

The China Market: Vast In More Ways Than One

By Geoffrey Weymouth

It's useful to regard China as a continent rather than a country. In reality, China is a collection of regions occupying an area slightly larger than Australia —9.5 million square kilometres (3.6 million square miles).

These regions are defined by ethnicity, language, dialect, culture, climate and level of economic development; a certain amount of competition exists among them. What unifies China is pride in a continuous cultural tradition stretching back more than 6,000 years, a common written language, a centralized authoritarian government and nationalism.

The most populous unified political area in the world, China has 1.3 billion people and it grows at a rate of approximately 10 million a year (30 million live births/20 million deaths).

There are really two Chinas.

The first has about 900 million people living in rural areas with a per capita income of less than US\$150 per year.

The second has 400 million people in the more developed areas along the east coast and Yangtze River basin with a per capita income of about US\$800 per year. Proponents of a "vast China market" should keep this important distinction in mind.

WTO is not instant access

Tariff reductions under accession to the World Trade Organization, while welcome, will not be the most significant gain for foreign firms. Market access for various service sectors, the right to own and operate distribution facilities, increased transparency in Chinese laws and how they are formulated, and an improved investment environment will, in my view, be the main benefits.

But difficulties will remain. Currency convertibility in China's capital account is not an immediate condition for WTO entry, and this will continue to cause uncertainty among foreign firms.

Foreign companies will also continue to operate at a disadvantage, vis-à-vis Chinese state-owned enterprises (SOEs). The need for local government connections, which are an important way to access to foreign currency, will not diminish in the short term.

Regardless of how the WTO regime is implemented in China, any sensible person needs to carefully

define the specific market inside the Chinese "continent" that he or she is trying to reach. There are regional differences in taste, income levels and acceptance of foreign products that must be considered.

Major areas of change

The No.1 key to success is an understanding of the market. Complacency will lead to lost opportunities. The first area of rapid change is the accelerating speed of product and service innovation in China. Cell or mobile phones and software development such as databases and language conversion and recognition, and optical character recognition, are all becoming more widespread than they were just a few years back.

There is also tremendous growth in China's talent pool. From foreign-trained Masters of Business Administration to scientists, many PRC employees with valuable experience are enhancing the quality and professionalism of China's managerial class.

One area that should not be underestimated is the rapid utilization of the Internet for business is dramatically transforming the face of commerce in China.

Follow the plan

To gain a better sense of China's priorities in its economic development, look at the goals listed in the 10th Five-Year Plan (2001 to 2005). It was passed at the 15th session of the Chinese Communist Party and was discussed and approved by the National People's Congress in March 2002.

The plan highlights key areas toward which the government would like to focus development and investment opportunities. The plan usually takes into consideration needs the government has already identified, and as such, provides a good insight into sectors the government might favour.

One area touched on in the 10th Five-Year Plan was environmental protection. There is a growing awareness in China of environmental problems, and the need for pollution-control services. These sectors, in addition to housing construction and health care, are promising areas for foreign investment.

Importance of the Internet and telecom

Another area the government is targeting is transportation and communication networks. China will achieve even greater efficiencies when it learns to operate new and existing infrastructure more efficiently, e.g. railroad scheduling, telecommunications pricing, trucking, and airline and port operations. This will also benefit foreign business operations and trade.

The rapid growth of the Chinese Internet will profoundly alter many things in China, including business operations. One can now use the Internet in China to obtain news and market information, research product sources, advertise and conduct online transactions.

In the past year, there has been a rapid increase in the number of Web sites offering hotel and travel reservations, searchable maps, yellow pages, directories and even online laws—the National People's Congress now uses the Internet to distribute its legislation to legal officials throughout China.

China's commitment to rapid development of better telecommunications infrastructure, including broadband, cable television, mobile phone service, wireless application protocol (WAP), etc., should make it even easier to conduct business in the PRC.

Speaking out and moving on

Language barriers continue to be a formidable barrier to doing business with China. Again, innovative applications on the Internet promise to help lift this barrier. A new site, Netat.net, can instantly translate Web sites and e-mail in English, Japanese, Chinese traditional and Chinese simplified written languages at no cost to the user.

Admittedly, the translation quality leaves something to be desired, but at least the user has a rough idea of what the original language meant.

Chinese enterprises will not always remain at home, however. A little-noticed phenomenon is the move of major Chinese firms to invest in overseas operations.

Acknowledged as the best managed and largest (sixth overall) of China's SOEs, the Haier Corp. recently completed a US\$30 million plant in the U.S. to manufacture air conditioners. Most of the production is slated for the Latin American market.

Assisting Chinese firms in locating manufacturing facilities in other countries represents another business opportunity.

Keeping up on developments in China and having access to reliable information, especially market data, is critical to conducting business in China. As the Chinese saying has it, Zhi bi zhi ji, bai zhan bai sheng! Know the other party, know your own situation—a hundred struggles, a hundred victories!

Special Things to Consider in a Chinese Negotiating Context

Chinese people arrive on time for meetings and other occasions (and sometimes 5 or 10 minutes in advance). It is considered rude to arrive late for

engagements of any kind. Travelling from one point to another in many Chinese cities can be extremely time-consuming due to traffic delays. Make sure you leave early enough to make it to your destination on time.

Take time to get to know your counterparts. You will need to establish a high level of trust in your partner. Business style in China relies on personal relationships based on trust rather than legalized, impersonal obligations. Don't rush things.

China is a developing country, but be prepared for prices which in some cases exceed those for comparable goods and services in your local place of abode. Doing business in China is not cheap. Accommodation, meals, entertainment, rent, business services and other necessities are expensive. Look into the costs before you go.

Physical conditions in China's cities can sometimes very trying; with heat, cold, dust, crowding, noise, traffic and sheer size being quite exhausting. Be prepared for this. China's best foreign hotels afford a wonderful refuge from the stress of the outside environment, as well as providing business centres with modern computer and communication facilities. However, the best hotel is not necessarily the most practical, which often means a three star hotel nominated by the China party.

The Chinese use intermediaries to make personal introductions, to carry bad news and to settle disputes. It is possible to carry on an acrimonious argument without ever facing your opponent. Everything goes back and forth through a third party who communicates each side's position without displaying the unpleasant emotions that may be involved (though these emotions may be reported). The result: The hard feelings, loss of face and embarrassment that accompany a dispute and even threaten the underlying relationship are mitigated. This is a highly civilized system - explore it.

Entertaining is also very important part of doing business in China. You should be prepared to spend more money on entertainment than would be usual at home. For your Chinese counterpart, entertainment is an important step in getting to know you and in establishing good relations - long before a Memorandum of Understanding/Intent or contract is signed. In China, this entertainment commonly involves banquets, speeches, Chinese whiskey (look out!) and karaoke.

Banquets are an integral part of deal making in China. On these occasions, you can't go wrong by taking cues from your Chinese counterpart. Sit where your host suggests; try the food that is offered; make a reciprocal speech and toast. If karaoke is part of the evening, gather your courage and sing your favourite song. Your host will enjoy it! If you don't know any

songs, learn the words to a couple of popular English songs before you leave for China. ('Red River Valley' is a great choice, since the melody is exactly the same as a very old popular Chinese folksong. Your Chinese hosts will be stunned that you know Chinese folk music, and in English translation to boot!).

Foreigners can expect a lot of goodwill from the Chinese. Your Chinese friends may make disparaging remarks about China's "backwardness", lack of expertise or skills, but don't take this as an invitation to add your own criticisms. If you can think of a positive thing to say on such occasions, it will be appreciated

Business Networks in China: Qinqi, Guanxi and Guanxiwang

One can often hear the words qinqi and guanxi in any Chinese community, whether it is Mainland China, Hong Kong, Singapore or Taiwan, though there may be some slight differences in pronunciation as a result of the distinctive Chinese dialects.

In Mainland China, qinqi means a relative and guanxi is used to express a special relationship two persons have with each other, as a special kind of personal relationship in which long-term mutual benefit is more important than short-term individual gain, and having the status and intensity of an on-going relationship between two parties.

While guanxi operates on a dynastic level, guanxiwang (Network) certainly goes further than that. Guanxiwang refers to a network of exchanges or transactions between two parties and beyond. Goods and services such as physical products or favours exchanged can be anything of value and mutual benefit to the parties concerned, for example, raw materials, promotion, gifts, information, facilitation and so on.

Guanxiwang obtains when a set of separate, personal and total relationships exists between two individuals, A and B, and another set of such relationships between B and C are interlinked through the common agent, B, acting as a witness and intermediary. As a result, the original personal relationship transforms into a complex network of social exchanges with such inter-linkage extended into other set through numerous common agents like A, B and C. Therefore, it can be concluded that guanxi is not simply, as many believe, one of the key features of Chinese culture but one of the key 'themes' which represent basic aspects of Chinese values, it is the mother of all relationships.

There is a bias in the study of Chinese business networks. Although there exists much corruption among overseas Chinese the same does not necessarily apply to mainland Chinese, although in the minds of most Westerners guanxiwang is immediately branded as corruption. Many people

often treat guanxi and guanxiwang as derogatory terms. Guanxiwang is regarded as an unhealthy social tendency. The truth is guanxiwang, per se, is purely a form of organisational governance. Nothing more - nothing less.

It has nothing to do with corruption when a transaction is legal and does not infringe upon any public interests, but simply takes place between members within a business network. Guanxiwang only becomes corrupt when the exchange or transaction (taking place) within a guanxiwang involves corrupt activities such as bribery. Because of the special characteristics of guanxiwang such as trust and bonding, corrupt deals are more likely to take place between members of a guanxiwang, particularly when an adequate and effective legal and disciplinary system is lacking.

Market Entry Options for Foreign Companies Licensing

Technology transfer is another initial market entry approach used by many companies. It offers short-term profits but runs the risk of creating long-term competitors.

Franchising

China is developing laws that specifically address franchising. Virtually all foreign companies who operate multiple-outlet retail venues either manage the retail operations themselves with Chinese partners (typically with a different partner in each major city) or sell to a master franchisee, which then leases out and oversees several franchise territories.

E-commerce

The E-commerce environment is still fairly immature due to the lack of defined regulatory powers over the industry, effective Chinese certificate authentication systems, secure and reliable on-line settlement systems, and an efficient physical delivery system.

Trading Companies

Generally, foreign companies are not permitted to trade in China, with the exception of the products they manufacture in China. With careful selection, training and constant contact, overseas companies can obtain good market representation from a Chinese trading company, many of which are authorized to deal in a wide range of products.

Local Representative Offices (LRO)

China is witnessing an explosion in local sales agents who handle internal distribution and marketing. Although they add a link to the distribution chain, agents offer relatively low local market representation. A more far-sighted approach to initial market entry is use an 'incubator' or liaison office to progressively develop company exposure and market penetration.

Such an office is generally incorporated within the general operations of an established operation and the overseas company leases staff, floor space and infrastructure from the Chinese company. The "office" is manned by full time staff engaged only in activities related to the overseas company they represent and the facilitation company oversees the operations on behalf of the client. This method allows the company develop a real and genuine presence in China and for the support facilities to grow with the business operation and sales volume. LROs are the easiest type of offices for overseas companies to set up in China, but they are limited by law to performing liaison activities. They cannot sign sales contracts, directly bill customers or supply parts and after-sales services for a fee. When facilitating as an incubator, GAC can circumvent most of these problems and ensure the seamless operation of day to day business and the ongoing development of the company's operation in accordance with the pre-established business plan.

Chinese Subsidiaries

A locally incorporated equity or cooperative joint venture with one or more Chinese partners, or a wholly foreign-owned enterprise (WFOE), avoids import restrictions-including relatively high tariffs-and provides greater control over both marketing and management. Successful joint ventures require good partners, time and patience. If you are not willing to provide constant monitoring of critical areas such as finance, personnel and basic operations, then consider other market entry alternatives.

Wholly Foreign Owned Enterprises (WFOE)

Establishing a WFOE helps retain greater management control and IPR protection. The law on WOFEs requires that firms either supply advanced technology or be primarily export-oriented, and restricts or prohibits them in a number of service and public utility sectors.

Recommendations for Western Companies Whilst Operating in China

While an increasing number of western companies have entered the Chinese market, they are way behind firms from Hong Kong, Taiwan and Southeast Asian countries. The simple reason is that overseas Chinese share the common Chinese cultural values and they can either minimise or avoid problems by using their skills in understanding the Chinese cultural codes. In order to reduce these disadvantages, western firms are advised to pay attention to the following while operating in China.

Good Personal Relationship vs Contract

As has been clearly demonstrated, the most important part of a business relationship is the building of personal relationships. Personal

relationships often entwine with business relationships in China. Many foreign companies conduct business based on market situations without too much consideration of the personal feelings involved. They treat business impersonally while Chinese do the opposite. Foreigners tend to be contented with the signed contracts while the Chinese look beyond the contract for sincere commitment as in a good personal relationship. This does not mean that the Chinese will not abide by the signed contract without a good personal relationship. It denotes the general tendency of Chinese people to do business with a long-term orientation. When a deal is closed, you can expect the Chinese to perform their part of it. With good personal relationships, you can always rely on your Chinese partner to find a better solution when unexpected circumstances occur. In many cases, one can be better off with goodwill and friendship than one can be with a signed contract.

Guanxi and Transaction Costs

A well-established guanxi, however, can go beyond just business facilitation. In the Chinese business community, one can often hear people say, 'This is our old client, we should give them special terms' and 'We are old guanxi, therefore we can get better deals'. If someone chooses to ask why he or she is not treated on an equal footing, the answer is very likely, 'you are not our old client'. As a supplier, a good guanxi means that you can stay on the value chain of a manufacturer as long as you do not break the codes of guanxi even if you have competition from other suppliers. As a buyer, an old client can get better terms of payment or take delivery of goods on credit, all of which would be impossible without maintaining a good guanxi. A well-established guanxi is built on the basis of mutual trust, giving face to one another, a good track record of exchanges of favours, long-term non-opportunistic intimacy, obligation or gratitude from past help, etc. It cannot be overused and the favours will have to be reciprocated in one way or another.

Guanxi and Consumer/Customer Loyalty

In a business-to-business relationship, guanxi is usually with individuals who are often the representatives of firms. Apart from consistent quality, timely delivery, attractive price and good after-sales services, a good guanxi should also be built into the business relations. The obligation that a guanxi carries can be developed into a loyalty that ordinary business relations cannot achieve. Without guanxi, one can easily lose a customer simply because of an unavoidable human error. You will not even have recourse to remedy. With guanxi, you will be excused for future improvement and the business stays.

For a business that is serving the consumer market, guanxi or a relationship with the consumers shall be considered as an alternative perspective in

approaching the objectives of brand image and brand loyalty. Many foreign companies are using a number of different ways to get publicity, secure more trials and create trust by consumers. Many of these efforts, although appealing and persuasive, still give people a feeling of distance, not being involved or directly related, and therefore cannot be translated into effective means of reinforcement. This also explains why people prefer, among many other means of promotion, discounts or give-away types of promotion. Obviously price discount is not the best way to establish brand image and loyalty. but it will certainly help if you establish your image as a friend, communicate with the consumer on a friendly basis, provide favours to the consumer community, offer opportunities for consumer involvement and give consumers a privileged sense of belonging.

Reciprocity and Long-Term Business Relationship

In China, any business relationship should be considered from a long-term view. To maintain a long-term business relationship, one must reciprocate. One never knows when one will be in trouble and a friend in need is a friend indeed. This reflects the necessity, of reciprocity.

The experience of a joint venture in Beijing offers a typical example of reciprocity. In the early 1990s one of the suppliers of cashmere in Inner Mongolia had funding problems when planning its technical transformation. The joint venture, a producer of cashmere knitwear, was approached for help. Considering the long-term relationship, the joint venture decided to provide funding for the supplier. In the mid-1990s, the market for cashmere knitwear heated up and the price of cashmere raw material rocketed and, as a consequence, many cashmere knitwear producers had difficulties in absorbing the price rise and had to reduce production. The joint venture faced the same problem. However, the supplier in Inner Mongolia did not forget the help that the joint venture had given and offered to supply cashmere raw material at below market price. The joint venture not only survived the price rise in raw material, but also captured the market that their competitors left because of the price rise. The implication of this joint venture's experience is that the commitment to a good and long-term business relationship and the obligations arising from such a relationship will survive market changes.

Maintain Guanxi when Terminating Business Relationship

If a business is not meant to be long term, the way to end a business relationship should be properly selected. It is inappropriate to end a business relationship when a deal cannot be closed by complaining about the way the Chinese counterparts do things. This may not only cause loss of face by the

Chinese counterpart, but also put an end to the guanxi that may otherwise have continued. Some foreigners who know very little about China even threaten to report the business failure to the boss or the supervising authority. This type of conduct is counterproductive to the business relationship, not only with the Chinese counterparts but also with the people in the network. As a result, many Chinese companies will avoid doing business with the foreign company. Network codes and Chinese cultural values require that disputing parties solve problems through amicable means, ie solving the problem without damaging the harmonious business relations. This does not suggest that no litigation is used in settling problems through friendly discussions. It is advisable to exercise care and caution when taking court action. Litigation should be used as a last resort only when the future course of the business relationship has become clearly unpredictable.

A Closer Look at Chinese Business Culture

By MARCENE MARCOUX

Fundamental cultural differences between the East and West have left many foreign professionals struggling to come to terms with doing business in China. Marcene Marcoux, a cultural anthropologist and senior partner with Great Wall Consultants Ltd, views the differences as a challenge, saying that the main problem lies in discovering the keys that unlock China's ancient red doors. Marcoux said that foreign business people need to actively cultivate business relationships that might be helpful in the future, but this will not occur unless they are first invited into the circle of guanxi (contacts) in China.

I always enjoy the sharp mind, perceptions and wit of 54-year-old Ye Zhaodi. Yet, in his pensive moments, I sense an unspoken sadness. One time, we walked out of a tea house, and I quietly asked him, "If you could be doing anything, what would it be?" He looked up at me with his big, penetrating eyes, and with a slight smile, whispered: "I'd be doing what you do. I'd be an academic like you."

Even with his own brilliance and love of physics, Ye, like many other intellectuals, was sent during the 1960s and 1970s to factories and farms to be "reformed." Ideas did not grow readily on factory floors or in fields. The difficult work, energy, and physical effort often robbed him of his spirit and did not inspire great theories.

When I am with Ye, I often find it difficult to not respond deeply to his unnamed sadness and his silence that holds much quiet disappointment. Clearly, with empathy, one is not removed but involved; not detached but connected to people's lives, regardless of culture.

Whether you are doing business in Beijing, Urumqi,

Dalian or Shenzhen, fully experience each city and its people. Be open to the unexpected. China will engage you, if you allow it.

When in China, also consider the following:

Avoid comparing Chinese events with parallel foreign ones

You may unconsciously compare. At times, during business meetings, comparisons with the West may occur automatically, but don't verbalize everything. It can be annoying to Chinese managers and can appear unappreciative. Don't make the West the standard for everything. When you're in China, be there.

Don't overly praise Western values and lifestyles

This is just arrogance run wild. Hold back your inflated sense of cultural superiority, which is often unfounded. I think of an American politician who recently visited Beijing. When there, he repeatedly asked the Chinese if they actually like living in China. In his arrogance, he believed most Chinese would yell out "No!" Of course, all the Chinese he met, looking quizzically at him, said, "Yes, of course. We love China."

Such a faux pas would destroy the possibility of doing business in China.

Know Chinese business styles

Chinese business is guided by Chinese, not Western, values. The aggressive, backslapping, 'let's get it on' Western approach just won't do. Leave the strutting and swaggering to American cowboys. Leave your Acubra, moleskins and Gloster shirt at the homestead, mate! Western machismo will surely produce a Western fiasco in China.

In fact, instead of heightened male-driven models, you'd do much better adopting a more androgynous style - one marked by a quiet strength and a passive determination. Success in Chinese business requires a new style that combines both masculine and feminine qualities; both strength and gentleness, both determination and flexibility. Linking competition with co-operation will serve you well during Chinese business meetings.

Consider the following guidelines for business in China:

Consensus

General agreement rather than reaching a majority is a priority. Reaching an overall consensus is crucial in China. The key is to address each business persons wishes in the decision. Getting the entire business group to agree is the goal, even when it simply

involves choosing a restaurant for Lunch. At first, I also couldn't understand why choosing a bottle of Dynasty Merlot or Great Wall Chardonnay at dinner required a lengthy discussion. Consensus is the answer.

Bargaining

It's a way of life in politics, business and of course shopping. I've found that bargaining affects everything from buying ivory chopsticks at the Summer Palace to requesting peapod hearts with bamboo shoots at the Nine Headed Bird restaurant.

All business transactions seem to be exercises in bargaining. Almost everything requires bargaining; negotiating a lease for office space at Beijing's Kerry Centre, establishing rates for executive Zhou Qin Zhong's monthly consultant fees, negotiating prices on goods manufactured in Xi'an or establishing percentages on government contracts with major vendors.

So, be prepared. If you're looking to manufacture or establish joint ventures, know that the first price or percentage you're given is never the final number. It's only a starting point, and from there you and your Chinese partners will work your way to a second and third price or percentage.

GAC staff will quietly alert you to this. When I initially received prices for products manufactured in Guangzhou, one of my Chinese partners said, "If these prices are too high, please come back with other prices. We won't be upset." He was teaching me the rules of bargaining.

Saving face

Aversion to conflict or to any social disorder is high in China. Feeling ashamed in public is the ultimate taboo. Avoiding loss of face is primary. Thus, open disagreement between two business parties is avoided, since it would require one to lose face in public. Be sensitive to this: be aware that this is much more serious than simple embarrassment, and avoid any business situations that could cause or precipitate any public shame or embarrassment.

First Impressions: Choosing Your Chinese Name

Nothing is more important in leaving a good first impression in China than to have a well-chosen Chinese name. You might ask, "Why can't I just use my real name?" The answer is that foreign names are very difficult for Chinese to pronounce and remember, as do English speakers with Chinese names. Since the Chinese consider it embarrassing to mispronounce someone else's name, they will avoid it if at all possible. That's why it is essential to have a Chinese name that the Chinese can read and pronounce easily.

An example will help illustrate this point. Imagine for a moment that you are an educated Chinese, and have already struggled many years with the fiendish irregularities of English spelling and pronunciation. Today, you are meeting some Australians for the first time, and you hope they will become your partners in a major manufacturing project. The leader of the team hands you his card, and it reads "Tyrone O'Shaughnessy." You feel a twinge of panic: you haven't the foggiest idea how to pronounce his name! And for the rest of your meeting you silently hope that you don't have to address him directly. Your only thought is, "If only Mr. O 'Whatever-his-name-is had a Chinese name, I could stop worrying and concentrate on business."

As this example shows, having a good Chinese name is important. But how do you go about choosing one? The first thing to realize is that if you are not Chinese, you will need help. Choosing a Chinese name is an art. In the hands of a skilled name-creator, the process goes something like this.

First, you find a Chinese character for your last name that matches a stressed syllable in your real last name. There are about 100 or so common Chinese last names, so this takes some time.

Next, you choose two characters for your Chinese given name that mimic the stressed syllables of your real first or middle names. These characters should also reflect something about the person. For example, an English businessman named Ralph Hunt chose the name Han Ruo-fu for his Chinese name. His Chinese last name "Han" mimics his real last name "Hunt" (remember that the family name comes first in Chinese!). "Ruo-fu" mimics "Ralph," and the three characters "Han," "Ruo," and "Fu" together make an aesthetically pleasing combination.

A final thought. Learn to pronounce your Chinese name accurately, and learn the meanings of each of the Chinese characters in your name. If you do, you will have a wonderful conversation point that you can use in building personal relationships with the Chinese. Far too few Westerners take advantage of this simple technique to make a strong, positive impression.

Points to Remember:

- Choose a good Chinese name before you go to China.
- Take the time to understand each of the characters in your Chinese name.
- Better yet, learn to write your Chinese name – it's not that hard, and the Chinese will be impressed!
- Be sure to get help in choosing your name.

Meeting and Greeting in China

Bows and Handshakes

Shake hands upon meeting.

Chinese may nod or bow instead of shaking hands, although shaking hands has become increasingly popular. You are not expected to bow.

The Chinese bow, unlike the Japanese bow, is from the shoulders rather than the waist.

Introductions

Chinese introductions can be very formal, even austere.

Chinese may not smile when introduced, as they are taught to not show emotions openly. When you are introduced to a Chinese group, they may greet you with applause. Applaud back.

Greeting

A common greeting is *ni hao* (knee HOW), which literally means, "You Good?"

Respecting Seniority

The senior people present will initiate the greetings.

Greet the oldest, most senior person before any others.

With group introductions, line up according to seniority with the senior people at the head of the line.

Names and Titles

Formality

Use family names and appropriate titles until specifically invited by your Chinese host or colleagues to use their given names.

You are very unlikely to be on a first-name basis with your Chinese counterparts, at least not until your relationship is established.

Names

Traditionally, Chinese family names are placed first, followed by the given name, which may have either one or two syllables.

For "Deng Xiaoping," "Deng" is the family name, "Xiao ping" his given names.

Never address a Chinese by his or her family name alone.

Never address "Li Peng" as just "Li." Use Mr, Mrs or Miss if you cannot remember their full name.

Chinese may call close friends and family members by their given names.

"Wang Chien" may be addressed by close friends as "Chien."

Courtesy Titles

Address Chinese using family name plus the appropriate courtesy title.

Mr. = *Xiansheng* (SHE-AN-shang)

Mrs. = *Taitai* (TIE-tie), general or *Furen* (FOO-ren), more formal

Miss = *Xiaojie* (SHE-OW-je-ah)

Ms. = *Nushi* (NOO-she)

The family name comes first, followed by the courtesy title.

Mr. Li is addressed as "Li *Xiansheng*"

Mrs. Li is addressed as "Li *Taitai*" or "Li *Furen*"

Miss Li is addressed as "Li *Xiaojie*"

Ms. Li is addressed as "Li *Nushi*"

When someone's name and title are not known, address him or her as *Xiansheng* (Mr.) or *Nushi* (Ms.).

Professional Titles

Chinese are often addressed by their government or professional titles.

You can address "Li Peng" using his title: "Mayor Li" or "Director Li."

Xiaojie is a very polite form of address for a waitress, cashier, or female elevator attendant.

Women's Names

You cannot tell women's names from men's names.

Chinese women continue using their maiden names even after marriage, but may indicate marital status by using *Taitai*, *Furen* or *Madame*, with their maiden name.

"Mrs. Wang" may be married to "Mr. Li."

Chinese may address foreign women by using "Miss" plus their first name.

"Mrs. Sarah Jones" might be addressed as "Miss Sarah."

Western Styles

Some Chinese use their names in Western order (family name last) on business cards.

Those who frequently work with foreigners may take a Western-style given name-for example, David Li.

Presenting Your Name

Attempt to make the translation of your name as short and easy as possible.

Omit initials as they may only cause confusion.

Chinese generally introduce their guests using their full title and company name. You should do the same when introducing yourself.

"Doctor John Smith, CEO of American Data Corporation."

Be Aware

Never use the term "comrade" to address someone.

Among themselves, Chinese may call you *lao wai*, "foreigner" or *Mei Guo ren*, "American". If you happen to notice this, don't take it personally.

While these terms for foreigners are condescending, they are applied to foreigners generally and reflect China's traditional view of itself as the "Middle Kingdom," or centre of the world as they knew it.

Hands

Never point with your index finger. Chinese point with the thumb or open hand.

Never use your index finger to beckon anyone. To beckon someone, face the palm of your hand downward and move your fingers in a scratching motion.

Snapping fingers is considered very rude.

Feet

Never put your feet on a desk or a chair.

Never gesture or pass an object with your feet.

Pushing

The concept of lining up, or queuing, is not known to the Chinese. People will push in large crowds and do not mind being crowded.

Be Aware

People of the same sex may walk arm-in-arm as a gesture of friendship.

Chinese may suck air in quickly and loudly through lips and teeth to express distress or surprise at a proposed request. Attempt to change your request to allow them to save face.

Clothing

Style

Unpretentious, modest clothing is the norm, but trendy clothes and fancy fabrics are making a comeback.

Young people are more interested in wearing Western styles of clothing.

Dressing Appropriately

Laundry facilities are generally poor. Take "wash-and-wear" fabrics with you.

Warm clothing, hats, thick-soled shoes and sweaters are essential in winter in northern China.

Toilets are often "squat" style. Women especially should dress accordingly.

Women should also avoid shorts, bare backs, low-cut tops and extravagant jewellery.

Business

Men: Suits/ sport coats and ties. Pants and open-necked shirts are generally suitable in the summer for business meetings, jackets and ties are not necessary. Follow the local custom.

Women: Dresses or pant suits. No heavy make-up and no dangling, gaudy jewellery. Wear subtle colours and styles.

Restaurant/Banquet

Men: Jackets should be worn at a banquet, but may be removed during dinner in the summer. Jackets and ties may be more comfortable in cold weather.

Women: Simple, floor-length dresses or pants. Pants are acceptable even on formal occasions. "Plain and simple" is the rule.

Casual

Men: Trousers with short or long-sleeved, open-necked shirts.

Women: Pants, blouses.

Temples

Modest clothing.

Women should cover their shoulders, arms and legs.

Gifts

Traditions

Gift-giving was previously against the law but is now generally accepted.

Be prepared to exchange a modest gift with your business colleagues at the first meeting.

Your not giving a gift could get a potential business relationship off to a bad start.

Business

Avoid giving gifts of great value. Only after all business dealings are completed is it appropriate to exchange a gift of value.

Give a group gift from your company to the host company. Present this gift to the leader of the Chinese company.

Always give a gift to each member of the Chinese delegation that meets you in the order in which they were introduced.

Hostess

When invited to someone's home, always bring a small gift for the hostess.

Suggested gifts: Brandy, chocolates, cakes.

Numbers

Gifts may be given singly or in sets (i.e., dishes), but never in sets of four. In Chinese, "four" sounds like the word for "death."

Suggested Gifts

- Cognac or other French brandy, whiskey and quality red wine
- Cosmetics (moisturisers and perfume)
- Boxed imported chocolates
- Desk accessories and Pens
- Picture Books of your country

- Framed paintings and decorative items for the home
 - Stick pins, key rings, ties for men & scarves for women
 - Western-grown ginseng (a popular gift in China)
 - Australians should consider koala and kangaroo soft toys
 - A cellular phone, digital camera or small CD player (or any other more "prestigious" gift) for a senior-level person
- NB: Please remove the Made in China label before giving the gift, but leave the expensive price tag

Gifts to Avoid

Do not give foreign currency, including commemorative coins.

Do not give cheese. Cheese is not in the Chinese diet and is generally not liked.

Do not give Western-style white table wine, as it is not popular in China.

Do not give clocks, especially to an older person. The English word "clock" sounds like the Chinese word for "funeral."

Do not give fruit or food items until a friendship is established, as it could be insulting. Such a gift implies poverty.

Do not give anything in sets of four, or with the numbers 4, 13, 14 or 40 on them.

Do not give green headwear (i.e., a green cap or hat). This signifies that somebody in the family is committing adultery.

Clearing Customs

Chinese customs officials may scrutinize items that look unusual. This is merely out of curiosity.

If asked, "What is this?" or "How does this work?" respond with a friendly explanation.

Bringing in relatively inexpensive items like framed photos, ties, pens, calendars or books will seldom cause a problem.

Do not wrap the gifts before going through customs, which may require a gift be unwrapped for inspection.

Wrapping

Wrap a gift simply. Red is the preferred colour.

However, avoid red writing on a card or note. It has negative connotations from the Cultural Revolution.

Avoid white, which is symbolic of death (especially of one's parents) and black, which is also associated with tragedy or death.

Exchanging

Present a gift with both hands.

Gifts are generally not opened upon receipt. Always give a gift to everyone present or don't give any gifts.

A gift may be presented to a group.

Older Chinese usually refuse a gift at first to be polite. Offer a second time.

Never give a gift of great value until a clear relationship is established. This would embarrass the recipient.

TURLEY'S Top Ten Tips on Doing Business in China

1. Do your due diligence twice

The scouts are right: be prepared. Some firms believe that China is so different and so opaque that they cannot obtain the information they would usually require, so they enter the market without it. This is foolish. It is difficult to perform due diligence in China, but not impossible.

2. Choose the right partners

Before you settle into a long-term relationship, take time to get to know your potential partners. Talk to their employees, clients and competitors. And remember that your partners are not just the companies you want to joint venture with, but everyone you do business with: your distributors, your customers, your suppliers and your advisors.

3. Pay attention to "guanxi"

A lot is said about Chinese "guanxi" (relationships). Most of it is garbage. Relationships are important everywhere, not just in China. The key things to remember are that good guanxi is a network of relationships with people at various levels across a broad range of organizations and that guanxi is created and cultivated. A partner whose "guanxi" consists of a single relationship to a key government official is usually not a good partner. You want to be supported by a complex web, not a single string. With manners, diligence, courtesy and goodwill, you can construct your own web of supporting relationships but it will take many years to develop true Guanxi.

4. Don't be afraid of the short-term

Many overseas companies are attracted to China by its long-term potential. Long term plans are great, but the rapidly changing Chinese market often presents excellent short term opportunities. Overseas companies should not be afraid to avail themselves of an opportunity that may disappear in a year or two.

5. Be flexible . . .

China is unique. Where else can you find "a socialist market economy with Chinese characteristics"? The Chinese legal and regulatory regime can force firms to find creative solutions to business problems, but China is large enough and growing rapidly enough to be worth some flexibility.

6. But don't be afraid to say "no".

The Chinese market may not be right for you. Your products may be too advanced, subject to prohibitive tariffs, banned from import or otherwise unsuitable for this market. Know what your bottom line is. China is changing so rapidly that the idea that you must be in China today to compete in fifteen years is rubbish. Being out of the market is better than losing money in the market.

7. China is not a single market

From Harbin to Haikou, from Canton to Kashgar, China encompasses diverse topographies, climates, cultures and peoples. There are five languages on the Chinese currency and Chinese "dialects" (such as Shanghaiese or Cantonese) are actually mutually unintelligible languages. Provinces and cities compete fiercely for investment and trade, and regional protectionism is a big problem for Chinese firms-let alone foreign companies.

8. Get professional help . . .

Don't sign a contract or agreement that hasn't been reviewed by a qualified local attorney. If you need office space, hire a professional realtor. Reputable, reliable, professional service providers are increasingly available in China, so use them.

9. . . . use professional translators

Interpretation and translation are professional skills that firms neglect at their peril. Being bilingual does not qualify one to interpret and having your company profile professionally written, carefully conceived product literature translated by a graduate student from a local university will not impress your clients. If communication is important to your business, hire a professional translator and get GAC to proof your final copy. Better still if the content is not too technical have your copy translated in China by GAC.

10. Be polite

Be tough, be firm, but always be polite. The two most important words in Chinese are "xie xie," which mean "thank you." Learn them and use them. Often.

Business Travel in China

Visa: For most overseas travellers to China, a Chinese visa needs to be obtained before embarking on the trip. A few different types of visas are issued to visitors, including the tourist visa (Type L) that allows the bearer one- to two entries to stay up to one month each time. Consult the Chinese Embassy or Consulate General on obtaining the right type of visa or apply through a travel.

Those who wish to work and stay in China for extended periods of time need to apply for employment visa (Type Z), which allows multiple entries into China and is valid for up to one year. The application process is long and bothersome and requirements many, including a complete physical check-up. Upon expiration, the Type Z visa can be renewed with reasonable amount of effort & paperwork.

Trade Shows & Exhibitions: Participants can come into China on tourist visas and travel in-country. Notebook computers, cameras, portable printers, VCRs can be brought into China as personal belongings.

Business firms seeking to bring in exhibits and items for display should consult with Customs authorities for regulation on the procedures and to obtain copies of appropriate forms.

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

A local sponsor with authority to engage in foreign trade may sponsor small exhibitions or technical seminars, requiring less than 500 square meters, without first seeking approval from MofCom. Customs will handle the tariff exemption formalities based upon a guarantee of re-export that is signed between the sponsor and the foreign party.

Food and beverage exhibition "not-for-sale" sample-entry rules are not clearly defined and appear capriciously applied. Overseas exhibitors should contact the exhibition organizers or GAC to determine their liabilities regarding sample entries for such events before registering to participate, to obtain a clearer understanding of exhibition-related expenses.

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

Passenger Baggage: Reasonable quantities of items

for personal use by short-term visitors may be imported duty-free. Other items such as cameras, televisions, stereo equipment, computers, and tape recorders must be declared and may be assessed a duty depending upon the item's value.

Advertising Materials and Trade Samples: Samples and advertising materials are exempt from customs duty and VAT if the item's value does not exceed RMB 2000. Samples and advertising materials concerning certain electronic products, however, are subject to customs duty and VAT regardless of value.

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

Overseas Assignment to China: Expatriate managers who are assigned to work in China need to apply for employment visas (see above). On their first trip into China on the Z visa, they are entitled to bring duty-free reasonable and personal- and household- use items including the otherwise dutiable items such as VCR, PC, video cameras, etc

Welcome to China

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Chairman
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Beijing P.R.China
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