Dear Business Executives, Clients and Friends of Philadelphia & Trenton Export Assistance Centers:

Passage to India, October 24, 2008 - Don't Miss This Special Opportunity for U.S. Exporters!

This unique Business Development Event on exporting to India, a dynamic growth market for U.S. exports, is selling fast. We want to be sure you are there!
Join us, October 24th for Passage to India, where Senior Commercial Officer Carmine D'Aloisio of the U.S. Embassy in New Delhi, India will speak about emerging opportunities for U.S. business in the ever-growing Indian market.

Date: Friday October 24, 2008
Time: 8:00 am - 1:00 pm
Location: The Tuttleman Center, Philadelphia University
Admission: $125

As one of the world's largest democracies, India is committed to political freedom and strives for ever-greater economic freedom. With significant investment in its infrastructure, political stability, and increases in information technology, India has become increasingly accessible and conducive for foreign business.

With a sustained GDP growth rate of 8%, India is a rapidly developing country with ample business prospects for U.S. exporters. The U.S. is India's largest trading partner with 5.9% of India's imports coming from the U.S. And yet, the pace of India-U.S trade is accelerating. In 2007, U.S. exports totaled $17.6 billion, a 75% increase from the previous year.

Experts forecast that in the next 15-20 years, 40% of India's population, more than 400 million people, will enter India's middle class.
India is projected to become a top-ten market for U.S. goods and service by 2009 and to have and maintain the fast growth rate in the world by 2011.

Leading sectors for U.S. exports include:

Airport and Ground Handling Eq.	Education Services	Electric Power Generation
Oil and Gas Field Machinery	Computers and Peripherals	Franchising and Retailing
Distribution and Transmission Eq.	Medical Equipment	Telecommunications Eq.
Mining and Mineral Processing Eq.	Food Processing Eq.	Pollution Control Eq.

Let the U.S. Commercial Service and Philadelphia University guide you into one of the fastest growing markets in the world. Discover trade with India!

To register and more details please visit: http://www.buyusa.gov/philadelphia/passagetoindia.html

U.S. Small Business Administration

SBA

Your Small Business Resource

News Release

PRESS OFFICE

Release Date: October 14, 2008
Release Number: 08-104

Contact: Cecelia Taylor (202) 401-3059
Internet Address: http://www.sba.gov/news

SBA Offers New Online Training for Exporters

WASHINGTON – A new online course will help small businesses explore exporting opportunities in international markets. **Global Enterprise: A Primer on Exporting** is a free, self-paced course that provides practical guidance on exploring international markets.

The new course is available from the Small Business Administration training Web site at www.sba.gov/training. To access the course, click on "Free Online Courses," and then select the first course listed under International Trade.

The course is a comprehensive training module using script and audio to provide fundamental information about selling in global markets. It illustrates how to identify international markets, develop an export strategy, make and receive international payments, and finance trade operations, plus guidance on determining a firm's readiness and suitability for exporting. The Exporting Primer includes more than 45 direct links to many key international resources.

Exporting can be an avenue to tap into the increasing global marketplace. There are some 236,000 small business exporters, representing 97% of all U.S. exporters, and they generate some 30% of export sales. In 2007, U.S. exports of goods and services amounted to $1.6 trillion, with small businesses accounting for nearly $500 billion of those exports.

"The advantages to exporting can mean big opportunity for entrepreneurs that want to capitalize on emerging markets worldwide," said SBA Acting Administrator Sandy K. Baruah. "The SBA recognizes the value of reaching out to small businesses early in the trade game by using technology that is readily accessible and easy to use."

In addition, the SBA's partnership with the U.S. Department of Commerce and the Export-Import Bank offers federal export programs and services through the U.S. Export Assistance Centers. Small businesses can receive a full range of business export assistance under one roof to makes it easier to get the help needed to compete and succeed in the global marketplace.

"More now than ever, small business exports play a major role in our economy," said Luz Hopewell, SBA Director of International Trade. "Through the new online exporting course, the SBA will be able to help more small businesses access new markets, sell more goods overseas, and create new jobs at home."

Course participants completing the 30-minute online training programs can earn a certificate of completion from the SBA, with their name, date and course title. The Export Primer course is one of nearly 30 online tutorials offered by the SBA on its virtual campus, the Small Business Training Network (www.sba.gov/training). SBTN is part of the SBA's Office of Entrepreneurship Education (OEE), which combines the agency's online education programs, youth outreach, and outreach to underserved markets under a single umbrella.

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FULTON INTERNATIONAL GROUP

your local bank with global reach

Boosting Profits in Global Markets

The Bank along with Fulton International Group cordially invites you to a complimentary breakfast seminar on international trade. Highlights include an overview of SBA export finance guarantee programs and an overview of global supply chain management from the banking perspective. We'll show you how to increase profits and reduce the risks in overseas payments and receipts while improving your cash flow. Learn how to build your global sales while keeping them safe and profitable.

Featured topics include: *Risk mitigating techniques, trade finance, letters of credit and foreign exchange markets and trends.*

Where: **Woodcrest Country Club**
300 East Evesham Road
Cherry Hill, NJ 08003

When: **Tuesday, October 21, 2008**

Time: **7:30 a.m. - 10:00 a.m.**

Speakers: **Lou Tierno,** *International Trade Officer, Fulton International Group*
Amy Sahm, *Vice President, Foreign Exchange, Fulton International Group*
Bob Elsas, *Regional Manager, Export Solutions, SBA*

Please RSVP to Allison Nagel at **609-426-1000 x16728**
or **anagel@thebankonline.com** *by October 15th.*
Let us help you navigate the sometimes stormy seas
of international trade. We hope to see you there!
Member FDIC

For Release: September 26, 2008
SBA Number: 08-26 ADVO

Contact: John McDowell
(202) 205-6941
john.mcdowell@sba.gov

Gonzalez Bill Will Simplify Home Office Deductions

Advocacy Commends Introduction of the Home Office Tax Deduction Simplification and Improvement Act

WASHINGTON, D.C. – Chief Counsel for Advocacy Thomas M. Sullivan today commended Representative Charles Gonzalez (D-TX) for introducing the Home Office Tax Deduction Simplification and Improvement Act (H.R. 7074). The bill will simplify the home office deduction by introducing a standard deduction for small business owners. It is companion legislation to S. 3371, introduced earlier this year by Senator Olympia Snowe (R-ME).

In a letter to Representative Gonzalez, Chairman of the Regulations, Healthcare, and Trade Subcommittee of the U.S. House Small Business Committee, Sullivan said that he supported the measure and commended the Representative's introduction of the bill. Sullivan wrote, "H.R. 7074 will address the issue [home office deduction] legislatively."

Members of the small business community frequently appeal to the Office of Advocacy for relief from tax requirements that are disproportionately burdensome. According to research from Advocacy, tax compliance is 67 percent more burdensome for the smallest businesses compared to their larger competitors. Tax complexity, combined with the fact that 53 percent of America's small businesses are home-based, prompted Advocacy's support for H.R. 7074.

Last year, as part of Advocacy's Regulatory Review and Reform (r3) initiative, the National Association for the Self Employed (NASE) and others identified the home office deduction as a tax provision that is unduly complex. Advocacy agreed with the NASE and named the deduction as a 2008 r3 Top 10 Rule for Review and Reform.

In July, Chairman Gonzalez held an oversight hearing on "Regulatory Burdens on Small Firms: What Rules Need Reforms?" that examined the 2008 r3 Top 10 Rules for Review and Reform. The hearing, at which Chief Counsel for Advocacy Sullivan testified, focused on the need for reform of the home office deduction.

The Office of Advocacy, the "small business watchdog" of the federal government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats, and it funds research into small business issues.

For more information, visit the Office of Advocacy website at www.sba.gov.advo.

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The Office of Advocacy of the U.S. Small Business Administration (SBA) is an independent voice for small business within the federal government. The presidentially appointed Chief Counsel for Advocacy advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. For more information, visit www.sba.gov/advo*, or call (202) 205-6533.*

Export Financing

Register Today!

Date: *Wednesday October 15, 2008*
Time: *8:30 am - 11:30 am*
Location:
Small Business Development Center
One Innovation Way, Suite 301
Newark, DE

The **World Trade Center Delaware** in partnership with the **Office of the State Treasurer Delaware Small Business Development Center** are hosting Mr. Robert Elsas, International Finance Specialist for the U.S. Export Assistance Center - Philadelphia, for a morning Business Seminar. Mr. Elsas will review export financing programs offered by the U.S. government, as well as programs offered through the Export-Import Bank of the United States.

Why Attend?

This seminar will give small and medium- sized businesses the opportunity to gain the knowledge necessary to conduct export finance efficiently in the international market. The topics to be covered in this seminar include the following:

Export Working Capital Loan Program
International Trade Loan Program
Export Express
SBA/EX-IM Co-guaranty Loan Program
Working Capital Guarantee Program
Short-Term Multibuyer Insurance Program
Medium-Term Insurance
Guarantee Program
U.S. Content Requirements

Register Online

Download Event Flyer

World Trade Center Delaware

email: info@wtcde.com
phone: 302-656-7905
web: http://www.wtcde.com

The Trenton U.S. Export Assistance Center in partnership with the Mid-Atlantic District Export Council is pleased to announce

a 3-Day Legal Aspects of Export Controls Conference

Legal Aspects of Export Controls

http://www.buyusa.gov/trenton/expcontrols.html

December 3-5, 2008

7:30 am - 5:00 pm

Trump Taj Mahal Hotel

Virginia Ave and The Boardwalk, Atlantic City, New Jersey

December 3: Advanced International Traffic in Arms Regulations (ITAR): The International Traffic in Arms Regulations (ITAR) is a set of United States government regulations that control the export and import of goods and services that are on the United State Munitions List. Determining whether or not a good or a service is on the Munitions List requires a detailed analysis and is not always easy. But ITAR is not intended to be easy. The Advanced ITAR program will address ITAR jurisdiction, ITAR license exemptions, MLA's, TAA's, Warehouse License Agreements among other topics of interest for an export compliance officer who needs more than a basic level of ITAR understanding.

December 4: Impact of US Export Controls on Foreign Companies: U.S. export controls essentially attach themselves to products that are exported from the United States and remain attached to such products as they travel beyond their original "ship-to" destinations. This means that foreign companies need to consider US export controls, should they export the U.S. origin goods to a third country destination or when they incorporate the U.S. origin goods in foreign made products that are intended for sale to other countries. The Foreign Country program on U.S. export controls will explain how U.S. export controls apply to foreign companies and clarify for such foreign companies what they need to do to remain compliant with U.S. export controls. This information is critical for foreign companies who want to avoid appearing on the denial list or other "Bad Guy" lists that prohibit foreign companies' access to U.S. origin goods and services.

December 5: Legal Implications of Export Violations – Disclose or Roll the Dice?: What are your options when you discover an export violation or worse yet, what can you expect when an export enforcement officer shows up at your plant or you find yourself the subject of an investigation for an export violation? The Export Violation program will discuss these topics as well as other topics that become relevant when an export violation raises its ugly head. The program also discusses the debarment and denial dominoes that are lined up to fall in those cases when export violations come home to roost.

Attend all 3 days or one or two of the sessions

Pricing and Registration Details: http://www.buyusa.gov/trenton/expcontrols.html

Secure with RegOnline http://www.regonline.com/marketing/event/testimonials

PRESS OFFICE

Release Date: September 29, 2008
Release Number: 08-100

Contact: Christine Mangi (202) 205-6948
Internet Address: http://www.sba.gov/news

SBA Submits Final Women's Contracting Rule

WASHINGTON, DC — On Friday, the U.S. Small Business Administration submitted to the Federal Register its final rule concerning women-owned small business (WOSB) contracting procedures, plus a new proposed rule on the industries eligible for WOSB contract assistance. The rule was submitted in advance of this morning's hearing in a federal lawsuit that requires SBA to show progress toward finalizing the rule.

The proposed rule introduces a new data source that, if adopted, would significantly increase the number of industries under which a set aside could be established to 31, from the four that were permissible under the previously proposed data set.

The proposed rule notifies the public of an inherent limitation with the data set used by the Kauffman-RAND Institute for Entrepreneurship Public Policy (RAND) to determine in which industries WOSBs are underrepresented. SBA recognized the limitation during hearing preparations for its Administrator-designee.

The data limitation was not among those specifically disclosed by RAND in its study and consequently was not discussed in the proposed rule. None of the public comments SBA received on the original rule noted this issue, although it was inherent to and discoverable from the underlying data disclosed to the public.

In the newly proposed rule, SBA describes an alternative data set which was not available for the RAND study or the previously proposed rule and was obtained by SBA from the U.S. Census Bureau. The new proposal gives the public a 30-day period to comment on the available data sets. The comments will be evaluated to determine the best available data to determine in which industries WOSBs are underrepresented in federal procurement.

The final rule submitted sets forth procedures for implementing set asides in the eligible industries. The procedures are similar to those set forth in the proposed rule published on December 27, 2007.

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show you how to increase profits and reduce the risks in overseas payments and receipts while improving your cash flow. Learn how to build your global sales while keeping them safe and profitable.

Featured topics include: *Risk mitigating techniques, trade finance, letters of credit and foreign exchange markets and trends.*

Where: **Woodcrest Country Club**
300 East Evesham Road
Cherry Hill, NJ 08003
When: **Tuesday, October 21, 2008**
Time: **7:30 a.m. - 10:00 a.m.**
Speakers: **Lou Tierno,** *International Trade Officer, Fulton International Group*
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Bob Elsas, *Regional Manager, Export Solutions, SBA*
Please RSVP to Allison Nagel at **609-426-1000 x16728**
or **anagel@thebankonline.com** *by October 15th.*

Let us help you navigate the sometimes stormy seas
of international trade. We hope to see you there!

FREE SEMINAR

The Credit Crunch – Business in the UK as a Gateway to the Rest of Europe

Presented by Oury Clark, HSBC and
Barton Barton & Plotkin, LLP

Sponsored by
HSBC in cooperation with
UKTI (UK Trade & Investment)

October 22nd 2008 at the
HSBC Conference Center

452 5th Avenue, New York New York 10018

6:00 to 8:00 pm EST

RSVP to Danielle Fein

Oury Clark

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New Trade Mission to Open Doors for U.S. Firms in Mexico

An exciting new Commercial Service trade mission is open to U.S. applicants.

The automotive supply chain trade mission to Mexico in early December will introduce U.S. automotive suppliers to business contacts in Monterrey and Saltillo, two of Mexico's major automotive assembly and distribution hubs.

Currently the world's eleventh largest automotive producer—expected to rank fifth by 2011—Mexico is experiencing rising demand for automotive assembly parts and supplies. This mission will leverage the benefits of the North America Free Trade Agreement (NAFTA), which has paved the way for U.S. exports to Mexico by eliminating all tariffs.

The registration deadline is October 17, 2008.

For more information, visit www.buyusa.gov/auto/mission_monterrey_mexico.html.

International Buyer Program

2010 International Buyer Program (IBP) Application Open until November 7, 2008!

The IBP application period for 2010 Trade Events opened September 8, 2008. We're working to top the success of this past year, which was a record year for IBPs. Applications for the 2010 IBP will be accepted until November 7, 2008. Please contact IBP Manager Blanche Ziv at Blanche.Ziv@mail.doc.gov for an application package.

Marketing Event Calendar

"Klako Group reprint acknowledgement"

China's New Tax Law

Klaus Koehler, Managing Director, Klako Group

China has fulfilled almost all its commitments to the World Trade Organization (WTO) since joining it more than five years ago, and with new tax regulations, it has finally met one of its last pledges.

The National People's Congress (NPC) met earlier this month to discuss numerous topics associated with China's future, including China's Corporate Tax Law. The law was ratified by the lawmakers as they concluded their annual full session in Beijing.

Corporate Income Tax Law

On Friday, March 16th 2007, the NPC adopted the enterprise income tax law with 2,826 votes for and 37 against and 22 abstentions. This has come after years of criticism that the original dual income tax mechanism was unfair and unjust to domestic enterprises. The long awaited law will take effect from 1st January 2008, changing China's existing rates for domestic firms (33 percent) and overseas invested companies (15 or 24 percent) to a unified rate of 25 percent. This will finally provide domestic and foreign enterprises with a level playing field for the first time since the economic reforms began in the 1980s.

Foreign funded firms have been enjoying the favorable tax structure as stipulated in the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises since 1991 as originally foreign companies faced various investment restrictions when entering the market. But over the years the government realized that they could not grant this preferential treatment forever. As the government sees it, the foreign firms have to be treated equally, given that China has opened nearly all its markets to foreign players.

In fact as far as the Chinese government is concerned, the 25 percent tax rate is low compared to most other countries. Government data shows that the average corporate income tax rate in 159 countries and regions was 28.6 percent in 2005-2006, with the average rate in the Chinese mainland's 18 neighboring countries and regions being 26.7 percent.

Major Changes

Preferential policies will still be provided to high technology, environment protection, energy saving and production safety firms. The law also clarifies tax-deduction policies. The following are the major changes to the tax law:

- Foreign firms that are established before 1st January 2008 and that enjoy preferential tax rates now until 31st December 2007 will be given a five year grace period for the new rate to be phased in. With the tax rate being raised by two percentage points every year. A number of such businesses have already started internal adjustments to offset the impact of a unified tax rate.

- High-technology firms, such as biotech and aerospace companies or companies that the State decides need major support will be allowed to pay a tax rate of 15 percent.

- Venture capital enterprises and companies that invest in environment-protection, energy and water conservation and work safety will be eligible for a fuller range of preferential tax treatment. Details have not yet been specified, but will be stipulated in the implementation rules.

- Eligible small low-profit-earning companies will be allowed to pay a tax rate of 20 percent

- Existing tax breaks for firms investing in infrastructure like ports, docks, airports, railways, highways, power and water conservancy that supported by the State will remain in force.

- Tax breaks for firms in the agriculture, forestry, stock raising and fisheries sectors will continue.

- The existing 50 percent tax break for export-oriented foreign companies and the preferential tax treatment for manufacturing-oriented foreign firms will be discontinued.

- Firms that make efficient use of resources and raw materials and enterprises that provide public service will no longer be given direct tax breaks for exemptions, but will benefit from new preferential tax rates.

- New high-tech firms that need priority support from the State and are located in a special economic zone like Shenzhen or in a State Council-appointed special area like Shanghai's Pudong New Area will receive a "transitional" tax preferential treatment.

- Existing preferential income tax policies aimed at encouraging enterprises to invest in economically underdeveloped western regions will continue.

Other Amendments

The draft law no longer uses the "independent economic accounting" criterion to define a taxpayer, replacing it with the legal person definition, which is in line with international practices. Along the same line of international practices, "resident enterprises" will be required to pay tax on both domestic income and income from abroad, whereas "non-resident enterprises" will have to pay tax only on income earned within China. Whether a company is resident or non-resident depends on combined standards of "place of registration" and "place of effective management". One item which will be clarified are the articles on preventing tax evasion through transfer pricing among associated enterprises through tax havens and other methods.

Benefits to Chinese Companies

A lower tax rate means higher profit for domestic banks. A bank will see a 1 to 1.5 percent profit gain if the income tax is cut by 1 percent. Therefore if it is lowered from 33 to 25 percent, domestic banks could realize an added profit of 8 to 12 percent. For example, the Industrial and Commercial Bank of China (ICBC), which has a pre-provision profit of RMB 78 billion in 2005, it means as added gain of RMB 6 billion.

Domestic manufacturing companies involved in some traditional sectors would be among the major beneficiaries. Most of such firms now have to pay a 33 percent income tax because they neither enjoy the favorable tax rates like the overseas firms, nor any of the tax reductions given to domestic high-tech businesses.

Sectors such as food and beverages, iron and steel, coal, papermaking and non-ferrous metals, too, stand to gain from the tax cut. Commercial vehicle enterprises such as China National Heavy Duty Truck Group Corp and bus giant Yutong Group may benefit as most of their funds come from domestic investors.

It is expected that some domestic manufacturers may seek independent and national brands. As some firms now earn most of their profit from joint ventures, which enjoyed the preferential tax rates, rather than their own wholly-owned Chinese companies.

Situation for Foreign Companies

By the end of last year (2006), China has approved the establishment of 594,000 overseas-funded enterprises, with a total registered capital of USD $691.9 billion. Last year, overseas-funded companies paid RMB 795 billion (USD $101.9 billion) in taxes - 21.12 percent of China total tax revenue. It is estimated that the tax hike for overseas firms would stand at USD 43 billion more a year after an increase to 25 percent but the increments will reduce this burden initially to only USD 8 billion more a year.

Apart from the increased income tax, foreign companies will also be wiped from some other tax incentives, including pre-tax reduction and tax rebate for re-investment.

Many experts and analysts have voiced their concerns regarding the unified tax rate, fearing that it could hurt the inflow of overseas direct investment in China. They fear that it would cause foreign firms to change their investment strategy in China in the long term. However a research report from the World Bank analyzed that stable political situation, sound economic development, broad market, rich labor sources as well as increasingly upgraded business infrastructure and government service in China are the major factors attracting foreign investment. If this is the case it is important for existing companies in China as well as incoming investors to have a clear strategy for income repatriation and dividend remittance.

Yue Yuen Industrial (Holdings), the world's largest maker of branded sports shoes, including Nike, which has factories in China, Vietnam and Indonesia, now enjoys an average tax rate of only 2%, with four plants in Southern China, employing more than 130,000 people. The company is not sure how the new law will impact their structure; however abundant human resources, good infrastructure and a huge market are also important factors making it desirable to increase their investment in China. The company is now considering setting up a new plant in inland China.

It is also expected that this new change in the tax law will spur more scientific development and a move into the "green business" by companies already established in China in order to take advantage of the high-tech preferential treatment. General Electric (GE) for example has announced it will invest USD $50 million in its Shanghai-based technology center for products serving environmental protection, including more efficient airplane engines and wind power generators, seawater desalination technology and energy-saving bulbs.

It is also anticipated that overseas, particularly Hong Kong service companies, such as consultancy, financial service firms and retailers, will make a move into the market as previously they were subjected to a 33% tax rate (same as domestic companies). At the same time, it is predicted that some manufactures now may rush to the mainland to set up their factories before the law comes into effect as they will be given a five year grace period.

Although the impact of the tax reform will vary depending on the type of industry and its location, it will definitely affect the privileged status and competitive advantages long enjoyed by foreign companies in China.

If you require assistance with the above subject, please contact us at info@klako.com with your detailed questions.

China and the WTO - five years on

Klaus Koehler, Managing Director, Klako Group

Many years of negotiations and attempts from multinational representatives to include China into the WTO, led to China joining the organization in December of 2001. China became the largest developing country member ever joining and it marked a new era in international trade.

The five year anniversary in December 2006 is not only a good time to reflect on China's accession and it's benefits, problems and challenges ahead, but also to look into the end of the transition period and to give an outlook into the future.

With China entering the WTO on the 11 December 2001, international trade changed drastically for all members. All parties benefited from the expansion of markets, goods and services. Foreign Direct Investment (FDI) surged into China, bringing with it capital and new opportunities, but also giving some of the stagnant Western economies a needed boost. For China, it not only promoted the country's economic reforms, but also made its integration into the world irreversible. The choice for consumers in Europe and the US suddenly increased dramatically with bigger selections in low cost goods from China, and their quality levels are continually rising. Companies in western economies struggling with their sales gained access to one of the largest and fastest growing markets. All in all, with obstacles still to overcome, both China and the WTO members have benefited from the accession.

What has the WTO brought to China?

In China, the changes of becoming a member of the WTO, are visible everywhere. Many Chinese worried that the influence of foreign investment, commodities and business practices could ruin the domestic industry. However, quite the opposite can be seen in many different areas. For example, the price of imported vehicles are getting lower but at the same time cars made in China are increasing their market share more, banking reforms are coming into place, the insurance sector is finally improving, the entertainment industries are opening up to the West, but also Chinese movies and music are targeting Western audiences.

People in China have become accustomed to the fact that competition from the foreign countries can serve to make their own companies and people even more ambitious and successful. Chinese managers have learned and then selectively adopted some "western" trade standards, management principles and customer service, which leads to a beneficial integration in companies, and in the long term into the consciousness of Chinese people. This will increasingly change the mentality to safeguard their own rights, have transparency, justice and fairness. For the government the accession has meant to face and then implement drastic changes in some of the key sectors of China's economy. This has positioned China as the third largest trader in the world, and at the same time bringing it away from a widely low technology and low quality, but highly labor intense based production of exported goods. With for example machinery increasing to 50% of the country's exports and high tech products now reaching nearly 25%, the economy has been able to start successfully attracting know-how and high technology processes.

What has China Brought to the WTO Members

In the past five years, China has developed into the largest receiver of Foreign Direct Investment, and companies from all over the world have benefited from it. A total of USD 57.94 billion was remitted out of China as profits. According to figures released by the World Bank, the Chinese economy contributes to 13 percent of the world's economic growth.

In order to achieve this, China has reviewed more than 2,000 trade related laws and regulations, according to the Chinese Ambassador to the WTO, Sun Zhenyu and has abolished over 700 of them, amending others to bring the country into compliance. Sun also mentioned that the average tariff for industrial goods was lowered from 14.8 percent before the entry to 9.1 percent in 2005, and the tariffs for agricultural products was down from 23.2 percent to 15.35 percent. He remarked that nine service sectors have been opened up to other members, including 102 sub sectors, which is a higher level than the average throughout developed member countries.

This gives a much easier access into China for the WTO members. The contributions made by China since becoming a member, will help to promote economic growth and exchanges.

Upcoming Challenges

The past five years have not only been a transitional, but also an integrating period of China into the WTO. Of course China will adjust itself as a WTO member and improve in some outstanding areas, but it will also have a bigger influence on the world economy and use its status in the WTO to play a more important role. This will be seen as a challenge from other more developed countries and adjustments will have to be made on both sides. China will face more pressure to open in the fields of agriculture, finance and energy, as well as the protection of Intellectual Property Rights and the evaluation of its currency.

The key issues addressed by both the US and Europe for China for the future remain undoubtedly the issues relating to China's enforcement, the transparency and consistency of Intellectual Rights Protection, the currency evaluation of the Renminbi, existing trade barriers in China for agricultural products through Sanitary and Phytosanitary measures, continuous interferences of the state in certain industries, such as telecommunications and for example the steel industry, as well as recent import tariffs on foreign auto parts.

On the other hand, China still faces protection from the US and European governments in industries they feel threatened by, leading to high anti dumping cases.

Opportunities for the Future

Many sectors in China that will open further will bring opportunities with them, including banking, electronic payments, telecommunication and distribution and retail sectors.

The key areas for opportunities in the future are seen in services, as well as mergers and acquisitions. The easing of restrictions potentially brings not only changes but also immense possibilities and growth especially in the areas of financial services, distribution and logistics.

Financial services are a key point of interest as for example, China's National security Fund (NSSF) is being allowed to make overseas investments for the first time. It is estimated around 1 billion USD will be invested overseas. Meanwhile, listings of Chinese companies will continue to make headlines, like the simultaneous listing of ICBC at the Hong Kong and Shanghai stock exchange, netting initially 14 billion USD in Hong Kong and further 5.1 billion in Shanghai, with follow up placements raising it to an estimated 21.9 billion USD.

The distribution industry will be seeing many changes in the near future, with foreign enterprises now being able to register as foreign invested enterprises (FIE) on a local level. It will ease the process for foreign companies to get the initial set up in place and the operations running. FIE's will also be able to distribute their own goods without having to work through a Chinese partner and get their products on the markets directly, which will reduce their administration and control as well as improve delivery times and service. Many foreign companies have eyed the expansion into the Chinese market as a key focus point in their strategy, but shy away with previous regulations restricting them.

In order to access the vast Chinese markets, acquiring existing distribution channels is often seen as an easier and definitely faster solution. This will increase the mergers and acquisitions in China even further, as setting up multiple branches is still difficult, costly and time consuming.

Outlook

Although China has taken not only significant and often very impressive reforms in order to comply with the WTO regulations, many changes are still necessary. Often many administrative hurdles and excess capital requirements make it still very difficult for foreign investors to be on the same level as their Chinese counterparts. These protecting measures will be one of the key issues in the future and foreign companies will experience them especially in the areas where the reforms where the most drastic.

The government's next five year plan shows that China wants to create stability and slow growth, in order to balance the economy. In addition, the large differences between rural and urban areas, as well as the East and West of China need to be addressed. Even though this will create more and more possibilities and opportunities for foreign companies, the screening of foreign investment will also increase. FDI will be promoted in research and development components, they will be assessed further for their environmental impact and higher value added areas preferred.

If you require assistance with the above subject, please contact us at info@klako.com with your detailed questions.