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## China, Peoples Republic of

### Market Development Reports

### Business Travel in Beijing

### 2006

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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. One of the largest and wealthiest cities in China, Beijing is in the midst of a major makeover in preparation for the 2008 Olympic Games. With a population of 15 million, high per capita income, and significant influence over the rest of the country, Beijing is a market few should ignore when doing business in China. This report provides a brief introduction to the city, and a number of useful suggestions for visiting Americans planning or doing business in Beijing.

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## I. INTRODUCTION



Beijing, the political and cultural center of modern China, served as the Middle Kingdom's capital through nearly 3,000 years and 4 dynasties. The city is home to over 9,000 diplomatic missions, multinational corporations, international organizations, and municipal-provincial offices, as well as over 15 million residents. Beijing is one of the largest and wealthiest cities in China with a per capita GDP of almost \$5,500 and an urban per capita disposable income of over \$2,000 in 2005; these values represent significant increases from previous years, making Beijing one of China's fastest-growing cities as well. Beijing is also home to countless historic landmarks, five of which are on UNESCO's World Heritage List: the Temple of Heaven; the Forbidden City; the Summer Palace; the Ming Tombs and the Great Wall. Today, the large and bustling city is in the midst of a major makeover in preparation for the 2008 Olympics; some visitors have described Beijing's emerging skyline as a never-ending landscape of construction cranes. With its large population, the upcoming 2008 Olympics, and its influence over the rest of China, Beijing is a market few should or can ignore when doing business in China.

## II. THE CITY OF BEIJING

Beijing is a municipality directly under the control of China's Central Government. Consequently, Beijing enjoys the same status as a province and its mayor has cabinet-level rank. The municipality of Beijing covers an area of about 18,000 square kilometers which is 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 Agriculture Trade Office (ATO) Beijing are located within the Central Business District (CBD) in Chaoyang District. In general, Beijing is structured with

Tian'anmen Square at its center while the city's main thoroughfare, Chang'an Boulevard, runs 38 kilometers east-west. Located 1.5 hours by car due west of Beijing is Tianjin, North China's largest coastal city. Tianjin is on the Bohai Sea and serves as the major industrial base and water gateway to Beijing and Hebei Province.

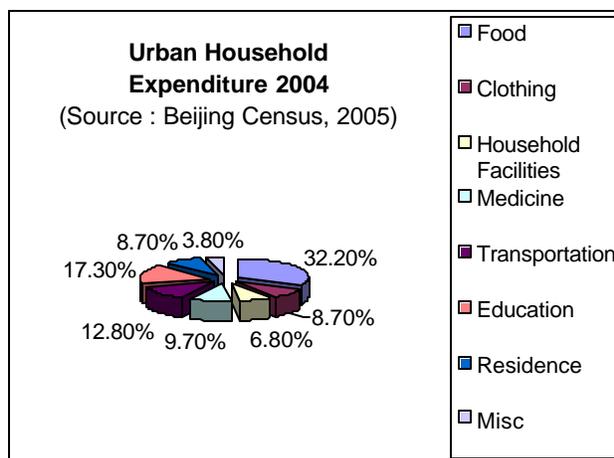


## III. THE ECONOMY

Beijing serves as both the nation's capital and as Northern and Western China's regional center of international activity and trade. The city's economy continues to develop at a rapid pace: tax revenues collected in 2005 increased 16.8% over the previous year and totaled more than 10 billion dollars. Tourism is a major driver of the local economy as Beijing attracts millions of Chinese tourists and visitors from abroad each year. In 2005, Beijing set a new record by hosting the largest number of foreign tourists in its history: over 3.6 million foreign tourists visited Beijing, constituting an increase of 15% from 2004. These international tourists joined ranks with another 125 million Chinese tourists that visited Beijing in 2005, representing a hefty 13% increase over 2004.

IV. THE CUSTOMER

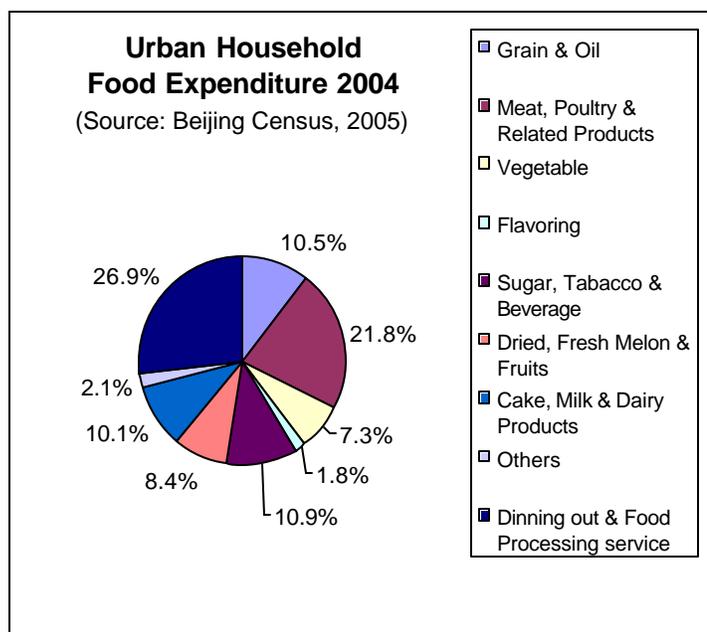
Beijing is one of the wealthiest cities in China and has experienced rapid increases in per capita household income in recent years. In 2004, Beijing’s annual household income passed \$12,000 and its annual discretionary income jumped by 11.5%, constituting an actual increase of nearly \$2,000. Additionally, Beijing is home to more than 400 research institutes and 140 institutions of higher learning, including many of the most prestigious universities in China such as Beijing University, Qinghua University, The People’s University, and Beijing Normal University. There are approximately 22,000 foreign and 1.2 million local professionals in the city, comprising more than 20% of the nation’s total. The main target consumer of U.S. food and agricultural products is this large and growing population of urban, well-educated and affluent middle class. Beijingers, especially those aged 18-34, are increasingly seeking high quality, safe, diverse, and fashionable food products. The 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 grains than ever before. As more and more consumers have the ability to dine out, the hotel and restaurant sector is also developing rapidly.

A decade ago most Chinese would buy their groceries from open air wet markets, as supermarkets were few, uncompetitive, and overpriced. Since the opening of China’s first Carrefour in 1995, numerous supermarkets have opened their doors to consumers eager for quality food items at competitive prices. Carrefour, with five stores, and Wal-Mart, with two stores, are among the many grocery stores with special stalls dedicated to imported food. In addition, young middle class Chinese are becoming a major consumer force and are not as price sensitive as their elders. US food products enjoy an excellent reputation for quality and wealthier consumers are willing to pay a premium for that quality. With the Chinese accession to the WTO, tariff rates for imported food have declined, further increasing its attractiveness to Chinese consumers. Growing numbers of middle-class consumers demonstrate strong interest in high value, innovative, safe and high profile products, especially those with easy-to-use cooking ingredients or fast meal solutions that are 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% will have 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-growing rate.

## 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 Beijing's already fast-growing economy as an increasing number of multinational corporations participate 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 infrastructure. For example, three new subway lines are scheduled for completion prior to the Games in 2008, essentially doubling the existing capacity that currently supports 1.6 million daily passengers. These include the new North-South lines 4 and 5 as well as the number 10 line to the west (Appendix A). The three themes of the Beijing Olympics—Green Olympics, Hi-Tech Olympics and People's Olympics—are meant to promote international cultural exchange as Beijing develops to meet international environmental and digital standards. Investment in the Olympics have helped push estimates for Beijing's GDP growth to 9.8% per year leading up to 2008, almost one percentage point higher than the yearly average between 2001 and 2005.



### 福娃 Friendlies



Part of the Olympic preparation also includes a push to promote restaurants serving Western cuisine. The city currently has about 1,300 Western restaurants, but this number includes anything from fast food, bars and cafes, to more formal white tablecloth restaurants. The Olympics is generating increases in the number of Western restaurants, as is the maturation of a younger generation of Chinese raised on fast foods.

## VII. TIPS FOR DOING BUSINESS IN BEIJING

### 1) BUSINESS ETIQUETTE

#### a) Chinese Names

Most Chinese have two or three syllable names. 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 combined with a slight bow of the head. It's a good idea to have your name cards printed on both sides with one side 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 this 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 Jiu (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 Northeast 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. They can be small and inexpensive things 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 considered to be unlucky. Also be sure not to use white paper for wrapping gifts; red would be a much better choice for nearly any occasion.

## 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 work 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. Visits are better scheduled at times neither too early nor too late in the day and particularly not at or near lunchtime. China observes a number of national holidays but there are three major ones that you should keep in mind. The first one is Spring Festival (Chinese Lunar New Year) that falls sometime between the second half of January and first half of February. The date changes from year to year based on the lunar calendar. The second is International Labor or May Day holidays that are normally observed May 1-7. The third is National Day holidays, or Establishment Day, which falls October 1-7. Travel during these periods should be avoided if at all possible since

almost all government offices, businesses and organizations will be closed during these times for a week or more. Most hotels and restaurants are open during these holidays, 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” (in the same way a dollar is sometimes called a “buck”), and is divided into 10 Jiao or Mao (dimes). One Jiao is further divided into 10 Fen (cents).

Chinese currency is available in 100, 50, 20, 10, 5 and 1 Yuan denomination notes as well as 5 and 1 Jiao notes. These notes can be distinguished by their relative size, unique colors and, of course, the Latin numbers printed on them. Most major credit cards—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. However, when traveling outside of China’s major cities, it is best not to rely on credit cards or ATM cards.



#### 5) BARGAINING

In the larger shops in Beijing, bargaining is no longer necessary. However, in many of the tourist markets and back-street shops, the buyer is expected to bargain before making a purchase. The seller’s initial price is often at least 40% higher than the item’s actual average selling price, and can sometimes be much higher. The best option for foreigners in Beijing is usually to bargain by countering the seller’s initial offer with a big smile and an extremely low price. For example, if the seller offers an item at 60 RMB, the buyer might counter with 10 RMB. Also, during the process of haggling, it is a good idea to walk away once you’ve offered your final price and if you are called back, you know that the price is fair for both.

#### 6) USEFUL BEIJING CONTACT INFORMATION

American Embassy Beijing  
3 Xiu Shui Bei Jie, Chaoyang District  
Tel: (86-10) 6532-3831

Police	Dial 110
Ambulance	Dial 120
Fire Department	Dial 119
Local Directory Assistant	Dial 114

Agricultural Trade Office (ATO) Beijing  
Kerry Center South Tower  
24<sup>th</sup> Floor, Suite #2425  
No.1 Guanghua Lu, Chaoyang District  
Beijing, People’s Republic of China

Tel: (86-10) 8529-6418  
Email: [ATOBeijing@usda.gov](mailto:ATOBeijing@usda.gov)  
Website: [http://www.usdachina.org/index\\_bj.asp](http://www.usdachina.org/index_bj.asp)

Appendix A: Beijing Subway Map with Planned Additional Lines

