

Insight Into a Changing Tianjin

BUSINESS JOURNAL TIANJIN

津衛商務

Trust, Dedication & Growth

- 18 Dialogue with PwC Tianjin
Managing Partner, Ms. Kim Ng
- 26 Regulation on overseas investment
- 29 Starting a business in Tianjin
- 34 Info for overseas investors seeking to
establish business in China
- 37 Domestic credit explosion
- 38 2009Q1 Tianjin's Real Estate overview
- 74 Tianjin's former Italian Concession

TIANJIN MAPS
INSIDE



CROWNE PLAZA

TIANJIN BINHAI

THE PLACE TO MEET.

inauguration:

(noun) | The celebrated opening of the new Crowne Plaza Tianjin Binhai. Situated in Airport Industry Park with easy and convenient access to commercial and business activities, Crowne Plaza ensures your business and leisure stay success.



Welcome to Crowne Plaza Tianjin Binhai.

For more information please call: 022 5867 8888 or toll free number: 400 88 40 888 , or visit: www.crowneplaza.com
55 Zhongxin Avenue Airport Industrial Park Tianjin, 300308 P. R. China

PRIORITYCLUB REWARDS Earn points or miles.

BEIJING HONG KONG LONDON NEW YORK SHANGHAI SYDNEY TOKYO OVER 300 LOCATIONS WORLDWIDE



18



24



72



74

CONTENTS

Business Tianjin/May 2009

BIZ BRIEFS 06

NUMBERS 13

ECONOMY 14

DIALOGUE

With Ms. Kim Ng, Managing Partner, PricewaterhouseCoopers China, Tianjin 18

POLICY EXPLANATION

New measures on regulation on overseas investment 24

FEATURE STORY

Starting a business in Tianjin 27

LEGAL ASSISTANCE

Info for overseas investors seeking to establish business in China 32

GLOBAL COMPETITION

Credit explosion in China 37

BUSINESS CHINESE LESSON

Market research 48

PRESS REVIEW 22

REAL ESTATE

2009Q1 Tianjin's Real Estate overview 41

CHAMBERS REPORT

EU, US, Korea, Denmark, Benelux, Italy 42

JOB POSTINGS 47

TRANSPORTATION

Plane, train, shuttle and metro schedules and fares 50

EVENTS IN MAY 56

PHOTO ALBUM 58

LISTINGS

Dining, nightlife, services 60

ARTS & LEISURE

Science & Technology 70

Books & Quotations 71

Travel – Malaysia 72

Last Word – Tianjin's former Italian Concession 74



www.businesstianjin.com

MANAGING DIRECTOR: J. Hernan

MANAGING EDITOR: Jamie Michael Kern

SENIOR EDITOR: Wang Na

EDITOR: Zhao Jing

CONTRIBUTORS: Joe Escobedo, Joei Villarama, Regina Gonçalves, Mansi Sethi, Simon Bai, David Kwon, Julian Yu, Francisco Soler, Michael Hart, Fannie Zhang, Jonathan Wang

GRAPHIC DESIGN: Li Kechao

SALES & ADVERTISING: Zhang Danni, Ding Xia

PHOTOGRAPHER: W. Jian, Mathias Kattaneck

DISTRIBUTION: Huang Hanqing

ADVERTISING: InterMediaChina

PUBLISHING DATE: May 2009

Business Tianjin is FREE
ONLY for Members

TEL: +86 22 2576 0956

For extra copies please contact:
distribution@businesstianjin.com

For editorial enquiries please contact:
editor@businesstianjin.com

For advertising enquiries please contact:
sales@businesstianjin.com

For projects and suggestions please contact:
gm@businesstianjin.com

Dear Reader,

Just a month after the worst first quarter in over half a decade, the Chinese economy is showing preliminary signs of recovery. And while it is too soon to draw conclusions, local experts believe China may still be able to reach its target 8% GDP growth by the end of 2009.

That said, it remains an upward battle to attract now-timid overseas investors, stimulate the domestic economy, rectify non-performing loans and balance long-term organizational goals with short-term economic necessities.

This issue of *Business Tianjin* covers the major steps required for businesspeople to accomplish the above tasks. New arrivals to Tianjin, in particular, will benefit from this month's feature story on starting a business in the city. Our law and policy experts follow up with the many available methods for overseas investors to enter the local market. And our May dialogue guest discusses the foreseeable future of investment and growth in the region.

Economists report that the government's stimulus plan, aimed at domestic growth, is beginning to take noticeable effect. Get acclimated to the current investment climate by turning to this issue's reports on the economy and the recent credit explosion in China.

As always, we welcome your input and inquiries. If you are interested in contributing to a future *Business Tianjin*, or just have questions or comments on an article, please don't hesitate to reach out to us at the contacts on this page.

Sincerely,

Jamie Michael Kern

Managing Editor – Business Tianjin

隆重推出



Guangdong afternoon tea
Steeped to order

From 15 April

30% Buffet discount

48CNY/person Dinner Reservations: +86 22 6620 8888 ext.8800



Best Western Byronn Hotel TianJin
天津空港白云酒店

Best Western Byronn Hotel Tianjin
Address: Outer Ring North Rd,
Airport Industrial Park, Tianjin
Post code: 300308
Tel: +86 22 8486 0000
Fax: +86 22 8490 5258
www.bestwestern.com
<http://www.byjdgls.cn>



The new, modern, four-star Best Western Byronn Hotel Tianjin offers welcoming guestrooms, elegant meeting rooms, and fine dining, drinking and entertainment. The business hotel is the Tianjin flagship of Best Western International Inc., the largest one-brand hotel chain. Covering an area of 11,188sqm, Best Western Byronn Hotel Tianjin sits just a 6-minute ride from the Tianjin Binhai International Airport, 5 minutes from golfing, 20 minutes from TEDA and 15 minutes from downtown Tianjin – truly a wise choice for any guest!

TIANJIN NEWS

Tianjin Pipe posts 20% growth in 2008



Tianjin Pipe Corporation saw an increased output value in 2008, up by 41.6%, with sales revenue up by 47%. Its exports broke nearly 100 million USD, including 320,000 tonnes of new products with 640 million CNY in net profits. In the first two months this year, output value grew 27.8% y-o-y despite sliding market demands and insufficient contract orders.

Steelguru, 31 March

Jinlu Steel Project under construction

Jinlu Steel Project – which integrates business, processing and distribution – started construction in the West Part of Tianjin Development Area on 28 March. With a 380 million CNY investment, the project may achieve annual sales revenue of 2.5 billion CNY. It is predicted to finish the cutting of HR and CR steel sheets (0.5 million tonnes and 0.1 million tones, respectively) once completed later this year.

Steelguru, 1 April

Watsons in Tianjin

Health and beauty products retailer Watsons has opened a new concept store in Tianjin. Located in Tianjin International Shopping Mall, this Watsons differs from its traditional personal care stores in the addition of a new perfume center. Its each of its 20+ cosmetics counters all have dedicated sales staff, making this Watsons more like a department store than a drug store.

China Retail News, 2 April

Water rates up



Tianjin raised its water rates on 1 April. The increased rate, by City Council's approval, is to raise funds for diverting water from the south to the north. Water rates for residents have increased to 3.90 CNY per cubic meter; for industry, business and administration is up to 6.70 CNY per cubic meter.

2 April

Transport Minister sends off AirAsia's maiden Tianjin flight



AirAsia X's Inaugural Flight Press Conference for Kuala Lumpur-Tianjin was held in Sheraton Hotel Tianjin on 2 April. Among over 260 passengers on board the historic flight were AirAsia Group CEO Dato' Sri Tony Fernandes and AirAsia X CEO Azran Osman-Rani. The D7 2603 flight took off at 8:30AM and was scheduled to touch down at Tianjin Binhai International Airport at 2:30PM. The flight is operated by AirAsia X, the low cost long haul carrier affiliate of AirAsia. AirAsia took Skytrax's "World's Best Low Cost Airline" award in a ceremony held in Hamburg, Germany on 1 April. "Kuala Lumpur-Tianjin, which is AirAsia's seventh route into China, is set to contribute towards enhancing bilateral ties between Asean and China, which share long historic and cultural relations." Said Tony Fernandes.

3 April

New policy boosts housing sales



On 7 April, Tianjin implemented a series of new policies on public housing funds. The new policy will allow a maximum mortgage loan of 500,000 CNY to be covered by the public housing fund, compared with the current 400,000 CNY. In the past, homebuyers had to pay their mortgages every month, and then get reimbursed from the public housing fund. But now the mortgage will be directly paid from their public housing fund deposits.

CCTV, 7 April

Tianjin Airport's 2nd runway



Tianjin Binhai International Airport's 1.5 billion CNY (213 million USD) second runway project is scheduled to commence operations on 1 May 2009. The project includes the construction of a 3,200 x 45 m runway, a 3,200 x 23 m taxiway and a 5,000 sqm air traffic control tower.

Centre for Asia Pacific Aviation, 9 April

China Telecom commercial-use 3G service

Tianjin Telecom, subsidiary of China Telecom, formally launched 3G service for commercial use in Binhai New Area. Users of China Telecom in Tianjin will have access to three types of network services, namely CDMA2000 network, WLAN hot spot, and CDMA 1X. The carrier's

branch in southern China's Guangdong Province plans to roll out 3G service at the end of April.

iStockAnalyst, 9 April

Radisson Hotel opens in Tianjin's new financial district



Radisson Hotels & Resorts, one of the world's leading full-service hotel brands, started service at Hedong District in Tianjin on 21 April, announced at the Radisson Plaza Hotel Tianjin pre-opening event on 17 April. The 270-room Radisson Plaza Hotel Tianjin is a joint investment between Tianjin Urban Construction Group and First Eastern Investment Group (Hong Kong). Situated on Xinkai Road, the 23-story high-rise building is close to the Tianjin Central Business Centre, the Tianjin Economic Development Zone and the Binhai New Area. "The hotel will provide Tianjin with a fresh, modern design, while giving the city's new financial hub a boost," said Kjell Rognoy, general manager of the hotel. *17 April*

City to boost machinery manufacturing investment

Tianjin plans to invite annual investment of 90 billion CNY (13 billion USD) in the machinery manufacturing industry from 2009 to 2011. Recommended sectors for investors are auto-making, aviation, electronics and machine tools, said Wang Zuqiang, vice chairman of the Tianjin Machinery Association. The average investment in the industry from 2006 to 2008 was 71.6 billion CNY per year. In 2008,

the machinery manufacturing industry in Tianjin realized revenue of 547 billion CNY, an 18% increase over the previous year. The city aims to raise the gross output value of the industry to 1.09 trillion CNY in 2011.

China Daily, 8 April

SUSEI-O'RAY opens shop

SUSEI-O'RAY International Trade, an agent for British dressmakers, opened a VIP shop on 4 April in Xiao Bai Lou CBD of Hexi District, Tianjin. The opening ceremony, featuring a fashion show and buffet lunch, was held at Renaissance Tianjin Hotel. Among guests were officials of the municipal Party committee and Commerce Committee of Tianjin, as well as top

company leaders. SUSEI-O'RAY brings artistic profession to the domestic market in the form of fashionable leisurewear for city-dwellers.

4 April

Green Northern Europe-Andersen Production Creation Park

Wuqing district, located between Beijing and Tianjin, will become home to "Green northern Europe - Andersen Production Creation Park". The 37 sq-km park project was announced by officials from the embassies and chambers of commerce for Denmark, Sweden, Norway and Finland on 31 March. To promote the development of local economy, the new park will feature four sections: advanced manufacture area, China bicycle

Goethe Tag Goethe Sprachzentrum
Französischsprachige Universität Tianjin

Study German in Tianjin - Goethe Tianjin Welcomes You!
在天津学德语-天津歌德欢迎您!

Join the worldwide market leader for teaching German. Benefit from 50 years of experience in over 80 countries. Our secrets?

- Dedication to you = our success!
- Great teachers ● Proven methods ● Small classes ● Exam recognition

Interested to learn more? We look forward to hearing from you!

Goethe Language Centre
2F, Bldg. 3, Tianjin Foreign
Studies University
117 Machang Dao,
Hexi District, 300204 Tianjin
Tel: +86 22 2328 5642
Fax: +86 22 2326 5644
Email: kurse@goethe-slz.tj.cn
Website: www.goethe-slz.tj.cn

kingdom, high-end bonded logistics service area as well as high-end industries, and modern service area.

Enorth, 2 April

FINANCE

China, Argentina signed 70b CNY currency swap

The central banks of China and Argentina agreed on a 70 billion CNY (10 billion USD) currency swap on 29 March. The move will help ensure the stability of the regional currency system and contain financial risks amid the global financial crisis. China arranged a 100 billion CNY swap with Indonesia on 23 March, a 20 billion CNY swap with Belarus on 11 March, an 80 billion CNY swap with Malaysia last month, a 200 billion CNY swap with Hong Kong in January and a 180 billion CNY swap with South Korea in December.

Bloomberg, 30 March

Chalco posts 2.57b CNY loss in Q4

Aluminum Corp of China, the world's No.3 alumina producer, swung to a worse-than-expected quarterly loss and warned of a difficult 2009 as global aluminum prices plunged and costs rose. Chalco, China's top producer of alumina and primary aluminum, reported an October-December net loss of 2.57 billion CNY (376.2 million USD), compared with an adjusted 1.49 billion CNY profit a year earlier. Full-year net profit plunged 99.9% to 9.2 million CNY from a restated 10.75 billion CNY the previous year. The company had warned its 2008 net profit may more than halve on high costs and weak demand in the second half.

Reuters, 29 March

ADB cuts China 2009 GDP forecast

The Asian Development Bank said on 31 March it cut its forecast for China's economic growth this year to 7% on the global financial crisis.

The Manila-based development bank had forecast the world's third-largest economy would grow 8.2% in 2009 in its semiannual Asia Economic Monitor report that it issued in December. However, Beijing's expansionary fiscal and monetary policies to support faltering growth should allow China's economic growth to recover to 8% in 2010, the bank said in its Asian Development Outlook 2009. The bank expects growth in China's GDP to ease to about 6% in the first quarter this year, compared with growth of 6.8% in the fourth quarter.

AFP, 9 March

Minmetals revises OZ Minerals bid

China Minmetals, blocked last week from taking over OZ Minerals on national-security grounds, made a revised offer ahead of the Australian company's 1.2 billion AUD (823 million USD) debt-refinancing deadline on 31 March. The new proposal excludes the Prominent Hill copper and gold mine in Australia, the Martabe operation in Indonesia and stakes in some publicly traded companies, Melbourne-based OZ said on 31 March. No value was given. Minmetals last month made a 2.6-billion-AUD, or 82.5 cents a share, cash bid. OZ Minerals may sell the assets for as much as 1.6 billion AUD, enough to repay debt owed to 11 banks, RBC Capital Markets said.

Bloomberg, 31 March

Manufacturing shrinks for 8th straight month

China's manufacturing shrank for an eighth straight month in March as collapsing global trade cut exports and growth across Asia. The CLSA China Purchasing Managers' Index dropped to a seasonally adjusted 44.8 from 45.1 in February. A reading below 50 indicates a contraction. Output rose to 44.3 from 43.9, and the employment index rose to 47.1 from 46.6, its second increase in eight months. The PMI's reversal suggests the government may further cut

interest rates and the portion of deposits that banks must hold as reserves, said Paul Cavey, an economist with Macquarie Securities in Hong Kong.

Bloomberg, 1 April

Bank of China drops Rothschild deal

Bank of China, the world's third-largest by market value, scrapped a 236 million EUR (313 million USD) investment in La Compagnie Financiere Edmond De Rothschild after failing to gain Chinese government approval. "The agreement has expired and has automatically become invalid," Bank of China spokesman Wang Zhaowen said, after a second deadline for state approval expired on 1 April. "We may in the future seek cooperation in other areas" with the French firm. China's government has tightened scrutiny of overseas investments by the nation's financial companies following losses on stakes in Barclays Plc, Blackstone Group LP and Morgan Stanley.

Bloomberg, 2 April

China March auto sales surpass US



Preliminary figures, from 14 major auto makers accounting for roughly 90% of total sales, show auto sales in China reached about 1.03 million in March, exceeding US sales for the third month in a row. Full industry data due to be released by the China Association of Automobile Manufacturers in coming days could push March auto sales in China, the world's second-largest auto market, to a monthly record.

AP, 8 April

GM plans to double China sales by 2013

General Motors aims to double its annual sales in China to 2 million units in five years, China-based spokeswoman Sophia Luan said on 9 April. The US auto maker will expand its production capacity in China as well as its product portfolio, Luan said. It plans to add 30 new models in China over the next five years, she added, but declined to elaborate. GM's 2008 sales in China rose 6% to 1,094,561 units.

CNN Money, 9 April

Industrial output up 8.3% in March

China's industrial output rose by 8.3% in March, a sign that a huge stimulus package is taking effect. Last month's growth accelerated

from the 3.8% rise in the first two months as domestic demand continued to improve, Premier Wen Jiabao said on 13 April. Data on fixed asset investment and retail sales, which measure spending on infrastructure and consumption respectively, also increased quickly in the first quarter, he said.

AFP, 13 April

LAW&POLICY

China extends bank stake lock-up

China Banking Regulatory Commission chairman Liu Mingkang said the holding period for new foreign strategic investors in local banks must be increased to at least five years. The current period is three years. No details were given as to when the new

regulation would be implemented.

AFP, 2 April

Hong Kong to launch trade settlement in CNY



Hong Kong plans to be the first city outside mainland China to start settling trade in CNY, expanding use of the currency in a city whose exchange rate is pegged to the dollar. "It will reduce foreign-exchange risks for companies, create more business for Hong Kong banks and diversify use of yuan funds,"

FREE SUBSCRIPTION
to Business Tianjin Magazine

BUSINESS TIANJIN

To receive a free subscription, simply fax the subscription form with all questionnaire answers to +86 22 2391 0555 or email distribution@businesstianjin.com before 31 May 2009.

said Hong Kong SAR Chief Executive Donald Tsang. China is seeking to promote the yuan as an international currency after signing 650 billion CNY (95 billion USD) in swap agreements with Hong Kong, Argentina, Indonesia, South Korea, Malaysia and Belarus in the past four months.

Bloomberg, 9 April

Insurers can expand bond investment

China's insurance regulator said on 7 April it will allow insurers to expand investments in the debt market to include bonds related to infrastructure projects, local government debt, and non-guaranteed medium-term notes issued by non-financial companies. By giving domestic insurers greater access to the bond market, China is unlocking more cash that could help finance a 4 trillion CNY economic stimulus package focused largely on infrastructure. Local governments plan to issue 200 billion CNY in debt this year and Beijing is also encouraging corporate bond issues to fund stimulus projects. The China Insurance Regulatory Commission issued the new rules in March, but only posted them on its Web site on 7 April.

The Wall Street Journal, 8 April

China releases human rights action plan

China released its first human rights action plan on 13 April, pledging to improve the treatment of minorities, to do more to prevent detainee torture and to address concerns that have sparked international outcries. The two-year plan promises the communist government will do more to prevent illegal detention and torture, and to boost the overall living standard of minorities, women, the unemployed and the disabled. But it also states that a primary goal remains: ensuring Chinese people have the right to make money. "While respecting the universal

principles of human rights, the Chinese government in the light of the basic realities of China, gives priority to the protection of the people's rights to subsistence and development," reported the official Xinhua News Agency.

AP, 13 April

LOGISTICS

Sino-Global cuts costs



Sino-Global Shipping America, a leading non-state-owned provider of shipping agency services operating primarily in China, announced on 30 March new cost-cutting measures in response to the weakened global shipping industry. Some of the key measures include 33% reduction in annualized office rent expense; reduction of staff from 75 as of September 2008 to 52 as of February 2009. "We are operating in an industry that has been particularly hard-hit by the global financial crisis," said Mr. Cao Lei, CEO of Sino-Global.

Foxbusiness, 30 March

Air China to increase stake in cargo unit

Chinese flag carrier Air China said it plans to buy the 24% stake in its cargo unit Air China Cargo that it doesn't already own for 105.1 million USD on expected growth in the country's air cargo business. Upon completion of the deal, Air China will wholly own Air China Cargo, whose operations include general cargo services, mail and express delivery services. Air China, together with its indirect interest through

China National Aviation, now holds a 76% stake in Air China Cargo. Air China said it plans to increase its investment in the cargo sector as a strategic move to strengthen Air China Cargo's aviation industry experience and resources.

Cargonews Asia, 3 April

China Shipping Container, Shanghai Port shares climb

China Shipping Container, the nation's second-biggest cargo-box carrier, jumped 10% in Shanghai, its hometown, to 3.98 CNY. Shanghai Port, operator of the city's harbor, also climbed by the 10% daily trading limit to 4.94 CNY. China's State Council approved moves designed to boost trade in Shanghai, including tax cuts for exporters.

Bloomberg, 26 March

China may force shipping groups to buy new vessels

The government may force state-owned shipping groups to buy more vessels as foreign carriers scrap orders, according to Steve Man, an HSBC Holdings Plc analyst in Hong Kong. That risks increasing costs and overcapacity among shipping lines grappling with a collapse in global trade. A collapse in shipping rates led to a worldwide 95% decline in new vessel orders in March, according to Clarkson Plc, the world's largest shipbroker. In response to the drop in demand, China is drawing up plans to aid state-owned China State Shipbuilding and China Shipbuilding Industry that will likely force state-owned shipping groups to pick up orders abandoned by overseas lines, driving rates down further, analysts say.

Bloomberg, 8 April

TELECOM & TRANSPORTATION**China Unicom yearly net profit up 58%**

China Unicom, one of the country's three state-run telecom operators, reported a 58% rise in yearly net profit, boosted by exceptional gains from the sale of its wireless CDMA business. Unicom, which lags China Mobile as the country's largest mobile carrier by subscribers, earned 33.9 billion CNY (4.96 billion USD) in 2009, up from a restated net profit of 21.4 billion in 2007. The net result beat a consensus forecast of

21.7 billion CNY profit by 21 analysts polled by Reuters.

Reuters, 31 March

116m USD airline profit in 1Q

Chinese airlines made an estimated 800-million-CNY (116 million USD) profit in the first quarter of 2009, owing to a rebound in domestic travel and the government's supporting measures, Civil Aviation Administration head Li Jiaxiang said on 8 April. The domestic market saw a 17.9% growth in passenger volume over the same period last year, said Li at the 2009 China-US Aviation Symposium. The symposium promotes a high-level dialogue between the two countries to address challenges to the growth of the aviation sector. Globally, passenger volumes fell by 10.1% y-o-y in February, following a decline of 5.6% in January.

China Daily, 9 April

Air China's parent plans to set up Wuhan branch

China National Aviation Holdings (CNAH), parent of the country's flag carrier Air China, plans to set up a branch in Wuhan, the city where East Star Airlines is based, and to acquire assets from the local carrier. A spokesman for CNAH said that the company didn't change the plan to build a hub in Hubei Province; however, the details and the timetable have not yet been finalized. The Wuhan branch is expected to facilitate CNAH's acquisition of East Star, which is on the verge of bankruptcy. Air China has applied for approval to set up the Wuhan branch and may start operation as soon as May, an official with the local aviation authorities said. The branch may also take over some resources of East Star, including routes and over 1,000 employees.

China Knowledge, 6 April



RUTGERS

UNIVERSITY
Beijing - Shanghai - Singapore

Executive MBA

243 years of teaching excellence

A Top Education
can turn a
Global Crisis
into
an Opportunity



Rutgers Executive MBA in China

- Ranked 5th globally in Strategy and 6th in Finance
- American MBA with a global curriculum & Pan-Asia Focus
- Cutting-edge curriculum with distinguished Rutgers faculty
- 15-month program with 18 course modules, without work interruptions
- 15 - 20 nationalities represented in a typical class

EMBA
Ranked 20th
Worldwide
by WSJ

Contact us now for a Personal Meeting or attend an
Open House to find out how Rutgers can
Empower Your Career!

Executive MBA Open House Dates:
May 19 June 9 June 30 (Beijing)
May 12 June 2 June 23 (Shanghai)

Beijing
Email: emba_bj@rutgers.asia
Tel: (8610) 5877 1706 / 1707

Shanghai
Email: emba_sh@rutgers.asia
Tel: (8621) 5116 0572 / 0573

2009 Intakes Start July in Shanghai & September in Beijing
Accepting applications now!
Complete the Complimentary Initial Online Application form at:

business.rutgers.edu

www.rutgers.asia

China Southern reduces fuel surcharges

China Southern Airlines announces new fuel surcharges that will apply on tickets issued on or after 1 April 2009. Between China and Europe: for tickets sold in Europe, fuel surcharges have been lowered to 56 EUR (per flight sector); for tickets sold outside Europe, fuel surcharges have been lowered from 500 - 900 CNY (per flight sector). Between China and America, China and Africa, Middle East and Africa, and Europe and Middle/South America, fuel surcharges have been reduced from 500 - 950 CNY (per flight sector). Between China and Japan: for tickets sold in Japan, fuel surcharges have been lowered from 500 - 6000 YEN, for tickets sold outside Japan, fuel surcharges have been lowered from 35 - 400 CNY.

Centre for Asia Pacific Aviation, 6 April

GENERAL

Mainland, Taiwan military officials to meet

Military officials from the mainland and Taiwan will have a face-to-face encounter 60 years after the civil war. A mainland military official who preferred anonymity said that the meeting would occur during a security forum in Hawaii in August. This will be the first military exchange between servicemen across the Straits since 1949, in a move experts hope will build military trust as political ties improve. Another military source in Beijing said on 30 March that cross-Straits military exchanges may take place before August, but declined to reveal more details.

China Daily, 31 March

Free music downloads in China

Google on 30 March formally launched a music search service in

China that offers free downloads of licensed songs and is supported by advertising. Through a partnership with Chinese website Top100.cn, the US firm has secured the license for more than 1.1 million songs from record labels including Warner, Sony, Universal and EMI. "Ensuring that consumers have access to legal sources of music is the foundation for our development of Google Music Search," said Kai-Fu Lee, president of Google China. The service, which is available only in China, will rival Chinese search engine Baidu, which also has a music download service.

AFP, 31 March

To subscribe to our daily Biz Brief E-newsletter, please email bizbriefs@businesstianjin.com

Freelance Writers Needed



- English speaker with experience in reporting and editing
- Basic knowledge of Chinese language and culture are a plus



If interested, please email your resume and writing samples to editor@businesstianjin.com

53,000,000

The World Bank expects some 53 million people to fall below the level of extreme poverty this year, 15 million more than last year.

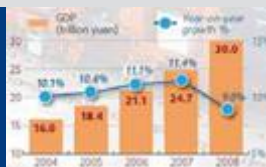
2,000

TATA Motors Ltd. Mumbai, India launched a 2000 USD mini car. Orders for the NANO, the world's cheapest passenger car, began in the second week of April 2009. The car is a basic model without an air conditioner or air bags. The European model of the car is expected to hit the continent in 2011.



6.3%

On 31 March 2009, the Organization for Economic Co-operation and Development projected a 6.3% economic growth rate for China for the year 2009, slightly slower than the World Bank's projected 6.5%. The nation's sizeable monetary and fiscal stimulus resulted in a 2010 forecast of 8.5% GDP growth by the OECD.



24

To prevent fraud in the use of the four-trillion-Yuan stimulus package, the central government sent out 24 inspection teams nationwide to monitor spending and operations at the local government level and in projects throughout the country.

44,715

According to the Beijing and Shanghai Statistics Bureaus, Beijing workers earned an average yearly salary of 44,715 CNY (6,570 USD) in 2008, 12% more than in 2007, and Shanghai workers earned an average monthly salary of 3,292 CNY (484 USD), 13.8% more than in 2007.

202

Shuttle Discovery returned Earth on 28 March 2009 after traveling more than 5 million miles and circling Earth 202 times. Discovery's first flight was in 1984, making it the oldest orbiter in service today.



1%

The European Central Bank said that it might cut its key interest rate to a record low of 1% to fight the worst recession in more than 60 years.

83%

A survey of 1000 British adults by Mintel (a consumer media and market research company) revealed that 83% liked Chinese meals, whether consumed at home or outside, compared to 71% for Indian food, 39% for Mexican and 38% for Thai.



23

Zhongshan, a city in the south of the Pearl River Delta, will be entering 231 domestic and overseas investment agreements worth more than 2.6 billion USD this year. Fifty Swedish companies and organizations are involved, including a number of Sweden's well-known names such as Volvo, IKEA and Ericsson.

5,800,000,000

China Mobile will spend 5.8 billion CNY in 3G network construction in 2009. The total investment in the 3G network will be 170 billion CNY in 2009, and will cover all the major cities in China within the next 3 years.



663,000

The World Bank warned of an "unemployment crisis" as the US lost 663,000 jobs in March 2009. The jobless rate jumped to 8.5%, the highest level since 1983.

418

A recent discovery in southern China of an unusually intact and ancient fossil fish is said to be the distant ancestor of about 99.7% of today's living vertebrates including humans. The fish is said to antecede the Silurian period, more than 418 million years ago.



3,000

The Egyptian government plans to file an official request with US authorities to return a 3,000-year-old, 5-foot-long, wooden coffin which – according to an Egyptian archaeologist – was smuggled out of the country more than a century ago.



17

Venezuela's state oil company, Petroles De Venezuela SA (PDVSA), signed a Memorandum of Understanding to develop 17 oil fields in Iran with Iran's Petropass Company.

MAY CHINESE ECONOMY REPORT

BY DAVID KWON

Export and Import

China's recovery – quicker than expected

China's March export number is the latest sign that the world's third largest economy may be over with its worst slump caused by the global financial crisis.

Exports in March fell 17.1% year-on-year to 90.29 billion USD, the fifth straight month of decline according to China's General Administration of Customs on 10 April. In February, Chinese exports declined 25.7% year-on-year, the worst decline in the last decade.

(in billions USD)	Export	Import	Trade Surplus
January 2009	90.5	51.3	39.2
February 2009	65	60	5
March 2009	90	72	18
Q1 2009	245.5	183.3	62.2
March YOY change	-17.1%	-25.1%	
Q1 YOY change	-19.7%	-30.9%	

China's exports, which account for about 40% of its GDP according to China Daily, have been hit hard as demands from its major trading partners such as the US and Europe plummeted during the current economic downturn.

The slowing decline did not come as a surprise to analysts but the fall is smaller than expected, said China Daily on 10 April. Economists polled by Reuters expected a 21.5% fall in March. China Daily quoted Helen Qiao and Yu Song at Goldman Sachs, who

said that the latest figure shows the world's third largest economy is gaining strength, due in part to rapid loan growth amounting to a record high of 1.87 trillion CNY in March. "A ray of hope may be emerging with signs of China's economy bottoming out by mid-2009," stated the World Bank on 31 March. "A recovery in China – fueled largely by the country's huge economic stimulus package – is likely to begin this year and take full hold in 2010, potentially contributing to the region's stabilization, and perhaps recovery."

Automobile sales reach record high in March

The China Association of Automobile Manufacturers revealed on 31 March that China's auto sales hit a monthly record of 1.11 million vehicles in March, up from 1.06m in February and exceeding US sales for the third month in a row. The Chinese government's policy measures – mainly tax incentives for small cars and subsidies – have been boosting demand in both urban and rural areas.

Forecasting a continued uptrend from March data can be uncertain, noted Reuters on 9 April, considering that March has traditionally been a peak season for vehicle sales in China.





Reuters added that to tap the potential of the country's vast rural areas, Beijing also promised to subsidise farmers who trade in high-emission light vehicles for clean and fuel-efficient ones.

"I'm not sure the explosive growth can be extended into the rest of the year, as some of the incentives, such as subsidies, that got farmers into the showrooms may turn out to be a big disappointment," said Zhang Xin, an analyst with Guotai Junan Securities in an interview with Reuters.

To get subsidies of up to 5,000 CNY (732 USD) for each vehicle they buy, farmers have to go through lengthy application procedures at various government bodies. "Who knows whether they will get the money in the end? And if they don't, I doubt any of their neighbours would bother to go through the trouble," added Mr Zhang.

Growing importance of Chinese consumers: are they going to drive global economic growth?

Financial Times on 8 April featured an interesting article titled "China's consumption is a disappearing act". The article noted the spike in Chinese car sales in March and that other industries are counting on China, the largest market for television sets, mobile phones, steel and cement.

The news agency said that by some measures, Chinese consumers have in fact become relatively less important. In the 1980s, average household consumption was slightly more than half of China's GDP. In the 1990s, the percentage fell to 46%, 38% by 2005 and 35% today. In contrast, US household consumption was 72% of GDP in 2007.

FT stated a few ways in which Chinese can encourage more household spending. The first is to rebuild health and education systems so that people trust the government to look after them and reduce their precautionary savings. Second, Chinese can increase the "consuming China" population. Currently, FT estimates there are only about 150m consuming China. Although this may double to 300m by 2015, consuming China's median household income is just 6000 USD against 45,000 USD in the US.

China raises export rebate to spur growth

China raised the export rebate on 3,800 items to maintain growth, stated the Ministry of Finance and the State Administration of Taxation on 27 March. It was the sixth increase since last August, when external demand began to decline noticeably. The export rebate for textile and garment, iron and steel, non-ferrous metal and petrochemical items were effective as of 1 April 2009. As

examples, the tax rebate for textile and garment items would be 16%, while CRT televisions would have a 17% tax refund.

Nevertheless, it seems that the tax rebate has boosted confidence more than it has produced any real effect on export, said Xinhua on 2 April. Xinhua estimates that China's export accounts for about one third of its GDP. Adjusting the export rebate is one of China's major tools to help its corporations under severe export competition, sluggish external demand and tougher export restrictions from its trading partners. China's budgeted 670.8 billion CNY for export rebates is up 14.4% from previous years. Since export rebates recorded 63.427 billion CNY in January alone, however, Xinhua noted that real export rebates will likely exceed the budgeted figure.

Who benefits most from China's increased export rebate rates? In 2008, China's total exports were approximately 10 trillion CNY and China's export rebates totalled 586.59 billion CNY. Therefore, 5.9 percent of China's total export revenue in 2008 was export rebate. Xinhua quoted the Chinese Academy of Social Science, which stated that if China's export price declines 1%, China's export revenue will increase by 0.46%. So the 5.9% export decline brought about by the export rebates should lift China's export income by 2.71%, while the remaining 3.19% share will benefit overseas consumers and importers.

For ordinary export enterprises, raising of export rebate rates may be good news in the short run, but it is not a long-term plan. That the actual effects of raising of export rebate rate have been discounted greatly, according to Wang Qianjin, a textile expert reported Xinhua.

The real problem is that many enterprises' price negotiation power is weak. Therefore, it is unrealistic to secure export growth by merely lifting the export rebate rate. Strengthening power in price negotiation on the international market is the first task for enterprises.

Stock market – Chinalco's M&A of Rio Tinto

Rio Tinto Group, the world's third-largest mining company, announced that a German regulator has approved Chinalco's proposed 19.5 billion USD investment in the company. Shanghai Business Review (SBR) commented on 30 March that the approval from the German Federal Cartel Office is part of a list of conditions for investment to go-ahead.

In addition, SBR reported that Chinalco confirmed a 21 billion USD bank loan to finance its takeover of global miner Rio Tinto. The company, also known as Aluminum



Corp of China, raised the loan from a consortium of banks led by the China Development Bank. The loan arrangement consists of a 19.5 billion USD loan for the transaction and a 1.5 billion USD standby facility to finance working capital and other expenditure.

On 7 April, the debt-laden company's Sydney-traded shares dropped the most in four months. Rio declined 0.7% to 52.81 AUD on the Australian stock exchange. Bloomberg stated on 8 April that the decline is due to concern that Rio Tinto may sell shares at a discount should the deal with state-owned Chinalco fail. The proposal needs approval from regulators and shareholders and has drawn fire from lawmakers in Australia and institutions.

"Logically, if you look at the deal, the Australian government should pass it through," said Hugh Young, who oversees about 37 billion USD as managing director of Aberdeen Asset Management Plc's Asian unit, on 8 April on Bloomberg Television.

Rio Tinto has made plans for an 8 billion USD share sale in case the Chinalco accord falls through, the Sunday Times said 4 April, giving no source for the information. Rio, which needs to cut \$38.7 billion of debt, noted the recent speculation about alternatives to the deal.

"Considering the mess they got themselves into, this deal is quite a clever way of extracting them," said Aberdeen's Young. "It might be accompanied at a later date, if it does go through, by a rights issue. We have had issues, along with other institutional investors, about the lack of preemptive rights to be given to existing investors."

Currency – 70b CNY currency swap with Argentina

China and Argentina have agreed to a 70 billion CNY currency swap, so the Latin American country can pay for Chinese imports in renminbi instead of dollars. The swap is the sixth that the People's Bank of China (PBOC) has signed with central banks since December of last year.

These are the first concrete steps toward a post-USD world.

The list of countries that signed currency swap with China as follows (in billion CNY):

- Hong Kong: 200
- South Korea: 180
- Indonesia: 100
- Malaysia: 80
- Argentina: 70
- Belarus: 20

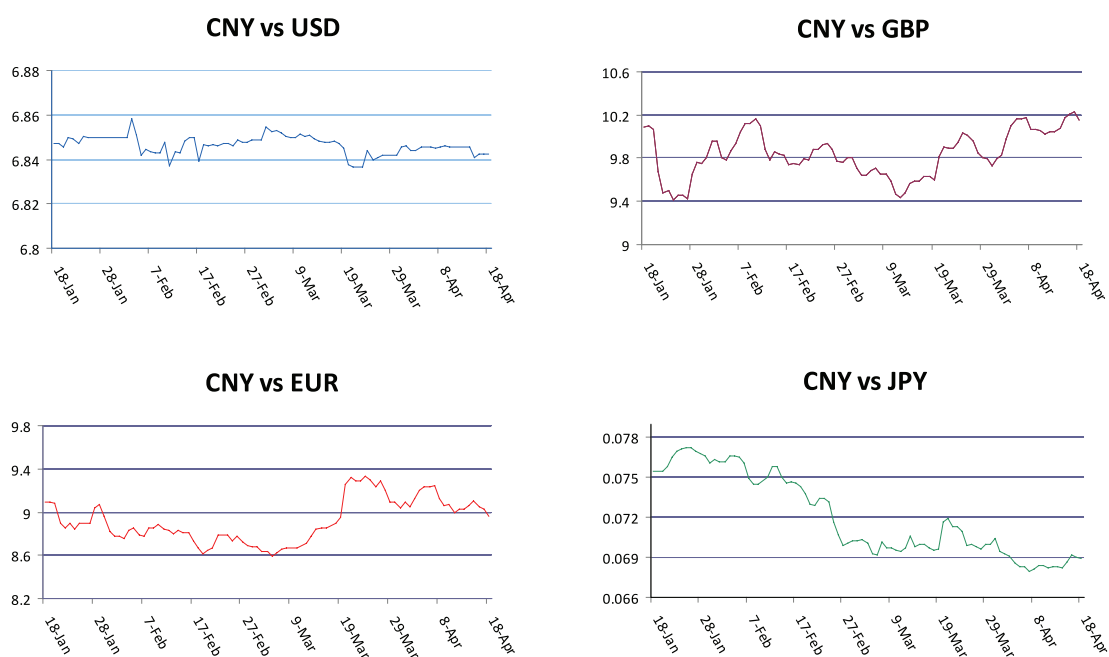
Bo Peng, credit derivatives risk specialist, stated on 2 April that these swaps serve different purposes for each

counterparty: for Hong Kong, it's to prepare for the pending sale of Chinese T-bills there; for South Korea, it's for helping Korean companies raising capital in China; for Belarus, it's because Belarus wants to take CNY as its foreign reserve; for the rest, it is for settling bilateral trades (companies pay in the trading partner's local currency).

Bo further noted the implications:

1. The official line on the rationale behind these swaps is to reduce Foreign Exchange Market (FOREX) risk and trading cost.
2. It offers support for currencies under downside risk. This applies to all except Hong Kong Dollars.
3. It serves to diversify China's foreign reserve, albeit only a small percentage (5%) so far, away from USD and to align the composition better with trading partners.
4. Perhaps most importantly, the real meaning is that these are the first concrete steps toward a post-USD world. World trade cannot be based on bilateral currency swaps. And the CNY has a long way to go before it can become a world reserve currency. But as a transition, this certainly beats bartering, which has been re-emerging among countries and individuals. ■

Three-month CNY trends



■ Data source: Oanda.com interbank rate



PRICEWATERHOUSECOOPERS

TRUST, DEDICATION & GROWTH

DIALOGUE WITH MS. KIM NG,
MANAGING PARTNER OF
PRICEWATERHOUSECOOPERS CHINA, TIANJIN

Many of the problems of the global financial crisis stemmed from the absence of trust between financial organizations and companies. How do you think this trust can be recovered?

Trust breaks down in the face of uncertainty and surprises, which have an adverse impact on parties concerned. We can get a feel of the market sentiments regarding the current situation from the findings in our latest annual Global CEO Survey, which was conducted some three months back as the crisis began to unfold.

The storyline this year is one of deepening despondency. Although business confidence was already in decline a year ago, the speed with which anxiety levels have soared has been particularly dramatic since mid-September 2008. The breakdown in business confidence has changed CEOs' business plans. In September last year, just about 46% of CEOs thought that the banking crisis would affect their expansion plans. By the end of November, that figure had risen to 67%. And as the depth of the economic winter became more apparent, more and more CEOs told us that they would have to reduce staffing levels in the next 12 months.

Although CEOs confront different pressures and opportunities, they face a common challenge – how to meet the acute demands of short-term survival while ensuring their business model will be durable over the long-term.

As the crisis persists, our survey clearly shows that CEOs are striving to:

- Preserve revenue
- Use working capital more efficiently and carefully manage costs
- Maintain sources of credit

Overall, the focus is on maximising

returns from existing markets rather than expanding into new ones.

Some people believe this crisis is not only financial and economic, but it is the end of our organizational system, and it is necessary for the governments of the world to unify their strategies to avoid a global economic crash. What do you think of this opinion?

Government support has rather quickly been pumped into the system during the past six months, with each developed or developing country seemingly trying to outbid the other with a mind boggling quantity of stimulus plans.

Our Global CEO Survey reveals that public sector involvement to reshape the financial markets as well as more international coordination is welcomed by the CEOs.

But they also want governments to strike a delicate balance. On the one hand, they want more governmental leadership and action on economic and environmental issues, such as climate change and the convergence of global tax and regulatory frameworks. On the other, they tend to support government intervention only when it helps their businesses. As evidence of this, 55% of CEOs are concerned or extremely-

concerned about overregulation as an obstacle to growth.

What will be the impact on China's capital market?

Stock markets in China have gone through a significant adjustment in the midst of the global credit crisis and recession in 2008. The combined total IPO funds raised in Shanghai and Shenzhen stock exchanges in 2008 were about 104 billion CNY, a significant drop of 78% from 2007. The IPO market in China has remained stagnant ever since. Despite these challenges, many investors have relatively more confidence in the China economy, believing that it is relatively less directly affected by the global recession.

Paradigms following the recent NPC conference which would work to sustain growth, if properly implemented, include:

- The CSRC continuing to study the shares issue mechanism. The aim is to ensure the promotion of a level playing-field and to avoid over-speculation in the second-hand market.
- Resumption of an active IPO market, timing of which will depend on market conditions and the reform of the new shares issue process.
- Gradual disposal of non-tradable shares.



What should companies keep in mind as they attempt to ride through the wake of the economic crisis?

There are various factors to consider:

Take a closer look

Get to the bottom of what's driving the business; what you do best and why. Understand how the business

is being impacted by the downturn. Furthermore, high quality customer service offerings, brand strength as well as reputation should be recognised as vital components to maintaining a competitive advantage and long-term growth.

workforce scenarios that reflect the impact of the downturn on your business; adapt quickly; explore your strategic options. Include scenarios of a modest, severe or prolonged recession for short to medium term.

55% of CEOs are concerned or extremely concerned about overregulation as an obstacle to growth.

Focus on what really matters

Evaluate which products, customers and channels create or destroy value. Revisit your existing investment programmes and decide which initiatives can be stopped or deferred. Also determine if there are non-critical businesses or projects that can be disposed or suspended to preserve cash.

Joint ventures (JVs) and strategic alliances are likely to play a greater role in business growth than cross-border M&A over the next three years. It is not an easy period for CEOs. To achieve sustainable growth objectives, CEOs have had to contend with a lack of capital, tight credit conditions and uncertainty around company and asset valuations. For these reasons, collaborative arrangements such as JVs are becoming more popular in order to spread the cost and risks associated with cross-border arrangements.

Plan for different scenarios

Without a crystal ball, winners need to demonstrate agility and flexibility; model a range of financial, operational and

How has your firm adjusted to your clients' changing financial needs over the past 6-8 months?

Our firm takes a very long-term view: We have learned from past economic downturns that if we do reduce our headcount, we are not equipped to handle increases in workload when the economy rebounds. In place, we have recently offered eligible staff partly subsidised career breaks, as well as the opportunity to work flexible hours.

We remain committed to an extensive graduate recruitment programme, which will employ about 2,000 people this year in mainland China, Hong Kong and Singapore.

We continue to recruit experienced staff for selected roles to meet the needs of our clients and the business. The firm recognises that developing people with the right skill sets is essential to the future success of the firm, its people and its clients.

The firm continues to expand, with a new office having recently opened in Xiamen. PwC China now has 14 offices in mainland China, Hong Kong and Macau.

We have a Cost Committee which meets monthly to explore cost savings measures that do not have a negative impact on our people. For example, less air travel is one consideration and more video conferences are being arranged for internal meetings.



How do you demonstrate what makes PwC unique in a competitive market under the current economic crisis?

Since the onset of the current economic downturn, PwC has been hosting a series of client seminars aimed at helping our clients to manage better through the economic downturn. Topics have included issues surrounding working capital, human resources and fraud in the workplace. The REACT series of seminars is a distinctive pillar for the firm. The seminars are regularly taking place in mainland China and Hong Kong and have proven to be rather popular.

What brought you to China?

I left Malaysia for Hong Kong many moons ago mainly because of the then slow growth in Malaysia. At that time, Hong Kong was already a thriving financial hub and my background in banking allowed me to pursue a new opportunity.

After gaining considerable experience in Hong Kong, I was offered an opportunity in Shanghai, my first stop in China, and I have never looked back since. A couple of years later I embarked northwards to Beijing and then to Tianjin.

In my experience in China, I have had the great pleasure of being able to witness the staggering growth in China as well as some of the challenges. Being here in Tianjin, I continue to witness and participate in the great changes taking place in China, and have gained an appreciation for China's vastness and enormous potential.

During your 7 years in Tianjin, what personal achievements are you most proud of?

I'm most proud of the friends I have made here who have supported me and been with me since the very beginning. I also gain a lot of satisfaction in being able to contribute in my own small way

to the amazing China growth story, which in recent years has developed in leaps and bounds. Of course I hope that I am able to continue to do so in the long-term.

For someone coming to China for the first time to do business, what, from your point of view, ought he or she to be aware of?

New entrants in China must appreciate that they will be surrounded by a different and amazing culture, therefore it is important to keep an open mind and to feel and understand, rather than to criticise. The faster one can adapt, the more one can enjoy the experience of being in China.

JVs and strategic alliances are likely to play a greater role in business growth than cross-border M&A over the next three years.

How do you balance your personal and professional life working for a firm with intensive time demands?

Our profession naturally places a heavy demand on one's time; however, being with PricewaterhouseCoopers offers opportunities which greatly benefit my professional and personal life. There are a myriad of training programs on offer, as well as the chance to work with people from all over the world, many of whom have become my valued friends. I guess when you are passionate about your work, and really enjoy it, work is no longer merely a chore and the line between the two "lives" eventually becomes blurred.

I try to get my priorities right and not to ignore commitments to family and friends. Seems that divine guidance, family and good friends constantly remind me of my priorities at the appropriate times.



Does it feel lonely to be a lady in a profession that is mainly male-dominated at the top end of management?

There are many examples of successful women at the top level of an enterprise, and PricewaterhouseCoopers is no exception.

Generally, it is not so much the gender issue but demonstrated sincerity and integrity that win the trust of whom ever you are dealing with. This is the attitude I choose to adopt.

How do you like to spend your holidays?

I like to spend my holidays where I can remain incognito so I prefer secluded locations. My last vacation in Jordan definitely carved many memorable "Kodak" moments in my mind, particularly the time I spent in Petra, the pink city, now one of the new Seven Wonders of the World.

I enjoy travelling and look forward to discovering more of China, which has the great diversity that I admire. ☐

At G20, China finds way to raise stature in world finance

Xinhua News, 4 April 2009

After a mere 4.5 hours, world leaders at the G20 summit in London decided to devote about 1 trillion USD to supporting world economic growth and trade, an outcome that surprised many analysts with its scale.



China had a chance to showcase its growing importance in the world economy. China said it would contribute 40 billion USD to the International Monetary Fund's (IMF) increased financing capacity. That's only a small portion of the total, but it could take China's IMF voting rights to 3.997% from 3.807%. China's new voting share would still be far behind that of the United States, which is first with about 17%. However, since many countries' voting shares in the IMF are well under 1%, any incremental change gives a member just a little extra say in the workings of the multilateral organization.

The potential change is a small step toward China's goal of having more influence on how the IMF, and the world financial system, operates.

Graduate unemployment: Where will all the students go?

Economist, 8 April 2009

This summer, over 6 million college graduates will be entering the domestic workforce at a time when demand and employment are at significant lows. The potential instability brought about by graduate unemployment has prompted the government to announce a list of incentives aimed at putting the new workforce to use.



Companies who employ new graduates can qualify for certain loans and tax breaks. New graduates themselves can secure loans of up to 50,000 CNY (7,300 USD) to start their own businesses. Graduates can also recoup their tuition expenses by enlisting in the army or accept jobs in poor, remote areas of Western China.

Despite these measures, which are built upon prior incentives for new graduates and employers, it appears that the new workforce will face some of the fiercest competition ever for even menial positions.

China's Value-added Tax System

China Briefing, 7 April 2009

China's value-added taxes contribute a large percentage of China's annual tax revenue and account for a significant proportion of tax liabilities for many Chinese enterprises. They affect companies that sell, manufacture, process or repair tangible goods in China and can be quite complex. In 2003, China began a massive reformation of its VAT system, launching pilot programs in Northeast China. Following the program's success in the provinces of Heilongjiang, Jilin, and Liaoning, the central government implemented the VAT reforms nationally in 2009.



In China, VAT is administered by the State Administration of Taxation (import VAT is collected by Customs on behalf of SAT), and the tax revenue, except import VAT, is shared between the central government (75%) and local governments (25%).

VAT is the major source of fiscal revenue for the government of China, particularly the central government. In 2007, the revenue from VAT amounted to 15.47 billion CNY, accounting for 33.9% (the lion's share) of China's total tax revenue for the year.

China inks oil deal with Kazakhstan

Times of India, 20 April 2009

In its quest for external sources of energy, China has recently signed a deal with neighbouring Kazakhstan. In exchange for oil, Kazakhstan will receive 10 billion USD for financing oil and other projects.

This is the fourth such deal signed by China since February. The nation has now offered 46 billion USD in loans tied to oil.

Of the deal, 5 billion USD will be given by state-owned China National Petroleum Corp to Kazakhstan's KazMunaiGaz EP for the joint purchase of MangistauMunaiGaz, which owns oil and gas fields. The other 5 billion USD will be invested in projects across the country.

The agreement follows similar ones with Russia, Venezuela and Brazil for guaranteed purchases of and investments in oil over the next 6 to 20 years, demonstrating China's long-term plans for energy supplies.

Kazakhstan has an oil pipeline to China, but most of its oil supplies have so far been going across Russia to Western buyers.





Insight Into a Changing Tianjin  津衛商務
BUSINESS JOURNAL **TIANJIN**

The Ultimate Business Guide

**How to:
Manage a Business in Tianjin**

MAGNETIC PLAZA Building A4, 601, Binshui West Road, Nankai District, Tianjin,
Tel: +86 22 2391 7700 Fax: +86 22 2391 0555 www.businesstianjin.com gm@businesstianjin.com

NEW MEASURES ON REGULATION ON OVERSEAS INVESTMENT



Simon Bai
Winners Law Firm

As one of the plethora of measures employed to boost growth in response to the ongoing global downturn, the Chinese government is actively encouraging overseas investment, utilizing China's huge foreign exchange reserves, and more recently taking advantage of depressed share and commodity prices around the world. More overseas investment will be conducive to balancing China's massive trade surplus.

According to the Ministry of Commerce (MOC), China made more than 52.1 billion USD in its overseas investments in 2008, soaring 96.7% over that of 2007 in spite of the global slowdown. The trend is likely to continue in 2009.

On 16 March 2009, MOC released the Measures for the Administration of Outbound Investments (the "Measures"), which comes into effect

on 1 May 2009. The previous MOC regulation on China outbound investment – The Provisions on the Review and Approval of Outbound Investment to Establish Enterprises, released by the MOC on 1 October 2004 ("2004 Provisions") – will be repealed on the same date.

The MOC Measures introduce procedures designed to simplify and streamline the approval regime and thus better facilitate overseas investment.

China made more than 52.1 billion USD in its overseas investments in 2008

It has to be noted that the Measures only address the MOC approval regime, and do not cover that of other government authori-





ties such as the National Development and Reform Commission (NDRC).

Definition and scope of outbound investment

An 'outbound investment' is defined as various forms of investment including the establishment of a new enterprise, the merger with or acquisition of an existing overseas enterprise, or obtaining control rights or business management rights thereof.

The Measures apply to the investment in an overseas jurisdiction (including Hong Kong, Macau and Taiwan) by a China enterprise or an organization with the status of legal person in an overseas non-financial enterprise; or an overseas non-enterprise legal person.

The Measures do not apply to overseas investments made by Chinese individuals.

Approval authority for outbound investment

According to Articles 4-7 of the Measures, responsibility for the administration and supervision of outbound investments is divided between MOC and its provincial-level counterparts in accordance with amount of investment and other factors. Pursuant to the 2004 Provisions, only those investments involving the physical establishment of an overseas entity (excluding financial enterprises) needs to be approved by the MOC; however, the MOC, under the 2004 Provisions, does not undertake any substantive examination

and approval of the offshore investment project. The Measures substantially upgrade the MOC's power in approving offshore transactions by Chinese enterprises.

Investments requiring MOC approval

MOC is responsible for reviewing and granting approval of the following types of transactions:

- an investment to take place in a country with which China has not established diplomatic relations;
- an investment to take place in a country or territory as set out in a list formulated jointly by MOC, the Ministry of Foreign Affairs and other relevant authorities;
- an amount to be invested by the China enterprise that equals or exceeds 100 million USD;
- the interest of multiple countries (territories) will be involved; or
- where a China investor has established an offshore special-purpose vehicle for the purpose of listing overseas.

The review by MOC must be completed within roughly 30 business days, provided that the application documents submitted are complete and in compliance with requirements. The 30-day limit excludes time for MOC to conduct consultation with the China embassies or consulates in the relevant country/region with respect to the safety of investing in the destination, and the possible impact on political and economic relationships with China.

Investments requiring provincial approval

MOC's provincial-level counterparts exercise approval authority in the following circumstances:

- the amount to be invested by the China investors equals or exceeds 10 million and is less than 100 million
- the investment is to be made in the area of energy or mining or
- where such overseas investment involves solicitation of business and investment inside China

The review shall be completed within roughly 30 business days provided that the application documents submitted are complete and in compliance with requirements excluding the time for the provincial MOC to conduct a consultation with the China embassies or consulates pursuant to Article 10 of the Measures the provincial-level of MOC counterparts shall conduct consultation if the review relates to overseas investment in the energy and mining sectors whether it shall conduct such a consultation for an investment application in other circumstances is a decision for the provincial MOC which means such consultation is discretionary

The above division of authority reflects a delegation of approval power from MOC down to its provincial-level counterparts. MOC spokesman commented that on the basis of statistical data from 2000 some of the overseas investment projects approved in 2000 now fall within the clout of provincial level authorities under the newly-issued Measures

Grounds for MOC not granting approval

MOC or its provincial counterparts shall not approve an outbound investment if the investment:

- will be harmful to China's sovereignty security and social public interests or will breach China's laws and regulations
- will be harmful to relations between China and the relevant country or territory
- may be in breach of international treaties to which China is a party or
- Involves the export of technology or goods which are prohibited under PRC law

Where an application for outbound investment has been rejected MOC must notify the applicant in writing and state the reasons for rejection

According to Article 6 of the Measures execution of overseas investment contracts and related documentations

cannot take place until approval by relevant authorities such as MOC State Administration of Foreign Exchange and NRC has been obtained

Outbound investment certificate

MOC or its provincial counterparts will issue an Outbound Investment Certificate ("the Certificate") to the investor upon approval being granted which is valid for two years from the date of issue during which the applicant must complete domestic formalities including foreign exchange bank customs foreign affairs and relevant formalities in the country where the investment is being made the Certificate will automatically lapse after two years by which time the applicant must return the Certificate to the original approving authority as required under the Measures

Other regulatory authorities for outbound investment

The Measures only apply to the regulatory regime by MOC over outbound investment but not other regulatory bodies of the Chinese government the MOC and NRC are the two major regulators in the review and approval of China firms' outbound investment apart from the State Administration of Foreign Exchange as well as sector-specific regulators such as the China Banking Regulatory Commission and the China Insurance Regulatory Commission where applicable Investments by state-owned entities will also require approval by the state-owned Assets Supervision and Administration Commission In some instances review by China's anti-trust authority may also be triggered when a certain threshold is met

The NRC is reported to be currently revising its Overseas Investment Projects Examination and Approval Administrative Measures published in 2004 It is widely reported that the NRC will further increase the threshold of the projects requiring national NRC approval and further delegate such power to the local NRC In the meantime the MOC will need to supplement the Measures with further implementing rules that will clarify some of the details that are currently lacking such as the list of countries under Article 6 () of the Measures which needs to be formulated by MOC and Ministry of Foreign Affairs



One of the biggest full-service firms in Tianjin, WINNERS provides legal service in Mandarin, English, Japanese, and Korean. In April 2008, WINNERS was named "2008 Tianjin Law Firm of the Year" by Asia Legal Business, a testimony to our achievement as the market leader in Tianjin.



W





A





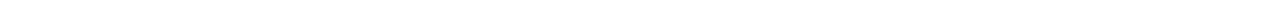


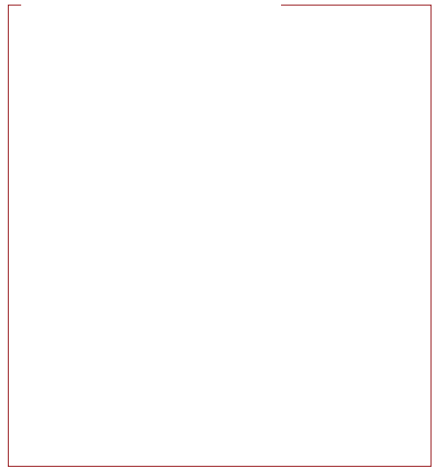
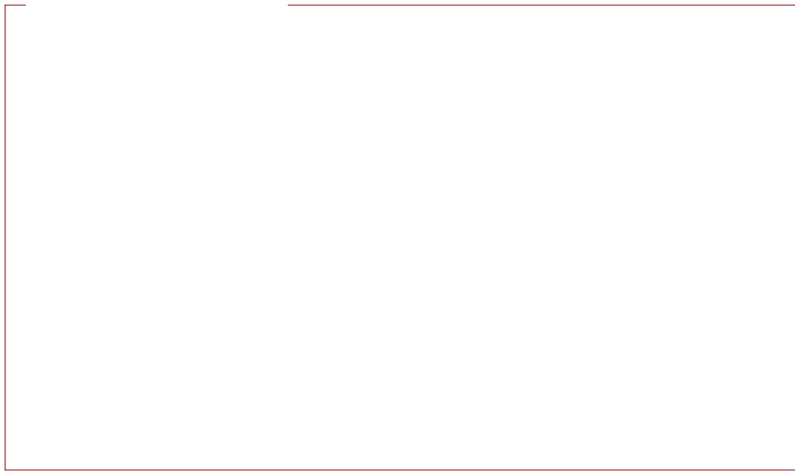
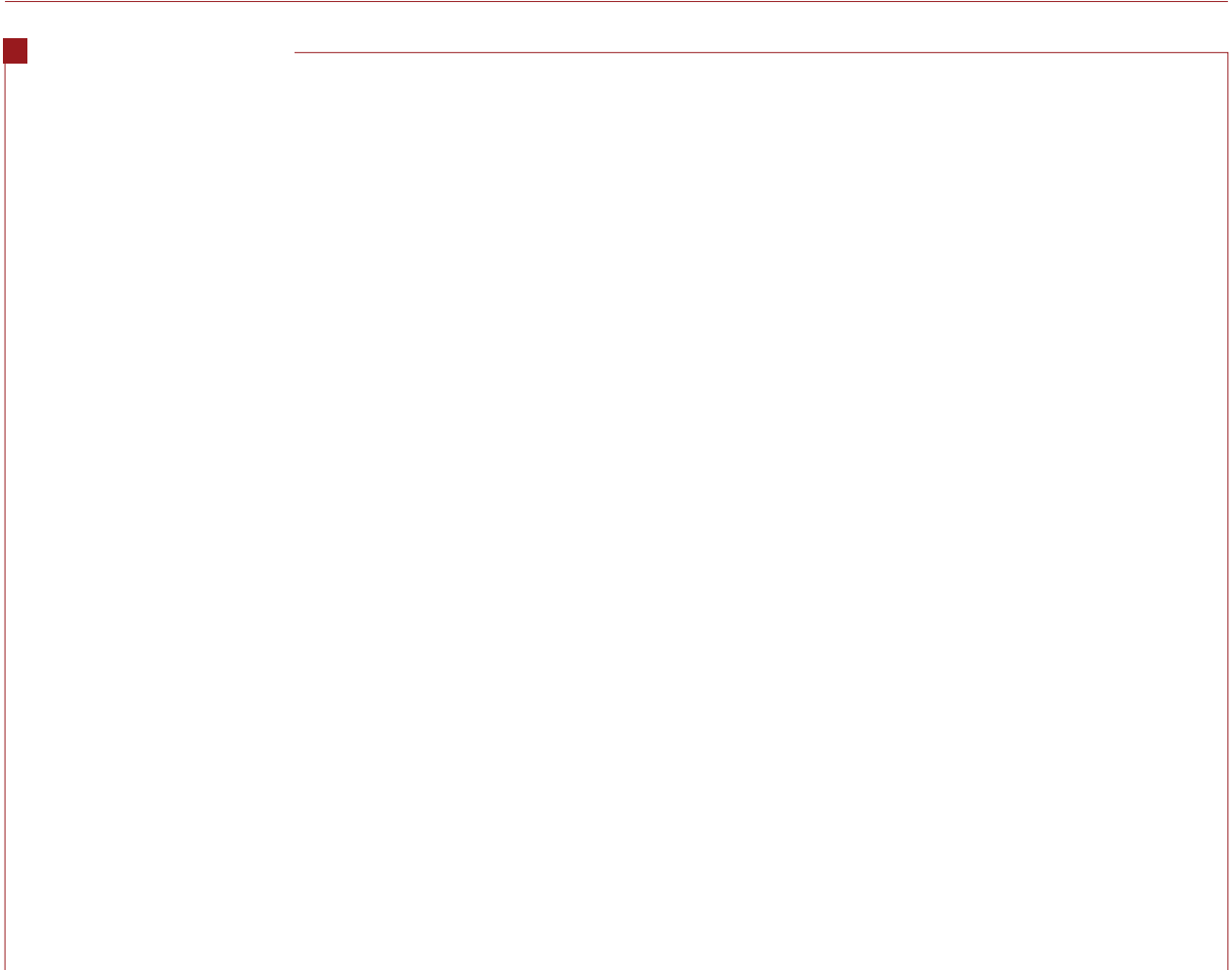
A

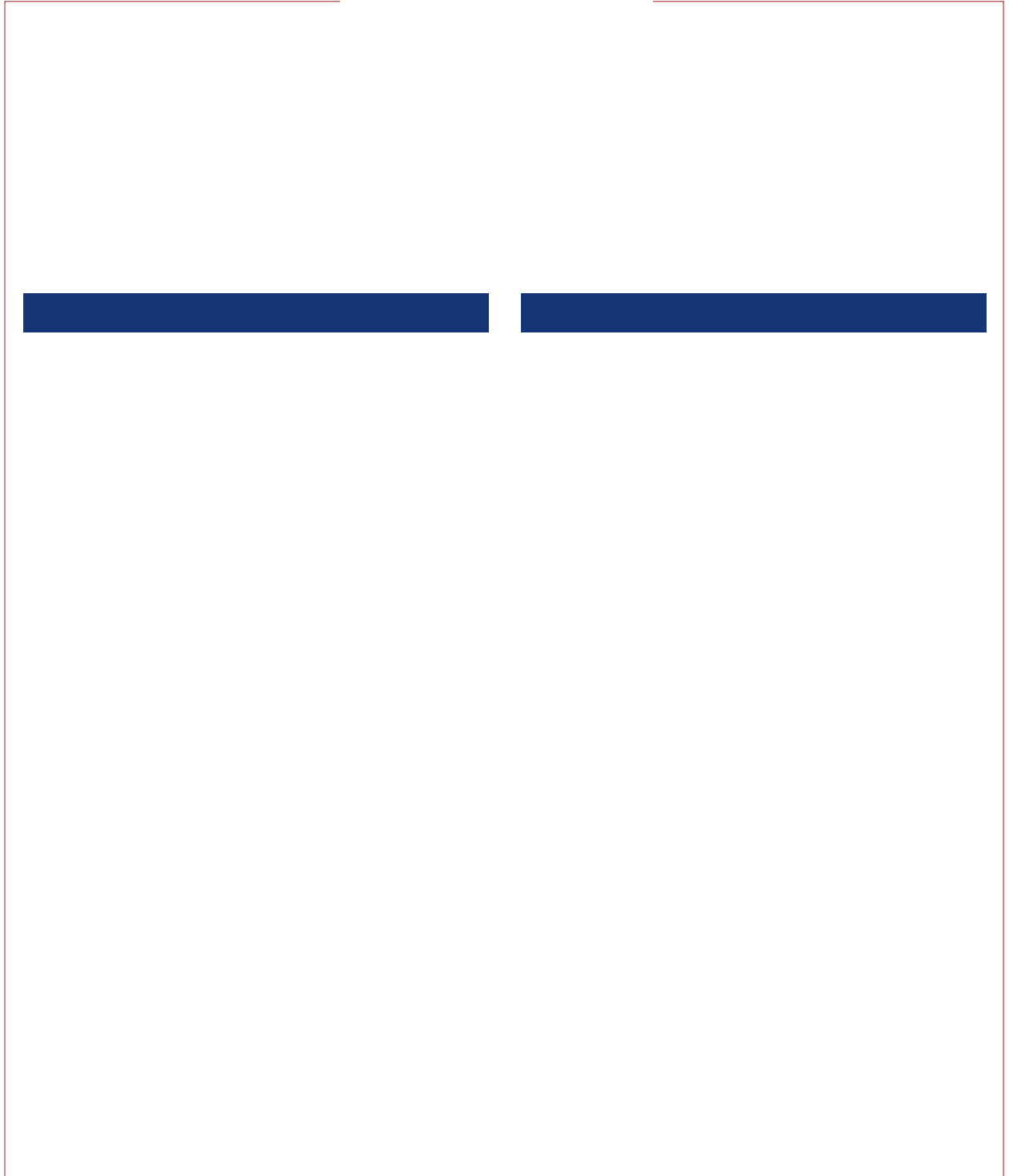








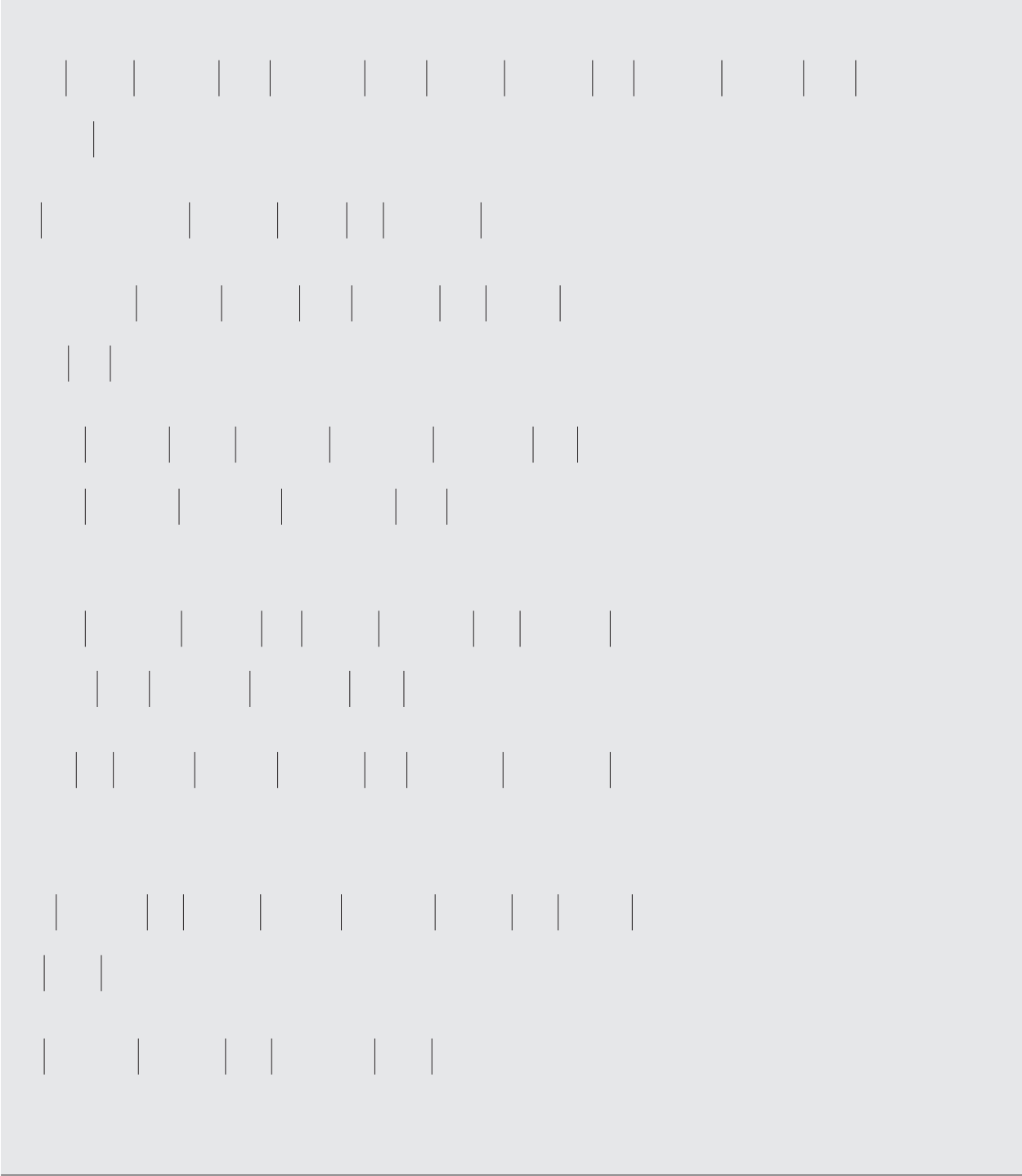
















Local Events in May 2009 ▶▶▶

May						
日	一	二	三	四	五	六
SUN	MON	TUE	WED	THU	FRI	SAT
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24/31	25	26	27	28	29	30

► Business Events

Date	Event	Location	Organizer
May 9	Europe Day Celebration: Member Family Outing	Songjiang Country Club	EUCCC TJ See P42
May 14-17	Tianjin International Mobile Phone Industry Exhibition & Forum	Tianjin Binhai International Exhibition Centre (5th Avenue, TEDA, China)	Tianjin Binhai International Convention & Exhibition Centre Tel: +86 22 65302601
May 19	Monthly Inter-Chamber Networking	TEDA Renaissance Hotel	EUCCC TJ See P42
May 21	Factory Visit	M&M Militzer & MuenchTianbao	EUCCC TJ See P42
May 22-24	Expat Show Beijing 2009	China World Trade Centre	World Event Agency See P36
May 24-27	The 5th China (Tianjin) International Mould & Die Equipment & Technology Exhibition	Tianjin International Exhibition Centre	Tianjin Machinery & Electric Industry Holding Group Company Tel: +86 22 5858 1918
May 25-27	The 5th China (Tianjin) International Plastics & Rubber Injection Molding Industry Exhibition	Tianjin International Exhibition Centre	Tianjin Machinery & Electric Industry Holding Group Company Tel: +86 22 5858 1918

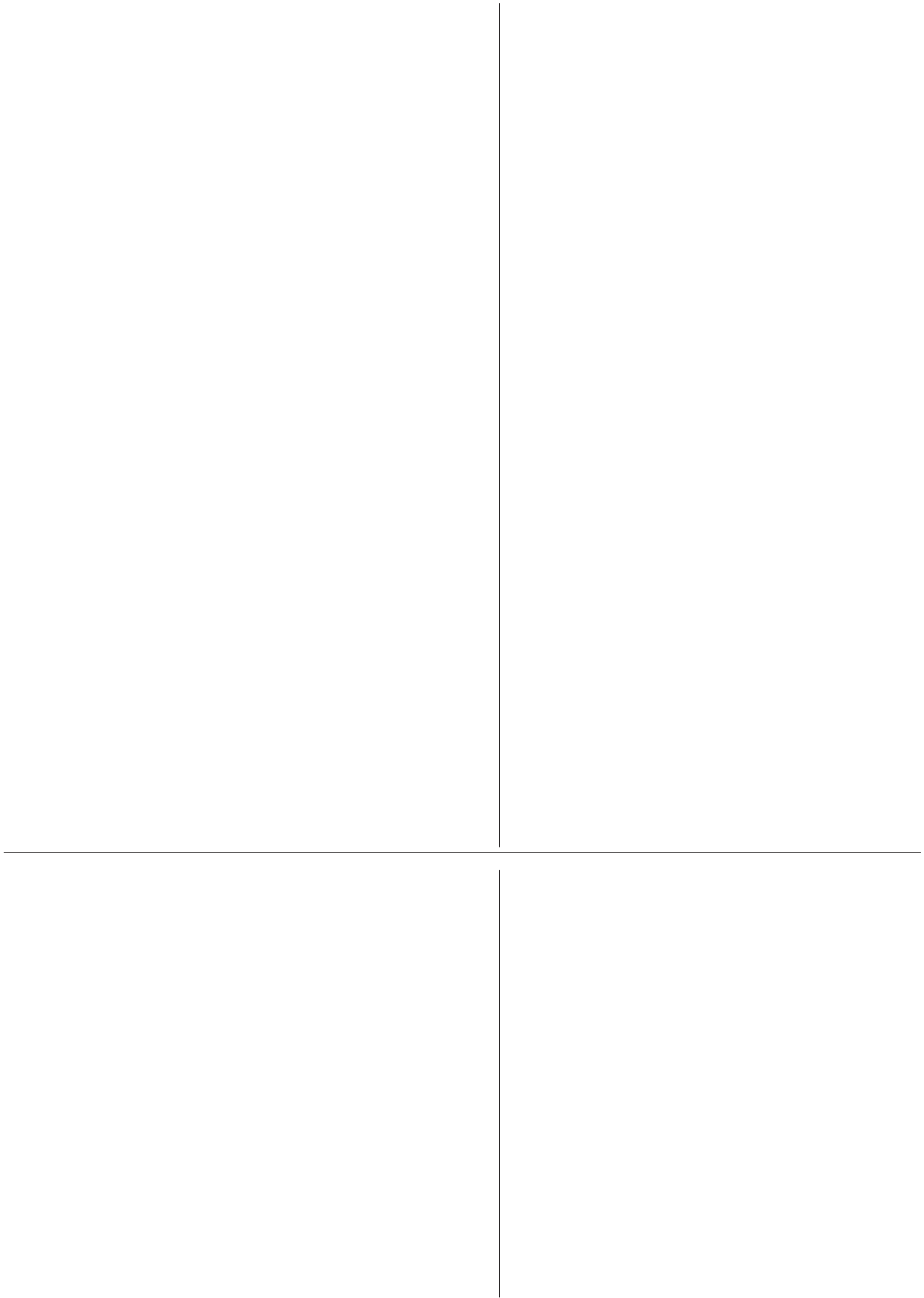
► Leisure Events

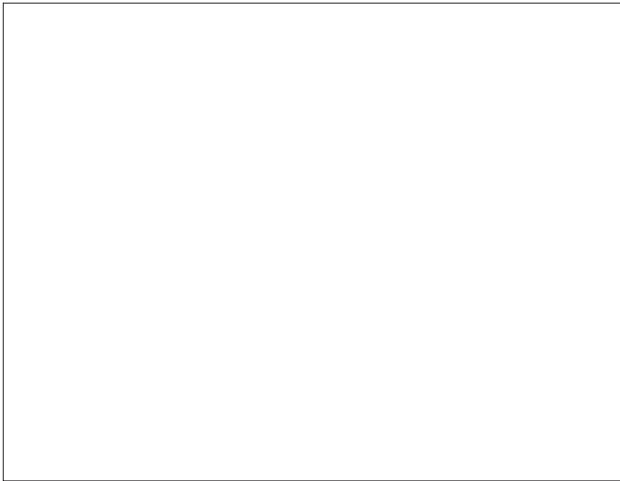
Date	Event	Location	Organizer
May 5 10am-12noon	TICC Coffee morning	Sheraton Hotel Tianjin	TICC (Email: ticc_09@hotmail.com)
May 9	TICC Bus Trip	Tianjin Great Wall	TICC
May 15	2009 "Super Band" Tianjin Concert	Tianjin Olympic Sports Center Stadium	Reservation Tickets: +86 22 2777 8571 See P58
May 21 12 noon	TICC Monthly Lunch	Nikko Hotel Tianjin	TICC
May 30	TICC Bus Trip	Beijing Yashow Market	TICC

► Special Days

May 1	International Labor Day	May 4	Youth Day
May 5	Lì Xià (Summer begins)	May 8	World Red-Cross Day
May 10	Mother's Day	May 12	International Nurses Day
May 17	World Telecommunications Day	May 21	Xiǎo Mǎn (Grain Buds)
May 28	Dragon Boat Festival	May 31	World No-Tobacco Day









1

2

3

4

5

6

7



Tianjin Centre Residences

219, Nanjing Road, Heping District
Tel: +86 22 5868 2888
天津中心公寓
和平区南京路219号

Tianjin International Building

75 Nanjing Lu, Heping District
Tel: +86 22 2330 6666
国际大厦
和平区南京路75号

Chambers

**European Chamber
Tianjin Chapter**

Room15A17, Suite 17, Magnetic
Plaza, Binshui Xi Dao,
Nankai District,
Tel: +86 22 2374 1122
Tianjin@eucc.com.cn
中国欧盟商会天津分会
南开区滨水西道奥城商业广场17
座15A17室

**German Business Circle Tianjin
Deutscher Unternehmerkreis
Tianjin, DUT**

Office 803, Huake Center,
3 Kaihua Dao,
Huayuan Industrial Area
Tel: +86 22 8371 7855
Fax: +86 22 8371 7859
天津德国人联谊会
天津市华苑产业区开华道3号华科
创业中心803室

**German Chamber of
Commerce, Tianjin Office**

3 Yuliang Lu, Nankai District
Tel: +86 22 2301 1709
德国商会天津分会
南开区育梁路3号

**The American Chamber of
Commerce, Greater Tianjin
Branch**

Room 2918, 29F The Exchange
Tower 2, 189 Nanjing Lu,
Heping District
Tel: +86 22 2318 5075
www.amchamchina.org
美国商会天津分会
和平区南京路189号津汇广场B座
2918室

Tianjin Japanese Association

Rm 607, International Building
75 Nanjing Lu, Heping District
Tel: +86 22 2313 2522
www.tjja.net
天津日本人会
和平区南京路75号国际大厦607室

**Tianjin Korean Chamber of
Commerce & Industry**

1F Fenglin Hotel
6 Binshui Xi Dao, Nankai District
Tel: +86 22 2395 7991
天津韩国商会
天津市南开区滨水西道6号
枫林宾馆1楼

Tianjin Korean Society

1F Fenglin Hotel
6 Binshui Xi Dao, Nankai District
Tel: +86 22 2395 6600
天津韩国人会
天津市南开区滨水西道6号
枫林宾馆1楼

Education

**German Language Centre,
Tianjin Foreign Studies
University**

Bldg. 3, Tianjin Foreign Studies
University, 117 Machang Dao,
Hexi District
Tel: +86 22 2326 5642
Fax: +86 22 2326 5644
Email: kurse@goethe-slz.tj.cn
Website: www.goethe-slz.tj.cn
天津外国语学院歌德语言中心
河西区马场道117号天津外国语学
院马场道校区3号楼

International School of Tianjin

Weishan Lu, Shuanggang,
Jinnan District
Tel: +86 22 2859 2001
Fax: +86 22 2859 2007
www.istianjin.org
天津经济开发区国际学校天津分校
津南开发区双港微山路

Teda International School

72 3rd Avenue, TEDA
Tel: +86 22 6622 6158
Fax: +86 22 6200 1818
www.tedainternationalschool.net
泰达国际学校
开发区第三大街72号

Tianjin International School

1 Meiyuan Lu, Huayuan Industrial
Area, Nankai District
Tel: +86 22 8371 0900
Fax: +86 22 8371 0400
www.tiseagles.com
天津国际学校
南开区华苑产业区梅苑路一号

**Tianjin Rego International
School**

38 Huandao Dong Lu,
Meijiangan Residential Zone
Tel: +86 22 8816 1180
Fax: +86 22 8816 1190
www.regoschool.org
天津瑞金国际学校
河西区梅江南居住区环岛东路38号

**Tianjin TEDA Maple Leaf
International School**

71, 3rd Avenue, TEDA
Tel: +86 22 6622 6888
Fax: +86 22 6622 6288
www.mapleleaf.net.cn
天津泰达枫叶国际学校
天津市经济技术开发区第三大街
71号

Serviced Office

**The Executive
Centre**

29F, The Exchange Tower 2,
189 Nanjing Lu, Heping District
Tel: +86 22 2318 5000
Fax: +86 22 2318 5001
天津德事商务中心
和平区南京路189号津汇广场2座
29层

Office Facilities

Tianjin Samyong O.A
Selling, maintaining and leasing
digital duplicator, laser printer,
laser facsimile apparatus,
E-Board, projector, scanner, etc.

天津市三龙信息技术有限公司
purchasing and leasing office
facilities inquiry office
사무기기 구매 및 임대 문의
Tel: +86 22 8379 0237

Gyms

Haosha Fitness & Beauty Center

4F, Xin An Plaza, Nankai District
Tel: +86 22 8734 0399
浩沙健身与美俱乐部
南开区新安广场4楼

**Holiday Inn Binhai Hotel
Fitness Center**

15F, Holiday Inn Binhai Tianjin
86, 1st Avenue, TEDA
Tel: +86 22 6628 3388 ext. 2960
Hrs: 06:00 - 22:00
天津滨海假日酒店健身中心
天津滨海假日酒店15层

Powerhouse GYM

1F Jinhuang Building
20 Nanjin Lu, Hexi District
Tel: +86 22 2302 2008
Hrs: 07:00 - 22:00 (Mon - Fri)
Hrs: 09:00 - 22:00 (Sat)
Hrs: 10:00 - 22:00 (Sun)
宝力豪健身俱乐部
河西区南京路20号金皇大厦1层

Sheraton Hotel Fitness Center

Zijinshan Lu, Hexi District
Tel: +86 22 2334 3388 ext. 2228
Hrs: 06:00 - 24:00
喜来登健身美容中心
河西区紫金山路喜来登饭店内

Outdoor Clubs

Able Outdoor

1F, A4, Magnetic Plaza,
Binshui Xi Dao, Nankai District
Tel: +86 22 2385 5007
天津全能户外俱乐部
南开区滨水西道时代奥城商业广
场A4一樓

Tianjin Freetrek Outdoor Sports Club

1038 Jintang Lu, Tanggu District
Tel: +86 22 2582 9366
www.freetrek.net
天津自由户外俱乐部
塘沽区津塘公路1038号

Tennis Courts

**Tianjin People's Stadium
Tennis Court**

Junction of Guizhou Lu and
Chengdu Dao, Heping District
人民体育馆网球场
和平区贵州路与成都道交口

Tianjin Tennis Center

9 Fukang Lu, Nankai District
(Opposite Nankai University)
Tel: +86 22 2359 1964
天津市网球中心
南开区复康路9号

Yoga

Hotel Nikko Tianjin Yoga

6F, Hotel Nikko Tianjin,
189 Nanjing Lu, Heping District
Tel: +86 22 8319 8888 Ext.3290
Hrs: 06:00-23:00
天津日航酒店瑜伽
和平区南京路189号天津日航酒店
6层

Yunshui Yoga Club

2nd Floor, Flat 8, Yang Guang
Apartment, Shuishang Dong Lu,
Nankai District
云水瑜伽会馆
南开区水上东路阳光公寓8幢2楼

Golf Clubs

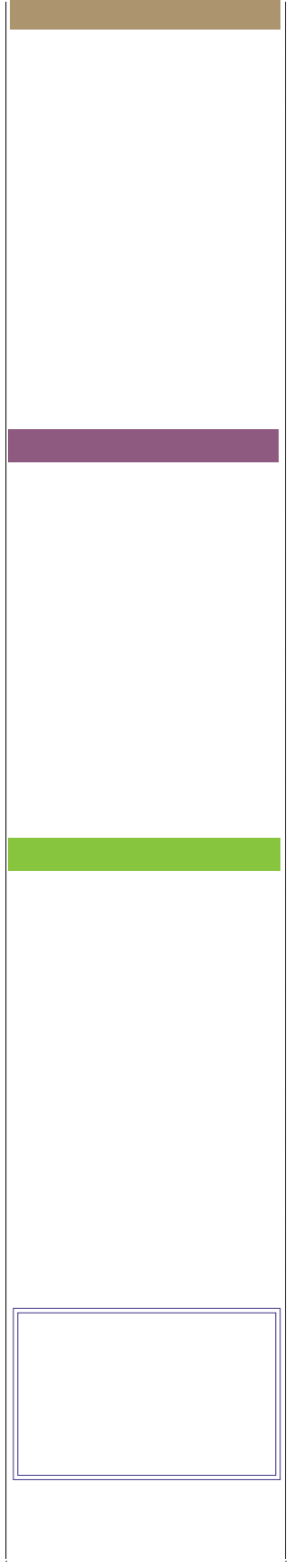
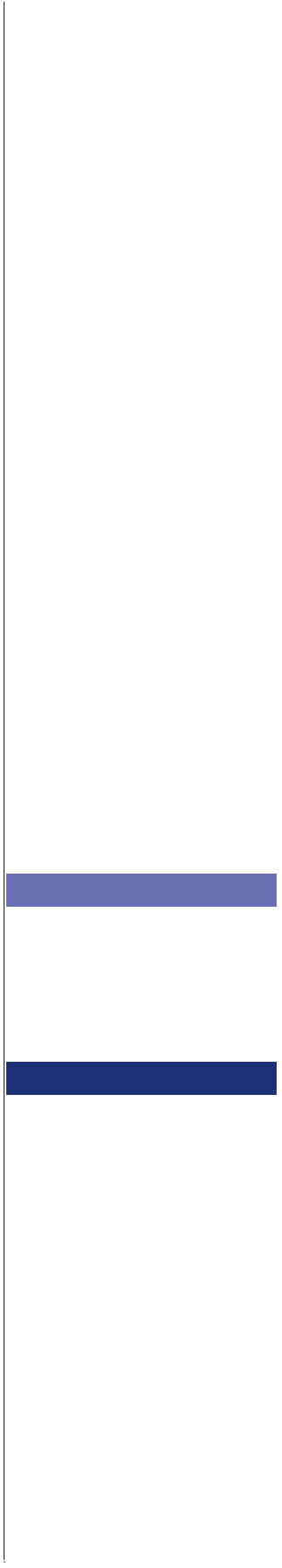
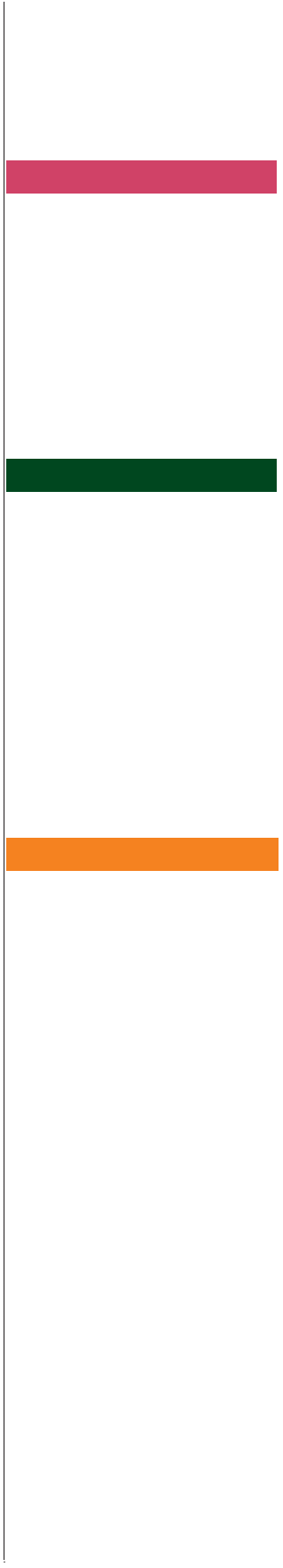
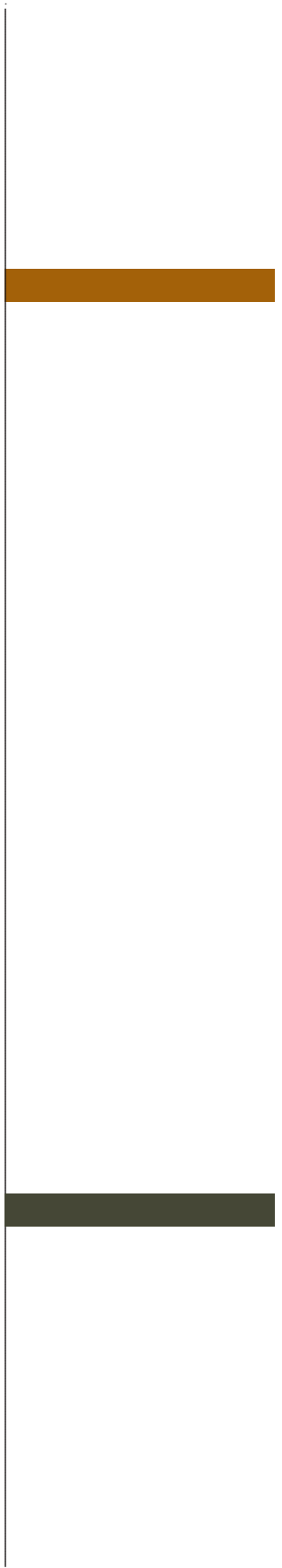
Aroma (Tianjin) Golf Club

Green base, Guangang Senlin
Park, Dagang District
Tel: +86 22 6328 5000
阿罗马(天津)高尔夫俱乐部
天津市大港区官港森林公园绿化
基地处

Fortune Lake Golf Club

Tuanbo Town, Jinghai County
Tel: +86 22 6850 5299
天津松江团泊湖高尔夫球会
静海县团泊镇





D

Header	
Cell 1	Cell 2
Cell 3	Cell 4

