



中咨聯智

**More on SASAC,  
China Fall 2005 Conference,  
China Trade Delegations &  
About  
Guanxi**

**Below you will find more information about More on SASAC, China Fall 2005 Conference, China Trade Delegations and About Guanxi.**

**Please scroll down to the section you would like to know more about.**

- **More on SASAC**
- **China Fall 2005 Conference**
- **China Trade Delegations**
- **About Guanxi**



## **More on SASAC, China Fall 2005 Conference, China Trade Delegations & About Guanxi**

**[Close This Window to Return to C3 Website](#)**

### **More On SASAC - Background of SASAC & Central SOE Reform**

China State owned Assets and Administration Commission of the State Council, PRC (“SASAC”) is a government agency directly under the State Council with Ministry equivalency status. SASAC was formed in the spring of 2003 and entrusted with the mission to reform the then over 196 State Owned Enterprises (“SOE’s”).

SASAC, in its central government mandated role, has evolved into an activist shareholder of the largest China SOE's, controlling directly the 155 largest nationally state owned enterprises and indirectly the approximately 150,000 related SOE's under those 155 SOE's.

Collectively, the 155 national SOE's and their related SOE's contribute about 30% to the China GDP (*World Bank Beijing Office Report of April 2006*). The GDP of China is about 4% of the global GDP as reported by Steven Roach Chairman of Morgan Stanley at the BOAO Economic Conference of April 2006 in Hainan Islands, China.

So doing the math, 30% of 4% = 1.2% which presumably means SASAC controlled companies contribute 1.2% of the global GDP. Whether that 1.2% is an entirely accurate figure is open to debate. However, what is not open to debate is that the SASAC SOE's are quite large in economic terms no matter how one measures!

SASAC's official website can be found at [http://www.sasac.gov.cn/eng/eng\\_index.htm](http://www.sasac.gov.cn/eng/eng_index.htm).

### **TIMELINE**

#### **Central SOE reform began in 1979.**

Before 1979, the government was responsible for the management and operation of all state enterprises, and their profits were also owned by the government. At that time, state enterprises were called state-run enterprises.

**1979-84:** State-run enterprises made the first step of reform. They began to have more decision-making rights for operation.

**1985-93:** Ownership and management of state-run enterprises were separated. State-run enterprises thus became state-owned enterprises.

**1994:** SOE reform began progressing toward the goal of "establishing the modern corporate system." Central SOEs became the key object of reform. The Corporate Law was formally implemented in 1994, marking a new phase for SOE reform.

**1999:** The CPC Central Committee released a document on several important issues related to SOE development and reform, indicating that SOE reform entered another

phase of "strategic adjustment in the distribution of the state economy."

**2003:** The SASAC was founded, supervising 196 central SOEs on behalf of the Central Government. Thus, adjustment in distribution and structure of the state economy began to be subject to unified planning and market-oriented operation by the SASAC. Moreover, the SASAC as a representative of the investors of all SOEs, can, to some extent, facilitate the improvement of large SOEs' corporate governance.

**December 2006:** The SASAC, for the first time, clearly specified industrial sectors in which the state economy should have absolute control, be influential or play a leading role. According to SASAC's plan, by 2008, non-performing SOEs should exit the market, and by 2010, the number of central SOEs should total 80-100, among which, 30-50 should be internationally competitive.

**SASAC Main Functions and Responsibilities, SASAC Placement with the Central Government Organizational Structure and a list of the SASAC companies as of August 2006**

Excerpts from the SASAC Website setting forth SASAC Main Functions and Responsibilities, SASAC Placement with the Central Government Organizational Structure and a list of the SASAC companies as of August 2006 are attached in the following pages.



## State-owned Assets Supervision and Administration Commission of the State Council (SASAC), the People's Republic of China

### == Main Functions and Responsibilities ==

#### **Main Functions and Responsibilities of SASAC**

1. Authorized by the State Council, in accordance with "Company Law of the People's Republic of China" and other administrative regulations, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) performs the responsibility as the investor, guides and pushes forward the reform and restructuring of state-owned enterprises; supervises the preservation and increment of the value of state-owned assets for enterprises under its supervision, and enhances the management of state-owned assets; advances the establishment of modern enterprise system in SOEs, and perfects corporate governance; and propels the strategic adjustment of the structure and layout of the state economy.
2. Dispatches supervisory panels to some large enterprises on behalf of the state; takes charge of daily management of the supervisory panels.
3. Appoints and removes top executives of enterprises, and evaluates their performances through legal procedures, either grants rewards or inflicts punishments based on their performances; establishes corporate executives selection system in accordance with the requirements of socialist market economy system and modern enterprise system, and perfects incentives and restraints system for corporate management.
4. Supervises and administers the preservation and increment of the value of state-owned assets under the supervision of SASAC through statistics and auditing; establishes and perfects the index system of the preservation and increment of the value of state-owned assets, and works out assessment criteria; safeguards the rights and interests of the investor of state-owned assets.
5. Drafts laws, administrative regulations of the management of the state-owned assets and draws up related rules; directs and supervises the management work of local state-owned assets according to law.
6. Undertakes other tasks assigned by the State Council.

# PRC Government Structure

## CENTRAL COMMITTEE OF THE CHINESE COMMUNIST PARTY

**General Secretary**  
Hu Jintao

**Central Military Commission Chair**  
Hu Jintao

### Politburo Standing Committee Members (by rank)

Hu Jintao  
Wu Bangguo  
Wen Jiabao  
Jia Qinglin  
Zeng Qinghong  
Huang Ju  
Wu Guanzheng  
Li Changchun  
Luo Gan

## NATIONAL PEOPLE'S CONGRESS

### Standing Committee

**Chair** Wu Bangguo

#### Vice Chairs

|                |              |
|----------------|--------------|
| Cheng Siwei    | Li Tieying   |
| Ding Shisun    | Lu Yongxiang |
| Fu Tieshan     | Raidi        |
| Gu Xiulian     | Sheng Huaren |
| Han Qide       | Uyunqing     |
| He Luli        | Wang Zhaoguo |
| Ismail Amat    | Xu Jialu     |
| Jiang Zhenghua |              |

**Secretary General** Sheng Huaren

### NPC Committees

#### Directors

**Agriculture and Rural Affairs** Liu Mingzu  
**Education, Science, Culture, and Public Health** Zhu Lilan  
**Environment and Resource Protection** Mao Rubai  
**Financial and Economic Affairs** Fu Zhihuan  
**Foreign Affairs** Jiang Enzhu  
**Internal and Judicial Affairs** He Chunlin  
**Legal Affairs** Yang Jingyu  
**Ethnic Affairs** Doje Cering  
**Overseas Chinese Affairs** Chen Guangyi

## CHINESE PEOPLE'S POLITICAL CONSULTATIVE CONFERENCE

**Chair** Jia Qinglin

**President** Hu Jintao

**Vice President** Zeng Qinghong

### Supreme People's Court

**President** Xiao Yang

### Supreme People's Procuratorate

**President** Jia Chunwang

## STATE COUNCIL

**Premier**  
Wen Jiabao

**Vice Premiers**  
Huang Ju, Hui Liangyu,  
Wu Yi, Zeng Peiyan

**State Councilors**  
Cao Gangchuan, Chen Zhili, Hua Jianmin,  
Tang Jiaxuan, Zhou Yongkang

**Secretary General**  
Hua Jianmin

**Offices of the State Council\***  
**Foreign Affairs Office** Liu Huaqiu  
**Legislative Affairs Office** Cao Kangtai

## THE 28 MINISTRIES AND COMMISSIONS

|  |   |  |   |  |
|--|---|--|---|--|
| <b>Commission for Science, Technology, and Industry for National Defense</b><br>Zhang Yunchuan | <b>Ministry of Culture</b><br>Sun Jiazheng  | <b>Ministry of Justice</b><br>Wu Aiying                        | <b>Ministry of Railways</b><br>Liu Zhijun                   | <b>National Population and Family Planning Commission</b><br>Zhang Weiqing |
| <b>Ministry of Agriculture</b><br>Du Qinglin   | <b>Ministry of Education</b><br>Zhou Ji   | <b>Ministry of Labor and Social Security</b><br>Tian Chengping | <b>Ministry of Science and Technology</b><br>Xu Guanhua     | <b>People's Bank of China</b><br>Zhou Xiaochuan                            |
| <b>Ministry of Civil Affairs</b><br>Li Xueju   | <b>Ministry of Finance</b><br>Jin Renqing   | <b>Ministry of Land and Resources</b><br>Sun Wensheng          | <b>Ministry of State Security</b><br>Xu Yongyue             | <b>State Administration of Foreign Exchange</b><br>Hu Xiaolian             |
| <b>Ministry of Commerce</b><br>Bo Xilai  | <b>Ministry of Foreign Affairs</b><br>Li Zhaoxing   | <b>Ministry of National Defense</b><br>Cao Gangchuan           | <b>Ministry of Supervision</b><br>Li Zhilun                 | <b>State Auditing Administration</b><br>Li Jinhua                          |
| <b>Ministry of Communications</b><br>Li Shenglin   | <b>Ministry of Health</b><br>Gao Qiang  | <b>Ministry of Personnel</b><br>Zhang Bailin                   | <b>Ministry of Water Resources</b><br>Wang Shucheng         | <b>State Ethnic Affairs Commission</b><br>Li Deksu                         |
| <b>Ministry of Construction</b><br>Wang Guangtao   | <b>Ministry of Information Industry</b><br>Wang Xudong<br><b>China Post</b><br>Liu Andong | <b>Ministry of Public Security</b><br>Zhou Yongkang            | <b>National Development and Reform Commission</b><br>Ma Kai |  |

## OTHER KEY ORGANIZATIONS UNDER THE STATE COUNCIL\*

|  |   |   |   |
|--|---|---|---|
| <b>China Banking Regulatory Commission</b><br>Liu Mingkang                       | <b>General Administration of Customs</b><br>Mou Xinsheng  | <b>State Administration for Industry and Commerce</b><br>Zhou Bohua       | <b>State Food and Drug Administration</b><br>Shao Mingli                          |
| <b>China Insurance Regulatory Commission</b><br>Wu Dingfu                        | <b>General Administration of Press and Publications</b><br>Long Xinmin                            | <b>State Administration of Radio, Film, and Television</b><br>Wang Taihua | <b>State Forestry Administration</b><br>Jia Zhibang                               |
| <b>China Securities Regulatory Commission</b><br>Shang Fulin                     | <b>General Administration of Quality Supervision, Inspection, and Quarantine</b><br>Li Changjiang | <b>State Administration for Religious Affairs</b><br>Ye Xiaowen           | <b>State Intellectual Property Office</b><br>Tian Lipu                            |
| <b>Development Research Center of the State Council</b><br>Wang Mengkui          | <b>General Administration of Sports</b><br>Liu Peng   | <b>State Administration of Taxation</b><br>Xie Xuren                      | <b>State-Owned Asset Supervision and Administration Commission</b><br>Li Rongrong |
| <b>General Administration of Civil Aviation of China (CAAC)</b><br>Yang Yuanyuan | <b>National Bureau of Statistics</b><br>Xie Fuzhan  | <b>State Electricity Regulatory Commission</b><br>Chai Songyue            | <b>Xinhua News Agency</b><br>Tian Congming  |
|  | <b>National Tourism Administration</b><br>Shao Qiwei  | <b>State Environmental Protection Administration</b><br>Zhou Shengxian    |   |

Sources: US-China Business Council files, PRC government websites

© 2006 The US-China Business Council

\* Not comprehensive

# SASAC COMPANIES AS OF AUGUST 2006

## 中央企业名录

| 序号 | 企业(集团)名称  | 序号 | 企业(集团)名称   |
|----|---|----|--|
| 1  | 中国核工业集团公司<br>CHINA NATIONAL NUCLEAR CORPORATION                             | 84 | 中国建筑材料集团公司<br>CHINA NATIONAL BUILDING MATERIAL GROUP CORP                                  |
| 2  | 中国核工业建设集团公司<br>CHINA NUCLEAR ENGINEERING & CONSTRUCTION (GROUP) CORPORATION | 85 | 中国有色矿业集团有限公司<br>CHINA NONFERROUS METAL MINING (GROUP) CO., LTD                             |
| 3  | 中国航天科技集团公司<br>CHINA AEROSPACE SPACE CHINA                                   | 86 | 北京有色金属研究总院<br>GENERAL RESEARCH INSTITUTE FOR NONFERROUS METALS                             |
| 4  | 中国航天科工集团公司<br>CHINA AEROSPACE SCIENCE & INDUSTRY CORP.                      | 87 | 北京矿冶研究总院<br>BEIJING GENERAL RESEARCH INSTITUTE OF MINING & METALLURGY                      |
| 5  | 中国航空工业第一集团公司<br>CHINA AVIATION INDUSTRY CORP I                              | 88 | 中国国际技术智力合作公司<br>CHINA INTERNATIONAL INTELLECTECH CORP                                      |
| 6  | 中国航空工业第二集团公司<br>CHINA AVIATION INDUSTRY CORP II                             | 89 | 中国远东国际贸易总公司<br>CHINA FAR EAST INTERNATIONAL TRADING CORP                                   |
| 7  | 中国船舶工业集团公司<br>CHINA STATE SHIPBUILDING CORPORATION                          | 90 | 中国国际企业合作公司<br>CHINA INTERNATIONAL ENTERPRISES CO-OPERATIVE CORP                            |
| 8  | 中国船舶重工集团公司<br>CHINA SHIPBUILDING INDUSTRY CORP.                             | 91 | 中国经济技术投资担保有限公司<br>CHINA NATIONAL INVESTMENT & GUARANTY CO., LTD                            |
| 9  | 中国兵器工业集团公司<br>CHINA NORTH INDUSTRIES GROUP CORP                             | 92 | 中国地质工程集团公司<br>CHINA GEO-ENGINEERING CORPORATION  |
| 10 | 中国兵器装备集团公司<br>CHINA SOUTH INDUSTRIES GROUP CORP.                            | 93 | 中国房地产开发集团公司<br>CHINA NATIONAL REAL ESTATE DEVELOPMENT GROUP CORP                           |
| 11 | 中国电子科技集团公司<br>CHINA ELECTRONICS TECHNOLOGY GROUP CORPORATION                | 94 | 中国建筑科学研究院<br>CHINA ACADEMY OF BUILDING RESEARCH  |
| 12 | 中国石油天然气集团公司<br>CHINA NATIONAL PETROLEUM CORPORATION                         | 95 | 中国北方机车车辆工业集团公司<br>CHINA NORTHERN LOCOMOTIVE AND ROLLING STOCK INDUSTRY (GROUP) CORPORATION |
| 13 | 中国石油化工集团公司<br>CHINA PETROCHEMICAL CORPORATION                               | 96 | 中国南方机车车辆工业集团公司<br>CHINA SOUTHLLOCOMOTIVE AND ROLLING STOCK INDUSTRY (GROUP) CORPORATION    |
| 14 | 中国海洋石油总公司<br>CHINA NATIONAL OFFSHORE OIL CORPORATION                        | 97 | 中国铁路通信信号集团公司<br>CHINA RAILWAY SIGNAL & COMMUNICATION CORP                                  |
| 15 | 国家电网公司<br>STATE GRID CORPORATION  | 98 | 中国铁路工程总公司<br>CHINA RAILWAY ENGINEERING CORPORATION   |

|    |  |     |   |
|----|--|-----|---|
| 16 | 中国南方电网有限责任公司<br>CHINA SOUTHERN POWER GRID CO.,LTD      | 99  | 中国铁道建筑总公司<br>CHINA RAILWAY CONSTRUCTION CORPORATION                             |
| 17 | 中国华能集团公司<br>CHINA HUANENG GROUP                        | 100 | 中国交通建设集团有限公司<br>CHINA COMMUNICATIONS CONSTRUCTION GROUP (LTD)                   |
| 18 | 中国大唐集团公司<br>CHINA DATANG CORPORATION                   | 101 | 中国普天信息产业集团公司<br>POTEVIO CO.,LTD   |
| 19 | 中国华电集团公司<br>CHINA HUADIAN CORPORATION                  | 102 | 中国邮电器材集团公司<br>CHINA NATIONAL POSTAL & TELECOMMUNICATIONS APPLIANCES CORP        |
| 20 | 中国国电集团公司<br>CHINA GUODIAN CORPORATION                  | 103 | 中国卫星通信集团公司<br>CHINA SATELLITE COMMUNICATIONS CORP                               |
| 21 | 中国电力投资集团公司<br>CHINA POWER INVESTMENT CORPORATION       | 104 | 电信科学技术研究院<br>CHINA ACADEMY OF TELECOMMUNICATIONS TECHNOLOGY                     |
| 22 | 中国长江三峡工程开发总公司<br>CHINA THREE GORGES PROJECT            | 105 | 中国水利投资公司<br>CHINA WATER INVESTMENT CORPORATION                                  |
| 23 | 神华集团有限责任公司<br>SHEN HUA GROUP CORPORATION LIMITED       | 106 | 中国农业发展集团总公司<br>CHINA NATIONAL AGRICULTURAL DEVELOPMENT GROUP CORP               |
| 24 | 中国电信集团公司<br>CHINA TELECOM COMMUNICATIONS CORPORATION   | 107 | 中国农垦（集团）总公司<br>ZHONGKEN AGRICULTURAL RESOURCE DEVELOPMENT CO.,LTD               |
| 25 | 中国网络通信集团公司<br>CHINA NETWORK COMMUNICATION'S GROUP CORP | 108 | 中国种子集团公司<br>CHINA NATIONAL SEED GROUP CORPORATION                               |
| 26 | 中国联合通信有限公司<br>CHINA UNICOM COMMUNICATION'S GROUP CORP  | 109 | 中国中纺集团公司<br>CHINA NATIONAL TEXTILES IMPORT AND EXPORT CORPORATION               |
| 27 | 中国移动通信集团公司<br>CHINA MOBILE COMMUNICATIONS CORPORAYION  | 110 | 中国工艺品进出口总公司<br>CHIAN NATIONAL ARTS&CRAFTS IMP/EXP. CORPORATION                  |
| 28 | 中国电子信息产业集团公司<br>CHINA ELECTRONICS CORPORATION          | 111 | 中国对外贸易运输（集团）总公司<br>CHINA NATIONAL FOREIGN TRADE TRANSPORTATION (GROUP)          |
| 29 | 中国第一汽车集团公司<br>CHINA FAW GROUP CORPORATION              | 112 | 中国丝绸进出口总公司<br>CHINA NATIONAL SILK IMPORT & EXPORT CORP                          |
| 30 | 东风汽车公司<br>DONG FENG AUTOMO CO.,LTD                     | 113 | 中国轻工业品进出口总公司<br>CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS IMP.&EXP CORP          |
| 31 | 中国第一重型机械集团公司<br>CHINA FIRST HEAVY INDUSTRIES           | 114 | 中国成套设备进出口（集团）总公司<br>CHINA NATIONAL COMPLETE PLANT IMP, &EXP CORPORATION (GROUP) |



|    |  |     |   |
|----|--|-----|---|
| 32 | 中国第二重型机械集团公司<br>CHINA NATIONAL ERHONS GROUP ,.CO                       | 115 | 中国出国人员服务总公司<br>CHINA NATIONAL SERVICE CORPORATION                                     |
| 33 | 哈尔滨电站设备集团公司<br>HARBIN POWER EQUIPMENT CORPORATION                      | 116 | 中国生物技术集团公司<br>CHINA NATIONAL BIOTEC CORPORATION                                       |
| 34 | 中国东方电气集团公司<br>DONGFANG ELECTRIC CORPORATION                            | 117 | 中国唱片总公司<br>CHINA RECORD CORPORATION   |
| 35 | 鞍山钢铁集团公司<br>ANSHAN IRON & STEEL GROUP CORPORATION                      | 118 | 中国林业国际合作集团公司<br>CHINA INTERNATIONAL FORESTRY GROUP CORP                               |
| 36 | 宝钢集团有限公司<br>SHANGHAI BAOSTEEL GROUP CORPORATION                        | 119 | 中国福马林业机械集团有限公司<br>CHINA FOMA (GROUP) CO., LTD   |
| 37 | 武汉钢铁（集团）公司<br>WUHAN IRON & STEEL (GROUP) CORP                          | 120 | 中国医药集团总公司<br>CHINA NATIONAL PHARMACEUTICAL GROUP CORP                                 |
| 38 | 中国铝业公司<br>ALUMINUM CORPORATION OF CHINA LIMITED                        | 121 | 中国国旅集团公司<br>CHINA INTERNATIONAL TRAVEL SERVICE GROUP                                  |
| 39 | 中国远洋运输（集团）总公司<br>CHINA OCEAN SHIPPING (GROUP) COMPANY                  | 122 | 中国中旅（集团）公司<br>CHINA TRAVEL SERVICE GROUP  |
| 40 | 中国海运（集团）总公司<br>CHINA SHIPPING (GROUP) COMPANY                          | 123 | 中国新兴（集团）总公司<br>CHINA XINXING CORPORATION (GROUP)                                      |
| 41 | 中国航空集团公司<br>CHINA NATIONAL AVIATION HOLDING COMPANY                    | 124 | 中国保利集团公司<br>CHINA POLY GROUP CORPORATION  |
| 42 | 中国东方航空集团公司<br>CHINA EASTERN AIR HOLDING COMPANY                        | 125 | 中国新时代控股（集团）公司<br>CHINA NEW ERA GROUP CORPORATION                                      |
| 43 | 中国南方航空集团公司<br>CHINA SOUTHERN AIR HOLDING COMPANY                       | 126 | 珠海振戎公司<br>ZHUHAI ZHEN RONG COMPANY  |
| 44 | 中国中化集团公司<br>SINOCHEM CORPORATION                                       | 127 | 中国海洋航空集团公司<br>CHINA OCEAN AVIATION GROUP INCORPORATION                                |
| 45 | 中国粮油食品（集团）有限公司<br>CHINA NATIONAL CEREALS,OIL & FOODSTUFFS CORP         | 128 | 中国建筑设计研究院<br>CHINA ARCHITECTURE DESIGN& RESEARCH GROUP                                |
| 46 | 中国五矿集团公司<br>CHINA MINMETALA CORPORATION                                | 129 | 中国电子工程设计院<br>CHINA ELECTRONICS ENGINEERING DESIGN INSTITUTE                           |
| 47 | 中国通用技术（集团）控股有限责任公司<br>CHINA GENERAL TECHNOLOGY (GROUP) HOLDING LIMITED | 130 | 中煤国际工程设计研究总院<br>SINO-COAL INTERNATIONAL ENGINEERING DESIGN& REESEARCH INSTITUTE       |
| 48 | 中国建筑工程总公司<br>CHINA STATE CONSTRUCTION ENGRG CORPORATION                | 131 | 中国海诚国际工程投资总院<br>China Haisum International Engineering Investment Corporation (Group) |
| 49 | 中国储备粮管理总公司<br>CHINA GRAIN RESERVES CORPORATION                         | 132 | 中国纺织工业设计院<br>CTIEI  |
| 50 | 国家开发投资公司   | 133 | 中国冶金地质勘查工程总局  |

|    |  |     |  |
|----|--|-----|--|
|    | STATE DEVELOPMENT & INVESTMENT CORP                                  |     | China Exploration & Engineering Bureau                                     |
| 51 | 招商局集团有限公司<br>CHINA MERCHANTS HOLDINGS CO., LTD                       | 134 | 中国煤炭地质总局<br>CNACG  |
| 52 | 华润（集团）有限公司<br>CHINA REOURCES ENTERPRISE,LIMITED                      | 135 | 新兴铸管集团有限公司<br>XINXING PIES GROUP CORP                                      |
| 53 | 香港中旅（集团）有限公司<br>CHINA TRAVEL SERVICE (HONG KONG) LIMITED             | 136 | 中国民航信息集团公司<br>ChinaTravelSkyHoldingCompany                                 |
| 54 | 中国节能投资公司<br>CHINA ENERGY CONSERVATION INVESTMENT CORP                | 137 | 中国航空油料集团公司<br>CHINA AVIATION OIL HOLDING COMPANY                           |
| 55 | 中国高新投资集团公司<br>CHINA GAOXIN INVESTMENT GROUP CORP                     | 138 | 中国航空器材进出口集团公司<br>China Aviation Supplies Import & Export Group Corporation |
| 56 | 中国国际工程咨询公司<br>CHINA INTGRNATIONAL ENGINEERING CONSULTING             | 139 | 中国电力工程顾问集团公司<br>CHINA POWER ENGINEERING CONSULTING GROUP CORP              |
| 57 | 中国包装总公司<br>CHINA NATIONAL PACKAGING IMPORT & EXPORT CORPORATION      | 140 | 中国水电工程顾问集团公司<br>CHINA HYDROPOWER ENGINEERING CONSULTING GROUP CO.          |
| 58 | 中商企业集团公司<br>ZHONGNAN COMMERCIAL (GROUP) CO., LTD                     | 141 | 中国水利水电建设集团公司<br>SINOHYDRO CORPORATION                                      |
| 59 | 中国华孚贸易发展集团公司<br>HUAFU GROUP CORP                                     | 142 | 中国黄金集团公司<br>CHIAN NATIONAL GOLD GROUP CORPORATION                          |
| 60 | 中国诚通控股公司<br>CHINA CHENGTONG GROUP                                    | 143 | 中国储备棉管理总公司<br>CHINA NATIONAL COTTON RESERVES CORPORATION                   |
| 61 | 中国华星集团公司<br>HUAXIN GROUP AGRICULTURAL MACHINERY CO.,LTD              | 144 | 中国印刷集团公司<br>CHINA PRINTING CORPORATION                                     |
| 62 | 中国中煤能源集团公司<br>CHINA NATIONAL COAL GROUP CORPORATION                  | 145 | 攀枝花钢铁（集团）公司<br>PANZHIIHUA IRON& STEEL (GROUP)..CO                          |
| 63 | 煤炭科学研究总院<br>CHINA COAL RESEARCH INSTITUTE                            | 146 | 鲁中冶金矿业集团公司<br>luzhongkuang group   |
| 64 | 中国汽车工业总公司  | 147 | 长沙矿冶研究院<br>CHANGSHA RESEARCH INSTITUTE OF MINING & METALLURG               |
| 65 | 中国机械工业集团公司<br>CHINA NATIONALMACHINERY INDUSTRY CORP                  | 148 | 中国乐凯胶片集团公司<br>China Lucky Film Corporation                                 |
| 66 | 机械科学研究总院<br>CHINA ACADEMY OF MACHINERY SCIENCE AND FECHNOLOGY        | 149 | 沈阳化工研究院<br>SHENYANG PESEARCH INSTITUTE OF CHEMICAL INDUSTRY, CHINA         |
| 67 | 中国农业机械化科学研究院<br>CHINA ACADEMY OF AGRICULTURAL MECHANIZATION SCIENCES | 150 | 中国华源集团有限公司<br>CHINA WORLDBEST GROUP CO., LTD                               |

|    |   |     |  |
|----|---|-----|--|
| 68 | 中国中钢集团公司<br>SINOSTEEL CORPORATION   | 151 | 中国广东核电集团有限公司<br>CHINA GUANGDONG NUCLEAR POWER HOLDING CO., LTD         |
| 69 | 中国冶金科工集团公司<br>CHINA METALLURGICAL GROUP CORP  | 152 | 中国寰岛（集团）公司<br>CHINA HUANDAO GROUP                                      |
| 70 | 钢铁研究总院<br>CENTRAL IRON & STEEL RESEARCH INSTITUTE   | 153 | 中国长江航运（集团）总公司<br>CHINA CHANGJIANG NATIONAL SHIPPING(GROUP) CORPORATION |
| 71 | 冶金自动化研究设计院<br>ARIM  | 154 | 上海船舶运输科学研究所<br>SHANGHAI SHIP & SHIPPING RESEARCH INSTITUTE             |
| 72 | 中国化工集团公司<br>CHINA NATIONAL CHEMICAL CORPORATION   | 155 | 中国华录集团有限公司<br>CHINA HUALU GROUP CO., LTD                               |
| 73 | 中国化学工程集团公司<br>CHINA NATIONAL CHEMICAL ENGINEERING GROUP CORP  | 156 | 上海贝尔阿尔卡特股份有限公司<br>ALCATEL SHANGHAI BELL CO., LTD                       |
| 74 | 中国化工供销（集团）总公司<br>CHINA NATIONAL CHEMICAL SUPPLY & SALES (GROUP) CORP                                | 157 | 彩虹集团公司<br>IRICO GROUP CORPORATION                                      |
| 75 | 中国化工建设总公司<br>CHINA NATIONAL CHEMICAL CONSTRUCTION CORP  | 158 | 武汉邮电科学研究院  |
| 76 | 中国轻工集团公司<br>CHINA SINOLIGHT GROUP CORPORATION   | 159 | 上海医药工业研究院<br>SHANGHAI INSTITUTE OF PHARMACEUTICAL INDUSTRY             |
| 77 | 中国轻工业对外经济技术合作公司<br>CHINA LIGHT INDUSTRIAL CORPORATION FOR FOREIGN ECONOMIC & TECHNICAL CO-OPERATION | 160 | 华侨城集团公司<br>CHINA OCT GROUP CORPORATION                                 |
| 78 | 中国工艺美术（集团）公司<br>CHINA NATIONAL ARTS&CRAFTS (GROUP) CORP   | 161 | 南光（集团）有限公司<br>NAM KWONG (GROUP) COMPANY LIMITED                        |
| 79 | 中国盐业总公司<br>CHINA NATIONAL SALT INDUSTRY CORPORATION   | 162 | 西安电力机械制造公司<br>CHINA XIAN ELECTRIC GROUP                                |
| 80 | 华诚投资管理有限公司<br>HUACHENG INVESTMENT MANAGEMENT GROUP CORP   | 163 | 中国葛洲坝集团公司<br>CHINA GEZHOUBA (GROUP) CORPORATION                        |
| 81 | 中国恒天集团公司<br>CHINA HENGTIAN GROUP CO   | 164 | 三九企业集团（深圳南方制药厂）<br>999 GROUP CORPORATION                               |
| 82 | 中国纺织科学研究院<br>CHINA TEXTILE ACADEMY  | 165 | 中国铁路物资总公司<br>CHINA RAILWAY MATERIALS COMMERCIAL CORP                   |
| 83 | 中国材料工业科工集团公司<br>CHINA NATIONAL MATERIALS INDUSTRY GROUP   | 166 | 中国铁通集团有限公司<br>CHINA RAILWAY COMMUNICATION CO.,LTD                      |



## **More on SASAC, [China Fall 2005 Conference](#), China Trade Delegations & About Guanxi**

[Close This Window to Return to C3 Website](#)

### **China Fall 2005 Conference -**

- **About the Fall 2005 Conference**

The SASAC Sponsored Fall 2005 Financial Conference hosted by C3 was the first financial conference of its kind ever sponsored in China by a national government organization. While there are literally thousands of conferences, covering just about every imaginable topic relating to China, hosted every year in China, few if any of these conference are sponsored at the national level. Prior to the SASAC Fall 2005 Conference hosted by C3, there had been no nationally sponsored financial conferences dealing with the exchange of ideas between east and west as to how to globalize China capital raising processes.

- **Conference Brochure Table of Contents & Opening and Closing Addresses by C3 CEO**

### **Conference Brochure Table of Contents - Summary**

Section One - The Conference

Section Two - The Sponsors

Section Three - The Schedule Of Events

Section Four - The Speakers

Section Five - The Host Company - About C3

### **Conference Brochure Table of Contents - Detailed**

Section One - The Conference

- Welcome From Jeffrey J. Don, CEO of C3 Holdings Limited – Host Company

Section Two - The Sponsors

- C3 HOLDINGS LIMITED
  - Jun Ze Jun Law Firm
  - Comsec BVI & Tashjian Law Firm
  - Beta Group
- KINSELLA GROUP
  - GMAC
  - UCC Capital Corporation
  - Jordan Company
  - Midwest Mezzanine Funds
  - Sonnenschein Nath & Rosenthal law firm

Section Three - The Schedule Of Events

- 02 November 05 – Day 1 – “Show Me The Money”
- 03 November 05 – Day 2 – “Going Global”
- 04 November 05 – Day 3 – “Presenting Your Chinese Company to Panels of Western Investors, Investment Banks and Advisers – Getting Real Money!” *Held at the Sino Swiss Hotel & By Invitation Only!*

## Welcome Address From Jeffrey J. Don, CEO of C3 Holdings Limited – Host Company

### **Honored Conference Attendees, Speakers, Sponsors, Staff and Friends:**

Thank you for coming to this the Opening Session of the SASAC Financial Training Program for Financial Managers of SASAC Companies sponsored By The State-Owned Assets Supervision And Administration Commission Of The State Council, “SASAC,” Training Center and Hosted By C3 Holdings Limited of which I, Jeff Don, am the Founder and Chief Executive Officer. Our thanks to the SASAC Training Center and Beijing National Accounting Institution for their time, effort and support in planning this Opening Session Conference. Also our thanks to all of our other friends in SASAC who have support the idea of this Opening Session from its conception many years ago. Our special thanks to the Kinsella Group, our de facto co-host, for their unwavering support of this Conference and enduring energy and strength during those many late night-early morning calls that turned this Session Conference from an idea into the reality which is it today. My personal thanks to Bob Kinsella for supporting the conference and to Bernie Filler for his calm and guiding presence during the tumultuous process – a anticipated process but none-the-less still quite stressful one - in planning for this, the hopefully first of many, type sessions - conferences. To our speakers, we extend the thanks and appreciation of C3 and the conference attendees for taking the time to come such a long distance to share your experiences, knowledge and wisdom about Western financial business practices. Each of you brings years if not decades of experiences in your respective areas of expertise. Your sharing of your practical knowledge and actual experiences will add immensely to the development of a body of common business knowledge to become known to both the western businesses and the Chinese businesses. It is through the development of this common business knowledge that Western and Chinese businesses will together enjoy greater cooperation, greater business opportunities and greater profits for their respective companies. To our sponsoring companies, we thank you for both your time and financial support, without which this Conference could not occur.

The goal of the Conference is to provide a forum in which Western businesses and Chinese businesses can discuss how business, in particular financing and expanding business thru globalization, is conducted in the west and can be adapted and utilized by Chinese businesses in their efforts to globalize both their financing and operations. Through these discussions it is C3’s hope, that the all participants in the forum will begin to build the necessary relationships, business purposes and shared business knowledge that will serve as the foundation for conducting real business in the real world in a manner good for the companies, for their respective countries and for the sponsoring and hosts companies and government organization.

The Conference is divided into 3 days, which I have characterized as follows.

2 NOV 05 WEDNESDAY - DAY ONE - Show Me The Money – Western Financing Business Practices Overview and How to Obtain and Manage Western Financing

3 NOV 05 THURSDAY - DAY TWO – Going Global – How to Globalize and Manage Your Global Business

4 NOV 05 FRIDAY - DAY THREE - “Presenting Your Chinese Company to Panels of Western Investors, Investment Banks and Advisers – Getting Real Money!” *Held at the Sino Swiss Hotel & By Invitation Only!*

Thank you again for all of your participation and I hope each of you are find this opening session conference to be informative and useful in you every day business practices.

JEFFREY J. DON,  
CEO of C3 Holdings

**Closing Address From Jeffrey J. Don, CEO of C3 Holdings Limited – Host Company**

We are now at the end of our two-day program and hope that these past two days have been informative and will be useful in your present and future business endeavors. We want to thank you, the audience, the speakers, the sponsors and SASAC – Training Center for your participation and support.

In the remaining 95 years of this Century, which many people are beginning to call “The China Century” or “The Pacific Century,” we, as the present business leaders in China have been entrusted, by virtue of the positions we have obtained, with the responsibilities to lead our companies to continuing and future prosperities. In fulfilling each of our responsibilities, I submit to you our C3 Mission Statement, which is “To Do What Is Good For China, To Do What is Good for the U.S. and to Do What is Good for C3.” If these objectives can be pursued, Do Good for Your Country & Do Good for Your Company, then a particular initiative, a particular project can and should be pursued, I hope that each of you will consider these objectives in formulating your own globalization plans.

This Conference is the first project within our C3 Company’s “Educational Outreach Initiative” to promote the greater cooperation between Chinese and U.S. businesses. It is the first conference of its nature to have ever been sponsored by a national level organization – our friends at SASAC and in particular, the Beijing National Accounting Institute Training Center. Our C3 Educational Initiative involves the holding of additional conference of this nature and I am happy today to announce that thank to your support and attendance, we are beginning the process to plan with SASAC and BNAI a national level conference similar in nature and scope to what we have attempted to achieve in our two days together.

In planning for this upcoming national conference, we ask for your help and solicit your comments as to what did you like about what did you dislike about our past two days. In addition, we welcome any and all comments and suggestions as to how the conference can be improved. Nothing is too small or too unimportant to be overlooked. If you did not like the color of my tie, the style of my hair or the looks of my face, then feel free to tell me, but I only ask you give my some ideas on how to improve in each area I have been deficient.

There are not Comments Forms to be completed. Instead, I ask that each of you take moments for your busy schedules to send us an e-mail of you comments, criticisms and suggestions. We will review each and every e-mail and try to incorporate your suggestions into the planning of the next Conference.

Our e-mail address is [info@c3-strategic.com](mailto:info@c3-strategic.com) and you can find throughout the Conference book.

With that said, I Now declare this, “The First International Financial Conference,” closed and wish all of you the best of luck in the following days you will have here on this beautiful BNAI campus for the remaining portions of BNAI program.

• **SASAC Companies Attending The Fall 2005 Conference**

1. **中国港湾建设集团总公司**  
China Harbour Engineering Company (Group)
2. **中国路桥集团**  
China Road & Bridge Corporation
3. **中国广东核电集团**  
China Guangdong Nuclear Power Holding Co., Ltd
4. **中国铁路通信集团有限公司**  
China Railway Communication Co., Ltd
5. **中国南车集团**  
China South Locomotive and Rolling Stock Industry (Group) Corporation
6. **中国核工业集团公司**  
China Nuclear Engineering & Construction (Group) Corporation
7. **中国建筑科学研究院**  
China Academy of Building Research
8. **彩虹集团公司**  
Chengdu Rainbow Appliance (Group) Shares Co., Ltd
9. **新兴铸管集团有限公司**  
Xinxing Ductile Iron Pipes (Group) CO., Ltd
10. **中国航天科技集团**  
China Aerospace Science and Technology Corporation
11. **云南国资水泥有限公司**[微软用户1]  
Kunming Co., Ltd of Yunnan State Property Cement
12. **云南锡业公司**  
Yunnan Tin Company Group Limited
13. **云南铜业集团有限公司**  
Yunnan Copper Co., Ltd
14. **黑龙江省机场管理集团有限公司**
15. **中国化工建设总公司**  
China National Chemical Construction Corporation
16. **中国航空器材进出口集团公司**  
China Aviation Supplies Imp & Exp Corp.
17. **云南省铁路总公司**
18. **云南省开发投资有限公司**
19. **中国同位素公司**  
China Isotope Corporation
20. **中国电信集团公司**
21. **中国建筑工程总公司**  
China State Construction Engineering Corp.
22. **黑龙江省铁路集团有限公司**
23. **中国电子科技集团**  
China Electronics Technology Group Corporation
24. **北京北辰集团**  
Beijing North Star Company Limited

25. 中国远洋运输集团公  
China Ocean Shipping (Group) Company
26. 中国石化集团  
China Petroleum & Chemical Corporation
27. 中国蓝星(集团) 总公司  
China National Bluestar (Group) Corporation
28. 中国昊华化工集团总公司  
China Haohua Chemical Industrial (Group) Corporation
29. 中国南方电网有限责任公司
30. 葛洲坝集团公司  
China Gezhouba (Group) Corporation

### NO ENGLISH NAME

- **Conference Presenters in Alphabetical Order**

#### BETA GROUP

- The Beta Group was founded in 1986 and has built its business by developing and implementing methods for helping companies produce the maximum business impact from limited IT resources and dollars. The foundation of their practice is a suite of methods called New Information Economics (NIE), which can take a business from business strategy to IT actions, and ultimately, to business results.
- Today, 17 years later, The Beta Group is respected globally for its innovative approach to providing high-level consulting, facilitation, and education services that help companies maximize the use of technology to better build their businesses.
- Its clients represent a wide range of companies, industries, and government agencies around the world, all working toward getting the biggest bang for their IT dollars and includes many Fortune 100 companies.
- <http://www.the-beta-group.com>

#### COMSEC BVI LIMITED & TASHJIAN LAW FIRM

##### \* COMSEC BVI LIMITED

- Comsec strength is derived from its concentration on two well-established and dynamic international corporate centres. Comsec specialises in Hong Kong and The British Virgin Islands. Comsec's range of services includes incorporation of International Business Companies (IBCs) in the BVI, local companies in Hong Kong and corporate secretarial and accountancy services in both.
- Comsec is a C3 local partner company based in Hong Kong. As a C3 company, Comsec enjoys all of the benefits of being a C3 Network company including the ability to offer its services throughout China via the C3 China Network of Companies
- Offshore Company Formation - Comsec BVI Limited provides complete corporate services relating to the registration of International Business Companies in the comparatively favourable and extremely popular offshore haven of The British Virgin Islands.
- Taxation Consultancy Services - Comsec offers a comprehensive range of taxation consultancy services for corporations and individuals in offshore and expatriate environments.
- Corporate Secretarial And Accountancy Services - Comsec BVI Limited has a complete range of Corporate secretarial and accountancy services in response to your specific requirements from registered office to complete financial administration.
- <http://www.comsec-offshore.com>

##### \* TASHJIAN LAW FIRM



- Richard Tashjian, Founder of Tashjian Law Firm, is the General Counsel of C3 Holdings. He and his firm have practiced in the area of international law for over 20 years and have assisted numerous foreign companies to establish business operations in the United States.
- In addition to advising foreign companies on the commercial law aspects of opening a business in the United States, Mr. Tashjian is a noted expert in the area of business immigration law and has lectured world wide on the topic of relocating personnel to the United States.
- He has successfully represented management personnel from Fortune 500 companies to Olympic Gold Medal Winners in China to Top Fashion Models – all seeking to relocate to the United States for business purposes.
- <http://www.tashjianlaw.com>

### **GENERAL MOTORS ACCEPTANCE CORPORATION “GMAC”**

- GMAC Financial Services' mission is to deliver only the highest quality products and services to their global customers and to give their shareholder, General Motors Corporation, a superior return on investment. GMAC Financial Services is one of the world's largest and most successful financial institutions offering a variety of services to customers around the world under the GMAC Financial Services umbrella.
- Financial Highlight Summary
  - Total assets of \$ 193 billion;
  - 2004: Net income of \$2.9 billion in 2004,
  - 2004 International Operations makes historic entrance into China.
- The company earned \$728 million in the first quarter of 2005, compared with \$764 million in the year-ago period.

<http://www.gmacfs.com>

### **JORDAN COMPANY**

- The Jordan Company, L.P. is a private investment firm that specializes in buying and building businesses in partnership with management. Its transactions provide liquidity for owners, raise capital for corporate growth and create significant equity opportunities for key management. The firm is a long-term investor who seeks to build value over time, not overnight. The firm has extensive experience in China.
- Since 1974, partners of The Jordan Company and its affiliate, The Jordan/Zalaznick Capital Company, have successfully completed more than 300 acquisitions. Today, The Jordan Company has a portfolio of companies with aggregate revenues in excess of \$4.0 billion. The Company has over \$2.5 billion in capital in its affiliated funds, partnerships and portfolio companies, anchored by the \$1.5 billion Resolute Fund, L.P.
- The company has done more than 10 Greenfield start-ups, JVs and acquisitions in China since 1995.
- <http://www.thejordancompany.com>

### **KINSELLA GROUP**

- Kinsella Group includes highly trained, seasoned executives from the worlds of banking, finance, consulting and business development whose real-world experience enables them to provide guidance to clients at every phase of the business lifecycle. Dedicated to helping clients grow, create liquidity and enhance financial and operational viability, Kinsella Group has established itself as the "go-to" firm for middle-market companies and investors seeking to acquire new businesses, sell existing companies, and source capital to meet short- and long-term objectives.
- Kinsella Group has particular strength in helping challenged businesses restructure debt, resolve issues with creditors and lenders, and return to profitability

- [www.kinsellagroup.com](http://www.kinsellagroup.com)

### **MIDWEST MEZZANINE FUNDS**

- Midwest Mezzanine Funds is part of ABN AMRO, an international bank with European roots and a clear focus on consumer and commercial banking, strongly supported by an international wholesale banking business.
- ABN AMRO is a prominent international bank, its history going back to 1824. ABN AMRO ranks 11th in Europe and 20th in the world based on tier 1 capital, with over 3,000 branches in more than 60 countries, a staff of more than 97,000 full-time equivalents and total assets of EUR 855.7 billion (as at 30 June 2005).
- Global Strategic Business Units “SBUs” - ABN AMRO implements its strategy through a number of Strategic Business Units SBUs. Each of these units is responsible for managing a distinct client segment or product segment, while also sharing expertise and operational excellence across the Group.  
These SBUs are: Consumer & Commercial Clients, which serves almost 20 million consumer clients and clients in the small and medium-sized enterprises sector worldwide. ABN AMRO is among the leading players in these segments in its three home markets (the US Midwest, Brazil and the Netherlands) while targeting other high-growth regions through its Business Unit New Growth Markets.
- <http://www.abnamro.com>

### **UCC CAPITAL CORPORATION**

- UCC engages in the origination, underwriting and servicing of loans secured by copyrights, trademarks, patents and contractually obligated income streams. UCC brings over 125 deal makers located throughout the United States who serve the middle market of privately held and public companies.
- UCC is committed to structuring transactions for the direct funding of loans backed by the income streams associated with intellectual property including contractually obligated income.
- Their business sectors of concentration include: media and entertainment (copyrights), consumer branded products and franchise companies (trademarks), telecom, technology, industrials, pharmaceuticals (patents and COI) and all sectors (COI).
- <http://www.ucccapital.com/>



中咨聯智

## More on SASAC, China Fall 2005 Conference, [China Trade Delegations](#) & About Guanxi

[Close This Window to Return to C3 Website](#)

### China Trade Delegations

In late Fall 2007, SASAC appointed C3 China Consultants to lead business delegations from around the world to China to attend SASAC's program on *Doing Business in China*, to meet and discuss with high-ranking government officials *Current And Proposed China Economic Policies* and to *Meet Their Chinese Counter Parts* in the same industries.

The mission of the China trade delegations program is to provide a collegial forum in which Chinese and Overseas businesses can create meaningful relationships to serve as the foundation for future long-term quality cooperation between the two sides and the enhancement of bilateral trade between Chinese and western companies. Through the exchange of business ideas and opportunities, the program seeks to foster better understanding and mutual cooperation for the benefit of all companies and countries involved in the program.



## More on SASAC, China Fall 2005 Conference, China Trade Delegations & [About Guanxi](#)

[Close This Window to Return to C3 Website](#)

### About Guanxi



### Chinese Business Culture

#### **Guanxi, An Important Chinese Business Element**

“Guanxi” literally means "relationships", stands for any type of relationship. In the Chinese business world, however, it is also understood as the network of relationships among various parties that cooperate together and support one another. The Chinese businessmen mentality is very much one of "You scratch my back, I'll scratch yours." In essence, this boils down to exchanging favors, which are expected to be done regularly and voluntarily. Therefore, it is an important concept to understand if one is to function effectively in Chinese society.

#### **The importance of "Guanxi"**

Regardless of business experiences in ones home country, in China it is the right "Guanxi" that makes all the difference in ensuring that business will be successful. By getting the right "Guanxi", the organization minimizes the risks, frustrations, and disappointments when doing business in China. Often it is acquiring the right "Guanxi" with the relevant authorities that will determine the competitive standing of an organization in the long run in China. And moreover, the inevitable risks, barriers, and set-ups you'll encounter in China will be minimized when you have the right “Guanxi” network working for you. That is why the correct "Guanxi" is so vital to any successful business strategy in China.

Although developing and nurturing the "Guanxi" in China is very demanding on time and resources, the time and money necessary to establish a strong network is well worth the investment. What your business could get in return from the favors for your partners are often more much more valuable, especially in the long run, and when you're in need. Even domestic businesses in China establish wide networks with their suppliers, retailers, banks, and local government officials. It is very common for individuals of an organization to visit the residence of their acquaintances from other organizations, bringing gifts (such as wine, cigarettes, etc.). While this practice may seem intrusive, as you spend more time learning the Chinese culture, it will become easier to understand and take part in this practice that is so central to successful Chinese commercial activity.

To start, pay close attention to your immediate Chinese network, and try to establish good "Guanxi" with them. They can indirectly link you to new acquaintances and information resources, thus helping you to develop other right "Guanxi" you need.

#### **How business is conducted**

The Chinese culture is distinguished from the Western culture in many ways, including how business is conducted. For example, the Chinese prefer to deal with people they know and trust. On the surface, this does not seem to be much different from doing business in the Western world. But in reality, the heavy reliance on relationship means that western companies have to make themselves known to the Chinese before any business can take place.

Furthermore, this relationship is not simply between companies but also between individuals at a personal level. The relationship is not just before sales take place but it is an ongoing process. The company has to maintain the relationship if it wants to do more business with the Chinese.

## Chinese Business Culture - Continued

### How relationship is established

First of all, it does not have to be based on money. Treating someone with decency while others treat him/her unfairly could result in a good relationship. Second, it starts with and builds on the trustworthiness of the individual or the company. If a company promised certain things and delivered as promised, the company is showing trustworthiness and the Chinese would be more inclined to deal with them again. Third, being dependable and reliable definitely strengthens the relationship. It is like being friends, and friends can count on each other in good and tough times. A good example is related to the 1989 political instability in China. Companies that stayed found their relationship with the Chinese strengthened as they were viewed by the Chinese as friends who did not abandon the Chinese when they needed friends. Fourth, frequent contacts with each other foster understanding and emotional bonds and the Chinese often feel obligated to do business with their friends first.

"Guanxi" or relationship with high rank officials are still important for doing business in China, though declining to some extent. Political and administrative interference in business have declined. More and more companies have found themselves on their own surviving without government subsidiaries. If they are not getting any help from the government they are more reluctant to be influenced by government officials. So government "Guanxi" may have less influence with these companies.

Since "Guanxi" and relationship could function as an information network, companies with wide "Guanxi" and relationship networks often have much higher performance than companies with little or no relationship with the Chinese.

### Final Words on "Guanxi"

Keep in mind that "Guanxi" can take on many forms. It does not have to be based on money. It is completely legal in their culture and not regarded as bribery in any way. So, there is no need to feel uncomfortable about it.

Trustworthiness of both the company and individual is an important component. Following through on promises is a good indication of this. Treating someone with courtesy while others treat him or her unfairly is another aspect.

Frequent contact fosters friendship as well. Chinese feel obligated to do business with their friends first. There are risks with this system, as well. When something goes wrong, the relationships are challenged, and friendships quickly disappear. "Guanxi" can also be very one-sided. When "Guanxi" is involved, there is a risk of obtaining an invoice of twice the amount that you bargained for.

*All contents copyright © Los Angeles Chinese Learning Center*

## Effective Ways To Cultivate Guanxi

By Giorgio Brusati

08/23/2007

Maintaining good guanxi is essential in China because successful business depends on it. The concept of guanxi can be loosely translated as connection or relationship. Guanxi is a concept deeply rooted in Chinese culture, and therefore, understanding it requires an appreciation of Chinese society's origins. Before external influences, Chinese society was feudal.

Because of irregularities in the structure of China's ancient feudal legal system, it was essential to have good connections with people in charge of authorizations and of the collection of tributes in order to smooth business transactions. Over time cultivating guanxi became important in other aspects of everyday life and it is now one of the driving forces in the Chinese business environment.

### Why Do You Need Guanxi?

The word relationship may be the official translation of guanxi but it is better understood as a system of reciprocal obligations. Guanxi is all about connections, usually in the business context but often in daily life as well. It's a network or circle of relationships, friends inside the circle and others outside it. In this way it's a strictly selective and discriminative system with its own rules.

Guanxi relationships can be established with both companies and professionals and with government officials. The latter is often necessary for obtaining mandatory authorizations, and the former for building wide network of your own. Take note that, unlike in the West, having connections with the government is not considered immoral, illegal or even noteworthy. Rather, it is common practice.

### How is Guanxi Different from Western Relationships?

Guanxi connections are sincere, long lasting, and entirely different from Western style business and social relationships. For instance, in the West, we also have a sort of circle, with an obvious outside and inside, but the limits of this circle do not function as concrete barriers of separation. In the West, it is not uncommon for people to treat those on the outside of their circles better than those on the inside. With guanxi, this never happens. In the West, if an exchange of favors between friends is discovered, it can lead to accusations of nepotism, which, though still quite common, is no longer well-looked upon.

This sort of scandal never happens in China for two reasons. First, the importance of supporting people inside your circle is universally acknowledged. Second, though favors are granted and returned in guanxi relationships, the system is not nepotistic in nature. Favors are usually granted without self-interest, but they can be granted because the granter wants the guarantee to owe him a favor in return, to be in his debt. In the West, once a person receives a favor, he's usually quick to return it, in order to "conclude" the transaction. In China, the perception of this kind of quick return is radically different. If a favor is returned too quickly, this may be understood as a desire to put an end to the relationship and things might go sour quite quickly as a result of the misunderstanding. In fact, the longer you take to return a favor, the better it is, because during the long period of obligation your relationship with the other person is necessarily important and valuable.

It's not easy to establish a long-lasting and sincere business connection with a Chinese counterpart, for the simple reason that there exist many cultural barriers between China and the West. But it is certainly not impossible. The following are some suggestions that may help.

### Get introduced into an existing guanxi network

It's very important to find a reliable Chinese counterpart to introduce you to his network. It's best if he has connections both with government officials and with other companies. The most effective way to find a counterpart is to find him through someone you know and trust, because this will make it easier to develop a guanxi network more rapidly. However, only time can tell whether or not a network will be long-lasting.

### Invest time and money

Developing long-lasting connections demands both time and money, but this is far from a waste of resources. Consider doing favors voluntarily and regularly for your Chinese counterparts is an investment like any other. When the time inevitably comes that you are in need, they will do everything within their means to help you. However, it's important to consider establishing guanxi not from an instrumental point of view, but as a sincere act.

## Ways to Cultivate Guanxi - Continued

### **Follow the locals**

Of course, this is not unique to China. You will find that Chinese business people expend much time and energy maintaining their connections by visiting the families of their partners and bringing gifts. Even if you are not genuine friends with your partner – business relationships tend to make true friendship difficult – acting as though you are can help. This is a very central part of Chinese culture and if foreigners can adapt to it, it will open important doors for them.

### **Be reliable**

Guanxi relationships must be based on positive actions and on trust. If the terms of a contract are fulfilled then the Chinese counterpart will be willing to continue the business relationship. It's very important to show that you are reliable, because if you show that you are unreliable, your counterpart and contacts may not trust that you will return favors, and so they may be unwilling to do favors for you. Without the give and take of favors, a guanxi relationship cannot operate.

### **Balance your interests**

Guanxi can exist between two or more parties, be they individuals, companies or governments. No matter who your partner is, you should always bear in mind the interests of all parties. Being selfish does not help. This is not to say that you have to privilege the interests of the other's over your own, but that it's important to find a compromise.

### **Keep expectations low**

Establishing guanxi connections is not without risk. The biggest risk is that your partner will prove unreliable and abandon you when you need him most. Aside from this though there is also the huge potential for misunderstanding, even when your intentions are only the best. For instance, in Chinese culture admitting that one is unable to do something is very difficult. Therefore, Chinese people are unlikely to say no when you ask them for favors, no matter their ability or willingness to actually grant the favor. So there is a risk when you ask for something in the name of guanxi that you will be told "yes" and then nothing will happen. It's important to know your partner well and to ***be careful of what you ask, how you ask and of whom you ask it.***