



Exporter Guide

DOING MARKET RESEARCH ON CHINA

A how to guide
November 2011

This document is one of a series of free information tools for exporters produced by New Zealand Trade and Enterprise. New Zealand Trade and Enterprise provides a wide range of standard services and sophisticated solutions that assist businesses through every stage of the export process. For information or advice, phone New Zealand Trade and Enterprise on 0800 555 888, visit www.nzte.govt.nz, or contact your New Zealand Trade and Enterprise client manager.

CONTENTS

1	Is this guide for you?	Error! Bookmark not defined.
2	Introduction	3
3	Market overview	3
4	Regional information	5
5	Demographic information	6
6	Trade and production statistics	6
7	Competitors and potential partners	7
8	Taxes and duties	9
9	Legal and regulatory information	10
10	Other information sources	11
11	China news sources	12



1 IS THIS GUIDE FOR YOU?

This guide is designed for both new exporters and those already exporting, who need some practical advice about where to start when researching export opportunities in China.

It includes:

- a practical introduction to using internet research and online search engines
- links to online resources specifically relevant to exporting e.g. trade statistics, tax and duty rates, regulatory information and media sources.

2 INTRODUCTION

While this guide provides a number of useful sources for doing market research on China, it is not an exhaustive list. In addition to the sources listed in the guide, you should use a range of search engines and other resources such as web portals and directories to ensure that you obtain as much relevant information as possible. It should also be stressed that this is not a guide to doing business in China, but a guide to finding information about doing business in or exporting to China.

3 MARKET OVERVIEW

China is New Zealand's second largest export market, taking NZ\$5.8 billion worth of goods from New Zealand in the year ending August 2011, which was just over twelve percent of New Zealand's total exports for the period. The Free Trade Agreement (FTA) between New Zealand and China, which entered into force on 1 October 2008, has significantly boosted trade and New Zealand is the first and only OECD country to have concluded an FTA with China.

China has rapidly grown to become one of the world's largest economies, with a huge demand for imported goods and services. The size of the population and rising income levels mean that there is potentially a significant market for a wide range of goods and services from New Zealand.

However, China can be a difficult country to do business in or export to. The business and regulatory environments are quite different from New Zealand, and while the total population is huge, income levels vary considerably. There is still only a relatively small percentage of the population that can afford to buy New Zealand products. Consequently, it



is important to take the time to research and understand the Chinese market before deciding whether or not it is a market you want to commit to.

NZTE has a number of publications on China, which provide information on the issues that you will need to consider and investigate when thinking about exporting to China, as well as potential opportunities in key sectors in China. These can be found on the NZTE website (www.nzte.govt.nz/explore-export-markets/North-Asia/Doing-business-in-China).

Publications include:

- China country brief
- Navigating China guide
- Profiles of various sectors in China
- Perceptions of New Zealand in China
- Successful business models for New Zealand companies in China
- Costs of setting up an office Shanghai
- Specialist directories for Shanghai, Beijing and Guangzhou

Other good general sources of information about the Chinese market are:

- **U.S. Commercial Service**

Doing Business in China: A Country Commercial Guide for U.S. Companies

www.buyusainfo.net/docs/x_8054544.pdf

The U.S. Commercial Service publishes the country commercial guides annually. They are aimed at U.S. companies but provide useful information on selling products and services in China, sector opportunities, trade regulations and standards, and the investment climate.

- **National Bureau of Statistics of China (NBS)**

www.stats.gov.cn/english/

The NBS is the Chinese government's official statistical agency. The NBS produces a range of statistics on the Chinese economy, industries, and people. Some of the most relevant NBS statistics are highlighted in this guide.

- **China Information Centre**

www.china.org.cn/english/index.htm

This is a portal site established by the Chinese government.

- **U.S. Department of Agriculture**

Foreign Agricultural Service GAIN reports

<http://gain.fas.usda.gov/Pages/Default.aspx>



The Foreign Agricultural Service publishes market reports covering most agricultural commodities. The reports also cover regulatory issues, and the food services and food processing sectors.

- **Hong Kong Trade Development Council (HKTDC)**
www.hktdc.com/info/mi/i/en/Market-News.htm

HKTDC publish a guide to doing business in China as well as industry profiles and other information on Chinese regulations, statistics and news.

4 REGIONAL INFORMATION

While China is one country, it should not be looked at as one market, as there are significant regional differences and also major differences between urban and rural areas. Cities and provinces should be regarded as individual markets, and you will need to spend some time investigating the differences between these markets.

- **China Statistical Yearbook**
www.stats.gov.cn/tjsj/ndsj/2010/indexeh.htm

Basic information on the regions and urban areas can be found in the China Statistical Yearbook 2010.

- **Hong Kong Trade Development Council (HKTDC)**
www.hktdc.com/info/mi/a/mpcn/en/1X06BOQA/1/Profiles-Of-China-Provinces-Cities-And-Industrial-Parks/China-Cities-Provinces.htm

HKTDC publishes market profiles on Chinese cities and provinces, which include general background information on the province, and more detailed statistics such as GDP per capita, the leading industries and a breakdown of household spending.

- **UK Trade and Investment (UKTI)**
www.ukti.gov.uk/uktihome/localisation/112964.html

UKTI also publish China city profiles, covering basic information, key sectors and opportunities.

- **Asia Times Online website**
www.atimes.com/atimes/China/china-map.html



Asia Times Online website has an interactive map of China with a province by province breakdown of economic details, transportation, official contact information, population, climate and maps.

5 DEMOGRAPHIC INFORMATION

Demographic statistics can provide valuable information about potential customers and their spending patterns. Statistics such as the population composition, per capita income and spending patterns can be important indicators of the market potential for your product or service.

- **CIA World Factbook**

The entry for China in the CIA World Factbook provides an overview of the Chinese population, age structure, ethnicity and religion.

www.cia.gov/library/publications/the-world-factbook/geos/ch.html

Some demographic information can also be found in the China Statistical Yearbook 2010.

6 TRADE AND PRODUCTION STATISTICS

Examining a country's trade statistics helps you to find out what products a country imports and where they are being imported from. Also, examining the statistics over a period of several years will help you determine whether the market for a particular product is growing or shrinking.

- **China Statistical Yearbook**

www.stats.gov.cn/tjsj/ndsj/2010/indexeh.htm

Chapter 6 of the China Statistical Yearbook 2010 covers 'Foreign Trade and Economic Cooperation'. It has a range of tables showing China's imports and exports by commodity, and also source / destination.

- **United Nations Commodity Trade (UN Comtrade) Statistics Database**

<http://comtrade.un.org/db/ce/ceSearch.aspx>

The UN Comtrade database can provide a more detailed breakdown of the products that China is exporting and importing.



- **Statistics New Zealand**

Statistics New Zealand publishes information on New Zealand's overseas merchandise trade statistics.

www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/overseas-merchandise-trade-info-releases.aspx

7 COMPETITORS AND POTENTIAL PARTNERS

Another topic worth investigating is the number of competitors selling similar products or services in the market you are interested in. Business directories are a useful way of finding information about the number of competitors operating in a particular market, and who they are.

- **Kompass**

A business directory listing 1.8 million companies in 75 countries including China. Although you need a subscription to access some of the advanced features of the directory, there is a significant amount of information available for free.

www.kompass.com

Another avenue for finding information about competitors is by searching either current or past trade fair directories, to get an idea of the companies that are operating in a market. While there is no definitive source for finding trade fairs in China, the Asian Trade Promotion Forum provides a database of trade fairs in Asia.

www.atpf.org/public/tradefairs.html

Biz tradeshow.com also has a list of trade shows in China, grouped by city and industry.

www.biztradeshows.com/china/

Competitor analysis

It is also important to try and find more detailed information about your potential competitors, not just how many there are and who they are. Finding detailed and accurate information about Chinese companies can be difficult. One way of doing this is to regularly check for coverage of the companies in newspapers and journals. As well as the news sources listed at the end of this guide, the following websites also provide business and company news.

China Business News: www.einnews.com/china/newsfeed-china-business

Xinhua News Agency: www.chinaview.cn/business/index.htm



Due Diligence

As well as researching your potential competitors, it is just as important to research any companies you are considering doing business with to ensure that they are reliable. This process is generally known as due diligence.

Performing due diligence in China can be difficult, due to the distance and language barriers. In addition, many aspects of business are very different in China and it is important to conduct thorough due diligence in order to answer questions such as the viability of a potential partner, whether a potential partner will be able to perform, and to ensure that you will be paid.

There are a number of steps you can take to protect your business and determine whether or not your potential partner is genuine. These include:

- requesting a copy of the company's business licence
- requesting a copy of the company's certificate of import / export authority
- asking for references from other companies that they have dealt with in New Zealand and internationally
- accepting only secured forms of payment such as a letter of credit or direct telegraphic transfer.

It is particularly important to undertake due diligence when dealing with unsolicited inquiries. As with any unsolicited approach by email from another country, companies should be cautious with any such approach from China as there is no way of verifying who sent the email. The NZTE website has information on doing due diligence and dealing with scams in China.

www.nzte.govt.nz/explore-export-markets/North-Asia/Doing-business-in-China/Finance-legal/Pages/due-diligence.aspx

These sorts of approaches are not unique to New Zealand and the following US Commercial Service brief highlights issues and the types of responses that should be considered.

www.otcnet.org/2009/pages/exhibits/documents/China_Advisory.pdf

UK Trade and Investment produces a China Business Guide, which also includes a section on common scams and how to deal with them.

www.ukti.gov.uk/export/countries/asiapacific/foreast/china/item/162000.html

Ernst and Young have produced a document which outlines the important steps to take when undertaking due diligence in China.

www.eycom.ch/publications/items/china/tas_due_diligence_20051031/en.pdf



There are also a number of companies that can provide credit checks. These include:

- Dun & Bradstreet
www.huaxiadnb.com/english/
- Huaxia International Credit Group
www.huaxiacredit.com/en/index.html
- Sinotrust
www.sinotrust.cn

Sourcing from China

Made in China is a website which can assist businesses in New Zealand with finding appropriate manufacturers in China.

www.made-in-china.com

8 TAXES AND DUTIES

Taxes

The major international accounting firms produce a range of information about tax and regulatory developments in China.

Deloitte publishes a tax and investment guide to China.

www.deloitte.com/taxguides

PricewaterhouseCoopers Hong Kong provides a range of information on corporate and personal tax in China.

www.pwchk.com/home/eng/tax.html

KPMG publishes a range of newsletters, which are available on its China website.

www.kpmg.com/cn/en/Pages/default.aspx

Duties

In order to determine the duty rate that applies to a particular product, you will need to know the Harmonised System code that is applicable. The international Harmonised System uses a 6-digit number to classify goods that are traded internationally.

The Harmonised System is logically structured by economic activity or component material. For example, animals and animal products are found in one section; machinery and mechanical appliances which are grouped by function are found in another.



More information about the Harmonised system (including a list of codes) is available on the Statistics New Zealand website.

www.stats.govt.nz/surveys_and_methods/methods/classifications-and-standards/classification-related-stats-standards/harmonised-system-2007.aspx

Information on China tariff rates can be found using the tariff finder on the China-New Zealand Free Trade Agreement website: www.chinafta.govt.nz

Each year the United States Department of Agriculture (USDA) also produces a report covering the Chinese import regulations on agricultural products called the FAIRS (Food and Agricultural Import Regulations and Standards) Report. These can be located in the USDA's Foreign Agricultural Service database. Under Categories select 'FAIRS Country Report', then select 'China' and change the date to cover the previous year.

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

9 LEGAL AND REGULATORY INFORMATION

There is information on NZTE's website about how to deal with legal issues in China.

www.nzte.govt.nz/explore-export-markets/North-Asia/Doing-business-in-China/Finance-legal/Pages/finance-legal.aspx

It is important to ensure that products comply with Chinese law and regulations. Chapter 5 of the U.S. Commercial Service's 'Doing Business in China' guide covers trade regulations and standards.

http://export.gov/china/build/groups/public/@eg_cn/documents/webcontent/eg_cn_025684.pdf

Another source of legal information is Lawinfo China. There is legal news available for free, and copies of laws and regulations available to subscribers.

www.lawinfochina.com/

China Law Blog is a weblog maintained by two lawyers (one based in the United States and one in China) which focuses on business law in China. The posts generally also provide links to other useful information.

www.lawinfochina.com/

Intellectual property

China is a challenging environment for the protection and enforcement of intellectual property (IP) rights, and trademark and copyright violations are common. If you are considering doing business in China you should investigate the merits of an IP protection



plan as part of your strategy. It is very important to investigate the issues relating to the protection of IP rights in China.

The State Intellectual Property Office of the P.R.C. (SIPO) provides information and legislation (in English) on Chinese patent law, contract law, trademark law and copyright law.

<http://english.sipo.gov.cn/about/>

The United States embassy in Beijing also provides a range of information on protecting intellectual property rights in China, covering copyright, patents and trademarks.

<http://beijing.usembassy-china.org.cn/ipr.html>

Baldwins (a law firm specialising in intellectual property) has published a brief guide to brand protection in China.

www.baldwins.com/brand-protection-in-china/

Rouse & Co., an international intellectual property consultancy, also publishes regular newsletters, articles and papers covering IP issues in China.

www.iprights.com

Market access regulations for plant and animal products

Biosecurity New Zealand maintains summaries of the phytosanitary requirements required by other countries for plants and plant products within documents called Importing Countries Phytosanitary Requirements (ICPRs).

www.biosecurity.govt.nz/regs/exports

The New Zealand Food Safety Authority maintains Overseas Market Access Requirements (OMARs), which are documents outlining overseas country requirements for animal products exported from New Zealand. These documents are password protected, and restricted to New Zealanders registered with MAF / NZFSA as Exporters or Operators.

www.foodsafety.govt.nz/industry/exporting/market-access/omars.htm

10 OTHER INFORMATION SOURCES

- **Economist Country Briefings – China**

www.economist.com/topics/china

The Economist's Country Briefing on China provides links to recent articles from the Economist about China, and a range of economic data. Some of the material requires a subscription to the Economist for access, but most of the content is free.



- **China Briefing**

www.china-briefing.com/en/

China Briefing is a Hong Kong based company, owned by Dezan Shira & Associates, which publishes a free monthly magazine which covers legal, tax and operational issues in China.

- **Asia New Zealand Foundation**

www.asianz.org.nz

The Asia New Zealand Foundation is a non-profit organisation dedicated to building New Zealand's links with Asia. It has produced a number of publications aimed at helping New Zealand companies do business in China.

- **China Council for the Promotion of International Trade**

www.bizchinanow.com/

- **China-Britain Business Council – Business Guides**

www.cbcc.org/guide/

The Business Guides cover a range of issues including etiquette, using agents and distributors, and choosing a Chinese name for your company or for your product.

- **that's Magazines**

www.thatsmags.com

English-language magazine listing events and activities in Beijing, Shanghai and Shenzhen / Guangzhou

- **GlobalEDGE County Insights**

<http://globaledge.msu.edu/Countries/China>

- **Yahoo China Directory**

<http://dir.yahoo.com/regional/countries/china/>

11 CHINESE NEW SOURCES

- **China Daily**

www.chinadaily.com.cn

- **China Online**

www.chinaonline.com



- **China Digital Times**
<http://chinadigitaltimes.net/>
- **Mainland Chinese newspapers and magazines**
http://newton.uor.edu/Departments&Programs/AsianStudiesDept/china-ch_news.html

Disclaimer:

This publication is provided to you as a free service and is intended to flag to you market opportunities and possibilities. Use of and reliance on the information/products/technology/concepts discussed in this publication, and the suitability of these for your business is entirely at your own risk. You are advised to carry out your own independent assessment of this opportunity. The information in this publication is general; it was prepared by New Zealand Trade and Enterprise (NZTE) from publicly available and/or subscription database sources. NZTE; its officers, employees and agents accept no liability for any errors or omissions or any opinion/s expressed, and no responsibility is accepted with respect to the standing of any firm/s, company/ies or individual/s mentioned. New Zealand Trade and Enterprise is not responsible for any adverse consequences arising out of such use. You release New Zealand Trade and Enterprise from all claims arising from this publication. New Zealand Trade and Enterprise reserves the right to reuse any general market information contained in its reports.

