

Doing Business 2008

China

COMPARING REGULATION IN 178 ECONOMIES

Doing Business 2008 **China**

A Project Benchmarking the Regulatory Cost of
Doing Business in 178 Economies

Doing Business Project
World Bank Group



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Copies of *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulation* may be purchased at www.doingbusiness.org.

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Introduction

Doing Business 2008 is the fifth in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 178 economies—from Afghanistan to Zimbabwe—and over time.

Regulations affecting 10 stages of a business's life are measured: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2008* are current as of June 1, 2007. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The *Doing Business* methodology has limitations. Other areas important to business -- such as a country's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions, and the underlying strength of institutions -- are not studied directly by *Doing Business*. To make the data comparable across countries, the indicators refer to a specific type of business -- generally a limited liability company operating in the largest business city.

Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 178 economies: 46 in Sub-Saharan Africa, 31 in Latin America and the Caribbean, 28 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 17 in the Middle East and North Africa and 8 in South Asia—as well as 24 OECD high-income economies as benchmarks. Some of the regions have been divided into subregions to generate a total of 13 regional profiles.

The following pages present the summary *Doing Business* indicators for China along with the comparator economies selected. The data used for this country profile come from the *Doing Business* database and are summarized in graphs and tables. This report allows a comparison of the economies not only with one another but also with the “best practice” economy for each indicator.

The best-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other economies. These best-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 5.

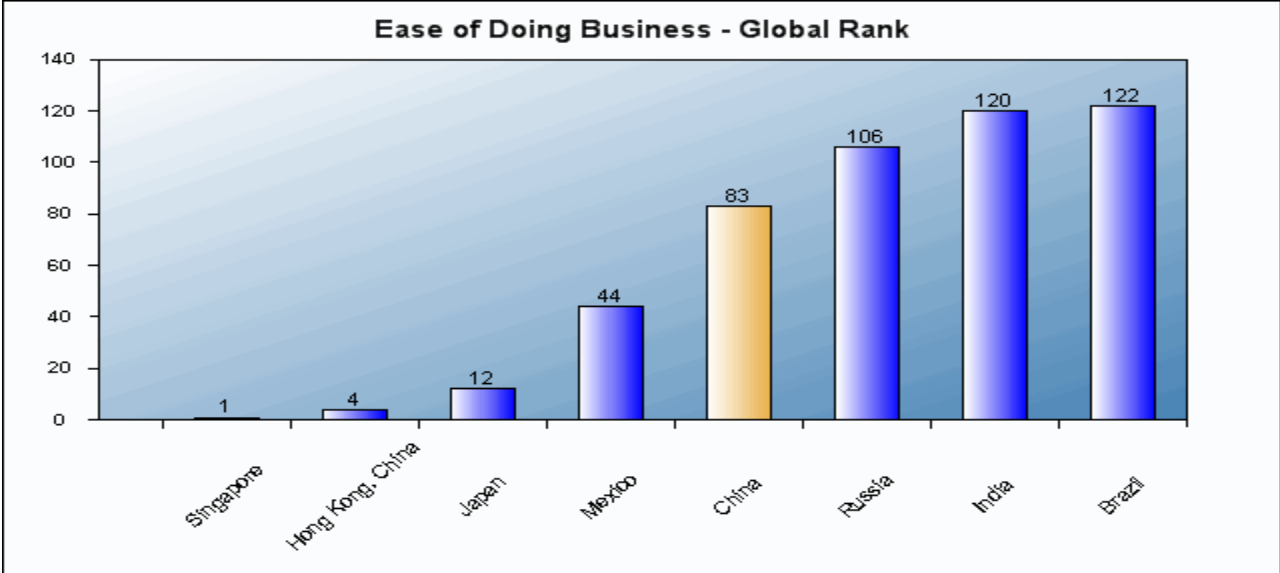
More information is available in the full report. *Doing Business 2008* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the *Doing Business* website

<http://www.doingbusiness.org>

Economy Rankings - Ease of Doing Business

China is ranked 83 out of 178 economies. Singapore is the top ranked economy in the Ease of Doing Business.

China - Compared to Global Best / Selected Economies:



China's ranking in Doing Business 2008

Rank	Doing Business 2008
Ease of Doing Business	83
Starting a Business	135
Dealing with Licenses	175
Employing Workers	86
Registering Property	29
Getting Credit	84
Protecting Investors	83
Paying Taxes	168
Trading Across Borders	42
Enforcing Contracts	20
Closing a Business	57

Reforms - Who is reforming?

This year Egypt tops the list of reformers that are making it easier to do business. Egypt's reforms went deep with reforms in 5 of the 10 areas studied by Doing Business, and it greatly improved its position in the global rankings as a result. Besides Egypt, the other top 10 reformers are, in order, Croatia, Ghana, FYR Macedonia, Georgia, Colombia, Saudi Arabia, Kenya, China, and Bulgaria.

1. **Egypt**, the top reformer in the region and worldwide, greatly improved its position in the global rankings on the ease of doing business. Its reforms went deep. Egypt cut the minimum capital required to start a business, from 50,000 Egyptian pounds to just 1,000 and halved the time and cost of start-up. It reduced fees for registering property from 3 percent of the property value to a low, fixed amount. It eased the bureaucracy that builders face in getting construction permits. It launched new one-stop shops for traders at Egyptian ports, cutting the time to import by seven days and the time to export by five. And it established a new private credit bureau that will soon be making it easier for borrowers to get credit.

2. **Croatia** reformed in four of the 10 areas studied by Doing Business. Two years ago, registering property in Croatia took 956 days. Now it takes 174. Company start-up also became faster, with procedures consolidated at a "one-stop shop" and pension and health services registration now online. Credit became easier to access: a new credit bureau was launched, and a unified registry now records charges against movable property in one place. In its first two months, €1.4 billion in credit was registered. In addition, amendments to the country's insolvency law introduced professional requirements for bankruptcy trustees and shorter timelines.

3. **Ghana**, a top 10 reformer for the second year running, continues to increase the efficiency of its public services. It cut bottlenecks in property registration, reducing delays from six months to one. Greater efficiency at the company registry and the environment agency cut the time for business start-up to 42 days. Changes in the port authority's operations sped up imports. New civil procedure rules and mandatory arbitration and mediation reduced the time it takes to enforce contracts.

4. **FYR Macedonia** eliminated the minimum capital requirement for business start-up, sped up the process for getting construction permits, lowered the corporate income tax rate to 12 percent (with another cut to 10 percent planned for 2008), and simplified tax payment procedures. Its ranking on the ease of doing business rose from 96 to 75.

5. **Georgia** reformed in six areas. It strengthened investor protections, including through amendments to its securities law that eliminate loopholes that had allowed corporate insiders to expropriate minority investors. It adopted a new insolvency law that shortens timelines for reorganization of a distressed company or disposition of a debtor's assets. Georgia sped up approvals for construction permits and simplified procedures for registering property. It made starting a business easier by eliminating the paid-in capital requirement. In addition, the country's private credit bureau added payment information from retailers, utilities, and trade creditors to the data it collects and distributes.

6. **Colombia**, the region's top reformer, has made great strides in easing trade. By extending port operating hours and adopting more selective customs inspections, it reduced the time for port and terminal handling activities by three days. The country strengthened investor protections by increasing disclosure requirements for related-party transactions. It introduced an electronic tax filing system, cutting the average time businesses must spend on tax compliance each year by 188 hours, or 41 percent. And it is progressively reducing the corporate income tax rate, from 35 to 34 percent in 2007 and 33 percent in 2008.

7. **Saudi Arabia**, the runner-up reformer in the region, eliminated the minimum capital requirement of 1,057 percent of income per capita and reduced the days needed for company start-up from 39 to 15. It launched a commercial credit bureau whose reports include the credit exposure of companies. It also sped up trade, reducing the number of documents required for importing and cutting the time needed for handling at ports and terminals by two days for both imports and exports.

8. **Kenya**, the region's other top 10 reformer, launched an ambitious licensing reform program. So far the program has eliminated 110 business licenses and simplified eight others. The changes have streamlined business start-up and cut both the time and cost of getting building permits. The program will eventually eliminate or simplify at least 900 more of the country's 1,300 licenses. Property registration is also faster now, thanks to the introduction of competition among land valuers. And the country's private credit bureau now collects a wider range of data.

9. In **China**, a new property law put private property rights on equal footing with state property rights. The law also expanded the range of assets that can be used as collateral to include inventory and accounts receivable. The new bankruptcy law gives secured creditors priority to the proceeds from their collateral. Construction also became easier, with electronic processing of building permits reducing delays by two weeks.

10. **Bulgaria** eased the tax burden on businesses and made it easier to pay taxes online. Bulgaria also introduced private bailiffs to improve efficiency in enforcing judgments. And it made building inspections less burdensome.

Number of reforms in Doing Business 2008

Rank	Economy	Starting a Business	Dealing with Licenses	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Total number of reforms
1	Egypt	✓	✓		✓	✓			✓			5
2	Croatia	✓			✓	✓					✓	4
3	Ghana	✓			✓	✓			✓	✓		5
4	Macedonia, FYR	✓	✓					✓				3
5	Colombia						✓	✓	✓			3
6	Georgia	✓	✓		✓	✓	✓				✓	6
7	Saudi Arabia	✓				✓			✓			3
8	Kenya	✓	✓		✓	✓						4
9	China		✓			✓					✓	3
10	Bulgaria		✓					✓		✓		3
	Brazil								✓	✓		2
	Hong Kong, China											0
	India					✓			✓			2
	Japan											0
	Mexico				✓			✓				2
	Russia		✗			✓						0

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Summary of Indicators - China

Starting a Business	Procedures (number)	13
	Duration (days)	35
	Cost (% GNI per capita)	8.4
	Paid in Min. Capital (% of GNI per capita)	190.2
Dealing with Licenses	Procedures (number)	37
	Duration (days)	336
	Cost (% of income per capita)	840.2
Employing Workers	Difficulty of Hiring Index	11
	Rigidity of Hours Index	20
	Difficulty of Firing Index	40
	Rigidity of Employment Index	24
	Nonwage labor cost (% of salary)	44
	Firing costs (weeks of wages)	91
Registering Property	Procedures (number)	4
	Duration (days)	29
	Cost (% of property value)	3.6
Getting Credit	Legal Rights Index	3
	Credit Information Index	4
	Public registry coverage (% adults)	49.2
	Private bureau coverage (% adults)	0.0
Protecting Investors	Disclosure Index	10
	Director Liability Index	1
	Shareholder Suits Index	4
	Investor Protection Index	5.0
Paying Taxes	Payments (number)	35
	Time (hours)	872
	Profit tax (%)	19.9
	Labor tax and contributions (%)	46.0
	Other taxes (%)	8.0
	Total tax rate (% profit)	73.9

Trading Across Borders	Documents for export (number)	7
	Time for export (days)	21
	Cost to export (US\$ per container)	390
	Documents for import (number)	6
	Time for import (days)	24
	Cost to import (US\$ per container)	430
Enforcing Contracts	Procedures (number)	35
	Duration (days)	406
	Cost (% of claim)	8.8
Closing a Business	Time (years)	1.7
	Cost (% of estate)	22
	Recovery rate (cents on the dollar)	35.9

Starting a Business in China: Entry Regulation

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed the process—or may decide to run their business informally.

The data on starting a business are based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

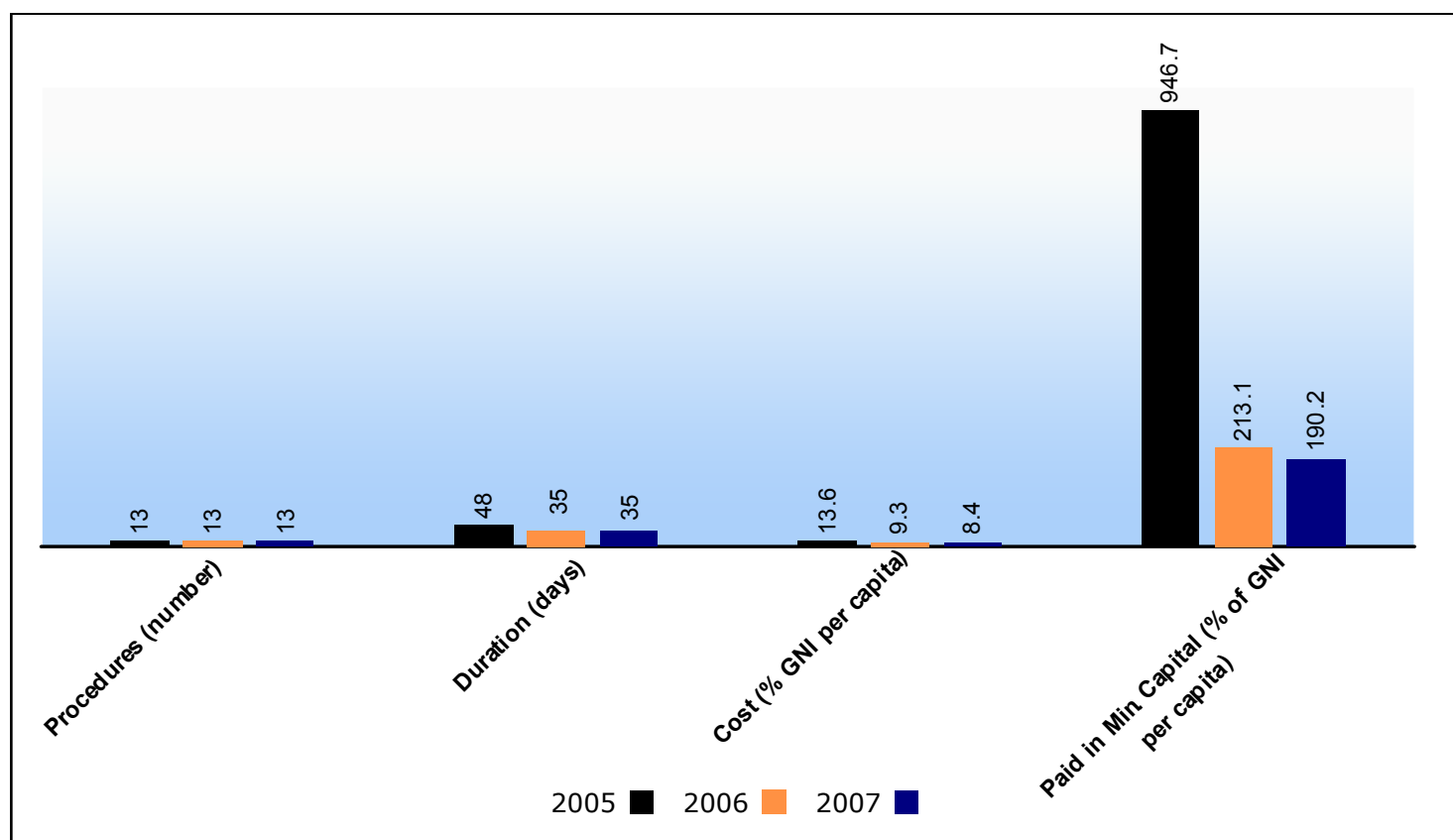
To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with start-up capital of 10 times income per capita, turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

Cumbersome entry procedures are associated with more corruption, particularly in developing countries. Each procedure is a point of contact—an opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices; and fuel corruption.

1. Historical data: Starting a Business in China

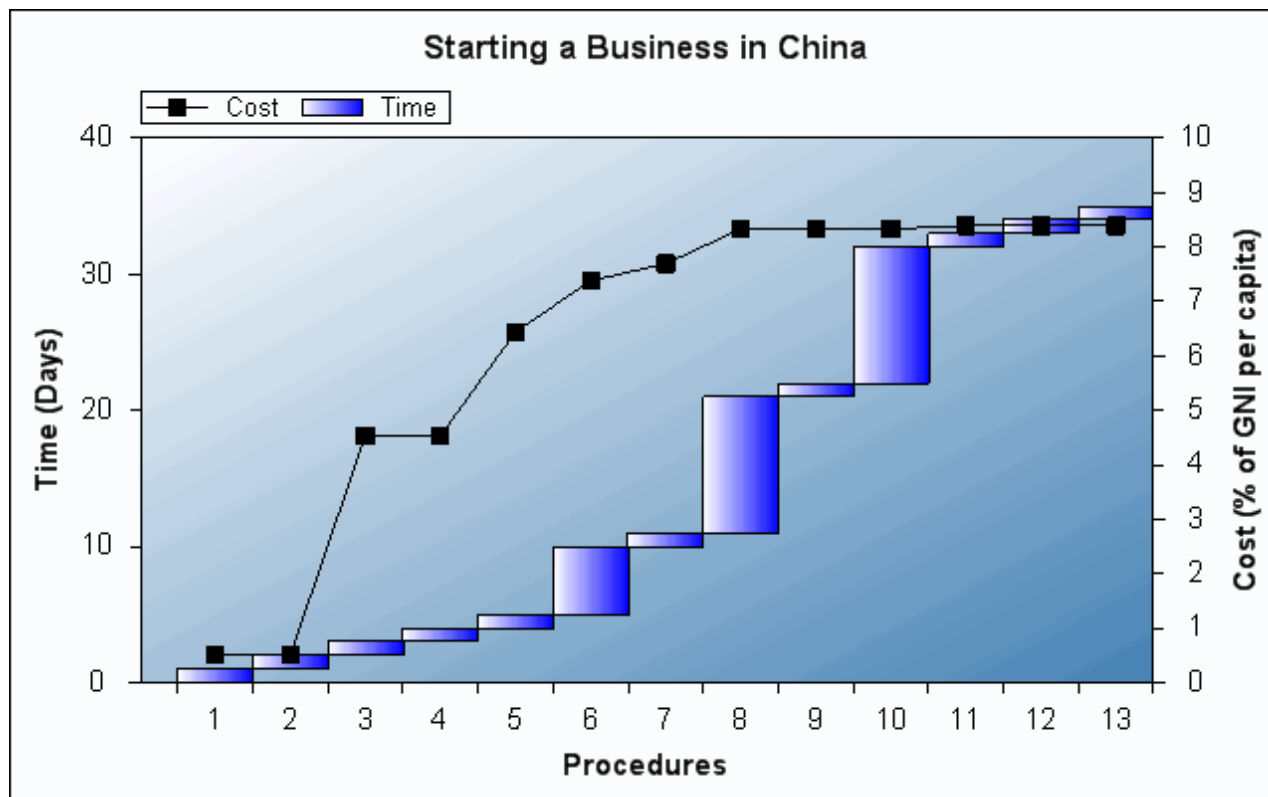
Starting a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		128	135
Procedures (number)	13	13	13
Duration (days)	48	35	35
Cost (% GNI per capita)	13.6	9.3	8.4
Paid in Min. Capital (% of GNI per capita)	946.7	213.1	190.2

2. The following graph illustrates the Starting a Business indicators in China over the past 3 years:



3. Steps to Starting a Business in China

It requires 13 procedures, takes 35 days, and costs 8.39% GNI per capita to start a business in China.



List of Procedures:

1. Obtain pre-approval of name
2. Open a preliminary bank account
3. Obtain a registration certificate
4. Get the approval of making a seal
5. Make a company seal
6. Obtain code certificate
7. Register with statistical department
8. Register for taxes
9. Open a formal bank account
10. Apply for the authorization to print or purchase financial invoices/receipts
11. Buy financial invoices
12. Recruitment Registration with local Career Service Center

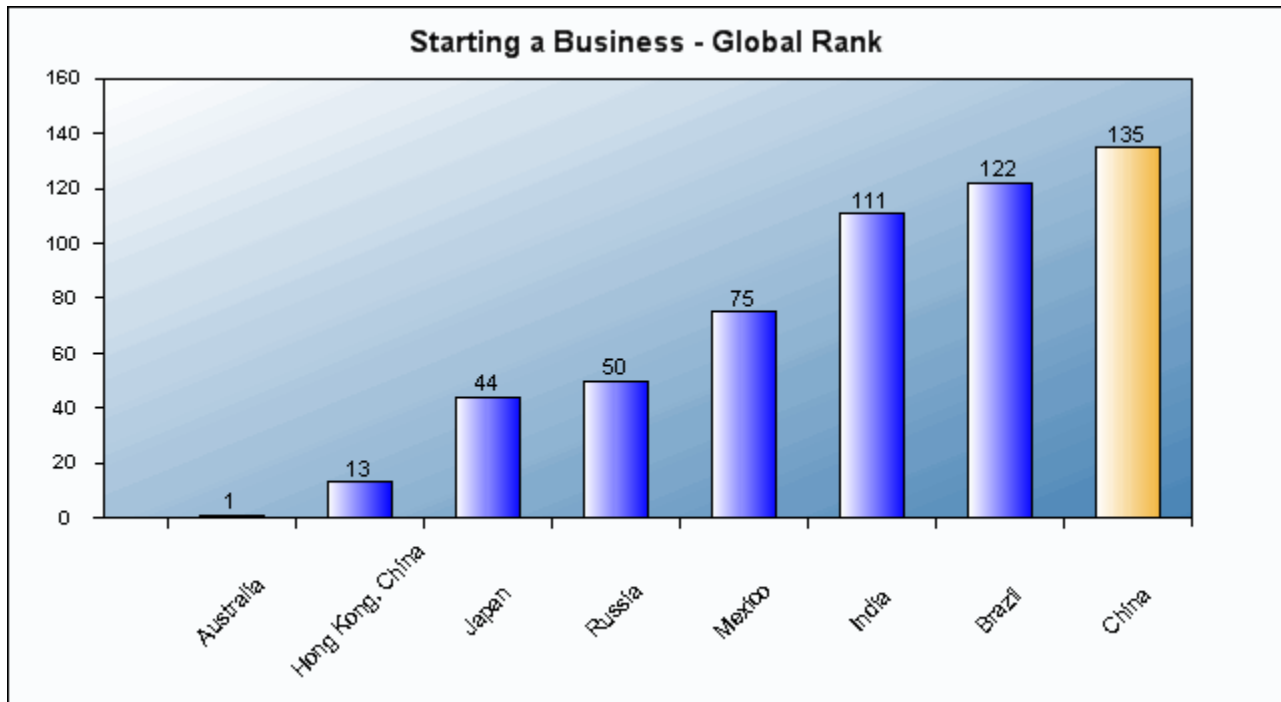
13. Register with Social Welfare Insurance Center

More details are available in the appendix.

4. Benchmarking Starting a Business Regulations:

China is ranked 135 overall for Starting a Business. Australia is the top ranked economy followed by Canada, New Zealand and United States.

Ranking of China in Starting a Business - Compared to best practice and selected economies:



The following table shows Starting a Business data for China compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% GNI per capita)	Paid in Min. Capital (% of GNI per
Australia*	2	2		0.0
Denmark			0.0	

Selected Economy				
China	13	35	8.4	190.2

Comparator Economies				
Brazil	18	152	10.4	0.0
Hong Kong, China	5	11	3.1	0.0
India	13	33	74.6	0.0
Japan	8	23	7.5	0.0
Mexico	8	27	13.3	11.6
Russia	8	29	3.7	3.2

* The following economies are also best practice economies for :

Procedures (number): **Canada, New Zealand**

Paid in Min. Capital (% of GNI per capita): **Canada, Ireland, Israel, Mauritius, New Zealand, Puerto Rico, Thailand, Trinidad and Tobago, United Kingdom, United States**

Dealing with Licenses in China: Building a Warehouse

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure—from government to comply with inspections and with licensing and safety regulations and from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation—the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many countries, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally—leading to hazardous construction. In other countries compliance is simple, straightforward and inexpensive—yielding better results.

The indicators on dealing with licenses record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

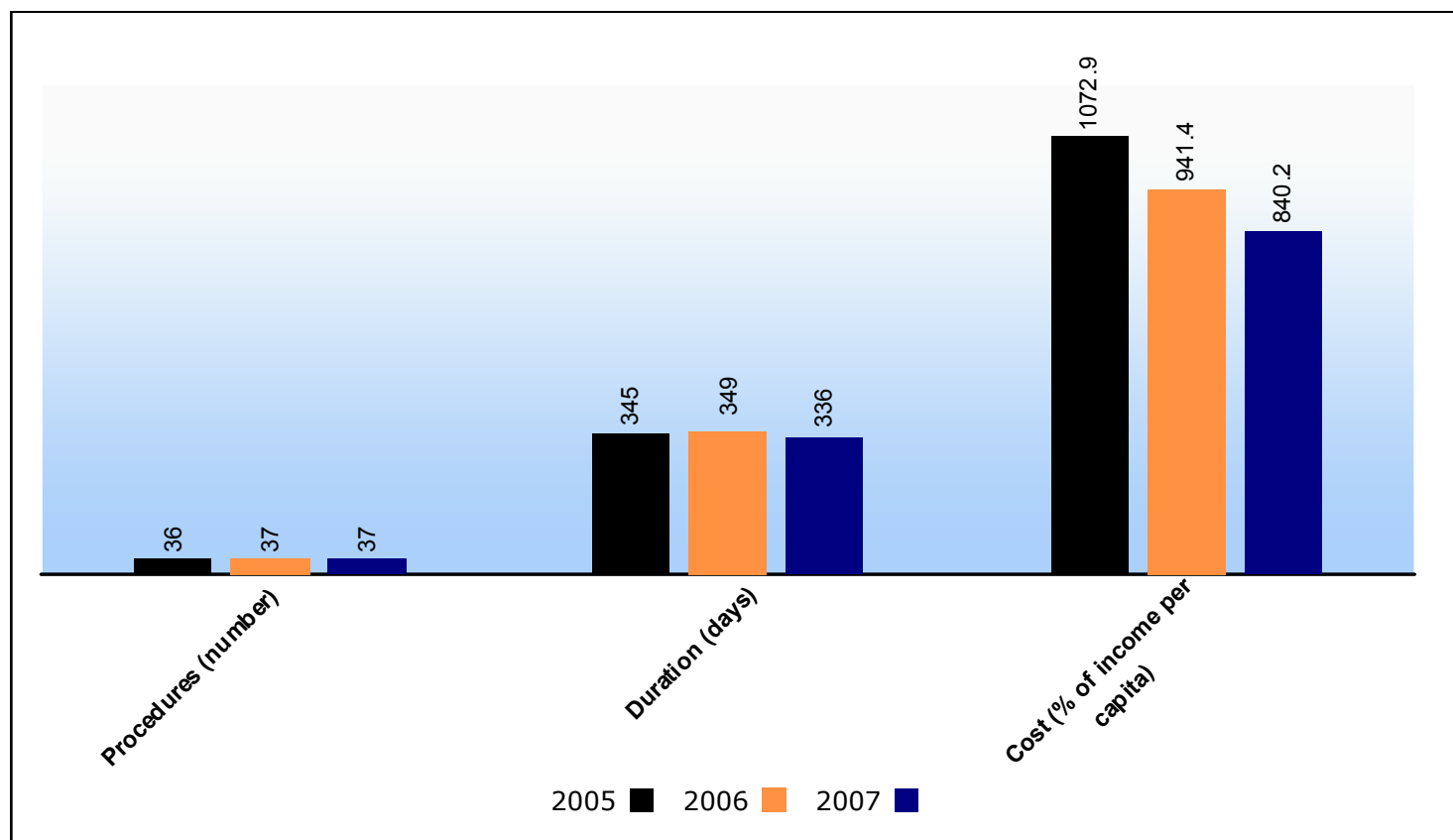
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Where the regulatory burden is large, entrepreneurs move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

1. Historical data: Dealing with Licenses in China

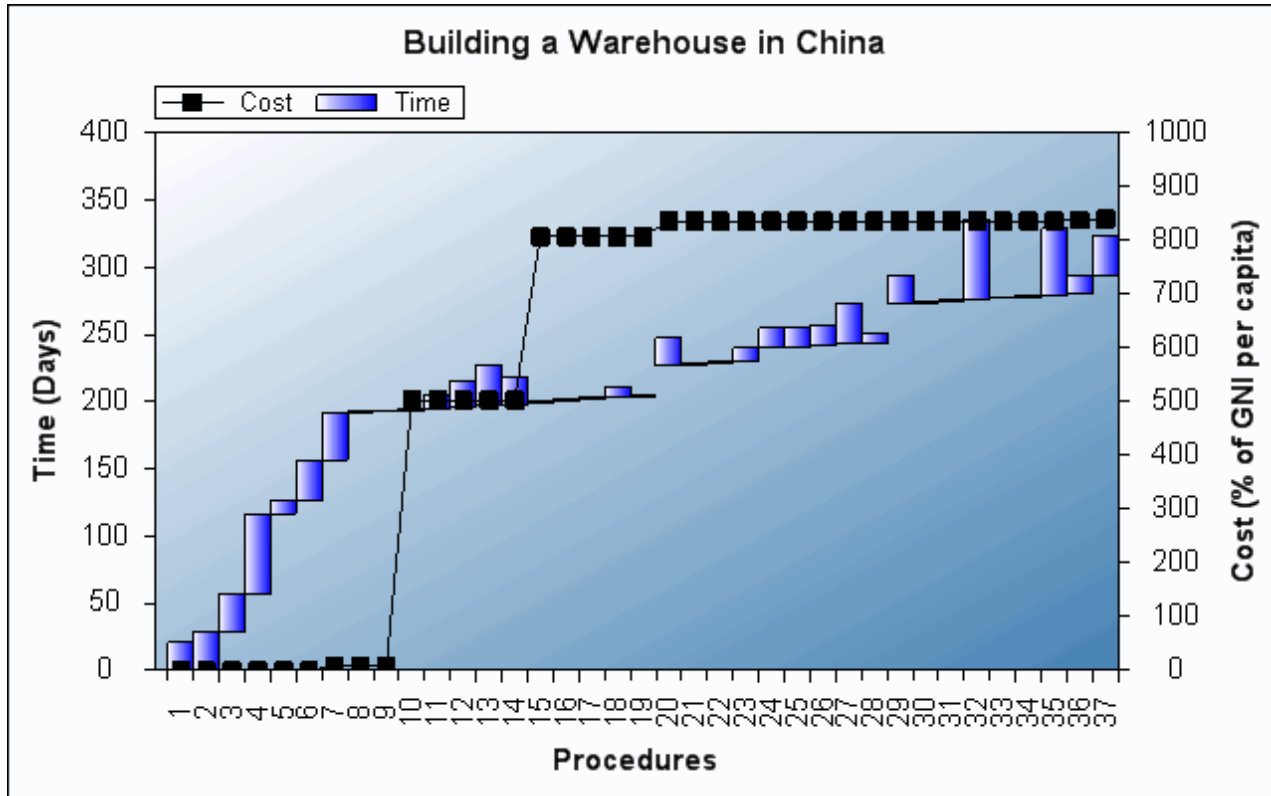
Dealing with Licenses data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		175	175
Procedures (number)	36	37	37
Duration (days)	345	349	336
Cost (% of income per capita)	1072.9	941.4	840.2

2. The following graph illustrates the Dealing with Licenses indicators in China over the past 3 years:



3. Steps to Building a Warehouse in China

It requires 37 procedures, takes 336 days, and costs 840.23% GNI per capita to build a warehouse in China.



List of Procedures:

1. Request and obtain approval of the project proposal from the Municipal Development and Reform Commission
2. Request and obtain the approval of request of construction project planning and design from the Municipal Commission of Urban Pl
3. Request and obtain the approval on planning and design project for construction (□□□□□□□□□□□□) and the notification on the re
4. Request and obtain the planning permit of using land for construction purposes
5. Request and obtain the land use permit for construction from the State Land, Resources, and Housing Agency
6. Request and obtain an environmental evaluation
7. Request and obtain construction project planning permit
8. Request and obtain certificate of safety operation on construction project at the Safety and Quality Supervision Office of the Municip
9. Request and obtain evidence of capital from bank
10. Register construction drawings at the People's Defense Office
11. Review of construction drawings by Shanghai City Appearance and Environmental Sanitation Administration Bureau
12. Review of construction drawings by Fire Protection Bureau

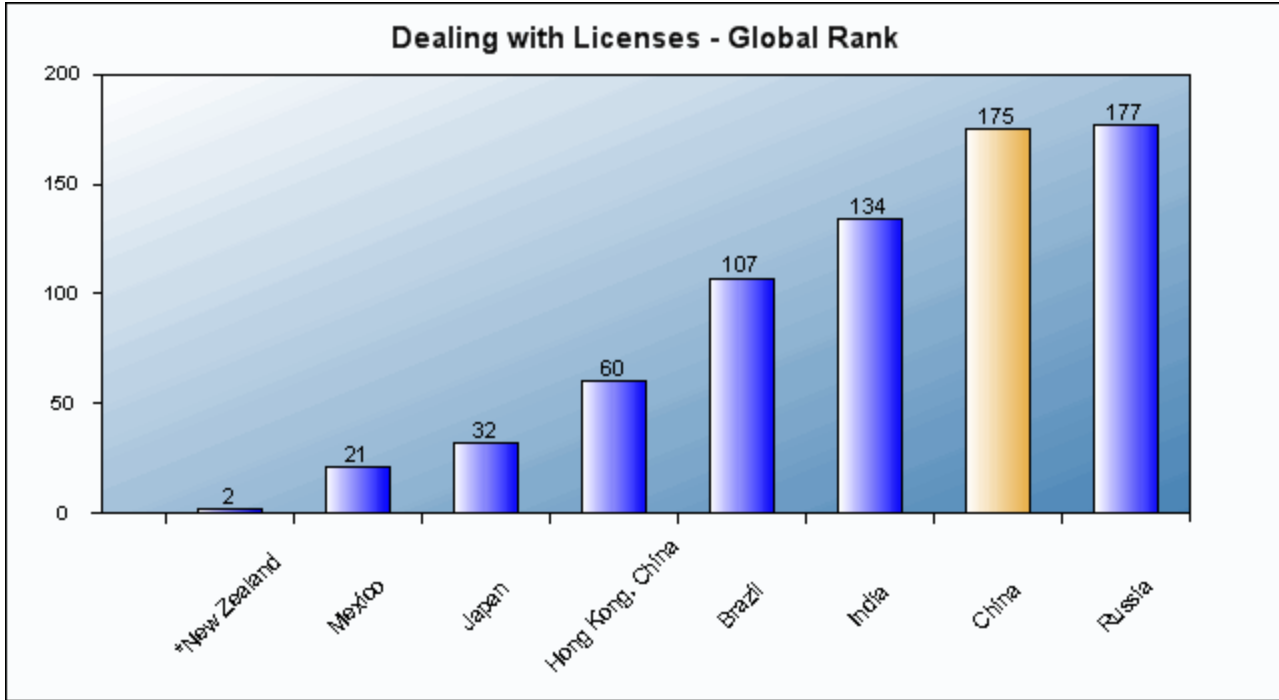
13. Review of construction drawings by Shanghai Police and Traffic Police General Team
14. Receive review of building drawings by a building drawing examiner authorized by the Planning Committee and obtain a letter of not
15. Hire an authorized supervision agency
16. Register for direct contracting of construction with the Municipal Tendering Office
17. Have the building contractor and supervisor seal the application form
18. Pay the fees for funds of concrete (□□□□□□) and energy-saving wall materials (□□□□□□) with the Office of Building Materials of t
19. Enter the project into the Municipal Statistics Bureau's record
20. Request and obtain building permit
21. Receive on-site inspection by the Construction Commission
22. Receive "four-party" Inspection
23. Request and receive inspection of the completed construction from the planning department
24. Request and receive fire department inspection upon building completion
25. Request opinion on whether construction project is lightning-proof
26. Request and obtain certificate of the completed construction from the fire department
27. Request and receive inspection of the completed construction from the environmental protection department
28. Request and receive inspection on construction completion (□□□□) and inspection from the Municipal Construction Committee
29. Request and obtain certificate of completion and certificate of final inspection from the Municipal Construction Commission
30. Request electricity connection
31. Receive electricity inspection
32. Connect to electricity
33. Request water and sewage connection
34. Receive water and sewage inspection
35. Receive connection to water and sewage services
36. Request and receive connection to telephone
37. Register building with Real Estate Registry

More details are available in the appendix.

4. Benchmarking Dealing with Licenses Regulations:

China is ranked 175 overall for Dealing with Licenses. St. Vincent and the Grenadines is the top ranked economy followed by New Zealand, Belize and Marshall Islands.

Ranking of China in Dealing with Licenses - Compared to best practice and selected economies:



* The following economies are also best practice economies for Building a Warehouse: St. Vincent and the Grenadines

The following table shows Dealing with Licenses data for China compared to best practice and comparator economies:

<i>Best Practice Economies</i>	Procedures (number)	Duration (days)	Cost (% of income per capita)
Denmark	6		
Korea		34	
United Arab Emirates			1.5

<i>Selected Economy</i>			
China	37	336	840.2

<i>Comparator Economies</i>			
Brazil	18	411	59.4
Hong Kong, China	23	155	21.3
India	20	224	519.4
Japan	15	177	17.8
Mexico	11	131	103.5
Russia	54	704	3788.4

Employing Workers in China: Labor Regulations

Every economy has established a complex system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws. Doing Business examines government regulation in the area of employment and social security laws.

Three measures are presented: a rigidity of employment index, a nonwage labor cost measure and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek, and mandated days of annual leave with pay. The difficulty of firing index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective).

The nonwage labor cost covers all social security payments and payroll taxes associated with hiring an employee, expressed as a percentage of the worker's salary. The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

The indicators on employment regulations are based on a detailed study of employment laws. Data are also gathered on the specific constitutional provisions governing the two areas studied. To ensure accuracy, both the actual laws and the applicable collective bargaining agreements are used. Finally, all data are verified and completed by local law firms through a detailed survey of employment regulations.

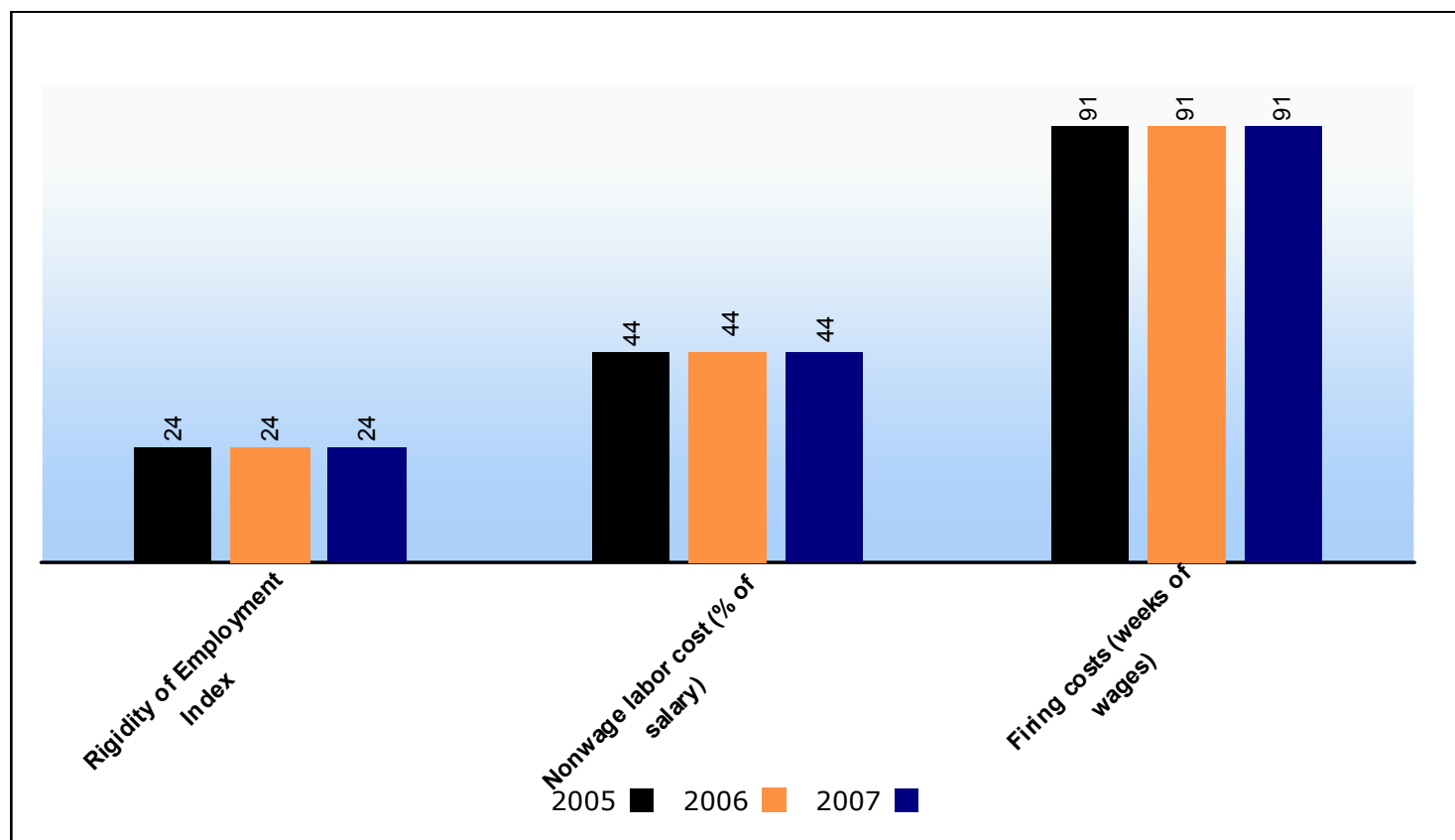
To make the data comparable across economies, a range of assumptions about the worker and the company are used. Assumptions about the worker include that he is a nonexecutive, full-time male employee who has worked in the same company for 20 years and is not a member of the labor union (unless membership is mandatory). The company is assumed to be a limited liability manufacturing corporation that operates in the country's most populous city, is 100% domestically owned and has 201 employees. The company is also assumed to be subject to collective bargaining agreements in countries where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

Most employment regulations are enacted in response to market failures. But that does not mean that today's regulations are optimal. Analysis across countries shows that while employment regulation generally increases the tenure and wages of incumbent workers, rigid regulations have many undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills—all of which may reduce productivity growth. Many countries err on the side of excessive rigidity, to the detriment of businesses and workers alike.

1. Historical data: Employing Workers in China

Employing Workers data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		86	86
Rigidity of Employment Index	24	24	24
Nonwage labor cost (% of salary)	44	44	44
Firing costs (weeks of wages)	91	91	91

2. The following graph illustrates the Employing Workers indicators in China over the past 3 years:



3. Benchmarking Employing Workers Regulations:

China is ranked 86 overall for Employing Workers. Marshall Islands is the top ranked economy followed by Brunei, Georgia and Tonga.

Ranking of China in Employing Workers - Compared to best practice and selected economies:



* The following economies are also best practice economies for Employing Workers: Marshall Islands, Singapore

The following table shows Employing Workers data for China compared to best practice and comparator economies:

Best Practice Economies	Rigidity of Employment Index	Nonwage labor cost (% of salary)	Firing costs (weeks of wages)
Bangladesh*		0	
Denmark*			0
Hong Kong, China*	0		

Selected Economy			
China	24	44	91

Comparator Economies			
Brazil	46	37	37
Hong Kong, China	0	5	62
India	30	17	56
Japan	17	13	4
Mexico	48	21	52
Russia	44	31	17

* The following economies are also best practice economies for :

Rigidity of Employment Index: Singapore, United States

Nonwage labor cost (% of salary): Botswana, Ethiopia, Maldives

Firing costs (weeks of wages): New Zealand, United States

Registering Property in China: Regulation of Property Transfer

Property registries were first developed to help raise tax revenue. Defining and publicizing property rights through registries has also proved to be good for entrepreneurs. Land and buildings account for between half and three-quarters of the wealth in most economies. Securing rights to this property strengthens incentives to invest and facilitates commerce. And with formal property titles, entrepreneurs can obtain mortgages on their home or land and start businesses.

Doing Business measures the ease of registering property based on a standard case of an entrepreneur who wants to purchase land and a building in the largest business city. It is assumed that the property is already registered and free of title dispute. The data cover the full sequence of procedures necessary to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most countries the data are based on responses from both. Based on the responses, three indicators are constructed:

- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

A large share of the property in developing countries is not formally registered, limiting financing opportunities for businesses. Recognizing this constraint, some developing country governments have embarked on extensive property titling programs. Yet bringing assets into the formal sector is of little value unless they stay there.

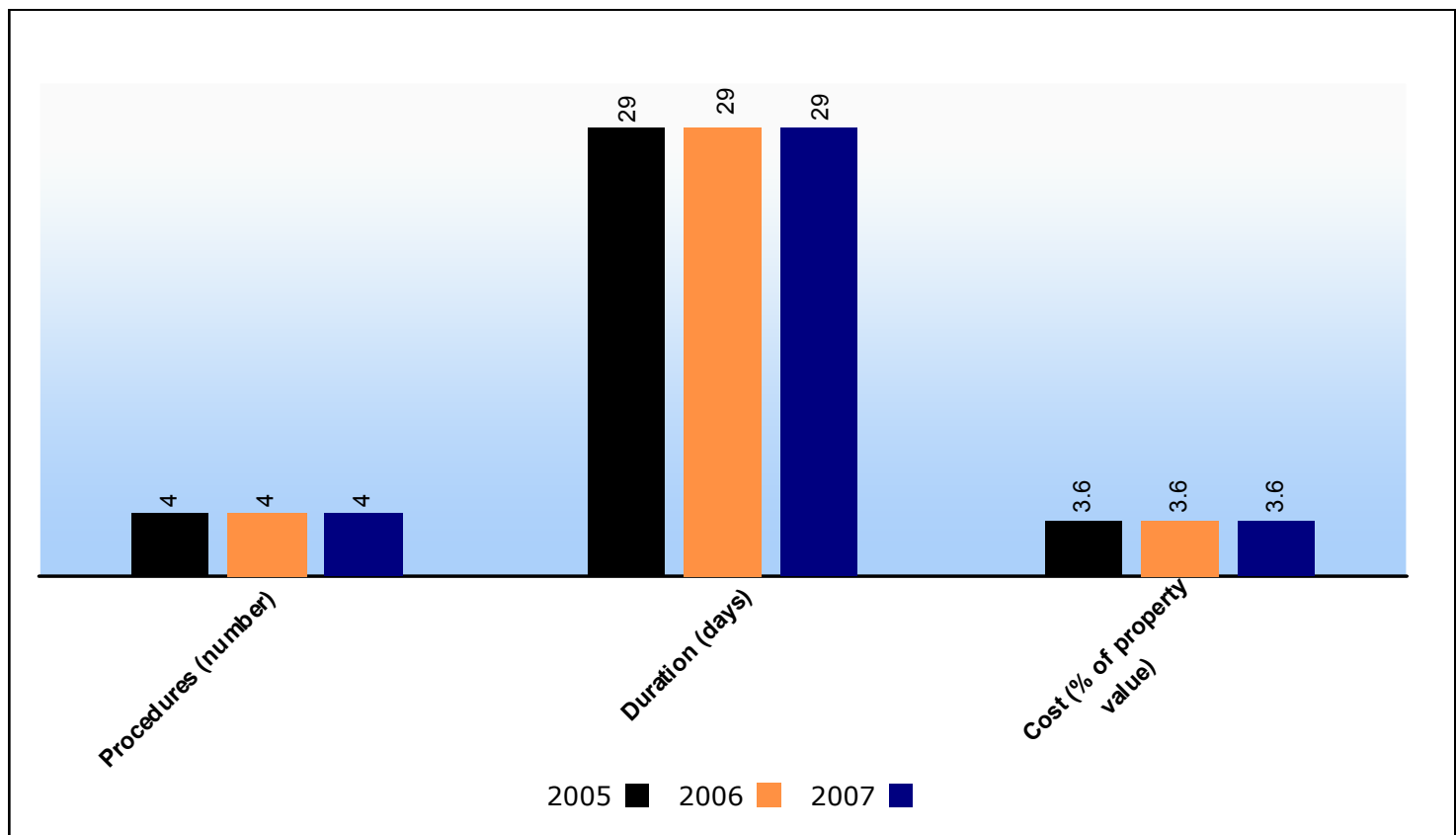
Many titling programs in Africa were futile because people bought and sold property informally—neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African country costs 12% of the value of the property and takes more than 100 days on average. Worse, the property registries are so poorly organized that they provide little security of ownership. For both reasons, formalized titles quickly go informal again.

Efficient property registration reduces transaction costs and helps keep formal titles from slipping into informal status. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

1. Historical data: Registering Property in China

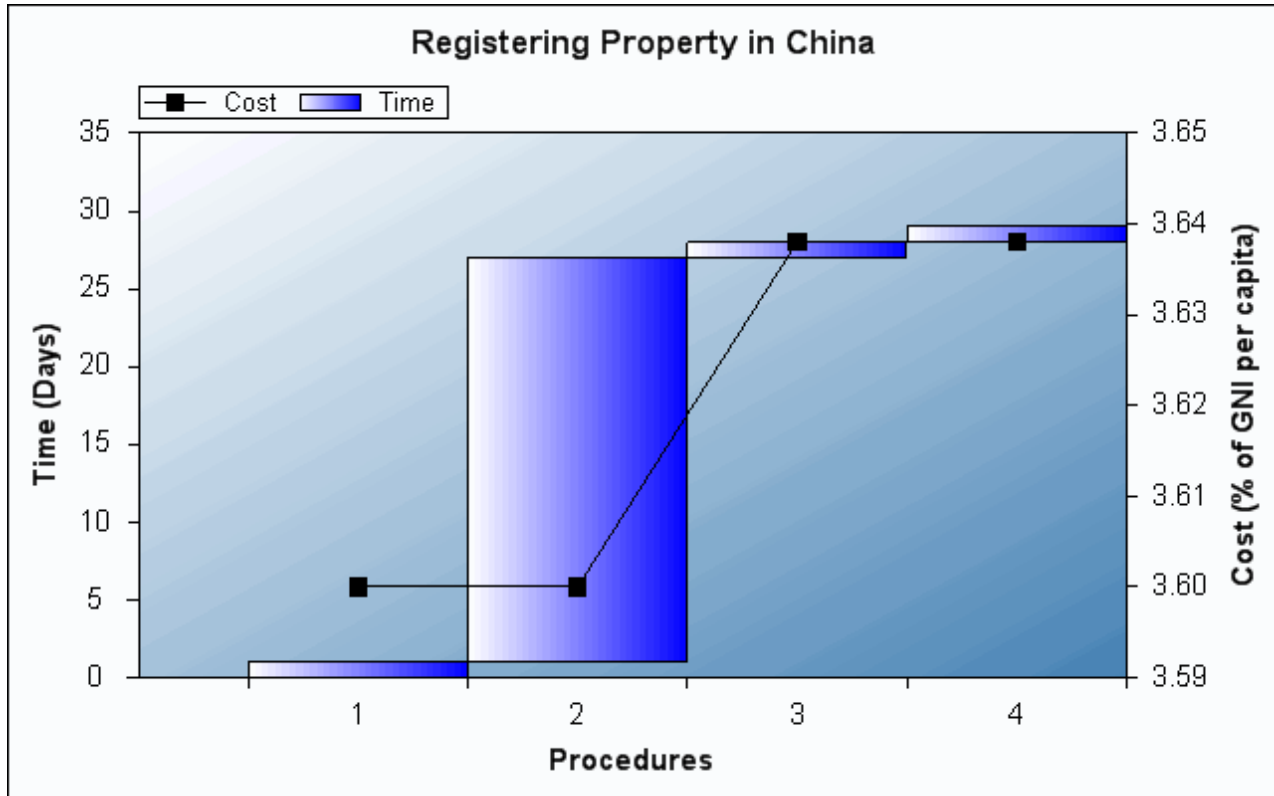
Registering Property data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		28	29
Procedures (number)	4	4	4
Duration (days)	29	29	29
Cost (% of property value)	3.6	3.6	3.6

2. The following graph illustrates the Registering Property indicators in China over the past 3 years:



3. Steps to Registering Property in China

It requires 4 procedures, takes 29 days, and costs 3.60% GNI per capita to register the property in China.



List of Procedures:

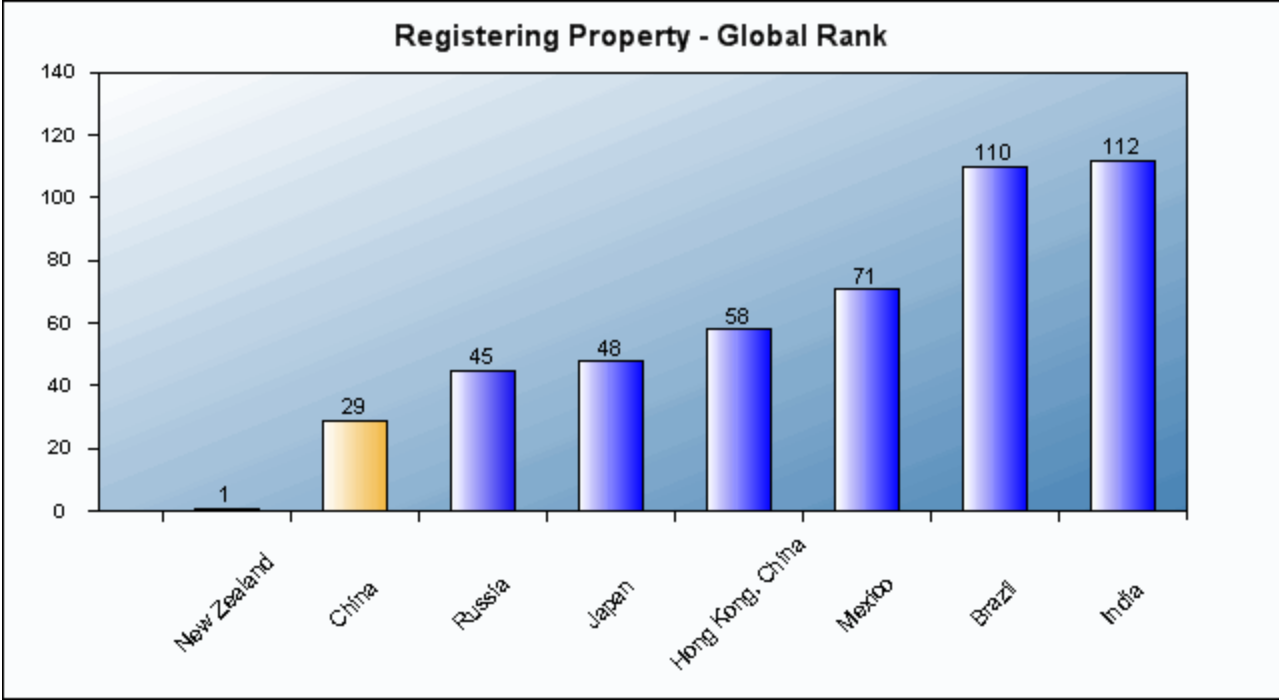
1. Parties obtain application and notifications sheet, and pay fees
2. Parties file the application at the House and Land Resources Administration Centre
3. Parties pay registration fee
4. Parties pick up new title certificate

More details are available in the appendix.

4. Benchmarking Registering Property Regulations:

China is ranked 29 overall for Registering Property. New Zealand is the top ranked economy followed by Armenia, Saudi Arabia and Lithuania.

Ranking of China in Registering Property - Compared to best practice and selected economies:



The following table shows Registering Property data for China compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia*			0.0

Selected Economy			
China	4	29	3.6

Comparator Economies			
Brazil	14	45	2.8
Hong Kong, China	5	54	5.0
India	6	62	7.7
Japan	6	14	5.0
Mexico	5	74	4.7
Russia	6	52	0.3

* The following economies are also best practice economies for :

Procedures (number): Sweden

Duration (days): Sweden, Thailand

Cost (% of property value): Bhutan

Getting Credit in China: Legal Rights and Credit Information

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function—one on credit registries and the other on legal rights of borrowers and lenders.

Credit registries—institutions that collect and distribute credit information on borrowers—can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- Public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population.
- Private bureau coverage, which reports the number of individuals and firms covered by a private credit bureau as a percentage of the adult population.
- Depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information.

The data are from surveys of public registries and the largest private credit bureau in the country.

Effective regulation of secured lending—through collateral and bankruptcy laws—can also ease credit constraints. By giving a lender the right to seize and sell a borrower's secured assets upon default, collateral limits the lender's potential losses and acts as a screening device for borrowers. The strength of legal rights index measures 10 aspects of the rights of borrowers and creditors in collateral and bankruptcy laws, including whether:

- General rather than specific description of assets and debt is permitted in collateral agreements (expanding the scope of assets and debt covered).
- Any legal or natural person may grant or take security in assets.
- A unified registry operates that includes charges over movable property.
- Secured creditors have priority both within bankruptcy and outside it.
- Parties may agree on out-of-court enforcement of collateral by contract.
- Creditors may both seize and sell collateral out of court, no automatic stay or “asset freeze” applies upon bankruptcy, and the bankrupt debtor does not retain control of the firm.

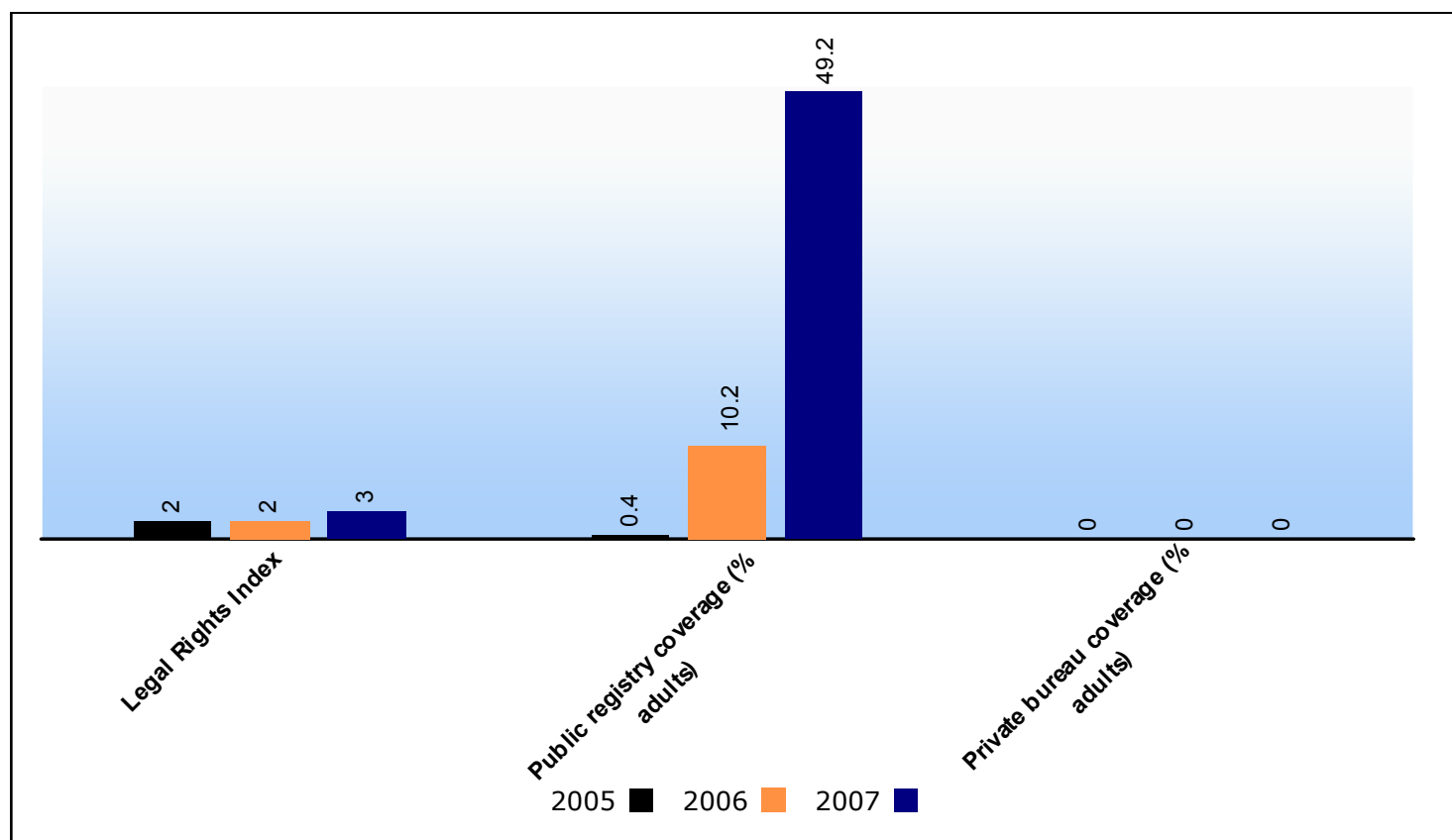
The index ranges from 0 (weak legal rights) to 10 (strong legal rights). The data were obtained by examining collateral and bankruptcy laws and legal summaries and verified through a survey of financial lawyers.

Where good-quality credit information is available and legal rights are stronger, more credit is extended. Benefits flow beyond those gaining access to credit. With better-functioning credit markets, unemployment is lower, and women and low-income people benefit the most.

1. Historical data: Getting Credit in China

Getting Credit data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		94	84
Legal Rights Index	2	2	3
Public registry coverage (% adults)	0.4	10.2	49.2
Private bureau coverage (% adults)	0.0	0.0	0.0

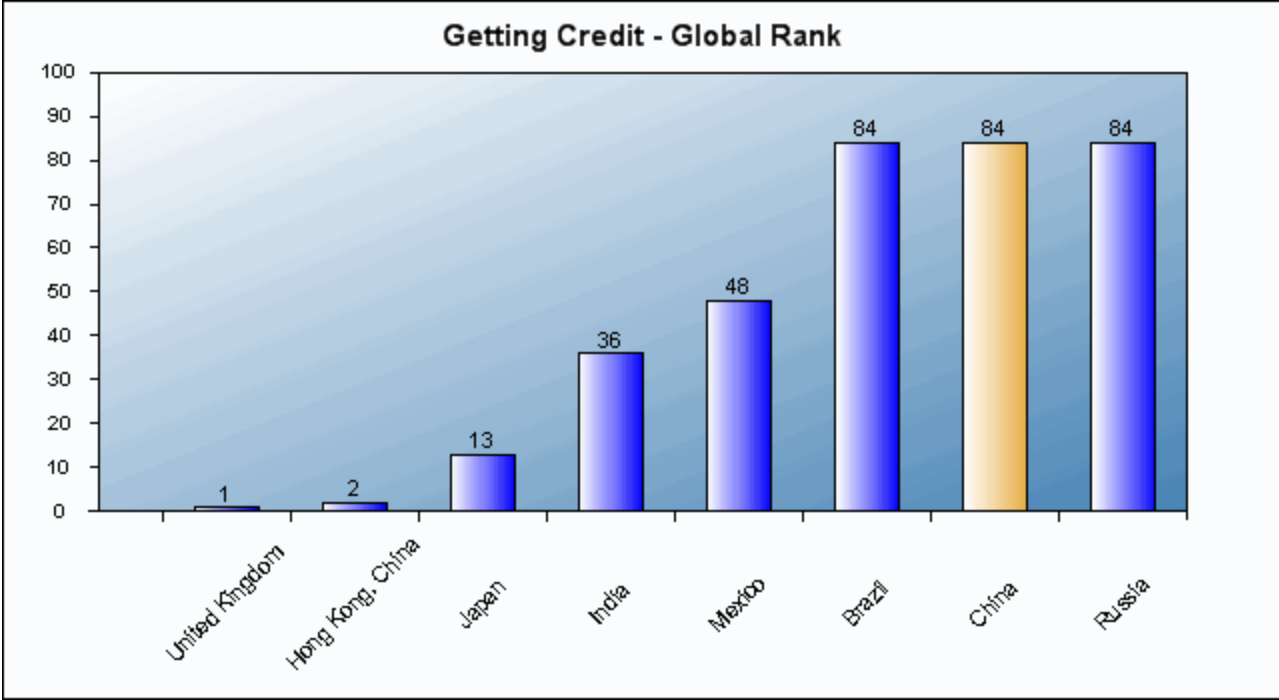
2. The following graph illustrates the Getting Credit indicators in China over the past 3 years:



3. Benchmarking Getting Credit Regulations:

China is ranked 84 overall for Getting Credit. United Kingdom is the top ranked economy followed by Hong Kong, China, Germany and Australia.

Ranking of China in Getting Credit - Compared to best practice and selected economies:



The following table shows Getting Credit data for China compared to best practice and comparator economies:

Best Practice Economies	Legal Rights Index	Public registry coverage (%)	Private bureau coverage (%)
Argentina*			100.0
Hong Kong, China*	10		
Portugal		67.1	

Selected Economy			
China	3	49.2	0.0

Comparator Economies			
Brazil	2	17.1	46.4
Hong Kong, China	10	0.0	64.7
India	6	0.0	10.8
Japan	6	0.0	68.3
Mexico	3	0.0	61.2
Russia	3	0.0	4.4

* The following economies are also best practice economies for :

Legal Rights Index: United Kingdom

Private bureau coverage (% adults): Australia, Canada, Iceland, Ireland, New Zealand, Nicaragua, Norway, Sweden, United States

Protecting Investors in China

Officials at Elf Aquitaine, France's largest oil company, awarded business deals in return for large side payments. Along with the extra cash, they got seven years in jail and a €2 million fine for abuse of power. Russian oil firm Gazprom purchased materials for new pipelines through intermediaries owned by company officers. The high cost raised eyebrows, but not court battles.

Big cases make headlines. But looting by corporate insiders occurs every day on a smaller scale, and often goes unnoticed. To document the protections investors have, Doing Business measures how countries regulate a standard case of self-dealing—use of corporate assets for personal gain.

The case facts are simple. Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is unfair to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure.

The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.

The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.

The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.

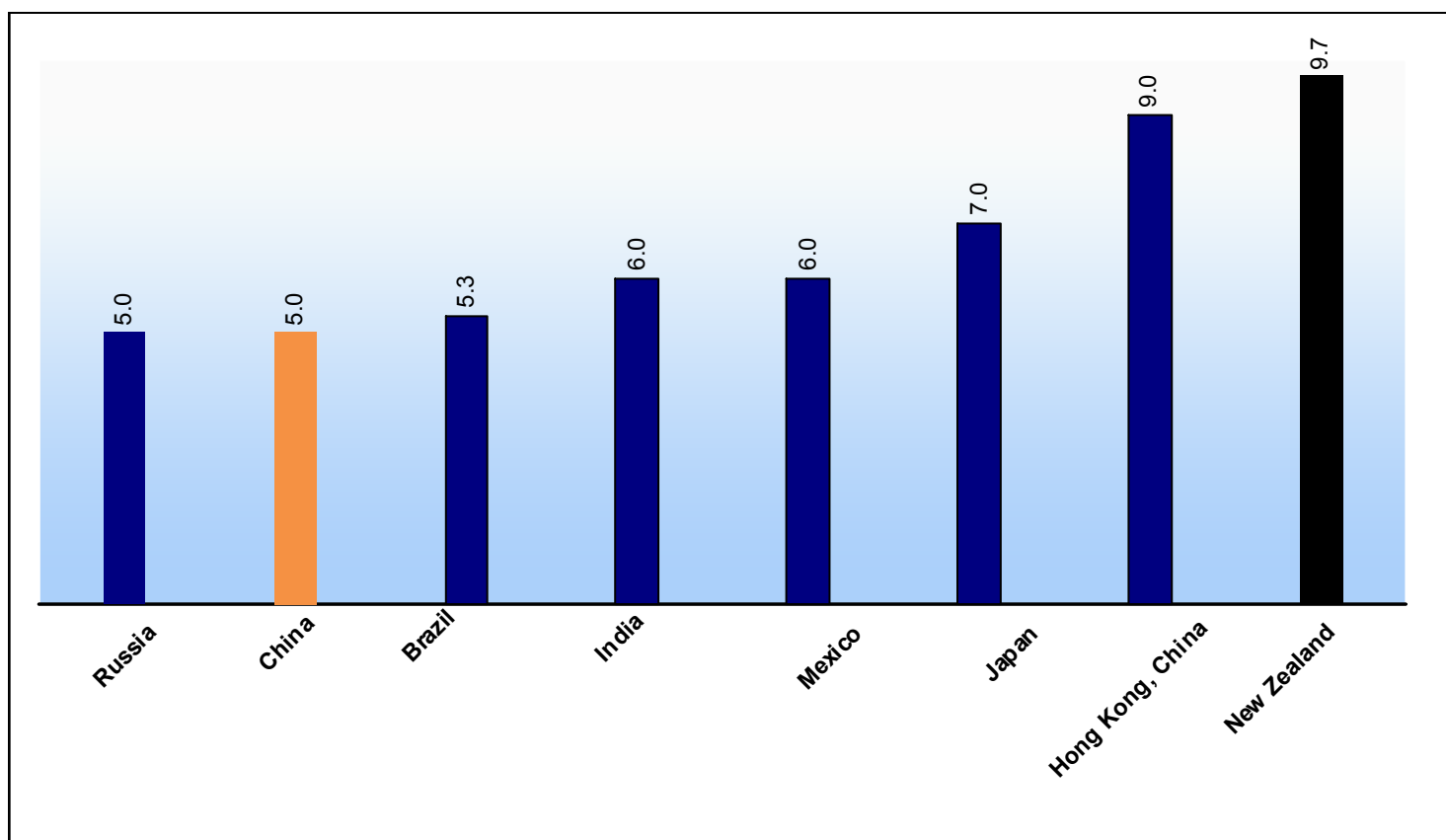
These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

If the rights of investors are not protected, majority ownership in a business is the only way to eliminate expropriation. But then investors must devote more oversight attention to fewer investments. The result: entrepreneurship is suppressed, and fewer profitable investment projects are undertaken. Where self-dealing is curbed, equity investment is higher, ownership concentration lower and trust in the business sector deeper. Investors gain portfolio diversification, and entrepreneurs gain access to cash.

1. Historical data: Protecting Investors in China

Protecting Investors data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		81	83
Investor Protection Index	4.3	5.0	5.0

2. The following graph illustrates the Protecting Investors index in China compared to best practice and selected Economies:

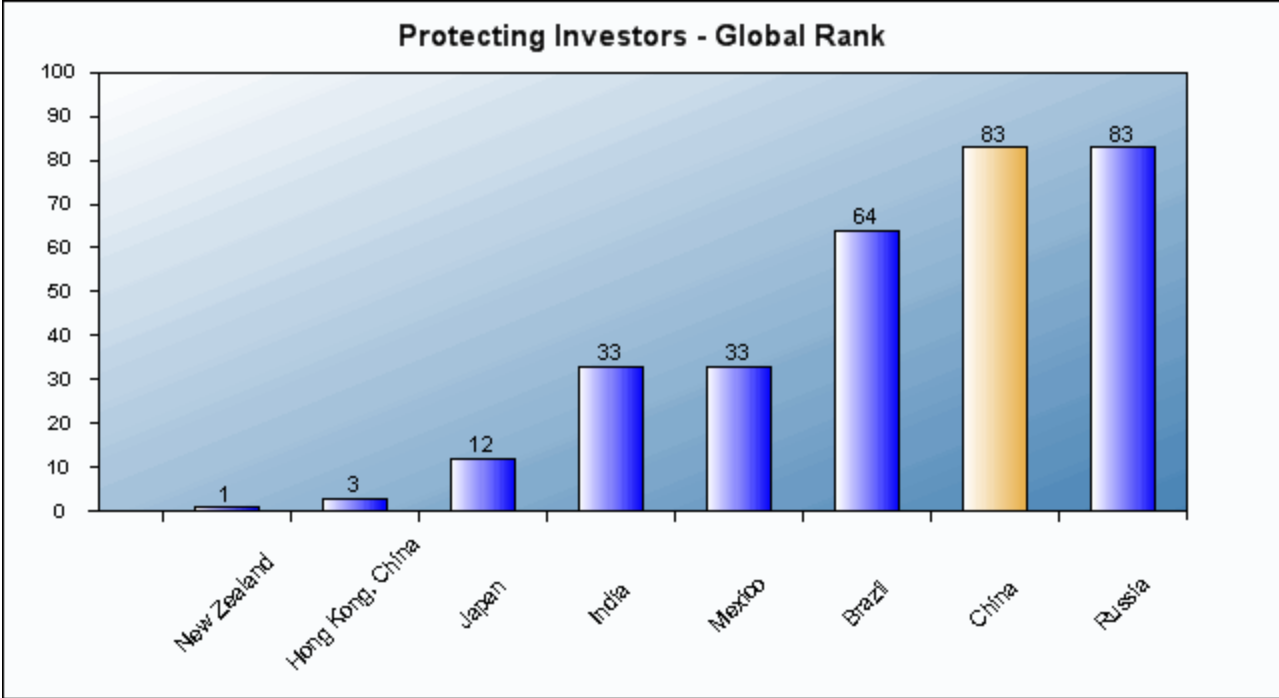


Note: The higher the score, the greater the investor protection.

3. Benchmarking Protecting Investors Regulations:

China is ranked 83 overall for Protecting Investors. New Zealand is the top ranked economy followed by Singapore, Hong Kong, China and Malaysia.

Ranking of China in Protecting Investors - Compared to best practice and selected economies:



The following table shows Protecting Investors data for China compared to best practice and comparator economies:

<i>Best Practice Economies</i>	Investor Protection Index
New Zealand	9.7

<i>Selected Economy</i>	
China	5.0

<i>Comparator Economies</i>	
Brazil	5.3
Hong Kong, China	9.0
India	6.0
Japan	7.0
Mexico	6.0
Russia	5.0

Paying Taxes: Tax Payable and Compliance in China

Taxes are essential. Without them there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive. Still, there are good ways and bad ways to collect taxes.

The Doing Business tax survey records the effective tax that a company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asked accountants in 178 economies to review TaxpayerCo's financial statements and a standard list of transactions the company completed during the year. Respondents were asked how much tax the business must pay and what the process is for doing so.

The business starts from the same financial position in each country. All the taxes and contributions paid during the second year of operation are recorded. Taxes and contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

Three indicators are constructed:

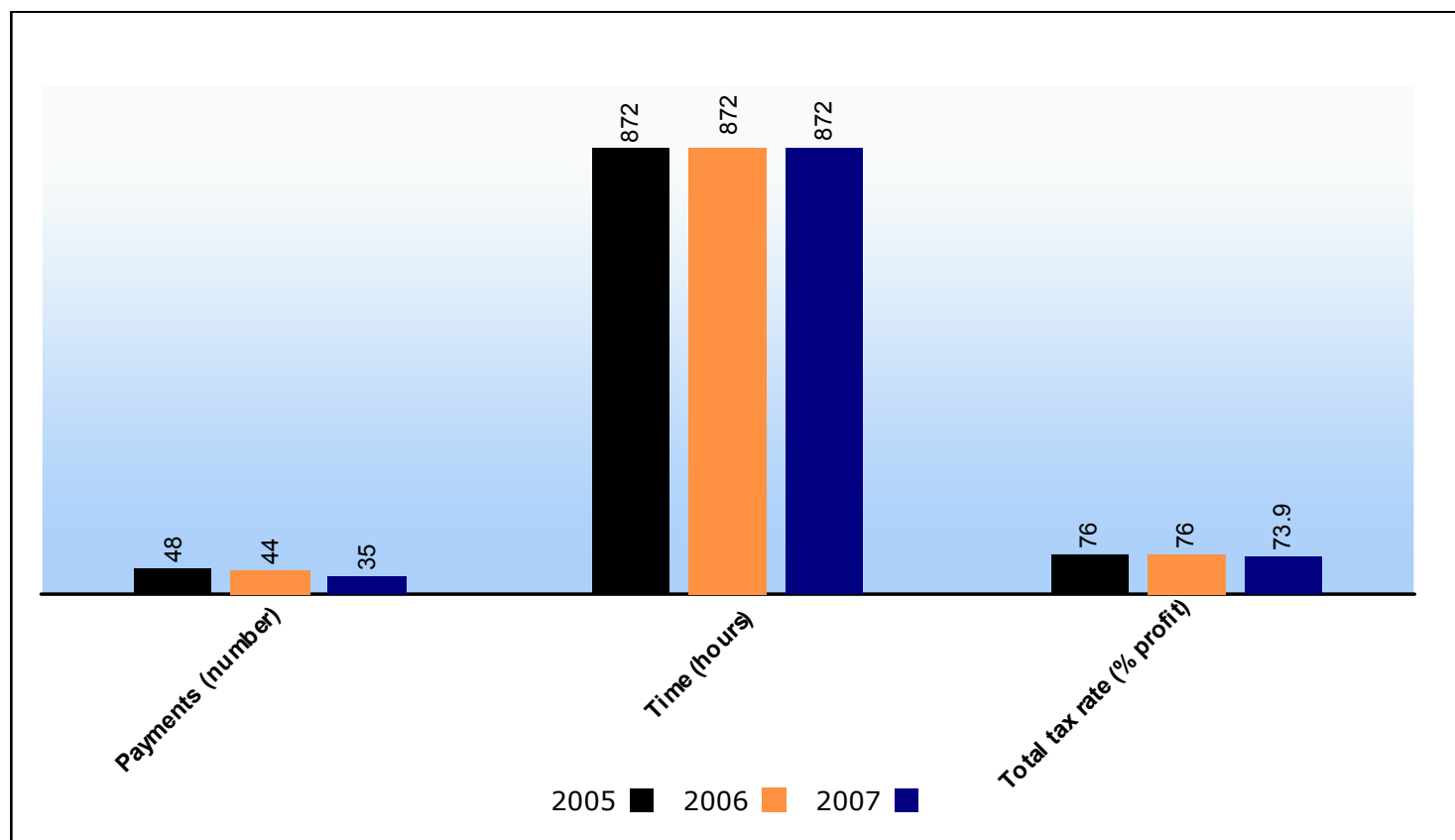
- Number of tax payments, which takes into account the method of payment or withholding, the frequency of payment or withholding and the number of agencies involved for the standard case.
- Time, which measures the hours per year necessary to prepare, file and pay the corporate income tax, value added or sales tax and labor taxes.
- Total tax rate, which measures the amount of taxes payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Poor countries tend to use businesses as a collection point for taxes. Rich countries tend to have lower tax rates and less complex tax systems. And rich countries get more from their taxes. Simple, moderate taxes and fast, cheap administration mean less hassle for businesses—and also more revenue collected and better public services. More burdensome tax regimes create an incentive to evade taxes.

1. Historical data: Paying Taxes in China

Paying Taxes data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		173	168
Time (hours)	872	872	872
Total tax rate (% profit)	76.0	76.0	73.9
Payments (number)	48	44	35

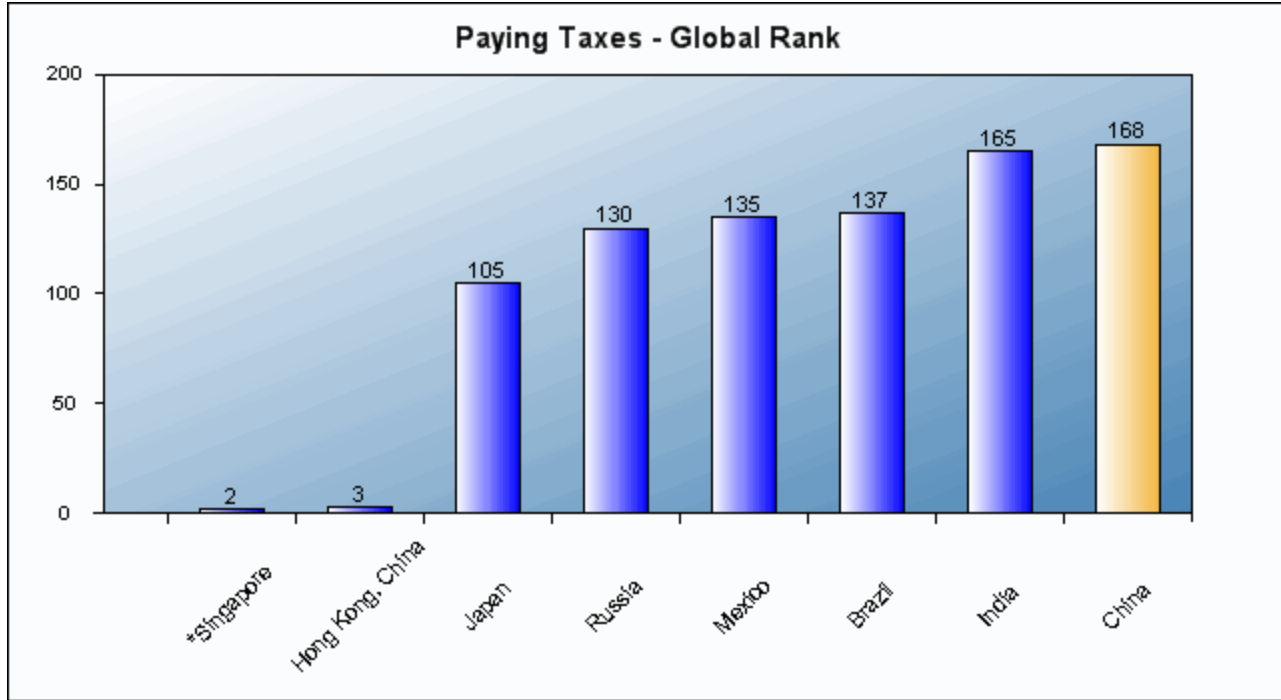
2. The following graph illustrates the Paying Taxes indicators in China over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

China is ranked 168 overall for Paying Taxes. Maldives is the top ranked economy followed by Singapore, Hong Kong, China and United Arab Emirates.

Ranking of China in Paying Taxes - Compared to best practice and selected economies:



* The following economies are also best practice economies for Paying Taxes: Maldives

The following table shows Paying Taxes data for China compared to best practice and comparator economies:

Best Practice Economies	Payments (number)	Time (hours)	Total tax rate (% profit)
Sweden*	2		
United Arab Emirates*		12	
Vanuatu			8.4

Selected Economy			
China	35	872	73.9

Comparator Economies			
Brazil	11	2600	69.2
Hong Kong, China	4	80	24.4
India	60	271	70.6
Japan	13	350	52.0
Mexico	27	552	51.2
Russia	22	448	51.4

* The following economies are also best practice economies for :

Payments (number): **Maldives**

Time (hours): **Maldives**

Trading Across Borders: Importing and Exporting from China

The benefits of trade are well documented—as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with faster ships and bigger planes, the world is shrinking. Global and regional agreements have brought down trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. The reason is simple: many entrepreneurs face numerous hurdles to exporting or importing goods. They often give up. Others never try.

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every official procedure—and the associated documents, time and cost—for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit.

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, with 100 or more employees, and is located in the periurban area of the country's most populous city. It is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the country. The traded goods are ordinary, legally manufactured products, and they travel in a dry-cargo, 20-foot FCL (full container load) container.

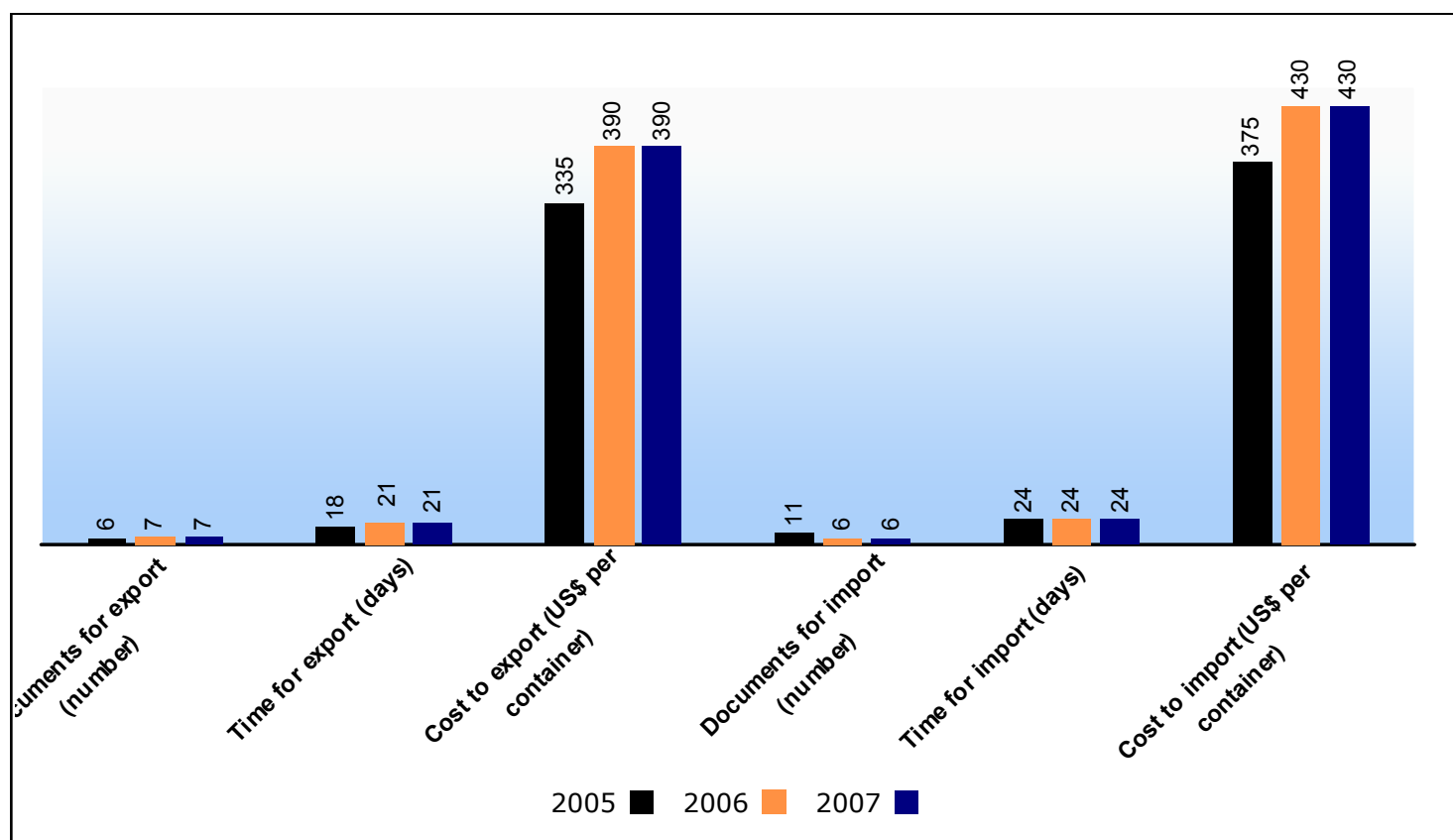
Documents recorded include port filing documents, customs declaration and clearance documents, and official documents exchanged between the concerned parties. Time is recorded in calendar days, from start to finish of each procedure. Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes.

Countries that have efficient customs, good transport networks and fewer document requirements—making compliance with export and import procedures faster and cheaper—are more competitive globally. That leads to more exports—and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border. That defeats the very purpose in having border control of trade—to levy taxes and ensure high quality of goods.

1. Historical data: Trading Across Borders in China

Trading Across Borders data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		31	42
Documents for export (number)	6	7	7
Time for export (days)	18	21	21
Cost to export (US\$ per container)	335	390	390
Documents for import (number)	11	6	6
Time for import (days)	24	24	24
Cost to import (US\$ per container)	375	430	430

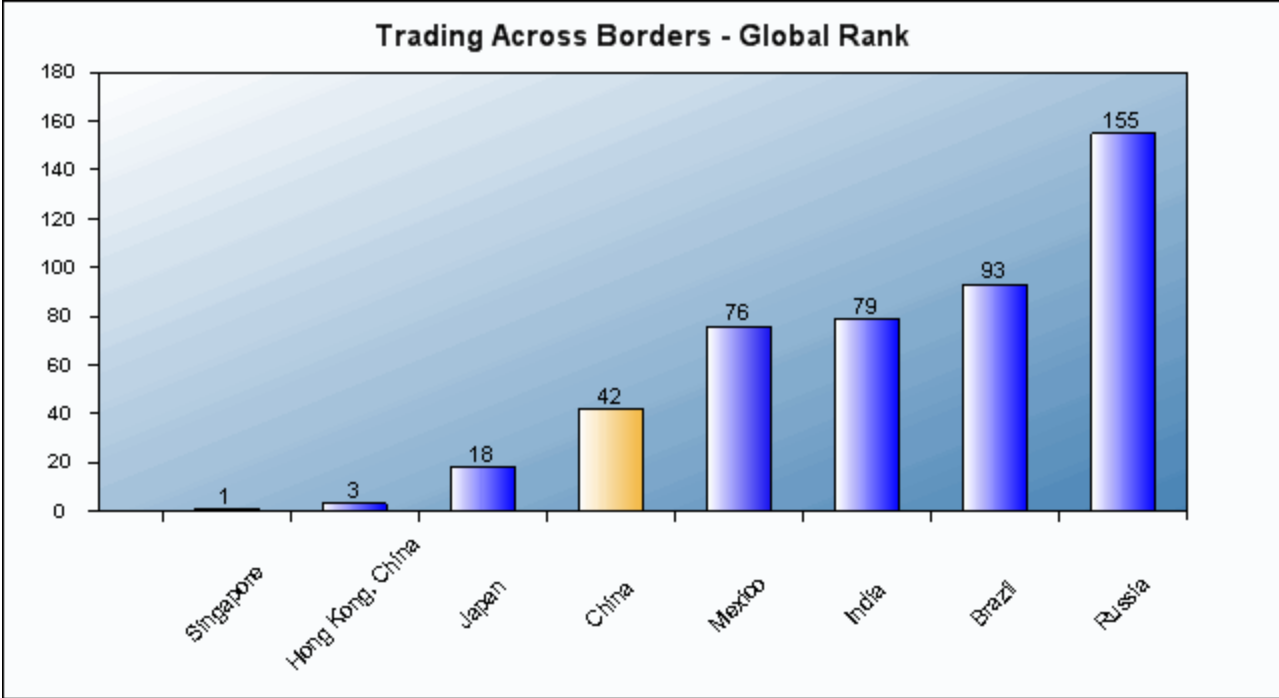
2. The following graph illustrates the Trading Across Borders indicators in China over the past 3 years:



3. Benchmarking Trading Across Borders Regulations:

China is ranked 42 overall for Trading Across Borders. Singapore is the top ranked economy followed by Denmark, Hong Kong, China and Norway.

Ranking of China in Trading Across Borders - Compared to best practice and selected economies:



The following table shows Trading Across Borders data for China compared to best practice and comparator economies:

<i>Best Practice Economies</i>	Documents for export (number)	Time for export (days)	Cost to export (US\$ per)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per)
Canada*	3					
China			390			
Denmark*		5		3		
Singapore					3	367

<i>Selected Economy</i>						
China	7	21	390	6	24	430

<i>Comparator Economies</i>						
Brazil	8	18	1090	7	22	1240
Hong Kong, China	4	6	525	4	5	525
India	8	18	820	9	21	910
Japan	4	10	989	5	11	1047
Mexico	5	17	1302	5	23	2411
Russia	8	36	2050	13	36	2050

* The following economies are also best practice economies for :

Documents for export (number): **Estonia, Micronesia, Panama**

Time for export (days): **Estonia, Singapore**

Documents for import (number): **Sweden**

Enforcing Contracts: Court Efficiency in China

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

The dispute, between two businesses (the Seller and the Buyer) located in the country's most populous city, concerns a contract for the sale of goods. The Seller agrees to deliver the goods, worth 200% of the country's income per capita, to the Buyer.

After receiving and inspecting the goods, the Buyer concludes that their quality is inadequate. The Buyer sends the goods back without paying for them. The Seller disagrees and argues that their quality is adequate. The Seller seeks full payment from the Buyer, arguing that the goods cannot be sold to a third party because they were custom-made for the Buyer. The Seller sues the Buyer before the court in the most populous city to recover the amount due under the sales agreement (200% of the country's income per capita).

Three indicators of the efficiency of commercial contract enforcement are developed:

- Number of procedures, which includes all those that demand interaction between the parties or between them and the judge or court officer.
- Time, which counts the number of days from the moment the plaintiff files the lawsuit in court until the moment of payment. This measure includes both the days on which actions take place and the waiting periods between actions.
- Cost, which measures the official cost of going through court procedures, expressed as a percentage of the claim (assumed to be equivalent to 200% of income per capita). The cost includes court costs, enforcement costs and attorney fees where the use of attorneys is mandatory or common.

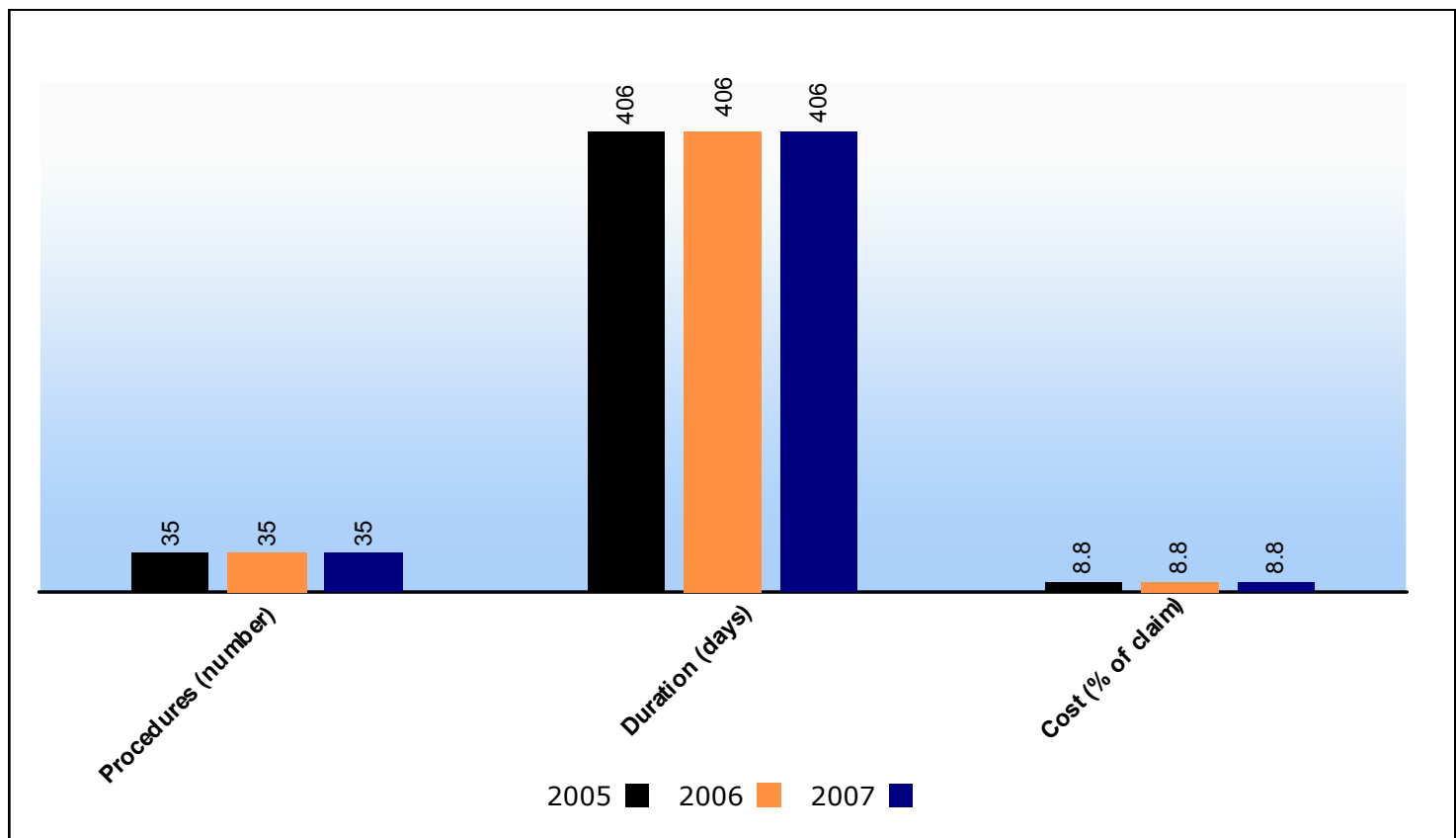
Businesses that have little or no access to efficient courts must rely on other mechanisms, both formal and informal—such as trade associations, social networks, credit bureaus or private information channels—to decide whom to do business with and under what conditions. Or they might adopt a conservative approach to business, dealing only with a small group of people linked through kinship, ethnic origin or previous dealings and structuring transactions to forestall disputes. In either case economic and social value may be lost.

The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution backfires. Across countries, the more procedures it takes to enforce a contract, the longer the delays and the higher the cost. The result: less wealth is created.

1. Historical data: Enforcing Contracts in China

Enforcing Contracts data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		20	20
Procedures (number)	35	35	35
Duration (days)	406	406	406
Cost (% of claim)	8.8	8.8	8.8

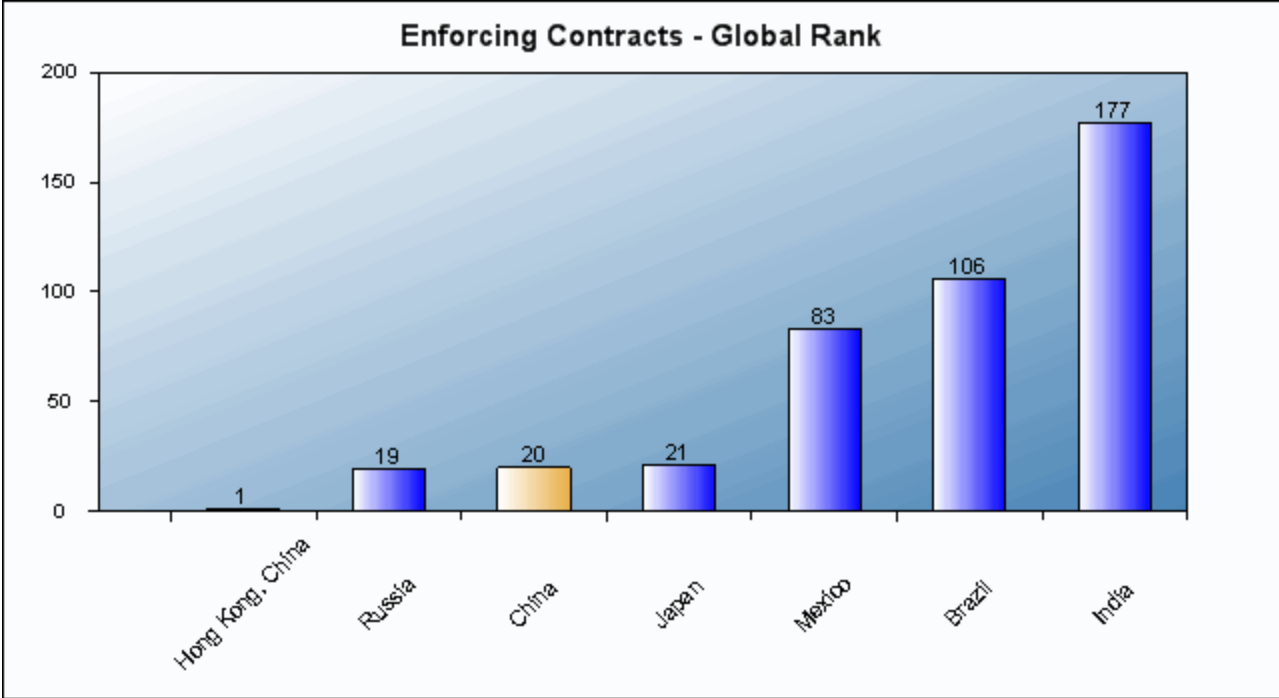
2. The following graph illustrates the Enforcing Contracts indicators in China over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

China is ranked 20 overall for Enforcing Contracts. Hong Kong, China is the top ranked economy followed by Luxembourg, Latvia and Singapore.

Ranking of China in Enforcing Contracts - Compared to best practice and selected economies:



The following table shows Enforcing Contracts data for China compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		120	

Selected Economy			
China	35	406	8.8

Comparator Economies			
Brazil	45	616	16.5
Hong Kong, China	24	211	14.5
India	46	1420	39.6
Japan	30	316	22.7
Mexico	38	415	32.0
Russia	37	281	13.4

Closing Business in China: Bankruptcy

The economic crises of the 1990s in emerging markets—from East Asia to Latin America, from Russia to Mexico—raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that the company is a domestically owned, limited liability corporation operating a hotel in the country's most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and future cash flows. The case is designed so that the company has a higher value as a going concern—that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation. The data are derived from questionnaires answered by attorneys at private law firms.

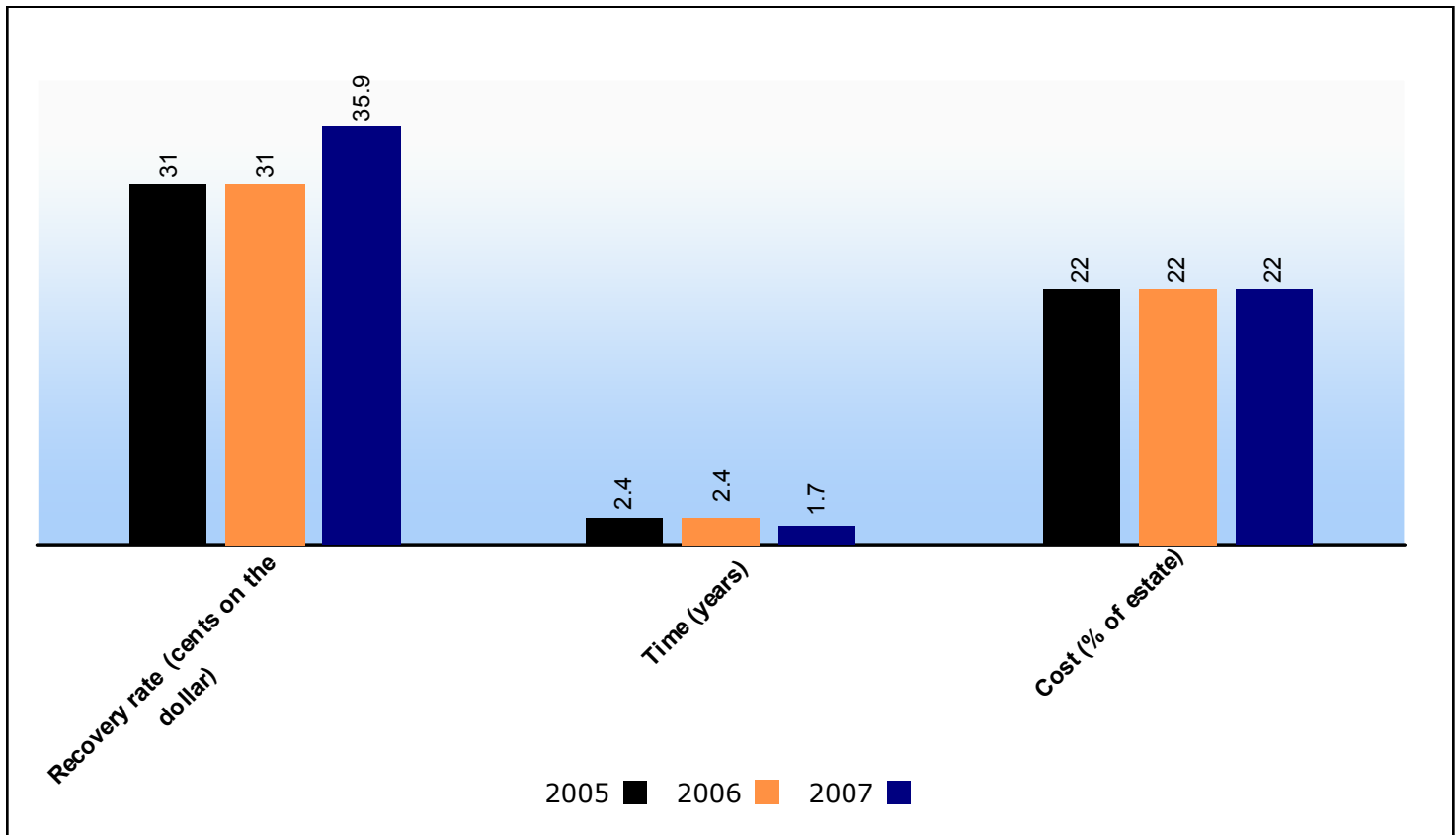
Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate—how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy is used, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

1. Historical data: Closing Business in China

Closing a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		76	57
Time (years)	2.4	2.4	1.7
Cost (% of estate)	22	22	22
Recovery rate (cents on the dollar)	31	31	35.9

2. The following graph illustrates the Closing Business indicators in China over the past 3 years:



3. Benchmarking Closing Business Regulations:

China is ranked 57 overall for Closing a Business. Japan is the top ranked economy followed by Singapore, Norway and Canada.

Ranking of China in Closing Business - Compared to best practice and selected economies:



The following table shows Closing Business data for China compared to best practice and comparator economies:

Best Practice Economies	Recovery rate (cents on the	Time (years)	Cost (% of estate)
Colombia			1
Ireland		0.4	
Japan	92.6		

Selected Economy			
China	35.9	1.7	22

Comparator Economies			
Brazil	14.6	4.0	12
Hong Kong, China	79.0	1.1	9
India	11.6	10.0	9
Japan	92.6	0.6	4
Mexico	63.9	1.8	18
Russia	29.0	3.8	9

Starting a Business in China

This table summarizes the procedures and costs associated with setting up a business in China.

STANDARDIZED COMPANY

Legal Form: Limited Liability Company

Minimum Capital Requirement: CNY 30,000

City: Shanghai

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain a notice of pre-approval of the company name	1 day	RMB 80
2	Open a preliminary bank account; deposit fund in the account and obtain the certificate of deposit	1 day	no charge
3	Obtain registration certification "business license of enterprise legal person" with SAIC or local equivalent	1 day (if done in person); 14 days if by mail	0.08% of registered capital (registration fee) + RMB 10 for copy of Business License + RMB 500 for public announcement (see comment)
4	Obtain the approval to make a company seal from the police department	1 day	no charge
5	Make a company seal	1 day	RMB 300
6	Obtain the organization code certificate issued by the Quality and Technology Supervision Bureau	5 days	RMB 148
7	Register with the local statistics bureau	1 day	RMB 50
8	Register for both state and local tax with the tax bureau (□□□□□□□□)	10 days	RMB 100
9	Open a formal bank account of the company and transfer the registered capital to the account	1 day	no charge
10	Apply for the authorization to print or purchase financial invoices/receipts (□□□□□□□□)	10 days	no charge
11	Purchase uniform invoices (□□□□□□□□)	1 day	RMB 1.05 - 1.67 per invoice book
12	File for recruitment registration with local career service center (□□□□□□□□)	1 day	no charge
13	Register with Social Welfare Insurance Center (□□□□□)	1 day	no charge

Procedure 1 Obtain a notice of pre-approval of the company name

Time to complete: 1 day

Cost to complete: RMB 80

Comment: The applicant picks up the application for company name preapproval from the local Administration of Industry and Commerce (AIC), or otherwise, downloads the form from AIC's Web site. The applicant completes and signs the application form and files it along with his or her identity card. The applicant must be one of the company shareholders. Effective July 1, 2004, enterprise name registration must follow the amended State Administration of Industry and Commerce (SAIC) rules (that is, the new Enterprise Name Registration Administration Implementing Measures, or Qi ye ming cheng deng ji guan li shi shi ban fa). According to the new registration rules, if the applicant goes directly to the AIC, a proposed company name is approved or rejected on the spot. This is newly regulated by Article 24 of the aforementioned measures and is implemented in practice.

Procedure 2 Open a preliminary bank account; deposit fund in the account and obtain the certificate of deposit

Time to complete: 1 day

Cost to complete: no charge

Comment: The Company Law was modified on October 27, 2005, and became effective on January 1, 2006.

- Article 26 lowers the minimum capital requirement to CNY 30,000. According to this article, the shareholders, after paying the required initial capital contribution, may pay off their remaining capital contributions, if any, within 2 years after establishing the company. Note that the required initial capital contribution is at least 20% of the proposed company's registered capital and shall not be lower than the legal requirement for the registered capital for particular industries.
- Article 27 provides the form of the capital contribution. According to this article, if the initial capital contribution is in cash, the shareholders must (a) open a preliminary bank account after obtaining preapproval of the company name; and (b) deposit the initial capital contribution into the bank account. If the initial capital contribution is in nonmonetary assets, the shareholder must transfer the property title of the assets to the company and the value of such assets must be appraised. The initial capital contribution must be verified by legally established verification institutes. The revised Company Law enables shareholders to contribute up to 70% of the registered capital of a limited liability corporation in "nonmonetary assets that can be monetarily valued and legally transferred."

Procedure 3 Obtain registration certification "business license of enterprise legal person" with SAIC or local equivalent

Time to complete: 1 day (if done in person); 14 days if by mail

Cost to complete: 0.08% of registered capital (registration fee) + RMB 10 for copy of Business License + RMB 500 for public announcement (see comment)

Comment: To obtain registration certification, the company must file a completed application form along with the following documents:

- Notice of approval of company name.
- Lease or other proof of company office.
- Capital verification certificate or appraisal report.
- Articles of association, executed by each shareholder.
- Representation authorization.
- Identity cards of shareholders and identification documents of officers.
- Appointment documents and identification documents (certifying name and address) of the directors, supervisors, and officers.

- Appointment documents and identification documents of the company's legal representative
- If the initial contribution is in nonmonetary assets, the document certifying transfer of the property title of such assets.
- Other documents as required by the authorities.

Within 15 working days from receipt of all documents, the AIC should decide to approve or not approve the company registration. After the company registers, it can proceed to have its seal carved, to open formal bank accounts, and to apply for taxation registration.

According to the new administrative rules, application forms may be downloaded from the local government authorities' Web sites. Statutory time limits were introduced for acceptance of application documents and for registration decisionmaking, which differs according to the form of application. In practice, the decision will usually be made within 15 days of receipt of the application. Documentation requirements for company registration were standardized. The Registry is now required to publicly display them.

- According to Article 52, if an application is filed (by letter, telegraph, telex, fax, email, or electronic data exchange), the Company Registry must, within 5 days of receiving the relevant application documents and materials, decide whether to accept the application. If the application documents and materials are incomplete or do not meet the statutory requirements, the Registry must inform the applicant, within 5 days, of all contents subject to supplementation and correction.
- According to Article 54, if the organ in charge of company registration must verify the application documents and materials, it shall decide whether to approve the registration within 15 days of acceptance. In other cases, the organ must decide whether to approve the registration on the spot or within 15 days of acceptance.
- According to Article 55, if the organ decides to approve a company registration, it shall issue a "notice on approval for establishment registration" and inform the applicant to collect its business license within 10 days.
- According to Article 59, from March 1st to June 30th of each year, the organ in charge of the company registration shall carry out an annual examination of companies. Publication fees depend on the place of the public announcement and the company size. Small businesses might only spend CNY 320, and large companies might spend about CNY 1,250.

Procedure 4 Obtain the approval to make a company seal from the police department

Time to complete: 1 day

Cost to complete: no charge

Comment: If all the shareholders are individual investors, the registration file will include the duplicate of the business license (the original and one copy) and the legal representative's identification card. If registration is approved, a notice to make the company seal will be issued to the company.

Procedure 5 Make a company seal

Time to complete: 1 day

Cost to complete: RMB 300

Comment: To make the company seal, the company shall designate a company possessing a Shanghai Special Industry Permit (company seal carving) (□□□□□□□□□□□□□□□□□□□□□□□□). This process costs CNY 70–300, depending on the design and the quality.

Procedure 6 Obtain the organization code certificate issued by the Quality and Technology Supervision Bureau

Time to complete: 5 days

Cost to complete: RMB 148

Comment: The company must apply for the organization code certificate within 30 days of obtaining the business license, by filing a completed application form with the Shanghai Organization Code Management Center (a branch of the Quality and Technology Supervision Bureau) along with the following documents:

- Business license (original and one copy)
- Identity card of the legal representative (one copy).

Procedure 7 Register with the local statistics bureau

Time to complete: 1 day

Cost to complete: RMB 50

Comment: Within 30 days of obtaining the business license, the company must apply for statistics registration by submitting to the local statistics bureau a completed statistics registration form along with the following documents:

- Business license (one copy)
- Organization code certificate (one copy).

Procedure 8 Register for both state and local tax with the tax bureau (□□□□□□)

Time to complete: 10 days

Cost to complete: RMB 100

Comment: The tax registration procedures have been simplified since 2004 with the implementation of the Administration Measures of Tax Registration, issued by the State Taxation Bureau. Two separate taxation authorities still exist (the state taxation bureau and local taxation bureau). However, company founders are required to file tax registration only once, to either of these two authorities. The statutory time limit is 30 days from the date of receiving the registration application.

The company must file the tax registration form and the initial tax reporting forms. Together with those forms, the company submits for review the following documents:

- Business license duplicate (original and one copy).
- Organization code certificate (original and one copy).
- Identification card of the legal representative (original and one copy).
- Identification card of the taxation personnel (original and one copy).
- Company seal and financial seal.
- Office lease agreement and receipt(s) for rent paid.
- Articles of association (original and one copy) and bank-issued account-opening certificate (original and one copy).

For any information or questions, the company can call the Shanghai Taxation Bureau hotline by dialing telephone number 12366.

Procedure 9 Open a formal bank account of the company and transfer the registered capital to the account

Time to complete: 1 day

Cost to complete: no charge

Comment: The procedures and required documents for opening a company bank account and transferring the registered capital to it may vary depending on each bank's practice.

Procedure 10 Apply for the authorization to print or purchase financial invoices/receipts (□□□□□□□□)

Time to complete: 10 days

Cost to complete: no charge

Comment: After registering for state or local taxes and obtaining the tax registration certificate, the company must apply separately to the relevant authorities (that is, the state and local taxation offices) for approval to purchase and issue financial invoices/receipts. The taxation authority will issue the invoice purchasing book, if it agrees to grant the company such qualification, upon reviewing the following submitted documents:

- Tax registration certificate (one copy).
- Identity card of taxation personnel (one copy).
- Application forms.
- Models of invoice seal.

Procedure 11 Purchase uniform invoices (□□□□□□)

Time to complete: 1 day

Cost to complete: RMB 1.05 - 1.67 per invoice book

Comment: The company must obtain and submit an application form to purchase uniform invoices (□□□□□□□□). The form and the authorization book (from Procedure 10) must be submitted to the Tax Office.

In China, with few exceptions, the VAT and ordinary invoices are published by the tax authority for antiforgery reasons. Taxpayers usually buy VAT and ordinary invoices from the tax authority.

Procedure 12 File for recruitment registration with local career service center (□□□□□□)

Time to complete: 1 day

Cost to complete: no charge

Comment: Within 30 days of recruiting employees, a new company must register with the local career service center, sponsored by the local government, by submitting the following documents:

- Business license (original and copy).
- Organization code certificate (original and copy).
- Company seal.
- Identity cards of employees and their employment agreements (copies).

Procedure 13 Register with Social Welfare Insurance Center (□□□□)

Time to complete: 1 day

Cost to complete: no charge

Comment: Within 30 days of establishment, the company must register for the payment of employee social insurance with the local social insurance office by submitting a completed social insurance registration form and the following documents:

- Company seal.
- Duplicate of business license (original and one copy).
- Organization code certificate (original and one copy).

After all these documents have been verified, the authorities will issue a notice to open a social insurance account for the company. The company must then apply to open a special account at the designated bank. The local social insurance office will issue the social insurance registration card to the company on receiving bank notification of account opening.

Dealing with Licenses in China

The table below summarizes the procedures, time, and costs to build a warehouse in China.

BUILDING A WAREHOUSE

Date as of: January 2, 2007

Estimated Warehouse Value:

City: Shanghai

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain approval of the project proposal from the Municipal Development and Reform Commission	21 days	no charge
2 *	Request and obtain the approval of request of construction project planning and design from the Municipal Commission of Urban Planning	28 days	no charge
3	Request and obtain the approval on planning and design project for construction (□□□□□□□□□□□□) and the notification on the review of the design plan (□□□□□□□□□□) from the Municipal Commission of Urban Planning (□□□□□□)	28 days	no charge
4	Request and obtain the planning permit of using land for construction purposes	60 days	no charge
5	Request and obtain the land use permit for construction from the State Land, Resources, and Housing Agency	10 days	no charge
6	Request and obtain an environmental evaluation	30 days	no charge
7	Request and obtain construction project planning permit	35 days	CNY 1,319
8	Request and obtain certificate of safety operation on construction project at the Safety and Quality Supervision Office of the Municipal Construction Commission	1 day	CNY 20
9	Request and obtain evidence of capital from bank	1 day	no charge
10 *	Register construction drawings at the People's Defense Office	1 day	CNY 78,036
11 *	Review of construction drawings by Shanghai City Appearance and Environmental Sanitation Administration Bureau	10 days	no charge
12 *	Review of construction drawings by Fire Protection Bureau	20 days	no charge
13 *	Review of construction drawings by Shanghai Police and Traffic Police General Team	30 days	no charge

14 *	Receive review of building drawings by a building drawing examiner authorized by the Planning Committee and obtain a letter of notice	20 days	no charge
15 *	Hire an authorized supervision agency	2 days	CNY 48,021
16 *	Register for direct contracting of construction with the Municipal Tendering Office	1 day	no charge
17 *	Have the building contractor and supervisor seal the application form	1 day	no charge
18 *	Pay the fees for funds of concrete (□□□□□□) and energy-saving wall materials (□□□□□□) with the Office of Building Materials of the Municipal Construction Commission	8 days	no charge
19 *	Enter the project into the Municipal Statistics Bureau's record	1 day	CNY 20
20	Request and obtain building permit	21 days	CNY 4,552
21 *	Receive on-site inspection by the Construction Commission	1 day	no charge
22	Receive "four-party" Inspection	1 day	no charge
23	Request and receive inspection of the completed construction from the planning department	10 days	no charge
24	Request and receive fire department inspection upon building completion	15 days	no charge
25 *	Request opinion on whether construction project is lightning-proof	14 days	no charge
26	Request and obtain certificate of the completed construction from the fire department	15 days	no charge
27 *	Request and receive inspection of the completed construction from the environmental protection department	30 days	no charge
28 *	Request and receive inspection on construction completion (□□□□) and inspection from the Municipal Construction Committee	7 days	no charge
29	Request and obtain certificate of completion and certificate of final inspection from the Municipal Construction Commission	21 days	no charge
30 *	Request electricity connection	1 day	no charge
31	Receive electricity inspection	1 day	no charge
32	Connect to electricity	60 days	no charge

33 *	Request water and sewage connection	1 day	no charge
34	Receive water and sewage inspection	1 day	no charge
35	Receive connection to water and sewage services	50 days	no charge
36 *	Request and receive connection to telephone	14 days	CNY 200
37	Register building with Real Estate Registry	30 days	CNY 384

* Takes place simultaneously with another procedure.

Procedure 1 Request and obtain approval of the project proposal from the Municipal Development and Reform Commission

Time to complete: 21 days

Cost to complete: no charge

Comment: To request approval of the project proposal, BuildCo must submit the following documents to the Municipal Development and Reform Commission:

- Letter of application.
- Project proposal, with feasibility study report compiled according to government specifications.
- Land use right.
- Construction location map.
- Business certificate.

The commission will consult with the municipal authorities overseeing land use, planning, and other governmental functions: education, transportation, fire safety, health and sanitation, relics preservation, landscape planning, people's defense, energy efficiency, seismic monitoring, and water irrigation and management. The commission deals with all departments internally.

The feasibility study report, issued by this agency, is required for project investments worth over CNY 10 million. Thus, the report does not apply in the case considered here.

There is no unified time limit for examining and approving the project conducted by the Municipal Development and Reform Commission. For this procedure, the time frame is determined by the particulars of each project. The time frame may vary between 2 to 4 weeks.

Procedure 2 Request and obtain the approval of request of construction project planning and design from the Municipal Commission of Urban Planning

Time to complete: 28 days

Cost to complete: no charge

Comment: The Municipal Commission of Urban Planning evaluates the project impact on city planning. Inspection and mapping may be conducted before the commission issues an opinion letter on location selection and enquiry forms for the authorities that the commission deems necessary to be consulted.

To request approval for construction on self-owned land, BuildCo must submit the following documents:

- Attestation on land use rights, which may be one of these three documents (a) land use certificate of state-owned land (□□□□□□); (b) planning permit for using land for construction purposes □□□□□□□□; and (c) certificate of collectively owned land use rights (□□□□□□).
- A completed application form (planning permission of construction project) stamped with BuildCo's seal.
- Introduction of the planned project, including zone area, construction purpose, project feature, and so forth.
- Planning drawings (including major technical indicators).
- Basic cadastral map with designed construction location marked out.
- Topographic map (□□□).
- Title certificate of the land and its attached drawing.

Ensuring that planned construction complies with city requirements planning, the commission examines the documents and proposes design requests.

As a result of this procedure, the relevant municipal construction commission will give the applicant an identification number that allows the applicant to track the progress made on the application (an IC card) when the applicant submit reports on the approved construction project; this occurs after Procedure 2. If the applicant submits the required documents, the IC card will be issued immediately, free of charge. The commission requires the IC card.

Procedure 3 Request and obtain the approval on planning and design project for construction (□□□□□□□□□□) and the notification on the review of the design plan (□□□□□□□□) from the Municipal Commission of Urban Planning (□□□□□□)

Time to complete: 28 days

Cost to complete: no charge

Comment: After obtaining the approval of planning request, BuildCo should apply with the Planning Bureau for the approval of the construction planning and design project (□□□□□□□□□□). The following documents are required for apply this approval:

- Application form, Planning and design project for construction.
- Topographical map□□□□□.
- Ichnographic map□□□□□.
- Scheme drawing (□□□□□and instruction of design.
- Form, Area of layers (□□□□□).
- Approval of the feasibility study report or other relevant approval.
- Approval of request of construction project planning and design (□□□□□□□□□□□□□□).
- Other relevant documents and drawings required in the notice of request for construction project planning and design.

The time line is 28 days. There is no charge for this approval.

Procedure 4 Request and obtain the planning permit of using land for construction purposes

Time to complete: 60 days

Cost to complete: no charge

Comment: To request a land-use planning permit, the documents to be filed include

- Application for project planning permit (form sealed by BuildCo).
- Planning opinion and attached map.
- Project proposal, including feasibility report and other documents approved by the municipal planning authority.
- Notice of opinion on construction location and affixed maps or, otherwise, the agreement of the transfer of right for state-owned land and affixed maps.
- Cadastral map.
- Approval of construction design and maps, if the plan has been approved.

The authority should notify the applicant whether revisions are needed within 5 days. The time for this procedure is 40 working days. This procedure occurs after the “notification of the review of design plans” is issued by the municipality.

Procedure 5 Request and obtain the land use permit for construction from the State Land, Resources, and Housing Agency

Time to complete: 10 days

Cost to complete: no charge

Comment: The Shanghai Housing, Land, and Resource Administration Bureau reviews requests for the land-use construction permit (□□□□□□□□), including the following documentation:

- Land use planning permit for construction purposes (□□□□□□□□□□).
- Pole setting notice (□□□□□□□□□□)
- Plan of building progress.
- Application for land-use permit.

Procedure 6 Request and obtain an environmental evaluation

Time to complete: 30 days

Cost to complete: no charge

Comment: In the case considered here, BuildCo must submit an environmental impact assessment (□□□□□□□□). Effective January 1, 2006, the approval of environmental evaluation form can be obtained at no cost in 30 days.

Procedure 7 Request and obtain construction project planning permit

Time to complete: 35 days

Cost to complete: CNY 1,319

Comment: Documents needed for construction on the self-owned land include the following:

- Construction plan documents, approved by the Municipal Development and Reform Commission (not required for new buildings less than 300 sq. m. and renovation projects less than 3,000 sq. m.).
- Application form (planning permission for a construction project), stamped with BuildCo seal.
- Notice on the review of the design plan, and the attached drawings.
- Building design drawings.
- Agreements and documents required by the Notice on the review of the design plan.
- Topographic map (□□□).
- Ichnographic map (□□□).
- Construction map (□□□□□).
- Groundwork construction ichnographic map (□□□□□□□□), groundwork detail drawing□□□□□□□□, and piling plan drawing□□□□□□□□□□.
- Ichnographic sketch map used for public purposes.
- Approval documents on primary proposal of the construction project.
- Title certificate of the land and its attached drawing.
- Construction budget plan.

The authority issues the permit of project planning or a notice of revision on building drawings. Cost is calculated at 0.1%–0.3% of estimated construction value, and the percentage is smaller if the building cost is larger.

Procedure 8 Request and obtain certificate of safety operation on construction project at the Safety and Quality Supervision Office of the Municipal Construction Commission

Time to complete: 1 day

Cost to complete: CNY 20

Comment: All project construction companies must obtain the certificate of safety operation. To obtain it, BuildCo must file the annual building plan and the construction planning permit with the Safety and Quality Supervision Office of the Municipal Construction Commission. This requirement is set by the Notice on Strengthening the Approval of Certificate of Safety Operation on Construction Project, issued by the Department of Construction, effective June 24, 2005.

The time line to complete this procedure is 45 days after filing. The cost is CNY 20. According to the Implementation Regulations for Construction Project Building Permits of Safety Operation of Shanghai (No. 161, dated March 2006), (上海市建设工程施工安全操作规程), companies can apply through the Commission's Web site. The request is processed in 10 working days.

Procedure 9 Request and obtain evidence of capital from bank

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 10 Register construction drawings at the People's Defense Office

Time to complete: 1 day

Cost to complete: CNY 78,036

Comment: In the case considered here, the construction drawings will not be subject to review by the People's Defense Office because the warehouse is not related to their facilities. However, the office will impose a registration fee of CNY 60 per sq. m. This documentation must be submitted to the People's Defense Office for registration and filing.

Procedure 11 Review of construction drawings by Shanghai City Appearance and Environmental Sanitation Administration Bureau

Time to complete: 10 days

Cost to complete: no charge

Comment:

Procedure 12 Review of construction drawings by Fire Protection Bureau

Time to complete: 20 days

Cost to complete: no charge

Comment:

Procedure 13 Review of construction drawings by Shanghai Police and Traffic Police General Team

Time to complete: 30 days

Cost to complete: no charge

Comment:

Procedure 14 Receive review of building drawings by a building drawing examiner authorized by the Planning Committee and obtain a letter of notice

Time to complete: 20 days

Cost to complete: no charge

Comment: The building drawing review and fee collection occur simultaneously with the issuance of the construction project planning permit.

Procedure 15 Hire an authorized supervision agency

Time to complete: 2 days

Cost to complete: CNY 48,021

Comment: There is no uniform price for hiring a supervisor, but the government will normally impose a cap rate or price range. The cost should be calculated as follows:
1. Designing step: if the budgetary estimate of the project design is less than CNY 5,000,000, the cost is calculated as 0.44 % (1,319,017.93 x 0.44%= CNY 5,803.6) of the budgetary estimate of the project design.
2. Building and repairing step: if the budgetary estimate of the project building and repairing is less than CNY 5,000,000, the cost is calculated as 3.3% (1,319,017.93 x 3.3% = CNY 43,527.59CNY) of the budgetary estimate. The new value is CNY 43,527.59 + CNY 5,803.6 = CNY 49 331.19.

These calculations are according to the Notice on the Standard of Industry-directed Price for the Construction Supervision Agency Fees of Shanghai' (Hu Jiang Jiang Xiezi [2001], No.20, effective January 1, 2002).

Procedure 16 Register for direct contracting of construction with the Municipal Tendering Office

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 17 Have the building contractor and supervisor seal the application form

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 18 Pay the fees for funds of concrete (□□□□□□) and energy-saving wall materials (□□□□□□) with the Office of Building Materials of the Municipal Construction Commission

Time to complete: 8 days

Cost to complete: no charge

Comment: The fee for the concrete fund is CYN 4 per ton. The fee for the new energy-saving wall material fund depends on the type of construction:
- Civil: CYN 8 per sq. m.

- Industrial: CYN 10 per sq. m.

There is no charge for filing an application. BuildCo does not need to pay the fund for the new energy-saving wall material. After BuildCo completes construction, the Office of Building Materials charges for the clay brick funds, according to the size and number of clay bricks used in construction:

- 24 centimeter clay brick: CNY 0.085 per brick.
- 20 centimeter clay brick: CNY 0.060 per brick.

Fee schedule for concrete fund:

- 500 tons or under: CNY 3 per ton.
- More than 500 tons: CYN 2 per ton.

The time line is 1 day for concrete and 7 days for energy-saving wall materials.

Procedure 19 Enter the project into the Municipal Statistics Bureau's record

Time to complete: 1 day

Cost to complete: CNY 20

Comment: To enter the project into the Municipal Statistics Bureau's record, BuildCo should submit a copy of the business license and the organization code certificate. The fee is CNY 20.

Procedure 20 Request and obtain building permit

Time to complete: 21 days

Cost to complete: CNY 4,552

Comment: To request a building permit, BuildCo must file the following documents:

- Land-use permit for construction purpose (□□□□□□).
- Planning permit for the construction project (□□□□□□□□).
- Building contract.
- Building drawings and examination documents (□□□□□□□□□□□□□□□□).
- Building organization plan (□□□□□□), with the opinion from the general supervisor or the lead project technician.
- Notification of quality monitoring and safety monitoring (□□□□□□□□□□□□□□□□).
- Contract of supervision (□□□□).
- Evidence of capital.
- Building permit applications (□□□□□□□□□□□□) (two copies).
- Building plan for the year (□□□□□□).
- Filing notice with the People's Defense Office.
- Evidence of payment of fees (□□□□□□□□□□).
- Evidence of payment of concrete fund and energy-saving fund (□□□□□□□□□□□□□□□□□□□□□□□□□□□□).
- Registration notice from the Municipal Statistics Bureau (□□□□□□□□□□).
- IC card for construction project.
- Construction contract and anticorruption agreement (form agreement between the owner and the contractor for certain anticorruption commitments) (copy).

The office registers on BuildCo's behalf for quality and safety monitoring and issues a notice. The statutory time limit for this procedure is 15 working days.

Procedure 21 Receive on-site inspection by the Construction Commission

Time to complete: 1 day

Cost to complete: no charge

Comment: No time limits apply for inspections. The approximate waiting time is 5 days.

Procedure 22 Receive "four-party" Inspection

Time to complete: 1 day

Cost to complete: no charge

Comment: This procedure is called a four-party inspection (□□□□□). The four parties include the site inspector, the designer, the builder, and the supervisor.

Procedure 23 Request and receive inspection of the completed construction from the planning department

Time to complete: 10 days

Cost to complete: no charge

Comment: To request a final inspection, BuildCo must file the following documents:

- Application form for building construction permit.
- Planning permit for the construction project (□□□□□□□□□□).
- Bank attestation on capital (□□□□□□□).
- Evidence of water connection, power connection, road access, and ground unknited (□□□□).
- Construction contract with contractor and probity agreement (□□□□).
- Supervising contract.
- Certificate of quality and safety operation.
- Bid winning award notice for exploration, design, and construction.
- Approval of construction drawings and examination of design documents.

Procedure 24 Request and receive fire department inspection upon building completion

Time to complete: 15 days

Cost to complete: no charge

Comment:

Procedure 25 Request opinion on whether construction project is lightning-proof

Time to complete: 14 days

Cost to complete: no charge

Comment: To obtain an opinion, BuildCo must file the following with the fire department:

- Application for fire department inspection of the completed construction.
- Inspection report of fire control establishment, if any.

Procedure 26 Request and obtain certificate of the completed construction from the fire department

Time to complete: 15 days

Cost to complete: no charge

Comment: The time limit is 17 working days from the receipt of application (according to Web site information for the Public Security and Fire Prevention Authority). In practice, the application process takes longer.

Procedure 27 Request and receive inspection of the completed construction from the environmental protection department

Time to complete: 30 days

Cost to complete: no charge

Comment: To receive a final environmental inspection, BuildCo must submit these required documents:

- Supervisory report from the completed construction inspection.
- Application for completed construction inspection.
- Approval of trial production.
- Approval of evaluation on environmental impact.

The time limit is 30 days from the receipt of application, according to the Environment Protection Bureau Web site.

Procedure 28 Request and receive inspection on construction completion (□□□□) and inspection from the Municipal Construction Committee

Time to complete: 7 days

Cost to complete: no charge

Comment: Within 15 days after the building passes inspection, BuildCo must file the following documents with the Municipal Construction Commission:

- Filing form for inspection of completed construction.
- Inspection report of the completed construction (including all project information and acknowledgments of design, building, and supervisory parties).
- Occupation permits, issued by the planning, police and fire, and environmental departments.
- Acknowledgment of the city construction dossier department.
- Permit, issued by the People's Defense Office.
- Quality warranty, issued by the builder.
- Completion inspection report, IC card of construction project, and use permit (issued respectively by the Urban Planning Authority, Public Security Authority, Fire Prevention Authority, Environmental Protection Bureau, Antithunder Center), concrete fund settlement application, and documents on quality auditing fare settlement.

This procedure must be completed on the day of application, provided that the documents required for submission are complete. There is no charge for this procedure.

Procedure 29 Request and obtain certificate of completion and certificate of final inspection from the Municipal Construction Commission

Time to complete: 21 days

Cost to complete: no charge

Comment: Within 15 days after the building passes the inspection, BuildCo must file the following documents with the Municipal Construction Commission:

- Filing form of inspected completed construction.
- Inspection report of the completed construction (including all project information and acknowledgment of the design, building, and supervisory parties).
- Occupation permits, issued by the planning, police and fire, and environmental departments.
- Acknowledgment of the city construction dossier department.
- Permit, issued by the People's Defense Office.
- Quality warranty, issued by the builder.
- Opinion on inspection and acceptance of lightning-proof construction project (□□

□□□□□□□□□□).

- Application form for fund of concrete (□□□□□□□□□□□□).
- Relevant documents of paid fees of quality supervising (□□□□□□□□□□).
- IC card of construction project.
- Completion inspection report, IC card of construction project, use permit (issued respectively by Urban Planning Authority, Public Security Authority, Fire Prevention Authority, Environmental Protection Bureau, Antithunder Center), concrete fund settlement application, and documents on quality auditing fare settlement.

This procedure must be completed on the day of application, provided that the documents required for submission are complete. There is no charge for this procedure. The statutory time limit for this procedure is 15 working days.

Procedure 30 Request electricity connection

Time to complete: 1 day

Cost to complete: no charge

Comment: Shanghai Power Corp. will levy BuildCo's power supply construction charges, which include a financial charge, temporary facility charge, construction supervision charge, and basic preparation charge. The power supply construction charge will be determined mainly by the conditions of the premises and the surrounding areas of the warehouse. Thus the information assumed for this case study is insufficient to determine the specific charge. The power company indicates that the connection facilities must be finished within 3 months; an itemized bill will be provided afterward.

Procedure 31 Receive electricity inspection

Time to complete: 1 day

Cost to complete: no charge

Comment: The on-site pre-inspection is needed to determine power connection feasibility in this specific site. If feasible, they BuildCo must develop a cost budget for power connection, depending on the construction material price and quantity.

Procedure 32 Connect to electricity

Time to complete: 60 days

Cost to complete: no charge

Comment:

Procedure 33 Request water and sewage connection

Time to complete: 1 day

Cost to complete: no charge

Comment: The water and sewage connection fee depends on the actual project size (including the price of labor and materials). A budget is a must.

The application procedure lasts at least 1–2 months and usually takes 3–4 months.

Procedure 34 Receive water and sewage inspection

Time to complete: 1 day

Cost to complete: no charge

Comment: Upon receiving the water supply application, the water service crew conducts on-site surveys within 7 days. The completion of water supply is determined by construction conditions. As for sewage licensing, the Municipal Water Bureau needs 20 days after BuildCo submits the project approval and other documents on the sewage facility design to conduct a preliminary inspection. After completing the inspection and trial operation, the bureau requires 20 days to examine the results of the facility and grant approval.

Procedure 35 Receive connection to water and sewage services

Time to complete: 50 days

Cost to complete: no charge

Comment:

Procedure 36 Request and receive connection to telephone

Time to complete: 14 days

Cost to complete: CNY 200

Comment: The charge may vary between CNY 140 and CNY 310.

Procedure 37 Register building with Real Estate Registry

Time to complete: 30 days

Cost to complete: CNY 384

Comment: The warehouse considered here should fall into the category of nonresidential real property, in which case the registry procedure will take 20 days from receipt of the application. The cost is calculated according to the actual property value. In this case, considering the assumption that the value exceeds 1 million, the registry fee rate should be 0.03%, or about CNY 384. Before selling the building, the property must be registered and the certificate obtained.

Employing Workers in China

Employing workers indices are based on responses to survey questions. The table below shows these responses in China.

Employing Workers Indicators (2007)	Answer	Score
Rigidity of Employment Index		23.7
Difficulty of Hiring Index		11.1
Are fixed-term contracts prohibited for permanent tasks?	No	0
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.41	0.33
Rigidity of Hours Index		20.0
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0
What is the maximum number of working days per week?	6	0
Are there restrictions on night work?	No	0
Are there restrictions on "weekly holiday" work?	Yes	1
What is the paid annual vacation (in working days) for an employee with 20 years of service?	0	0
Difficulty of Firing Index		40.0
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 25 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 25 redundant workers?	No	0
Can an employer make redundant a worker only if the worker could not have been reassigned or retrained?	Yes	1
Are there priority rules applying to redundancies?	No	0
Are there priority rules applying to re-employment?	Yes	1
Firing costs (weeks of wages)		91.0
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		4.3

What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)	86.7
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What is the legally mandated penalty for redundancy dismissal? (weeks of salary)	0.0
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Nonwage labor cost (% of salary)	44.0
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Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in China

This topic examines the steps, time, and cost involved in registering property in China.

STANDARDIZED PROPERTY

Property Value: 100,500.00

City: Shanghai

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Parties obtain application and notifications sheet, and pay fees	1 day	Deed tax: 3% of property value to be paid by the buyer Stamp duty: 0.05% of property value paid each by buyer and seller (total 0.1%) Transaction Fee: 0.5% of property value to be paid by the buyer
2	Parties file the application at the House and Land Resources Administration Centre	up to 20 business days	no cost
3	Parties pay registration fee	1 day	CNY 300
4	Parties pick up new title certificate	1 day	no cost

Procedure 1 Parties obtain application and notifications sheet, and pay fees

Time to complete: 1 day

Cost to complete: Deed tax: 3% of property value to be paid by the buyer
Stamp duty: 0.05% of property value paid each by buyer and seller (total 0.1%)
Transaction Fee: 0.5% of property value to be paid by the buyer

Comment: The parties visit the House and Land Resources Administration Centre to pick up an application and a notification sheet that gives instructions on how to proceed. The parties fill the application on the spot, impose their company seals on it, and present it to pay the applicable taxes at the Finance Window.

Procedure 2 Parties file the application at the House and Land Resources Administration Centre

Time to complete: up to 20 business days

Cost to complete: no cost

Comment: Private ownership of land is not permitted in China; all land is subject to either State ownership or collective ownership. However, a private party is entitled to obtain the right to use the land. Regarding the State-owned land, there are two types of land use rights, the "granted land use right" and the "allocated land use right". The difference is that the granted land use right is limited in time against payment, whereas the allocated land use right is usually given for free with no time limit, but for specific purposes only. A private party also may transfer to another private party the granted land use right. The allocated land use right cannot be commercially transferable before being converted into granted land use right. In this case, the land is used for commercial purposes. Usually land for commercial use is owned by the State, and the relevant land use right is the State-owned land use right. As to the term of the land use right in this case the buyer, who will use the land for commercial purposes, will only get 40 years as the initial term (as maximum unless it extends the granted land use rights at the end of the 40 year period by paying to the State the additional land price) minus the period from the granting date from the State to the date of the transfer to ABC.

The documentation shall include:

The seller and the buyer should submit one original real estate sales and purchase contract (duly signed) and a writing representation of the seller and buyer regarding the title transfer. There is no standard form of the contract (except for newly constructed commercial residential properties) nor the participation of a lawyer/notary is required.

The seller should submit the below documents:

- (i) The original copy of the Property Ownership Certificate and Land Use Right Certificate (already in possession of the seller);
- (ii) The original copy of the Business License or Organization Code Certificate;
- (iii) The original copy of the Board resolution approving the sales of the real estate;
- (iv) District Branch-dedicated Form for proof of legal representative's authority, and photocopy of the identification card (or passport) of the legal representative; and
- (v) Photocopy of the identification card of the individual authorized to handle the actual procedures, and the original copy of Power of Attorney.

The buyer should submit the below documents:

- (i) Real Estate Ownership Registration Form;
- (ii) The original copy of the Business License or Organization Code Certificate;
- (iii) The original copy of the Board resolution approving the purchase of the real estate;
- (iv) District Branch-dedicated Form for proof of legal representative's authority, and photocopy of the identification card (or passport) of the legal representative; And

(v) Photocopy of the identification card of the individual authorized to handle the actual procedures, and the original copy of Power of Attorney.

Procedure 3 Parties pay registration fee

Time to complete: 1 day

Cost to complete: CNY 300

Comment: The registration fee is paid at a separate window from that where one picks up the new title.

Procedure 4 Parties pick up new title certificate

Time to complete: 1 day

Cost to complete: no cost

Comment: After paying the registration fee, along with the receipt, the buyer obtains the new "Property Ownership Certificate" and the "Land Use Right Certificate" from the House and Land Resources Administration Centre. In Shanghai the two certificates are obtained from the same agent, but elsewhere in China the agencies may be separate. The title transfer procedure will be complete upon the issuance of the new Property Ownership Certificate and Land Use Right Certificate, and the certificate holder thereby becomes the official owner of the premises.

Getting Credit in China

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in China.

Getting Credit Indicators (2007)			Indicator
Private bureau coverage (% adults)	Private credit bureau	Public credit registry	4
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative data distributed?	No	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	Yes	1
Is data on all loans below 1% of income per capita distributed?	No	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage	0.0	49.2	
Number of individuals	0	500,000,000	
Number of firms	0	10,000,000	
Legal Rights Index			3
Does the law allow all natural and legal persons to be party to collateral agreements?			No
Does the law allow for general descriptions of assets, so that all types of assets can be used as collateral?			No
Does the law allow for general descriptions of debt, so that all types of obligations can be secured?			No
Does a unified registry exist for all security rights in movable property?			No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?			No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?			Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?			No
During reorganization, is management's control of the company's assets suspended?			Yes
Does the law authorize parties to agree on out of court enforcement?			Yes
May parties have recourse to out of court enforcement without restrictions?			No

Protecting Investors in China

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in China.

Protecting Investors Data (2007)	Indicator
Disclosure Index	10
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	3
Immediate disclosure to the public and/or shareholders (0-2; see notes)	2
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	1
Director Liability Index	1
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	0
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
Shareholder Suits Index	4
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	0
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	0
Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	1

Notes:**Extent of Disclosure Index**

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in China

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in China, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	12		384	17.0%	value added		not included
Property tax (land)	2			RMB 5 per square meter	land area	0.50	
Business tax	1			5.0%	capital gain	0.51	
Levies for construction and Maintenance of River projects	0	paid jointly		1.0%	VAT and business tax	0.51	
Property tax	1			1.2%	80% building value	0.94	
Stamp duty	2			0.0%	transaction value	1.00	
Education Tax	0	paid jointly		3.0%	VAT	1.50	
Urban maintenance tax	0	paid jointly		7.0%	VAT	3.51	
Corporate income tax	5		200	33.0%	taxable profits	19.44	
Social security/housing fund contributions	12		288	44.0%	gross salaries	46.01	
Totals	35		872			73.9	

Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filing available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

Trading Across Borders in China

These tables list the procedures necessary to import and exports a standardized cargo of goods in China. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	14	160
Customs clearance and technical control	2	65
Ports and terminal handling	2	80
Inland transportation and handling	3	85
Totals	21	390

Nature of Import Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	15	160
Customs clearance and technical control	4	65
Ports and terminal handling	2	80
Inland transportation and handling	3	125
Totals	24	430

Export

Bill of lading

Cargo release order

Certificate of origin

Commercial invoice

Customs export declaration

Packing list

Terminal handling receipts

Import

Bill of lading

Certificate of origin

Commercial invoice

Customs import declaration

Foreign exchange authorization

Packing list

Enforcing Contracts in China

This topic looks at the efficiency of contract enforcement in China.

Nature of Procedure (2007)	Indicator
Procedures (number)	35.00
Duration (days)	406.00
Filing and service	21.0
Trial and judgment	195.0
Enforcement of judgment	190.0
Cost (% of claim)*	8.80
Attorney cost (% of claim)	3.6
Court cost (% of claim)	1.8
Enforcement Cost (% of claim)	3.4

Court information: Shanghai District People's ("□□□□□□□□")
Court

* Claim assumed to be equivalent to 200% of income per capita.