

## Introduction of Foreign-Invested Commercial Enterprise(FICE)

-- Obtain trading and distribution rights in China

Before 11th December 2004, Foreign-invested enterprises (FIEs), i.e. enterprises established by foreign investors in China (including wholly foreign-owned enterprises [WFOEs] or joint ventures [JV]) were only permitted to import raw materials and semi-manufactures for their own use and to export self-manufactured products directly. In this sense, FIEs generally were not permitted to trade in other products, including products manufactured by their parents and affiliates, causing inefficiencies by compelling the use of oligopolistic trading intermediaries.

But on 16th April 2004, the new Measures for Foreign Investment in Commerce (MFIC) was promulgated by Ministry of Commerce of the People's Republic of China (MOFCOM).

According to the Measures, Foreign-invested commercial enterprises (FICEs, one type of FIE) can distribute imported and locally manufactured products through their own wholesale, retail and franchise systems and to provide a host of related services, including storage, warehousing and garage services, inventory management, repairs, maintenance, training and delivery after December 11, 2004. It's considerable progress in the implementation of China's WTO commitment to allow foreign-invested enterprises (FIEs) to exercise trading and distribution rights.

Overall, Foreign companies now may choose one of two ways to acquire trading and distribution rights. They can set up a new, standalone foreign-invested commercial enterprises (FICE) or apply to expand the business scope of an existing FIE. Existing manufacturing FIEs, free-trade zone trading FIEs, investment companies, and regional headquarters FIEs may all apply to expand their business scopes.

Following are the updated policy of trading and distribution rights:

<b>Trading Rights</b>	Opening Time	From 1st July 2004, FIEs can obtain Import/Export license
	Business Scope	Import/Export product or technology
	National treatment	Have the national treatment on "Internal sale"; "Offering for sale"; "Purchase"; "Transportation"; "Distribution"; "Using" or "Directly access to end-users"
	Investment Capital	Minimum 1 million RMB (around 140,000USD\$)
<b>Distribution Rights</b>	Opening Time	From 11th Dec, 2004 all the restriction removed
	Business Scope	Wholesale, retail and franchise
	Still under restriction	Books, newspapers, journals, pharmaceuticals, chemical fertilizers, pesticides, mulching films, processed and crude oil, motor vehicles, grain, vegetable oil, sugar and cotton
	Investment Capital	Minimum 500,000 RMB (around 65,000USD\$) for the wholesale; Minimum 300,000 RMB (around 38,000USD\$) for the retail

## **Details of establishing a FICE under the Measures**

### **1. Definition of a Foreign Invested Commercial Enterprise (FICE) under the Measures**

A foreign invested commercial enterprise means a foreign invested enterprise, which engages in following areas:

- Agency with commission: selling other owned goods and providing related services by sales agency of goods, broker, or auctioneer or other wholesaler on the basis of contractual relationship.
- Wholesale: selling goods and providing related services to retailer, industrial user, commercial user, organizational user and other wholesaler.
- Retail: selling goods and providing related services to individual or collective consumer in fixed locations or by means of television, telephone, internet and automat.
- Franchise: licensing of trademark, trade name and business mode by entering into a contract with others for the purpose of returns and license fee.

### **2. Business scope of a FICE**

- A FICE in retail can engage in following businesses upon approval: Retail/Import of self-operation goods/Purchase and export of domestic goods/other related services.
- A FICE in wholesale can engage in following businesses upon approval: Wholesale/ Agency with commission/Import and Export/ other related services.

### **3. Requirements for establishing a FICE**

- Minimum registered capital shall be in compliance with respective requirements in company law of PRC.
- Other requirements with respect to registered capital and investment amount of FICE shall be satisfied (registered capital for a FICE shall be RMB 500,000.00 according to company law and Rules for the Implementation of the Law of the People's Republic of China on Foreign-Capital Enterprises).
- The general period of operation of a FICE shall not exceed 30 years, and the general period of operation of FICE located in the middle and western region shall not exceed 40 years.

PathToChina.com business registration department was invited to a meeting summoned by the government. The meeting has summarized developments on establishing commercial enterprises under Measures for the Administration of Foreign Investment in the PRC Commercial Sector. The statistics shows that over 600 applications for establishing FICE in Shanghai got approved between January 2006 and July 2006, Compare to last year, it's total 600 FICES have been approved in whole year. The FICE applications really increased a lot in this year. Special for some famous international brand, like ZARA a famous fashion brand from Spain, Her turnover reaches 3,500,000RMB during the Chinese golden week (1st of May to 7th of May) and now GAP from USA, H&M from Sweden and C&A from German all get approved to establish FICE in Shanghai.

**Are you the next ?** For more information of FICE registration or expand to obtain trading and distribution rights, please