

Specialized Aspects of International Logistics -- country and regional issues

P.R.China

1. What are the rough dimensions of the country in miles?

From South to North is about 3,416 miles; from East to West is about 3,105 miles. The overall size of the territory is about 3,702,156 square miles.

2. What is the population? What percentage live in the 3 largest cities?

The total population is about 1.36 billions. The 3 largest cities in terms of population are Chongqing, Shanghai and Beijing. The population in these three cities is about 56 million, 4.1% of the total population of PRC.

3. What is the predominant language? How widely used is English in business?

The predominant language is Mandarin. In most provinces, English is a required subject starting from the third year in primary school. Nowadays, most young people graduated from universities are comfortable with English as a business language. For example, 38699 people entered for the examination of BEC(Business English Certificate) in 2002. The five districts with the most large BEC entering population are as below: Guangdong: 7306. Beijing: 5267. Shanghai: 4284. Jiangsu: 3543. Hubei: 3088. There is an increase of 28.3% in the number of people who signed up for BEC examination compared with 30163 people in 2001.

PETS (Public English Test System), which is the national English proficiency test system held by China Education Association, also has experienced the increase of entering number from 15422 in 2001 to 23551 in 2002.

4. In the last three years have there been any instances of political instability?

China has just gone through a smooth power transfer from the leaders of the older generation to the younger leaders. So far the political environment has been very stable for the past decade, and it is anticipated to maintain the stability for the following ten years at least.

5. What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?

The currency is RMB. The exchange rate to USD is 1\$=8.28RMB. In the past two years, RMB has been pegged at a fixed rate to USD.

6. What time zones exist in this country? What time is it in the capital when it is noon in Cambridge, MA?

The time zone in China is UTC/GMT +8 hours. When it is noon in Cambridge, it is 1:00 a.m. in Beijing, and 12:00 a.m. in Beijing during summer time.

7. What unique requirements exist for products sold in this country? (e.g. testing, packaging, language, safety, etc.)

The requirements vary by provinces and industries. Most products sold in China should be packaged with labels in Chinese. The other requirements follow relevant government rules and regulations

8. What regulations or limitations exist regarding freight transport?

There is no special regulations or limitations for freight transport. Foreign investments are encouraged in this sector. For example, DHL, FEDEX and UPS started their operations in China many years ago and are observing increase in market share. However, railroad in China is still state owned. Also, domestic flights can only be operated by local airlines. As to asset based logistics companies, foreign investments are strongly encouraged, but cannot exceed 50% of the total investments.

9. Are there saltwater ports which can handle large ships? How far are the major population centers from those ports?

Yes. China has more than 11 saltwater ports that can handle large ships. Most of these ports are located near the metropolitan areas along the east coast where 39.8% of total population reside.

10. What business terms and financial instruments are typically used for import commercial transactions?

International standard business terms and financial instruments are commonly used for import commercial transactions. For example, terms such as FOB, CIF, CFR, and instrument such as Letter of Credit ('LC') are widely used. USD is usually the required currency for transaction settlement. However, exchange for foreign currency such as USD for import business is still strictly controlled by government and needs approval.

11. How large is a typical supermarket or retail food store (square feet or meters)?

A typical supermarket ranges from 400 square meters to 2000 square meters. There are also many mega-marts that take more than 20000 square meters.

12. Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys 'R Us) have stores in this country?

Wal-Mart just started its business in China. Other large US discount retailers have not entered the China market

13. Describe the highway and rail infrastructure. Are they: extensive, moderate, or primitive nationwide?

China has the second largest railroad and highway network in terms of miles all over the world, right next to the US. For example, the total miles of highway is more than 20,000 km. However, considering the dimension of the country, network coverage in certain part of the nation still needs improvement. Currently, the east part of the country is more densely covered. But the government is executing major plans to expand the network towards west.

14. How bad is the traffic congestion in the major cities?

The traffic congestion is a serious problem in the major cities like Shanghai or Beijing. For example, in some cities, it takes one hour to travel 20 km during the rush hour.

15. Which countries/areas are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?

The top eight trading partners are: Japan (import), USA (export), EU (Export), Hong Kong (export), Southeast Asia (export), Taiwan (import), South Korea (import), Russia (import), Australia (export) and Canada (export).

16. Is security an issue in logistics? Why?

Security is not a big issue for airfreight and ocean freight. However, it turns to be a more serious issue for ground transportation (rail and truck). In certain part of the country, cargo could be missing due to theft or robbery.

17. How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?

The phone system is very reliable since it is operated by several largest state owned companies. However, the rates are not as low as those in the States. The lead time for varies by city. It takes an average of 7 days to get a phone line installed in a big city. China is already the largest market for cellular phone. Up to now, there are 220 millions users of cell phone and 430 million users of fixed phone.

18. How many people have internet access?

Around 55 millions people currently have internet access. And this number is expected to increase by 30% annually in the next few years.

19. What is the price of regular gasoline, \$ per gallon?

The gasoline per gallon is about 1.45 \$.

20. What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?

Since China joined WTO in December 2001, the Chinese government has been reducing its duties on all import items according to the WTO requirements. Currently, the government imposes an 80% duty on imported automobiles, the highest among all items. There is no restriction on the country of origin.

Weapons, drugs, media products failed to pass censorship and any other illegal items are prohibited to import.

Precious animals, strategic minerals/metals, classified antiques, gene products and other similar items are prohibited to export.

21. What customs documents are required for an import shipment? For export?

The documents include L/C, inspection documents, certificates of origin and shipping documents. Same documents are required for export

22. How common is “bribery” (US definition) in trade transactions? (normal, infrequent, very rare). What are the legal ramifications?

Bribery is normal for some regions and industries in China. However, it is infrequent in international transactions. After joining WTO, China has been continuously improving its legal system. However, there is still a long way to go.

23. How strong are the unions? In what industries are they an important factor? Are they predominantly national or local? What impact do they have on logistics?

The unions are everywhere in state-owned companies. However, the unions are not independent, and always cooperate with the government. The unions are not established or grouped by industries, but by regions or provinces. The National General Union, almost a Ministry of the central government, located in Beijing, guides and supervises all union issues and activities. In China, the union has no impact on logistics.