Contents

Board of the Chamber and its Chapters 2–3

Editorial

by H.E. Federal Councillor Joseph Deiss 5

Chamber News

General Assembly, New Members 6–7

Next Events, Trips to China, Recent Publications 8–10

Economy

Message by H.E. Vice President Huang Ju 12–15

Economic Situation 2004 / Outlook 2005 16–22

Reform of RMB Exchange Rate Regime 22–24

Elections in Hong Kong 24

Swiss-Hong Kong Trade 2004 25

China's New Management Rules 26–27

China Compulsory Certification 27–28

Various short News 28–29

Special Feature

China's Development Zones 30–48

News from Members

Hilti Strengthens Presence in China 48–51

Plaston in China 52–53

Risk Solutions for Business with China 54–55

"We're not always sensible" 56–57

Chinese Citizen Elected to GF Board 58

Kaba Security Symposium China 2005 58-59

Chinese Ambassador Visits Sika AG 60

Tennis Masters Cup 2005 in Shanghai 60–62

Mt. Rigi – A Paradise for Walking 63

Services

Membership Card Values 64

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Responsible Editor:

Susan Horváth, Managing Director

Swiss-Chinese Chamber of Commerce
Höschgasse 83
CH-8008 Zurich
Switzerland
Tel. 01 / 421 38 88
Fax 01 / 421 38 89
e-mail: info@sccc.ch
Website: www.sccc.ch

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Maître Philippe Knupfer	Lawyer, LL. M., Pictet & Cie., Geneva

Here for You

in Switzerland:

Swiss-Chinese Chamber of Commerce
Höschgasse 83
CH-8008 Zurich

Phone	+41-1-421 38 88
Fax	+41-1-421 38 89
E-mail	info@sccc.ch
Website	www.sccc.ch
President	Dr. Jörg Wolle

Chambre de Commerce Suisse-Chine
Rue du Vieux-Collège 8
Case postale 3135
CH-1211 Genève 3 Rive

Phone	+41-22-310 27 10
Fax	+41-22-310 37 10
E-mail	sccc@swissonline.ch
Website	www.sinoptic.ch/scccgeneva/
Office hours	Monday–Friday, 9.00–11.30 h
President	Dr. Daniel V. Christen

Camera di Commercio Svizzera-Cina
c/o Brun Studio Legale e Notarile
Via Ariosto 6
Case postale 5251
CH-6901 Lugano

Phone	+41-91-913 39 11
Fax	+41-91-913 39 14
E-mail	info@brunlaw.ch
Chairperson	Dr. Theobald Tsoe Ziu Brun

Legal Chapter Zurich
c/o Nägeli Attorneys-at-Law

Phone	+41-043-343 99 93
Fax	+41-043-343 92 01
E-mail	law@naegeli-rechtsanwaelte.ch
Chairperson	Dr. Esther Nägeli

Legal Chapter Geneva
c/o Pictet & Cie., Geneva

Phone	+41-058-323 19 03
Fax	+41-058-323 29 50
Chairperson	Maître Philippe Knupfer

in China:

SwissCham Beijing

Phone	+86 10 6432 2020
Fax	+86 10 6432 3030
E-mail	info@bei.swisscham.org
Website	www.bei.swisscham.org
President	Cyrill Eltschinger

SwissCham Shanghai

Phone	+86-21-6276 1171
Fax	+86-21-6276 0819
E-mail	info@sha.swisscham.org
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1887 established in Singapore

Edward Anton Keller
1887 established in the Philippines

Hermann Siber-Hegner
1865 established in Japan

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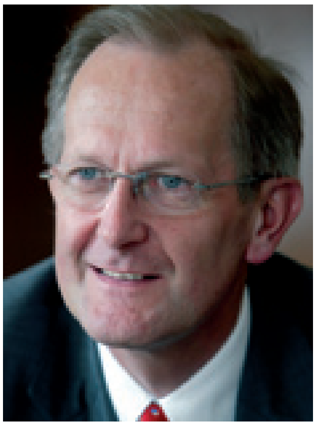


Official Visit to China

EDITORIAL

I visited China from 14 to 19 July as head of a joint economic commission. This was my first official bilateral visit to China. In Beijing, I met the Vice Prime Minister, Mr. Zeng Peiyan, the Minister of Commerce, Mr. Bo Xilai, the Vice Minister of the State Development and Reform Commission, Mr. Zhu Zhixin, as well as the mayor of Beijing, Mr. Wang Qishan. In Suzhou and Shanghai, I also had talks with local authorities and visited several local companies.

In response to the invitation issued last year by the Chinese Vice Prime Minister, we expressed Switzerland's willingness, in this year marking the 55th anniversary of our bilateral relationships, to cultivate the well-established economic ties, to strengthen them and to contribute towards the development of new areas of cooperation.

The discussions with senior executives have given both countries a good opportunity for a further exchange of views on numerous issues of common interest. In addition, the economic delegation, headed by the president of economiesuisse Mr Ueli Forster, was able to tackle several pending issues, directly affecting Swiss exports of goods and services to the Middle Kingdom, during a separate meeting with the Director General of the Department of European Affairs of the Ministry of Commerce, Mr Sun Yongfu.

The following are the main topics on the agenda of the governmental meeting that I discussed with my Chinese partners:

- EFTA's interest in negotiating a free trade agreement with China, including the Memorandum of Understanding project and a feasibility study (favourably received by China)
- better protection of intellectual property in general, the fight against imitation watches as well as a call for a drastic increase in penalties and fines
- the need for complete transparency of procedures, particularly in the field of procurement contracts
- marketing of drugs in China (clinical tests, price control and registration)
- promotion of Chinese investments in Switzerland (Location: Switzerland).

During my stay in Beijing, I met the mayor of Beijing, Mr Wang Qishan. Mr Wang spoke about the city's current developments, including the numerous challenges he was facing, in particular in view of the 2008 Olympics. There appear to be opportunities for Swiss companies to participate in these different events.

As in Beijing, during my trip to Shanghai, I met the local Swiss business community and the community of Swiss expatriates. I informed them about Switzerland's future trends and about what was at stake in the vote on 25 September. I also visited six Swiss companies.

As a result of a meeting with the mayor of Shanghai and lunch with one of the vice-mayors, we were able to gauge Shanghai's extraordinary speed and dynamism in, for example, anticipating infrastructural planning (new underground railway lines; a new airport and relocation of the port) and the spiraling investment in services. A presentation by one of the persons in charge at the Universal Exhibition – which will be hosted by China in 2010 – provided the Swiss delegation with an overview of the development plans for restructuring the city and the huge investments earmarked for this. The visit to China ended with a meeting organized by Location: Switzerland for a selection of Chinese entrepreneurs, aiming to show them the advantages of Switzerland as a business location.

Joseph Deiss
Federal Councillor

General Assembly

Dear Members, dear Readers

2005 is the year of the Chamber's 25th anniversary and hence, its annual general meeting has served as an extraordinary platform for various highlights on May 27th. First has been the general assembly with guest of honour and speaker of the day, Clive Standish, Group Chief Financial Officer and Member of the Group Executive Board of UBS, who has given a speech with a fascinating and sometimes astonishing view on China, filled with many personal impressions. From the State Secretariat of Economic Affairs (seco), the Chamber has welcomed Ms Anne-Pascale Krauer Müller, Head of Division bilateral economic relations, Asia and Oceania, who has reported on the activities in China during 2004.

Another highlight has been the book premiere "China in der Schweiz – Zwei Kulturen in Kontakt" with opening remarks by the publisher em. Prof. Dr. Paul Hugger from the University of Zurich, which has also taken place at the UBS-"Grünenhof" in Zurich, attracting over 170 members and guests of the Chamber.

Chamber President, Dr. Jörg Wolle, has led through the general assembly, which has approved the activity report, the accounts and this year's budget unanimously.

The consolidated accounts of the Swiss-Chinese Chamber of Commerce (Zurich, Geneva and Lugano) closed again with a small loss. However, the contribution from the capital fund of members in order to ease the structural deficit and as budgeted for Zurich has not been used. For the Geneva Chapter, 2004 was a profitable year again and is proof for the critical mass reached in membership.

On April 20th 2004, the Chamber successfully inaugurated the Swiss-Hong Kong Business Association in Zurich. The newly founded association is managed as a Chapter and is located at the premises of the Swiss-Chinese Chamber of Commerce in order to keep fixed costs as low as possible.

2004 was also marked by an increase regarding overall activities and events of the Chamber, due to the remarkable growth of interest for greater China. Besides the general assembly, high-ranking events with Sino-Swiss Government representatives and a business mission to Hong Kong, the Chamber in Zurich organized a record high of 18 events, welcomed twelve delegations and published three Bulletins. In addition, seco invited the Chamber to bring forward the concerns and interests of its members regarding Sino-Swiss economic cooperation during the meeting of the mixed commission in Berne last October.

The Legal Chapter Zurich successfully continued with its activities and organized three meetings (report available at the Chamber). Regarding the Geneva Chapter, we refer to their detailed report from their general assembly held in Geneva on May 4th 2005.

Compared to the majority of other bilateral Chambers who suffer from a continuous membership-decline, the positive membership-development of our Chamber also reflects the overall recognition of China as a rapidly growing and important, yet difficult market. Challenges shared by all Chambers are the constant lack of resources, the limits regarding income derived from membership or from events and services for members, due to the non-profit character of the associations.

The resources of our Chamber are kept at a minimum since many years (head-count in Zurich 1.8, Geneva 0.4 with unchanged salaries) and the Chamber's overall cost effectiveness remains unsurpassed, despite rising market requirements and prices. And, membership-fees or categories have not been changed since 1986. In view of this, the Board of the Chamber has announced at this year's general assembly to adjust the annual membership-fees to the average level of other bilateral Chambers in Switzerland. This measure will not resolve the continuous lack of human resources to tackle the overall workload, but it will avoid deficits, which would have to be covered by the capital fund of members.

Regarding the changes of the Board, Dr. Jörg Wolle once again has thanked Vice President Paul Wyss, who passed away this February, for his untiring assistance for the Chamber and the many years of contribution to the Sino-Swiss economic relations.

The general assembly has approved the following changes in the Board for 2005:

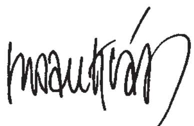
Michael W.O. Garett, former Executive Vice President of Nestlé S.A. has resigned. His successor to the Board of the Chamber is Vice President Thomas Schelling.

The general assembly has also elected and welcomed the new Board members

- Jean-Michel Chatagny, Head of Asia, Member of Life & Health Executive Board Asia (LA), from the Swiss Reinsurance Company, Zurich;
- Stefan Scheiber, Managing Director, International Sales and Services, Bühler AG, Uzwil;
- and Kurt Haerri, Member of the Executive Committee of Schindler Elevators Ltd., Ebikon, who has also been elected to the Executive Committee of the Chamber.

The Chamber is proud to welcome back a high representative of the same company, which has not only formed the first industrial Joint Venture in China, but also created with former Schindler CEO and founding President Dr. Uli Sigg the Chamber 25 years ago.

Are 25 years a long time? Regarding the small Chamber, its membership-growth and strength today mark quite an achievement. Regarding the People's Republic of China, its tremendous changes and fast development will lead this country to the top of economic players in the next 25 years.



Susan Horvath
Managing Director, Member of the Executive Board

New Members

Since January 2005:

Zurich

Pal & Partners AG	Zug
Plaston Holding AG	Widnau
stand-up-switzerland-ag	Zurich
Andreas Kopp AG	Ettingen
Esmertec AG	Dübendorf
Tian ZHOU	Reussbühl
cfoXpert AG	Zurich
Balthasar Wicki	Zurich
Steinemann Technology AG	St. Gall
Stopinc AG	Hünenberg
Bachofen + Meier AG	Bülach
Andreas Benoit Consulting	Berne
Brainforce AG	Zurich
Sipro Stahl Schweiz	Geroldswil
Electrowatt Infra AG	Zurich
Scalable Systems AG	Baar
Poncini Unternehmensberatung	Zurich
Unipec GmbH	St. Gall
Convinus GmbH	Zurich
Ascom (Schweiz) AG	Berne
Rotronic AG	Bassersdorf
Grüter-Suter Gastro & Conrad & Kuhn	Lucerne
WeiTec GmbH	Dietlikon
Resina AG	Reinach
Hatex AG	Murgenthal
3B Solutions AG	Turbenthal
Renata AG	Itingen
Osswald Parfümerie / Parfa AG	Zurich
messmerpartner public relations	Basle
Monika Siegenthaler	Zurich
BearingPoint Switzerland AG	Zurich
LJ-Engineering	Meilen
Equant Communications Service SA	Zurich
Clariant International AG	Muttenz
Zellweger Management Consulting AG	Pfäffikon SZ
Gebr. Schaad AG	Subingen
Sunchem GmbH	Zurich
milani design & consulting SA	Erlenbach
CLS Communication AG	Zurich
Beyer Chronometrie AG	Zurich
Jamba AG	Regensdorf
Dachser Spedition AG	Glattbrugg
R & P Business Creation AG	Küssnacht am Rigi
Tax Expert International AG	Zurich
The Information Management Group (IMG)	St. Gallen
Outstep Consulting	Basle
Grace Alexander – Contemporary Art Gallery	Zurich
Universität Zürich	Zurich

Geneva

M. Jean-Marc Treier	Burtigny
ISP, Isler Steinmer & Partners SA	Geneva
Stellon S.A.	Lausanne
Galerie Leda Fletcher Art Chinois Contemporain	Geneva
Swiss Mountain Sports Sarl	Crans-Montana
M. Yves Oppliger	Villeneuve
Mme. Xin GAO	Lausanne
Leman Capital Sarl	Geneva
SIDAM (Suisse) SA	Geneva
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Panoeuro International Cooperation Sarl	Lausanne
Nivosa Ltd., Gibraltar	Geneva
Issues Advisory Sarl	Geneva
Clusterbridge	Nyon

Lugano

Dr. rer. pol. Gianandrea F. Rimoldi	Paradiso
Nicola Simoneschi	Lugano
Tecnoarreda SA	Davesco
Centro Culturale Cinese "Il Ponte"	Lugano
Studio Rapisardi SA	Lugano

Next Events

Wachstumsmarkt CHINA
Chance für Schweizer Unternehmen?

EUROFORUM-Fachtagung
Friday, October 7th, 2005
08.30-17.30 at Renaissance Zürich Hotel, Zürich-Glattbrugg

Tagungsleiter
Peter G. Achten

For details see website of the Chamber www.sccc.ch or see invitation inserted in this Bulletin.

Forum der Schweizer Aussenwirtschaft 2005

Topic of first day:
"Finanzierung des Auslandgeschäfts"
Wednesday, November 9th, 2005

Topic of second day:
"Faszination China"
Thursday, November 10th, 2005

Details will be published in due time on the website of the Chamber: www.sccc.ch
Printed invitations are going to be mailed out approx. mid September 2005.

Mahjong

Contemporary Chinese Art from the Sigg Collection

Kunstmuseum Bern
June 13th – October 16th, 2005

Large works on show at:
Holcim Holderbank
June 21st – August 28th, 2005

For details see website of the Chamber www.sccc.ch

Chinese New Year Concert 2006 in Lucerne

For the first time, the famous China Traditional Orchestra is expected to start its annual European Tour in Switzerland with the official Chinese New Year Concert 2006 to be performed in the concert hall of:

Lucerne's Kunst- und Kongresszentrum
January 22nd, 2006 at 11 a.m. (Sunday Matinee).

The event is supported by the Swiss-Chinese Chamber of Commerce and the Swiss Chinese Society.

More detailed information will follow in one of the next mailings to our members.

Trips to China

ETH Zurich & Forum-SCM
(Forum for Supply Chain Management at the ETH)

China Business Excursion
August 31st – September 7th, 2005

Hong Kong & Pearl River Delta
Shanghai & Suzhou

Preparatory evening:
August 23rd, 2005 in Zurich

For details see website of the Chamber www.sccc.ch

Asia Research Centre
of the University of St. Gallen

On-Site-Dialogue
"The Practice and Issues of Business Management in China"
at the China Executive Leadership Academy Pudong Shanghai
August 25th – 27th, 2005

Study Trip to Beijing
"Understanding China"
September 4th – 7th, 2005

For details see website of the Asia Research Centre www.arc.unisg.ch > China Programmes

School for International Business (eiab)

KMU-Business-Reise China '05
October 21st – 29th, 2005

Beijing
Shanghai & Suzhou & Hangzhou

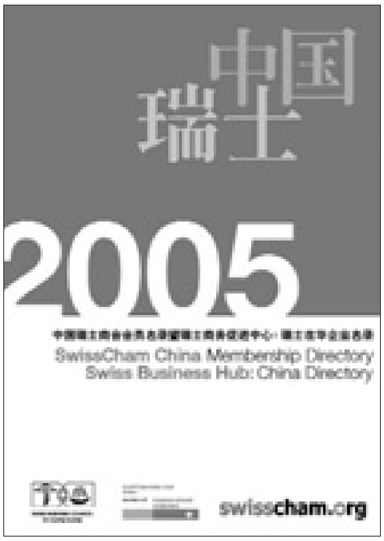
For details see website of the Chamber www.sccc.ch or see invitation inserted in this Bulletin.

Recent Publications

China (Membership) Directory 2005

The SwissCham China Membership Directory; Swiss Business Hub: China Directory is a joint effort of Swiss-Cham China (Beijing & Shanghai), the Swiss Business Council in Hong Kong, the Swiss Business Hub China and the Swiss-Chinese Chamber of Commerce in Switzerland.

The directory (266 pages, A4 format) consists of the following sections:
Information of the participating organizations,
Information & Resources,
Members & Company listings,
Index and Classifications.

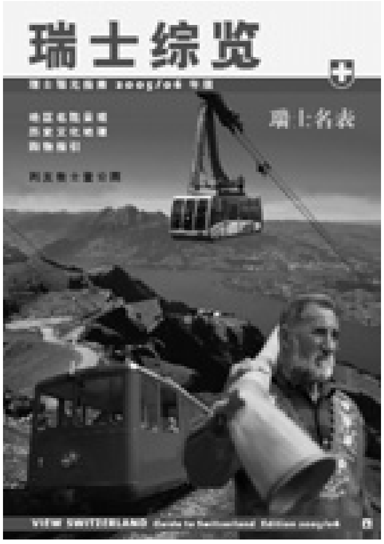


Members of the Swiss-Chinese Chamber of Commerce are entitled to get one copy for free (excl. handling fee of CHF 10.– only, if sent out by post).
Non-members pay a cover fee of CHF 40.–
(excl. handling fee).

Please look for the order form in this Bulletin issue or contact:

Swiss-Chinese Chamber of Commerce in Zurich:
Höschgasse 83
CH-8008 Zurich
info@sccc.ch
phone 044-421 38 88

Visitor Guide in Chinese



Published annually, the first time in 1998, the new and updated edition VIEW SWITZERLAND 2005/06 has been out for distribution in China since early May 2005. The publication is free and targeted at Chinese travelling to, or interested in Switzerland. Switzerland Tourism and leading Tour Operators are distributing the publication. It has achieved high popularity amongst the tourist trade in China and is considered as the most popular upmarket guide of its kind.

The publication comes in glossy paper, with most beautiful pictures, colour throughout and in a handy A-5 format. It contains highly informative material about Switzerland, its history, culture, geography and people. Highlighted on several pages are major cities, tourist destinations and places of interest. The publication also features useful traveller's information, major events in Switzerland and an in-depth review of the history of the Swiss Watch Industry and its major brands. New editorials include "Switzerland – a leading economical power" and "Switzerland – one of the world's leading financial centre".

The guide is a valuable handout for Chinese visiting Switzerland and Swiss companies. Members of the Swiss-Chinese Chamber of Commerce are entitled to a limited number of free copies. New, this offer is also extended to members of SwissCham Beijing and Shanghai. Stocks of the publication are kept in both cities. For cost reasons, however, postage has to be charged for deliveries within China.

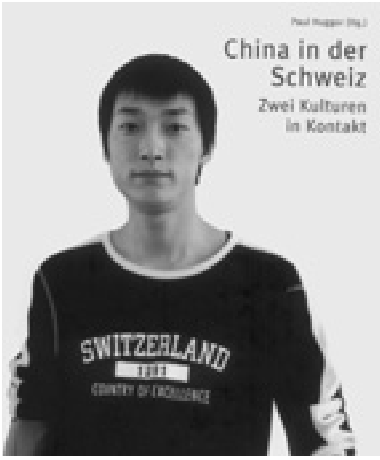
The publication has also proven to be very popular amongst advertisers wishing to reach Chinese enjoying increased freedom to travel and high spending power.

Please direct your enquiries directly to the publisher:

Pius J. Ruckstuhl
RUCKSTUHL MEDIA PROMOTION
P.O. Box 110
CH-6044 Udligenswil
Phone *+41 (0)41 371 06 63*
Fax *+41 (0)41 371 03 55*
Mail *pius@ruckstuhl-media.ch*

China in der Schweiz

China geniesst heute die volle Aufmerksamkeit der Schweizer Medien. Eine soeben erschienene Buchpublikation macht jetzt über die Tagesaktualität hinaus die vielfältigen Beziehungen zwischen der Schweiz und China sichtbar.



Professor Paul Hugger hat die erste, dringend erwünschte Gesamtschau der menschlichen und wirtschaftlichen Präsenz Chinas in der Schweiz herausgegeben. Der grosse Wert dieser Publikation liegt vor allem in ihrer Zweisprachigkeit. So dient sie ganz direkt dem Zweck des gegenseitigen Kennenlernens der beiden Kulturen. Ein weiterer wesentlicher Grundsatz des Herausgebers war, das Werk nicht einseitig gegenwartsbezogen auszurichten, sondern auch historische Dimensionen einzubeziehen. So wirft das Buch zunächst einen Blick in die Vergangenheit, beleuchtet zum Beispiel die Verbreitung der kunsthandwerklichen «Chinoiserien» des 17. und 18. Jahrhunderts oder vermittelt einen Zugang zu den Berichten und Chinabildern Schweizer Reisender im 19. und 20. Jahrhundert. Gerade für ein chinesisches Publikum bietet dies einen faszinierenden Blick von aussen auf die eigene Kultur.

Der Hauptteil widmet sich der Gegenwart. Das Leben junger Chinesinnen und Chinesen in der Schweiz veranschaulichen ein Bericht und eine Fotoreportage. Weitere Beiträge klären auf über: Chinesisches Essen, traditionelle chinesische Medizin in der Schweiz, die Wirtschaftsbeziehungen der Schweiz zu China, zeitgenössische chinesische Kunst in Schweizer Sammlungen und die neuen Gäste aus China: die Touristen. Ein Essay über die Kunst, gut schweizerisch und zugleich gut chinesisch zu sein, schafft Verständnis für die unterschiedlichen Sitten und Gebräuche. Insgesamt scheint den Autoren der Beiträge an einer gemeinsamen wirtschaftlichen und kulturellen Zukunft gelegen, politische Einmischung und Systemkritik fehlen hier.

Das Buch versammelt bekannte schweizerische und chinesische Autoren. Die Beiträge sind unterschiedlicher Art, unterschiedlich in der Gedankenführung, der Konzeption und der Präsentation. Die einen Arbeiten sind der Tradition wissenschaftlichen Denkens verpflichtet, andere wirken unbefangen und frisch von der Leber geschrieben, unter Auswertung eigener Erlebnisse, dritte stützen sich auf statistische Erhebungen. Diese Unterschiede liegen in den Themen begründet und sind dem Zweck des Buches dienlich, das sich an ein vielseitig interessiertes Publikum wendet. Herausgekommen ist ein Werk, das eine echte Bereicherung darstellt für alle, die wirtschaftlich mit China in Kontakt stehen.

Paul Hugger (Hrsg.)
China in der Schweiz
Zwei Kulturen in Kontakt
deutsch und chinesisch
2005, 2 Bände, gebunden in Schuber
je 256 Seiten, 39 Farbfotos und 55 s/w Fotos
Subskriptionspreis bis 31.8.05 CHF 78.–
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hramseier@ofv.ch
Tel. 044-466 74 28

Message by H.E. Vice Premier Huang Ju

Scientific and Sustainable Approach to Development and China's Economy in the 21st Century

Below readers find the translation of the special message by H.E. Huang Ju, Vice Premier of the State Council of the People's Republic of China given at the 2005 Annual Meeting of the World Economic Forum in Davos on January 29th 2005.

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H.E. Vice Premier Huang Ju

Mr. President,
Ladies and Gentlemen,

Good morning. The Annual Meeting of the World Economic Forum 2005 has brought many distinguished personages and enlivened this snow-clad mountain resort of Davos. I feel honoured to have the opportunity to be here with you and deliver a special message to this august assembly. I'd like to extend, on behalf of the Chinese Government and in my own name, warm congratulations on the successful opening of the meeting.

It is the shared wish of all people and a common responsibility for all countries to build a better and prosperous world through cooperation and development. I fully agree with the theme chosen for this meeting "take responsibility for tough choices" and wish to share with you some of my observations.

Our world is undergoing profound changes. Peace and development remain the theme of our times. A generally peaceful international environment provides favourable conditions for economic development. The fast advancing science and technology, nurturing new breakthroughs, have expanded the horizon of mankind and their ability to address the micro and macro problems of the world, presenting a new vista for development. Deepening economic globalisation is accelerating the global movement of productive factors and industrial relocation, stimulating international economic and technical cooperation and facilitating worldwide flow of goods and resources as well as their rational distribution. At the same time, factors unfavourable for peace and development still exist. Local wars and conflicts keep cropping up. Terrorism, arms proliferation, epidemics and other non-traditional security issues have become more acute. Devastating natural disasters pose a grate threat to the survival and development of mankind. The disparity between the North and South grows further, worsened by new trade barriers and protectionism. Energy and other natural resources consumption is rising rapidly, with serious ecological and environmental implications.

At this time of opportunities and challenges, we should work together to explore the best way to development and seek solution to difficult problems. We should adapt ourselves to the changing times and strengthen cooperation in our common endeavours to build lasting peace and greater prosperity in the world.

Call upon the international community

China strongly supports and actively participates in international cooperation for economic and social development, and thus calls upon the international community to make unremitting efforts in the following aspects:

First, enhancing international cooperation in the economic, technological and other fields. More exchanges in terms of capital, advanced technology, managerial expertise and human resources are of special significance in promoting all economies as such exchanges and cooperation help them learn from one another, share experience, bring their advantages into play and optimise the allocation of global resources. Countries and regions should further open their markets, ease restrictions on technology export, press ahead with trade liberalization and investment facilitation and remove trade barriers of all forms. The international community should join hands in responding to security, natural disasters and other challenges.

Second, establishing a resource-conserving and circular economy. The history of human development shows that development at the expense of resources and environment would end up the punishment of human race and impediment to development. For the sake of a better world and our future generations, we should choose a road to development driven by science and technology, that is economically viable, resource conserving and environmentally sound. We should encourage sustainable production, and consumption pattern as part of our effort to build a resource conserving economy and society. We should formulate plans for economic and social development based on the sustainability of nature while endeavouring to protect the environment and ecosystem by putting an end to destructive activities to our nature.

Third, working toward a just and equitable new international economic order. It is necessary to facilitate multilateral and bilateral cooperation in trade and promote regional economic cooperation. We need to make progress in the Doha round of trade negotiations and attain its objective as a "round for development". North-South dialogue should be promoted on the basis of mutual benefit and equal footing. The interests of developing countries should be taken into full account. Diversities should be respected and democracy in international relations and diverse development models upheld so that all countries, developing ones in particular, can benefit from globalisation. In order to create an enabling environment for developing countries, we need to reform international economic, trade and financial systems.

Fourth, adopting a more proactive attitude to help developing countries speed up their development. It is the responsibility of the international community and the requirement of sustained development of the world economy to help developing countries develop themselves and close the widening gap between the North and South. Developing countries shoulder the primary responsibility in this regard, but developed countries have their own responsibility and must honour their commitment, namely, reducing debts and increasing official development assistance, helping them with human resources development and scientific and technological innovation, and tap the potential of domestic market with a view to building their capacity for self-development, taking effective measures to minimize the risks brought about by globalisation so as to achieve common development and common prosperity.

China's economy

China's economy is an important topic of this year's forum. I would like to take this opportunity to brief you on this topic.

Since the reform and opening-up, China has entered a period of rapid development, huge progress and profound transformation unprecedented in history. From 1979 to 2003, China registered a 9.4% annual growth rate for its national economy, 7% for people's consumption level and 16% for total import and export volume. China has become one of the fastest growing countries in the world. In 2003, the per capita GDP of China, a country of 1.3 billion people, exceeded US$ 1,000 for the first time and its people have on the whole been able to live a moderately comfortable life. To address the outstanding problems in the national economy, the Chinese Government has taken a series of macro-control measures starting from the second half of 2003, which have yielded positive results within a short period. Some unhealthy and unstable factors in the economic performance have been contained and the national economy has maintained a momentum of stable and relatively fast development. China's GDP in 2004 has been US$ 1.65 trillion, a 9.5% year-on-year growth, and its total import and export volume has exceeded US$ 1.1547 trillion, rising from the fourth place in 2003 to the third in the world. The proportion of Chinese economy in the global economic aggregates has increased from 1% in 1978 to 4% and the proportion of foreign trade volume from less than 1% to 6%.

The sustained rapid development of China's economy is attributable to the following factors: the government's adherence to economic development as the central task, and solution to the problems on our way forward and in building a socialist market economy as the direction of reform; our relentless efforts for institutional innovation, which have lent a strong impetus to socio-economic development; our policies of "inviting in" and "going out" and active participation in international economic and technical cooperation and competition in a bid to make full use of both domestic and foreign markets and resources; our recognition of the basic role of market in allocating resources and our application of macro-control measures by economic and legal means.

The first two decades of this century is a period of important strategic opportunities for China's socio-economic development. In the next decade and more, we will strive to seize the opportunity and concentrate on building a moderately prosperous society, so that in 2020 China's GDP will reach US$ 4 trillion, quadrupling that of 2000, and per capita GDP will reach US$ 3,000. By that time, China will be more developed economically, with an improved democracy system, advanced science and education and a flourishing culture, its people enjoying a better life in a harmonious society.

The jump from US$ 1,000 to 3,000 in per capita GDP will be a critical stage in China's modernization drive and an important period of profound changes in socio-economic structure. The experiences of many other countries have shown two possible consequences of this stage. One is constant socio-economic development and success in industrialization and modernization thanks to the right strategies and policies, and the other is marked by polarization between the rich and the poor, high unemployment rate, widening regional and urban-rural gap, acute social problems and ecological degradation as a result of wrong strategies and policies. In such circumstances, socio-economic development will stagnate and social disturbances and setbacks may occur. To address the possible contradictions and problems in the process of development, the Chinese Government has drawn up policies and measures, the most fundamental of which is to follow a scientific concept of development and apply this concept to guide our socio-economic development.

Our ***scientific and sustainable approach to development*** includes the following main points:

First, adopt a human-centered development strategy, bearing in mind people's fundamental interests in the

(continued on next page)

course of development. We will try to meet people's growing material and cultural needs, and bring benefits of development to all people.

Second, take economic development as our central task and promote economic, political and cultural advancement in an all-round way to achieve comprehensive socio-economic development.

Third, balance urban-rural development, regional development, socio-economic development, harmonious development of man and nature and domestic development and opening-up.

Fourth, coordinate economic development with population growth, resource availability and environmental protection and stick to a road of sustainable development consistent with the characteristics of a modern society, i.e. high productivity, prosperity and good ecological environment.

Policies and measures

Implementation of the above-mentioned scientific and sustainable approach to development aiming at the comprehensive, coordinated and sustainable socio-economic development ***calls for the following policies and measures***, which we intend to adopt:

First, improve industrial structure and speed up the change of economic growth mode. Shortage of energy and resources and poor environmental sustainability are major constraints on China's economic growth and the Chinese Government has attached great importance to these problems. We will keep to the road of new-type industrialization, optimise and upgrade industrial structure so as to put in place an industrial pattern whereby the role of science and technology can be given full play, consumption of energy and resources reduced and environmental pollution checked. We will take more effective measures to reverse the situation of high energy and resource consumption, high pollution and comparatively low productivity and improve the quality and cost-effectiveness of economic growth. We will put resource saving before resource exploitation and rely on science and technology for environmental protection and pollution treatment. We will work hard to develop circular economy and improve the efficiency of resource consumption. We will also promote the public awareness in this regard and foster a production pattern and consumption attitude beneficial to resource conservation and environmental protection with a view to building a resource saving and eco-friendly society.

Second, push forward economic restructuring, set up and improve institutional guarantees for comprehensive, balanced and sustainable development. The socialist market economy system has been basically built in China but is far from perfect. The growth of productive forces is still confronted with many institutional obstacles. Adhering to the direction of socialist market economy in our reform, we intend to accelerate institutional innovation, mobilize all sectors of society and inject new vigour to socio-economic development. We will take the following actions: step up reforms in state-owned enterprises (SOEs) and readjust the distribution and structure of state-owned sector so as to boost its growth; improve laws, regulations and relevant policies to encourage, support and guide the development of non-public sectors; continue to deepen the reforms of fiscal, taxation, financial and investment systems and speed up the development of the market of such essential factors as capital, labour force and technology in order to optimise resource allocation; accelerate the reform of the administrative system, further transform the functions of the government, reduce the government's intervention in micro economic activities, and enable the government to fully perform its functions of economic regulation, market oversight, administration and public services; and focus on improving the macro regulatory system and adopt more economic and legal means to make our regulations more forward-looking, better focused and more effective.

Third, open up wider and set up a more open economic system. Adapting to economic globalisation, we will take part in international cooperation and competition on a wider scope and to a greater extent. China will, as always, honour its commitments on its accession to the World Trade Organization, further improve its economic laws and regulations and open up more areas. We will continue to improve investment environment, improve our legal system, enforce laws and regulations, and improve services and enhance efficiency with a view to creating favourable environment for foreign investment. The Chinese Government welcomes and encourages foreign investment in high-tech industries, modern agriculture, modern services, environment-friendly industries and infrastructure. We wish to see more foreign participation in the development of China's west, revitalization of old industrial bases in northeast China, and reform and reorganization of SOEs, as well as the establishment by multinationals of R&D centers, procurement centers, production and manufacturing bases and regional headquarters in China. All enterprises around the world can realize their great ambitions in China, thanks to its social stability, vast domestic market, abundant labour resources, and ever-improving investment environment.

Fourth, stick to human-centered development and endeavour to build a harmonious socialist society. The important experience in China's modernization drive is that the government should try to satisfy the need of the people in all its endeavours and maintain harmony and stability. We will spare no efforts to create more job opportunities and improve the social security network so that our people can live and work in tranquillity and contentment. We will provide more financial and policy support to rural areas and western regions of China and gradually narrow the gap between the urban and rural areas and between different regions. We will further speed up the development of education, culture, health and other undertakings so as to better meet the demands of the people. We will continue to properly handle the relations between reform, development and stability in order to adapt the progress of reform and growth speed to the sustainability of the population and press ahead with reform and development in stability.

In the 21st century, China faces more opportunities than challenges in its economic development on the whole. The international environment is rather favourable to China's development, and the domestic market is playing a stronger role in boosting economic growth. The mechanism for enterprises' self-development is taking shape and we have already built some material and technological foundation. All these constitute important forces propelling the sustained and rapid growth of China's economy. In the course of building a moderately prosperous society in an all-round way and accelerating our modernization drive, we will still encounter various difficulties and challenges. However, we have the determination and capability to overcome difficulties and realize our set goals. We have every confidence in the future of China.

Mr. President, Ladies and Gentlemen,

In the circumstances of faster economic globalisation and greater interdependence of all economies, China cannot develop itself in seclusion, and the world cannot develop without China's development. A more open and prosperous China will not only benefit its 1.3 billion people, but also provide considerable investment opportunities and a vast market for other countries, serving as a powerful engine for world economic growth. In 2003 China became the world's third largest importer. In 2004 China's imports totalled US$ 560 billion. China's imports will continue to grow with our sustained and rapid development and constantly rising economic aggregates. The Chinese people love peace and need peace. China adheres to a road of peace, cooperation and development, determined to develop itself through maintaining world peace and promote world peace through its own development. China's development will by no means pose a threat to other countries. This is our set policy.

The World Economic Forum, a non-governmental, high-level, multi-sector and influential organization, has played a positive role in promoting exchanges and cooperation between the Chinese Government and enterprises and their foreign counterparts. Over the past 25 years since the World Economic Forum and China forged co-operative relations, our cooperation has kept expanding and deepening. In recent years, the World Economic Forum has paid increasing attention to China's reform and development and enhanced its cooperation with China, which the Chinese Government highly appreciates. We support the World Economic Forum's continuing role and stand ready to expand our cooperation with the Forum.

Mr. President, Ladies and Gentlemen,

The Earth is a common home of us all. We are all interdependent, with our interests linked. Let's join hands to work for a more prosperous world, for lasting peace and a better future for mankind.

Thank you.

Economic Situation 2004/Outlook 2005
China and the Yangtze River Delta

2004: Have Macro-Control Measures Worked?

General Economic Assessment

The heating wheels of China's economy sped by the finishing line of 2004 steadily – Chinese Premier Wen Jiabao, 2004 Government Work Report.

Despite a full calendar year of macro-control aiming at cooling down the overheated sectors, China's economy reported 9.5% growth with its GDP totalling 13.65 trillion yuan (US$ 1.65 trillion), consolidating its position as the world's fastest growing economy. The Yangtze Delta Region, embracing 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 fields of investment and foreign trade.

2004 was a "threatening but not dangerous" year for China, as reviewed by some Chinese economists. The economic growth was the fastest for the last eight years, exceeding economists' forecasts and lying well above the official target of 7%. Investment, export and consumption remained the key drivers of the economy, but the structure of the economy has improved. Although fixed-asset investment surged by 25.8%, it dropped 1.9% from the pace recorded in 2003, and 43% from the 1st quarter of the year. In the meantime, growth in industrial output also slowed down due to the macro-control measures, while sectors like consumer goods, services and export manufacturing, which were not targeted by the authority, grew faster than the year before. Overall, the respective growth rate for the four quarters were 9.8%, 9.6%, 9.1% and 9.5%. The fourth quarter's rebound was largely due to the grain harvests and service expansions, reflecting the growth of the primary and tertiary industry.

Generally speaking, China's economy has maintained a stable and relatively fast growth trend, while fighting both inflation and deflation.

The Yangtze Delta Region

Widely acknowledged as the world's sixth largest metropolitan area, the Yangtze Delta Region is one of China's most developed regions in economic terms. With only 2.2% of the country's land area and 10.4% of the total population, it contributed 25% of China's GDP and provided 36% of total foreign trade. As the most popular foreign investment destination, it attracted 41.8% of the country's total actually utilised FDI (foreign direct investment) last year.

Shanghai leads the region by offering an international platform. In 2004, its GDP topped 744 billion yuan (US$ 90 billion) with a year on year rise of 13.5%, the second highest for the last ten years and the 13th consecutive year of double-digit growth. The respective contributions of the three sectors of the economy to the city's GDP was 1.3%; 50.8%; 47.9%.

Jiangsu Province, the second largest provincial economy after Guangdong Province, reported a GDP of 1551.2 billion yuan (US$ 186.9 billion), an increase of 14.9% over the previous year, and 6.4 percentages higher than the national average, with shares of the three economic sectors standing at 8.5%; 56.6%; and 34.0%.

Zhejiang Province is ranked the fourth provincial economy after Guangdong, Jiangsu and Shandong Province. Last year, its GDP exceeded the trillion-yuan-mark with an increase of 14.3% to the amount of 1124.3 billion yuan (US$ 135.95 billion), and the percentages of the three industries as 7.3%: 53.7%: 39%. Measured by per capita GDP (23,942 yuan or US$ 2,895), Zhejiang is the richest province in China.

Main Economic Indicators

Fixed-asset investment: declined from a hot point, but still a main driving force.

China's fixed-asset investment hit a 10-year high in the January to March period of last year, growing 43%. The cooling down measures took effect and slowed the growth down to 25.8% for the whole year to 7.01 trillion yuan (US$ 840 billion).

In the **Yangtze Delta region, Shanghai** had the same growth rate of 25.8% with total investment of 308.47 billion yuan (US$ 37.25 billion), which were mostly used for large infrastructure projects, 2010 Shanghai Expo projects, as well as real estate constructions. In **Jiangsu** Province, the investment totalled 682.76 billion yuan (US$ 82.46 billion), a rise of 28%, with 52.6% of which from non-state investors, while in **Zhejiang** Province, 66.8% of the total 594.5 billion yuan (US$ 71.8 billion) (20.2% up from the previous year) fixed-asset investment were from non-state investors.

In general, the overheated sectors such as steel, cement, aluminium, and real estate had cooled down, but investment in energy, transportation, consumer goods, service and export manufacturing were further strengthened. Overall, fixed-asset investments still accounted for 51% of the total GDP, while consumption was responsible for a mere 39.5%.

Swiss-Chinese Trade 2004 / Quarters 1-4

(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	**2.850,8**	**20,3**	**100,0**	**2.816,7**	**17,6**	**100,0**
Agricultural products	21,1	73,2	0,7	55,8	-3,3	2,0
Energy carriers	0,3	65,4	0,0	0,3	-56,6	0,0
Textiles, apparel, shoes	46,9	34,3	1,6	678,2	7,3	24,1
Paper, paper products, printed matter	19,1	46,1	0,7	13,8	28,2	0,5
Leather, rubber, plastics	38,9	19,2	1,4	150,4	11,5	5,3
Chemicals, pharmaceuticals	498,0	35,4	17,5	287,7	10,5	10,2
Construction materials, ceramics, glass	12,5	16,5	0,4	33,3	31,5	1,2
Metals and metal products	135,8	36,3	4,8	173,4	14,7	6,2
– Iron and steel	6,3	120,1	0,2	10,3	368,0	0,4
– Non-ferrous metals	26,7	93,7	0,9	10,6	26,9	0,4
– Articles of metal	102,8	23,8	3,6	152,5	8,4	5,4
Machinery, apparatus, electronics	1.567,2	11,6	55,0	719,0	24,6	25,5
– Industrial machinery	1.212,0	10,5	42,5	88,6	40,2	3,1
– Engines non-electrical	20,9	-57,8	0,7	0,3	-92,4	0,0
– Construction machinery	7,1	0,8	0,2	0,0	-92,9	0,0
– Machinery engineering	1.184,0	13,8	41,5	88,3	49,5	3,1
– Pumps, compressors, fans, etc.	107,6	11,1	3,8	16,2	84,1	0,6
– Process engineering, heating, cooling equip.	63,5	35,7	2,2	15,5	65,3	0,6
– Lifting and handling equipment	36,4	31,5	1,3	4,8	70,7	0,2
– Machine-tools metalworking	176,8	15,9	6,2	4,4	19,4	0,2
– Machine-tools for mineral materials	17,2	-12,7	0,6	0,3	116,2	0,0
– Plastics-, Rubber machinery	33,0	-16,6	1,2	0,0	-50,1	0,0
– Machine-tools for wood, cork, etc.	15,1	125,1	0,5	1,2	-25,5	0,0
– Other machinery	243,0	112,8	8,5	7,8	45,7	0,3
– Hand held tools	8,0	57,7	0,3	17,9	60,5	0,6
– Welding machines	41,9	148,5	1,5	1,2	78,4	0,0
– Printing and paper machinery	65,4	-35,0	2,3	1,6	-15,1	0,1
– Textile machines	329,7	-8,3	11,6	2,2	68,2	0,1
– Food processing equipment	22,1	-24,5	0,8	6,5	5,4	0,2
– Filtering and purifying machines	8,0	-20,9	0,3	0,9	-3,5	0,0
– Packaging and filling machines	16,3	12,6	0,6	7,7	52,4	0,3
– Agricultural machines	10,6	-0,5	0,4	0,5	94,8	0,0
– Household appliances	14,4	304,9	0,5	236,2	21,4	8,4
– Entertainment electronics	13,2	427,8	0,5	163,7	22,9	5,8
– Household machines	1,2	11,7	0,0	72,5	18,1	2,6
– Office machines, Computers	10,5	144,4	0,4	194,6	29,3	6,9
– Electrical machinery and electronics	319,1	10,4	11,2	199,1	18,2	7,1
– Power generation, electric motors	68,8	58,1	2,4	43,2	7,3	1,5
– Telecommunications	6,9	-82,2	0,2	34,3	-11,3	1,2
– Electric and electronic articles	243,4	17,8	8,5	121,5	35,9	4,3
– Defence equipment	0,5	55,1	0,0	0,1	-20,8	0,0
Vehicles	5,0	-56,3	0,2	34,7	64,8	1,2
– Road-vehicles	2,7	-27,6	0,1	32,1	64,1	1,1
– transport of persons	0,1	-14,8	0,0	18,2	29,5	0,6
– transport of goods	0,2	898,9	0,0	-	-	0,0
– Special purpose vehicles	0,4	-80,5	0,0	6,2	198,6	0,2
– Spare parts	2,0	32,9	0,1	7,7	124,5	0,3
– Railway vehicles	2,2	-69,6	0,1	0,5	2,3	0,0
– Aircraft and spacecraft	0,1	-78,2	0,0	0,7	104,8	0,0
– Vessels	-	-	0,0	1,4	114,8	0,1
Precision instruments	208,9	21,5	7,3	107,8	30,0	3,8
– Optical instruments, photo	30,1	51,4	1,1	69,0	31,2	2,4
– Surveying instruments	20,0	-5,5	0,7	4,2	-6,6	0,1
– Medical instruments and appliances	61,2	29,6	2,1	13,6	180,9	0,5
– Mechanical measuring, testing, control equipment	97,6	16,7	3,4	21,0	0,0	0,7
Watches	279,5	41,7	9,8	255,0	33,7	9,1
Other goods	17,8	31,7	0,6	307,5	22,3	10,9

Source: swissmem & Eidg. Zollverwaltung

Private Consumption: expanded considerably, possibly becomes future driving force.

The government policies to boost consumption have paid out, retail sales growth rate increased from 9.0% in the year before to 13.3% in 2004, reaching 5.395 trillion yuan (US$ 651 billion), which also reflected an increase of personal incomes for Chinese consumers. In 2004 the per capita net income of China's rural residents increased 6.8% year-on-year to 2,936 yuan (US$ 355), the highest growth in seven years since 1997, while per capita disposable income of urban residents increased 7.7% to 9,422 yuan (US$ 1,138). By the end of 2004, the saving deposits of the urban and rural population stood in excess of 11.95 trillion yuan (US$ 1.44 trillion), an increase of 1.59 trillion yuan from the end of the previous year.

Rural consumption and service consumption were the highlights of last year's consumer spending. The fast increasing rural income supported by a favourable agricultural policy has lifted the sluggish rural consumption and household electrics became a new focus of spending. In the cities, consumption in dining and tourism made a much bigger contribution to the overall consumption. Last year, some 28.5 million Chinese people travelled abroad, up 41% from 2003, and domestic travellers added 400 billion yuan (US$ 48.3 billion) to the tourism income.

Consumer spending also gained in the **Yangtze Delta region. Shanghai** reported total retail sales of 245.46 billion yuan (US$ 29.6 billion), up 10.5% from 2003, also the fastest growth for the last six years; in **Jiangsu** it was 415.97 billion yuan (US$ 50.2 billion), up 16.6% while in **Zhejiang** it totalled 364.5 billion yuan (US$ 44.0 billion) with a 15.5% increase over the previous year.

Macro-economic control has curbed investments in several of the overheated sectors of the regional economy, which has resulted in the economy to depend more on household spending and trade. With the upgrading of the consumption structure from food, clothes and household necessities, to houses, cars, education, and travels, it will hopefully become a new driving force of the economy.

Foreign Trade: another engine of growth.

China's imports and exports remained on the fast track last year. Foreign trade jumped 35.7 percent to US$ 1.1547 trillion, including exports of US$ 593.4 billion and imports of US$ 561.4 billion, which were 35.4% and 36% higher respectively year-on-year, as the trade surplus grew US$ 6.5 billion to reach US$ 32 billion. This was the third consecutive year that China's foreign trade reported a growth of over 30%.

The US, EU and Hong Kong are the three main trading partners of China. Combined exports to the three countries reached US$ 332.982 billion in 2004, accounting for 56.12% the total exports, and contributing to 55% of export growth.

Foreign-funded enterprises have dominated China's foreign trade. Their export in 2004 accounted for nearly 58% of the total exports, increasing by 40.9% over 2003. In contrast, state-owned enterprises' export increased only 11.4% to reach US$ 153.59 billion, accounting for 25.88% of the total, while private enterprises, as a new competitor, contributed 17% to the exports.

China's imports soared in recent years as the country has bought more raw materials, energy and machinery to feed its rapidly growing economy. But decline in investment will translate into a decline in imports, while the reduction in tariffs, on the other side, combined with high oil prices, will drive imports upwards.

Net exports will then become a more important driver of GDP growth, judging from the strong trade surplus, which in the mean time, makes China more dependent on foreign trade with more risks of consecutive economic fluctuations.

Leading in China's export were the **Yangtze Delta Region**, with its 37.39% contribution to the country's total exports. Last year, the export volume of **Shanghai** was US$ 73.52 billion, up 51.6% from 2003; **Jiangsu** exported goods in the value of US$ 87.56 billion, an increase of 52.7%, and **Zhejiang**'s exports grew 39.8% to US$ 58.16 billion.

Swiss trade relation with the Yangtze Delta Region continued to develop quickly. As Table 2 shows the region imported goods with a total value of US$ 1,489.14 million from Switzerland in 2004, an increase of 54.5% over the previous year, and exported a total value of US$ 546.78 million to Switzerland with an increase of 80.9%. The growth rates of both exports and imports are much higher than the average of the region, reflecting closer trade relation between Switzerland and the Yangtze Delta Region. Machines, high-tech products and raw materials

Swiss - Yangtze-Delta Region Economic Relations*

	Import from Switzerland				Export to Switzerland			
	2003		2004		2003		2004	
	Million USD	Growth rate	Million USD	Growth rate	Million USD	Growth rate	Million USD	Growth rate
Shanghai	549.50	44.17	903.30	64.39	89.69	33.16	175.20	95.37
Jiangsu	253.00	53.04	355.00	40.16	111.00	64.25	181.00	62.76
Zhejiang	143.44	79.89	198.31	38.26	96.64	28.83	180.69	86.96
Anhui	18.15	76.90	32.53	79.30	4.88	2.80	9.89	102.8
Delta Region	964.06		1,489.14		302.21		546.78	
China	2,683.34		3,621.37	35.0	839.69		1,505.77	79.3

Source: Chinese authorities

Swiss Investment

	Investment in 2004			Accumulated by end of 2004		
	Project	Contracted million USD	Actually million USD	Contracted	Actually	Projects
Shanghai	44	70		1'150.00*		182
Jiangsu	11	91.34	46.02	519.00	314.00	97
Zhejiang	5	38.96	16.89	64.78	24.78	12
Anhui	0	0	0	36.53	0.82	5
Delta Region	66	200.30		1'772.88		236
China	88	30.42**	200.00	2'806.00	2'099.00	701

* incl. one withdrawal of investment of UD$ 220 million
** withdrawals deducted already, which explains the unusual difference between contracted and actually used amounts
Source: Chinese authorities

made the majority of the imports, in terms of commodity brackets, while light industrial products were the main exported goods to Switzerland. With the expansion of the Swiss presence in the region, Swiss-invested companies also contributed a considerable part to the total export volume. It is also noteworthy that all the figures do not include the indirect trade via Hong Kong, therefore the numbers do not show the increasing demands of high quality Swiss made consumers goods, which are mainly distributed by Hong Kong agencies.

Foreign Investment: steady increase, with new destinations.

In 2004, the tightening policy did not influence foreign direct investment (FDI) to mainland China. The actually utilised volume grew 13.3% to reach US$ 60.63 billion, while the contractual volume of FDI totalled US$ 153.48 billion, an increase of 33.4% on a year-on-year basis.

China's accumulative FDI totalled US$ 1.097 trillion by December of 2004, of which 562.1 billion have been materialized, making it still the most preferred FDI destination world-wide.

Multinationals are quickening their steps to enter China's market. According to the information from China's Ministry of Commerce (MOFCOM), 450 out of the top 500 multinationals have set up their manufacturing bases in China.

Apart from traditional sectors like manufactures, electric machinery and other high-tech areas, M&A and outsourcing have become new trends of FDI in China, while R&D centres, regional headquarters as well as the service sector have increasing their respective shares of the total investment. However, it is noteworthy that at least two thirds of the capital under the heading of FDI is still coming from different ethnic Chinese sources.

New FDI Situation in Yangtze Delta Region

Although the Yangtze Delta Region has still seen an influx of foreign investment, the growth paces have been slowing down considerably. Last year, the total materialized FDI in the region was US$ 25.36 billion, accounting for 41.8% of the country's total, compared to 51% in 2003. The actually utilized FDI in **Shanghai** was US$ 6.54 billion, with 12.6% growth rate, down 10.9% from 2003; the number for **Jiangsu** was US$ 12.1 billion, an increase of 17.1% (56.6% in 2003); in **Zhejiang**, it amounted to US$ 14.56 billion, with an increase rate of 20.8%, compared to 77.5% in 2003. The sharp decline of FDI growth rate reflects a new direction of foreign investment.

On China's economic map, three city clusters form the most preferred FDI destinations: the traditional Pearl Delta Region, the Yangtze Delta Region, and emerging Bohai Bay Rim, led by Beijing and Tianjin. The fast growing business costs, expensive land, a shrinking base of migrant workers as well as power shortage in the two delta regions have resulted in the move of FDI to the old industrial bases in north China, where they have the advantages of a preferential policy, sufficient skilled workers from the former state-owned heavy industry factories and relatively low-priced land. More and more multinationals start to set up regional headquarters in East China and manufacturing bases in the west and the north of China. On the other hand, investment from ethnic Chinese sources, which is normally the most mobile part due to their knowledge of the country and their risk awareness, also transfers to chase the lowest costs. It is no wander that overseas Chinese investors are often described as "migratory birds".

As a result, the governments in the Yangtze Delta Region adjusted their strategies in attracting FDI. Due to the limited supply of land and scarce energy, the cities are more selective in the types of foreign investment, aiming to increase the proportion of service industry in relation to total FDI, and lower the proportion of low-end, labour-intensive industries. Last year the service industry accounted for 37% of the total FDI in **Shanghai**, up from 33% in 2003, and the city expected the figure to grow 1 to 2 percentage points every year, to more than double the added value from the service industry, accounting for at least half of the total GDP by year 2010 when Shanghai hosts the 6-month-long World Exposition 2010.

Swiss direct investment is increasing steadily in China and the Yangtze Delta Region. Last year, there was a total of 88 Swiss-invested projects in China, with a majority of 75% (66 projects) concentrated in the Yangtze Delta Region, and a half of them (44 projects) in Shanghai. By the end of year 2004, Swiss direct investment totalled UD$ 2,806 million in terms of accumulated contractual value for 701 projects in China. Among them, UD$ 1,150 million is located in Shanghai, while the numbers for Jiangsu and Zhejiang were UD$ 519 million and UD$ 64.8 million respectively (See Table 3). The large number of Swiss companies in the Delta Region is mainly due to considerable investments of Swiss SMEs around Shanghai.

2005: Will "Soft-Landing" be Possible?

China's economy in the year 2005 is like "sailing against the currents": either it keeps forging ahead or it will fall behind – Chinese Premier Wen Jiabao, at press conference after the National people's Congress.

This year is the last year of the 10th Five-Year Plan period (2001 – 2005). At the National People's Congress held in this March, the Chinese government outlined a development blueprint for 2005, highlighting its continued macro-economic control policy.

Government Targets for 2005

The **GDP** growth for this year was targeted at 8%, 1.5% lowers than 2004 rate, but higher than the 7% forecast issued in the past few years. This moderate growth was chosen to maintain a relatively rapid economic growth to create 9 million more jobs, and on the other hand, to avoid an overheated and unhealthy development.

Fixed-asset investment's target growth rate was set at 16%, still doubled the targeted GDP growth rate, but down from the 26% of last year, when fixed-asset investment accounted for half of the overall economic output. The **fiscal policy** was shifted from "proactive" to "prudent", cutting this year's fiscal deficit by 19.8 billion yuan (US$ 2.4 billion) to 300 billion yuan (US$ 36.2 billion), to an estimated 2% of the GDP, 0.5% lower than last year's figure.

The parallel **monetary policy** was also set to remain "prudent", being more adaptable to economic environment.

The Yangtze Delta Region

In line with the central government's macro-control policy, the local governments of Shanghai, Jiangsu and Zhejiang set their economic growth rate simultaneously at 11%, much lower than their growth rate last year. Shanghai also specified energy consumption goal at less than1.02 tons of standard coal per 10,000 yuan (US$ 1,204) of GDP to ensure a sustainable growth. The 2003 average was about 1.1 tons.

Challenges and opportunities: old and new

Many signs showed that the macro-control measures have achieved an initial success. The economy will continue to boom, at a high growth rate, probably more than 8% for the nation as a whole, and another double-digit for the Yangtze Delta Region. In addition to the administrative measure of tightening credit and land, more economic measures will be used this year to keep the economy on a fast and stable track.

However, "sailing against the current", the economy is facing many challenges, old and new. The fixed-asset investment grew 24.5% during the first two months of this year, showing a sign of rebound despite the central government's cooling efforts. The bottleneck of energy supply is still restraining the growth. Although the electricity supply increased 12% in February, there were 25 provinces reported black-out in the same period of time again.

On the other hand, being integrated into the global economy as the world's 3rd largest trading nation and the largest destination of foreign direct investment, China is also facing challenges from outside: possible slowdown of the world's economy, crude oil price increases, growing trade frictions, and mounting pressures of revaluation of its currency.

Widening wealth gap

Nevertheless, the widening wealth gap and the growing income disparities remained one of the biggest problems, not only in terms of increased inequality within urban China, but also in the gap between urban and rural China and in differences between the eastern coastal cities and the much poorer western and central provinces. By the end of 2004 income inequality, as measured by the Gini coefficient (where 0 represents an equal distribution of wealth and 1 implies absolute inequality), had risen to 0.454 (research by Chinese Academy of Social Sciences), already surpassing the international alarming point of 0.40. The gap has been growing in recent years. Statistics showed e.g. that the per capita income gap between the top 10% and the bottom 10% in Jiangsu Province had doubled from 5.39 tomes in 2000 to 10.71 times in 2004.

Economists explain that the high expectation for a continued rapid economic growth has supported a strong psychological tolerance for the disparity, which has now become a major political issue. The government has announced its new goal to build a "harmonious society", putting increase in rural incomes and in job creation for urban residents at the top of its agenda.

Starting last year, a series of policies have been decided to promote the rural development. At this year's National People's Congress, the government announced to abolish agricultural tax by 2006, two years earlier than it had originally planned, and primary-school fees for all children in rural areas will be also exempt by 2007. The increased income of the 900 million farmers will hopefully contribute considerably to the country's expenditure-side data, as the base is apparently quite low. It is reported that nearly 40% of the rural families still don't have colour TVs. The change will be more substantial when the rural consumption will be gradually integrated into rural markets.

(continued on page 22)

Current Economic Indicators*

of the Swiss Consular Area

Year		2003		2004	
		volume	growth rate (%)	volume	growth rate (%)
GDP (billion RMB)	**China**	**11669.40**	**9.1**	**13651.50**	**9.5**
	Shanghai	625.08	11.8	745.03	13.6
	Jiangsu	1246.80	13.6	1551.24	14.9
	Zhejiang	939.50	14.4	1124.30	14.3
	Anhui	397.24	9.2	481.27	12.5
	Consular Area	**3208.62**		**3901.84**	
Total Retail Sales of Consumer Goods (billion RMB)	**China**	**4584.20**	**9.2**	**5395.00**	**13.3**
	Shanghai	222.06	9.1	245.46	10.5
	Jiangsu	356.65	13.7	415.97	16.6
	Zhejiang	315.70	10.9	364.50	15.5
	Anhui	133.12	9.8	150.31	12.9
	Consular Area	**1027.53**		**1176.24**	
Completed Investment in Fixed Assets (billion RMB)	**China**	**5556.66**	**27.7**	**7007.30**	**25.80**
	Shanghai	249.91	12.1	308.47	25.8
	Jiangsu	523.30	38.6	682.76	28
	Zhejiang	474.03	38.1	594.50	20.2
	Anhui	141.87	30.4	191.42	29.6
	Consular Area	**1389.11**		**1777.15**	
Exports (billion USD)	**China**	**438.23**	**34.6**	**593.4**	**35.4**
	Shanghai	48.48	51.2	73.52	51.6
	Jiangsu	59.14	53.7	87.56	48.1
	Zhejiang	41.60	41.5	58.16	39.8
	Anhui	3.06	24.9	3.94	28.5
	Consular Area	**152.28**		**223.18**	
Imports (billion USD)	**China**	**412.76**	**39.9**	**561.4**	**36**
	Shanghai	63.92	57.4	86.51	35.3
	Jiangsu	54.53	71.3	83.25	52.7
	Zhejiang	19.82	58.0	27.07	36.6
	Anhui	2.88	66.6	3.27	13.5
	Consular Area	**141.15**		**200.1**	
Foreign Direct Investment (during the period)					
Projects (billion USD)	**China**	**41'081**	**20.22**	**43664**	**6.29**
	Shanghai	4'321	43.5	4'334	0.8
	Jiangsu	7'301	25.9	7'187	-1.56
	Zhejiang	4'442	32.0	3'428	-13.9
	Anhui	431	27.5	472	10
	Consular Area	**16'495**		**15'421**	
Contracted (billion USD)	**China**	**115.07**	**39.03**	**153.48**	**33.38**
	Shanghai	11.06	23.5	11.69	12.6
	Jiangsu	30.81	56.6	36.08	17.1
	Zhejiang	12.05	77.5	14.56	20.8
	Anhui	1.02	15.4	1.21	18.6
	Consular Area	**54.94**		**63.54**	
Actually Utilized (billion USD)	**China**	**53.50**	**1.44**	**60.63**	**13.32**
	Shanghai	5.85	30.1	6.54	11.8
	Jiangsu	10.56	52.4	12.14	14.5
	Zhejiang	5.45	72.4	6.68	22.6
	Anhui	0.39	4.1	0.55	40
	Consular Area	**22.25**		**25.91**	

* All statistics not including Taiwan, Hong Kong and Macao. *Source: Chinese Authorities*

Quietly burgeoning "middle class"

There's presently no definite, official terminology of "middle class" in China. But some economists and a research conducted by the National Bureau of Statistics (NBS) suggest those household annual incomes between 60,000 yuan (US$ 7,230) to 500,000 yuan (US$ 60,240) should be categorized as medium income earners. About 5.04% of the population falls into this category and the proportion of this group is expected to increase to 45% in the year 2020.

Although the criteria varied and the authority declined the definition of the middle class, this group does lead a new trend of life style and consumption. In the longer run, an olive-shape society with a large middle class will be essential for sustainable economic growth and a "harmonious society". At the same time, this will create a base for social stability as well.

With the new middle class emerges a new life and behavioural style. The group is responsible for a large percentage of consumption of houses, cars, travel and sports, and starts to cultivate a loyalty for brand commodities.

The sale of cars was sluggish compared to that of houses last year. This was mainly due to the expectation of further cut on prices and growing traffic bottlenecks. However, China's passenger car sales still rose 15.17% to 2.33 million units in 2004, and the sales in 2005 are expected to rise 20% to 2.79 million units. It is likely that the fall in investment as a percentage of GDP will be matched by a rise in consumption as a percentage of GDP.

Implementation, on top of the issues

The year 2005 will be a crucial year for reform. The reform of state owned enterprises and banks has reached the hardcore, and efficiency of investment is top on the government priorities list. The central government is determined to ensure a healthy and stable development. What is crucial however is the implementation at different government levels.

The Director of the National Statistics Bureau (NSB), Mr. Li Deshui, revealed recently that the GDP figures he received from various provincial governments were 2.66 trillion yuan (US$ 320 billion) more, or 3.9 percentage points higher, than the counting by his bureau. The gap between the regional and national statistics regarding the GDP growth has existed for many years. This shows the obstinate pursuit for high speed within some regional governments, largely due to the government official performance evaluation and the promotion system linked with it.

The GDP growth rate targets set by localities are all higher than the 8% target determined by the central government. The fixed-asset investment in infrastructures and real estate by local governments shows a sign of rebound despite the cooling-down policy. The central government is continuing its effort to fight local protectionism and official corruption, as well as the blind pursuit of high GDP growth rate, which will, if let uncontrolled, lead to overheated growth at the expenses of over-used energy and future development.

Stella Nie
Commercial Section
Consulate General of Switzerland in Shanghai

Reform of RMB Exchange Rate Regime

With a view to establish and improve the socialist market economic system in China, enable the market to fully play its role in resource allocation as well as to put in place and further strengthen the managed floating exchange rate regime based on market supply and demand, the People's Bank of China, with authorization of the State Council, is hereby making the following announcements regarding reforming the RMB exchange rate regime:

1. Starting from July 21, 2005, China will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar and the RMB exchange rate regime will be improved with greater flexibility.

2. The People's Bank of China will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

3. The exchange rate of the US dollar against the RMB will be adjusted to 8.11 yuan per US dollar at the time of 19:00 hours of July 21, 2005. The foreign exchange designated banks may since adjust quotations of foreign currencies to their customers.

4. The daily trading price of the US dollar against the RMB in the inter-bank foreign exchange market will continue to be allowed to float within a band of >0.3 percent around the central parity published by the People's Bank of China, while the trading prices of the non-US dollar currencies against the RMB will be allowed to move within a certain band announced by the People's Bank of China.

The People's Bank of China will make adjustment of the RMB exchange rate band when necessary according to

Useful Sources of Information

Ministry of Commerce of P.R. China:
http://www.mofcom.gov.cn

National Statistics Bureau:
http://www.stats.gov.cn

Shanghai Municipal Government Foreign Economic Relations & Trade Commission:
http://www.smert.gov.cn/default.asp

Department of Foreign Trade and Economic Cooperation, Jiangsu Province:
http://www.jsmoftec.gov.cn/index.asp

Department of Foreign Trade and Economic Cooperation, Zhejiang Province:
http://www.zftec.gov.cn/index/index.jsp

Department of Foreign Trade and Economic Cooperation, Anhui Province:
http://www.ahbofcom.gov.cn/index/index.asp

China Daily:
http://www.chinadaily.com.cn

market development as well as the economic and financial situation. The RMB exchange rate will be more flexible based on market condition with reference to a basket of currencies. The People's Bank of China is responsible for maintaining the RMB exchange rate basically stable at an adaptive and equilibrium level, so as to promote the basic equilibrium of the balance of payments and safeguard macroeconomic and financial stability.

Source: Public Announcement of the People's Bank of China

Some First Comments

The long awaited measure doesn't go as far as the 10% revaluation called for by the US, but it will take some heat off China in the increasingly tense trade relations. In the short term, the revaluation will have a limited effect on world trade, but the Yuan could rise 5% by the end of the year, said economists cited by the Wall Street Journal.

Hong Kong Monetary Authority Chief Joseph Yam said HK dollar's link to the US dollar would not be dropped.

HK General Chamber of Commerce's Eden Woon warned of an import inflation risk as food items and daily necessities imported from the mainland would be more expensive.

Some HK manufacturers said their production cost would be increased due to higher labour cost in their mainland plants but the appreciation was good for domestic sales in mainland. A watch-making company feared that sourcing production materials such as the watch shell and the strap from other mainland factories would become more costly.

HSBC's Peter Wong expected more hot money would be flowing into HK.

Following is information received from Mr Eric Kampman, LGT Investment Management (Asia) Limited:

"Given China's and Malaysia's moves to more flexible exchange rate regimes, the following compilation of companies should be of varied importance to those who have more than a passing interest on the issue. The immediate (short-term) impact on such companies should be obvious, but the key determinant of a stock price performance however, remains operational profitability. Having said that, the obvious winners of a weak US dollar are companies with non US-dollar revenue and US-

(continued on next page)

dollar debt. The most obvious losers are those with large US-dollar revenues in economies with currencies that are appreciating against the greenback."

China
Winners:
TCL, Andre Juice, Jiangxi Copper, Zhenhua Port Machinery
Losers:
Brilliance China

Hong Kong
Winners:
Esprit, HSBC, Techtronic, Great Eagle, Cathay Pacific
Losers:
Sa Sa International

Taiwan
Winners:
China Steel, Formosa Petrochemical
Losers:
Compal, ASUSTeK

Korea
Winners:
CJ, Hanjin Shipping, S-Oil, SK, POSCO
Losers:
Samsung Electronics, Hyundai Motor, Hynix Semiconductor, LG Electronics, Daewoo Shipbuilding

Singapore
Winners:
SPH, KS Tech, Hup Seng Huat
Losers:
Chuan Hup, CH Offshore, Ezra, Jaya, NOL, Labroy

Malaysia
Winners:
Proton, UMW, Tenaga Nasional, Telekom Malaysia
Losers:
Asiatic Dev, IOI Corp, KL Kepong, PPB Oil Palms

Thailand
Winners:
Thai Oil
Losers:
CH Karnchang, Thai Union Frozen, PTTEP

Indonesia
Winners:
Dankos, Kalbe Farma, Indofood, Mayora Indah
Losers:
Unilever Indonesia Astra Agro Lestari, Aneka Tambang, INCO, Medco Energy, Timah

Various sources and
LGT Investment Management (Asia) Limited
Mail: lgt.investasia@lgt.com
Web: http://www.lgt.com

Elections in Hong Kong

The State Council of the Central People's Government on 21st June appointed former Chief Secretary for Administration, Mr Donald Tsang, as Chief Executive of the Hong Kong Special Administrative Region until June 2007.

Donald Tsang,
new Chief Executive

Former Chief Secretary for Administration, Mr Donald Tsang, who resigned in May 2005 to run in the Chief Executive election was declared the only valid candidate in the election for Chief Executive of the Hong Kong Special Administrative Region and has been elected uncontested on June 16th 2005.

The two-week nomination period ran from 3 to 16 June. Election rules require candidates to gain at least 100 nominations from the 800-member Election Committee in order to stand. On 15 June, Mr Tsang submitted 674 nominations and 36 letters of support.

Shortly after the result was announced, Mr Tsang held a brief press conference during which he said the campaign had been an exhilarating experience and he hoped to see a more open method of election for forthcoming polls due in 2007 and 2008.

The Central People's Government has also accepted the nomination by the Chief Executive of the Hong Kong Special Administrative Region, Mr Donald Tsang, to appoint Mr Rafael Hui as the Chief Secretary for Administration. Mr Hui assumed office with effect from June 30th 2005.

Mr Hui has served in many posts of the Administration during his 30 years in the civil service and in several key positions in public organizations. Mr Tsang believes that Mr Hui will effectively assist him and serve the SAR Government in implementing people-based governance, developing a harmonious society and contributing towards the well-being of Hong Kong.

Mrs Carrie Lam, Director-General
Hong Kong Economic and Trade Office

Swiss-Hong Kong Trade 2004 / Quarters 1-4

(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	**3.053,1**	**11,0**	**100,0**	**522,8**	**7,6**	**100,0**
Agricultural products	54,0	11,6	1,8	0,9	-29,7	0,2
Energy carriers	0,1	-31,0	0,0	-	-	0,0
Textiles, apparel, shoes	106,7	12,1	3,5	59,2	14,2	11,3
Paper, paper products, printed matter	13,1	-0,1	0,4	2,1	63,9	0,4
Leather, rubber, plastics	43,7	6,3	1,4	4,1	19,0	0,8
Chemicals, pharmaceuticals	354,1	-3,0	11,6	3,7	-35,4	0,7
Construction materials, ceramics, glass	13,0	18,4	0,4	1,8	49,2	0,3
Metals and metal products	55,4	15,3	1,8	9,8	13,3	1,9
– Iron and steel	0,3	-50,9	0,0	0,0	17,0	0,0
– Non-ferrous metals	1,8	-14,3	0,1	0,3	76,7	0,0
– Articles of metal	53,2	17,7	1,7	9,5	12,2	1,8
Machinery, apparatus, electronics	389,4	18,7	12,8	149,5	58,9	28,6
– Industrial machinery	217,9	19,8	7,1	2,6	-33,3	0,5
– Engines non-electrical	6,0	81,3	0,2	0,1	-93,5	0,0
– Construction machinery	0,5	55,0	0,0	0,0	-96,9	0,0
– Machinery engineering	211,4	18,6	6,9	2,5	22,1	0,5
– Pumps, compressors, fans, etc.	10,3	2,5	0,3	0,1	72,6	0,0
– Process engineering, heating, cooling equip.	4,4	48,8	0,1	0,3	113,1	0,0
– Lifting and handling equipment	17,2	-23,6	0,6	0,2	-28,5	0,0
– Machine-tools metalworking	51,8	35,3	1,7	0,1	-64,6	0,0
– Machine-tools for mineral materials	1,1	-2,1	0,0	0,0	-11,3	0,0
– Plastics-, Rubber machinery	4,1	16,8	0,1	0,0	-	0,0
– Machine-tools for wood, cork, etc.	8,0	12,2	0,3	0,0	-97,6	0,0
– Other machinery	21,0	-21,2	0,7	0,3	-62,1	0,1
– Hand held tools	3,1	56,4	0,1	0,3	-	0,1
– Welding machines	2,8	9,8	0,1	0,1	-73,8	0,0
– Printing and paper machinery	11,7	-19,8	0,4	0,0	-87,5	0,0
– Textile machines	72,3	69,7	2,4	1,1	731,3	0,2
– Food processing equipment	0,6	3,6	0,0	0,0	88,9	0,0
– Filtering and purifying machines	0,8	-13,3	0,0	0,1	12,6	0,0
– Packaging and filling machines	2,2	-21,4	0,1	0,0	-86,2	0,0
– Agricultural machines	0,0	-18,1	0,0	0,0	-	0,0
– Household appliances	4,6	-51,3	0,2	15,9	36,9	3,1
– Entertainment electronics	2,7	-66,0	0,1	15,2	38,4	2,9
– Household machines	1,9	22,3	0,1	0,7	10,9	0,1
– Office machines, Computers	6,8	-35,9	0,2	74,2	89,4	14,2
– Electrical machinery and electronics	160,0	26,9	5,2	56,3	43,5	10,8
– Power generation, electric motors	11,4	19,5	0,4	6,6	30,0	1,3
– Telecommunications	21,1	43,1	0,7	17,2	151,0	3,3
– Electric and electronic articles	127,5	25,2	4,2	32,5	19,0	6,2
– Defence equipment	0,0	-	0,0	0,4	152,4	0,1
Vehicles	0,6	-79,3	0,0	0,9	303,8	0,2
– Road-vehicles	0,4	-85,4	0,0	0,7	342,6	0,1
– transport of persons	0,0	-13,5	0,0	0,7	424,2	0,1
– transport of goods	-	-	0,0	-	-	0,0
– Special purpose vehicles	0,3	-87,8	0,0	0,0	800,0	0,0
– Spare parts	0,1	-28,0	0,0	0,1	75,6	0,0
– Railway vehicles	0,1	177,3	0,0	0,0	-90,3	0,0
– Aircraft and spacecraft	0,1	443,1	0,0	0,1	196,4	0,0
– Vessels	-	-	0,0	-	-	0,0
Precision instruments	72,6	8,8	2,4	8,8	5,4	1,7
– Optical instruments, photo	16,3	31,7	0,5	5,5	-8,9	1,1
– Surveying instruments	6,6	-1,0	0,2	0,1	-65,3	0,0
– Medical instruments and appliances	18,2	-11,7	0,6	0,6	69,9	0,1
– Mechanical measuring, testing, control equipment	31,5	16,5	1,0	2,6	59,1	0,5
Watches	1.641,8	15,6	53,8	179,2	-6,4	34,3
Other goods	308,7	-1,1	10,1	102,9	-13,1	19,7

Source: swissmem & Eidg. Zollverwaltung

China's New Management Rules

The Ministry of Commerce (MOFCOM) published new management rules for foreign trade which came into effect on 1 June, 2004. Since the regulations mark a significant liberalization of China's trade sector and indicate far-reaching changes and opportunities for foreign-invested companies in China, the article below is ment as a reminder (see also Bulletin issue 3/04).

In order to protect its domestic industries, China's government has controlled imports tightly. The majority of imports were taken up by state-owned foreign trade companies; without own trading operations, foreign companies were restricted to these Import-Export agencies.

However, entering the World Trade Organization (WTO) in December 2001, China made a number of economic commitments, one of the key obligations was a gradual liberalization of the country's trade sector.

The new regulations

The "Measures for the Administration of Foreign Investment in the Commercial Sector", published by MOFCOM, became effective June 1, 2004 and herald the long awaited liberalization of China's distribution and retail sector.

Foreign companies are allowed to set up:

- majority joint venture trading companies
- wholly owned trading companies

In detail, the new regulations apply for the following five activities:

- Retailing – i.e. selling goods and related services to individual persons from a fixed location, as well as through TV, telephone, mail order, internet, and vending machines
- Wholesaling – i.e. selling goods and related services to companies and customers from the industry, trade or other organizations
- Representative transactions on the basis of provisions (agent, broker, auctioning)
- Franchising
- Import/Export, distribution and retailing by existing manufacturing companies

Set-up requirements

Foreign investors enjoy national treatment in setting up trading companies with minimum registered capital in accordance with the Company Law of China
for wholesale enterprises: RMB 500,000 (~US$ 60,000)
for retail enterprises: RMB 300,000 (~US$ 36,000)

Business duration is limited to 30 years for foreign trading companies set up in the developed coastal areas; companies established in the Western areas are limited to business duration of 40 years. Foreign companies should "possess a sound reputation and comply with Chinese law".

Application procedure

The company formation procedure follows the existing guidelines to set up a Wholly Foreign Owned Enterprise in China. Applications must first be submitted to MOFCOM's provincial-level counterparts. The applications then have to be forwarded to MOFCOM for approval. The regulations stipulate that the whole approval process should be completed within four months.

After obtaining approval, foreign trading companies are allowed to operate in the following business areas:

- Retail enterprises: retailing, import of merchandise it sells, sourcing and purchasing of domestic goods for export, related services
- Wholesale enterprises: merchandise wholesaling, commission agency (except for auctions), import & export of merchandise, related services

Limitations apply to some specific products such as books, periodicals, newspapers, automobiles, medicines, salt, agricultural chemicals such as pesticides, crude oil and petroleum.

If a foreign investor has more than 30 retail stores in China and distributes products mentioned in the paragraph above from different brands or suppliers, the foreign investor's share in a retail enterprise is limited to 49%. Retailing enterprises which do not distribute any of the limited products are not restricted on the number of stores in China.

Since December 11, 2004, all geographical restrictions for retailing enterprises have been removed; foreign investors are allowed to establish retail stores anywhere in China.

Comments

Following the WTO-accession, China agreed to liberalize its trade policy. As such, Beijing is simply complying with its obligations. More surprising than the law changes are the low minimum requirements. In the past, China usually adhered to a principle of gradual change: In the beginning, new regulations were being "tested" only in selected cities with high investment thresholds, which were then being lowered gradually allowing more companies to enter the market.

This time the Central government took a huge step at once: Previously, the minimum registered capital for retail companies was RMB 50 million (wholesale RMB 80 million) – high thresholds for small or medium sized investments. Under CEPA (applicable to qualifying Hong Kong companies; came into effect in January 2004) a China retail company can be set up if the average annual sales turnover have been exceeding US$ 10 million for three consecutive years (wholesale > US$ 30 million).

Now, with the new regulations in place, the entry requirements for retail business have been lowered to RMB 300,000 (RMB 500,000 for wholesale), thus the door to trading in China is also open for small and medium sized foreign companies.

Significant is also the fact that existing Wholly Foreign Owned Companies in China are permitted to extend their business license, adding trade to the allowed business scope. Unlike earlier market openings in the wholesale and retail sector, the regulations level the playing field with domestic companies by eliminating high thresholds. Foreign companies are now able to broaden their product range and offer their full portfolio, including finished goods manufactured outside China.

China based assembling or repackaging operations that were previously used to facilitate trade are likely to either vanish or to focus purely on trade. Analysts expect a streamlining of the existing sales and distribution operations and a trend towards more professional and specialized trading services. The future of WFOE trading companies in Free Trade Zones such as Waigaoqiao is not looking promising, given their location disadvantage and higher cost base.

Although it can take a few months until companies can set-up trading entities everywhere in China and even though some uncertainties remain (e.g. import quotas), the new regulation will significantly change the China business environment.

How does this affect your China strategy?
Contact Fiducia's consultants for in depth information on China's trading sector, upcoming opportunities and challenges, and the optimum strategy for your company.

Fiducia Management Consultants
info@fiducia-china.com
www.fiducia-china.com

China Compulsory Certification (CCC)

As part of China's commitments for the entry into the World Trade Organization, the China Compulsory Certification (CCC) was implemented in 2003 and the two former marks, the CCIB for Product Safety and the CCEE product approval mark which certified products for import and export were retired.

Since the implementation of the CCC became effective from the 1 August 2003, a total of 149,655 certifications have been issued by the end of August 2004. The certificates have been issued to 137,671 domestically made products but only to 11,684 imported products. Out of 15,818 factory inspections only 628 took place abroad. The statistics alone show that the new CCC of China has not found a broad acceptance in its first year with international companies.

The Product Groups

The CCC mark applies to all catalogue covered products which can be marketed, imported or used in China. Failure or delay in getting certification for the catalogue covered products will result in hefty fines.

The current catalogue of 132 product categories is divided into 19 product groups:

- Electrical wires and cables
- Switches for circuits and installation protective and connection devices
- Low voltage electrical apparatus
- Small power motors
- Electrical tools
- Welding machines
- Household and similar electrical appliances
- Audio and video apparatus
- Information technology equipment
- Lighting apparatus
- Telecommunication terminal equipment
- Motor vehicle and safety parts
- Motor vehicles tyres
- Safety glasses
- Agricultural machinery
- Latex products
- Medical devices
- Fire fighting equipment and detectors
- Detectors for intruder alarm system

The Director of the Department for Certification under the China National Certification and Accreditation Administration (CNCA) announced in September that more product groups will be added in 2005.

From 1 August 2005, solvent coatings for wood ware, porcelain tiles and concrete admixtures will be added to the catalogue list, and intrusion detectors, burglar alarm control units, vehicle security alarm systems and burglar-resistant safes from 1 October, 2005.

The Application

Since the implementation of the CCC, small and medium sized international enterprises with no representation in China experienced difficulties in the application procedures. Many international companies had to fight their way through the rules and regulations, especially as the authorities initially published these in the Chinese language. Most information is now available in English on the websites dedicated to the CCC and the website of the China Quality Certification Centre (CQC).

The Certification begins with an application submitted to the CQC, which is based in Beijing. The CQC was assigned as one of the nine institutes for the certification by the CNCA and it is in charge of 16 of the 19 product groups. If unsure which institute has to be contacted for a specific product group, the application can be handed in to the CQC and will then be forwarded to the designated institute.

The certification institute assigns a testing laboratory in China where the sample of the product will have to be sent to by the applicant. No test conducted by foreign testing laboratories is currently accepted, with very few exceptions. The CNCA only accepts foreign certification laboratories if the product can not be transported or if the assigned laboratory does not have the required testing equipment.

The standards for the sample testing, called Guo Bao (GB) standards, are mainly based on the IEC standards. Some of the standards however have no corresponding international standard. The international manufacturer therefore has to translate and study the GB standards to ensure his product is manufactured to CCC standards.

Once the sample test has been conducted, a factory inspection is scheduled for Chinese auditors. Even though the GB standards for the factory audit are again almost identically to the ISO 9001 requirements, already existing international certifications are not accepted.

Challenges and Difficulties for International Companies

For international companies importing their products to China, the CCC procedure is too time consuming. The factory inspections are burdensome and a major source of delay. The application can take up to 6–8 months.

In the first seven months of 2004, the trade volume between China and the EU has reached 96 billion US Dollars, making the EU and its 25 member countries China's biggest trade partner. On September 20, the EU and China held a joint working conference in Beijing to exchange their views and discuss simplifying the procedures.

Wang Feng Quing, Director of the CNCA said that it is in both sides interest to further cooperation in certification and conformity assessment, especially the CCC. "China also hopes to learn from the EU's advanced experience in such aspects", she said.

Jean Paul Mingasson, Director General of the European Commission's Enterprise Directorate General urged China in the seminar that further improvements in the certification terms and procedures will facilitate bilateral trade.

Enrico Malcovati, secretary general of Italian Mechanical Engineering Associations outlined that not only is the application procedure too time consuming, but also pointed out that the information about the CCC could be improved. Factory inspections, for example could be done by accredited International bodies. Also no inspections should be necessary where companies have already been certified according to international standards. *(Remark by the editor: The difficulties described above were also confirmed by many Swiss companies and the complaints were brought up during the meeting of the mixed commission in Berne in October 2004.)*

Liu Wijun responded that the administration will perfect its website to improve transparency and obtaining information, as well as adding more agencies and open online certification.

A flowchart of CQC Product Certification and further information to the product catalogue and application procedure can be found on www.ccc-cn.org and www.cqc.com.cn. If you require further information or assistance with the application of the Certification, contact Klako Group at info@klako.com.

By Klaus Koehler
Managing Director, Klako Group

Further information on the CCC

is also available on the website of the Chamber, where you also find the invitation to a business trip to China with key topic CCC.

www.sccc.ch

China Accelerates Green Program

The European Union may be getting all the attention for its environmental regulations, but China could just beat the EU to the punch.

Few electronics companies are aware that China is developing its own "green" rules, in part because the government has not been doing a good job of communicating its plans to industry. But don't confuse a lack of communication with inactivity. China plans to synchronize its environmental regulations with the EU directive known as the Restriction on the Use of Certain Hazardous Substances (RoHS).

China's Regulation for Pollution Control of Electronics Products (RPCEP) has been issued on July 1, according to a government official. Along with this the Chinese government will issue a list of products that will require mandatory compliance by the EU's RoHS deadline of July 1, 2006.

For other products, the government will provide a transition plan for reducing or eliminating hazardous materials. China's Ministry for Information Industry (MII) will form a working group to manage the technical standards to guide hazardous-substance reduction, said Jianzhong Huang, director of system reformation and operations at MII. This working group will issue guidelines for companies to develop and source alternative substances.

China is on the fast track because its government recognizes that compliance with global environmental regulation is important to maintaining the nation's competitiveness in electronics. If Chinese companies are not RoHS-compliant, they risk being locked out of Europe, which last year accounted for about $ 60 billion, or one quarter of China's total electronics exports. The EU's RoHS directive affects more than 100 types of Chinese-made products.

"We want to prevent electronics pollution from the very beginning", said the MII's Huang. "This starts with product R&D and continues through product design, material selection, manufacturing and packaging."

The process

Initiated and drafted by MII in 2002, RPCEP has three objectives: Comply with World Trade Organization environmental regulations; Accelerate the development of China's electronics industry; Synchronize Chinese regulations with the EU directives.

MII is coordinating revisions of the proposed regulation with six other government organizations responsible for commerce, customs, quality supervision, economic reforms, environmental protection and business registration administration.

The proposed regulation requires companies to eliminate, over time, the use of six hazardous substances: lead, mercury, cadmium, chromium, polybrominated biphenyl and polybrominated diphenyl ether. This is stricter than the EU's RoHS, which reduces but does not eliminate the use of these same substances. Products in China's mandatory categories will not be allowed to enter the market if they contain any of these six hazardous substances, Huang said.

The mandatory product categories include radar, communications, broadcasting and TV equipment, computers and home electronic products, electronic meters and instruments, as well as components and parts, he said.

Analysts expect the regulation to dramatically impact manufacturers of TVs, handsets, computers and washing machines, and perhaps to increase costs.

A case in point is Panasonic. The Japanese company has planed to ban the six hazardous substances from its washing machines already by April 1, including all parts provided by suppliers, said Jianguo Liu, Vice president of Panasonic Hangzhou Electronics Appliance in China.

Liu expects some supply interruptions if the company is forced to terminate some suppliers, and anticipates that costs may rise if Panasonic needs to purchase from alternative suppliers.

By Amy Wang
Electronics, Supply & Manufacturing Magazine

Management Expertise for Young Chinese Companies

The first Sino-foreign joint capital venture by a major investment bank, Credit Suisse First Boston, and a group of bankers and investors around Mark Qiu, CNOOC's former finance director, was announced in May. Apart from being one of the increasing number of private equity vehicles in China, this venture aims to buy into young Chinese companies and provide management expertise rather than purely acting as a financial investor.

Recently, investments from international private equity firms to Chinese companies have increased, likely a result of ever-growing business opportunities on the mainland. The Carlyle Group, for example, has already invested US $ 80 million in China. They would like to add value to their portfolio companies in China by leveraging their global expertise in different sectors. Moreover, the International Finance Corporation (IFC) is going to double its investment in China to US $ 500 million within the next 2 years. Apart from investing in private Chinese companies, international equity firms are also looking for opportunities in non-tradable shares. Newbridge Capital Ltd., for example, has acquired non-tradable Shenzhen Development Bank Co. shares comprising 17.89% of total shares. After the transaction, Newbridge became the single biggest stake holder in the southern Chinese bank. These examples prove the rise of private equity as an investment form in China.

As Chinese private companies are often denied funds from the state banks for political reasons, the potential for opportunity abounds. Government funds are usually granted to a limited number of state-owned enterprises. Therefore, Chinese private companies are actively seeking foreign investment to assist in their growth. Unfortunately, there are numerous regulatory hurdles for foreign investors, such as capital contribution limitations, acquisition regulations, and ratio limitations on acquisitions. These pose major challenges for foreign companies to make strides in this dynamic part of the world.

Source: Fiducia Management Consultants

www.fiducia-china.com
info@fiducia-china.com

Beijing Rep. Office:
Tel: (+86) 10 6590 6108 Fax: (+86) 10 6590 6109

Hong Kong Office:
Tel: (+852) 2523 2171 Fax: (+852) 2810 4494

Shanghai Office:
Tel: (+86) 21 6327 9118 Fax: (+86) 21 6327 9228

Shenzhen Rep. Office:
Tel: (+86) 755 8328 9958 Fax: (+86) 755 8328 9959

Beijing's Foreign Trade & Investment Environment

Beijing, the capital of the People's Republic of China, is the heart of the nation's politics, culture and international exchanges. The city has a population of more than 14 million people and boasts the most advanced infrastructure in China. With almost 100 institutions of higher education and more than 500 scientific research institutions, Beijing is China's educational center. Most of China's national financial institutions are based in the capital, and so are the headquarters of China's Central Bank, state-owned banks and commercial banks, as well as of many insurance companies, trust & investment companies, finance houses and leasing companies.

Economy

Since the founding of the PRC, particularly since China initiated its reform and opening-up policy in 1978, Beijing's economy has shown a rapid and sustained development. The capital's major industrial sectors include metallurgy, chemicals, automobiles, electronics, machinery, building materials, light industry and textiles. Since the beginning of the 1990s, the city's gross domestic product (GDP) has enjoyed an average annual growth rate of 9 percent.

In 2003, Beijing's GDP soared 10.5 percent to reach 361.19 billion yuan (US$ 43 billion). The city's foreign trade rose by 30.4 percent year-on-year. The total included US$ 15.85 billion in exports, up 33.6 percent, and US$ 51.61 billion in imports, up 29.4 percent. Overseas financed businesses are key players in Beijing's foreign trade activities. Exports by local overseas-funded firms accounted for 69.9 percent of local total exports. The main commodities on Beijing's foreign trade list were electronic products and machinery. Most imported commodities originated from Asian countries and regions with the top three import partners being Japan, the Republic of Korea and Hong Kong. With a 50% increase in volume year-on-year, Europe remained the biggest export destination for Beijing enterprises.

As a result of rapid and steady economic development, the per capita disposable income of Beijing residents increased 11.4 percent year-on-year to reach 13,882.6 yuan (US$ 1,78.6) in 2003. The registered unemployment rate of urban residents was 1.43 percent last year. The capital's real estate market saw a strong foreign capital inflow in 2003. The average price of land in Beijing now ranks the highest in the country and the land prices are expected to continue to increase this year.

Beijing's Investment Environment

In 2003, the Beijing authorities made significant efforts to attract increased investment into modern manufacturing and high-tech industries. The government accelerated reforms in the service sector and urban infrastructure construction. Foreign direct investment (FDI) in Beijing surged by 19.8 percent from the previous year with about 60 percent of the FDI being directed towards the service industry. Multinational retailers opened a record number of 20 outlets in Beijing.

Beijing is seeking to boost the development of the non-state sector and to down-size state-owned assets in many industries. As a result, many state-owned companies are expected to be listed on domestic equity exchanges for Mergers and Acquisitions (M&As) by domestic and international investors. The China Beijing Equity Exchange – one of the major exchanges for the trading of state-owned assets – recently joined the Beijing Investment Promotion Bureau to introduce the so-called "Multinational Merger and Acquisition Express Channel". The intention of the cooperation is to provide improved services to investors looking for M&As of state-owned assets listed on the exchange. The organization will offer policy consultation and coordination services to international investors, as well as accelerated handling of examination and approval procedures.

Beijing's Development Zones

Beijing has two major development zones at the national level – the Beijing Experimental Zone for the Development of New Technology Industries (BEZ) and the Beijing Economic Technological Development Area (BDA), as well as more than 30 small-scale industrial areas and development zones operated by counties or districts.

The Beijing Experimental Zone for the Development of New Technology Industries (BEZ), established in 1988, was the first national high and new technology industry development zone in China. It is located in the north-western suburb of Beijing, close to 100 scientific research institutes and 50 institutions of higher learning. Zhongguancun, China's "Silicon Valley", as well as five sub-parks (the Haidian Sub-park, the Fengtai Sub-park, the Changping Sub-park, the Jiuxianqiao Electronics Town, and the Yizhuang Economic and Technological Development Zone) and one belt (the Beijing-rim Hi-tech Industrial Belt) are located in the Zone. Since its establishment, an industrial structure centering around optical-mechanical-electrical integration, electronic information, biological engineering, new medicines and new materials, energy-saving, environment-friendly, and other high-tech industries has been created.

The Beijing Economic Technological Development Area (BDA) was established in 1991. Situated in the south-eastern suburb of Beijing, the BDA is a national top-priority development area approved by the Chinese

(continued on page 32)

Central Government. The Zone's main tasks are to attract industrial projects and foreign investment, promote exports, and commit to the development of new and high technologies. Five major industry sectors have developed in the BDA, including electronic information, laser-machinery-electronic-integrated industry, bio-engineering and pharmaceutical industry, new material and new energy manufacturing.

Other development zones in Beijing include the Beijing Shangdi Information Industry Base (set up in 1991), the Beijing Yanqi Industrial Development Zone (set up in 1992), the Beijing Linhe Industrial Development Zone (set up in 1993) and the Beijing Shilong Industrial Development Zone (set up in 1992).

By the end of 2004, China's first business park for company headquarters will be launched in the Fengtai District of Beijing. The Advanced Business Park (ABP) is specially designed as office quarters for large enterprises. The ABP will provide office towers for 500 large enterprises and 2,000 medium and small companies. Among the first 80 corporations to enter the ABP at the end of this year, 95 percent are high-tech companies.

Olympic Games in 2008

Beijing will host the 2008 Summer Olympic Games. This event is expected to become an accelerator for the city's development by upgrading its overall competitiveness and speeding up its modernization and globalization. Beijing plans to spend a total of US$ 35 billion on the Olympic Games, including US$ 23 billion for modernizing the country's capital. It will be one of the largest construction projects ever in China since the construction of the Great Wall. Much of the money will be spent on construction of Olympic-related sports venues and facilities, major enhancements to transportation and telecommunications networks, and installation of environmental protection systems. Bidding on these projects is open on an equal basis to both foreign and domestic enterprises. To grasp the business opportunities brought about by the Olympic Games, many multinationals have decided to increase their Beijing investment activities.

From April 18 to 19, 2004, Beijing has hold the Market Promotion Conference on the Olympic Economy. The conference introduced a series of projects related to urban construction, high-tech and manufacturing industries, environmental protection, tourism, culture, sports and logistics. The construction of the Olympic venues and related facilities have begun on a large scale in 2004.

The Games are expected to drive the rapid growth of the consumer market, especially the sports, transportation, telecommunications, cultural, real estate and automobile sectors. The Olympic Games will also boost market demand for building materials and related equipment for large-scale urban construction projects. In addition, demands for products for telecommunications, transportation and environmental protection, as well as services like financing, healthcare, tourism, logistics, retailing, catering and education are expected to grow significantly.

Beijing's authorities are planning to step up their efforts in reforming investment and fund-raising mechanisms, and improving market access and regulations in order to offer an open and fair environment for domestic and overseas investors.

By Klaus Koehler
Managing Director
Klako Group

Beijing has also launched a website to assist the 2008 Olympics

www.hitech2008.org.cn/english/

Shanghai's Development Zones

Development zones' success largely stems from the preferential policies they offer and the safe investment environment they work hard to create.

Originally concentrated in China's eastern coastal regions, they are now found throughout the country, from Xinjiang to Gansu to Jilin. What's more, development zones have different titles. There are, for example, Economic & Technological Development Zones (ETDZ), Free Trade Zones (FTZ), Export Processing Zones (EPZ), and Industrial Zones (IZ). (See also page 35.)

Often the name differences refer to duty levels and import/export restrictions. However to the unprepared and unaware investor these seemingly small differences are just that, insignificant. Not so. Nearly all zones offer a business income tax rate of 15 percent as well as the policy of "two years exemption and three years of halved-taxes" after the first profit-making year to manufacturers. VAT is also exempt for exported and bonded goods, though this is usually refunded at a later date, sometimes up to 12-18 months later. Other similarities include the availability of standard factories where manufacturers can get started straight away while they plan and construct their own premises.

The differences are, by far, greater than the similarities. For manufacturing investors in China, choosing a development zone as the site of the investment is the first step in an enormous risk-hedging exercise.

However, small differences between different zones can vary dramatically, and it is always important to conduct a thorough and detailed investigation of at least three zones, although some manufacturers chose to investigate five or even more just to be safe.

This not only ensures that you shop around for the best deal; this exercise can also enlighten your knowledge of the surrounding area and provide you with a feeling of what it will be like for your relocated manager when they are actually based 'on-the-ground' in China.

As zones have personalities themselves, it is essential to look beyond the pamphlets and published information and get down to the nitty-gritty. In the following article, we have chosen five development zones located around Shanghai and conducted a comparison.

Waigaoqiao (WGQ Free Trade Zone)

With a planned area of 10 km^2 in size, Waigaoqiao is China's biggest and oldest FTZ, and also one of the most successful. Twenty kilometres from downtown Shanghai, WGQ is only fifteen from Pudong Airport and 36 kilometres from Hongqiao Airport.

This makes it convenient for visiting delegations and clients, allowing them to avoid the sometimes perilous journey that some zones require to reach.

WGQ's multi-functioned approach, which includes free trade, export processing, warehousing and bonded commodities, has attracted investors from over 55 countries. To date, almost 4,500 projects have received approval and many are either completed or well on the way to completing construction.

Logistically, WGQ has quite an attractive position. Waigaoqiao Harbour links the FTZ with the Yangtse, and Wusong Port is a close seven kilometres away. On the east side of the FTZ is the Outer Circle Canal, which has a 300-ton barge capacity. This is the main channel of transporting goods from the FTZ.

WGQ is able to provide detailed information on costs, application procedures and lifestyle subjects in both English and Chinese, and has attracted investors such as Intel, IBM, General Motors and Hewlett Packard.

Songjiang Industrial Zone (SJIZ)

SJIZ encourages electronics, light industries, machinery, foodstuffs, biomedicine, building materials and fine chemicals. The planned area is a large 20.65 km^2, and has fully developed approximately 8 km since 1992.

Eighteen kilometres from downtown Shanghai, SJIZ lies just east of Songjiang Town, which enjoys a thousand year-old history and attracts large numbers of visiting locals and tourists, respectively.

Wusong Port is 47 kilometres away, and within SJIZ itself are three 1000-ton capacity ports. Other logistic benefits include the railway linking Shanghai to the south, which passes through SJIZ.

Travel wise, SJIZ is 20 kilometres from Hongqiao Airport and 42 kilometres from Pudong Airport, and coupled with the charming Songjiang Town close by, makes an excellent location for a mixture of China's modern business environment and fascinating past.

The majority of the approximately 20,000 employees within SJIZ are locals, which create a stable working environment and can alleviate staff turnover concerns; sometimes difficult in Chinese cities today where such massive change is taking place.

In SJIZ, investments over USD$ 10 million are able to extend their two years of tax exemption by another three years, while still enjoying the three years of halved-taxes.

SJIZ is home to 31 Fortune 500 companies, and has investors such as Hitachi, Ford, Dow Corning and Nestlé.

Qingpu Industrial Zone (QIZ)

With major textile, machinery, electronics and modern agriculture investors, QIZ covers 16.16 km^2 of land and is a short hour or so drive from downtown Shanghai. Many relocated executives make this trip on a daily basis and enjoy the advantage of having the mixture of both Shanghai's fast and exciting lifestyle with the quieter pace of Qingpu.

Within QIZ is the Taiwan Enterprise's Industrial Park, IT Industry City and the Textile Technology City, making QIZ a diverse and interesting location for manufacturers. QIZ is a municipal-level development zone and currently has approximately 143 investments successfully producing, with many more currently undertaking the application procedures.

QIZ has three support departments for foreign enterprises: the Business Office, the Construction Office and the 'Doing Immediately' Office. The latter are able to fix any problem from faulty gas connections in your factory to a trip to the hospital after a bad meal. The zone also, in order to attract investors, offers to build villas and accommodation close-by for relocated executives.

QIZ refunds 40 percent of any business income tax earned from reinvested capital, and investors specializing in advanced technology enjoy favourable policies such as extended tax holidays.

QIZ is 55 kilometres from Wusong Wharf and 50 kilometres from the Shanghai Container Terminal. Major investors include RR Donnelley & Sons, BASF Nylon, DuPont Fibers and Buckman Laboratories.

Kangqiao Industrial Zone (KQIZ)

Shanghai Pudong Kangqiao Industrial Zone was set up in 1992 and is a municipality-level industrial zone.

With a planned area of 26.88 km, KQIZ is a stone's throw away from Shanghai's People's Square at 10 kilometres, making it more a suburb of Shanghai than the usual industrial set-up you might normally imagine.

Wedged between both Pudong and HonggiaoAirports, KQIZ is well positioned for its travel convenience.

KQIZ has taken the pillar industries of Shanghai as its main industries, emphasising the auto, electronic, electrical appliances and new building material industries. Taiwan and the USA are the largest investors in the zone, with over USD$ 0.5 billion between them.

KQIZ is close to the famous town Zhoupu, which makes an ideal getaway, and is linked to Shanghai proper by the six-lane Hunan Highway. KQIZ is only 12 kilometres from Pudong Airport and 22 kilometres from Hongqiao, so either is a good option. There is also a subway line linking the zone with the Pudong area. Rivers run through KQIZ linking with the Yangtse and Huangpu River. Furthermore, the Yangshan Deep Water Port under construction 45 kilometres away, will no doubt become an important logistical point for the zone in the near future.

Major investors include Australia's BHP Steel, George Fischer Piping and Three Guns clothing.

Jiading, Industrial Zone (JDIZ)

Jiading was identified as a science satellite city as early as 1958. Jiading is also the location where the first car was produced in China, in Anting Town. More recently, however, after pumping some RMB 1 billion into infrastructure, JDIZ has done well to maintain a 30 percent greenery ratio. A provincial and municipal-level development zone, JDIZ was established in 1992 and has a total planned area of 24.8 km^2.

Some 25 kilometres from Hongqiao and 75 kilometres from Pudong Airports, JDIZ is in an excellent position logistically, being 6 kilometres to Nanxiang Station, the largest cargo railway hub in East China. Furthermore, JDIZ is approximately 25 kilometres from Zhanghuabang International Container Port.

Shanghai University has a campus in the city of Jiading, which produces a large number of technical and en-

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or contact:

Swiss Center Shanghai
21-C, 1078 Jiang Ning Road
200060 Shanghai, P.R. China
Phone +86 21 6266 0844
Fax +86 21 6276 0856

Contact in Switzerland:

Fondation Swiss Centers
Route du Jura 37
P.O.Box 74
CH-1706 Fribourg
Phone +41-26-347 12 20
Fax +41-26-347 12 39
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gineering graduates each year, and there is a stable labour supply which can be sourced directly of through the Labour Bureau of the zone's Administrative Committee.

Major investors in JDIZ include Nagoya Seimitsu Tools and United Oriental Glass.

Summary

Although development zones may appear to be similar, they are not, and thorough research needs to be carried out when comparing them to get the most suitable arrangement for your business. Again, it is always important to conduct a thorough and detailed investigation of at least three zones. Also be aware that their "Foreign Investment Office" may not possess the full tax and legal background for you to maximise the efficiency of your investment and that you should take professional advise here too.

For further information about Shanghai Zones or China's Investment Zones, please contact:

for Shanghai — *Jamie Gwynn*, *anthony@chinastrategic.com*
for Beijing: — *Sacha Cody*, *sacha.cody@chinastrategic.com*
for Guangdong: — *Peter Li*, *peter.li@chinastrategic.com*
or Dezan Shira & Associates at info@dezshira.com for advise over repatriation maximisation and tax reduction issues.

Development Zones in the Yangtse Delta Region

General Introduction of Development Zones in China

The history of Chinese development zones goes back to the mid-1980s after the central government approved to set up four Special Economic Zones, for example in the cities of Shantou, Shenzhen and Zhuhai in Guangdong Province and the city of Xiamen in Fujian Province. Benefiting from the preferential economic development policies, all these coastal cities underwent fast growth, especially the city of Shenzhen, which has become one of the most modern cities in China from a remote small fishing village within 20 years. Since then, China has entered an era of rapid development of various zones.

By saying various means that nowadays there are many different titles and types of development zones other than the Special Economic Zones, such as ETDZ (Economic and Technological Development Zone), EPZ (Export Processing Zone), FTZ (Free Trade Zone), HIDZ (High-tech Industrial Development Zone), TIZ (Taiwanese Investment Zone), THR (National Tourist and Holiday Resort), and BECZ (National Border and Economic Cooperation Zone). Among them, ETDZ, EPZ, FTZ, and HIDZ are the most visible ones.

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In addition to preferential economic policy, the development zones also share common advantages like convenient location, developed infrastructures, rich human resources and efficient management and services.

It is estimated that so far there are around 4’000 development zones of all kinds, national, provincial or local level. Some local governments are tempted by the impact of successful development zones. Despite their rather limited situation, they joined in the movement of setting up development zones. Evidently the development zones mushroomed all over the country in a short time period. According to official statistics, of the existing 3’837 development zones and industrial parks nation-wide, only 1’251 have received approval from the State Council or provincial governments. Those unqualified zones resulted in land-abuse, too-good-to-be-true preferential policies and failed operations of foreign companies in the zones. In August 2003, ten inspection teams were sent by the central government to the provinces to inspect the administration of development zones, land leasing operations and trading mechanisms over a period of two months. They were expected to overhaul the establishment of development zones and industrial parks and to try to correct the irregularities.

Decent development zones, however, are still very helpful when foreign investors consider to set up companies in China because of their advantages mentioned above. Nearly all the Development Zones offer a business income tax rate of 15% and the policy of “two years exemption and three years of halved-taxes” after the first profit-making year to manufactures. Some zones offer even more tax exemption on re-export. Different types of the zones have more or less the same preferential policy and efficient management and services. Nowadays factors such as transportation, cost and fee, and human resources are playing a more and more important role in selecting a proper zone. Most of the zones in Shanghai regions have been very well developed. It is an ideal place to set up companies in the zones of this area. However since Shanghai has become one of the hottest spots for investment in China during recent years, living expenses, land cost and fees of the zones in the Shanghai region have increased dramatically. The zones in neighbouring provinces, with short distance and convenient transportation, are closely related to Shanghai. Living expenses, fees and costs are lower than those in Shanghai. Thus an alternative way for a company when considering to locate in the Delta Region is to set up a representative office in Shanghai, but locate its manufacturing line in the surrounding areas.

Following are brief profiles of ETDZ, EPZ, FTZ, and HIDZ as well as general introductions of some major development zones in the Yangtse Delta Region. The zones mentioned below are recommended for small or medium sized companies. Though geographically a bit further from Shanghai, these zones have lower costs and are good enough for companies to build a manufacturing base. At the end of the article, there is a table of all the important zones in this region. Please check the websites providing detailed information about the zones. All websites are available in both Chinese and English. No matter what, observation and comparison on several zones are necessary before a decision is made.

Economic and Technological Development Zone (ETDZ)

An Economic and Technological Development Zone (ETDZ) is a piece of land in the open city with developed basic infrastructures and investment situation of international standard. By absorbing and taking advantage of foreign investment, the zone becomes the essential territory based on new and high technological industries. It forms a modern structure within the city and its surrounding areas. By now there are 54 Economic and Technological Development Zones approved by the State Council.

Shanghai Jiading Industrial Zone

Located in the north-west of the city of Shanghai, the district of Jiading covers an area of 450 square kilometers. It is 25 km away from Wusong harbour and Shanghai Hongqiao Airport respectively. Express ways of Shanghai–Jiading, Shanghai–Nanjing, and Shanghai–Hangzhou connect Jiading with outside conveniently. The largest railway marshalling station in East China, Nanxiang Railway Station is 6 km away from the Industrial Development Zone. Electricity, gas, sewage treatment and communication facilities are sufficient in the zone.

Being a municipal industrial development zone, Jiading Industrial Zone is famous for its automobile industry. Shanghai VOLKSWAGEN Automobile Co. is located in Anting Town, Jiading district. Many other car industries manufacturing spare parts for VOLKSWAGEN have been set up and expanded. The first F1 race course in China, which is supposed to be completed in 2004, undoubtedly will enhance Jiading’s fame as a Car City. The Shanghai government has planned to build the Anting Town into a German style satellite city.

Shanghai Nanhui Industrial Zone

Founded in 1994, the Nanhui Industrial Zone is located in the centre town of Nanhui district. It is 12 km away from Shanghai Pudong International Airport, 45 km from Hongqiao Airport, 40 km from Waigaoqiao Port and 22 km from Yangshan Deep port, where a modern New Port City is under construction.

The Zone has a planned area of 35.6 km^2 with complete infrastructures. It is able to supply total power of volt 35,000, 350,000 tons of water per day, 8,000,000m^3 gas daily, and discharges 150,000-ton sewage to the East China Sea. There are 7 colleges and schools such as Shanghai Topu Software and Information Technology Institute, Shanghai Technology College, Shanghai Industrial and Commerce Foreign Language Institute and so on, supplying rich human resources. 100,000 local habitants ensure an ample labour force.

Kunshan Economic and Technological Development Zone of Jiangsu Province

The Kunshan ETDZ was set up in 1985. It was nominated as provincial key development zone by the Jiangsu Government in January 1991 and approved as state development zone by the State Council of P.R.C in 1992. The KETDZ emphasises on electric industry. There are

Criteria and Procedures of Establishment of Export Processing Zones

(Issued by the Customs General Administration et al, subject: Foreign Trade, effective from April 8th 2004, source www.chinatax.gov.cn)

The major criteria for establishing Export Processing Zones (EPZ) are as follows:

(1) The EPZ should in principle be established in a state Development Zone (SDZ) as approved by the State Council. Each SDZ can only have one EPZ.
(2) The SDZ applying for the establishment of an EPZ should have an annual import-export value from processing trade exceeding USD 100 million.
(3) There can be only one EPZ in the province whose annual import-export value from processing trade is less than USD 10 billion.
(4) The province whose annual import-export value from processing trade exceeds USD 10 billion may apply for an additional EPZ.
(5) The Province may not apply for an additional EPZ or extend the existent EPZ unless the annual import-export value from processing trade existent of the EPZ therein exceeds: (a) USD 50 million (eastern provinces); (b) USD 20 million (central provinces); (c) USD 10 million (western provinces).
(6) An EPZ will be cancelled under the following conditions: (a) its construction has not commenced within 2 years of approval; (2) the annual import-export value from processing trade fails to reach USD 1 million within 4 years of approval.

The application for the establishment of an EPZ shall be filed with the State Council and forwarded to its relevant departments by the provincial governments. The State Council will make its decision after the relevant departments make their remarks. These relevant departments include the Customs General Administration, the State Commission for Development and Reform, the Ministry of Finance, the Ministry of Land and Resources, the Ministry of Commerce, the State Administration of Taxation, the State Administration of Industry and Commerce, the State Administration of Quality Supervision, Inspection and Quarantine, and the State Administration of Foreign Exchange.

Source: Wenger & Vieli
http://www.wengerlaw.ch/EN/publications/1/index.asp
Obtain your personal subscription from:
china@wengerlaw.ch

around 500 companies from over 30 countries and regions including U.S.A, Germany, U.K, France, Japan etc. in the zone.

Located in the central part of the Delta Region, Kunshan is only 50 km away from Shanghai. It takes about 40 minutes from Shanghai to Kunshan by Huning Express (Shanghai-Nanjing Express). A direct airport express connects Shanghai Hongqiao Airport and Kunshan conveniently.

Nowadays Kunshan has become one of the popular zones in the Delta Region, especially for Taiwanese. It is one of the best state ETDZs in China. After almost 20 years of development, a beautiful modern Kunshan city has taken into shape with developed basic infrastructures of power, water, gas, sewage treatment, communication means and education facilities.

Jiangyin Economic Development Zone of Jiangsu Province

With the Yangtze River to the north, 25 km from Wuxi to the south, 80 km from Suzhou and 150 km from Shanghai to the east, Jiangyi EDZ has a total planned area of 150 km^2, including 9 subordinate industrial zones featuring IT, biochemical, metal materials, shipyard and ship repair, power, petrochemical, new packaging materials, logistics, etc.

Jiaxing Economic and Technological Development Zone of Zhejiang Province

Jiaxing ETDZ is located along the eastern cost of China, on the border of Jiangsu Province, Zhejiang Province and Shanghai. It is 90 km away from Shanghai, 90 km from Hangzhou (Zhejiang), and 70 km from Suzhou (Jiangsu). It takes one hour to the Shanghai Hongqiao Airport and one and a half hours to the Shanghai Pudong International Airport. A train line between Jiaxing and Shanghai will be completed in 2007.

Since the establishment in 1992, the Zone has attracted enterprises mainly in fields of machinery, auto parts, electronic, textile, and fine chemicals. Major enterprises in the zone are from Southeast Asia countries and regions such as Japan, Korea, Singapore and Taiwan region. Like the other ETDZs, Jiaxing ETDZ enjoys the common preferential policies on exemption and income tax. All the basic infrastructures of power, gas, water, sewage treatment and broad band internet services are well developed.

Export Processing Zone (EPZ)

Based on a thorough investigation in the practice of the developed countries in the management of processing trade, the State Council selected and approved 15 cities such as Guangzhou, Beijing and Dalian to pilot enclosed management schemes over export processing zones or EPZ in April 2000. The EPZ is intended to be a special enclosed area supervised by the Customs, offering efficient custom services for import and export. As a matter of fact, the establishment of EPZ is one of the major steps taken by China to expand its involvement in the international market and further open its market to the outside world. It is most helpful in the promotion of export, improvement in the management of processing trade, utilisation of foreign capital in a more active, practical, and effective way, and development of the local economy. In the EPZs, all procedures needed for import and export are available conveniently. Enterprise can find all necessary offices and agents in the Zone, including Customs, Commodity Inspection, Tax, Industrial & Commercial Bureau, banks, foreign trade, customs declaration companies, etc. How to efficiently help enterprises to finish all procedures is an important standard of the competitiveness of the zone.

Major EPZs in the Delta Region are in Shanghai and surrounding areas (refer to the attached table). At the beginning of 2003, four more EPZS in Shanghai were approved by the State Council, i.e. Songjiang EPZ B, Minghang EPZ, Caohejing EPZ, and Qingpu EPZ. These EPZs are better facilitated and have customised policies according to different situations. For example, Qingpu EPZ emphasises on hi-tech export enterprises, Caohejing EPZ is expanding its area to Pudong due to lower cost and convenient transportation, Minghang EPZ is located in Fengxian, benefiting the most from Yanshan Deep Water Port in the future, and Songjiang EPZ B will take full advantage of the success of Songjiang A to be further developed in a short time.

Kunsan EPZ and Wuxi EPZ are the major zones in Jiangsu Province based on its well developed EDTZs.

Free Trade Zone (FTZ)

FTZ is a territory approved by the State Council to develop international trade and bonded operations, like the free trade zones in the world. Within the area, activities of foreign investment, international trade, bonded warehouses and processing for re-export are allowed. There are altogether 15 FTZs in China, welding China's economy with the world's economy.

Shanghai Waigaoqiao FTZ

Approved by the State Council in 1990, Waigaoqiao FTZ is the earliest and largest Free Trade Zone in China with a planned area of 10 km^2. It is located in the Northeast of Shanghai, neighbouring Waigaoqiao Port, with a convenient transportation network of bridges, channels, expressways, metros, and the newly built maglev. It takes 30 minutes to Shanghai International Airport. The zone has four major functions: export processing, modern logistics, international trading, and bonded commodity exhibition.

By the end of 2002, Waigaoqiao FTZ has attracted more than 6'000 companies from 72 countries and regions. Many multinational enterprises are in the zone, including Swatch, Intel, Toshiba, Siemens, JVC, Sharp, IBM, Sony, etc. Among all the companies, 85 are on the Fortune Top 500 companies list.

High-tech Industrial Development Zone (HIDZ)

The HIDZ is based on intensive intelligence and open environment. It mainly depends on China's own scientific, technological and economic strength. The HIDZ is a concentrated zone established for purposes of transforming achievements of science and technology into practical force to the maximum extent, oriented at both domestic and overseas markets and developing China's new high-tech industries. There are 53 State HIDZs.

The major HIDZs in the Delta Region are Shanghai Zhangjiang Hi-tech Park, Jiangsu Suzhou National New & Hi-tech Industrial Zone, Jiangsu Wuxi National Hi-tech Industrial Development Zone in Wuxi New District, Jiangsu Nanjing Chemical Industrial Park in Jiangsu Province, and Hangzhou High-tech Industrial Development Zone in Zhejiang Province.

Established in 1992, after a ten-year development, the Zhanghai HIDZ has formed its main industry in the software and pharmaceutical field, supported by the Park's national level bases: the National Shanghai Biotech & Pharmaceutical Industry Base, the National IT Industry Base, the National 863 Information Security Industry Base, and the National Technology Innovation Base. The leading companies in the Park in these fields include Legend company of China and Roche from Switzerland.

The development of Suzhou New District started in 1990. The New District was approved to be a national HIDZ in 1992. The pillar industries in the Suzhou HIDZ are electronics and information, precision machinery, bio-medicine and new materials. By the end of 2002, more than 660 foreign projects have received approval. Logitech Electronic Co. from Switzerland is located in the Zone.

The Hangzhou HIDZ is trying to build another Silicon Valley in the Heavenly Land, Hangzhou. The Zone has been ranked among the top three out of 53 national HIDZs for 5 years. With an area of 85.64 km^2, the Zone was approved by the State Council in 1996. The core industries in the Zone are communication and information technology, software, and biotech. Motorola is accommodated in the zone.

Shanghai Zizhu Science-based Industrial Park

The Shanghai Zizhu Science-based Industrial Park is only at the beginning of its development. It is approved by Shanghai Municipal Government in 2001 with a planned area of 13 km^2 for the first phase. Adopted Silicon Valley and Taiwan Hsinchu Science Park's concept, the Park is divided into three parts: University Area, R&D Base and Pujiang Forest Peninsula. The University area includes the whole Jiaotong University, one of the most prestigious universities in China, part of East China Normal University, the microelectronics Institute of Tsinghua University and the Taiwan Hsin-Chu Shanghai Engineering Research Institute.

Along the Huangpu River on its east and south banks, the Zizhu Park enjoys a convenient transportation network. The Guangang International Cargo Port is situated inside the science park. The Xingfengjing Expressway lies along the west of the park. It is 25 km away from Shanghai Hongqiao Airport and 45 km from Shanghai Pudong International Airport.

The structure of the first phase has taken shape. The park will focus on microelectronics, photoelectron, digital technology, nano-tech, optical fiber communication and life science. Besides the first phase, there is more land reserved in Fengxian for the future development.

Nanjing Chemical Industry Park

Centred around the petrochemical industry, the Nanjing Chemical Industry Park emphasises on six major fields of petroleum and natural gas chemicals, basic organic chemical raw materials, fine chemicals, high-molecular materials, bio-pharmaceuticals and new type chemical materials. The Park was officially approved by the State Development & Planning Commission after its establishment in 2001, becoming the second state level petrochemical base in China. The planned area of the park is 45 km^2.

The park has a shoreline of 10 km, along the Yangtse River there are 22 jetties of 1'000 T class or over, which can provide berthing for 3'000 – 30'000 T vessels all the year round. Nanjing Harbor, the largest inland river container terminal in China, is 25 km away from the park. A railway line and an oil delivery pipeline run across the Park from West to East. Several expressways through the Park connect conveniently with the surrounding cities. A chemical exchange centre is under construction. With the support of the transportation network, the Park is expected to be an important chemical product logistic centre in China.

Now the major companies in the Park include SINOPEC, Yangtse Petrochemical Co., Ltd, BASF AG of Germany, Celanese AG of Germany, the BOC Group of UK, DSM Corporation from the Netherlands etc.

By SONG Yujia
Swiss Business Hub

Commercial Section, Consulate General of Switzerland in Shanghai

Swiss Manufacturing Centre in China

Want to Establish Your own Company in China? Join Others for Doing it Together!

The Swiss machinery industry is dominated by small and midsize companies (SME), most of them with a focus on exports.

They have proven over decades to be competitive in Europe, despite of a strong local competition mainly from German and Italian manufacturers. This was made possible by favourable business conditions in Switzerland and by the relative proximity to the customers, allowing for a strong market presence and a good after sales service. Additionally the intensive contacts with them lead to an in depth understanding of their needs and finally to a well adapted product.

The same level of success was never achieved in North America, despite of less local competition, good market

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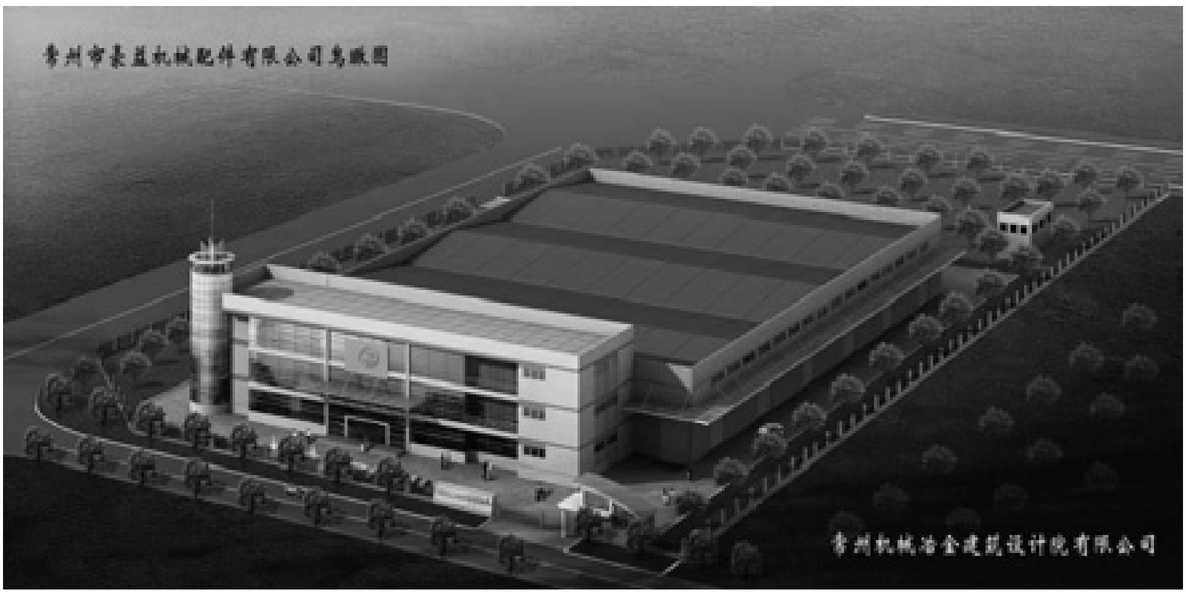

The planned SMCC building totalling 8'000 m^2 of offices, showroom and plant in Changzhou, Jiangsu Province.

prices for most of the time and a common business language across the whole continent.

As many companies were selling through local agents who were supported directly from Switzerland, the vital contacts with the customers did never reach the necessary frequency and quality. As a result the markets were only partially understood and consequently the products did not fully respond to the requirements. Consequently they were only marketable in limited niches or for a limited time.

The experience showed also that replacing the agents by a wholly owned sales and service company was not really a remedy. These units were often not strong enough to get the necessary product changes or the speeding up of services implemented in the mother company. They acted as an intermediate and the direct and strong influence of the customer was still missing at home.

The lesson to be taken from this is that chances were often missed. A long lasting success in such a far away market needs a much stronger engagement. Only then will its specific market requirements be understood and the responsive actions be on time. Therefore the transfer of engineering and production capacities becomes a must.

Today North America is not a main focus anymore, due to its gradual loss of the industrial base. But China has definitely moved into the centre of interest. It has become the largest single market for machine tools, exceeding the combined demand of the US and Germany.

So almost everybody is attracted and has some activities going on and in the actual boom it has been fairly easy to sell machines from Switzerland.

But these favourable conditions will rapidly come to an end with Chinese competitors making progress in tremendous strides and manufacturers from Europe, Japan and Taiwan setting up their own production plants.

Once again we are now back to the crucial question of how a small or midsize machine tool manufacturer can establish an adequate market position in China, without overstretching his financial and management capacity and without taking too much risk?

Swiss technology and know-how under one roof

Part of the answer is obvious: a physical presence in China with more than just sales and service is a must or ambitions have to be reduced and concentration goes to other markets.

But how can the lack of experience in doing such a step be overcome?

Some may try by growing their sales to a sufficient volume first, before justifying such a large project. However they may be running out of time and never reach their targets, so that they will quite simply miss another opportunity.

Knowing of this difficult situation Swissmem's Dr. K. Meier, division head of the "Industry Sector" and ex.tra experience transfer ag have teamed up to promote the idea of a common plant hosting various companies with similar needs. Not only a building should be shared, but also the infrastructure, internal services, a supplier network, know-how and the experience of the project leaders. The hosts would then fully concentrate on their key activities, which are sales, service, product management and assembly.

Starting with a positively received questionnaire, which was sent to the machine tool industry only and interviews with interested companies, a concept and a business plan were worked out by Dr. P. Wirth and G. Moilliet, both partners in ex.tra. experience transfer ag.

Its presentation on June 9 in Zurich was not limited to the machine tool industry and attended by more than 50 representatives of various Swissmem companies. So what has raised such a strong interest and what is different from other projects?

First of all it is the **going and showing up together**. There will be a different impact in this very large country, if various small or midsize companies present themselves in the common Swiss Manufacturing Centre China (SMCC) and not in their own smallish premises. Customers will appreciate the most interesting assembly of various top technologies under one roof.

Then it's the SMCC's **clear industrial focus**. It offers a 5400 sqm plant with 2700 sqm of offices, showroom and cafeteria. It is built and equipped for the assembly of heavy machinery but separate sections can easily be adapted to other activities. Most important is the Centre's infrastructure with its own financial and human resource departments offering services like book keeping, access to local banks and legal offices, personnel search and management and salary administration. There will be an IT infrastructure with a first level support, security plus the building management.

A professional sourcing organization with mechanical and electrical engineers will build a network of highly qualified suppliers and support the host companies in their purchasing activities. A logistics organization will

Changzhou in the Yangtse Delta was chosen as the site for the SMCC because of its excellent connections by train, car, plain and sea going ships and the city's focus on industrial activities like machines, metallurgy and vehicles supported by the local Polytechnic University, Engineering Schools and large training facilities comparable to our trade levels.

ex.tra experience transfer ag is a team of highly experienced specialists in corporate management, finance, tax and law, who assists investors, owners, Board of Directors and the management of manufacturing companies. The two partners managing the SMCC project have been involved in building up several operations in China. They closely cooperate with associated Chinese Partners.

Contact:
ex.tra experience ag , Parkweg 8, CH-2502 Biel
Phone: +41 32 328 15 48
e-mail: guy.moilliet@ex-tra.ch
Website: www.ex-tra.ch

organize imports, exports and shipping and do local and in house transportation with its own vehicles.

The SMCC wants to become part of an **industrial cluster of European companies**. ex.tra experience transfer ag already had contacts with qualified European companies close to Chang Zhou the proposed SMCC location. Their response to the idea to share manufacturing capacities, build up common suppliers and benefit from industrial experiences was received very positively.

Thus the capability of jointly solving problems for companies with a similar philosophy, similar industrial activities and a common understanding of quality, will become a major asset of the cluster and of the SMCC.

Host companies will also benefit from SMCC **internal synergies** besides sharing overhead costs and using the same supplier network.

It will be the informal exchange of experience between the ExPat's of the different hosts, including issues concerning their private life like accommodation, schools and sports.

Various investment opportunities

And finally the fact that all future **profits will go back to the shareholding companies**.

To achieve this, a Swiss Holding Company will be set up, which fully owns the SMCC. The Holding Company's shares in return will be owned by two types of shareholders. A large majority will go to the companies renting space and using the services of the SMCC. A minority will be purchased by companies which are not yet ready to do the step, but want to have access to all information and an option to join in at a later stage.

As an intermediate step before issuing shares and starting up the actions to set up the SMCC, letters of intent for the two classes of shareholders have to be signed until the end of September 2005. The timing was chosen to allow for the planned SMCC opening in China by mid year 2006.

Around 60% of the available space has to be booked to stay within the presented financial plan. Discussions have started with some seriously interested companies. But there is still space available, so why not talk to us or join in?

To learn more about the project please contact:

Dr. K. Meier, Bereichsleiter
CH-8032 Zürich
Phone +41 44 384 41 11
e-mail: k.meier@swissmem.ch

China-Singapore Suzhou Industrial Park

SIP, started in 1994, is the largest cooperative project between Chinese and Singapore Governments. Through such cooperation, SIP is able to adopt Singapore's successful experience in many areas such as investment promotion, infrastructure preparation, city planning and management, government services. The Joint Steering Council was set up between both governments to give guidance to the development of SIP. The Council is co-chaired by Madam Wu Yi, Vice Premier of China and Mr. H. L. Lee, Prime Minister of Singapore. The Council includes the most important ministries of both governments as Council members, such as Ministry of Commerce, State Customs General, Ministry of Finance from China, Ministry of Trade and Industry, Economic Development Board from Singapore.

Strategic Location
SIP is 80 km west of Shanghai city. It is located in the Great Shanghai Area, the most booming economic region of China. SIP is also right neighboring the old town of Suzhou city.

Scientific Master Plan
SIP covers an area of 260 sq km. Both Chinese and Singapore experts have worked together for the master plan of SIP, with designs not only for industry, but for residential and commercial areas as well. SIP aims to develop itself into an integrated new township, with local/international schools, supermarkets and shopping centers, local/foreign hospitals, golf course, hotels, restaurants, open parks, recreational facilities, all in a neat and nice environment.

Economic Development
By now, there are nearly 1900 foreign invested companies in SIP, including a great number of US and European investments. The main industries are electronics and information technology, precision engineering, pharmaceutical, fine chemicals and new materials.

Unique Advantages of SIP
With the strong government support of China and Singapore, SIP enjoys unique powers granted by Chinese central government and adopts successful experience from Singapore.

Project Approval: SIP is the only industrial park in China that is fully authorized by the State Council to approve project without the upper limit of USD 30 million which applies elsewhere in China. Therefore, the business license can be issued in normally 7 working days.

Foreign Affairs: The Foreign Affairs Office of SIP can issue Visa Notification to foreign friends so that they may apply for mult-entry visa.

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High-standard infrastructure: SIP has invested heavily to put all infrastructure underground through pipelines, including steam, water, power, sewage, telecommunications, LPG/natural gas, industrial gas, and drainage. Therefore SIP is able to provide stable, sufficient infrastructure that can meet various requirements of the industrial investors. SIP has outstanding performance in power supply, due to investment in its own power plant and first-class power feed network.

Human Resources: The company can attract talents from SIP Institute of Vocational Technology, SIP High Education Zone, local Suzhou University, as well as over 200 colleges and universities in nearby area.

Provident Fund (PF): SIP is the only place in China that adopts a different social security system – the Provident Fund, which is copied from Singapore. The main advantages of this system is that the employer pays less while the employee can get more, due to a smaller amount of consolidation fund for social common use compared to the existing system dominant in other parts of China. PF helps greatly to attract and retain talents with SIP companies.

Efficient Logistics: SIP is the only industrial park in China that is granted an independent Customs House, which offers convenient and fast services to SIP companies. The company can make use of SIP Green Lane and Land-Air Direct Transfer model for speedy customs clearance procedures. SIP also has a unique Bonded Logistic Park as a bonded area.

Tax Incentives: As granted by the central government, foreign-invested companies with operation over 10 years can enjoy corporate tax rate at 15%. Since the first profit-making year, the company can enjoy 2 years exemption and 3 years reduction by half.

Government Services: SIP local government provides quality, efficient and transparent services to investors. Frequent communication has been set up to solve problems of the investors in their construction and operation.

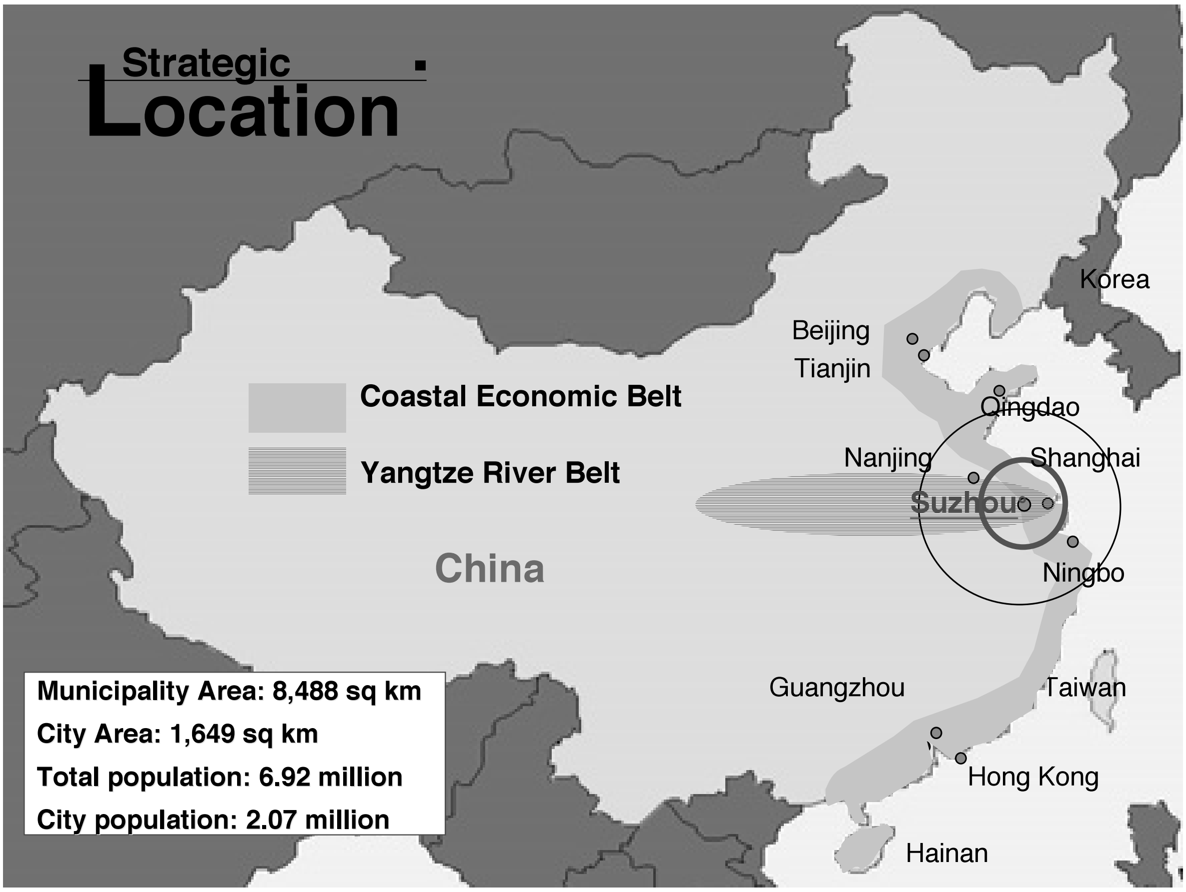
Low Cost: The local government works hard to maintain a low cost investment environment, which includes land cost, infrastructure fees, labor cost and least administrative fees.

For more information please contact:

China-Singapore Suzhou Industrial Park
Administrative Committee
Investment Promotion Bureau

Vivian Liu
liuhua@sipac.gov.cn
phone 86-62881786, 13913532928
Jacky Wu
wjx@sipac.gov.cn
phone 86-62881715, 13915537893

Website: www.sipac.gov.cn
Fax: 86-512-62881186



Development Zones in Shanghai, Zhejiang and Jiangsu Province

Location	Name	Website
Shanghai	Shanghai Jinqiao Export Processing Zone	www.58991818.com
	Shanghai Waigaoqiao Free Trade Zone	www.china-ftz.com
	Shanghai Songjiang Export Processing Zone	www.sjepz.com
	Shanghai Minghang Export Processing Zone	www.smudc.gov.cn
	Shanghai Caohejing Export Processing Zone	www.caohejing.com
	Shanghai Zhangjiang Hi-tech Park	www.zjpark.com
	Shanghai Qingpu Export Processing Zone	www.greenin.com.cn
	Shanghai Lujiazui Finance and Trade Zone	www.shld.com
	Shanghai Zizhu Science-based Industrial Park	www.zizhupark.com
	Shanghai Xinzhuang Industrial Zone	www.shxip.com
	Shanghai Pudong Kangqiao Industrial Zone	www.pudong.com.cn
	Shanghai Jiading Industrial Zone	www.jdiz.com
	Shanghai Nanhui Industrial Zone	www.sn-iz.com
Jiangsu Province	Kunshan Economic and Technological Development Zone	www.ketd.com.cn
	Suzhou Industrial Park	www.sipac.gov.cn
	Suzhou National New & Hi-tech Industrial Zone	www.snd.gov.cn
	Wuxi New District	www.wnd.gov.cn
	Nanjing Jiangning Economic and Technological Development Zone	www.jndz.gov.com
	Nanjing New and High Technological Development Zone	www.njnhz.com.cn
	Nanjing Chemical Industry Park	www.ncip.cn
	Jiangyin Economic Development Zone	www.zgjy-edz.com
	Changzhou Hi-tech Development Zone	www.cznd.org.cn
Zhejiang Province	Hangzhou Economic and Technological Development Zone	www.hetz.gov.cn
	Hangzhou High-tech Industrial Development Zone	www.hhtz.com
	Xiaoshan Economic and Technological Development Zone	www.xetdz.com
	Jiaxing Economic and Technological Development Zone	www.jxedz.com
	Ningbo Economic and Technological Development Zone	www.netd.com.cn
	Ningbo Free trade Zone	www.nftz.gov.cn

Successful Sourcing in the Pearl River Delta

One of China's most dynamic regions is the Southern province of Guangdong. With its economic centre, namely the Pearl River Delta, the province is the engine of China's economic growth and has developed into the country's most important export base. 36 percent of China's exports worth US$ 118.5 billion have been produced here in the year 2002 – the majority of these exports originate from OEM enterprises (Original Equipment Manufacturing).

Guangdong is also the home of a large number of private companies, many are foreign invested. Last year, foreign invested companies accounted for 63 percent of the province's industrial output; the biggest investor is the neighboured Hong Kong.

Taking all this into consideration, it does not appear as a surprise that many huge retailers can be found in the region. American retail giant Wal-Mart for instance has opened a global sourcing centre in the Pearl River Delta two years ago. In 2002 Wal-Mart was sourcing Chinese products worth more than US$ 10 billion through this center. Other multinational retailers such as Metro, Ikea or Carrefour can be found in the region as well, all of them satisfying their global demand of low-price finished products.

However, not only retailers are sourcing from China, multinationals like General Electric, Siemens, Du Pont and Bosch also have well established China sourcing operations, and medium- and small-sized companies from the United States and Europe are the new wave nowadays. Given the advanced globalization and the related cost pressure, these companies often face a simple imperative: Outsource production abroad and take advantage of China's abundant manufacturing base or loose out to your rivals in Europe, the United States, Japan or elsewhere.

In addition to its low industrial wages, China's manufacturing sector has made substantial productivity gains (improved infrastructure, increased automation) and shows a higher product sophistication being achieved by a better trained workforce and imported technology.

Another precondition is the trend from 'made in…' to 'made by…' – The company label is getting more important than the product's local origin, enabling Western companies to move production to contract manufacturers in low cost countries. The pioneers of this development were sport shoes, garment manufacturers, and the computer industry, which are all supported by contract manufacturers (local and foreign owned).

The result is a perfected division of labour whereby the internationally recognized company specializes in developing and selling products and cuts out the actual manufacturing process.

As China has moved up the value chain, now an increasing number of manufacturing companies in the technical field follow this trend: They are buying parts and components in China (partially at substantially lower cost) that flow into the manufacturing process in their home country. This approach is predominantly being used by machinery and equipment manufacturers and by companies looking for protection of their IPR (intellectual property right).

This new trend can directly be seen from the structure of Chinese exports: In the first ten months 2003, China's machinery and electrical equipment exports grew by 42.1 percent, exports of hi-tech products (including components and semi-finished products) by 60 percent.

Several ways exist for these new entrants to engage in sourcing activities in China: Setting up of operations is generally not necessary, a China sourcing can also be conducted directly by headquarters, for example through regular sourcing trips to China, visit of Chinese fairs or with the help of an external agent.

This might be an easy and comparatively cheap solution for sourcing finished products like toys or textiles. However, if a company is sourcing components and semi-finished products from China which are flowing into the manufacturing process in the home country, quality control and assurance gain a greater importance.

One possible solution to deal with this challenge is the setting up of a representative office in China. In order to ensure the compliance to the company's quality standards, an employee from the home country (e.g. an engineer or a member of the purchasing department) can be stationed at the representative office.

Supported by a Chinese speaking staff, this employee then serves as an interface between the mother company and the Chinese suppliers. Most importantly, the representative office is responsible for a constant quality control (through factory audits and regular inspections) and can also handle technical difficulties arising during the production process. Additionally, a representative office provides a foreign company with first-hand China experiences, information and business contacts. These are valuable, especially if sourcing is only the first step to the Chinese market and a mid- or long-term expansion of the China operations is planned (e.g. manufacturing/sales in China).

Although the representative office can also search for new suppliers and establish first contacts, a number of Western companies prefer to separate the supplier search from their China operations and conduct this task on their headquarters. The reason is that they try to avoid fraud which might happen with private dealing of the subsidiary and suppliers.

China representative offices are never allowed to conduct business themselves – ordering, signing of contracts and arrangement of payments thus need to be coordinated and carried out by the headquarters or a trading company.

The registration of a representative office takes place at the local authorities and, depending on the province, takes about 2–10 weeks for the whole process. A China representative office can already be realized with a couple of thousand Euros.

In some cases the foundation of a Hong Kong trading company is complementary to a China representative office. This trading company then takes over the contractual relationships with the Chinese suppliers, arranges the payment of goods and coordinates the shipment.

Choosing Hong Kong as a port of call provides Western companies with a safe economic and legal business environment, experienced English speaking staff, and an extensive logistic and services infrastructure. However, the most interesting aspect for Western companies is tax advantages for exports from China: Profits resulting from offshore business are tax-free (Supplier and Buyer are situated out of Hong Kong).

Source: Fiducia Management Consultants
Press Contact: Patrick Kriegeskorte
info@fiducia-china.com
www.fiducia-china.com

Guangzhou Development District (GDD)

The Guangzhou Development District is located in the east of Guangzhou and it takes twenty minutes drive to the central town. Guangzhou, also known as Canton in western countries, is the capital of Guangdong Province and the center of politics, economy, science and technology, education, culture and transportation of Guangdong. Guangzhou occupies an area 7'343.4 square kilometres and has a total population of over 10 million. With a subtropical marine monsoon climate, Guangzhou is warm with ample rainfall all year round, sufficient sunlight and like spring in all seasons. The city won the UN (Dubai) Award for Best Practices to Improve the Living Environment and China's Award for Living Environment. Regarding its economic strength, the city is ranked third among China's top 10 cities.

GDD Highlights

– Unique integrated administration system in China – the four zones are administrated by one Administration Committee, which brings simplified organization, efficient administration, unified planning and shared policy resources.
– A government administration that has passed both ISO9001 and ISO14000 certifications.
– Its comprehensive economic strength has been ranked in the top 10 among China's state-level development zones in the past years. In 2004, it ranked the first place.
– It is located in the east of Guangzhou, the center of the Pan-Pearl River Delta region, and the center of the golden delta of Guangzhou-Hong Kong-Macao.
– In 2004, its newly increased industrial output value represented 43% of that of the whole Guangzhou City.

Six major industries

– Chemical materials and Consumer goods manufacturing
– Electronics and communication equipments manufacturing
– Electrical equipments and instruments manufacturing
– Foods and Drinks Production
– Metal metallurgy and processing
– Transportation equipments manufacturing (incl. autos and parts manufacturing)

Besides the above mentioned industries, GDD also greatly encourages the development of the following industries:

– Bio-pharmaceutical Industry
– High-tech Industry
– R&D Center projects
– The tertiary Industry

Foreign Investments

Up to 2003, GDD has approved 1698 projects with direct foreign investment, which came from 53 countries and regions. The accumulated amount of contractual introduction of foreign investment was 12.184 billion USD and the actual amount of foreign investment utilized was 5.063 billion USD. In 2003, GDD newly approved 234 projects with direct foreign investment.

At present, over 85 multinationals out of the Fortune Top 500 have invested in GDD and established more than 90 projects with a total investment of more than 4 billion USD.

Investment Promotion Department

The Foreign Direct Investment Promotion Office of the Guangzhou Development District is the sole governmental investment promotion department within the GDD Administrative Committee. The office has a highly qualified and professional project management team, apart from the commonly used Madarin, Cantonese and English, the office has employed professionals in Japanese, German and French. The office has set a precedent for the GDD Government to employ foreigners to provide services for investment promotion. All services rendered to investors are free of charge, which include:

– to assist investors to investigate the investment environment, to provide investors with authoritative policy and legal consultation and tailored investment consultation, to recommend best investment plans;
– to carry out related formalities for project approval application, industrial and commercial registration, taxation and customs registration for investors;
– to settle problem encountered in the investment for investors, and assist investors to coordinate their relationship with government departments.

For further information:
e-mail: fdi@getdd.gov.cn
or visit their website: www.getdd.gov.cn

An Introduction to North-East China

Business Environment & Opportunities Dalian, Shenyang, Changchun & Harbin

Chris Devonshire-Ellis, Senior Partner, Beijing Office, and Ron Martin, Regional Partner, Dalian office, recently set out on a week long journey to review China's North-East and the opportunities there. Driving from Dalian all the way to Harbin, they stopped off at all major cities, visited Government leaders and assessed development zones and infrastructure as well as walking the streets to get a feel for the basic levels of people's livelihoods in the region.

China's North-East is indeed developing – they noticed significant upgrades in facilities, infrastructure, people's welfare, spending power and confidence. All hotels had in-room broadband – meaning city communications have been massively upgraded – while international brands were on display. The key to the region is Dalian, as the major import-export hub, as is the regions long exposure to engineering and heavy industry. Low wages, relatively low cost land and a key shift in the nature and willingness of regional government to attract foreign investment are beginning to drive – and will continue to do so – an upsurge in steel component manufacturing for industry. If in automotive, rail, aero or related industries then the North-East of China offers plenty of opportunities for international businesses considering a lower cost manufacturing base in these products.

Dalian

Dalian is a city of some 5 million people, and possesses the nation's third largest port. Long a home for Japanese and Korean investors, it's proximity to the large industrial heartland of China's North-East make it strategically vital to the region. It is Liaoning Provinces second city, but certainly it's best developed. The current Minister of Commerce – Bo Xi Lai – is from Dalian and was it's city mayor until 5 years ago, when he was promoted to Provincial Governor. He was promoted again to Minister of Commerce twelve months ago.

The crown jewel of the North-East, Dalian is an excellent location for businesses involved in metal/lumber processing, component parts consolidation and distribution. The quality of life here is superb. Nonetheless, it is beginning to become more expensive (although still about 30% cheaper than Shanghai). For labour intensive manufacturing facilities it is probably better to look further north where land and labour are much less – although off set against that are the educational issues and quality of life. Dalian is a must-consider when assessing manufacturing operations in China and the region as a whole. It should very much be on your shopping list of potential manufacturing centres for China production and possibly the only choice if wishing to service the auto, rail and shipping industries domestically.

Shenyang

Given it's close proximity to Dalian, from a pure economic viewpoint Shenyang makes a lot of sense to site manufacturing and processing industries, again, auto, aerospace (the rockets for China's successful space programme are designed and built here), as well as lumber, pharmaceutical and agricultural industrial processes. Low wages, a reasonably well educated engineering workforce and an enthusiastic government are turning this Provincial capital into a sound bet for siting manufacturing operations – yet still taking advantage of the facilities Dalian has to offer an arms length away.

Changchun

This is the heart of China's manufacturing industry and is a no nonsense, no frills city. Trucking or railing goods to and from Dalian – about 7 hours. The Provincial Governor, Wang Min, has recently been placed in this position from his role in developing Suzhou – one of China's major foreign investment success stories – and you can be sure he will be able to encourage Beijing to spend more on developing the city as well as ensure the right resources are allocated in infrastructure. With BMW and Volkswagen heavily involved here this surely must be a city to actively consider if involved with auto and related bodywork processes for manufacturing. Low wages, a latent workforce for years used to the auto sector and a repositioning of talent are starting to put Changchun in a more stable and affluent position. By way of a measure – two years ago we saw donkeys and carts on the streets. Now it's all small cars and no signs of equestrianism anywhere.

Harbin

There is only a small amount of Western investment in Harbin at this stage, however for businesses wishing to develop trade or services between China, Russia, Japan and Korea then Harbin is the focal logistics hub for accessing these markets.

For a full report please contact:
Chris Devonshire-Ellis
Dezan Shira & Associates, Beijing Office
Email: chris@dezshira.com

or if interested in the region:
Ron Martin
Dezan Shira & Associates, Dalian Office
Email: ron@dezshira.com

Tianjin – Pearl of Bohai Sea

As one of the four municipalities directly under the Central Government of the P.R. of China (besides Beijing, Shanghai and Chongqing) and the biggest coastal open city in North China, Tianjin is also known as the Pearl of Bohai Sea.

Following the rapid development in the Yangtze River Delta and Pearl River Delta, the largest industry intensive area – Bohai Economic Rim – is becoming the third pillar of China's economic growth and the powerhouse of economic development of northern China.

The economic rim includes Liaodong peninsular, Shandong peninsular, Beijing, Tianjin and Hebei Province and further extends to Shanxi and eastern part of inner Mongolia, accounting for 12% of China's territory and 20% of the total population. The current economic volume and foreign trade occupy a quarter of the national total.

As the economic center in the Bohai rim, Tianjin is playing an increasingly important role in promoting overall development.

Besides prospering the economic environment, the people of Tianjin are undergoing a huge project of the century that is to comprehensively develop and renovate Haihe River banks with history and culture, industrial economy, environment and scenery, ecological construction, transportation and telecommunication, tourism and leisure, with the aim of making the river and city world famous.

A variety of investment carriers

Tianjin was among the pioneers in China opening-up to the outside world and it is the cradle of China's modern industry. China's first homemade watch, first bicycle and first TV set were turned out in Tianjin. Tianjin has a variety of manufacturing industries. Of all the 164 industries assorted uniformly in China, Tianjin has 156 industries with strong ability to provide the auxiliary items. In recent years, Tianjin is attracting the attention of more and more manufacturing giants in the world.

Economic volume of the services industry keeps increasing, industrial structure is being readjusted and optimized and Tianjin is becoming more open tot the outside world. A series of modern services industries with great potentials, such as telecommunications, real estate, community services, information services, modern logistics and intermediary services are experiencing a rapid development, creating more convenient conditions for attracting foreign investment on a larger scale.

Tianjin has a variety of investment carriers approved by the State, including development zones, bonded zones, new technology industrial parks and export processing zones of State level, which enjoy the most preferential policies provided by the State. Among them are Tianjin Binhai New Area, Tianjin Port Free Zone, Tianjin Hi-tech Industry Park and the well-known Tianjin Economic Development Area (TEDA), which ranks the first in the country in terms of major economic indices and comprehensive economic strength for several consecutive years.

GDP in bonded zone keeps increasing by over 30% annually. It has established three functional systems, namely international trade, international logistics and processing, forming a functional pillar industry framework based on bonded zone, ports and free trade. All of 18 districts and counties directly under Tianjin municipal government have developed zones of their own characteristics. Industrial zones are developed in accordance with international standards and provide industrial property management services in line with international practices.

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Guidebooks

National Economic & Technological Development Zones of China

The Ministry of Commerce of the P.R. of China has published two guidebooks (part 1 & 2) in English about the National Economic & Technological Development Zones which are approved by the State Council of the P.R. of China. The two publications introduce 49 National Development Zones and 5 Development Parks on more than 100 pages.

The National Development Zones are small lots of special economic areas established in China's coastal open cities and other open cities as windows opening to the outside world and as bases for the country to develop new industries. The zones focus their efforts on creating an investment environment that is compatible with international norms and requirements and on providing all-round and highly effective services to investors.

So far, the National Development Zones have actually absorbed USD 58 billion and attracted more than 2'400 foreign invested enterprises that have invested over USD 10 million. 250 of the world's top 500 renowned transnational corporations have invested in those zones.

The guidebook can be ordered at the Chamber info@sccc.ch (free for members). For more information you can also visit the website of the China Investment Guide www.fdi.gov.cn or the Ministry of Commerce www.mofcom.gov.cn (look for state development zones).

TEDA – Industry zone with highest recognition

The Tianjin Economic and Technological Development Area (TEDA) was founded in 1984 and is one of the first batch of state-development zones established with the approval of the State Council of China. Supported by the State preferential policies, TEDA focuses on building itself as a new export-oriented modern city based on high-tech industries. It has co-established Suez Economic Special Zone with Egyptian government and set up offices in the United States, Japan and Europe.

TEDA enjoys special geographical advantages. It lies in the center of the Circum-Bohai Economic Zone an can easily reach the economic hinterland of Northeast China, North China and Northwest China. The zone is 45 kilometres away from Tianjin city proper and 140 kilometres from Beijing. To the east is Tianjin Port, the largest international trade port in North China and it is also adjacent to Tianjin Airport, the largest airfreight transportation center of China.

Together with Shenzhen, Suzhou, Wenzhou, Pudong New Area of Shanghai and Xi'an High-tech Industrial Development Zone, TEDA was elected by the United Nation Industry Development Organization (UNIDO) as the most dynamic regions of China in 2002. Today, TEDA is one of the areas with the best investment environment and highest investment return in the country. It has shown an eminent industrial clustering effect by developing four core industries involving famous companies: Motorola, Samsung, Honeywell and Panasonic of electronic communication, Toyota, SEW and Emerson of mechanic manufacturing, Dingxin, Coca-Cola and Nestlé of food and beverage industry and Novo Nordisk, GlaxoSmithKline and Novozymes of pharmaceutical-chemical industry.

TEDA has the largest output of electronic products like mobile phone and others in the country and its total profit and profit margin from electronic telecommunication industry are both the top in country.

Further information is available on:

http://www.tjfdi.gov.cn
http://www.tjfetc.gov.cn

http://www.investteda.org

Hilti Strengthens Presence in China

A mere 14 months after a decision was made to invest in a new plant, the Hilti Group officially opened its new assembly plant in Shanghai, China at the end of September 2004. The new plant is responsible for the assembly of light-duty tools. When fully operational it will employ 140 people. In Shanghai, Hilti is for the first time uniting the development, testing, sourcing and assembling processes at a single location. Hilti has had a production presence in China since opening its first plant there, in Zhanjiang, in 1995. That plant specializes in producing consumables, such as metal anchors and pins for fastening applications, and employs some 260 people. The Hilti Group is convinced that by achieving a stronger presence in China, a central motor for growth in the entire Asian region and for the world market, it can further improve its global competitiveness.

On the occasion of the opening ceremonies in Shanghai, Michael Hilti, Chairman of the Hilti Corporation, stated that China's significance as a sales market, but also as a location for sourcing and assembly were primary reasons in selecting the country as the location for the new plant. The great consumer potential in China, that will continue to grow at a significant rate in the future, cannot be ignored in the market development strategies of internationally-active companies. The attractive cost advantages and the equally impressive quality level has for some time tempted all of Hilti's competitors, as well as companies from different industries, such as automobile manufacturing, to operate in China.

Hilti opened its first plant in Zhanjiang in the southernmost of China in 1995.

Entering the market in 1980

Asia in general, and China in particular, are not foreign to Hilti. At the end of the 1950s, when Hilti was still a very small company, it opened a representative office in Australia. Japan followed in 1966, and then Singapore, in 1969, Hong Kong, in 1970 and South Korea in 1980. Between 1980 and 1990 China and Taiwan were added as were the Philippines, Thailand and Malaysia. Today Hilti is active throughout Asia and the region is responsible for about 10 percent of Hilti's total sales. This figure will expand in the future as the economic strength of the region grows.

Hilti has used Asia, and China, as a strategic sourcing market since the end of the 1980s. A small purchasing office grew in a few years to become the Asian Development and Supply Center. "Hilti wants to use what it has established here to coordinate development, manufacturing and sourcing activities to achieve the highest degree of efficiency possible", says Michael Hilti. Since 1996 Hilti has successfully produced consumables, such as fasteners, at its first plant in China which also assembles smaller rotary hammers. The new plant, which has been designated Plant 88, will take over responsibility for producing all light-duty tools for all Hilti markets worldwide. The plant in Zhanjiang will continue to contribute to the company's international supply chain as the Asian Consumables Development and Supply Center.

Continuation of a long-term policy

Michael Hilti: "Hilti consistently follows a long-term strategy in everything that is does. The opportunities present in the Asian market were identified early on and we have expanded our position incrementally and sensibly and can now leverage the dynamism of the Asian market as a growth region for Hilti." This gives China an even more significant role in the Group. As a region and market with above-average growth potential, and as a significant supply location for the Group that also affords the possibility to greatly reduce basic product costs.

Pius Baschera, Chief Executive Officer of the Hilti Group, is also enthusiastic about China and Shanghai. The opening of Plant 88 allows Hilti to consolidate light-duty tools at a single location, leading to lower structural costs. By bundling production technology know-how for light-duty tools at a single location the company eliminated duplication and costs. Mr. Baschera stated that "we are profiting from the proximity to less expensive sources for procuring individual parts and production components, making Plant 88's initial situation an outstanding one."

Shanghai plant is an example for the entire Group

Mr. Baschera also calls Plant 88 a fine example for the entire Group. The reason: for the first time, an integrated development, sourcing and production approach is being realized at a single location. Plant 88 has it all:

– Hilti has local expertise in development and can also test and make production and construction adjustments on site. Design-to-cost is completely managed by the company.
– Hilti can establish a local and regional network of suppliers, have contact with the management of these suppliers and have direct access to the local and regional technical support that they provide.
– Finally, Hilti controls the quality-relevant process step in terms of assembly and the related distribution logistics, providing the company with the supply security that they require.

Mr. Baschera also stated that the construction and opening of Plant 88 is an acknowledgement of the company's intention to take a long-term interest in the location and to be a good and reliable partner.

For further information:
Hilti Corporation
Cornelia Grebenz
Tel: +423 234 27 10
E-Mail: cornelia.grebenz@hilti.com
Feldkircherstrasse 100
P.O. Box 333
FL-9494 Schaan
Principality of Liechtenstein
www.hilti.com

Zhanjiang Economic and Technological Development Zone

Zhanjiang Economic and Technological Development Zone (hereinafter referred to as Zhanjiang Development Zone), in which also Hilti Corporation has invested, is located in the center of Zhanjiang urban area. It was established under the approval of Chinese government in November 1984. Its total planned area is 9.2 square kilometers with a population of 30,000. As the only state-level development zone in the southernmost of Chinese mainland, Zhanjiang Development Zone is committed to the principle of giving priority to the development of industrial projects, foreign investment, export products, and hi-tech industry. It adopts similar preferential policies to the special economic zones and is compatible with internationally accepted practices in terms of policy and mechanism. Persisting in perfecting the investment environment and striving for rapid and sound development, today Zhanjiang Development Zone has become the most energetic economic zone and the hottest destination of investment in south China, which has given impetus to economic growth and mechanism reform of its parent city and vicinity.

Over 20 years development, the accumulated industrial output value in Zhanjiang Development Zone has reached 60 billion RMB, paid-in foreign capital totaled 1 billion US dollars, export value added up to 1.8 billion US dollars, and fixed asset investment amounted to more

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than 4 billion RMB. There are nearly 1000 industrial and commercial corporations in the zone, including 68 enterprises with respective investment amount exceeding 10 million US dollars. More than ten companies out of the Fortune 500 list have made investment in the zone, and investors come from the United States, France, Britain, Liechtenstein, etc. Some renowned enterprises are Coca-Cola, Pepsi, Hilti (China) Limited, Xinzhongmei Chemical Co., Limited, Saint-Hua Glass Container Co., Limited, and Gold Coin Co., Limited. An industrial system centering on special paper making, petrochemical, electromechanical, telecommunication, textile and garment, biomedicine, food processing, agricultural and aquatic products processing has taken shape.

In 2003, the GDP of Zhanjiang Development Zone reached 2.89 billion RMB, increased by 20.3% over the previous year; the total industrial output value totaled

Zhanjiang City

7.02 billion RMB, up 15%; export value added up to 340 million US dollars, up 122%; paid-in foreign capital soared to 20.11 million US dollars, and domestic investment was 520 million RMB, which reached a new record high. The fiscal revenue amounted to 340 million RMB, up 14.6%. While the population and land area of Zhanjiang Development Zone respectively account for less than 5‰ and 1‰ of that of Zhanjiang City, it contributes 10% of the industrial output value and fiscal revenue, and ⅓ of the export value of the city.

The parent city of Zhanjiang Development Zone is Zhanjiang City, which is situated in the southernmost end of Chinese mainland with a land area of 13,000 square kilometers and a population of 7.13 million. It is one of the coastal cities that firstly opened to the outside world. Meanwhile it is one of the Top 50 cities in terms of overall strength and one of the best tourist destinations in China. Zhanjiang City occupies unique geographic location, deepwater ports and well-developed transportation network. It serves as the strategic passage for the hinterland of southwest China and provides the shortest sea routes from Chinese mainland to Africa, the Middle East, Europe, Southeast Asia and Oceania. Therefore, it possesses a locality of strategic importance among Pan Pearl River Delta, Beibu Gulf Economic Circle, China-ASEAN Free Trade Area and Asia-Pacific Economic Circle, and is the gateway to the markets of ASEAN nations.

Zhanjiang has abundant resources in terms of ports, light, heat, agriculture, marine products, oil, gas, and tourism. It is not only a regional traffic hub in south

Hilti in brief

The Hilti Group is a world leader in developing, manufacturing and marketing added-value, top-quality products for professional customers in the construction industry and in building maintenance. Our product range covers drilling and demolition, direct fastening, diamond and anchoring systems, firestop and foam systems, installation, measuring and screw fastening systems as well as cutting and sanding systems. We are committed to excellence in innovation, total quality, direct customer relationships and effective marketing.

Hilti operates in over 120 countries around the world. Of our more than 14,500 employees, two-thirds work directly for our customers, in sales organizations, engineering and customer service. We have production plants and research and development centers in Europe, Asia. Our corporate headquarters is located at Schaan in the Principality of Liechtenstein.

Founded in 1941, the worldwide Hilti Group evolved from a small family company. The Martin Hilti Family Trust holds all of the registered shares, and, after the going private in 2003, about 99% of the non-voting participation certificates of Hilti Corporation. The intention of the Martin Hilti Family Trust is to safeguard our founder Martin Hilti's life's work in the long term.

Hilti's corporate policy aims to build stakeholder value. Only by integrating the interests of all the company's partners, at home and abroad – employees, customers, suppliers, local communities and authorities as well as the financial community – can we create the foundation of confidence on which Hilti builds its long-term success.

China, but also a harbor city in the southern subtropics. Zhanjiang Port is famous for large capacity, fine quality and deep water with inner shoreline of 241 kilometers, which is as four times as that of the world's No. 1 port of Rotterdam. The harbor area covers 240 square kilometers, and the waterfront spans 97 kilometers, along which deepwater quays can be built. The coastline from Weilu to Longteng of Donghai Island is 6.5 kilometers long and 26-40 meters depth that is suitable for construction of 300,000-ton waterway and container terminals of the fifth and sixth generations. At present, there are more than 20 berths of 10,000 tons and above, a 300,000 tons oil wharf, and a 150,000 tons iron ore quay within the port area. Zhanjiang Port is a national key harbor and provides routes to more than 100 countries and regions. In addition, Zhanjiang boasts the biggest eucalyptus, sisal and mangrove production bases and has the most important sugar cane producing area in China. It teems with tropical and subtropical fruits and vegetables and becomes the biggest production base in Guangdong Province, from where fruits and vegetables are transported to the north China. The output of its aquatic products has ranked first in Guangdong Province for years, the yield of saltwater cultured pearl accounts for ⅔ of that of China, and the production of cultured prawn constitutes ¼ of that of China. Moreover, its adjacent maritime area has one of the four largest offshore oil and gas reserves in the world, which has put into scale exploration.

The preferential polices and flexible mechanism of Zhanjiang Development Zone, together with the abundant resources and huge market potential of Zhanjiang City have created a favorable investment climate. Hence, it has become a heated destination of investment and a hot spot of international capital in south China. Currently, a number of renowned companies, such as China National Petroleum Corporation, China National Petrochemical Corporation, China National Offshore Oil Corporation and Russian Togliattiazot Group have valued the advantage of the harbor, and already launched large-scale projects in Zhanjiang. A series of projects are under construction, for instance, the expansion of 5 million tons oil refinery, 1,200,000 kilowatt Orinoco oil power generation plant, 25,000 spindles spinning mill, 700,000 tons paper pulp mill, and the expansion project of Hilti (China) Limited, etc.

European companies are warmly welcome to visit Zhanjiang Development Zone and Zhanjiang City for investment and cooperation on mutual development.

By Mr. Yu Kanfa
Party Secretary of Development Zone Zhanjiang

Contact persons for the Economic Development Promotion Bureau:

Mr. Chen Binrui or Mr. Huang Deze
Zhanjiang, Guangdong Province, PRC 524022
Tel.: +86 759 3380011
Fax: +86 759 3380349

Plaston in China

In 1956 Plaston AG was founded. By manufacturing plastic products for industry and households, the foundation for a successful company was developed.

At the end of 1960 Plaston developed and produced the first plastic cases for the power tool industry and the first electric humidifier. The company has grown to the market leader in market recessing with its factories in Widnau (Switzerland), Sluknov (Czech Republic) and now in Jiaxing (China).

Each year, worldwide, Plaston produces over five million cases and about 250'000 air treatment appliances. The company's strategy is focused on high quality products, with its contrasts in design, quality and technology of its competitors. Good contact with the customer is very important.

In 1995 the company has set up a production site for cases near Sluknov, after a customer established an assembly plant on the border of the Czech Republic.

Start in China

In 1979, when Deng Xiaoping succeeded the founder Mao Zedong, there was a move towards a free market economy and a desire to improve standards of living. Due to these improvements famine no longer exists.

The real industrial renewal began in the middle of the 1980s, when the Chinese in exile in Hong Kong, Singapore and Taiwan began to invest in Shenzen Economic Development Zone in Southern China.

Western companies invest in China

Due to this development, the western companies had the courage to invest in this country, in spite of the differences of the people, their culture, language and script. From 1994 onwards, international customers of Plaston AG, such as Hilti, Bosch and Black&Decker took their first steps to invest in production sites.

Plastons' first approach

Plaston followed as their case supplier in a very pragmatic way, by covering the customers case requirements in agreement with local partners.

In 1997, with the onset of the financial crises, which had more or less strong economical consequences in Asian countries, the demand for power tools fell dramatically. Plaston was quick to adjust to the new situation, reducing all production to the minimum. Therefore, significant financial damage was avoided.

Renewed Boom since 2002

Since the recovery of the Asian financial market, a new period of growth has begun and has developed into a real investment boom.

The manufactures of power tools were directly affected by the prolong building boom and this is how they have responded:

- Hilti opened a new production site near Shanghai in September 2004
- Bosch built three new factories near Hangzhou, where professional- and semi-professional appliances as well as accessories will be produced

Company information

Company founded 1956
Staff: approximate total 350
Turnover for 2003: approx. 65M Swiss Francs.

Business sectors:
1. IPS Industrial Plastic Systems (Technical packaging and systems, specialising in supplying the power tool industry)
2. ATS Air Treatment Systems (Air humidifiers and air filters for domestic use)

Locations:
1. Widnau (Switzerland) Head Office, Research and Development Centre, IPS Production
2. Sluknov (Czech Republic) IPS and ATS Production
3. Jiaxing (China) IPS and ATS Production
4. Naperville (USA) ATS Sales Office / Logistics centre

For further information please visit:
www.plaston.com

or contact the head office:

Plaston AG
CH-9443 Widnau / Switzerland
Tel.+41 71 727 81 11
Fax +41 71 722 55 85
info@plaston.com

or the production plant in China:

Plaston precision injection molding (Jiaxing) Co., Ltd.
314001 Jiaxing
P.R. of China
Tel.: +86 573 230 0860
Fax.: +86 573 230 0870
Roger.bitterlin@plaston.com

The new Plaston production site in Jiaxing. Built in just under five months.

– Black&Decker, since 1995 in Suzhou, has doubled their production capacity
– Makita, a well-known Japanese power tool manufacturer, also produces in Plaston's delivery area, and
– Metabo is planning to produce in Shanghai too.

This development caused Plaston's management and board of directors to consider how to respond with the lowest possible risk.

In October 2003 the decision was taken, to own a factory in Jiaxing, which is central located in the vicinity of all the previously mentioned power tool producers.

The Inauguration

The opening date for a business in China has to be definitely set before hand and there has to be at least an eight in the date. On the 18th November the proud employees welcomed their guests to their new attractively decorated Plaston factory. The glorious weather and the wonderful reception created a fantastic atmosphere. The official celebration was opened with the Dragon Dance, which symbolizes the driving out of all evil spirits.

Mr Roland Frei, Chairman of Plaston Group, addressed the opening speech with a presentation on the company culture, stating that this element of the business cannot be copied. He then handed to Mr Roger Bitterlin, the plant manager of China, a piece of rice paper containing the mission statement of the Plaston Group in Chinese calligraphy. The followed up speeches were by Jan Dobry, CEO of Plaston Group, Zhi Hong Yu, director of Jiaxing Economic Development Zone and Roger Bitterlin, plant manager of Plaston China.

The highlight of the opening ceremony was the cutting of the red ribbon.

Building up

The inauguration is now history. For the management team the real building up starts now. The market must be dealt with and individual employees must grow together as a team.

The company structure at Plaston, where responsibility and independence are main values, is new to the Chinese.

Plant manager Roger Bitterlin, who has almost ten years of active experience in China, knows, that besides of lots of hard work and patience a high degree of sensitivity is required to bring together the two cultures and to create a new successful branch of the Plaston Group.

The big moment arrives and the cutting of the red ribbon is a sign that the opening is now official. Ready to cut (f.l.t.r.): Helen Zhu (Member of the Board of Directors, Plaston Jiaxing), Jan Dobry (CEO Plaston Group), Roland Frei (Chairman Plaston Group), Zhi Hong Yu (Director of the Jiaxing Economic Development Zone), and Roger Bitterlin, Plant Manager Plaston Jiaxing).

Risk Solutions for Business with China

Kessler & Co AG and Kessler Consulting: The professional Swiss solution providers when addressing risk in conjunction with doing business with China.

China is fascinating in various ways. This huge country, one that was hardly accessible to foreigners until recently, is about to capture the world and in particular the west.

In the western world of well established structures, free information and open borders, the opening of China offers new, individual horizons for people willing and eager to learn more about a country with so many interesting facets, its history, culture and people.

The outlook for China as an economic powerhouse, in terms of its immense consumer market and its superb location to manufacture and source products, offers a more than welcome perspective for business people and companies who are looking to grow their business. As a matter of fact, China has become a tempting and auspicious reality for industrial, commercial and service companies, particularly out of Switzerland.

The individual drive for projects under the title “Go China”, however, is different. There is a group of companies which sees China with a huge sales potential for their western products. Another group of companies is expanding in China to benefit from lower manufacturing costs. They produce or buy goods in China and export them back to the west. A third category of companies is expanding its footprint in China with two objectives; (a) to be closer to their local customers in both emerging China and the rest of the prosperous Asia-Pacific region, and (b) to produce under more competitive conditions.

This perspective, however, is incomplete, in particular from a Chamber of Commerce point of view which strives to create reciprocal business opportunities. There is a fourth category of opportunities with origins in China: China’s rising investments and visitors abroad. Besides the purchasing of goods and selecting services for their own needs, Switzerland also hopes to benefit directly from more and more Chinese tourists.

We, from Kessler, will not establish ourselves in China. For local representations we can rely on our network partner, Marsh. However, in our capacity as a leading Swiss risk and insurance adviser for Swiss based companies we are dealing every day with the above issues that are faced by our clients and we support our clients in their Chinese activities.

Portrait of Kessler

Kessler & Co AG together with its sister company, Kessler Consulting Inc., are among the Swiss leaders in delivering risk and insurance services and solutions to customers. While Kessler & Co AG specializes in providing insurance broking and insurance programme management services for corporates, public entities and professional service organizations (counting at least 75 employees upwards), Kessler Consulting Inc. is focused on providing customers with tailored risk management solutions and advice across the whole range of their strategic, operational and financial risks.

The Kessler companies are, by majority, family owned. Martin and Robert Kessler share a stake in the company and are managing the company now in its third generation. Kessler & Co AG was founded 90 years ago, Kessler Consulting in 1970. The Kessler companies have more than 200 employees. Headquartered in Zurich, Kessler is represented by local offices in all major Swiss regions and cities. Website: www.kessler.ch

Kessler is part of the international network of the world leading risk adviser Marsh Inc. with a total annual revenues in 2004 of USD 7.4 billion, an increase of 8 percent from 2003. Marsh has a presence in China with offices in Beijing, Shanghai and Guangzhou. Website: www.marsh.com

Insurance related services

Because international insurance programmes are generally designed on a global basis and emanate from the decision making centre (or headquarters), we make sure that such international insurance programmes sufficiently cover the hazard risks relating to a company’s Chinese activities. Typically, international insurance programmes include liability, property/business interruption and marine programmes.

We customise these insurance programmes, negotiate the best conditions for our customers in the insurance market and submit transparent offers to our customers combined with a clear recommendation. Based on our customers’ decisions we place insurance programmes in the ever complex insurance markets and administer the implementation and on-going maintenance. Alternative risk financing solutions often play important roles in conjunction with the design and placement of insurance for multinationals and help to reduce further the total costs of risks. Our experienced and professional team easily responds to these challenges.

As a leading risk and insurance adviser, we not only spezialise in liability, property and marine risks but cover all kinds of hazard risks. We are equally strong in special insurance such as directors’ and officers’ liability, credit insurance or kidnap & ransom. Last but not least, Kessler is a key player with regard to personal, tailor made insurance.

Through our network partner, Marsh, we are able to cover our customers’ local insurance needs. Marsh has just been awarded Asia Insurance Broker of the Year for 2004. The criteria met include: consistently high customer service standards, strong financial performance, and the demonstration of responsiveness to customer needs, innovation and professionalism.

Risk management related services

Besides hazard risks, the Kessler company, through its sister company, Kessler Consulting Inc., has also been addressing other business risks for many years. Kessler Consulting has an experienced unit which deals with the strategic, operational and financial risks of our customers. The aim behind this is the idea that the management of threats has become at least as important as managing investment opportunities. This statement is also valid for expansion opportunities such as entering the Chinese market. This is because enterprise value is most often not destroyed through spectacular events such as corporate governance failures, terrorist attacks or a series of costly natural disasters, but rather through more mundane but common organisational risks. Such 'ordinary' risks are manifold and are of a strategic, operational and financial nature (see figure).

Risk radar with strategic, operational and financial risks.

Some regularly mentioned challenges from a company's viewpoint, in relation to China, are:

– intellectual property rights management
– the attraction and retention of middle and senior managers and special talents
– the management of joint ventures
– the cultural differences in (co-)managing a Chinese unit
– the interrelation of personal relationships (network – Guanxi) and contractual obligations
– internal fraud and corruption
– sourcing (the infrastructure not keeping pace with economic growth)
– payment behaviour (credit risks)
– uncertainties regarding the development of the banking sector as banks are important partners for the development of local business activities. Their stability is crucial for the continued development of China.

Kessler Consulting has developed a solid best-practice methodology to identify, quantify, manage and monitor the individual (key) risks. Surveys indicate that companies with an implemented enterprise-wide risk management process are better placed to run a sustainable, successful business including the launch or continuation of flourishing expansion projects. With our services, we contribute to the successful business operation of our customers with and in China.

For further information, please contact:

Simon Künzler
Head Risk Consulting
E-Mail: simon.kuenzler@kessler.ch

KESSLER & CO AG
Forchstrasse 95
CH-8032 Zurich
Tel +41 44 387 87 11
Fax +41 44 387 87 00
www.kessler.ch

"We're not always sensible"

Thomas Trüb, Head of Ringier Pacific

Ringier in Asia? At the end of the 80s, this bold thought first surfaced on the top floor. Of course, China had always been an interesting market. Nevertheless, a lot of questions were also raised. What on earth was a Swiss publishing house doing on the other side of the world?

Ringier ignored the prophecies of doom and set foot in the Far East for the first time in 1989 – heading for Hong Kong. Together with the well-known "Times" magazine, Ringier took over a print works, while the Swiss company also obtained a stake in "Billion" magazine. "We now own 100 % of the print works", explains Thomas Trüb, head of Ringier Pacific, "the magazine, however, no longer exists."

These first efforts to gain a foothold in Asia showed Trüb to be optimistic, and he was tasked with finding out about further countries. "Back then, we went all around the world, from South America to Vietnam and Thailand", recalls Trüb. "We wanted to see which new markets could be of interest to our company." 'We' means primarily just him and Ulrich Flörchinger, today head of Group Finances. "Of course there were also voices at the time that described us as completely mad", laughs Trüb reservedly, "but we always just covered our ears." However, it might also have been worthwhile, if a major media company had dismissed the suspicions from time to time. And Flörchinger adds, "Ringier's commitment in Asia was supposed to be just an exotic hobby. Our aim was to earn some money from it."

"Asia's immense potential"

In terms of population, the potential in Asia is absolutely immense. However, Ringier refused to allow itself to be frightened off by that. In 1993 Trüb and Flörchinger launched the economics magazine "Cash" in Vietnam, which now appears three times a week. Alongside this, Ringier has another four publications in the Vietnamese market: a consumer guide (monthly), a fashion magazine (three times a month), a monthly economics magazine in English, and "The Guide", a city guide for tourists. Ringier sells these publications through three different companies with three different partners. "The partners are responsible for the content, we take care of the publishing side, such as advertising sales, management and distribution." Ringier is not allowed to own anything. Trüb and Flörchinger consequently describe their activities in Vietnam as "experiments that also happen to make some money". They will have to wait until the market opens up. However, it might last another 20 years until a joint venture is possible in Vietnam.

The legal situation in China is little different. There, Ringier sent up its first test balloon in 1994 – with a Chinese version of the economics magazine "Cash". The title quickly became a raging success. But then the local partner tried to implement intolerable conditions to the Swiss company. Ringier did not put up with that, and got out. "As a foreign firm we had no legal support", says Trüb, "so we had to learn from our experience and make a new start."

The solution to the problem was Hong Kong. The former British colony had belonged to China since 1997, but joint ventures with other companies were and are permitted there. So it was possible for Ringier to produce various titles in Hong Kong and – through the backdoor – to sell them in China. These Ringier titles include "CAAC Inflight Magazine", an on-board publication with an audited circulation of 250,000 copies, which is exclusively carried on all the major Chinese airlines. Ringier also produces 21 trade publications which are similarly exported from Hong Kong to China, as well as 20 high profile industrial conferences in China. A fool-

Ringier entered the Chinese consumer market with the magazine "Bettys Kitchen", which is based on the Betty Bossi concept.

proof piece of business. In addition, Ringier runs its own print works in Hong Kong. "For the time being, we are only a small number", says Flörchinger, "but we are now able to gather experience using relatively low financial means. So we can earn profits later."

Consequently it is, of course, Ringier's aim to publish a mass market publication at some time in China alongside the trade publications. Ringier recently laid the foundations for entry into the Chinese consumer market with the magazine "Bettys Kitchen". The magazine is based on the Betty Bossi concept is published monthly and already has a circulation of 110,000 copies. For Trüb and Flörchinger, "Bettys Kitchen" is a kind of acid test – if the magazine can get established and bring in some money, the willingness of the group's board to invest in the Chinese market will certainly increase. However, that's not the only aim. "In the medium term, I would also like to produce a tabloid newspaper in China", reveals Trüb, "naturally, in cooperation with a strong financial partner."

For further information please contact:

Ringier AG, Corporate Communications
Dufourstrasse 23, CH-8008 Zurich
Switzerland
Phone +41 44 259 62 92
Fax +41 44 259 86 35
info@ringier.ch
www.ringier.ch
or for information about Ringier Pacific Ltd.
www.ringierpacific.com

Ringier Pacific

Ringier has had an involvement in the Far East since 1989. In China, Vietnam and Hong Kong – with various titles and even as market leader. 500 people work for Ringier in Asia (excluding partner companies).

In February 2005, Ringier Pacific Ltd., Hong Kong, entered into cooperation with the Indian publishing house Infomedia India, Mumbai.

Turnover Ringier Pacific
(in CHF):

1999: 27.3 million	2002: 46.4 million
2000: 49.3 million	2003: 45.0 million
2001: 43.4 million	2004: 51.9 million

China:

Bettys Kitchen
Circulation: 110,000, published monthly, 84 pages. Since 2002. Betty's Kitchen TV is broadcast daily on Dragon Satellite, best selling Betty's Kitchen cook book series and Betty's Kitchen cooking school.

Asia Inflight / CAAC Inflight Magazine
Circulation: 250,000, published monthly, distributed on board all major airlines in China, reaching over a 100 million passengers / year. The largest magazine in all of China with an audited circulation.

City Guides
Ringier is the clear leader in city guides in Peking and in Shanghai.

China International Business
The largest English language business magazine, with 40,000 copies sold.

Trade Publishing
21 trade publications, three new titles added each year.

Print works in Hong Kong
Ringier Print Hong Kong earns CHF 32.4 million, generating a considerable proportion of turnover.

Vietnam:

Thoi Bao Kinh Te (Cash)
Three times a week, 20,000 copies.

Thoi Trang Tre
Fashion magazine, three times a month. Since 1994, circulation: 40,000

Tu Van Tieu Dung
Consumer guide, monthly, 20,000

Vietnam Economic Times
Economics magazine, monthly, in English, circulation 10,000

The Guide
Tourist Guide, circulation 10,000

Indonesia:

Kontan
Licensed version of Cash, weekly.

India:

Trade Publishing
Pilot project in Mumbai since February 2005, with 5 trade publications.

Chinese Citizen Elected to GF Board

Georg Fischer AG Shareholders Approve all Proposals

At the 109th Annual General Meeting of Georg Fischer AG, Schaffhausen, held on 22 March 2005, the 1'146 shareholders present, representing a total of 121'482 registered shares, approved all the proposals of the Board of Directors, in particular the distribution of profit as a nominal value repayment of CHF 10 per share and the related amendments to the Articles of Association. For the first time, a Chinese citizen, Mr Zhiqiang ZHANG, born 1961, was elected to the Board of Directors. Two current members Martin Huber and Roman Boutellier were re-elected.

Zhiqiang ZHANG, new member of the Board of Directors of Georg Fischer AG.

Georg Fischer improved its performance significantly in 2004. All key indicators are pointing upwards. Sales increased 9% to CHF 3.54 billion compared with the previous year, while operating profit (EBIT) rose to CHF 189 million. All Corporate Groups and market regions contributed to this growth, in some instances bucking downward market trends. Despite restructuring, the Corporation grew by 9% compared with the previous year and increased operating profit before extraordinary charges by 88%. The market successes achieved by all three Corporate Groups made this growth possible. The structural programme was implemented according to plan. Its full impact will be visible in the 2005 results. Net debt was again scaled back considerably (from CHF 926 million to CHF 725 million), and the Corporation's financing is once more on a solid footing. The Corporation closes fiscal 2004 with a profit of CHF 94 million.

The shareholders approved the 2004 Annual Report with the financial statements of Georg Fischer AG and the consolidated statements as per 31 December 2004 and granted discharge to the corporate bodies. The Annual General Meeting approved in particular the proposal of the Board of Directors regarding the appropriation of profit amounting to CHF 66'641'000 (to be carried forward to new account) and the distribution of the profit in the form of a nominal value repayment of CHF 10 per share, along with the relevant amendments to the Articles of Association.

The election of Zhiqiang Zhang, who has been President and CEO of Siemens VDO Automotive (China) since 1999, marks the first time that a Chinese citizen has been elected to the Board of Directors of Georg Fischer AG. Zhiqiang Zhang, who lives in Shanghai, is thoroughly familiar with the Chinese automotive industry.

As part of the staggered re-election of the Board of Directors Martin Huber, Chairman, and Roman Boutellier were confirmed for another four-year term. The other members of the Board of Directors are: Bruno Hug, Vice Chairman; Kurt E. Stirnemann, CEO; Gertrud Höhler, Flavio Cotti, Ulrich Graf and Gerold Bührer.

Source: Georg Fischer AG
www.georgfischer.com

Kaba Security Symposium China 2005

How to Position the Kaba Brand and Perception in a Consistent Way?

The concept of the Kaba Security Symposium China 2005 was born way back in 2004 after an in-depth fact finding mission under the leadership of Heribert Allemann. A team working very closely together over several months was formed in January 2005 with the task to create and execute a professional symposium in Beijing and Shanghai in May 2005. 10 speakers from Kaba as well as affiliated organizations could be engaged to share *their insight and know-how with the participants.*

The Symposium was conducted on May 6 in Beijing and on May 8 in Shanghai. We could greet in total combined more than 110 guests for a series of presentations lasting in total for more than 10 hours. We noticed a high level of interest, focus and commitment of the participants. The information provided was further enhanced and stimulated through a display of various products and solutions, supported by literature and leaflets.

The goals were clear:

– reach influencers and potential customers from several key market segments

– position Kaba as brand, based on leadership in technology

– promote «Total Access» as our worldwide strategy, unique in the security industry

– share new trends in technology, relevant to our customers

– present our solutions and products through successful references

– engage current and potential customers in high-level contacts

Many existing contacts could be further enhanced and new interest with potential partners and customers could be created.

In China, after many years of being present on a project basis and through representative offices, it is of utmost importance to be visible, present with own Chinese-born staff, being able to work top-down with influencers from a broad cross-section of industry and government segments as well as bottom-up, so-to-speak, through a strong network of value-added resellers and system integrators. This is the lesson we learned: only well-orchestrated pillars in various market segments will allow us to create a sound business platform for future profitable growth.

We can be proud to have been able to deliver our messages in a very professional way, to open up real business potential in a new market for us.

It will certainly need persistence of our many collaborators and support of the management team to create and implement a truly integrated view on China. The long-term commitment of the Group and the focused investment will allow us to position Kaba at the top of the pyramid of the security industry in China.

For further information please contact:

Andreas Brechbuhl
COO, Access Systems Asia Pacific

KABA Ltd, Hong Kong
Phone +852 2375 6110

Delegation from Yunnan province attending the Kaba Security Symposium with hosts (f.l.t.r.) Andreas Brechbuhl, COO Access Systems Asia Pacific, Dr. Thomas Wagner, President of the Swiss-Chinese Association for Friendship and Heribert Allemann, Executive Vice-President.

Chinese Ambassador Visits Sika AG

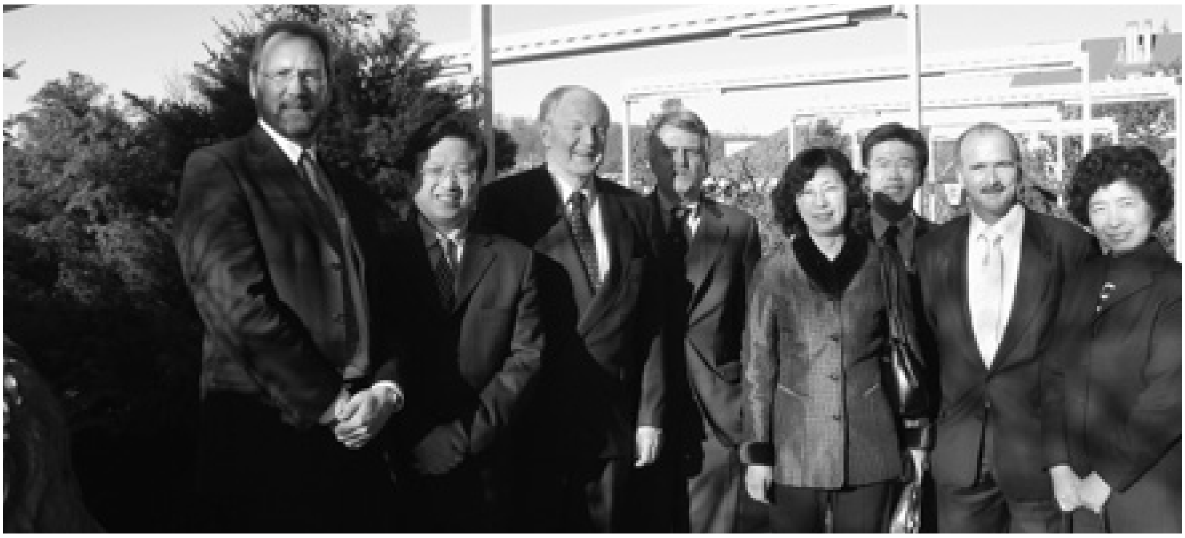
H.E. ZHU Bangzhao, Ambassador of the Embassy of the People's Republic of China in Switzerland, visited Sika AG in Zurich on January 05, 2005. The purpose of this visit was to get update information about Sika's business and its future strategies in P. R. China as well. The visit should enhance future cooperation and the active exchange of ideas between China and Switzerland.

Mr Walter Gruebler, Chairman of the Board, Sika AG, greeted the Chinese delegation warmly and informed them about Sika, its products and the strategies in China. Sika will continue to invest strongly in China, the gigantic country with huge potential.

The Ambassador presented some important data and talked about recent economic development in China demonstrating that the economy in China has continually increased since China opened up to the world in 1979. Some measures have been taken, however, in order to consciously decelerate the rate of development and avoid economic overheating. He pointed out that China has great potential in both the construction and automotive marketing branches.

Finally the guests visited the production lines and laboratories in Zurich. They were deeply impressed by the innovative products and were convinced that these products would be applied on the booming Chinese market.

by Dr.-Ing. QUE Jun
Sika Technology AG



F.l.t.r.: Dr. Robert Petrisko (CEO, Sika Technology AG), Ambassador ZHU Bangzhao, Dr. Walter Gruebler (Chairman of the Board, Sika AG), Dr. Norman Blank (Sika Technology AG), Mrs CHEN Lichun (the Ambassador's wife), Dr. QUE Jun (Sika Technology AG), Dr. Urs Maeder (Sika Technology AG), Mrs LIU Ming (First Secretary of the Chinese Embassy at that time).

Tennis Masters Cup 2005 in Shanghai

By bringing the Masters Cup to Asia for the next three years, Shanghai is making tennis history. This year's tournament features the World's best eight singles and best eight doubles teams, who will play for a total prize money of USD 3.7 million from November 13 to 20. To mark this occasion, R&P Business Creation AG is offering a unique travel package to the Masters Cup in Shanghai.

Roger Federer, last year's winner of the USD 1.52 million prize money, is excited about defending his title. On the official Tennis Masters Cup website, he says: "I've been to Shanghai in 2002 and had a fantastic experience. It was my first Masters Cup. I'm really happy that it's returning there ... I've seen many, many pictures and heard a lot about the stadium they are going to build over there, and I'm really looking forward to playing that stadium. So, I hope I see you there." One of Rafael Nadal's dreams is to be qualified for the Masters Cup, which Andy Roddick simply calls "the best of the best".

Since 1970, there has been an end of year men's tournament featuring the world's best players. The list of previous winners reads like a who's who of tennis legends. With five titles each, Pete Sampras and Ivan Lendl hold

the current record. But there have been other famous champions such as Bjorn Borg, John McEnroe and Boris Becker, just to name a few.

The USD 200 million, 15,000-seat Qi Zhong stadium will be completed in August 2005. One of its many features is a high-tech roof in the shape of an eight-piece magnolia, which will take eight minutes to completely open or close. The stadium is situated in the Minghang district, 27 kilometres southwest of the city.

So why Shanghai? In their statement issued on June 3, 2004, the ITF, ATP and the Grand Slam Committee gave the following reasons for their decision:

1 The Masters Cup 2002 was a complete success. The games were broadcast by 146 television stations, registering 71 million viewers.
2 The stadium uses state-of-the-art technologies and offers the possibility of playing both indoors and outdoors. Featuring 40 indoor and outdoor courts, it is Asia's largest tennis facility.
3 Following the enthusiastic response to the 2002 tournament among the local population, Shanghai today boasts more than 500 tennis courts.
4 In comparison with its contenders Houston and Lisbon, Shanghai showed much more commitment, thus winning a lot of support.

An exclusive travel offer for the Tennis Masters Cup in Shanghai

R&P Business Creation AG is organizing the trip to the Masters Cup in cooperation with the local travel agency Shanghai Holiday. Thanks to this support, excellent seats could be reserved in good time. According to the Chinese Masters Cup website, all of the A+ seats had been sold out as early as June 2005.

The basic trip offered by R&P, which focuses on visiting the Masters, includes a return flight, all transfers, a hotel stay and A+ seats for the semi-finals and finals. The trip lasts from November 16 to 21, but individual changes can always be made. Ardent tennis fans may buy a season ticket allowing them to watch all the games from Sunday, 13 to Sunday, 20 November. Those who would like to see more of China have the option of adding a few days to visit Hang Zhou, Suzhou, Beijing or Hong Kong.

For those who are interested in completing their stay with a seaside holiday, Hainan, China's largest ocean island, is highly recommended. The basic package, which includes a stay at the five-star Shanghai Pudong Renaissance Hotel, costs CHF 3,190.–. Four additional days (three nights) in Beijing will cost CHF 650.– (including the flight).

R&P Business Creation opens the Chinese market to Swiss companies

R&P Business Creation AG was founded by sinologist Ruedi Räber and Chinese-born Peter Peng in September 2004. Both of them have been doing business for a long time and thus have a growing, far-reaching network of relations in the Asian area, in particular in China / Taiwan.

R&P represents the interests of Swiss companies in China, specialising in introducing select products to the Chinese market. In cooperation with its Chinese travel partner, R&P plans to expand its range of travel offers in order to appeal to people interested in culture as well as to allow Swiss tourists to discover the qualities of the Hainan island as a holiday destination.

For more information about
R&P Business Creation
please visit http://www.rp-bc.com

Shanghai has been chosen to host the Tennis Masters Cup from 2005 to 2007.
The Qi Zhong stadium, which will be completed in August, has 15,000 seats.
The matches are played on hard court.
The trip to Shanghai is planned by R&P Business Creation and costs CHF 3,190.– for a four-day stay in a five-star hotel (including return flight and A+ tickets for the semi-finals and finals).

Reservations can be made on 041 240 68 68 or http://www.masters-cup.ch

Look also for insert in this bulletin.

Rado at Spectacular Tournament

With the return of the Tennis Masters Cup to Shanghai (China) in November 2005 a new era starts for this prestigious tournament, which sees the world's eight best singles and doubles players compete each other. The next tournament will not only take place in a brand new state-of-the-art high-tech stadium purposely built to host this round-robin event, but also the renowned Swiss watch brand Rado has just been announced Official Partner and Timekeeper of this spectacular tournament.

For more than 20 years Rado has been measuring both time and service speed on the most important tennis courts around the globe. Besides the two Grand Slam tournaments of France (the French Open Roland Garros) and Australia (the Australian Open in Melbourne) Rado is currently the official timekeeper of several major ATP, WTA and Masters tournaments, i.e. the Masters tournament in Hamburg, the Zurich Challenge (the largest indoor tournament of the WTA tour), the Hopman Cup (the mixed doubles championship in Perth) or the St. Petersburg Open.

The reason for the Masters Cup to now being part of Rado's tournament schedule is easily explained by Roland Streule, President and CEO of Rado: "Rado has continuously been looking for another innovative and prestigious platform in tennis. The move of the Masters Cup from Houston back to China has initiated a huge tennis boom in this emerging and important market. They are even building a state-of-the-art design stadium to exclusively hold this tennis highlight. This tournament matches thus perfectly Rado's philosophy of combining outstanding design and state-of-the-art high-tech materials to create beautiful products."

The US$ 200 million state-of-the-art Qi Zhong stadium, which will be completed in August 2005, will be hosting the Tennis Masters Cup from 13 – 20 November 2005. The 40-court and 15,000-seat stadium will incorporate many cutting edge technologies including those used to operate the masterpiece of the stadium, an eight-piece steel roof in the form of a magnolia, the symbol of Shanghai. The magnolia roof will cover the dual purpose indoor/outdoor center court taking only eight minutes to completely open or close.

Rado takes on the role of a premium partner of the tournament and will be in charge of the timekeeping and measurement of service speed. The contract has been signed for the period 2005 – 2007. This additional presence in Rado's most important market will further strengthen the brand's leading position in China, a market in which Rado has been present since 1982, thus long before its recent opening to the Western world.

Rado is the world leader in manufacturing scratchproof watches made of unusual high-tech materials and of outstanding design. Its long lasting involvement in tennis sponsoring is further emphasized by the Rado Sintra Tennis Chronograph Collection.

For further information or pictures please contact:

Rado Watch Co. Ltd
Sandra Pérez, International PR Manager
Tel: +41 32 655 63 84
Fax: +41 32 655 62 70
E-mail: sandra.perez@rado.com

Please visit the Rado tennis site on www.rado.com

Rado has been announced Official Timekeeper of the prestigious Tennis Masters Cup in Shanghai.

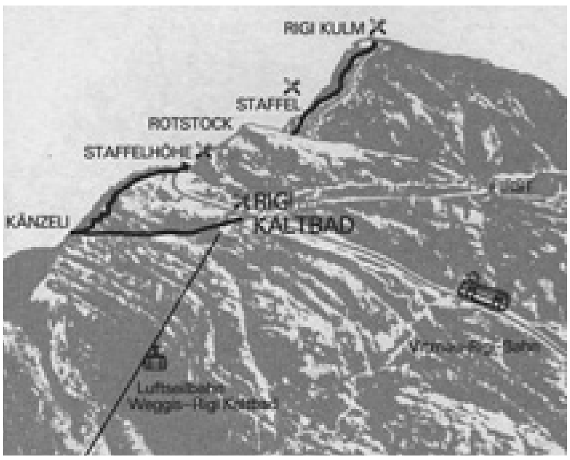
Mt. Rigi – A Paradise for Walking

"Summit walk"

From **Rigi Kaltbad** (1450 m) follow the well maintained path to the Felsenkapelle (a chapel built within the rocks), from here a romantic nature trail leads you to the look out point **Rigi Känzeli**. Here you can enjoy a fantastic view of Lucerne, the Bürgenstock and the famous cross of Lake Lucerne. From **Känzeli** there is a slight climb up to Rigi **Staffelhöhe** (1550 m). The path now runs parallel to the Rigi Railway line to **Rigi Staffel** (1603 m) and finally winds through alpine meadows up to the summit of the Rigi. From this pint, depending on the weather, one can enjoy a stunning 360 degree view of up to nearly 800 kilometres.

Walking time / easy walk:
Rigi Kaltbad – Rigi Staffel / 1.5 hours
Rigi Staffel – Rigi Kaltbad / 1 hour

How to get there?
By cogwheel train from Vitznau to Rigi Kaltbad or Rigi Staffel
By aerial cable car from Weggis to Kaltbad
By cogwheel train from Arth Goldau to Rigi Staffel



For more information please contact:

Mt. Rigi Railways
6354 Vitznau
Switzerland
Phone +41 41 399 87 87
Fax +41 41 399 87 00
www.rigi.ch, www.rigi.ch

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

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.cc

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 ZURICH
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.)