

June 1, 2004

James J. Jochum  
Assistant Secretary for Import Administration  
U.S. Department of Commerce  
Central Records Unit, Room 1870  
Pennsylvania Avenue and 14<sup>th</sup> Street N.W.  
Washington, D.C. 20230

**Re: Separate Rates Practice in Antidumping Proceedings Involving  
Non-Market Economy Countries**

Dear Assistant Secretary Jochum:

Gleason Industrial Products, Inc., and Precision Products, Inc. (collectively "Gleason"), petitioners in the antidumping investigation of hand trucks and certain parts thereof from the People's Republic of China, are filing this submission in response to the U.S. Department of Commerce's request for comment on the agency's separate rates practice in antidumping proceedings involving non-market economy countries. Based on this submission, Gleason separately requests that the Department revisit its preliminary determination in the hand truck investigation concerning Gleason's separate rate request and issue a supplemental questionnaire that will examine in detail the decisive non-market role played by one or more Chinese governmental entities in the development and expansion of the hand truck industry in Qingdao, China.

Please direct any questions concerning this submission to the undersigned.

Respectfully submitted,



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Comments of  
Gleason Industrial Products, Inc.  
And Precision Products, Inc.

Separate Rates Practice in Antidumping  
Proceedings Involving Non-Market Economy Countries

On March 19, 2004, in the antidumping investigation of hand trucks and parts thereof from the People's Republic of China, Gleason demonstrated a reasonable basis to believe that the Chinese National Government and/or various other Chinese governmental entities played a significant role in the development and expansion of the hand truck industry in Qingdao, China. Gleason asked the Department to issue a supplemental questionnaire designed to elicit detailed information about the government's role and, if the resulting evidence confirmed significant government involvement, deny separate rates for hand truck producers located in Qingdao. In its preliminary determination, the Department dispensed with Gleason's request with the following statement:

The actions allegedly undertaken by the Chinese central, provincial and municipal governments are indicia that the PRC is a non-market economy, a point which is not contested in this case. In applying the separate rates test, however, we are seeking to identify governmental interference in the individual companies' export making decisions.<sup>1</sup>

The Department's statement frames a conundrum that appears in every antidumping proceeding involving non-market economy ("NME") countries: given governmental regulation and control of the economy, how can a company succeed in escaping the non-market conditions created

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<sup>1</sup> Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Hand Trucks and Certain Parts Thereof From the People's Republic of China, 69 Fed. Reg. 29,509, 29,512 (May 24, 2004).

by the government so as to freely set prices for its exports? The answer to this conundrum for many years has been the Department's separate rates practice: if a Chinese exporter can prove the absence of both *de jure* and *de facto* governmental control over export activities, it is eligible to receive an antidumping rate separate from the normally applicable country-wide rate. The Department's answer, however, focuses too narrowly on one dimension of government interference – micro-controls over export activities. In doing so, it fails to take into account broader market distortions that necessarily impact on export decision-making.

Gleason believes the Department should amend its separate rates practice to consider all market distortions that may impact on export activities. Gleason begins its comments by exploring China's corporate landscape as it exists today.<sup>2</sup> Gleason then suggests that the Department add to its separate rates analysis an examination of broad market conditions. Gleason closes its comments with answers to the specific questions raised by the Department in its May 3<sup>rd</sup> notice.

#### I. China's Corporate Landscape

China does not have companies. In a presentation before the Hong Kong General Chamber of Commerce, Mr. Arthur Kroeber, Managing Editor of the China Economic Quarterly, outlined "two big myths" about China's economy as well as "three core truths." The two big myths are: "1. China's economy consists of moribund state-owned companies and dynamic private companies[; and] 2. [t]he goal of economic reform is to create more private ownership

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<sup>2</sup> Gleason restricts its comments about separate rates to its understanding of China's non-market economy, as it is most familiar with the corporate landscape that exists in that country, but believes its comments have general applicability to other NME countries.

and greater corporate efficiency.”<sup>3</sup> The three core truths are: “1. China does not have companies[;] 2. [e]fficiency does not matter[; and] 3. [p]rivatisation is irrelevant.”<sup>4</sup>

It is very, very important for people to bear in mind at all times that when they are operating in the China market at any level, that the development of the Chinese corporate sector is heavily influenced and will continue to be heavily influenced by state policies which will be vigorously executed by state agencies . . . . [T]he constraints of state policies on all economic actions, be it state-owned enterprises, domestic type companies or foreign companies, will continue to be very, very powerful in some unexpected ways.<sup>5</sup>

According to Mr. Kroeber, China does not have companies because “China does not have corporate entities that really function the way that companies in the Anglo-American environment tend to...”<sup>6</sup> In the state sector, “a lot of economic activity that use to be organized under state ministries basically has now been renamed as happening under corporate entities.”<sup>7</sup>

But, if you look at internal state documents, they don’t talk about state companies, they talk about state assets. And state policy regarding the state-owned sector is very much driven by this notion that they have these collection of assets out there and they bundled some of them and put them into entities they call corporations. . . . [T]hese corporations,... even the international listed ones, don’t really function the same way as an international listed corporation from the U.S. or England would... [T]hat is very important to understand: There is a slow evolution towards making these so-

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<sup>3</sup> “China’s companies; the search for wealth and power,” Presentation by Mr. Arthur Kroeber, Managing Editor of the China Economic Quarterly, Before the Hong Kong General Chamber of Commerce, slide 2 (Nov. 3, 2003) (“Kroeber Presentation”) (Attachment 1). Mr. Kroeber’s slide presentation has been reprinted with his permission. A copy of Mr. Kroeber’s presentation and remarks are also available on the Internet at:

[http://www.chamber.org.hk/info/the\\_bulletin/dec2003/cp.asp](http://www.chamber.org.hk/info/the_bulletin/dec2003/cp.asp)

<sup>4</sup> Kroeber Presentation, Attachment 1, slide 3.

<sup>5</sup> *Id.*, [http://www.chamber.org.hk/info/the\\_bulletin/dec2003/cp.asp](http://www.chamber.org.hk/info/the_bulletin/dec2003/cp.asp).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

called corporations into real corporations, but that is going to take many decades to process and it also has implications for how the state manages these assets.<sup>8</sup>

As for “what are often called private companies,” Mr. Kroeber similarly “prefer[red] to avoid... private sector terms”<sup>9</sup>:

You have a lot of entrepreneurial conglomerates, and these again are called companies. Typically, they are run by entrepreneurs – they can be state owned, or they can be private, or they can be somewhere in between – and again they tend to be fairly opportunistic collections of assets... [But] to describe them as acting in the same way that a company would in... England or the United States, I think is not quite accurate.<sup>10</sup>

Comments filed by parties before the U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, as well as expert testimony before the U.S.-China Economic and Security Review Commission, confirm Mr. Kroeber’s observations that the corporate landscape in China is severely distorted by governmental intervention and interference. As demonstrated below, the Chinese government maintains significant control over means of production, resources, prices and outputs.

- Control over the means of production:
  - “67 percent of PRC GDP is either fully governmentally controlled, or partially governmentally controlled at the state, provincial, and/or local levels.”<sup>11</sup>
  - “A 2001 survey of all enterprises established in mainland China by China’s National Statistics Bureau showed that 30.6 percent of the enterprises were still state-owned and a further 22.8 percent were ‘collectively-owned.’ Moreover,

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<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> American Foundry Society, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 8 (May 19, 2004).

despite efforts to reform, the government still has strong influences over SOEs' investment, production, and sales.”<sup>12</sup>

- As one example of government control over means of production, “China has undertaken an aggressive industry development plan, backed by policy directives and funding, to speed the development of the pulp, paper, and wood processing industries... China has taken a ‘carrot and stick’ approach to achieve... objectives, adopting tax, investment, and trade policy measures to promote domestic industry development.”<sup>13</sup>
- As another example of such control, “[t]here remains a very significant degree of government ownership and/or control of semiconductor production facilities in China.”<sup>14</sup>
- Control over resources:
  - “Infrastructure services in China are still largely dominated by state monopolies. For example, the Chinese State Power Corporation owns 46 percent of the country’s generation assets, and 90 percent of the total electricity supply assets.”<sup>15</sup>
  - “[T]he Chinese government continues to own or control, *inter alia*, land-use, access to capital markets, and transportation through government regulation or through state-owned or controlled enterprises. The government also controls virtually all aspects of the energy industry, including the ownership or control of oil and natural gas reserves and those companies exploiting such reserves.”<sup>16</sup>

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<sup>12</sup> American Furniture Manufacturers Committee for Legal Trade, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 16 (May 19, 2004) (footnote omitted).

<sup>13</sup> American Forest & Paper Association, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 2 (May 19, 2004).

<sup>14</sup> Semiconductor Industry Association, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 7 (May 19, 2004).

<sup>15</sup> American Furniture Manufacturers Committee for Legal Trade, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 4 (May 19, 2004) (footnote omitted); *see* American Foundry Society, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 10-11 (May 19, 2004) (footnote omitted).

<sup>16</sup> American Furniture Manufacturers Committee for Legal Trade, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 14 (May 19, 2004) (footnotes omitted).

- “The Chinese government exerts total control over one very important resource – land... Because the Chinese government controls land use, it is able to set the terms for leases, which means it can favor or penalize producers by setting low or high lease rates.”<sup>17</sup>
- “ ‘The government remains firmly in control of the banking sector and directs lending to state-favored projects, businesses, and individuals.’ ”<sup>18</sup>
- “[T]he Chinese Government has been using the banking system to funnel moneys to and away from industries[,] which effectively controls a critical resource – capital – and affects output decisions at least on the macro level.”<sup>19</sup>
- As one example of government control over resources, “[r]egional governments and the administering authorities of China’s High-Tech Parks and Industrial and Technical Development Zones in which semiconductor enterprises are located are providing assets and production inputs to those enterprises on preferential terms. Sophisticated infrastructures have been established by regional authorities and Park administrations to support the design and manufacture of semiconductors. Land and structures are provided free or at very low rental rates. Water, specialty gases, electricity and other factors of production are provided on a concessional basis. Design firms are provided with IC design tools on a subsidized basis...”<sup>20</sup>
- Control over prices and outputs:
  - “ ‘China maintains price controls on several products and services covering both state-owned enterprises and private enterprises. These price controls may be in

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<sup>17</sup> Rebar Trade Action Coalition, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 6 (May 19, 2004); see United States Steel Corporation, Comments before U.S.- China Joint Commission on Commerce and Trade Working Group on Structural Issues, 14 (May 19, 2004).

<sup>18</sup> American Foundry Society, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 12 (May 19, 2004), *quoting from* Marc A. Miles, Edwin J. Feuler, Jr., Mary Anastasia O’Grady, and Ana I. Eiras, *2004 Index of Economic Freedom*, 140.

<sup>19</sup> Stewart and Stewart, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 10 (May 19, 2004).

<sup>20</sup> Semiconductor Industry Association, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 7-8 (May 19, 2004) (footnote omitted).

the form of either absolute mandated prices or specific pricing policy guidelines as directed by the government...’<sup>21</sup>

- “[T]he Chinese government also exerts influence over private entities’ pricing behavior by adjusting and controlling the price level of a commodity it deems ‘important.’<sup>22</sup>
- “It is understood that there is ‘guidance’ provided on prices for a wide range of products and that the government sets prices on certain major inputs (*e.g.*, energy pricing).<sup>23</sup>
- “Factories are not allowed to sell other than to the customers they have permits to sell. Some factories can only export product; others are strictly to serve the domestic market. Such strictures on sales distort distribution channels and vastly reduce competition...<sup>24</sup>

Privatization in China does not otherwise signal a transition from non-market controls to market freedom. “The main goal is not to reduce state control of the economy but to make state control of the economy more efficient... The key tactic is *zhuada fangxiao* or ‘seizing the large and letting go the small.’<sup>25</sup>

It is basically the principal of leverage. Once upon a time, the state believed that it had to control 100 percent of the production of the assets of the economy to control the economy. And then they figured out about leverage and... they understand now that maybe they only need to control... 25 percent of the productive assets of

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<sup>21</sup> American Furniture Manufacturers Committee for Legal Trade, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 15 (May 19, 2004), *quoting from* 2003 USTR Report to Congress, 34; *see* United States Steel Corporation, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 15-16 (May 19, 2004).

<sup>22</sup> American Furniture Manufacturers Committee for Legal Trade, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 15 (May 19, 2004).

<sup>23</sup> Stewart and Stewart, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 10 (May 19, 2004).

<sup>24</sup> Cookware Manufacturers Association, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 2 (May 19, 2004).

<sup>25</sup> Kroeber Presentation, Attachment 1, slide 8 (emphasis in original).

the economy... [W]e don't have to control at 100 percent; we can get these foreign investors... to pay a lot of money for minority shares, and if we pick the right assets and control those in a more effective and efficient way, then it doesn't matter about the other 75 percent. *We can still effectively control the economy and make sure it runs the way that we want it to.*<sup>26</sup>

Dr. Peter Hugh Nolan's statement before the U.S.-China Economic and Security Review Commission, corroborates Mr. Kroeber's observations:

China's chosen global giant corporations have been supported through a wide range of national industrial . . . policies, which include: tariffs, which were gradually reduced during the reform years; non-tariff barriers, including limitations on access to domestic marketing channels; requirements for technology transfer and to sub-contract to selected domestic firms as the price for market access; government selection of the partners for major international joint ventures; preferential loans from state banks; privileged access to listings on national and international stock markets; tax relief; privileged access to land; direct support from [sic] R&D from the government budget; government procurement policy; and government mediated mergers and acquisition.<sup>27</sup>

And as for those companies that convert from state-owned operations to so-called private enterprises, the Cookware Manufacturers Association confirms that this transition typically is accompanied by "free equipment, forgiveness of rent, free raw materials, subsidized fuel, cancellation of payroll taxes, and non-enforcement of labor, minimum wage and work standard

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<sup>26</sup> *Id.*, [http://www.chamber.org.hk/info/the\\_bulletin/dec2003/cp.asp](http://www.chamber.org.hk/info/the_bulletin/dec2003/cp.asp) (emphasis added).

<sup>27</sup> *China's Industrial, Investment and Exchange Rate Policies: Impact on the United States: Hearing before the U.S.-China Economic and Security Review Comm.*, 108<sup>th</sup> Cong. 108 (2003) (prepared statement of Peter Hugh Nolan, Ph.D., Sinyi Professor of Chinese Management, University of Cambridge); see United States Steel Corporation, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 12-14 (May 19, 2004).

laws... Absent the payment of true market prices for inputs, these factories can compete in the market place with artificially low prices in predatory ways.”<sup>28</sup>

Finally, control of the corporate landscape in China is not just restricted to the actions of the national government, but forms the *modus operandi* for provincial and local governments as well:

- “[p]rivate firms suffer from political interference in their operations. Lack of coordination among relevant government agencies requires private firms to spend a substantial amount of time establishing a ‘relationship’ with both central and local government officials. Some domestic companies cited good relationships with local and central government officials as a crucial factor for their success...”<sup>29</sup>
- “The best-known Chinese firm internationally is, probably, the consumer electronics firm, Haier. Apart from the high entrepreneurial capabilities of its CEO, Zhang Ruiming, its growth owes much to the support given by both the Shandong provincial government and the Qingdao city government. . . . The fact that China has joined the WTO has not dimmed the ambition of local provincial and city governments to use industrial policy to nurture local champions...”<sup>30</sup>

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The above discussion about China’s corporate landscape highlights the difficulties associated with drawing a line between the considerable control maintain by the Chinese national, provincial and local governments over companies on the one hand and the impact of that control over an individual company’s export activities on the other. Given the basic market

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<sup>28</sup> Cookware Manufacturers Association, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 1-2 (May 19, 2004).

<sup>29</sup> American Foundry Society, Comments before U.S.-China Joint Commission on Commerce and Trade Working Group on Structural Issues, 15 (May 19, 2004), *quoting from* Asian Development Bank, *Private Sector Assessment: Peoples Republic of China*, 36 (Nov. 2003).

<sup>30</sup> *China’s Industrial, Investment and Exchange Rate Policies: Impact on the United States: Hearing before the U.S.-China Economic and Security Review Comm.*, 108<sup>th</sup> Cong. 109 (2003) (prepared statement of Peter Hugh Nolan, Ph.D., Sinyi Professor of Chinese Management, University of Cambridge).

regime in China, it is certainly accurate to say, as the Department did in response to Gleason's March 19<sup>th</sup> submission, that facts concerning China's corporate landscape are indicia of its status as a non-market economy. But these facts are also indicia of market conditions so severely distorted by government actions that export prices negotiated thereunder may be distorted as well, notwithstanding the facial appearance of free interplay between sellers and buyers. As explained in Section II below, the Department's current separate rates practice fails to take into account broader market conditions that may distort export pricing – accordingly, that practice needs to change.

## II. Separate Rates

The Department's current separate rates test focuses too narrowly on the mechanics associated with a company's derivation of an export price. The Department's 'separate rate' examination of *de jure* control of exporting activities concentrates on restrictive stipulations found in business and export licenses; legislative enactments decentralizing control; and other formal measure of decentralization.<sup>31</sup> Its examination of *de facto* control concentrates on whether formal governmental approval for export prices is required; whether the company can negotiate and sign agreements; whether the company can select its own management without government interference; and whether the company can keep the proceeds of its export sales and make independent decisions about profits and losses.<sup>32</sup> Unfortunately, none of these inquiries consider the market conditions that define the framework in which the individual company

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<sup>31</sup> Separate Rates Practice in Antidumping Proceedings Involving Non-Market Economy Countries, 69 Fed. Reg. 24,119, 24,120 (May 3, 2004).

<sup>32</sup> *Id.*

operates, nor do they consider whether non-market factors assert a commanding influence over a company's ostensibly independent export activities.

To fully understand a NME company's exporting activities, the Department should pull back and look at the broader market conditions that shape the framework in which the company operates. The Department's rules regarding the privatization of publicly-owned assets can serve as a useful guide in this area.<sup>33</sup> Those rules may seem far afield from a discussion of separate rates, but the two concepts share a common theme: both perform tests to determine the existence of arm's-length, fair market values in the negotiation of a price (for separate rates, a negotiated export price). But unlike the Department's current separate rate practice, the agency's privatization practice recognizes that a government's policies can manipulate economic conditions to give rise to a market-price illusion. Specifically, the finding by the WTO Appellate Body in *United States-Countervailing Measures Concerning Certain Products from the European Communities* that critically shaped the Department's current privatization practice recognized that "governments may choose to impose economic or other policies that, albeit respectful of the market's inherent functioning, are intended to induce certain results from the market."<sup>34</sup> The same may be true in antidumping proceedings involving NME countries; what may appear to be an export price shaped by market forces may actually be, upon further analysis, just a mirage.

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<sup>33</sup> *Notice of Final Modification of Agency Practice Under Section 123 of the Uruguay Round Agreements Act*, 68 Fed. Reg., 37,125 (June 23, 2003).

<sup>34</sup> *Id.*, 68 Fed. Reg., 37,125, 37,126, quoting from *United States-Countervailing Measures Concerning Certain Products from the European Communities*, WT/DS212/AB/R, para. 123 (Dec. 9, 2002).

Finally, the Department should analyze broader market distortions as a stand-alone factor of its separate rates test, distinct from (yet related to) its analysis of a company's exporting activities. In response to the Department's draft rules on privatization, certain commenters suggested that the Department should not attempt to analyze broader economic conditions independently, but instead focus solely on the arm's-length, fair-market analysis.<sup>35</sup> The Department acknowledged that the distinction between the analyses might appear formalistic at times, but found "the overall emphases of the two... distinguishable"<sup>36</sup>:

The analysis of broader market distortions... focuses on the government in its capacity as regulator and policymaker. Such an analysis is appropriate because it takes into account the unique power of a government to institute a basic market regime, as well as to create particular laws, regulations, economic incentives and unique conditions that impact the purchasers' decisions. The use of such governmental powers may be distortive where they make a particular sale possible that would not otherwise be possible, or at least not possible under the same terms as those of the transaction that actually took place, under normal market, legal, and regulatory conditions.<sup>37</sup>

In other words, to borrow the Department's own analogy of a game,<sup>38</sup> the current separate rates analysis examines whether the individual company is "playing, like a normal player, to win (*i.e.*, to maximize its winnings)."<sup>39</sup> Our proposed addition to the separate rates analysis "examines the rules of the game, to determine whether they were sufficient to ensure a meaningful game to begin with and whether they favor a particular outcome to the game."<sup>40</sup>

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<sup>35</sup> *Id.*, 68 Fed. Reg. at 37,134.

<sup>36</sup> *Id.*, 68 Fed. Reg. at 37,135 (footnote omitted).

<sup>37</sup> *Id.*

<sup>38</sup> *See id.*, 68 Fed. Reg. at 37,135 n.17.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

In every antidumping case involving a NME country, the Department presumes “that all companies within the country are subject to government control and should be assigned a single antidumping duty rate . . . .”<sup>41</sup> That presumption has been overrun by template-style requests for separate rates, so that the exception – separate rates for nearly every responding company – has wrongly become the rule. The baseline of a country-wide rate should not be so easily dismissed, especially where there is evidence that the rules of the game have been manipulated by the NME government so as to distort export pricing. Therefore, the Department should add an analysis of broader market distortions to its separate rates test because the current formulation of the test fails to take into account market distortions and how those distortions impact a NME company’s exporting activities.

III. Responses to Questions Found in the Appendix to the Department’s  
Notice on Separate Rates Practice

*(1) Is Section A of the NME questionnaire sufficiently detailed to allow the Department to make complete, accurate, and informed determinations regarding exporters’ eligibility for separate rates? If not, what would you recommend that the Department change with respect to its section A questionnaire? For example, should the Department request further information pertaining to de jure control, or lack of control, by the NME entity?*

As explained in Section II above, Section A of the NME questionnaire is not sufficiently detailed to allow the Department to make complete, accurate, and informed determinations regarding a company’s eligibility for a separate rate. To analyze whether an export price is based on free market, as opposed to non-market, forces, the Department should add a series of new questions to its separate rates analysis designed to ascertain whether broader market

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<sup>41</sup> Separate Rates Practice in Antidumping Proceedings Involving Non-Market Economy Countries, 69 Fed. Reg. 24,119, 24,120 (May 3, 2004) (citation omitted).

distortions exist and if so, how those distortions impact a company's exporting activities. These questions should be addressed to companies as part of section A of the NME questionnaire and to the applicable Chinese governmental entities (including national, provincial, and local government authorities, as well as quasi-governmental groups or organizations). Below are some examples of questions that may be included in such a questionnaire:

1. Describe and explain whether the national, provincial or local governments, including ministries or offices of those governments, or any quasi-governmental organization, identified, explicitly or implicitly, the industry that produces the merchandise which is the subject of this antidumping investigation as a national, provincial and/or local development objective, or otherwise directed the development of that industry.
2. If a company that manufactures the subject merchandise is located in a development zone, an economic zone, a technology zone, an industrial park, an industrial garden, or a bonded area, provide a detailed list of the preferential policies afforded companies located in such a zone or area.
3. Explain whether the company that manufactures the subject merchandise currently receives, or in the past received, preferences associated with a rebated corporate income tax, tax exemption or reduction programs (including, but not limited to, local income taxes, sales taxes, value added taxes, house duties, fixed asset investment taxes, or land use/property taxes), tax refunds for re-investment, or other tax relief. Explain the basis on which the company qualified for this type of preference and the benefit received.
4. Explain whether the company that manufactures the subject merchandise currently receives, or in the past received, preferences associated with land tenure, land use rights, "garden in a garden" rights, and/or other public facility rights. Explain the basis on which the company qualified for this type of preference and the benefit received.
5. Explain whether the company that manufactures the subject merchandise currently receives, or in the past received, preferences associated with administrative procedures, including, but not limited to, the reduction of construction supervision fees, quality control fees, bidding management fees, and/or zoning or urbanization planning fees. Explain the basis on which the company qualified for this type of preference and the benefit received.
6. Explain whether the company that manufactures the subject merchandise currently receives, or in the past received, preferences associated with infrastructure development, including, but not limited to, transportation, drainage, reclaimed water, water, water course maintenance, gas, electricity, heating, and leveled-off land. Explain the basis on which the company qualified for this type of preference and the benefit received.

7. Explain whether the company that manufactures the subject merchandise currently receives, or in the past received, preferential arrangements for export-oriented enterprises and/or enterprises adopting advanced technology. Explain the basis on which the company qualified for this type of preference and the benefit received.
8. Explain whether the company that manufactures the subject merchandise ever qualified under the State Council Encouragement of Foreign Investment Provisions (1986), or similar provisions, as export-oriented enterprises or technologically advanced enterprises. If one of the companies did qualify under the State Council Encouragement of Foreign Investment Provisions (1986) or similar provisions, explain how the company qualified and what actions the company needed to take in order to maintain its status under those provisions. Finally, explain whether the company received preferences or incentives pursuant to the State Council Encouragement of Foreign Investment Provisions (1986), or similar provisions, and describe the preferences or incentives received.
9. Explain whether the company that manufactures the subject merchandise currently receives, or in the past received, preferences not otherwise listed in questions 3-8 above.
10. Explain whether the company that manufactures the subject merchandise currently receives, or in the past received, a loan or other financial arrangement (including, but not limited to, credit allocations, loan guarantees or debt forgiveness) from a bank, or other financial entity, operated or controlled by the national, provincial or local governments, including ministries or offices of those governments, or any quasi-governmental organization. If the company did receive such a loan or financial arrangement, explain the basis on which the company qualified for this type of preference and the benefit received.
11. Explain whether any shareholders, board members, senior management officials, or other persons currently or previously associated with the company that manufactures the subject merchandise are, or have been, government officials and/or members of standing in the Communist Party of China.
12. Explain whether the company that manufactures the subject merchandise currently has, or previously had, a Communist Party committee set up within, or affiliated with, the company.

*(2) What new procedures or approaches should be followed at verification to ensure a rigorous examination of whether a respondent qualifies for a separate rate?*

The Department should verify company responses to section A questions directed at uncovering market distortions (see response to Question 1). The Department also should verify a select number of government responses to these questions.

*(3) Due to the number of possible section A respondents in many cases and the Department's resource constraints, should the Department establish a process whereby exporters seeking a separate rate must prepare a request and satisfy established requirements before the Department seeks additional information through the questionnaire process? What requirements would you recommend the Department establish?*

Gleason takes no position with respect to the issues raised in question (3).

*(4) Should the Department institute an earlier deadline for parties filing section A submissions who are requesting only a separate rate (as opposed to a full review), in relation to the deadline for mandatory respondents? When should this deadline be?*

Gleason takes no position with respect to the issues raised in question (4).

*(5) In light of the Department's limited resources, should the number of section A respondents be limited and, if so, upon what basis should the Department limit its examination? For example, should the Department limit the examination to a specific number of parties, base this decision upon a percentage of the number of overall respondents requesting separate rates treatment, or develop an entirely different test to limit its examination?*

Gleason takes no position with respect to the issues raised in question (5).

*(6) Under current practice, the Department maintains three rate categories: country-wide, individually calculated, and the average of the non-zero, non-de minimis, non-adverse rates. Does the Department have the authority to eliminate entirely the rate category that is based on the average of non-zero, non-adverse, and non-de minimis margins? This rate category is currently applicable to section A respondents, as well as to non-investigated respondents providing full questionnaire responses. If the Department has authority, should it eliminate this category and upon what basis?*

Gleason takes no position with respect to the general issues raised in question (6).

Gleason believes, however, that the Department should restrict the rate category that is based on the average of non-zero, non-adverse, and non-*de minimis* margins to producers that export the

subject merchandise. The Department should otherwise assign the country-wide rate, or a fourth rate category, to exporters that do not produce the subject merchandise, unless the exporters can demonstrate that the producers from which they buy operate under non-distortive market conditions.

*(7) Should the Department develop an additional rate category beyond country-wide, individually calculated, and the average of the non-zero, non-de minimis, non-adverse rates? This additional rate category could be assigned to cooperative firms denied a separate rate under options (5) and (6) above, as an alternative to assigning them the country-wide rate. How should the duty rate for this fourth rate category be calculated?*

The Department should develop a fourth rate category for exporters that do not produce the subject merchandise who cannot otherwise demonstrate that the producers operate under non-distortive market conditions. If such exporters are found to be cooperative, the Department should calculate this fourth rate category based on the highest non-adverse rate for a mandatory respondent.

*(8) Once a separate rate has been awarded, should the Department apply it only to merchandise from producers that supplied the exporter when the rate was granted? In that case, should merchandise from all other suppliers shipped through an exporter with a separate rate receive the country-wide rate, the average of the non-zero, non-de minimis, non-adverse reviewed respondents' margins, or another duty rate altogether?*

Once a separate rate is awarded, the Department should apply it only to merchandise from producers that supplied the exporter when the rate was granted. Under the system suggested by Gleason, non-producing exporters would not be granted separate rates except with respect to merchandise purchased from specific producers that qualified for separate rates. Therefore, merchandise from all other suppliers shipped through an exporter should receive the country-wide rate.

*(9) Should the Department extend its separate-rates analysis to exporter-producer combinations, i.e., should the Department consider any government control exercised on an exporter through a producer?*

As explained above, the Department should limit its separate rates analysis just to producers of the subject merchandise. The Department should not otherwise grant separate rates to exporters that do not produce the subject merchandise for the reasons set forth above. Therefore, the Department should extend its separate-rates analysis to exporter-producer combinations only to the extent that the non-producing exporter demonstrates that the producer in question operates under non-distortive market conditions.

*(10) Please provide any additional views on any other matter pertaining to the Department's practice pertaining to separate rates.*

Gleason hereby incorporates by reference its views on the Department's practice pertaining to separate rates as set forth in this submission, *supra*, at Sections I and II. Gleason also hereby incorporates by reference its views on the separate rates practice as set forth in its March 19, 2004, submission filed in the antidumping investigation of hand trucks and certain parts thereof from the People's Republic of China (Attachment 2).

IV. Conclusion

Government control of a non-market economy necessarily impacts every decision by companies located in the NME country, including decisions involving export activities. As a result, the Department should amend its separate rates practice to consider and account for the unique power of NME governments to institute regimes that distort professed market valuations of export pricing.

Based on this submission, Gleason also asks the Department to revisit its preliminary determination in the hand truck investigation with respect to Gleason's separate rate request. In this regard, Gleason requests that the Department issue a supplemental questionnaire to the Chinese National Government, the Shandong Provincial Government, the Qingdao Municipal Government and any other governmental entity that may have played a significant role in the development and expansion of the hand truck industry in Qingdao, China, as well as to those mandatory respondents currently involved in the investigation, to determine whether market distortions exist and if so, how those distortions impact on each mandatory respondent's export activities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark P. Gleason', with a long horizontal stroke extending to the left.

Gleason Industrial Products, Inc., and  
Precision Products, Inc.



**China Economic  
Quarterly**



Global Economic  
Quantity

# Two big myths...



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China Economic  
Quarterly

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# Efficiency does not matter

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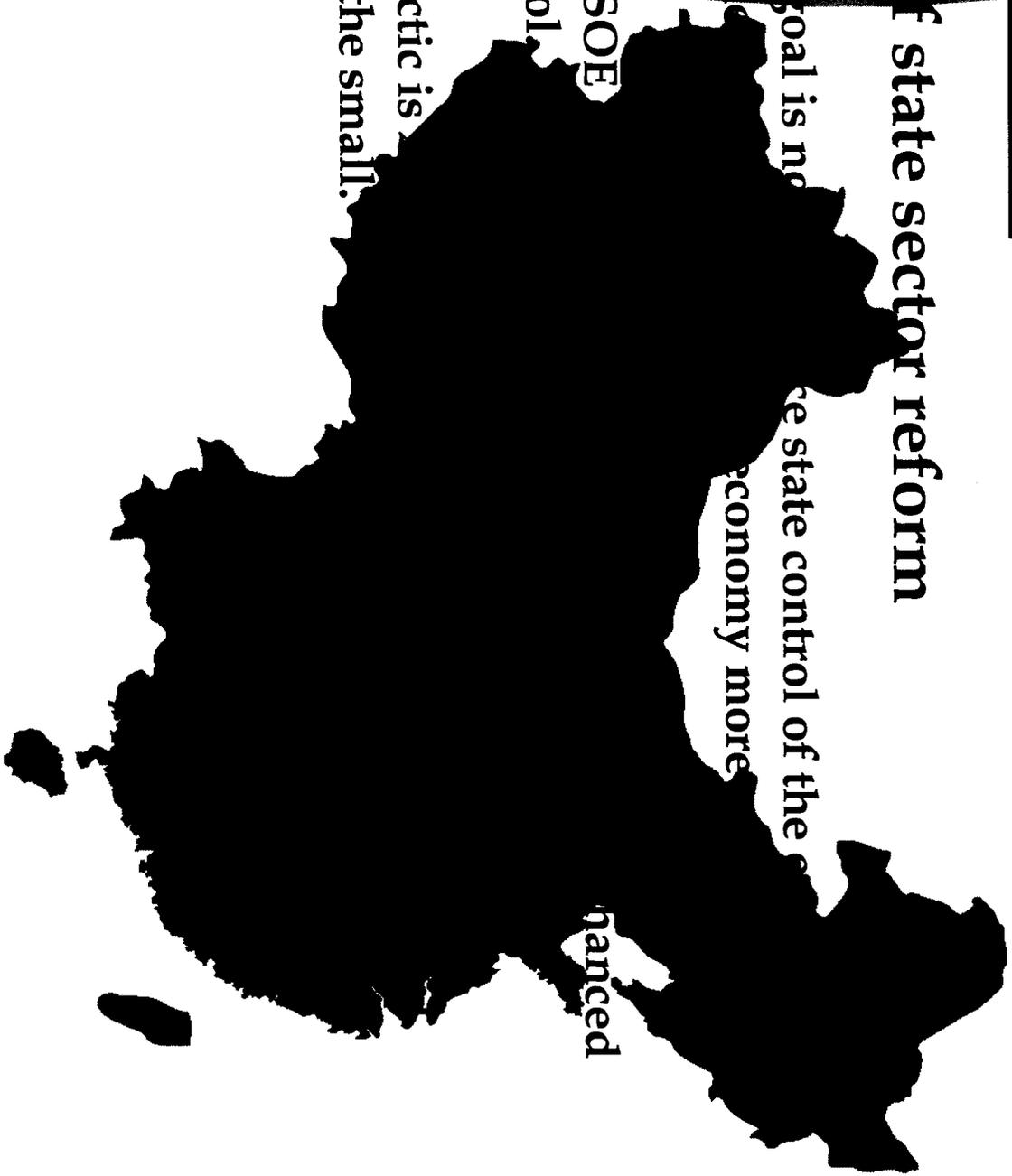
# Globalisation is irrelevant





# State sector reform

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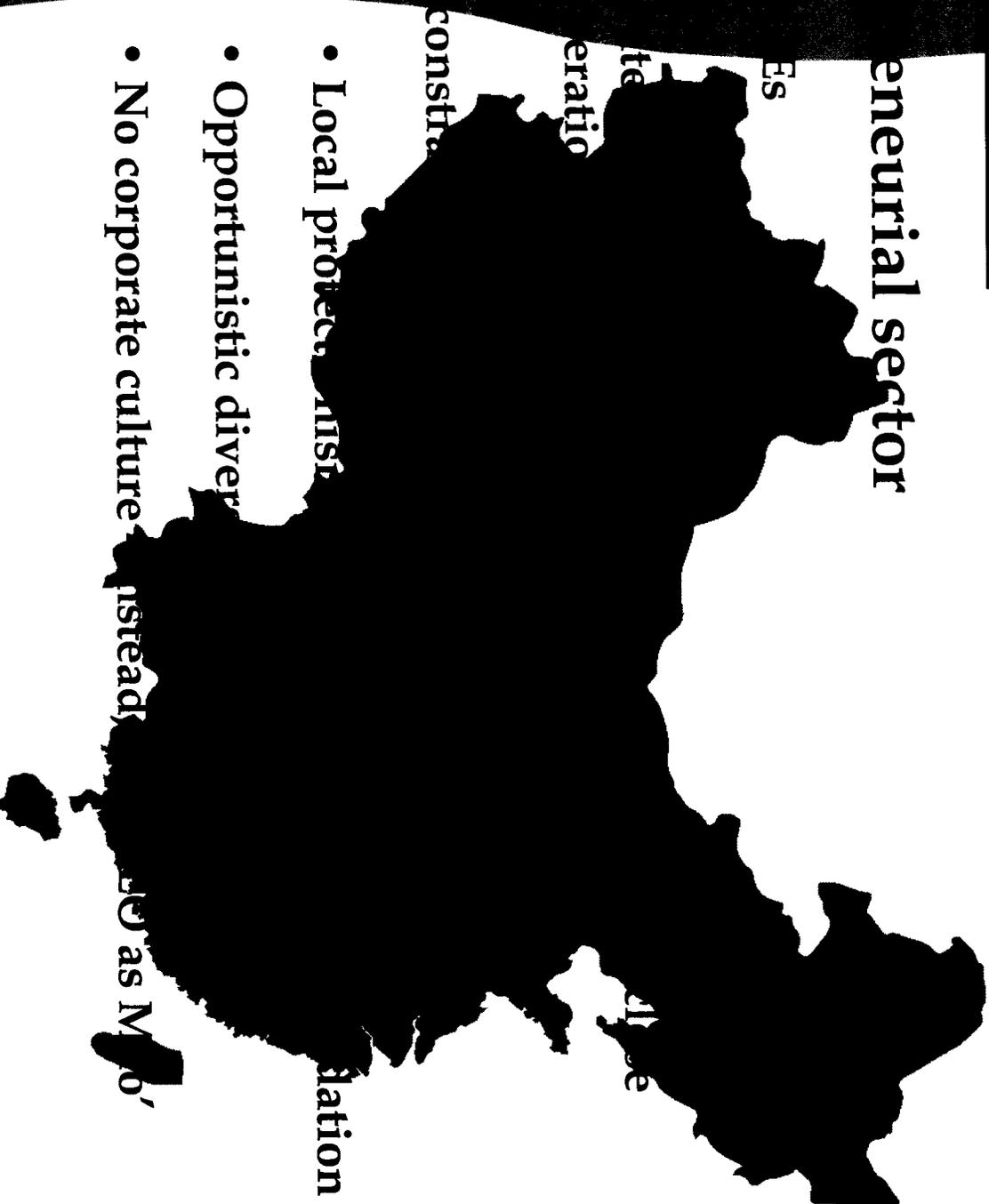
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# Entrepreneurial sector

Es



- Local protectionism
- Opportunistic diversification
- No corporate culture - instead, 'as Mo'

## China champion case study: Baosteel

- Accounts for 10% of world steel production
- Largest source of demand for iron
- JV with Rio Tinto ore mine
- Proposed JV steel market & avoid anti-dumping actions

# Entrepreneurial case study #1: TCL

largest TV manufacturer in the world and largest domestic cellphone manufacturer



## Entrepreneurial case study #2: Hainan

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# Entrepreneurial case study #3: Guang

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... are just like a great state ... difference is we make money ...



## Reasons

- Inability to control costs to maintain control
- Poor management incompatible with success
- Inappropriate capital structures



March 19, 2004

The Honorable Donald L. Evans  
Secretary of Commerce  
International Trade Administration,  
Room 1870  
U.S. Department of Commerce  
14th St. & Constitution Avenue, N.W.  
Washington, D.C. 20230

Case No.: A-570-891  
Total Pages: 64  
Investigation  
Grp 1/Off 1: ART  
Public Document

RECEIVED  
MAR 19 2003  
DEPT. OF COMMERCE  
ITA  
IMPORT ADMINISTRATION

**Re: Hand Trucks and Certain Parts Thereof from the People's Republic of China: Request For Supplemental Questionnaire Focused on Chinese Government Control Over Qingdao Hand Truck Companies.**

Dear Mr. Secretary:

China covers one-fifteenth of the world's land mass, yet all five of the Chinese hand truck manufacturers that answered the Department's Section A questionnaire – Taifa Group Co., Ltd. ("Taifa"), Zhenhua Industrial Group Co., Ltd. ("Zhenhua"), Xinghua Group Co. Ltd. ("Xinghua"), Future Tool Inc. ("Future Tool"), and Huatian Hand Truck Co. Ltd. ("Huatian") (collectively, "the factories") – are located in Qingdao, China. Three of these companies – Taifa, Zhenhua and Huatian – are even located in same industrial zone (alternatively referred to as Yinzhu Town Industrial Park, Jiaonan Seaside Industrial Park, or Jiaonan Economic Development Zone (collectively, the "Jiaonan Zone")). Xinghua also appears to be located in the Jiaonan Zone (or nearby), along with three other hand truck manufacturers that did not file section A submissions – Kunhua Hand Truck Co., Ltd., Mingzhu Vehicle Co., Ltd. and Yinzhu Industrial Products Co., Ltd. (*see*

Exhibit C). Finally, Future Tool is located in the Qingdao Economic & Technological Development Zone, which sits adjacent to the Jiaonan Zone. Mere coincidence cannot explain this result; non-market forces (*i.e.*, the Chinese Government's firm control of the country's economy) must have played a significant role in the formation of the hand truck industry in Qingdao.

The factories' proximity to one another is only the beginning; upon further review it is apparent that non-market forces (again, the Chinese Government) also played a heavy hand in the industry's organization and advancement. The People's Government of Qingdao specifically identifies "hand carts" as one of the "major trades of the city's industry":

The city has eight (8) large manufactories, including four (4) major enterprises, and four (4) village-owned, individual or private manufactories. The major enterprises to manufacture the handcars are Tai[f]a Group, Zhenhua Industry Group, Xinghua Metalwork Limited, Qingdao Huatian Vehicle Company, they mainly produce building handcarts, and flat handcars, freight cars and multiple-purpose carry scrapers [sic]. The annual manufacturing volume is up to 14,000,000 handcars. Taifa Group exports 25% of them [sic] handcars with the balance staying in China.<sup>1</sup>

In this regard, the People's Government of Qingdao identifies Taifa as a "Main Enterprise," and "one of Shandong Province's 20 manufacturing exporters that have been granted preferential financial policies and support for their exports, and has

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<sup>1</sup> Exhibit B, page 6-7.

been recognized by the Qingdao government as the 'Big Exporter'."<sup>2</sup> Although some of the factories may have been established earlier, it is noteworthy that they all incorporated recently during an approximately two-year period, and they all operate large-scale facilities with massive production capabilities:

- Taifa – incorporated December 31, 1997, covers 750,000 m<sup>2</sup> with an annual output of 6 million hand carts;
- Zhenhua – incorporated April 8, 1998, covers 260,000-310,000 m<sup>2</sup>, annual output not publicly specified;
- Xinghua – incorporated December 1, 1998, covers 60,000 m<sup>2</sup> with an annual output of 2 billion wheel barrows (which includes hand trucks);
- Future Tool – incorporated December 3, 1999, covers 300,000 m<sup>2</sup> with an annual output of 2 million hand trucks; and
- Huatian – incorporated January 3, 2000, covers 580,000 m<sup>2</sup> with an annual output of 3-5 million hand trucks.

See Exhibit C. For reasons set forth below, Petitioners aver that absent a significant government role in and control over the structure of this industry and the formation of the factories, it would have been virtually impossible for the Qingdao hand truck industry to attain its giant size and production capabilities.

What role the Chinese Government may have played, and continues to play, with respect to the Qingdao hand truck industry is difficult to measure with any precision. Needless to say, the Chinese Government does not detail every economic

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<sup>2</sup> Exhibit B, page 3.

decision, let alone its justification for fostering the explosive growth of multiple massive hand truck factories over a brief time. Even USTR concedes that

China's possible export subsidies on industrial goods are difficult to identify and quantify because they are most often the result of internal administrative measures and not publicized or they may be provided through mechanisms such as credit allocations or low-interest loans.

2003 National Trade Estimate Report on Foreign Trade Barriers at 58. USTR goes on to note that "other forms of export subsidies may involve guaranteed provision of energy, raw materials or labor supplies." *Id.* Nonetheless, Petitioners have been able to compile information about preferential government programs (see Exhibit B). Petitioners believe that the factories may have received, and may continue to receive, preferential treatment under these programs, including monies from the Qingdao Municipal Government for "handling overseas (regional) anti-dumping cases."<sup>3</sup>

The Department considers the People's Republic of China a non-market economy ("NME") country for purposes of the U.S. antidumping law. As such, the Department presumes that all companies within China are subject to governmental control and should be assigned a single antidumping duty rate. But the Department permits Chinese companies to escape the full weight of their NME status by "proving" that the price at which they sell products to the United States

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<sup>3</sup> Exhibit B, page 12. The Qingdao Municipal Government's program in support of antidumping cases is especially revealing, because it demonstrates government support for unfair trade practices by non-market companies.

evolves independent of that status. Specifically, if a NME company can submit standardized answers to questions about *de jure* and *de facto* governmental control over export activities, the Department will assign it an individualized antidumping duty rate:

The Department's separate-rates test is not concerned, in general, with macroeconomic border-type controls (*e.g.*, export licenses, quotas, and minimum export prices), particular if these controls are imposed to prevent dumping. Rather, the test focuses on controls over the decision-making process on export-related investment, pricing, and output at the individual firm level.<sup>4</sup>

The "separate-rates test" thus enables a NME company to maintain that it operates in a free market export bubble, even though every other aspect of its operations is profoundly influenced by government controls.

Granted – there are important facets of the Department's antidumping practice that adjust for China's NME status, but none of the agency's current measures counteract pervasive, unfair government manipulation of the marketplace. The primary method by which the Department compensates for the anomaly of a NME is the use of surrogate values to calculate normal value. 19 U.S.C. § 1677b(c)(4). The secondary method is the application of a PRC-wide rate to Chinese NME exporters that do not qualify for individualized rates. Even so, the Department does not currently evaluate the full effect of NME forces on a

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<sup>4</sup> *Notice of Preliminary Determination of Sales at Less Than Fair Value: Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof from the People's Republic of China*, 69 Fed. Reg. 5127, 5129 (Feb. 3, 2004) (citations omitted).

company's overall operations. As a result, the critical question of whether a NME company is truly independent of the NME government's overall manipulation of the marketplace is left unexamined. Perhaps the question could be tested by the countervailing duty provisions of Title VII of the Tariff Act of 1930, as amended, but the Department has stipulated that U.S. countervailing duty laws remain inapplicable to NME countries.<sup>5</sup> Therefore, since the Department has set aside U.S. countervailing duty laws, it necessarily must address this question in the context of the U.S. antidumping laws. If the evidence of record demonstrates that NME forces imbue the industry and companies under investigation, the Department should presume that the NME forces necessarily operate to control export-related investment, pricing and output at the company level, even when government *de jure* and *de facto* influence over day-to-day export activities is not overt.

Petitioners have demonstrated in this letter and accompanying exhibits a reasonable basis to believe that the market export bubble that the factories assert exists is merely an illusion. Petitioners have demonstrated a reasonable basis to believe that NME forces so pervade the industry under investigation that it is a mistake for the Department to presume that such forces exercise no control over a NME company's export pricing and output. Therefore, Petitioners respectfully request that the U.S. Department of Commerce examine this issue in detail and send out a questionnaire to the Chinese National Government, the Shandong

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<sup>5</sup> See *Georgetown Steel Corp. v. United States*, 801 F.2d 1308 (Fed. Cir. 1986).

Provincial Government, the Qingdao Municipal Government and any other governmental entities that may have played a significant role, as well as those mandatory respondents currently involved in this investigation, that will examine in detail the decisive non-market role played by one or more Chinese governmental entities in the development and expansion of the hand truck industry in Qingdao, China. To assist the Department in this endeavor, Petitioners have prepared a list of questions, attached as Exhibit A, that we believe will help the agency to examine this issue in detail.

Please direct any questions concerning this request to the undersigned.

Respectfully submitted,



Matthew P. Jaffe  
Alexander H. Schaefer  
Amy B. Newman  
Kimberly A. Bart  
Sobia Haque  
CROWELL & MORING LLP

Counsel for Petitioners Gleason Industrial  
Products, Inc. and Precision Products, Inc.

cc (letter only):

The Honorable Charles E. Grassley  
The Honorable James A. Leach

The Honorable Christopher S. Bond  
The Honorable James M. Talent  
The Honorable Jo Ann Emerson

The Honorable Evan Bayh  
The Honorable Richard G. Lugar  
The Honorable Chris Chocola  
The Honorable Mark E. Souder

The Honorable Richard Durbin  
The Honorable Peter G. Fitzgerald  
The Honorable Ray LaHood



Exhibit A

Supplemental Questionnaire on Industry Practices

## Supplemental Questionnaire On Industry Practices

1. Please describe and explain whether the national, provincial or local governments, including ministries or offices of those governments, or any quasi-governmental organization, identified the hand truck industry as a national, provincial and/or local development objective, or otherwise provided direction to the development of the hand truck industry in Qingdao, China.
2. Provide a detailed list of the preferential policies afforded companies that locate in one of the following development zones:
  - a. Qingdao Economic & Technological Development Zone
  - b. Qingdao Bonded Area
  - c. Other economic development zones located in or near Qingdao, China, including the Jiaonan Economic Development Zone, the Jiaonan Seaside Industrial Park, Coastal Industrial Garden of Jiaonan, and/or the Yinzhu Town Industrial Park, or other Provincial-level Economic Development Zones.
3. The next series of questions relates to preferential policies or other incentives that may have been granted to the following companies: Qingdao Taifa Group Co., Ltd. ("Taifa"), Qingdao Zhenhua Industrial Group Co., Ltd. ("Zhenhua"), Qingdao Xinghua Group Co. Ltd. ("Xinghua"), Qingdao Future Tool Inc. ("Future Tool"), and/or Qingdao Huatian Hand Truck Co. Ltd. ("Huatian"). Your response to each of the following questions should address the companies and all "affiliated persons," as defined under section 771(33) of the Tariff Act of 1930, as amended, including, but not limited to, shareholders, affiliated companies, and other associated persons.
  - a. Please explain whether Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian currently receive, or in the past received, preferences associated with a rebated corporate income tax, tax exemption or reduction programs (including, but not limited to, local income taxes, sales taxes, value added taxes, house duties, fixed asset investment taxes, or land use/property taxes), tax refunds for re-investment or other tax relief. Please explain the basis on which the company qualified for this type of preference and the benefit received.
  - b. Please explain whether Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian currently receive, or in the past received, preferences associated with land tenure, land use rights, "garden in a garden" rights, and/or other public facility rights. Please explain the basis on

which the company qualified for this type of preference and the benefit received.

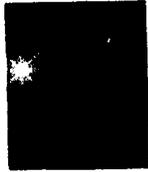
- c. Please explain whether Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian currently receive, or in the past received, preferences associated with administrative procedures, including, but not limited to, the reduction of construction supervision fees, quality control fees, bidding management fees, and/or zoning or urbanization planning fees. Please explain the basis on which the company qualified for this type of preference and the benefit received.
- d. Please explain whether Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian currently receive, or in the past received, preferences associated with developed infrastructure, including, but not limited to, transportation, drainage, reclaimed water, water, water course maintenance, gas, electricity, heating, internet, cable TV, and leveled-off land. Please explain the basis on which the company qualified for this type of preference and the benefit received.
- e. Please explain whether Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian currently receive, or in the past received, preferential arrangements for export oriented enterprises and/or enterprises adopting advanced technology. Please explain the basis on which the company qualified for this type of preference and the benefit received.
- f. Please explain whether Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian ever qualified under the State Council Encouragement of Foreign Investment Provisions (1986), or similar such provisions, as export-oriented enterprises or technologically advanced enterprises. If one of the companies did qualify under the State Council Encouragement of Foreign Investment Provisions (1986), or similar such provisions, please explain how the company qualified and what actions the company needed to take in order to maintain its status under those provisions. Finally, please also explain if any of the companies received preferential policies or incentives pursuant to the State Council Encouragement of Foreign Investment Provisions (1986), or similar such provisions, and describe the preferences or incentives received.
- g. Please explain whether Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian currently receive, or in the past received, preferences not otherwise listed in questions 3.a.-f. above.
- h. Please explain whether Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian currently receive, or in the past received, a loan or other

financial arrangement (including, but not limited to, credit allocations, loan guarantees or debt forgiveness) from a bank, or other financial entity, operated or controlled by the national, provincial or local governments, including ministries or offices of those governments, or any quasi-governmental organization. If the company did receive such a loan or financial arrangement, please explain the basis on which the company qualified for this type of preference and the benefit received.

- i. Please explain whether any shareholders, board members, senior management officials, or other persons currently or previously associated with Taifa, Zhenhua, Xinghua, Future Tool, and/or Huatian are, or have been, government officials and/or members of standing in the Communist Party of China.



Exhibit B



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TEB



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Invitation



Jiaonan City is located at the southeast coastline of Shandong Province, China, on the North-west bank of the Pacific Ocean. It is a satellite city of Qingdao, and one of the earliest open coast cities approved by the State. Jiaonan is close to mountains and sea, has beautiful sceneries and long history with splendid culture. It is a very beautiful coastal city.

Reformation and open policies create good investment environment and opportunities of development for Jiaonan. The Comprehensive economic strength of the city is growing remarkably. People are becoming richer and richer. Infrastructure of the city is completing step by step. The Functions of the city are strengthening continuously. Its' Social and economic structures are connecting with the international ones. A lot of merchants and investors from home and abroad are attracted to come for investment and business. At present, Jiaonan is at the 35th place among 100 counties (cities) in China that have the most powerful economic competitiveness according to the latest information published by the State Statistics Bureau. Up to now, foreign capital used by contracts in the whole city is worth 2.5 billion US dollars; foreign capital used actually is 1.15 billion US dollars; domestic capital used actually is 16 billion RMB; annual volume of exports is 550 million US dollars. Big, world-famous companies from U.S.A, Germany, Japan, South Korea, Taiwan, Hong Kong, etc. have invested in Jiaonan and achieved success.

With Qingdao economic business center moving toward west, the container business of Qingdao Port will move entirely to Qianwan Port, and Qingdao Gulf Bridge is planned to build up, the location superiority and good investment environment of Jiaonan becomes more obvious. An important strategic opportunity period for quick development has come. The west sea bank of Qingdao with Jiaonan as its major hinterland will be built into a modern industrial center area. Qingdao Lingang Industrial Processing Zone with 30 km<sup>2</sup> as the first phase project and with 60 km<sup>2</sup> in total programming being planned. As an important component of Qingdao, a modern international big city, Jiaonan has broader space for development in participating international economic cooperation and competition.

Today's Jiaonan is tomorrow's Qingdao. In the new era, with realizing modernization as its target, Jiaonan will insist on open policy, strengthen reformation and enlarge opening and develop with high speed to build Jiaonan into a modern coast tourist city. We deeply believe that Jiaonan will have a more beautiful tomorrow! The 840,000 people in Jiaonan warmly welcome friends from home and abroad to come to the beach of the Yellow Sea, a hot land, to plough, to broadcast seeds and to harvest in order to create a splendid future!

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### Main Enterprises



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#### Main Enterprises

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#### Famous Products

#### Export Products

### Qingdao Taifa Group Co., Ltd.

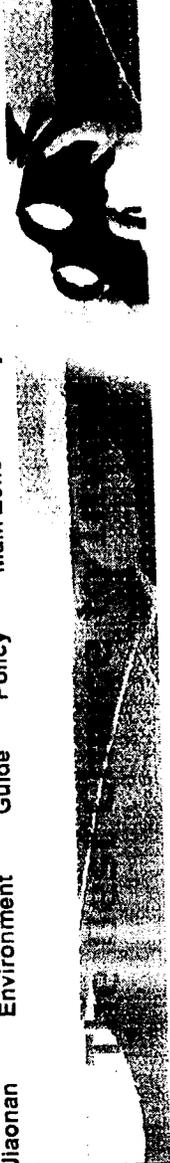
Qingdao Taifa Group Co., Ltd is the first company in the Chinese mainland specializing in manufacturing handcars. Occupying an area of 510,000 square meters with 6,500 employees and total assets worth RMB500 million, the group has 5 subsidiary companies and 20 plants processing and manufacturing products covering industries such as ferrous metals, non-ferrous metals, rubber, plastic and wooden furniture, which are sold to more than 100 countries and regions.

The group was designated as the national electromechanical products export base by the State Council in 1990, obtained the permit to deal import and export business in 1993, and successfully passed the ISO quality system authentication in 1998. It has been rated the AAA-grade (the best) credible company by the Agricultural Bank of China, Qingdao Branch for consecutive 6 years. It is one of Shandong Province's 20 manufacturing exporters that had been recognized preferential financial policies and support for their exports, and has been recognized by the Qingdao government as the "Big Exporter".

The company's brand TAIFA has been elected as a famous brand by the Shandong Provincial Administration of Industry and Commerce.

The company mainly produces handcars in over 560 specifications, tyres in over 600 models and casters, with an annual production capacity of 6 million sets of handcars and 20 million sets of tyres.

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### Main Enterprises

#### Qingdao Zhenhua Industrial Group Co., Ltd.

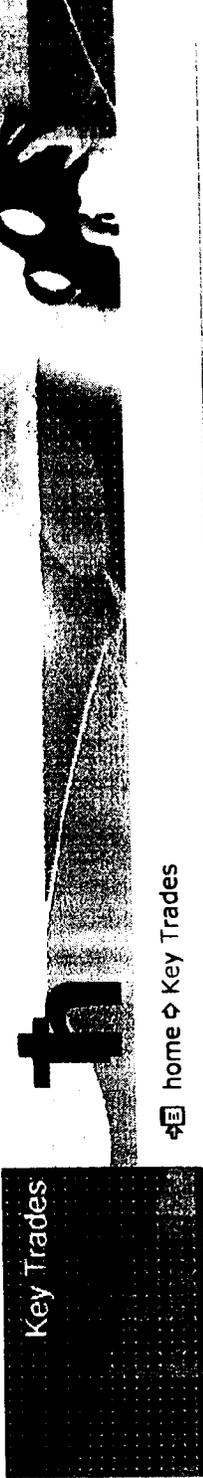
Qingdao Zhenhua Industrial Group Co., Ltd has 4 rubber factories, a vehicle plant and a ply cord company. The group, occupying a land of 220,000 square meters with factory floor space totaling 140,000 square meters, employs over 2,700 people, of which, over 280 are engineers and technicians. It has assets worth RMB224 million, and annual sales revenue amounts to RMB350 million. Being capable to deal import and export business, the group has successfully passed the ISO international quality system authentication and TUV/GS product quality certification. It is recognized as an "Excellent Exporter" and one of Shandong's top 100 township enterprise.

The group's leading products include a variety of ZHAN QIAO brand tyres and tubes used in light truck, farm vehicle, motorcycle and cart, and vehicle lines such as hand trolleys, service carts, tool carts and wheelbarrows. The caster wheels and casters sell well in China, and have been sold so far as to more than 30 countries and regions such as South America, North America, Europe, Africa and Southeast Asia.

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The basic status of major trades of the city's industry

- 1. Mechanical industry  
Currently, the city has two hundred and thirty-three (233) industrial enterprises in mechanical industry, thirty-four (34) enterprises have developed to be a certain scale.
- 1.1 Textile machinery  
In the city, there are seven (7) large-sized textile machinery enterprises, Jiaonan Dongjia Textile Machinery Group Co., Ltd. and Qingdao Xinghuo Textile Machinery Group Co., Ltd as the leading enterprises in the textile trade, including three (3) industrial-sized major enterprises. The annual manufacturing capacity of various textile machines is up to 17,000 sets, covering 10,000 carding machines, 3,000 wool textile machines, 4,000 water-jet looms, rapier looms and steam-jet looms. Now, the city has become the biggest manufacturing base of shuttle less looms and wool textile machines in China. The products produced from wool textile machines and shuttle less looms share 90 percent of the market in China.
- 1.2 Foundry machinery  
Jiaonan has three (3) foundry machinery enterprises, in which Qingdao Double-Star Huaqing Foundry Machinery Company is the leading enterprise, and there are over ten (10) villages and individual or private business enterprises. Various foundry machines manufactured 2,600 sets per year; the manufacturing quantity of foundry machines has 60% of the market shares.

### 1.3 Shoemaking Machinery

Qingdao Huanqiu Group is the shoemaking machinery manufacturing enterprise in the city. During the process of more than ten year's development, the enterprise has always put stress on product structural adjustment and new product development, successively developed eight (8) new shoemaking machines, shoemaking machines cover 80% of the total varieties in China. The enterprise successfully reached joint venture agreement with the worldwide famous shoemaking machinery enterprise, Italian Cherim Company, Cherim Shoemaking Machinery (Qingdao) Company Limited. The enterprise has achieved and made shoemaking machines in integritation, serialization and specialization, and the products are sold in foreign countries. The enterprise can annually manufacture 104 shoemaking machines, the maximum manufacturing capacity is 170 machines per year, and the matched equipment to manufacture shoemaking machines shares 30% of the market in China. The city is the largest manufacturing base of shoemaking machines in China.

### 1.4 Glass machinery

The glass machinery manufacturing enterprise in the city is Qingdao Hanqiu Group. The enterprise has successively developed two items of new products with international advanced level, i.e., BMBCD heterotypic automatic glass polisher (new product at national level) and BYM-150 heterotypic beam glass automatic polisher (national major products). The products were rapidly introduced to markets, and gained high praises from users. The enterprise also developed BXP-3600 glass developing machine, movable vacuum disc unit, double beam polisher and so on, among them, the movable vacuum disc unit and double beam polishing machine gained the national patents. The enterprise also developed glass linear polishing machine (new high-tech product in China), SECS developing machine and glass linear polisher. Glasscutter PG 3220 annealing furnace and glass machines can produce up to 145 sets per year.

### 1.5 Packing Machinery

The packing machinery manufacturing enterprises of the city cover Qingdao Huachi Packing Machinery Manufactory Co., Ltd., Shandang Binying Packing Machinery Manufactory Co., Ltd., Zangnan Gaogezhuang Paper Box Equipment Manufactory and so on, among them there are three (3) industrial scale enterprises, main products cover full-automatic sack plaster, box press, paper cutter, glue applicator, corrugating machine, paper splitter and black press and so on.

### 1.6 Handcars

The city has eight (8) large manufactories, including four (4) industrial major enterprises, and four (4) village-owned, individual or private manufactories. The major enterprises to manufacture the handcars are Taiga Group, Zhenhua Industry Group, Xinghua Metalwork Company Limited, Qingdao Huatian Vehicle Company, they mainly produce building handcars, and flat handcars, freight cars and multiple-purpose carry scrapers. The annual

manufacturing volume is up to 14,000,000 handcars. Taifa Group exports 25% of them handcars with the balance staying in China.

#### 1.7 Rubber Machinery

There are six (6) rubber machinery manufactories in the city, including five (5) large-sized enterprises. 8,500 rubber machines can be produced annually; the products are sold in twenty-eight (28) provinces in China and countries in Southeast Asia, Middle East and South America etc.

#### 1.8 General Machinery reducers

The general mechanical products in the city mainly cover blowers, there are two (2) large reducer-manufacturing enterprises specially involved in the manufacture of reducers, the production capacity is 40,000 reducers. The main reducer manufacturing enterprises are Jiaonan Feiyue Reductor Co., Ltd. and Jiaonan General Reductor Manufactory, of which the annual production capacity of various modes of reducers is 14,000 sets. The blower manufacturing enterprise is Jiaonan Xinchang Blower Co., Ltd. with annual production capacity of 1,000 blowers.

#### 1.9 Other mechanical industries

The mechanical categories in the city also cover agricultural machinery, hardware machinery and woodworking machinery.

##### 1.9.1 Agricultural machinery

The city has two agricultural machine manufactories, i.e., Jiaonan Xinda Machinery Co., Ltd. and Jiaonan Luhua Tractor Manufacture Co., Ltd. The annual production is up to 10,000 tractors and 300 oil presses.

##### 1.9.2 Hardware machinery

The hardware machinery enterprise in the city is Jiaonan Jiaowei Machinery Co., Ltd. of which the annual production of hardware machines is 5,000 sets.

#### 2. Rubber Manufacturing Machinery

In the city, there are eighty (80) rubber manufactories, seventeen (17) rubber manufactories have developed to be a certain scale, the annual production of various rubber tires is up to 6,900,000 (including 6,600,000 cross tires and 300,000 radial tires), and 5,900,000 for cross rubber tires. The main enterprises are Qingdao Double Star Huaqing Company, Qingdao Taifa Group, Qingdao Zhenhua Industry Group, Qingdao Orientation Industry Group and Qingdao Huahai Environmental Protection Industry Co., Ltd.

#### 3. Papermaking Industry



# Policy

## The Best Choice to Live

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Main Enterprises

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Policy

1. Income tax of Foreign invested enterprises and foreign enterprises For foreign invested manufacturing enterprises in Jiaonan, income tax will be levied at a reduced rate of 24%; For technique-intensive and knowledge-intensive projects, foreign investment over 30 million US dollars and long time capital returning projects, energy, communication and port construction projects, high and new technology enterprises, income tax will be levied at a reduced rate of 15%.

Foreign invested manufacturing enterprises, which have been operating over 10 years, will be free of income tax for two years from the first profit yielding year, and exempted from half income tax for the third, fourth and fifth year. In accordance with tax law, foreign invested products exporting enterprises can enjoy 50% deduction of income tax regulated by tax law if the current year exporting production value reaches more than 70% of its yearly total, even after these enterprises enjoy the above-mentioned preferential treatment. Foreign invested advanced technology enterprises can enjoy a 50% deduction of income tax regulated by tax law for three years if they remain as advanced technology enterprises after their free reduced income tax term expires, in accordance with tax law.

If foreign investors reinvest their profit to the enterprise from which the profit is gained or start a new business, whose operating terms are no less than five years, 40% income tax of the reinvestment will be drawn back, if foreign investors reinvest in new or enlarge old exporting enterprises or advanced technology enterprises Income tax of reinvestment paid, will be fully drawn back.

Foreign investors are free of income tax of their profit gained from foreign invested enterprises.

For those foreign invested enterprises purchasing domestically made equipment within

their total capital injection, value added tax of the equipment can be fully drawn back and free of income tax.

#### II. Duty Free for Importing Equipments

According to state industrial guiding directory, encouraged projects and products, approved 100% exporting projects are duty free when equipment is imported within total capital injection and free of importing value added tax.

#### III .Drawback Rates for Exporting Products

1. For machinery equipment, electric appliances and electronic products, transportation tools, instruments and garments exporting, the drawback rate is 17%.
2. For textile materials and products other than garments, and machinery and electronic products other than the afore mentioned 4 types and horologe, silicon, ceramics, steel products, cement, aluminum, lead, zinc, organic chemical raw materials, inorganic chemical raw materials, pigment, rubber products, toys and sports products, plastic products, articles for traveling and bags exporting, the drawback rate is 15%.
3. For goods with 17% tax rate other than those listed in 1and 2 and goods with 13% tax rate other than agricultural products exporting, the drawback rate is 13%.
4. The Drawback rate of agricultural products is 5%.

#### IV. Preferential Policy of Special Zones and Parks

##### A. Preferential Policy of Manufacturing Zone near Qingdao Port

- a. Tax related policy
  - (i) For foreign invested manufacturing enterprises, income tax will be reduced to 24%; for technology intensive, knowledge intensive projects or projects with over 30 million US dollar and long capital retrieving, and energy, communication and port construction projects income tax can be reduced to 15% if approval is obtained. Foreign invested manufacturing enterprises, which have been operating over 10 years, will be free of income tax for two years from the first profit yielding year, and income tax will be reduced to half for the third, fourth and fifth year.
  - (ii) Foreign invested products exporting enterprises, whose free, reduced income tax term regulated by tax law has expires in accordance with tax law can enjoy 50% reduction of income tax regulated by tax law if the current year exporting production value reaches more than 70% of its yearly total. Foreign invested advanced technology enterprise can enjoy 50% reduction of income tax regulated by tax law for three years if they remain as advanced technology enterprise after their free, reduced income tax term expires in accordance with tax law.
  - (iii) Half of 80% sales tax and 25% value added tax and 40% income tax collected from foreign enterprises in this zone from business starting time and year-end of 2008, will be given back to enterprises as a gift by municipal treasury.
  - (iv) According to "State Industrial Guiding Directory", encouraged projects and technique

attorning projects are duty free and exempted from importing value added tax when importing self use equipments and their accessories and spare parts, except for those imported goods which are not allowed duty free by state public proclamation.

b. Other Policies

Foreign invested manufacturing enterprises in this zone are fare free at city level. As for the projects which are of great contribution to Qingdao's economic and social developments, state high and new technology projects, and automobile, ship, electronic home appliances and new material projects, they will be handled case by case.

B. Preferential Policy of Coastal Industrial Garden of Jiaonan

a. Land Policy

(i) Land using right of the garden can be acquired to set up projects in three ways: remising, leasehold and evaluated to the shares. The price for land using right is 50,000 RMB/mu in principle and the using term is the longest regulated by state government.

(ii) Investors domestic and abroad are encouraged to lease a piece of land to develop and build "garden in the garden" and they are allowed to resell the land using rights with the reselling profit going to the customer. 60% of the land must be exploited two years after the land right is obtained.

b. Tax Policy

(i) Foreign enterprises set up in the garden enjoy state 2 free and 3 reduction tax policy, that is: foreign invested manufacturing enterprises, which have been operating over 10 years, will be free of income tax for two years from the first profit yielding year, and exempted from half income tax for the third, fourth and fifth year. Foreign invested products exporting enterprises, whose free, reduced income tax term regulated by tax law has expires in accordance with tax law can enjoy 50% reduction of income tax regulated by tax law if the current year exporting production value reaches more than 70% of its yearly total.

(ii) Foreign invested advanced technology enterprise can enjoy 50% reduction of income tax regulated by tax law for three years if they remain as advanced technology enterprise after their free, reduced income tax term expires in accordance with tax law.

(iii) Income tax of enterprises in the park is first levied at 24% in accordance with the tax rate of coastal opening area. 15% of the tax collected will be returned to enterprises as a gift at year end, so that enterprises in the park actually enjoys the same preferential policy of the state level opening zone.

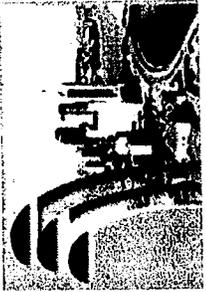
(iv) Of taxes collected from the enterprises in the park, the local reserve part (including 25% of value added tax) will be returned to the enterprises as a gift in the first two years and half will be returned to enterprises in the 3rd, 4th and 5th year.

(v) For newly set up manufacturing enterprises in the park, which build new houses for business use, their house duty, land using tax and adjustment tax for fixed asset investment direction to be levied will be fully given back to them as a gift.

c. Other Charge Deduction and Exemption Policy

Enterprises set up in the park before 1st January 2005 are free of watercourse maintenance fund; charge for electric distribution can be paid in two years. Only half of their project construction superintendence cost, construction quality surveillance toll,

- overhead cost of invitation to bid and bidding, overhead of urbanization planning will be collected.
- d. Investors in and outside Jiaonan City are encouraged to build general-purpose factory's and can enjoy the same preferential policy as that in the park.
- e. For all enterprises in the park, the administration committee will provide coordinated process tracking service of preproduction, production, postproduction; "one window" policy is adopted when fees are collected from enterprises. Charge registration is exercised and no division or department is allowed to collect charges in the park without proper authorization. In the park "zero charge" at city level supervision is exercised.
- f. Special projects which contribute significantly to Jiaonan's economic and social development will be handled case by case.
- C. Preferential Policy of Lingshanwan Bay National Forest Park
- a. Land Policy  
Lingshanwan Bay National Forest Park Administration Committee is in charge of procedures for remising state land for value. The remising term is 50-70 years. Chinese and foreign investors are encouraged to rent land for exploitation and to set up "a park inside the park". Land using rights can be acquired in three ways: remising, leasehold and land evaluated to the shares. And land using is required to be in accordance with the overall planning of the park and environmental requirements.
- b. Taxation Policy  
Enterprises in the park enjoy the preferential policy on enterprise tax of Qingdao economic and technological development Zone. Enterprises in the park can pay income tax at 24%, however, 15% of the income tax paid, will be given back to enterprises by municipal treasury at year end. Of taxes collected from the enterprises in the park, the local reserve part (including 25% of value added tax) will be returned to the enterprises as a gift in the first two years and half will be returned to enterprises in the 3rd, 4th and 5th year by municipal treasury. For enterprises in the park, only half of their project construction superintendence cost, construction quality surveillance toll, overhead cost of invitation to bid and bidding, overhead of urbanization planning will be collected in five years. For manufacturing enterprises set up in the park, which build new houses for business use, their house duty, land using tax and adjustment tax for fixed asset investment direction to be levied will be fully given back to them as a gift in five years; and they are free of watercourse maintenance fund, which is 0.1% of sales revenue in five years; and free of house duty, which is 1.2% of 70% of house building cost, will be given back to enterprises as encouragement for five years.
- c. Foreign enterprises and foreigners in the park can enjoy national treatment, which includes schooling for children, medical care and tourist service inside the city.
- d. Those who introduce joint ventures collaborate projects, or funds (with rate no more than current bank rate, and for more than one year) into the park, will be given an award of 0.5% of fund actually in place of the year.
- e. From projection, examining and approval, programming, construction at former time to production operations management at later time, Lingshanwan Bay National Forest Park Management Committee provides "one station" tracking service.



# Safety and high efficiency

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## Preferential policies and services

### Preferential policies for foreign trade

- ◆ Enterprises exporting products are encouraged to guaranteed by export rebates receivable from government with the advanced approval of the state taxation administration.
- ◆ Foreign-invested enterprises using advanced technologies and exporting electromechanical products, textiles, garments, suitcases, footwear, farming produce and aquatic products are encouraged to borrow from banks at a lower interest rate.
- ◆ Subsidies will be provided to investors by the government for technical standard certification, participation in overseas exhibitions, export credit insurance and handling overseas (regional) anti-dumping cases.

### Qingdao International Procurement Exchange Center (IPEC)

IPEC has been established by Qingdao Municipal Government as a nonprofit organization to provide investors with services concerning government policies, information, promotion and exhibitions.

Free membership is offered to transnational wholesalers for following services:

### Preferential policies

Qingdao Municipal Government has been authorized by the central administration to implement preferential policies for foreign trade and overseas investment. Investors in Qingdao Economic and Technological Development Zone, Qingdao Bonded Area, Qingdao Hi-tech Industrial Park, Qingdao ExportProcessing Zone and Qingdao Tourism Area will enjoy the state preferential policies.

- ◆ Foreign-invested enterprises exporting products and using advanced technologies will be allowed to lease land at a 30% discount on the standard price. Foreign-invested enterprises purchasing the right to use the land will be fully exempt from the land use fee.
- ◆ The government will provide offices and facilities to investors in the Hi-tech Incubator, Qingdao Hi-tech Industrial Park.
- ◆ The VAT paid by foreign-invested enterprises using advanced technologies in production will be partially refunded by local government.
- ◆ For details of preferential policies please refer to

<http://www.qingdaochina.com>.

☰ Preferential policy

☰ Investment Guide

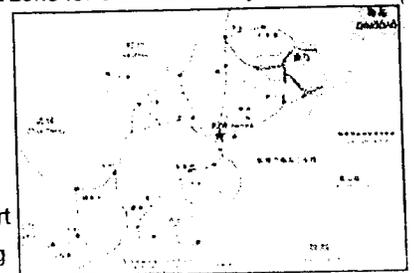
☰ Important industrial park



Brief Introduction

Jiaonan is the satellite city of Qingdao, which is the partner city of Beijing 2008 Olympic games. Jiaonan is one of the earliest areas opened to the outside by China, it covers an area of 1894 sq km and has a total population of 840,000. In 2002, its comprehensive economic power ranking 7th in Shandong province while it was ranking 35th among the 100 top counties. Jiaonan economic development zone is a provincial development zone that is approved by Shandong municipal government and it is one of the 8 provincial government mainly supported development zone. It has elected to be excellent provincial development zone for 6 consecutive years.

◆ Geography position: Jiaonan is locate at eastern south coast of Shandong province, east longitude 119°30'—120°11', north latitude 35°35'—36°08', it connects to the new city proper of Qingdao western coast and the new port area of Qingdao in east, adjacent to Rizhao Shijiu port in west, next to the east sea in south and has 138 km long coastline. Jiaonan economic development zone is located at east part of Jiaonan, it is the hinterland of Qingdao western coast plan.



◆ Climate: Jiaonan is in the temperate monsoon climate zone, it is humid, temperate and cool. It has four clear-cut seasons, the annual average temperature is 11.9°C, the average temperature is 23.5°C, the non-frost days are 212 and the annual average rainfall is 763.1mm.

◆ Organizations: Jiaonan development zone is the only provincial-level development zone in Jiaonan, it enjoys deputy municipal level and Jiaonan government has given it great executive self-control right. On September 2001, Jiaonan investment promotion bureau is work together with Jiaonan economic development zone management committee and they together become the only professional investment promotion department. They are the main department and channel for investment promotion, it in charge of streamline service and other service for foreign investors in Jiaonan and it shouldered the prominent business attraction task of Jiaonan.

There are "5 bureaus and 1 office" in Jiaonan economic development zone: office, investment promotion bureau, economic development bureau, plan & construction bureau, social affairs bureau and finance & taxation



bureau etc. Every bureau (office) has set up 18 offices that provide service for foreign invested company. There are 87 staffs and cadres who have establishment in the management committee.

◆ Director of the development zone management committee: Xu Xiaodong, male, he is a postgraduate and has rich business attraction work experience. He is mainly in charge of introduce, negotiation of the project and coordination of some important problems in construction.  
Tel: 0086-532-5161366

Cell phone: 0086-13905428307

◆ Vice director of the development zone management committee:

Chen Hui, male, he has received college education and has rich work experience of project construction coordination and work experience of management. He is mainly in charge of the coordination of some important problems during construction and law guarantee.

Tel: 0086-532-5161318

Cell phone: 0086-13808990388

◆ Office: They mainly responsible for accommodation and daily service of foreign investor when they pay a visit and invest in Jiaonan. To make the foreign investor feel at home is what we pursuit.

Office director: Bi Jiquan, male, he has received college education and has many years service experience for foreign investors.

Tel: 0086-532-5161312

Cell phone: : 0086-13589368718

◆ Jiaonan foreign investment promotion bureau: it mainly in charge of introduce, negotiation, project approval, industrial & commercial registration, tax registration, open an account in bank, construct coordination, operation service, law consultation and other works of domestic projects and foreign invested projects. It coordinates the deputy work of the investment promotion organization that set up at abroad. It is the only professional business attraction department and it has a group of staff that is good at English, Korea, Japanese and it also has some senior economic and foreign trade experts. It can provide streamline service for foreign invested companies.

Vice director of the development zone management committee & bureau director of Jiaonan foreign investment promotion bureau: Li Wenhua, male, he is a postgraduate. He is good at English, Korea and has rich work experience of business attraction.

Tel: 0086-532-5161319

Cell phone: 0086-13708966813

Vice bureau director of Jiaonan foreign investment bureau: Gao shujun, male, he has received college education and has rich work experience of business attraction and experience of provides service for foreign investor.

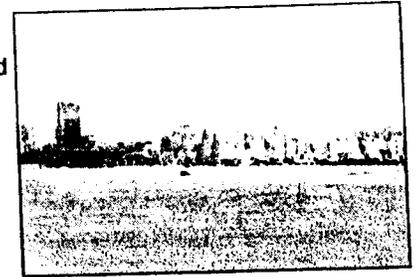
Tel: 0086-532-5161052

Cell phone: 0086-13808991162

Vice bureau director of Jiaonan foreign investment bureau: Yu Yanzhong, male, he has received college education and has rich work experience of business attraction and experience of provides service for foreign investor.

◆ Economic development bureau: it mainly in charge of introduction & negotiation of the project, project approval, industrial & commercial registration, tax registration, open an account in bank, construct coordination, operation service, law consultation and latter period service for the project which has already put into operation, safe production, technology, statistics and other works. It is the most important business attraction department in Jiaonan. It has a group of staff that is good at English, Korea, Japanese and it also has some senior economic and foreign trade experts. It can provide streamline service for foreign invested companies.

Vice director of the management committee, bureau director of the economic development bureau: Wang



Jiansheng, male, he has received college education, has engaged in business attraction for many years and has rich work experience of business attraction.

Tel: 0086-532-5161368

Cell phone: 0086-13808970386

Vice bureau director of economic development bureau: Pan Chunbin, male, he has received college education and good at English, he has engaged in business attraction for many years.

Tel: 0086-532-5161337

Cell phone: 0086-13969687205

◆ Plan & Construction bureau: it responsible for choose place for the project, report and approval of land procedures, service, plan and construction of project and other coordination work.

Bureau director: Chen Ping, male, he has received college education, he is expertise in plan, report and approval of land procedures, he has many years work experience for land management and service.

Tel: 0086-532-5161365

Cell phone: 0086-13505427768

◆ Finance and taxation bureau: mainly in charge of consultation, deduction & exemption, finance award, charges deduction and exemption, finance subsidiary of domestic and foreign invested projects and operation and realization of preferential policy.

Bureau director: Pang Jingquan, male, he is a postgraduate and has many years work experience of finance and taxation.

Tel:0086-532-5161362

Cell phone: 0086-13061321187

◆ Social affairs bureau: mainly in charge of life service, family service of the living area for domestic and foreign invested projects and school-entrance for foreign investor's children, medical care, sanitation, culture and other work.

Bureau director: Zhang Jinxiang, female, she has received college education and has rich work experience of life service for foreign investors.

Tel:0086-532-5161363

Cell phone: 0086-13969607996

Welcome to you

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### Present development situation

In 2002, the GDP of Jiaonan is 15.7 billion RMB, finance revenue is 0.57628 billion RMB, respectively ranking 7th and 8th in Shandong province and comprehensive economic power is ranking 35th. The GDP of Jiaonan economic development zone in 2002 is 1.2 billion RMB and finance revenue is 45.07 million RMB. It has initially formed the second industry and tertiary industry development system of more than 30 kinds of industry which including machine, light industry, textile, rubber, food, construction material, electrical products, real estate and commercial & trade operation etc. In the development zone some enterprises are of progressing future and develop very fast, just like XinGuangCheng tent cloth, DongYa tyre, ErHe fibre, DongLin furs, DaHong chemical fibre, Jing Sheng fiber etc. Till now, there are 479 projects have approved to enter into the development zone among which there are 194 foreign-funded projects, 94 projects with over 10 million USD investment, the total investment of these projects are 6.76093 billion RMB, among which the contract usage of foreign investment is 1.08 billion USD while the actual usage of foreign investment is 0.55 billion USD. In 2002, we totally introduced 33 foreign-funded projects to the development zone, the contract usage of foreign investment is 0.33 billion USD and the actual usage of foreign investment is 0.15 billion USD. We have introduced 92 domestic-funded projects, the actual usage of domestic investment is 0.554 billion RMB and we were chosen as "Top 10 towns of actual usage of foreign investment in Qingdao". In 2002, among the 14 targets statistic by the foreign trade and economic cooperation department of Shandong province, we have 8 targets enter into top 10 (approved foreign-funded projects, contract usage of foreign investment, actual usage of foreign investment, tax revenue, industry total output, industrial added value, import volume, export volume) of the 66 national-level and provincial-level development zone in Shandong province. Jiaonan is still chosen as advanced unit of provincial development zone by Shandong province.



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## Investment Environment

Jiaonan is a beautiful coastal city with attractive natural scenery, it is one of the excellent tour city in China. It has 2 historical famous places and more than 30 ancient cultural heritage, the tourism here is of bright future.

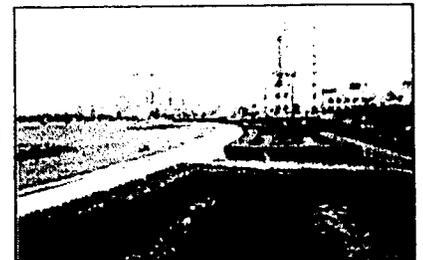
Jiaonan is locate at a good place, it is 50 km from Jiaonan to Qingdao international airport, 15 km to Qingdao port through the port used express way, after build up the sea-spanning bridge, through 100 meters wide coastal road, it is only 25 minutes to Qingdao downtown. The national important "Tongshan Express Way" which has already put into operation has an exit in the development zone. No.204 National Road is go through Jiaonan, together with 25 high-standard highways in Jiaonan, a convenient transportation net has formed. The planned HuangShi railway is go through the development zone.



The water resource in Jiaonan is the most abundant in Qingdao area and even in Shandong province. It provides water for Qingdao western city proper. The total storage capacity in Jiaonan is 0.218 billion cubic meters, land water resource is 0.476 billion cubic meters. Every target of the water is comply with national standard. There are 4 reservoirs in Jiaonan and plan to have 100,000 cubic meters daily water supply capacity.

Jiaonan has 15 35KVA transformer and 4 of them are in Jiaonan development zone. Jiaonan electricity Supply Company has branches in the development zone, it can provide service from design to install.

The post and telecommunication in Jiaonan has been made great progress. It realized optical cable transmission digitalize, exchange number programme-controlled, the programme-controlled local telephone call and rural telephone call exchanger has amount to 200,000. The telephone in downtown and village are all realized domestic and international direct dial, it can



provide you different kinds of telecommunication service. Post facility is becoming better and better and it can provide you different kind of post service. Cable TVs are spread over cities and villages, Jiaonan broadcast TV station is in the development zone.

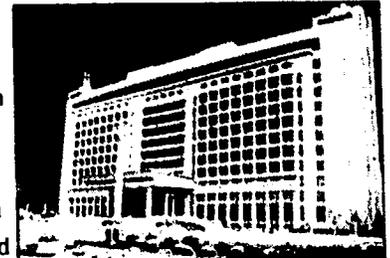
Jiaonan has 6 city-level scientific research organizations, 40 factory-level scientific research organizations, more than 260 different kinds of school with 131000 students and 29700 teaching

stuff. There are professional schools prepared for children of Korea and Japanese. The experimental school of the development zone is a boarding school, together with it, the development zone has formed a complete education system from kindergarten, elementary school, junior school to high school. Vocational school is of distinctive features that cultivate different kinds of person for foreign-funded company. The social culture in Jiaonan is famous for New Year picture, paper-cut, photography, opera, and children art creation. The New Year picture has exhibited in more than 30 countries and areas and Jiaonan was named as "Hometown of China folk painting" and "National cultural advanced city" by China Culture Ministry. Jiaonan has formed sanitary service system and sanitary supervision system to meet different kinds of needs and it has 32 medical care organizations. The hospital of Jiaonan development zone covers an area of more than 100 mu, it owns advanced equipment for investigation and supervision care.

Finance and insurance in Jiaonan is extremely developed.

Bank of China, Commercial bank and other financial organizations has formed a rather complete financial system that can accurately handle different kinds of international and domestic financial and insurance business.

After Jiaonan development zone work together with Jiaonan foreign investment promotion bureau, they have been regard as the only professional business attraction department that mainly direct, coordinates production & operation of foreign-funded enterprises. They mainly provide such service as below:



1. "Stream-line service" for project examination and approval (including project examination & approval, registration, open an account in bank, tax registration, put on record at customs etc.).
2. service for under construction project in an all-round way.
3. service for project that has put into operation in the latter period.
4. Given out " green channel card" to give foreign investor special treatment in 8 aspects including medical care, tourism, transportation etc.
5. provide consultation service for policy, technology and economy, and help the enterprise to realize every enjoyable preferential policy.
6. help the enterprise to dredge capital channel, set up the relationship between bank and enterprise, contact venture investment and provide channels for loan.
7. stick the rules of joint conference with foreign-funded company committee, the rules of visit foreign-funded enterprise in a fixed time and the rules of daily reception of foreign investor.
8. conduct "green passage" rules to projects with total investment over 10million USD, projects with total investment over 80million RMB and world 500 top enterprises.
9. conduct "free charges" in Jiaonan for important industrial park.

Important industrial park:

Jiaonan Economic Development Zone and Jiaonan Foreign Investment Promotion Bureau are main organizations that in charge of project settlement in the "6 major parks" and all the service work for foreign investors.

2 Economic Development Zone. The economic development zone is at east part of Jiaonan that covers an area of 51.3 sq km. The planning area of the first period is 23.4 sq km. A billion RMB has put into infrastructure, and it all realized "9 through and 1 flattened", it has formed complete infrastructure system. The layout of the road in the development zone is like a network. We made the road green by plant trees and flowers and it is very beautiful now. The water supply and discharge facility is well equipped. There are 2 water transmission pipelines that are of 100,000 tons daily water supply capacity and a wastewater treatment plant that can handle 60,000 tons wastewater each day. The facility for electricity supply, hot supply and steam supply is well equipped. At present, the construction of the development zone is basically completed. In 2001, Jiaonan municipal government has transferred to the zone and it will gradually become political, economic, cultural and commercial center of Jiaonan.

2 The Coastal Industrial Park It locates at south part of Jiaonan and it is a project in the second period of Jiaoann economic development zone. It is founded on April 2000 and it covers an area of 27.9 sq km. It divides into industry area, living area and public service area, among which it

high lightened industry area.

The infrastructure in the park is well equipped and 0.57 billion RMB has put into infrastructure that has been completed. It all realized "9 through and 1 flattened". The artery is green, hard, beautiful, bright and the water supply and discharge system is well equipped. Facility for electricity supply, hot supply and gas supply is well.

Till now, there are 130 foreign invested projects in the park with total investment of 0.26 billion USD.

2 Adjacent-harbor Industrial Processing Zone Qingdao adjacent-harbor industry processing zone is an outward industrial processing zone that approved by Qingdao municipal government in 2003. It is at north part of Jiaonan and covers an area of 63.7 sq km. We invited the very famous Japanese designer Shitian Gangshi to design for it and its layout is dock with the need that develop harbor economy and "4 major industry base" of Qingdao. It divides into export processing area for foreign-funded enterprises, electrical & mechanical processing area, high & new technological industry area, logistic area and central service area.

The geographical position of Qingdao adjacent-harbor industry processing zone is very good.

" Tongsan Express way and express way to Qingdao port are respectively has exit in it and No.204 National road go through it. It is only 15 km to Qingdao Qianwan port through port-use express way and it is 50 km to Qingdao international airport.

After half a year's construction, Qingdao adjacent-harbor is now own comparatively good infrastructure. Facility for hot supply, water supply, steam supply, gas, telecommunication, firefighting is well equipped and it well prepared for the entrance of the project. At present, there are 40 major projects with each investment over 10 million USD that comes from Korea, Japan, Taiwan, Hong Kong, America, Singapore and other countries and areas. It has become a hot place for investment.

2 Qingdao International Higher Education Scientific research Area It is at south part of Jiaonan with a planning area of 28.3 sq km, among which land for construction is 23.5 sq km and its coastline is 16 km long. Its planning structure is "1 belt, 3 lines, 5 areas". "1 belt" is coastal tour belt; "3 lines" are mountain-surrounding tour line, central viewing line, coastal tour line; "5 areas" are higher education scientific research area, university resource share area, living area, coastal central service area and resort area. It plans to have a total population of 100,000-120,000. This area is near to coastal industry park, the 100m wide coastal road is go through the central part of the area. Its location is very good and its natural scenery is very attractive, it has become a hot spot concerned by schools at home and abroad.

2 Lang Yatai Resort Area Qingdao Lang Yatai resort area is at western south of Jiaonan, it is 26 km to Jiaonan downtown. It is famous for that Qing shihuang has once been here for 3 times and Xufu started his east sailing to Japan here. Lang Ya platform is build along Langya Mountain, it is 183.4 meters above sea level. In 2001, China Tourism Bureau evaluated it as "AAA Resort Area". From 1993, Jiaonan municipal government began to conduct recovery mending and constructing on it, they have totally put into more than 0.1 billion RMB and have set up Langya culture exhibition hall, Xufu exhibition hall, Langya stone sculpture and Wangyue tower. It welcomes more than 500,000 tourists each year.

In order to accelerate exploration of Qingdao tourism resource, Jiaonan plan to conduct comprehensive development on Lang Yatai. We warmly welcome clients at home or from abroad to invest here and construct infrastructure, scenery spot and resort items here.

2 Qingdao Heavy Industry Area As Jiaonan is a coastal city it has abundant port resources, three places are available to build 100,000 tons harbor. One of these places is at Dongjiakou of Poli town in Jiaonan, this place is going to be the heavy industry base that approved by Qingdao municipal government. It plans to cover an area of 133.5 sq km and has a total population of 300,000. It mainly divides into steel industrial area, automobile industrial area, papermaking industrial area, shipbuilding industrial area, auxiliary industrial area and living area.

The sea area that near to Qingdao heavy industry base is 12 meters deep and it suit to build big deep-water harbor. The land is rather flat and has more hinterland to develop. The coastline here is 40 km long, the scenery resource along the coastline is well reserved and it is abundant in fresh

water resources.

Qingdao heavy industry base is located at the very important place that connects Qingdao with southern Shandong province and northern Jiangsu province, it's just 30 km to Jiaonan downtown and 10 km to the exit of "Tongshan Express way". We are well prepared to build the railway, No.204 National road goes through the heavy industry area, the land communication is very convenient and it is of location advantage.

## 2 International Environment Protection Industrial Park of China

In 2003, Jiaonan economic development zone cooperates with Qinghua Ziguang environment protection Ltd. Co. to build up international environment protection industrial park of China. The park is in Qingdao adjacent-harbor industrial zone, it covers an area of 6000 mu and with a total investment of 5 billion RMB. The park is mainly through introducing international environment protection enterprises and its advanced technology and products to set up national-level international environment protection technological hatchery center, trading center of environment protection products, production base of environment protection products and training & education base of national environment protection industry. Now the infrastructure construction and outside investment invitation are busily undertaking and we warmly welcome clients at home or abroad to invest here.

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 **Preferential policy**

 **Investment Guide**

 **Important industrial park**



## Preferential policy

### 2 Foreign-funded enterprise and foreign company income tax ◆◆◆

For manufacturing foreign-funded enterprise in Jiaonan, the company income tax rate is 24%. For skill-intensive, knowledge-intensive items; foreign investment is above 30 million USD and of long-time capital retrieving item, energy, transportation, port construction item; high and new technological enterprise, the company income tax rate is 15%.

Manufacturing foreign-funded enterprise with over 10years operation, from the profit-making year, will exempt from company income tax for the 1st and 2nd year and the company income tax will be half levied for the 3rd through the 5th year. Export-oriented foreign-funded enterprise, after its company income tax exemption and deduction period has expired according to the regulation of the tax law, if the export output in that year amounts to 70% of the enterprise output in that year, the company income tax can be half levied according to regulation of tax laws. Advanced foreign-funded technological enterprise, if it remains as advanced technological enterprise after its company income tax exemption and deduction period has expired according to the regulation of the tax law, the company income tax can be half levied for 3 consecutive years according to the tax rate regulated by the tax law.

Foreign investors of foreign-funded enterprise will use profit obtained from the enterprise to reinvest in the enterprise to add register capital or as capital to operate other foreign-funded enterprise, with no less than 5 years operation, will refund 40% of its reinvestment company income tax that have been paid; the reinvestment company income tax that have been paid will be fully refund for direct reinvest to operate, expand export-oriented enterprise of advanced technological enterprise.

Profit obtained from foreign-funded enterprise by foreign investor will exempt from income tax. If foreign-funded enterprise purchase homemade equipment inside the total investment and if the import equipment is on the tax-free list, then the value-added tax of homemade equipment will be fully refund and it can exempt from company income tax according to related regulations.

### Tax-free for imported equipment ◆◆◆

According to regulations of national industry directory list, for encouraged projects and products 100% exported enterprise, import equipment inside the total investment will exempt from tariff and import value-added tax.

☒ Tax-refund rate for export equipment



1. Tax-refund rate of export for 4 major machinery and electrical products like mechanical equipment, electrical appliance & electron products, transportation tools, meter & instrument etc. and clothes is 17%.
2. Textile raw material and products (exclusive of clothes), other machinery & electrical products (exclusive of the 4 major machinery & electrical products), and clock, silicon, ceramics, steel and steel products, cement, aluminium, lead, zinc, organic chemical raw material, inorganic chemical raw material, pigment, rubber products, toys and articles for sports use, plastic products, articles for travel use, box and bag, the export tax-refund rate for all the above mentioned is 15%.
3. For other goods of which its tax rate regulated by law is 17%( exclusive of what mentioned in 1 and 2), and goods of which its tax rate regulated by law is 13%(exclusive of agricultural products), the export tax-refund rate is 13%.
4. The export tax-refund rate for agricultural products is 5%.

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# Investment

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## Foreign Trade Policies and Regulations

### Major Foreign Trade Policies and Regulations in China

#### Major Preferential Policies in Qingdao

### **Major Foreign Trade Policies and Regulations in China** ([back](#) [list](#))

A uniform foreign trade system is practiced in China to maintain justice and free foreign trade orders. Foreign trade is encouraged and free import and export of goods and technology are allowed (except specified otherwise by law). The export of machinery and electrical products, development of processing trades, service trades and overseas processing trades is encouraged. The import of advanced technology and equipment, investment by foreign business people and contracting overseas projects and labor co-operation are also encouraged. Market diversification and hi-tech backed business policies are implemented.

#### Preferential Policies

- If the foreign-invested manufacturing enterprise has an operating period of over ten years, income tax will be exempted for the first two years beginning from the first year in profit and reduced by 50% from the third to the fifth year.
- The foreign party of a foreign-invested enterprise will be allowed to directly reinvest the business profits in the registered capital of the enterprise or invest them in other enterprises. If the operating period is not less than 5 years, 40% of the paid income tax of the reinvested part will be refunded. If funds are reinvested directly into the building or expansion of export-oriented enterprises or advanced technological enterprises, the paid income tax will be completely refunded.
- If the enterprise is set up at a port or a dock with an operating period of over 15 years, the income tax will be exempted for the first five years beginning from the first year in profit and reduced by half from the sixth to the tenth year.
- If the enterprise is engaged in breeding, planting, forestry, animal husbandry or fishery, the product sales VAT will be exempted.

After approval by the State Council, some foreign-funded enterprises will enjoy tax reimbursement when they purchase domestic equipment. 40% of the investment in purchasing domestic equipment (total invoice price and tax after deduction of refunded VAT and charges of transportation, installation and test of equipment) can be offset by the newly added income tax over the previous year.

- From June 24, 2000 to the end of 2010, if the VAT of the sales of self-produced computer software and hardware exceeds 3%, the extra payment of the ordinary tax-

payer will be refunded immediately after payment.

- Advanced or preferential technology transfer by a foreign enterprise, if approved by the tax administrative dept, the business tax and business income tax can be exempted. Business tax for technology transfer and technology development of a foreign invested enterprise can be exempted.
- Income tax for profits obtained from a foreign invested enterprise by a foreign businessman will be exempted. Profits and share interests, bonus and incomes after enterprise settlement can be freely remitted abroad.
- The deficit in a foreign invested enterprise can be offset with the next year's income. If the next year's income is insufficient, the following years' income can be used for a period not exceeding five years.
- For approved foreign invested projects, which belong to the encouraged class, restricted class II with technical transfer of the "Foreign Investment Enterprise Index", the import tariff and import link VAT will be exempted for the following items (items listed in the "Foreign Investment Project Non-tax-free Commodity Index" are excluded): importing self-use equipment within the total investment volume (including importing auxiliary technology and a reasonable quantity of supporting or spare parts); importing self-use equipment using loans provided by foreign governments and int'l financial organizations, and processing equipment excluded from the import quota provided by foreign partners.
- Import tariff will be exempted for the renewal (complete-set or production line excluded) or repair of existing equipment using self-owned capital (enterprise reserved funds, development funds, depreciation and after-tax profits), import of self-use equipment and its supporting technology, components and spare parts, which cannot be produced domestically, within the approved production scope, outside the total investment volume, when the existing encouraged class and restricted class II foreign invested enterprises, foreign invested research & development centers, or advanced technology and export-oriented foreign invested enterprises conduct technical innovations.
- Import tariff will be exempted if foreign invested research & development centers import self-use equipment and other related technology, components and spare parts, which cannot be produced domestically or cannot meet the needs, within the total investment volume.
- If not specified otherwise, the production link consumption tax will be exempted and tax reimbursement for VAT will be practiced for the export of products of foreign invested enterprises.

### **Major Preferential Policies in Qingdao (back list)**

Qingdao enjoys the provincial-level economic management right and is one of the areas enjoying the most preferential policies in China. The preferential policies in Qingdao are as follows:

- Hi-tech Priority Principle: Investments in new skill, new material, new technology and new product, are encouraged. Reforming the traditional industries using new hi technology is also encouraged.

1) Tax reimbursement is practiced as the VAT rate for the export of hi-tech products. If a manufacturing enterprise, research institution or business enterprise is ratified as city-level hi-tech and high added value export-oriented, preferential policies will be implemented for income tax. Starting from 2000, the retained portion of the newly added VAT of its manufactured and exported hi-tech and high added value products will be refunded.

2) Local income tax will be exempted for foreign invested export-oriented enterprises, advanced technological enterprises or enterprises within the industrial park.

3) Large and medium-sized enterprises can be contracted by or leased to large int'l enterprises or consortia. Small and medium-sized state-owned, collectively-owned or township enterprises can be sold, leased or transferred to domestic or foreign enterprises. Foreign business people, who contract, hire or buy small or medium-sized enterprises in Qingdao, can enjoy preferential policies for internal investment enterprises.

- Demand expanding and export increasing priority principle. Investments in trades or products, which have potential market and large capacity and export development, and investments in some service and trade fields, are encouraged.

Foreign banks are encouraged to set up branches in Qingdao. Local income taxes will be exempted for the profits from these branches. Sino-foreign jointly funded or co-operated travel agencies are positively encouraged.

- Investment in infrastructure is encouraged.

1) According to relevant regulations, foreign businesses investing in traffic facilities or public utilities, may operate relevant service businesses and utilize BOT, TOT or other forms. They may also enjoy tax exemption and reduction policies granted by the state. Investors involved in the construction of highways and bridges, whose charges fall into the category stipulated by the state, may make suggestions on toll fees on the basis of a rational investment recouping period. The plan will be put into effect upon examination and approval by related authorities within the sphere of responsibility for price management. The toll fees will be modified according to the social price fluctuations upon the approval of the original authorities. Foreign invested traffic facilities will be exempted of local income taxes.

2) Foreign invested enterprises approved to participate in the renovation of old urban areas with a concentration of poor houses and the development and construction of affordable housing for low- and medium-income families will enjoy the same treatment as domestic enterprises. Land for the construction of affordable housing approved by the government may be supplied through the form of administrative allocation. Relevant fees will be exempted or reduced accordingly. In the living areas, 20%-30% commodity houses will be built in order to increase the foreign investment recouping rate.

- Investment in agriculture is encouraged

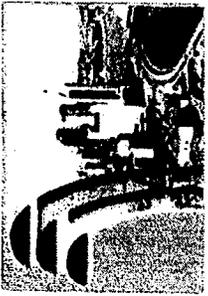
- 1) Foreign investment in agriculture will be exempted from the local income tax. 40% of the paid reinvestment tax will be refunded in full if foreign investors reinvest in agriculture using the profits obtained from their investments and the operational period of the reinvestment is five years or longer.
- 2) Taxes paid by foreign investors in exploitation of barren hills, shallows or water resources will be refunded in full, with approval by the municipal or district government. And 50% of the same will be deducted for the following five years.
- 3) Priority will be placed on agriculture in land allocation. 50% of the land-use fee will be exempted for the investment using large areas of non-farm land for exploitation of agriculture, forestry and animal husbandry, and a certain amount of the same will be deducted from the sixth year. The land-use fee will be exempted in full for ten years for foreign investment in low-yield farmland. Land lease deposit of reserved land for projects using investment of over USD10 million (including USD10 million) will be exempted under approval of local finance and land administrations. The land can be paid for in installments. Permission to withhold 100% use-right for thirty years of shallows shall be granted to investors who are engaged in the said exploitation, and land transfer fees will be exempted in full.

- Sustainable development principle. Investments in the comprehensive exploitation and utilization of resources and environmental protection are encouraged.
- Preferential policies for land-use.

A 30% deduction of the prescribed land-use fee will be granted for investments in export or advanced technology enterprises. Enterprises, who are given the land-use right in the form of transfer, will enjoy exemption of land-use fees from September 1, 1999.

- Introduction of personnel.

Many talented people and graduate returnees from abroad are attracted to Qingdao, and preferential treatment is exercised for their work, daily life and families. Excellent people are encouraged to establish enterprises here, and the new hi-tech products developed by these people will be granted preferential entry into the returnee industrial garden, where all the local preferential policies will be available.



# Investment

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## Major Development Zones in Qingdao

- [Qingdao Economic & Technological Development Zone](#)
- [Qingdao Bonded Area](#)
- [Qingdao Hi-tech Industrial Park](#)
- [Trans-strait Agricultural Cooperation Experimental Zone](#)
- [Provincial-level Economic Development Zones](#)
- [Tourism Resorts](#)



## Qingdao Economic & Technological Development Zone ([back](#) [list](#))

Established in 1984, Qingdao Economic & Technological Development Zone is a new base of Qingdao's heavy and chemical industries and enjoys the preferential policies for coastal economic & technological development zones. It covers 220 square kilometers and population is 220,000. By the end of 2000, this development zone had attracted 1,177 foreign companies from 51 countries and areas, with the input foreign capital totalling USD1.5 billion.

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Fax: 6898249

E-mail: [liqingjun@bestinvest.org](mailto:liqingjun@bestinvest.org)

Website: [http:// www.bestinvest.org](http://www.bestinvest.org)

## Qingdao Bonded Area ([back](#) [list](#))

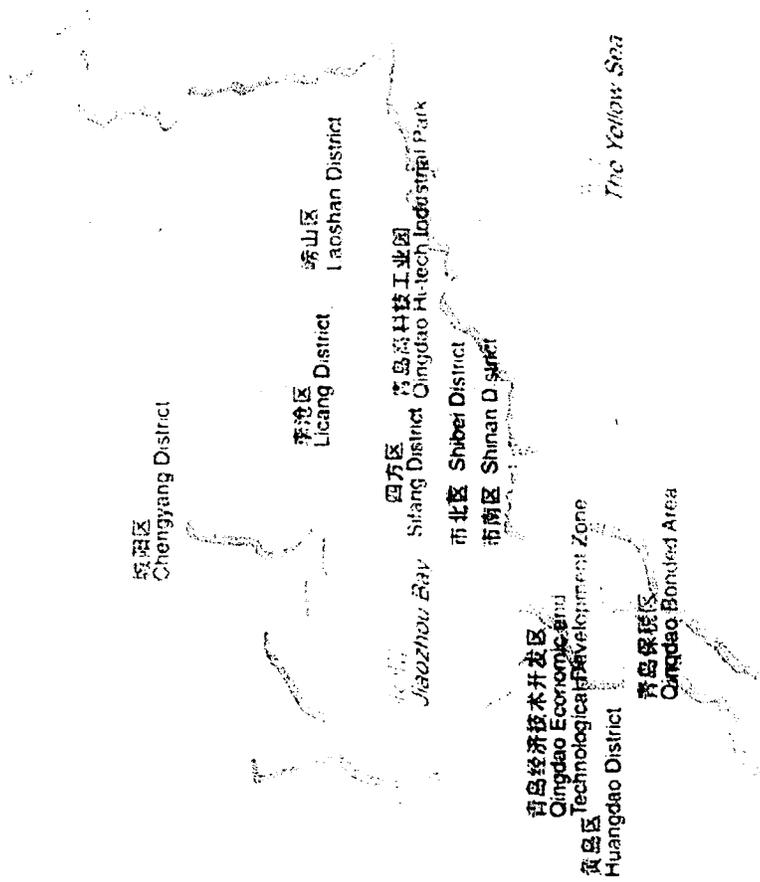
Starting operation in 1993, the 2.5 square kilometers Qingdao Bonded Area is mainly involved in international trade, bonded warehousing, export-oriented processing and logistics. Supported with the national Class-I open port----Qianwan Port, the bonded area provides investors with an ideal investment environment. By the end of 2000, 1533 foreign-funded projects from 45 countries and areas had been introduced. The actual foreign investment attracted to Qingdao Bonded Area is USD200 million.

Tel: 6766677

Fax: 6766672

E-mail: qingdaobsq@public.qd.sd.cn

Website: http: // qingdao.china.cn



Map of Qingdao Economic & Technological Development Zone. Qingdao Bonded Area & Qingdao Hi-tech Industrial Park

### Qingdao Hi-tech Industrial Park ([back](#) [list](#))

Established in June 1992, the 67 square kilometers Qingdao Hi-tech Industrial Park is located in the state-level Hi-tech Industrial Development Zone and the Stone Old Man Tourism Resort. Within the industrial park, household electric appliance, computer, telecommunication, medical equipment, biochemical engineering and auto parts have come into being as pillar industries. And among the foreign-invested projects, there are more than 10 from the world's Top 500, including Lucent Technologies, Hewlett Packard, Coca Cola, Mitsubishi Heavy Industries and Dawoo. By the end of 2000, Qingdao Hi-tech

Industrial Park had attracted 768 foreign-funded enterprises from over 26 countries and areas including the U.S., UK, Italy, Japan, Korea and Singapore. The actual accumulated foreign capital was USD1,100 million.

Tel: 8996523 ( Foreign Trade Bureau), 8996576 (Administrative Committee Office)

Fax: 8996530 (Foreign Trade Bureau), 8996172 (Administrative Committee Office)

Website: [http:// www.hi-tech.chinaqingdao.net](http://www.hi-tech.chinaqingdao.net).

E-mail: [info@hi-tech.chinaqingdao.net](mailto:info@hi-tech.chinaqingdao.net).

### **Trans-strait Agricultural Cooperation Experimental Zone (back list)**

The 3,166 square kilometer Pingdu Trans-strait Agricultural Cooperation Experimental Zone administered by Qingdao was established after approval by the Taiwan Affairs Office of the State Council and the state Ministries of Agriculture and Foreign Trade & Economic Cooperation. The experimental zone consists of model areas for planting, stockbreeding & aquaculture, agricultural by-products processing and high and new technology. The area has convenient transportation, complete infrastructure, and advantages in agricultural resources, labor and science & technology.

Tel: 8330562 8330561 8330560

Fax: 8330563

### **Provincial-level Economic Development Zones (back list)**

Qingdao Huanhai Economic Development Zone

Qingdao Huanhai Economic Development Zone covers 6.7 square kilometers and is located in Chengyang District, Qingdao. It is the biggest assembly of Japanese-funded enterprises in Qingdao. The major industries in Qingdao Huanhai Economic Development Zone are electronics, machinery, chemical engineering, foodstuff and medicine.

Tel: 4825318 Fax: 4825300

Jiaonan Economic Development Zone

Next to Qingdao Economic & Technological Development Zone and Qingdao Bonded Area, Jiaonan Economic Development Zone covers a planned area of 8 square kilometers. Besides the convenient transportation, this development zone is capable of providing

50,000 tons of water and treating 60,000 tons of sewage daily. Moreover, it has 2 double-circuit transformer substations of 35 kilovolts and 110 kilovolts respectively and a 100,000 terminal stored program controlled electronic telephone switching system.

Tel: 6167420      Fax: 6162761      E-mail: [jngw@public.gd.sd.cn](mailto:jngw@public.gd.sd.cn)

Website: <http://www.chinadragoneye.com>

#### Jiaozhou Economic Development Zone

Covering 9.7 square kilometers in the east of Jiaozhou, Jiaozhou Economic Development Zone is located in the center of the "industrial belt" along Jiaozhou Bay. It has a double-circuit electric substation of 35 kilovolts and can treat 30,000 tons of sewage and supply 20,000 tons of water daily. The area has 12,000 program controlled telephones and 3,000 square meters of standard units.

Tel: 7211045      Fax: 7211339      E-mail: [devgov@public.gd.sd.cn](mailto:devgov@public.gd.sd.cn)

Website: <http://www.develop-gd.com.cn>

#### Jimo Economic Development Zone

The 13.2 square kilometers Jimo Economic Development Zone is advantageously located 2 kilometers from downtown Jimo. A hi-tech industrial zone has been established for the development of high and new technological products in cooperation with the famous Harbin Institute of Technology.

Infrastructure construction has now commenced on the USD 120 million Innovative Longyuan Intellectual and Telecommunications Industrial Park within 2,000 hectares in the development zone. Now 16 transnational corporations specializing in software, hardware, and network have invested here.

Tel: 7552999      Fax: 7552841      E-mail: [jmdulp@gd-public.sd.cninfo.net](mailto:jmdulp@gd-public.sd.cninfo.net)

Website: <http://www.jmdvlp.com>

#### Pingdu Economic Development Zone

Covering a planned area of 6 square kilometers in the east of Pingdu, Pingdu Economic Development Zone's infrastructure includes a 20,000 KVA power supply, 10,000 program controlled telephones, 20,000 tons of daily water supply capacity, and 26,000 meters of inner-zone roads.

Tel: 8383297

Fax: 8384257

E-mail: [jjfzj@public.qd.sd.cn](mailto:jjfzj@public.qd.sd.cn)

Website: [http:// www.redar.com](http://www.redar.com)

#### Laixi Economic Development Zone

The 10.3 square kilometers Laixi Economic Development Zone is advantageously located in the southeast of Laixi. This development zone has 2,000 program controlled telephones, a daily water supply of 15,000 tons and a dual-circuit transformer substation of 35,000 KVA.

Tel: 8483944

Fax: 8485467

E-mail: [lxetdzwb@public.qd.sd.cn](mailto:lxetdzwb@public.qd.sd.cn)

莱西市经济开发区  
Laixi Economic Development Zone

烟台市  
Yantai City

平度市  
Pingdu City

平度市经济开发区  
Pingdu Economic Development Zone

莱西市  
Laixi City

即墨市  
Jimo City

即墨市经济开发区  
Jimo Economic Development Zone

潍坊市  
Weifang City

胶州市  
Jiaozhou City

胶州市经济开发区  
Jiaozhou Economic Development Zone

青岛机场  
International Airport

青岛滨海经济技术开发区  
Qingdao Huanhai Economic Development Zone

青岛市区  
Jiaozhou Bay City Proper

黄岛区  
Huangdao District  
青岛保税区  
Qingdao Bonded Area

胶南市经济开发区  
Jiaonan Economic Development Zone

胶南市  
Jiaonan City

青岛  
The Yellow Sea

灵山岛  
Lingshan Island

琅琊台旅游度假区  
Langyatai Provincial-level Tourism Resort

田横岛旅游度假区  
Tianhengdao Provincial-level Tourism Resort

崂山风景区  
Lao State-level Scenery Resort

Map of Province-operated Economic Development Zones & Tourist Attractions

**Tourism Resorts (back list)**

Mount. Lao State-level Scenery Resort

Stretching 446 square kilometers, Mount. Lao is the only coastal mountain in China that is over a thousand meters above sea level. Having connections with Taoism, Mount. Lao, the 2,000 years old mountain standing at the sea front, is honored as a sacred mountain of Taoism. Mount. Lao State-level Scenery Resort consists of 9 scenery spots and 5 scenery restoration

spots.

#### Stone Old Man State-level Tourism Resort

Lying at the sea shore of eastern Qingdao, the 10.8 square kilometers Stone Old Man State-level Scenery Resort comprises Qingdao Culture Museum Center, Qingdao Sports Center, the Century Square, Qingdao Sea Park Dolphinarium, the Sea Entertainment Center, Qingdao Beer Town, and Stone Old Man Bathing Beach. Development is now concentrated on such projects as tourism, entertainment, holiday resorts, conference and exhibition venues.

#### Langyatai Provincial-level Tourism Resort

Located to the north of Jiaonan Langyatai Scenery Resort, Langyatai Provincial-level Tourism Resort main feature is 5 kilometers of fine beach and places of interest. The resort is divided into 5 functional areas. Key development projects include tourism, a holiday resort, fishing entertainment and sports.

#### Xuejiadao Provincial-level Tourism Resort

Lying at the west bank of Jiaozhou Bay, the Xuejiadao Provincial-level Tourism Resort covers 9.8 square kilometers in Huangdao District. Bordered by 3.5 kilometers of wonderful beach, the resort has excellent roads and water and power supply.

#### Tianhengdao Provincial-level Tourism Resort

Located on the sea east to Jimo city, the 9.8 square kilometers Tianhengdao is famous for its Tomb of 500 Heroes and the Statue of Hero Tian Heng. Development in the resort is focused on tourism, vacations, entertainment, catering and sport.



# News

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Main Enterprises

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Famous Products

Export Products

## News

### Five Big Projects in Jiaonan Are Listed as Key Construction Projects of Qingdao

In the notice of Key Construction Projects of Qingdao in 2003 issued by Qingdao municipal government, 5 projects in Jiaonan are listed in, which include 1 traffic energy project, 2 city infrastructure construction project, 1 secondary industry project whose total investment amounts to RMB842 million, and 1 steel project of a total investment of RMB59 billion. The investment and construction of these projects will further optimize the investment environment of Jiaonan, regulate industrial structure, enhance its economic development and increase comprehensive competition capacity of the city.

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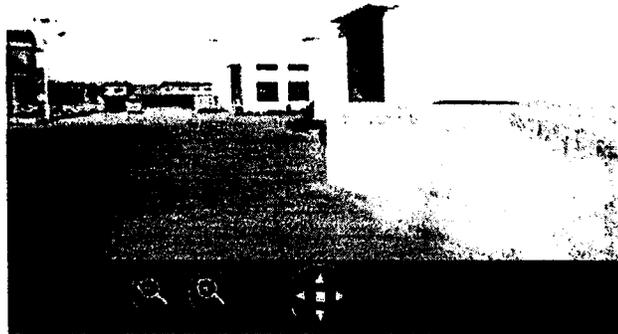
Exhibit C

## Qingdao Huatian Hand Truck Co., Ltd.

### About Us

Established at the beginning of 1998, Qingdao Huatian Hand Truck Co., Ltd. specializes in designing, manufacturing and exporting wheelbarrows, hand trolleys, tool carts, platform hand trucks, wheels, trays and tubes. In addition, we also have available other products made from steel, plastic and rubber.

Our customers are always offered quality at a consistent standard, reasonable prices, and secure shipping with prompt delivery. The consistent quality of our products can be attested to by the fact that we are now in possession of ISO9001 certification, and several of our products have been GS/TUV certified.



Currently employing more than 2,500 personnel, these staff work together to achieve an annual output of around 5,000,000 hand trucks, 6,000,000 tires and tubes, and 20,000,000 plastic products. These items generate a yearly sales volume worth in excess of USD45,000,000.

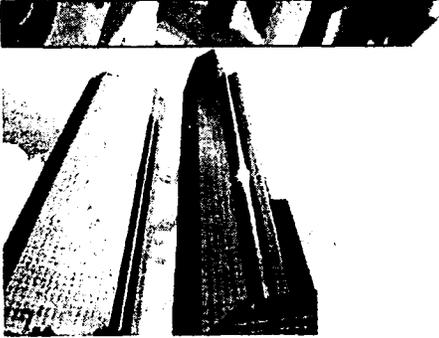
We are hoping to develop long-term business relationships with clients from around the world, and welcome interested companies to contact us with their inquiries. Our qualified staff are standing by to deal with your order.

### All products

- [All categories---](#) (38)
- [Platform Hand Trucks](#) (3)
- [Hand Trolleys](#) (8)
- [Tool Carts](#) (9)
- [Rubber Wheels](#) (6)
- [Caster Wheels](#) (2)
- [Tools](#) (2)
- [Tires](#) (2)
- [wheel barrow](#) (6)

### Contact Information

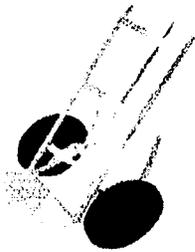
**Company Name:** Qingdao Huatian Hand Truck Co., Ltd.  
**Contact Person:** Mr. Liu  
**Address:** Dahuang, Yin Zhu Town Industrial Park, Jiaonan City, Qingdao, Shandong Province. China  
**Zip:** 266431  
**Telephone:** 86-532-3196367, 3196287  
**Fax:** 86-532-3195157  
**Web Site:** <http://www.huatian-china.com>



Established at the beginning of 1998, Qingdao Huatian Hand Truck Co., Ltd. specializes in designing, manufacturing and exporting wheelbarrows, hand trolleys, tool carts, platform hand trucks, wheels, trays and tubes. Meanwhile, we also have other steel, plastic and rubber products available.

We always offer our customers reliable quality standards, favorable prices and timely shipment. Having obtained ISO9001 approval, several of our products have been GS/TUV certified.

There are currently more than 1,200 personnel working in our company. Annual output is around 3,000,000 hand trucks, 5,000,000 tires and tubes, and 20,000,000 plastic products. These items generate yearly sales volumes worth in excess of USD30,000,000.



President: Mr. LIU GUIPING  
General Manager: Mr. LIU ZHIJUN  
Address: Yinzhu Jiaonan, Qingdao, P.R. China Postal code: 266431  
Tel: 86-532-3196367/3196287 Fax: 86-532-3195157  
E-mail: [info@huatian-china.com](mailto:info@huatian-china.com)

# ABOUT TAIFA

Search Products

Company Survey | Address by Chairman | Subsidiary Companies | Taifa Culture | Talents Invitation

Company Profile | Company Video | Enterprise Honors | Production Facilities

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Password:

**Company Mail**

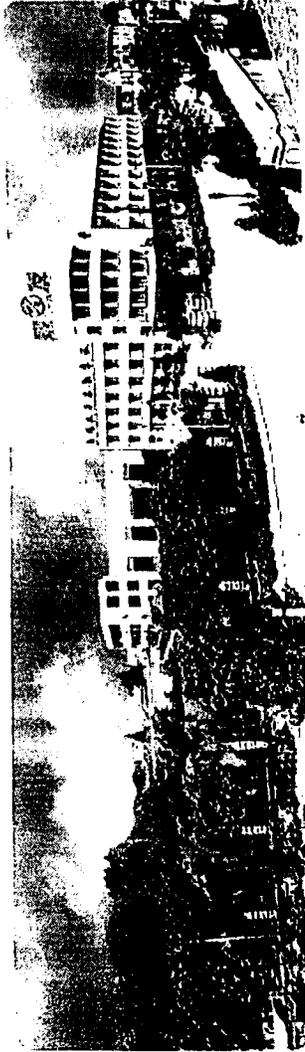
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Pass word

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Most effective advertising made in your view

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- Newspaper advertising
- Naming right for activity
- POP advertising
- 



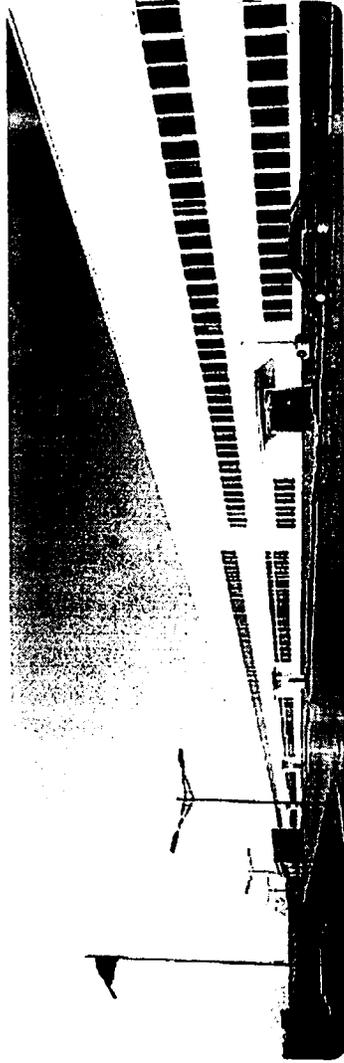
Qingdao Taifa Co., Ltd. is both the oldest and the biggest pushing cart manufacturer in Mainland China. It was founded in 1980 and after more than 20 years' development, now it has a land area of 750,000 sq.m, total assets valued at 700 millions, 8,500 employees, manufacturing more than 600 models of pushing carts and over 700 types of tyres and castors, with an annual output of 7 millions pushing carts of various models and 30 millions sets of products, respectively. Its products are sold more than 100 countries and regions all over the world and enjoy high reputation in the world market.

The company appreciates the quality control and safety performance on the products very much. after being certified with ISO9002 Quality Control System in 1998, it was also accredited with ISO9001:2000 in 2001 and so far more than 60 kinds of products have gained GS and CE accreditations and over 60 kinds of products have gained E4 and CCC accreditations.

The company has advanced manufacture technology and sound manufacturing facilities. In recent years, its production capacity has even more been increased with the company's constant development and ever-upgrading product quality. Besides the growing variety, its products are involved in more industries at the moment. Not only can we guarantee the large orders on schedule but also arrange special productions for small orders with multiple models. Our company would seek a sincere cooperation and common development with friends home and abroad.



==== Specimen Chamber ====



====A Corner of Warehouse ====

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TAIFA

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# 02 ABOUT TAIFA

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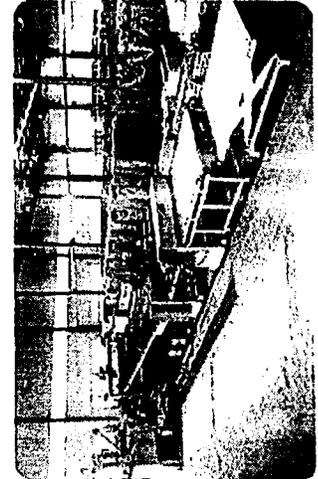
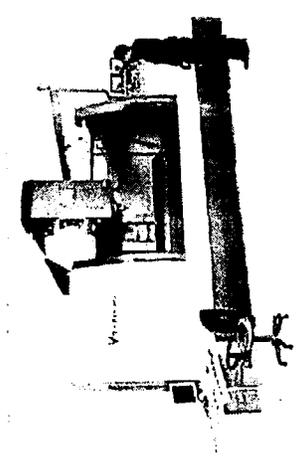
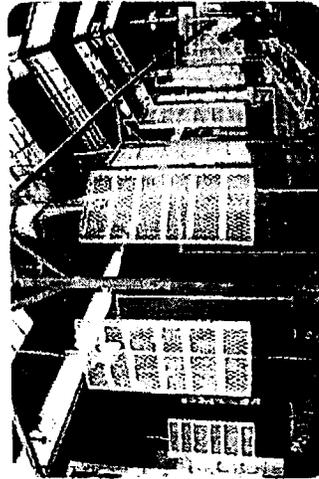
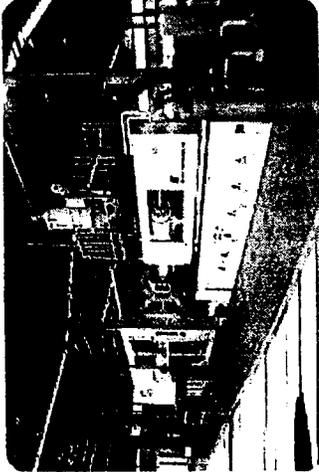
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User name   
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Qingdao Jiaonan Xinghua Metal Products Co.,Ltd was founded in 1992, and located in the Economy & Technology Development Zone of Jiaonan City. It covers a land area of 60 thousand sq. metres and has 30 thousand sq. metres floor space and has more than 600 skilled staffs now. It mainly deals in the production of 5 series and 100 styles of wheel barrows, platform carts, hand trolleys, tool carts and garden carts etc as well as various kinds of casters. Its annually production capacity reaches 2 billion of wheel barrows and 4 billion of all kinds of castors.

Accompanied with its rapid development, This company is contineously absorbing powerful technology and completing of the quality control system. In 1999 it obtained the approval of ISO9002, and up to now nearly 10 kinds of products gained the certificate of TUV/GS.

Owing to clients' trust in its excellent quality and perfect products, We export to more than 100 countries and regions all over the world, such as Europe, America, South-East Asia, Africa and so on. We will strengthen the cooperation with clients as always and continedously developing new products for clients' special requirement to promote our mutual development.



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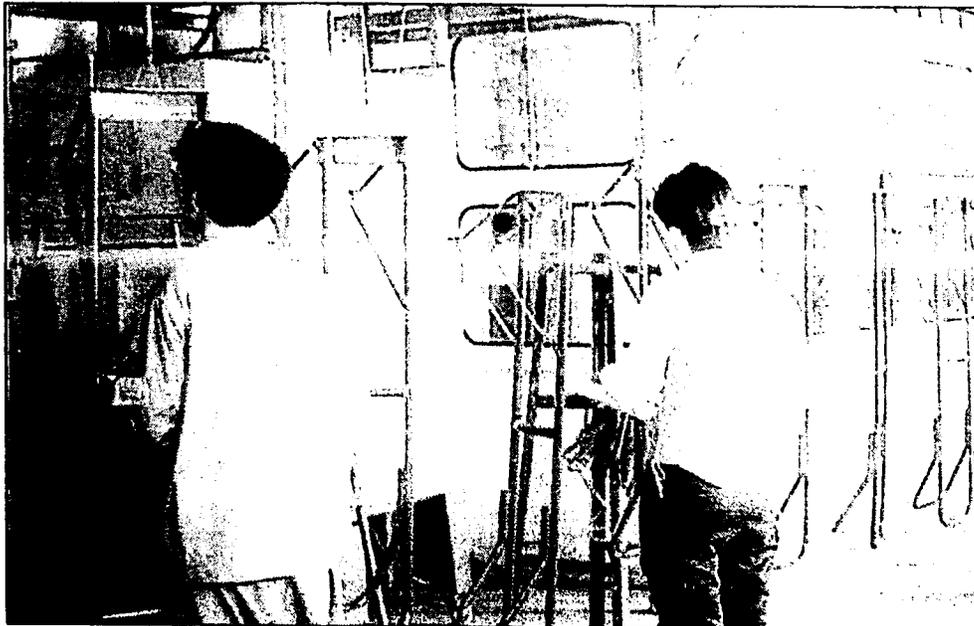
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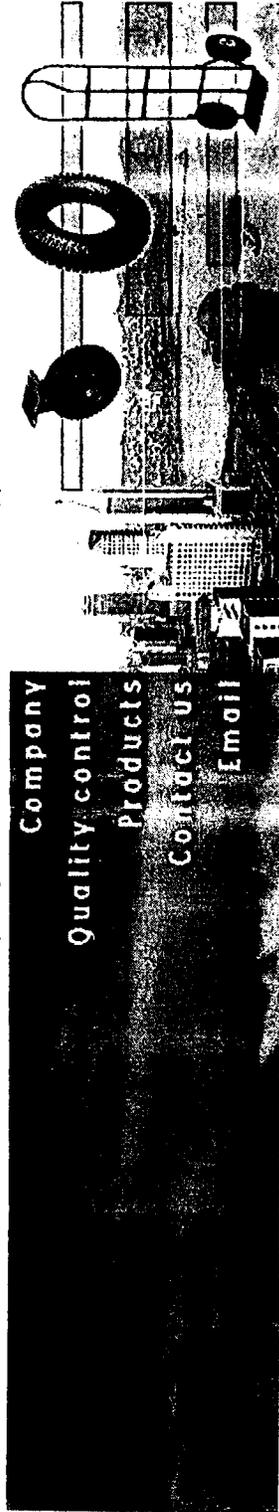
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# 青岛振华工业集团有限公司 ( 青岛振华橡胶厂 )

**Qingdao Zhenhua Industrial Group Co.,Ltd(Qingdao Zhenhua Rubber Factory)**

中文版 English

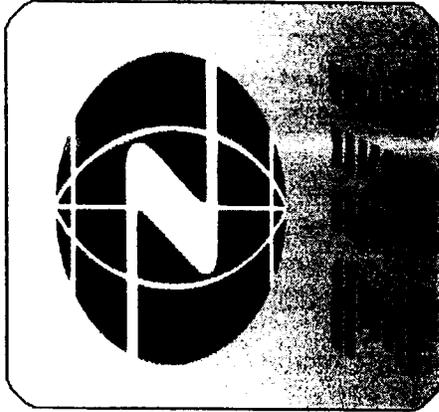


## >>>COMPANY

QingDao ZhenHua Industrial Group Co.,Ltd.(QingDao ZhenHua Rubber Factory) was founded in 1986 and became an incorporated company in September 1998.it contains Rubber factory,Hand Truck factory,Construction company etc.Our group have 4000 staffs, covering an area of 260,000 square meter and with a building area of 200,000 square meter. Its total assets is RMB #220,000,000 and annual sales reaches RMB 450,000,000.

We have the Imp/Exp right of our own and obtained the certificate of ISO9002 and TUV/GS in 1997. Our Zhenhua Group are appraised as one of 100 famous enterprises of Shandong province and 20 famous enterprises of Qingdao city. Our leading products are many models of "ZHAN QIAO" brand tires and tubes, wheel barrows, service carts, hand trolleys, tool carts, rubber wheels, casters etc. Our products deserve an popular sales in domestic market and exported to more than 100 foreign countries all over the world.

We keep the rule of "diligence and innovation" and serve our customers is our ultimate goal. Board director, also general manager of Zhenhua Group, Mr. Zhao Tianlai and his staffs welcome friends domestic and abroad for cooperation.



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FAX:+86-532-3192258  
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## QINGDAO ZHENHUA INDUSTRIAL GROUP CO.,LTD

QINGDAO ZHENHUA INDUSTRIAL GROUP CO., LTD. covers an area of 310000 square metres including building area of 200000 square metres in which we have rubber factories, hand truck factories, industrial product companies and cord fabric factories with 500 staffs and 280 technician .

Our total assets RMB2980000000 yuan and our annual sales volume reaches USD18000000 we have imp.& exp. Right of ISO9002 and TUV/GS. Our corp. was appraised as one of advanced rural enterprises in Shangdong province.

Our leading products include rubber tires and tubes .such as light truck. Heavy truck. Motorcycle. And now, our corp. has produced hand trolley, service cart. platform hand truck. Tool cart . wheel barrow etc. Castor wheel and swivel caster have good sale in each place of our country. They have been exported to America. Europe. Africa and Southeast Asia countries.

And about our products If you have any questions please do not hesitate to contact with me

Wangdongsen  
 E mail: wangdongsen@chinazhenhua.com  
 web site: www.chinazhenhua.com  
 TEL:86-532-6975837  
 FAX:86-532-898029

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## BRIEF INTRODUCTION



Located near the beautiful Yellow Ocean beach, in the Qingdao Economic & Technological Development Zone, the No.1 district of the Production & Export Area, on the Easten Road of Huanghe , Qingdao Future Tool Inc. was registered as a Sino-Hongkong Joint-Venture corporation in November 1999, with 10.50 million RMB. After 4 years, we have become one of the largest professional manufactures for Hand Trucks and Rubber Wheels in China, by hard-working of our Partners, And our enterprise occupies a land area of over 120 mu with a plant area of more than 56000m<sup>2</sup>. Our main products are Wheel Barrow, Hand Trolley, Platform Hand Truck, Tool Cart, Service Cart, Rubber Wheel, Vehicle's Tyres, all kinds of Tools and other products of steel, rubber, plastic, and wood. The Future Tool Inc. always complies with the managing concept of "be loyal and faithful, innovate through deploitation, advance with the era, pursue excellence". And we regard the quality of our products as our lives. By controlling the quality of our products strictly and improving service quality, we have obtained the certification of the ISO9001:2000, and now our products have been sold to over 60 countries and areas abroad.

### ◆ the developing strategy plan

Guided mainly by the international market, the Future Tool Inc. timely adjusts her production structure and producing measures. And we also pay attention to creating our famous brands. Conforming eminent resources from the society, we actively develop high-tech products, and take the route of sustainable development. We are aiming to become a public company with well-known brands and good credit in five years.

### ◆ the structure of the corporation

Qingdao Future Tool Inc.  
The Dongmeng Machinery Factory of Shandong Mengyin (Production base of Future Tool Inc. in the middle of Shandong, which has 580 workers, and a daily capacity of 2000 units including various kinds of hand trucks, tool carts and the platform hand trucks.)

The Dayang Machinery Factory of Shandong Feixian(Production base of Future Tool Inc. in the middle of Shandong, which has 1560 workers and 528 types of machines.)

◆ **Strength of the Corporation**

Registered Capital: 10.50 million RMB

Fixed Assets :26.22 million RMB

Perennial Cash Flow:22.41 million RMB

◆ **The Labor Resources of the Corporation**

Future Tool Inc. has a total staff of 2488, including 50 technical workers,20 engineers,2 senior engineers, 2professional managers, and 2 professors, among whom there are 28 persons with college & university degrees and 3 persons with senior titles.

◆ **Products Outline**

We can produce several hundred types of products, summing up to 9 series. And the main products are wheel barrows,hand trolleys,platform hand trucks,toolcarts,service carts,rubber wheels,vehicle 's tyres, tools, and other products of steel, rubber, plastic and wood.We now also have many new products,such as multi-functional hand trucks,casting trucks,the hand trucks with seats,the child hand trucks and so on .

◆ **Sales Outline**

Our products are all exported to 60 countries and areas abroad, such as the USA, Austria,Europe and the South America, with annual output of 3 million Hand Trucks and 4 million Rubber Wheels, and the annual export turnover is 12 million US dollars. We mainly export our products to US,and now we have won trust of costumers all over the world with the perfect quality of our products and the wonderful after-sales service. In order to expand the market and set up the sales network, we have established close strategic partnership with some world-wide famous companies such as U-Haul,and Home Depot ect.

◆ **Present Status of the Corporation**

In September 2002,we registered a Sales Branch for Future Tool Inc. in the States, which marked the beginning of our company's direct sales channel's establishment abroad, and during the same year, a sales value of over 15 million US dollars has been made. Now the fairly matured sales network has been formed around the American Sales Branch as the stock, with branches extending via agents spreading all over the world. Now our company adhere to the managing concept of "rooted in human being, collecting wisdom to innovate", applying a managing style of standardization and the scientific, further expand the overseas market, marching towards the target of setting up an international big enterprise.

## Home



Located on the shore of the beautiful Yellow Sea, Qingdao Future Tools Inc. is a leading manufacturer of all kinds of non-power material handling tools in China. The products cover hand truck, wheelbarrow, trolley, sack truck, garden cart and rubber wheels. The company occupies an area of 300,000 square meters, and offers a total of 500 types of hand trucks and rubber tires, making it one of the

largest professional manufacturers of these products in China.

With talented technical personnel and an international-standard quality control system, the corporation can meet all large requirements of products, and can also research and develop small quantities for OEM orders. Currently many product varieties are being exported, with clients in more than ten countries and regions worldwide. The largest markets are in the USA, Europe, Japan, Taiwan and so on.

### Contact:

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E-mail: foxpele@263.net

Tel: 86-532-6909809

Fax: 86-532-6909812

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# Qingdao Kunhua Hand Truck Co.,Ltd

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## Qingdao Kunhua Hand Truck Co.,Ltd



Qingdao Kunhua Hand Truck Co.,Ltd. was founded on October 7, 1996, the company covers an area of 35,000 square meters, among which, floor space 20,000 square meters. The company owns three hundred staffs and workers including thirty technicians and six advanced engineers among them now. Our company mainly produce more than one hundred kinds of pneumatic/solid tyres for wheel barrow series, and also produce agricultural tyres, light truck tyres, motorcycle tyres and wheel barrow, annual production reaches up to two million sets, our products are exported to more than twenty nations and regions. We honestly greet customers from home and abroad to negotiate and cooperate with us. Add: Jiaonan Yingzhu Industrial Park. Qingdao, China Tel: 86-532-5173775 86-532-3196161 Fax: 86-532-5173775 86-532-3196161 .Zip code: 266431



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[Global Trade Banner Exchange](#)

Address Jiaonan Yingzhu Industrial Park

Zip 266431

Phone Number 86-532-5173775

Fax Number 86-532-5173775

Contact Person Mr. Liu Zheng

Homepage <http://kunhuatyre.ebigchina.com>

Modified Date: 2003 / 10 / 13





Qingdao Mingzhu Vehicle Co.,Ltd is located in Yinzhu Industry park which is called "the first town of Qingdao". Established in 1994, our company covers ground of more than 20000 square meters, building area of 8000 square meters, has capital asserts of RMB5,000,000 Yuan and annual sale of RMB15,000,000 Yuan. Main products that consist of three series, more than 40 specifications, include tyres of motor, car and tricycle are selling in more than 20 provinces, cities or areas and very popular in some countries and areas in south-east of Asia.

The company possesses advanced equipments and qualified staff of technology. All personnel commit us to improve the quality of our products and manufacture new products. Mingzhu Tyre is durable under varied climates and road conditions, which demonstrates many virtues such as driving comfort, large load, safety, solidity, and durability.

"High jumping-off point, high criterion, high efficiency, high credit" is our principle. Our company sincerely serves all customers from inside and outside of nation with high-class quality of products.

General manager, Mr. Liu and all the staff welcome warmly clients and merchants at home and abroad contact us for cooperation

Top

Wheel Barrow
Hand Trolley
Tool Cart
Flat-Trailer
Service Cart
Rubber Wheel
Castor Wheel
Inner tube
Motorcycles'tyres and inner tubes
Farm Vehicles'tyres



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**Domes**



**Developments**  
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[www.yinzhu.com](http://www.yinzhu.com)

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<input type="checkbox"/> HAND TROLLEY	<input type="checkbox"/> HEAVY-DUTY TRUCK TYRES	<input type="checkbox"/> INNER TUBE
<input type="checkbox"/> LIGHT TRUCK TYRES	<input type="checkbox"/> PLATFORM HAND TRUCK	<input type="checkbox"/> RUBBER WHEEL
<input type="checkbox"/> SERVICE CART	<input type="checkbox"/> TOOL CART	<input type="checkbox"/> TOOLS
<input type="checkbox"/> TYRE	<input type="checkbox"/> WHEEL BARROW	

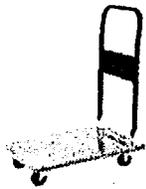
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**New Product**

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Product\_Code:PH023  
 Product\_Name:PLATFORM HAND TRUCK  
 Product\_Type:PH153



Product\_Code:PH010  
 Product\_Name:PLATFORM HAND TRUCK  
 Product\_Type:PH030

**Special Product**

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Product\_Code:SC008  
 Product\_Name:SERVICE CART  
 Product\_Type:SC1240



Product\_Code:WB004  
 Product\_Name:WHEEL BARROW  
 Product\_Type:WB0201

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**CERTIFICATE OF SERVICE**

I, Alexander H. Schaefer, hereby certify that a copy of the foregoing public Request for Supplemental Questionnaire regarding Chinese Government Control. was served on the following parties on this 19<sup>th</sup> day of March, 2004, via the delivery method indicated below:

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