



DEZAN SHIRA
& ASSOCIATES

TIANJIN



Welcome to Tianjin!



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Dezan Shira & Associates have been advising international clients in Tianjin since 1992, and have been instrumental in the city in introducing many manufacturing clients to the well known TEDA development zone. Often used as a manufacturing base both for export – Tianjin is China's second largest port – and also for easy access to the large and wealthy markets of nearby Beijing, we have long maintained relationships with government in the city and have built up an impressive client base here. With it's history as a German treaty port we also see a lot of German investors into Tianjin – and have the Head of our German desk, Richard Hoffmann, on hand to assist with foreign investment legal and incorporation issues in the city. Our Regional Partner, Sabrina Zhang, is also on hand to deal with tax and financial issues.

If you require assistance with investing in Tianjin, be it due diligence, business establishment, tax or business advisory, please contact us. With over 15 years of experience in handling business in the city, we have practical, on-the-ground proven experience – important when dealing with local issues, despite the proximity of Beijing.

We hope you find this business overview to Tianjin of use and look forward to hearing from you.

With best regards;

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Resources From Dezan Shira & Associates



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Dezan Shira & Associates website: www.dezshira.com
Complete information about the firm, staff, practice, services offered,
China / India / Vietnam business legal and tax information and an enquiry service.



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2point6billion: www.2point6billion.com
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TIANJIN

The significance of Tianjin has grown rapidly over the last century and a half. After the founding of the PRC, Tianjin became a designated municipality on level footing administratively with the other provinces.



Fast facts

- is the largest producer of mobile phones and related components in China
- Tianjin Port is the largest in Northern China and is second only to Shanghai in Mainland China
- the city has several large and important development zones, notably the very well-known TEDA
- despite being close to Beijing, the cost of living and labor is significantly less than that in the capital, and there is an abundance of competitively-priced land



Tianjin by numbers

Item	Unit	2001	2002	2003	2004	2005	2006	2007
Population	m people	9.14	9.19	9.26	9.33	9.39	9.49	11.15
GDP	RMBbn	182.67	202.26	238.69	293.19	366.39	433.77	501.83
Proportion : primary industry	%	3.59	4.1	3.7	4.3	3	2.7	2.1
: secondary industry	%	48.84	48.4	50.8	50.8	56	57.3	57.6
: tertiary industry	%	47.58	47.5	45.5	44.9	41	40	40.3
GDP <i>growth year on year</i>	%	12	12.5	14.5	15.7	14.5	14.4	15.1
Compared to national	%	7.3	8	9.1	9.5	9.9	10.7	11.4
Per capita GDP (all residents)	RMB	19,986	22,068	25,874	31,550	35,457	40,961	45,829
Fixed asset investment	RMBbn	70.5	81.16	104.67	125.9	151.68	184.98	238.86
<i>Growth year on year</i>	%	15.8	15.1	29	20.3	20.5	22	29.1
Industrial production value	RMBbn	68.96	N/A	110.34	143.67	188.48	229.08	266.9
<i>Growth year on year</i>	%	13	N/A	18.4	21.5	17.9	17.7	17.1
Per capita disposable income of urban residents	RMB	8,958	9,337	10,312	11,467	12,638	14,283	16,357
<i>Growth year on year</i>	%	10.1	11.6	10.5	11.2	10.2	13	14.5
Compared to national	%	8.5	13.4	9	7.7	9.6	10.4	12.2
Per capita cash income of rural residents	RMB	4,825	5,315	5,861	6,525	7,202	7,942	8,752
<i>Growth year on year</i>	%	10.4	10.2	10.3	11.3	10.4	10.3	10.2
Retail sales	RMBbn	83.27	94.14	107.41	105.3	119.01	135.68	160.37
<i>Growth year on year</i>	%	13	13.1	14.1	14.1	13.9	14	18.2
Exports	US\$bn	9.5	11.6	14.37	20.87	27.42	33.54	38.16
<i>Growth year on year</i>	%	10.1	22	24	45.4	31.4	22.3	13.8
Imports	US\$bn	8.69	11.23	15	21.15	26	31	33.39
<i>Growth year on year</i>	%	1.8	29.3	33.5	41.1	22.8	19.5	7.6
Contracted FDI	US\$bn	4.63	5.8	3.5	5.59	7.3	8.1	11.52
<i>Growth year on year</i>	%	N/A	25	74.3	59.1	31	10.8	42
Used FDI	US\$bn	3.22	3.81	1.63	2.5	3.33	4.13	5.28
<i>Growth year on year</i>	%	25.8	18.3	62.9	51.4	34.6	24.1	27.8
New FIEs	No	618	816	941	1,102	1,309	1,050	906
<i>Growth year on year</i>	%	N/A	32	15.3	17.1	18.8	-19.7	-14

The significance of Tianjin has grown rapidly over the last century and a half. After the founding of the PRC, Tianjin became a designated municipality on level footing administratively with other provinces. Beyond the downtown area, huge new developments have been taking place, including TEDA, one of the largest and most famous development zones in the country.

History

Brief overview



- in the 1400s, the city became a walled garrison to safeguard Beijing
- in 1860, Tianjin started as a foreign trading port and became a major commercial city second only to Shanghai and the biggest financial center in northern China
- in July 1937, Tianjin fell to Japan, as part of the Second Sino-Japanese War, but was not entirely occupied
- in recent years, the city has seen rapid development and is now catching up with nearby cities such as Beijing

Geography

Brief overview

- Tianjin municipality borders Hebei province to the north, south, and west; the municipality of Beijing is to the northwest and Bohai Gulf to the east
- its coastal line stretches for about 150 kilometers - the distance from the city proper to the sea is 50 kilometers
- with a total population of 10.4 million, it occupies an area of around 11,920 square kilometers
- is located 137 kilometers (2.5 hour drive)

southeast of Beijing; 266 kilometers from Shijiazhuang, 440 kilometers from Qingdao and 958 kilometers from Shanghai

- divided into 18 county-level divisions, including 15 districts and 3 counties; Tanggu, Hangu and Dagang districts govern towns and harbors along the seacoast and collectively make up the economic development zone of Binhai
- has abundant oil and gas resources - Tianjin's Bohai and Dagang Oil Fields are key state oil and gas projects, turning out over 13 million tons of crude oil and 850 million cubic meters of natural gas every year
- the Changlu Salt Field with an annual output of 2.2 million tons is the most famous sea salt production base in China

Infrastructure

Road

Tianjin has three ring roads - the Outer Ring Road is the closest thing to a highway-level ring road, although traffic is often terrible. There is a four-lane carriageway expressway running from Beijing to Tianjin. A second expressway is under construction and will cover a total length of 135 kilometers.

Six state expressways and national highways connect Tianjin with major cities including Harbin, Fuzhou, Macau, and Guangzhou.

Railways



The link between Beijing and Tianjin will establish a fast corridor between the two major centers, which currently

suffers from major road congestion and a slow railway service.

Air

Tianjin Binhai International Airport is located about 13 kilometers east of the city center. After much expansion and reconstruction, it will be able to handle 10 million passengers, 500,000 tons of cargo and 200,000 flights a year.



China's first private airline, Okay Airways Company Ltd, set up its hub at Binhai International Airport, and made its maiden flight in March 2005. The new airline deals with charter passenger services, domestic air cargo and mail transport, and has flights to Kunming, Changsha, Zhangjiajie, Guilin, Hohhot, Taiyuan and Harbin.

Ports and waterways

Tianjin Port has one of the largest ports in China and is a key shipping hub of the region, with established ties to more than 300 ports in 160 countries and regions.

City infrastructure

The Hong Kong subway operator MTR Corporation signed an agreement with the Tianjin government in December 2004 to develop the subway system in the city. It began trial operation in March 2006. This development is built on top of an older system, opened in 1984, which did not succeed. The new first line is 26 kilometers long and has 22 stops, with an investment of RMB7.8 billion. A third line is expected to be complete by 2009, running from southwest to northeast, it will be 29.7 kilometers long with 23 stops. There is talk of having a total of six lines by 2050, totaling 154 kilometers.

There is also a light railway line in the city, the Binhai Mass Transit line which runs between downtown Tianjin and the Tianjin Economic Development Area (TEDA) in the seaside region. The eastern part of the line began service in March 2004 and the western part was completed in 2006.

Economy and investment climate

Despite its size and importance as a port, the city lacks the vitality of other large Chinese coastal cities, and has been unable to attract the same degree of investment as places such as Guangzhou and Shanghai. However, new development is increasing rapidly and Tianjin is now catching up with nearby cities such as Beijing.

Tianjin is the cradle of the modern machinery and weaving industries in China. It is part of Bohai Bay Economic Zone, which is one of the three largest economic zones in China. In 2007, Tianjin's GDP grew by 15.1 percent and hit RMB501.83 billion, which is 130 percent greater than that of 2000. Total exports and imports amounted to US\$71.55 billion. Total exports reached US\$38.16 billion, growing by 13.8 percent; total imports grew by 7.6 percent to reach US\$33.39 billion.

Tianjin's industry centers around six core industrial sectors, namely information technology, automotive, chemicals, metallurgy, medicine, new energy sources and environmental protection - these combine to produce over 70 percent of Tianjin's total industrial output. It is also an export-processing base for a wide range of products, and in particular machinery, transport equipment, raw materials and mineral fuels.

Tianjin is close to rich reserves of petroleum and natural gas. Petrochemicals is thus a major sector in the city, and Sinopec will spend US\$3 - 4 billion to expand its Tianjin plant to meet surging demand for petrochemicals in northern China. China's biggest oil-refinery plans to more than double the crude processing capacity of its Tianjin refinery from six to 14 million tons per year.



When completed in 2010, the Tianjin facility will become one of the largest integrated oil refining and petrochemical projects on the mainland.

As many as 122 of the Fortune 500 enterprises have invested in the city, including big names like IBM and Motorola. The first overseas manufacturer of the Airbus-A320 general assembly line has also been established in Tianjin. There were 205 foreign invested projects between January and October 2007, of which 127 were from Fortune 500 companies. The average foreign capital of these new projects stood at US\$8.07 million - an increase of 52.6 percent compared to the same period in 2006. Contracted FDI grew by 42.2 percent to hit US\$11.52 billion in 2007. Used FDI totaled US\$5.28 billion, a year-on-year increase of 27.8 percent.

Tianjin has a steady supply of employees, with 37 higher education institutions, including Tianjin and Nankai Universities, as well as eight state-level laboratories, 10 state-level engineering technical research centers and 27 technical examination centers. Over 600,000 technical staff and 10,200 foreign experts reside in Tianjin ranking the city third in China with regard to its scientific force.

Development zones and port

The city has long endeavored to turn its coastal Binhai area into an economic powerhouse similar to Shanghai's Pudong. Established in 1994, the Tianjin Binhai New Area covers three administrative regions of Tanggu district, Hangu district, and Dagang district. It also covers three functional zones of Tianjin Economic-Technological Development Area (TEDA), Tianjin Port Free Trade Zone (TPFTZ) and Tianjin Port. The development plan aims to transform TBNA into a multi-functional area, covering modern services, electronic information, automotive, bio-pharmaceuticals, modern logistics, petrochemicals and metallurgy industries. The United Nations Industrial Development Organisation has identified the TBNA as one of the six most economically vibrant areas in China.

Tianjin Economic and Technological Development Area

Established in 1984, TEDA is one of the first state-class economic-technological development areas in China. Situated at the heart of the Bohai Sea Economic Ring, TEDA lies at the crossroads of major traffic links. It is 180 kilometers (two

hours) away from Beijing Capital International Airport, 36 kilometers (45 minutes) from Tianjin International Airport and four kilometers from Tianjin New Port. The area is also easily accessible by nine trunk railways and 10 trunk roads and highways from inner parts of China.

TEDA has investment in most industrial sectors. It is the largest producer of mobile phones and related components in China. In the past decade, TEDA has seen booming development of its four key industries: electronics and communications, food industry, biopharmaceuticals, machinery manufacturing. Behind all this are such multinational giants as Motorola, Samsung, GE, Nestle, SEW and Novozym.

In 2007, the GDP in TEDA reached RMB93.87 billion. Gross Industrial Output Value grew to US\$76.49 billion; Gross Export Value also increased to US\$18.5 billion. By the end of December 2007, the accumulated number of approved foreign-funded enterprises reached 4,485. Accumulated total investment amounted to US\$40.33 billion, of which US\$30.04 billion was contracted foreign investment.

TEDA enjoys a high level of autonomy. Investment projects that are not restricted by the state and up to US\$100 million total investment may be approved by TEDA.

Tianjin Free Trade Zone



This is the largest free trade zone in northern China and includes Tianjin Port Free Trade Zone, Tianjin Airport Industrial Park and Tianjin Airport International Logistics Zone. Over 4,000 enterprises from more than 100 countries and regions, including 40 Fortune 500 companies and 47 large domestic SOEs are located in the zone.

The zone is the leading FTZ in the country in terms of economic growth rate, the size of foreign

investment utilized and logistics development. As of April 2008, gross production value saw a growth rate of 45.02 percent, of which the secondary and tertiary industries grew by 57.91 percent and 42.25 percent respectively. In 2007, the contracted FDI was US\$3.9 billion, with used FDI reaching US\$1.93 billion.

By 2010, officials predict that the total regional output value, total industrial output value and total logistic volume will exceed RMB50 billion, RMB100 billion and US\$50 billion respectively.

Tianjin Port

Tianjin New Port is the biggest in Northern China. Annually, it can handle over 100 million tons of cargo and two million TEUs. Throughput is expected to reach 300 million tons and 10 million TEUs by 2010. With sea links to over 300 ports in 160 countries, the port is a dominant import and export channel for the north of China.

The container throughput in 2007 hit 7.103 million and the port handled 30 million tons of cargo. The port aims to manage 8.5 million tons of container throughput in 2008.

Various developments are underway to improve the harbor. The city government has decided to invest RMB40 billion to expand the port area from the current 30 to 100 square kilometers by 2010. The annual handling capacity will rise to 300 metric tons and 10 million TEUs. In May 2005, PSA International of Singapore signed an agreement to build, manage and operate a new container terminal in Tianjin. The project involves 2,200 meters of quay with seven berths with a draft of 15 meters, capable of handling the latest generation of vessels. Dubai Ports International is also present in Tianjin through their 2004 acquisition of CSX World Terminals.

Tianjin East Port, the newest expansion of Tianjin port, began construction in 2002 and completed its first phase in late 2007. In 2007, it signed nine agreements of intention with 12 companies, including HSBC, China Merchants' Bank and Mapletree Logistics. Local and foreign investors predict great potential for the economic growth of the port, as it will enjoy

more preferential policies on financing and tax than other free ports.

Travel and tourism



- major attractions include the Ancient Cultural Street, Gulou Jie, Heping Road, Xikai Cathedral, Machang Dao, Binjiang Dao, Binhai District and Huangyaguan
- the climate is characterized by hot, humid summers and dry, cold winters; average highs in January and July are 2 and 31 C respectively

Resources

Government organizations

Tianjin People's Government

Address: No.244, Nanjing Road, Heping District, Tianjin

Website: www.tianjin.gov.cn

Tianjin Government Foreign Affairs Office

Website: www.tjfao.gov.cn

Tianjin Development Planning Commission

Address: No.157, North Dagu Road, Heping District, Tianjin

Email: tjjw@tjinvest.gov.cn

Tianjin Foreign Investment Service Center

Website: www.goldentianjin.net.cn

Tianjin Invest

Website: www.tjinvest.gov.cn

General information

Tianjin Statistical Information Net

Website: www.stats-tj.gov.cn

Development zones, ports

TEDA

Address: F3 A1 Investment Services Center, No.19 Hongda Street, TEDA, Tianjin

Tel: (22) 2520 1906

Fax: (22) 2520 1412

Email: teda@teda.gov.cn

Website: <http://en.investteda.org>

Administrative Committee of TJFTZ

Address: Administration Building No.1 Tongda Square, TJFTZ, Tianjin 300456

Tel: (22) 96 255

Fax: (22) 2576 1742

Website: www2.tjftz.gov.cn

Tianjin Port Authority

Website: www.ptacn.com

Investing in China can be Bureaucratic



Ask Dezan Shira & Associates for Help

Foreign Direct Investment Legal and Tax Advice Throughout China

Please contact our offices below for China incorporation, due diligence, legal and tax advice for matters relating to foreign investment throughout the country, or email to info@dezshira.com

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