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- Over 17,500 specialised staff covering 48 nationalities
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1887 established in Singapore



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1887 established in the Philippines



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1865 established in Japan

In 2002 the business merged to create DKSH.

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Countdown of an Olympic Dream

EDITORIAL

Its 32 gold medals and 63 overall medals, ranking second behind the United States, firmly established China among the leading sports nations. In 2008, the Games will finally be staged in China. For the first time, the world's most populous nation will host the world's most universal sports festival, and the host nation will have plenty to celebrate. The growing popularity of sports at home and the incentive of the Chinese team's glory in Athens offer plenty of reasons to believe that Beijing will host a great Olympics in 2008.

2008 will crown 30 years of economic reform in China, and the government hopes they will be a recognition of its ambition to become a great power. It is determined to make every aspect of the Games a success, with plans for stadium construction, city reconstruction and even the development of new breeds of flowers that will bloom just in time.

A handy new phrasebook "Basic Chinese for Beijing 2008 Games" has been drawn up which will allow foreign visitors to say just the right things. Beijing authorities have already started teaching English to taxi drivers, policemen, and ordinary citizens to ensure the communication effort goes both ways.

After the IOC vote in 2001, China continued to emphasize anti-doping. The country now has an anti-doping law, and its accredited doping laboratory in Beijing is considered state of the art. The list of athletes who tested positive at the Athens Games did not include one Chinese.

The 2008 Games will create about one million jobs and offer commercial opportunities which may push the annual GDP growth in Beijing by 0.3 to 0.5%. Businesses are now searching to get a piece of the pie, from multinationals bidding for construction projects to small companies making Olympic souvenirs.

A giant clock was placed in Tiananmen Square in the heart of Beijing, counting down the days, hours and minutes to the 2008 Games. The clock will witness the realization of China's long Olympic dream.

Paul Wyss
Vice President

Tianjin in Zurich

Dear Members, dear Readers

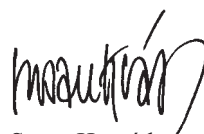
Tianjin belongs to one of the four municipalities directly governed by the Central Government of the P.R. of China (besides Beijing, Shanghai and Chongqing). The city was officially established in 1404 AD during the Ming Dynasty and hence, celebrates its 600th anniversary this year. With a population of over 10 million people, Tianjin is the biggest city in northern China and is also known as the "Pearl of Bohai Sea".

During its visit to Europe, the largest Tianjin Economic & Trade delegation led by Zhang Lichang, member of the political bureau of the Central Committee of the Communist Party of China and also secretary of the Party Committee of Tianjin visited Zurich on April 6th. To honour the visited countries and his delegation from Tianjin, Party secretary Zhang Lichang gave a speech during the half-day event organized by the Embassy of the P.R. of China to Switzerland, the Swiss-Chinese Chamber of Commerce and Herzog International Consulting Ltd. and which attracted about 250 participants.

The aim of Tianjin's visit to Zurich was to present the investment opportunities and major development projects in one of China's most successful economic development zones. Among the top 500 companies worldwide, 98 have invested in Tianjin, where the return on foreign capital invested is the highest in China. The city reported record investment growth last year. With over US\$ 3.5 billion of contractual investment from overseas, this amounted to a 74 per cent increase compared to 2002.

"The hub between river and sea" is also the home of the Tianjin Economic & Development Area (TEDA) which has been ranked first of all zones in China for the last six years by China's Ministry of Commerce (MOF-COM). Every year, the latter conducts a comprehensive assessment of China's development zones covering economic strength, infrastructure facilities, operational costs, human resources, environmental impact and technological innovation. To date, TEDA has attracted almost 4'000 foreign-funded enterprises with a combined contractual investment of US\$ 18 billion.

Tianjin will also be the location for some of the football matches in the 2008 Olympics. Indeed, football seems to be a particularly avid pursuit of the locals, with the TEDA team in the premier league. The city has a major cargo airport which will carry much of the freight for the games. In addition, with the new light rail being built between Beijing and Tianjin, the travelling time will be cut to 30 minutes hence, offering a convenient place to stay. The city itself has a familiar feel for Europeans, because Tianjin became a treaty port in 1860 and nine national concession areas were granted. But besides the European touch, Tianjin has also some very interesting relics of its own Chinese history.



Susan Horváth
Managing Director
Member of the Executive Board



Zhang Lichang during a closed meeting with Swiss economic & government representatives, led by Susan Horváth before the opening of the Tianjin investment conference in Zurich.

Next Events

Critical Success Factors in Financing your China Business

Wednesday, November 17th 2004

09.00-14.00 at Credit Suisse Forum St. Peter, Zurich

with **Urs Buchmann**

Country Head, Managing Director

Credit Suisse China

and **Susanne Grossmann Binder**

Director Asia Operations,

Member of the Management Board

Swiss Organisation for Facilitating Investments (SOFI)

For details see website of Chamber www.sccc.ch

Invitations have already been sent out.

Successful Business Relations with the Chinese

Zurich, November 30th and December 3rd 2004

Fribourg, December 1st 2004

Geneva, December 2nd 2004.

One-day Intercultural seminar for Western businessmen

with **Greg Bissky**, a dynamic Canadian executive with a terrific sense of humour and a great in-depth knowledge of China and the Chinese.

Cooperation partner of this seminar are among others: Swiss Taiwan Trading Group, Swiss-Chinese Chamber of Commerce and Osec

The School for International Business, formerly Osec School, is Greg Bissky's exclusive partner in Switzerland.

For further information please contact:

School for International Business

Rolf Lüthi

Sonneggstrasse 30

CH-8033 Zürich

Phone +41 43 243 75 32

Registration: on-line www.eiab.ch

(navigation: Seminare November / Dezember)

or by e-mail mail@eiab.ch or by fax +41 43 243 75 31

Risiken im China-Geschäft

Wednesday, December 8th 2004

09.00-14.00 at Zunfthaus zur Meisen, Zurich

with **Hans Jakob Roth**

Consul General

Consulate General of Switzerland, Shanghai

Invitation will follow in due time.

"Auch in China wachsen die Bäume nicht in den Himmel"

Monday, December 13th 2004

early-evening presentation

at Zunfthaus zur Schneidern, Zurich

with **Peter Achten**

Asia-Correspondent based in Beijing

(Schweizer Radio, CASH and Blick, Managing Editor of economic magazine "China International Business" published in Beijing by Ringier & Chinese Ministry of Commerce).

Invitation will follow in due time.

New Members

Since June 2004:

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Score. Supply Chain Architecture AG	Zurich
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WOTC	Lenzburg
C-Link	Oberwil b. Zug
Müller-Möhl Group	Zurich
sinokultur	Zurich
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HME-Technologies GmbH	Zurich
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L.U.de.S. Libera Università degli Studi di Scienze Umane e Tècnologiche	Lugano-Pazzallo
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Hôtel Beau-Rivage	Geneva
Mme Nina WEN	Geneva
UP S.A. Genève	Geneva
Mme Juliette ZHANG	Ville-La-Grand, France
Gestio Patrimonium	Geneva
Cotecna Inspection S.A.	Geneva
Byrne-Sutton Bonnard	Lausanne
Lawson Meakin & Associés	Geneva
Telinvest S.A.	Geneva

Overheated Economy – Soft or Hard Landing?

When China's GDP soared 9.5% in the first quarter of this year amid signs of overheating, the government warned that companies were investing too heavily in new plants and equipment. The figure compared to 9.1% for all 2003. The consumer price index rose 2.8% in the first quarter, compared to 0.5% last year. The food price index increased 7.1%. Investment in real estate was up a staggering 41.1%, leading to bottlenecks in the supply of major raw materials, energy and transportation. Industrial output rose 18%, imports surged 42%. Even IMF warned the Chinese economy was overheating.

Prime Minister Wen Jiabao issued a strong warning to the nation, saying unhealthy banks, overinvested industries (steel, cement, aluminium, real estate, auto) and an overheating economy posed a big challenge to China. Subsequently, the government took a series of measures to cool down the economy:

- Higher reserve requirements for banks.
- Restrictions on bank lending to some overheated industries.
- Price increases for transportation, electricity and water.
- Stricter limits on converting farm land to industrial and residential use.
- Re-evaluation of previous approvals of projects.

An early victim of tighter monetary policies was the auto industry which saw its May/June/July sales drop by at least 20%.

The government has cautiously started claiming success for its slowdown efforts, citing such key indicators as fixed asset investment, which slowed from 43% in the first quarter to a less alarming level of 22.3% in the second quarter. The Asian Development Bank predicts that China will succeed in achieving a soft landing. It sees GDP growth slowing to 8% in 2005 from 8.8% this year. Other observers argue that China's economy is still built for high speed and that there is no easy soft landing. Balanced against the risk of overheating is China's pressing need to sustain a growth rate that will provide jobs for 15–20 million new job seekers entering the market each year, and for as many as 150 million surplus rural workers.

For some time pressure has been building in the United States for China to raise the value of the Yuan, or make it convertible. The Yuan now is pegged at 8.28 to the dollar, which makes China's vastly growing exports cheap. Chinese policy makers see little reason to change this policy, although they told the October G7 meeting they will move towards a more flexible currency, but without giving a timetable. China's foreign exchange reserves, sustained by capital inflows and the soaring trade surplus with the United States, stood at a record US\$ 364.7 billion in August. In the first half of this year, Chinese exports rose by more than 35% to US\$ 258 billion, and im-

ports grew 42% to US\$ 265 billion.

China will now follow a more balanced growth strategy which must be comprehensive, co-ordinated and sustainable. Development between towns and villages, between different regions, between the economy and society and between man and nature will be better harmonised.

As the economy started to respond to the cooling measures, People's Bank of China sent signals that for the time being it would not raise interest rates, but did not entirely rule it out. The Bank also warned that fixed investment growth may accelerate again should the administrative tightening slacken.

Summary by Paul Wyss

Losing Money, but Foreign Firms in China to Stay

Most foreign firms in China are unprofitable, according to a recent survey, yet a majority plan to increase their investments in the mainland.

Only 26 per cent of surveyed firms are profitable in China, according to a poll by PricewaterhouseCoopers (PwC) of 94 senior executives of foreign and Hong Kong companies. Forty per cent of the executives polled said their companies failed to meet financial performance expectations in the past year. But, 72 per cent of the companies expect to be profitable within five years. The poll included companies in the financial services, consumer goods and motor vehicle industries.

PwC notes that only 18 per cent of the businesses surveyed had an exit strategy from China, despite the fact that 82 per cent believed it would not be easy to wind up operations and leave the country, should circumstances require it. An exit strategy is a critical component of a China business plan, according to PwC partner John Toohey, even if a China business was doing well. "By the law of averages, many of the ventures in China will fail", he said.

Of the 94 firms polled, 7 per cent have invested at least US\$ 500 million in China, 22 per cent have invested between \$ 100 million and \$ 499 million and 33 per cent have invested between \$ 10 million and \$ 99 million.

About 50 per cent of the companies plan to expand their investment or business in the mainland "significantly" over the next few years, while another 42 per cent will do so "slightly".

Source: by Tho Han Shih, South China Morning Post

Swiss-Chinese Trade / 2nd Quarter 2004

(in Mio. CHF)

Comparison to the same period last year / Share: Share of goods in trade with country

Goods	Export Mio. CHF	Export ± CHF%	Export Share	Import Mio. CHF	Import ± CHF%	Import Share
Total selected	1.414,2	28,2	100,0	1.334,5	17,8	100,0
Agricultural products	12,2	67,2	0,9	29,1	-1,8	2,2
Energy carriers	0,2	125,3	0,0	0,0	-100,0	0,0
Textiles, apparel, shoes	20,7	24,6	1,5	294,0	9,5	22,0
Paper, paper products, printed matter	9,6	62,7	0,7	6,0	11,1	0,4
Leather, rubber, plastics	20,5	20,1	1,4	71,8	-3,0	5,4
Chemicals, pharmaceuticals	246,5	25,6	17,4	137,2	-1,9	10,3
Construction materials, ceramics, glass	6,4	20,9	0,5	14,2	28,3	1,1
Metals and metal products	64,3	37,5	4,5	92,1	61,2	6,9
– Iron and steel	1,8	49,3	0,1	1,6	118,6	0,1
– Non-ferrous metals	14,4	193,3	1,0	4,6	3,8	0,3
– Articles of metal	48,1	18,4	3,4	85,9	65,3	6,4
Machinery, apparatus, electronics	800,0	25,6	56,6	365,4	28,9	27,4
– Industrial machinery	626,1	28,1	44,3	50,5	48,7	3,8
– Engines non-electrical	15,3	15,2	1,1	0,1	-97,4	0,0
– Construction machinery	2,7	24,9	0,2	0,0	224,1	0,0
– Machinery engineering	608,2	28,4	43,0	50,4	67,1	3,8
– Pumps, compressors, fans, etc.	45,9	85,8	3,2	11,6	94,3	0,9
– Process engineering, heating, cooling equip.	28,0	22,3	2,0	8,3	57,9	0,6
– Lifting and handling equipment	21,3	0,9	1,5	2,0	35,0	0,2
– Machine-tools metalworking	84,3	7,4	6,0	2,1	62,8	0,2
– Machine-tools for mineral materials	7,7	1,2	0,5	0,1	196,1	0,0
– Plastics-, Rubber machinery	12,4	-13,3	0,9	0,0	-68,1	0,0
– Machine-tools for wood, cork, etc.	10,7	229,0	0,8	0,7	-33,5	0,1
– Other machinery	123,1	139,8	8,7	4,7	129,0	0,4
– Hand held tools	4,9	129,7	0,3	9,3	57,7	0,7
– Welding machines	27,2	210,7	1,9	0,5	25,7	0,0
– Printing and paper machinery	31,0	-42,8	2,2	0,9	-15,0	0,1
– Textile machines	188,5	17,3	13,3	1,1	46,1	0,1
– Food processing equipment	12,8	-15,8	0,9	4,1	75,9	0,3
– Filtering and purifying machines	4,2	3,0	0,3	0,5	27,2	0,0
– Packaging and filling machines	6,1	26,8	0,4	4,4	115,9	0,3
– Agricultural machines	10,5	103,2	0,7	0,4	86,8	0,0
– Household appliances	4,2	408,3	0,3	119,7	26,6	9,0
– Entertainment electronics	3,4	648,9	0,2	79,9	23,7	6,0
– Household machines	0,8	114,6	0,1	39,7	33,0	3,0
– Office machines, Computers	5,9	258,6	0,4	98,5	42,1	7,4
– Electrical machinery and electronics	153,1	9,1	10,8	96,4	12,6	7,2
– Power generation, electric motors	39,2	101,0	2,8	22,6	8,8	1,7
– Telecommunications	5,4	-78,1	0,4	16,1	-21,2	1,2
– Electric and electronic articles	108,5	12,6	7,7	57,7	29,9	4,3
– Defence equipment	0,2	-38,9	0,0	0,0	23,9	0,0
Vehicles	3,5	8,2	0,2	21,1	56,7	1,6
– Road-vehicles	1,7	-25,6	0,1	19,0	53,3	1,4
– transport of persons	0,0	-79,1	0,0	13,7	45,8	1,0
– transport of goods	0,0	-100,0	0,0	0,0	–	0,0
– Special purpose vehicles	0,4	-73,5	0,0	1,0	-22,9	0,1
– Spare parts	1,3	101,8	0,1	4,3	151,9	0,3
– Railway vehicles	1,8	120,0	0,1	0,4	24,4	0,0
– Aircraft and spacecraft	0,0	-81,9	0,0	0,4	126,2	0,0
– Vessels	0,0	–	0,0	1,3	119,9	0,1
Precision instruments	95,2	19,4	6,7	52,4	22,9	3,9
– Optical instruments, photo	11,9	42,2	0,8	35,4	30,1	2,6
– Surveying instruments	10,2	16,8	0,7	1,8	-14,2	0,1
– Medical instruments and appliances	29,2	27,1	2,1	5,0	116,9	0,4
– Mechanical measuring, testing, control equipment	43,9	10,7	3,1	10,3	-7,5	0,8
Watches	128,9	58,7	9,1	111,1	20,9	8,3
Other goods	6,1	-7,6	0,4	140,1	21,5	10,5

Source: swissmem & Eidg. Zollverwaltung

Swiss China Survey 2004 – First Results

Many of the big multinational Swiss companies are active in China already for a longer time. These companies had enough resources to dare the market entry during the reforms of Deng Xiao Ping. With the further opening of China and the considerations of the huge market potential, more and more small and medium sized enterprises (SMEs) also ponder about this step, which however, still implies big uncertainties and risks – often due to a lack of resources and knowledge.

Facing these circumstances, the Swiss Center Shanghai, the Swisscham China, the Swiss-Chinese-Chamber of Commerce, Osec business network Switzerland and the State Secretariat of Economic Affairs (seco) joint forces together with the Swiss Federal Institute of Technology Zurich to develop and conduct a big survey on the investment climate and the factors of success for a market entry strategy in China.

The project is also supported by the Consulates Generals of Switzerland in Shanghai and Hong Kong, the Swiss Organization for Facilitating Investments (Sofi) and Swissmem, most of the cantonal chambers of commerce as well as several private partners and sponsors.

The goal of the Swiss China Survey 2004 is on one hand to estimate the willingness of Swiss SMEs to invest in the Chinese market, on the other hand to derive reliable recommendations for Swiss companies with an international potential from the market-entry experience of well-established Swiss enterprises.

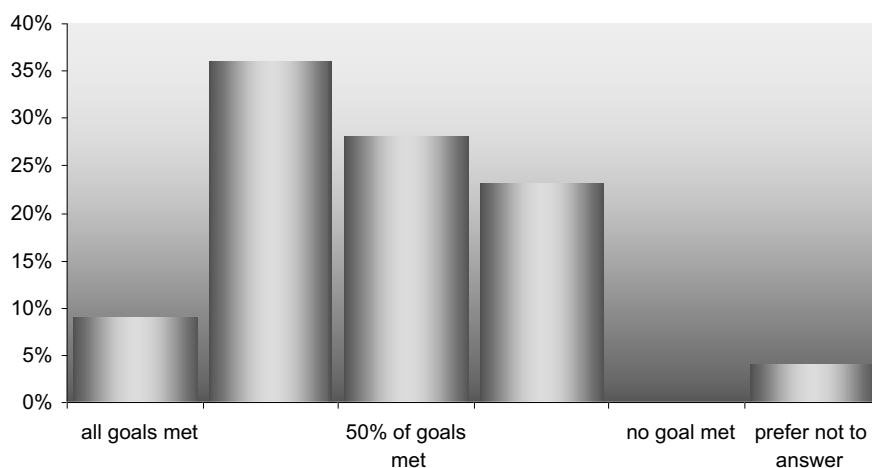
By measuring the success in China from a subjective point of view, the Swiss China Survey 2004 aims at filtering companies, whose experiences are of special interest. The measurement compares the number of goals which have been achieved, the difficulties on the way and the self-assessment of enterprises for future success. This approach was chosen to establish industry-independent factors of success.

Summary of First Results

This intermediate report presents first results based on the analysis of the distribution of the answers from the questionnaires. More than ninety decision makers from different industries, e. g. machinery, plant construction and electrotech stated their expectations, worries and – in case of a finished market entry – experiences and performances.

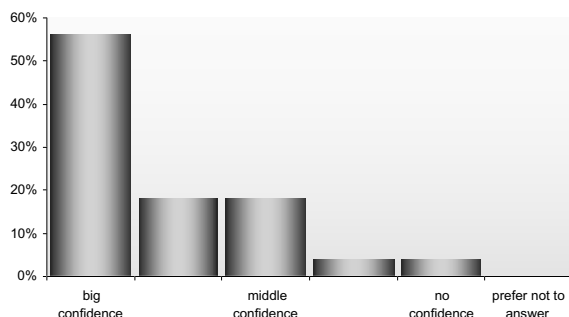
- The most important reasons in favour of a potential market entry are on one hand the opportunity to improve margins and on the other hand the need to achieve first-mover advantages as protection against existing and potential competitors. While in the past, low sourcing prices and access to cheap resources were the main drivers for market entries, today, the trend goes rather to a long-term orientation and a market penetration to tap most of the local sales potential.
- Among the biggest barriers for market entry in China, managers mentioned difficulties in finding trustworthy business partners, political risks, which could have an impact on the stability of the nation and a rigid bureaucracy. In addition, the risk of patent violations was ranked high, as well as the connected risks of loss of know-how and reputation.
- On the other hand, a lack of management resources, shortcomings of Chinese distribution networks or under-qualified Chinese employees were not considered as major entry barriers by Swiss companies. They are also not afraid to lose reputation by being considered as a cheap producer with bad quality – management teams seem to feel confident to control these factors, not like bureaucratic barriers or political developments.

Share of strategic goals which were met



Source:
Swiss China Survey 2004

Degree of Confidence to successfully operate throughout the coming 3 to 5 years



Source: Swiss China Survey 2004

- While the classical factors of success for a China market entry such as good strategic concepts, smart action plans, the coordination and optimisation of timing, location, partners and employees are still important, Swiss companies which are active in China named a few other relevant points which especially apply for China: The support of the local Government, the understanding of local rules and regulations, the Chinese consumers' sensitiveness about price-quality relations, the necessity of effective distribution channels as well as the rising importance of after-sales services.

This report is a preliminary summary of the most important results of the Swiss China Survey 2004. The final analysis will be available by end of mid November – free of charge for participants.

China Entry Platform for Swiss Companies

Based on the results of the Swiss China Survey 2004 a market entry system will be developed which supports Swiss companies throughout their first steps of set-up in China by identifying the right contacts, relevant check-lists and case studies of companies which successfully mastered comparable situations in similar fields – according to situational and industry specific factors. Additionally, the results will help to optimise the allocation of tax payers' money which is designated for the support of Swiss companies in foreign growth markets.

For more information, please contact the project management team

via email: entrytool@CH-ina.com

or by phone +41-21- 6266 0844 ext 223.

Please also contact the project management if you are interested in placing an ad in the official final report.

It is also still possible to participate in the Swiss China Survey 2004.

<http://swisscham.concepto.ch/survey/>.

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Recent Foreign Investments / Joint Ventures

USA

MERRIL LYNCH has become the first foreign financial group this year to win approval to invest in China's stock markets, in relaxation of an informal ban on inflows of overseas capital into the country's shares. The licence enables overseas institutions to invest their and their clients' funds in China's A shares.

METLIFE, largest US life insurer, and Capital Airports Holding Company established Sino-US MetLife Insurance Company, a 50-50 joint venture. The company aims to become the leader in China's insurance industry.

VIACOM, the media conglomerate, plans a pioneering joint venture TV production company with Shanghai Media Group of China. The venture will produce programmes for children and young people, initially for the domestic Chinese market. SMG is expected to take a 51% stake.

MCGRAW, leading US information services provider, will expand its presence in the Chinese market in financial and rating services, information, media, publication and education. Following the launch of a representative office in Beijing, McGraw revealed that more of the group's firms, including **Standard & Poors**, are expected to set up offices in coastal Chinese cities.

H. J. HEINZ & CO, global food company, is expecting its sales in China to rise many times in the next three to five years through organic growth and acquisitions. The company is looking at joint ventures for condiments, soup and frozen food and is talking with a number of potential partners. Commencing its production in China in 1984, Heinz runs a joint venture for infant rice cereal, and a wholly owned firm for soy sauce, oyster sauce and vinegar in Guangzhou.

MARRIOTT INTERNATIONAL will continue its Chinese expansion with two of its luxury hotels in Beijing by the 2008 Olympics. The 320-room Ritz Carlton and the 591-room Marriott will be built on the edge of the city's central business districts.

DELPHI, the world's largest manufacturer of automotive parts, expects revenues from all operations in China to surpass US\$ 1 billion this year. Delphi aims to source US\$ 1 billion worth of goods from China by 2007, reflecting the company's belief that China can meet global quality and cost standards.

CATERPILLAR is considering taking stakes in several state-owned Chinese construction equipment companies that could lead to full acquisitions. The moves are part of plans to more than double Caterpillar's sales in China to more than US\$ 2 billion by 2010.

AVON COSMETICS is awaiting formal approval from the Chinese government to test selling directly to

consumers. China is expected to lift the ban on door-to-door selling to meet WTO guidelines. Avon now sells through small beauty boutiques as well as counters in department stores.

FORD CREDIT, finance unit of Ford Motor, will start to provide loans to automobile buyers in China from the middle of next year. The application to form a wholly-owned finance operation has been approved by Chinese authorities. Initially, Ford Credit will invest US\$ 60 million. and will finance all Ford brands.

RITZ CARLTON, the luxury hotel group, announced that a new hotel is expected to be opened in Beijing in 2007, following Portman Ritz-Carlton, Shanghai, and The Ritz Carlton, Hong Kong. The company is also looking for a partner to open another hotel in the heart of Beijing's Financial Street. The fifth hotel will be established in Guangzhou in early 2006.

DELL has pulled back from efforts to sell low-cost consumer desktop PCs in China amid fierce competition. Dell stressed that there has been no change in the overall strategy of targeting corporate sales while also making higher-end PCs available to individual consumers in China.

AMAZON, the world's biggest online retailer, agreed to buy China's biggest Web retailer, Joyo.com, for about US\$ 75 million, in a deal that will give it a substantial presence in China's growing internet market which is expected to have 111 million Web surfers by the end of this year.

EASTMAN KODAK opened a multi-million dollar health imaging centre in Shanghai to strengthen its position in a field that includes radiography, dental imaging and x-ray film systems. Kodak expects double-digit growth in China's medical imaging market.

JAPAN

NISSAN launched the centrepiece plant of its US\$ 2 billion joint venture with Dongfeng Motor, China's third largest auto company, aiming to more than quadruple car sales to 200.000 and more than double all vehicle sales to 620.000 within three years.

YAMAHA and its long-time Chinese partner Jianshe Group launched Shanghai Yamaha Jianshe Marketing Co. Ltd which will be responsible for nationwide Yamaha-branded motorcycles, as well as relevant after-sales services. The new company aims to develop 2.500 sales agents across China by 2006, helping to secure a 20% market share.

(continued on page 14)

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TOYOTA has won approval for a new car 50-50 joint venture with Guangzhou Automobile Group in Guangzhou. Earlier this year, Toyota and the Guangzhou auto firm started to build a 70-30% US\$ 266 million engine joint venture, also in Guangzhou.

SONY will add US\$ 200 million of fresh investment in China in fiscal year 2004, bringing its total investment to US\$ 1.1 billion. Sony China achieved a 70% sales growth to hit US\$ 1.7 billion in fiscal 2003. Its goal is to bring annual sales to US\$ 8 billion in 2008.

NIKON, camera maker, sold 1 million to 1.4 million digital cameras in its last financial year, accounting for about 10% of the market. Nikon invested some US\$ 60 million in a solely owned factory in Wuxi. Its main competitors Sony, Canon and Olympus have been doing better, with the leading Sony holding a market share of 30%. Nikon now plans to increase production in Wuxi and to reach a 15% market share.

AUSTRALIA

BHP BILLITON, world's largest mining company, reported its highest profit ever from record sales to China of copper, zinc, silver and lead. Despite efforts by China's government to cool the economy, demand for commodities remained strong.

FLIGHT CENTRE LTD, largest travel agency in Australia, opened a joint venture in Beijing with China Comfort Travel Co., the third largest Chinese travel company. The venture is 50-50 owned by the two partners.

CANADA

MANULIFE SINOCHAM LIFE INSURANCE, the first life insurance venture in China, opened in Beijing. It is the third branch Manulife has set up, following the launch of its headquarters in Shanghai in 1996 and an office in Guangzhou at the end of 2002.

ENGLAND

HSBC HOLDINGS will acquire a 19.9% stake in Bank of Communications, the biggest acquisition in China by an overseas lender. The deal will give HSBC access to 137 cities and 2700 branches in China.

BRITISH STANDARD LIFE INSURANCE joined Tianjin-based TEDA Investment Holding in a 50-50 joint venture called Heng An Standard Life Insurance Co. Teda Holdings, the largest state-owned company in Tianjin, thus made its first step into the insurance market, and also its first cooperation with foreign investment in the finance field.

ROLLS-ROYCE has won a contract valued at over US\$ 150 million to provide pipeline compression equipment for the huge West-East Gas Pipeline project, one of the largest projects currently being undertaken in the

Chinese energy market. It involves the construction of a 2,400-mile natural gas pipeline from the Tarim basin in the West Gobi desert to the city of Shanghai.

LONDON STOCK EXCHANGE is to open a regional office in Hong Kong as part of its strategy of attracting listings from China, one of its key targets. The Exchange is building its ties with the Shanghai and Shenzhen exchanges. The Exchange will continue to promote dual listings in London and Hong Kong through a single prospectus.

TESCO, leading chain retailer, has acquired a 50% stake in hypermarket operator Hymall for US\$ 260 million. Tesco signed a 50-50 joint venture agreement with Ting Hsin, owner of Hymall, which currently runs 25 hypermarkets and has plans to open another ten stores next year. Tesco has been researching the China market for some time.

PRUDENTIAL, life insurer, is seeking to establish an asset management business in China. With its partner CITIC Prudential has life insurance operations in Beijing, Guangzhou and Suzhou. Prudential is the biggest European life insurer in Asia, focusing on expanding particularly in China and India.

BUSINESS TRAVEL INTERNATIONAL (BTI). Leading corporate travel management company, launched its first joint venture in China with Shanghai Jin Jiang International Ltd. The venture, which is trading as BTI Jin Jiang China, involves an investment of US\$ 6.8 million, with BTI having a stake of 51% and Jin Jiang 49%. Jin Jiang's network covers almost all commercially significant cities in China.

FRANCE

RENAULT will build a passenger car joint venture with Dongfeng Motor Corp. which will be located in Shenzhen with strong backing from the local government. Both parties will have a 50% stake, with a planned annual capacity of 100,000 Renault cars. Dongfeng also has car JV's with Peugeot Citroën, Honda and South Korea's Kia.

CARREFOUR plans to build its China purchasing center in Guangzhou. Carrefour has so far opened five supermarkets and will open three more in Guangzhou this year. The new center will cover 65.5% of Carrefour's purchasing value in China.

RHODIA, specialty chemicals firm, established its R&D centre in Shanghai, the first in the Asia-Pacific region and its fifth in the world. The centre will support the firm's 19 laboratories in China. It will be located in the Xinzhuang Industrial Zone and will contribute 80% of its work to supporting Rhodia in China, with 20% going to South Korea, Japan, Indonesia, Thailand and Malaysia.

ALSTOM signed a framework agreement with Beijing Beizhong Steam Turbine Generator to establish a

joint venture manufacturing 600-megawatt class steam turbines and generators. Alstom will hold a 60% stake, with the Chinese partner taking the remaining 40%. The new venture comes as China is engaged in a massive scheme to constructing new power plants.

SCHNEIDER ELECTRIC aims to dominate several sectors of the Chinese market by focusing on localization. Last year Schneider Electric's sales in China were US\$ 528 million, about 6% of its global total. The company expected to expand its local workforce from 4.000 to 7.000 in three years.

GERMANY

SIEMENS plans to double sales in China within five years and its share of the mobile phone market in three. The plan will be backed by new investments of about US\$ 1.2 billion in the next three to five years. The growth will come in the core businesses of power generation, medical equipment, cars, trains, mobile phones and IT.

DAIMLER CHRYSLER obtained the approval of the Chinese government for a US\$ 1.2 billion joint venture with Beijing Automotive Industry Holding to build Mercedes-Benz cars in China. Prime Minister Wen Jiabao signed the project while in Germany. The joint venture will initially produce 25.000 C-class and E-class sedans annually in a new plant in Beijing.

DAIMLERCHRYSLER wants to turn its planned Chinese truck joint venture into a base for exports to India, Russia and South Korea. Japanese rival Nissan already plans to export its cheap trucks produced by a joint venture with Dongfeng Motors, to developing countries.

VOLKSWAGEN, also during the visit of Mr. Wen Jiabao, secured agreement to build a new factory in Shanghai with Shanghai Automotive Industry Corp. The 150.000 units to be produced by the new plant are part of VW's expansion plan to double capacity in China from 800.000 vehicles to 1.6 million in 2007. VW remains the dominant player in China's vehicle market with a 30% market share in the first quarter 2004.

VOLKSWAGEN FINANCIAL SERVICES CO through its wholly-owned Beijing branch, Volkswagen Finance (China) Co Ltd, received approval to offer loans to local vehicle buyers with renminbi. It invested US\$ 60 million of equity capital in the Beijing branch. Volkswagen aims to increase sales in China to 800.000 cars this year from 600.000 units last year.

DEGUSSA, leading specialty chemicals company, inaugurated its first R&D centre for Asia in Shanghai. The centre, into which US\$ 12 million has been invested, will take the Chinese market's special requirements into account to a much greater extent. The centre accommodates units with state-of-the-art laboratories, marketing facilities and after-sales services. Degussa has invested US\$ 200 million in 12 ventures, including six joint ventures.

(continued on next page)



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17.01.-22.01. **GLASKON 2005**** 11. Innovations-Forum Glas, Architektur, Technik. Kongress und Sonderschau auf der BAU

18.01.-20.01. **ACQUA ALTA 05*** 2. Internationale Fachmesse mit Kongress für Klimafolgen und Katastrophenschutz

28.01.-30.01. **OPTI MÜNCHEN 2005°** 8. Internationale Fachmesse für Augenoptik

06.02.-09.02. **ISPO – Winter**** 62. Internationale Fachmesse für Sportartikel und Sportmode

06.02.-09.02. **ISPOVISION**** Internationale Fachmesse für Sportstyle – Fashion inspired by Sports

25.02.-28.02. **INHORGENTA EUROPE 2005**** 32. Internationale Fachmesse für Uhren, Schmuck, Edelsteine, Perlen und Technologie

10.03.-16.03. **I.H.M. 2005**** 57. Internationale Handwerksmesse

13.03.-16.03. **INTER KONDI CA & ICE CREAM** Internationale Fachmesse für Pâtisserie, Coniserie und Glacierie

05.04.-07.04. **BIOANALYTICA**** Lösungen für die BioIndustrie. 2. Internationale Fachmesse und BioAnalytica Conferences

12.04.-14.04. **SEMICON EUROPA 2005** 29. Internationale Jahresausstellung für Halbleiterprodukte, -stoffe und Dienstleistungen in Europa

25.04.-29.04. **IFAT**** 14. Internationale Fachmesse für Wasser, Abwasser, Abfall, Recycling

31.05.-03.06. **TRANSPORT LOGISTIC 2005**** 10. Internationale Fachmesse für Logistik, Telematik, Verkehr

Im M,O,C,

09.02.-11.02. **MUNICH FABRIC START°** Internationale Preview-Staffmesse

20.02.-21.02. **ABC-SALON°** Ordertage für Abend-, Braut- und Cocktailmode

02.03.-04.03. **FAIRWAY 2005**** 11. Golfplatz-Kongress mit Fachausstellung

15.04.-17.04. **MODA MADE IN ITALY°** Internationale Fachmesse für Schuhe

International

30.01.-02.02. **ENVIRONMENT 2005°** Abu Dhabi, U. A. E.

01.02.-04.02. **COMPONEX/ELECTRONIC INDIA°** Neu-Delhi, Indien

14.03.-17.03. **ISPO CHINA°** Shanghai, China

15.03.-17.03. **ELECTRONICA & PRODUCTRONICA CHINA 2005°** Shanghai, China

24.04.-29.04. **AUTO SHANGHAI 2005** Shanghai, China

25.04.-29.04. **ELECTRONIC AMERICAS°** São Paulo, Brasilien

17.05.-19.05. **BAKERY CHINA 2005°** Shanghai, China

18.05.-20.05. **EXPO REAL CHINA 2005°** Shanghai, China

BAYER is investing US\$ 100 million to build a coatings factory in the Shanghai Chemical Industry Park. The plant will produce the raw material used in high-grade polyurethane coating. Over the next few years, Bayer is planning to invest some US\$ 3.1 billion on new facilities for polymer production.

LUFTHANSA and Shanghai Airlines concluded a bilateral code-sharing agreement giving Lufthansa customers the chance to fly to more destinations from Shanghai under Lufthansa flight numbers. Initially, the agreement will involve the routes Shanghai–Beijing, Shanghai–Shenzhen and Shanghai–Qingdao. Lufthansa has already enjoyed successful cooperation with Air China since 2000.

ALLIANZ GROUP is preparing to launch a branch office of the Shanghai-based life and health joint venture in Guangzhou. The group plans to undertake both life and non-life operations in Shanghai, Beijing and Guangzhou and eventually in all key markets in China.

BEHR GMBH, major maker of automotive air conditioning and engine cooling equipment, expects to triple its annual sales in China by 2010 from currently US\$ 70 million to US\$ 210 million. The company plans to move its Asia Pacific headquarters from Hong Kong to Shanghai later this year. Behr formed three joint ventures over the past eight months with an investment of US\$ 58 million.

HOLLAND

DUTCH AKZO NOBEL, world's leading industrial coatings supplier, will invest about US\$ 150 million in China in the next five years. The company is negotiating with its partners in Langfang, Hebei province and Guangdong about new coating projects. China is now the fifth largest market for Akzo, with a growth rate of 10-20%.

DSM is expected to double its sales in China to US\$ 714 million by 2008. The Dutch chemical group will expand its existing plants, build new production bases, and seek acquisitions. The annual production capacity of the caprolactam joint venture is being doubled from 70.000 tons to 140.000 tons. DSM has nine production joint ventures producing chemical specialties and antibiotics.

SWEDEN

IKEA will expand its presence throughout China. The group plans to have ten Chinese outlets in the next four to five years. Ikea is investigating 14 different cities as possible locations for new stores. Ikea has a presence in 45 countries and expects China among the top five before 2020.

NOKIA, world leader in mobile phones, is planning a significant expansion of its research and development activity in China, giving Beijing a leading role in developing cheap phones for emerging markets. Around 40%

of the phones produced by its Mobile Phones group, its largest unit, will be designed and developed in Beijing. Nokia employs 4.300 people in China.

SWITZERLAND

SYNGENTA, Swiss agrochemicals company, has been successful in a lawsuit against Chinese competitors for allegedly pirating one of its patented insecticides. The action was taken against Yancheng Lyve Chemical and Yangcheng Yongli Chemical in Jiangsu province. The Swiss company has long complained about violation of its trademark and patents.

LEICA GEOSYSTEMS, one of the world's leading companies of surveying, mapping and positioning instruments, is considering establishing its manufacturing basis in China in a year. Leica has taken about 20% market share through local agents and China contributed about 10% to total sales worldwide.

Summary by Paul Wyss

In Brief

- China will build a new embassy in Washington with an expected floor space of 30.000 square meters. The construction will take about three years.
- Foreign professionals have found Shanghai to be an excellent place to work, with the number expected to grow at a rate of over 20% in the coming three years, local labour officials report. For the first quarter of 2004 alone, about 3.000 foreigners got their working permits. There are now over 28.000 foreigners working in the city.
- About 61.800 Hong Kong residents, or 1.1% of the population aged 18 over, moved to the Chinese mainland in 2003, a 50% increase over 2001. A survey found that about 39.900 local households, or 1.8%, intended to move to the mainland within the next ten years. About 161.000 Hong Kong residents aspired to live in the mainland within the next ten years.
- According to the State Statistical Bureau, China had 113.9 million migrant workers from rural areas in 2003, accounting for 23.2% of the total rural labourers. People under 40 years accounted for 85.9% of rural workers outside, and 47.3% were under 25. The major destinations were the developed eastern areas, which attracted 69.9% of the total.

- Faced with a rising number of suicides, Shanghai is planning a prevention centre. Particular attention will be paid to suicide attempts in subways. The centre will be the first of its kind in China. It will work with hospitals, police and fire-fighters to create a suicide prevention network. A hotline and an Internet website will be established to provide information.
- More complaints related to homes demolished to make way for property developments were filed in the first half of this year than in all of last year. About 18.000 people contacted the Ministry of Construction to appeal for help. A similar situation has developed at the Ministry of Land. Most of the complaints there are from farmers upset that their farmland had been taken away for other activities.
- As China celebrated 10 years of being linked by the Internet to the outside world, more than 87 million Chinese were “netizens” by July this year. China’s web population surpassed Japan’s by the end of 2002, becoming the second largest in the world after the United States. About 90% of the websites are in the more developed provinces.
- China’s average commercial housing prices grew to US\$ 329 per square meter during the first half of this year, up 11.6% over the same period of last year. According to the National Bureau of Statistics, 110 million square meters of marketable housing units were sold during the first half of this year, up 26.3%. Sales revenues from those units totalled US\$ 35.9 billion, up 40.9%.
- Beijing, Shanghai and Shenzhen are the cities with the highest cost of living on the Chinese mainland. Beijing tops the list at 101.06 points in a cost of living index. The survey takes New York as the base city, scoring it at an even 100%. Tokyo remains the world’s most expensive city.
- China and the US have agreed to double the number of airlines flying between the two countries and approve a near fivefold increase in passenger and cargo flights over the next six years. The agreement will add 14 new passenger flights a week this year. The deal is one of the biggest commerce agreements signed by China since it joined the WTO.
- The State Council recently agreed to the construction of two new nuclear projects, the first in about five years. China now has nine nuclear reactors operating in Zhejiang province, Daya Bay and Lin’ao in Guangdong province. Another two generators are under construction in Tianwan in Jiangsu province. Amid the electricity shortage, China plans to raise the nuclear power generating capacity by four times by 2020.
- Chinese people are expected to send 550 billion short messages (SMS) this year, doubling mobile phone operators’ revenues to some US\$ 6.7 billion. China has 100 million users who will double the number of SMS this year. By 2006 mobile phone users are likely to send 1.4 trillion SMS equivalent to US\$ 17 billion.
- Capital International Airport’s massive expansion in Beijing is moving ahead. Covering an area of 1.480 hectares, the expansion entails the construction of a new runway, a new terminal building, a cargo zone and some auxiliary projects. When the project is completed in 2007, the enlarged airport will be able to handle 60 million passengers and 1.8 million tons of cargo per year.
- Four Chinese companies made their debut on the Fortune 500 list, namely StateGridCorporation, Shanghai Baosteel Group, Shanghai Automotive Industry, and Hong Kong-based Hutchison Whampoa. This brings the number of firms on the list to 16, compared with just three ten years ago.
- The new Guangzhou Baiyun Airport opened recently. The existing airport will cease operations. The new US\$ 2.4 billion state-of-the-art airport is situated 28 kilometres from downtown Guangzhou.
- Exports from Shanghai surged 51.9% year-on-year in the first half of this year to US\$ 33.7 billion. Imports hit US\$ 41.7 billion, an increase of 49.9%. Foreign investment increased 15% to US\$ 3.84 billion, entering more sectors such as advertising, hospitals and real estate. Among 2.297 foreign projects approved in the first six months, 234 projects involve more than US\$ 10 million.
- Unemployment is still a serious problem in China in the second half of this year. More than 2 million people will lose their jobs before year-end. The official unemployment rate in urban areas is 4.3%, but does not take into account the higher rate in rural areas. Since 2002 the government has been pushing for small loans for laid-off workers to help them set up their own business.
- Foreign firms will get wider access to China’s agricultural wholesale and retail sector. A State Council document says that there will be no limits on the location, shareholding and capital requirements for foreign companies opening wholesale markets and farm produce retail outlets. Although agricultural produce distribution is a massive market in China, it remains very underdeveloped.
- Zheshang Bank, China’s second privately-run lender, opened in Zhejiang province with a paid-in capital of US\$ 181 million. After a year’s revamp from a government institution, 13 of its 15 shareholders are now private enterprises, holding a combined 85.71% stake.
- According to the Ministry of Information mobile phone subscribers increased by 40.3 million to 310 million as of the end of July. China’s fixed-line subscribers increased by 36.2 million to a total of 299 million in the same period.

Summary by Paul Wyss

Registering Trademarks in China

China's WTO accession promises greater market access and a more predictable commercial environment for the international business community. The substantial cut on the import tax and the unveiling of non-tariff barriers are attracting more and more new entrants in the Chinese market. Though international companies are finding commercial opportunities in China, there are many potential pitfalls they should be aware of, including issues related to the protection of their trademarks.

Cases of trademark counterfeiting or piracy have been reported constantly starting with frustrated foreign companies being deprived of their exclusive right on their trademarks in China. In certain instances, foreign distributors may find out only in the last moment that their trademarks have been already registered by unknown

Chinese companies, who are obstructing the use of the concerned trademarks in China by the original owners. In other circumstances, foreign owners neglected to register their logo, the Chinese translation of the trademark or domain name, thus failed to build up the distinct image of their products that might be more accessible to the mass Chinese population. Such frustrating experience may sound pathetic for goodwill's reason, but they may not necessarily be restored or indemnified by the support of law.

China has revised its Trademark Law in 2001, in the pursuit of bringing it in line with the TRIPS agreement under the WTO. Besides, China joined the Madrid Protocol in 1989, which requires reciprocal trademark registration for member states. Trademarks have to be registered with the appropriate Chinese agencies for being enforceable in China. Foreign trademark owners are able to register their trademarks with the Trademark Office under the State Administration for Industry and Commerce (the "Trademark Office") and thus ensure the legal protection of their exclusive right on the trademarks. China implements a "first-to-file" principle in trademark registration, which means that the one who applies first is the legal owner of a trademark. Such principle requires no evidence of prior use or ownership. This leaves registration of popular foreign marks open to third parties. Although the Trademark Law provides certain measures for the "real" owner to combat against the usurpatory registration, the success of such claim is dependent on evidencing the "prior use with substantial influence", "ill-will" of the registrant, "fraud" or "improper means" etc. and leaves large room for interpretation. As a result, foreign companies seeking to distribute their products in China are advised to register their trademarks, logos, the Chinese translations of both and the Internet domain name containing their trademarks with the Trademark Office. No protection is better than prevention.

Intellectual Property Rights Seminar

End of October 2004 the Swiss-Chinese Chamber of Commerce organized a seminar in Zurich on above topic with introductory remarks by **Mr. SUN Yongfu**, Director General, Department of European Affairs, Ministry of Commerce (MOFCOM) and

Dr. Marc Ronca, Past President of the Swiss-Chinese Chamber of Commerce, Attorney-at-Law, M.C.L. Schellenberg Wittmer

Speeches are available of the following presentations:

"Counterfeiting & Piracy – a growing global concern"

by **Mathias J. Schaeli**, Head of Legal Services, International Trade Relations, Swiss Federal Institute of Intellectual Property, Berne

"Current state of legislation and legal implementation in China"

by **Ms. XIANG Xin**, Secretary General, The National Office of Rectification and Standardization of Market Economic Order, P.R.C.

"How foreign enterprises can protect their investments in China"

by **Ms. WANG Yanhong**, Deputy Division Director, Department of Treaty and Law, State Intellectual Property Office, P.R.C.

and by **Ms. WANG Wei**, Deputy Director of Legal Affairs Division, Trade Mark Office, State Administration for Industry & Commerce, P.R.C.

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Trademarks Being Protected under Chinese Law

Any visual mark, including word, device, alphabet, number, three-dimensional symbol and colour combination, and any combination thereof, that distinguishes the goods of a party from those of others is eligible to be applied for registration as a trademark.

A registered trademark is a trademark that has been approved and registered by the Trademark Office, including goods trademark, service trademark, collective trademark and certificate trademark. The trademark registrants enjoy an exclusive right to use the trademark, which is protected by law.

Right of Priority in Trademark Registration

Where an applicant, within 6 months from the date of its first-time application for registration of a trademark in a foreign country (home country of a foreign company for example), applies for registration in China of the same

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trademark for goods in the same class, the applicant may enjoy the right of priority in accordance with any relevant agreement entered into between that country and China or any relevant international treaties to which both countries are parties, or on the basis of the principle of reciprocity.

Where a trademark is used for the first time in respect of a commodity displayed in an international exhibition organized or recognised by China, the applicant of the trademark is entitled to the right of priority for a period of 6 months from the date of the display of the commodity.

Validity Period and Renewal of Registered Trademark

The period of validity of a registered trademark is 10 years, counted from the date of approval of the registration. The period of validity of each renewal is 10 years, counted from the day immediately following the expiry of the preceding validity period.

A renewal application has to be lodged within 6 months before the expiration of the validity period of the registered trademark. A grace period of 6 months will be granted if no renewal application is submitted within this period and in the event that no application is filed until the expiration of the grace period, the registered mark will be cancelled.

Registration of International Trademarks

Except for filing directly with the Trademark Office in China, foreign trademark owners may apply for an international trademark registration under the Madrid Sys-

tem with their own country trademark agency. Taken Switzerland as an example, Swiss trademark protection may be extended to China, a contractual party of the Madrid Agreement and the Madrid Protocol. An application for international registration under the Madrid System must be based upon a Swiss trademark application or registration and be filed with the Swiss Federal Institute of Intellectual Property (the "IGE"). The IGE will then forward the international application to the World Intellectual Property Organisation ("WIPO"). WIPO will examine the application, enter it in the international register and publish it in the "WIPO Gazette of International Marks". WIPO will also forward the necessary document to the Trademark Office in China and if it does not issue a refusal of protection within 18 months at the latest, the Swiss trademark will be protected in the same way as a trademark registered in China.

Conclusion

Registering the trademarks for the products or services that are targeting the Chinese market is a crucial step for foreign companies. Substantial potential losses or damages may be easily avoided by taking this necessary preventive approach.

The purpose of this article is to bring to the notice of the readers legal developments within the PRC. It is not designed to provide legal advice and should therefore not be relied upon. If advice is required, readers should contact professional legal advisors.

*by Wenbin Wei, Attorney-at-Law
 Member of the Legal Chapter Zurich*

Syngenta Wins Patent Protection Case

Syngenta wins key patent protection case in China Swiss agrochemicals firm. Syngenta has won a lawsuit against two Chinese companies that infringed patent laws by selling one of its insecticides without permission. The ruling is seen in some circles as a sign that the Chinese authorities are making more efforts to protect intellectual property rights.

Syngenta is one of a number of foreign investors in China taking more aggressive legal steps to crack down on what they see as blatant copyright and patent infringements. "Syngenta is on constant alert for any activities that infringe its intellectual property rights and will vigorously pursue all administrative and legal remedies against those who violate its intellectual property rights", the company said in a statement released on Monday. "Syngenta believes that, by so doing, it can best ensure the quality of its products and thereby protect the interest of farmers in China and other countries."

Patent Infringement

Syngenta filed the lawsuit against two Chinese companies, Yancheng Luye Chemical and Yancheng Yongli Chemical, for infringement of its Chinese patent on a new-generation insecticide, Thiamethoxam. Under the terms of the agreement, the two companies have undertaken to respect Syngenta's patent rights and to stop producing or selling Thiamethoxam. They have also issued

a written apology to Syngenta and agreed to pay unspecified damages, as well as legal expenses. The Basel-based firm said that it would work closely with the Chinese government and industry counterparts to improve market regulations and the general business environment.

Little Impact

Swiss lawyer Paul Thaler, whose company – Wenger, Vieli, Belser – has offices in Shanghai, Beijing and Taipei, told swissinfo that one successful court case was unlikely to have much impact on the protection of intellectual property rights in general. Thaler said that China had already subscribed to all major legal conventions in this respect and that the real problem was one of administrative implementation. He added that in many cases, individual Chinese courts or legal officials made decisions based on a desire to protect local companies.

Thaler pointed out that many officials in China felt, with some justification, that international intellectual property laws had been drafted primarily for the benefit of developed countries. But he said the situation had improved considerably in recent years, particularly since China joined the World Trade Organization in 2001.

By Chris Lewis, Swissinfo

Finding Your Brand Name in China

Branding has proven to be a powerful tool for increasing profit or market share – often both. However, in China you should think at least three or four times before entering the branding game. In China, companies that are trying to establish a successful brand face even more difficulties than in Western countries. Cultural differences regarding people's associations with the form and colour-scheme of a logo require equally strong attention and care as the brand-name.

Good examples for these peculiarities of the Chinese culture are the colours blue and white which are extensively used by Western companies as the colour-scheme of their choice. In China, however, these colours represent death and thus are not a favourable scheme at all.

As pointed out there are many problems to be addressed when creating a brand in China. Still, one of the first steps when entering a market is to choose a suitable brand name. A good brand name helps to establish and communicate brand value. It should be distinctive (mem-

orable, unique) and relevant (to brand values, product category, customers).

This is especially true for China but also especially difficult: In China it is not an easy task finding a good name and should not be neglected. Often it pays well to do a lot of research.

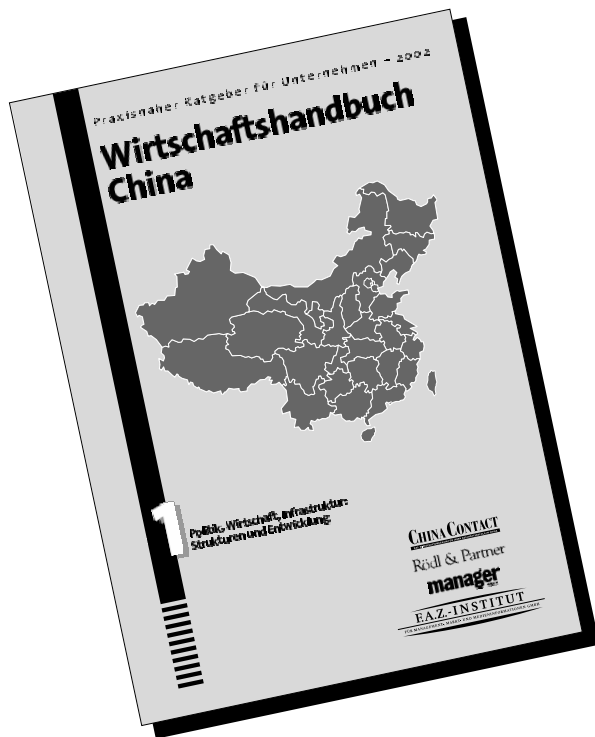
When translating you should consider your international name and core brand values. It is important to work with professionals with both local language capabilities and knowledge about your company. One thing to remember is to check the name in different dialects – a good name in Mandarin could sound terrible in Shanghaiese or Cantonese.

For further information contact:

Stefan Ronnquist, Managing Director/Creative Director at The Tomorrow Group, a Hong Kong based b2b marketing and branding agency (www.tomorrow.com.hk).

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Praxisnaher Ratgeber für Unternehmen



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Important Role of Logistics in China

The economic boom in China brings with it increased demand for transport capacities and logistics services. The flows of goods in transit are growing on the Chinese domestic market as well as in cross-border trade. In the process, customer requirements range from rapid document delivery to container loading through to integrated solutions for the entire supply chain. DHL, the market leader for express and logistics services in China, has a solution for every requirement.

DHL's business has been growing at an annual rate of between 35% and 45% in China over the past few years. DHL was the first foreign express delivery company to enter China in 1986 when it established a joint venture with Sinotrans, the leading transport and logistics operator. As early as 1998, DHL has been the first international logistics provider to obtain the Class-A license, a governmental authorization to operate the full spectrum of logistics services. Of its 18 offices, an unequalled 16 are holders of a Class-A license, thus optimizing the flexibility and interoperability of its services. DHL is the only international logistics provider to hold both a trading- and a road transport license, granted by the Chinese government.

Market leader in China

As the only fully licensed international logistics provider in China, DHL has positioned itself as an unrivalled market leader. DHL-Sinotrans today commands close to 40% of the express delivery market in China, while DHL Danzas Air & Ocean is the leading international air-freight provider over the past four years. DHL's combined presence in China is unrivalled today and comprises over



About DHL

With annual revenues of nearly EUR 22 billion in 2003, DHL is the global market leader of the international express and logistics industry, specializing in providing innovative and customized solutions from a single source.

DHL Express: Emergency Services, Express, Parcels

DHL Freight: Transportation, special services

DHL Danzas Air & Ocean: Air and ocean freight

DHL Solutions: Contract logistics, industry-specific solutions

DHL offers expertise in express, air and ocean freight, overland transport and logistics solutions, combined with worldwide coverage and an in-depth understanding of local markets. DHL's international network links more than 220 countries and territories worldwide. Over 160,000 employees are dedicated to providing fast and reliable services that exceed customer's expectations. DHL is 100% owned by Deutsche Post World Net.

4,700 employees in 225 locations, 4 gateways, 1,100 vehicles, serving 318 cities.

Investments in China's future

In the coming years, China will evolve into one of the most important markets worldwide for DHL. The past years' industrial growth and trade expansion have turned logistics into one of the key factors fuelling the Chinese economy. DHL, the market leader among the foreign logistics groups, has laid the groundwork for its future on the domestic market through a US\$ 57 million participation in Sinotrans. A new 5-year investment program should cement this cooperation. The US\$ 200 million 5-year investment program launched in October 2003 is supposed to provide additional impetus by focusing on the expansion of the local production centers and locations as well as recruitment and the procurement of new vehicles. The funds will be partly used to expand and enhance 4 existing gateways, add 14 new branches, carry out 73 projects, buy 1,200 new vehicles and recruit more staff, creating up to 2,100 new positions for DHL in China.

Express logistics: fastest growth area

DHL also plans to intensify express logistics activities – the third-party management of spare parts inventory for companies – in China. The express logistics market is forecast to be one of the fastest growth areas for DHL.



More than 1.3 billion customers.

Make a breakthrough in China with a partner who already has.

Whatever you need moving to China, we've been doing it for over 20 years. Today we have the most tightly-knit logistics network in China. Which makes us market leader, and gives you every logistics option available. Whether it's imports, exports or domestic deliveries, documents, parcels, air or ocean freight, DHL is the one-stop shop for all your logistics needs. So if you, too, have big plans for China or any other market in the world, just follow us to www.dhl.ch



The company plans to establish three Express Logistics Centres (ELCs) and 16 Spare Parts Centres (SPCs) to tap the growth of express logistics in China. DHL Solutions – which provides tailor-made contract and industry-specific logistics solutions – will concurrently explore the establishment of Industry Competence Centres targeting the lifestyle, fashion, healthcare and FMCG sectors in China.

New opportunities for China's trade

DHL's investments in China pay off for its customers. They profit not only from the long-standing experience and knowledge of the local market, but also from new opportunities. In March 2004, DHL launched its Time Definite Delivery (TDD) product offering to Shanghai. DHL's TDD products comprises StartDay and MidDay Express which offer customers the latest possible collection times for early next-day deliveries. DHL StartDay Express offers next day door-to-door delivery by 9.00 a.m. MidDay Express offers next day door-to-door delivery by 12 noon. The extension of TDD product to Shanghai reflects the growing commercial importance of China in DHL's regional network. May 2004 saw the launch of China Domestic, a domestic express service in China. This new express door-to-door delivery service, targeted at parcels and freight items, offers shorter delivery and pickup times, shipment visibility via DHL's Track-and-Trace technology, dedicated customer service and quality levels.

Hong Kong as DHL hub for Asia

In August DHL inaugurated the new, state-of-the-art central Asia hub, a dedicated and purpose-built air express cargo facility, at the Hong Kong International Airport. A centerpiece of DHL's infrastructure in the region, the US\$ 100 million facility is the largest of its kind in the region and forms an important step forward in DHL's long-term regional growth strategy. With the new Central Asia Hub, DHL's regional throughput is expected to increase substantially on the back of growing intra-Asia Pacific trade. The hub will also allow to better integrate intercontinental routes to Europe and the Americas.

From one single source

The multi-pronged approach represents the cornerstone of DHL's China strategy. The expansion of geographical reach, investment in technology, people development, and enhancement of infrastructure will enable DHL to offer unrivalled coverage and innovative products. The aim is to offer the full suite of express and logistics solutions from a single source. From the delivery of a document to managing complex supply chains for customers, DHL has the capability to offer these services across China.

"Best express service provider in Asia"

A total of four awards underline DHL's leading position in China and the Asian market. For the 18th time in succession, DHL, the global leader for express and logistics services, has been voted the best express service provider in Asia. At the presentation of the renowned "Asian Freight & Supply Chain Awards" 2004 (AFSCA) in Shanghai, DHL also came out on top in the road transport, logistics and air freight categories: As the "Best Express Operator", "Best Road Haulier Asia", "Best Logistics Service Provider Air Freight" and "Best All Cargo Airline", DHL was awarded a total of four of the seven coveted prizes.

For further information, please contact:

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Facts about DHL in China

- More than 10 million shipments sent in 2003 (9,9 million express shipments)
 - 85 million kilos sent in 2003 (40 million kilos express shipments)
 - 130,000 TEU ocean freight in 2003
 - 400,000 tons of haulage freight in 2003 (DHL Solutions)
 - 35,000 customers
 - 318 cities covered
 - Over 4,700 employees
 - 1,100 vehicles
 - 225 locations (Hubs, Gateways, Offices, Service Centres, Terminals, Warehouses)
 - More than 127,000 square metres of warehouse space
 - Over 230 commercial flights utilised per week
 - 4 gateways: Beijing, Guangzhou, Shanghai, Shenzhen
- (Definition of Gateway: facility dedicated to the movement of shipments into and out of a country)

Source: Fact Sheet China 05/04

Sarnafil Opens New Factory in Shanghai

Shanghai, China – The Sarna Group, active in the processing and application of polymers in the construction and automotive industries, has officially opened a new Sarnafil Division production facility in Shanghai (China). Amongst the guests was Swiss Federal Ambassador Jörg Al. Reding.

In the presence of Swiss Ambassador Jörg Al. Reding, Head of the Bilateral Economic Relations Division of the State Secretariat for Economic Affairs (seco), representatives of the Shanghai government and local authorities as well as major Chinese customers, Sarnafil officially opened at the Shanghai Xinzhuang Industry Park its newest production facilities. In the new factory, Sarnafil produces reinforced and two-layer homogenous membranes. With these products, Sarnafil wants to cover the future needs of the rapidly growing construction market in China as well as in other Asian countries.

Federal Ambassador Reding pointed out in his speech, that Switzerland is small compared with China, the economic power-house of the world. But Switzerland has a great number of outstanding companies which are world leaders in their market. Sarnafil belongs to these outstanding companies and the success of Switzerland is

very much the result of such companies. We are proud of these companies and it is a very good thing for Switzerland and China that Sarnafil has made this important investment decision in China.

As representative of Sarna, Fritz Studer, Chairman of the Board of Directors emphasized in his speech the importance of the Chinese and the whole Asian market for the Sarna Group. As in Europe and America, the Sarnafil Division in China offers high-quality services and products under the motto “World-class roofing and waterproofing”. Sarnafil is the only European supplier of polymeric waterproofing membranes that has already been represented for several years with its own production in China. “We want to take advantage of and build up this lead over our competitors in a targeted manner”, said Studer.

Already since 1998, Sarnafil has been represented through a joint venture in China. In 2001, this company was taken over completely. On a total surface area of around 4500 square meters (48,440 square feet), the new factory accommodates a modern production line for

(continued on next page)



Frontside of the new Sarnafil Division production facility in Shanghai (China).

high-quality polymeric waterproofing membranes as well as Sarnafil China's sales organization.

The Sarna Group, an international company with corporate headquarters located in Sarnen, Switzerland, develops and manufactures products in the field of polymers for demanding applications. It concentrates its effort in two key areas of activity: high-quality waterproofing materials for construction and civil engineering (Sarnafil) as well as technically sophisticated parts and modules for the automotive industry (Sarnamotive). The

Sarna Group (www.sarna.com) employs a workforce of about 3800 worldwide.

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Human Resources Management in China

Together with Swiss-ASIA Consulting Ltd. and three of its clients, Bossard AG, Zug, Georg Fischer Piping Systems Ltd., Schaffhausen and Sarnafil International AG, Sarnen the Swiss-Chinese Chamber of Commerce organized a seminar end of August 2004 in Zurich regarding Human Resources Management in China with focus on sourcing, compensating, development and retention. About forty participants have taken the opportunity to gather first hand information about the current labour market situation in China, the outlook for 2005 and received valuable inputs based on practical experience for a successful Human Resources Management approach.

Thomas Schürch, Founder and Director Asia of Swiss-ASIA (China), Shanghai, provided an overview about the availability of managerial resources within the three today most important and largest commercial and industrial sites (Beijing, Shanghai and the Pearl River Delta including Hong Kong and Guangzhou) with a population of more than 50 million. Shanghai with 20 million shows the highest increase rates year by year.

The booming economy in China has deeply affected the local labour market. The demand for highly qualified and well experienced people has created a significant shortage for specific function in some industries. The chart illustrates the situation very clearly.

The Pearl River Delta region will have a shortage for nearly all functions in 2005. One of the reasons is the migration towards Shanghai. Shanghai as the top site for high-tech industry attracts managers with interesting career opportunities and higher salaries. A second reason is the two digit percent attrition rate in management positions.

The competition to get the best people at reasonable cost and retain them over a longer period has tightened. Therefore, it will be necessary to continuously adapt to and optimize the Human Resources Management in China as well as at the Head-office. It means that companies should also use proven western tools and methods for searching and selection. In addition, the right choice of the media for job advertisement becomes a competitive advantage. Furthermore, the efforts to develop and retain the workforce by providing financial support that covers also their families i.e. housing, car, school fees for child, invitation to business parties etc. becomes more important.

Changing Salary Structures

Heinz Hochstrasser, Partner and Director Europe, Swiss-ASIA (Switzerland), Zurich presented the current salary

2004 Function Location	Peking	Shanghai	Pearl River Delta	2005 Function Location	Peking	Shanghai	Pearl River Delta
CEO / GM	–	+	–	CEO / GM	–	–	–
Marketing	+	+	+	Marketing	+	–	+
Sales	+	+	–	Sales	+	+	–
R&D	+	–	–	R&D	+	–	–
Production	–	–	+	Production	–	–	–
Fin/Adm.	+	+	–	Fin/Adm.	+	–	–
HR	+	+	–	HR	+	–	–
IT / Telco	+	–	–	IT / Telco	–	+	–

+ = sufficient

– = shortage

situation for six managerial functions. In comparison to the Swiss market local salary level is still 50 percent lower for employees with equal qualification.

However, due to the fast growing economy and the increasing demand for qualified personnel the salary level is growing above average. The increase of salary and wages from 2003 to 2004 was 7 percent. For 2005 employers have to calculate another 6 percent. These figures represent an average of all industries and geographical regions in China. In and around Beijing, Shanghai and the Pearl River Delta the increase will even be higher due to the drying labour market.

A growing number of companies have implemented performance related bonus plans for nearly all categories of employees in order to keep the fixed salary costs at a reasonable level. Today, the variable part counts for 15 to 20 percent of the base salary. However, salary structure and bonus plans are quite often not part of an overall compensation strategy. The right compensation strategy

for each company has to focus on the individual product, the industry, the distribution channels, the required qualification level of the employees and their availability as well as the geographical location / site of the organization. Developing and implementing a tailor made compensation strategy today prevents companies from costly mistakes in the future.

Swiss-ASIA consults and support companies in Asia and Europe – in addition to sourcing and selecting the right people – with the following services:

- Job Evaluation / Grading
- Benchmark Studies
- Individual Compensation Strategies
- Annual Salary Surveys

For more information and contact, please visit Swiss-ASIA's website www.swiss-asia.com

Company Profiles of Speakers

Sarnafil International AG

(see article on pages 25/26 in this issue)

Georg Fischer Corporation

Georg Fischer Corporation is a leading development partner and systems supplier for industrial applications, headquartered in Schaffhausen, Switzerland, since 1802. The corporation is focused on three core businesses – Georg Fischer Automotive Products, Georg Fischer Piping Systems and Georg Fischer Manufacturing Technologies (Agie Charmilles). Each of them is a technological and market leader in its field. 14'000 employees in over 150 independently operated companies generate annual sales of CHF 3.5 billion.

The Georg Fischer Corporation is currently represented by all three of its Corporate Groups, Automotive Products, Piping Systems and Manufacturing Technology (Agie Charmilles), in the People's Republic of China, where it employs about 1,000 people at a total of eight sites. It has production plants in Zhangjiagang (Automotive Products), Shanghai (Piping Systems and Manufacturing Technology), the Beijing agglomeration (Piping Systems and Manufacturing Technology), Changchun (Piping Systems) and Shenzhen (Piping Systems). It also has sales offices and services centres in Shanghai, Beijing, Changchun, Chengdu, Shenzhen and Hong Kong.

Most of the Chinese companies are joint ventures (majority Georg Fischer). The Corporation's sales in the Chinese market (quota-consolidated) came to an estimated 10% in 2002.

Bossard China

The Bossard Group is a global group of companies managed by members of the sixth and seventh generations of the founding family. Our focus is on fasteners and fastening technology. Thus, in addition to our broad range of quality products, we provide full engineering support for fastener applications and offer logistics services for fasteners and other C parts. Among our customers there are many industrial companies with international operations. Our holding company, Bossard Holding AG, is headquartered in Zug, Switzerland, and is listed on the Swiss Exchange. With some 1,400 employees, the group reports sales in the region of half a billion Swiss francs. In China, Bossard started 6 years ago in the Free Trade Zone of Wai Gao Qiao in Shanghai. Today, Bossard China has 8 offices located in the major areas on the east coast from Dalian, Beijing, Tianjing over Shanghai, Suzhou, Nanjing, Xiamen down to Shenzhen with over 150 people in total. Bossard China offers the same services like logistics, engineering and C-Part Management to major multinational companies as in all other countries around the world.

Yangtse Delta Region – First Half 2004

(Note from the editor: Please be informed that this is the last article written by Mr. Rongzhang Li from the Commercial Section of the Consulate General of Switzerland in Shanghai. After nine years of dedication to the Consulate, Mr. Li retired at end of August 2004. Ms. Stella Nie has filled in the position, working in the Commercial Section. The Consulate will continue to update the readers with the latest news from Shanghai and always welcomes your feedback.)

1. General Situation

After an already rapid growth in 2003, China's economy is growing even faster these first six months of 2004. The Chinese authorities have taken some measures to moderate the economy's fast pace to a more manageable growth level and avoid a potential hard landing, similar to the experience in the 1990s. The Yangtse delta region – including in this term the city of Shanghai and the two provinces of Jiangsu and Zhejiang – continues to play a locomotive role in the country's economy, in particular in the field of investment and foreign trade.

China's economy increased by 9.8% in the first quarter of 2004, compared to the same period in 2003, while the growth rate in the second quarter fell slightly to 9.6%. On the whole, the gross domestic product (GDP) of China rose 9.7% to 5'877.3 billion RMB in the first half of 2004, an equivalent of 710.08 billion USD (according to the official Chinese exchange rate: 100 USD = 827.7 RMB).

During the same period of time, the aggregate GDP of the delta region climbed to 1'528.5 billion RMB (184.7 billion USD), accounting for 26% (22% in 2001) of China's total GDP, a remarkable result compared to its rather low percentages of population (10.9%) and area (2.2%). Due to the rapid increase of exports and investment in fixed assets, Shanghai, Jiangsu and Zhejiang have all won the highest growth rates in recent years.

Shanghai reported a GDP of 341.78 billion RMB (41.29 billion USD) in the first half of 2004, an increase of 14.7% (11.8% for the whole of 2003) over the previous year. This was the highest growth rate since 1998. Jiangsu Province, the second largest provincial economy in China after Guangdong province, recorded a GDP of 675.68 billion RMB (81.63 billion USD), up 15.1% (13.5% for the whole of 2003) and 5.4 percentage points higher than the national average. The GDP of Zhejiang province reached 511 billion RMB (61.74 billion USD), up 15.5% (14% for the whole of 2003). Measured by per capita GDP (19,730 RMB or 2,385 US\$ in 2003), Zhejiang is the richest province in China.

2. Private Consumption: Increased obviously

The country's private consumption increased considerably during the first half of 2004, reflecting a increase of the personal income of Chinese consumers. Per capita income of Chinese residents in cities and towns in the first half of 2004 was RMB 4,815, up 11.9% from the same

period of 2003. While per capita income of farmers at the same time was RMB 1,345, up 10.9%.

China's total retail sales growth went up to 12.8% in the first half of 2004 from 9.1% in 2003 as a whole. In the same period, retail sales in Shanghai totalled 121.51 billion RMB (14.68 billion USD), up 12.2% (compared with 9.1% for the whole of 2003) from the previous year; in Jiangsu it was 201.15 billion RMB (24.3 billion USD), up 17.5% (compared with 13.7% for the whole of 2003) and in Zhejiang it totalled 173.4 billion RMB (20.95 billion USD), up 15.5% (compared with 10.9% for the whole of 2003).

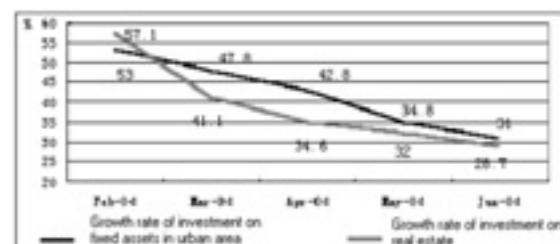
In a parallel movement, the price level went higher as well. China's consumer price index has shown an upward trend since October 2003. It was up 2.8% in the first quarter of 2004, up 3.6% in the first half of the year, 4.4% in May and 5% in June.

3. Investment in Fixed Assets: One of the Main Engines of Growth

Since 1998 (after the Asian financial crisis), Chinese economic growth has been strongly driven by a pro-active fiscal policy, featuring heavily increased investments in fixed assets, especially in the field of infrastructure. This situation continued in 2002 and in the first half of 2003 in particular, since all of local legislative and government organs were re-elected earlier this year and many officials tended to show their ambition in their economic plans.

Since the second half of 2003, however, the sign of overheating appeared and the policy-makers had to adjust themselves to the opposite direction, trying to curb excessive investment in fixed assets.

The chart below shows that fixed investment growth subsided, but remained in the fast lane:



Reaching 2'068.2 billion RMB (about 315.1 billion USD), enacted investments in fixed assets for the whole of China grew at a quite high rate of 28.6% during the first six months over the same period of last year. In the delta region, investments in fixed assets accelerated in the first half of 2004 as well: in Shanghai, they reached 139.62 billion RMB (corresponding to 16.87 billion USD), a rise of 25.9% (a rise of 12.1% for the whole of 2003); in Jiangsu they totalled 282.6 billion RMB (34.14 billion USD), a rise of 33.5% (up 38.6% for the whole of 2003) and they recorded 232.9 billion RMB (28.14 billion USD) in Zhejiang, an increase of 25.5% over the previous year (up 38.1% for the whole of 2003).

4. Foreign Investment: Massive Influx

China has become one of the most preferred destinations for foreign direct investments in recent years. Foreign direct investment (FDI) in China totalled 53.51 billion USD in actually utilized terms, an increase of 1.44% in 2003, in terms of contracted value an increase of 39%. This momentum has continued in the first half of 2004. Contracted FDI in China increased 42.7% to 72.7 billion USD over the same period of 2003, while actually utilized FDI reached 33.88 billion USD, up 12%. The number of newly approved foreign invested companies rose 14.9% to 21,688 in this period.

Multinationals are moving more and more of their manufacturing bases from world-wide production sites to China. By the end of July 2004, there were about 490'000 foreign invested enterprises in China, with contracted foreign investment of 1 trillion USD and actual foreign investment of 540 billion USD. It is important to realize, however, that more than two thirds of the capital under the heading of FDI is still coming from different ethnic Chinese sources.

The Yangtse delta region saw an accelerating influx of foreign investment since 2001. The total FDI of the region was about 17.7 billion USD in the first half of 2004 (27.1 billion USD in the whole year of 2003) in terms of actually utilised value, accounting for 52% of China's total. Actually utilised FDI in Shanghai was 3.84 billion USD (5.85 billion USD for the whole of 2003), an increase of 15 % over the same period last year (up 30.1% for the whole of 2003). In Zhejiang it amounted to 2.98 billion USD (5.45 billion USD for the whole of 2003), an increase of 37.7% (up 72.4% for the whole of 2003), and in Jiangsu it reached 10.87 billion USD (15.8 billion USD for the whole of 2003), an increase of 46.6% (52.4% for the whole of 2003). Jiangsu became the most preferred province for FDI, surpassing Guangdong province for the first time in 2003 in terms of both contracted and actually utilized FDI.

As China is realizing many promises in line with its WTO agreements, more capital will flow into fields such as banking, tourism, commerce, hospitals, education and etc. The government's decision to encourage foreign investment in restructuring State-owned enterprises will also provide more opportunities for FDI.

5. Foreign Trade: Another Motor of Growth

China's total foreign trade volume increased by 39.1% on a year-to-year base to 523 billion USD in the first half of 2004. Exports rose 35.7% (up 34.6% for the whole of 2003) to 258.08 billion USD (438.37 billion USD for the whole of 2003); imports grew more rapidly by 42.6% (39.9% in 2003) to 264.9 billion USD (412.84 billion USD for the whole of 2003); the trade deficit stood at 6.82 billion USD, whereas the trade balance in the same period of 2003 showed a surplus of 4.5 billion USD. China's economic boom, the rising demand by foreign-funded enterprises and by private firms and the reduced import tariffs and licences as a result of China's entry to the WTO have spurred imports.

(continued on next page)

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Another important factor for the negative trade balance was the soaring price of oil. China became a net oil importer in 1993 and the third largest oil consumer in the world in 1995. Oil prices rose as high as 49 USD a barrel recently, from 32 USD a barrel at the beginning of the year. China imported 61.02 million tons of crude oil in the first half of 2004 (120 million tons or 880 million barrels). More than a third of the country's oil supply for the whole year will thus be provided by imports, an increase of 39.3% over the same period of last year. The value grew 57.4% compared to the same period of 2003 to hit 5.2 billion USD. Imports of refined oil reached 19.85 million tons, a worth of 4.5 billion USD, up 56.6% and 66.1% respectively.

FDI enterprises in China are playing a more and more important role in China's foreign trade. According to the official statistics, FDI enterprises had a contribution of 57.3% to China's foreign trade in the first half of 2004, compared to 53.9% for last year as a whole. Total imports and exports by FDI enterprises recorded 296.81 billion USD, an increase of 45.9% during the first half of 2004. Exports by FDI enterprises increased by 43.7% to 147.27 billion USD, accounting for 57.04% of the total exports of China. Imports increased by 48.22% to reach 149.55 billion USD, accounting for 56.46% of China's total imports.

The delta region held a leading position in China's foreign trade. The export value of Shanghai was 33.74 billion USD in the first half of 2004 (48.48 billion USD for the whole of 2003), an increase of 54.5% (up 51.2% for the whole of 2003) compared to the same period of the previous year. Jiangsu exported goods in the value of 37.58 billion USD (59.14 billion USD for the whole of 2003), an increase of 53.3% (up 53.7% for the whole of 2003) and Zhejiang's exports grew 40.2% (41.5% for the whole of 2003) to reach an amount of 25.36 billion USD (41.60 billion USD for the whole of 2003). The region's total export value reached 96.68 billion USD (149.22 billion USD for the whole of 2003), accounting for about 37.5% (31% in 2002) of China's total export value.

Imports in the Yangtse delta region increased even faster than exports in the first half of 2004. During the first six months this year, Shanghai imported goods with a value of 41.74 billion USD (63.92 billion USD for the whole of 2003), an increase of 50% (57.4% for the whole of 2003) over the same period last year. Jiangsu imported 38.54 billion USD (54.53 billion USD for the whole of 2003), an increase of 68.5% (up 71.3% for the whole of 2003) and Zhejiang's imports grew 39.7% (up 58% for the whole of 2003) to reach an amount of 13.03 billion USD (19.8 billion USD for the whole of 2003). The region's total import value reached 93.31 billion USD (138.25 billion USD for the whole of 2003), accounting for 35.2% (29% in 2002) of China's total imports.

The trade balance of Shanghai therefore showed a deficit of 8.27 billion USD in the first six months this year (a deficit of 6.02 billion USD in the same period of 2003), reflecting the city's increasing demand for foreign goods in the high-tech and higher quality brackets due to internationalisation in the field of consumer goods, due to a fast and steady increase in personal income and due to the growing import demand of foreign-funded enterprises as well. Jiangsu showed also a deficit of 96 million USD, compared to a surplus of 1.64 billion USD in

the same period of 2003 and Zhejiang remained the most aggressive trading province in China with a trade surplus of 12.33 billion USD (a surplus of 8.78 billion USD in the same period of 2003), which ultimately contributed positively to China's trade balance.

6. The Challenges: Old and New

The economic situation in China will remain dynamic in the near future. The excessive large scale of fixed assets investment and "wasteful duplication" in some industries and regions have primarily come under control. "The economy has maintained a momentum of stable and relatively rapid growth, which is mainly manifested by the fact that unstable and unhealthy factors in economic development have been curbed", according to the release of an executive meeting of China's cabinet held on July 14. The estimation made by the main Chinese research institutes for the forecast of economic growth in 2004 are mostly higher than 8.5 %. Another double-digit increase for the delta region provinces remains very likely for the current year again. The government measures were not as strong as reigning in the growth to an increase lower than last year.

The challenges therefore remain there as well. The old problems are not really resolved. Although employment in urban areas went slightly up by 552,000 to 109 million along with the booming trend of the national economy during the first half of 2004, unemployment rates were still high, and the hidden unemployment in the countryside in particular will not be corrected soon. Migration into urban areas has thus just helped to increase problems in these growth centres, it did not allow for an alleviation of the rural employment situation.

The income gap, not only between urban and rural residents, but also among urban households as well, is still growing. According to the latest official statistics, the upper line of poor people's net income in 2003 was 637 RMB (77 USD), while the average annual income reached 2,622 RMB (316 USD). The gap between the annual income of the poor vs the national average has therefore become wider from 1:2.45 in 1992 to 1:4.12 in 2003. The number of persons with less than 637 RMB of annual net income rose by 800,000 to 29 million in 2003, accounting for 3% of China's population. This is the first time the number increased since China began opening-up in the late 1970s. The number of poor people in Henan, Anhui, Shanxi and Heilongjiang provinces alone increased to more than two million in 2003 due to a series of natural disasters.

China's efforts to slow down the economy through sudden and abrupt restrictions both in financial and in administrative means are gaining a certain foothold, but Chinese policymakers have to face the negative effects. By end of June, 2004, Chinese authorities have cancelled 4'735 development zones, which accounted for 70% of China's total zone number. The cancelled zones covered a land area of 24'100 km², accounting for 64% of the total planned area. The surviving development zones are running with unordinary shortage of land, electric power,

(continued on page 32)

Current Economic Indicators* of the Swiss Consular Area – First Half 2004

Year		2003		Jan.–June	2004
		volume	growth rate (%)	volume	growth rate (%)
GDP (billion RMB)	China	11669.40	9.1	5877.30	9.7
	Shanghai	625.08	11.8	341.78	14.8
	Jiangsu	1245.18	13.5	675.68	15.1
	Zhejiang	920.00	14.0	511.00	15.5
	Anhui	397.32	9.2	226.07	13.5
	Consular Area	3187.58			
Total Retail Sales of Consumer Goods (billion RMB)	China	4584.20	9.1	2524.90	12.8
	Shanghai	222.06	9.1	121.51	12.2
	Jiangsu	356.65	13.7	201.15	17.5
	Zhejiang	315.70	10.9	173.40	15.5
	Anhui	133.12	9.8	71.65	12.6
	Consular Area	1027.53			
Completed Investment in Fixed Assets (billion RMB)	China	5511.80	26.7	2608.20	28.6
	Shanghai	245.21	12.1	139.62	25.9
	Jiangsu	533.58	38.6	282.60	33.5
	Zhejiang	494.70	38.1	232.90	25.5
	Anhui	147.76	30.4	58.79	32.5
	Consular Area	1421.25			
Exports (billion USD)	China	438.37	34.6	258.08	35.7
	Shanghai	48.48	51.2	33.74	54.5
	Jiangsu	59.14	53.7	37.58	53.3
	Zhejiang	41.60	41.5	25.36	40.2
	Anhui	3.06	24.9	1.75	23.4
	Consular Area	152.28			
Imports (billion USD)	China	412.84	39.9	264.90	42.6
	Shanghai	63.92	57.4	41.74	50.0
	Jiangsu	54.53	71.3	38.54	68.5
	Zhejiang	19.80	58.0	13.03	39.7
	Anhui	2.88	66.6	1.68	20.1
	Consular Area	141.13			
Foreign Direct Investment (during the period)					
Projects (billion USD)	China	41'081	20.22	21'688	14.89
	Shanghai	4'321	43.5	2'297	-7.6
	Jiangsu	7'301	25.9	4'048	17.0
	Zhejiang	4'442	32.0	1'949	2.4
	Anhui	431		208	26.8
	Consular Area	16'495			
Contracted (billion USD)	China	115.07	39.03	72.70	42.66
	Shanghai	11.06	23.5	6.15	1.3
	Jiangsu	30.81	56.6	20.71	49.3
	Zhejiang	12.05	77.5	6.98	42.0
	Anhui	1.02			
	Consular Area	54.94			
Actually Utilised (billion USD)	China	53.51	1.44	33.88	11.99
	Shanghai	5.85	30.1	3.84	15.0
	Jiangsu	15.80	52.4	10.87	46.6
	Zhejiang	5.45	72.4	2.98	37.7
	Anhui	0.39	4.1	0.60	63.4
	Consular Area	27.49			

* All statistics not including Taiwan, Hong Kong and Macao.

Source: Chinese Authorities

oil and loans, that will generate a negative impact on the development of the national economy.

The Chinese central bank had ordered commercial banks to set aside more deposits as reserves, for the third time in a row since last September, freezing hundreds of billions of RMB which could otherwise be used for lending. Enterprises, small and medium-sized companies in particular, will thus lack funds for daily operations. Many projects could not obtain further loans, constructions could not be finished so far, thus increasing non-performing loans and banks' risks at the same time.

The biggest problem in operation and development of the national economy is the electric power shortage. Power shortage in China, particularly in the southeast coastal provinces, has hit a new high this summer. Since July 20, industrial operations in Hangzhou, the capital city of the Province, had to cease working for four days in a week for about 5,000 enterprises. 42% of the migrant workers in Hangzhou were left without work. Many companies could not finish their products before contractual deadlines due to blackouts. Facing an average power gap of 3.4 million kilowatts during summer, Zhejiang

province has suffered the most severe power shortages in the country. It is estimated that the power crisis has reduced the province's total GDP by 36.6 billion RMB (4.4 billion USD) in the first half of 2004. Shanghai also had to use every means to save energy this summer. As part of the city's measures to guarantee local power supply, about 1,700 big energy consuming enterprises had been required to shift their operating time from midnight to early morning. Some 3,000 industrial enterprises had to temporarily halt their operations for rotating stints and make arrangements allowing their employees to take a week's vacation.

In order to increase the capacity of the national energy network and meet the country's mid-term power demand, China will invest more than 108 billion USD in the next five years. This will also provide a good opportunity of further investments for foreign firms.

*by Li Rongzhang
Commercial Section*

Consulate General of Switzerland, Shanghai

Swiss-Hong Kong Business Association Founded



A Network of Hong Kong Experts for Hong Kong Experts

The People's Republic of China is increasingly in the focus of interest of the Swiss business community. But as far as individual companies are concerned, the barrier obstructing access to this still complex and multifaceted market is high. What facilities for co-operation are available, and which location is the most suitable? How can the risks for business expansion into China be minimised? How can the right local partner be found?

As an answer to this wealth of questions, a number of international companies have already decided to use Hong Kong and the Pearl River Delta as the platform for their China business. Swiss companies could also benefit from this formula. The prospering region in the South of China offers both efficient sourcing and production facilities and one of the most promising consumer markets world-wide. And amidst all this, Hong Kong is a reliable and valuable partner.

Foundation of the Swiss-Hong Kong Business Association

For Swiss companies interested in Hong Kong as a business location and as the gateway to China, there is now a new contact point in Zurich. On April 20, 2004, the Swiss-Hong Kong Business Association was created on the occasion of a Hong Kong seminar. Representatives of the Swiss-Chinese Chamber of Commerce based in

Zurich, and of the Hong Kong Trade Development Council (HKTDC) based in Frankfurt am Main founded an association with the goal of facilitating access to the Chinese Special Administrative Region for Swiss business people and assisting them in building up or expanding their business in Hong Kong and mainland China.

"With the Swiss-Hong Kong Business Association, we have created a platform for networking, and for the exchange of information for Swiss business people who wish to do business in Hong Kong and China or who are already engaged there. The objective of this association is to keep its members constantly up to date on Hong Kong's economic and social developments. In addition, we would like to show the Swiss companies various perspectives for expanding their business activities into the Chinese market using Hong Kong as a basis and as a gateway. For this purpose, we provide our members with first-hand information. This is of importance both for newcomers and for China business veterans", says Dr Kurt Moser, Chairman of the Swiss-Hong Kong Business Association.

"Hong Kong – Your Fast Track to China"

The seminar "Hong Kong – Your Fast Track to China" was held on April 19 and 20, 2004 in Lausanne and



Ribbon-cutting for the launch of the newly-founded Swiss-Hong Kong Business Association in Zurich (f.l.t.r. Kurt Moser, President of the SHKB-Association, Frederick Lam, Executive Director, Hong Kong Trade Development Council, Ambassador François Barras, Consul General of Switzerland in Hong Kong).

Zurich as the inaugural event organized by the Swiss-Hong Kong Business Association. It was arranged in co-operation between the HKTDC, the Swiss Consulate General in Hong Kong and the Swiss-Chinese Chamber of Commerce and sponsored by *economiesuisse*, *osec business network switzerland*, *Chambre vaudoise du commerce et l'industrie* and the Zurich Chamber of Commerce.

With over 100 participants in both cities, the response was tremendous and illustrated the high level of interest in the Swiss business community for this booming region. Using practical examples, China-business insiders from Hong Kong and Switzerland explained how Swiss companies can make use of the benefits offered by the Special Administrative Region when realising their business ideas and concepts in China. Since CEPA (Closer Economic Partnership Arrangement) between China and Hong Kong came into effect on January 1, 2004, such projects are now far more easily realisable. CEPA offers foreign companies a wide variety of possibilities for expansion into the Chinese markets at privileged terms when co-operating with a Hong Kong partner or when founding a local branch office.

The Benefits of Membership

The association provides its members with valuable information and know-how including:

- Dialogue and networking opportunities with Hong Kong and China insiders

- Periodic information seminars and conferences
- A newsletter containing both concise and comprehensive information on the latest developments in Hong Kong
- Access to a pool of business contacts
- Research, market intelligence services, etc.

In addition, members have access to the information platform of the Swiss-Chinese Chamber of Commerce and to the range of services offered by the HKTDC. Furthermore, they are automatically members of the *Federation of Hong Kong Business Associations Worldwide* based in Hong Kong which offers a number of benefits for its members as well.

Via the conferences, seminars and information offered by the Federation, members have access to an international network comprising 29 organizations in 23 countries. Apart from Hong Kong contacts, this network also includes a large number of contacts in the home markets of the individual organizations.

Hong Kong Forum

Every year, the Hong Kong Forum is the highlight of the agenda of the Federation of Hong Kong Business Associations Worldwide. This year, the annual conference will take place on November 16 and 17 in the Hong Kong Convention & Exhibition Center and will address all Hong Kong associations world-wide, thus including the

(continued on next page)



The seminar in Zurich and Lausanne (photo) explained how Swiss companies can make use of the benefits offered by the Hong Kong Special Administrative Region when realising their business ideas and concepts in China (speakers f.l.t.r. Daniel V. Christen, Fanny Ting, François Barras, Frederick Lam, Paul Lau, Marc Ronca).

members of the Swiss-Hong Kong Business Association. This forum provides the participants with a number of opportunities for exchanging views and making new contacts with business people from all over the world doing business in Greater China. In addition, the participants will be comprehensively informed on Hong Kong's current economic developments – always with special emphasis on Mainland China. Under the keyword “Business Matching”, requests for contacts with local firms from diverse industries will be dealt with.

For further information or membership application, please contact:

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Switzerland Greets Hong Kong



On October 14, 2004, Mr François Barras, Consul General of Switzerland, has received representatives of the Hong Kong media at his residence to launch the campaign Switzerland Greets Hong Kong.

The Consulate General of Switzerland, in co-operation with many Swiss and local institutions, will present a series of some forty events of commercial, cultural, academic and scientific nature under the motto Switzerland greets Hong Kong between October 2004 and March 2005.

Switzerland Greets Hong Kong aims at giving Hong Kong an opportunity to share in some of the core values which define “Swissness” such as quality, trustworthiness, innovation and well being. Switzerland Greets Hong Kong represents a valuable tool for Switzerland to extend its Hong Kong network and in doing so to deepen its already existing friendly relationship with the city. Through an impressive array of exhibitions, concerts, theatre and ballet performances, films as well as lifestyle and educational events, Switzerland greets Hong Kong will contribute to raise awareness of Switzerland. A listing of the events and calendar is available on the web.

Switzerland Greets Hong Kong's website:
<http://www.switzerlandgreetshongkong.com>
was also launched on October 14.

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Swiss-Hong Kong Trade / 2nd Quarter 2004

(in Mio. CHF)

Comparison to the same period last year / Share: Share of goods in trade with country

Goods	Export Mio. CHF	Export ± CHF%	Export Share	Import Mio. CHF	Import ± CHF%	Import Share
Total selected	1,461,0	13,2	100,0	242,5	-10,7	100,0
Agricultural products	32,5	14,3	2,2	0,4	-50,3	0,2
Energy carriers	0,1	-27,9	0,0	0,0	–	0,0
Textiles, apparel, shoes	46,6	-0,6	3,2	25,9	0,6	10,7
Paper, paper products, printed matter	6,2	-19,3	0,4	1,1	102,1	0,5
Leather, rubber, plastics	21,3	8,7	1,5	2,3	20,4	0,9
Chemicals, pharmaceuticals	197,1	8,4	13,5	1,8	-59,9	0,7
Construction materials, ceramics, glass	6,9	39,2	0,5	0,9	30,4	0,4
Metals and metal products	27,5	23,8	1,9	4,6	4,2	1,9
– Iron and steel	0,2	49,8	0,0	0,0	47,4	0,0
– Non-ferrous metals	0,8	-24,6	0,1	0,0	-68,7	0,0
– Articles of metal	26,4	26,1	1,8	4,6	5,4	1,9
Machinery, apparatus, electronics	192,6	24,7	13,2	57,8	17,2	23,8
– Industrial machinery	106,8	42,0	7,3	0,9	-69,5	0,4
– Engines non-electrical	3,0	69,0	0,2	0,1	-95,7	0,0
– Construction machinery	0,4	94,4	0,0	0,0	-86,7	0,0
– Machinery engineering	103,3	41,2	7,1	0,8	-30,7	0,3
– Pumps, compressors, fans, etc.	4,8	-14,9	0,3	0,1	241,5	0,0
– Process engineering, heating, cooling equip.	2,1	39,5	0,1	0,2	123,1	0,1
– Lifting and handling equipment	8,0	-2,6	0,6	0,1	96,4	0,1
– Machine-tools metalworking	23,7	64,0	1,6	0,0	-56,7	0,0
– Machine-tools for mineral materials	0,8	51,6	0,1	0,0	-13,1	0,0
– Plastics-, Rubber machinery	3,7	91,3	0,3	0,0	-81,3	0,0
– Machine-tools for wood, cork, etc.	3,2	44,5	0,2	0,0	-90,0	0,0
– Other machinery	12,6	-0,7	0,9	0,1	-84,7	0,0
– Hand held tools	2,7	186,6	0,2	0,0	-97,7	0,0
– Welding machines	1,0	-8,9	0,1	0,0	-96,3	0,0
– Printing and paper machinery	3,6	-0,8	0,2	0,0	-87,0	0,0
– Textile machines	35,5	91,5	2,4	0,2	558,4	0,1
– Food processing equipment	0,4	78,3	0,0	0,0	133,3	0,0
– Filtering and purifying machines	0,3	158,5	0,0	0,0	-70,1	0,0
– Packaging and filling machines	1,0	-32,5	0,1	0,0	-46,0	0,0
– Agricultural machines	0,0	-80,1	0,0	0,0	–	0,0
– Household appliances	1,9	-68,7	0,1	6,5	45,2	2,7
– Entertainment electronics	0,8	-84,9	0,1	6,3	52,7	2,6
– Household machines	1,1	82,8	0,1	0,2	-40,4	0,1
– Office machines, Computers	4,4	-41,8	0,3	26,7	26,2	11,0
– Electrical machinery and electronics	79,5	21,1	5,4	23,5	13,1	9,7
– Power generation, electric motors	6,2	26,0	0,4	4,0	64,2	1,7
– Telecommunications	8,9	43,3	0,6	4,0	-7,0	1,7
– Electric and electronic articles	64,4	18,2	4,4	15,5	10,5	6,4
– Defence equipment	0,0	–	0,0	0,2	350,6	0,1
Vehicles	0,3	-83,7	0,0	0,3	63,7	0,1
– Road-vehicles	0,3	-85,0	0,0	0,2	21,6	0,1
– transport of persons	0,0	-35,4	0,0	0,1	-6,0	0,0
– transport of goods	0,0	–	0,0	0,0	–	0,0
– Special purpose vehicles	0,3	-87,0	0,0	0,0	–	0,0
– Spare parts	0,0	-18,9	0,0	0,1	174,4	0,0
– Railway vehicles	0,0	-70,6	0,0	0,0	–	0,0
– Aircraft and spacecraft	0,0	298,5	0,0	0,1	332,1	0,0
– Vessels	0,0	–	0,0	0,0	–	0,0
Precision instruments	34,8	3,7	2,4	4,7	14,8	1,9
– Optical instruments, photo	8,5	49,0	0,6	2,9	-12,9	1,2
– Surveying instruments	3,6	8,4	0,2	0,0	-27,9	0,0
– Medical instruments and appliances	8,5	-29,7	0,6	0,4	160,4	0,2
– Mechanical measuring, testing, control equipment	14,2	14,1	1,0	1,4	136,4	0,6
Watches	771,0	11,4	52,8	83,3	-19,9	34,4
Other goods	124,0	28,8	8,5	59,5	-21,1	24,5

Source: swissmem & Eidg. Zollverwaltung

Membership Card Values



The Membership Card of the Chamber is a gesture to say thank you and to give you a special status as a member of the Swiss-Chinese Chamber of Commerce. The Membership Card is valid for one year and will be renewed with every consecutive year after the payment of the membership fee.

The card not only identifies you as a legitimate member of the Chamber but also entitles you to benefit from services rendered by us and the Chapters in Switzerland and the People's Republic of China. Besides our events, members can take advantage of hotel-bookings, consumptions at Chinese restaurants and suppliers of Chinese goods at reduced rates.

Further services will be added according to new partner agreements and are regularly going to be announced in the Bulletin. Below you find the list of Chinese restaurants and suppliers in Switzerland, where you get 10–30 % off the regular price, when showing your personal membership card.

RESTAURANTS

Restaurant China-Palast

Petersgraben 21
CH-4051 Basel
☎ 061-261 31 13 Fax 061-261 99 46

China Restaurant Rhein-Palast

Untere Rheingasse 11
CH-4058 Basel
☎ 061-681 19 91 Fax 061-261 99 46

China Restaurant Astoria

Neumarktstrasse 38/rue du Marché-Neuf
CH-2500 Biel-Bienne 3
☎ 032-322 83 22 Fax 032-322 83 63

China Restaurant BAO TAO

Bernstrasse 135
CH-3627 Heimberg
☎ 033-437 64 63 Fax 033-437 64 62

Cheng's China Restaurant (mit Seeterrasse)

Marktgasse 15
CH-8640 Rapperswil
☎ 055-210 17 70 Fax 055-410 14 51

Restaurant Züri-Stube

Steinwiesstrasse 8
CH-8032 Zürich
☎ 01-267 87 87 Fax 01-251 24 76
E-mail: info@tiefenau.ch

BAMBOO INN

Culmannstrasse 19
CH-8006 Zürich
☎ 01-261 33 70 Fax 01-870 38 88
closed on Mondays

Restaurant CHINA-TOWN

Bälliz 54
CH-3600 Thun
☎ 033-222 99 52 Fax 033-222 99 52

CHINA GARDEN

Schützengasse 12
CH-8001 Zürich
☎ 01-211 71 00 Fax 01-212 35 61

SHANGHAI

Bäckerstrasse 62/Helvetiaplatz
CH-8004 Zürich
☎ 01-242 40 39

ZHONG HUA

Zähringerstrasse 24
CH-8001 Zürich
☎ 01-251 44 80 Fax 01-251 44 81

SUPPLIERS / FURNISHINGS

GALLERY JJ – "East Meets West"

Bahnhofstrasse 28
CH-6300 Zug
☎ 041-720 21 21, Fax 041-720 21 22
E-Mail: galleryjj@hotmail.com

TRAVEL/DELEGATIONS

Alpine Sightseeing GmbH

Seebahnstrasse 109
CH-8003-Zürich
☎ 01-311 72 17, Fax 01-311 72 54
E-mail: info@alpinetravel.ch

CULTURE AIR TRAVEL S. A.

8C Avenue de Champel
Case postale 434
CH-1211 Genève 12
☎ 022-839 81 81, Fax 022-839 81 80
E-Mail: info@catvoyages.com
Website: www.catvoyages.com

FIRST TRAVEL ENTERPRISE

Bubentalstrasse 7
CH-8304 Wallisellen
☎ 01-322 66 88, Fax 01-322 66 90
E-Mail: victor@FTE.ch
Website: www.FTE.ch

HOTELS

HOTEL TIEFENAU ZÜRICH

Steinwiesstrasse 8
CH-8032 Zürich
☎ 01-267 87 87 Fax 01-251 24 76

(For hotel-bookings in China, please turn to the Chamber directly.)