

Working Globally: Misconceptions About Doing Business in China



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*China does little to protect
intellectual property rights.*

*In recent years, China has strived
mightily to enforce intellectual
property (IP) rights.*

Since China's first intellectual property law was published in 1982, the legislation and enforcement of IP rights have been rapidly improving in China—including the protection of pirated DVD movies to pirated computer software. IP rights protection is no longer an appeasement by government to foreign investors. These rights have become recognized and are more commonly used in China to protect citizens' wealth. The number of new patent applications every year is about the same as the number of applications in the United States. This indicates a healthy respect for the IP system. This trend is also improving the chances that a foreign company's IP rights will be properly protected. It is recommended that businesses and individuals register their IP in China as soon as practical.

Repatriation of profits is really difficult because of the foreign currency control in China.

In recent years, U.S. companies that have expanded business operations in China have been successful in winning repatriation cases. If a foreign company is in compliance with the Chinese tax authorities and has completed all the reporting obligations required by State

Administration of Foreign Exchange (SAFE), it should be able to repatriate its profit smoothly in U.S. dollars. At the same time, the Chinese government does provide incentives to encourage foreign investors to keep their profits in China. A foreign company would enjoy a 40 percent tax refund from reinvestment of its profits.

*China is still a communist party-ruling
autocracy.*

Although the communist party still rules the country on a political platform, China is moving toward a merit-based, one-party system that is committed to implementing

a dynamic market economy. The Internet and mobile phones have made the Chinese feel comfortable to voice themselves and this is a major step in moving to a market economy.

*The overstuffed government in China is
bureaucratic and inefficient.*

This is actually a fading image from the old perceptions of how things were managed in China. Government officials at different levels are typically younger and better educated. It is not rare at all to meet with someone who was trained

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China *from front*

in The United States and other parts of North America or Europe. The GDP growth rate has become the most important performance measurement for Chinese government officials. Local officials have become enthusiastic supporters for their local entrepreneurs to create more economic growth. Actually, entrepreneurial officials are on the rise in China. They are willing to provide favorable policies, simplified processes and efficient support systems to attract global investors.

It is too costly for small and mid-size American businesses to do business in or with China.

Through good due diligence efforts and reliable resources, a smaller enterprise, even a one-person shop can develop good relationships with trustworthy business contacts in China. The high speed Internet, better logistics services and more English speaking talents that are available in China have made it a lot easier to conduct business from manufacturing or exporting to distribution. Actually, the biggest savings come from developing the right strategy to minimize risk. Chinese entrepreneurs are now more prepared and willing to work with smaller foreign business owners.

China always has been a huge market for everything.

China's 1 billion-plus population has provided large space for imagination when a company looks at market potential for its own products or services. There is no doubt that China's economic growth rates and increasing living standard have even made this perception more accepted. However, among such a large population, there have existed a highly diversified economic development status,

income level and consumption style, from the coastal cities to the inner land, and from the urban centers to rural areas. As a market, China is more diversified. Foreign companies must perform in-depth analyses before launching any grand strategy

Chinese business people are hard bargainers who always want to maximize their benefit from a deal, ignoring real partnering opportunities.

This has changed dramatically since China first opened its economic market to foreign investors and businesses. Initially, Chinese people held a strong distrust toward foreigners. Believing there would be only one winner out of every negotiation, the Chinese bargained hard to get the best deal. Their image as tough bargainers also made the foreign companies very defensive and reluctant to make compromises. After more than two decades of an open environment and exchanges, Chinese companies are seeking more cooperation and partnership opportunities.

Only Beijing and Shanghai represent the current China.

Although Beijing and Shanghai are the two most developed cities in China, they do not represent China as a whole. Westerners love living and working in Shanghai because the combination of an oriental environment and a modern metropolitan life style are appealing. Hangzhou, Dalian, and Ningbo are also positively identified for business opportunities.

Guanxi (connections) mean everything in China.

The word Guanxi has almost become a master key for doing business in China.

It is true that Guanxi development is not optional but a must when doing business in China. However, a network of connections cannot replace the proper due diligence on a business opportunity or a contact whom your Guanxi helped introduce to you.

It is difficult to find professionals in China who will meet our business standards.

There are many well-trained bilingual attorneys, accountants and tax professionals in major cities in China. Many of them have studied abroad and have returned from North America or Europe. Their knowledge of both Chinese and Western systems plus their language advantage will meet your expectations for professional services.

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