



## Rules for Doing Business in China

China adopted market reforms in 1978 and since then is the world's most rapidly-developing economy. The market reforms led to ever-increasing trade with North America and European Union (EU) countries. In 1986, trade between China and the United States was \$7.9 billion. By 2003, it had increased to \$170 billion, making China the third-biggest trading partner with the United States.

For the EU, China has now become their second-largest trading partner behind the U.S. In 2009, the EU exported €81.7 billion worth of products to China, whereas China imported €214.7 billion worth of products into the EU.

*It is well worth doing business with China. But it is also worth bearing in mind some differences in expectation, cultures and the general way of doing business.*

### Cultural differences

Keep in mind that China has only very recently entered the international business market as a serious contender. Many Chinese businessmen will lack experience working internationally. Many over the age of 35 have grown up in an era when the government provided almost everything. You should build relationships with local and central governments with patience, as these contacts can be your string-pullers. Sometimes, decisions will be made based on power and relationships, rather than exclusively on financial drivers.

### Varied market

Depending on where you are doing business in China, you will encounter a wide range of development and industrial strengths. China encompasses a wide range of cultures, climates and peoples. From the frozen Northeastern city of Ha'erbin to the subtropical island of Hainan, the way of doing things can vary even within this single country. Bear in mind that each region will have its own specific needs that will not always overlap with other parts of the country. Many businesses are clustered in one region. Others are spread-out. Be aware of this when entering the market. It is essential that you do thorough research.

### Cost

Many businesses will go to China because of the renowned low cost of material and labor. So it may seem strange to advise you to look elsewhere. However, many of the newly-developing countries (think Southeast Asia: Vietnam, Indonesia and others) will often offer cheaper deals, as China's prices grow along with its reputation.



## Timing

Factors such as government incentives, reliability, speed of distribution and level of infrastructure should also be taken into consideration. Some specific regions could be more appropriate for your venture because of upcoming events (think Beijing Olympics 2008, Shanghai Expo 2010, Xi'an Horticultural Expo 2011) that may aid your venture. These events will often mean the government is investing heavily in the region, as well as in foreign and joint venture enterprises. Also look for government schemes looking to invest in central regions to aid development and boost business.

## How to Understand Chinese Business Culture

Chinese business culture is very different from how we do things in the West. Understanding Chinese culture and etiquette is very important when doing business in China, and without some research you are going to make mistakes. The most important elements to learn are rules regarding respect, formality and seniority. If you make a good initial impression and show that you have prepared properly, it will help you make good business contacts in China.



## Appearance & Greetings

Wear neutral colors and a suit to business meetings.

Wear neutral or subtle colors to a business meeting.

Avoid wearing high heels and short sleeves if you are a woman.

Dress conservatively, as revealing clothes could be offensive.

Men should wear a suit.

Avoid personal contact. It is considered inappropriate for a man to touch a woman in public.

Bow upon meeting. If the Chinese offer their hand for a handshake then take it, but make sure they offer their hand first.

Be punctual. Timekeeping is very important in Chinese business culture. Always make an appointment--"dropping by" is not the done thing.



## How To Behave & Communicate

Shake hands only if your host offers his hand, otherwise bow politely.

Avoid large hand movements, Chinese people do not use their hands expressively when they talk and will find it distracting. Do not point or use an open palm gesture.

Do not make any hand to mouth gestures. Any actions involving the mouth will be considered improper.

Do not discuss business if you are taken out to eat. If you do go out to eat, wait until your host starts eating. Women do not usually drink alcohol at meals but men will. If the Chinese are hosting, they will pay; if you are hosting you should pay. Never offer to split the bill.

Taste all dishes that are offered but don't eat everything, as it might be construed that you have not had enough to eat. Never place chopsticks straight up in a bowl: this suggests joss sticks, which connote death in Chinese culture. Try not to drop your chopsticks as this is considered unlucky.



## Gift Giving & Respect

Be careful buying gifts for the Chinese business meeting.

Take a cautious approach to gift giving. In China gifts have all sorts of meanings and choosing the right one is a minefield. If you do give gifts, make sure you give senior people better gifts than their less senior colleagues. Seniority is very important in Chinese business culture.

Do not give any of the following gifts: clocks, straw sandals, a stork or crane, handkerchiefs, anything white, blue or black, or anything with the number 4. These all have unfortunate connotations. Quality writing pens are considered good gifts.

If you are given a gift, it is impolite not to accept it.

Show respect at all times to your Chinese hosts. At the table, the Chinese will sit in order of seniority. If you are at your business meetings with colleagues, the most senior among you must lead the discussion or presentation. When handing out cards, paperwork, etc., you should always start with the most senior member of the group and work down.

Prepare everything in advance. Never go to a meeting and hope that you can "wing it." Bring several copies of all written documents to your meeting. Introduce everyone formally and use formal names in the meeting.

Accept business cards with both palms open and do not put it in your pocket or wallet, use a card holder for that purpose.

When the meeting is over allow the host to leave the meeting first.



## Business Decision Making

Be patient when a business decision is being made.

Wait patiently for an outcome from your meeting. Decisions are made slowly and with care in China. Certainly do not expect any answer straightaway. The Chinese business person may want to consult the stars or wait for an auspicious day before making a decision.

Wait and see if you are invited out again by your Chinese hosts, as they may want to see you socially to find out more about you. Again, do not discuss business if it is a social occasion.

Read up on Chinese culture and find ways to make the best impression at every meeting. It is likely that you may make some mistakes. If this happens, don't worry; apologize and learn from your mistake.

## How to Import Western Food to China

1. Prepare a Certificate of Origin (CO). The CO is required for many items being exported to China, and some need to be notarized by China's Commerce Department. You can find all the relevant exporting documents in the Resources section.
2. Produce an Ingredients Certificate. This is a required document when importing food products into China. This certificate can be issued by the manufacturer of the food and must include the contents, percentage of each ingredient, storage instructions, chemical data, shelf life and production date.
3. Translate the labels into Mandarin. The food products must pass inspection by Chinese officials, many of whom cannot read English. Pay a translation service to convert all your official documents and labels into Mandarin.
4. Provide food samples for Chinese inspectors. Government officials will want to actually try your food product before passing it on to consumers. Your sample should come in a separate package that is clearly labeled as a sample in a manner such as "China Commodity Inspection and Testing Bureau."
5. Complete an Export Packing List, both online and offline. You can fill out your list online at [Aesdirect.gov](https://www.aesdirect.gov) free of charge. The offline Export Packing List must include all the information associated with the transaction. It must give the name of the buyer and seller, an invoice number, date of shipment, package contents, package dimensions and weight, mode of transport and name of carrier. This is not a replacement for the commercial invoice, but a separate packing document for the inspectors.