



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 9/29/2005

GAIN Report Number: CH5404

China, Peoples Republic of

Market Development Reports

Business Travel in Beijing

2005

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Report Highlights: Beijing, China's political and cultural capital for nearly 3,000 years, is home to 9,000 diplomatic missions, international companies-organizations, research institutes, universities, municipal-provincial offices, and countless historic landmarks including 5 on UNESCO's World Heritage List. One of the largest and wealthiest cities in China, Beijing is currently in the midst of a major makeover in preparation for the 2008 Olympics. With a population of 15 million, high per capita incomes, and influence over the rest of China, Beijing is a market few should ignore in doing business in China. This report provides a brief introduction and suggestions for visiting Americans doing business in Beijing.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Beijing ATO [CH4]
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I. INTRODUCTION



Beijing, the political and cultural capital of modern China served as the Middle Kingdom's capital for nearly 3,000 years and 4 dynasties. Home to some 9,000 diplomatic missions, multinational corporations, international organizations, municipal-provincial offices, Beijing is one of the largest and wealthiest cities in China. Boasting a population in excess of 15 million, per capita GDP, disposable income of more than \$4,000 and \$1,900 respectively in 2004, it is one of the fastest growing. The city is also home to countless historic landmarks including 5 on UNESCO's World Heritage List: Temple of Heaven; Forbidden City; Summer Palace; Ming Tombs and Great Wall. Today, the large bustling city is in the midst of a major makeover in preparation for the Olympics; some visitors have described Beijing's emerging skyline as a never-ending landscape of construction cranes. In any case, with its large population, upcoming 2008 Olympics, and influence over the rest of China, Beijing is a market few, if any, can or should ignore in doing business in China.

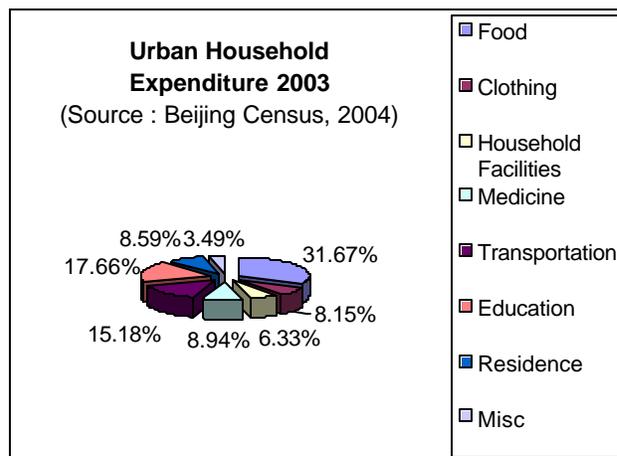
II. THE CITY OF BEIJING

Beijing is a municipality directly under the control of China's Central Government (others include Chongqing, Shanghai, and Tianjin). Consequently, Beijing is more than a city since it enjoys the same status as a province and it's Mayor cabinet level rank. The municipality of Beijing covers an area of about 18,000 square kilometers currently divided into 16 districts: DongCheng, XiCheng, ChongWen, XuanWu, ChaoYang, HaiDian, ShiJingShan, FengTai, ShunYi, ChangPing, MenTouGou, TongZhou, FangShan, DaXing, HuaiRou and PingGu. Many major trade, banking and commercial businesses, including the Ag Trade Office (ATO) Beijing are all located within the CBD (Central Business District) in Chaoyang. Located 1.5 hours by car due West of the capital, Tianjin, North China's largest costal city, is located on the Bohai Sea, serving as the major industrial base and water gateway to Beijing and Hebei Province. The climate is classified as "Continental Monsoon" with clear-cut seasons (Spring: windy-dry; Summer: hot-humid; Autumn: cool, and Winter: cold).



III. THE ECONOMY

Beijing's economy continues to develop at a rapid pace: tax revenues collected in 2004 increased 29.7% over the previous year, totaling more than 9 billion dollar. Tourism is a major driver of the local economy as Beijing attracts millions of Chinese tourists and over 1 million from abroad each year. Beijing serves as both the nation's capital and to some extent as a regional center of international activity and trade for Northern and Western China.



IV. THE CUSTOMER

Beijing is one of the wealthiest cities in China with rapid increases in per capita-household income in recent years. In 2004 the annual household income exceeded \$12,000 while annual discretionary income jumped by 11.5% to reach nearly \$2,000 over the previous year. Population density in the urban area is equal to 27,358 persons per square km compared to 10,292 in New York City for example. Beijing is home to more than 400 research institutes and an additional 140 institutions of higher learning, among many prestigious ones like Beijing, Qinghua, The People's, and Beijing Normal Universities. Respectively there are approximately 22,000 and 1.2 million registered foreign and local professionals in the city, comprising more than 20% of the nation's total. The main target consumers of U.S. food and agricultural products are the large and growing population of urban, well educated, affluent middle class. Beijingers, especially those aged 18-34, are increasingly seeking high quality, safe, diverse, and fashionable food products. A High concentration of expatriates living and working in the capital are also an important market segment.

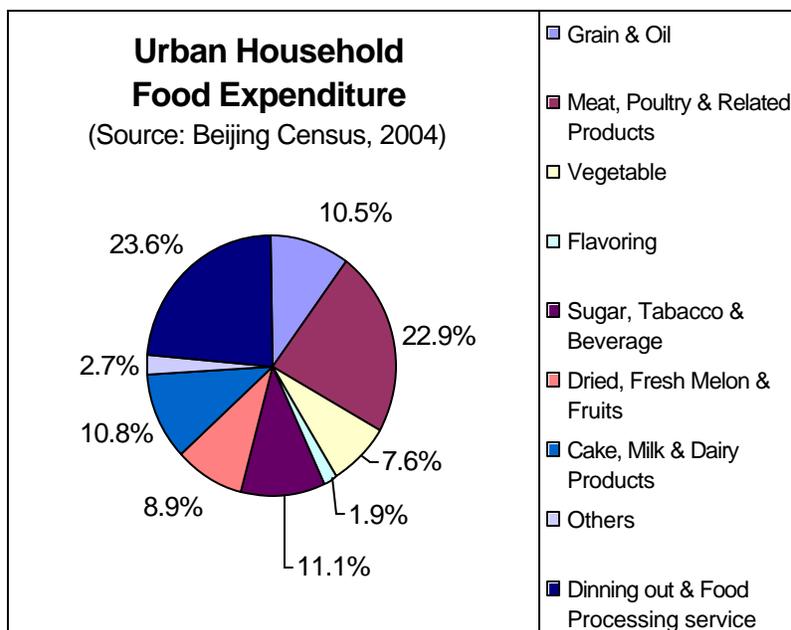
V. THE FOOD MARKET

With the rapid increases in income over the last several years, Beijingers, like most urban Chinese are consuming more meat, dairy, and fruit, but less traditional cereals and grain than ever before. As more and more consumers have the ability to dine out, the hotel and restaurant sector is developing rapidly.

A decade ago most Chinese would buy their grocery from an open air wet markets, as supermarkets were few, uncompetitive, and overpriced. Since 1995 with the opening

of the first Carrefour in China in Beijing, numerous supermarkets have opened their doors to consumers eager for quality food items of competitive prices. Carrefour, with five stores, and Wal-Mart, with two stores, is among many with special stalls dedicated to imported food. Young middle class Chinese are becoming a major consumer force and are less price sensitive than their elders. US food products enjoy an excellent reputation for quality and wealthier consumers are willing to pay a premium. With Chinese accession to the WTO, tariff rates for imported food have declined - further increasing their attractiveness to Chinese consumers. Increasing numbers of middle-class consumers demonstrate strong interest in high value, innovative, safe and high profile products in easy to use-cooking ingredients or meal solutions available in retail stores.

Foreign retailers continue to make inroads into the country as China gradually opens its retail market to overseas investment. By 2020, it is estimated China will have 500 million households and of those 45% with incomes sufficient to buy most U.S. food product exports. Over the next 15 years, China's food consumption is expected to grow \$25 billion annually- the world's fastest.



VI. OLYMPICS 2008

Beijing's motto "New Beijing - Great Olympic" is a major part of the city and national government's campaign to host the 2008 Summer Games. The Olympics are playing an important role in accelerating the already fast growing economy of Beijing as increasing number of multinational corporations participates in the preparation for the 2008 Olympics. The city continues to benefit, aesthetically and economically from a major public and private construction development effort that is transforming Beijing into a truly international city. Driven in part by a government ban on outside construction after 2006, hundreds of commercial and residential properties are sprouting up overnight. In anticipation of an influx of traffic, the city is investing heavily to expand its infrastructures. For example, three new subway lines are scheduled for completion prior to the Games in 2008, essentially doubling the existing capacity. These include the new North-South lines 4 and 5 as well as the number 10 line to the West.



VII. TIPS FOR DOING BUSINESS IN BEIJING

1) BUSINESS ETIQUETTE

a) Chinese Names

Most Chinese have two or three syllable names so it is important to know which is the family name. Normally, family names are pronounced or written first before given names. When you address someone in China it is better to avoid using their first or given name unless you know them extremely well. It is usually a good idea to use salutations such as Mr. or Miss when addressing Chinese people.

b) Tipping

Usually, tipping is not required in China and in some hotels and restaurants it is forbidden. However, it is not inappropriate to tip hotel staff that help with luggage, etc. Tips are rarely given in restaurants and taxis are never tipped.

c) Bring Plenty of Business Cards

Exchanging business cards is essential in conducting business in China, but more importantly, it is custom to use both hands when presenting and receiving business cards as well as a slight bow of the head. It's a good idea to have your name cards printed on both sides (one in English and the other in Chinese). This can be done fairly quickly after arrival in China but if you have the time it's probably best to arrange before hand if you are on a tight schedule. Nearly everyone you meet will want to exchange or have your card so it is important to bring or prepare an ample supply even for a short visit.

d) Banquets & Receptions

When invited to a business meal, the Chinese like to share dishes together, family style. The Chinese like to celebrate with food and will order more, often much more, than can be eaten to express their appreciation. It would not be unusual for someone to refill your plate or bowl if it is empty, especially if you are a fast eater. Eventually, you will be too full to move. Sometimes, the host will give a toast at the meal. Often a choice of drinks, both alcoholic and non-alcoholic, is offered. Beware the Chinese toast "Gan Bei" (bottoms up or literally 'dry glass'), especially if you are drinking Chinese Bai Zhou (white liquor). It is polite to use both hands when offering or receiving anything, especially a drink. And remember, white rice sometimes has to be ordered separately; fried rice, noodles and soup come last in a traditional Chinese meal. At meetings, seating will follow strict protocol, so let your host seat you. Start with a few pleasantries before discussing business.

e) Bring Small Gifts

Small Gifts are a good idea and always welcome in Beijing and China. It can be something quite small and inexpensive such as food, pens, books or items with your corporate or organizational logo. A book with pictures of your country or region is also a good bet. However, some gifts are better avoided, such as clocks, Chrysanthemum, shoes, green hats, and turtles, which are all unlucky. Also be sure not to use white paper for wrapping gifts; accordingly, red would be a much better choice for nearly any occasions.

2) LEARN A LITTLE MANDARIN

Your Chinese clients or hosts will be flattered and very impressed if you show a little initiative and try to learn some basic Chinese. Try to learn a few simple greetings as below:

Ni Hao (Knee How):	Hello/How do you do?
Xie Xie (Shay Shay):	Thank you!
Zai Jian (Sy Jen):	Goodbye!

3) WORKING HOURS

Business and Government hours vary according to individual worth ethics, but normally the government is open 8:00 am to 5:00 pm, Monday through Friday, with closure for lunch during the 11:00 am to 1:00 pm period. Call or visits are likely better scheduled at times neither too early nor too late in the day and particularly not at or near lunch time. China observes a number of national holidays but the 'Big 3' are as follows: Spring Festival (Chinese Lunar New Year) falling sometime between the second half of January and first half of February. It changes from year to year based on the lunar calendar so check dates early. International Labor or May Day holidays are normally observed May 1-7 as well as National Day holidays, or Establishment day, October 1-7 in China. These periods should be avoided if at all possible since almost all government offices; businesses and organizations are closed for a week and more. Most hotels and restaurants are open during these holiday periods, as these tend to also be peak periods for domestic tourism and travel.

4) CURRENCY

The RMB (Renminbi) is the official currency of China. The basic unit is the Yuan, sometimes called "Kuai" (equivalent of a "buck") is divided into 10 Jiao or Mao (dimes). One Jiao is further divided into 10 Fen. Chinese currency is available in 100, 50, 20, 10, 5 and 1 Yuan denomination notes as well as 5 and 1 Jiao notes. They can be distinguished by their relative size. Most major credit cards including but limited to American Express, MasterCard and Visa are accepted at major hotels, restaurants and shops in Beijing. Many ATM machines will also accept most American ATM cards.

5) USEFUL BEIJING CONTACT INFORMATION

American Embassy Beijing	Police	Dial 110
3 Xiu Shui Bei Jie, Chaoyang District	Ambulance	Dial 120
Tel: (86-10) 6532-3831	Fire Department	Dial 119
	Local Directory Assistance	Dial 114
Agricultural Trade Office (ATO) Beijing		
Kerry Center South Tower		
24 th Floor, Suite #2425		
No. 1 Guanghua Lu, Chaoyang District		
Beijing		
Tel: (86-10) 8529-6418		
Email: ATOBeijing@usda.gov		