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CHONGQING

Business
2015
Guide

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Chongqing Association of Enterprises with Foreign Investment
Take the lead in Chongqing’s development

Chongqing New North Zone, established in 2001, is an open economy demonstration zone in inland China. It is located in the north of Chongqing and covers 130 square kilometers.

The area is an advanced manufacturing base, modern service industrial agglomeration, technological innovation demonstration area and liveability demonstration area.

In 2014, Chongqing New North Zone had a GDP of 58 billion CNY, a total industrial output value of 157.7 billion CNY, a total revenue from science-and-technology enterprises of 61 billion CNY, a total sales of commodities of 61.1 billion CNY, a fixed-asset investment of 39.2 billion CNY, an integrative index of industry economic benefit of 513%, an industrial profit of over 18 billion CNY, and a proportion of tax to public finance of 94%. It is aiming to quadruple its gross regional domestic product (GDP) to 150 billion CNY by 2020.

In the future, four industrial clusters will be formed in Chongqing New North Zone. An advanced manufacturing sector of 200 billion CNY size, a modern service industry of 100 billion CNY size, a high-tech service industry of 100 billion CNY size and a strategic emerging industry of 50 billion CNY size.
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Hello

Welcome to Chongqing, the largest Chinese municipality and the key economic development zone of central and western China. As China's ongoing economic miracle unfolds and economic development sweeps westwards, Chongqing is set to be the regional answer to Shanghai's Pudong sector offering both government support for investors, a dedication to infrastructure building, and a chance to be at the heart of the action while this once in a millennium economic explosion takes place.

Within our lifetime, Chongqing has transformed itself from a grim bastion of Sichuan, into a dynamic regional economic capital. Although thousands of miles inland, it has become central China's gateway to the world both politically and logistically. It has pioneered economic policies to bring in overseas investors, it has helped transform the Yangtze which connects it with Shanghai and the Pacific into the world's busiest waterway, it has built tens of thousands of kilometres of new motorways, and has been the guiding hand behind pioneering international rail projects which now connect Chongqing over land with distribution centres as far away as Rotterdam and Antwerp.

The Chongqing Investment Promotion Association (CQIPA), the Chongqing Foreign Trade and Economic Relations Commission, and the Chongqing Bureau of Foreign Expert Affairs have created this book as our brief to you on the amazing opportunities we would like to share with you. Also in the making of the book, Mr Alex Middleton and Mr Richard Macaulay have given us much appreciated assistance. A special thanks to them!

We look forward to being your partners in this amazing journey.
WHY CHONGQING

- Chongqing's position in national strategy and economy
- Location and logistics
- Global connectivity
- Favorable policies
- Top 10 reasons to invest in Chongqing

EXPLORING CHONGQING

Chongqing is hitting the tipping point between being a developing city, and one growing into a more economically mature and sustainable entity. Throwing up thousands of new chances for those who know where to look. Come with us and explore.

If you are looking for the best current opportunities mixed with the best potential in the world, there is no question about it. Chongqing is the place you should be. Where else can you find a well-developed market but one that still has potential for massive growth? Effective and dynamic local government leadership through the municipality’s hotline to central government; comparatively low living and wage costs; a large skill base with thousands of university graduates joining the pool each year; and logistic networks that connect you quickly and easily with the Pacific ports in the east, and ports as far afield as Borneo and even Europe to the west.

As Chongqing matures, this development has reached tipping point between developing, and the run up to becoming a developed city. The nature of industry is diversifying, adding to the traditional mix of heavy industry and manufacturing sectors such as high tech, financial services, and outsourcing, while the consumer sector is booming.

Quick Facts:

- Total Size of Municipality: 82,400 km²
- Total Municipal Population (2014): 34.47 million
- Districts: 19
- Counties: 15
- Autonomous counties: 4
- Average Temperatures: January 7.8°C, August 28.5°C
- Annual GDP (2014): RMB 1426.34 billion
- Investment in Fixed Assets: RMB 1322.3 billion
- Gross Industrial Output Value: RMB 1872.2 billion
- Retail Sales of Consumer Goods: RMB 509.6 billion
- Total Import and Export Volume: USD 95.45 billion
- Foreign Direct Investment: USD 10.629 billion
- Potential Value of All Unexploited Mineral Wealth: RMB 388.2 billion
- Natural Resources Include: Coal, Natural Gas, Manganese, Mercury, Aluminium, Strontium, Vanadium, Molybdenum, Barium, Salt, Barite, Fluorite, Limestone and Silicon
- Potential Natural Gas Reserves: 320 billion m³
- Proven Coal Reserves: 3.3 billion tons
- Manganese Reserves: 37 million tons
- Proven Mercury Deposits in Xishan and Youyang Counties: 19,000 tons
- Potential Hydropower Resources: 14,382,800kw
- Geothermal Resources: Potential for Development
STAKE YOUR PLACE FOR CHINA’S NEXT ECONOMIC EXPLOSION

China’s Go West development strategy is about to unleash the power of the interior. In Chongqing you will be at the centre of this upcoming economic revolution.

In early 2015 the Chongqing municipal government announced that it will create 30 billion cubic meters of shale gas production capacity by 2020 with an annual output of 20 billion cubic meters. The total investment cost is 70 billion yuan ($11.22 billion), mainly in exploration, pipeline construction and equipment manufacturing. While shale gas still fulfills only a fraction of China’s energy needs, it has huge potential for development and with government commitment it could be just one of many sectors which are set to see massive growth in Chongqing.

While the 30% of China to the east and along the coast has so far driven an economic miracle unparalleled in history, the 70% of land in western China has remained comparatively undeveloped. When this area is opened up to development, it is set to spur on China’s next economic explosion, that of its western regions, and Chongqing is not just geographically at the heart of this but is also the central government’s designated centre for the region’s development. As Chicago and Detroit transformed the 1980s interior of the USA from a land of small farmers and backwoodsmen into an economic behemoth, expect to see Chongqing leading interior China’s similar transformation in the 2000s.

Furthermore, Chongqing is doing all this with the ambition of turning itself into a regional and international centre and is welcoming in foreign investment. After decades of massive infrastructure construction and economic liberalisation, it really has become your gateway to the economic expansion of western China.

Between 2005 and 2014 Chongqing’s GDP has risen from RMB 306.91 billion to RMB 2,486.54 billion, and similar strides have been made in turning the city into a dynamic centre for international business. Major overhauls of the city’s infrastructure and business environment have resulted in the municipality becoming one of China’s leading domestic and increasingly important international logistics centres with rail links reaching all the way to Europe, shipping from its free trade

**Districts / Counties / Autonomous Counties**

**Districts**
- Quanzhou
- Shapingba
- Qijiang
- Dazu
- Dadukou
- Fuling
- Hechuan
- Jiangbei
- Jiangjin
- Julongqing
- Nan'an
- Nanchuan

**Counties**
- Bishan
- Chengkou

**Zhong**
- Dianjiang
- Fengdu
- Fengjie
- Kai
- Liangping
- Rongjiang
- Tongjiang
- Tongnan
- Wulong
- Wuxi
- Yuyang

**Autonomous counties**
- Penghu Miao and Tuja
- Shizhu Tuja
- Xuang Tuja and Miao
- Youyang Tuja and Miao

Remarks: In October 2011, Qijiang County and Wuxihe District were merged to form Qijiang District; Dazu County and Shuangqiao District were merged to form Dazu District.
port connecting with Shanghai and the Pacific, and a new international airport which aims to become the fourth largest in China within a decade or so.

Chongqing can also be said to have begun to bridge the gap between eastern and western China. Now, after fifteen years since the beginning of the Go West policy, the municipality is reaching a more economically mature situation. Its economy outperforms billions and billions of dollars' worth of new infrastructure including highways, high-speed railways, airports, and power grids. It offers established favourable economic and taxation policies to investors, increasing levels of foreign investment; improving education levels and the retention of skilled workers and professionals.

Chongqing is also well positioned to take advantage of the growth available not just from foreign direct investment, but also from companies relocating from the coast. With rising costs on the coast eroding its competitiveness, investors find that China's westernmost metropolis with its low operating costs – Chongqing's average wages are RMB 3,905 per month compared to RMB 5,190 per month in Shanghai, while the average cost of office space rental is about RMB 56-100/m² compared with RMB 190-250/m² in Shanghai – is more attractive than ever.

In addition to lower costs, the municipality can offer investors the kind of human resources previously only seen in the coastal areas. Its several leading universities produce graduates in all major fields, while a new phenomenon seen in Chongqing is the return of the city, pulled in by its growing opportunities.

In turn with the rise of a new professional middle class, as well as a good number of wealthy and super wealthy, the city has seen a consumer revolution. Up market shopping centres across the city offer everything from H&M and Zara to Alexander McQueen and Valentino. Furthermore, with the main urban area being a regional consumer centre for the tens of millions of people who live in its non-urban areas, Chongqing's city's growth as a regional centre for luxury shopping has great potential.

As a result of all this growth, GDP has gone from RMB 146.8 billion in 2005 to RMB 1,428.5 billion in 2014. Meanwhile, GDP growth year on year was 10.9% compared with a national average of 7.4%, and the number of Global Fortune 500 companies operating in the city rose from around 10 in 2005 to 243 in 2014. All this is happening during one of the most challenging economic environments China has seen for years.

As well as turning Chongqing into a massive new centre for domestic consumption, with total consumer spending reaching RMB 509.6 billion in 2014, it has also made it a regional centre for Chinese outbound investment. In 2014 institutional investment of Chongqing-based companies overseas totalled USD 1.1 billion, up from USD 977.64 million in 2010, and Chongqing-based companies saw notable success in acquisitions and mergers with Chongqing Machine Tool Group acquiring the British high precision engineering arm of Hardoy's in 2010, and Chongqing Steel Group merging with Australian mines in 2011.

For investors the exciting potential lies not just in the main city of Chongqing, but in the vast outlying satellite towns. This is in part due to Chongqing's being used as a base for a national pilot scheme to spread development from main urban areas to surrounding country. As perhaps twice as many of Chongqing's inhabitants live outside the main urban area, this leaves huge potential for growth as they begin to see the economic benefits trickle throughout the region. Furthermore, it offers investors the option of investing outside the main city areas, where land prices are comparatively even lower.

As Chongqing city itself begins to enjoy life as a developed city, the truly exciting time still lies ahead as the surrounding regions develop and Chongqing truly takes its place as western China's gateway to the world.

Chongqing and 100 years of foreign trade

While what has happened in the past thirty years since the reforms of Deng Xiaoping has been enormous, Chongqing has a much longer history of opening as a port to the rest of the world. A British consulate opened in Chongqing as far back as 1890, and in 1931 it was the first port in central and south west China to open to international trade. By the first few decades of the twentieth century the banks of the Yangtze were lined with consulates and offices for companies such as Swite Group and Standard Oil.

In 1929, Chongqing was for the first time made a municipality and with the coming of the Second Sino-Japanese War (1937-1945) it became the provisional capital of China. It was during this period that Chongqing's industrial base was properly established, when factories and other businesses were relocated to the area to escape the Japanese advance.

The city's national standing was reduced somewhat in 1945, when the municipality was absorbed into Sichuan province. However, despite this loss in status Chongqing's industrial prowess was given a boost when essential manufacturing such as arms and motor vehicle production was moved to the city to place it strategically away from China's borders.

In 1997 Chongqing regained its position as a municipality and in 2000 it became the focus of the 'Go West' strategy, designed to develop China's central and western provinces. Building on its existing manufacturing base, the municipality's economy grew rapidly and with central government incentives for it to develop further, looks set to become the key industrial, services, consumer, and logistics hub for the region.
THE BEGINNING OF DEVELOPMENT

By the 1900s steamships had connected Chongqing with Shanghai, in the 1940s it was the temporary capital of embattled China, in the 1950s and 60s it became a key industrial city as part of the Cold War arms race, but it was 1997 that truly changed things. While the rest of China focused that year on the Hong Kong handover, Chongqing was separated from Sichuan province and became one of only four municipalities run directly under central government alongside municipal Beijing, Tianjin, and Shanghai.

In terms of China’s nationwide administration, these municipalities have been put on a par with whole vast provinces, and, as such, they have unprecedented administrative access to the decision-making centre in Beijing. For instance, the highest ranking government official is the Mayor. The mayor is also a delegate to the National People’s Congress (the legislature) and Deputy Secretary of the CPC Municipal Committee. However, the highest administrative authority in the municipality belongs to the Secretary of the CPC Municipal Committee or Party Secretary.

Municipalities are an established part of central government’s nationwide economic strategy. They form economic centres which funnel investment into the much wider regions in which they sit. Chongqing alone does this for all central and western China, and if the success of Chongqing’s counterparts is indicative of where Chongqing is heading, it seems that the exceptional growth of the previous decade is just the beginning of even greater things to come.

In the case of Chongqing, the municipality is at the forefront of the bold Go West strategy, which aims to spread economic growth westwards from the eastern coast to the less developed west. As part of this, Chongqing has not just been a conduit for investment but also an important testing ground for new policy. With its leaders situated at the heart of central government, this is an effective way for Beijing to test innovations before rolling out to the broader western and central regions.

For instance, Chongqing has initiated policies which aim to strike a balance between urban and rural development; it is leading central China in developing knowledge-based fields such as cloud-computing, outsourcing, financial services, and creative industries, and is providing effective support to its emerging e-commerce ventures and privately-owned SMEs.

So what does this mean for an investor? The key thing would be a mixture of opportunity and development. Opportunity, in that the region has vast further potential for growth, but development in terms of government policy making, local support for business, and the operational tools needed to build and grow a presence here. Local leaders are empowered to make key decisions, rather than constantly referring you on to a higher authority, as is the case of lesser provincial cities. For instance, it has ultimate control over areas such as the sale, price and use of land within its jurisdiction, speeding up the processing of land sales and rental agreements for investors, and it has a certain degree of autonomy over its tax system allowing it to offer significant tax breaks to targeted investors.

Since 1997, Chongqing has been at the heart of something big, the economic development of central and western China. While China’s economic miracle has so far relied heavily on the east and the coast, there is much further to go, much more to be done, and more opportunity to be shared. As a dedicated region for funneling investment into the region, Chongqing is your gateway not only to an exciting present, but a future of unbelievable potential.
GLOBAL CONNECTIVITY

In 1997 when Chongqing became a municipality it was little more than a Yangtze river port, but with the coming of central government’s push to develop the country’s western regions came massive investment in the region’s logistics capabilities. Coupled with significantly cheaper operating costs than in the north east or on the coast, this domestic and international connectivity has made Chongqing an ideal manufacturing base for companies looking to supply both within China and globally.

The master-plan was based on development of road, rail, air and waterways and provides manufacturers with a comprehensive logistics hub to link them domestically and globally. Additionally this network is continually expanding and offers ongoing improvements.

Some of the biggest international names in global logistics now operate from the municipality, including APL, Maersk, UPS, American President Lines, German Railways, DB Schenker, Hong Kong Kerry Logistics, Ceva, TNT, DHL, and Nippon Express.

This international expertise provides Chongqing-based users with the software and skills needed to efficiently utilise the massive and costly hardware which has already been put in place.

Waterways

The Yangtze River is Chongqing’s major natural strength, a natural shipping route linking Chongqing with Shanghai and the major shipping routes beyond and provides a cost efficient solution. It currently carries about 90% of Chongqing’s exported goods and can accommodate ships up to 8,000 tons.

With three million TEUs passing through Chongqing ports in the last year, Chongqing is the largest inland shipping centre in central and SW China. Its growth has continued in spite of the economic crisis and overall slow-down in Chinese manufacturing growth, growing over 50% in the past eight years.

Furthermore, Chongqing’s capabilties are continually being augmented, and even current capacity has not been met. While threemillion TEUs was transported in the previous year, total capacity was around six million TEUs.

Waterway transport does not end with the Yangtze though as the region has over 3,000 km of navigable rivers. There are 15 ports which have a throughput over 100,000 tons, 12 of which are based on the Yangtze, and there are a further 85 smaller ports. The municipality has berths for around 380 vessels over 1,000 tons, and a further 1,000 berths for smaller vessels.

Travelling downstream from Chongqing to Shanghai it currently takes vessels about 10 to 12 days to complete the journey, while from Shanghai to Chongqing travelling upstream it is about 12 to 15 days.

Guanyuan Port: This is one of the two largest container ports. Set in the Liangjiang New Area, the first inland bonded zone in China, it has easy access to the nearby international airport and is supported by a direct rail connection. It has seven international-standard container berths and throughput of 1.4 million TEUs.

Guanyuan Port: The second major port in the region, and plans to develop into the largest inland port with a capacity of 2 million TEUs of container cargo, 10 berths for searange vessels, 3 bulk cargo berths, and 3 roll-on-roll-off berths.

Eastern Port: This has a container throughput capacity of 1.3 million TEU, loading 200,000 vehicles, and three million bulk cargo loadings.

Huangguan Port: This smaller port has a loading capacity of three million tonnes.

Airways

While Chongqing’s waterways offer a cost effective solution for large bulk cargo, upgrading production in the region with the manufacturing of products such as laptops has increased demand for more rapid networks. Chongqing’s huge investment in air transport has more than met this need, and with massive expansion underway it is set to meet future demand as the region sees further expansion of its high-tech manufacturing base.

The city is the largest inland air cargo hub, and its main airport Chongqing Jiangbei International is in the top 10 nationwide with an annual capacity of 2 million tons. From here over 40 airlines offer international and regional transportation services to destinations including the EU and USA. There are also plans to expand routes especially to south Asia and north America. Furthermore, when Chongqing Jiangbei International Airport opens its third terminal it will be amongst the 15 largest airports in the world. The ambition is for the airport to reach a turnover of 70 million passengers and 3 million tons of cargo annually by 2020.

As regards Cargo, 14 airlines offer...
cargo services from the Chongqing Chongqing International, including Cathay Pacific, Air China Cargo, Lufthansa Cargo, TNT Airways, and Kuehne+Nagel. Cargo flights from the airport have also benefited from a 10% reduction in fuel costs via the Bonded Aviation Fuel Policy, helping keep down costs.

There are two further smaller regional airports in Chongqing: Wanzhou Wuxiao airport and Qianjiang Zhouhe, as well as the Yichang Sanxia airport in neighboring Hubei province, which serves the Three Gorges area of northeastern Chongqing.

**Railways**

Chongqing sits at the heart of a rapidly developing Chinese rail network, giving excellent and cost-effective rail access to destinations throughout China including Shanghai and the port of Shenzhen.

Internationally, it also links with networks in Burma, giving direct access to ports on the Indochina, drastically cutting travel time to India and Europe via Suez.

However, perhaps the most talked about element is the Europe-China railway, also called the YuXinLon International Railway Freight Corridor. Trains take 16 days to travel 11,000km to Duisburg in Germany via Alashankou, Kazakhstan, Russia, Belarus, and Poland. Public freight trains currently run three times a week.

The majority of goods carried so far have been high-value goods destined for the European Union, laptops, printers, superchargers, telecommunication equipment, clothing, shoes, and accessories.

To further develop the railway's potential the Chongqing government has established a railway office in Dusseldorf, Antwerp, and Rotterdam to promote the railway and to secure eastbound cargo back to Chongqing.

**Highways**

Chongqing is now set at the heart of China's massively expanded domestic road network, which is already linking internationally with countries such as Burma, Laos, and Vietnam, and is set to be connected via Sichuan and Yunnan with the mega-motorways of the China-Pakistan economic corridor.

Within the municipality there are over 2,500km of motorways, and key international links include the YuXinLon motorway which connects with the Jingzhou motorway and onward connections to south-east Asia, as well as routes through Yunan to the port of Sirte in Burma. Travel times to Wuhan and Shanghai are about eight hours and 17 hours respectively.

**Customs and the bonded port**

Chongqing Customs in cooperation with other key bureaus provides a one-stop clearance service that runs 24 hours a day, all week round. Once goods have gone through the Lianglu-Custam Bonded Port Zone and Xi Yang Integrated Bonded Zone, imported and exported goods do not need further declaration and inspection in other coastal ports and transaction of bonded goods within the bonded zone are free of clearance.

Once in a bonded warehouse, imported goods can be inspected, however goods exported from a bonded warehouse will not be reimported. Once goods enter the bonded zone, VAT on exported goods is entitled 40-60 days faster than in other inland cities. The collection of duties or taxes on imported goods in bonded warehouses will be postponed until they leave the bonded zone, and the duty will be imposed according to the actual status of the goods when leaving the bonded zone. A transaction of bonded goods within the bonded zone is VAT-free and free from consumption tax.

Imported foodstuffs can be cleared at Chongqing customs through a customs clearance from the entry port without unloading or charging container.

Chongqing is also developing a paperless customs system which is expected to be rolled out in the coming years.

**Key hubs**

Lianglu-Custam Bonded Port Zone: This is the only inland port in China that combines air and marine port facilities, and warehousing, customs services and logistics services companies. As well as tax incentives offered within the free port area, local goods entering here are treated as exports, tax refunds are granted immediately, and simplified procedures apply for customs matters. This primarily undertakes customs clearance, bonded logistics, and bonded processing. The primary distribution point for millions of laptops.

The Railway Logistics Base: This, as its name implies, is a key railway hub including warehousing, manufacturing facilities, and industrial areas. Industries based here include textiles, steel, and electronics. The throughout capacity of railway containers is 1.75 million TEUs.

The Aviation Logistics Base: This is the main air logistics centre for western China. It consists of the main airport functions, warehousing, logistics and processing area, as well as an industrial area.

Chongqing's Road Logistics Base: In addition to logistics services and warehousing, this includes areas for light manufacturing.

Chongqing International Agricultural Logistics Processing Area: As is self-evident from the name, this is a processing, storage and distribution base for fresh and frozen agricultural products.

Luogu Chemical Industry Park: This is connected to the Chongqing Chemical Industry Park, and is the biggest logistics center for chemical products in the region.

### Average Transport Times and Costs for a Standard Container (40 feet) Within China

<table>
<thead>
<tr>
<th>City</th>
<th>Beijing</th>
<th>Shanghai</th>
<th>Guangzhou</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days (Road)</td>
<td>6</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Cost (USD)</td>
<td>5,260</td>
<td>4,060</td>
<td>4,200</td>
</tr>
<tr>
<td>Days (Rail)</td>
<td>10</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Cost (USD)</td>
<td>1,350</td>
<td>1,320</td>
<td>1,220</td>
</tr>
<tr>
<td>River (NA)</td>
<td>7-10</td>
<td>600</td>
<td>21-25</td>
</tr>
<tr>
<td>Cost (USD)</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Average Transport Times and Costs for a Standard Container (40 feet) For International Dispatch

<table>
<thead>
<tr>
<th>Region</th>
<th>Europe (Rotterdam)</th>
<th>USA (LA)</th>
<th>Australia (Sydney)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days (Rail)</td>
<td>14</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Cost (USD)</td>
<td>4,000</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>River and Sea</td>
<td>35 (approx)</td>
<td>3,000</td>
<td>2,450</td>
</tr>
<tr>
<td>Cost (USD)</td>
<td>2,250</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FROM HEAVY INDUSTRY TO HIGH TECH GIANT IN JUST A DECADE

In 2014 Changqing produced about 6.1 million laptops, approximately one third of the global total, six million more than in 2013.

The city is now home to manufacturing for some of the giants of high tech. Apart from HP, four other global information technology companies have set up factories in Changqing: Acer, Asus, Toshiba and Sony, six PC makers, including Foxconn, Inventec and Wistron, have operations in the city. These are supported by 300 component companies.

Putting all that in context, PCs accounted for around 10 percent of the city’s industrial output.

This is a long way from Changqing’s traditional industrial background. As a former capital of China during the war, Changqing developed in arms manufacturing, and then diversified into automobile manufacturing. However, motor vehicle and motorcycle industries continue to contribute heavily to the city’s GDP, and the city is the country’s leading motorcycle manufacturer.

Learning from the problems that beset Detroit during the global economic crisis that began to hit in 2008, Changqing began to look for opportunities in other fields, including electronics. With electronics manufacturers concentrated in coastal areas such as Guangdong province and the Yangtze River Delta looking to for cheaper operating costs, Changqing saw an opportunity.

With rapid economic growth in China, the cost of land, electricity and labor in coastal areas was rising. Because of the dearth of labor and its high cost, electronics companies were being forced to look to the next.

Changqing began courting business by introducing preferential policies such as lower business tax to lure them away from cities such as Shenzhen in Guangdong province.

At the same time, moving west fitted well with the companies’ strategic plans. The area brought in companies to produce complete laptops, and that attracted businesses that could produce components for the supply chain.

The result can be seen today: a laptop manufacturing center. There are several industrial parks in Changqing that specialize in electronics manufacturing.

Three years after HP moved to Changqing, Acer Inc. the multinational hardware and electronics maker based in Taiwan, and the fourth largest personal computer seller in the world in 2013 moved here also, and its growth since arriving has been no less remarkable than that of its US rival.

Since the first Acer laptop came off the production line in Changqing in 2011, the plant’s contribution to Acer’s laptop making has steadily grown. In the first year laptops made in Changqing accounted for 20 percent of the laptops Acer made worldwide. This year that figure is expected to be 90 percent.

More than 85 percent of Acer laptops made in Changqing are exported, around two thirds going to Europe and the US.

Companies are drawn to Changqing by its business incentives, its healthy labour market, traditional manufacturing capability and growing logistics networks.

Central government has given its blessing to the development of the laptop industry in Changqing, and companies benefit from preferential policies. The city also has a manufacturing industrial chain related to making laptops, so they don’t need to worry about supplies.

Acer’s commitment to China includes the intention to gradually relocate most of the business to the Chinese mainland and Changqing will be a linchpin of this development.

The city’s developing logistics are also important. For inland manufacturer, the city has opened up innovations such as the railway line connecting the city with Europe. The rail line can share two weeks off rail shipping times. Meanwhile, the cost of road transport has also been greatly reduced.

As global IT giants have flocked to Changqing, the city has gained a high international profile. Changqing will become the largest domestic electronics export center, and ancillary industries will continue to come in, creating jobs and attracting more talent to the city.

This new investment has also contributed to establishing a permanent supply chain that is helping Changqing diversify as an economy and become a leading manufacturing and research center.

The growth of laptop manufacturing in Changqing has promoted the supply chain for components to support local manufacturers making things such as batteries, chassis, connectors, displays, memory and storage devices.
TOP 10 REASONS TO INVEST IN CHONGQING

1. In land size, population, and economy, Chongqing is effectively a small country. The market consists of 30 million people, three times as many as Portugal and three million more than Texas, while its GDP is higher than Vietnam’s and 75% the size of Malaysia’s. Chongqing alone has massive scope for growth to come but also sits at the heart of the much larger ever all Chinese market.

2. Chongqing has an excellent infrastructure and logistics network including modern airports, ports, motorways and highways.

3. Chongqing can offer favorable investment policies to foreign investors and other excellent incentives.

4. Chongqing is a very modern and viable place to live and do business. Many young people are educated professionals who have great energy and a desire to develop professionally.

5. The municipality, with its dynamic and expanding economy has a demand for up-skilling and new qualitative products and know-how. A whole variety of products and services are needed in the market hungry for foreign consumables.

6. Chongqing is centrally located in the heart of China and East Asia with excellent links by airways, highways, and waterways. The new fast growing markets of southeast as consumer population is in the region of 2 billion – with significant purchasing power.

7. Extensive internet and IT infrastructure.

8. Real estate, commercial buildings and warehousing. Chongqing is building new, state-of-the-art office buildings, shopping centres, department stores, and other infrastructure.

9. Chongqing has developed cluster-focus technology parks for life sciences, design, technology and innovation as well as top tier universities and award-winning business science parks.

10. Chongqing is the youngest Municipality in China and is integrated into China’s “one belt, one road” initiative, being an important part and an engine of west development.
 Favorable Policies

Foreign investors in Chongqing enjoy a large number of benefits and favorable policies, including preferential tax rates, land use fees, and the options of applying for long-term work visas for staff from overseas.

Business registration
New companies, established by joint venture or reinvestment from foreign-invested enterprises (FIEs) and domestic companies, can enjoy benefits as FIEs should proportion of foreign investment reach or surpass 25 percent. If high-tech equipment is counted as invested capital, this need only be 20 percent.

Tax
Companies that have been operating for 10 years or more are entitled to a refund of their corporate income tax for two years after their first profitable year. In the third to the fifth year, corporate income tax rate is 12 percent.

A corporate income tax rate of 15 percent applies to FIEs engaged in technology or knowledge-intensive projects; those with an investment of over USD 50 million and working on a long-term operation basis; or engaged in energy, transportation and harbor construction projects.

A corporate income tax rate of 10 percent applies to FIEs working in areas listed in the Encouraged Industries category and Restricted Category B in the Catalogue for Guidance of Foreign Investment Industries.

A corporate income tax rate of 15 percent applies to FIEs in the Chongqing Economic and Technological Development Zone, Chongqing High and New Technology Industry Development Zone and Chongqing North New Zone. Foreign-invested high and new technology companies that have been operating for 10 years or more are exempt from corporate income tax for two years following the enterprise's first profitable year.

Foreign-invested high and new technology companies in Chongqing High and New Technology Industry Development Zone - that remain high and new technology companies after the tax exemption and tax reduction periods - can enjoy another three years of tax reduction during which income tax shall be halved. If the tax rate is lower than 10 percent after the reduction, corporate income tax shall be 10 percent.

After expiration of tax reduction or exemption periods as regulated by the state, foreign-invested export companies can enjoy an income tax rate of 10 percent during the years when its exports exceed its output value account of over 70 percent of its total output value.

Construction projects related to foreign-invested harbours and ports that have been operating for more than 15 years are exempt from corporate income tax from the first to the fifth year following their first profitable year, and the corporate income tax rate will be halved from the sixth to the tenth year.

Recently established companies in the fields of transportation, electricity, irrigation, postal services, broadcasting and related to broadcast television are exempt from corporate income tax in the first two years and a half rate in the following three years.

A corporate income tax rate of 15 percent applies to FIEs engaged in financial institutions with an operational capital exceeding USD 10 million - either through investment or apportioned by their head office - that have been operating for more than 10 years, and are exempt from corporate income tax for one year following the institution's first profitable year. Corporate income tax is halved from the second to the third year.

A Corporate income tax rate of 10 percent applies to profits from dividends, interests, rents, royalties and other income in Chongqing of foreign companies without branches or sites in Chinese territory, in addition to the income tax of companies with foreign investment.

FIEs engaged in the development of agricultural science and technology and construction of eco-agriculture in mountainous terrain or on abandoned or brownfield sites are exempt from agricultural tax for three years following the first year that they are profitable.

FIEs that develop special agricultural products related to mountainous terrain, brownfield or reclamation land, or polluted rivers or lakes are exempt from agricultural tax for ten years following the first year that they are profitable.

FIEs involved in agricultural development are entitled to a reduced income tax rate of between 15 and 30 percent in the first 10 years after the expiry of the first specified tax exemption period.

Foreign investors who invest in agricultural development, power stations, airports, roads, bridges, ports, docks, water plants (excluding pipe networks), irrigation, urban sewage and garbage treatment and other infrastructures - and who have paid a land-use fee - are entitled to the lowest executal land price and may take 50 percent of the land revenue as质押 debts which shall be cleared within six years following the date of approval.

FIEs engaged in construction and operation of highways, ports and docks have priority in acquiring land-use rights along highways for real estate development, service projects, and highway and waterway transportation.

The transfer fee for land-use rights of productive companies - established by a form of joint venture or cooperation from FIEs - can be injected into the company as state-owned shares.

Site use fees for FIEs that acquire land-use rights through administrative allocation shall be halved. FIEs engaged in agriculture, forestry, animal husbandry and fishery production as well as science and technology, education, healthcare, power stations, airports, roads, bridges, ports, docks, water plants (excluding pipe networks), irrigation, environmental protection and other infrastructure are exempt from the site use fee.

FIEs authorized to export their products or technologies advanced companies are exempt from the site use fee for three years from the date the land use rights were acquired.

FIEs that invest in ethnic-minority areas, or national or municipal poverty-stricken areas, are exempt from the site use fee.

FIEs engaged in merger and transformation of bankrupt
companies or companies in difficulty, are exempt from the registration fee for transferring house ownership and land-use rights.

**Foreign exchange management and credit**

FIEs can open foreign exchange accounts under a bank dealing with foreign exchange businesses and other financial institutions.

A foreign representative legally resident in China may apply for a temporary foreign exchange account in order to build a foreign-invested enterprise.

The profits, dividends and bonuses of foreign investors of FIEs - and salaries for staff from Hong Kong, Macau and Taiwan and overseas, as well as other legitimate income - can be freely remitted.

The investment of RMB profits by FIEs shall be treated as foreign investment. The investment of RMB profits in China from the liquidation, equity transfer and other means shall also be treated as foreign investment.

FIEs can obtain RMB loans from domestic Chinese banks through pledge of foreign exchange. They may also apply for RMB loans guaranteed by foreign banks from domestic Chinese banks.

**Import and export**

FIEs engaged in the production of export products can establish bonded warehouses or bonded factories.

Inspection fees for imported equipment of FIEs are 50 percent of the national standards. The fees shall be cut off by 20 percent if the inspection costs exceed 5,000 yuan.

The appraisal fee of properties within the total amount of investment of FIEs shall be charged at a rate of 2.5% for properties worth between USD 1 million and USD 5 million; 2% for properties worth between USD 5 million to USD 10 million; and 1.5% for properties worth between USD 10 million to USD 100 million. The appraisal fee rate may be reduced by 20 percent should the one-time inspection cost exceed 5,000 yuan.

**Prospecting and mining**

The Lianjiang New Area especially welcomes foreign investment in the prospecting and mining of non-oil and gas mineral resources. Foreign investors are permitted to establish sole proprietorship or to cooperate with Chinese counterparts in risk exploration of non-oil and gas mineral resources. Foreign investors are also permitted to purchase prospecting and mining rights of non-oil and gas mineral resources from large and medium-sized state-owned companies and can also transfer these rights.

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**FROM CHONGQING TO EUROPE DIRECT**

By shortening transport times and lowering costs for freight, international rail lines linking central and western China with Central Asia have improved connectivity and trade between the regions. The route begins in Chongqing with the Chongqing-Xinjiang-Europe International Railway which passes through Xin, Lanzhou, Baoji, and the Alatau Pass, where it enters Kazakhstan, before continuing through Russia, Belarus and Poland, and finally ends in Duisburg, Germany.

Kazakhstan crossroads
Kazakhstan has also been quick to see the benefit of the railway.

"It changes the transportation networks in Kazakhstan and turns the country into the crossroads connecting China and Russia as well as Europe," said a vice-president of Kazakhstani state railway company KTZ.

"The railway is very important for Kazakhstan, and the country will take further measures to tap its potential, including improving the efficiency of customs clearance and bringing in more powerful train engines," he said. According to the Central Asian news provider TRENDS, at a meeting in May, the customs authorities of China and Kazakhstan agreed to establish a system for conducting customs clearance and control along the railway line.

Challenges ahead
Despite its early successes, though the line also faces challenges. There are currently few exports from European countries returning, but Chongqing is trying to solve this by promoting the line to Europe, and there is no guarantee of success.

The train must also change gauge several times. The first transfer is a change to the Russian broad-gauge line at the Alatau Pass on the border between China and Kazakhstan. The second is a transfer to standard gauge at the Polish-Belarus border.

The gauge transfer and technical service is provided by DB Schenker, the transport and logistics arm of Germany's national railway Deutsche Bahn, through its service network in Central Asia and Eastern Europe after the trains leave China.
LIANGJIANG NEW AREA: THE KEY TO CENTRAL CHINA

- One of only three bonded zones along with Tianjin’s Binhai and Shanghai’s Pudong
- Regional economic growth over 15%, more than double the national average.
- From 2013 to 2014 its exports increased over 100% and imports increased 170%.
- The rail head of the Europe-Asia railway, and home to the largest river port in the region, and central China’s largest airport.
- By 2020 Sino-European trade is expected to be about 50% of the world’s total and Liangjiang is positioning itself as a major hub for this.

The Liangjiang New Area is very much a central hub. It is the centre of Cheongman’s economic growth, at the centre of inland China’s development, and at the centre of a logistics network that spans the globe via railways, waterways, and airports. All these networks integrate in the district via world class infrastructure settle in Liangjiang including the railway transportation network, the Yangtze River waterway and land transportation, as well as the region’s growing economic significance.

This New Area was established in 2010 and is one of only two national level new development areas designed to open their regions to international business and trade. Padong in Shanghai and Binhai in Tianjin. With these counterparts as models it seems set to transform the region’s economy and offer investors an ever-increasing range of opportunities. Being at the head of the Europe-Asia railways and being a recipient of major European investment, Liangjiang is also becoming a linchpin in Cheongman’s development of European trade, a trade which since the beginning of the municipality’s laptop production and exports has grown exponentially.

The New Area includes two bonded zones - Cheongman Xiqing bonded area, and Cheongman Xi Nong Comprehensive Bonded Area. Liang Jiang City incorporates the airport and container port, while Nanchang focuses on the high tech market and is already home to companies including HP, CISCO, AECI, Foxconn, Quanta, Inventec, and Simpo Battery.

Major global investors have already moved to the broader New Zone including ThyssenKrupp, AT&T, Europe’s largest printed circuit board manufacturers, which invested USD 600 million in its factory in Yuich Industrial Park, as well as Vallog, AMB, Pilatus, IKEA, and Goodman, and the French bank, BRED Banque Populaire, which is now a major shareholder in the Cheongman Liangjiang Financial Development Co.

The Liangjiang New Area covers three of Cheongman’s major administrative regions, Jiangbei, Yubei, and Beibei. This includes 1,200sq km within the main urban area of Cheongman, out of which 500sq km have been earmarked for development.

The New Zone really is the key to wealth generation in the region. In Jiangbei, over 90% of the land area, 90% of the population and around 50% of the GDP are within the Liangjiang New Area’s share of the district. Jiangbei is concentrating on becoming the functional core, creating a financial centre, trade and logistics centres, and high-tech manufacturing and sourcing bases. It is home to the area’s key ports, Canton and Gaoyuan and its logistics hub, as well as two BRI 100 billion industrial centres, Liangjiang Yueli Park and Tianhe Park.

In Beibei, meanwhile, the municipality’s modern emerging industries are taking root. It is now developing a 60sq km site dedicated to data processing, IT, pharmaceutical, software R&D, and the creative industries, and is the site of numerous and rapidly growing high-end housing estates.

The New Zone combines the Cheongman Beibei International Airport (CGK) and the port facilities at Canton and Gaoyuan, as well as access to rail routes throughout China and on to Europe, the area offers exporters and importers an integrated logistics network unparalleled in central and western China. Soon to become the fourth largest airport in China, CGK is planning to open its third terminal and runway in 2015, giving it a passenger handling capacity of 4.5 million, and a cargo handling capacity of 1.1 million tons, whilst the opening of Gaoyuan port will raise container capacity to 5 million TEUs.

The New Zone also features the largest conference and exhibition centre in the region, the Cheongman Yueli Conference and Exhibition Centre. The facility covers 130 hectares and provide 52,000 sq m of exhibition space, as well as hotels and hospitality areas.
A problem has been highlighted in cities such as Guangzhou. The skilled workforce is beginning to fall far short of demand. The reason is simple. For two decades skilled workers from inland cities, such as Chongqing, would move to the coast in search of a better life. Now, however, with rising opportunities at home combined with rapidly rising living costs to the east and south, Chongqing's skilled migrants prefer to stay at home.

For manufacturers and professional services companies and others this means the city's huge pool of workers who were previously famous for going out of Chongqing to work, are now here in the municipality ready to underpin expanding businesses.

In fact, Chongqing is often cited as being one of China’s top 10 cities for recruitment. Each day, thousands of people are moving into Chongqing in search of work, swelling the number of available skilled workers, while Chongqing's 78 universities and colleges produce hundreds of thousands of graduates annually. In addition to this, there is a new trend for professionals who left the municipality for the first-tier cities to return in search of a desirable mixture of professional opportunities and low living costs.

Multinational education partners

Though investment in education both international companies and institutions are contributing hugely to Chongqing's development.

Beginning in 2007, ABB has cooperated with Chongqing Mechanism Technician College and Xiamen Technician college to establish ABB Classes, combining technical education and enterprise demands for skilled talent development. UBS, meanwhile, has worked in collaboration with the local government to provides local training initiatives.

In 2013, meanwhile, the University of British Columbia concluded an unprecedented, five-year strategic cooperation agreement with China's Chongqing government. Collaborations under the agreement will focus on urban planning and sustainable development, education, law, public policy and international relations, medicine and life sciences, engineering, management and leadership training, as well as the fine arts.

Only a third of China's dollar millionaires live in the tier-one cities. The other two-thirds live in the second-tier cities, of which Chongqing offers the highest sales values and possible most room for development and growth.

Although Chongqing's retail sales are about the fifth largest in mainland China, the city is still developing in terms of high-end retailers. However, the way is not necessarily clear and brands entering the market should undertake thorough market research and not expect that what works in Shanghai can be replicated in Chongqing. Luxury brands still tend to be bought for their label rather than their style, and with many high-net worth individuals being unaware of any but the most commonly mentioned brands on TV and film, local consumers are often unwilling to purchase anything that is either not loudly branded or that they feel their peers will not recognize and be impressed by. Being expensive and famous locally is still often a brand's only requirement for success, while quality and style and an acknowledged position in London, New York or Paris carries little weight if local 'taste' is not present as the average local consumer will have no knowledge of these.

Furthermore, local staffing can be difficult. While staff are plentiful, knowledgeable staff are not. Local service levels are also apt to fall well below those a brand would want to see. Commission earning leads to a hard sell attitude, while local staff who are impressed by the brand's name can be tempted to develop an unhelpful attitude of superiority towards consumers.

However, with lower market entry costs and less competition well-known luxury brands that were quick to capitalize on the retail market in Chongqing have been handsomely rewarded, with Amanci having seen its highest in-store sales in the country here, and Burberry Chongqing once recording better end of year sales than its partner stores in Beijing and Shanghai.

Considering the large expected increase in the urban population which by 2020 will be equal to that of Portugal's, there is obviously huge potential from the sheer numbers. Growing luxury market awareness and sophistication, meanwhile, will also mean opportunities for not just the most common high-end brands but also for brands which appeal to a sophisticated and knowledgeable market.

Vivian Woodrow is one of the few commonly known brands in China to attempt to open in Chongqing, with a store expected in 2015. The timing may be right. China's second and third-tier cities have seen the first tier cities in the value of luxury sales, and consumer knowledge in the sector is increasing. Shanghai and conspicuous Louis Vuitton, for instance, now sees its strongest sales in the western desert cities, while more softly branded and exclusive brands are making forays into the highly sophisticated coastal cities. Situated halfway between Urumqi and Shanghai and arguably halfway between the two in the pattern of development.

Seeing the importance of the provincial markets, many luxury companies have begun to alter their business models to penetrate regional markets by taking direct control. Luxury brands who expanded to second and third-tier cities used to use local partners to expand brand awareness through established channels. Now many are opening their own regional offices to maximize brand control and sales.
Fifteen years ago the CQIPA was launched by the Chongqing government as a one-stop-shop service for overseas investors in Chongqing. Since then it has been offering everything needed for overseas companies to operate smoothly in Chongqing.

The association is part of the municipal government’s Chongqing Foreign Trade and Economic Relations Commission (COFTEC) and has a full range of services for inbound companies. These include corporate partnering for joint ventures, recruitment and human resources management services, professional training, networking facilitation, events and conference organisation services, and provides relocation packages for overseas staff.

The CQIPA is merged with the Chongqing Association of Enterprises with Foreign Investment (CAEFI). The CAEFI is a member-based organisation dedicated to serving overseas companies with legal and policy advice, and encouraging closer relations between its members, local government, and domestic and international companies.

The CQIPA also offers a recruitment and HR management department. This offers a complete outsourced HR package including regular updates on legal and policy changes, staff recruitment, and ongoing management of personnel files along with regular updates on necessary steps to be taken in order to keep overseas employees’ files up to date.

The CQIPA is committed to providing overseas companies with everything they need to operate with maximum efficacy in Chongqing, whether they be new to the region or established investors.
INVESTMENT VEHICLE

Investors in Chongqing now have more investment options open to them than ever before. The days of having to choose between only a representative office or joint ventures (JV) has long passed. Foreign companies in most industries now have a range of options for investing in China, including wholly foreign-owned enterprises (WFOEs), companies limited by shares, foreign-invested partnerships (FIPs), and other investment vehicles. Each investment option has certain advantages and drawbacks, and companies can choose the option that best suits their development goals and capabilities.

Wholly foreign owned enterprises

The WFOE has quickly grown to be the most popular vehicle for foreign investors to operate in China, accounting for around 80 percent of China’s approved foreign investment projects. The rise in popularity of WFOEs is largely due to relaxed foreign-investment restrictions after China’s 2001 accession to the World Trade Organization (WTO), which dismantled some barriers to foreign investment in the retail, trading, wholesale, and other sectors. The WFOE structure gives the foreign investor full business control and profit rights—but the investor also bears all the risks within the context of limited liability.

A big attraction of this investment structure is that it takes less time to establish than a JV, because the foreign company does not need to select a suitable local partner or negotiate JV contract arrangements. In addition, the WFOE structure gives foreign companies greater control over their operations, as no local partner is involved in management and human resources decisions. Most foreign investors—particularly after they have become familiar with Chongqing’s business environment—find it much easier to recruit, train, and retain employees when the foreign investor is in full control of the employer side of the relationship. Having the autonomy to manage employees also reduces the likelihood of intellectual property erosion.

WFOEs’ popularity does not eliminate the need to work with non-equity local partners, however. Hiring local managers is essential to a foreign company’s success in Chongqing because their compensation requirements tend to be lower than their foreign counterparts and they are more familiar with local market conditions, labor, environment, rules and regulations, and government affairs. WFOEs must also interact with local companies to establish distribution channels, customer relationships, and in many cases a government affairs function, given the PRC government’s extensive role in the economy and society.

Not all sectors are open to WFOEs, however. Foreign investors in industries subject to foreign investment constraints, such as telecom and publishing, may consider investing through WFOEs established as consulting companies. These types of companies contractually control most business aspects of the licensed business, which is formally owned by Chinese investors or, where allowed, a JV.

Joint Ventures

An equity or cooperative JV (see below “What type of JV?”) is still the preferred investment structure for many companies. Primarily, JVs are preferred when companies want to enter industries in which the PRC government restricts foreign investment. The PRC Catalogue Guiding Foreign Investment in Industry lists various industries in which foreign companies can invest only through Sino-foreign JVs and sets caps on the percentage of foreign ownership in the JV, but these limits may be relaxed for qualified investors from Hong Kong and other regions in China that have separate legal systems. In some cases, particularly in industries where FIEs are normally prohibited, foreign investors may agree to limit their investment to less than the 25 percent threshold to qualify as a foreign-invested JV.

A JV may also be preferred when the foreign company needs a partner to share the capital investment burden. Chongqing’s economic boom and rising prosperity has created a widening pool of potential Chinese partners. Foreign investors in capital-intensive industries in particular may need a Chinese partner to share the investment load, but cash-short investors in technology and other industries may also appreciate the JV option for this reason.

In addition, Chinese companies may have certain technology, distribution capability, or other attributes that make them attractive JV partners. This may be particularly true in industries where the state or state-owned enterprises (SOEs) are the principal customers.

Though many JVs have proved to be effective vehicles for entering China, the structure has certain statutory features that diminish its attractiveness to foreign investors. Under PRC law, a JV requires unanimous approval from its board of directors on major issues—including capital changes, mergers and demergers, and amendments to the articles of association—as well as on other issues contractually agreed by the partners.

Moreover, JVs can be challenging to form or operate successfully anywhere in the world because they require an integration of corporate cultures. Sino-foreign JVs can be particularly difficult to operate because of statutory restrictions and, in many cases, foreign-investment caps and tighter regulation of JVs’ business activities relative to their Chinese-owned counterparts. Employees on both sides of a Sino-foreign JV are also more likely to regard themselves as delegates of their parent companies rather than as representatives of the JV. In addition, because structural changes to a Sino-foreign JV require unanimous approval from the board of directors and approval from the PRC government, the JV is less likely than its counterparts elsewhere in the world to be spun off into an independent company by its investors.

What type of JV?

The law allows for two different types of joint ventures: equity (JV) and cooperative (CV). Like wholly foreign-owned enterprises, EVs are independent legal persons with limited liability under PRC law, and CVs in China also generally operate under this format. There is a statutory exception from limited liability for some CVs, but in practice this type of investment structure is rarely if ever approved and is unlikely to be attractive to foreign investors because of its potential exposure to unlimited liability.

EVs are established on the principle of strict proportionality—dividends and shares in the residual assets of the JV after dissolution are distributed solely in proportion to the parties’ contributions to the JV’s registered capital. Representation on the JV’s board of directors and board of supervisors also tends to be allocated in proportion to the registered capital contributions. In contrast, CVs are more flexible, allowing one or more parties to contribute terms of cooperation instead of, or in addition to, cash or readily appraisable kind assets. The distribution of dividends, residual asset shares, and participation in governance in a CV reflects the terms of cooperation rather than the proportion of registered capital contributions. Recently, however, PRC commerce bureaus, which have approval authority over JVs, have imposed stricter reviews of the proposed terms of CV contracts, reducing some of the flexibility associated with the CV structure.
The Foreign Investment Guidance Catalogues

For the purposes of specifying the areas open to foreign direct investment, all business activities are classified as either "encouraged", "restricted", "prohibited", or "permitted". These classifications are set out in the Foreign Investment Industrial Guidance Catalogue (the "Guidance Catalogue") issued by the PRC National Development and Reform Commission ("NDRC") and MOFCOM. The most recent version of the Guidance Catalogue became effective on 30 January 2012.

The Guidance Catalogue lists encouraged, restricted, and prohibited activities and sectors. Other activities not listed in the Guidance Catalogue as falling within the above categories are, in the absence of other rules to the contrary, considered to be permitted to foreign investment.

The different categories of investment have the following characteristics:
- Permitted: the standard category, with no particular restrictive or favourable treatment.
- Encouraged: subject to approval at lower administrative levels. Traditionally able to enjoy certain tax and other benefits.
- Restricted: subject to higher levels of scrutiny, approval at higher levels of administration, and in essence may be denied at the discretion of the approval authorities.
- Prohibited: not permitted to foreign investment.

Activities that are encouraged under the Guidance Catalogue are also eligible for preferential treatment under a range of policies when undertaken in the Central-Western regions.

Accordingly, the Central-Western Catalogue and the Guidance Catalogue should be considered together to confirm whether additional benefits may be available for activities in the regions covered by the Central-Western Catalogue.
The Typical Process for Establishing a Company in Chongqing

<table>
<thead>
<tr>
<th>Activity</th>
<th>Government Department/ Organisation</th>
<th>Time Frame (in working days)</th>
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<tbody>
<tr>
<td>Registration of name reservation</td>
<td>Chongqing Administration for Industry and Commerce (CAIC)</td>
<td>1—3</td>
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<tr>
<td>Project approval – discussion with investors needed</td>
<td>Chongqing Development and Reform Commission (CDRC)</td>
<td>5—7</td>
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<tr>
<td>Application</td>
<td>Chongqing Foreign Trade and Economic Relations Commission (COFTEC)</td>
<td>5—7</td>
</tr>
<tr>
<td>Temporary code number</td>
<td>Chongqing Bureau of Quality and Technical Supervision (CAQTS)</td>
<td>1</td>
</tr>
<tr>
<td>Business license</td>
<td>CAIC</td>
<td>5</td>
</tr>
</tbody>
</table>

The legal entity should be established after approximately one month

- Registration of seal: Chongqing Public Security Bureau (CPSB) 2—3
- Organisational code certificate: CAQTS 1
- Tax registration: Chongqing Administration for State Tax (CAST) 1—3
- Foreign exchange registration and approval of opening a capital account: State Administration of Foreign Exchange (SAFE) 5—10
- Opening of capital account: Bank 3—7
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- Customs registration (if necessary): Chongqing Administration for Customs (CAC) 14

Procedures for applying for Foreign Invested Company (Including Representative Organization in Chongqing)

Sino-foreign joint venture (hereinafter referred to as "joint venture")

Chinese and foreign cooperative joint ventures should submit the following documents to the examination and approval authorities:

- Application to set up a joint venture
- Feasibility report jointly compiled by both parties and reviewed by the examination and approval authorities
- Agreement, contract, articles of the joint venture, signed by both parties and submitted for registration
- Business license or registration certificate issued by the examination and approval authorities
- Further documents required by the examination and approval authorities

Chinese and foreign cooperative joint venture (hereinafter referred to as "cooperative venture")

Chinese contractor and the related documents, after approval:

- Application to set up a cooperative venture
- Feasibility report jointly compiled by both parties and reviewed by the examination and approval authorities
- Agreement, contract, articles of the cooperative venture, signed by both parties and submitted for registration
- Business license or registration certificate issued by the examination and approval authorities
- Further documents required by the examination and approval authorities

Foreign-invested venture

- Application to set up foreign venture; feasibility study report
- Letter of application for foreign investment; registration certificate of foreign investment
- Legal documents of foreign investors
- Other documents required by the examination and approval authorities

Foreign investor shall register at industrial and commercial administrative authorities and related business license within 14 days after receiving letter of approval.
WORK VISAS

Fortunately for overseas companies of any size, the Changqing Investment Promotion Association offers a complete corporate visa service. It will normally follow the procedure below.

When a company's status has been confirmed by the local government, the company can begin recruiting staff. In the case of staff from overseas, it has to be shown that they have skills or fulfilling roles which cannot be provided by domestic employees. Once again you can get more advice on this process by contacting Changqing Investment Promotion Association (CQIPA), which provides comprehensive recruitment consultation services.

Permanent Residence
This applies to the following categories and is administered by the entry-exit administration at the municipal Public Security Bureau:

1. Those who have direct investments in the city and have maintained them for three years or more and can display satisfactory tax contributions.
2. Those who have held for three years or more a position equivalent to or above a deputy general manager, or have held a position for three or more years as the equivalent or above of associate researcher or associate professor.
3. Those who have made significant contributions to China's economic and social development and have had this approved by the local or national government.
4. Spouses and children under 18 years of the above.
5. The spouses of either Chinese citizens or residents from overseas who have permanent residence. In this case, the marriage must have existed for over five years and they must have been resident for nine months in China during a five year period. There is also a requirement to show a stable income and local residence in this case.

Unmarried children under 18 who live with their parents. This includes step children, adopted children, and wards provided this relationship is recognised under Chinese law.

Those whose closest relative is a Chinese citizen where the citizen is over 60 years of age and has resided in China for nine months within five consecutive years. There is also a requirement to show a stable income and residence in this case.

Submit related documents

The department of entry-exit administration of Changqing municipal public security bureau will review the application and check in line with relevant applying conditions and report to Ministry of Public Security for approval.

Public security authorities should decide within 6 months whether applicant is approved or not for permanent residence.

Ministry of Public Security issues Certificate for Permanent Residence for Foreigner

If applicant is abroad, Ministry of Public Security should issue Confirmation Sheet for Permanent Residence Identity for Foreigner. Applicant should take the confirmation sheet to embassy or consular post to handle ICD visa and receive within 30 days at the accepting public security authority Certificate for approved Permanent Residence for Foreigner.

Submit related documents

Make appointment for test

Test 1 (Theory of traffic safety laws, regulations, and related knowledge)

Test 2 (Driving skill test) Applicant who does not apply for driver license of bus, heavy truck or other special motor vehicles only need to take Test 1

Medical certificate issued by medical bodies

Foreign driver's license of motor vehicles held by applicant (Chinese translation should be provided)

Application sheet for driver's license of motor vehicle and photos of applicant

ID of applicant (ID and permanent residence certificate of foreigner outside the border and copy)

Specific documents, please refer to Business Guide.
THE CHONGQING
BUREAU OF
FOREIGN EXPERTS AFFAIRS

Over the past decades the Bureau of Foreign Expert Affairs has worked in line with the policy of Applying International Expertise to Chongqing's Prosperity. This policy was originally designed to bring international talent to Chongqing and help transform the city's knowledge economy and has adapted over the years as the nature of the knowledge economy has changed. Over the previous five year plan it saw great success, bringing over 20,000 skilled professionals to the municipality.

The CBFEA's main focus is on encouraging immigration to the city by people with expertise in automobile and motorcycle design and production, as this is seen as a major development in further developing Chongqing as a central and western China's major economic centre. Highly skilled professionals from the Germany, Italy, Japan, and the UK have moved to the city to work in this field, primarily within R&D.

The CBFEA has also been a key factor in head-hunting much needed skill-sets to help the municipality deal with technical difficulties in areas as diverse as bridge building, urban design, and eco-agriculture.

The bureau's broad international network consists of both domestic and international governmental organisations, and academic and research institutes in over 40 countries. Through this network it not only recruits directly, but works to promote Chongqing and raise the municipality's international profile. It also uses this network to facilitate international training for Chongqing-based professionals, and organised overseas training for over 4,000 people during the previous five year plan.

In order to further attract international talent to Chongqing, the CBFEA is working with local government to help create a welcoming and re-assuring environment in which to work. It also recognises the contribution international professionals make to the city through three awards. These are the national-level Friendship award, the municipal-level Three Gorges Friendship award, and the Honored Citizen of Chongqing award. It has so far recognised over 70 people in this way, and looks forward to recognising the efforts of many more overseas professionals in the future.

LABOUR LAW IN BRIEF

China's current legal system concerning employment was established with the promulgation in 1995 of the Labour Law and in 2008 of the Employment Contract Law; together with their respective supplementing legislation. The main laws and regulations governing the employment area include, among others, the following:


These State-level laws and regulations form the basis of the employment contract system in China. However, locally promulgated legislation may also govern, from such places as major municipalities (Beijing, Shanghai, Tianjin, and Chongqing), special economic zones (such as Shenzhen Special Economic Zone), open coastal cities, and provinces. Local legislation should be consistent with national legislation, but if conflicts are found, they should be carefully examined to determine, under law and in practice, which rule should be applied in a particular case.

Relevant government authorities

The Ministry of Human Resources and Social Security (MHRSS) is the main government authority in charge of employment and social insurance issues. Local labour bureaus are responsible for enforcing the national and local labour and employment regulations at the local level.

Key employment law compliance issues: Working hours

Chinese regulations provide for a standard working hours system under which employees should not work more than eight hours per day and 40 hours per week. However, Chinese law also provides for alternative working hours systems. Upon government approval, an employer may institute the Comprehensive Working Hours System or the Flexible Working Hours System.