

## In this issue

In the second issue of our newsletter, we focus on due diligence and dispute settlement in China.

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- 2.) [Latest guideline](#) – discover the options and challenges for European companies seeking dispute settlement with their Chinese business partner.
- 3.) [Expert's corner](#) - Legal expert Ludmila Hyklova reports on new developments within the China International Economic and Trade Arbitration Commission.
- 4.) [Launch of the Centre's webinar series](#) – we held our first webinar on the topic of due diligence. Find a summary in this issue.
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## China statistics

**6.24m** litigation cases were handled in China in 2011

more than **200,000** licensed lawyers were working in China in 2011

for **40%** of frauds in China during 2010/11 the main perpetrators were suppliers or vendors, and an additional **4%** were customers

**71%** of European businesses in China see rule of law and transparent policy-making as most important driver for China's economic performance in the coming years

**63%** of European companies operating in China are planning new investments in China, more than half looking to enter new provinces

[Sources: [China.org.cn](#); [Global Fraud Report](#); [EUCCC Business Confidence Survey 2012](#)]

## Latest published guideline

### Dispute settlement with Chinese companies



As a result of China's increasing integration into the world market during the last 30 years, a large number of European companies are now active in China or collaborating with Chinese companies in various ways. While Chinese authorities approved the establishment of 27,700 foreign-invested companies in 2011, foreign direct investment from the EU to China amounted to USD 6.35bn last year. Increased interaction means increased possibilities for commercial disputes. As a response to the needs of national and international investors, China's commercial law has evolved rapidly during the last decades with the regulatory framework improving significantly and relative stability in litigation.

Notwithstanding the progress made, resolving commercial disputes in China can be a costly and time-consuming endeavour. The EU SME Centre's latest guideline, [Dispute settlement with Chinese companies](#), tackles this issue from the perspective of European small and medium-sized enterprises.

There are a number of ways how to settle legal disputes within the framework of China's commercial law. The author introduces the three most common methods available (litigation, arbitration and mediation), describes the different challenges of and requirements for each method, and points to the most appropriate options depending on the circumstances of the case and the interests of the foreign party.

To download this guideline, as well as many other practical guidelines, reports and case studies visit:  
[www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)

#### Expert's corner – update on the latest regulatory news



Ludmila Hyklova – Market Access Advisor – Legal

#### Recent internal development in the CIETAC

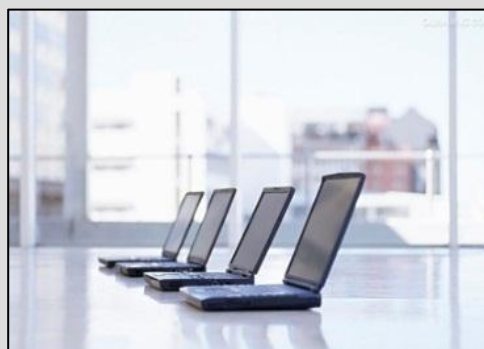
In May 2012, new and progressive CIETAC (China International Economic and Trade Arbitration Commission) arbitration rules came into effect (the new rules are more consistent with the international arbitration standards). Following this, but also based on discrepancies in opinion between the central CIETAC and some of its sub-commissions during the previous years, the CIETAC sub-commission in Shanghai “declared independence” and refused to be bound by the new rules. As a reaction to this, the central CIETAC authorities officially stated that there are no grounds in Chinese legislation for such disintegrating steps and the sub-commission will be held liable for the consequences. Considering the effort of the central CIETAC to improve the arbitration rules and make them more flexible for arbitration applicants, the Shanghai CIETAC reaction seems quite counterproductive.

For contract parties using arbitration as mode of dispute settlement but unable to opt for arbitration outside China, we recommend to carefully formulate the arbitration clause with an eye for detail when it comes to the place, language and rules of arbitration, the number of arbitrators etc.

For further information, feel free to **“Ask the Expert”** at [www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)

#### The EU SME Centre launches its webinar series – *How to find the right Chinese partner*

The EU SME Centre launched its first webinar on July 19<sup>th</sup> on due diligence and how to find the right Chinese business partner. Due to high demand, a second webinar on the same topic has been scheduled for August 2<sup>nd</sup>, so do not worry if you missed the first one, you still have a chance to join in!



55 participants from 11 countries attended the webinar lead by our legal and standards experts. After introducing the fundamental steps necessary to gauge the trustworthiness of a potential partner (i.e., checking the business licence, verifying mandatory documents and checking the financial status and operations of the company), attendees were invited to post questions.

We will be organising more webinars each month, so keep up-to-date by checking our news and [events](#) sections online. To join us on August 2<sup>nd</sup>, click [here](#).

#### Other key events during the month of July

**July 4<sup>th</sup>, Beijing, China:** *Foreign Companies in China: the support from EU institutions and the perspective of a Portuguese law firm in Beijing*

Training in standards and conformity in the IT and food & beverages sector.

**July 10<sup>th</sup>, Crete, Greece:** *Training on “Is China on your radar?”*

Held at the “Doing business in Asian Markets: India, Taiwan, China” workshop organised by the Hellenic Federation of Enterprises Exporters’ Association (SEV).

**July 19<sup>th</sup>, World Wide Web:** *How to find the right Chinese partner?*

The EU SME Centre’s first Webinar.

### How do I obtain a business visa for China?

One of the first questions foreigners have to solve when coming to China is how to obtain the right kind of visa. We received a few enquiries especially on F-visa (business visa) and would like to share the answers with you.

When applying for an F-visa, cooperation from an inviting party in China is essential. This would most likely be your prospective Chinese business partner.

If you apply for the F-visa for the first time, you may apply for one or two entries into China. With a single-entry F-visa, you will be allowed to stay in China for either 30, 60, or 90 days. The visa's expiration period is three months (meaning that you will have to enter China within three months of the issuance of the visa).

In the case of an F-visa allowing two entries into China, you will be allowed to stay for 30 days for each trip (amounting to a maximum of 60 days in China). Both entries have to happen within the visa's expiration period of three months, but you will be allowed to stay the full 30 days even if you enter China one day before the expiration period runs out.

After you have successfully applied for an F-visa for more than three times within the last six months or for more than six times within the last year, you may apply for an F-visa allowing multiple entries into China. These are valid for either 6 months or one year, with a maximum amount of 30 days for each trip.

Even though the documents needed for obtaining an F-visa should be same for all nationalities, you are highly advised to consult the Chinese consulate or embassy in your home country for any irregularities or special requirements. Usually a visa notice issued by competent government authorities (e.g., municipal or district branches of the Municipal Commission of Commerce - MOC) or an invitation letter issued by a company in China is required. These documents have to be arranged by the inviting party (i.e., your Chinese business partner). The requirements for the issuance of a visa notice by the MOC might vary from branch to branch. If a visa notice is required, contact the MOC branches in the cities your business partners are located in well in advance for their specific requirements, including those on the documents required for a visa notice.

For further reference visit the [Beijing Municipal Commission of Commerce](#).



#### Latest and upcoming publications

##### Case studies

**Mixel: Mixing it up in China** - *Mixel is a French SME that specialises in the design and manufacturing of industrial mixing equipment.*

**Bluepharma** - *a Portuguese pharmaceutical company who is very close to obtaining the registration of their first product in China, which aims to launch in the Chinese market by 2013.*

**Upcoming: Covex** - *a Spanish company specialising in chemical and pharmaceutical products which set up a joint venture with a local Chinese company in 1998 and is now in the process of licence renewal.*

#### Trade fairs

##### 8<sup>th</sup> China Jilin Northeast Asia Investment and Trade Expo

September 6-11, Changchun International Conference & Exhibition Center, Changchun  
An investment fair focussing in international economic cooperation in Northeast Asia.  
<http://en.neasiaexpo.org.cn/index.aspx>

##### 16<sup>th</sup> China International Fair for Investment & Trade

September 8-11, International Conference & Exhibition Centre, Xiamen  
This fair focuses on foreign direct investment in China and trade across the Taiwan Strait.  
<http://www.chinafair.org.cn/english/index/index.aspx>

## Guidelines

[Establishment of a Foreign Invested Enterprise in China](#) - all you need to know about setting up a Foreign Invested Enterprise.

[Dispute settlement with Chinese companies](#) - clarifying key points for foreign enterprises when settling a legal dispute in China.

**Upcoming: Cosmetic products** – revision on how to register your product in China.

**Upcoming: Export** – practical guide on everything you need to know about exporting to China: customs, quota and licensing control, taxes, inspection and quarantine, and special customs procedures.

**Upcoming: Bidding** – guideline on the bidding procedures for government procurement projects in China.

## Reports

[Healthcare sector report](#) - the Chinese healthcare market is increasingly attracting attention: it is now the third largest in the world in medical devices, second in pharmaceuticals and its healthcare service market is also becoming one of the largest in the world.

**Upcoming: Automotive report** – highlighting opportunities in the auto parts market for EU SMEs.

## EU-China Business & Technology Cooperation Fair VII

September 19-21, Pride International Conference Centre, Chengdu

With this year's focus on bio-pharmaceutical, environmental protection, new energy and IT, this fair focuses on the western provinces of China.

<http://www.eu-china.org.cn/en/>

## The 9<sup>th</sup> China International SMEs Fair

September 22-25, Guangzhou International Convention and Exhibition Center, Guangzhou

With 5,000 booths and a large variety of industries (electronics, textiles, food and beverage, pharmaceuticals etc.), this is the largest fair specifically promoting SMEs in China.

[www.smefair.org.cn/en/](http://www.smefair.org.cn/en/)

## China Import and Export Fair 2012

October 15 - November 4, China Import and Export Fair Complex, Guangzhou

The "Canton Fair", the largest trade fair in China in terms of assortment of products, attendance and number of business deals, comes to Guangzhou for the 112<sup>th</sup> time this year.

<http://www.cantonfair.org.cn/en/>

**For more information on trade fairs and exhibitions and to search across other industry sectors click [here](#).**

Stay connected and see what is coming up soon...

Stay connected...

**LinkedIn group** - We have recently launched our very own group on the social networking site LinkedIn. Connect with our experts to stay abreast of industry news and participate in discussions on topics relevant to European SMEs looking to enter the Chinese market. To join, find the "EU SME Centre group" on LinkedIn and click "join".

Upcoming events...

**Webinars** – Back by popular demand, [How to find the right Chinese business partner](#) on August 2<sup>nd</sup>.

Have you ever asked yourself any of the following questions:

1. How can I find a suitable business partner?
2. How can I be sure that my partner is reliable?
3. Have I been cheated by my supplier/importer?
4. My partner does not reply to my emails. What's wrong?
5. I have sent payment for services but later found out that the name on the invoice was different from the name on the purchase order/contract. What should I do?

Join our webinar and discover the main aspects of preliminary due diligence, including legal due diligence, financial and operational checks.

For further information on our monthly webinars and other events, click [here](#).

To contact us, please write to [enquiries@eusmecentre.org.cn](mailto:enquiries@eusmecentre.org.cn) or visit [www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)

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