

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

October 4, 2010

Ms. Catherine Meals
United Food and Commercial Workers
1775 K Street, N.W.
Washington, D.C. 20006-1598

Dear Ms. Meals:

This letter is USTR's final response to your Freedom of Information Act request for "access to all documents and materials the Office of the USTR may have produced or received from Sarah Thorn, Adam Hemphill, Ivan Zapien, Jana Barresi, Nicole Bivens Collinson, Jennifer Milveny, Edward Steiner or any other agent of Wal-Mart Stores Inc. referencing China, the People's Republic of China or currency exchange rates with any foreign country."

On September 7, 2010 we sent you a partial response releasing twenty-four (24) documents in part. We informed you that we would provide additional documents as they became available.

Please be advised that after a continued search of our files, we have located eight (8) additional documents that are responsive to your request. Of those, we are releasing eight (8) documents in part. Documents have been redacted pursuant to 5 U.S.C. §552(b)(2), which pertains to certain internal personnel rules and practices of the agency where disclosure might risk the circumvention of a law or regulation and pursuant to 5 U.S.C. §552(b)(6), which pertains to personnel and medical files and similar information where disclosure would constitute an unwarranted invasion of personal privacy.

Inasmuch as this constitutes a complete response to your request, I am closing your file in this office. In the event that you are dissatisfied with USTR's determination, you may appeal such a denial, within thirty (30) days, in writing to:

FOIA Appeals Committee
Office of the United States Trade Representative
1724 F Street, N.W.
Washington, DC 20508

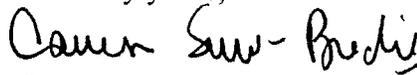
Ms. Catherine Meals

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Both the letter and the envelope should be clearly marked: "Freedom of Information Act Appeal". In the event you are dissatisfied with the results of any such appeal, judicial review will thereafter be available to you in the United States District Court for the judicial district in which you reside or have your principal place of business, or in the District of Columbia, where we searched for the records you seek.

Should you have any questions, please feel free to contact the FOIA office at (202) 395-3419.

Sincerely yours,



Carmen Suro-Bredie
Chief FOIA Officer

Case File #1050721

Reade, Claire E.

From: Sarah Thorn [Sarah.Thorn@wal-mart.com]
Sent: Wednesday, January 23, 2008 8:53 AM
To: Main, Ann; Reade, Claire E.; Stratford, Tim
Subject: RE: Meeting with Beth Keck -- Wednesday, January 30th at 4:00pm

Ann:
Thanks so much for your note. We would be very happy to meet with you and Claire on the 30th at 4:00 pm.
Sarah

Sarah Thorn, Director, International Trade
Federal Government Relations
Phone: 202-434-0714 Fax: 202-737-6069
sarah.thorn@wal-mart.com

Wal-Mart Stores, Inc.
701 8th Street, NW
Suite 200
Washington, DC 20001
Save money. Live better.

From: Main, Ann [mailto:Ann_Main@USTR.EOP.GOV]
Sent: Tuesday, January 22, 2008 6:19 PM
To: Sarah Thorn; Reade, Claire E.; Stratford, Tim
Subject: RE: Meeting with Beth Keck -- Wednesday, January 30th at 4:00pm

Hi, Sarah.

Tim is in China and we don't know for sure whether he will be back by the 30th.

But if that is the only time that Beth Keck will be in town, we should go ahead with the meeting. If Tim does not make it, we will be sure to catch him up.

Thanks.

Ann

From: Sarah Thorn [mailto:Sarah.Thorn@wal-mart.com]
Sent: Monday, January 21, 2008 11:00 AM
To: Reade, Claire E.; Stratford, Tim; Main, Ann
Subject: Meeting with Beth Keck -- Wednesday, January 30th at 4:00pm

Hi All:
Would you be available for a quick meeting with Beth Keck on the 30th at 4:00pm to talk about our 2008 plans for China?
Thanks much,
Sarah

Sarah Thorn, Director, International Trade
Federal Government Relations
Phone: 202-434-0714 Fax: 202-737-6069
sarah.thorn@wal-mart.com

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***** **Wal-Mart Confidential** *****

Reade, Claire E.

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From: Sarah Thorn [Sarah.Thorn@wal-mart.com]
Sent: Monday, January 21, 2008 11:00 AM
To: Reade, Claire E.; Stratford, Tim; Main, Ann
Subject: Meeting with Beth Keck -- Wednesday, January 30th at 4:00pm

Hi All:
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From: Main, Ann
Sent: Tuesday, April 08, 2008 5:14 PM
To: McCartin, Terry; Reade, Claire E.; Winter, Audrey
Cc: Stratford, Tim
Subject: FW: Urban Commercial Zoning Plan Regulation Translation
Attachments: Commercial Zoning-080407.doc

Per your request.

Industry is looking into whether these pose any problems for them.

-----Original Message-----

From: Adam Hemphill [mailto:Adam.Hemphill@wal-mart.com]
Sent: Monday, April 07, 2008 10:00 PM
To: Main, Ann
Subject: FW: Urban Commercial Zoning Plan Regulation Translation

Hi Ann,

Attached is the English translation of the zoning plan.

Cheers,

-Adam
 <<Commercial Zoning-080407.doc>>

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城市商业网点条例 (征求意见稿)
Urban Commercial Zoning Regulations (Proposal for public discussion)

第一条 为了加强对城市商业网点的管理，优化城市商业网点布局 and 结构，规范城市商业网点经营者与供应商的交易行为，促进城市商业网点健康有序发展，制定本条例。

Article 1 In order to enhance the management of the urban commercial site, optimize the urban commercial site layout and framework, regulate the business transaction between the operator and supplier, promote the development of urban commercial site healthily, these regulations are hereby formulated.

第二条 本条例所称商业网点，是指商店、商品交易市场等从事商品零售、批发活动的经营场所。

Article 2 "Commercial site" mentioned in the Regulations refers to the business place, for example stores and the market of commodity transactions, where commodities retail and wholesale are engaged.

第三条 城市人民政府商务主管部门依照本条例的规定，负责城市商业网点管理工作。

Article 3 The administration department of commerce of the Municipal People's Government shall be responsible for management of the urban commercial site pursuant to provisions of the Regulations.

国务院商务主管部门负责指导、监督全国的城市商业网点管理工作；省、自治区人民政府商务主管部门负责指导、监督本行政区域内的城市商业网点管理工作。Commerce department from the State Council shall be responsible for guiding and supervising the nationwide management of urban commercial site. The commerce department in the Municipal Government of the provinces and autonomous regions shall be responsible for the management of urban commercial site within the governing locations respectively.

第四条 城市应当依照本条例的规定制定城市商业网点规划。城市商业网点规划应当包括商业网点的发展目标、区域布局、业态结构以及建设规模等内容。

Article 4 Cities shall establish urban commercial zoning plan pursuant to the Regulations. Such plan shall include the development goals, regional layout, format structure and construction scale of the commercial site.

城市商业网点规划由城市人民政府商务主管部门会同城乡规划、发展改革、公安交通、环境保护、国土资源、建设（房地产）等有关部门组织编制，报城市人民政府审批。

The urban commercial zoning plan shall be completed by the commerce department in the Municipal Government together with the urban-rural planning, development and reforming, transportation, environment protection, land resources and construction (real estate) departments etc. It shall be approved by the Municipal Government.

第五条 编制城市商业网点规划，应当依据国民经济和社会发展规划，与本级土地利用总体规划和城市规划相衔接，与城市的发展布局、功能分区、交通体系、文化景观相协调，统筹考虑城市社会经济和人口发展对不同规模、业态商业网点的需求，鼓励发展社区便民商业网点，充分利用现有建筑物，保护自然与历史文化遗产以及传统商业街、老字号商业网点，符合安全生产和环境保护的要求。

Article 5 Establishment of the urban commercial zoning plan shall be based on the comprehensive planning of the national economy and society development, in light of its general plan of land use and urban planning, corresponded with the development plan, location functioning, transportation system, culture sight of the city. It shall plan as a whole and consider the requirements of development of urban society, economy and population according to the different scales and formats of the commercial site, encourage to develop convenient commercial site in the community, utilize existing building, protect the natural and history heritage, protect the traditional business street and commercial site with long history, accord with the requirements of safety and environment protection.

第六条 编制城市商业网点规划，应当符合国务院商务主管部门会同国务院发展改革、国务院城乡规划主管部门制定的编制规范。

Article 6 The urban commercial zoning plan shall be prepared according to the guideline issued by commerce department, development and reforming department, and urban-rural planning department from the State Council.

城市商业网点规划报城市人民政府批准前，城市人民政府商务主管部门应当将城市商业网点规划及其编制情况报上一级人民政府商务主管部门（省、自治区人民政府所在城市的城市商业网点规划经省级人民政府商务主管部门报国务院商务主管部门）。城市商业网点规划的编制不符合编制规范的，上级人民政府商务主管部门可以责成城市人民政府商务主管部门予以修改。

Before submitting to the Municipal Government for approval, the commerce department in the Municipal Government shall provide urban commercial zoning plan, as well as its preparation details, to the commerce department in superior Municipal Government (the urban commercial zoning plan of cities where the people's government of the provinces and autonomous regions locate shall be submitted to the commerce department from the State Council after being approved by the commerce department from the province).

第七条 城市商业网点规划组织编制机关应当采取论证会、听证会或者其他方式征求专家和公众的意见，并在报送审批的材料中附具意见采纳情况及理由。

Article 7 The department which prepare the urban commercial zoning plan shall consult opinion from the experts and public through discussing, hearing or other measure. If this kind of opinion is adopted, the adopted opinion, together with the reason shall be attached to the submitted material.

城市商业网点规划经城市人民政府批准后，应当及时公布，并由城市人民政府商务主管部门报上一级人民政府商务主管部门备案。

The urban commercial zoning plan approved by the Municipal People's Government shall be made public available timely, and the commerce department in the Municipal People's Government shall submit it to commerce department from superior People's Government for file.

第八条 经依法批准的城市商业网点规划，是指导城市商业网点建设发展的依据。城市商业网点建设以及现有商业网点改变用途、业态，应当符合城市商业网点规划。

Article 8 The urban commercial zoning plan which approved legally shall be the guideline of development of the urban commercial site. The development of the urban commercial site and the change of usage and format of existing commercial site shall be in light of the urban commercial zoning plan.

第九条 城市人民政府商务主管部门应当做好大型商业网点的调查、统计工作，并定期报上级人民政府商务主管部门，有关单位和个人应当如实提供资料并予以配合。

Article 9 The commerce department in the Municipal Government shall be the department responsible for research and statistics of large commercial site and report to the commerce department in the superior Municipal Government. The relevant units and individual shall provide correct information and cooperation.

城市人民政府商务主管部门可以依据城市商业网点规划，制定并发布城市近期商业网点建设分类指导目录。

The commerce department in the Municipal Government shall prepare and promulgate the catalogue of urban commercial site development plan.

第十条 新建、扩建大型商业网点，将非商业网点改为大型商业网点，或者改变大型商业网点用途、业态的，建设单位、产权单位或者经营者应当向城市人民政府商务主管部门提出申请，由商务主管部门就是否符合城市商业网点规划提出审查意见。申请人应当向城市人民政府商务主管部门提交拟设立的大型商业网点的基本情况及其对周边现有商业网点、交通、居民生活环境和文化景观影响的评估等材料。

Article 10 With respect to the to-be-build and to-be-enlarged large commercial site, converting non-commercial site to large commercial site, changing the use purpose, format of large commercial site, the construction unit, property owner or operator

shall submit the application to the commerce department in the Municipal Government. And the commerce department shall provide comment whether such application complies with the urban commercial zoning plan. Applicant shall submit relevant material, including basic information regarding the large commercial site to be established, and evaluation information regarding the influence against the commercial site surrounding, transportation, residents' living environment and culture.

本条例所称大型商业网点，是指单体建筑面积在省、自治区、直辖市规定标准以上的商业网点。省、自治区、直辖市规定的建筑面积标准应当不超过1万平方米。The large commercial site under the Regulations means the individual property with construction area large than the standard set by any province, autonomous regions. The aforementioned standard should not exceed 10,000 square meters.

第十一条 城市人民政府商务主管部门应当自收到申请人提交的符合本条例第十条规定的材料之日起60日内提出审查意见。审查时，应当就拟设立的大型商业网点对周边现有商业网点、交通、居民生活环境的影响，征求公安交通、环境保护等主管部门的意见，并向社会公示，公示时间不得少于10日。必要时，商务主管部门应当组织召开听证会。

Article 11 The commerce department in the Municipal Government shall provide examination deliverance within 60 days after receiving the material submitted by applicant according to this Article 10. While reviewing the application, commerce department shall consult opinion regarding the influence on the existing commercial site, transportation arrangement and residence from transportation department, environment protection department, etc. Public announcement shall be made and the period shall be no less than 10 days. The commerce department shall hold a hearing if necessary.

拟设立的大型商业网点建筑面积在5万平方米(超市类1万平方米)以上，城市人民政府拟出具符合城市商业网点规划意见的，应当在出具意见前，依照下列规定报上级人民政府商务主管部门：

If the large commercial site to be build is with construction area of more than 50,000 square meters (for supercenters, if it is larger than 10,000 square meters), and the Municipal Government plans to provide positive opinion, the Municipal Government shall report to the commerce department in the superior Municipal Government before providing opinion according to the following procedure:

(一) 拟设立的大型商业网点建筑面积在5万平方米以上10万平方米以下的，报省、自治区人民政府商务主管部门；

(1) If the large commercial site to be built is with construction area of more than 50,000 square meters but less than 100,000 square meters, it shall be reported to the commerce department of the Municipal Government of provinces and autonomous regions.

(二) 拟设立的大型商业网点建筑面积在 10 万平方米(超市类 1 万平方米)以上的, 报国务院商务主管部门。

(2) If the large commercial site to be build is with construction area of larger than 100,000 square meters (for supercenters, if it is larger than 10,000 square meters), it shall be reported to the commerce department in the State Council.

国务院商务主管部门或者省、自治区人民政府商务主管部门认为拟设立的大型商业网点不符合城市商业网点规划的, 应当自收到城市人民政府商务主管部门报送的材料之日起 20 日内提出异议, 并详细说明理由。国务院商务主管部门或者省、自治区人民政府商务主管部门提出异议的, 城市人民政府商务主管部门不得出具符合城市商业网点规划的意见。

The commerce department in the State Council, Municipal Government of provinces and autonomous regions shall dissent, together with detailed explanation, if it believe the plan to set up large commercial site does not in light of the urban commercial zoning planning within 20 day after receiving the material from the commerce department in the Municipal Government. Under such situation, the commerce department in the Municipal Government shall not offer the agreement.

第十二条 设立大型商业网点, 涉及投资项目审批、核准、备案的, 按照国家有关规定办理; 涉及土地性质、用途改变的, 按照有关土地管理、城市规划的法律、行政法规的规定办理相关手续。

Article 12 If the establishment of large commercial site involves investment program examination, approval and filing, it shall follow the relevant regulation. If change of land nature and use purpose is involved, it shall follow the laws and regulation regarding land management and urban planning.

第十三条 城市新区开发、旧城区改造, 应当按照国家有关规定配套建设居民生活必需的商业网点。城市人民政府应当采取有效措施, 鼓励、扶持居民生活必需的商业网点的建设和经营。

Article 13 In both development of new urban area and reconstruction of old urban area, commercial sites designed for resident according to the relevant regulations shall be considered necessary. Municipal Government should adopt effective measures to encourage and support the construction and operation of the commercial site necessary for people's living.

第十四条 商业网点经营者与供应商的交易活动应当遵循自愿、公平、诚实信用的原则。

Article 14 The transactions between the operator of commercial site and the vendors should abide by the principle of self-willingness, fairness, honesty and trustfulness.

第十五条 商业网点经营者与供应商的交易应当订立书面合同，明确双方的权利和义务。

Article 15 The transactions between the operator of commercial site and the vendors should be endorsed by written agreement with stipulation on rights and obligations between both parties.

第十六条 商业网点经营者不得违背供应商的真实意愿，向供应商收取不合理的费用、强迫供应商无偿提供服务或者接受其他不公正交易条件。

Article 16 The operator of commercial site can not violate vendors' will, charge unreasonable expenses and compel them to provide free service or accept other unjust transaction conditions.

第十七条 对违反本条例规定的行为，任何单位和个人有权向城市人民政府商务主管部门举报。城市人民政府商务主管部门接到举报后，应当及时调查、处理，并为举报人保密。

Article 17 Any unit or individual has the right to prosecute the conduct violating this Regulations to the commerce department in Municipal Government. Once receiving the prosecution, the commerce department in Municipal Government shall investigate the issue and keep confidential for the prosecutor.

第十八条 城市人民政府商务主管部门应当加强对本条例实施情况的监督检查。

城市人民政府商务主管部门进行监督检查时，有权采取下列措施：

Article 18 The commerce department in Municipal Government should emphasis the supervision to the execution of this Regulations. And commerce department in Municipal Government has the right to adopt the following measures in supervision:

(一) 要求有关单位和人员提供与监督事项有关的文件、资料，并进行复制；
Require relevant unit or individual to provide the documents and material related to the issue involved, and has right to copy the aforementioned documents;

(二) 要求有关单位和人员就监督事项涉及的问题作出解释和说明，并根据需要进入现场进行调查；
Require relevant unit or individual to answer the question regarding the issue involved and conduct site investigation if necessary;

(三) 责令有关单位和人员停止违反本条例规定的行为。
Order relevant unit or individual to stop violating this Regulations.

城市人民政府商务主管部门的工作人员履行前款规定的监督检查职责，应当依法出示执法证件。被监督检查的单位及其有关人员应当予以配合，不得妨碍和阻挠依法进行的监督检查活动。

When perform the supervision and inspection duty as stated in the above paragraphs, the staff from the commerce department in Municipal Government should present their certificates. The unit or individual under supervision should offer support and shall not obstruct and hinder the legal supervision and inspection.

第十九条 未编制城市商业网点规划或者未按法定程序编制、审批城市商业网点规划，由上级人民政府责令改正，通报批评；对城市人民政府及其有关部门的负责人和其他直接责任人员依法给予处分。

Article 19 In the event that the Municipal Government doesn't prepare the urban commercial zoning plan or follow the legal procedure to prepare and approve the urban commercial zoning plan, the superior Municipal Government can order correction and make a public criticism. The relevant individual in relevant departments will be punished accordingly.

第二十条 未取得城市人民政府商务主管部门出具的符合城市商业网点规划的意见，新建、扩建大型商业网点，将非商业网点改为大型商业网点，或者改变大型商业网点用途、业态的，由城市人民政府商务主管部门责令限期改正，并处 50 万元以上 100 万元以下的罚款。

Article 20 The official decision provided by the commerce department in Municipal Government regarding the compliance with urban commercial zoning plan is the necessary precondition with respect to the to-be-build and to-be-enlarged large commercial site, converting non-commercial site to large commercial site, changing the use purpose, format of large commercial site. The commerce department in Municipal Government has right to order timely correction for any incompliance, and impose a fine between 500,000 RMB and 1,000,000RMB.

以欺骗或者其他不正当手段取得符合城市商业网点规划意见的，由城市人民政府商务主管部门撤销审查意见，并处 50 万元以上 100 万元以下的罚款；构成犯罪的，依法追究刑事责任。

In the event that the official decision is acquired through fraud or other illegal measures, the commerce department in Municipal Government will withdraw the decision and impose a fine between 500,000 RMB and 1,000,000RMB. If a crime is involved, the criminal liability will be imposed accordingly.

第二十一条 商业网点经营者违反本条例第十六条规定的，由城市人民政府商务主管部门或者工商行政管理部门责令限期改正；情节严重的，处 5 万元以上 20 万元以下的罚款，并予以公告；给供应商造成损失的，依法承担赔偿责任。

Article 21 If the operator of commercial site violates Article 16, the commerce department or commerce and industry department can order timely correction. In the event that a serious situation is involved, the commerce department or the commerce and industry department can impose a fine between 50,000 RMB and 200,000RMB, and announce the punishment. The operator should also pay the compensation to supplier for the damage caused according to laws and regulation.

商业网点经营者违反本条例第十六条规定的行为属于滥用市场支配地位的,依照反垄法的规定处罚。

In the event that the violation of Article 16 belongs to abuse of market leader privilege, the regulation of Anti-trust Law should be applied.

第二十二条 商务主管部门的工作人员在城市商业网点管理及相关工作中,玩忽职守、滥用职权、徇私舞弊,构成犯罪的,依法追究刑事责任;尚不构成犯罪的,依法给予处分。

Article 22 In the event that the personnel, who is in charge of the management of urban commercial zoning and other relating respect, neglects his duty, abuses his power, or is engaged in malpractices for personal gains, the person should be held for criminal liability. When such conduct didn't constitute a crime, disciplinary sanctions shall be given.

第二十三条 本条例施行前已经设立的大型商业网点,其产权单位或者经营者应当自本条例施行之日起3个月内向城市人民政府商务主管部门备案。逾期不办理备案的,处5000元以上1万元以下的罚款。

Article 23 For any large commercial site build before the implementation of this Regulations, the property owner or operator should file with the commerce department in Municipal Government within 3 months after the implementation of this Regulations. In the event of not file timely, a fine between 5000RMB to 10000RMB will be imposed.

第二十四条 本条例自 年 月 日起施行。

Article 24 The Regulations shall be implemented from

Reade, Claire E.

4

From: Jana Carter [Jana.Carter@wal-mart.com]
Sent: Thursday, March 26, 2009 5:51 PM
To: Reade, Claire E.
Cc: Sarah Thorn
Subject: FW: Tobacco Sales in China.
Attachments: notice--??????? 2008-595.doc; tobacco permit mgt. 2007.doc

Claire:

It was a pleasure to meet you earlier this month while our president of Wal-Mart China, Ed Chan, was in Washington, DC and meeting with Tim Stratford. As we discussed a recent enforcement of a tobacco ban in China --which as we recognize is within their rights under the WTO--you were interested in seeing how our stores in China were put on notice of this change in position with regard to tobacco sales. Please see the note below from a colleague in China as well as the attached.

Please let me know if you have questions. Again it was nice to meet you.

Sincerely,
Jana Carter

Jana Carter Senior Director International Corporate Affairs

Phone 479-277-8663 Fax 479-273-4255

Jana.carter@wal-mart.com

Wal-Mart Stores, Inc.

702 SW 8th Street

Bentonville, AR 72716-350

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From: Cathy Bao(GA)
Sent: Sunday, March 15, 2009 9:42 PM
To: Jana Carter; Barry Friedman
Cc: Brian Liao
Subject: RE: Tobacco Sales in China.

Dear Jana,

There are 2 documents that clearly say foreign retailers can neither sell Tobacco nor lease the area out. One regulation regarding to Management on Tobacco Sale Permit with effective from March 7, 2007. (Article 18). The attachment include part of English version of the regulation.

The other is the Notice from national tobacco bureau, which is issued on Dec. 1, 2008. I only translated the 3 points that related to us.

Best Regards,

Cathy Bao

Corporate Affairs

Tel:755-2151 1160

Fax:755-2151 0205

Mailto: cbao@wal-mart.com

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Reade, Claire E.

5

From: Sarah Thorn [Sarah.Thorn@wal-mart.com]
Sent: Tuesday, February 05, 2008 11:37 AM
To: Stratford, Tim; Main, Ann; Reade, Claire E.
Subject: Wal-Mart Donation for Chinese Disaster Relief
Attachments: China Disaster Relief Release -FINAL02052008.pdf; Chinese Disaster Relief Fact Sheet.FINAL.2.5.2008.pdf

Tim/Ann/Claire:

Just FYI, I wanted to make sure you all saw the attached release on Wal-Mart's \$1,000,000 donation to the Chinese Red Cross for disaster relief. I've attached our press release and fact sheet for your reference.

Thanks,
Sarah

<<China Disaster Relief Release -FINAL02052008.pdf>> <<Chinese Disaster Relief Fact Sheet.FINAL.2.5.2008.pdf>>

Sarah Thorn, Director, International Trade
 Federal Government Relations
 Phone: 202-434-0714 Fax: 202-737-6069
sarah.thorn@wal-mart.com

Wal-Mart Stores, Inc.
 701 8th Street, NW
 Suite 200
 Washington, DC 20001
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Reade, Claire E.

From: Sarah Thorn [Sarah.Thorn@wal-mart.com]
Sent: Sunday, February 28, 2010 1:50 PM
Subject: FW: Wash. Post: In China, Wal-Mart presses suppliers on labor, environmental standards

In case you didn't see it, following please find a pretty balanced story about our efforts to raise supplier standards in China that ran in the Post today.
Sarah

Sarah Thorn, Senior Director, Federal Government Relations

Phone: 202-434-0714 Fax: 202-737-6069

sarah.thorn@wal-mart.com

Walmart

701 8th Street, NW

Suite 200

Washington, DC 20001

Saving people money so they can live better.

From: Coons, Barbara <barbara.coons@strategyone.net>
To: Mona Williams; David Tovar; Lorenzo Lopez; Kory Lundberg
Cc: Edelman-Tish Van Dyke; @Wal-Mart Research <walmartresearch@edelman.com>
Sent: Sun Feb 28 08:56:28 2010
Subject: Wash. Post: In China, Wal-Mart presses suppliers on labor, environmental standards

http://www.washingtonpost.com/wp-dyn/content/article/2010/02/26/AR2010022606757_pf.html

In China, Wal-Mart presses suppliers on labor, environmental standards

By Steven Mufson

Washington Post Staff Writer

Sunday, February 28, 2010; G01

SHENZHEN, CHINA -- Benny Fung, the head of Hong Kong-based soap and cosmetics maker Lutex, seems to have an eye for detail. The meeting room at his factory here in southern China is lined with neatly packed gift baskets. His jacket has a thin purple velvet accent around the lapel to match his purple tie.

Now Fung's biggest customer -- Wal-Mart Stores -- is urging him to pay attention to other details. Environmental details. Energy-saving details. Not just everyday low prices, but low greenhouse gas emissions.

As a result, Lutex has been paying attention to more efficient light bulbs, better ventilation and less packaging. It switched from Styrofoam to recycled paper and saved enough Styrofoam to cover four football fields. And Lutex, which has been here since 1991, says it treats four tons of wastewater that it used to dump into the municipal sewage line. That water was supposed to be treated by the city, but like three-quarters or more of China's wastewater, it almost certainly wasn't.

"We heard that in the future, to become a Wal-Mart supplier, you have to be an environmentally friendly company," Fung said. "So we switched some of our products and the way we produced them."

Wal-Mart has more than 10,000 suppliers in China. In addition, about a million farmers supply produce to the company's 281 stores in China. If Wal-Mart were a sovereign nation, it would be China's fifth- or sixth-largest export market. So the company hopes that small measures taken by all suppliers start to add up. Its 200 biggest suppliers in China have already trimmed 5 percent of their energy use.

In the past, environmental concerns have taken a back seat to growth in China and to costs for Wal-Mart. And China and Wal-Mart have come under sharp criticism for conditions in factories. Yet pollution now threatens China's growth; as a result, awareness of climate change and energy security has spread in China. Likewise, as consumers grow more environmentally aware, Wal-Mart's executives have responded. On Thursday, the company pledged to reduce its greenhouse gas emissions by 2015.

In October 2008, Wal-Mart held a conference in Beijing for a thousand of its biggest suppliers to urge them to pay attention not only to price but also to "sustainability," which has become a touchstone for many companies. "For those who may still be on the sidelines, I want to be direct," Wal-Mart chief executive Lee Scott said sternly. "Meeting social and environmental standards is not optional. I firmly believe that a company that cheats on overtime and on the age of its labor, that dumps its scraps and its chemicals in our rivers, that does not pay its taxes or honor its contracts will ultimately cheat on the quality of its products. And cheating on the quality of products is the same as cheating on customers. We will not tolerate that at Wal-Mart."

Now new suppliers are screened for environmental practices.

Many China experts say Wal-Mart's guidelines could be more important than the government's.

"They are the rule setters," said Ma Jun, director of the Institute of Public and Environmental Affairs, a Beijing-based group. "Before Wal-Mart only cared about price and quality, so that encouraged companies to race to the bottom on environmental standards. They could lose contracts because competition was so fierce on price."

Wal-Mart's suppliers have been forced to get serious about pollution, Ma said. "Wal-Mart says if you're over the compliance level, you're out of business. That will send a powerful signal."

In many cases, Wal-Mart is first trying to bring firms up to government standards. Ma added that suppliers "may not care about government fines, they may not care about exposure. . . . But they care about the order from the buyers."

Skepticism persists

Not everyone is convinced of Wal-Mart's message. Many critics argue that Wal-Mart's longtime commitment to "everyday low prices" fosters a disregard for labor and environmental standards. China Labor Watch, a New York-based organization devoted to workers' rights in China, said in a report last Thanksgiving that "the case of Wal-Mart . . . shows that corporate codes of conduct and factory auditing alone are not enough to strengthen workers' rights if corporations are unwilling to pay the production costs associated with such codes."

China Labor Watch pointed to five factories where it said workers lived in overcrowded and unsanitary conditions and were forced to work excessive overtime without adequate pay. Moreover, it said, two of the five had plotted to deceive Wal-Mart auditors and had coached workers to lie during the audits.

Wal-Mart says that it is doing its best to monitor conditions at its suppliers but that it's a daunting task. Until April 1, it relied on its own auditors, who visited about a tenth of the more than 100,000 suppliers the company has worldwide, focusing on the largest. Moreover, many of its goods come through intermediary firms that use their own suppliers. Since April, the company has turned to independent auditors, as recommended by China Labor Watch and others.

Wal-Mart's own 2008 audit report said: "We commonly encounter factories that do not comply with the work hours standards, specifically the standards related to the permissible maximum number of regular work hours and overtime hours that a worker is allowed to work during a given day, week and/or month. Additionally, inconsistent time records are often found in this region, and we also have noted that many factories in this region are not paying all mandated benefits to workers."

Richard J. Coyle, formerly senior director for international corporate affairs, said that in 2008, Wal-Mart worldwide suspended 126 suppliers for a year and permanently halted purchases from 35 others. He said figures for 2009 weren't available yet, but he stressed that the company's goal was to resolve problems and improve conditions.

Coyle said that Wal-Mart has visited the five factories highlighted by China Labor Watch but that it hasn't dropped any of them. "Some things we were able to confirm, and some things we weren't," he said. "Sending in auditors several weeks afterwards, things may have changed. You're doing a snapshot in time; they're doing a snapshot. Where we could put changes in place we did. It's our goal and their goal to change conditions in those factories." Whether this will help Wal-Mart's relations with U.S. customers isn't clear.

"Our customers care; they just don't want to pay more," one Wal-Mart executive said.

Cleaning up

The Lutex plant in Shenzhen is a small part of the global low-cost workshop. The company opened a factory here in 1991 to make soap and detergents for export, and it has moved up the value chain to fragrances and cosmetics, expanding its offerings for Wal-Mart and others.

The company's technology expert Alan Wong notes that Lutex has installed motion-sensor-controlled lights in its warehouse; captured waste heat and steam and reused it; installed a catalytic converter on its chimney to capture sulfur dioxide emissions; and upgraded motors for an energy saving of 30 percent. It also increased the energy efficiency of an assembly line for shrink-wrapping packages (eliminating the jobs of people who had wielded hair dryers to finish the work).

Those measures saved money for Lutex, but some changes raise costs. Soap and cosmetics manufacturing produces fatty acids that act as nutrients for algae, a major problem in Chinese rivers and lakes. New equipment and septic tanks were installed to treat wastewater.

"Within these five years, the whole factory has changed tremendously," Wong said.

It remains factory work, however, and the assembly lines look relentlessly dull. During a recent visit, a line of workers filled bottles with Cindy Crawford perfume. Another line wrapped watermelon- and kiwi-colored soaps. Living conditions are typical for southern China. Workers live in cramped dormitories with a big kitchen and movies and karaoke for diversions. There is space for a dozen or more to share a room when the factory is running at full capacity.

Labor costs have risen, Wong said; a worker typically earns as much as \$132 a month.

The food chain

Another area in which Wal-Mart is seeking environmental improvements is its food suppliers. Working with the Ministry of Agriculture and large independent cooperatives and distribution companies, Wal-Mart is trying to cultivate healthier farm techniques, with less pesticide, more organic fertilizer and more-efficient water use.

The company is also buying directly from farmers and independent distributors, cutting out middlemen to save money for itself and boost the incomes of farmers. It also hopes to cut waste; until recently, about a third of food rotted on the way to market in China.

In Wafangdian, northeast of Dalian, a food grower and distribution company called Xingyeyuan is helping Wal-Mart. It grows oranges, apples, pomellos, pears and grapes, and it buys from smaller farmers in the region.

The company has "grown up with Wal-Mart," said Amy Liu, one of two sisters who started the business, as she guided a visitor through the company's cavernous warehouse. The daughters of subsistence farmers, they were supplying street markets when a Wal-Mart buyer discovered them a decade ago. Now their company has grown into one of China's major distributors, with a huge nitrogen-cooled storage facility in Fenggou village that is the largest in northeast China.

Xingyeyuan has also changed some of its farming techniques, using organic instead of chemical fertilizer, and it is devoting a fifth of its 10,000 acres of apple orchards to Wal-Mart's direct farm program.

The Liu sisters are working with Wal-Mart -- and the Dalian city government, which is providing the money -- to help hundreds of small farmers build rudimentary greenhouses, made of wood and plastic sheeting, in which they grow oranges in midwinter to sell to Wal-Mart's direct farm program.

Zhang Fengquan is one of those farmers; he gathers more than three tons of nectarines from more than 400 trees in his greenhouse. Asked what he did during the winter before the greenhouse was built, he said he worked as a seasonal laborer. Or played mah-jongg.

In the wake of a milk contamination scandal in China last year, Chinese consumers are paying more attention to food quality. Wal-Mart has a bright green and yellow label to identify fruits from farms that meet its standards, although the standards are not up to U.S. organic levels. It promises a minimum price so farmers won't have to cheat on practices to get by. By November, a quarter-million farmers were part of the program, and Wal-Mart hopes a million will eventually take part.

Wal-Mart sees this not just as good practice but also good marketing.

"We hope to get more customers," said Barry Friedman, vice president for corporate affairs in Beijing. "We're not doing it solely out of the goodness of our hearts."

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Main, Ann

1

From: Stratford, Tim
Sent: Wednesday, June 25, 2008 6:06 PM
To: Bahar, Daniel; Kallmer, Jonathan; Main, Ann
Subject: FW: Retail Issues - China
Attachments: Retail Issues - China.doc

With attachment this time

From: Adam Hemphill [mailto:Adam.Hemphill@wal-mart.com]
Sent: Wednesday, June 25, 2008 11:45 AM
To: Adam Hemphill
Subject: Retail Issues - China

Hello.

Given the increased discussion of negotiation pertaining to a US-China BIT, I wanted to pass along information regarding retail issues in that area.

Attached you will find a document that outlines the biggest concerns from the retail sector. These comments are included in the US Chamber submission, but summarize our perspective on these issues.

Feel free to contact me if you have any questions.

Thanks,

<<Retail Issues - China.doc>>

Adam Hemphill, Manager, International Trade
Federal Government Relations
Wal-Mart Stores, Inc.
Phone 202-434-0748
adam.hemphill@wal-mart.com

Wal-Mart Stores, Inc.
701 8th Street., NW
Suite 200
Washington, DC 20001
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RETAIL

1. Retail

Recommendations:

- Lift the zoning and commercial application approval process and allow foreign retailers to open stores upon registration, just as domestic retailers can.
- Lift the ownership restrictions on foreign retailers that open more than 30 stores in China and sell certain commodities as provided in Article 18 of the Measures for Commercial Sectors.
- Lift the restrictions on types of merchandise such as pharmaceuticals and tobacco. At the very least, make regulations on the distribution of these restricted goods be applied equally to Chinese and foreign retailers.
- Treat domestic and foreign retailers the same for the purpose of registered capital requirements assessed on additional outlets.
- Formulate and promulgate the Big Box Law as quickly as possible to ensure that foreign and domestic retailers are treated equally with concern to compliance with the urban development plan.

Background and Rationale:

National treatment in the approval process: The Measures for the Administration on Foreign Investment in the Commercial Sector (“Measures for Commercial Sectors”) regulation issued by the Ministry of Commerce (MOFCOM) in 2004 reveal some unequal treatment for foreign and domestic retailers. For example, if a foreign retailer opens more than 30 stores with the business area of each store exceeding 300 square meters and would like to open another new store, the new store application must be examined and approved by three levels of government – city, provincial and central. Only after securing MOFCOM approval can a business obtain a license from the registration authority (AIC). In contrast, domestic retailers are allowed to apply directly to AIC for a new store business license without having to undergo the lengthy three-level commerce department approval process.

Similar discriminatory treatment also applies to sellers of certain merchandise including pharmaceuticals, pesticides, mulching film, chemical fertilizers, processed oils, grain, vegetable oil, sugar, cotton, tobacco, CDs and DVDs. In order to sell these products, foreign retailers must obtain special permits and licenses from central government agencies, meaning the process takes them far longer than it does domestic retailers, who need only deal with local government agencies.

The disparity in the approval process for foreign retailers and domestic retailers is incompatible with the principle of national treatment, and therefore should be lifted.

Restrictions on ownership: Ownership limitations in the Foreign Investment Industry Catalogue recently issued by NDRC and the Measures for Commercial Sectors are also overly restrictive. For example, a foreign retailer that opens more than 30 stores in China selling certain commodities of different brands and from different suppliers cannot be more than 49 percent foreign owned. The limit is somewhat higher for Hong Kong and Macao investors at 65 percent, but still too low. The commodities cited include pharmaceuticals, pesticides, agricultural films, fertilizers, refined oils, food, vegetable oil, sugar and cotton, among others.

Restrictions on tobacco: On March 7, 2007, the National Development and Reform Commission (NDRC) issued new rules on tobacco licensing. These state that foreign commercial enterprises are not allowed to conduct wholesale or retail business related to tobacco. Consequently, no foreign invested retailers that currently sell tobacco products will be authorized to sell these products after their current permits expire in late 2008. This restriction puts foreign stores at a disadvantage to their domestic competitors.

Commercial Zoning: According to the Measures for Commercial Sectors, when applying for a new site foreign retailers must produce written confirmation from the local government stating that the proposed site complies with the city's commercial zoning plan. In practice, MOFCOM requires the city to complete its commercial zoning plan and submit the plan for the record. If this requirement is not fulfilled MOFCOM dismisses a foreign retailer's new site application due to their failure to comply with the local commercial zoning plan,

effectively blocking the foreign retailer from opening any stores in that city. In some areas where there are commercial zoning plans, a public hearing process also is required. In total this process can add up to three months to the approval process.

In contrast, domestic retailers are not required to submit their new site applications to MOFCOM for examination and approval. Since they are not subject to this restriction they may open stores in cities where commercial zoning plans do not exist.

This requirement placed on foreign retailers effectively circumvents China's WTO commitments with respect to lifting all geographic limits for foreign retailers.

Registered Capital: According to Article 7 of the Measures for the Administration on Foreign Investment in the Commercial Sector ("Measures for Foreign Investment") issued by the Ministry of Commerce MOFCOM, the minimum registered capital for foreign retail investors must be compliant with the relevant provisions in the Company law and with other relevant regulations. Although company law states that minimal capital investment is fairly low (between RMB 300,000 and RMB 500,000), in practice foreign retailers are usually asked by MOFCOM to increase their registered capital by roughly ten times this amount each time they apply for a new outlet. In contrast, no such provision exists for domestic retailers regardless of the number of outlets established.

Concerns on the Big Box Law: Chinese government agencies have worked together and completed a draft law for a zoning regulation on large scale commercial facilities ("Big Box Law"). The Legislative Office of the State Council (SCLO) has solicited public comments on the draft in April. The draft said that upon issuance of the regulation that both domestic and foreign-invested retailers will be treated equally under the zoning approval process, instead of the current practice of only requiring zoning approval for foreign-invested large retailers. It is also positive that the draft provides a time limit for the municipal government to complete the approval, as this will improve the efficiency of the approval process. Additionally, foreign-invested retailers recommended language requiring that supermarkets whose construction area is above 10,000 square meters be approved by MODCOM be removed and pushed for the approval process to take place at the local level for both foreign-

invested and local retailers. However, most of the stores opened by local retailers are small and may never reach the scale that would trigger this approval process, while foreign retailers often open large-scale stores and as a result have to go through the lengthy approval process.

China's lawmakers should adhere to the principle of equal treatment of foreign and domestic retailers. Lawmakers should also improve transparency by inviting the public to comment on the draft and to speed up the current legislation process.

Benefits to China: Enhanced organized retail is a critical component to the development of a robust consumer society in China. Moreover, growth in the retail sector will lead to improvements in critical infrastructure related to distribution and supply chain management.

China benefits greatly from foreign retailers' business operations in China. They help to enhance the level of retail service, create a safe and clean shopping environment, contribute to developing the supply chain and stimulate domestic consumption. In the process they help to maintain sustainable and healthy development of the national economy.

Reade, Claire E.

From: McCartin, Terry
Sent: Wednesday, April 02, 2008 2:46 PM
To: Reade, Claire E.; Stratford, Tim; Main, Ann
Subject: RE: new China measures, just in case you hadn't seen them yet

Since this is an area where we have had concerns for some time, we may want to get a translation and, working with industry, draft and submit comments. We did more of that sort of thing in the first year or two after China's WTO accession, when China was revising/issuing a number of laws and regulations, but this could be another useful opportunity for us.

From: Reade, Claire E.
Sent: Wednesday, April 02, 2008 12:10 PM
To: 'Sarah.Thorn@wal-mart.com'
Cc: Stratford, Tim; McCartin, Terry; Main, Ann
Subject: new China measures, just in case you hadn't seen them yet

China today released a set of draft rules on urban retail networks for public comment. *The (For Comment Draft) Regulations for Urban Commercial Networks* propose to establish a system of retail network planning and a system of approval of such planning. The draft rules will require builders, property owners or operators to apply for approval by the municipal commerce authorities for building new "large" commercial networks, expanding existing networks into large networks, or converting non-commercial networks into large commercial networks. Provincial and municipal authorities will decide what would constitute "large" commercial networks in terms of floor space, but in general the floor space of a mall should not exceed 10,000 square meters. The proposed rules also have specific provisions mandating the establishment of retail facilities in urban development projects. In addition, the rules also propose to regulate dealings between commercial network operators and their suppliers. Commercial network operators, for instance, must not collect "unreasonable fees" from suppliers, or force suppliers to provide free services, or set "other unfair conditions" for deals. Comments on the draft rules should be submitted before April 20. (Full text in Chinese: http://www.gov.cn/gzdt/2008-04/02/content_935148.htm) (gov.cn)

Reade, Claire E.

From: Sarah Thorn [REDACTED] (B)(6)
Sent: Wednesday, January 23, 2008 8:53 AM
To: Main, Ann; Reade, Claire E.; Stratford, Tim
Subject: RE: Meeting with Beth Keck -- Wednesday, January 30th at 4:00pm

Ann:
Thanks so much for your note. We would be very happy to meet with you and Claire on the 30th at 4:00 pm.
Sarah

Sarah Thorn, Director, International Trade
Federal Government Relations
Phone: [REDACTED] Fax: [REDACTED]
sarah.thorn [REDACTED] (B)(6)

Wal-Mart Stores, Inc.
[REDACTED] (B)(6)

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From: Main, Ann [REDACTED] (B)(2)
Sent: Tuesday, January 22, 2008 6:19 PM
To: Sarah Thorn; Reade, Claire E.; Stratford, Tim
Subject: RE: Meeting with Beth Keck -- Wednesday, January 30th at 4:00pm

Hi, Sarah.

Tim is in China and we don't know for sure whether he will be back by the 30th.

But if that is the only time that Beth Keck will be in town, we should go ahead with the meeting. If Tim does not make it, we will be sure to catch him up.

Thanks.

Ann

From: Sarah Thorn [REDACTED] (B)(6)
Sent: Monday, January 21, 2008 11:00 AM
To: Reade, Claire E.; Stratford, Tim; Main, Ann
Subject: Meeting with Beth Keck -- Wednesday, January 30th at 4:00pm

Hi All:

Would you be available for a quick meeting with Beth Keck on the 30th at 4:00pm to talk about our 2008 plans for China?
Thanks much,
Sarah

Sarah Thorn, Director, International Trade

Federal Government Relations

Phone: [redacted] Fax: [redacted] (B)(6)

sarah.thorn@[redacted]

Wal-Mart Stores, Inc.

[redacted] (B)(6)

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Reade, Claire E.

2

From: Sarah Thorn [REDACTED] (B)(6)
Sent: Monday, January 21, 2008 11:00 AM
To: Reade, Claire E.; Stratford, Tim; Main, Ann
Subject: Meeting with Beth Keck -- Wednesday, January 30th at 4:00pm

Hi All:
Would you be available for a quick meeting with Beth Keck on the 30th at 4:00pm to talk about our 2008 plans for China?
Thanks much,
Sarah

Sarah Thorn, Director, International Trade
Federal Government Relations
Phone: [REDACTED] Fax: [REDACTED] (B)(6)
sarah.thorn [REDACTED]

Wal-Mart Stores, Inc.

[REDACTED] (B)(6)
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McCartin, Terry

3

From: Main, Ann
Sent: Tuesday, April 08, 2008 5:14 PM
To: McCartin, Terry; Reade, Claire E.; Winter, Audrey
Cc: Stratford, Tim
Subject: FW: Urban Commercial Zoning Plan Regulation Translation
Attachments: Commercial Zoning-080407.doc

Per your request.

Industry is looking into whether these pose any problems for them.

-----Original Message-----

From: Adam Hemphill [REDACTED] (B)(6)
Sent: Monday, April 07, 2008 10:00 PM
To: Main, Ann
Subject: FW: Urban Commercial Zoning Plan Regulation Translation

Hi Ann,

Attached is the English translation of the zoning plan.

Cheers,

-Adam

<<Commercial Zoning-080407.doc>>

城市商业网点条例 (征求意见稿)

Urban Commercial Zoning Regulations (Proposal for public discussion)

第一条 为了加强对城市商业网点的管理，优化城市商业网点布局 and 结构，规范城市商业网点经营者与供应商的交易行为，促进城市商业网点健康有序发展，制定本条例。

Article 1 In order to enhance the management of the urban commercial site, optimize the urban commercial site layout and framework, regulate the business transaction between the operator and supplier, promote the development of urban commercial site healthily, these regulations are hereby formulated.

第二条 本条例所称商业网点，是指商店、商品交易市场等从事商品零售、批发活动的经营场所。

Article 2 "Commercial site" mentioned in the Regulations refers to the business place, for example stores and the market of commodity transactions, where commodities retail and wholesale are engaged.

第三条 城市人民政府商务主管部门依照本条例的规定，负责城市商业网点管理工作。

Article 3 The administration department of commerce of the Municipal People's Government shall be responsible for management of the urban commercial site pursuant to provisions of the Regulations.

国务院商务主管部门负责指导、监督全国的城市商业网点管理工作；省、自治区人民政府商务主管部门负责指导、监督本行政区域内的城市商业网点管理工作。Commerce department from the State Council shall be responsible for guiding and supervising the nationwide management of urban commercial site. The commerce department in the Municipal Government of the provinces and autonomous regions shall be responsible for the management of urban commercial site within the governing locations respectively.

第四条 城市应当依照本条例的规定制定城市商业网点规划。城市商业网点规划应当包括商业网点的发展目标、区域布局、业态结构以及建设规模等内容。

Article 4 Cities shall establish urban commercial zoning plan pursuant to the Regulations. Such plan shall include the development goals, regional layout, format structure and construction scale of the commercial site.

城市商业网点规划由城市人民政府商务主管部门会同城乡规划、发展改革、公安交通、环境保护、国土资源、建设(房地产)等有关部门组织编制，报城市人民政府审批。

The urban commercial zoning plan shall be completed by the commerce department in the Municipal Government together with the urban-rural planning, development and reforming, transportation, environment protection, land resources and construction (real estate) departments etc. It shall be approved by the Municipal Government.

第五条 编制城市商业网点规划，应当依据国民经济和社会发展规划，与本级土地利用总体规划和城市规划相衔接，与城市的发展布局、功能分区、交通体系、文化景观相协调，统筹考虑城市社会经济和人口发展对不同规模、业态商业网点的需求，鼓励发展社区便民商业网点，充分利用现有建筑物，保护自然与历史文化遗产以及传统商业街、老字号商业网点，符合安全生产和环境保护的要求。

Article 5 Establishment of the urban commercial zoning plan shall be based on the comprehensive planning of the national economy and society development, in light of its general plan of land use and urban planning, corresponded with the development plan, location functioning, transportation system, culture sight of the city. It shall plan as a whole and consider the requirements of development of urban society, economy and population according to the different scales and formats of the commercial site, encourage to develop convenient commercial site in the community, utilize existing building, protect the natural and history heritage, protect the traditional business street and commercial site with long history, accord with the requirements of safety and environment protection.

第六条 编制城市商业网点规划，应当符合国务院商务主管部门会同国务院发展改革、国务院城乡规划主管部门制定的编制规范。

Article 6 The urban commercial zoning plan shall be prepared according to the guideline issued by commerce department, development and reforming department, and urban-rural planning department from the State Council.

城市商业网点规划报城市人民政府批准前，城市人民政府商务主管部门应当将城市商业网点规划及其编制情况报上一级人民政府商务主管部门（省、自治区人民政府所在城市的城市商业网点规划经省级人民政府商务主管部门报国务院商务主管部门）。城市商业网点规划的编制不符合编制规范的，上级人民政府商务主管部门可以责成城市人民政府商务主管部门予以修改。

Before submitting to the Municipal Government for approval, the commerce department in the Municipal Government shall provide urban commercial zoning plan, as well as its preparation details, to the commerce department in superior Municipal Government (the urban commercial zoning plan of cities where the people's government of the provinces and autonomous regions locate shall be submitted to the commerce department from the State Council after being approved by the commerce department from the province).

第七条 城市商业网点规划组织编制机关应当采取论证会、听证会或者其他方式征求专家和公众的意见，并在报送审批的材料中附具意见采纳情况及理由。

Article 7 The department which prepare the urban commercial zoning plan shall consult opinion from the experts and public through discussing, hearing or other measure. If this kind of opinion is adopted, the adopted opinion, together with the reason shall be attached to the submitted material.

城市商业网点规划经城市人民政府批准后，应当及时公布，并由城市人民政府商务主管部门报上一级人民政府商务主管部门备案。

The urban commercial zoning plan approved by the Municipal People's Government shall be made public available timely, and the commerce department in the Municipal People's Government shall submit it to commerce department from superior People's Government for file.

第八条 经依法批准的城市商业网点规划，是指导城市商业网点建设发展的依据。城市商业网点建设以及现有商业网点改变用途、业态，应当符合城市商业网点规划。

Article 8 The urban commercial zoning plan which approved legally shall be the guideline of development of the urban commercial site. The development of the urban commercial site and the change of usage and format of existing commercial site shall be in light of the urban commercial zoning plan.

第九条 城市人民政府商务主管部门应当做好大型商业网点的调查、统计工作，并定期报上级人民政府商务主管部门，有关单位和个人应当如实提供资料并予以配合。

Article 9 The commerce department in the Municipal Government shall be the department responsible for research and statistics of large commercial site and report to the commerce department in the superior Municipal Government. The relevant units and individual shall provide correct information and cooperation.

城市人民政府商务主管部门可以依据城市商业网点规划，制定并发布城市近期商业网点建设分类指导目录。

The commerce department in the Municipal Government shall prepare and promulgate the catalogue of urban commercial site development plan.

第十条 新建、扩建大型商业网点，将非商业网点改为大型商业网点，或者改变大型商业网点用途、业态的，建设单位、产权单位或者经营者应当向城市人民政府商务主管部门提出申请，由商务主管部门就是否符合城市商业网点规划提出审查意见。申请人应当向城市人民政府商务主管部门提交拟设立的大型商业网点的基本情况及其对周边现有商业网点、交通、居民生活环境和文化景观影响的评估等材料。

Article 10 With respect to the to-be-build and to-be-enlarged large commercial site, converting non-commercial site to large commercial site, changing the use purpose, format of large commercial site, the construction unit, property owner or operator

shall submit the application to the commerce department in the Municipal Government. And the commerce department shall provide comment whether such application complies with the urban commercial zoning plan. Applicant shall submit relevant material, including basic information regarding the large commercial site to be established, and evaluation information regarding the influence against the commercial site surrounding, transportation, residents' living environment and culture.

本条例所称大型商业网点，是指单体建筑面积在省、自治区、直辖市规定标准以上的商业网点。省、自治区、直辖市规定的建筑面积标准应当不超过1万平方米。The large commercial site under the Regulations means the individual property with construction area large than the standard set by any province, autonomous regions. The aforementioned standard should not exceed 10,000 square meters.

第十一条 城市人民政府商务主管部门应当自收到申请人提交的符合本条例第十条规定的材料之日起60日内提出审查意见。审查时，应当就拟设立的大型商业网点对周边现有商业网点、交通、居民生活环境的影响，征求公安交通、环境保护等主管部门的意见，并向社会公示，公示时间不得少于10日。必要时，商务主管部门应当组织召开听证会。

Article 11 The commerce department in the Municipal Government shall provide examination deliverance within 60 days after receiving the material submitted by applicant according to this Article 10. While reviewing the application, commerce department shall consult opinion regarding the influence on the existing commercial site, transportation arrangement and residence from transportation department, environment protection department, etc. Public announcement shall be made and the period shall be no less than 10 days. The commerce department shall hold a hearing if necessary.

拟设立的大型商业网点建筑面积在5万平方米(超市类1万平方米)以上，城市人民政府拟出具符合城市商业网点规划意见的，应当在出具意见前，依照下列规定报上级人民政府商务主管部门：

If the large commercial site to be build is with construction area of more than 50,000 square meters (for supercenters, if it is larger than 10,000 square meters), and the Municipal Government plans to provide positive opinion, the Municipal Government shall report to the commerce department in the superior Municipal Government before providing opinion according to the following procedure:

(一) 拟设立的大型商业网点建筑面积在5万平方米以上10万平方米以下的，报省、自治区人民政府商务主管部门；

(1) If the large commercial site to be built is with construction area of more than 50,000 square meters but less than 100,000 square meters, it shall be reported to the commerce department of the Municipal Government of provinces and autonomous regions.

(二) 拟设立的大型商业网点建筑面积在 10 万平方米(超市类 1 万平方米)以上的, 报国务院商务主管部门。

(2) If the large commercial site to be build is with construction area of larger than 100,000 square meters (for supercenters, if it is larger than 10,000 square meters), it shall be reported to the commerce department in the State Council.

国务院商务主管部门或者省、自治区人民政府商务主管部门认为拟设立的大型商业网点不符合城市商业网点规划的, 应当自收到城市人民政府商务主管部门报送的材料之日起 20 日内提出异议, 并详细说明理由。国务院商务主管部门或者省、自治区人民政府商务主管部门提出异议的, 城市人民政府商务主管部门不得出具符合城市商业网点规划的意见。

The commerce department in the State Council, Municipal Government of provinces and autonomous regions shall dissent, together with detailed explanation, if it believe the plan to set up large commercial site does not in light of the urban commercial zoning planning within 20 day after receiving the material from the commerce department in the Municipal Government. Under such situation, the commerce department in the Municipal Government shall not offer the agreement.

第十二条 设立大型商业网点, 涉及投资项目审批、核准、备案的, 按照国家有关规定办理; 涉及土地性质、用途改变的, 按照有关土地管理、城市规划的法律、行政法规的规定办理相关手续。

Article 12 If the establishment of large commercial site involves investment program examination, approval and filing, it shall follow the relevant regulation. If change of land nature and use purpose is involved, it shall follow the laws and regulation regarding land management and urban planning.

第十三条 城市新区开发、旧城区改造, 应当按照国家有关规定配套建设居民生活必需的商业网点。城市人民政府应当采取有效措施, 鼓励、扶持居民生活必需的商业网点的建设和经营。

Article 13 In both development of new urban area and reconstruction of old urban area, commercial sites designed for resident according to the relevant regulations shall be considered necessary. Municipal Government should adopt effective measures to encourage and support the construction and operation of the commercial site necessary for people's living.

第十四条 商业网点经营者与供应商的交易活动应当遵循自愿、公平、诚实信用的原则。

Article 14 The transactions between the operator of commercial site and the vendors should abide by the principle of self-willingness, fairness, honesty and trustfulness.

第十五条 商业网点经营者与供应商的交易应当订立书面合同，明确双方的权利和义务。

Article 15 The transactions between the operator of commercial site and the vendors should be endorsed by written agreement with stipulation on rights and obligations between both parties.

第十六条 商业网点经营者不得违背供应商的真实意愿，向供应商收取不合理的费用、强迫供应商无偿提供服务或者接受其他不公正交易条件。

Article 16 The operator of commercial site can not violate vendors' will, charge unreasonable expenses and compel them to provide free service or accept other unjust transaction conditions.

第十七条 对违反本条例规定的行为，任何单位和个人有权向城市人民政府商务主管部门举报。城市人民政府商务主管部门接到举报后，应当及时调查、处理，并为举报人保密。

Article 17 Any unit or individual has the right to prosecute the conduct violating this Regulations to the commerce department in Municipal Government. Once receiving the prosecution, the commerce department in Municipal Government shall investigate the issue and keep confidential for the prosecutor.

第十八条 城市人民政府商务主管部门应当加强对本条例实施情况的监督检查。

城市人民政府商务主管部门进行监督检查时，有权采取下列措施：

Article 18 The commerce department in Municipal Government should emphasis the supervision to the execution of this Regulations. And commerce department in Municipal Government has the right to adopt the following measures in supervision:

(一) 要求有关单位和人员提供与监督事项有关的文件、资料，并进行复制；
Require relevant unit or individual to provide the documents and material related to the issue involved, and has right to copy the aforementioned documents;

(二) 要求有关单位和人员就监督事项涉及的问题作出解释和说明，并根据需要进入现场进行调查；

Require relevant unit or individual to answer the question regarding the issue involved and conduct site investigation if necessary;

(三) 责令有关单位和人员停止违反本条例规定的行为。

Order relevant unit or individual to stop violating this Regulations.

城市人民政府商务主管部门的工作人员履行前款规定的监督检查职责，应当依法出示执法证件。被监督检查的单位及其有关人员应当予以配合，不得妨碍和阻挠依法进行的监督检查活动。

When perform the supervision and inspection duty as stated in the above paragraphs, the staff from the commerce department in Municipal Government should present their certificates. The unit or individual under supervision should offer support and shall not obstruct and hinder the legal supervision and inspection.

第十九条 未编制城市商业网点规划或者未按法定程序编制、审批城市商业网点规划，由上级人民政府责令改正，通报批评；对城市人民政府及其有关部门的负责人和其他直接责任人员依法给予处分。

Article 19 In the event that the Municipal Government doesn't prepare the urban commercial zoning plan or follow the legal procedure to prepare and approve the urban commercial zoning plan, the superior Municipal Government can order correction and make a public criticism. The relevant individual in relevant departments will be punished accordingly.

第二十条 未取得城市人民政府商务主管部门出具的符合城市商业网点规划的意见，新建、扩建大型商业网点，将非商业网点改为大型商业网点，或者改变大型商业网点用途、业态的，由城市人民政府商务主管部门责令限期改正，并处 50 万元以上 100 万元以下的罚款。

Article 20 The official decision provided by the commerce department in Municipal Government regarding the compliance with urban commercial zoning plan is the necessary precondition with respect to the to-be-build and to-be-enlarged large commercial site, converting non-commercial site to large commercial site, changing the use purpose, format of large commercial site. The commerce department in Municipal Government has right to order timely correction for any incompliance, and impose a fine between 500,000 RMB and 1,000,000RMB.

以欺骗或者其他不正当手段取得符合城市商业网点规划意见的，由城市人民政府商务主管部门撤销审查意见，并处 50 万元以上 100 万元以下的罚款；构成犯罪的，依法追究刑事责任。

In the event that the official decision is acquired through fraud or other illegal measures, the commerce department in Municipal Government will withdraw the decision and impose a fine between 500,000 RMB and 1,000,000RMB. If a crime is involved, the criminal liability will be imposed accordingly.

第二十一条 商业网点经营者违反本条例第十六条规定的，由城市人民政府商务主管部门或者工商行政管理部门责令限期改正；情节严重的，处 5 万元以上 20 万元以下的罚款，并予以公告；给供应商造成损失的，依法承担赔偿责任。

Article 21 If the operator of commercial site violates Article 16, the commerce department or commerce and industry department can order timely correction. In the event that a serious situation is involved, the commerce department or the commerce and industry department can impose a fine between 50,000 RMB and 200,000RMB, and announce the punishment. The operator should also pay the compensation to supplier for the damage caused according to laws and regulation.

商业网点经营者违反本条例第十六条规定的行为属于滥用市场支配地位的，依照反垄法的规定处罚。

In the event that the violation of Article 16 belongs to abuse of market leader privilege, the regulation of Anti-trust Law should be applied.

第二十二条 商务主管部门的工作人员在城市商业网点管理及相关工作中，玩忽职守、滥用职权、徇私舞弊，构成犯罪的，依法追究刑事责任；尚不构成犯罪的，依法给予处分。

Article 22 In the event that the personnel, who is in charge of the management of urban commercial zoning and other relating respect, neglects his duty, abuses his power, or is engaged in malpractices for personal gains, the person should be held for criminal liability. When such conduct didn't constitute a crime, disciplinary sanctions shall be given.

第二十三条 本条例施行前已经设立的大型商业网点，其产权单位或者经营者应当自本条例施行之日起3个月内向城市人民政府商务主管部门备案。逾期不办理备案的，处5000元以上1万元以下的罚款。

Article 23 For any large commercial site build before the implementation of this Regulations, the property owner or operator should file with the commerce department in Municipal Government within 3 months after the implementation of this Regulations. In the event of not file timely, a fine between 5000RMB to 10000RMB will be imposed.

第二十四条 本条例自 年 月 日起施行。

Article 24 The Regulations shall be implemented from

Reade, Claire E.

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From: Jana Carter [REDACTED] (B)(6)
Sent: Thursday, March 26, 2009 5:51 PM
To: Reade, Claire E.
Cc: Sarah Thorn
Subject: FW: Tobacco Sales in China.
Attachments: notice-??????? 2008-595.doc; tobacco permit mgt. 2007.doc

Claire:

It was a pleasure to meet you earlier this month while our president of Wal-Mart China, Ed Chan, was in Washington, DC and meeting with Tim Stratford. As we discussed a recent enforcement of a tobacco ban in China --which as we recognize is within their rights under the WTO--you were interested in seeing how our stores in China were put on notice of this change in position with regard to tobacco sales. Please see the note below from a colleague in China as well as the attached.

Please let me know if you have questions. Again it was nice to meet you.

Sincerely,
Jana Carter

Jana Carter Senior Director International Corporate Affairs

Phone [REDACTED] Fax [REDACTED] (B)(6)

Jana.carter [REDACTED]

Wal-Mart Stores, Inc.

[REDACTED]
[REDACTED] (B)(6)

Save money. Live better.

From: Cathy Bao(GA)
Sent: Sunday, March 15, 2009 9:42 PM
To: Jana Carter; Barry Friedman
Cc: Brian Liao
Subject: RE: Tobacco Sales in China.

Dear Jana,

There are 2 documents that clearly say foreign retailers can neither sell Tobacco nor lease the area out. One regulation regarding to Management on Tobacco Sale Permit with effective from March 7, 2007. (Article 18). The attachment include part of English version of the regulation.

The other is the Notice from national tobacco bureau, which is issued on Dec. 1, 2008. I only translated the 3 points that related to us.

Best Regards,

Cathy Bao

Corporate Affairs

Tel. [REDACTED]

Fax. [REDACTED]

Mailto: cbao [REDACTED]

(B)(6)

Reade, Claire E.

5

From: Sarah Thorn [REDACTED] (B)(6)
Sent: Tuesday, February 05, 2008 11:37 AM
To: Stratford, Tim; Main, Ann; Reade, Claire E.
Subject: Wal-Mart Donation for Chinese Disaster Relief
Attachments: China Disaster Relief Release -FINAL02052008.pdf; Chinese Disaster Relief Fact Sheet.FINAL.2.5.2008.pdf

Tim/Ann/Claire:

Just FYI, I wanted to make sure you all saw the attached release on Wal-Mart's \$1,000,000 donation to the Chinese Red Cross for disaster relief. I've attached our press release and fact sheet for your reference.

Thanks,
Sarah

<<China Disaster Relief Release -FINAL02052008.pdf>> <<Chinese Disaster Relief Fact Sheet.FINAL.2.5.2008.pdf>>

Sarah Thorn, Director, International Trade
Federal Government Relations
Phone: [REDACTED] Fax: [REDACTED]
[sarah.thorn@\[REDACTED\]](mailto:sarah.thorn@[REDACTED])

(B)(6)

Wal-Mart Stores, Inc.
[REDACTED]
[REDACTED]

(B)(6)

Save money. Live better.

Reade, Claire E.

From: Sarah Thorn [REDACTED] (B)(6)
Sent: Sunday, February 28, 2010 1:50 PM
Subject: FW: Wash. Post: In China, Wal-Mart presses suppliers on labor, environmental standards

In case you didn't see it, following please find a pretty balanced story about our efforts to raise supplier standards in China that ran in the Post today.
Sarah

Sarah Thorn, Senior Director, Federal Government Relations

Phone: [REDACTED] Fax: [REDACTED]

sarah.thorn [REDACTED]

Walmart

[REDACTED] (B)(6)

Saving people money so they can live better.

From: [REDACTED] (B)(6)
To: [REDACTED]
Cc: [REDACTED] <walmartresearch@walmart.com>
Sent: Sun Feb 28 08:56:28 2010
Subject: Wash. Post: In China, Wal-Mart presses suppliers on labor, environmental standards

http://www.washingtonpost.com/wp-dyn/content/article/2010/02/26/AR2010022606757_pf.html

In China, Wal-Mart presses suppliers on labor, environmental standards

By Steven Mufson
Washington Post Staff Writer
Sunday, February 28, 2010; G01

SHENZHEN, CHINA -- Benny Fung, the head of Hong Kong-based soap and cosmetics maker Lutex, seems to have an eye for detail. The meeting room at his factory here in southern China is lined with neatly packed gift baskets. His jacket has a thin purple velvet accent around the lapel to match his purple tie.

Now Fung's biggest customer -- Wal-Mart Stores -- is urging him to pay attention to other details. Environmental details. Energy-saving details. Not just everyday low prices, but low greenhouse gas emissions.

As a result, Lutex has been paying attention to more efficient light bulbs, better ventilation and less packaging. It switched from Styrofoam to recycled paper and saved enough Styrofoam to cover four football fields. And Lutex, which has been here since 1991, says it treats four tons of wastewater that it used to dump into the municipal sewage line. That water was supposed to be treated by the city, but like three-quarters or more of China's wastewater, it almost certainly wasn't.

"We heard that in the future, to become a Wal-Mart supplier, you have to be an environmentally friendly company," Fung said. "So we switched some of our products and the way we produced them."

Wal-Mart has more than 10,000 suppliers in China. In addition, about a million farmers supply produce to the company's 281 stores in China. If Wal-Mart were a sovereign nation, it would be China's fifth- or sixth-largest export market. So the company hopes that small measures taken by all suppliers start to add up. Its 200 biggest suppliers in China have already trimmed 5 percent of their energy use.

In the past, environmental concerns have taken a back seat to growth in China and to costs for Wal-Mart. And China and Wal-Mart have come under sharp criticism for conditions in factories. Yet pollution now threatens China's growth; as a result, awareness of climate change and energy security has spread in China. Likewise, as consumers grow more environmentally aware, Wal-Mart's executives have responded. On Thursday, the company pledged to reduce its greenhouse gas emissions by 2015.

In October 2008, Wal-Mart held a conference in Beijing for a thousand of its biggest suppliers to urge them to pay attention not only to price but also to "sustainability," which has become a touchstone for many companies. "For those who may still be on the sidelines, I want to be direct," Wal-Mart chief executive Lee Scott said sternly. "Meeting social and environmental standards is not optional. I firmly believe that a company that cheats on overtime and on the age of its labor, that dumps its scraps and its chemicals in our rivers, that does not pay its taxes or honor its contracts will ultimately cheat on the quality of its products. And cheating on the quality of products is the same as cheating on customers. We will not tolerate that at Wal-Mart."

Now new suppliers are screened for environmental practices.

Many China experts say Wal-Mart's guidelines could be more important than the government's.

"They are the rule setters," said Ma Jun, director of the Institute of Public and Environmental Affairs, a Beijing-based group. "Before Wal-Mart only cared about price and quality, so that encouraged companies to race to the bottom on environmental standards. They could lose contracts because competition was so fierce on price."

Wal-Mart's suppliers have been forced to get serious about pollution, Ma said. "Wal-Mart says if you're over the compliance level, you're out of business. That will send a powerful signal."

In many cases, Wal-Mart is first trying to bring firms up to government standards. Ma added that suppliers "may not care about government fines, they may not care about exposure. . . . But they care about the order from the buyers."

Skepticism persists

Not everyone is convinced of Wal-Mart's message. Many critics argue that Wal-Mart's longtime commitment to "everyday low prices" fosters a disregard for labor and environmental standards. China Labor Watch, a New York-based organization devoted to workers' rights in China, said in a report last Thanksgiving that "the case of Wal-Mart . . . shows that corporate codes of conduct and factory auditing alone are not enough to strengthen workers' rights if corporations are unwilling to pay the production costs associated with such codes."

China Labor Watch pointed to five factories where it said workers lived in overcrowded and unsanitary conditions and were forced to work excessive overtime without adequate pay. Moreover, it said, two of the five had plotted to deceive Wal-Mart auditors and had coached workers to lie during the audits.

Wal-Mart says that it is doing its best to monitor conditions at its suppliers but that it's a daunting task. Until April 1, it relied on its own auditors, who visited about a tenth of the more than 100,000 suppliers the company has worldwide, focusing on the largest. Moreover, many of its goods come through intermediary firms that use their own suppliers. Since April, the company has turned to independent auditors, as recommended by China Labor Watch and others.

Wal-Mart's own 2008 audit report said: "We commonly encounter factories that do not comply with the work hours standards, specifically the standards related to the permissible maximum number of regular work hours and overtime hours that a worker is allowed to work during a given day, week and/or month. Additionally, inconsistent time records are often found in this region, and we also have noted that many factories in this region are not paying all mandated benefits to workers."

Richard J. Coyle, formerly senior director for international corporate affairs, said that in 2008, Wal-Mart worldwide suspended 126 suppliers for a year and permanently halted purchases from 35 others. He said figures for 2009 weren't available yet, but he stressed that the company's goal was to resolve problems and improve conditions.

Coyle said that Wal-Mart has visited the five factories highlighted by China Labor Watch but that it hasn't dropped any of them. "Some things we were able to confirm, and some things we weren't," he said. "Sending in auditors several weeks afterwards, things may have changed. You're doing a snapshot in time; they're doing a snapshot. Where we could put changes in place we did. It's our goal and their goal to change conditions in those factories." Whether this will help Wal-Mart's relations with U.S. customers isn't clear.

"Our customers care; they just don't want to pay more," one Wal-Mart executive said.

Cleaning up

The Lutex plant in Shenzhen is a small part of the global low-cost workshop. The company opened a factory here in 1991 to make soap and detergents for export, and it has moved up the value chain to fragrances and cosmetics, expanding its offerings for Wal-Mart and others.

The company's technology expert Alan Wong notes that Lutex has installed motion-sensor-controlled lights in its warehouse; captured waste heat and steam and reused it; installed a catalytic converter on its chimney to capture sulfur dioxide emissions; and upgraded motors for an energy saving of 30 percent. It also increased the energy efficiency of an assembly line for shrink-wrapping packages (eliminating the jobs of people who had wielded hair dryers to finish the work).

Those measures saved money for Lutex, but some changes raise costs. Soap and cosmetics manufacturing produces fatty acids that act as nutrients for algae, a major problem in Chinese rivers and lakes. New equipment and septic tanks were installed to treat wastewater.

"Within these five years, the whole factory has changed tremendously," Wong said.

It remains factory work, however, and the assembly lines look relentlessly dull. During a recent visit, a line of workers filled bottles with Cindy Crawford perfume. Another line wrapped watermelon- and kiwi-colored soaps. Living conditions are typical for southern China. Workers live in cramped dormitories with a big kitchen and movies and karaoke for diversions. There is space for a dozen or more to share a room when the factory is running at full capacity.

Labor costs have risen, Wong said; a worker typically earns as much as \$132 a month.

The food chain

Another area in which Wal-Mart is seeking environmental improvements is its food suppliers. Working with the Ministry of Agriculture and large independent cooperatives and distribution companies, Wal-Mart is trying to cultivate healthier farm techniques, with less pesticide, more organic fertilizer and more-efficient water use.

The company is also buying directly from farmers and independent distributors, cutting out middlemen to save money for itself and boost the incomes of farmers. It also hopes to cut waste; until recently, about a third of food rotted on the way to market in China.

In Wafangdian, northeast of Dalian, a food grower and distribution company called Xingyeyuan is helping Wal-Mart. It grows oranges, apples, pomellos, pears and grapes, and it buys from smaller farmers in the region. The company has "grown up with Wal-Mart," said Amy Liu, one of two sisters who started the business, as she guided a visitor through the company's cavernous warehouse. The daughters of subsistence farmers, they were supplying street markets when a Wal-Mart buyer discovered them a decade ago. Now their company has grown into one of China's major distributors, with a huge nitrogen-cooled storage facility in Fenggou village that is the largest in northeast China.

Xingyeyuan has also changed some of its farming techniques, using organic instead of chemical fertilizer, and it is devoting a fifth of its 10,000 acres of apple orchards to Wal-Mart's direct farm program.

The Liu sisters are working with Wal-Mart -- and the Dalian city government, which is providing the money -- to help hundreds of small farmers build rudimentary greenhouses, made of wood and plastic sheeting, in which they grow oranges in midwinter to sell to Wal-Mart's direct farm program.

Zhang Fengquan is one of those farmers; he gathers more than three tons of nectarines from more than 400 trees in his greenhouse. Asked what he did during the winter before the greenhouse was built, he said he worked as a seasonal laborer. Or played mah-jongg.

In the wake of a milk contamination scandal in China last year, Chinese consumers are paying more attention to food quality. Wal-Mart has a bright green and yellow label to identify fruits from farms that meet its standards, although the standards are not up to U.S. organic levels. It promises a minimum price so farmers won't have to cheat on practices to get by. By November, a quarter-million farmers were part of the program, and Wal-Mart hopes a million will eventually take part.

Wal-Mart sees this not just as good practice but also good marketing.

"We hope to get more customers," said Barry Friedman, vice president for corporate affairs in Beijing. "We're not doing it solely out of the goodness of our hearts."

Main, Ann

7

From: Stratford, Tim
Sent: Wednesday, June 25, 2008 6:06 PM
To: Bahar, Daniel; Kallmer, Jonathan; Main, Ann
Subject: FW: Retail Issues - China
Attachments: Retail Issues - China.doc

With attachment this time

From: Adam Hemphill [REDACTED]
Sent: Wednesday, June 25, 2008 11:45 AM
To: Adam Hemphill
Subject: Retail Issues - China

(B)(6)

Hello.

Given the increased discussion of negotiation pertaining to a US-China BIT, I wanted to pass along information regarding retail issues in that area.

Attached you will find a document that outlines the biggest concerns from the retail sector. These comments are included in the US Chamber submission, but summarize our perspective on these issues.

Feel free to contact me if you have any questions.

Thanks,

<<Retail Issues - China.doc>>

Adam Hemphill, Manager, International Trade
Federal Government Relations
Wal-Mart Stores, Inc.

adam.hemphill [REDACTED]

Wal-Mart Stores, Inc.
[REDACTED]

(B)(6)

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RETAIL

1. Retail

Recommendations:

- Lift the zoning and commercial application approval process and allow foreign retailers to open stores upon registration, just as domestic retailers can.
- Lift the ownership restrictions on foreign retailers that open more than 30 stores in China and sell certain commodities as provided in Article 18 of the Measures for Commercial Sectors.
- Lift the restrictions on types of merchandise such as pharmaceuticals and tobacco. At the very least, make regulations on the distribution of these restricted goods be applied equally to Chinese and foreign retailers.
- Treat domestic and foreign retailers the same for the purpose of registered capital requirements assessed on additional outlets.
- Formulate and promulgate the Big Box Law as quickly as possible to ensure that foreign and domestic retailers are treated equally with concern to compliance with the urban development plan.

Background and Rationale:

National treatment in the approval process: The Measures for the Administration on Foreign Investment in the Commercial Sector (“Measures for Commercial Sectors”) regulation issued by the Ministry of Commerce (MOFCOM) in 2004 reveal some unequal treatment for foreign and domestic retailers. For example, if a foreign retailer opens more than 30 stores with the business area of each store exceeding 300 square meters and would like to open another new store, the new store application must be examined and approved by three levels of government – city, provincial and central. Only after securing MOFCOM approval can a business obtain a license from the registration authority (AIC). In contrast, domestic retailers are allowed to apply directly to AIC for a new store business license without having to undergo the lengthy three-level commerce department approval process.

Similar discriminatory treatment also applies to sellers of certain merchandise including pharmaceuticals, pesticides, mulching film, chemical fertilizers, processed oils, grain, vegetable oil, sugar, cotton, tobacco, CDs and DVDs. In order to sell these products, foreign retailers must obtain special permits and licenses from central government agencies, meaning the process takes them far longer than it does domestic retailers, who need only deal with local government agencies.

The disparity in the approval process for foreign retailers and domestic retailers is incompatible with the principle of national treatment, and therefore should be lifted.

Restrictions on ownership: Ownership limitations in the Foreign Investment Industry Catalogue recently issued by NDRC and the Measures for Commercial Sectors are also overly restrictive. For example, a foreign retailer that opens more than 30 stores in China selling certain commodities of different brands and from different suppliers cannot be more than 49 percent foreign owned. The limit is somewhat higher for Hong Kong and Macao investors at 65 percent, but still too low. The commodities cited include pharmaceuticals, pesticides, agricultural films, fertilizers, refined oils, food, vegetable oil, sugar and cotton, among others.

Restrictions on tobacco: On March 7, 2007, the National Development and Reform Commission (NDRC) issued new rules on tobacco licensing. These state that foreign commercial enterprises are not allowed to conduct wholesale or retail business related to tobacco. Consequently, no foreign invested retailers that currently sell tobacco products will be authorized to sell these products after their current permits expire in late 2008. This restriction puts foreign stores at a disadvantage to their domestic competitors.

Commercial Zoning: According to the Measures for Commercial Sectors, when applying for a new site foreign retailers must produce written confirmation from the local government stating that the proposed site complies with the city's commercial zoning plan. In practice, MOFCOM requires the city to complete its commercial zoning plan and submit the plan for the record. If this requirement is not fulfilled MOFCOM dismisses a foreign retailer's new site application due to their failure to comply with the local commercial zoning plan,

effectively blocking the foreign retailer from opening any stores in that city. In some areas where there are commercial zoning plans, a public hearing process also is required. In total this process can add up to three months to the approval process.

In contrast, domestic retailers are not required to submit their new site applications to MOFCOM for examination and approval. Since they are not subject to this restriction they may open stores in cities where commercial zoning plans do not exist.

This requirement placed on foreign retailers effectively circumvents China's WTO commitments with respect to lifting all geographic limits for foreign retailers.

Registered Capital: According to Article 7 of the Measures for the Administration on Foreign Investment in the Commercial Sector ("Measures for Foreign Investment") issued by the Ministry of Commerce MOFCOM, the minimum registered capital for foreign retail investors must be compliant with the relevant provisions in the Company law and with other relevant regulations. Although company law states that minimal capital investment is fairly low (between RMB 300,000 and RMB 500,000), in practice foreign retailers are usually asked by MOFCOM to increase their registered capital by roughly ten times this amount each time they apply for a new outlet. In contrast, no such provision exists for domestic retailers regardless of the number of outlets established.

Concerns on the Big Box Law: Chinese government agencies have worked together and completed a draft law for a zoning regulation on large scale commercial facilities ("Big Box Law"). The Legislative Office of the State Council (SCLO) has solicited public comments on the draft in April. The draft said that upon issuance of the regulation that both domestic and foreign-invested retailers will be treated equally under the zoning approval process, instead of the current practice of only requiring zoning approval for foreign-invested large retailers. It is also positive that the draft provides a time limit for the municipal government to complete the approval, as this will improve the efficiency of the approval process. Additionally, foreign-invested retailers recommended language requiring that supermarkets whose construction area is above 10,000 square meters be approved by MODCOM be removed and pushed for the approval process to take place at the local level for both foreign-

invested and local retailers. However, most of the stores opened by local retailers are small and may never reach the scale that would trigger this approval process, while foreign retailers often open large-scale stores and as a result have to go through the lengthy approval process.

China's lawmakers should adhere to the principle of equal treatment of foreign and domestic retailers. Lawmakers should also improve transparency by inviting the public to comment on the draft and to speed up the current legislation process.

Benefits to China: Enhanced organized retail is a critical component to the development of a robust consumer society in China. Moreover, growth in the retail sector will lead to improvements in critical infrastructure related to distribution and supply chain management.

China benefits greatly from foreign retailers' business operations in China. They help to enhance the level of retail service, create a safe and clean shopping environment, contribute to developing the supply chain and stimulate domestic consumption. In the process they help to maintain sustainable and healthy development of the national economy.

Reade, Claire E.

8

From: McCartin, Terry
Sent: Wednesday, April 02, 2008 2:46 PM
To: Reade, Claire E.; Stratford, Tim; Main, Ann
Subject: RE: new China measures, just in case you hadn't seen them

Since this is an area where we have had concerns for some time, we may want to get a translation and, working with industry, draft and submit comments. We did more of that sort of thing in the first year or two after China's WTO accession, when China was revising/issuing a number of laws and regulations, but this could be another useful opportunity for us.

From: Reade, Claire E.
Sent: Wednesday, April 02, 2008 12:10 PM
To: 'Sarah.Thorn' [REDACTED] (B)(6)
Cc: Stratford, Tim; McCartin, Terry; Main, Ann
Subject: new China measures, just in case you hadn't seen them

China today released a set of draft rules on urban retail networks for public comment. *The (For Comment Draft) Regulations for Urban Commercial Networks* propose to establish a system of retail network planning and a system of approval of such planning. The draft rules will require builders, property owners or operators to apply for approval by the municipal commerce authorities for building new "large" commercial networks, expanding existing networks into large networks, or converting non-commercial networks into large commercial networks. Provincial and municipal authorities will decide what would constitute "large" commercial networks in terms of floor space, but in general the floor space of a mall should not exceed 10,000 square meters. The proposed rules also have specific provisions mandating the establishment of retail facilities in urban development projects. In addition, the rules also propose to regulate dealings between commercial network operators and their suppliers. Commercial network operators, for instance, must not collect "unreasonable fees" from suppliers, or force suppliers to provide free services, or set "other unfair conditions" for deals. Comments on the draft rules should be submitted before April 20. (Full text in Chinese: http://www.gov.cn/gzdt/2008-04/02/content_935148.htm) (gov.cn)