



Artisan Business Group

# Doing Business with China

- Practical Tips You Should Know

# Trading with China

- **Nearly every state has registered triple-digit growth in exports to China since 2000, far outpacing exports to the rest of the world. Total US exports to China from 2000 to 2007 grew 300 percent, from \$16 billion to \$65 billion; total US exports to the rest of the world grew only 50 percent.**
- **Total US exports (\$65.2 billion) to China in 2007 were 18.1 percent higher than in 2006.**

# Trading with China

- **The top state exporters to China in 2007 were California (\$10.6 billion), Washington (\$9.6 billion), Texas (\$8.3 billion), Louisiana (\$2.7 billion), and New York (\$2.5 billion).**
- **Nineteen states exported more than \$1 billion to China in 2007, and another 10 states exported more than \$500 million.**

# Trading with China

- **The list of top 15 state exporters to China in 2007 includes states not usually thought of as benefiting from trade with China - Illinois, Georgia, Massachusetts, Michigan, Ohio, North Carolina, Pennsylvania, and Wisconsin.**
- **Exports to China from Nevada, Delaware, Missouri, Idaho, and Utah rose most quickly during the 2000-07 period compared to other states' growth. -- Arkansas, Nevada, Utah, Connecticut, and Alaska had the largest growth in exports in 2007 compared to 2006.**

# Knowing China

- **Major Events: 2008 Beijing Olympic Games (\$44 billions); 2010 World Expo Shanghai; 2010 Asian Games Guangzhou (\$1.2 billions)**
- **23 provinces, 5 autonomous regions, 4 municipalities, 2 special administrative regions of Hong Kong & Macau**
- **2007 National GDP Growth: 11.4%**
- **Population 1,330,044,605 (July 2008 est.)**

# Knowing China

- **China is a vast country with diversified culture, regional differences, and social norms.**
- **Inland provinces and 2nd tier cities may bring you more potential business opportunities.**
- **Your network in smaller cities is a key for your success in large cities – it is much easier to build your contacts and network in small cities. Your contacts there will help you expand your network in large cities.**

# Knowing China

- **The economies of China's second-tier cities:**
- **are growing at an average rate of 11% annually**
- **account for 53.5% of the country's imports**
- **are responsible for 19% of China's total output**
- **all while accounting for only 8% of China's total population.**

# China Market Map



# Building Your Network

- **If you have never been to China, LinkedIn, Xing, Alibaba and Global Sources are the best places for you to build a China business social network that may benefit your company down the road.**
- **For a frequent China traveler, you should spend a few days at int'l trade fairs, industry conferences, executive trainings; face-to-face meeting is the most effective method to enhance your *Guanxi* (relationship) with your Chinese counterparts.**

# Branding in China

- **Localization of your business card, brochure or website is a must.**
- **Proper Chinese branding of your products is critical.**
- **Creation of your Chinese identity is the key for success.**

# Marketing in China

- **Do not lose sight over your distributors or partners.**
- **Open communication with your Chinese counterparts is very important.**

# Learning Business Protocols

- **Show your personal interest in Chinese culture.**
- **Formal dress shows your respect.**
- **It is always safe to shake hands with the most senior person first.**
- **Address deputies by skipping the word “deputy” or “vice” - for example, “Vice Director” would just be called “Director” - unless the superiors are present.**

# Basic Concepts

- **Guanxi (connections): to make things happen in China, get to know more decision makers**
- **Face (respect): avoid putting someone on spot; do not force someone to tell truth in the public**

# Communicating with Chinese

- **You need a lot patience.**
- **Do not say NO – use Maybe, Perhaps, We'll consider, etc.**
- **Negotiation never ends – signed agreement means more questions from Chinese.**
- **After hour networking (business dinner or entertainment) helps smooth negotiations.**

# Interacting with Women

- **Show your respect and keep a distance from them.**
- **Women have influence over decision-making process.**

# Dealing with the Party

- **China is still a one Party country.**
- **Avoid talking about political or sensitive topics – Tibet, Taiwan, human rights, etc.**
- **Top executives with Chinese government-owned companies may not always be the most influential persons in decision-making process – sometimes it is the Party boss that matters!**

# Encountering Corruption

- **Have a Party boss's daughter or local Mayor's son on your payroll might not be a good move.**
- **Always conduct best practice and Do NOT bribe.**
- **Enforcing China-friendly code of ethics can protect your business interests and reputation.**

# Controlling Risks

- **Maintain a good relationship with local government officials and media.**
- **Develop a comprehensive risk management strategy for unexpected situations and risks.**

# Performing Due Diligence

- **Due Diligence means INVESTIGATION (*Diao Cha*) in Chinese translation. Chinese don't like this word; use RESEARCH (*Yan Jiu*) instead.**
- **Transfer the blame to a 3rd party for the need of this *Yan Jiu* if the business relation is at risk – Bank or Customs Service.**
- **Hire qualified local professionals such as lawyers, accountants and financial consultants to conduct Due Diligence.**

# Keeping Books

- **Keep your tax, accounting, and other business records in Chinese.**
- **Persons who manage your accounting department of China operation should be stationed in China.**

# Protecting IPR

- **Develop a clear IP action plan with your Chinese partners.**
- **Take solid steps as early as possible.**
- **Get prepared to act quickly and decisively regarding enforcement.**

# Managing Logistics

- **Utilizing a 3rd party service provider is more cost-efficient and effective.**
- **Always shop for the best one-stop logistics firm.**

# Managing Local HR

- **Check CVs and background carefully.**
- **Value your Chinese employees and expats.**
- **Respect women in your business.**
- **Educate your managers to comply with labor laws and regulations.**

# Organizing a Trade Mission

- **Bring enough Bi-lingual business cards and brochures.**
- **Understand the Chinese rules of giftgiving.**
- **Bring your own interpréter if possible in order to avoid LOST-IN-TRANSLATION.**
- **Follow up with your new contacts in a timely manner.**
- **Invite Chinese counterparts for a business visit.**

# Hosting a Chinese Delegation

- **Local airport pickup is recommended.**
- **A small WELCOME gift should be presented to the group leader at the first meeting.**
- **A business dinner helps enhancing relationships.**
- **Local sightseeing tour is always appreciated.**

# Questions and Answers

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