

University of Montana

ScholarWorks at University of Montana

Graduate Student Theses, Dissertations, &
Professional Papers

Graduate School

1994

Doing business in China

Youhua Chen

The University of Montana

Follow this and additional works at: <https://scholarworks.umt.edu/etd>

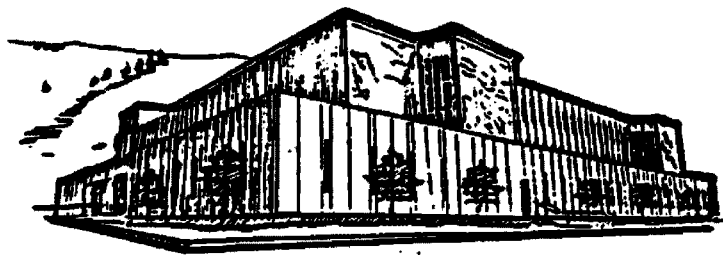
Let us know how access to this document benefits you.

Recommended Citation

Chen, Youhua, "Doing business in China" (1994). *Graduate Student Theses, Dissertations, & Professional Papers*. 8447.

<https://scholarworks.umt.edu/etd/8447>

This Thesis is brought to you for free and open access by the Graduate School at ScholarWorks at University of Montana. It has been accepted for inclusion in Graduate Student Theses, Dissertations, & Professional Papers by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact scholarworks@mso.umt.edu.



Maureen and Mike
MANSFIELD LIBRARY

Copying allowed as provided under provisions
of the Fair Use Section of the U.S.
COPYRIGHT LAW, 1976.

Any copying for commercial purposes
or financial gain may be undertaken only
with the author's written consent.

University of
Montana

DOING BUSINESS IN CHINA

By

Youhua Chen

B.A., Beijing College of Economics 1979 - 83

M.B.A. University of Montana 1993 - 94

Presented in partial fulfillment of the requirement
for the degree of
Master of Business Administration
University of Montana
1994

Approved by

Nader H. ShooShfari
Chairman

R.C. Murray
Dean, Graduate School

June 8, 1994
Date

UMI Number: EP39248

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent upon the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



UMI EP39248

Published by ProQuest LLC (2013). Copyright in the Dissertation held by the Author.

Microform Edition © ProQuest LLC.

All rights reserved. This work is protected against unauthorized copying under Title 17, United States Code



ProQuest LLC.
789 East Eisenhower Parkway
P.O. Box 1346
Ann Arbor, MI 48106 - 1346

6
Youhua Chen, M.B.A., May 1994
Administration

Business

Doing Business in China

Director: Dr. Nader Shooshtari *Nader H. Shooshtari*

China has the world's oldest living civilization, and it is the world's largest country in population and the largest in area. Although it has many brilliant and glorious achievements in its relatively long history, it has never made such rapid progress as it has within the last 17 years. The recent changes and the current situation in China indicate that China is deepening its reforms and is striving forward its modernization.

The relationship between China and the United States has moved toward normalization and bilateral exchange since the former US president Richard Nixon visited China in 1972. In the meantime, economic and trade relations between the two countries have made especially great progress. Currently, the Chinese economy is booming and the market is growing rapidly. The changes raise new issues for American businessmen. While this presents a very important business opportunity, it also presents the challenge of a very new or different business environment.

The thesis is designed to help American businessmen face and understand this new business environment under the difference in culture and in government functions. By presenting the basic characteristics of the Chinese culture, business practices, and business structure of China, the thesis is designed to guide international businessmen to have a better understanding of how to do business in China.

PREFACE:	P.1
PART ONE: <u>GENERAL INTRODUCTION TO CHINA</u>	P.2
1. POLITICAL SYSTEM..... P.3	
(1) Communist Party	
(2) National Government	
(3) Democratic Parties	
(4) Political Divisions	
2. SOME FACTS ABOUT PEOPLE AND CULTURE..... P.6	
- Population	
- Nationalities	
- Languages	
- Religion	
3. BANKING AND FINANCE..... P.8	
4. ECONOMY DEVELOPMENT AND REFORM..... P.10	
PART TWO: <u>RELATIONSHIP BETWEEN CHINA AND THE UNITED STATES</u>	P.12
PART THREE: <u>UNDERSTANDING AND DOING BUSINESS IN CHINA</u>	P.14
1. Basic Cultural Differences..... P.14	
(1) Group orientation vs Individuals	
(2) Employment Unit	
(3) Face	
(4) Connections	
2. Understanding the Chinese View and Keeping a Good Relationship..... P.20	
(1) The Chinese View of Foreigners	
(2) Women's Position in the Business	
(3) Dress and Related Appearance	
(4) Maintaining and Developing Business Relationships	
3. The Foreign Trade and Major Organizational Structure of China..... P.24	
(1) Trading	
(2) Investment	
(3) Special Economic Zones	
(4) Service Organizations	
4. Getting in Touch..... P.29	
(1) Initial Accesses	
(2) Contacts and Establishing Ties	
5. Business Meeting and Negotiating..... P.34	
(1) The Protocol of Meetings	
(2) Negotiation	
(3) Toward Mutual Understanding	
PART FOUR: <u>Summary, Conclusions, and Recommendations</u>	P.45
APPENDIX:	
REFERENCES:	

PREFACE

In the late 1980's relations between the United States and China underwent profound changes. Above all, they became less a relationship determined by geographical considerations and more one built upon society-to society ties. Consequently trade has become a major element in U.S - China relations. From the establishment of the People's Republic of China until the "end of the Cold War" strategic considerations governed United States policies toward China, first as an enemy allied to the Soviet Union, and then, after American President Nixon's opening to Beijing, as a "card" in the superpower rivalry with Moscow. Initially the transition to more normal relations was enthusiastically welcomed, and in the commercial realm American companies were soon elbowing each other in their impatient rush to do business in China.

The thesis is designed for businessmen who want to start business in China by introducing basic characteristics of Chinese culture, business customs, rules and related thinking. Also, it is presented with hopes for understanding and mutual development. the thesis is divided into three parts: Part one introduces important facts about China, including politics, culture, law, banking & finance, and

economy & reform. Part two describes the development of business relationships between China and the United State. Part Three explores the differences between cultures, and business practices; and How an American businessman could understand China and Chinese, and do successful business in China.

PART ONE: GENERAL INTRODUCTION TO CHINA

China is a huge country located in eastern Asia. It is the world's largest country in population and the third largest in area. About a fifth of the world's people live in China. The country covers more than a fifth of Asia.

Most of the Chinese people live crowded together in the eastern third of the country. This region has most of China's major cities and nearly all the land suitable for farming. Agriculture has always been the chief economic activity in China. About 74% of population are farmers. Although only a small percentage of the people live in urban areas, China has several of the largest cities in the world. They include Shanghai and Beijing, the nation's capital.

China has the world's oldest living civilization. Its written history goes back 3,500 years. The Chinese people take great pride in the nation, its long history and its contribution to the development of human civilization, such

as the compass, paper, porcelain, powder and silk cloth.

Since 1949, China has gone through many major changes. All important industries have been placed under state ownership and direction. The government controls most trade and finance. China has dramatically increased industrial production and has expanded and improved education and medical care. The supply of food for China's people is generally sufficient, though not very plentiful, and China still remains a poor country by world standards.

By the end of 1978, on the Third Party Plenum, China became committed to the policy of reform and openness with modernization given the overriding priority. This paved the way for the rapid and stable development of the national economy.

1. POLITICAL SYSTEM

To understand Chinese culture, society and to do business in China, it is important to develop an overall understanding of the institutional framework of China because it affects all aspects of the culture and society.

(1) Communist Party

The People's Republic of China is a communist nation in which the real authority lies with the communist party political bureau. The Constitution defines the National People's Congress of the People's Republic of China as the

"highest organ of state power under the leadership of the Communist Party of China." This formally establishes the Chinese Communist Party as the supreme ruling body in China.

The Communist Party has four main decision-making bodies. These are the National Party Congress(NPC), the Central Committee, the Politburo(Political Bureau), and the Secretariat. The NPC has more than 1900 representatives, selected by party members throughout the nation. The Central committee consists of about 300 leading party members who are elected by the NPC. The Politburo has about 20 members, who are top party leaders elected by the Central Committee. The Politburo includes a standing committee of 5 or 6, including General Secretary of the Party, of the most important Communist Party leaders. The Secretariat has about 5 members, elected by the standing committee.

(2) National Government

- The National People's Congress - NPC

China's constitution establishes the National People's Congress as the highest government authority. Its functions include amendments to the constitution; legislation; appointment and removal of the premier and members of the State Council on the recommendation of the Communist Party Central Committee; approval of the national economic plan, state budget, and final state accounts. There have been five national congresses of

this body since it established in 1954.

- The State Council

The State Council carries on the day-to-day affairs of the government. The council is led by the premier, China's head of government. The premier is nominated by NPC and approved by the president of the People's Republic of China. The premier is assisted by several vice premiers, commissioners and about 40 ministers. The State Council exercises leadership over line ministries, commissions, special agencies, and other organs of the state at various levels throughout China. It is responsible for drafting and implementing the national and economic plans and the state budget, and it directs all state administrative affairs.

- Chinese People's Political Consultative Conference (CPPCC)

CPPCC has played an important role in China's political and constitutional construction through proposals, criticisms and suggestions on major matters concerning the political life and economic construction of the country as well as the well-being of the people.

(3) Democratic Parties and Federation of Industry and Commerce

The eight democratic parties, many of which were found in the 1940s, are the Revolutionary Committee of the Chinese Kuomintang, the China Democratic League, the

China Democratic National Construction Association, the China Association for Promoting Democracy, the Chinese Peasants' and Workers' Democratic Party, the China Zhi Gong Dang, the Jiusan Society and the Taiwan Democratic Self-Government League. In addition, the Federation of Industry and Commerce is another main group. The CPC (Communist Party Committee) reaffirmed the policy of "long-term coexistence and mutual supervision" and the position and functions of the democratic parties in China's political life. This helped to revitalize the democratic parties.

(4) Political Divisions

China has 31 major political divisions. They consist of 23 province; 5 autonomous region; and 3 special municipalities.

China has three levels of local government. The 31 major political units are divided into about 2,200 counties. These counties are subdivided into about 100,000 townships and towns. Each political unit has a local People's Congress and a local executive body patterned after the State Council. Both national and counties level have a local CPPCC.

2. SOME FACTS ABOUT PEOPLE AND CULTURE.(closely related to doing business and developing markets)

- **Population.** About a fifth of the world's people live in China. China has a population of about 1,182,666,000.

- **Nationalities.** About 92 percent of the people belong to the Han nationality, which has been China's largest nationality for centuries. The rest of the population consists of about 55 minority groups, which are distinguished chiefly by language and culture.

- **Languages.** The Han people speak Chinese. Many non-Chinese call the official language Mandarin, while Chinese prefer the term Putonghua. Spoken Chinese has many dialects, which differ enough in pronunciation to be considered separate languages. Main varieties of Chinese include the Northern Chinese dialect, Min, Wu (spoken in Shanghai), and Yue (Cantonese), each of which has many local dialects. In addition, the minority peoples of China speak many other languages including Korean, Mongolian, and Uygur. Each group uses its own language in its schools and publications.

- **Religion.**

Confucianism, Taoism, and Buddhism have been the major religions throughout most of China's history. **Confucianism** is based on the ideas of Confucius, a Chinese philosopher who was born about the middle of the fifth century. It stresses the importance of moral standards and of a well-

ordered society in which parents rule their children, men rule women, and the educated rule the common people. Confucianism strongly emphasizes deep respect for one's ancestors and for the past. **Taoism** teaches that a person should withdraw from everyday life and live in harmony with nature. It began during the third century. **Buddhism** reached China before A.D.100 and became well established throughout the nation during the third century. It taught strict moral standards and the ideas of rebirth and life after death. The Chinese Buddhists worshiped many gods and appealed to them for help in times of troubles. **Additionally**, Muslims make up about 2 per cent of the Chinese population, Christians are about 1 per cent of the population.

3. BANKING AND FINANCE

Banking and finance in China is a state monopoly operated by the Ministry of Finance and People's Bank of China under the leadership of the State Council. **The Ministry of Finance** executes financial policies of the State Council that are based on the investment requirements of the national plans. **The People's Bank of China** operates as China's central bank and the commercial banking system of the country. It is responsible for implementing monetary policies, regulating and controlling the money supply; and supervising and maintaining financial order by implementing economic

measures such as the lending rates of the central bank and open market operations. Furthermore, under the People's Bank of China, the Bank of China is responsible for all international transactions and balance of foreign trade; and several other same-level banks such as the Bank of Industry & Commerce, Transportation, Construction, Agriculture and so on act as functional banks who are respectively responsible for related banking business.

As the reforms deepen, China is going to further separate commercial banking functions from the central bank, which will focus on money-supply stability. This year the central bank will set up long-term development, import-export and agricultural policy branches. The plan calls for the creation of independent, competitive commercial banks.

Specially, by end of last year, China began to carry out a single exchange rate for Yuan instead of old foreign exchange rate. The basic currency unit is the Yuan. Presently, 1 Yuan is equal to about 0.12 US Dollar (\$1=8.7Yuan). China hopes that simplifying its foreign exchange system will help in further development of trade with foreign countries and with its application to rejoin the General Agreement on Tariffs and Trade(GATT).

4. ECONOMIC DEVELOPMENT and REFORM

China has a long record of economic development although the rate of progress has fluctuated, the trend has been upward, at least since the Ming Dynasty in the 15th century. The early traditional economy was noted for its minute division of labor, the scale of its urbanization, the quality of its handicraft production and the productivity of the land under cultivation.

Industrial modernization in China is thought to have begun in the late 19th century. It was closely related to foreign political intervention in China and foreign control of Chinese resources.

However, between the late 1920's and late 1940's, war and civil conflict severely hampered normal economic development.

In 1949 the Chinese Communist Party established itself as the dominant political force in China, and has remained in command until the present. By 1952 China introduced centralized economic planning along with former Soviet lines and basically utilized this type of model to develop the national economy until late 1980's.

In 1978, The Third Plenary Session of the 11th Central Committee and central leadership formed with Mr. Deng

Xiaoping at the core, inaugurated an economic reform program which accomplished the historic change and launched a new era in the development of the national economy.

With the transformation of the closed and rigid planned economic system to an open and vigorous economic system, productive forces have been emancipated, comprehensive national power strengthened, and people's living conditions improved largely and quickly. A comparison of macro-economic data between 1992 and 1978 demonstrates the achievement China has made during the past fifteen years (* the following data were calculated in terms of comparable price levels)

- * Overall national economic power has been greatly reinforced with a GDP which rose 233%.
- * Industrial production scored new progress by a 320% increase.
- * Agricultural production put an end to its long plodding pace and rural economy developed in an all around way. The value of agriculture production rose by 103%.
- * Rapid progress was also recorded in transportation and telecommunications. The volume of freight and passenger transport was doubled and tripled respectively. Meanwhile, total business value of post and telecommunications increased 25 folds.
- * Remarkable progress also has been made in education,

science and technology and culture.

* Progress was made in domestic and foreign trade. Total value of retail sales of commodities went up with an average annual increase of 8.5%. Total import and export value increased at an average annual rate of 15%.

Reform is hard and the way ahead is tortuous. But the recent development and previous history tell us that there is no way to go back. The only way of saving and developing China is to move forward.

* **The data of the attachments reflects the main achievements of the national economy statistics for China between 1978 - 1992.**

PART TWO: RELATIONSHIP BETWEEN CHINA AND THE UNITED STATE

Relations between China and the United States began in the 18th century. However, for many reasons, the two nations had remained at odds, especially since the founding of the People's Republic of China in 1949. Improvements mainly began when Nixon was elected president.

On February 27, 1972, one day before American President Richard Nixon finished his historical visit to the People's Republic of China, a joint communique was signed in Shanghai by the two sides. Since then, China and the United States

have exchanged views on a variety of issues of mutual concern, transcending essential differences in their social systems and foreign policies. the Shanghai Communique has been regarded as the cornerstone of overall Sino-US relations. By signing the Shanghai Communique, two sides agreed that countries, regardless of their social systems and ideologies, came together in a display of concern for regional and world peace.

Since the establishment of Sino-US diplomatic relations, economic and trade relations between the two countries have overcome numerous difficulties and obstacles and have made great head way as a result of efforts of entrepreneurs and financiers in the two countries. By the end of 1992, there were about 2800 American-invested enterprises in China with total investments of US\$6.3 Billion. The amount occupies the third place after HongKong and Japan for overseas investment in China. At the same time bilateral trade has grown rapidly. US-SINO trade reached \$25.2 billion in 1991, more than four times the 1980 figure. From China's perspective, the United States now ranks as its third largest trading partner, following Hong Kong and Japan. In 1991, 28% of china's exports flowed to the US market. From the US perspective, China has become the sixth largest supplier of American imports. By virtue of its rapid economic development and its huge population, China possesses an

advantage of cheap labor and huge potential consumer markets in its trade with the United States. Accordingly, Labor-intensive goods--such as textiles, toys and consumer electronics--dominate Chinese exports to the United States. In contrast, the United States possesses more advanced technology. Accordingly, the United States sells capital- and technology-intensive goods to China--such as aircraft, computers, and electrical machinery. The United States also exports wheat, cotton, wood, and other raw materials to China.

Looking at the picture of the world economy, while the economy of Japan has slowed down, and the situation in Europe and its adjacent regions continue to be turbulent, Asia is booming. China, especially, is striding in economic reform and development, Most of American businessmen and researchers believe that China would be an important part of the most competitive market of the next century. Meanwhile, business cooperation and development between the two sides have been going, and will continue to be one of top challenging issues for international businessmen.

PART THREE: UNDERSTANDING AND DOING BUSINESS IN CHINA

1. Basic Cultural Differences

Culture contains many spoken and unspoken rules and forms to

be followed. Each culture has its own individual set of values; the needs of one culture may not easily be identified or correctly defined. Thus, it is important to examine the cultural environment of the countries before international business firms enter the foreign markets. For this reason, This section attempts to offer some tips for American businessmen to understand the basic cultural aspects in China and the difference between China and the United States.

(1) Group Orientation(team) vs Individualism

In the United States, the role of individual is undoubtedly emphasized in society. the western culture revels in the individual differences, nurtures them, and values them as essential. In China, Your importance as an individual is generally regarded second to that of the role you play in the group.

Group process in China is not merely based on the authority of the leaders, although the authorities make the final decision. Usually matters are debated at great length until agreement is reached on a course of action. Once a decision is made, individual members are expected to embrace it and act upon it.

In essence, Chinese enter into a sort of compact with their group. This type of employment system, where the employees

have little choice in selecting and switching jobs, is very prevalent. In exchange for obedience and loyalty, they can expect protection and support and be confident that their well-being will be a matter of concern to the group as a whole.

(2) Employment Unit or Work Unit (Danwei in Chinese)

In China, the employment unit (Danwei) has roughly the same role (or function) as many American employers or bosses, but, in China, Danwei's influence on employees' life is far beyond that of American employers. Danwei make major decisions about the lives of their employees.

Chinese employees typically do not have as much chances to choose their employment units as American people have, except in the case of joint ventures or economic zones. Usually when a young person graduates from school, the local government's labor bureau in cooperation with the school's personnel department, will send or assign him or her to a job. This bureau's responsibility is to coordinate with all the other government units in the area (including government services and business units) to identify available jobs and establish relevant qualifications and then attempt to match people with slots. Under such a system, the real needs of employers and employees could be often overlooked because the bureau's determination counts more power than employers' requirements or preferences and employees' qualifications.

Unavoidably, sometimes the processes of job assignments are dominated by Guanxi (personal relationship among the bureau, the employers and employees) rather than by employers' requirements and the employees' qualifications.

Furthermore, switching to another employment unit is also difficult because it requires that both the current and potential units sign off on the transfer. At this point, someone who is talented may find it relatively easy to get a job offer elsewhere, but next to impossible to persuade his or her current unit to grant a discharge.

The influence of a typical Chinese employment unit extends far beyond employees' working lives and well into their personal lives. Not only does the unit decide what job you do, how much you are paid, and when promotions come; it also may control where you can live; how much space you are allocated; your ability to travel within China or to other countries, study abroad, or take a vacation. The unit also controls your access to health care and child care, and pays your pension after you retire.

The exception to most of these rules is the joint-venture units or economic zones which operate quite differently from the typical employment unit. Here there is a great deal of mobility; jobs are advertised and filled by applicants in a

more or less supply-and-demand fashion. Employers find it far easier to hire and fire staff. There are far fewer intrusions into individuals' personal affairs while subsidies are generally limited to salary, medical care, and housing.

Since economic reform began, the job swap markets have appeared gradually. This system is becoming liberal, and switching employment units is becoming more commonplace. The government is attempting to change the traditional employment system and the system currently prevailing in joint-venture and economic zones, is to be treated as a model for further development of state-owned enterprises gradually. Some Chinese people still prefer the traditional system because of the factors such as different locations, educational background and the gaps between the age difference.

(3) Face(Mianzi)

The Face(Mianzi), in China does not literally mean the area between one's forehead and one's chin or the surface of an object. It is related to a person's dignity and prestige.

Traditionally, the Chinese are acutely sensitive to the way they are treated by others or the light in which they appear. If you cause someone to lose Face, the consequences could be severe; at the very least you will cease to receive

cooperation from the person. There are many ways to cause someone to lose Face: One sure way is to dress someone down or insult someone in front of his or her peers, especially in public situations. Causing someone to lose Face is a real sin with the Chinese. If you do so, you will not only lose the respect of the person you have wronged; you will also lose that of others who are aware of your transgression.

While it is important to avoid causing someone to lose Face, you can also favor someone by giving Face. Giving Face means doing something to enhance someone else's reputation or prestige. Complimenting a person to his or her superior and publicly recognizing someone's contribution are good ways of giving face. Thanking someone who has worked hard with you is also an excellent example of this. These actions usually carry even more weight among the Chinese when they come from foreign business partners.

The concept of Face also exists in the United States as well, but is not as critical as it is in China. Perhaps Americans tend to be more willing to forgive slights that cause them to lose face while it haunts Chinese people. It seems that the Chinese concept of face is broader or more serious than the American concept.

(4) Connections (Guanxi)

Guanxi means a kind of very close "relationship" and

"connection". It has something to do with who you know and what these people are willing or obligated to do for you. The use of Guanxi can gain you access to goods and services that are otherwise difficult or impossible to come by. Someone with whom you have Guanxi can be counted on to do you favors, bend the rules, and even break them sometimes on your behalf.

Guanxi is always a reciprocal obligation. You are expected to behave in a similar fashion and to deliver favors to those with whom you have Guanxi. It is as applicable in business dealings as it is in international relationships. The favors are expected to remain in a kind of balance between two individuals or units.

Keeping and developing a Guanxi with your local business partners can definitely let you have timely market information, and effective business cooperation; and get your business done more quickly and better than your competitors who do not have good Guanxi. Otherwise, you will spend much more time or fail to get the deal.

2. Understanding the Chinese View and Keeping a Good Relationship.

(1) The Chinese View of Foreigners

There is a certain schizophrenia involved in the Chinese

views of Westerns, feelings of inferiority and superiority that may curiously exist side by side. On the one hand, due to long history, the Chinese are very proud of their culture and civilization. Western modern civilization may well be considered more advanced materially, but some Chinese see it as clearly lacking moral standards and social order. They often associate the western modern society with some degenerate conducts such as drugs, or illicit sex. These thoughts dominated Chinese society before China opened its doors to the world. What this underscores perhaps is the tendency of the Chinese to judge Westerners and their behavior according to Chinese traditional standards. On the other hand, as the Chinese have more and more opportunities to contact and understand outsiders, the Chinese see Western society as highly advanced in many ways. They view its achievements in the development of science and technology, manufacturing, transportation, and agriculture as economic significant accomplishments. They greatly appreciate the innovating efforts of western people and their ability to accept new thoughts and quickly put them into practice, although some of them disagree or do not accept some western standards of the ethics, behavior and social orders. The different degree to which individual Chinese views outsiders is strongly related to differences in their geographical locations, their level of education, cultural background, personal experience, political preferences and their age.

Undoubtedly, contact and the exchange of ideas are the best ways to minimize the barriers, glory in the cultural differences and promote peace and cooperation.

(2) Women's Position in Business

Women are nominally equal in China. This is a major difference from some other Asian countries, such as Japan. Foreign businesswomen receive the treatment or respect due to their business positions. Basically, a foreign woman's sex difference does not place her at any particular disadvantage when dealing with the Chinese. At the same time, Chinese businesswomen expect to receive the same treatment when they contact foreign businessmen.

Wives of foreign businessmen are welcome to accompany their husbands on business trips to China. Although they are usually not present during business negotiations, they are enthusiastically hosted at social occasions such as receptions and banquets. Meanwhile, Chinese spouses seldom show up at the social occasions unless they have a business reason to be present. This practice is applied to both male and female, so it does not mean an unequal or disrespectful treatment on women. It is a good idea not to ask why the Chinese host did not bring along his or her spouse, because this is not a Chinese practice.

(3) Dress and Related Appearance

Generally, the Chinese don't care much how foreigners dress.

As long as you wear reasonably conservative garments, this should not be much of a problem. Dress for business meetings varies according to season, place, and familiarity. A suit and more formal women's wear is usually reserved for banquets or for socializing among westerners.

Sometimes, due to different people or situations, you need to be a little conservative to avoid offending the traditional Chinese sense of propriety. Although dress is less formal in hot weather, revealing and otherwise immodest clothing is never appropriate for women.

Compared with Americans, the Chinese take much more comfort in conformity with personal appearance during public situations. If you look obviously different from others during a public situation, perhaps you could turn yourself into a lightning spot of criticism and shame - an embarrassing situation. This situation would be less obvious among younger generations or in bigger cities, while it would be more serious when you are among the old(or traditional) generations or countryside.

(4) Maintaining and developing business relationships.

Business relationships always begin rather formally. Informality is acceptable only after those involved have spent sufficient time to know one another well, and even then it has its limits. In the business deal, the Chinese

contact foreign businessmen on behalf of their Chinese organizations rather than as individual person. While the Chinese work hard trying to establish common ground and interests, they never lose sight of the fact that their relationship with you is a professional one rather than a personal one. Furthermore, too close a friendship with foreign partners would be seen as compromising a business deal. This is a real concern on the Chinese side though they certainly want to get the business accomplished under a good relationship with their business counterparts. Therefore, how to keep an appropriate and effective balance in the relationship with your local Chinese partners should be an important issue for American businessmen. Patience and candor are helpful to develop a long-term business relationship.

Additionally, rank is extremely important in business relationships with the Chinese. Even though it is often hard to determine the foreign businessmen's position, they always try their best to identify their counterpart's position and then treat them equally. When Chinese attach great importance to the business or the companies, they may accord them higher treatment.

3. Foreign Trade and Major Organizational Structure of China

Although some independent or private groups have appeared

within very recent years, most of China's foreign trade business remains under some form of state or local government control. This control is both administrative and economic. It is exercised through the government, to control and authorize foreign trade organizations, foreign exchange and to license and establish quality controls for import/export products, to set quotas, and to enforce Customs procedures. The Ministry of Foreign Trade and Economic Co-operation (MOFTEC, originally called MOFERT) and its sub-divisions (or local bureaus of similar functions) at each Chinese administrative level perform main functions of management and coordination on behalf of the state or the local governments.

The foreign trade and major organizational structure could generally be divided into the following categories: Trade, Investment, Special Zones, and Service Organizations.

(1) Trading:

There are several types of trading companies (or organizations). The first type is the trading corporations directly or indirectly under the Ministry of Foreign Trade and Economic Co-operation (MOFTEC), which sets trade policies and regulations, and approves certain projects directly under the State Council of China. Due to the reform, MOFTEC separated its role as policy maker and administrator from the management of its individual trade

enterprises. The corporations were evolved into independent entities under the general supervision of MOFTEC. All such corporations have branches throughout major cities in China, and most have representatives in the United States and other foreign countries.

The second type is known as the ministerial trading corporation because they operate under leadership or supervision of one or several ministries. They thrive because the ministry who controls over specific industry can assure better access to producers, or even have direct control over supply and demand.

These ministerial trading corporations carry out many of the same tasks as the trading corporations reporting to MOFTEC. The major difference between the ministerial corporations and the trading organizations under MOFTEC is that the former are specialized. Generally they perform the task of integrating trade with the development of a specific industry, which the ministry is in charge of. For example: China National Coal Development Corp. which is under the Ministry of Coal & Carbon Industry, only deal in products regarding coal & carbon production. The major ministerial(or specialized) corporations are mainly involved in energy, transportation, raw materials, engineering, agriculture, technology transfer, pharmaceutical, financial services, and media fields.

The third kind of trading companies are regional and local corporations. They are respectively under provincial-level, municipal-level or enterprises level such as business groups or factories. They mainly deal with the export business while they are also allowed to buy technology and equipment to upgrade their production facilities.

In summary, trading companies have spread laterally and vertically. Laterally across various ministries and vertically down from the national level to regional, provincial, and city trade bureaus. The basic point for foreign businessmen is that you should understand well the authority limits and business scopes of the company you contact.

(2) Investment

Another powerful type of organization that carry out international business includes the trust and investments corporations. To make up for the deficiencies in the MOFTEC's and the Bank of China's functions, they were sponsored by top leaders to appear as a new kind of nation-level organization when the Chinese government, in a bold stroke, politically rehabilitated China's former national capitalists and called upon them for rapid economic development and its modernization.

These corporations are actually independent from and have the same level of authority as MOFTEC because they are directly under the State Council of China. Compared with the organizations under MOFTEC, they are relatively new "super" organizations, with high efficiency and authority to avoid some unnecessary bureaucracies. Their extraordinary status and wide charter allows them to become involve in nearly all possible forms of cooperation and services with foreign banks, industries, and business while they emphasize investment cooperation with foreigners. Major players are the China International Trust and Investment Corporation (CITIC) and the Everbright Corporation. The organizational structures and functions of the investment corporations are nearly identical to the trading corporations under MOFTEC, which generally have sub-corporations. or branches at each level, including provincial, municipal and international locations.

(3) Special Economic Zones

The first four Special Economic Zones (SEZ'S) were established in late 1979: Shenzhen, Shantou, Zhuhai (all in Guangdong Province and in the HongKong-Guangzhou corridor), and Huli (a district in the city Xianmen, Fujian Province). Overtime, the pattern of opening to the outside has been expanded from coastal areas to inland areas. By the beginning of 1994, the number of open cities and counties stands at 1,053.

SEZ's have been given wider freedom to experiment with trade reforms than their counterparts in other regions of the country. Briefly, They are allowed to grant preferential treatment by means of special legislation and financial incentives. This translates to comparatively greater autonomy in dealing with foreign enterprises.

(4) Service Organizations

The service organizations operate trade-assisted functions, such as insurance, finance, transportation, commodity inspection, local staff employment, and advertising & marketing service. Generally, each major Chinese trading and investment corporation has constant business contact or relationship with one or several service organizations; therefore, with the help of your Chinese partners and business counterparts, you only do some paper work(documents) rather than having to contact or negotiate with some service organizations.

4. Getting in Touch

(1) Initial Approaches

To avoid major mistakes due to unfamiliarity with a Chinese culture and business environment, getting the right approaches is a priority for American companies, so that they can contact right partners and business counterparts as soon as possible. The following approaches are thought to be very helpful.

A: Exhibition

The China Export Commodities Fair is very popular, and an permanent exhibition, which has been held twice yearly since 1957. The dates of the exhibition are April 15 to May 1, and October 15 to November 1. The Fair is generally not only worthwhile for foreign buyers, but also it is a window for China to open up to the world. It is an ideal venue for foreigners to be introduced to China as well as its way of doing business. Because of its very important position, nearly all of MOFTEC's and other major corporations are represented. At the Fair, you will have a chance to meet many Chinese businessmen and can be taken to set up or develop a friendship so important to doing business in China. Additionally, there are other special product or local shows available in China, or international exhibitions in U.S. and other countries. Generally the organizers of the exhibition are the China Council for the Promotion of International Trade (CCPIT) and the China International Exhibition Corporation.

B: Consulting Firms

There are many kinds of consulting companies and private consultants available throughout the nation. But the advantage in using a Chinese Government (or State-owned) consulting firm is that these companies are often well connected and, ideally, can gain direct access to developing a specific project or business.

They also provide high-quality support services, which

include market research, translation, technical seminars, and negotiations. Keep in mind that some Chinese consulting companies lay more emphasis on joint venture projects rather than other businesses. They can often initiate business because they have been approached by local municipalities or individual factories for help in contacting the right foreign firms.

C: Chinese Firms in the United States

Many Chinese trading and investment entities are now represented in the United States. Taking advantage of these approaches can offer a quick and inexpensive way to find a market or business opportunity in China. But the disadvantage is that these approaches are subject to their own business fields which is very limited to get all-round information.

D: Friends and other approaches

In addition to the approaches mentioned above, you also can be introduced by your friends in China to a Chinese manufacturer, trading corporation, or government ministry. Kind in mind that "Guanxi" (connection) is still important to get particular business done in China. Meanwhile don't neglect resources available from the publications either from China or from the United State

(2) Initial contacts and establishing ties

A: The proposal

"The Chinese usually view the business deal as

institutional", It is very common and important for the Chinese company to know the foreign counterparts and related projects well before they contact you with a substantial project or business. It seems that the bigger the Chinese companies are, the more serious they are in such tendency. Therefore, the submission of company information and a formal business proposal is very helpful for the Chinese sides to understand your company and venture better; and then set up an business ties. Such proposal or written introductions generally include the following characteristics:

- * History and background of the American company.
- * Market position and financial references.
- * Scope of the proposed project or type of venture contemplated - sale, direct investment, and joint venture. and other brief introduction to the project or venture.
- * Foreign sellers should specify product details as much as possible. Additionally, a follow-up letter, fax or telephone calls are appropriate. The length of time before receiving a response depends upon individual business and intention.

Usually, the trading proposals receive a quick answer back while the responses to large investments take longer. If there is interest in the proposal, an invitation will come directly or indirectly from the relevant Chinese corporation or government entity.

B: Personal visit

Individual, non-group travel is now welcome in China. It is possible for an individual to go to China if you can have a letter of invitation from a company or government who has a visa-issuing authority. Otherwise most trips through travel agents are usually hosted in China by the China International Travel Service.

If the individual go to visit as a representative or agent of a company, the person chosen to make the first visit should reflect the company's serious intent to do business. Generally sending both a ranking person as well as the people with the project knowledge is highly advisable.

C: Delegation Visits

Because Chinese society is so thoroughly group-centered, a delegation visit will be warmly welcomed and receive more attention from the Chinese counterpart. Therefore, an excellent way of assuring a productive introduction is through business delegations. Although specific business is usually not well done during initial group visit, the delegation, which consists of all-round technical or business professionals, can get a general overview, meet the appropriate counterparts, and establish business connections that lead to further invitations to go and do business. Generally, delegation visits are very appropriate for large projects and those involving long-term business relationships.

D: Promoting through advertising and public relations

As the Chinese local advertising industry develops and some foreign advertising companies enter into the local markets, it may be important for some American companies to use such resources to introduce their products, ventures, and companies itself; and then get active response form their Chinese counterparts. At the same time, some public relations firms can also help the American companies introduce products and set up an image through organizing conferences, technical seminars and other events.

5. Business Meeting and Negotiating**(1) The Protocol of Meetings****A: Arranging the Meeting**

Setting up a meeting in China often is an involved process. The Chinese prefer to know and have some background information about their business counterparts and details about the meeting participants before they agree to have a formal meeting and substantial discussions. Meetings generally require a great level of communication and more calls or faxes, than they do in the U.S.A, before they take place.

In terms of location, the meetings are usually arranged in a special room rather than in the working office because the offices are usually crowded or not furnished with modern

facilities, such as air conditioners. During a formal meeting or negotiation, the guest delegation often sits on one side of the table (or the room) and the Chinese hosts line the other. Usually the principal guest is seated directly opposite the principal host, with the lowest-ranking delegation members seated at the ends of the table, furthest from the principals.

B: The Course of the Meeting

In China, it is very important to arrive at a meeting on time. Punctuality is considered a virtue, while keeping others waiting is considered impolite. If you happen to arrive late at a meeting, be sure to apologize; this is a signal that you intended no slight by your tardiness.

A sense of rank and status permeates every formal meeting. The ranking person will be first in line to be greeted. Although seating arrangements are not completely rigid, there is always a certain protocol, to where the most important people are placed. Also, it is very important to pay more attention to the ideas or suggestions from the higher-ranking Chinese hosts.

Most meetings begin with some casual conversation. It could take a little longer time when the host and guests do not know one another well. This conversation is to get

acquainted and make preliminary assessments of each other before any business is formally discussed. During this time, the principal host will present a welcome speech and briefly introduce the Chinese company's position or business situation. As the business topic naturally comes up, the Chinese generally prefer to be in the position of reacting to other side's ideas, because letting the guest speak first is considered a courtesy, which prevails in China.

Generally, the Chinese hosts allow the foreigners to go through their conversation or suggestions, and put forth the business proposal. Once the guest finishes the conversation or suggestion, the Chinese counterparts speak about the issue. First of all, they try to touch on all the important points that the foreigners raised; then they take further notes of what they are interested in, and circulate them into a detailed discussion. Therefore, the foreigners who are going to do business in China, are supposed to prepare guidelines and related details before a formal meeting with the Chinese counterparts.

Before a meeting is finished, it is a good idea to restate your understanding of exactly what has been accomplished. This is an obvious but very worthwhile strategy for reconfirming agreements between two sides, and identifying what the next steps will take. Meanwhile, both sides should assign their respective high-ranking staff member or

assistant as a future liaison. This is a very effective way to develop business cooperation in the future.

C: The interpreters

Although Chinese professional corporations are making great efforts to raise the employees' foreign language abilities, especially for speaking English, some Chinese businessmen or businesswomen do not have a sufficient background English to deal professionally with the foreign businessmen. Also, there are few foreign businessmen who can speak Chinese well. In the vast majority of meetings, discussions are transacted through interpreters. The interpreter is a very important person in the meeting because he or she actually bridges communication between the two sides. Keep in mind that this is not an easy job, even under the best of circumstances. One should cooperate with the interpreter so that the counterparts can receive and comprehend the ideas and issues involved. There really is an art to talking through interpreters. The cardinal rule is to pause frequently, breaking your remarks up into bite-sized pieces. It seems that the longer you speak without stopping, the greater the likelihood that something you say will be mistranslated, or not translated at all. The situation can be better if the interpreter is familiar with the business or technical area of the negotiation. Most of the time, you should closely cooperate with him or her in order to avoid any misunderstanding.

(2) Negotiation

A: Negotiating Team

Chinese negotiating teams usually are larger than their foreign counterparts, especially when major investment or cooperative projects are being discussed. In the United States, under a private ownership system, very a few people can make final or important decisions about all-round topics on the negotiation table. But, in China, there is obvious power separation among several authorities, units or people under a public ownership system which is greatly different from the private ownership system. This is why the Chinese team consists of team members who come not only from the business unit directly related to the project, but also from other indirect units, such as higher authorities or government units. Usually, the predictable participants of the Chinese negotiation teams are, first and foremost, a team leader who is often a president or senior vice president of the Chinese Corporation, and certainly possesses considerable authority in the negotiating process. Co-leaders or deputy leaders generally from the related government bureaus or higher authorities will also be present. Perhaps there are other co-leaders who are in charge of human resource affairs. The secondary negotiators are middle-level participants; these managers or engineers negotiate with you daily and talk about each detail of the draft contracts. There generally is obvious difference or

power-separation in authority between the first and second levels. The first-level negotiators have considerable power in making decisions, while the second-level negotiators deal with you professionally, technically and daily.

Additionally, Chinese negotiating teams always include interpreters or translators who may or may not have knowledge of the particular technical areas being discussed or related legal terminology. Increasingly, Chinese lawyers also join the teams, although, right now, they are not very important players. Finally, there are those who do routine work or related communications, but rarely show up at the meetings.

In negotiations with trading companies, however, the Chinese teams related to trading may be considerably smaller and simpler. The trading team leader is usually a professional businessman, who has considerable power in making final decisions, also, this individual may well be present throughout the negotiations so that the trading negotiations often proceed quite swiftly.

B: Two obvious gaps

The cultural norms and language barriers:

The cultural gap has the most obvious influence on all actions when negotiating with business counterparts who have a different cultural background. Misunderstanding or

disagreement often comes upon some specific topics due to the cultural difference. For example: the Chinese would like to solve a dispute with great patience, even long-lasting discussions while the American counterparts prefer to arbitrate it simply according to laws or regulations. Perhaps, in the foreigners' view, The Chinese culture traditionally ignores some necessary legal considerations while instead stresses much ethical, moral or political principles.

The culture gap could often display or could be widened by language differences. The Chinese language remains a mystery to most foreigners. Despite the current surge in efforts by the Chinese to learn foreign languages, especially English, the demand for English-speaking personnel still far exceeds the supply. Also, most professional interpreters do not have any foreign cultural experience. Consequently, the gap persists and is aggravated by some facts, such as many technical terms which have no direct equivalent in Chinese. Such gaps look bigger when technical presentations are translated. The difference in body language can also create a great deal of misunderstanding. Traditionally, the Chinese people are not supposed to constantly look into the eyes of the opposite side in face-to-face negotiations, but the foreigners would understand this as evasiveness or lack of confidence. On the other hand, the Chinese appear too direct

to foreigners too. They will ask your age, even your salary without realizing that this is not done in the United States. Furthermore, the differences between the cultures go far beyond differences in the language, and extend to the differences in the social and economic values. These may get so magnified over time that they develop into obvious disagreements or divergences between the two negotiating sides.

The legal gap:

Compared with her old and long history and history in the World, the Chinese legal system is relatively new and very short. According to Western standards, the current Chinese laws tend to be brief or vague, and lack detailed regulations for actual implementation. Another difference is that when the disputes about the contractual provisions need to be settled, the Chinese generally prefer to use their own arbitration institutions while the general preference of the Western negotiators is to make use of third-party arbitration mechanisms. To make up for the legal gaps, China has agreed that the provisions in the contracts will be honored due to the absence of related laws if they contradict subsequent laws. Also, the Chinese have begun to accept the universal arbitration practices. In some cases, China has accepted international arbitration by such countries as Sweden.

C: Some negotiation styles

Before formally negotiating with foreigners, the Chinese generally require a great deal of basic information. The negotiation process actually begins right after the completion of a major research which is designed to identify and qualify potential partners. Traditionally, the process take longer time than the foreigners expect. Currently, because there is great amounts of information and access for the Chinese to understand outsiders, the above process should take a shorter time or be simpler than before.

At the negotiation, before moving to concrete items, the Chinese usually focus on general principles and securing agreements on mutual goals. They prefer to start with major areas of accord and work toward discussing specifics and details that may be bones of contentions; while Americans like to begin with specific matters and avoid generalities.

During the negotiation, compared to foreigners, most Chinese negotiators are more patient, even when the time is short. It could be understood that the Chinese want to be exactly sure of everything and avoid all possible mistakes; or that they emphasize a long-range view. Also, in the foreign negotiators' view, the Chinese counterparts often show less

assertiveness and avoid a clear or affirmative statement of position. They tend to prefer compromise as a means of resolving conflict. In some cases, the above tendencies are due to limitations of the negotiator's authority because the negotiator is not the final decision maker; while sometimes the final decisions must be agreed or approved by higher authorities, and this can be a lengthy process. Also, these tendencies may be due to the lack of experience in international business.

In contrast to American practices, the Chinese do not treat the signing of a contract as signaling only a completed agreement; rather, the expectation is that agreement will set the stage for a long-term relationship. In other words, this Chinese view of unending negotiation also makes them insensitive to the possibility that canceling a contract may cause some difficulty in the long-term relationship with their business partners.

Because of the differences in cultures, basic values and norms heavily influence negotiation styles. Therefore, a good understanding of cultural differences should be a very fundamental requirement for international businessmen who will be negotiating with the Chinese counterparts.

D: Toward mutual understanding

In the business negotiation, there are always some areas of conflict and dispute. Adequate preparation, patience, and perseverance would help in avoiding or reducing such conflicts or disputes. But, the most important point is the issue of mutual understanding rather than repeated misunderstanding between the two sides. Perhaps this is such a simple practice that it has often been neglected; perhaps it is neglected because the negotiators are unable or unwilling to look beyond their own culture and negotiation styles. Both sides of the business negotiation should make a common effort to come toward a mutual understanding. What is the most important for both sides is to understand what the other side is really facing, rather than obstinately keeping their own way of thinking. Perhaps a very old case could explain how simple the problem is, and how important mutual understanding is. In this case, when Chinese negotiators refused to borrow money at an interest rate above a certain ceiling, it was misunderstood as a lack of realism on their part so that the negotiation suddenly enter a deadlock. Some time later, the foreigners finally realized that the Chinese are merely following the official guidelines. They raised the related prices and charges other fees so as to offset a lower rate of interest. Finally, both sides were satisfied. This case makes it clear that one side of the negotiation should put imagine themselves in other side's shoes. For the foreign businessmen, it is not very useful to often complain

that the Chinese are inefficient or bureaucratic. The most important is the mutual understanding.

PART FOUR: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary:

The thesis starts with a basic description of the People's Republic of China. China has the world's oldest living civilization, and it is the world's largest country in population and the third largest in area. Although it has many brilliant and glorious achievements in its relatively long history, it has never made such rapid progress as it has within the last 17 years. Therefore, while the paper introduces a basic framework of Chinese national system, including political, economic and cultural characteristics, close attention is paid to the recent changes and the current situation in China since it opened its doors to the world and implemented its economic reform in 1978. The recent changes and the current situation in China indicate that China is deepening its reforms and is striving forward its modernization.

The second part presents a brief introduction to the relationship between China and the United States. Since the former US president Richard Nixon visited China in 1972, the relationship between two countries has moved toward

normalization and the bilateral exchanges. Economic and trade relations between the two countries have made especially great progress. Recently, the total investment in China, US\$6.3 billion from about 2800 American enterprises reached third place for overseas investment in China. Also, after the signing of the US-China Trade Agreement in February 1980, US-Sino trade reached \$25.2 billion in 1991. This U.S-Sino trade is expected to increase to more than 25% annually. Currently, From China's perspective, the United States ranks as the third largest trading partner, following Hong Kong and Japan. From the US perspective, China has become the sixth the largest supplier of American imports. The Chinese economy is booming and the market is growing rapidly. Certainly, these changes raise new issues for American businessmen. While this presents a very important business opportunity, it also presents the challenge of a very new or different business environment.

The third part of the paper is designed to help American businessmen face and understand this new business environment under which the difference in culture and how government functions heavily influence business success or failure. By presenting the basic characteristics of the Chinese culture, business practices, and business structure of China, this part is to guide international businessmen to have a better understanding of how to do business in

China.

Conclusions:

With rapid economic growth of around 12 percent annually, China is the world's fastest-developing country. Its real GNP already exceeds that of every main European country except Germany. Most economists predict that China could become the world's largest economy by the year 2010.

The China's economic growth presents great opportunities to the United States, as well as other developed countries, especially under the recent changes in the world economy, and global political and economic relationships. The US companies and businessmen have to take advantage of this great opportunity to expand business and move quickly to capitalize large potential market. This paper tries to bridge the gap between the two countries in culture and business communication, and help avoid misunderstandings that could result from different business practices. Effective communication is regarded a better way than isolation, and the mutual understanding under different culture and system between two sides should be the top priority for the long-term development and prosperity of both countries.

Recommendations:

To achieve sustained business development is not a simple question to answer. The most basic prerequisite to removing barriers related to doing business in China is understand the Chinese political and economic system, and its culture. On the one hand, the China is a socialist country. The government's power is all-pervasive, and traditionally it has exerted very heavy influence on all aspects of the state economy and the lives of the Chinese people directly or indirectly. Regardless of the type of business activities, it is impossible to avoiding the involvement or influence of the Chinese government. On the other hand, under a long-standing history and cultural tradition, the Chinese have had an established set of their own principles or etiquette governing their standards of behaviors for themselves as well as others. This is a Chinese practice which is different greatly from American practice. You must study the local culture and related characteristics, and do business in the local way to open the Chinese market and to run a successful business in China. These two points are important recommendations for the international businessmen who want to understand the Chinese and do business in China. Additionally, keeping a good relationship with the local business partners and professionals is the key to successful business development in China.

CHINA

I. Comprehensive Index of National Economy

Item	1978	1980	1985	1990	1991	1992	1992 vs. 1978 annual growth %	1979-92 average annual growth %
National Income (100 million yuan)	3010	3688	7020	14384	16557	19845	224.9	8.8
Gross Domestic Product (100 million yuan)	3588.1	4470	8527.4	17681.3	20188.3	24020.2	233	9
Primary industry	1018.4	1359.4	2541.6	5017	5288.6	5744	103.1	5.2
Secondary industry	1745.2	2192	3866.6	7717.4	9102.2	11575.2	316.6	10.7
Tertiary industry	824.5	918.6	2119.2	4946.9	5797.5	6701	273.4	9.9
National Retail Price Index of Commodities %	100	108.1	128.1	207.7	213.7	225.2	125.2	6
Price Index of the Cost of Living for Urban Employees %	100	109.5	134.3	222.3	233.7	253.8	153.8	6.9
General Index of Purchasing Prices of Farm and Sideline Products %	100	130.8	166.9	274.1	268.6	277.7	177.7	7.6

Note: Inflation has been deducted for national income, gross domestic product and the growth rate of gross industrial and agricultural output value in the following tables.

II. Main Industrial Index

Item	1978	1980	1985	1990	1991	1992	1992 vs. 1978 annual growth %	1979-92 average annual growth %
Total Industrial Output Value (100 million yuan)	4237	5154.3	9716.5	23924.4	28248	37065.7	470.2	13.2
State-owned industries	3289.2	3915.6	6302.1	13063.8	14954.6	17824.2	195.1	8
Collective industries	947.8	1213.4	3117.2	8522.7	10084.8	14101.2	11.8 times	19.3
Township individual industries		0.8	179.8	1290.3	1609.1	2506.8	384.8 times (1992 vs. 1980)	71.8 (1981-92)
Others		24.5	117.4	1047.6	1599.6	2633.6	86.4 times (1992 vs. 1980)	50.1 (1981-92)
Output of Main Products								
Coal (100 million tons)	6.2	6.2	8.7	10.8	10.9	11.2	80.6	4.3
Electricity (100 million kwh)	2566	3006	4107	6212	6775	7539	193.8	8
Steel (10,000 tons)	3178	3712	4679	6635	7100	8094	154.7	6.9
Chemical fiber (10,000 tons)	28.5	45	94.8	165.4	191	213	648.6	15.5
Cloth (100 million meters)	110.3	134.7	146.7	188.8	181.7	190.7	72.9	4
Motor vehicles (10,000 models)	14.9	22.2	43.7	51.4	71.4	106.7	616.1	15.1
TV sets (10,000 sets)	51.7	249.2	1667.7	2684.7	2691.4	2867.8	54.5 times	33.2
Refrigerator (10,000 sets)	2.8	4.9	144.8	463.1	469.9	485.8	173.5 times	44.5

CHINA

I. Main Agricultural Index

	1980	1985	1990	1991	1992	1992 vs. 1978 annual growth %	1979-92 average annual growth %	
Total Agricultural Output								
Value (100 million yuan)	1397	1922.6	3619.5	7662.1	8157	9084.7	123.5	5.9
Crop cultivation	1071.6	1378.2	2279.8	4481.7	4662.8	5040.2	78	4.2
Forestry	48.1	81.4	188.7	330.3	367.9	422.6	108.7	5.4
Animal husbandry	209.3	354.2	796.9	1964.1	2156.3	2457.3	232.6	9
Sidelines	46	76	228	475.5	486.6	551	429.9	12.6
Fishery	22.1	32.9	126.1	410.6	483.5	613.6	330.5	11
Output of Main Products								
Grain (10,000 tons)	30477	32056	37911	44624	43529	44266	45.2	2.7
Cotton (10,000 tons)	217	271	415	451	568	451	107.8	5.3
Oil-bearing crops (10,000 tons)	522	769	1576	1613	1638	1641	214.4	8.5
Sugar-bearing crops (10,000 tons)	2382	2911	6047	7214	8419	8808	269.8	9.8
Pork, beef and mutton (10,000 tons)	856.3	1205.4	1760.7	2513.5	2723.8	2940.6	243.4	9.2
Aquatic products (10,000 tons)	466	450	705	1237	1351	1557	234.1	9

IV. Main Consumer Index

Item	1978	1980	1985	1990	1991	1992	1992 vs. 1978 annual growth %	1979-92 average annual growth %
National Consumption Level (yuan)	175	227	403	723	803	935	151.2	6.8
Consumption Level of Farmers (yuan)	132	173	324	524	570	648	147.7	6.7
Consumption Level of Non-Agricultural Population (yuan)	383	468	727	1477	1676	1983	122.4	5.9
Per-Capita Income of Urban Residents Available for Living Expenses (yuan)	316	439.4	685.3	1387.3	1544.3	1826.1	128.3	6.1
Per-Capita Net Income of Rural Residents (yuan)	133.6	191.3	397.6	686.3	708.6	784	228.1	8.9
Gross Payroll of Staff and Workers (100 million yuan)	568.9	646.7	1383	2951.1	3323.9	3939.2	172.9	7.4
Average Wage of Staff and Workers (yuan)	615	668	1148	2140	2340	2711	73.7	4
Savings Deposits of Urban and Rural Residents (100 million yuan)	210.6	399.5	1622.6	7034.2	9110.3	11545.4	54.8 times (15 years' accumulation)	33.1 (15 years' average)
New Residential Buildings for Urban Residents (100 million square meters)	0.38	0.92	1.88	1.72	1.85	2.32	22.2	1.5
New Housing for Farmers (100 million square meters)	1.0	5.0	7.2	6.9	7.9	6.6	97.4	6.5

Note: Price rises have been deducted in the average growth rate.

REFERENCES:

Books:

Fredric M. Kaplan, Arne J. De Keijzer, THE CHINA GUIDEBOOK,
Boston: New York: Houghton Mifflin; Eurasia Press, 1984.

D. Twitchett and J.K Fairbank, THE CAMBRIDGE HISTORY OF
CHINA,
New York: Cambridge University Press, 1991

Roderick. Macleod, HOW TO DO BUSINESS WITH THE CHINESE,
New York: Bantam Books, 1988

Nicholas R. Lardy, FOREIGN TRADE AND ECONOMIC REFORM IN
CHINA, Cambridge; New York: Cambridge University Press,
1992

N.T. Wang, CHINA'S MODERNIZATION AND TRANSNATIONAL
CORPORATIONS, Lexington, Mass.: Lexington Books, c1984

B.O. Szuprowicz, and M.R. Szuprowicz, DOING BUSINESS WITH
THE PEOPLE'S REPUBLIC OF CHINA, New York: Wiley, c1978

S.D. Seligman, DEALING WITH THE CHINESE, New York, NY:
Warner Books, c1989

Lucian W. Pye, CHINESE NEGOTIATING STYLE, New York: Quorum
Books, 1992

A.J.De Keijzer, The CHINA BUSINESS HANDBOOK, China Books &
San Francisco, CA: Asia Business Communications;
Periodicals, Inc.

THE ECONOMIST BUSINESS TRAVELLER'S GUIDES, New York:
Prentice Hall Press, 1988

Articles:

THE US-CHINA TRADE, Q. Yang, Illinois Business Review,
Winter 1992 v49 n4 p8(5)

CHINA POLICY: FOSTERING US COMPETITIVENESS AND THE BILATERAL
RELATIONSHIP, Donald M. Anderson, The China Business
Review, Jan-Feb 1993 V20 n1 p10(6).

CHINA TO OPEN WIDER TO BANKS, (Guangdong Province, China),
The Wall Street Journal, Mar 8, 1994 pA13(E)

LEARNING THE BUSINESS BASICS ABOUT CHINA, William G. Perry

Jr., Management Review. May 1992 v81 n5 p50(3).

CHINA'S TOP TRADE FIRMS STILL LARGELY STATE-RUN, P.T. Bangsberg, Journal of Commerce and Commercial, Feb 8, 1994 v399 n28159 p5A(1)

FROM MAO TO NOW; A LOOK AT SOME OF THE TURNS THAT CHINA HAS TAKEN ON ITS LONG MARCH FROM COMMUNISM TO CAPITALISM, (China Business Plan), The Wall Street Journal, Dec 10, 1993 pR2(W) pR2(E)

ETHICAL DILEMMAS IN NEGOTIATING ACROSS CULTURE: THE ABSENCE OF UNIVERSAL NORMS, Joanna M. Banthin and Leigh Stelzer, Management Decision, Nov 1991 v29 n6 p51(5)

CHINESE CONFLICT PREFERENCES AND NEGOTIATING BEHAVIOR: CULTURAL AND PSYCHOLOGICAL INFLUENCES, Paul S. Kirkbridge, Sara F.Y. Tang and Robert I. Westwood, Organization Studies, Summer 1991 v12 n3 p365(22)

STRATEGY IMPLEMENTATION: A COMPARISON OF FACE-TO-FACE NEGOTIATIONS IN THE PEOPLE'S REPUBLIC OF CHINA AND THE UNITED STATES, Nancy J. Adler, Richard Brahm and John L. Graham, Strategic Management Journal, Sep 1992 v13 n6 p449(18)

THE WORLDWIDE WEB OF CHINESE BUSINESS, John Kao and Frank B. Gibney, Harvard Business Review, Mar-Apr 1993 v71 n2 p24(10).

SPEECH AT THIRD PLENUM OF 14TH CPC CENTRAL COMMITTEE. (Communist Party of China) Jiang Zemin. Beijing Review, Jan 31, 1994 v37 n5 p9(3).

REFORM OF FOREIGN EXCHANGE AND TRADE. (China) (Interview) Beijing Review, Jan 24, 1994 v37 n4 p11(3).

CHINA TO EXPAND FOREIGN TRADE IN 1994. Zheng Silin. Beijing Review, Jan 24, 1994 v37 n4 p13(4).

CHINA'S ECONOMIC REFORM IN 1994. Niu Genying. Beijing Review, Jan 10, 1994 v37 n2 p10(3).

CHINA'S ECONOMY: REVIEW AND PROSPECTS. Wang Zhongyu. Beijing Review, Jan 3, 1994 v37 n1 p10(4).

KEEPING CHINA'S DEVELOPMENT ON TRACK. Xiong Sihao. Beijing Review, Nov 15, 1993 v36 n46 p13(5).

CHINA: 15 YEARS OF REFORM. Qin Hongyu. Beijing Review, Oct 25, 1993 v36 n43 p20(5).