

## FACTS ABOUT CHINA

### An overview, from climate to travel

*From New Zealand Trade and Enterprise's "Navigating China" publication and website. For more about doing business in China, see the [Navigating China website](#).*

#### Climate

Due to its vast size, China has a huge range of climatic conditions.

In the south, for example Guangzhou and the surrounding Guangdong province, April to September is hot and wet. December and January can be surprisingly cold, down to zero for short periods. Spring and autumn are mild, though they are often wet.

Around Shanghai and the central region it is hot and humid from April to October. Winters can be cold and wet and again spring and autumn have conditions between the two extremes.

In the north, for instance Beijing, average temperatures range from 19 to 40 degrees centigrade between April and September. It is also wet and humid. In winter it's generally dry and sunny – from December through to February the average temperature rarely rises above freezing. In the northern provinces it can drop as low as 20 to 40 degrees below zero.

For more information:

- China Travel Tour Guide's [overview of China's climate](#)
- China Travel Tour Guide's [monthly city temperatures](#)

#### Culture

For New Zealanders, aspects of the Chinese culture are familiar thanks to a large Chinese population in New Zealand and the vibrancy of the culture itself.

At a basic level at least, we know about Chinese customs, language, music, arts and notably cuisine.

But for many New Zealanders, the experience of China firsthand results in culture shock.

The endless crowds, the lack of personal space, the often indifferent service and the apparently rude behaviour (pushing into queues and staring are common) come as a surprise.

And once you are off the street there is a whole set of other cultural surprises. The ground rules of Chinese business culture are very different to those of the West – business relationships are much more personal than in New Zealand, the principle of reciprocity is important and Chinese look for signs of respect for rank and seniority.

The Chinese people take great pride in their culture and history. They have shared a common culture longer than any other group on Earth. The Chinese writing system, for example, dates back almost 4000 years.

The concept of being Chinese is a cultural concept, not one based on race. To speak and behave like the Chinese and accept their cultural values is to be Chinese.

There are 56 known ethnic groups in China. The Han ethnic group is the largest, made up of about 1.3 billion people. The other ethnic groups account for about 100 million people. The largest minority groups are the Tibetans (Tibet Autonomous Region), Mongolians (Inner Mongolia Autonomous Region), Uighurs (Xinjiang Uighur Autonomous Region) and Zhuang (Guangxi Zhuang Autonomous Region).

Throughout Chinese history, the dominant and influential rulers and philosophers such as Confucius and Lao Zi (founder of Taoism) were of Han ethnicity, although the Yuan and Qing dynasties were begun by the Mongol and Man minorities.

The Han culture, ethics and belief system have considerable influence on other ethnic groups in China, including business culture and etiquette.

As a result, many minority groups have learned and adopted Han values and language. For example, the emperors of the Qing Dynasty (belonging to the Man ethnic minority group from the north east of China) ordered all their officials to learn not only Midland (or Central Country) culture but also Beijing dialect. The combination of the Man and Beijing dialects became what's known today as Chinese Mandarin language.

Confucius was an esteemed Chinese thinker and social philosopher whose teachings and philosophy have deeply influenced Chinese thought and life.

These values are broken down into:

- Li (ritual): includes propriety, etiquette, politeness, a system of norms
- Xiao (filial devotion): respect and care for parents, elderly
- Yi (relationship and sacrifice): comradeship, ties of friendship
- Xin (credibility): honesty and trustworthiness
- Jun (humanity towards others): scholarship, nobility, loyalty and being helpful
- Zhong (devotion): showing loyalty to the state or senior people or businesses/companies you work with.

Confucianism focuses on individuals governing themselves first. It promotes the idea that once everyone has a high level of moral values, then an orderly society will follow.

## **Currency**

The Chinese currency is known as the Renminbi (RMB), literally “the people’s currency.”

RMB units are split into yuan (roughly equivalent to the use of the term dollar), jiao (10 of which make up a yuan) and fen (10 of which make up a jiao). The yuan comes in notes of 100, 50, 20, 10, 5 and 1 (there is also a 1 yuan coin). Jiao come in both notes of 5, 2 and 1 and coins of the same amount. Fen are generally seen as aluminium alloy coins of 5, 2 and 1 fen.

In July 2005, the RMB was de-pegged from the US dollar and now floats within a narrow 0.3 percent band against a basket of currencies from China’s major trading partners. The New Zealand dollar is not convertible to the RMB.

The “float” is controversial with some believing it undervalues the currency, providing a subsidy for Chinese exporters.

## **Economy**

China’s economic growth has averaged nearly 10 percent – three times the world rate – over the past 25 years, turning a once stagnant economy into one of the most powerful economic forces of the 21st century.

This growth, when combined with the world’s biggest population, means China is already the world’s second largest economy. Also the OECD has predicted that China’s average near double-digit growth will continue for “some time,” lifting Chinese incomes and potentially creating the world’s largest market.

China’s growth is also having an impact on world markets. In 1979 China had less than 1 percent of the international goods trade, which by 2005 had risen to 6.4 percent. In 2007 the country was the world’s second largest trading nation after the USA and Germany.

China has followed a development path different from other Asian economies like Japan and Korea. It has hung onto its low-skilled labour-intensive manufacturing sectors while at the same time developing intermediate technologies and high-tech knowledge intensive areas.

By 2004 China had become the world’s leading exporter of information and communications technology products.

Demand among Chinese for consumer products and food and beverages has grown along with the economy and the emergence of an urban middle class. The US Foreign Agricultural Service has estimated that 45 million people in China can afford imported foodstuffs.

But it needs to be remembered that at a national level China is still a developing country – its average per capita income is around US\$1,700. Income distribution is very uneven with urban centres such as Beijing having a per capita income more than double the average.

This is expected to change dramatically over the next decade as more Chinese begin to enjoy the fruits of the country's economic boom.

The Chinese Government still plays a direct hand in the economy through its five-year programmes that set economic goals, strategies and targets. But private businesses produce more than half of GDP and most of China's exports. They also create most new jobs.

More information:

- OECD [economic survey of China](#) (2005)
- a World Bank report on [China's short-term economic growth prospects](#).

## **Environment**

China's rapid economic growth and urbanisation have driven high levels of pollution.

China is now the world's second-largest source of carbon dioxide emissions behind the USA.

In 2004 more than half of 500 Chinese cities surveyed by China's State Environmental Protection Administration failed to meet

China's national air quality standards. Nearly one-third of non-industrial sewage in the cities went untreated and in 193 other cities no treatment was carried out at all.

It is estimated that China has lost 20 percent of its agricultural land since 1949 due to a combination of soil erosion, urbanisation, economic development and desertification.

China's 11th five-year plan, which charts the direction of economic and social development for 2006–2010, says national economic development should go along with building a resource-efficient and environmentally-friendly society, including promoting energy conservation, careful management of water, land, mineral and oceanic resources.

Environmental law enforcement will be toughened at all levels of government.

For more information:

- The [State Environmental Protection Agency](#) has environmental news and regulations relating to China.

## **Geography**

China is the world's fourth largest country – after Russia, Canada and the USA – with an area of about 9.6 million square kilometres.

East to west it measures over 5200 kilometres and from north to south over 5500 kilometres. Its geography is highly diverse, with hills, plains, and river deltas in the east and deserts, high plateaus and mountains in the west.

Two-thirds of the country is covered by mountains, hills and plateaus and of the world's 12 highest peaks, China has seven.

China's two major rivers, the Yellow and the Yangtze, both in the southeast, are the focus of much of China's population growth and agriculture.

For more information:

- [Chinatravel.com](http://Chinatravel.com) has an overview of China's geography.

## **Government**

The Chinese Communist Party (CCP) has governed China since 1949 and its power extends to all levels of Chinese society.

Businesses looking to set up in China will need to at least understand local political structures and perhaps have to work with party officials.

While the "realisation of Communism" is the party's ultimate goal, it was the CCP that launched the economic and social reforms that set the country on its path of market-led economic revival.

At the central government level, CCP and state structures are fused, with the leader of a ministry or commission also being the leader of the party body associated with that ministry.

At the provincial or lower levels, the party and state heads are invariably separate, although the party head has a high state position and the state head has a high party position.

The President is the Head of State and is elected by the National People's Congress (NPC) for a five-year term. The Head of Government, the Premier, and the Cabinet are nominated by the President, subject to confirmation by the NPC.

Members of the NPC are elected by municipal, regional, and provincial People's Congresses to serve five-year terms. There are 22 provinces and four municipalities directly under central government control and five autonomous regions.

The day-to-day government is carried out by the State Council (elected by the NPC) and the Politburo (also known as the Standing Committee). The members of the State Council are elected by the NPC.

Below the State Council and the Politburo are the ministries, which often have very exact areas of responsibility.

There are approximately 3000 members or deputies representing every region of China.

For more information:

- the [official Chinese Government website](#)
- [Chinatoday.com](#)'s overview and links to Government ministries.

## **History**

China has a long and illustrious history, and as with their culture, the Chinese take great pride in their country's achievements.

Until its decline in the mid 19th century, China was a world power.

The Chinese invented the compass, gunpowder, moveable type printing and papermaking. They were also the first to document astronomical phenomena such as comets, sunspots and new stars and they kept the world's most detailed and earliest astronomical records.

Before Europe's industrial revolution, China's agriculture was more advanced and productive than the West's and its craftsmen were at least the equal of Europe's.

China is one of the cradles of the human race with the earliest known human in China believed to have lived in the region around 60,000 BC.

Recorded Chinese history began about 3600 years ago and the imperial dynastic system of government was established as early as 221 BC. Although dynasties were overturned, the system survived until 1911.

By the mid 19th century China had fallen into serious decline thanks to a combination of military defeats (by countries looking to open China up) and corrupt and incompetent feudal rule.

What followed was a period of chaos, which resulted in the collapse of the dynastic system, the establishment of a republic and subsequent civil war.

At the end of the civil war in 1949, the Communist People's Republic of China was created.

For China, and the rest of the world, one of the most significant events in the country's recent history was the 11th National Congress held in 1977, which set China on the path to its current economic boom.

The importance of this event goes beyond its economic impact. The reforms started in 1977 reflect a sea change in China's attitude to the world with China declaring it wanted to prosper and return to its leading role in international affairs.

[China.org](#) has a more detailed history of China.

## **Language**

About one-fifth of the world speaks some form of Chinese, but there are huge regional variations in spoken Chinese, similar to the differences in the Romance languages that originated from Latin. There are also hundreds of local dialects.

The Chinese Government is committed to standardising communication in China around the official spoken language, Mandarin, and the already accepted standard written language.

A 2007 survey indicated that a little more than half the Chinese population can effectively speak Mandarin, but it is more widely used in urban areas and among the young. Mandarin, based on the Beijing dialect, is taught in all schools.

Other common Chinese languages include Wu (spoken in Shanghai), Cantonese (spoken in the south-eastern part of China, especially in the Guangdong province) and Hakka (spoken in the southern provinces, including Guangdong).

Most Chinese are bilingual, speaking Mandarin and their local language or dialect.

English is also becoming increasingly common. China is set to have more speakers of English as a second language than there are people speaking English as their first.

The simplified Chinese character system is predominately used in mainland China and increasingly outside of the mainland. The traditional written form – sometimes called complicated – is still used in Singapore, Taiwan and Hong Kong.

For more information on the language and how to speak it, see [Culture and Language](#).

## **Legal system**

Laws and regulations in China tend to be broader than New Zealand's, giving China's courts and officials – who often have no legal education – more discretion and flexibility in applying laws than we are used to.

This gives rise to difficulties in determining what exactly is legal and often results in what can be seen as inconsistent judgments and rulings.

While having to deal with the Chinese legal system can be frustrating, the situation is improving.

China is committed to developing a society ruled by law and this is freeing up the legal system from CCP control. It has staged a number of anti-corruption

drives. Giving and taking bribes can lead to life in prison and in the most serious cases the death sentence.

For more information see [Finance and Legal Issues](#).

The [China Law blog](#) is a good way to keep up with topical legal issues in China.

## **Population**

Keeping China's population growth down is a fundamental aim of the Chinese Government.

The sheer number of people, and their demographics (China too has a baby boom population), is putting unsustainable pressure on the environment and the country's resources.

In 1949 when the People's Republic of China was founded, China had a population of 540 million – 30 years later thanks to increased fertility and life expectancy, it had grown to more than 800 million. In 2006 the population was an estimated 1.31 billion, 20 percent of the earth's population, mostly concentrated in the eastern parts of the country, especially near to the coast.

Within the next three decades, China's population is expected to increase by another 260 million.

To put the size of China's population into a New Zealand context, in the first three months of 2007 there were 4 million births in China.

Future population growth will not be the result of high fertility – the government's one child policy has seen the average number of births fall below the population replacement rate – but the upshot of the crowd of young adults of reproductive age. Their number will continue to increase until 2015.

Like Western countries, the number of elderly people in China will also leap over the next three decades, but the problem is starker in China.

Declining fertility and improved longevity means China's population is aging at one of the "fastest rates ever recorded", according to the Population Reference Bureau.

Government figures show 119 boys are born for every 100 girls, which indicates that about 40 million Chinese men are destined for bachelorhood by 2020.

## **Religion**

Religious life in China is complicated by Western standards.

Though Chinese Government figures suggest that less than 10 percent of the population practice a religion, a large percentage follows, to at least some

degree, a religion or belief. Many people also adhere to more than one teaching.

Chinese religion consists of four main traditions: Chinese folk religion, Confucianism, Taoism and Buddhism. While most Chinese are not strongly religious, these often interconnected traditions still have a grip on the way they view the world.

The practice of these traditions is much more common in rural areas and among the old, but even young Chinese with a Western outlook will acknowledge, for example, the Taoist doctrine of yin and yang and Confucianism's need to revere the elderly.

This can come through in business negotiations. For example, Chinese understanding of the paradoxical balance of opposites that underpins yin and yang often will push them to look to compromise rather than take a clear cut option.

While religious tolerance is embedded in the Chinese constitution, the government restricts religious practices outside officially recognised organisations.

### **Telecommunications**

China's telecommunications services are an excellent example of the size, complexity and potential of the country.

In 2002 China became the world's single largest telecom market, yet there's still a huge gulf in phone and internet usage between China and Western nations.

In 2005 only 56 percent of Chinese had a telephone subscription compared with 130 subscriptions per 100 New Zealanders; there were 30 mobile phones per 100 Chinese compared to 88 per 100 in New Zealand; and 8.4 internet users per 100 people in China against 68 per 100 in New Zealand.

But China is catching up fast. For example, between 2000 and 2007 internet usage increased 510 percent, nearly double New Zealand's growth rate.

In broadband, China experienced a 79 percent increase in subscribers between 2003 and 2006 according to one telecommunications consultancy, which also predicts China's broadband market will grow another 75 percent through to 2010 and total 139 million subscribers (93 million using DSL [digital subscriber line] connections).

China is expected to pass the US in terms of numbers of broadband subscribers with 179 million predicted by the end of 2007.

However, telecommunications services again reflect the urban-rural divide with service levels in cities such as Beijing, Shanghai, Guangzhou and

Shenzhen similar to those in Western Europe or North America, while in rural areas they can be poor to non-existent.

For more information see [Operational Challenges](#).

The International Telecommunication Union has a [profile on telecommunications in China](#).

## **Taiwan**

The status of Taiwan is a sensitive issue among Chinese officials and people.

The People's Republic of China (PRC) considers Taiwan to be an inalienable part of China and is sensitive about any comments or actions that undermine its 'One China' principle and the eventual peaceful reunification of mainland China and the offshore islands that make up Taiwan.

For example, the PRC Government will not have any dealings with another government unless it agrees and adheres to the "One China" principle.

Note on flags: when producing material on doing business in China, do not include a Taiwan flag in any of the material.

Maps and the naming of maps can also be a problem. Because of Cold War politics, New Zealand did not recognise the PRC until 1972. As part of a joint recognition communiqué, New Zealand made a commitment to China to have no official dealings with Taiwan.

However, in New Zealand's view this does not stop it from maintaining economic and cultural ties with Taiwan. The PRC does the same.

The origins of the standoff (and the depth of feeling) date back to the civil war that ended in 1949 with the Kuomintang Nationalist Government defeated by the communists and forced to retreat to Taiwan.

## **Time zones**

Despite China's geographical width – it spans five time zones – the whole of China operates to a single standard time (Greenwich Mean Time plus eight hours) all year round.

The standard time is Beijing time, which is also observed in Hong Kong. People in the far west of China have had to adapt to this, often following later work schedules so they don't have to commute to work two hours before dawn.

During New Zealand daylight saving time China is five hours behind New Zealand; for the rest of the year it is four hours behind.

There is no daylight saving in China.

## Travel

A huge investment in transportation infrastructure is rapidly bringing large parts of China's road, rail and air networks up to standards we are used to in New Zealand.

A massive road building programme is underway. Between 2001 and 2005 the length of motorways grew by 24,000 kilometres, more than doubling the total length to 40,000 kilometres.

However, these roads are rapidly being filled. Early in 2007 China leap-frogged Japan to become the world's second largest car market. About 1100 new cars and other vehicles are estimated to hit the streets of Beijing every day.

The inequality of modern China is also apparent in roading. In many rural remote areas roads are little more than mud tracks.

The explosion in car ownership (and in pollution) has driven the Chinese Government to heavily invest in bus and rail networks.

Chinese roads are among the most dangerous in the world. In 2006 more than 100,000 people died on China's roads.

The regular and cheap train services are the standard way for Chinese to get around, though they are often slow. Comfort and speed is better on services between main cities.

There are now numerous domestic airlines in China. Most have invested heavily in new aircraft and improving services and prices are coming down from resulting competition.

For information:

- on logistics, see [Operational Challenges](#).
- tips on travel in China from [ChinaTravel.com](#).

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