REGIONAL CHARACTERISTICS AND BUSINESS OPPORTUNITIES

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1. GENERAL INFORMATION OF CHINA
1.1 GEOGRAPHIC INFORMATION

- Locate on east Asia, west coast of Pacific Ocean
- Land area: 9.6 million square kilometers
- South to north: 5500km, east to west: 5200km
- Mainland coastline: 18,000km
- Mainland border about 22,800km, neighbor with 15 countries inland
1. GENERAL INFORMATION OF CHINA
1.2 ADMINISTRATIVE INFORMATION

- Provincial level administration: 4 municipalities, 23 provinces, 5 autonomous regions and 2 special administrative regions
- Capital: Beijing
- Official language: mandarin, written language: chinese character
- Population: 1.3 billion at 1st of Nov. 2005
1. GENERAL INFORMATION OF CHINA
1.3 FOUR GEOGRAPHICAL AREA

- North part: area: 20% of total; population, 40% of total
- North-west: area, 30% of total; population, 4%
- Qinghai-Tibet area: area, 25%; population 1%
- South part: area, 25%; population 55%
1. GENERAL INFORMATION OF CHINA
1.4 ECONOMIC DEVELOPMENT

- The world’s 3rd largest economy
- Average annual growth rate from 2001-2010: (from national bureau of statistic of China)
  - Gross national income: 10.7%
  - GDP: 10.5%
  - Actual utilization of foreign capital: direct foreign investment: 9.2%
  - Total value of foreign trade: 18.6%
2. INDUSTRIAL DISTRIBUTION IN CHINA

1. Hu, Ning, Hang Industrial Region.
2. Jing, Jin, Tang Industrial Region.
3. Liao Zhongnan Heavy Industrial Region.
4. Zhujiang River Delta Region.
5. Along Yangzi River Industrial Region.
6. Coastline Industrial Region.
7. Longhai-Lanxin Industrial Region
2.1 HU, NING, HANG INDUSTRIAL REGION

- Biggest comprehensive industrial region in China, include 15 cities, core area 42.245 km²
- Long history in leading position in economical and technological development
- Strong foundation in manufacturing industry and finishing industry
- Convenience connection to other parts of China by air, by land and by river, also to abroad by air and by sea
- Well-developed highway network among cities inside region and good cooperations among the cities in this region
- Most prosperous international business area with international atmosphere
- Modern government management and business support
- High quality candidates for different business needs
2.2 JING, JIN, TANG INDUSTRIAL REGION

- Located in the administrative and cultural center of China, include Beijing, Tianjin and other 7 cities in Hebei Province
- Stable foundation in manufacturing industry and fast consumable industry
- Research institutes and first class universities, strong in R&D and high quality human resources
- Tianjin port and Tanggu port connect this region to the world, also international airport
- Growth slower compare to Hu, Ning, Hang and Zhujiang Delta Region, strong governmental influence to business operation and market development
- Arounded by big area of poverty, development is unbalanced and big gap exists
2.3 Liaozhongnan Heavy Industrial Region

- Long history industrial region in China
- Base of Chinese heavy industry since P.R.C established.
- Rich of natural resources, such as coal, gas, oil and forest
- Many big state-owned heavy industrial companies
- Near Jing, Jin, Tang region
- Next to Bohai sea, but no deep-water harbor
- Living style and customs influenced by Korea and Russia
- Lack of high qualified and multi-skilled human resources
- Slow reforming process in government and business organizations
2.4 ZHUJiang RIVER DELTA REGION

- Located in far south of China, next to Hong Kong and Macao
- Strong in light industry, especially electronic parts and daily consumable products
- Fast developed in last 30 years, first area which perform the open-door policy since 1978
- Big amount of small and middle size companies, mostly owned by Hong Kong investors
- High city and town density, 98 cities or towns/10,000km², average city distance 9.8km
- City economic emphasis and function is not systematically defined and organized
- Geographic limitation - lack age of land
- Heavy commercial atmosphere
2.5 ALONG YANGZI RIVER INDUSTRIAL REGION.

- Developed along the middle part of Yangzi River.
- Most of the cities located on the river bank and far away to each other, not centralized as another regions above, and regional cooperation is loose.
- Convenience river transportation
- Famous from Three Gorges Project
- The other old heavy industry base located in this region
2.6 COASTLINE INDUSTRIAL REGION

- Developed based on the convenience sea freight and international trade
- Mostly the second group of cities which carry out the open-door policy since 1978
- Investment mainly from Taiwan and companies are not high-technology concentrated, no strong manufacturing industry foundation
- Strong in light industry and consumable industry
- Not much regional cooperation between cities.
2.7 LONGHAI-LANXIN INDUSTRIAL REGION

- Developing along the longest railway line from east to west
- A comparatively developed area among the northwest region of China
- Convenience railway transportation
- Economic development among cities unequal and unbalanced
- Competitive labor costs
- Big area of poverty still remain in this region due to natural climate
- Strong geographical and natural environment limitation
- Not much international business atmosphere and experience
- Long distance to any harbor
3. NEW ESTABLISHMENT
3.1 FACTORS AND ITS CORELATIONSHIP WITH INVESTMENT

INVESTORS

- Business scope
- Investment scale
- Marketing orientation
- Customers, suppliers and competitors
- Business environment
- Taxation
- Talent and labor availability
- Local policy

LOCAL GOVERNMENT

- Business scope
- Investment density
- Facility availability
3. NEW ESTABLISHMENT

3.2 CHOICE OF BUSINESS FORMAT

- Representative office
- Joint venture
- Wholly owned company

➢ Advantage and disadvantage of each format will be presented in next seminar
3. NEW ESTABLISHMENT
3.3 KEY FACTOR TO A NEW ESTABLISHMENT

- Familiarity of government procedure and custom. (entrusted agent need to be used as required in some area)
- Connection with government bureau to get support and attention.
- How to transfer business relationship from Finland to China with old customers if there is any.
- How to promote new company image and explore market.
- Cooperation with OEM partners if there is any.
- How to establish smooth and effective communication and channel with parent company, to get sufficient support from it.
- Understanding of Chinese market and business custom.
4. FEW TIPS ON DOING BUSINESS IN CHINA

- Well-prepared before you enter the market
- Aware of cultural difference and acquire sufficient Chinese cultural knowledge
- Be patient with your business partners and when handling with bureaucratic
- Clear entry strategy is needed, analysis all relevant factors, format, clients, partners, suppliers and competitors etc.
- Taxation consultation, local professional help, local taxation policy and company format
- Financial support for the daily operation before breakeven.
- Localization, sales, marketing, suppliers etc.
- Strong management team
5. FEW TIPS ON IMPORTING AND EXPORTING IN CHINA

- Aware of and understand business cultural difference
- Be patient with your business partners
- Check-out supplier’s or partner’s credibility and ability before put your order
- Break through culture and language barriers – help from expert
- Warranty and services – costs and customer satisfaction
- Delivery terms and transportation – cost and price
- Contract and agreement negotiation-different view from two countries
- Long-term business relationship is preferred

More detailed discussion on business culture will be presented in next seminar
THANK YOU!

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