other ethnic origins forming about 8% of the population. ([National Bureau of Statistics of China](#)).

Population of main cities







Name	Population
Shanghai	20,217,748
Beijing	16,446,857
Guangzhou (Canton)	10,641,408
Shenzhen	10,358,381
Tianjin	9,290,263
Wuhan	7,541,527
Dongguan	7,271,322
Foshan	6,771,895
Chengdu	6,316,922
Chongqing	6,263,790
Nanjing	5,827,888
Shenyang	5,718,232
Xi'an	5,206,253
Hangzhou	5,162,093

Source: [Citypopulation.de](#), 2010 - Latest available data.

Age of the Population

Life Expectancy in Years	
Men:	74.3 
Women:	78.8 

Source: [United Nations, Population division, World Population Prospects: The 2009 revised population database](#), 2009 - Latest available data.

Distribution of the Population By Age Bracket in %	
Under 5:	6.5% 
6 to 14:	13.4% 
16 to 24:	16.9% 
25 to 69:	57.9% 
Over 70:	5.3% 
Over 80:	1.4% 

Source: [United Nations, Department of Economic and Social Affairs, Population Division, Prospects 2010](#)- Latest available data.

Household Composition

Average Age of the Head of the Household	0.0 Years
Total Number of Households (in million)	401.9
Percent of Households of 1 Person	14.5%
Percent of Households of 2 Persons	24.4%
Percent of Households of 3 or 4 Persons	44.4%
Percent of Households of 5 Persons and More	16.7%

Source: [UN data](#), 2012 - Latest available data.

Consumption Expenditure

Purchasing Power Parity	2017	2018	2019	2020 (e)	2021 (e)
Purchasing Power Parity (Local Currency Unit per USD)	3.52	3.50	3.50	3.49	3.49

Source: [IMF - World Economic Outlook Database, 2015](#)

Definition: Purchasing Power Parity is the Number of Units of a Country's Currency Required to Buy the Same Amounts of Goods and Services in the Domestic Market as USD Would Buy in the United States.

Note: (e) Estimated Data

Household Final Consumption Expenditure	2016	2017	2018
Household Final Consumption Expenditure (Million USD, Constant Price 2000)	3,755,856	4,011,194	4,392,757

Household Final Consumption Expenditure	2016	2017	2018
Household Final Consumption Expenditure (Annual Growth, %)	8.3	6.8	9.5
Household Final Consumption Expenditure per Capita (USD, Constant Price 2000)	2,724	2,893	3,154
Household Final Consumption Expenditure (% of GDP)	39.5	38.4	n/a

Source: World Bank, 2015

Consumption Expenditure By Product Category as % of Total Expenditure	2015
Housing	35.8%
Food and non-alcoholic beverages	27.3%
Miscellaneous services	15.6%
Transport	7.5%
Miscellaneous goods	3.8%
Clothing and footwear	3.5%
Durable goods	3.2%
Electricity, gas and water	2.7%
Alcoholic drinks and tobacco	0.5%

Source: National Bureau of Statistics of China, Latest available data

Information Technology and Communication Equipment, per 100 Inhabitants	2012
Telephone Subscribers	73.2
Main Telephone Lines	20.6
Cellular mobile subscribers	73.2
Internet Users	42.3
PCs	4.1

Source: International Telecommunication Union, Latest available data

MARKETING OPPORTUNITIES

Media in Which to Advertise

Television

95% of the Chinese population watch television. Advertising on television is therefore an effective means of reaching a maximum number of users. Overall, TV is estimated to make up for 31.4% of advertising spending in 2017, but as Chinese consumers embraced smartphones and the internet, traditional TV advertising has suffered. Advertising expenditure on traditional TV dropped by 5.2% in 2017, however there was a growth in content marketing and product placements (Ad Age India).

Main Televisions
[Anhui TV \(AHTV\)](#)

	<p>Central Television of China (CCTV) Beijing TV (BTV) Tom Group Limited Sichuan TV Hunan TV Shanghai Media Group (SMG) Hubei TV (HBTU)</p>
Press	<p>Newspapers and magazines are a major advertising medium in China. It is estimated that 2017 has been the first in China's history when newspaper advertising revenues were lower than those of internet advertising.</p> <p>Main Newspapers China Daily Group Liberty Times Group People Daily Group Canton Daily Pekin Times Beijing Daily</p>
Mail	<p>Advertising by mail enables reaching a targeted consumer. For the moment, this advertising medium is in a development stage.</p>
In Transportation Venues	<p>The screens in public places in China like malls, restaurants, offices etc. have become an effective medium for advertising. The means of public transportation are also equipped with their own advertising screens which is a great source of reaching out to commuting consumers.</p> <p>The type of advertising varies according to the city. The number of companies active on a national level is very limited.</p>
Radio	<p>Chinese radio stations are organised according to the four-layer structure of government: national/provincial/municipal/local. Across these layers there are over 600 radio stations in China. With a market share of 54,1%, the radio stations at municipal and local level (towns & counties) are the most popular. Provincial stations hold 35,9% of the market share, and central (national) radio stations hold 10% (source ZIGT Media). It is one of the least expensive advertising mediums which can reach users of different types, especially a younger audience, with good education and a relatively high income. In fact, it is estimated that over half of radio listeners are between 25-34 years old.</p> <p>Main Radios China Radio International (CRI) China National Radio (CNR) Broadcasting Corporation of China Beijing Broadcasting Network Radio Guangdong Lanzhou Radio Group Shanghai Media Group Tianjin People's Broadcasting Station (TPBS)</p>
Web	<p>According to official Chinese figures, the country had 731 million internet users at the end of 2016, more than half of its population. In China, the world's second-largest advertising market, 57% of advertising expenditure in 2017 went toward the web. Advertising by mobile phone and online advertising are increasing rapidly. China is increasingly using social media to promote brands and introduce products. Mobile is still going strong and mobile internet is expected to become the main engine propelling internet advertising spending in the future. About 95% of Chinese internet users went online through mobile devices at the end of 2016, according to official data</p>

from the Chinese government.

- Market Leaders:
[Web2Asia China Marketing](#)
[Nurun](#)
[Focus Media](#)
[List of agencies using advertising media](#)
- Main Advertising Agencies
[Wieden+Kennedy](#)
[Techworks Asia](#)
[Dentsu](#)
[Saatchi&Saatchi](#)

Main Principles of Advertising Regulations

Beverages/Alcohol	Advertising content for alcoholic drinks must specify health licenses and cannot use medical jargons or words which can be mixed with pharmaceutical products. Alcohol advertising restrictions are included in article 23 of the 2015 Advertising Law .
Cigarettes	According to article 22 of the 2015 Advertising Law , tobacco advertising is prohibited in mass media, public places, means of public transport, and outdoors. Other forms of tobacco advertising are permitted, including through sponsored events and organizations, promotional discounts, and retailer incentive programs. Sending any form of tobacco advertisement to minors is prohibited. It is also prohibited to publicize the name, trademark, packaging, decoration, and other similar aspects of tobacco products through advertisement.
Pharmaceuticals/Drugs	Advertisements for pharmaceutical products, medical devices or instruments cannot contain non scientific information, statements or promises on the effectiveness, a cure note or a rate of effectiveness, comparison with other medicines or medical devices, use the name or the image of a medical research unit, university organization, medical unit or doctor. A "purchase and use under doctor's prescription" note must be shown when necessary. Special pharmaceutical products such as anesthesia, narcotics, psychotropic, toxic and radioactive drugs cannot appear in the advertisements.
Other Rules	Advertisements should "be good for the mental and physical health of the people" and "conform to the professional code of ethics and safeguard the dignity and interests of the State." Specific regulations include the prohibition on the use of national symbols and governmental images, as well as content that is obscene, superstitious, discriminatory and/or dangerous for social stability. The advertising industry in China is heavily regulated, and the Government still exercises ultimate control over content. In 2015 China adopted a new Advertising Law .
Use of Foreign Languages in Advertisement	Majority of the advertisements are in Mandarin.
Organizations Regulating Advertising	Trade and Industry State Administration (SAIC) State Administration of Radio, Film and Television (SARFT)

Learn more about [Sales in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

Selling

MARKET ACCESS PROCEDURES

Customs Procedures

Import Procedures To reduce customs clearance time, certain companies can- in cases where description, specifications and quantity of import of goods are determined- declare to the customs in advance and present the documents after the imports are dispatched, before the arrival or in the three days which follow the arrival of the goods in a customs surveillance zone. The Customs authorities will examine the goods directly and will release the goods after their arrival. The Chinese importer (agent, distributor, joint-venture partner, or FIE) gathers the documents necessary for importing goods and provide them to Chinese Customs agents. These documents include: the bill of lading, the invoice, the packing list, the customs declaration, the insurance policy, the sale contract and the inspection certificate of the AQSIQ (General Administration of the PRC for Quality Supervision, Inspection, and Quarantine) or other licenses of safety and quality.

Customs declarations can be done via the customs site. Exporters must indicate the place of arrival of the goods and they must complete all customs data. Once the data is analysed by the customs, a receipt will be sent, so that the company can complete the cargo of the goods. Custom duties can then be paid by bank transfer.

Beginning 1 October 2012, all exporters of food products to China must be registered with the AQSIQ.

For more information, please visit the [website](#) of Chinese Customs.

Specific Import Procedures Food processing products require an examination by the Department of health. Certain items are prohibited from entering China: arms, counterfeit currencies, documents 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, used garments, local currency, etc.

Importing Samples Samples (free or not) imported or exported must be declared at customs, where they will be examined and released. All shipments containing samples and advertising articles will be taxed according to their respective commodity HS codes. Tax exemptions now only apply to shipments fulfilling specific criteria. Goods imported in China for display or demonstration at trade shows and exhibitions are exempt from customs duties, provided they are re-exported within six months (extendable). Imported commercial samples subject to import controls should only be imported with licenses. Food and beverage exhibition 'not-for-sale' sample-entry rules are frequently ignored by Chinese authorities. Under the current system, such samples are officially subject not only to full tariffs and taxes, but also to product and labelling registration requirements. For more information contact the [Customs General Administration](#) of the People's Republic of China.

Customs Duties and Taxes on Imports

Customs threshold (from which tariffs are Shipment value CNY 5,000 and Duty amount CNY 50.

required)

Average Customs Duty (Excluding Agricultural Products)	8.37% according to UNCTAD (a relatively low rate).
Products Having a Higher Customs Tariff	Duties vary from 3% to 80% depending upon whether imports are encouraged or not (import of automobiles is for example discouraged) by the authorities.
Preferential Rates	Granted to imports coming from countries with which China has signed trade agreements. China may apply preferential tariff rates in the case of goods that the Government has identified as necessary to the development of a key industry.
Customs Classification	China applies the Customs Harmonised system (on the basis of the international six figure key).
Method of Calculation of Duties	Customs duties are calculated Ad valorem on the CIF value and have amounted to 15.3% on average. Besides that, it seems that Chinese Authorities increasingly use minimum prices as references to determine the customs value of goods. To assess a value, all 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. Customs officers check the price reported by the importer against this database. Normally, Customs officers will accept the importer's price, unless the reported value is too far out of line with the database. 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 based on the highest price reflected in their database.
Method of Payment of Customs Duties	Paid by the importer while importing the merchandise. Payment in cash.
Import Taxes (Excluding Consumer Taxes)	Business Tax (BT): 3% or 5% on services and transfers of intangible goods and real estate property. If you pay BT, you do not pay VAT, on the other hand, consumption tax is added systematically to one or the other tax. Moreover, contrarily to practice, these taxes cannot be recovered. Hence they are final charges.

Labeling and Packaging Rules

Packaging	It must be in conformity with medical and safety regulations. Packaging materials must not be poisonous or dangerous and must be easily degradable and recyclable. All wood packages should carry an IPPC mark, or they will be subject to further requirements.
Languages Permitted on Packaging and Labeling	All products sold in China must have their labels or notes in Chinese.
Unit of Measurement	The metric system is used in China, but Chinese measuring units are also used.
Mark of Origin "Made In"	Information on the country of origin of the product must clearly be indicated.
Labeling Requirements	Name and address of the distributor registered in the country.
Specific Regulations	Labels for food products must contain the net weight, the list of ingredients, the address of the Chinese distributor, the date of production and the expiry date. The General Administration of the RPC Condition for the Supervision of Quality, the Inspection and the Quarantine (AQSIQ) must be competently handled by the labeling management. All wood packages should carry an IPPC mark, or it will be subject to further requirements. Products requiring the China Compulsory Certification 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.

DISTRIBUTING A PRODUCT

Distribution Network

Types of Outlet

Hypermarkets and supermarkets	Located in the big Chinese cities, they have food and non food products. Lianhua Supermarket Holdings Co , Beijing HuaLian , Wu-mart , Ren Ren Le
Specialized Hypermarkets and Supermarkets	Hypermarkets specialized in a range of products. Located in the residential areas or the pedestrian streets. Guo Mei (eletrodomésticos), Farmácia de elefantes (farmácia), Homejia (decoração), Ikea (móveis).
Department stores	Stores distributed in different specialized ranges. Located in the big Chinese cities. Wing on , Sincere , Intime , Parkson ,
Mall centers	Located in periphery of cities, these are large set-ups. CITIC Plaza, Grand Gateway , New Century Global Center, Eurasia Shopping Mall
Street stores and markets	Especially in the rural areas, they are replaced by stores in the urban areas.

Evolution of the Retail Sector

Growth and Regulation China's retail sector offers great opportunities for food product exporters. According to *Euromonitor*, retail sales in the packaged food market in China was estimated to reach US\$226.3 billion in 2016. By the year 2021, the market is expected to reach nearly US\$309.6 billion. However, there still are many challenges in selling foreign food products in the retail sector. Demand for imported food and beverage is expected to remain resilient, as consumers perceive imported products to be safe and of high quality. The major drivers of China's retail growth include rapid urbanisation and an increase in the number of middle class consumers. China's consumers expect their food purchases to be easy and convenient. As a result, electronic commerce (e-Commerce) has become an important tool for businesses in the retail sector to use and to adapt to in order to reach their customers.

Many different business models within the retail industry have emerged recently. Small convenience stores and specialty stores remain the most common retail model. In recent years, however, large retailers are increasing market share as they are able to realise greater efficiencies through better supply chains and wider distribution channels. Furthermore, the industry has undergone many mergers and acquisitions (M&A) which has strengthened the large retailers' position in the market.

Traditional retailers are transitioning to include online components to their business. The era of traditional standalone retail stores is being phased out in China. Offline food retailers include hypermarkets, supermarkets, specialty stores, discount stores, community stores and convenience stores. Online food retailers, such as [fruitday.com](#) or [fieldschina.com](#), are retailers that provide food products online and deliver the items to the consumer.

High quality and premium priced food products, including imported food and beverage will remain in demand in the market, although there are some difficulties: high import tariffs, regulations and expensive shipping costs. As a result of globalisation and development, China's younger populations have become accustomed to imported food products being available at retail stores in major cities.

Market share Mass distribution in China is dominated by large Asian groups, with Chinese distributors taking the most significant market share. Shanghai Bailin on its own has 5000 sales outlets and a turnover of EUR 6.8 billion. Lotus, a Thai distribution group, is also a major player in China. Groups from outside of Asia, including Carrefour and Walmart, have also been able to establish themselves, but foreign firms have yet to significantly establish themselves in rural areas, thus traditional trade is still significant.

According to *Euromonitor*, in 2014 retail sales were broken down as follows:

- Hypermarkets had 62.4% market share
- Standard Supermarkets had 17.2% market share
- Minisuper had 6.0% market share
- Convenience stores had 5.0% market share
- Cash and Carry had 3.8% market share
- Premium Supermarket represented 1.8% market share
- Discounters had 1.0% market share

Retail Sector Organisations [China Chain Store and Franchise Association](#)

E-commerce

Internet access As of July 2017, there were 751 million internet users in China (almost 20 million more than 2016), thus the internet penetration rate in China reached 54.3%, up by 1.1% from the previous year. Nevertheless, the difference in penetration between urban and rural areas remains high, the latter recording a rate of 34% compared to 73.3% of urban areas. In terms of network usage among internet users, the urban-rural gap is smallest in instant messaging, where the rural penetration rate is only 2% lower than urban, but when it comes to business transactions, mobile payments, news, and similar applications, the gap is much higher. Beijing, Shanghai, and Guangdong are the top three regions in China with the highest internet penetration rates of over 74%. The number of mobile internet users in China rose to reach 724 million at the end of the first half of 2017. Smartphones were the top devices for internet access in China in 2016 with over 95% users, followed by desktop computers (60.1%) and laptops (36.8%). The search engines market is dominated by local players, with Baidu having a prominent role (76%), followed by Shenma (8.78%), 360 Search (7.87%), Sogou (3.31%). Google as only a 1.84% share.

E-commerce market China is the largest e-commerce market in the world. According to eMarketer, e-commerce sales in China are estimated to have passed US\$ 1.13 trillion in 2017, accounting for nearly half of the worldwide retail e-commerce sales and 23.1% of all retail sales in China (with an expected increase to 40.8% by 2021). The growth compared to 2016 reached a spectacular 33%. The total number of e-shoppers is projected to surpass 650 million by 2018. In recent years, the online retailing growth was driven by third and fourth tier cities, and for the first time, these cities have surpassed first and second tier cities, due mostly to Alibaba’s investments in delivery infrastructure across the nation that facilitated greater access to rural and smaller urban areas. The top five categories of internet applications in China are instant messengers, news, search engines, videos, and music. In 2017, 45.3% of Chinese companies deployed online sales activities, 45.6% online purchase and 38.7% online marketing. Alibaba is the biggest Chinese e-commerce platform, with more than 500 million people using its shopping apps. The group as a whole - which includes Taobao, TMall, and Alibaba.com together with the payment platform AliPay and other businesses - had a turnover of US\$ 23.8 billion and lead operations in more than 200

countries. Tmall - a Chinese-language website for B2C online retail operated by Alibaba Group and one of the world's top 20 most visited websites – is a platform for local Chinese and international businesses to sell brand name goods to consumers in mainland China, Hong Kong, Macau and Taiwan. JD.com is one of China's largest online retailer by revenue, offering direct sales of electronics products, general merchandise, books, home appliances, digital communications, apparel, food, and other goods. Vipshop Holdings is one of China's leading online discount retailers and distribution companies, characterised by flash sales and time-limited offers. Other platforms include Suning, Gome, Yihaodian, Dangdang, Amazon.cn, and JMei. China's whole digital scene is mobile dominated, so that optimising store pages for mobile is of pivotal importance. Virtual reality shopping has also exploded with consumers able to explore products digitally via virtual reality simulations. Intellectual property rights infringement across e-commerce platforms is common in China.

E-commerce sales and customers

According to the U.S.-China Business Council, roughly half of all China's e-commerce sales are made on mobile devices, nearly 16% more than the global average. The rise of m-commerce is expected to continue, with eMarketer predicting more than 75% of ecommerce sales – over US\$ 1 trillion - will be transacted via a mobile device in the next future. Cross-boarder shopping is also growing, with Chinese buying abroad items that are either too expensive or too scarce at domestic vendors. Chinese consumers' primary motivation for shopping online has moved from price, assortment and convenience to quality, value, service and experience. Thus, developing a platform with a smooth, intuitive shopping experience is evermore an important factor in the Chinese e-commerce market. The ease and security of e-payment (with mobile apps connected to a user's banking) is also cited as a key reason for the rise of e-retail spending. China's mobile digital payment systems via WeChat & Alipay are widely used (nearly half a billion businesses within China use Alipay and consumers are now even using it overseas when they travel). Credit card remains the main payment method, while cash on delivery, PayPal, debit card and bank transfer are less used.

Social media

China is the world's largest social network market. As of 2018, there are an estimated 911 million social network users in China (Hootsuite). Leading international social-media platforms like Facebook, Twitter and Youtube are all blocked in China due to the Chinese government's internet censorship (also known as the "Great Firewall"). The majority of Chinese digital consumers use social media to do product research or get recommendations. The three biggest social media players are WeChat (963 million monthly active accounts), a social network QQ Zone (861 million monthly active accounts) and a micro blog Weibo (300 million monthly active users). WeChat allows retailers to feature online stores and has a third-party payment function. It also features push messages to introduce new product lines or deliver promotions. In early 2018, WeChat reached 1 billion user accounts across the world. With Weibo (a hybrid between Facebook and Twitter), in addition to publishing long articles with images or short posts, hyperlinks or videos, users can also repost, comment, search and send messages on trending topics. Weibo has also had an impact with influencers: Weibo posts for brand influencers are now used for direct product promotion and sales, especially since the platform was purchased by Alibaba. QQ is a messaging platform owned by Tencent, the same company that owns WeChat. It started as a desktop app rather than a phone app, in fact users don't need a phone number to use QQ, which means younger people who don't have a phone yet can use it to send and receive messages. Youku - one of China's top online video and streaming platforms - is more similar to YouTube, except that it contains more professionally created videos compared to the more user generated content of YouTube.

Direct Selling

Evolution of the Sector According to the World Federation of Direct Selling Associations, China's direct retail sales in 2016 amounted to USD 33,888 million, a 1.9% increase compared to 2015. Although an official number of independent representatives is not available, deep-rooted problems such as the wealth gap and unbalanced development of urban areas vs provinces make direct selling attractive to Chinese citizens.

[Euromonitor International](#) highlights the Chinese government revised its direct selling laws in 2016 to cancel the three-year of experience requirement before companies are allowed to enter China's Free Trade Zones (Shanghai, Guangdong, Tianjin, and Fujian). On March 13, 2016, China's [Ministry of Commerce](#) restricted direct sales products to cosmetics, cleaning products, health food products, health care equipment, small kitchen implements, and household electronic appliances.

National companies have fared better than international direct selling companies; Perfect and Amway both saw lowered value in their sales while local companies improved their performance. However, Nature ([NSP China](#)) did see a 91.4% increase in net sales in 2017 compared to 2016. [Best World International](#), a Singapore company, has also had success by introducing its products through a network of nail spas, beauty and hair salons in second-tier cities instead of taking the traditional direct selling route in top markets. This strategy allowed them to grow aggressively, with Bloomberg projecting a USD 196 million revenue stream for 2017 and its stock climbing more than 220% in 12 months.

As in other countries, e-commerce poses the greatest threat to the industry. This is especially true in younger generations that prefer to buy health and beauty products online.

Commercial Intermediaries

Trading Companies

Type of Organization A foreign company wishing to export products in China must obtain distribution and trading rights. The foreign company can have recourse to a Chinese trading company. These trading companies generally have authorizations to trade a vast range of products. The big trading companies have some offices everywhere in the world and on the Chinese territory. However, transport and diversity of the regions do not allow them to operate on the whole of the Chinese territory. The FICEs (Foreign invested commercial enterprises) can also obtain import and export licenses since 2006.

Main Actors [China Qingdao Hong Jin Trading Company Ltd](#), [Nexfar Ltd](#), [Wenzhou Nanlong import & export trading company Ltd](#),

Wholesalers

Type of Organization In China, distribution comprises services of an agent, wholesaler and retailer services. A commercial intermediary is indispensable for selling products: a wholesaler, an import-export company, etc.

Main Actors [D2D China](#), [Chinese wholesalers](#)

Using a Commercial Agent

The Advantages Using the services of a commercial agent is generally necessary for business in China. China has many local sales agents who handle internal distribution and marketing. Most of these firms do not have import/export authorisation. Localised agents possess

the knowledge and contacts to better promote products and break down institutional, language, and cultural barriers and can assist in keeping track of policy and regulatory updates, collect market data and quickly respond to changes. This is particularly the case in a tender process. Given the width of the Chinese territory, It is advised to have recourse to several agents for each region.

Where to Be Vigilant	Employing a third party results in an additional cost and some control and visibility loss over sales/marketing. It also increases the risk of your product being copied or counterfeited.
Elements of Motivation	The commission amount is an important element of motivation.
The Average Amount of Commission	10 to 20% according to the sectors.
Breach of Contract	During the end of the agency contract or if the agent ends the contract, the agent is entitled to a remuneration of an appropriate amount.
Finding a Commercial Agent	Finding a commercial agent Alibaba

Learn more about [Traders, Agents in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Setting Up a Commercial Unit

The Advantages	To be able to locally manage its own presence, its own teams and marketing trends. In other words, one can establish commercial relations with China directly from Europe. But to obtain convincing results, investments must be made in developing relations by establishing a local presence. Whether for purchases or sales, the problems faced are primarily dependent on the execution of services.
Where to Be Vigilant	<ul style="list-style-type: none"> - Cultural differences, difficulties of managing Chinese teams - administrative difficulties - Relative absence of legal groundwork (attention copyright) - Dissensions with foreign partners <p>Read the work of Benoit AMS on the difficulties faced by foreign companies in making deals in China.</p>
Different Possible Forms of Settlement	
A Representative Office	For the majority of the foreign companies, the first form of establishment in China is the representative office. For a long time, it was the only possible form of presence involving 100% of foreign assets. It remains today the fastest and simplest presence to establish, as well as the cheapest (in terms of both establishment and operational fees). The representative office does not facilitate trading in Chinese territory, but enables the following: renting offices (only in certain types of buildings), e-recruiting personnel (via FESCO) and organising follow-up actions to market operations (carrying out market research, promoting products of the parent company, generating customer and supplier contacts and supervising and coordinating the local operations of the parent company).

The representative office of a foreign company is a "hybrid" structure as it does not enjoy any legal status under Chinese law. In other words, a representative office structure does not allow you, for example, to register a brand (which must be done by the parent company) or to initiate legal actions against a third party. A representative

office may employ no more than four foreign representatives at a time. Moreover, the existence of an "X" company representative office cannot prevent setting up an "X" Chinese company in the same city. Finally, the representative office head in China is legally responsible on his or her own behalf for the activities of the structure. The office is however a structure adapted relatively well to the management of local partners, suppliers or distributors.

In the last few years many companies have opted for a wholly foreign owned consulting or service enterprise rather than a representative office, as this offers more flexibility and allows invoicing and collection of RMB payments.

A Branch Office

No possibilities of creating a branch office.

A Company

Companies with 100% foreign capital (WFOE): this structure presents, on paper, many advantages, including considerable independence as compared to the local partner, which may lead to various "problems." Today, foreign companies can create a WFOE (Wholly foreign owned enterprise) in trade (import/export activities with due respect for local sales), production/assembly (local and foreign sales for local and/or export resale) or in services (to companies or to private individuals).

The concerned activity type will have to be defined very specifically in your project. For example, a distribution firm cannot manage logistics, including storage or delivery (logistics is a closed sector to foreigners) and thus delivery must be sub-contracted to a specialised logistics company. The process of establishing a WFOE is quite long. WFOEs generally have to register capital, unless their scope of business relates to consulting, trading, retailing or information technology. In China, regulations are not the same for everyone; they are arbitrary, complex, in constant change and opaque. Also, general terms presented by the central administration are only a reference base requiring negotiations on a case-by-case basis with authorities responsible for industrial parks, provinces or districts of municipalities, which enjoy broad discretionary power in negotiations with foreign investors.

Finally, WFOEs are generally set up for a period of 15 to 30 years.

Franchising

Evolution of the Sector

Statistics from China Chainstore & Franchise Association (CCFA) show that the country's top 100 franchises generated a total sales of RMB428 billion with around 124,086 stores. China has over 4,500 franchises and chain store companies creating more than 5 million jobs nationwide. The Chinese franchising market is dominated by traditional franchise operations like food and beverage (F&B) and retail outlets. According to CCFA, nearly 40% of all franchisers in China are engaged in such industries.

Foreign franchise brands are receiving greater interest from second and third-tier market developers as markets in Beijing and Shanghai become more saturated. It's noteworthy that some major locations that were abandoned by foreign multinationals over the past few years were almost all in first-tier cities where their Chinese story began. High rent is expected to hit more foreign franchises in Beijing and Shanghai. However, there is room for growth in China's west and inland regions that boast advantages such as lower labor costs, reasonably-priced real estate facilities and untapped consumer spending.

Additionally, we are seeing an increase in F&B 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.

The most recent legislation released by the Ministry of Commerce stipulates that franchise firms can start franchising in China as long as they own and operate two company-owned stores for one year in any part of the world. In addition, franchise firms must file with the local commercial authority for record within 15 days after the execution of the initial franchise contract.

Some Big Franchises

- [Mc Donald's](#), fast food
- [Subway](#), fast food
- [Century 21](#), real estate agencies
- [Franchises present in China](#)
- [The 10th Shanghai International Franchise Exhibition](#)

For Further Information

- [CCFA](#), Chinese association of department stores and the franchise
- [, Chinese Ministry of Commerce](#)

Finding Assistance

Export Trading Companies

- [Be-long Corporation](#)
- [Anhui Imp. & Exp. Co., Ltd.](#)
- [Chamber of commerce for import and export of medicines & health products](#)
- [Chamber of commerce for import export of machines and electronic products](#)
- [Chamber of commerce for import export of agricultural products](#)
- [Chamber of commerce for import export of textile products](#)

Recommended Resource

- [NEW STEP INTERNATIONAL LIMITED - INTERNATIONAL BUSINESS CONSULTING](#)
- [China Trade Portal](#)
- [Asia Trade Hub](#)

Learn more about [Sales in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

Buying

CUSTOMS PROCEDURES

Export Clearance	Formalities are carried out by the import/export company. In general, the supplier provides: <ul style="list-style-type: none"> - invoice - packing list - certificate of origin - Fumigation - Customs declaration
Necessary Declaration	<ul style="list-style-type: none"> - Country of origin - Value and description of the merchandise - Composition of the merchandise - Finished/semi-finished - Name/contacts of the supplier - Destination of product - Recipient - HS code
Restrictions	Printed matter, manuscripts, films, photographs, audio cassettes, VCDs, data-processing storage media, etc considered harmful for national security; antiquities and other cultural articles created before 1949; rare and endangered animals and/or plants including their specimens and seeds, the natural bezoars, the musk, platinum, electronic products or machines used, bones of tiger, horns of rhinoceros, ivory, products made by prisoners, medicinal plants and stamps more than 100 years old cannot be exported.
Export Taxes	No export tax. But the VAT (17%), usually nonrefundable in the event of export, can be regarded as an export tax.

INDUSTRIAL AND MANUFACTURING PROFILE

Type of Production	Industry amounts to 49% of Chinese GDP (including 6% of the construction sector). Principal industries in China are mining (world leader in reserves of tungsten , molybdenum and titanium), coal (world leader in coal production and consumption), metallurgy, petrochemicals, naval (18% of worldwide production, world's third largest producer), automotive (6.6% of the GDP) and energy (second producer in electrical energy). China is also the world's biggest producer of electric household appliances products (creating one third of worldwide production), third largest producer in data-processing products (second for the PC), the largest producer of toys (70% of worldwide production), largest producer of shoes and the largest producer and exporter of textiles.
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Type of Manufacturers

Original Equipment Manufacturers	Chinese OEM's are in automobile industry aeronautics industry, mobile phone industry and laptops. Many of these OEM are at the same time, ODM's.
Original Design Manufacturers	The ODM in China specializes in the manufacture of electronic products with a cost advantage. Certain ODM are well internationally established OEM. Several startups are specialized in wireless, digital products or instrumentation. Some examples are: China

	Electronics Corp. , Panda Electronics , Shinko Electronics .
Subcontractors	China is one of the 3 great centers of international subcontracting. Subcontracting is particularly developed in China in the textile and shoe industry, in the mechanical engineering and machinery industry. China has cheap labor, university graduates speaking foreign languages and a telecommunication network and an ever expanding Internet.
Useful Resources	Chinese sourcing summit

IDENTIFYING A SUPPLIER

Business Directories

Multi-sector Directories	All.biz - China - Directory of companies in China. China and Taiwan Products Online - Directory of Taiwanese and Chinese manufacturers. China Commodity Net - Database lists covering business information on over 600,000 Chinese enterprises and 2.200,000 products. China Info - Find a business in China. InfoDriveIndia Business Directory - Find actual buyers and suppliers from three countries. Export-import customs data. Made-in-China - Directory of Chinese suppliers. USCEA Directory - Chinese company members of the US-China Exchange Association. Yellowpage Nepal - Nepal's business directory.
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Marketplaces

Domestic Marketplaces	ChinaBusinessWorld.com Dhgate.com Alibaba
Regional Marketplaces	Asiannet.com

Other Useful Resources

Trade Agencies and Their Representations Abroad	Chamber of Commerce for Import and Export of Light Industrial Products and Arts and Crafts (CCCLA) Chamber of Commerce for Import and Export of Minerals, Metals and Chemical Products (CCCMC) China Chamber of Commerce on Foodstuffs and Native Produce (CFNA) Chamber of Commerce for Import and Export of Textiles (CCCT) Chinese agencies of assistance to investment abroad
Fairs and Trade Shows	Trade fairs in China

Learn more about [Service Providers in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Finding Assistance

Recommended Resource	NEW STEP INTERNATIONAL LIMITED - INTERNATIONAL BUSINESS CONSULTING
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CONTROLLING THE QUALITY OF THE PRODUCTS

Quality Control Organizations [CIS China Inspection Services](#)

ORGANIZING GOODS TRANSPORT TO AND FROM CHINA

Main Useful Means of Transport Eight ports in mainland China are included among the 30 top container harbours in the world. The port of [Shanghai](#) is by far the busiest in the world. The cargo turnover of Shanghai port exceeded 650 million tons in 2010. Each year, Chinese ports dispatch 5.6 billion tons of goods and 93 million of containers.

Goods transport by road represents approximately 12 billion tons of freight. Road transport accounts for 13% of cargo in China.

Air transport represents approximately 2.2 million tons of freight of merchandises. China currently has 180 civil aviation airports, including the world's second busiest in Beijing.

Railroads are the principal mode of transport and the cheapest solution for long distance freight. Each year, railroads provide the transport of 1,500 billion tons of goods. By the end of 2011, China had a total of 91,000 kilometres of railway, which is utilised to meet freight and passenger demand, ranking second in the world in terms of length. Freight volume reached 3.6 billion tons in 2010, 300 million tons more than in 2009.

By Sea

Ports [Shanghai Port](#)
[Dalian Port](#)
[Tianjin Port](#)
[Guangzhou Port](#)
[Xiamen Port](#)

Transport Professionals [Gefco China](#)
[Sinotech International Transportation Co., Ltd.](#)
[Zim Integrated Shipping Services](#)
[China Shipping Group](#)

Government Transport Organisations [Ministry of Transport](#)

By Air

Airports [Beijing Airport](#)
[Dalian Airport](#)
[Shanghai Airport](#)
[Chengdu Airport](#)
[Guangzhou Airport](#)
[Shenzhen Airport](#)

Transport Professionals [Air China](#)
[China Airlines](#)
[China Southern Airlines](#)
[Shanghai Airlines](#)

Government Transport Organisations [Ministry of Transport](#)

By Road

Transport Professionals [Chinese association of road transport \(in Chinese\)](#)

Government Transport Organisations [Ministry of Transport](#)

By Rail

Transport Professionals [Guangshen Railway Company](#)
[China Railway Tielong Container Logistics Co., Ltd](#)
[Daqin Railway Co., Ltd](#)

Government Transport Organisations [Ministry of Transport](#)

Learn more about [Sourcing in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

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Operating a Business

LEGAL FORMS OF COMPANIES

Wholly foreign-owned enterprise (WFOE)	Number of partners: One juridical person or one or more shareholders. Entity owned 100% by foreign interests that have the same rights as a local company. Capital (max/min): Minimum varies according to activity sectors. Shareholders and liability: Limited to the amount of contributions.
Equity Joint Venture (EJV)	Number of partners: Minimum of one Chinese entity and minimum one foreign entity. Capital (max/min): No minimum capital required, but at least 25% must originate from foreign investors. Shareholders and liability: Limited to the amount of contributions.
Co-operative Joint Ventures (CJV)	Number of partners: Minimum of two partners: one Chinese entity and one foreign entity. Capital (max/min): No minimum capital required. Shareholders and liability: Limited to the amount of contributions.
Foreign Investment Joint Stock Company (JSC)	Number of partners: Minimum two partners. Capital (max/min): Minimum capital needed: CNY 5 million if domestic capital, CNY 30 million if foreign capital. Shareholders and liability: Each shareholder contributes the same amount to the share capital and is linked to the company by its share of the share capital.
Holding	Number of partners: Minimum one partner. Capital (max/min): Minimum capital USD 30 million. Shareholders and liability: Each shareholder contributes the same amount to the share capital and is linked to the company by its share of the share capital.
Enterprises Federation	Chinese Association of International SME Cooperation
Find a Company or a Financial Report	Ministry of Commerce , find an enterprise

BUSINESS SETUP PROCEDURES

Setting Up a Company	China
Procedures (number)	4.00
Time (days)	8.60

Source: *Doing Business*.

For Further Information [Doing Business: China](#), to learn about procedures to start a business in China
The Competent Organisation [Ministry of Commerce](#)

Recovery Procedures

Principle
Minimum Debt-to-Capital Ratio
Triggering Liquidation

Bankruptcy Laws [Company bankruptcy laws](#)
 The law on bankruptcy is being reshaped in China. It is difficult to be declared as bankrupt. To be declared as bankrupt, equities must be negative.

Reorganization and Rehabilitation Laws [Company bankruptcy laws](#)

THE ACTIVE POPULATION IN FIGURES

	2011	2013	2015
Labour Force	795,500,000	797,600,000	804,000,000

Source: CIA - The World Factbook

	2015	2016	2017
Total activity rate	70.91%	70.77%	70.54%
Men activity rate	62.15%	62.21%	62.27%
Women activity rate	63.58%	63.35%	63.03%

Source: ILO, Laborstat - Yearly Statistics

For Further Statistics [China Statistics](#)
 [Chinese National Bureau of Statistics](#)

For Further Information [ILO, International Labour Organisation](#)
 About the Labour
 Market

WORKING CONDITIONS

Opening Hours

Legal Weekly Duration 40 hours

Maximum Duration 8 hours per day with a maximum of 44 hours per week on an average. Not more than additional 36 hours per month.

Night Hours

Working Rest Day One day per week.

Paid Annual Vacation

Retirement Age The retirement age is 55 for women and 60 for men.

Child Labour and Minimum Age For Employment More than 15 years for the industry. For other sectors, children can work at 13-14 years under certain conditions.

Informal Labour Market Moonlighting is estimated at 18.5% of national workers and 72.5% of foreign workers.

THE COST OF LABOUR

Pay

Minimum Wage	<p>CNY 1 400 per month (source: ILO, 2014, latest available data). According to the China Human Resources and Social Securities Ministry, the minimum wage is CNY 2 420 in 2018.</p> <p>NB: the minimum wage varies across the provinces, ranging from CNY 9.5 per hour in parts of Guangxi to CNY 19 per hour in Shanghai (2016). Consult China Briefing's 2016 minimum wage guide for more information.</p>
Average Wage	<p>The average monthly gross wage: CNY 5,169 (source: ILO, 2015, latest available data). In 2018, the average wage is estimated at CNY 6 051 per month.</p> <p>NB: the average wage varies according to the provinces.</p>
Other Forms of Pay	
Pay For Overtime	<p>Increase of 150% if the worker is requested to work more Increase of 200% if an additional rest day cannot be granted</p>
Pay For Rest Days Worked	
Pay For Night Hours	
Pay For Overtime at Night	

Social Security Costs

The Areas Covered	Pension, medical, maternity, unemployment and work-related injury insurance schemes are provided.
Contributions	<p>Contributions Paid By the Employer: Contributions vary across the country and for different schemes. In Beijing, they can range from 42,8% to 45,45% and in Shanghai from 39,7% to 41,4%.</p> <p>Contributions Paid By the Employee: Contributions vary across the country and for different schemes. For employees, it is equal to 22% of the monthly wage in Beijing and to 17,5% in Shanghai.</p>
Competent Organization	Ministry of Human Resources and Social Security (MOHRSS)

MANAGEMENT OF HUMAN RESOURCES

Recruitment

Method of Recruitment	Recruitment is done more and more through Internet. But announcements in the newspapers are the most used means for the job offers. Numerous trade fairs are also organized and are a good means to recruit. Recruitment campaigns in the universities are also organized. The most prevalent method of recruitment is the interview. Certain companies must also pass technical or English tests. The psychological tests are not used in China, however role playing, simulations or group interviews are becoming more and more common.
Recruitment Agencies	Many recruitment agencies are found in China. Hudson , Wang-li , Michael Page .
Recruitment Websites	ChinaHR.com

Zhaopin.com
51job.com

The Contract

Type of Contract Legal provisions govern work contracts and collective agreements, but may be supplemented by individual negotiations. Formalities regarding employment contracts and recruiting conditions are strict, while dismissal constraints are rather flexible. There are 3 types of contracts: permanent contracts, fixed term contracts and project-specific contracts.

Breach of Contracts

Retirement	At the age envisaged, not before. Necessity for all the projects to submit a business plan subject to approval by the competent authorities.
Dismissals	An employee can be dismissed if he has demonstrated during his trial period that he was not qualified for the post, when he violates the company rules, when he causes great loss to the company because of professional misconduct. A dismissal is also accepted when the employee after a long illness cannot resume his job again or another job in the company, if the employee is inefficient even after training, or if no arrangement is possible between the parties on a change of contract.
Other Possible Methods	Dismissals.
Labour Laws	Employment law Doing Business: China , to obtain a summary of labour regulations that apply to local enterprises

Dispute Settlement

Conciliation Process

Cases of Dispute	Conflicts between employer and employee on the non respect of the labor law.
Legal Framework	In the event of dispute between the employer and employee, the parties can have recourse to mediation or arbitration, present the case before the Court or come to a mutual arrangement. During a mediation or an arbitration if one of the parties has an objection to the resolution, it can proceed to the Court for a lawsuit. Many contracts prescribe arbitration by the China International Economic and Trade Arbitration Commission (CIETAC). For contracts involving at least one foreign party, offshore arbitration may be adopted.
Procedure	Employment law

Judicial Structures

Legal Framework	Employment Law
Competent Legal Body	People's court

Social Partners

Social Dialogue and
Involvement of Social
Partners

While worker protests and work stoppages occur regularly, the right to strike is not protected by law. China has not ratified core International Labour Organisation conventions on freedom of association and collective bargaining. The enforcement of existing labour regulations is reportedly poor. The only trade union recognised by the Chinese Communist Party is the All China Federation of Trade Unions (ACFTU). As independent trade unions are illegal, some dispute that the ACFTU can be an effective voice for workers.

Unions

[All China Federation of Trade Unions \(ACFTU\)](#)

Regulation Bodies

[Ministry of Employment](#)

Learn more about [Operating a Business in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

Investing

FDI IN FIGURES

According to the [2019 World Investment Report](#) published by UNCTAD, China was ranked the world's second largest FDI recipient after United States and before Hong Kong. The country is the largest recipient in Asia. China's economy was ranked the second most attractive to multinational companies for 2017-2019, only behind the U.S. With steady growth for several years, FDI inflows continued to increase between 2017 and 2018, from USD 136 billion to 139 billion (+3.7%, all-time high). This growth is favored by liberalization plans, the rapid development of the high-tech sector and the establishment of free trade zones. Despite trade tensions with the United States, more than 60 000 companies were established by foreign investors in 2018, a 70% increase compare to 2017. The country continued absorbing flows from developing Asia and developed countries (UK and Germany), thanks to M&A megadeals. Main deals were the acquisition of a majority stake in Sichuan Swellfun by Diageo (\$9 billion), an investment of \$4 billion by BMW in the country. However, inflows from the US decreased from \$10 to \$ 6 billion in 2018. Stocks increased by 9%, reaching 1 627 billion (12.1% of the GDP). Forecasts are positive for 2019: a series a projects in automotive manufacturing and electrical and electronic equipment in East Asia boosted the value of announced projects in China. In 2017, Hong Kong was the largest investor in China. Singapore, the Virgin Islands, South Korea, Japan, the United States, the Cayman Islands, the Netherlands, Taiwan, and Germany were other major investors. Investments were mainly oriented towards manufacturing, computer services, real estate, leasing business and services, wholesale and retail trade, financial intermediation, scientific research, transport, electricity, and construction.

China was ranked 46th out of 190 countries in the World Bank's [2019 Doing Business report](#), a major improvement from 2018, when it was ranked 78th out of 190. China was one of the top 10 economies to improve the most between the 2018 and the 2019 reports, and it was the only economy from East Asia and the Pacific on the list of top improvers. The country demonstrated reform agendas that aim to improve the business regulatory environment in the country over the course of several years. The reforms mainly focus on increasing the efficiency of business processes. In order to attract further foreign investment, the country has introduced mechanisms to improve the delivery of major foreign investment projects, reduce import tariffs, streamline customs clearance, and establish an online filing system to regulate FDI. Given that trade frictions with the US show no signs of abating, more measures to bolster the country's economy can be expected in 2019. And as a result of recently announced liberalization plans, inflows to China could see continued growth over the next few years. With a wealth of employees and potential partners eager to learn and evolve, the country is a base for low cost production, which makes it an attractive market for investors. Nevertheless, certain factors can hinder investments, such as China's lack of transparency, legal uncertainty, low level of protection of intellectual property rights, corruption or protectionist measures which favour local businesses. FDI inflows to the high-tech sector have been rising significantly and currently account for almost a third of total inflows. For instance, Samsung is investing USD 7.2 billion to expand its production line of memory chips in Xi'an. In 2016, Apple made a USD 1 billion fundiang deal with Didi Chuxing, and in 2017 Japan's Soft Bank, along with other companies, contributed to a USD 5.5 billion funding round for Didi Chuxing as well.

Foreign Direct Investment	2016	2017	2018
FDI Inward Flow (<i>million USD</i>)	133,710	134,063	139,043
FDI Stock (<i>million USD</i>)	1,354,613	1,488,676	1,627,719
Number of Greenfield Investments***	798	751	871
FDI Inwards (<i>in % of GFCF****</i>)	2.8	n/a	n/a
FDI Stock (<i>in % of GDP</i>)	12.1	n/a	n/a

Source: UNCTAD, Latest available data.

Note: * The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. ** The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. *** Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. **** Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

FDI INFLOWS BY COUNTRY AND BY INDUSTRY

Main Investing Countries	2017, in %	Main Invested Sectors	2017, in %
Hong Kong	72.1	Manufacturing	25.5
Singapore	3.6	Information transmission, computer services and software	15.9
Virgin Islands	3.0	Real estate	12.8
South Korea	2.8	Leasing and business services	12.7
Japan	2.4	Wholesale and retail trade	8.7
USA	2.0	Financial intermediation	6.0
Cayman Islands	1.6	Scientific research, technical service and geologic prospecting	5.2
Netherlands	1.6	Transport, storage and post	4.2
Taiwan	1.3	Production and supply of electricity, gas and water	2.6
Germany	1.1	Construction	1.9

Source: [China Statistical Yearbook, 2018](#)- Latest available data.

Form of Company WFOE
 Preferred By Foreign Investors
 Form of Establishment Holding
 Preferred By Foreign Investors
 Main Foreign Companies
 Sources of Statistics [Invest in China](#)

WHAT TO CONSIDER IF YOU INVEST IN CHINA

Strong Points

Strong points for FDI in China:

- The largest internal market in the world, with 1.3 billion potential customers
- Importance of foreign currency reserves and public debt owned by Chinese government and individuals
- A well-developed production sector (manufacturing sector and heavy industry)
- A favourable geographic location (close to emerging Asian markets, to Japan, maritime frontage)
- Top economy in terms of purchasing power parity (PPP) thanks to rapid growth of

the economy
 Labour costs remain comparatively low, although the situation is changing in certain areas
 New opportunities with the development of the western provinces (particularly Sichuan province)
 Development of a new export network (Silk Road network)

Weak Points

Disadvantages for FDI in China:

An ever-changing legal environment
 Bureaucratic and administrative complexities
 A lack of transparency, corruption and weak intellectual property rights protection
 Ageing population
 High level of corporate indebtedness
 Production overcapacity in several sectors
 A strongly degraded environmental situation in several big cities
 Cultural differences in business practises that may be difficult for foreigners to learn and apply in new business situations
 Underdeveloped middle management and low rate of qualified workers

Government Measures to Motivate or Restrict FDI

Generally speaking, the Chinese government is more restrictive than other big economies in regard to foreign investment, with numerous sectors closed to FDI. State companies and "national flagships" are protected (discriminatory practises, non-independent judicial power, selective application of regulations). The Chinese state demands forced technology transfer and its intellectual property protection system is weaker than most industrialised countries.

The Chinese government encourages investment in the following industries or sectors: high technology, production of equipment or new materials, service sector, recycling, use of renewable energies and protection of the environment. In addition, the country appears to discourage foreign investment in key sectors, for which China seeks to transform domestic firms into globally competitive multinational corporations and sectors that have historically benefited from state monopolies or traditionally of State. The government also discourages investments intended to profit from speculation (money, real estate, or assets). In addition, the government plans to limit foreign investment in resource-intensive and highly polluting industries.

The Chinese Government unveiled an [Index of foreign investment orientation in industries](#) in June 2017. It aims to liberalise investments in several sectors. China continues to target foreign investment in high-end industries, technology, environmental protection and advanced services. The service sector in the broad sense will be fairly broadly open to FDI.

PROTECTION OF FOREIGN INVESTMENT

Bilateral Investment Conventions Signed By China

China has signed bilateral agreements for investments with several countries. To see the list of the countries, [click here](#).

International Controversies Registered By UNCTAD

Organizations Offering Their Assistance in Case of Disagreement

[CIETAC](#) , The International Commission of Economic and Commercial Arbitrage
[ICSID](#) , International Center for settlement of Investment Disputes

Member of the Multilateral Investment Guarantee Agency China is a signatory of the Convention of [MIGA](#).

Country Comparison For the Protection of Investors

	China
Index of Transaction Transparency*	10.0
Index of Manager’s Responsibility**	1.0
Index of Shareholders’ Power***	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. **** The Greater the Index, the Higher the Level of Investor Protection.

PROCEDURES RELATIVE TO FOREIGN INVESTMENT

Freedom of Establishment	Varies according to the sector. There is a requirement to submit a 'business plan' for approval prior to setting up.
Acquisition of Holdings	The acquisition of majority interest in a local company is authorised in China, according to the sectors.
Obligation to Declare	The China International Investment Promotion Agency facilitates the distribution of information on necessary authorisations for establishing a business in the country. All proposed foreign investment projects in China must be submitted for 'verification' and approval to the National Development and Reform Commission (NDRC) or to provincial or local Development and Reform Commissions (depending on the sector and value of the investment).
Competent Organisation For the Declaration	National Development and Reform Commission (NDRC) Ministry of Commerce (MOFCOM) State Administration for Industry and Commerce (SAIC)
Requests For Specific Authorisations	Business plans must be submitted for approval to competent authorities prior to the beginning of business activity. Greenfield investment projects must also seek approval from China's Environmental Protection Ministry and its Ministry of Land Resources. The Chinese Government maintains 'absolute control' over sectors including: aviation, coal, defence, electric power and the state grid, oil, petrochemicals, shipping and telecommunications. It also holds 'relative control' over the following sectors: automotive, chemical, construction, exploration and design, electronic information, equipment manufacturing, iron and steel, nonferrous metal, science and technology.

Learn more about [Foreign Investment in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

OFFICE REAL ESTATE AND LAND OWNERSHIP

Possible Temporary Solutions	Rental and Business center. Purchase by foreign companies is subject to restrictions.
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- Telecommunications
- energy
- environment
- high technology
- services

The Possibility of Buying Land and Industrial and Commercial Buildings
Risk of Expropriation

Not possible to buy land in China. Only a right of use of 50 to 70 years can be approved.

The risk of expropriation is high. The law envisages a compensation but no indication is given on the amount or its calculation. Chinese law prohibits nationalization of foreign-invested enterprises except under "special" circumstances, including national security and obstacles to large civil engineering projects.

INVESTMENT AID

Forms of Aid

Foreign investors enjoy corporate tax reductions, exemptions of tax on dividends repatriated during a certain period and other tax advantages. Moreover, foreign direct investment incentives include packages of reduced income taxes, resource and land use fees, and import/export duties, as well as priority treatment in obtaining basic infrastructure services, streamlined Government approvals, and funding support for start-ups. The Ministry of Commerce (MOFCOM) can be contacted for any information concerning opportunities in China.

Privileged Domains

China encourages foreign investment primarily in high technology, clean energy and export-oriented sectors.

Free Zones

The Government has created various zones, granting each tax exemptions or tax incentives to attract overseas investments. They are primarily the 5 special economic zones and the 14 coastal cities.

The special zones are Shenzhen (at the border of Hong-Kong), Zhuhai (close to Macau), Shantou, Xiamen (vis-à-vis Taiwan) and the island of Hainan. They were selected because they were completely under-developed.

The 14 coastal cities are Dalian (in the province of Liaoning), Shanghai, Ningbo, Wenzhou (in the province of Zhejiang), Fuzhou (in the province of Fujian), Guangzhou, Zhanjiang (in the province of Guangdong), Beihai (in the autonomous region of Guangxi Zhuang), Tianjin, Yantai, Qingdao (in the province of Shandong) and Lianyungang, Nantong (in the province of Jiangsu). For the past few years, other cities have also been regarded as coastal towns profiting from the same status. Unlike the 5 special zones, these cities were not underdeveloped, but key industrial centres in China. Overseas investment has facilitated improvements to the infrastructure and the creation of new, more advanced ones.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Manufacturing sector, automobile industry, information and communication technology, aeronautics, energy (including nuclear energy), services, finance, building, tourism, health, agriculture, mining extraction, health, online sales (largest world market), transport infrastructure

High Potential Sectors

Chemical industry, insurance and bank, high technology, renewable energy, environment, waste treatment, franchises, medical devices.

Privatization Programmes

China, whose economy is mixed, has a high number of state-owned corporations. Many of these firms suffer from disadvantages such as over-indebtedness and low efficiency, among others. The Chinese state wants to open these firms to private capital. Partial privatisation of numerous Chinese state-owned enterprises has been discussed since 1993, without having led to deep changes in the Chinese economic landscape. One example of a privatisation effort is that at the end of 2016, the state announced the end of its monopoly on salt production. Beijing has for years tried to rein in the salt monopoly, a 2,600-year-old government fixture that once helped emperors pay for stretches of the Great Wall. To date the effort is progressing but is still subject to resistance.

Sectors that may be affected by privatisation are:

- Telecommunications (China Unicom)
- Energy
- Environment

Tenders, Projects and Public Procurement

[Tenders Tiger](#), Tenders in China
[Tenders Info: Global Procurement Facilitator](#), Tenders in China
[Asian Development Bank](#), Procurement Plans in Asia
[DgMarket](#), Tenders Worldwide

SECTORS WHERE INVESTMENT OPPORTUNITIES ARE FEWER

Monopolistic Sectors

In 2017, China released an updated list of sectors with restrictions and prohibitions for FDI. This updated list has removed 27 of the 122 restrictions in the 2015 list. The main restrictions are on the following sectors:

- Weapons
- Some telecommunications
- Energy
- Environment
- Some high- technology
- Water supply
- Electricity distribution
- Some services

FINDING ASSISTANCE FOR FURTHER INFORMATION

Investment Aid Agency [Invest in China \(Ministry of Commerce of the People's Republic of China\)](#)

Learn more about [Investing in China](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

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