

# IFIs Commit Funding to China

International financial institutions, such as the World Bank, Asian Development Bank (ADB) and Japan's Overseas Economic Co-operation Fund (OECF), are committing significant funding to help China maintain sustainable growth. Projects funded by the institutions offer significant opportunities for Canadian firms.

On July 1996, the World Bank announced a new three-year rolling lending program for China that anticipated a US\$2.5-3 billion annual lending. This will amount to a total of up to US\$9 billion for the 1996-1998 fiscal-year period. The funds will be targeted at supporting China's macroeconomic and

structural reforms, alleviating infrastructure constraints and eradicating poverty.

The Asian Development Bank is also anticipating future lending to China of approximately US\$4 billion during the 1996-1998 fiscal years. Future ADB lending to China will be targeted to infrastructure building, with the leading sectors being transportation and energy, followed by environment, finance, industry and agriculture. The majority of ADB projects will be in the interior provinces.

Similarly, Japan has agreed to commit a total of US\$5.1 billion in OECF loans to 40 projects in China over the three-year period from 1996 to 1998. This first half

of the fourth batch of loans will not only provide loans for the type of economic infrastructure projects that have been funded in the past, but will also give high priority to environmental, agricultural and interior development projects.

**Canadian liaison office at the World Bank**, Tel: (202) 682-7719, Fax: (202) 682-7789;

Project information documents: <http://www.worldbank.org/cgi-bin/waisgate>

**Canadian liaison office at the Asian Development Bank**, Tel: (63-2) 867-0001, Fax: (63-2) 810-1699, <http://www.asiandevbank.org>

## Tips for Doing Business in China

Companies planning to do business in China need to be aware of the peculiarities of the Chinese market before plunging in. Cultural sensitivity is a must; differences do exist between Western and Chinese business practices. The following is some practical advice, useful to all Canadian companies doing business in China, but particularly for those interested in investing there.

### Before you leave home

- Do your homework. This is important in any market, but crucial in China. Use all information sources available — Canadian missions overseas, publications, the Internet, the Canada-China Business Council, banks, personal contacts, and representatives.

### Business and social customs

- Cultivate your *guanxi* (relationships); these are very important in China, where trust must be established before discussing deal specifics. Repeated meetings are needed to establish your credibility and to create a per-

sonal rapport with whomever you will be dealing with. Don't underestimate the value of introductions made by trusted intermediaries.

- Have patience. During business negotiations, emphasize the long-term association a business relationship would be able to bring. Do not rush negotiations with eyes set only on the signing of the contract. Companies often have to wait a couple of years before signing a contract.

- Count on high overhead costs, for such things as invitations to visit Canadian installations, hiring a local representative, frequent travels to the market, the time spent negotiating the bureaucracy, and banquets, which are an indispensable part of business in China.

- Be adaptable and courteous. You may be called to sing at a karaoke bar, or to toast with *mao tai*, a very strong local brew.

- Be aware of the importance in China of "saving face" and the Chinese reluctance to say "no." Direct overt criticism or confrontation are seldom used, and

can be considered insulting. Don't assume that because somebody says "yes," your message has been understood and will be implemented as you planned it.

- Clear communication is essential. Distance and cultural and linguistic barriers can lead to misunderstandings. Consider hiring an experienced professional interpreter.

### Legal situation

- As China gradually develops a coherent commercial law corpus, many areas remain undefined, and it may be difficult to enforce judicial decisions. Flexibility and personal contacts will be more useful than the law.

### Sources:

*Climbing the Great Wall: Canadians Doing Business in China*, Department of Foreign Affairs and International Trade, 1995.

*China: A Guide for Canadian Business*, Department of Foreign Affairs and International Trade, in co-operation with the Canada-China Business Council, 1994.