2015 FAQs
For AMT Members
Who Do Business in China

AMT China
Q&A 2015
for AMT Members
Who Do Business In China

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Part I Questions about AMT China

Q1. What is AMT’s presence in China?
AMT has an office and a technology and service center registered in China now:
- AMT Beijing Representative Office (BRO)
- AMT Shanghai Technology and Service Center (STC)
- In addition, AMT also has a regional manager in Guangzhou, Guangdong Province.

Q2. Whom should I contact first if I have a question about doing business in China?
To make sure that your requests are promptly attended to, please contact Xingbin Li, International Director-Asia/Pacific to begin with. Below is the contact information:
- Xingbin Li
  International Director-Asia/Pacific
  AMT Beijing Representative Office
  Add: Room 2507, Silver Tower, No. 2 Dong San Huan North Road,
  Chaoyang District, Beijing 100027;
  Tel: +86 10 64107374, 64107375, 64107376;
  Fax: +86 10 64107334;
  E-mail: Lixingbin@amtchina.org
  http://www.AMTchina.org

Part II Questions about Marketing & Sales

Q3. Where are China’s key manufacturing industries located geographically?
The main manufacturing industries in China are located in five main geographic regions:
- Northeast (e.g. Shenyang, Chang Chun, Harbin): Machine building, automotive, steel, aircraft, power generator, railway
- Bo Hai Gulf & Shaanxi (e.g. Beijing, Tianjin, Dalian, Yantai, Qingdao, Xi’an): machine building, automotive, rolling stock, shipbuilding, electronics, medical instrument, wind power, aerospace, construction machinery
- Yangtze Delta (e.g. Shanghai, Suzhou, Wuxi, Changzhou, Nanjing, Hangzhou, Ningbo, Xiaoshan, Wenzhou): machine building, automotive, shipbuilding, electronics, die & mould, white goods, aerospace, power generation, steel, standard components, rolling stock, construction machinery
- Pearl River Delta (e.g. Guangzhou, Shenzhen, Dongguan): automotive, motorcycle, electronics, white goods, die & mould, construction machinery
- Southwest & Middle west (Chengdu, Chongqing, Guiyang, Hunan, Hubei): motorcycle, defense, automotive, power generation, aerospace, construction machinery

Below are some illustrations of the distribution of China’s major industries:
<table>
<thead>
<tr>
<th>Industry</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway &amp; Rolling Stock</td>
<td>China</td>
</tr>
<tr>
<td>Construction Machinery</td>
<td>China</td>
</tr>
<tr>
<td>Shipbuilding</td>
<td>China</td>
</tr>
<tr>
<td>Die &amp; Mould Making</td>
<td>China</td>
</tr>
<tr>
<td>Refrigerator Making</td>
<td>China</td>
</tr>
<tr>
<td>Air-conditioner Making</td>
<td>China</td>
</tr>
<tr>
<td>Washing Machine Making</td>
<td>China</td>
</tr>
<tr>
<td>Micro-Wave Oven Making</td>
<td>China</td>
</tr>
</tbody>
</table>
Q4. Where can I get statistical information about China’s macro economy?

The National Bureau of Statistics of China is the official government department for compiling and releasing statistics about China’s macro economy. Below is the website:

http://www.stats.gov.cn/english/
The website is also listed under the “USEFUL WEBSITES IN CHINA” section in this book. The website not only lists the national statistics but also the regional ones. AMT also has information products such as Economic Book and MTInsight available to members in the US. Also, AMT China staff will give up-to-date presentations at AMT conferences/meetings regarding international business or China business in the US or in China.

Q5. Where can I get statistical information about China’s machine tool market?
The equivalent of AMT in China is China Machine Tool and Tool Builders’ Association (CMTBA), who is the official source for compiling and releasing statistics regarding China’s machine tool consumption, production, imports and export. Members can get these statistics through the following channels:
- CMTBA’s website (www.cmtba.org.cn) and publication (WMEM-World Manufacturing Engineering & Market).
- Economic Handbook of the Machine Tool Industry (published by AMT)
- https://www.mtinsight.org/
- ‘Member Login’ section of AMT China website: www.amtchina.org.
- Presentations given by AMT China staffs during IMTS or at AMT meetings/conferences

However, the annual statistics from CMTBA are usually officially released in March of the next year or even later than that. So, if you need these numbers for the recent months, you may contact AMT China offices directly.

Q6. What is the size of China’s machine tool market?
Since 2002, China has been the largest machine tool market and tool in the world.
- The total machine tool and tool consumption in 2014 was $31.83 billion USD, a slight decrease of 0.3% as compared to 2013 and accounting for 42% of the world's consumption.
- The total import of machine tools to China in 2014 was $10.83 billion USD (106,000 units), up 7.5% over 2013.
- China produced about $21 billion machine tools and exported $3.4 billion of machine tools in 2014, up 18.8% over 2013.
- To summarize the above, China ranked No.1 in consumption, No.1 in import, No.1 in production and No.5 in export of machine tool in 2014.

Q7. How has changed in China's macro economy and what is 'New Normal'?
- Since 2010, China's GDP growth has decreased to below 10% and it is generally estimated that the double digits growth is over.
To maintain a more sustainable growth in the long term and help the country with its industrial restructuring, China will keep its GDP growth at a rate between 6% - 7.5%.

So what is new normal? First, it refers to the slower but more sustainable growth rate of China macro economy. Second, it refers to the new model of growth which will shift its focus from investment to consumption, especially domestic consumption.

Because of this policy change, China will have to undergo industrial restructuring and reform.

Below figure shows China's GDP growth path from 2000 to 2014

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Q8. **What is China’s ‘Five-Year-Plan’?**

Following the former USSR’s suit, China has been making economic planning in a five-year cycle since the 1953. The new cycle started 2011 and will end in 2015. In this new cycle (the 12th Five-Year Plan), China government will give priorities to the following industries in terms of policy and investment:

- New energy
- Energy conservation and environmental protection
- Biotechnology
- New Materials
- New IT
- High-end equipment manufacturing
- Clean energy vehicles

The below link contains a detailed introduction by KPMG to China's 12th Five-Year-Plan:
Q9. Which are the fast growing industries requiring machine tools in China in the next few years?

China is similar to the US in that both have a huge domestic market. Below is a glimpse of China’s fast growing industries which use machine tools:

- **Automotives and components:** The CAGR for China's auto market is projected at 6 - 8 % every year on average through 2020. Automobile production and sales reached 23.72 million units (up 7.26%) and 23.49 million units (up 6.86%) respectively in 2014. Again, China becomes world’s No.1 largest automotive market in 2014. China’s auto engine production and sales in 2014 were 21.08 million units (up 3.31%) and 21.17 million units (up 4.54%) respectively. In 2014, China also exported 947,300 units of automobiles (down 0.08%) and 3,662,200 units of auto engines (up 1.56%) in 2014.

- **Aerospace:** Focuses were given to developing and manufacturing of manned space shuttles, moon exploring program, high resolution EOS, GPS, new generation of heavy-duty rockets. China has announced to launch at least 100 satellites, spacecraft, or probes in the next five years.

- **Aircraft:** China Civil Aviation Bureau has indicated that the demands for passenger air traffic and cargo air traffic will grow at a steady rate of 8.4% and 10.5% respectively till 2025. China plans to add 2800+ large jets, 990+ regional aircrafts, and 2700+ civil helicopters in about 20 years. China’s ambitious aircraft-making plan consists of two parts:
  a. Complete aircrafts manufacturing of regional turbo-props, regional jets, large jet, civil helicopters, others prop planes. Below is an estimate of the market size of China's own regional jets projects:
     - ARJ21 (launched in 2002): $800 million (300 orders)
     - C919 (launched in 2008): $10 billion (517 orders)
     - New engine project (for commercial aircrafts): $16 billion
  b. Subcontract manufacturing for western companies: such as Airbus, Boeing, Bombardier, EADS(SOCATA), Spirit Aero systems, Vought, etc.

- **Railway and rolling stock:** China has the longest high-speed railway network in the world, with more than 10,000 km in operation. By end of 2015, high-speed rail will reach 16,000 km. The total railway length will reach to 120,000 km. The planned investment for “12th 5-year” (2011 – 2015) was $450 billion, but the actual investment is much higher:
  a. 2011: $93.75 billion
b. 2012: $99.2 billion  
c. 2013: $107 billion  
d. 2014: $129 billion  ($23 billion for locomotive and rolling stock equipment purchasing)  
e. 2015e: $140 billion

- Power generation: China has set a target to increase the use of non-fossil energy to 15% of primary energy consumption in 2020, and building nuclear generators of the next generation becomes a priority. China's nuclear power generation projects were suspended after Fukushima accident in 2011, but restarted nuclear plant program late 2013 due to air pollution and electricity self-sufficient requirement. With already 21 reactors in operation, China is constructing 28 new ones and planning 56 more. Total investments is estimated to be $120 billion from 2010-2020.

- Robot and automation: Rising labor costs and industrial upgrading needs bring huge business opportunities for the robotics sector. Since 2013, China became the largest robot market in the world, with one-fifth of the global market share, overtaking Japan and the United States. 56,000 industrial robots were sold in China in 2014, an increase of 54% over 2013. The CAGR is projected at 30% every year on average in next 3 years.

Q10. Who buys imported machine tools in China?

The table below compares the ownership mix of imported machine tool users in China from 2007 to 2013:

<table>
<thead>
<tr>
<th>OWNERSHIP</th>
<th>2007</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>WOFE (Wholly Owned Foreign Enterprise)</td>
<td>49.21%</td>
<td>37.48%</td>
</tr>
<tr>
<td>JV (Joint Venture)</td>
<td>18.93%</td>
<td>21.93%</td>
</tr>
<tr>
<td>SOE (State Owned Enterprise)</td>
<td>22.18%</td>
<td>20.16%</td>
</tr>
<tr>
<td>Private</td>
<td>9.66%</td>
<td>20.43%</td>
</tr>
</tbody>
</table>

Q11. What is the trend in technical requirement for machine tools in China?

Chinese customers are looking for the following features for imported machine tools:

- Precision and super precision
- Higher speed
- Multi-axis
- Multi-task
- Extreme manufacturing (mega or nano)
• Latest technology (e.g. additive manufacturing, die-free pressing, water jet cutting, etc.)
• Turnkey solution
• Flexibility and expandability
• Smart manufacturing systems incorporating industrial robots and mega data application

Q12. What type of imported machine tools are most needed in China?
Automotive, railway, aerospace, nuclear power, aircraft, machine building, defense, die & mould, IT are the biggest user industries of imported machine tools in China today. The most needed machines include but not limited to:
• High productive systems for 5Cs of engines;
• Flexible production lines for cylinder heads and bodies;
• VMCs and HMCs, CNC grinding machines and CNC gear machines for automotive industry
• Heavy duty gantry milling and boring machines for shipyards;
• High speed VMC and 5-axis VMCs and HMCs, CNC jig grinders for aerospace and aircraft making
• High speed gantry milling machines, CMMs, EDMs, CNC milling and boring machines, deep hole drilling machines, CNC grinding machines for die & mould making;
• CNC precision lathes, automatic lathes, small 5-axis VMCs, high speed milling centers, high speed stamping machines for IT industry.

Source: CMTBA

Q13. What kinds of machines that Chinese government encourages to import from abroad?
China Commission of Development and Reform, Ministry of Commerce and The Ministry of Finance made an announcement in 2009 to encourage the Chinese companies to imports necessary technology and machines from abroad. Here is the list of machines mentioned in the announcement which Chinese companies are encouraged to import.

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Description of Machines</th>
</tr>
</thead>
<tbody>
<tr>
<td>845710</td>
<td>Boring and milling center (horizontal, vertical and convertible) Positioning accuracy:≤0.006mm, Repeatability:&lt;0.004mm, Fast travel&gt;40m/min, ≥4axis simultaneous, table≥1250mm</td>
</tr>
<tr>
<td>845710</td>
<td>FMC: 5 axis</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
</tr>
<tr>
<td>----------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>84581100</td>
<td>Turning center: Repeatability higher than 0.004mm, Spindle nose radial runout ≤0.001mm, roundness accuracy higher than 0.001mm</td>
</tr>
<tr>
<td>84601100</td>
<td>CNC surface grinder (forming, gantry, guideway, double ends) Positioning accuracy higher than 0.006mm (full travel) Repeatability accuracy higher than 0.003mm (full travel) Flatness higher than 0.002mm/1000mm, Gantry wider than 3500mm</td>
</tr>
<tr>
<td>84602110</td>
<td>CNC grinder (ID, OD, end, universal, centerless, bearing, tool, special); Positioning accuracy higher than 0.006mm, Repeatability accuracy higher than 0.003mm, Work roundness better than 0.0005mm, wheel linear speed higher than 60m/s, jig grinder with 4/4 axis or 4/7 axis</td>
</tr>
<tr>
<td>84596110</td>
<td>Gantry CNC milling machine; Table width ≥5000mm Repeatability ≤0.006mm/2000mm, 3 axis or more</td>
</tr>
<tr>
<td>84604010</td>
<td>Honing machine</td>
</tr>
<tr>
<td>84712690</td>
<td>Parallel screw extruding forming machine; screw rod width &gt; 100mm</td>
</tr>
<tr>
<td>84619090</td>
<td>CNC crankshaft connecting rod neck machine with double spindle, cutting speed ≥100m/m</td>
</tr>
<tr>
<td>84613000</td>
<td>CNC crankshaft slotting machine with double spindle and double cutter, 3 axis</td>
</tr>
<tr>
<td>84639000</td>
<td>CBC crankshaft deep round corner rolling and straightening machine with rollers ≥ 6, rolling pressure ≥ 30000N</td>
</tr>
<tr>
<td>84629190</td>
<td>CNC additive forming or flow forming machine</td>
</tr>
<tr>
<td>84614010</td>
<td>CNC heavy duty gear hobbing machines (vertical) work diameter &gt; Φ8000mm, m &gt; 30mm; CNC heavy duty gear hobbing machines (horizontal) work diameter &gt; Φ2000mm, m &gt; 30mm</td>
</tr>
<tr>
<td>84602110</td>
<td>CNC heavy duty grinder; work diameter &gt; 1600mm, work roundness ≤ 0.001mm, microfeeding ≤ 0.0001mm</td>
</tr>
<tr>
<td>84629110</td>
<td>Single post, double post or four post universal hydraulic press with pressure force &gt; 4000t</td>
</tr>
<tr>
<td>84690110</td>
<td>CNC wire cutting machine for working thickness &gt; 40mm</td>
</tr>
<tr>
<td>901600</td>
<td>Technology and special equipment for precision motion</td>
</tr>
</tbody>
</table>
Q14. What should I know in selecting or designing the product for China market?
China has a diversified range of processing technologies and requirements. Even the same customer will adopt different process in different stage of its business development. But some general rules apply:

- WOFEs will usually adopt the same process technology as their parent plants.
- SOEs usually stress the technical level of their equipment purchase.
- Private enterprises want flexibility in their capacity.

So, things you need to consider include:

- Proven name/technology (brand awareness)
- More options (to cover wider customer base)
- Extendibility and Flexibility (to win repeated orders)
- Small footprint (space cost reduction)
- Adequate spare parts (to ensure operating life)
- Different power source
- Fitting in container for shipping
- Easy serviceability (i.e. parts and tools are locally available.)
- Weather proof (Air-conditioning is still a luxury in most Chinese workshops.)
- Operator friendly (man-machine engineering, Chinese interface and manual)
- Environment friendly
- Meeting with Chinese compulsory standards if applicable (e.g. CCC)
- Safety

Q15. How can I get intelligence about competition?
The first option you probably would think of is using a third party consulting firm. But compared with consumer goods, machine tools are a product category that most Chinese consulting firms don’t have experiences with. And in China, industry-related statistics are very difficult to collect and update due to lack of publications from authorities. Product-related statistics are even more difficult to collect. So, apart form this option, you may also consider the following:

- Attending industrial shows to collect catalogues of your competitors.
- Visiting customers to hear their comment on different suppliers.
- Participating in tender projects to learn about your rivals’ quotes
- Participating in technical seminars to hear what your competitors are selling
Talking to industry associations/experts/veterans to have their input
Last but not least, asking AMT China staff to help verify the data you collect from other sources.

Q16. How can AMT help build up or improve my China business strategy?

AMT has 2 services to accommodate such needs. One is called ‘China Market Penetration Strategy Development Session” intended for those members who are new to China and want to develop their company’s preliminary sales and marketing strategy for today’s China. The other is called ‘Review Session for Your Existing China Market Penetration Strategy’, which is designed to help you validate and invigorate your existing sales and marketing strategy for today’s China.

This is going to be a face-in-face discussion between AMT staff and your executives/managers responsible for China market. A questionnaire will be filled by you in advance and we will discuss your concerns one-by-one during the meeting. Contact AMT China to schedule the sessions for your company.

Q17. How does it hurt my sales efforts if my customer fails in getting a business visa to the US?

In selling to Chinese customers, having the customer visit your plant or headquarters in the US is one of the things they expect from you. They may want to do this before the purchase to understand better your technology and capacity. They may want to do this during the implementation of the contract to receive training or conduct an acceptance. They may want to do this after the sales are done for further training or future projects. Whichever is the case, visiting you in the US is often one of the key factors whether you can get the deal. But the current business visa application and approval procedure is not very encouraging for Chinese customers. So, if they cannot get the business visa to visit you, you may lose the business to your European competitors, or delay the delivery or payment. Worse, you have an upset customer who will hesitate buying from American suppliers again.

Q18. How can AMT China help with the US business visa issue?

While we cannot change the whole visa system yet, there are 2 things we can do. If your own staff or customer plans to apply for the American business visa, contact us first and we will provide a list of documents they need to prepare and possible questions they need to answer for the visa interview with US Embassy/Consulate. Upon request, we can also meet the applicants in advance to help them understand the procedure and prepare for their application. If your staff or customer has been denied a business visa, contact us and we may be able to find out why the application has been denied and how to prepare better for the next interview. Besides, we provide advice to members’ US headquarters on how to prepare good letters of
invitation to your Chinese staff or customer. And in case of previous visa denial, we provide advice to you on how to advocate for the applicants.

Q19. Why should I participate in AMT’s trade missions?
Among many other AMT events in China, AMT Trade Mission can be an excellent opportunity to gain first hand market information and interact with local customers. The delegation usually accommodates up to 10-12 members. On each day of the travel, participants will be able to visit major manufacturers in key industries. The value of being on this type of trade mission includes:

- Meeting top company executives or top government officials;
- Meeting with key purchasing executives whom you may not be able to meet on a ‘sales call’;
- Seeing a number of customers in a wide span of industries;
- Learning how to deal with customers with different ownerships;
- Sharing business experiences with other members on the mission;
- Receiving pre-visit and post-visit reports from AMT China staff to help prepare your business strategy in China;
- Getting immediate answers from your customers or AMT China staff for many of your questions;
- Having all the logistical meeting arrangement done by AMT

Q20. How do I do product promotions in China?
There are several ways to do product promotion in China:

- Major industrial shows
  Contact China offices and get a list of major machine tool shows for the coming months. The well-known machine tool shows include:
  1. CIMT-China International Machine Tool Show in Beijing, sponsored by China Machine Tool and Tool Builders’ Association
  2. CIMES & CMTF – China International Machinery & Equipment Show & China Machine Tool Fair in Beijing (sponsored by China National Machine Tool Corp.)
  3. China International Die & Mould Show (sponsored by China Die and Mould Association)
  4. SIMM-Shenzhen International Machinery & Moulds Industry Exhibition (sponsored by Shenzhen Machinery Association)
- Technical seminars
  At major industrial shows, e.g. CIMT, there will be technical concurrent seminars. AMT China offices will inform members of the opportunities and assist in liaison
with the organizers. Members can also hold seminars outside show times. AMT China staff can assist in logistical arrangements and audience invitation.

- **Advertisements in industrial magazines**
  For a list of the related magazines, see answers under Question: Which are the main industrial magazines in China”. Detailed contact info of the magazines is available to AMT members upon request. AMT can assist you in selecting and contacting the magazines, proofreading, etc.

- **Direct mailings:**
  AMT can assist in developing the mailing list by using our office database which has over 10,000 useful entries.

- **Customer visits**
  AMT can assist in setting up the meetings and escorting you for the visit based on availability of AMT China staff.

- **URL and websites in China**
  Please contact AMT China staff for recommendation of website registration agency, website designer, or search engines.

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**Q21. What are the benefits of being part of the AMT/USA pavilion at a machine tool show in China?**

AMT does AMT/USA pavilion at 2 major industrial shows in China now, CIMT in Beijing and CCMT in Shanghai. Exhibiting under the AMT/USA pavilion, you will enjoy:

- Good location and maximum exposure
- Uniformed booth logo and banner design
- Visible joint advertisement by AMT
- Listed on the AMT show directory
- Sharing business contacts trade leads received at AMT info booth
- Synergy with other American exhibitors
- Brand awareness of ‘Made in USA’
- Customer and government networking at AMT receptions
- Customer and government networking at show organizers receptions
- On site assistance in translation, logistics, booth set-up, business activities
- Rest and meeting areas with snacks, coffee, printer, fax and computers.

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**Q22. What are the benefits of participating in a good industrial show in China?**

For new comers, a good show is the quickest way to let your potential customers know your brand, technology and product. For others, it is a good way to show your commitment to the market.

In addition to display your technology and equipment, there are other benefits:
• Getting trade leads
• Discovering new customers
• Learning about new technology
• Getting intelligence of competition
• Getting to know potential partners
• Finding potential agents
• Finding potential suppliers
• Finding candidates to hire

Q23. Which are the main industrial magazines in China?

The main machine tool magazines are
• World Manufacturing Engineering & Market (WMEM)
• MT&MT
• CNC Machine Tool Market
• China Metalforming Equipment & Manufacturing Technology
• Forging & Metalforming
• Machinist Metal Cutting
• Tooling Engineering
• Machinery
• China Machinery & Electronics Industry
• The Magazine on Equipment Machinery
• Machine News
• The main magazines for customer industries are
• Aeronautical Manufacturing Technology
• Automobile Industry
• Machinery & Mould
• New Technology & New Process (Ordnance Industry)
• Railway
• Power Generation

For detailed contact info about these magazines and advertisement rates, please contact Xingbin Li, Chief Representative of AMT China at lixingbin@amtchina.org.

Q24. How can I get trade leads?

Trade leads can give you project purchase information as early as possible. We suggest you do the following to secure such information:
• Contact AMT Shanghai Tech Center
• Participate in trade missions organized by AMT
Attend presentations by AMT China staff (e.g. AMT Global Forecasting & Marketing Conference, China breakfast briefing at IMTS, etc.)

Visit tendering companies’ website (e.g. www.chinabidding.com.cn)

Do regular customer visits

Use agents

Attend industrial shows (from visitors)

Work with Chinese trade associations

Cooperate with other non-competing members to share the customer base

Give technical seminars and promotions

Q25. How can I avoid possible scams?

Sometimes, out of no reason you suddenly receive an email or fax from China, stating that a certain customer wants to place an order of your product. The order is usually big enough to arouse your interest and even enthusiasm. But in many cases, these may turn out to be business scams, which are used to lure American companies to remote areas where they have been duped into bringing gifts such as laptop computers, paying for expensive entertainment, travel costs, or even in worst cases, kidnapped and held for ransom! What are the signs for a possible scam? Here are some things to notice:

- The company does not have a decent printed catalogue.
- The company background information or product line information on the company website is too brief or too general to show a real business operation.
- The hyperlinks on the company website lead to nowhere.
- The inquiry does not contain detailed information about user, specifications, applications, except for price and delivery.
- The company places with you a large order without previous contacts.
- What should you do then? You can:
  - Ask for the copy of their business license;
  - Ask for detailed information about user, application, specification
  - Ask for down payment (say, 30% or 50%, or even 100% for small orders)
  - Ask for their full contact information, especially address in details
  - Propose first meeting at AMT offices/US Embassy/US Consulate/Chinese government facilities to verify the deal.
  - And most important, ask AMT China staff for advice and help.

Q26. How can I set up meeting appointments with potential customers?

Because the cultural difference, it can be difficult for new comers to set up meeting appointments with Chinese customers for sales purposes. Often, they may either ignore the request or fail in firming up the schedule for you. The key is that you are new and have no
personal relation with anybody inside the customer’s company. To avoid this deadlock, you can try the following:

- use your American business contacts (esp. for American invested companies) to set up meeting appointment for you with their China operations
- use your agent in China to set up the meeting appointment
- contact AMT Shanghai Tech Center
- contact persons who have visited your show booths, or have requested your catalogues and ask him/her to set up meeting appointment
- ask other non-competing members for their help to set up appointment
- use your government resources (both US and Chinese) to set up meeting appointments

Q27. **Whom should I sell to in the customer’s company?**

If it is the purchase of daily spare parts or tools, the production manager and purchasing engineers are the key people to talk to. They are usually purchasing from other suppliers already, and you need to talk them into using yours. At least they can propose using your products to their superiors.

If it is the purchase of complete machines or systems for a new project, there will always be a project team in the customer’s company. The team will be led by a chief project engineer and a vice-president-level executive. You stress on technology with the former, while your company reputation with the latter.

When you successfully convince the above, your executives need to establish some personal contacts with the top management. You will need this dialogue channel to resolve deadlocks in the final negotiation.

Purchasing departments in many customers’ companies only handle transaction paperwork and don’t always play a critical role in the initial stage. However, their understanding and cooperation will also be important in the implementation of the contract..

Q28. **What are the things affecting Chinese customers’ purchase decisions?**

In addition to the traditional notion of price, quality and delivery Chinese customers today also want to know:

- Is the technology up-to-date?
- How is the process technology differentiating your product?
- Can I try the product or technology before I buy?
- Is the production capacity/function expandable or flexible?
- How reliable is the equipment in performance?
- Is spare part availability good?
- And above all, is local service available timely?
In summary, the customers buy your machine to make their products to satisfy their own customers. When your customer can show to their customer that the manufacturing technology is advanced, the capacity flexible and expandable, the production reliable, the lifetime good, then they can win more orders. Then in turn, you can sell your products.

Q29. What main steps are included in selling to a Chinese customer?

The selling process does not start from the quote, and it does not end when the contract is signed. Customers expect a solution from you rather than a machine. And customers want further support after the sales. For you, as we say, ‘the first machine is sold by the sales person. The second will be coming after the first.’ So, your follow up sales call will not only solve the problems the customer might have for the existing machine but also generate repeated business in the future. Here are a summary of the major steps:

- Get trade leads
- Understanding your customer’s needs
- Making process proposals based on the needs
- Recommending machine functions based on the process suggestion
- Selecting the configuration of the machine based on the functions
- Technical discussion with your customer and make your proposal
- Prepare in advance alternative proposals
- Question and answers to solve any concerns from your customer
- Quote the price or participate the bidding
- Negotiations and be patient
- Communication at executive levels to finalize the deal in oral
- Sign the contract
- More bargains and amend the contract if necessary
- Execution of the contract
- Acceptance of the machine by the customer
- Get the first payment
- Warranty
- Final acceptance by the customer
- Get the final payment
- Post-sales services
- Feedbacks from your customer
- Identify things to improve
- Learn new opportunities from the customer

Q30. Do Chinese customers expect price discounts?
Yes. Chinese customers expect price discounts. And they will squeeze you in every round of negotiation. So, structure your price well in advance and allow some room for negotiation. And the final discount is usually given when talking to the big boss in the customer company. In the case of bidding projects, the customer may want to add on or take out part of the machine system. So, it is wise to prepare a price breakdown in advance.

**Q31. What is the most important strategy in negotiating with the customer?**

The most important rule is to give the right offer to the right person in the right time. The right offer means you need to structure the price in a way which can suit different requirements from the customer. The right person means that you need to identify the real decision maker and convince him/her your technology as well as your commitment. The right time means that you give the discount only when it is necessary. Too early, your competitors will know your hands and react accordingly. Too late, your competitors may already win the customer with a better price.

**Q32. What may be the potential barriers for American products?**

While US made machine tools and other products have a lot of advantages and enjoyed good reputations in general among Chinese customers, there are also some areas which you need to pay special attention:

- **Product design;**
  Chinese customers prefer more flexibility in production capacity and are price sensitive often. They are looking for pragmatically good functions but stress very much on reliability. The customers have diversified demands for performance and automation in China. The more flexible you offer can be (e.g. from basic to sophisticated), the more competitive you are in this market.

- **Localization**
  China uses metric system and the power voltage is 380V/50Hz in plants. And in general Chinese people are not as tall as Americans and most floor workers don’t read English. Besides, workshops in China are not always clean and air-conditioned with probably high humidity or drastic temperature change between seasons. You need to take these into consideration in product design. The customer feels much more comfortable if you have a local presence which they can regularly contact without language barriers or time difference. Local service presence is even more important than price sometimes in winning contracts.

- **Price**
  Customers would accept 15%-30% higher prices for good imported machines as compared to China made ones. But if the price is too high, unless you have little
competition or enough technological advantages, the chances of winning contracts will definitely be lower.

- **Payment**
  For machine purchase, the usual payment structure is as below:
  - 10-15% as down payment,
  - 80-75% against shipment by L/C,
  - 10% after acceptance

  (At the same time, you need to provide another 10% in the form of performance bond for warranty service guarantee. This performance bond will expire after the warranty.)

  Sometimes, you can negotiate with the customer to increase the down payment percentage. But the 10% last installment and the 10% performance bond would be usually insisted on by the customer.

- **Business Visa to visit US**
  The potential customer may want to visit your US plant to help them decide before buying. The customer will also want to visit your US plant to accept the completed machine. But getting business visa from US embassy/consulate in China can be challenging. For guidance, please visit “China to US Visa Services” on the AMT website in the US: www.amtonline.org or talk to AMT China staff in Beijing, Shanghai and Guang Zhou.

- **Export license**
  Some machines need an export license when you are selling to Chinese customers, e.g. 5-axis CNC machines. You need to know who the customer is and for what purpose they will be using your machine. Contact AMT in McLean VA or visit www.AMTonline.org for more guidance.

- **Communication**
  Language is not the only barrier in communication with your customer in China. Different buying pattern, different decision making procedure, different culture background and different ownership all make it more challenging than doing business at home. Patience and persistence are needed. Use AMT China offices for assistance and advice.

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**Q33. How can I build up a list of potential customers?**

Building up your potential customer database can be done in the following ways:

- First, look for the foreign invested manufacturing operations in China, especially those ones who are already your customer outside China.
- These foreign investments are always located in an industrial zone or park. Talk to the zone administration organization and they will give you the list.
• Second, industry-specific databases/directories can be bought in China. For example you can find directories for automobile & auto components, for machine tool builders, for PCB makers, etc. But you have to look for directories from legitimate organizations and make sure you buy the latest version. AMT China staff can help verify.
• Third, visit various industry shows in China and get a directory from the show organizer for a particular industry.
• Fourth, ask your agent/distributor or your own local employees to build up the customer database.
• Fifth, talk to other members whose product line are supplementary to yours and share the customer base.
• Last but not least, contact AMT Shanghai Tech Center

Q34. Should I use direct selling or selling through agent?
Using agent is the fastest way to start your sales when you are new on the market. But as time elapses, the agent may lose their momentum in developing new customers for you. Or, there may be problems such as quoting different prices for the same customer, several agents fighting for one customer, and worse the agent being so strong that they want to manipulate your business decisions. Besides, most agents don’t have dedicated service engineers for your products. So, when the market is established, you should have your own sales and service team to unify the market and provide uniformed services to the customer. Some members have their own sales as well as using agents. In this case, your sales persons will also play the role of coordinator sometimes.

Q35. What can an agent typically do for me?
The most important function of a good agent would be getting trade leads and customer information. Then, in most cases, they are also able to help you set up the initial meetings or visits with the potential customer. Then, during the negotiation, they may also help you find out inside intelligence, like quotes from your competitors, budget of purchase, concerns from the customer. In case that negotiation deadlocks occur, they can be good messengers or middleman. But they are not in a position to give technical presentations to the customers alone. Nor can they provide complete post-sales services without your help.

Q36. Are machine tool distributors popular in China?
No. While there are distributors for consumer goods or cars, there are very few distributors for machine tools in China. Higher inventory cost, more customized requirements, strong technical support, uncertain sales prospects, sharp competition are some of the reasons. If one company wants to become your distributor, they must:
• Know your product very well and have made successful sales already.
• Know the market well and be confident about future orders
• Know the supplier well and have built up mutual trust.
• Have strong financial background and enough space to store the machines (usually in a bonded warehouse)

Q37. How many agents/distributors should I have in China?
If your product line is not for the niche market, you may need 2-4 agents in China for different industrial/geographical regions, namely
• Northeast (e.g. Chang Chun, Harbin, Shenyang) & Bo Hai Gulf (e.g. Beijing, Tianjin, Dalian),
• Yangtze Delta (e.g. Shanghai, Suzhou, Wuxi, Changzhou, Nanjing, Hangzhou, Ningbo, Xiaoshan, Wenzhou
• Pearl River Delta (e.g. Guangzhou, Shenzhen, Dongguan)
• Southwest & Middle west
If your customers scatter in several different industries, then you probably need to find 2-3 agents for different industrial sectors.
Exclusive agent for the whole country is not recommended unless you are selling a very niche product and competition is minor.
It is advisable that you sign a 1-year agent agreement first to see how it works out. If the relationship goes well, you may sign a longer contract then.

Q38. How can I find candidates of agents/distributors?
There are several ways to find candidates of agents/distributors:
• ask AMT Shanghai Tech Center for a list of agents/distributors which Astaff update from time to time;
• discover and interview candidates at industrial shows
• sharing with other members
• through your joint venture / alliance partner
• recommended by your customer

Q39. How do I evaluate the capability of a potential agent?
We suggest the following ways to evaluate the capability of a potential agent:
• Ask them to present a market research report (industry-specific or product-specific)
• Ask about their technical background (No. of engineers, experiences in the industry)
• Ask about their customer base (regional coverage, industry coverage, sales volume)
• Resources (sales persons, service engineers, total number of staff, locations, warehouse)
English competence (speaking and writing; commercial and technical)
Other suppliers represented or being represented (American and non-American)

Q40. What are the due diligences if I’m going to license manufacturing in China?
The licensing usually involves two things: your brand and your technology (basically drawings). Therefore, the precaution measures to protect your brand and core technology include the following aspects.

1) Register your brand, name, patent in China to prevent IPR infringement or disputes over title.
2) Avoid using the word “Technology Transfer” when you have NO intention to sell your technology to your licensing partners.
3) Provide an incomplete list of names of your key parts suppliers and if necessary, take responsibility at your U.S. Company to purchase key parts for your WOFE or JV operations in China.
4) Sign Technology Confidentiality Agreements with the employees of your operations in China and those of your Chinese partners.
5) State clearly the authorized content and validity period in any requested letter of authorization.
6) Have your own staff do on-site inspection to retain those core technology/subassembly/components which the licensee should buy from you in their production.
7) Restrict your partners to sell within China only unless you agree otherwise.

Regarding the revenue, you shall consist of three parts:
1) Initial license fee for your brand or technology (to be paid in one lump sum)
2) Royalty from each machine sold by your partner
3) selling key subassembly/components to your partner

The last but not the least, the payment terms in the leasing contact shall be affirmed and approved in advance by the State Administration of Foreign Exchange (SAFE) and local Commission of Commerce.

Q41. What is the standard bidding procedure for machine tools in China?
Currently many local companies purchase machines using the international bidding system. So understanding the procedure of bidding would be helpful to win orders.

- Pre-Notice of a tender project (website, publication)-e.g. www.chinabidding.com.cn
- Official Tender Notice (website, publication) -e.g. www.chinabidding.com.cn
- Bidders purchase tendering documents
- Bidders make bidding documents in accordance with the requirements stipulated in the Tender Notice
• Bidders participating in the Pre-Bidding Meeting
• Submit bidding documents (w. 2% Bid Security)
• Formal opening of bids
• Selection of 1-3 final bidders
• Expert committee will ask final bidders questions and evaluate the bids again
• Notification of Award announced to the public (website/publication) for 1 – 2 weeks (You should file in your complaint during that period if any.)
• Signing of Contract
• Bidding service charge (1.5%) paid to Tendering Agent.
• Complete export and import formalities

Q42. What else should I know about bidding in China?
You also need to do the following due diligence to be better prepared for the bidding process:
• To get trade leads as early as possible
• Make early technical communications with buyers
• Pay attention to the buyers’ exact requirements
• Don’t miss the dates for document submission, meeting, and announcing.
• Prepare well for meetings with expert committee and buyers during the bidding process
• Work with your Chinese agent (if any) to fill the bidding document
• Appoint a local partner for service
• Be prepared for several trips to China (often with short notice)

Q43. What is the definition of International Competitive Bid (ICB) vs. Invitation for Bid (IFB) in international commercial terms?
The difference between ICB and IFB is that ICB is for all qualified suppliers, while IFB invites only a limited number of suppliers selected (normally by the end user) for bidding a project.

Q44. What is the bid security for?
According to Chinese Bidding Regulation, the Bidder shall furnish, as part of its bid, a bid security in the amount of 1.5% - 2% of total contract value. This is treated as a condition of qualification of the Bidder.
The bid security shall be denominated in the currency of the bid or in another currency acceptable to the Tendering Agent, and shall be in one of the following forms:
A bank guarantee or an irrevocable letter of credit issued by a reputable bank located in PRC or abroad, in the form provided in the bidding documents or another form acceptable to the Tendering Agent and valid for thirty (30) days beyond the validity of the bid; or
A cashier’s check, certified check, cash, or other forms stipulated in the Bid Data Sheet. Unsuccessful bidders’ bid security will be discharged or returned in its original amount as promptly as possible but not later than thirty (30) days after the expiration of the period of bid validity.

Q45. **What is an import agent?**
In China, import and export business used to be controlled by the government owned companies. No individual or private business was allowed to do import directly with foreign companies. So, there are a lot of states owned trading companies in the country who engage themselves in nothing but handling import formalities. These companies are different from your agents as they usually don’t know the users directly. Though they have experience dealing with customs houses, forwarders or inspection bureaus, they can NOT help with your marketing and sales. Their services are provided after you have made the sale and want to bring the products into China. An import agent can convert RMB into USD for your sales too.

Q46. **How much commission should I pay my agent?**
The commission rate can vary from company to company, contract to contract and product to product. What you adopt in other international markets will apply in China as well. Depending on how much work the agent does for the sales, you can use the following ways to calculate the commission:

- Different rates for different sales volumes (2%-15%)
- Fixed rate for all sales
- Different rate for every contract
- 0.5%-1.5% to the import agent

Q47. **Are there local companies doing equipment leasing?**
Equipment leasing in China used to be limited to construction machineries only. The leasing companies are all owned by banks or other financial groups. Today, these leasing companies are trying to develop into other manufacturing business as well. Usually, they prefer leasing to a local customer so that they have a better control over the asset. Contact AMT China offices for a list of the companies who are in the capital equipment leasing business and we can help with the initial communications.

Q48. **Should I quote FOB or CIF?**
In theory, you can quote either FOB (Free on Board) or CIF (Cost, Insurance & Freight). In practice, your buyer will prefer CIF quote in most cases. When you prepare the CIF quote, please make sure that you use a forwarder who has representation in the city where your customer is located.
Q49. Who pays the tariff and VAT for import?

The tariff and VAT (Value Added Tax) are always to be borne by the buyer. So, in most cases, when you quote to your customer, you don’t need to include tariff and VAT in your quotation. However, if you are selling small tools or spare parts, and the customer wants you to deliver to their factory directly, you should include the tariff, VAT and customs clearance fee into the quote. In this case, make sure you receive the full payment before your clear the customs formalities and ship the goods to your customer.

Q50. What are the import duty/tariffs and VAT for imported machine tools?

China's Import Tariff of Machine tools in 2011

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<tr>
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<th>DESCRIPTION</th>
<th>TARIFF</th>
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<td>Laser Machine</td>
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<tr>
<td>84563090</td>
<td>Other EDM</td>
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<td>Horizontal machining center</td>
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<td>Gantry machining center</td>
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<tr>
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<td>84592900</td>
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<td>84593100</td>
<td>CNC boring-milling machine</td>
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<td>Other boring-milling machine</td>
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<td>Other CNC grinding machine</td>
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<td>Description</td>
<td>Value</td>
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<td>Other grinding machine</td>
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</tr>
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<td>Honing machine</td>
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<tr>
<td>84604020</td>
<td>Lapping machine</td>
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<tr>
<td>84609010</td>
<td>Grinding wheel machine</td>
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<tr>
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<td>Polishing machine</td>
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<td>Other gear cutting, gear grinding or gear finishing machine</td>
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<tr>
<td>84615000</td>
<td>Sawing or cutting-off machine</td>
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<td>CNC straightening machine</td>
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<td>CNC bending, folding or flattening machine</td>
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<td>Other bending, folding or flattening machine</td>
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<td>84623110</td>
<td>CNC shearing lengthwise machine</td>
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<td>CNC shearing transverse machine</td>
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<td>Other CNC shearing machine (excluding combined punching and shearing machine)</td>
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<td>Other shearing lengthwise machine</td>
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<td>Other shearing transverse machine</td>
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<td>84624119</td>
<td>Other CNC punching machine</td>
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<tr>
<td>84624190</td>
<td>Other CNC notching machine (including combined punching &amp; shearing machine)</td>
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<td>84624900</td>
<td>Other punching, or notching machine (including combined punching &amp; shearing machine)</td>
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<tr>
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</tr>
<tr>
<td>84629990</td>
<td>Other press</td>
<td>10%</td>
</tr>
</tbody>
</table>
VAT
17%: - for all imported machines

Calculation:
Total = CIF x (1+tarrif) x (1+17%)+ Misc. Fees

Misc. Fees may include:
- Warehouse: 2000-4000RMB FCL(full container length)
- Port Handling fee: 1000RMB FCL
- Documentation fee: 300-500RMB
- Inspection fee: 0.2% of CIF price
- Open box inspection (random): 300RMB
- Declaration service: 300-500RMB

Source: China’s Customs Office

Q51. How will I be paid by Chinese customers when they purchase from us?
The payment is usually made by TT (telegraphic transfer) or L/C (letter of credit). TT is usually for smaller amount (e.g. spare parts or tools) import, while L/C for bigger amount (e.g. machine tool) import.

In the case of TT, you need to ask for 100% pre-payment before the shipment. In the case of L/C, the customer always proposes 10-15% down payment, 80-75% with shipment, and 10% after acceptance. The percentage is negotiable.

For machine import, the customer will often demand a performance bond (10% of the contract price) from the supplier.

L/Cs from Chinese customers are usually opened through Bank of China. Bank of China is a state owned bank and you don’t need to ask for confirmation.

**Q52. What type of documentation is needed to ship equipment into China?**

The documentation includes:

- Sales contract
- Acceptance agreement
- 5 copies of Packing list
- User’s manual
- Bill of lading/ Airway bill
- 5 copies of Pro-forma Invoice
- 2 copies of Certificate of quality and quantity
- 2 copies of Certificate of origin
- Other documents as stipulated by L/C

*Source: China National Machine Tool Corporation and CMEC*

**Q53. What is an on-site machine inspection by Entry-Exit Inspection and Quarantine Bureau?**

As machine tool products typically have customized specifications and designs, the China authority (i.e. Entry-Exit Inspection and Quarantine Bureau) sometimes requires mandatory on-site inspections of the shipment to ensure that they meet with general technical, hygiene, environmental and safety standards. In extreme cases, this is also meant to fight business fraud to check if the shipment is the same as on the paperwork.

Among those four inspected items, that of safety and business fraud have detailed standards as shown below while the others have no specific standards at present.

1. Safety
   - Equipment safety requirement: GB 15760-2004. This document can be bought from Changle Road Division of Shanghai Municipal Bureau of Quality and Technical Supervision. (http://english.shzj.gov.cn/).
• Electrical safety requirement: GB 5226.1-2008/IEC60204-1:2005. This document can be bought from Changle Road Division of Shanghai Municipal Bureau of Quality and Technical Supervision. (http://english.shzj.gov.cn/).

2. Business fraud: the key point to be inspected is the accuracy. But such check can be waived under the below three cases.
• Accuracy test is not stipulated in the contract.
• The accuracy test stipulated in the contract has some additional conditions. If the actual conditions cannot meet those stipulated conditions, that accuracy check can be waived.
• The customer requests in writing to waive the accuracy check provided the work pieces meet their standard.

Part III Questions about Business Regulations

Q54. What are the legal forms in China today for foreign investments?
The following are major legal forms with functions in China today.

<table>
<thead>
<tr>
<th>Capital for registration</th>
<th>Tech Center JV</th>
<th>Agreement w. local Partner</th>
<th>Rep Office</th>
<th>Consulting WOFE</th>
<th>Manuf. WOFE</th>
<th>Foreign Invested Commercial Enterprise (FICE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum amount</td>
<td>$200,000</td>
<td>0</td>
<td>0</td>
<td>$200,000</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
</tbody>
</table>

Bonded status


Facility needed

- Showroom space: Subj. to approval. Provided by partner. Bonded status: Yes. For Machine: No. For spare Parts: Yes.

Assembly/Inspection Facility (Sourcing)

- No: Provided by partner. Bonded status: Yes. For Machine: No. For spare Parts: Yes.

Hiring

- Direct hiring: Yes. Bonded status: Yes. For Machine: No. For spare Parts: Yes.

Through HR Agent (FESCO, CIIC)

- Yes (less than 10%): Yes. Bonded status: Yes. For Machine: Yes. For spare Parts: Yes.

Sales

- Able to invoice for machine sales?: No. Bonded status: Yes. For Machine: Yes. For spare Parts: Yes.

- Able to invoice for services: Yes. Bonded status: Yes. For Machine: Yes. For spare Parts: Yes.

Q55. What is the first step in setting up a local presence in China?

In China, foreign companies need to apply to the authority through a Chinese registration agent to establish a presence, whether a representative office, an FICE or a manufacturing company. So, the first step is always to find a good local agent with English correspondence ability and rich experiences in this field. It is also to your benefit that you use a local agent because of their better connection with the local government and rich resources in the region. For example, the following company has been working with AMT and its members for over seven years in Shanghai area to successfully establish local offices or companies. If you are thinking about establishing presence in Shanghai, you may contact the following person for legal advices and detailed information:

Mr. Ming Yang
Managing Director
Shanghai M&L Investment Consulting Co., Ltd.
Room 307, Hui Heng Building,
200 Laohutai Road,
Shanghai 200072
P. R. China
Tel: +86 21 6652 4228
Fax: +86 21 6652 5844
Mobile: +86 13301818231
Email 1: yangming@mlconsult.biz
Email 2: eyangming@sh163.net

Q56. What is the necessary procedure for setting up a Representative Office in China?

Procedure consists of the following steps:

- Find a local registration agent and sign the service contract.
- Sign a lease agreement for office space. The office shall be located in buildings which are entitled by government as Foreign Related Business Buildings. There are many such buildings around. Usually, this kind of buildings is better decorated and rental is a bit higher.
• Sign an employment agreement with HR service provider such as FESCO (Foreign Enterprise Service Co.) or CIIC (China International Intellectual Co.) to handle labor contracts, payroll and social insurance matters.
• With the help from the registration agent, go through all the procedures of applying for a Business Registration. This involves documents preparation and application.
• After getting the Business Registration, go through registrations of all relevant government departments, such as, police, tax bureau, statistics, customs, etc..
• Now, you are ready for business. For representative offices, taxes are levied based on the total expenses of the representative office. Total tax is about 10% of total expenses.
• Business Registration is renewed annually. Every three years, local government sponsorship has to be renewed too.
• Different areas in China might require different documentation, and the local registration agent must tell you exactly what the mandatory ones are.

Documents usually need to be submitted for setting up a Rep Office in China:
• Application Letter: This letter should be signed by the Chairman of the Board or General Manager of the enterprise, which generally includes the following content: Background of the enterprise, situation of business, purpose of establish the Rep. Office, name of the office, site to be located, term of residence (at least three years), personnel to be dispatched (mainly the Chief Representative) and business scope of the office. (Original)
• Certificate for registration of the enterprise issued by competent governmental authorities of the country or region where the enterprise is located. (Copy)
• (Certificate of Incorporation and valid certificate of business registration shall be offered by Hong Kong enterprise.)
• Bank Reference Letter: This letter should be issued by a non-Chinese bank that has business relations with the foreign enterprise with validity of six months. It should reflect the capital faith of the enterprise in business relations with the bank, or a description of the balance of its account (above six digits). This letter should be signed by the senior officer or business manager of the bank. (Original)
• Appointment Letter for the Chief Representative: This appointment should be signed by the Chairman or General Manager of the foreign enterprise and should include such as name, position and term of the appointed person. In case the Chairman acts as the Chief Representative, his letter of appointment should be co-signed by at least two directors, or by the Managing Director of the enterprise which has no Board of Directors. (Original)
• Brief introduction of the foreign enterprise, including situation of business of the enterprise in its own country or local district, and the situation of business activities
conducted with the relevant authorities of China should be included. (Original or Copy)

- Curriculum Vitae of Chief Representative of the Rep. Office: This CV should be full, accurate and true including date of birth, sex, place of birth, nationality, education background and work experience without time interruption. (Original)
- Identification Certificates of the Chief Representative (Copy)
- Foreign citizens bearing valid ordinary passport;
- Chinese citizens bearing certificate issued by the foreign country for permission of permanent residence abroad;
- Compatriots from Hong Kong, Macao and Taiwan bearing valid certificates;
- Chinese citizens bearing ID card for residence of the PRC China;
- 6 photo pictures (black & white) for the Chief Representative
- If the Chief Representative is local Chinese bearing ID card of China, an employment contract between the foreign enterprise and a foreign service company (like FESCO or CIIC) should be submitted.
- Lease Agreement for the site of the Rep. Office to be established(Copy)
- Certificate concerning foreign affairs for the business site: The business site shall possess the right approved by Municipal Public Security Bureau concerning foreign affairs. (Copy)
- Other application materials deemed necessary by the authorities of examination and approval
- If the above-mentioned documents and materials are submitted in a foreign language, Chinese translations should be attached. All the materials must print on A4 letterhead paper of the enterprise..

Q57. Can I open a Representative Office first then change it into a manufacturing company?

Legally, the answer would be yes. However, we do NOT recommend you doing so. The reason is that such a process is so time consuming that investors would rather close the original representative office and open up a brand new company separately.
Better, to avoid this awkwardness, it’s highly recommended that you think over your China market strategy thoroughly in the first place. For example, if you want to have manufacturing operations in China in the 3 to 5 years, you may just want to set up a manufacturing company at the very beginning.
If you find it difficult to decide future plans right away, you can join in AMT Shanghai Technology & Service Center as a participating member first. After you gain local market experience, you can set your China market strategy and then choose the right entity form to register.
**Q58. What documents are needed in order to set up a JV/WOFE in China?**

The different cities might require different documents from investors to set up a Joint Venture (JV) / wholly owned Foreign Enterprises (WOFE) in China. Here we take Shanghai Waigaoqiao Free Trade Zone (WGQ FTZ) as an example. The documents required from the Investor are as follows.

<table>
<thead>
<tr>
<th>Document</th>
<th>Copies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of Entrustment</td>
<td>3</td>
</tr>
<tr>
<td>Lease Contract for registered business premises (Office space: no less than 20 sq meters. Lease term: no less than one year)</td>
<td>2</td>
</tr>
<tr>
<td>Lawful business certificate of the investor (valid duplicate) For Hong Kong and Macao areas, Certificate of Incorporation and Business Registration Certificate should be submitted. If they are in foreign language, they should be translated by designated translation companies.</td>
<td>3</td>
</tr>
<tr>
<td>Identification card (or passport) of legal representative of the investor</td>
<td>3</td>
</tr>
<tr>
<td>Investor’s Bank Reference (To be written on bank’s official letter paper, signed by bank’s responsible person whose name and position should be typed in block letters)</td>
<td>3</td>
</tr>
<tr>
<td>Confirmation Letter on Chinese name of the new company (One name for first choice, two more names for standby use)</td>
<td>1</td>
</tr>
<tr>
<td>Letter of acknowledgement (signed by legal representative of investor)</td>
<td>2</td>
</tr>
<tr>
<td>Identification card (or passport) of legal representative of the new company</td>
<td>3</td>
</tr>
<tr>
<td>Confirmation of ID card (or passport) of legal representative of the new company issued by lawyer or public notary to verify that contents in the copy of ID card (or passport) of legal representative of the new company is the same as those of the original one.</td>
<td>1</td>
</tr>
<tr>
<td>Photos of legal representative of the new company (2 inch size without hat)</td>
<td>5</td>
</tr>
<tr>
<td>Articles of Association of the new company (Signed by legal person of the investor)</td>
<td>5</td>
</tr>
<tr>
<td>Letter of Appointment of members of BOD of the new company-Signed by legal person of the investor</td>
<td>3</td>
</tr>
<tr>
<td>Identification cards (or passport) of members of BOD and high management officials of the new company. If they are domestic residents, it should be endorsed by the unit who appointed them</td>
<td>1 copy each</td>
</tr>
<tr>
<td>Personal resumes of legal representative and members of BOD of</td>
<td>1 copy each</td>
</tr>
</tbody>
</table>
the new company (Name, present address, telephone, final education, main work experience and positions. In term of time sequence they should be continuous.)

<table>
<thead>
<tr>
<th>Document Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of Authorization to authorize people sign documents (Signed by the legal representative of the investor)</td>
<td>3 originals</td>
</tr>
<tr>
<td>Application forms for approval of company name, establishment of enterprise and its registration</td>
<td>2 sets</td>
</tr>
<tr>
<td>To be provided by consulting company and signed by the Investor Brief introduction of the investor company (Indicating date of establishment, scope of business, number of employees and information of trade with China)</td>
<td>1 copy</td>
</tr>
</tbody>
</table>

Q59. **What is the main function for a Foreign Invested Commercial Enterprise (FICE)?**

FICE is basically a trading company which can not only buy and sell its own products and services, but also work as an agent or distributor for other company’s products and services in China. In contrast, other forms of company (e.g. WOFE) can only deal with its own products and services.

Q60. **What are the main points and changes for Foreign-funded Corporate Tax Law?**

Effective from 1st January 2008, foreign-funded enterprises will have the 25% corporate income tax rate, which is the same as that of domestic companies. However, preferential policies will still be provided to high technology, environment protection, energy saving and production safety firms.

Besides, on October 18, 2010, the State Council issued the Circular of the State Council on Extending the Urban Maintenance and Construction Tax and Education Surcharges to Foreign Enterprises and Nationals (Guofa [2010] No. 35, hereinafter referred to as the Circular), and decided to levy the urban maintenance construction tax and education surcharges on foreign-invested enterprises, foreign enterprises and foreign individuals (hereinafter referred to as "foreign-funded enterprises") from December 1, 2010.

Q61. **What should I know about China’s Union Law?**

China has a Union Law which encourages the establishment of union organizations in all enterprises including foreign invested ones. For WOFEs, one of the application documents (i.e. Articles of Association) must mention that you will allow the establishment of union in the company to be set up in China. While it is encouraged, it is not yet compulsory.

Once the union is established within the WOFE, it has the right to get 2% of the total payroll as its operational expenses as well as some office space. The union representatives should be involved for any decisions affecting workers’ benefits. The union may also sign on behalf of
the workers a Collective Labor Contract with the employers to stipulate basic job security or benefit, e.g. the minimum wage.

**Q62. What are the incentives offered to companies in China if they export?**

The major incentive offered to companies in China if they export is that the companies can enjoy export commodity tax refund policy. The current VAT refund rate is 17% for machine tools and CNC system, 9%-15% for tools and components.

**Q63. Can we build and sell equipment without registering a company in China?**

You can promote your US-made products in China without registering a company. But you cannot receive payments in RMB (Chinese currency). Nor can you invoice your customer in RMB directly. You cannot build and then sell your products without registering a company in China.

**Q64. How do I remit profits/dividends of my investment in China back to the U.S.? Are there any restrictions to do so?**

The profits can be transferred back to the US from China only when the WOFE (wholly owned foreign enterprise) makes profits. It means that the WOFE has to recover prior year losses before they can repatriate cash. The practical procedure is that WOFE submits application to the local tax bureau with audit report, shareholder profit allocation proposal made by Board of Directors and other documents needed. After paying shareholder income tax, then local tax bureau will issue a certificate to the WOFE (foreign shareholder can ask for deduction in the home country with this certificate). With this certificate and other documents, such as balance sheet, cash flow sheet and other required documents, WOFE can ask the bank to arrange wire transferring profits back to the US.

**The Document Requirements:**

According to the 1998 SAFE (the State Administration of Foreign Exchange) Notice, the designated forex bank must be provided with the following materials by all foreign investors in WOFEs/JVs before giving its approval to remit annual profits or dividends abroad:

a) tax payment certificate and tax declaration form (those enterprises enjoying reduced tax treatment or tax exemption should provide the documents issued by the local tax administration departments evidencing this);

b) an auditor's report issued by an accountancy firm relating to the annual profit or dividend for the current year;

c) a board resolution of the FIE in relation to the Dividend;

d) the foreign exchange registration certificate of the FIE;

e) the capital verification report in relation to the FIE issued by an accountancy firm; and
f) other materials required to be produced by SAFE.

### Q65. What is CCC Mark? Does it affect US Machine Tool Company?

CCC mark stands for the China Compulsory Certification, a new safety license system introduced by the government of China. China's CCC regulation consists of 2 parts: the general regulations and the list of products subject to CCC certification. The first general regulations governing CCC certification were issued on Dec.3rd 2001 and the new regulations (AQSIQ's No.117 document) were issued on May 26th 2009. The latter became effective on Sept.1st 2009 replacing the former one. The general regulations just lay out the rules of the game but the list decides whether a specific product needs to be CCC certified. For providers of manufacturing equipment (except for certain welding products), the CCC mark is NOT a requirement yet in China. Machine tools are not on the list. For producers in our industry of items like motors and electrical devices, the CCC mark may apply. Here is a procedure to follow to be sure of the CCC status of anything you want to send to China.

**Step 1:**
Find out the Harmonized System (HS) code for all your products (both complete machines and components/spare parts) which will be exported to China. You can contact your forwarder, US customs, DOC or AMT China for help with the HS code matching.

**Step 2:**
Ask Sean Jiang to send you the CCC HS list, which he will be glad to do. (jiangfeng@AMTChina.org)

**Step 3:**
Compare the export product HS code against the CCC HS list.

- **Option 1:** If the HS code of your product is not on the CCC product HS list, then you need to do nothing regarding CCC certification when exporting to China.

- **Option 2:** If your product's HS code is on the CCC list and you are exporting in large quantities, then you need to apply and obtain the CCC certification before exporting to China. The application should be done through a CCC certification agent in China for you. You can contact AMT China for such contact information.

- **Option 3:** If your product's HS code is on the CCC list but you need to export just several for machine repair/maintenance, then you can apply for an exemption of the CCC certification. You need to use a local declaration agent to get it done in the destination city. You can find such an agent either through your forwarder or AMT China.

**Step 4:**
If you purchase products from other vendors to complete your own products for exporting to China and these purchased products are on the CCC HS list, try to buy from those who have CCC certifications if possible to avoid future risks. (In the extreme case that you are shipping
a lot of cables/switches/lights/motors to China, then your company should apply either for the CCC mark yourselves, or buy from CCC certified vendors.)

*Note:* In practice, you should be more careful naming the things you ship to China. In most cases, cables/switches/lights are in reality constituents of an assembly. In that case, you should use the name of the assembly on your shipping document, rather than just listing cables/switches/lights, etc.

<table>
<thead>
<tr>
<th>Q66. What kind of certificate is required for packaging materials of the machine that exported to China?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective on January 1st 2006 if the machine that will be exported to China packed with wood materials, especially for coniferous wood package materials, then the package must be treated with fumigation and the package must bear IPPC marks (International Plant Protection Convention). For non-coniferous wood or non-wood material, the Non-Coniferous Wood Packing Declaration of Non-Wood Packing Declaration issued by your company is required.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q67. What voltage and frequency does China use?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single phase, 220v 50Hz for homes; three phases, 380v; 50 Hz for industries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q68. What measuring system does China adopt?</th>
</tr>
</thead>
<tbody>
<tr>
<td>China uses metric system, rather than inch system for engineering</td>
</tr>
</tbody>
</table>

**Part IV Questions about After Sales Services**

<table>
<thead>
<tr>
<th>Q69. What can AMT China do for members (field service and courtesy visits)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are service engineers working at AMT Shanghai Technology and Service Center (STC) as AMT’s employees, both mechanical engineer and electrical engineer. Their main task is to help member companies, especially those who have no service capability in China. They can offer after sales service, installation, commissioning and courtesy visits based on availability. Members can contract STC’s service engineers for any of the above mentioned services on a fee basis. For more details, please refer to STC’s Participant’s Manual.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q70. What is the cost associated with this service?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost for field service, including installation and commissioning is $320/day, while a courtesy visit to your customer is $200/day, plus travel expenses, including air tickets, meals, hotel and ground transportation. AMT STC will invoice the member for this service. For more details, please refer to STC’s Participant’s Manual.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q71. Can AMT provide service in other countries around China such as Japan, Korean?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, we cannot offer this service at this moment.</td>
</tr>
</tbody>
</table>
Part V  Questions about Outsourcing

Q72. What can AMT China do for members regarding outsourcing service?
AMT China can recommend qualified Chinese vendors (who have experience in working with US companies before, understanding the US spec and standards, having related manufacturing capacity) to AMT members who want to outsource parts in China. AMT China can help both member and Chinese vendor understand each other on materials, technical requirements, instruction and others, to get quotation, to escort AMT members to visit the vendors at request based on availability.
However, AMT China does not make new drawings, place contracts, qualify the parts or take payment responsibility. But STC will try to coordinate all these activities for its participants. Please refer to STC’s Participant’s Manual for details and guidance.

Q73. What does AMT need from members in order to accomplish a member’s request on outsourcing?
In order to help a member company accomplish outsourcing in China, AMT China needs information about materials, technical requirements (like heat treatment, hardness and etc.) typical part drawings, quantities and other manufacturing information from members. Please refer to STC’s Participant’s Manual for details and guidance.

Q74. What are the costs and/or timing associated with this service?
As a member of STC, this service is free of charge. But if the member asks AMT China staff to escort them to visit potential vendors, then the member needs to pay the travel expenses, including air tickets, ground transportation and hotel accommodations.

Part VI Questions about HR

Q75. What can AMT China do for members?
For those members who sign up participate agreement with AMT STC, AMT can help them find qualified candidates through our existing HR database and hire employee through STC so that members do not need to go through complicated formalities for setting up their own Rep Office. STC can pay social insurance, including pension insurance, health insurance, unemployment insurance and housing funds, for member’s employee on behalf of Member Company. STC can also pay salary and operational expenses for member’s employee on behalf of Member Company. Please refer to STC’s Participant’s Manual for details and guidance.
Q76. What does AMT China need from members in order to hire local employees on behalf of members?

AMT China can help those members only who sign up participant agreement with AMT STC for hiring local employees. In order to do so, AMT STC need members to sign an ERA (Employment Representation Agreement) with STC and to provide with job description, qualification requirement and compensation package confirmation. Please refer to STC’s Participant’s Manual for details and guidance.

Q77. What is the process and cost for hiring a local employee for STC members through STC?

You need to be aware of the following process and cost:

- **Job description**
  - a) The Member Company who asks for this service must send a written request to STC by either email or fax.
  - b) The Member should provide STC with job description and qualification requirements for their open positions.

- **Job questionnaire**
  The Member should fill in the HR searching questionnaire sheet that STC sends to them after receiving the job description.

- **Resumes and STC interview report of each candidate will be sent to Members**
  - a) STC goes through Candidate Search Process.
  - b) HR Manager of STC will screen out up to five qualified candidates within one to three months. And STC will offer the candidate reports (See Appendix 6), with resume, English level, skills, and tech background.

- **The Member interviews candidates**

- **Personality test (MAST), Physical exam and Reference check**
  - a) HR Manager of STC arranges the Personality test (MAST) and Physical exam for selected candidates and forward the result to the Member;
  - b) STC also checks the candidate’s reference and all documents: employee’s ID; College Diploma; Labor register book; Job resign letter (with previous employer signature, call his/her previous boss, …), and offers Reference checking report to the Member.

- **Job offering letter**
  The member discusses salary compensation plan and social insurance package with selected employee and prepares JOB OFFERING LETTER. STC HR searching service costs about US$1,000 per position (after Members received up to five qualified candidates’ resumes per position, or hire the recommended candidate).
Q78. What is the mandatory social insurance? How about their percentage and benchmark for the payment of social insurance?

The mandatory social insurances required by Chinese government include six items: pension insurance, health insurance, unemployment insurance, work injury insurance, maternity insurance and housing funds.

Among the above-mentioned six insurances, work injury insurance and maternity insurance are only borne by employer while the rest are borne by both employer and employee. Please note the payment percentage under each item varies from place to place. Here below is an example of breakdown in Shanghai area for the year of 2011.

<table>
<thead>
<tr>
<th></th>
<th>Pension Insurance</th>
<th>Unemployment Insurance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employer</td>
<td>Individual</td>
<td>Total</td>
</tr>
<tr>
<td>Pension Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>22%</td>
<td>8%</td>
<td>30%</td>
</tr>
<tr>
<td>Health Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>7%</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>Work Injury Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>0.5%</td>
<td>0%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

When calculating the benchmark of the social insurance payment, four numbers need to be known:

1) Average local monthly salary for the last 12 months (ALMS);
2) Upper limit of the benchmark: 3 times of ALMS;
3) Lower limit of the benchmark: 60% of ALMS;
4) Employee’s average monthly salary for the last 12 months.

Again, let’s take Shanghai as an example. The average local monthly salary for the year 2010 in Shanghai area is RMB 3896. Therefore, the upper limit of the benchmark per month for the year 2011 in Shanghai is RMB 11688 while the lower limit is RMB 2338. If the employee’s average monthly salary is lower than RMB2338, the benchmark for his/her social insurance payment should be RMB2338. If the salary is between RMB2338 and RMB11688, the benchmark should be his/her actual salary. If the salary is higher than RMB11688, the benchmark in this case should be RMB11688.

Suppose there’s an employee in Shanghai who earns RMB20,000 per month. His benchmark of the mandatory social insurances payment for the year 2010 is RMB11688. The portion borne by the employer is RMB11688 x (22%+1.7%+7%+12%+0.5%+0.8%)=RMB5143 and the
portion borne by the employee himself is RMB11688 x (8%+1%+7%+2%) = RMB2104.
(Info Source: Ministry of Human Resource & Social Security of P.R.C. and Shanghai FESCO)

Q79. What are the personal income tax rates in China at different levels of income?
   Are the tax rates uniform throughout China or do they differ among provinces?

The progressive tax rates on individual income from wages/salaries are uniform throughout China. (Please refer to the below Table).

The formula for calculating Chinese citizen’s Individual Income Tax from wages/salaries is as follows:

*Individual Income Tax from wage/salaries = Taxable income of the month X Applicable tax rate – Quick calculation deduction.

*Taxable income of the month = Employee’s monthly salary – RMB 3500 – Expenses on personal borne mandatory social insurance.

(Please note RMB 3500 is the allowable deduction for basic living expenses starting from September 2011.)

*Table of Individual Wages/Salaries Income Tax Rate:

<table>
<thead>
<tr>
<th>Taxable income of the month</th>
<th>Rates</th>
<th>Quick calculation deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=RMB1500</td>
<td>3%</td>
<td>0</td>
</tr>
<tr>
<td>RMB1500 – RMB4,500</td>
<td>10%</td>
<td>105</td>
</tr>
<tr>
<td>RMB4,500 – RMB9,000</td>
<td>20%</td>
<td>555</td>
</tr>
<tr>
<td>RMB9,000 – RMB35,000</td>
<td>25%</td>
<td>1005</td>
</tr>
<tr>
<td>RMB35,000 – RMB55,000</td>
<td>30%</td>
<td>2755</td>
</tr>
<tr>
<td>RMB55,000 – RMB80,000</td>
<td>35%</td>
<td>5505</td>
</tr>
<tr>
<td>More than RMB80,000</td>
<td>45%</td>
<td>13505</td>
</tr>
</tbody>
</table>

Let's take the above-mentioned employee who earns RMB 20,000 in Shanghai as an example. Then his income tax from wages/salaries is RMB (20000-3500-2104) X 25% - 1005 = RMB2594.

(Info source: State Administration of Taxation)

Q80. Does China have a standard labor contract for hiring local employees?

Yes, it has. The copy of standard Labor contract is available to AMT members subject to request.

Q81. What are the personal income tax rates for foreigners who are working in China?

Individuals residing in China are subject to individual income tax (IIT). Expatriates who are employed in China are liable for IIT from either the first day they arrive in China or their first official working day. Be aware that the China Tax Bureau may take the arrival date as the trigger point for tax liabilities. They must file a monthly tax return as well as an
additional annual return. Penalties for late filing can be up to five times the amount that was due.

Tax liabilities of foreigners generally depend on the period of time an individual spends in China and the source of income. Individuals who spend less than 90 days in one calendar year in China are exempt from IIT if the employment income is paid by an overseas entity. Residents of countries that have signed a double taxation treaty with China may stay in China for up to 183 days (instead of 90 days) without facing any tax obligations in this case. If an individual is paid by a China entity, any income derived from working in China will be taxable.

Individuals who stay in China for more than 90 (183) days, but less than a year, are subject to personal income tax on their employment income derived from work performed in China – regardless of which entity is paying.

Individuals who reside in China for more than one year, but less than five years, are subject to personal income tax on both China-sourced and foreign-sourced income borne by a China-based entity. Foreign individuals who reside in China for more than five years are taxed on their worldwide income.

A foreign individual who holds the position of legal or chief representative of a China-based entity is automatically liable for paying income tax also on employment income derived from work performed outside China and paid by the China-based entity.

**Employment benefits**

For IIT purposes, taxable income refers to “wages, salaries, bonuses, year-end bonus, profit shares, allowances or subsidies or other income related to job or employment.”

Certain employment benefits for foreign individuals could be specifically treated as not being taxable under the IIT law if certain criteria can be met. These include:

- Employee housing costs (with supporting invoices)
- Reasonable home leave fares of two trips per annum for the employee (with supporting invoices)
- Reasonable employee relocation and moving costs (with supporting invoices)
- Reasonable reimbursement of certain meals, laundry, language training costs and children’s education expenses in the PRC (with supporting invoices)
- Any cash allowance paid to cover expected work-related expenditures (such as an entertaining or travel allowance) will be fully taxable to an employee. IIT may be reduced by reimbursing specific work-related expenses incurred by an employee (which may include entertainment, health or social club fees, local travel, newspapers and journals, telephone costs, etc.) instead of paying an allowance. The expense reimbursement may not be subject to IIT if prescribed administrative procedures are followed.
The progressive tax rates and quick calculation deduction are the same as the one for Chinese citizens.

The calculation of foreigner’s Individual Income Tax from wages/salaries is as follows:

- Individual Income Tax from wage/salaries = Taxable income of the month × Applicable tax rate – Quick calculation deduction.
- Taxable income of the month = foreigner’s monthly salary – RMB 4800 (living expenses for the year of 2011).
- For example, if a foreigner earns RMB 30,000 per month, then his income tax from wages / salaries is RMB (30,000 - 4,800) × 25% - 1005 = RMB5295

(Info source: State Administration of Taxation)

Q82. How to apply for resident permit for expatriates working in foreign invested enterprise and their accompanying family members?

Eligible Applicants:
Expatriates on a Z visa working in China with Foreign Invested Enterprises and their accompanying family members, i.e. spouses, parents, children under 18.

Application Documents
1. Passport with current visa
2. Registration Form of Temporary Residence
3. Visa or Resident Permit Application Form with company seal
4. A recent 2-inch photo with white or light blue background
5. Original Health Certificate from the Chinese Quarantine Office for foreign citizens 18 and over, needed only for first-time application for Resident Permit
6. Currently audited Business License Duplicate of the company
7. Foreign Expert Certificate issued by the State Foreign Expert Bureau, its affiliates, or local Municipal Foreign Affairs Office, or Alien Employment Permit issued by the local Labor & Social Welfare Bureau
8. Passport and Resident Permit of the working expatriate for accompanying family members
9. Marriage certificate for accompanying spouse (all certificates in a language other than English need to be translated into Chinese by a translation agency)
10. Kinship certificate for accompanying children or parents (all certificates in a language other than English need to be translated into Chinese by a translation agency)
11. Incorporation Approval Certificate for the company’s Investors, Legal Representatives, or Senior Executives (including Directors of the Board, General Manager, or Deputy General Manager who are foreign citizens) as well as Technical Personnel (such as Chief Accountant, Chief Economist, Chief Engineer or Project Engineers) who have entered China on an L (tourist) or F (business) visa
12. Notes:

i. Photocopies and originals of the above listed documents are required.

ii. Ventures with foreign investment and representative offices of foreign companies should register with the Foreign Merchant Administration Division of the local Exit-Entry Administration before applying for residence permits.

iii. Those who originally had Chinese citizenship but now have a foreign passport need to cancel their Chinese ID and household registration beforehand.

**Term of Validity**

Resident Permit valid for two years will be issued to Investors or Legal Representatives of the foreign enterprise and their accompanying family members; that a Resident Permit valid for one year will be issued to other expatriates and their accompanying family members.

**Time for Approval**

Approval upon submission of requisite documents will take five working days, not including Saturday or the application is submitted.

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**Q83. Does AMT have information on compensation levels for local staff in China?**

Yes, an annual Salary Survey for local Chinese employees is usually purchased by AMT Beijing Office. Please email your request to info@amtchina.org for updated information.

**Q84. What is new on Chinese Labor Contract Law?**

The New Labor Contract Law emphasizes particularly on protecting employee’s benefits. Main changes are as follows:

- The disciplines and regulations, especially about salary, working hours, vacation, etc. must be mutually agreed upon by employer and all employees.
- The law adds new articles about signing a non-fixed term contract. It is easier for employee to reach such a contract if keeps working for 10 years or the fixed term contract has renewed two times.
- When laying off employees, as a punishment, employer has to pay double compensation.
- The probation period is much shorter than before.

**Q85. How about the probation period according to Chinese Labor Contract Law?**

According to the labor contract law, one year fixed term contract includes one month probation period at maximum; Two years fixed term contract includes two months probation period at maximum; Three years or above fixed term contract includes six months at maximum.

**Q86. What should company do to survive under the Chinese labor contract law?**
Company should be more prudential to hire an employee and constitute more exercisable disciplines and regulations system of company. The most important is to handle employee affairs according to labor contract law. Consult AMT for details.

Part VII Questions about IPR

Q87. What IPR risks should US machine tool manufacturers be aware of when doing business in China?

For machine tool products, the possible infringements may include

- Unauthorized use of your trade mark or brand name, either in English or Chinese, for business benefits;
- Making or selling of counterfeit products in and outside China;
- Unlicensed copy of the design of a machine, a system, a key unit, etc and sell in or outside the country;
- Unlicensed use of your patented technology for business benefits;
- Copyright infringement for industrial or technical publications

Q88. What precaution measures can I take to minimize the risks?

Precaution measures need to be taken as early as possible, which include:

- Consulting with AMT and its China offices for general advices;
- Consulting with your lawyers for legal advices;
- Talk to other US companies to learn from their lessons or experiences;
- Register your brand name, trade mark, patent, URL, logo through local agencies authorized by China authorities;
  ✓ AMT China offices can help put you into contact with these agencies in each area.
  ✓ After registration, you should announce your title of the IPR in public media and your company brochure.
- Signing a non-disclosure agreement with your employee or your partner
  ✓ If your partner is a company, you may want to have their company official stamp in addition to the signature.
  ✓ Include penalty terms in the agreement for IPR infringement.
- Maintaining your core technology within your own company while doing outsourcing or subcontracting;

Q89. How do I register my trademarks in China?

In order to protect your names and trademarks in China, foreign companies need to register their names and trademarks in China. The official Chinese organization for trademark registration is State Administration for Industry & Commerce (SAIC). The necessary
documents, information and procedures for filing trade/service mark applications are as follows.

- The name and address of the applicant, including the name of the executive officer who will sign the Power of Attorney, if the applicant is a juridical person.

- The specified goods to be designated;
  In China, the official fee increases with the number of goods designated in an application. For that reason, you have to designate in an application the goods in terms of a precise number of exact names, but not in any names that could be deemed comprehensive or ambiguous by which no amount of the number of goods/official fee may be determined.

- In order to enjoy Convention Priority, you have to file the application within six (6) months of the filing date of the first application. Further, you have to file the Priority Documents no latter than three (3) months after the China filing date. And at the same time of filing your application in China, you have to indicate the country, serial number and filing date of the first application. Please note that the Priority Documents should be the original documents certified by the Patent Office.

- A Power of Attorney is needed to finalize the application. One form suffices for several applications to be filed simultaneously, and no notarization or legalization is required.

The duration of a trademark right is ten (10) years from the registration date. The owner of a trademark registration may request renewal of the term of his trademark right every ten (10) years. An application for renewal of a trademark registration should be filed during the period. The application will undergo examination not less than six months after the filing date in consideration of the possibility that conflicting applications may be filed claiming Convention Priority during the six-month period. If the Examiner finds no grounds for rejection, the application will be published in a Trademark Gazette to allow the filing of opposition by third parties. If no opposition is filed within 90 days following the publication, the Examiner renders the decision for registration. The above-mentioned procedure usually takes 12 or 15 months.

Contact info:
Andy Yang
Hao Tian Law Office
5A1, 5th Floor, Hanwei Plaza
No. 7 Guanghua Road, Chaoyang District,
Beijing 100004 China
Tel: ( 86-10 ) 6561-2460-199
Fax:( 86-10 ) 6561-2322; 6561-0548
yangy@haotianlawyer.com
Q90. What should I do if there is an IPR infringement concerning my company?

You should:

- Involve your lawyer for legal preparations;
- Collect as much as possible evidence of the infringement (e.g. photos, catalogues, samples, agreement, sales contracts, etc.);
- Locate the guilty part (individual or company);
- Calculate the damage or loss to your company;
- File the written complaint or law suit to the related department as soon as possible.

Q91. Which department should I resort to if I want to file a complaint or law suit?

In China, IPR infringement cases can be handled by two systems: the administrative system or the judicial system:

- **The administrative system:**
  a) The departments you should resort to under the administrative system include:
     - the State Administration for Industry & Commerce (SAIC),
- the Administration for Quality Supervision, Inspection & Quarantine
- the Ministry of Public Security (Police),
- the Customs House,
- the Press and Publication Administration(National Copyright Office)

b) Among these, the most important ones are AIC, AQSIQ and Police, who have regional departments nationwide. And you should contact their regional departments to file your complaints. Then they will transfer the case among themselves to the right organization to handle, or transfer to the judicial system.

- **The judicial system**
  The departments you should resort to under the judicial system include:
  a) The Court
  b) the Procuratorate

**Q92. What is the most difficult thing in fighting against IPR infringement in China?**
The most difficult part in fighting against IPR infringement in China is that local protectionism always hinders investigation. So, try to file the complaint or the law suit in the area other than where the guilty company is located and protected.

**Q93. What kind of punishment would the infringing party receive?**

1. Under the administrative system, the possible punishment would include:
   - Seizing of the goods
   - Destruction of the goods
   - Business license suspended or revoked
   - Fine (up to 300% of value of goods seized/sold; Discretionary fine up to $12,000)
   - Transfer to judicial procedures

2. Under the judicial system, the possible punishment would include:
   - Compensation
     - Actual harm or infringer profits
     - Statutory damages up to RMB500K (US$61,000)
   - Ex-parte seizure of infringer assets
   - Preliminary and permanent injunctions
   - Destruction of fake goods and production equipment
   - Criminal charge and sentence (New criminal thresholds issued on December 22, 2004)
     - US$ 6,100 for individuals
     - US$ 18,000 for enterprises
- Less 40% if case involves 2+ trademarks
- 3-year minimum sentence if 5-times above standards

**Q94. Is there a deadline for filing a complaint or law suit against IPR infringement?**

If you file the complaint with the administrative system, you need to act as soon as possible because prompt evidence collection is the key to your success. If you file the law suit with the judicial system, the deadline is 2 years after the infringement happens.

**Q95. Are there any other organizations that I can contact for advocacy purpose?**

In addition to administrative and judicial options, you can also advocate your case through AMT, US embassy and consulate, American Chamber of Commerce, regional foreign investment association, administration of local industrial parks.

**Part VIII Questions about Travel & Logistic Supports**

**Q96. How should I plan business trips in China?**

To follow the following steps in preparing for your business trip to China

- Apply business visa to China Embassy/Consulates in the US. with a letter of invitation issued by an authorized organization in China. The Chinese government requires all travelers entering the country to have visas and valid passports.
- Make appointments with those companies in China that you want to meet.
- Ask AMT China for information of hotel, flights, trains, taxi, pick-ups, translators, weather, gifts, etc.
- Before planning your trip to China, please avoid planning trips during Spring Festival (Chinese New Year celebrations) as many businesses close for a week both before and after the festival. The Spring Festival celebration varies each year and is usually in late January or February. Other public holidays in China include New Year celebration (January 1-3), Qing Ming Festival (1 day in early April), Labor Day (May 1), Duan Wu Festival (1 day in mid June), Moon Festival (1 day in late September) and National Day (Oct.1-3). In practice, the government will often move the closest weekend around to be combined with the holiday so as to give people more time to travel. You can easily find out by contacting AMT China offices.
- Once a trip is confirmed, expect to make presentations to many different groups at different levels and have your catalogues/presentation translated into Chinese.
- Better have your business cards printed in English on one side and in Mandarin Chinese on the other. The reason to have a Chinese name is that your Chinese customers will remember you without any difficulty. AMT China can help you get a good Chinese name.
Call AMT China staff for any question or problem during your visit

Q97. How can I get a letter of official invitation (LOI) for my Chinese visa application? How to best secure a visa for my employees to visit China?

To apply for a business visa to China, you need to present to the visa officers at Chinese Embassy/Consulates with an official letter of invitation which should contain the following content and be issued by authorized organizations in China only:

- Full name
- Business title
- Company name
- Company address
- Contact numbers
- Birth date
- Sex
- Citizenship
- Passport number
- Purpose of visit
- Estimated date of arrival
- Hong long to stay

The authorized organizations are either government departments/agencies at certain level, or major Chinese state-owned companies. Contact AMT China and we can help verify and get in touch with such organizations.

The best way to secure a business visa for your China employee is to join the AMCHAM Shanghai (American Chamber of Commerce) Corporate Visa Program. You need first to join the AMCHAM Shanghai membership and apply to join the corporate visa program. It ensures faster and higher rate of business visa approval for direct employees hired by American business. Visit http://www.amcham-shanghai.org for details.

AMT China office can also give guidelines as how to prepare for business visa application and interview. As such advices shall be situation specific, we encourage your Chinese staff contact us directly and as early as possible. Remember. Don’t come to us when the visa application has been rejected. Come to us earlier.

Q98. What types of visa do I need to enter China?

The Chinese Consulate is now issuing 10 year multiple entry business and tourist visas to eligible US passport holders pursuant to a reciprocal visa agreement between the U.S. and China. As part of the process, business visa applications require invitation letters from the inviting party in China with an official company seal/chop. Accordingly, please contact the
company you are visiting in China to obtain the required letter. At this time, copies of the invitation letters are accepted.

Non US passport holders are not eligible for 10 year visas. The maximum business visa they are eligible for is a 1 year multiple entry business visa.

Please allow additional time during the application process for requesting invitation letters from the inviting party in China.

**10 Year China visas available**

Starting on November 12, 2014, the United States and China will enact a new reciprocal visa agreement to increase the validity of short-term business and tourist visas and student and exchange visas to each other's citizens.

Most U.S. passport holders eligible for Chinese short term business (M) and tourist (L) visas will be issued multiple-entry visas valid for 10 years. In order to be eligible for 10 year visas, US passport holders must have more than 1 year validity remaining on their passport. US passport holders with 1 year or less remaining on their passport will be issued a China visa with less than 1 year validity. The Chinese Consulate will make the final decision about the length of the visa. Once a 10 year visa has been issued, the validity of the visa does not expire if the holder renews his/her passport. The visa holder can travel carrying the old passport with valid Chinese visa along with the new passport. The cost for the visas will remain the same.

Qualified U.S. students may receive student residency permits valid for up to five years depending on the length of their educational program. There will be no changes to visa processing for non-US passport holders.

As international relations can change quickly without advanced notice, we urge you to take advantage of this new policy and apply for your China visa at your earliest convenience. In addition, if your passport expires in less than one year, we encourage you to consider renewing your passport. USCCC can provide one stop service for your convenience.

Consular Closings:

Please be aware the Chinese Consulate will be closed on May 1 for International Labor Day. There will be no visa processing on those days.

**China Business Visa Requirements (M Visa):**

1. Valid Passport with an expiration date greater than six months from the date of entry and at least two blank pages

2. Completed and Signed Application Form. All application forms must be typed. The Consulate no longer accepts handwritten applications. Please complete the application form electronically. DO NOT use digital signatures to sign the application form. All signatures must be handwritten.

3. One recent passport-style color photo, with full face, front view, no hat, and against a plain white background

5. Fee Schedule

6. An applicant born in China who applies for a China visa with a U.S. passport is required to submit his/her Chinese passport or a copy of an old China visa

**Non-U.S. Passport Holders Must Also Include:**

1. A notarized copy of a permanent resident card (green card) or actual green card or a photocopy of a valid US visa

*Please note that the Chinese Consulate may request additional documentations for Non-US Passport Holders or request an in-person interview.

For more details on the China visa requirements, please download our application package.

**China Tourist Visa Requirements (L Visa):**

1. Valid Passport with an expiration date greater than six months from the date of entry and at least two blank pages.

2. Completed and Signed Application Form. All application forms must be typed. The Consulate no longer accepts handwritten applications. Please complete the application form electronically. DO NOT use digital signatures to sign the application form. All signatures must be handwritten.

3. One recent passport-style color photo, with full face, front view, no hat, and against a plain white background

4. Fee Schedule

5. An applicant born in China who applies for a China visa with a U.S. passport is required to submit his/her Chinese passport or a copy of an old China visa

Please select one of the following to submit:

6. Photocopy of the Hotel Reservation and Round Trip Airline Ticket/Travel Itinerary.

OR

7. An Invitation Letter issued by tourist companies, corporations, institutions and individuals in China. You must include a copy of the inviter's Chinese ID.

**Non-U.S. Passport Holders Must Also Include:**

1. A notarized copy of a permanent resident card (green card) or actual green card or a photocopy of a valid US visa

*Please note that the Chinese Consulate may request additional documentations for Non-US Passport Holders or request an in-person interview.

For more details on the China visa requirements, please download our application package.

1. Valid Passport with an expiration date greater than six months from the date of entry and at least two blank pages.
2. Completed and Signed Application Form. All application forms must be typed. The Consulate no longer accepts handwritten applications. Please complete the application form electronically. DO NOT use digital signatures to sign the application form. All signatures must be handwritten.

3. One recent passport-style color photo, with full face, front view, no hat, and against a plain white background

4. Fee Schedule

5. An applicant born in China who applies for a China visa with a U.S. passport is required to submit his/her Chinese passport or a copy of an old China visa

6. A copy of Alien Employment License from the Bureau of Labor in China

Prior to applying for your Z Visa, you need to apply for the Employment License to the Bureau of Labor through your employer in China. You must receive the Employment License before you apply for a working visa.

7. Authorized Notification Form for Visa Application

When you receive the permit, you will also be issued an "Authorized Notification Form for Visa Application" that indicates you to apply forthwith for a working visa in the US.

8. Physical Examination Certificate for a Foreign Citizen

Most of the time, this will be completed in China when you enter the country.

9. If you are also submitting a visa application for your spouse to live with you in China, you must provide a copy of your marriage certificate in addition to the application requirements listed for all visas above.

10. If you are also submitting visa application(s) for your child(ren), you must provide a copy of birth certificate for each child in addition to the application requirements listed for all visas above. For more details on the China visa requirements, please download our application package.

**Visa Types**

**Business Visa (M Visa)** - An M Visa is issued to an alien who invited to China for business, scientific-technological and cultural exchanges or short-term study for a period of no more than six months.

**Tourist Visa (L Visa)** - An L Visa is issued to an alien who comes to China for sightseeing, visiting family members/friends or other private purposes.

**Working Visa (Z Visa)** - A Z Visa is issued to an alien who comes to China for a post or employment, as well as his/her accompanying family members. Once you obtain a Z visa, you must go to the local authority in China to convert your visa to a permanent visa.

**Student Visa (X Visa)** - A X Visa is issued to those who intend to study in China. X1 visas are issued to those who intend to study in China for a period of more than 180 days. X2 visas are issued to those who intend to study in China for a period of no more than 180 days. Please contact our offices if you require a student visa for the requirements.
Tourist and Business visas can be issued for a 1 year multiple entry visa, 6 months multiple entry visa, 6 months double entry visa, 3 months double entry visa, and 3 months single entry visa. Each entry can have either a duration of 30 days or 90 days per stay.

Q99. If I travel in China, how can AMT help with air or ground transportation?
AMT can help arrange:
- Airport pick up by a taxi
- Ground transportation by a taxi or limo
- Inter-city travels by train, plane or bus

Please remember that AMT only help arrange the transportation. You need to pay for the taxi fare or train/air tickets.

For air travel within China, with the major airline companies are
- Air China (010-66013336)
- China Eastern Airlines (010-64681166)
- China Northern Airlines (010-66569714)
- China Southern Airlines (010-66569142)

Q100. What hotel do you recommend to me?
AMT China has a list of hotels with which we have corporate rates. To get more information, please contact Amanda Peng, AMT Beijing Office, 010-64107376 or penghongjie@amtchina.org. Let us know your budget and requirement for the hotel, we will help make reservations for you.

Q101. Does AMT China provide translation service?
AMT China does not provide translation service for members. But we have some qualified translation companies that we have been working with for a long time. We do help members do proofreading after the translation is done if requested.

Q102. Do you have a resource to print our business cards, product catalogues, operational manual and etc?
Yes, we do. We can help get quotation and coordinate with the design and printing.

Q103. Can my US mobile phone work in China?
Yes, if your US mobile service provider has agreement with China GSM or CDMA service providers. And for GSM mobile phones, they should be compatible with 1800/900 frequency bands. But if you are a frequent traveler to China, we highly recommend that you buy a Chinese cell phone with Chinese SIM card. You can buy pre-paid cell phone cards and save a lot of communication cost.
Q104. Can I use US dollar in China?
You can use US dollar in major international hotels or some special stores open for foreign travelers. In most other places, US dollar must be converted to Chinese currency before you pay. You can change US dollar into Chinese currency at the international airport, Bank of China, or your hotel.

Q105. Can I use my US credit card in China?
In major cities such as Beijing, Shanghai, Guangzhou you can use your American credit card to pay the bill in hotels, airline companies, big restaurants, department stores, supermarkets. And AMERICAN EXPRESS, VISA, MASTER, DINER are the most popular cards accepted here.
But if you are going to some remote areas in China, you’d better check before hand or bring enough cash.

Q106. Do I need to tip the personal services in China?
Normally people do not tip for the personal services in China, such as restaurant waiters and taxi drivers. But if the bellboy in your hotel helps carrying your luggage, you may tip him $1 or RMB10 for each big case.

Q107. Can I rent an apartment in China?
Yes. You can. But the rental varies dramatically from city to city, from location to location. So, contact real estate firms or AMT China offices for advices.

Q108. What is the rent of office space in major Chinese cities today?
Below is a comparison for your reference:

<table>
<thead>
<tr>
<th>Annual Office Space Rental ($ per sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
</tr>
<tr>
<td>Beijing</td>
</tr>
<tr>
<td>Shanghai</td>
</tr>
<tr>
<td>Guangzhou</td>
</tr>
</tbody>
</table>

Q109. How can I establish good internal network communications between local offices in China and HQ office back in the USA?
There are generally two problems running applications through internet overseas: slow speed and instability. These two main problems may be caused by inadequate band width, congested gateway, censoring and filtering by Chinese government.
Most multinational companies in China have three ways to fight this challenge:
1) Copy their HQs' server in China (Good side: solve the problem more thoroughly; Bad side: high cost for initial set-up and long term maintenance)

2) Apply to the local telecom company for a dedicated internet connection (Good side: guarantee a more stable connection; Bad side: doesn't solve the speed problem if the country gateway is still congested.)

3) Set up VPN connection in Hongkong or Singapore (Good side: Faster speed than directly connecting the US servers; Bad side: governmental censoring and filtering still affect)

If you need information on local IT consultants, please feel free to contact us for candidate recommendation.

Appendix I Useful Websites

**Trade Associations**
www.amtchina.org (AMT China website)
www.cmtba.org.cn (China Machine Tool & Tool Builders’ Association)

**Government Organizations**
www.gov.cn (China government website)
www.mofcom.gov.cn (China Ministry of Commerce)
www.customs.gov.cn (China Customs House)
www.fdi.gov.cn (Foreign investment guiding website)
beijing.usembassy-china.org.cn (US Embassy in China)
www.bjmbc.gov.cn (Beijing Municipal Bureau of Commerce)
www.scofcom.gov.cn (Shanghai Municipal Commission of Commerce)
www.gzboftec.gov.cn (Guangzhou Municipality)

**Customer Industries**
www.cnrgc.com (China Northern Locomotive & Rolling Stock Industry Group)
www.csrgc.com.cn (China Northern Locomotive & Rolling Stock Industry Group)
www.avic.com.cn (China Aviation Industry Corporation)
www.saicmotor.com/english/index.shtml (Shanghai Automotive Industry Corporation)
www.faw.com.cn (China FAW Group Corporation)
www.dfmc.com.cn (China Dong Feng Motor Corporation)
www.baw.com.cn (Beijing Automotive Works Corporation)
www.gaig.com.cn (Guangzhou Automotive Industrial Group)
www.calt.com (China Academy of Launch Vehicle Technology)
www.spacechina.com (China Aerospace Science and Technology Corporation)
www.casic-amc.com (Aerospace Measurement & Control)
www.secpg.com (Shanghai Electric Power Generation Group)
www.dongfang.com (Dongfang Electric Corp)
www.hpec.com (Harbin Power Equipment Group Corp)
www.goldwind.cn (Goldwind Science and Technology Co.Ltd)
www.sinovel.com (Huarui Wind Power Science & Technology Co.Ltd)
www.chinawindey.com (Zhejiang Windey Engineering Co.,Ltd)
www.hdwp.cn (Baoding Huide Wind Power Engineering Co.Ltd)

**Tender Information**
www.chinabidding.com.cn
www.chinabidding.com
www.chinabidding.com.cn
www.ccgp.gov.cn
www.shzfcg.gov.cn
www.ctw.net.cn
www.shbid.com