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Market Insights

China's 12th Five-Year Plan: Main Drivers of Analytical Instrument Industry

This article is the first in a series of articles covering several industry specific Five-year plans.

Over the past four years, the Chinese analytical instrument market has experienced double-digit growth, reaching nearly US\$ 4 billion by 2010; the China market has become one of the primary growth drivers of the industry worldwide.

In accordance with the 12th five-year plan passed earlier this year, the Chinese government will place further emphasis on the analytical instruments industry. Below are a few key drivers of the industry's growth from the government's initiatives expected over the next 5 years:



- **Increasing government funding on basic research** - increased investment in the construction of key national laboratories for the research of 19 natural sciences and 8 engineering disciplines
- **Tightening regulations on national food safety** – integration of risk evaluation systems and standardization of monitoring criteria for quality control as well as 1,300+ new planned supervision/testing centers
- **Strengthening control on environmental protection** – establishment of nationwide environmental and ecological monitoring centers for the prevention and control of water, air and soil pollution, with US\$ 75 billion allocated for control of heavy metal pollution alone
- **Stimulating growth of biopharmaceutical industry** – government investment of US\$ 10 billion for new drug development

Government attention in the above four areas is expected to further drive demand for analysis instruments over the next five years potentially creating opportunities for foreign players.

However, as with any industry, especially analytical instruments, companies potentially interested in entering China's analytical instrument industry should first fully understand market regulations, government purchasing requirements, as well as other challenges and opportunities before taking any significant steps or commitments.

For more information about this article or The JLJ Group's market research service in China, please email mark.ray@jljgroup.com.

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Tax Updates

New Polices on Capital Settlement

The State Administration of Foreign Exchange issued a notice in the end of July, announcing changes to the process and required documents for capital settlement by foreign invested enterprises.

The main highlights of the updated regulation concerning foreign companies are as follows:



1. Original Documents

Under the past regulation, duplicates were sufficient for the process of preparing a capital settlement, but under the new changes, a company must provide originals and duplicates when using the following documents:

- A. Relevant proof of payment using the RMB obtained from the previous settlement of capital, detailed list of the allocation of capital, and an original and a duplicate copy of the relevant vouchers, such as an invoice with the enterprise's official seal or financial seal
- B. A Letter of Payment Order of the RMB obtained from the settlement of capital
- C. A document certifying the purposes of the RMB obtained from the settlement of capital

2. Settlement Amount Limitation

- A. A foreign company may file for up to a maximum 100,000USD total capital settlement each month, and no more than 50,000USD per settlement without the need for additional documentation
- B. If an individual settlement is over 50,000USD or more than 100,000 per month, additional documentation is needed. In such cases the process for capital settlement will include providing documents certifying the purpose of the RMB obtained from the settlement of capital as well as proof of external payment with the RMB obtained from the preceding settlement of capital, the commercial contract or the payment notice provided by the payee, and the documents listed in 1.A above

3. Transaction Cancellation

Transaction Cancellation - If a transaction that was made using a portion of the capital settlement and has been canceled by the foreign company, it must notify the bank within 5 working days.

If you would like to know more about the capital settlement process in China, please email georgia.zhu@iljgroup.com.

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Human Resources

Extending the Retirement Age in China



Chinese Officials are once again talking about extending the retirement age in China. During the 22nd meeting of the 11th National People's Congress (NPC) on August 24th, 2011, the case for extending the retirement age is being made and solutions proposed.

There are two main factors creating pressure to reform the retirement regulations. The first is the continued pressure on the pension fund, which will only continue to increase as the overall population in China ages. Currently over 12.5% of China's population is over the mandatory retirement age, and is expected to grow to 25% by 2030. Also, in urban areas such as Shanghai, a third of the population is expected to be over retirement age by 2020.

In response to these factors the NPC is considering to take a multi-staged gradual approach to extending the retirement age over a number of years. This will involve first bringing women's retirement age in line with men's, which is 60. From then, the retirement age for both men and

women will be extended to 65. Another aspect of the proposed solution is to set up the means to re-employ retirees into non-labor intensive work such as doctors, teachers, etc.

While the NPC is for the most part keen on extending the retirement age to address the related issues, the acceptance by the general public is unsure, as shown by response to a policy that came out in Shanghai at

the end of 2010. Under that policy employees are allowed to voluntarily keep working past retirement age as long as an agreement is achieved between the employer and the employee.

According to a report on the results of the policy by the vice director of the Shanghai Human Resources and Social Security Bureau, few people come to postpone their retirement, and among the applicants, half of them work for private companies and are well paid, with a monthly salary of around RMB10,000 (US\$1,530). In addition, there has been controversy surrounding the new policy as retirement age employees worry it will lead to a stress for the older population.

Although it is clear that adjustments must be made to the retirement regulations in China, the final form is undecided and the impact is unknown.

For more information on the retirement age in China, email vicky.chen@ijigroup.com.

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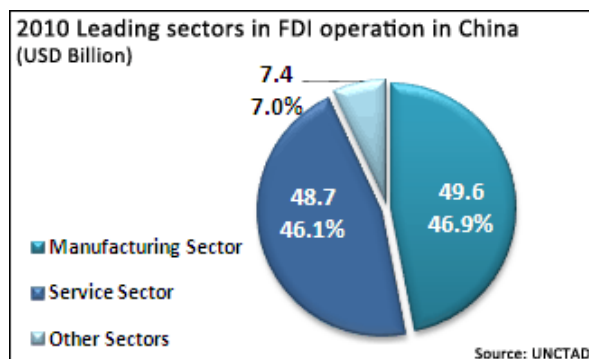
China FDI

FDI in China Still Strong

Foreign Direct Investment (FDI) in China remains strong despite poor growth numbers in June.

According to the Ministry of Commerce (MOC), at the end of June FDI in China saw an increase of only 2.83 percent year-on-year, a significantly low number when compared to recent growth rates. However, experts say that a monthly FDI figure is inconsistent and should not be used to make any assumptions about China's ability to attract foreign capital. This point was highlighted by the quick reversal in FDI growth in July.

By the end of July there was a significant raise of 19.8 percent, a total of \$8.3 billion, with a total increase to \$69.2 Billion since the beginning of the year, 18.6% growth year-on-year. Moreover, in the past 7 months, over 15,600 Foreign Invested Companies were approved (2,138 in July alone), 7.89 percent more than last year.



In general, China is still a very attractive destination for FDI, especially when compared with other emerging economies in the world. One of the main attractions is China's large market for emerging industries such as clean tech, new IT, and advanced equipment, which are all strongly supported by government policies.

Another area attractive for FDI is China's service sector, even as investment in the sector globally has slowed considerably. By the end of 2010 investment in the service sector had grown by 28.6% and accounted for 46.1% of total investments. Given that development of the sector is also a top priority for Chinese officials, the outlook is very good.

According to MOC, Last year's FDI in China reached \$106 billion, this year they are predicting that the number will be exceeded by a considerable margin.

For more information about China FDI, contact Tim Lamb tim.lamb@ijigroup.com.

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The JLJ Group

The JLJ Group is a one-stop service provider assisting foreign companies with their mission to enter and grow in China. For more information visit www.ijigroup.com or email us at info@ijigroup.com.

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