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World Expo 2010 in Shanghai

EDITORIAL

Aims and Aspirations of Shanghai

Introductory Remarks

In many respects Shanghai is an untypical Chinese city. During the long course of Chinese history it was never chosen as a capital though it had received township-rank already in the 13th century. The proximity to the more important city of Nanjing kept Shanghai from becoming an important place itself. This changed in the mid-19th century, among other things also due to the fact that the city was opened to foreign commerce with the treaty of Nanjing in 1842. The end of the Qing dynasty in 1911 finally brought an opening which assured sustained economic development. The following description of the city in 1928 by the foreign historian F. L. Hawks Pott in his "A Short History of Shanghai" (p. 1) is an accurate account of the development the city had gone through by that time:

"Shanghai is a very cosmopolitan place, a meeting-ground for people from all countries, a great and unique city, one of the most remarkable in the world."

In this rich countryside of Central China industrialization created an important middle class. On the one hand this class was proud of its Chinese origin, on the other the strong Chinese identity and its accompanying self-assertion allowed a spiritual opening towards non-Chinese cultures quite rare in the rest of China. Beijing being the political centre of the Middle Kingdom since the 14th century and Guangzhou the port under pressure from foreign political and cultural influence, Shanghai seemed to present a natural equilibrium between Chineseness and openness towards the outside world. Shanghai's confidence in its being Chinese and metropolitan at the same time was strong enough to survive Western colonialism. The economic opening of China and the fact that the economic weight of the city allowed more and more Shanghai leaders to the power centre in Beijing, brought the final turnaround for the city on the Huangpu river. Probably the most decisive factor, apart from the new economic wealth, was the return of Hongkong to

mainland China. Many Shanghainese who had left their mother-town at the end of the forties for financial and political reasons, returned now to try their luck in a city offering new economic possibilities.

"Bamboo Sprouts after a Spring Shower"

Shanghai's development started therefore quite late, compared to the economic development along the Chinese coast. The change of hands in Hong Kong seems to have brought the necessary dynamism and the credits for an upsurge, which has not stopped since its outset in the middle of the nineties. Within six years the face of the city has completely changed. Like bamboo sprouts after a spring shower, high-rise buildings shot out of the ground. Shanghai's TV tower and the Jin Mao Building are already today the second and third highest buildings in Asia. The plans to build the Global Finance Centre were not shattered by the September 11 events. On completion, the tower will be the highest building in the world.

Other constructions lead into the future, too. The Transrapid, the maglev train developed by German industry, will be built to link the new airport in Pudong with the city centre. If successful, the line will be continued up to Beijing, allowing a travelling time of around three hours, compared to the sixteen hours by normal train at the moment. The plans to construct one of the biggest deep-sea ports will also guarantee that the city will become one of the world's foremost financial and trading places.

Interesting are also the strong efforts to use culture as a prime instrument for getting worldwide attention. Obviously Shanghai does not only try to imitate New York in dubbing its own city park "Century Park", but also in trying to build up an international scene for venues of world-famous orchestras, theatre groups or ballet ensembles. Although prices can easily go up to US\$ 150.-, the tickets of this kind of events are regularly sold out weeks before the event. The lack of a strong historic past allows this city an astonishing openness towards other

cultural currents, a characteristic for which the city was known already in the twenties and thirties. In these cultural efforts the aims and the aspirations of Shanghai are felt most vividly.

Aim and Aspiration: to Become a World Metropolis

The way to a world metropolis may still be very arduous. Especially when looking at farther aspirations like the ones to become a top world finance and trade centre, the opening of China will have to continue uninterruptedly. What is even more important, it has to gain in depth. But the clear signs of things under way cannot be overlooked. There is a Shanghainese society developing, which strongly resembles the initially mentioned quote by Hawks Pott from the twenties. It is not Soviet Communism or fascism in Europe, the main reasons for a strong foreign immigration to Shanghai in the twenties and thir-

ties, which are the root developments today. The main reasons for Shanghai's internationalization lie in the globalization of world economy. Globalization guarantees not only a steady influx of foreign direct investments, but more and more an accompanying influx of expatriates of all walks of life as well. The growing wealth of the town on the Huangpu has again reached surprising levels, the new middle class is clearly on an impressive shopping spree – no longer only for refrigerators and air-conditioners, but for apartments and cars as well. According to banking circles around 10% of the population of 15 million inhabitants would clearly fall under a Western heading of a wealthy middle class today. The ground for a further, solid growth of the city is therefore prepared and the aspirations may well become reality in a future not too far away.

*by Dr. Hans Jakob Roth
Consul General of Switzerland, Shanghai*

16th National Congress of the CPC

The 16th Congress of the Communist Party of China (8 to 14 November), chose Hu Jintao as its new general secretary. The plenum also elected the new Political Bureau of the CPC Central Committee and members of the Bureau's Standing Committee. The new Standing Committee comprises 9 members with Hu the only one who had not retired from the previous one. The 24 new members of the Politbureau and one alternate are mostly university graduates, many of them engineers. One-third are returning from the previous Politbureau. The new CPC Central Committee is composed of 198 full and 158 alternate members. Some 180 of them are new. More than 20% are under the age of 50. Several members of the mainland's business elite have been elected to the Central Committee, including Zhang Ruimin, CEO of the Haier Group, who is the first entrepreneur to join the ranks of the ruling elite.

The congress approved an amendment to the Constitution of the CPC with Jiang Zemin's thought of "Three Represents" as the Party's long-term guiding ideology, on a par with Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory. The "Three Represents" thought calls for the CPC to represent the development trend of China's advanced social productive forces, the orientation of China's advanced culture, and the fundamental interests of the overwhelming majority of the people of China.

In his report to the Congress, Jiang Zemin outlined China's agenda for economic development and reform in the first two decades of this century. Efforts will be made to quadruple the 2000 GDP by 2020. In accordance with this target, China's economy will at least maintain a 7.18% growth rate in the coming 20 years and GDP will exceed CNY 35 trillion by the year 2020. China's economy will surpass that of France in 2005, become the world's third in 2020 and its second largest in 2050. Key

economic targets and policies endorsed by the Party Congress include:

Private sector: General improvement of business environment including fair taxation, legal protection for private property and deregulation of interest rates.

State enterprises: Government functions will stay separate from enterprise management. Enterprises are encouraged to have multiple shareholders, though "controlling shares in lifeline enterprises must be held by the state."

Investing abroad: State and private companies are encouraged to invest abroad "in order to increase exports and form a number of strong multinational enterprises."

Land policy: Farmers can sell their land-use rights to allow for economy of scale in agriculture.

Education: Senior secondary education will be made "basically universal" and illiteracy eliminated. Non-governmental players will be encouraged to run schools.

Legal reform: Courts and prosecutors should be allowed to operate "independently and impartially according to law", and enforcement of judgments should be improved.

The sweeping changes in the CPC's rank and file are just the beginning of China's transition from third to fourth generation leaders and will be followed by changes in the top government positions in March of next year. Hu's promotion to Secretary General of the CPC cleared the way to his election as President of the People's Republic. Vice Premier Wen Jiabao, who now holds the No. 3 position in the Politbureau, is expected to replace Premier

Zhu Rongji. Li Peng is likely to be replaced as Chairman of the National People's Congress by Vice Premier Wu Bangguo, who now is No. 2 in the Politbureau. For months to come, there will be leadership changes on provincial and local levels, in municipalities, state-owned enterprises etc.

After much uncertainty and speculation, the results of the 16th CPC Congress offer little surprise. It was the People's Republic first orderly transfer of authority, and had been widely expected for years. In choosing Hu, the party remained loyal to the wishes of Deng Xiaoping, who had picked him as Jiang's successor. Meanwhile, Jiang Zemin's re-election to head the party military commission ensures he will retain strong influence. Hu, like Jiang before him, may have to wait years to emerge from his predecessor's shadow. While this will ensure a level of continuity which may be comforting not least to foreign investors, some observers point out the danger of



Hu Jintao

Hu Jintao, male, 59, Han nationality, a native of Jixi, Anhui Province, was born in December 1942. He joined the Communist Party of China (CPC) in April 1964 and began to work in July 1965 after he graduated from the Water Conservancy Engineering Department of Tsinghua University, where he had a major in the study of hub hydropower stations. He is an engineer. He is now general secretary of the CPC Central Committee, vice-chairman of the CPC Central Military Commission, vice-president of the People's Republic of China, vice-chairman of the Central Military Commission of the People's Republic of China and president of the Party School of the CPC Central Committee.

1959–1964: Student at the Water Conservancy Engineering Department of Tsinghua University.

1964–1965: Postgraduate and political instructor at the Water Conservancy Engineering Department of Tsinghua University.

1965–1968: Participated in R&D at the Water Conservancy Engineering Department of Tsinghua University and served as political instructor before the start of the "cultural revolution."

1968–1969: Worked with the housing construction team of Liujia Gorge Engineering Bureau, Ministry of Water Conservancy.

1969–1974: Technician and secretary of No. 813 Sub-Bureau, Fourth Engineering Bureau, Ministry of Water Conservancy and deputy-secretary of the general Party branch of the sub-bureau's head office.

1974–1975: Secretary of the Gansu Provincial Construction Committee (GPCC).

1975–1980: Deputy director of the design management division, GPCC.

1980–1982: Vice-chairman of GPCC and secretary of the Gansu Provincial Committee of the Communist Youth League (Sept. 1982-Dec. 1982).

1982–1984: Secretary of the Secretariat of the Central Committee of the Communist Youth League of China, chairman of the All-China Youth Federation.

conflict and maneuvering within the Party. The targets for economic growth set by the Congress are ambitious, and some of the economic policies, in particular the ones intended to strengthen the private sector, look almost (counter-) revolutionary. However, the new leaders, faced with daunting challenges such as chronic corruption, growing wealth gap, mounting unemployment and the risk of financial meltdown, may find it difficult to reproduce the growth rates of China's economy in the 1980s and 1990s. The further reform and development of China's economy will remain a path along uncomfortable choices. It will continue under the new leadership, but it will see setbacks, and nobody should expect spectacular progress overnight.

*Summary by Jürg Lauber
Councillor and Head of the Economic Section
Embassy of Switzerland, Beijing*

1984–1985: First secretary, Secretariat of the Central Committee of the Communist Youth League of China.

1985–1988: Secretary of the Guizhou Provincial Party Committee.

1988–1992: Secretary of the Party Committee of Tibet Autonomous Region.

1992–1993: Member of the Standing Committee of the Political Bureau of the CPC Central Committee, and member of the Secretariat of the CPC Central Committee.

1993–1998: Member of the Standing Committee of the Political Bureau of the CPC Central Committee, member of the Secretariat of the CPC Central Committee, president of the Party School of the CPC Central Committee.

1998–1999: Member of the Standing Committee of the Political Bureau of the CPC Central Committee, member of the Secretariat of the CPC Central Committee, vice-president of the People's Republic of China, president of the Party School of the CPC Central Committee.

1999–2002: Member of the Standing Committee of the Political Bureau of the CPC Central Committee, member of the Secretariat of the CPC Central Committee, vice-chairman of the CPC Central Military Commission, vice-president of the People's Republic of China, vice-chairman of the Central Military Commission of the People's Republic of China, president of the Party School of the CPC Central Committee.

2002: General secretary of the CPC Central Committee, vice-chairman of the CPC Central Military Commission, vice-president of the People's Republic of China, vice-chairman of the Central Military Commission of the People's Republic of China, president of the Party School of the CPC Central Committee.

He was an alternate member, member of the 12th CPC Central Committee, member of the 13th, 14th and 15th CPC Central Committees and is a member of the 16th CPC Central Committee. He was a member of the Political Bureau and its Standing Committee, and member of the Secretariat of the 14th and 15th CPC Central Committees and is a member of the Political Bureau and of its Standing Committee, and general secretary of the 16th CPC Central Committee. He was made an additional vice-chairman of the CPC Central Military Commission at the Fourth Plenary Session of the 15th CPC Central Committee. He was a member of the Standing Committee of the Sixth National Committee of the Chinese People's Political Consultative Conference (CPPCC).

Source: Xinhua News Agency

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**Wu Bangguo**

Wu Bangguo, male, 61, Han nationality, a native of Feidong County, Anhui Province, was born in July 1941. He joined the Communist Party of China (CPC) in April 1964 and began working in September 1966. He graduated as a major of electron tube of the Department of Radio Electronics of Tsinghua University. He holds the academic title of engineer. He serves as member of the Standing Committee of the Political Bureau of the CPC Central Committee, vice-premier of the State Council, member of its Leading Party Member Group and secretary of the Work Committee of Large Enterprises of the CPC Central Committee.

**Wen Jiabao**

Wen Jiabao, male, 60, Han nationality, a native of Tianjin, was born in September 1942. He joined the Communist Party of China (CPC) in April 1965 and began working in September 1967. He graduated with a major of geological structure from the Beijing Institute of Geology. He undertook postgraduate study and now is an engineer. He serves as member of the Standing Committee of the Political Bureau of the CPC Central Committee, vice-premier of the State Council, member of its Leading Party Member Group and secretary of the Financial Work Committee of the CPC Central Committee.

**Jia Qinglin**

Jia Qinglin, male, 62, Han nationality, a native of Botou, Hebei Province, was born in March 1940. He joined the Communist Party of China (CPC) in December 1959 and began working in October 1962. He graduated with a major of electric motor and appliance design and manufacture of the Department of Electric Power of Hebei Engineering College. He holds the academic title of engineer. He serves as member of the Standing Committee of the Political Bureau of the CPC Central Committee.

**Zeng Qinghong**

Zeng Qinghong, male, 63, Han nationality, a native of Ji'an, Jiangxi Province, was born in July 1939. He joined the Communist Party of China (CPC) in April 1960 and began working in July 1963, after graduating from the Automatic Control Department of the Beijing Institute of Technology. He is an engineer. He is now member of the Standing Committee of the Political Bureau of the CPC Central Committee and member of the Secretariat of the CPC Central Committee.

**Huang Ju**

Huang Ju, male, 64, Han nationality, a native of Jiashan, Zhejiang Province, was born in September 1938. He began to work in May 1963 and joined the Communist Party of China (CPC) in March 1966. He graduated from the Department of Electrical Machinery Engineering, Tsinghua University, where he had a major in electrical machinery manufacturing. He is an engineer. He is now member of the Standing Committee of the Political Bureau of the CPC Central Committee.

**Wu Guanzheng**

Wu Guanzheng, male, 64, Han nationality, a native of Yugan, Jiangxi Province, was born in August 1938. He joined the Communist Party of China (CPC) in March 1962 and began to work in April 1968. He graduated with a major in thermal measurement and automatic control of the Power Department, Tsinghua University. He has a postgraduate background and is an engineer. He is now member of the Standing Committee of the Political Bureau of the CPC Central Committee, secretary of the Central Commission for Discipline Inspection and secretary of the Shandong Provincial Party Committee.

**Li Changchun**

Li Changchun, male, 58, Han nationality, a native of Dalian, Liaoning Province, was born in February 1944. He joined the Communist Party of China (CPC) in September 1965 and began working in September 1966. He graduated from the section of the Industrial Enterprise Automation of the Department of Electric Machinery of Harbin Institute of Technology. He holds the academic title of engineer. He is now member of the Standing Committee of the Political Bureau of the CPC Central Committee and secretary of the CPC Guangdong Provincial Committee.

**Luo Gan**

Luo Gan, male, 67, Han nationality, a native of Ji'nan, Shandong Province, was born in July 1935. He joined the Communist Party of China (CPC) in June 1960 and began working in May 1962. He graduated from the Machine Casting Section of Freiburg Institute of Mining and Metallurgy in the Democratic Republic of Germany. He holds the academic title of senior engineer. He is now a member of the Standing Committee of the Political Bureau of the CPC Central Committee, state councilor, member of the Leading Party Member Group of the State Council and secretary of the Political and Legislative Affairs Committee of the CPC Central Committee.

The 16th Central Committee of the Communist Party of China

General Secretary of the Communist Party of China: Hu Jintao
Political Bureau of the Central Committee of the CPC

Members of the Standing Committee of the Political Bureau

Hu Jintao	Wen Jiabao	Jia Qinglin	Zeng Qinghong
Wu Bangguo	Wu Guanzheng	Li Changchun	Luo Gan

Members of the Political Bureau

Wang Lequan	Wang Zhaoguo	Hui Liangyu (Hui)	Liu Qi
Liu Yunshan	Li Changchun	Wu Yi (female)	Wu Bangguo
Wu Guanzheng	Zhang Lichang	Zhang Dejiang	Chen Liangyu
Luo Gan	Zhou Yongkang	Hu Jintao	Yu Zhengsheng
He Guoqiang	Jia Qinglin	Guo Boxiong	Huang Ju
Cao Gangchuan	Zeng Qinghong	Zeng Peiyan	Wen Jiabao

Alternate Member of the Political Bureau

Wang Gang

Members of the Secretariat of the Central Committee

Zeng Qinghong	Liu Yunshan	Zhou Yongkang	He Guoqiang
Wang Gang	Xu Caihou	He Yong	

Central Military Commission of the CPC

Chairman:	Jiang Zemin		
Vice Chairmen:			
Hu Jintao	Guo Boxiong	Cao Gangchuan	
Members:			
Xu Caihou	Liang Guanglie	Liao Xilong	Li Jinai

Central Commission for Discipline Inspection of the CPC

Secretary:	Wu Guanzheng			
Deputy Secretaries:				
He Yong	Xia Zanzhong	Li Zhilun	Zhang Shutian	Liu Xirong
Zhang Huixin	Liu Fengyan			

Provincial Leaders

The 31 provincial committees of the Communist Party of China (CPC) had completed election by June 16, 2002. Following is a name list of the present provincial Party secretaries:

Anhui: Wang Taihua	Beijing: Liu Qi	Chongqing: Huang Zhendong
Fujian: Song Defu	Gansu: Song Zhaosu	Guangdong: Li Changchun
Guangxi: Cao Bochun	Guizhou: Qian Yunlu	Hainan: Bai Keming
Hebei: Wang Xudong	Heilongjiang: Xu Youfang	Henan: Chen Kuiyuan
Hubei: Yu Zhengsheng	Hunan: Yang Zhengwu	Inner Mongolia: Chu Bo
Jiangsu: Hui Liangyu	Jiangxi: Meng Jianzhu	Jilin: Wang Yunkun
Liaoning: Wen Shizhen	Ningxia: Chen Jianguo	Qinghai: Su Rong
Shaanxi: Li Jianguo	Shandong: Wu Guanzheng	Shanghai: Chen Liangyu
Shanxi: Tian Chengping	Sichuan: Zhou Yongkang	Tianjin: Zhang Lichang
Tibet: Guo Jinlong	Xinjiang: Wang Lequan	Yunnan: Bai Enpei
Zhejiang: Zhang Dejiang		

Source: Xinhua News Agency

Growth Rate Hits 8% in third Quarter

China's GDP grew 8.1% in the third quarter. The performance slightly exceeded expectations and meant that in the first nine months of this year the economy grew 7.9% year on year to US\$ 866 billion. Even if growth slows somewhat in the fourth quarter, it would exceed the 7.3% recorded in 2001.

China's total foreign trade volume was US\$ 445.13 billion in January/September, up 18.3% over last year. Imports stood at US\$ 212.5 billion, up 17.1%, whilst exports reached US\$ 232.5 billion, up 19.4%. The trade surplus was US\$ 20 billion, 49.4% more than a year ago. Foreign-invested factories accounted for about half of China's exports.

Actual foreign investment rose 22.6% to US\$ 39.6 billion. Pledged FDI rose 38.4% to US\$ 68.4 billion. During the first nine months China approved 24.771 foreign-funded projects, up 33.36 %. By the end of September, China had approved 414.796 foreign-invested enterprises. The contracted overseas investment reached US\$ 813.66 billion, of which US\$ 434.78 billion were actually realized.

Foreign reserves rose US\$ 46.5 billion in the 9 months to US\$ 258.6 billion.

The consumer price index, which measures a basket of goods and services from food to school fees, fell 0.8%. Retail sales rose 8.7% to US\$ 350.7 billion.

In the first nine months the country's industrial output grew 12.2% year on year to US\$ 270.9 billion. Three major industries, including electronics, communication and transport equipment, accounted for 36.7% of the output.

China's tax revenues grew 11.8% to US\$ 150.9 billion. The government's efforts to beef up tax collection contributed to the growth.

China's economic growth continues to be driven by export-related industrial production, foreign investment and government spending on fixed assets. A healthy growth is crucial for China to continue creating jobs for the growing number of workers being laid off from ailing state-owned enterprises.

Summary by Paul Wyss

Swiss Exports to China up 9.8%

From January to September 2002, trade between Switzerland and China was CHF 3.072 billion (+1.8%). Imports from China to Switzerland stood at CHF 1.70 billion (down 5.0%), exports at CHF 1.371 billion (up 9.8%). The latter hints at a particularly strong month of September for Swiss exports. Machinery again took the lion share (63.0%) of total exports as it increased 8.7% to CHF 864 million. Watches (up 111.2% to CHF 54.8 million) and jewelry (up 162.9% to CHF 5.3 million) showed particularly strong growth. Plastics (up 27.4% to CHF 33.6 million) and metals/metal products (up 31.9%

to CHF 28.9 million) performed well. Swiss exports to Hong Kong increased 11.5% to CHF 3.398 billion during the same period; imports from Hong Kong increased 25.1% to CHF 651 million. In total, Swiss exports to China (incl. Hong Kong) went up 10.7% to CHF 4.769 billion, representing 4.68% of worldwide Swiss exports during the period. Imports increased 2.7% to CHF 2.351 billion. Swiss exports to Taiwan decreased -14.6% to CHF 863 million from January to September; imports from Taiwan went down -29.2% to CHF 454 million.

Source: Embassy of Switzerland, Beijing

Bilateral Trade between Switzerland and China

January - September 2002 (in Mio. CHF)						
Goods	Export Mio. CHF	Export ± CHF%	Export Share	Import Mio. CHF	Import ± CHF%	Import Share
Total selected	1.370,2	9,7	100,0	1.692,4	-5,0	100,0
Agricultural products	8,5	30,4	0,6	56,4	-37,8	3,3
Energy carriers	0,1	-43,9	0,0	0,0	-90,5	0,0
Textiles, apparel, shoes	19,7	1,9	1,4	510,1	-11,7	30,1
Paper, paper products, printed matter	6,4	48,3	0,5	6,2	-23,4	0,4
Leather, rubber, plastics	24,2	100,3	1,8	103,0	-8,5	6,1
Chemicals, pharmaceuticals	246,3	1,3	18,0	206,9	6,0	12,2
Construction materials, ceramics, glass	2,9	-49,5	0,2	16,8	6,8	1,0

January - September 2002 (in Mio. CHF)

Goods

	Export Mio. CHF	Export ± CHF%	Export Share	Import Mio. CHF	Import ± CHF%	Import Share
Metals and metal products	62,3	35,3	4,5	78,6	0,0	4,6
– Iron and steel	1,0	–30,3	0,1	0,7	17,1	0,0
– Non-ferrous metals	8,6	169,4	0,6	6,9	–10,3	0,4
– Articles of metal	52,7	27,2	3,8	71,0	1,0	4,2
Machinery, apparatus, electronics	838,3	6,6	61,2	321,0	2,7	19,0
– Industrial machinery	637,5	0,5	46,5	37,8	–6,9	2,2
– Engines non-electrical	43,9	83,1	3,2	0,2	–87,5	0,0
– Construction machinery	4,1	290,3	0,3	0,0	–86,9	0,0
– Machinery engineering	589,5	–3,3	43,0	37,6	–3,5	2,2
– Pumps, compressors, fans, etc.	37,4	–14,4	2,7	5,1	–4,8	0,3
– Process engineering, heating, cooling equip.	34,3	–13,1	2,5	5,0	28,9	0,3
– Lifting and handling equipment	17,3	–6,1	1,3	2,0	–25,7	0,1
– Machine-tools metalworking	92,3	–11,6	6,7	2,5	–38,0	0,1
– Machine-tools for mineral materials	6,4	71,1	0,5	1,2	870,5	0,1
– Plastics-, Rubber machinery	41,2	–9,2	3,0	0,0	–48,9	0,0
– Machine-tools for wood, cork, etc.	8,6	249,0	0,6	2,0	127,0	0,1
– Other machinery	69,9	–3,5	5,1	2,1	20,4	0,1
– Hand held tools	3,0	–17,1	0,2	6,2	–6,3	0,4
– Welding machines	20,2	43,8	1,5	1,0	–23,4	0,1
– Printing and paper machinery	73,7	–5,1	5,4	1,1	–45,2	0,1
– Textile machines	164,2	9,6	12,0	0,9	–10,2	0,1
– Food processing equipment	10,0	–49,4	0,7	4,9	66,9	0,3
– Filtering and purifying machines	4,7	–13,2	0,3	0,4	–9,1	0,0
– Packaging and filling machines	6,3	–30,4	0,5	3,4	–45,0	0,2
– Agricultural machines	2,3	–19,8	0,2	0,1	352,1	0,0
– Household appliances	2,9	–47,5	0,2	122,2	4,2	7,2
– Entertainment electronics	2,6	–47,2	0,2	79,8	–0,3	4,7
– Household machines	0,3	–49,5	0,0	42,4	13,9	2,5
– Office machines, Computers	4,6	–60,8	0,3	53,1	10,5	3,1
– Electrical machinery and electronics	190,7	45,3	13,9	107,7	0,9	6,4
– Power generation, electric motors	23,8	88,3	1,7	31,0	–20,5	1,8
– Telecommunications	14,4	–46,5	1,1	18,5	21,0	1,1
– Electric and electronic articles	152,5	66,3	11,1	58,2	11,1	3,4
– Defence equipment	0,2	39,9	0,0	0,1	–	0,0
Vehicles	2,6	–83,2	0,2	16,5	–21,9	1,0
– Road-vehicles	1,7	702,7	0,1	14,3	–24,1	0,8
– Transport of persons	0,3	215,8	0,0	10,1	–30,5	0,6
– Transport of goods	0,0	–100,0	0,0	0,0	–	0,0
– Special purpose vehicles	0,8	–	0,1	1,6	19,1	0,1
– Spare parts	0,7	–	0,1	2,6	–11,7	0,2
– Railway vehicles	0,8	–94,5	0,1	1,2	45,9	0,1
– Aircraft and spacecraft	0,1	–90,2	0,0	0,4	–4,4	0,0
– Vessels	0,0	–	0,0	0,6	–43,3	0,0
Precision instruments	90,0	22,0	6,6	54,4	10,2	3,2
– Optical instruments, photo	11,2	5,0	0,8	37,7	18,2	2,2
– Surveying instruments	2,9	282,1	0,2	2,7	–24,3	0,2
– Medical instruments and appliances	24,5	42,5	1,8	2,3	60,8	0,1
– Mechanical measuring, testing, control equip.	51,4	13,9	3,8	11,7	–6,0	0,7
Watches	54,8	111,2	4,0	132,5	–2,6	7,8
Other goods	14,1	38,4	1,0	190,0	3,1	11,2

Source: Swissmem

Recent Foreign Investments / Joint Ventures

USA

ANHEUSER-BUSCH world's largest brewery, and Tsingtao Brewery, China's largest, signed an agreement for a possible tie-up. Terms of the partnership are still being finalized. China is the world's second largest beer market after the United States, with a yearly consumption of 220 million hectolitres and an annual growth of 6%. Tsingtao now holds 11% of the Chinese market.

PEPSICO is withdrawing from its joint venture with Sichuan Yunli. PepsiCo is taking its long-running battle with Sichuan Yunli and their joint venture Sichuan Pepsi to an international arbitration panel in Stockholm to end the partnership set up in 1994 and seek damages for breach of contract. Pepsi has 14 bottling plants and 40 joint ventures in China.

7-ELEVEN, Dallas-based huge chain-store operator, plans to open 500 stores in Beijing within five years. The company has chosen 7-Eleven Japan and Taiwan Uni-President Enterprise for its expansion to Beijing. A Chinese partner will be chosen to form a joint venture with the two companies to operate the Beijing stores. 7-Eleven currently operates 100 stores in Guangdong province.

HEINZ, U.S. food giant, acquired three state-owned foodstuffs manufacturers out of which it will create Heinz-Melwelyuan (Guangzhou) Food Company. Heinz sold US\$ 50 million worth of products in China in 2001.

TRICON GLOBAL RESTAURANT INC. announced it has opened more than 700 Kentucky Fried Chicken (KFC) chain stores in more than 150 Chinese cities. KFC will also offer jobs for students in their spare time to help them earn money to complete their studies. KFC also committed to spending RMB 38 million in the next decade to help poverty stricken Chinese students.

WAL-MART CHINA CO LTD opened its largest ever chain store in Kunming. The retailer had invested a total of US\$ 18 million in Kunming since it entered the city three years ago, it was announced at the opening of the new supermarket Wal-Mart also signed a joint venture agreement with CITIC to open new stores in Shanghai and elsewhere on the booming east coast.

CIGNA CORPORATION has been given permission by the China Insurance Regulatory Commission to establish a joint venture life insurance company in China. It has chosen a company affiliated to the China Merchants Group as its partner and Shenzhen as the location for the joint venture which will focus on life insurance, accident insurance and supplementary medical insurance.

DUPONT has gone into a joint venture with China's largest meat manufacturer, the Shineway Group, to produce soy protein. The new company with an investment of US\$ 60.5 million is named DuPont Shineway Luohe

Protein Co Ltd. Its is expected to generate US\$ 240 million of sales annually.

HONG KONG

CITIC PACIFIC, Beijing-backed Hong Kong conglomerate, is considering taking up to a 25% stake in Air China, the mainland's international carrier. The group currently has a 26% stake in Hong Kong's flag carrier Cathay Pacific Airways and a 29% stake in Hong Kong's second airline Dragonair.

HSBC became the second foreign bank after Hong Kong's Bank of East Asia to receive a licence to begin online banking in China. The licence, granted by the People's Bank of China, permits HSBC customers on the mainland to perform online transfers to local and foreign banks and open term deposits.

HSBC agreed to pay US\$ 600 million for a 10% stake in Ping An Insurance, expanding the banking group's presence in China. Ping An has more than 20 million policyholders and is China's second largest life insurer, with a market share of 29% and an annual life premium income of US\$ 4.8 billion.

TAIWAN

CHINA AIRLINES won approval to invest US\$ 47 million in China Cargo, which is 70% owned by Shanghai-based China Eastern Airlines. The plan brings together two companies controlled by governments that remain deeply divided politically, an illustration of the increasing corporate ties across the Taiwan Strait.

TAIWAN SEMICONDUCTOR MANUFACTURING CO (TSMC) started construction of a US\$ 1 billion chip plant under an agreement with Songjiang Industrial Park near Shanghai. However, TSMC must await approval by the Taiwanese government before making any payments.

PROMOS TECHNOLOGIES & POWERCHIP SEMICONDUCTOR will seek to build semiconductor plants in China if they meet government qualifications. Four Taiwanese firms are now eyeing China for chip investment, yet with only 3 slots available, a restriction stipulated by the Taiwan government.

KOREA

HYUNDAI MOTOR received approval to open its first factory in China in a joint venture with Beijing Automotive Industry Holding. South Korea's largest carmaker plans to invest US\$ 1.1 billion in the plant over the next 8 years, bringing production to 500,000 cars a year by 2010.

(continued on page 14)



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INDONESIA

PERTAMINA, state-owned oil and gas company, together with BP of the UK, signed a US\$ 8.5 billion, 25-year contract with China National Offshore Oil Corp. (CNOOC) to supply liquefied gas from a remote field in Indonesia to a terminal on the Fujian coast.

JAPAN

TOKYO STOCK EXCHANGE and the Shanghai Stock Exchange are in talks to form an alliance that could eventually pave the way for companies from both countries to list on each other's markets. Once the two sides have agreed to form an alliance, approval must be obtained from the China Securities and Regulatory Commission, China's main financial regulator.

TOKYO-MITSUBISHI BANK signed an agreement with China Development Bank to expand its Chinese business. The bank will introduce Japanese corporate clients to the Chinese bank, which will offer them loans.

TOSHIBA recently reached an agreement with Dalian Locomotive Works to set up a joint venture in the city to manufacture, sell and repair railroad locomotives. The joint venture will start operation in April 2003. It will be Toshiba's first railroad locomotive manufacturing base outside Japan.

TOSHIBA is also planning to make and sell home appliances such as refrigerators and washing machines in China. Local production will, however, only start after foreign makers are allowed to operate without a local

partner. Refrigerator demand was estimated at 11 million in 2001 and washing machine demand at 14 million.

NISSAN MOTOR and Dongfeng, the third largest Chinese vehicle producer, will realize the biggest foreign investment in a state-run company since China's entry into WTO. Nissan will pay 1.06 billion EURO for a 50% stake in a new company called Dongfeng Motor into which all the car and commercial vehicle assets of Dongfeng Automobile Co. will be injected. The joint venture will initially concentrate on building Dongfeng brands before launching Nissan-branded cars after a year or so.

BRAZIL

EMBRAER, Brazilian aircraft manufacturer, and China Aviation Industry Corp. (AVIC) will start a joint venture in Harbin which is expected to produce 50-seat aircraft. Details of the deal will be announced at the November Airshow China in Zhuhai. Experts estimate that China will demand some 583 regional jets with 50 to 110 seats and a range of 600 kilometres in the coming two decades.

CANADA

SCOTIABANK and the International Finance Corp. signed a memorandum of agreement in Xian, under which the two sides will make an equity investment in Xian City Commercial Bank. Scotiabank and IFC will respectively purchase 23.5% and 12.4 % stakes in the Xian Bank within three to five years.

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SOUTH AFRICA

SASOL, South African fuel company, is in talks with the Chinese government over a multi-billion-dollar plan to turn Central Asia's vast coal reserves into petrol and other liquid fuels. Investment in the coal-to-petrol project would be between US\$ 2 billion and 4 billion.

GREAT BRITAIN

CALLAHER, UK tobacco company, has clinched a deal with China National Tobacco Corporation and the State Tobacco Monopoly Administration for a joint project under which a Callaher brand will be made and distributed in China. The company's brands include Benson & Hedges and Silk Cut. China has about 350 million smokers consuming 1.700 billion cigarettes every year.

STANDARD LIFE has become the latest western life insurer to be granted a licence to operate in China. The Edinburgh-based group has been authorised to create a 50:50 joint venture in Tianjin with a population of nearly 10 million, offering great potential to build its presence in China.

GERMANY

METRO, the world's fifth biggest retailer, is planning to spend US\$600 million on at least 40 stores in China over the coming three to five years, adding to the existing 15 stores.

AIRBUS CONSORTIUM expects China to buy the 555-seat Airbus A380 for the 2008 summer Olympic Games. The consortium supplied its first plane to China in 1985 and demand has increased steadily since then. Airbus has increased its market share in China, including Hong Kong and Macao, from 13% in 1995 to 28% more recently.

FRANCE

PSA PEUGEOT CITROEN and its partner Dongfeng Motor Co. have set a 2003 sales target of 100.000 units for their joint venture Dongfeng Citroen Automobile Co. The company sold 48.000 vehicles during the first seven months of this year, an increase of 34% over last year. Four-fifths of the company's sales between January and July were to private consumers.

ITALY

BENETTON opened a 3000-square-meter mega store in Shanghai's Huaihai Road, selling a wide range of the company's brands.

HOLLAND

MAKRO, leading Dutch retailer, has received government approval for its joint venture to open 20 stores

in China before 2010. In addition to the two existing stores, Makro would open three stores in north-east China next year.

ROYAL DUTCH/SHELL and its joint venture partner, China National Offshore Oil Corporation (CNOOC) will proceed with a US\$ 4.3 billion petrochemicals complex in Nanhai, Guangdong province, the largest foreign investment project on the mainland. Shell will have a 50% share, while CNOOC holds 45% and Guangdong Investment and Development Company 5%. Shell will become the leading foreign investor in the Chinese petrochemicals market when the plant opens in 2005.

SWEDEN

SKANDIA INSURANCE COMPANY hopes to be in the first group of foreign insurance companies to win approval to start business in Beijing. In July Skandia signed an agreement with the Beijing state-owned Assets Management Corp. Ltd. to start a joint venture life-insurance business in Beijing. China will give more foreign insurers approval to sell policies in more areas, in keeping with its WTO commitments.

DENMARK

A.P. MOLLER GROUP linked up with Shanghai port authorities to create China's first foreign-funded container terminal management company. The joint venture, called Shanghai Hudong Container Terminal Management Co. Ltd. will manage the container wharf of Waigaoqiao Port, at the mouth of the Yangtze River. The Chinese side is holding 51% and Moller 49%.

SWITZERLAND

UBS signed a memorandum of understanding with Guotai Asset Management, which will allow UBS to explore a possible acquisition of an equity interest in the mainland partner. According to rules effective from July 1, foreign firms can enter China's fund market by taking up to 33% in a new or existing fund management company, rising to 49% after three years.

CHRIST LTD, one of the world's leading suppliers of advanced water treatment systems, is to expand its presence in China by providing more customized products and services. Christ Water Technology (Shanghai) Ltd. opened in the Zhangjiang High Tech-Park in September. Established in 1939, Christ earlier this year became a member of the Austrian Best Water Technology Group (BWT).

OMEGA takes first place with 13.7% of the total Chinese watch market value. While Chinese watches still dominate the market in terms of numbers, the Swiss products clearly dominate in terms of value. Omega is followed by Rado (9.3%), Longines (5.34%), Rolex (3.9%), Titoni (3.8%), Tissot (2.9%).

Summary by Paul Wyss

In Brief

- China's 2001 annual output of washing machines reached nearly 15 million, ranking first in the world. Along with the activation of the rural market and the development of western China, there will be more room for the growth of washing-machine manufacturing.
- China will launch its fourth unmanned space capsule this year, taking the country closer to sending a human into orbit. The capsule will be technically identical to a craft capable of carrying a crew. State media say China plans to launch a human into orbit within three years.
- The Ministry of Construction has issued a blue-print under which it wants all cities to establish waste water treatment facilities that process 45% of sewage by 2005 and 60% by 2010.
- The Beijing government is seeking nearly 300 senior foreign managerial and technical professionals for jobs in state-owned enterprises in various areas, including pharmaceuticals, electronics and international trade.
- China launched a renewed crackdown on the growing problem of capital flight, ordering mainland companies that sell shares or other assets overseas to repatriate the proceeds within 30 days of the sale.
- Chinese customs authorities are offering rewards for valid tip-offs in a crackdown against domestic and foreign companies involved in customs fraud, an abuse that has hit tariff income. The incidence of customs fraud has increased sharply since China entered the WTO, resulting in a 3.9% decline of tariff income.
- Seven China appliance makers settled an anti-dumping dispute with the European Union, allowing them to sell television sets to the 370 million EU residents without tariffs for the first time in 15 years. The seven makers no longer have to pay the 44.6% import duty.
- Almost three out of ten Chinese adults have high blood pressure, one of the highest rates in the world, a recent study has shown. The researchers found that both the prevalence rate and the absolute number of hypertensive patients had increased rapidly compared with previous studies. Major causes of this development were an unhealthy diet, including a high intake of salt, sugar and high-calorie food, smoking and alcohol.
- China plans to admit a handful of prominent entrepreneurs into the central committee of the Communist Party, the boldest proposal yet in Beijing's initiative to change the fundamental nature of the ruling party. A few captains of state-owned companies and banks have been members in the past, but the idea of admitting private wealthy businessmen into the higher levels of the party is ground-breaking.
- China's current output of electric home appliances accounts for 20% of the world's total, taking the following shares in the global market: washing machines 25%, microwave ovens 51%, air conditioners 60%. From January to June 2002 the total export value of electric home appliances was US\$ 4.44 billion, an increase of 28.09% over 2001.
- Since the Industrial Standard Organization (ISO) introduced its Management Standards in China in the 1990's, as many as 80.000 enterprises have obtained international accreditation. 92 agencies are authorized to issue accreditation.
- Shanghai will set up representative offices in Germany and in the United States to attract specialists for the city's development drive. Success would see the recruitment network being expanded to France, Japan, Canada and Australia next year. It is the first time that a Chinese city will have set up offices in foreign countries to attract well-trained staff.
- China had 2.21 million private companies by the end of June this year. The figure included 1.4 million in urban areas and 814.000 in rural areas, together employing 29.3 million people. The companies had a combined registered capital of US\$ 253.5 billion.
- China is expected to become a powerhouse of diamond demand in coming years. Some experts forecast growth of 20 to 25% a year over the next decade. China has become the second biggest polishing centre after India. 1990 sales were US\$ 140 million, and 2000 sales US\$ 610 million. In 2002 domestic sales could top US\$ 1 billion.
- China is the biggest source of foreign students in the world, with a total of 460.000 in 103 countries, spending an estimated US\$ 1 billion a year. Education has become a big money-earner for foreign schools and colleges that actively recruit in the mainland.
- China has a migrant population of more than 120 million. Of the total, 36% have floated between provinces, with 16.4% migrating out of Sichuan province, 10.2% out of Anhui province and 10.2% out of Hunan province. Meanwhile, 35.5% floated into Guangdong province, 8.7% into Zhejiang province, 7.4% into Shanghai and 5.8% into Beijing. Of the total, 27% moved out of urban areas, while 73% left rural areas.
- Car finance companies are to be allowed on the mainland for the first time. Foreign, as well as Chinese firms, with no less than 8 billion Yuan in total assets will be able to apply to set up ventures offering car loans, which will spur sales in one of the fastest-growing markets in the world. China's passenger car market is expected to grow as much as 25% annually between 2000 and 2005.

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- Residents of Beijing, Shanghai and Guangzhou are expected to achieve access to European Union countries next year. Although Germany was appointed a tourist destination last year, travel agencies still cannot organize tour groups to this European country because of restrictive policies related to the 1985 Schengen Agreement and the 1990 Schengen Convention. The number of Chinese citizens travelling abroad is predicted to reach 100 million by 2020, making it the fourth largest overseas tourism market in the world.
- Beijing began construction of its first science park for environmental protection technologies in Zhongguancun, the well-known "Silicon Valley of China." According to the State Environment Protection Administration, the current level of environmental protection industries in China is comparable to that of advanced countries in the 1980s. The park will focus on recycling and the production of highly advanced environment-friendly technologies.
- Since end of October, Pudong International Airport handles all international flights to and from Shanghai, including Hong Kong and Macau ones, and some domestic flights. The second phase of Pudong Airport, including a 3'800-meter runway and Terminal 2, will start construction next year.
- In a bid to jump-start China's fledgling software technology, Shanghai universities are cooperating with foreign universities and international corporations to develop know-how in the industry. Fudan University and Ireland's University College Dublin (UCD) signed a memorandum to jointly run a software school at Fudan. The school plans to offer a joint Fudan-UCD Computer Science degree. The total investment in the school will be US\$ 60 million. The Shanghai Education Commission also announced the central government's plans for similar projects at 35 other universities nation-wide. China has the largest pools of engineers in Asia with over 400,000 and the largest market in Asia. China aims to double its share of world software market from 1.2 Per cent to 3 per cent by 2005, according to Chen Chong, head of China Software Industry Association.
- The Chinese government plans to invite foreign investors to bid for tenders for seven infrastructure projects for the 2008 Olympic Games. Beijing is planning some 261 projects, including 12 Olympic field stadiums, an Olympic park, and a cultural and sports center. The projects require total investments of US\$ 20.7 billion.

Summary by Paul Wyss

Hong Kong Economy Grows 3.3%

The Government released the Third Quarter Economic Report 2002 end of November, together with the preliminary figure on Gross Domestic Product for the third quarter of 2002.

The Government Economist, Mr K Y Tang, described the economic situation in the third quarter of 2002 and provided updated GDP and price forecasts for the year.

Main Points

- * The Hong Kong economy, after turning around to a modest growth in the second quarter, picked up visibly further in the third quarter of 2002. The growth impetus continued to come from the external sector. On a year-on-year comparison, GDP accelerated to a 3.3% growth in real terms in the third quarter of 2002, from a 0.8% growth in the second quarter (latter revised up from the 0.5% growth put out earlier). On a seasonally adjusted quarter-to-quarter comparison, GDP rose for the third quarter in a row, by 2.5% in real terms in the third quarter of 2002, following a 0.7% increase in the second quarter (latter also revised up from the 0.4% rise put out earlier).
- * Externally, exports of goods continued to benefit from sustained strong demand in the mainland of China (the Mainland), generally increased import intake in the region, and a further gain in external price competitiveness from the earlier weakening in the US dollar. In the third quarter of 2002, total exports of goods surged by 11.4% in real terms over a year earlier, the first double-digit growth recorded since the fourth quarter of 2000. Exports of services performed even better, upon an extensive surge in inbound tourism, offshore trade and transportation services. In the third quarter of 2002, there was a 14.1% leap in real terms over a year earlier.
- * The domestic sector, whilst still weak, also showed some relative improvement in overall terms. Consumer spending had a lesser year-on-year decline of 1.5% in real terms in the third quarter of 2002. Yet investment spending remained sluggish, falling by 5.0% in real terms in the third quarter of 2002 over a year earlier, as reduced intake of machinery, equipment and computer software outweighed the modest increase in overall building and construction output. There was a more visible build-up in inventories in the third quarter, along with the pick-up in overall economic activity.
- * In tandem with the pick-up in overall economic activity, labour market conditions improved lately. Having risen for four consecutive quarters, the seasonally adjusted unemployment rate fell back, from 7.7% in the second quarter to 7.4% in the third quarter of 2002 (and further to 7.2% in the three months ending October). The underemployment rate stood at 2.9% in these two quarters (though edging slightly higher to 3.0% in the three months ending October).
- * In view of a better economic performance shown up in the third quarter, a strong momentum in external trade possibly extending to the rest of the year, as well as a distinctly lower base of comparison towards the end of last year, the forecast growth rate in real terms of GDP for 2002 is raised to 2%, up from the forecast of a 1.5% growth in the August update.
- * Exports of both goods and services for the rest of the year should continue to be buoyed by vibrant regional demand, particularly demand in the Mainland. Also rendering impetus to Hong Kong's exports in the near term is improved external price competitiveness from the earlier weakening in the US dollar.
- * Locally, steadier employment conditions should render some support to consumer spending. Also, with lower interest cost and the pick-up in overall economic activity, investment spending should be able to show some relative improvement.
- * Yet there are still caveats on both the external and domestic fronts. Externally, a relapse in the US economy, if to come about, would have ramifications on global economic recovery, with inevitable spill-over effects on the Hong Kong economy. On this, the latest cut in US interest rates, coupled with continued US fiscal expansion, should render the desired support. Plausible military action on Iraq remains a current uncertainty, and the bouts of terrorist activities in recent times have again hit sentiment. Domestically, there is concern that the on-going adjustment to economic restructuring and continuing downward pressure on prices may keep holding back demand.
- * On the price front, local prices should remain subdued in the near term, in face of renewed moderation in wages and rentals. Import prices are likely to stay soft, amidst persistent deflation in the major supplier economies and generally mild global demand, though with some impact from the earlier weakening in the US dollar possibly filtering through. Recognising a 3.1% year-on-year decline in the Composite CPI in the first ten months of 2002, its forecast rate of change for 2002 as a whole is revised slightly downward to -3%, from -2.8% in the August update. As to the GDP deflator, with the decline so far this year also larger than earlier expected, its forecast rate of change in 2002 is trimmed down to -2.5%, from -2% in the August update.

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Goods	Export Mio. CHF	Export ± CHF%	Export Share	Import Mio. CHF	Import ± CHF%	Import Share
Total selected	2.233,1	5,4	100,0	454,7	-0,3	100,0
Agricultural products	20,1	-6,5	0,9	1,6	-40,3	0,3
Energy carriers	0,1	-96,3	0,0	0,0	–	0,0
Textiles, apparel, shoes	74,8	18,5	3,3	52,9	1,1	11,6
Paper, paper products, printed matter	14,6	73,7	0,7	1,1	-47,2	0,3
Leather, rubber, plastics	38,1	-6,3	1,7	3,7	-7,4	0,8
Chemicals, pharmaceuticals	313,1	-2,3	14,0	6,3	56,8	1,4
Construction materials, ceramics, glass	10,1	-20,4	0,5	0,9	-0,7	0,2
Machinery, apparatus, electronics	261,7	-4,9	11,7	47,7	-21,2	10,5
– Industrial machinery	122,6	-11,1	5,5	1,4	-8,0	0,3
– Engines non-electrical	2,5	16,2	0,1	0,1	-43,7	0,0
– Construction machinery	0,2	120,8	0,0	0,1	–	0,0
– Machinery engineering	120,0	-11,6	5,4	1,1	-10,0	0,2
– Agricultural machines	0,0	44,4	0,0	0,0	–	0,0
– Household appliances	2,7	-21,2	0,1	6,0	13,6	1,3
– Entertainment electronics	1,7	-32,0	0,1	5,7	20,0	1,3
– Household machines	0,9	10,5	0,0	0,3	-47,2	0,1
– Office machines, Computers	17,7	122,2	0,8	13,3	-36,3	2,9
– Electrical machinery and electronics	118,6	-5,6	5,3	27,0	-17,9	5,9
– Power generation, electric motors	9,9	-10,6	0,4	1,8	-54,0	0,4
– Telecommunications	28,5	-19,6	1,3	5,8	33,8	1,3
– Electric and electronic articles	80,3	1,4	3,6	19,4	-21,3	4,3
– Defence equipment	0,0	-54,4	0,0	0,0	397,9	0,0
Vehicles	0,2	-86,0	0,0	0,2	-49,2	0,0
– Road-vehicles	0,2	-84,6	0,0	0,2	-54,0	0,0
– transport of persons	0,1	-15,9	0,0	0,1	-69,2	0,0
– transport of goods	0,0	–	0,0	0,0	–	0,0
– Special purpose vehicles	0,0	-99,4	0,0	0,0	–	0,0
– Spare parts	0,1	-24,8	0,0	0,1	100,4	0,0
– Railway vehicles	0,0	-93,3	0,0	0,0	–	0,0
– Aircraft and spacecraft	0,0	-95,3	0,0	0,1	-30,8	0,0
– Vessels	0,0	–	0,0	0,0	–	0,0
Precision instruments	54,1	-1,8	2,4	9,0	-25,4	2,0
– Optical instruments, photo	18,5	-9,0	0,8	6,7	-39,7	1,5
– Surveying instruments	3,2	30,9	0,1	0,1	56,5	0,0
– Medical instruments and appliances	13,8	14,3	0,6	0,3	-7,6	0,1
– Mechanical measuring, testing, control equip.	18,7	-8,1	0,8	1,9	231,4	0,4
Watches	1.115,0	1,1	49,9	191,0	-22,3	42,0
Other goods	296,0	73,9	13,3	132,7	112,1	29,2

Source: Swissmem

HONG KONG

Shanghai Consumers as Trend Setters

Consumerism in Shanghai

Many signs show that Shanghai develops rapidly into the key trend setter in Chinese consumer tastes. This is not only visible through the mushrooming of life-style magazines in the city, concentrating mainly on housing, furniture, fashion, cars and watches. Clear developments are distinguishable in all facets of personal consumption, starting with expensive restaurants as well as private wine and cigar bars, where introductory member packages easily reach US\$ 5000.– and where the happy few can enjoy the luxury of a bigger personal space than in a packed road-side restaurant. But the food industry in general is profiting from the upward trends, where imports or local products by international brands are gaining ground very rapidly.

Consumption of leisure goods or beauty products is increasing notably, too. Numerous new and trendy shops appear daily in Nanjing Lu and Huaihai Lu, the two most prestigious shopping streets in Shanghai which both have a length of several kilometres. Equally important, however, is the disappearance of shops that are not able to survive the rather tough Chinese competition. Overseas travel by Chinese groups usually peak during the national holidays of Mai and October. Travel for purely touristic reasons is still limited to South-East Asian, Australia, New Zealand and Canada, but Germany was added to the list this year and the EU is in discussion with the Chinese authorities to expand the privilege to the whole of her territory.

The recognition of Shanghai as an emerging centre of consumerism is also coming from the international trend setters in the fashion and accessories business. More and more firms are relocating their offices to the city on the Huangpu river, the Swatch group being one of the most recent companies to move their regional headquarters from Hong Kong to Shanghai. Omega just opened two new flagship stores in Shanghai, one in Xujiahui, the most expensive commercial district in the city at the moment, the other in Huaihai Lu – and distributed Swiss chocolate at the 50th anniversary celebration of its Constellation models. The recent Food and Hotel Exhibition, where osec participated with some Swiss firms, clearly gained a more representative and higher priced image, too, with local and foreign brands participating. Coffee and coffee machines in particular are an interesting feature, documenting an internationalisation of consumer tastes in Shanghai and on the Chinese mainland in general. The popping up of Starbuck Cafés everywhere in the country present a serious inroad into the tea-drinking habits of older Chinese generations.

Quality Consciousness

These developments do not really surprise. According to Chinese banking circles around 10% of Shanghainese people have a bank account showing a balance of over a million RMB, corresponding to roughly US\$ 125'000.–.

At the same time sellers are well aware that Shanghainese people are careful about money. When they buy, they buy premium goods and are ready to pay for a gain in quality.

Quality consciousness may be the key to many consumer trends in Shanghai, and not the snob appeal inherent in the high class product segments. Reliance on high quality may well be the key factor for the success of the French retailer Carrefour whose high profits have given concern to the Shanghai Municipality. The guarantee of quality in vegetables without pesticide residues, in meat without hormones or in food in general which has not been tainted, is an element of considerable importance in a country where abuses of agrochemicals in vegetable and fruit production and of pharmaceuticals in animal feed is rampant and where food poisoning still happens too often. The Shanghai government has strongly committed itself to control the situation, but the size of the problem is such that a satisfying situation still lies far away.

It may very well be the quality consciousness of the population that could lead, in the longer term also, to a solution of the intellectual property issue in certain fields as well. Here too, the government had to become active with a very strong hand due to fake pharmaceutical products, not yielding the promised results or even putting the health of Chinese customers at risk. The rampant copying of international brands may lead the wealthier consumer to purchase the real thing, being proud of it and being sure of the quality guaranteed by imports or by quality guarantees of foreign firms producing and operating in China.

These quality issues are felt everywhere. Even the car producer VW switched its strategy to production of top-quality models completely comparable to its models produced in Germany. At the same time the car maker is building up a high-class service network in order to guarantee a satisfying after sales service. Gone are the days when China was happy with old production lines from Europe, when the outdated models were still shiny compared to the old Mercedes copy produced here under the "Shanghai" brand in the seventies. The consumer starts to decide on the fate of companies and brands, and she or he decides clearly on a quality and cost basis – at least in Shanghai and the surrounding provinces.

Challenges to Foreign Companies

This has some very important consequences for Western companies. First of all, the fact that the customer is ready to pay relatively high prices for outstanding quality, has also led to a very demanding customer. He – and certainly she – pays the price, but the quality must correspond. The knowledge of the consumer in the big coastal cities in China today is very often international and well developed. A Shanghai customer has no problem in distinguishing between gold and platinum or between different levels of chocolate qualities, and the middle class

knows the difference between a Longines bought in the market place for twenty US dollars and the same model bought in the new flagship store in Huaihai Lu for a different amount.

The quality must be guaranteed by an expatriate presence, too, especially in the consumer business. Generally speaking, quality control in itself must still be done by expatriate employees. But even if quality control is no longer a problem, the person of last resort in a customer relationship should be a foreigner in order to document the quality of the brand and the product. The foreigner can generally not be a Chinese person from Hong Kong, Taiwan or Singapore either. The problems of intra-Chinese relations are still very important and may even have grown with the opening of the economy and the ensuing stronger competitive patterns. It must be an ethnically "neutral" person guaranteeing the quality of the foreign producer – but a person mastering Chinese behaviour patterns very well.

Fairs and Exhibitions: Chances for Foreign Companies

The outlook for consumer products, from café to Cognac XO, from cars to cosmetics, as well as for products in relation to these consumer items, remains excellent in the Yangtse region for the months to come. The sale of private cars has soared 40% in China compared to the same period last year, the threshold of US\$ 5000.– per capital of GDP will very likely be reached in Shanghai by the year 2003. Any fair or exhibition in relation to finished consumer goods or to intermediate or related products presents an excellent occasion for Swiss companies to get a first hand picture of modern developments in the region. Shanghai and its surrounding provinces are on the best way to become the trend setter for China as a whole, replacing Hong Kong in its leading role.

*The Consul General of Switzerland
Hans Jakob Roth*

Shanghai Becomes Tourist Destination

The Oriental Pearl TV Tower, Shanghai Science and Technology Museum, Jinmao Plaza and Shiji (Century) Boulevard all add to the splendor of Shanghai's Pudong New District that has drawn visitors from around the world. Latest statistics show that Pudong received 7.34 million visitors in the first half of this year, including 180,000 from overseas, 62 and 48 percent more than the same period last year, respectively.

The income from tourism topped 1.5 billion yuan (180 million USdollars), a rise of 29 percent on a yearly basis. The occupancy rate of over 60 luxury hotels reached 72 percent on average, 9.4 percent higher than same period last year. The growing occupancy rate was the result of a 15 percent rise in the number of guest rooms in the area in the January-June period.

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SHANGHAI

SHANGHAI

Ashley W. Esarey, a visitor from New York, cited Pudong as a window through which an outsider can witness tremendous changes taking place in Shanghai, saying the stylish Lujiazui banking and trade zone that are matchable with Manhattan in New York. The Oriental Pearl TV Tower in Lujiazui area has attracted 13.5 million visitors since it opened to visitors six years ago.

The booming conference and exhibition industry is also one of the major factors behind the rapid growth of Pudong's tourism industry. Many conference and exhibition venues now constitute part of the tourist trail. Statistics show the Pudong new area hosted 407 international and regional conferences in the first six months of

the year, a 53percent jump. The conferences accommodated a total of 72,000 people, a rise of 125 percent over the same 2001 period. Moreover, Pudong last year hosted 102 international conferences and 21 large exhibitions, attracting 12.1 million visitors from both at home and abroad, and bringing to Pudong over 2.5 billion yuan (3 billion US dollars) in tourism income.

The tourist industry has accelerated the development of the hotel and catering businesses in Pudong, which is dotted with more than 60 luxury hotels, including seven four-star and seven five-star hotels, and over 2,700 restaurants.

Source: Xinhuanet

New Premises of the Consulate General in Shanghai

In June 2002 the Consulate General of Switzerland in Shanghai was moved to its new location in Xian Xia Lu 319, some three hundred metres from the old location. Commissioned by the Federal Office of Construction and Logistics and developed by a German internal designer working for iAction, an Australian company, the interior design of the new Consulate General is outstanding and presents an open and welcoming Switzerland. The warm colours of our national emblem are taken up in the upholstery of the waiting room, creating a warm atmosphere in the reception area.

But the creative ideas did not stop in the customer area of the Consulate, lying on the 22nd floor of a high-rise building in Hongqiao district. The ceilings were not closed to gain some height and create more an artistic working environment than an administrative place.

Wooden elements and coloured glass panels take up the elements in the entrance and dampen the technical aspects of the open ceiling. A nice canteen overlooks part of the Shanghai City from the 22nd floor. Spacious working places and an independent air conditioning and heating system assure ideal working conditions. Furthermore the planning left enough room for considerable expansion of the work force and the Consulate.

The design of the new Consulate General is made for this fast developing city, allowing our official representation the best possible presentation of Switzerland in the coming metropolis of the 21st century. The fact that the Consulate is a photographic topic in many life-style magazines of the city proves, that Switzerland is, for once, fully in the trend of developments.

Consulate General of Switzerland



Entry hall with visa counter of the new Consulate.

Shanghai Becomes China's Leading Exhibitor

The seven-day National Day holiday could be named a housing exhibition festival for the people of Shanghai, as China's largest metropolis has planned to hold over 10 housing exhibitions during the vacation. On the exhibition list was the first show of villas in the city and apartment buildings, which would draw group after group of local residents who are in urgent need to buy new flats since their existing ones would be pulled down to give way to new roads or lawns scheduled by city planners.

The latest statistics available show that Shanghai has given 5.5 exhibits per week in 2002, making it one of the busiest exhibition cities around the country. Shanghai has held a total of 144 exhibitions during the January-June period this year, including expos of Asian information technology, international furniture, construction materials, and cartoons.

Messe Frankfurt, the third exhibition giant in the world, set up its branch in Shanghai in April. Before that, two other exhibition firms based in Hanover of Germany and Milan of Italy have already established their own branches in Shanghai.

Shanghai's new international exhibition center went into operation last year, extending total display space of the municipality to 150,000 square meters and facilitating hosting big international exhibitions.

Shanghai now has five exhibition centers and more than 100 companies engaged in the exhibition business, which are manned with over 4,000 employees. The five exhibition centers had held a total of 595 exhibitions from January 2000 to July this year, with an annual growth rate of over 20 percent.

Shanghai, with one of the fastest growing economies in China, has maintained a double-digit economic growth rate for 10 consecutive years. Nearly 300 firms of the world's Top 500 have opened offices or branches in Shanghai. Shanghai's exhibition business would skyrocket against this backdrop, said experts. Exhibition benefits aviation, tourism, commerce, catering service, and hotel business. Authentic statistics indicate that the international exhibition industry boasts a profit rate of more than 25 percent. Chen Xianjin, general manager of Shanghai Exhibition Center, acknowledged that every 1,000 sq m of the exhibition space mean almost 100 job opportunities.

Shanghai could become a super world-class exhibition center, especially in view of the World Expo taking place in this vibrant city in 2010.

Source: People's Daily

Setting International Standards

How Established Western Trade Fairs Stimulate the Fair Location China

In times of economical stability figures like these already are extraordinary – but in the presently bad state of the world's economy they almost seem utopian: In 2001 the gross domestic product of China increased 7.6 per cent and in the first half of 2002 the growth climbed up to another 7.8 per cent. The People's Republic of China is the fastest growing economy in Asia and is likely to become the world's biggest economy until 2020.

This is an amazing potential for a country, whose gross domestic product used to be half of the Russian GDP in the late 80s. Many foreign companies have already recognised the signs of times: According to the United Nations Conference for Trade and Development (Unctad) China will have acquired almost 50 billion US Dollar in foreign direct investment until the end of 2002. With that the People's Republic receives almost 80 per cent of Asia's FDI and leads the world even before the US.

No matter if big car manufacturers like BMW or Toyota, chemical companies like Bayer and BASF, electronics giants like NEC and Toshiba, computer specialists like Microsoft and IBM – no American, European or Southeast Asian company can afford to delay their commitments on the future market China. Especially for the

European and the Americans it is important show presence in the heart of Asia: The latest in 2012 the People's Republic together with the ASEAN countries will form the world's biggest free trade zone. Who missed to break into this market until then will have a hard time to regain lost time.

West Goes East – the Chinese Fair Location

But the booming Chinese market not only opens up new vistas for the big companies: There are medium-term opportunities even for small and medium-sized companies. To watch the market from afar might be enough for a start, but who seriously plans their expansion to China, needs to go directly to the spot. A first step for a commitment abroad might be the participation at regional fairs. As visitor or exhibitor one can closely observe the market, evaluate own opportunities, or introduce a product to the market.

Especially fairs based on an exhibition concept that was approved over years offer great advantages and provides a framework for their attendees according to the accustomed standards. The fair location China has still a lot to catch up considering venues, stand construction, and technical matters – but western fair organizers offer a lot of support. For instance in Shanghai, the fair orga-

SHANGHAI



*The new exhibition center in Shanghai
(Photo: ImagineChina)*

nizers Messe Muenchen, Messe Hannover and Messe Duesseldorf have invested extensively and realized in a joint venture with the Shanghai Pudong Land Development (Holding) Corporation the Shanghai New International Expo Center (SNIEC). In the first phase almost 100 million US Dollar were invested; in November 2001 the first five halls with 55,000 square meter exhibition space were officially opened. In terms of construction and with its facilities the SNIEC not only corresponds with the international exhibition standards; after the completion of its 17 halls plus open air space it will be the biggest and most modern exhibition center in Asia.

At present, China experiences rapid changes, but when it comes to organize trade fairs, the Chinese trade fairs still depend on the long experience of foreign partners. Especially exhibitors from Europe and America trust in trade fair concepts and fair organizers they already know.

For Instance Electronics Trade Fairs

The example of the electronics trade fairs of the Munich Trade Fairs shows how much fair attendees profit from the cooperation of western and Chinese fair organizers. Based on the successful concept of the international key trade fair for components and assemblies in electronics electronica as well as for electronics production Production in Munich, the German trade fair has established regional key fairs for the Chinese market. Matched to the local market requirements, electronicAsia in Hong Kong has been the most successful fair for electronics components in Asia since 1997; electronicChina had its premiere in Shanghai in 2002 and was very successful with its product range electronics components and assemblies and electronics production. The success of these trade fairs in China and their growing importance for Asia is based on the experience and the know-how of the world's biggest organizer of electronics trade fairs from Munich. Another reason is also the cooperation with local partners – the Hong Kong Trade Development Council for Hong Kong and the CIEC China International Exhibition Corporation for Shanghai – and national industry associations as well as public authorities.

But to establish China as an international, competitive trade location the organizers also depend on a representative exhibitors' participation. To acquire western com-

panies as exhibitors the fairs profit from the good reputation of already established events – like the German electronica – and their confidence in western trade organizers – for example Munich Trade Fairs. Companies without profound experience in Asia lose their fear of entering the new market, as they not only receive support when preparing for the expansion to Far East; they also profit from a contact partner before, during and after the event, who they experienced as a reliable partner in the past and with whom they are familiar in terms of language and culture.

In the Chinese region, no matter if Mainland China or the special administration zone Hong Kong, a lot of successful events are staged – from consumer fairs to highly specialized trade fairs. The most successful have well-known names, which have been established before the economical opening of the People's Republic; hosted by experienced trade organizers at international trade locations they have gained the trust of exhibitors and visitors. The regional satellites of these trade fairs in China profit from the international reputation and attract companies and attendees from all over the world – and smooth the way for the future of the trade location China.

Contact in Switzerland for all events of Munich Trade Fairs International in PR China:

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The trade fairs of Munich Trade Fairs in China in 2003:

electronicChina, Shanghai, March 12–14, 2003

Auto Shanghai, April 21–27, 2003

Bakery China, Shanghai, May 14–16, 2003

Luxury China, Shanghai, September 18–21, 2003

electronicAsia, Hong Kong, October 13–16, 2003

B+D Shanghai, Shanghai, October 28–31, 2003

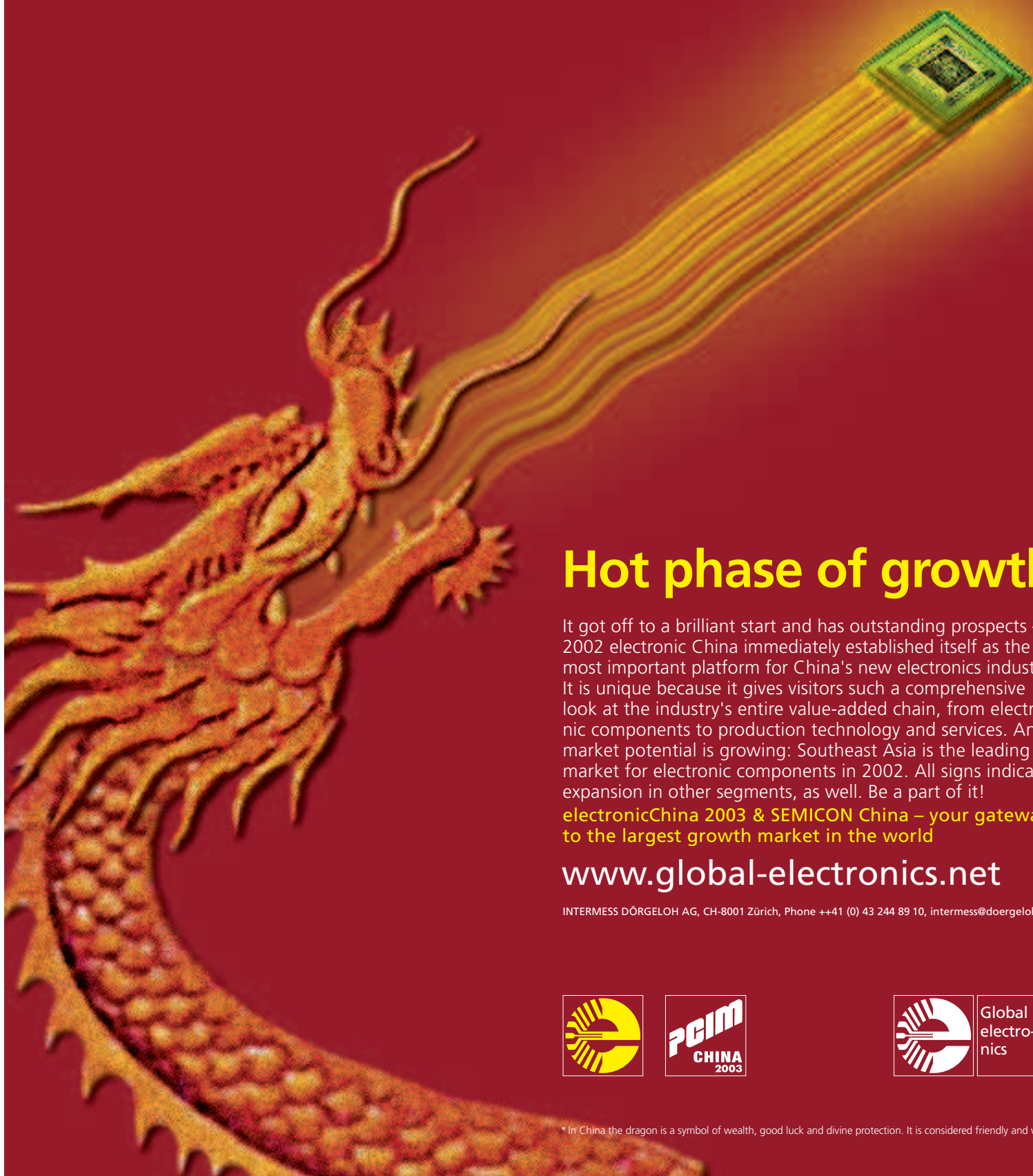


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* In China the dragon is a symbol of wealth, good luck and divine protection. It is considered friendly and wise.

Interview with Swiss Business Hub China



Mr. Lüthi: When did the Swiss Business Hub China open and where is it located?

Mr. Lüthi: The Swiss Business Hub China opened its doors on March 18 of this year in Beijing in the presence of Osec's CEO, Mr. Balz Hösly. During a lunch with the Swiss Chinese Chamber of Commerce he met with the Swiss business community and outlined hereby his vision of Osec Business Network Switzerland and how the Swiss Business Hubs fit into it. In the evening, Mr. Dominique Dreyer, Ambassador of Switzerland to the People's Republic of China, hosted a buffet dinner, during which the Beijing Hub was officially declared open. Credit Suisse generously supported the opening festivities.

The Ambassador's reception was attended by Swiss and Chinese dignitaries especially from the business community. Mr. Urs Buchmann, President of the Swiss-Chinese Chamber of Commerce and Mr. Wan Jifei, Vice-Chairman, China Council for the Promotion of International Trade, were present.

Mr. Hösly also attended the opening of the Swiss Business Hub's branch in Shanghai at the office of the Swiss Consulate General. There again Mr. Hösly met the local Swiss business community as he attended the Annual general assembly meeting of the Shanghai Chapter of the Swiss-Chinese Chamber of Commerce. In addition to that, my deputy in Shanghai, Mrs. Freda Wang with the great support of our Consul General, Mr. Hans Jakob Roth, organised very interesting meetings, with local decision-takers. We met Mr. Wu Chenglin, Chairman of the local CCPIT and Mr. Tang Qingfu, Deputy Director of the local MOFTEC, to name but a few.

How is the work between the Hub in Beijing and Shanghai and the Commercial section of the Embassy in Beijing organised?

Mr. Lüthi: In contrast to the pre-Hub period where the work was clearly divided along the borders of the consular district, also geographically oriented, we now try to

employ and deploy the talents along the network-principle. Of course, we cannot completely ignore where an industry, a business is located or an activity takes place so geography still is a remaining issue when organising the tasks. Therefore the focus of our activities is centred on Shanghai and Beijing, where Swiss businesses in China are concentrated. This situation will not change in the foreseeable future. We also try to achieve a distribution of the workload between Beijing and Shanghai. I am very impressed about how successful the Swiss Business Hub China has become in the very short time since its opening. The success we enjoy is great but confirms the fears. I had from the beginning that the Swiss Business Hub China would be somehow understaffed. The situation is particularly difficult in Shanghai and the problem should be ad-dressed soon.

The tasks between the commercial and economic section of the Embassy and the Hub are divided in a very pragmatic way. Limited resources call for such an approach. Whereas the economic section focuses on the macro-economic and legal issues, promotes Switzerland to potential investors, liases with the SCCC and is in charge of the Sino Swiss Partnership Fund SSPF, the Swiss Business Hub concentrates on the operational aspects of doing business in China. Being so close is an advantage as information is shared very openly and freely. Instead of addressing individual people in the network, it is always better to forward any requests generally to the SBH, the Embassy or the Consulate General as such. We can assure that any request will reach the competent person without delays. Besides we have very close relations with the Swiss Chinese Chamber of Commerce in Beijing and Shanghai and support each other whenever suitable and practical.

What are the main goals and services of the Swiss Business Hub China?

Mr. Lüthi: The Swiss Business Hub China overall is designed to offer specific services to small and medium-sized enterprises from Switzerland and Liechtenstein in order to strengthen and develop their business relations with Chinese partners. The hub will thus help fostering business relations between Swiss/Liechtenstein and Chinese companies in the years to come. More specifically, the Swiss Business Hub China offers market and product analysis, search of distributors, representatives and import partners, individual consulting and coaching of SMEs, reports on presentations and trade fairs in various Chinese cities, information about the Chinese markets via the central information-platform of Osec Business Network Switzerland (see: www.osec.ch) as well as information on the Swiss economy for Chinese companies and media. The new network philosophy and the "one stop shop"-principle allow fast, intensive and high-standing consulting services.

Basic information is free of charge, whereas for individual consulting of companies some fees will be charged.

Can you tell us some examples on how the hub concretely helps to foster these business relations?

Mr. Lüthi: One share of our work is to maintain close contacts to the Chinese professional and industry organisations, such as CCPIT, China National Textile Industry Council, China Machine Tool & Tool Builders' Association, or MOFTEC. Networking is not limited to the national level but includes provincial and municipality level and interest groups too. Aiming to keep intensive contact with the Chinese media is another priority of the Swiss Business Hub China.

Together with Osec Business Network Switzerland we organised a first Swiss participation at the Food and Hotel China FHC from September 3 to 6 in Shanghai. Although the first Swiss participation at this show was still small, we are optimistic to strengthen the interest in Switzerland for future participation. Traditionally the Swiss textile machine industry attended in a great numbers the bi-annual China International Textile Machine Exhibition CITME. From October 15 to 19, more than 20 Swiss companies participated in the Swiss Pavilion organised jointly by Swissmem, Osec Business Network Switzerland and the Swiss Business Hub China. At the same time representatives of the Swiss railway industry participated at the ChinaRail 2002 in Shanghai. There, Swiss participation was managed by Swissrail and the Swiss Business Hub supported in organising the event.

Upcoming are the so-called company consulting days organised for the third time this year by Osec Business Network Switzerland. Mrs. Cong Ming, will represent our Hub in Switzerland. It is an excellent opportunity for Swiss businesses to discuss with experts from Osec and the Hub individually the China market.

In 2003 Switzerland will participate in the China International Machine Tool Show in Beijing (April), ShanghaiTex (June) and Food and Hotel China (September).

How do you see the opportunities to work together more closely with the Swiss-Chinese Chamber of Commerce in the near future?

Mr. Lüthi: I believe the level of co-operation we have achieved already is good, even very good with both SCCC branches in China but also with the SCCC in Switzerland. How we can even improve our co-operation more will be subject to a joint analysis of our current activities, tasks and services we are providing. Again, I am very pragmatic and in favour of pulling together our scarce resources for the benefit of the whole Swiss business community. That means we have to see how we can concentrate on what organisation can do better than the other. In any case it must be the aim to avoid double track and unnecessary waste of resources.

The Swiss Business Hub China is very well positioned to cover specific and individual information needs on the Swiss and Chinese business environment, for example custom tariffs, rules and regulations, tracing and checking suppliers, manufacturers, trade shows etc.

The strength of the Chamber is in public relations and lobbying both in China and Switzerland. The function of keeping the Swiss business community together in China and at home is very important.

*Interview with Mr. Erwin Lüthi,
Head of the Swiss Business Hub China
(Erwin.Luethi@bei.rep.admin.ch)*

Mittelstand stärker fördern

Gespräch mit dem Botschafter der VR China in der Bundesrepublik Deutschland, Ma Canrong, aus Anlass des diesjährigen 30-Jahr-Jubiläums der Aufnahme diplomatischer Beziehungen zwischen der Bundesrepublik Deutschland und der VR China.

CC: Herr Botschafter, wenn Sie auf die vergangenen 30 Jahre zurückblicken: Was zeichnet die Wirtschaftsbeziehungen zwischen Deutschland und China besonders aus?

Ma Canrong: In den vergangenen 30 Jahren hat sich eine Entwicklung vom Kleinen zum Großen vollzogen. Das wird besonders bei den wirtschaftlichen Beziehungen deutlich. So ist das Handelsvolumen nach unseren Statistiken seit Aufnahme diplomatischer Beziehungen um das 90fache auf 23,5 Milliarden US-Dollar gestiegen. Damit ist Deutschland unser wichtigster Handelspartner in Europa.

Das Besondere ist aber, dass sich die Kooperation heute nicht mehr nur auf den Handel beschränkt: Sie ist umfassend und reicht von der finanziellen Zusammenarbeit bis zur Kooperation im Umweltschutz und in der Hightechproduktion. Das gemeinsame Hochtechnologie-Forum im vergangenen Jahr in Peking hat dabei eine neue Etappe eingeleitet.

Auch bei Direktinvestitionen in China ist Deutschland heute führend in Europa. Zwar liegt es dem Volumen nach noch hinter Großbritannien auf Rang zwei, doch ist das Tempo des Zuwachses inzwischen deutlich höher als bei den britischen Direktinvestitionen.

Ein Beispiel für das Besondere der Beziehungen ist auch die erst kürzlich getroffene Tourismusvereinbarung, die erste mit einem Land der Europäischen Union. Waren Sie bisher nur gewohnt, viele Japaner, Koreaner oder Taiwaner in deutschen Städten anzutreffen, werden es jetzt auch mehr chinesische Touristen sein.

INTERVIEWS



Ma Canrong, Botschafter der Volksrepublik China in der Bundesrepublik Deutschland und Mitglied des Redaktionsbeirates von ChinaContact, im Gespräch mit Chefredakteur Peter Tichauer.

CC: Jubiläen sind auch Anlass, in die Zukunft zu schauen: Wo sehen Sie neue Möglichkeiten für die Intensivierung der Zusammenarbeit?

Ma Canrong: Deutschland ist ein hoch entwickeltes Industrieland, China das weltweit größte Entwicklungsland. Für den gewaltigen wirtschaftlichen Aufbau brauchen wir Kapital, Technologie, Erfahrungen. China ist ein großer Markt mit gut ausgebildeten Menschen und reich an Rohstoffen. Das ist eine gute Grundlage für den Ausbau der Kooperation, von der nicht nur China profitieren wird.

Neue Perspektiven der Zusammenarbeit sehe ich gerade in den Bereichen, die für uns in den kommenden Jahren Priorität haben, wie die Entwicklung und Produktion von Hightecherzeugnissen, die im internationalen Wettbewerb bestehen können, oder Umweltschutz und Abfallwirtschaft. Und ich denke, dass beide Länder noch mehr tun können, um dem Mittelstand den Weg nach China zu öffnen. Denn auch bei uns gewinnen kleine und mittlere Unternehmen zunehmend an Bedeutung für die Volkswirtschaft. Schließlich bietet das Westchina-Programm neue Möglichkeiten für die Zusammenarbeit.

CC: Die Bedingungen für Investitionen im Westen Chinas sind jedoch noch sehr schwierig.

Ma Canrong: Das stimmt. Die Voraussetzungen dafür müssen wir schaffen. Aber im Westen gibt es sehr reiche Ressourcen, die Arbeitskräfte sind billiger als im Osten. Das sind Besonderheiten, die langfristig genutzt werden müssen. Wenn Unternehmen im Westen Chinas einen Partner finden und ein perspektivreiches Projekt haben, lohnt es sich, dort zu investieren.

CC: Wie haben sich nach dem Beitritt Chinas zur WTO die Bedingungen für die Kooperation geändert?

Ma Canrong: Der Markt wird liberaler. Davon profitieren die Unternehmen. Gleichzeitig sehen sich nicht nur deutsche Firmen einem schärfer werdenden Wettbewerb in China gegenüber. Darauf müssen sie Antworten finden.

CC: Wir werden in Zukunft sicherlich auch mehr Investoren aus China in Deutschland sehen.

Ma Canrong: Ja. Aber noch ist das Volumen chinesischer Investitionen im Ausland gering: Es sind insgesamt nur 6.200 Engagements in 160 Ländern. In Deutschland haben seit 1980 300 Unternehmen Niederlassungen gegründet.

CC: Vor welchen Problemen stehen chinesische Firmen hier vor allem?

Ma Canrong: Sie müssen sich genauso wie deutsche Unternehmen in China mit den hiesigen Bedingungen und dem kulturellen Umfeld vertraut machen. Das Steuerrecht ist sehr kompliziert, es gibt Schwierigkeiten mit den technischen Normen. Vor allem aber dauert die Visaerteilung zu lange und es ist nicht einfach, eine Arbeitserlaubnis in Deutschland zu erhalten. Ich hoffe, dass unsere Regierungen hier gemeinsam Lösungen finden können – im Interesse von Unternehmen wie Haier oder Changhong, die durchaus ein Potenzial für mehr Engagement in Deutschland haben.

*Das Gespräch führte Peter Tichauer
Chefredakteur Wirtschaftsmagazin ChinaContact*

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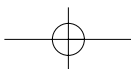
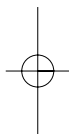
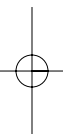
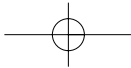
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Ringier is present at the "Metalworking" trade fair in Shanghai. The wall behind shows the title page of "International Metalworking News for China".



NEWS FROM MEMBERS

the Chinese CASH weekly newspaper in Shenzhen. In 1997, Ringier became a majority shareholder in Asia Inflight Ltd., publisher of the 235,000 monthly circulation CAAC Inflight magazine. In cooperation with the Ministry of Foreign Trade & Economic Cooperation (MOFTEC), Ringier also publishes the 30,000 monthly circulation English-language magazine China International Business, city guides in Shanghai and Beijing as well as a series of books for tourists in Chinese.

Ringier Trade Publishing Ltd. currently publishes twelve specialized industry magazines for China, in simplified Chinese, reaching over 150,000 buyers across six major industries – food & beverage, footwear, metalworking, packaging, plastics and coating – supported by a trilingual China sourcing site, www.industrysourcing.com. Our objective is to provide industry leaders across China with global technology transfer, with solutions and applications for improving efficiency, productivity and profitability in all these rapidly growing industries.

In the Hong Kong print centre Ringier Print (HK) Ltd. approximately 50 newspapers and magazines – including the Asian editions of Newsweek and The Economist – are produced using rotary offset printing.

In Vietnam, Ringier launched an adaptation of CASH together with a Vietnamese business partner in 1993. A fashion magazine followed a year later, which was followed by the Vietnam Economic Times, an English-language monthly magazine.

*Ringier AG, Communications
info@ringier.ch*

Industry magazines in China

- China Industrial Reporter
- International Metalworking News for China
- International Mold & Die Making News for China
- International Packaging News for China
- International Package Printing & Converting News for China
- International Food Processing & Packaging News for China
- International Food & Beverage Ingredients News for China
- International Plastics News for China
- Coatings and Ink China
- International Footwear News

Key facts

- Ringier is a family owned company, established in 1831, now managed in the fifth generation by Michael Ringier (53)
- Sector of activity: Publishing (print media, electronic media) and printing
- Number of employees: 6100
- Annual turnover: CHF 1063 million / EURO 728 million (2001)

Links

- www.ringierpacific.com/english/about_us.htm
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Geissel der Manager: das Burnout-Syndrom

Laut neuesten Untersuchungen (zitiert von der Resourcing-Akademie in Basel) fühlen sich nur gerade 20% aller Manager im Berufs- und Privatleben glücklich. Den anderen 80%, also einer überwältigenden Mehrheit, machen Stress am Arbeitsplatz, Rezession, Informationsüberflutung und unmotivierter Mitarbeiter derart zu schaffen, dass sie zunehmend ein Gefühl von Ohnmacht, Leere und Erschöpfung überkommt. Andererseits ist bekannt, dass die Chinesen seit alters her in ihrer Medizin Verfahren zur Revitalisierung von Körper und Geist kennen. Wir haben daher das CHINAMED Zentrum Zürich gebeten, über das Burnout-Syndrom aus der Sicht der Traditionellen Chinesischen Medizin zu schreiben.

Von Prof. Qi Xiaohua, CHINAMED Zentrum Zürich
Übersetzung: Frau Huang-Oberholzer

Das Burnout-Syndrom ist ein häufiges Krankheitsbild in der heutigen Gesellschaft. Das Syndrom manifestiert sich hauptsächlich durch folgende Symptome: Müdigkeit, Erschöpfungszustand, Antriebslosigkeit, Konzentrationsstörungen, vermindertes Reaktionsvermögen, Leistungsabnahme, psychische Verstimmung sowie Depression. Im Lauf der Krankheit können sogar Störungen des Nervensystems sowie Herzkreislauferkrankungen auftreten, wie z.B. Schlafstörungen, Kopfschmerzen, Herzklopfen und hoher Blutdruck, was die Gesundheit immens beeinträchtigt.

Im Westen herrscht die Meinung vor, dass diese Beschwerden auf folgende Faktoren zurückzuführen seien: zu viel Hektik und Stress am Arbeitsplatz, lange Arbeitszeit, Leistungsdruck infolge grosser Konkurrenz, lang andauernde psychische Anspannung, Schlafmangel und Bewegungsarmut.

Aus der Sicht der Traditionellen Chinesischen Medizin (TCM) macht man für dieses Syndrom die Schwächung der Lebensenergie Qi verantwortlich. Übermässige Anstrengungen schwächen das Qi und erschöpfen dessen Reserven. Grosse Sorgen, Ängste belasten die Milz, psychische Anspannungen schaden dem Herz. Schwere geistige Arbeit und übermässige psychische Belastungen beeinträchtigen daher Milz- und Magenfunktionen. Da das Herz die Instanz für das Blut ist, und die Milz den Ursprung der Lebensenergie Qi und des Blutes darstellt, rufen folglich die erwähnten Belastungen Qi- und Blutmangel hervor, was den Körper in einen Zustand der «Unterernährung» bringt. Erschöpfungszustände, Energie- und Antriebslosigkeit treten auf. Halten solche psychische Anspannungen und Belastungen über längere Zeit an, können sie allmählich Qi-Blockaden im Lebermeridian verursachen, was weitere psychische Verstimmungen und Depressionen auslösen kann. Das blockierte Qi kann unter Umständen inneres Feuer entfachen, das seinerseits Unruhe hervorruft und die Reizbarkeit steigert. Im schlimmeren Fall führt dies sogar zu hohem Blutdruck.

Der menschliche Körper ist ein ganzheitlicher Organismus, in dem sich Organe und Gewebe gegenseitig beeinflussen. Qi- und Blutmangel führen dazu, dass das

Herz ungenügend durch das Blut ernährt wird. Als Folge treten Herzklopfen und Schlafstörungen auf. Wenn das Gehirn mit zuwenig Qi und Blut versorgt wird, treten Kopfschmerzen, Schwindel und Konzentrationsstörungen auf. Ausserdem vermindert sich bei geschwächter Konstitution die körpereigene Abwehrkraft gegen Schadstoffe aus der Umwelt. Bei Wetterwechsel etwa oder sich ungünstig auswirkender Umgebung wird der geschwächte Körper anfällig für viele Erkrankungen, wie z. B. Erkältungen, Husten, Allergien und Kopfweh. Ohne rechtzeitige therapeutische Massnahmen können sich die krankheitsverursachenden Faktoren weiter entwickeln. Qi-Schwäche führt zu Yang-Schwäche, während Blutmangel Yin-Schwäche verursachen kann. Und der Gesundheitszustand verschlechtert sich zusehends.

Bei der Bekämpfung des Burnout-Syndroms ist es aus der Sicht der TCM grundlegend, dass Arbeit und Erholung aufeinander folgen müssen. Zusätzlich bietet die chinesische Medizin eine ganze Palette von Therapien, wie z. B. Kräuter, Akupunktur, Ohrakupunktur, Ernährungs- und Bewegungstherapien. Das Grundrezept heisst in der Regel: Mangelerscheinungen zu beheben und das positive Qi zu unterstützen. Entsprechend dem Krankheitsbild werden verschiedene Kräuter eingesetzt und einflussreiche Akupunkturpunkte benutzt, um die organischen Funktionen im menschlichen Körper zu regulieren. Damit kann der Ausgleich zwischen Yin und Yang wieder hergestellt und das Qi sowie das Blut wieder normalisiert werden.

Ein Beispiel

Klaus C., 40-jährig, litt seit einem halben Jahr unter Energielosigkeit und Kopfschmerzen. Als Wirtschaftsführer und Chef eines Unternehmens war er seit geraumer Zeit beruflich sehr beschäftigt und geistig angespannt. Sowohl psychisch als auch physisch fühlte sich der Mann immer mehr erschöpft. Zudem traten Begleiterscheinungen auf wie Schwindel, Vergesslichkeit, Träume, Müdigkeit trotz genügendem Schlaf sowie verminderter Appetit.

Der Zungenbefund des Patienten: blass und ein wenig belegt.

Der Pulsbefund: schwach.

Die Diagnose: geistige Überbelastung und übermässige Strapazen schwächten Herz und Milz, was zu Qi- und Blutmangel führte.

Die Therapie: eine kombinierte Behandlung mit Hilfe von Heilkräutern und Akupunktur.

Eingesetzte Heilkräuter: Gui Pi Tang, Man Jin Zi und Chrysanthemen.

Behandelte Akupunkturpunkte: Bai Hui, Yin Tang, An Mian, Shen Men, Zu San Li und San Yin Jiao.

Dem Patienten wurde ausserdem Ruhe verordnet.

(Fortsetzung nächste Seite)

NEWS FROM MEMBERS

BULLETIN 3/02 SWISS-CHINESE CHAMBER OF COMMERCE

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*Medizinisches Behandlungsteam
im CHINAMED Zentrum in Bern.*

Nach der ersten Woche liessen die Kopfschmerzen nach, und die nächtlichen Träume nahmen ab. Eine weitere Woche verging und der Mann fühlte sich energetisch gestärkt, und auch die Müdigkeit war zurückgegangen. Anstatt Akupunktur wurde zu diesem Zeitpunkt Ohrakupunktur angewandt, wobei Herz-, Milz-, Shen Men, Pi Zhi Xia sowie Leberpunkte behandelt wurden. Ausserdem wurde dem Patienten «Hirngymnastik» empfohlen.

Nach einem Monat hat sich der psychische Zustand des Patienten erheblich verbessert, und jegliche Beschwerden gingen zurück. Zwei Monate später ging es dem Mann sowohl psychisch als auch physisch sehr gut; er sah gesund aus und hat sich auskuriert.

*Von Prof. Qi Xiaohua, CHINAMED Zentrum Zürich
Übersetzung: Frau Huang-Oberholzer*

Weitere Informationen und Anmeldung:

- CHINAMED Zentrum Zürich,
Höschgasse 50/52, Tel. 01-3869898
- CHINAMED Zentrum Basel,
Aeschenvorstadt 57 B, Tel. 061-2058999
- CHINAMED Zentrum Bern,
Riedweg 3, Tel. 031-3099598
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St.-Anna-Strasse 32, Tel. 041-2083888
- CHINAMED Zentrum Olten,
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oder: www.chinamed.ch

Insight China 2002

The First Shot of a Growing Competence

By Franc Kaiser and Philipp von Büren, Project Managers Insight China 2002

Catapulting the University of Applied Sciences (UAS) Solothurn Northwestern Switzerland into the probably most complex and competitive area, China – this is the result of the pilot seminar “Insight China 2002”. During one month, professors and students used the chance of gaining an insight into the current business, social, and cultural situations of the P. R. China. The seminar involved various multinational companies, SME’s, and officials from Lanzhou, Gansu province, to provide a differentiated understanding of the Chinese culture and people. Inspired by the big success, Insight China 2003 and further China-related efforts are on their way.

What if Corporate Switzerland lost its competitive edge? This unpleasant question is one basic idea, which drives the current China-related efforts of the University of Applied Sciences Solothurn Northwestern Switzerland (UAS Solothurn Nordwestschweiz). The university’s process of ongoing internationalization and interdisciplinary approaches led to the ambitious pilot project “Insight China” (as announced in the SCCC Bulletin No. 4, 2001).

Breaking new grounds with an interdisciplinary seminar

The UAS Solothurn Nordwestschweiz in Olten who has been building up contacts with China since 1995, started its China-experience for the first time this May 2002. The ambitious project included 4 professors and 19 students from three disciplines (Business Administration, Engineering, and Social Work), measuring the current pulse of China for around three weeks. With great assistance and sponsorship of the Gebert RUF Foundation (Basel), and the Förderverein Fachhochschule Nordwestschweiz (Olten), the project managers, under the supervision of Prof. Dr. Mike Domenghino, were able to combine visionary ideas with concrete and careful organization.

After an intensive 4-day preparatory seminar in Olten, the “Insight China” passengers visited companies, institutions, and cultural sights in Beijing, Lanzhou (Gansu province), Suzhou and Shanghai. The packed program comprised an integrative, interdisciplinary learning experience. This experience was highly valuable, since they had access to top management and governmental representative of both European and Chinese companies and institutions. The UAS Solothurn Nordwestschweiz likes to express its deep appreciation and gratefulness to all companies and officials who contributed to the success of the seminar.

The outcome: 5 research reports, deep impressions, and unforgettable relationships

The seminar participants took a close look at five hot topics in China. The interdisciplinary idea of the seminar created teams mixed by students from all three disciplines, with the objective of gaining first-hand information about the following complex issues:

- What Western managers can learn from the Chinese system of “Guanxi”;
- How Chinese and foreign invested companies structure their supply chains;
- To what extent Gansu province could be an entry gate to China for Swiss companies;
- If Chinese State-owned enterprises can be potential clients for Western consulting companies; and
- In which dimension the Chinese industries experience a “leap-frogging” through M-business.

The results of the studies are summarized in five business reports, which can be downloaded for free from the link <http://www.hsw.fhso.ch/im>.

Definitely a great and unforgettable experience, the warm-hearted courtesy of the people in Lanzhou topped all expectations and conquered the souls of all seminar participants. The open conversation between the representatives from Lanzhou and the Swiss delegation set a milestone of intercultural understanding for both parties.

Steps ahead on the intercultural and interdisciplinary map

The UAS Solothurn Nordwestschweiz will state definitely a massive element of the University of Applied Sciences Northwestern Switzerland structure as Prof. Dr. Peter Abplanalp, Director of the UAS Solothurn Nordwestschweiz, is convinced of the raising importance of China for Switzerland in terms of business relationships, and social and cultural understanding. To underline its innovative and international mindscape, UAS Solothurn Nordwestschweiz has started to build up a Chinese Competence Center.

Upcoming China-related activities of the UAS Solothurn Nordwestschweiz

The master plan of the UAS Solothurn Nordwestschweiz includes a huge variety of activities.

In order to tackle further complex issues, research projects in several disciplines (together with Chinese partners and KTI) will be launched, scrutinizing for example Mergers and Acquisition in China. For this ambitious project, the UAS Solothurn Nordwestschweiz sent Franc Kaiser as a scientific assistant to Shanghai in order to conduct the research about M&A onsite. The study shall find out more about the feasibility of direct acquisitions of Chinese companies for Swiss companies.



Preparing for a presentation at the Beijing Economic-Technological Development Area (BDA).

In April 2003, the second "Insight China" seminar will follow the path of its predecessor and claim new ground in expertise and experience.

The UAS Solothurn Nordwestschweiz will continue to hold the already successful training program together with Chinese officials, university representatives and managers, which started in 1998. Next June, the fifth training program will again take place in Olten.

Furthermore, the UAS Solothurn Nordwestschweiz is welcoming Chinese professors for lecturing during their sabbaticals in Switzerland and to establish a platform for Swiss companies and interest groups, it will hold special conferences about China.

For the first time, the UAS Solothurn Nordwestschweiz will also create the opportunity for Chinese students from Gansu province to study in Olten. At the same time, on an exchange basis, Swiss students will have access to the universities in Lanzhou. And finally, training seminars for Swiss companies about doing business in China are planned to take place in Olten. Interested companies are welcomed to place their needs at the contact listed below.

The UAS Solothurn Nordwestschweiz understands the importance of China and is inspired by unconventional, innovative approaches. Therefore, it is about to put itself on the map of Swiss-China relationships, and is looking forward for synergies with members from the Swiss and Chinese state, companies, and other interest groups.

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Project managers of Insight China and graduate
students of International Management*

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Homepage: www.fhso.ch*

Marketing Across Cultures

Consumer Behaviour and Communication in Shanghai

If you are preparing to enter the Chinese market, then the comprehensive study by the Shanghai Group – a group of Business Administration students at the PHW (Private Hochschule Wirtschaft) in Zurich – can be of interest to your company. The topic of their research project "Marketing Across Cultures" is suggestive of the challenges and opportunities you might face. The study develops some of the issues raised in the quest for successful mar-

keting in foreign cultures from various angles. But the project is more than just a study. It is also a text book offering first-hand advice and background information about daily business in Shanghai.

The Shanghai Group offers answers to questions such as:
– What are the stumbling blocks faced by European managers in contact with Chinese consumers?

- How can “western” marketing and communication strategies be adapted to Asian conditions?
- How do Chinese consumers gather information about products and services?
- What media should be used to communicate with the Chinese consumer? What Chinese cultural aspects should not be ignored, even in the “westernised” city of Shanghai?
- How strong are western influences on the Chinese market?
- Is market entry in Shanghai an automatically guaranteed success?
- Where are the dangers and how can these be minimised?

To establish business relations in China is a great challenge. Chinese culture may seem foreign to most of us, but a sound knowledge of the background is necessary, as culture and business cannot be separated. In the introduction you will find general economic data concerning China and Shanghai. Consumer behaviour and marketing communication in Shanghai are explained, using the consumer goods and financial services sectors as examples. The Group has also prepared a list of suggestions for the market entry process and the most important key success factors for you as an European entrepreneur interested in the Shanghai region.

Key Information

In the area of consumer goods and financial services, Shanghai must be seen as one of several independent markets in China. It is one of the three most economically important cities in China. Owing to historical circumstances, Shanghai has developed more rapidly in comparison with other cities. Despite apparent proximity to western culture, an adaptation in all facets of business is of the greatest importance. European companies are offered a very attractive market in this economic centre, with a great backlog in the sectors as investigated by the Shanghai Group. The atmosphere of optimism is comparable with Hong Kong 15 years ago. The common features of the Chinese way of life should be taken into

account in every business decision. These features are treated in detail in the study.

Key Findings at a Glance

Chinese consumers demonstrate an enormous backlog demand for consumer goods. This is especially true with regard to luxury products from the west, which represent a certain status. The demand for quality is also high. Colours, numbers, images and forms always have a symbolic meaning for Chinese people, and therefore must be chosen very carefully. The use of western humour should be avoided in particular. The use of Chinese plays an ever increasing role. Few consumers (in comparison with Europe) speak English, and therefore advertisements must be in their mother tongue.

Essentially, the classic communication process used for consumer goods in Europe also applies in China. The consumer happily engages in personalised conversation with a representative to gather product information. Other main forms of communicating with the consumer involve television, radio, advertising placards, newspapers and magazines. Testimonials, or well-known personalities in advertisements, are hardly used or not used at all, because of fears that these celebrities could later draw negative publicity, thereby damaging the company by association.

The financial services sector makes less use of direct advertising and relies far more on cultural and sports sponsoring as well as seminars with specialists to reach the consumer. This places the company image and product knowledge in the spotlight. Financial transactions are a delicate matter and the Chinese (like the Swiss) appreciate discretion.

Bill Gates has said that China (and by implication Shanghai) is one of the most interesting and important markets of the future. Companies expanding into Asia cannot avoid Shanghai. It is to be expected that decisions regarding this key market will have great consequences, also outside Asia. Future prospects all point to the conclusion that Shanghai will adapt more and more to Europe and America. Nevertheless, the challenge presented by the local culture remains important today and in the future.

Shanghai Group



(f.l.t.r. back) Raheem Sheikh, Pedro Marcos, Beat Süess (front), Antoinette Walther, Patricia Gubler, Wenzel Sistek, Dino Ebnetter, Ancilla Schmidhauser

The full report in PDF (on CD-Rom) or on paper is available at reasonable cost. It is also possible to meet the group to give a short presentation and additional information.

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Dear Members, dear Readers



Take a few minutes and try to remember the year 2002 – the Year of the Horse –, which indeed has taken the speed of a racing stallion.

China's dynamic development forces the rest of the world to look closer and to forget about times, when it was just interesting to watch this country or to select it maybe as a good place to invest sometime in the future.

As an example: China is on pace to replace the United States this year as the largest exporter of goods to Japan. With shipments from China surging in November and December, Chinese imports are set to surpass US imports in value for the first time since the Ministry of Finance began compiling statistics. One year ago, on December 11th 2001, China entered the World Trade Organization. Along with this anniversary, the surge from China also comes at a time when Japanese firms are rushing to source material from the country or shifting production bases there. China has become the engine of growth and its economic and political balance is essential in pulling its neighbouring countries forward as it is becoming a hub for Asian economies.

Despite the challenges foreign investors encounter when doing business with or in China, it does not alter the fact that China is acquiring a dominant position in almost all fields in industrial production and hence, will most likely become the world's main production center in the years to come.

Looking back to the highlights of the Chamber during 2002, I would like to thank all those who have given us great support in organizing the memorable Swiss Innovation Week, who have contributed as excellent speakers to the many events and those who last but not least, are continuously supporting the Chamber and its activities – our members and our people - up front and in the back.

Susan Horvath
Managing Director, Member of the Executive Board

Zurich Legal Chapter Meetings in 2003

Wednesday, 5 February

Wednesday, 7 May

Wednesday, 20 August

Wednesday, 19 November

Time: 10:30h till 13:00h (sandwich lunch)

Venues and topics to be announced later.

Advertising Rates 2003

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Members of the Chamber can publish articles about their company for free. Look for deadlines on page 1 in each issue.

The Bulletin is also available in China and on the Chamber's website: www.sccc.ch

Chinese Holidays in 2003

February 1	Lunar New Year's Day
February 2nd, 3rd	2nd and 3rd Day of Lunar New Year
May 1st	International Labour Day
May 2nd, 3rd	2nd and 3rd Day of Labour Day
October 1st	National Day
October 2nd, 3rd	2nd and 3rd Day of National Day

Season's Holidays

During the holidays the Chamber's office in Zurich remains closed from December 23rd 2002 until January 3rd 2003.

New Members

since September 2002:

Zurich

Grueber-Wang, Wei	Zurich
Bratschi Emch & Partner	Bern
Dr. Jürg Gerster & Partner AG	Zurich
Medela AG	Baar
Dr. Wyder, Renato	Naters
Comaudio AG	Schaan
Gallery JJ	Zug
topwork ag	Zurich
Schweiz Tourismus	Zurich

Geneva:

Le VERT Sàrl	Geneva
Pesa SA, Port-Franc de Lausanne-Chavornay	Chavornay
Leman Capital Sàrl	Geneva
Beijing Degaohua Science & Technology & Culture Exchange Center, Branch of Association Amitié Euro-Chinoise	Geneva
La Générale du Froid SA	Geneva
Internegoce Sàrl	Geneva

Lugano:

Hageva SA	Grancia
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Year of the Goat



1931 * 1943 * 1955 * 1967 * 1979 * 1991 * 2003

The good-natured, tender-hearted Goat (or sheep or ram) is full of creativity and intelligence. This person has a peaceful character and hates danger and insecurity. Goats are dreamy and impractical and need to have a secure, cosy existence with someone to depend on. Goat people are compassionate, understanding of others' faults, and quick to forgive. They will not tolerate too much discipline and are also very offended if they are criticized. Good fortune smiles upon the sheep. Even in the roughest of times, the Goat always acquires the basic needs and gets its own way without force or violence. They have that passive endurance that drives you mad.

The Goat woman dislikes hardship. She is not a self-starter, nor adept at finishing things, but is full of apologies over her faults. This is an easier sign for women than for men, for the delicacy of nature that is part of the Goat is construed as effeminacy in men. Male Goats make much better lovers than husbands, since practicality is not their strong point.

The Goat should choose a calm, affectionate Rabbit, or a financially successful Pig who will keep him/her in comfort, but he/she must beware of a Dog or an Ox for they will despise the Goat's impractical nature.

China in Your Hand

a new book by Rainer Thomm

From the mental image of the Blue Ants of the 1950s, the Tricky Chinese of the 1960s – remember those Fu Manchu movies? – the view of Chinese cadres as comrades in arms against a hostile Soviet Union of the 1970s to the realisation 'Gee whiz, they're just like us!' of the 1980s and beyond, the Western view of China has often been a single-frame caricature of reality.

At a time, when, in the words of EU Trade Commissioner Pascal Lamy, among others, the Chinese economy has reached a stage where Western businesses have to run faster and faster just to stand still, such a one-dimensional perspective that does little more than capture slices of life in China, is counter-productive.

"China in Your Hand" is a timely quantum leap away from the outdated images of the past. In asking the right questions, author Rainer Thomm points out to business people, government officials and academics alike how to find their feet in their China missions.

Rather than repeating the same old mantras, such as the one on the value of guanxi (as if the value of interpersonal skills in relationships were something that is unique to China), Thomm looks at the facts confronting the business-person who ventures into China. Two conclusions stand out: 1. Linear logic does not apply in China. 2. You will do well to leave your linear sense of time at home.

The book comes with a course on Business Chinese (1 book plus 4 audio CDs). The course will enable you to converse at a basic level within three months. As a bonus

an introduction to writing Chinese is included in each of the 12 modules.

Recent research has proved that it is language that determines the way people think, not the other way round. With this in mind, every hour that you spend on coming to grips with the Chinese language will be an hour well spent in getting to a closer understanding of your Chinese business partners.

"China in Your Hand" is a unique resource for anyone serious about wishing to be successful in China. Don't just read it: work with it. The sooner you start, the more money you will get to keep.

Special offer to SCCC Members:

On release in January 2003, "China in Your Hand" will be available to SCCC members for an investment of only US\$ 118 (Regular Retail Price US\$ 158).

To order:

Copies may be ordered through Open Mind Publishing, Private Bag 31914, Wellington, New Zealand. Fax: +64 4 560 5658 Email: openmindorders@openpolytechnic.ac.nz

This is no empty promise. If you are not totally satisfied, you may return China in Your Hand within six weeks of purchase for a full refund. No questions asked.

China Market Open to Swiss SMEs too

A conference on the topic of "Swiss International Oriented SMEs: How to Crack the Chinese Market", organised by the "Swiss-Chinese Chamber of Commerce for French Speaking Switzerland" in cooperation with the "Chambre Vaudoise du Commerce et de l'Industrie" and sponsored by "Banque cantonale vaudoise" on 1st October 2002, in Lausanne, attracted more than 80 participants from French Speaking Switzerland to listen to a total of five highly competent speakers.

Dr. Yafei Zhang, Member of the Board of "Swiss-Chinese Chamber of Commerce for French Speaking Switzerland", opened the conference by underlining differences between the two countries and reminding participants that they must be taken into consideration for any Swiss SME before starting their operation in China.

The main speaker was Mr. Dominique Lauener, Co-CEO of Lauener & Cie., a family-owned Swiss SME from Boudry, Canton of Neuchâtel. Lauener & Cie. is active in the area of high quality, high precision turned parts produced in accordance with customer requirements and is located in the heart of a region internationally renowned for precision micro technologies. Lauener & Cie. has diversified from manufacturing parts for mechanical and electronic watches to producing extremely high precision components for today's high-tech industries and set-up a manufacturing facility in Shanghai. Mr. Lauener concentrated on the motivation of his enterprise to choose China as investment host country. According to him, as a sub-supplier he had to decide to either follow his main client's needs to China, or to loose his main client entirely. This was the basic reason to implement operations in the world's most populated country.

Mr. Nicolas Musy, Director of Lauener + Cie SA (China) and Project Manager of Swiss Center Shanghai, then gave a panoramic view about how to handle China from setting-up shop to daily running of equity investment projects in Shanghai and the Yangtze Delta area.

Mr. Pierre-Alain Avoyer, Director for Far-East Asia of SOFI, in his briefing then has draw attention of Swiss SME to the fact SOFI is always at their disposal to provide advice as well as financial support regarding their project in China. SOFI had granted a loan to Lauener + Cie SA (China) to help the latter's preparation of start-up in Shanghai.

Dr. Jean-Daniel Clavel, himself a Member of the "Swiss-Chinese Chamber of Commerce for French Speaking Switzerland" and expert on Asia and Latin America, then followed suit with an analysis on the Chinese market from theoretical and practical point-of-view by drawing a check list of strategic and operational problems to be faced by any Swiss SME while China is in a transition period.

Mr. Christian Minacci, responsible of Osec Swiss Business Network in French Speaking Switzerland, reminded all Swiss SMEs from this region that Osec's worldwide network, including notably the newly opened "Swiss Business Hub" in Beijing, is operative and one of the facilities for Swiss SME for their first contact with Chinese local partners.

The participants showed a very keen interest in the presentations made by all conference speakers and a number of questions was raised in the ensuing open discussion. The seminar concluded that China is so much different from Switzerland. China is likely becoming one of the world economic powers in the future. Business opportunities surely exist either for pioneers or for late-comers. China is open to any foreign enterprise, including SME and not only to multinationals. However, to develop the Chinese market, one should be aware that SMEs face the same problems as do large multinationals, but that relative to the size of an SME such problems are large and therefore trickier to be dealt with. Therefore a strict prudence in the investment decision making process is a must for any Swiss SME contemplating such investment. Before embarking on your project in China, an auto-judgement is indispensable to evaluate if you are qualified for any such "adventure". More precisely, try China ONLY if you are in possession of three key factors:

- 1) good product or service
- 2) high and well protected technology
- 3) enough time and sufficient financing.

In case you can not (yet) command such success factors in your favour, China is not a country where your dream is likely to become reality.

Dr. Yafei ZHANG

Member of the Board

*Swiss-Chinese Chamber of Commerce
for French Speaking Switzerland*

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China's Banking Authorities

There has been much confusion about the China's legal framework in finance and banking. Foreign investors with operations in China will most often come across the following two organizations:

People's Bank of China (PBOC)

The People's Bank of China, established in 1948, was then in charge of note issuance and credit allocation. It performed the function of being the government's cashier as well as the largest domestic bank. In 1983, PBOC was reorganized into the central bank and gradually moved away for commercial activities. Much of its present day authority derives from the 1995 Central Bank Law. Its functions now are to formulate and implement monetary policies, issue and administer the circulation of the currency – RMB, issue licenses and supervise financial institutions, regulate financial markets and manage the foreign exchange and gold reserves, acting as fiscal agent.

PBOC's head office is in Beijing, divided into 13 administrative departments. Supervision of commercial banks is mainly the responsibility of the Bank Management Department, which oversees the domestic banks, the foreign banks and the non-bank financial institutions. Other departments, which are increasingly playing an important role in the supervisory activities, include the Internal auditing, IT, Education and Training. PBOC carries out its day-to-day supervision of China's financial system through 9 regional branches, 326 sub-branches and 1,827 county-level sub-branches. It also has offices in London and Hong Kong mainly for managing China's foreign exchange reserves. The current Head of PBOC is Governor Dai Xianglong.

Being a ministerial organization under the direct control of the State Council, PBOC normally does not deal with foreign investors or individuals. However, there is a specialized department called the State Administration of Foreign Exchange (SAFE) which is in contact with all foreign enterprises.

State Administration of Foreign Exchange (SAFE)

This government body deals with foreign exchange activities to:

- manage and monitor all payments and exchange of RMB under the capital and settlement accounts;
- reconcile all inward and outward trade and non-trade payments;
- formulate procedures to monitor the operation of foreign exchange markets;
- direct international payment and collect statistics;
- manage the foreign exchange reserves of the country on behalf of PBOC.

Since 1996, China has introduced the system of 'current account convertibility' for RMB which means that payments of trade, fees and after-tax profit no longer require approval from SAFE if the foreign exchange purchaser has met all conditions for the transaction. SAFE still retains control over any non-current account items, which

require conversion, such as capital repatriation and loan payments.

For this reason, advances from head offices in cash or kind which need to be repaid at some point in the future will have to be registered with SAFE, otherwise repayment may not be permitted.

Other important issues to recognize in dealing with SAFE include the time limit for drawing down a forex loan. SAFE has the right to cancel the registration certificate if the borrower fails to execute draw down by certain dates.

There are also administrative measures since 1998 for SAFE to withhold approval for early redemption of foreign currency loans from RMB income.

It is therefore recommended that foreign investors arranging loans from overseas banks or domestic banks should consult their advisers to avoid some of the pitfalls and controls from SAFE.

Financial Issues for Businesses in China

1. Capital Conversion

A North American client has decided to terminate their joint venture and sell their portion of the shares to the Chinese partner. The partner advised that they could only pay in RMB as it is difficult for them to obtain conversion approval from the authorities.

Problem Analysed

The Chinese partner was right in saying there are restrictions as China does not allow automatic conversion of RMB funds into foreign exchange for capital purposes.

Suggestion to Foreign Partner

Assuming that MOFTEC has recognized the share transfer agreement between both parties, approval from SAFE can be obtained within 24 hours for the conversion of capital and remittance if the following conditions have been satisfied:

- Agreement between both shares holders for the transfer for shares and MOFTEC approval.
- Joint venture's authorization to deal in foreign exchange.
- Proof of the registered capital being contributed and audited.
- Proof of profit tax and other capital-gain tax payment.
- Other supplementary documents on the current position of both partners.

2. Pre-payment

China practices current account convertibility. This means that any companies operating in China, whether

foreign or Chinese enterprises, are able to purchase foreign exchange to make payments abroad for trade settlement, commissions, fees, royalties and dividends without the need for State Administration for Foreign Exchange (SAFE)'s approval.

For companies selling to China that would like to receive advance payment as part of the deal, this is possible as long as they are able to satisfy the remittance bank that the importer has the license to import and is not on the black list for contravening government rules, the proper documents to authenticate the import transaction, whether the importer is acting as an agent, etc. Local banking regulations also may require different procedures for the size of the prepayment amount, performance guarantees and other related documents for port of entry and nature of goods.

Fiducia is able to assist in procuring the requisite documentation.

3. Trust Loan

Many foreign investors with multiple investments in China have been experiencing difficulties handling their overall cash position. Under PRC banking regulations, foreign companies are not financial institutions, and they are therefore not allowed to lend to group subsidiaries. Frequently, multinationals with several investments in China would like to minimize their borrowings by moving cash between different subsidiaries. This can take place under a 'trust loan' scheme, which has become popular in China.

The group subsidiary with excess cash can engage a friendly bank (either domestic or foreign) to place a deposit and the funds would be made available to another group subsidiary anywhere in China (subject to the bank's operating license). This is an inexpensive way of financing since the trust bank does not take risk on the borrower, i. e., the deposit would be returned only if the borrower repays, a small one-off fee is charged for providing the service.

Profit Repatriation

Foreign companies, considering investments in China have always been concerned about profit repatriation. The decision makers back home probably are under the impression that RMB is not convertible and there would be restrictions on taking profit out of China. What is more, where would one find a bank willing to accept the RMB once it is remitted back to the home country?

Since 1996, China has introduced a system of 'current account convertibility', which has worked so well that the swap centres for foreign exchange were closed down in 1998 for lack of business. Today any foreign investor can go to a bank to arrange remittance of funds in a foreign currency of their choice even if there is insufficient foreign currency in their accounts. No government approval is required if the remittance is classified as a 'current account' item under China's regulations. After-tax profit is one of them. All an investor would have to do is to provide sufficient evidence to the remittance bank that his company has made an after-tax profit and its registered capital has been fully paid up. Simple, isn't it? In fact, we are aware of a foreign bank in China, which is able to ensure same day remittance if all evidence is provided before 10 a. m. in the morning.

A co-operative bank is important, but an investor needs to know the procedures for arranging profit repatriation. Fiducia is able to assist you in submitting the proper documentation to the remittance bank.

Account Management

Unlike most other countries, accounts in China are not classified according to current account, savings or deposit accounts. This is because since 1996, the government authorities need to separate accounts according to the nature of the transaction, whether it is classified as a current account or capital account item.

In general, there are 6 types of accounts with different *modus operandi*: As one can see, the list below illustrates the complexity of account management in China. Investors should discuss with their financial advisers to ensure that their receipts and payments are handled efficiently and securely.

	Account	Convertibility
Capital account:	for foreign capital contribution and only one would be approved.	No
Settlement account:	for foreign currency non-capital inward remittances, more than one would be allowed although approval procedures vary from place to place. There is a upper ceiling for the amount retained	Yes
Loan account:	for temporary deposit of forex bank borrowing and receipt of borrowings from abroad	No
Loan and Interest Repayment account	for temporary deposit of funds before repayment, Amount of which is subject to negotiation	No
Basic Account	for RMB only, cash withdrawal allowed, only one will be approved	No
General Account	for RMB only, multiple accounts possible, but only for Remittances	No

This newsletter was written by Victor Sun who has more than 20 years of experience in financing and banking services in China.

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Expatriate or Local Manager?

How to Make the Right Staffing Decision for China

The entrepreneurial success of a firm decisively depends on the choice of the right management personnel. Especially in a country like the Peoples Republic of China. The definition of the correct candidate profile or the evaluation of a market oriented salary package are strategically very important decisions that need optimal evaluation and experience.

At the last Chamber event held in Zurich on November 28th, Swiss-ASIA Human Resources Ltd. provided their experience together with two of their China based Swiss clients to the highly interested audience and offered business oriented evaluation criteria's to enable companies how to make the right staffing decision.

According to Swiss-ASIA Human Resources Ltd., the search strategy for a company should not only focus on the profile of the manager abroad. Since intercontinental and intercultural know-how transfer, communication and market knowledge are fundamental for successful global management, the analysis in terms of the head office's intercultural management ability and professionalism has to be critically evaluated too before restricting the recruitment process to only one side. Otherwise, the recruitment might result in a way that the new manager fits more to the head offices management system instead of the local market. Most of the Joint Ventures or investments in China fail because of unqualified managers who are not able to see trends and the business in their local market objectively and early enough, but await decisions from the head office and follow orders instead of providing their own new insightful analysis. They provide feedback to the head office who creates the impression that the branch abroad is "in control" and the know-how transfer is guaranteed and works well. But important market indicators are missing.

But of course, there is also the situation where the communication between the head office and the local manager doesn't work smoothly and differences and or arguments permanently arise. The local branch therefore isn't able to produce or sell tailor-made to the local market need since there is no constructive dialog between the parties. The reporting often results in only fact oriented communication made by the head office where tasks are given and local concerns are often ignored. Also here, important market indicators are missing.

How then to combine both elements, the suitability with the head offices management team as well as the profound local market knowledge at once? See therefore a list of the most important skills to ensure a professional and therefore successful recruitment / employment, additionally to your own company's experiences:

Today' the human resources market especially in China provides enough excellent managers of all nationalities with various profound industry and intercultural experiences (foreigners/Chinese) which allows a company to be very demanding when searching for the best candi-

date. Taking all these facts in consideration, the question "Expatriate or Local" is not relevant anymore. Especially, since it is not easy to categorize the Singapore-, Taiwan- or Hong Kong-Chinese as expatriate or local. China experienced companies know very well that "abroad Chinese" are not necessarily suitable for the mainland China market. The same is true for Chinese people coming back from abroad. On the other hand Western manager with fluent mandarin skills who live and work in China for more than 15 years are not automatically expatriates. But because of money reason, everybody likes to be categorized as an expatriate.

The Money Issue

Selecting the right individual automatically leads to the question how to determine the right compensation package. This is based on the following criteria's:

Main Criteria's when Evaluating a Salary Package:

- Similarity of responsibilities and experiences from past employments.
- Experience in particular industry and country.
- Responsibilities (team leading, P/L, overall management (turn-around, etc.), sales/marketing, specific targets to fulfill (ISO), etc.).
- Length and type of employment (permanent or ad interim).
- Additional bonus payment. Social welfare program.
- Other benefits (housing, company car, annual flights home, holidays, relocation expenses, stock options, etc.).
- Age.
- Market orientation in general comparing to conditions at home or local (living standard, etc.).
- Language skills.
- Educational background.

Swiss-ASIA Ltd. provides interested companies an online salary evaluation tool on:

www.swiss-asia.com/salary_index.htm

Summary

When recruiting new management or key-staff in general, don't focus on employing an "expatriate or a local manager". Not for the money issue and not for the expected work progress. The practical experience from a client and managerial viewpoint shared by Hans Ruedi Schürch and Heinz Hochstrasser also confirmed these points. Both stressed the importance of the following success factors in the Chinese market.

These are in case of a Western Expatriate: social competence, willingness to combine the best of both worlds, awareness to be a guest and willing to adapt to the Chinese culture. Learning the local language is not a must. However, it helps a lot within social contacts to know some words.

In case of a local Chinese manager it is essential to take in consideration the culture of "keeping up the face". Chinese people are very polite and expect this from foreigners too. Special attention has to be given when hiring a Singapore or Hong Kong Chinese. In addition, getting work permit and solving tax issues for "foreigners" could be quite difficult and result in an expensive employment issue.

Another specific issue is the so called "guangxi" network. Chinese employees are loyal to their manager and not to the company. If a manager quits the job or has to be fired, the majority of his/her people will follow them to the new employer who is often the market competitor. Therefore, it is recommended to have a second line in place. To keep good managers on board, it could be helpful to take care for their family by providing i.e. housing, health insurance, support for school fees, MBA's, etc. Such items will mostly prevent an unforced loss because of the tight family bonds in Asia.

However, the salary level for an excellent local manager today is not anymore far from ours. China is changing very rapidly and competition is growing. It means, within a few years from now, there will be nearly no difference to the Western world regarding knowledge, business behavior and labor market in general.

Note:

Swiss-Asia Human Resources Ltd. is a Swiss-based International Human Resources Consulting Company with strong presence in Asia (Shanghai, Tokyo, Singapore and Seoul). The following services are offered: Executive search, Selection and Development Assessment, Intercultural Assessment, Strategic Human Resources Management Consultancy, Outplacement, Salary Evaluation and Compensation Structuring.

More information can be seen or downloaded (Powerpoint presentations) from the Swiss-ASIA's homepage while visiting: www.swiss-asia.com

Self and Market Analysis:

- Analyse intercultural competence and global management experience / understanding of the headquarters management team or key-person.
- Evaluate the local markets (products, environment) needs carefully to be able to define a tailor-made and therefore market oriented candidates profile. Avoid bringing personal preferences. Be objective and pragmatic while defining the profile.
- Define key requirements (skills, interculturalability, characteristics / personality, etc.) and define criteria's to avoid. If existing, involve the responsible Head Asia or Director Asia (who lives abroad) in the recruitment process. Or make sure, that the key-person from the management team the new local manager has to report to is also involved in the recruiting process.

Key Requirements:

- Ability to bring in Western as well as local Asian business understanding and practices. Experience in developing business and maintaining it through both cultures.
- Easy to establish sense of authority. Displaying leadership qualities.
- Good understanding of company's global business philosophy and mentality.
- Positive impact on the image as an international company to facilitate local market acceptance.
- Smooth communication with the HQ.
- Effective communication with local staff.
- Indepth knowledge of the local market, including future risks and opportunities.
- Strong in establishing local business network.
- Good for government relationship building and public image in the local market.

Criteria's to Avoid:

- Limited flexibility when restructuring the own once defined work-flow process after a while to adjust on the new market environment.
- Risk of false delegation (intercultural based). Known difficulties to delegate in general.
- Lack of systematic additional training in international /intercultural management.
- Known lack of smooth communication with the headquarter.
- Known cultural based conflicts between the headquarter, peers and subordinates.
- Not familiar enough with the local market (clients, suppliers, government network, etc.).
- To high costs (salary package doesn't fit to corporate structure).

Swiss-ASIA Ltd. can provide interested companies an interview questionnaire or an online selection tool on: www.swiss-asia.com/selection.htm

Far Eastern Suppliers

How to Tackle the Swiss Market

How Swiss companies go about to locate Far Eastern suppliers and how Chinese Exporters can find and approach SME buyers in the small but highly industrialized Swiss Market?

While some of the remarks in this article will seem obvious to the experienced Swiss importers and Chinese exporters, it always amazed the author and his Far Eastern business associates what kind of misunderstandings can happen during the first contacts. It has been proven again and again that good preparation is vital in locating the right Far Eastern partner and vice-versa the right Swiss or European buyer.

Switzerland, Attractive for Overseas Suppliers?

In the many years of assisting mostly Swiss companies to find suitable Far Eastern products the writer has found a certain pattern of procedures helpful which may be also of assistance to Far Eastern companies in their export efforts to Europe. When mentioning Swiss companies one should indicate some basic information on Switzerland located in Central Europe and surrounded by Germany, France, Italy and Liechtenstein. It has a total surface area of 41,284 km² with a population of some 7 Million people. Less than a number of the large cities in China.

While Switzerland is a small market in comparison with the major European markets, it has besides the USA and Japan, one of the highest gross domestic product per inhabitant in US\$, namely 33,464 (in 2000) in the world market. It is therefore considered an attractive export market for overseas suppliers, especially from the USA and Far Eastern countries. At the same time the high quality standards and requirements make it an excellent test market. If the overseas suppliers succeed to sell their products in Switzerland, there is a good chance that they can also successfully enter other European markets.

Criteria for Far Eastern Imports

In order to arrive at a management decision to import Far Eastern products as part of global sourcing, it is important to define a number of criteria involved in the product choice. Products and/or product groups should be evaluated in terms of:

- possible cost advantages;
- improving sales in the home and export markets;
- considering the introduction of novelties and new products that will enhance the current range;
- definition of volume that justifies direct imports from the Far East, hence comparing Far Eastern product costs versus European products currently sold.

Chinese export management considerations before contacting Swiss buyers and/or answers to inquiries could be:

- Remembering the small size of the Swiss market.
- Accepting reasonable quantities depending on the product involved.
- The high quality standards even on “non-problematic” products that normally allow for “easy servicing” are of great importance.
- Finding out if the potential Swiss customer is a known and important wholesaler, importer and/or retailer in a given product field. Therefore the legitimate question is, what kind of distribution net and set-up is involved?
- Thinking in terms of a long range cooperation with a suitable Swiss Importer.
- Remembering that the pricing whether on a FOB China Port, CIF Europe Port or CIF Basel (Swiss/German border town) basis should be around 25–30% less than the same products purchased in Europe.

Products Suitable to Import from the Far East

The so called “non-problematic” products such as DIY-items, hand tools, garden and automotive accessories, all kinds of household- and sporting goods that normally allow for “easy servicing” can be imported from mainland China at favourable costs versus equal types of European products. While most of these products can also be obtained e.g. in Taiwan and Japan, the costs are similar to European products and therefore, the purchasing priority is then given products right here in the home market or surrounding countries such as Germany, France and Italy.

When it comes e.g. to precision tools, electronic products or medical equipment, experience shows that pricing is not the main factor and therefore the Far Eastern supply markets of Korea, Taiwan and Japan offer suitable products.

Another reason to choose products from mainland China is often to establish a so called second line to compete on the market place against lower priced products offered by other sales channels such as chain stores and DIY markets. It is important to note that the quality of such second lines must be acceptable whether sold by the professional markets or the DIY Trade.

Once documentation and pricing appear in order, production samples must be submitted (e.g. charging only the Postage). If approved, the ordered and shipped goods must really be of the same appearance and quality. If the product purchased will sell well, further orders will follow and possibly other products can be introduced as well (Cross-Selling).

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Requirements for Purchasing Department

In preparation of the contacts with Far Eastern and/or mainland China suppliers, one has to be sure to have a person or purchasing department structure fulfilling the following qualifications:

- English language capability both verbally and in writing.
- Sufficient technical and legal know-how to deal with quality product requirements and purchasing contract arrangements in a professional manner.
- Social competence and international contact capabilities to communicate easily with Far Eastern people are of considerable importance.

Locating Suitable Supply and Business Partners in China

Having prepared the basis as indicated above, one can now start to look for potential suppliers. First contact can be made at:

- International trade fairs at home and abroad such as the International Hardware Show in Cologne, Germany which covers a whole range of hand and machine tools, DIY products and producers of hardware and many related products. These trade fairs usually have a large attendance of Far Eastern countries such as P.R. China, Taiwan, Japan and others.
- Official trade offices in the major cities all over Europe offer a wealth of information on the products of interest and potential suppliers.
- Trade publications and websites on Internet also offer the required addresses of Far Eastern suppliers.
- For example, locating suitable Swiss buyers through the Embassy of Switzerland in Beijing, the Consulate General of Switzerland in Shanghai or the osec Swiss business hubs located at the same premise, could be a good start to find out about specific importers of the type of products to be exported to Switzerland.
- International forwarders and Swiss banks with offices e.g. in Beijing, Shanghai, Guangzhou and other Chinese industrial regions can also be of assistance.

Requesting Product Information and First Offers

Having decided on the products of interest, one can now forward first inquiries in English to several suppliers asking initially for their complete documentation.

Besides asking for specific quotations, it is important to indicate the required delivery terms such as FOB China Port (FOB = free on board) or CIF European Port or in the case of Switzerland e.g. CIF Basel (CIF = Cost, insurance and freight).

One should also mention the required quantities remembering that direct imports from the Far East should involve a minimum order value of around US\$ 7,000–10,000 to justify the freight cost and custom clearance expenses involved. Sample charges and delivery time are also important points to be included in the offer.

Once the addresses of potential buyers in Switzerland are known, the first contacts can be made by airmail to start with, fax and email when the first answers are being received. Swiss Companies will be inclined to take an offer more serious when there is a referral remark made such as when visiting the Swiss Embassy in Beijing, we noted your name and address as a wholesaler for “Material Handlings Equipment” etc. It is certainly appropriate in a first contact letter to send some documentation and introduce the products to the prospective buyer inviting a specific inquiry and request for offer etc.

Replies: for Business or the Waste Basket?

With the first reply one can already recognize from the quotations what kind of suppliers one is dealing with. One should particularly note the required minimum quantities which many times apply to markets like the USA or the larger European countries like Germany, France, UK and Italy. The quantities are then most likely too large for a small market like Switzerland. In addition, one has to keep an eye on sample costs which are sometimes excessive. If there is a serious interest in a business cooperation, then these costs will be reasonable.

As soon as one has more contacts in writing and knows the suppliers from personal visits at trade fairs for example, one will get a better feeling if one is dealing with the right kind of Far Eastern partner in the light of a long-term relationship. If a dynamic and positive approach as well as fast and clear replies on the various points mentioned above can be recognized, one can be sure of being on the right track for a good business relationship.

The Swiss importer is carefully analysing the kind of replies he receives from Chinese and overseas exporters in general (to read between the lines if there is a dynamic and straight forward approach in the first communication etc.). In the same manner and even more so he will look at a first unsolicited letter with product information and then decide very quickly whether to drop the letter and information in the waste basket or deciding to ask for more information.

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