

Chairman's Report

By William Warwick

Happy New Year!! In the Year of the Boar, the Board of Governors, the Officers, and the Chamber staff join me in wishing you, your families and your companies a most successful 1995.

There are several issues I want to call to your attention for they are likely to dominate U.S.-China commercial relations in the weeks and months ahead.

The first one is the pending Super 301 sanctions which will be imposed on certain Chinese exports to the U.S. unless a compromise settlement is reached by February 4. If the U.S. imposes the threatened sanctions, China has identified areas where it will retaliate. A trade war between the U.S. and China is counter to the vital interests of both sides. A compromise by both sides is the only viable solution. Adequate protection of intellectual property is essential to a modern trading economy and China must strengthen its enforcement of its IP laws and regulations. The U.S. should recognize that in the area of commercial law, China is still a

developing country and cannot be expected to meet developed nations' standards in full. The Chamber will support a compromise which, on balance, furthers American business interests in China.

The second issue is China's entry into the World Trade Organization, particularly the accession agreement governing the terms of China's entry. We want China in the WTO but under a sound commercial agreement. Even though China's self-imposed deadline has passed, we think negotiations will continue on the basis that a way can be found for China to be admitted as a founding member of WTO whenever an agreement is reached on accession.

The major issues seem to involve national treatment, open markets for services, and "developed" vs. "developing" nation status. Again, a compromise seems in order but one which is commercially sound yet recognizes that China is not a truly developed nation but may be an "advanced developing" nation. We will continue to discuss our views with the U.S. and Chinese sides at every appropriate opportunity.

I invite you to make your views known to the officers and the Board on all issues involving

your business interest so that we may properly melt them into the Beijing American business community view.

In closing, I look forward to working with you and for you - the American business community of Beijing - in the year ahead.

AmCham Welcomes Executive Director

AmCham welcomes Jane Drake as our new full-time Executive Director. Jane was introduced to members at the Annual General Meeting in November and began her official duties in early January.

A relative newcomer to Beijing, Jane is certainly no stranger to working with business groups like AmCham. She brings more than 15 years of communications and business experience, including work with numerous trade and professional associations as well as a number of U.S. corporations.

For the seven years before she and her husband Steve Drake came to Beijing from Washington, D.C. last fall, Jane was a vice president with Fleishman-Hillard Inc., an international public relations firm.

Among her corporate and association clients were Bell Atlantic International, MasterCard, G.D. Searle, a consortium of local telephone companies, a poultry industry trade group, an eyewear manufacturers' group and the NCAA. Jane also managed the agency's media and speaker training programs.

Jane looks forward to meeting all of you and welcomes your ideas and your involvement in helping making AmCham an even more valuable organization for all of our members.

Board Report January 18 Meeting

The AmCham Board of Governors approved recommendations for a number of changes in committee structure in 1995 and appointed new committee chairs. (See related article.)

Chuck Hamrick and Jane Drake reported on efforts to negotiate for new office space. Priorities for securing space are convenience of location, increasing square footage, access to additional phone lines and cost, since having AmCham as a tenant brings additional benefits to a hotel or office location.

Amid discussions of various public affairs issues, including Super 301 negotiations (taking place at the time of the Board meeting), Phil Carmichael, new Public Affairs & Public Policy Committee chair, announced that his committee would be developing position papers on a number of concerns to Ameri-

can business in China and would welcome input from the membership.

Staff briefed the Board on the progress of membership renewals for 1995 and said that plans were beginning for publication of the 1995 membership directory. The Board decided that only members who have renewed their status by February 28, will be included in the new directory. (Watch your FAX machines for a second notice, if you haven't renewed already.)

Mark Your Calendar

Ambassador's Briefing
Tuesday, February 14
4 p.m. - U.S. Embassy
(Bring your Passports)

Board of Governors Meeting
Wednesday, February 22
4-6 p.m. - Capital Club

**Luncheon with Energy
Secretary Hazel O'Leary**
Wednesday, February 22
Noon - China World
(Watch for FAX)

1995 AmCham Committees Seek Volunteers

Looking for a way to get more involved in steering the course of AmCham Beijing? Have an idea for a special program or activity? Get a kick out of seeing your articles printed in the *Beijing Times*? Here's how you can do all that, and more:

Volunteer to serve on an AmCham committee in 1995.

Following is a list of standing committees (including a few new ones), plus descriptions of each, that the Board has appointed for 1995. Make 1995 the year you get more involved in AmCham. Call the committee chair directly, or contact the AmCham office to sign up.

Programs & Activities

Develops monthly programs for AmCham membership, coordinates Chamber involvement in U.S. Embassy-sponsored events and delegation visits and plans annual general meeting and various social activities.

Dian Terry
512-3524

Editorial

Establishes editorial policies and coordinates publication of AmCham newsletter and other publications.

Jim McGregor
500-6514 or 6515

Training & Development

Coordinates AmCham's training programs for Chinese national staff in American joint ventures, rep offices and wholly owned foreign subsidiaries.

Charles Hamrick
505-2288 ext.1157

Public Affairs & Public Policy

Monitors and assesses developments in government affairs activities, develops recommendations for AmCham position on various public affairs and government issues, subject to Board approval, and coordinates government relations on behalf of AmCham.

Phil Carmichael
512-4079

Legal

Brings to the attention of the AmCham Board and membership issues concerning the Chinese legal system. In coordination with Programs & Activities Committee, arranges speakers on legal topics and matters pertinent to Chinese law.

John Sullivan
505-2288 ext. 2526

Survey

Conducts annual member surveys, including survey of compensation packages for Chinese local staff, survey of expat housing and business rental costs, and other topics as appropriate.

Karen Kiely
500-7799 ext. 1308

Nominating

Coordinates annual election. Seeks candidates for AmCham Officers and Board of Governors.

Mei Wei Cheng
500-6438

Membership

Coordinates recruitment of new members and works to encourage participation in AmCham activities and committees. Coordinates welcome for new members. Oversees publication of membership directory.

Diane Holzmann
500-2255 ext. 1140

Business Briefings

Coordinates briefings tailored especially for companies considering establishing operations in China. Recruits AmCham members willing to offer insight and advice at informal breakfast, other meetings.

Charles Hamrick
505-2288 ext. 1157

Industry-Specific Roundtables Forming

In order to provide a forum for members of various industries to meet informally and exchange experiences and ideas, the AmCham Board authorized the establishment of "roundtable" groups in lieu of committees on these topics.

The current Aerospace Forum, under the leadership of Henry Eng, is a model for these groups, which may meet for informal discussions over breakfast or lunch.

Members from various industries who are interested in forming "roundtables" may contact the AmCham office for assistance in launching the groups. Leadership rests with the group. Staff provides support in maintaining a list of participants and, as necessary, faxing meeting announcements.

AmCham Membership Renewal Time!!

AmCham membership renewal notices were faxed in December. Dues for 1995 are due by February 28, to assure inclusion in the 1995 membership directory. Watch your FAX machine for additional renewal notices. Or, call the AmCham office for a renewal form.

Business & Tax Update

by Darien Hsu

The following article is abridged from the monthly China Newsletter published by Price Waterhouse.

VALUE ADDED TAX (VAT) ON EXPORTS

In a ruling issued on 25 August 1994, the State Tax Bureau ("STB") announced that goods exported by foreign investment enterprises ("FIEs") are VAT exempt (rather than zero-rated under the VAT law) resulting in input VAT incurred on the acquisition of domestic inputs being non-recoverable.

Not surprisingly, the STB has received a number of complaints from FIEs in Jiangsu province and elsewhere. In response, the STB issued a notice on 12 October 1994 to restate and provide justification for its policy of not refunding the input VAT related to export sales made by FIEs.

State Tax Bureau Response

In the notice, the STB explains that the no-refund policy will contribute to the long-term goal of equalizing the tax burden of FIEs and PRC domestic enterprises. An equitable share of the tax burden, it was contended, would facilitate fair competition among the various forms of enterprises in China and maintain the continuity of the country's taxation policies.

The STB pointed out that FIEs have been and are still enjoying

a number of preferential tax treatments and consequently have a much lighter tax burden than domestic enterprises. Examples cited are the five-year refund provisions of incremental tax suffered by FIEs under the new turnover tax regime, the tax preferences (*i.e.* tax holidays and reductions) enjoyed by FIEs under the Income Tax Law for enterprises with Foreign Investment and Foreign Enterprises, and certain preferential treatments on imports which were granted to FIEs under the Consolidated Industrial and Commercial Tax ("CICT") system and which are continuing under the new turnover tax regime. In the notice, the STB emphasizes that when considering whether an equitable share of the tax burden is attained, one cannot look at one aspect of a single tax, but should look at the taxation system in its entirety. In short, the STB does not consider the turnaround on the export VAT issue to be an injustice to foreign investors.

Given that the policy is inconsistent with the barely one-year old VAT law, the quick response by the STB to justify its position is not surprising. However, it is unlikely that the notice has removed the discontent of foreign investors or that the STB has heard the last from FIEs on this subject.

Continued Lobbying by Foreign Investors

It is expected that foreign investors will commence with another round of lobbying, putting forth the argument that this turnaround on export VAT will adversely affect China's economy and its attractiveness

to foreign investors. Their arguments could include the fact that the new policy would encourage imports of raw materials, discourage the use of local inputs and exports of finished goods, create a sluggish domestic economy, have a negative impact on the foreign trade balance, and decrease China's competitive edge over other developing countries in attracting foreign investment. However, it should be noted that the Chinese authorities may have already considered the above points before deciding to implement the new policy.

Shanghai Municipal Tax Bureau Issues Own Circular

The Shanghai Municipal Tax Bureau ("SMTB") has issued its own circular outlining the implementation of STB's policy on export VAT in regions under SMTB's jurisdiction. In this connection, the SMTB is urging branch bureaus to execute strict implementation of the STB's no-refund policy. According to the STB's August 1994 circular, the irrecoverable input tax for a month is calculated by multiplying the total input tax incurred in the month by the ratio of export sales to total sales in the month.

The SMTB recognizes that this formula may be misleading since inputs acquired in the month may not necessarily be in proportion to production or sales in the same month. To correct this problem, the SMTB circular has introduced the concept of a *cumulative irrecoverable input tax*, which is computed by multiplying the cumulative total sales to date.

The irrecoverable input tax for the month is the difference between the cumulative irrecoverable input tax at the end of the current month and the last month.

In cases where exported goods are returned either by the overseas purchaser or customs, the SMTB circular allows the attributable input tax to be excluded from the cost of products and included in recoverable input tax when the goods are subsequently sold on the domestic market.

Other Jurisdictions

Local tax bureaus have a certain amount of flexibility regarding the manner in which they implement the VAT law after taking into account regional circumstances. However, it is uncertain at this point whether other jurisdictions will adopt similar measures as the SMTB's.

Interns Available

Two groups are seeking internship opportunities for their Chinese language students beginning in mid-February.

Boston University, in conjunction with CET Academic Programs -- Contact: Todd Roma, CET Beijing, Ph/Fax 834-8780.

The Council on International Educational Exchange (CIEE) experiences. Contact: Thelma Chow (after February 1), Beijing University. Ph. 250-1287, Fax: 256-4095 Atten. Thelma Chow Shaoyuan 5-203.

Melvin W. Searls, Jr.
*Comrade, Colleague,
Counselor, Confidant
and Friend*
... a Tribute

By John N. Hart

There are undoubtedly some who knew Mel Searls more intimately than I; however, only a few will have known him longer. All, I trust, respected and esteemed him, both personally and professionally

I first met Mel in the early '70s in Tokyo. I was Chairman of the China Commercial Relations Committee of AmCham-Japan; Mel was with ESSO Hong Kong and my counterpart at AmCham Hong Kong.

Over the years that followed, Mel made several trips into China and was truly one of the pioneers in the re-establishment of American business in China. He became vice president of the National Council for U.S. - China Trade (now the U.S. - China Business Council), and was the "hands-on" guy mending the commercial threads that historically tied the two countries together.

Mel joined the U.S. Foreign Commercial Service, and Daisy and I saw Mel and Andy in the summer of 1984, our first trip to Beijing. Some of the "old China hands" will remember the tiny and crowded office Mel had in the Jianguo Hotel because there was no office space available in the Embassy.

Mel completed his first tour as Commercial Counselor of the U.S. Embassy in 1985, and

even as he was packing to head back home, Mel still worked as hard to provide assistance to newcomers to the China business scene.

When I had to extend my stay in Beijing two weeks beyond original plans, I found myself without a hotel room. I turned to Mel in the hope he had some clout with one of the hotels. He didn't, however. So Andy went out into the community, borrowed a sleeping bag and welcomed me into their apartment. This was a typical Mel and Andy Searls gesture.

When Mel returned to Beijing as the Embassy Commercial Counselor in early 1993, I had the great pleasure, as AmCham president that year, to work closely with him in promoting American commercial interests. Mel was a joy to work with under any circumstances. I particularly enjoyed the monthly one-on-one lunches which he and I arranged to exchange information and formulate ideas on how we could further the interests of the American business community.

We were all concerned about the symptoms which Mel began to experience late in 1993. He was obviously not well. On the morning of the day he collapsed, I telephoned him at the Embassy and I asked him for lunch. He had official visitors and both a lunch and dinner scheduled, and was departing the following day for a one-week conference in Washington. However, he promised me that we would get together the week after his return to Beijing. "I will always have time for an old buddy," he said.

That evening Mel was medically evacuated to the U.S. I don't know what I might have said to him then. I can now think of so many things that I would like to have said.

My last official act as AmCham president in 1993 was to write a letter to Secretary of commerce Ron Brown and Ambassador Stapleton Roy praising the contributions of Mel to the American business community in China. It was an easy letter to write, because I felt its sentiments very strongly.

Mel Searls had no peer. He established precedents and patterns that his successors in Beijing emulated. When he returned for his second tour of duty, he improved upon what was already in place. Some

**American
President's Day
Charity Ball
&
Silent Auction
to benefit
Project HOPE**

*Saturday, February 25
Kempinski Hotel
Cocktails 6:30 p.m.
Dinner & Dancing 8 p.m.*

Ticket sales
January 30 to February 22
*The American Club
(437-6688, ext. 1617),
American Embassy CLO Office
(532-3431, ext. 230)
China World
c/o Mary Lou Williams
(505-3897)
United Airlines
(463-8563).*

Washington officials expressed concern as to why the U.S. Embassy Commercial Section in Beijing was not operating in the same way as other U.S. Embassy Commercial Sections. The real question was why other U.S. Embassy Commercial Sections were not operating as the one in Beijing.

Those of us who shared delightful, warm evenings in the Searls apartment in Beijing will never forget those times nor our host and hostess. We are fortunate to carry these memories with us always. Any American doing business in China will be able to feel the smiling countenance of Mel Searls looking over his shoulder. Tragically, Mel left us much too soon, but we are grateful that we had as much of Mel as we did. Successes that American companies achieve in China will bear the stamp of Mel Searls.

Embassy Clearance Procedures Revised

As a compromise between Embassy security concerns and the desire to make participation in monthly Ambassador briefings convenient for AmCham members, clearance procedures have been revised.

AmCham members from the United States and most other nations will be asked to display their AmCham membership card and their passport or other photo identification to the Marine guard. Members will no longer be asked to leave any documents with the Marine Guard.

Note: A Hong Kong identity card is not deemed acceptable evidence of nationality.

American and other non-Chinese national guests who are not AmCham members will similarly be asked to show their passports or other photo I.D. To facilitate entry, the person who invited that guest should be present.

Chinese national members who represent or work for American companies must "pre-register" for the briefings by sending a letter on company letterhead to Wayne Wilcox, Regional Security Officer (with a copy to Jamie P. Horsley) certifying the employment status and specifying the name -- in pinyin and Chinese characters -- and Chinese I.D. number of each employee who will be regularly or periodically attend AmCham briefings at the Embassy. These members should also bring evidence of their company affiliation and Chinese I.D. to each meeting.

If a Chinese national who wishes to attend a meeting and has not "pre-registered," the required information should be faxed to the FCS (preferably at least one day and no later than one hour), to the attention of Jamie Horsley or Craig Allen, for clearance with the RSO. (FAX: 532-3297) The Embassy cannot guarantee admission for those Chinese nationals who have not pre-registered.

And finally, as part of the Embassy's standard security measures, participants will continue to be asked to leave any electronic devices and weapons with the Marine guard.

Third Annual FESCO Talent Fair

*By Personnel Department,
Beijing FESCO*

The Personnel Department of FESCO Beijing invites Chamber members to participate in the Third Talent Fair for Foreign Enterprises at China International Exhibition Centre on February 25 and 26.

Approved by Beijing People's Municipal Government, and sponsored by (FESCO) and the Beijing Talent Service Center, the fair offers participating Foreign Enterprises' Representative Offices the opportunity to talk directly with applicants, select whoever they like, and finalize recruitment formalities through FESCO Beijing. FESCO is willing to be a bridge between employers and employees and is ready to provide services with high efficiency for the Foreign Enterprises' Representatives Offices in Beijing.

FESCO's Flush

by Jim McGregor

In case anybody is worried about the Foreign Enterprise Service Corporation's experiencing financial troubles, the January 10 *Beijing Evening News* printed a Xinhua news agency report that should soothe your jangled nerves.

Xinhua reports that China now has 57 FESCO organizations throughout the country. These

57 FESCOs supply 21,000 Chinese employees to 9,800 foreign companies.

For the first ten months of 1994, according to Xinhua, the 57 FESCOs earned 410 million RMB (\$49 million) from the portion of Chinese employee salaries that FESCO retains. The FESCOs total earnings for the ten-month period was 1.2 billion RMB (\$143 million), Xinhua said.

If November and December earnings were consistent with the first ten months, China's 57 FESCO organizations for all of 1994 earned approximately \$171.4 million, of which \$58.5 million came from the portion FESCO retains from salaries paid by foreign companies for Chinese employees.

Managers ... Sharpen Your Axe!

By Pamela Aumen

We have just completed our five-week Secretarial Seminar for AmCham, and because I know you, as managers, desire a satisfying and workable relationship with your secretaries, I have compiled some feedback for your serious consideration.

Secretaries Complaints and Greatest Sources of Stress:

1. Lack of advancement opportunities.
2. Lack of communication with Boss. (Boss's too busy!)
3. No recognition or on going feedback from boss on their

performance. (No job assessment regularly.)

4. Work overload (from too many people).
5. Low salary.
6. Too many job tasks and responsibilities.
7. No job descriptions.
8. Unclear and confusing expectations.
9. Lack of training to do their job well.
10. Too much overtime and no pay.
11. Boss' mood changes.

I have found these secretaries are very motivated to become professional secretaries, and I trust the skills they recently learned at this seminar will be considered an investment to you and your company. I urge you to address these critical concerns with your secretaries in order to effectively benefit their performance. To that end, I commit myself as an instructor for quality training.

Asia/Pacific Business Conference in March

The U.S. & Foreign Commercial Service and the International Business Education and Research Program at the University of Southern California announce the eighth annual Asia/Pacific Business Outlook conference scheduled March 13-15 in Los Angeles.

FCS's Steve Hendryx and Chrysler's Lauren Giglio invite

AmCham members to participate or encourage colleagues in the U.S. corporate office to sign up. Both agree the conference provides a unique opportunity to educate U.S. headquarters staff on the realities of doing business in China and the Asia/Pacific region.

Senior commercial officers of the U.S. & Foreign Commercial Service from each of the 17 American embassies and consulates in the Asia/Pacific Rim will be on hand for three intensive days of discussions, workshops and one-on-one counseling appointments.

More information about the conference is available in the AmCham office or from Steve Hendryx at the Foreign Commercial Service office in the Embassy.

Chinese Customs Issues New Policy

Follow is an unofficial English translation of the recent Chinese Customs change. AmCham is not liable for any error in translation or interpretation.

In order to unify tax policy, to foster equal competition, and to advance and perfect the social market economy system, the State Council has decided to revise a portion of the provisions on the reduction and exemption of customs duties and import-lined value added taxes, and hereby issues the following announcement:

1. As of January 1, 1995 customs duties, import-linked value added taxes and consumption taxes shall be duly collected without exception on 20 types of goods, including television sets, video cameras, video recorders, video players, audio equipment, air conditioners, refrigerators, washing machines, cameras, duplicating machines, programmable telephone switchboards, microcomputers, telephone sets, wireless paging systems, facsimile machines, electronic calculators, typewriters and word processors, furniture, lamps and lanterns and foodstuffs and beverages, irrespective of the form of trade and of the region enterprise unit or individual doing the importing. However, exceptions may be made for the enjoyment of tax reductions or exemptions for goods sent gratis by international organizations (not including private organizations) and by foreign governments as stipulated in international treaties concluded or participated in by China as well as in agreements concluded between the Government of China and the governments of other countries. The provisions on the carrying of these goods into the country or on their duty free purchase inside China on the part of various categories of personnel who have gone abroad (or beyond the borders) as well as of Taiwan compatriots and overseas Chinese shall be permitted to be retained for the time being.

Imports of the above goods by regions and units formerly able to enjoy duty reduction and exemption privileges shall still be permitted to be handled in accordance with previous pre-

ferential provisions in all cases where a foreign contract has been concluded, an import license has been duly obtained and tax reduction or exemption formalities have been handled with Customs prior to December 31, 1994 (or on that day, to be interpreted similarly hereinafter), and where the import has been declared to Customs prior to March 31, 1995.

2. Any products among the 20 types of products listed in the first paragraph of the Announcement that are carried into the country or purchased inside the country from units supplying duty free goods for purchase with foreign exchange by foreign nationals and non-resident long-term visitors shall be duty taxed without exception as of January 1, 1995.

3. Duties shall be levied as of January 1, 1995, irrespective of the region, enterprise and unit doing the importing, on office supplies which it was formerly stipulated could be imported duty free by enterprises invested in by foreign businesses and their permanent offices as well as by various types of organizational enterprises and business units. Those that formerly were able to enjoy duty reduction or exemption privileges shall still be permitted to be handled in accordance with the previous preferential provisions in all cases where a foreign contract has been concluded, an import license has been duly obtained and tax reduction or exemption formalities have been handled with Customs prior to December 31, 1994 and where the import has been declared to Customs prior to March 31, 1995.

4. Imports of duty free goods by duty free shops at entry ports in various regions and by foreign exchange duty free shops being run experimentally at the various Special Economic Zones shall be suspended as of January 1, 1995. Any goods imported prior to December 31, 1994 within state approved amounts may be sold duty free prior to March 31, 1995. Beyond that period overdue taxes shall be duly collected without exception.

1995 AmCham Board of Governors

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